



Telford & Wrekin
COUNCIL

Addenbrooke House Ironmasters Way Telford TF3 4NT

FINANCE & ENTERPRISE SCRUTINY COMMITTEE

Date **Tuesday, 19 January 2016** Time **6.00pm**
Venue **Meeting Rooms G3&4, Addenbrooke House, Ironmasters Way, Telford, TF3 4NT**

Enquiries Regarding this Agenda:

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Committee Membership: Councillors S Bentley, S P Burrell, N A Dugmore, R C Evans,
S A W Reynolds (Chair), R J Sloan, C F Smith and D G Wright

AGENDA

- 1. Apologies for Absence**
- 2. Declarations of Interest**
- 3. Minutes** Appendix **A**
To confirm the Minutes of the meeting of the Finance & Enterprise Scrutiny Committee held on 13 January 2016. (To follow)
- 4. Alternative Budget Proposals of the Main Opposition Group** Appendix **B**
To consider the alternative budget proposals presented by the Main Opposition Group. (To follow)
- 5. Service & Financial Planning Strategy 2016/17 – 2018/19 (Draft Budget Proposals)**
To further consider elements of the budget proposals as determined by the Committee.

NB: Committee members are requested to bring to the meeting the draft budget papers already provided to you.

FINANCE & ENTERPRISE SCRUTINY COMMITTEE

Minutes of a meeting of the Finance & Enterprise Scrutiny Committee held on Tuesday, 19 January 2016 at 6.00pm in Meeting Room G3/4, Addenbrooke House, Ironmasters Way, Telford, TF3 4NT

PRESENT: Councillors S A W Reynolds (Chair), S Bentley, S Burrell, N Dugmore, R Evans, R Sloan, C Smith, D Wright and Co-optees R Williams and C Mason-Morris.

ALSO PRESENT: Councillors A Eade and A Lawrence.

IN ATTENDANCE: F Bottrill, Scrutiny Group Specialist; S Jones, Scrutiny Officer.

FESC-09 MINUTES

The minutes of the meetings held on the 6th and 13th January 2016 were deferred until the next meeting.

FESC-10 APOLOGIES FOR ABSENCE

None

The Committee noted the apologies submitted by the Council's Chief Financial Officer due to attendance at a public consultation meeting on the budget proposals.

FESC-11 DECLARATIONS OF INTEREST

Cllr. Evans declared an interest as an employee of a care provider contracted by the Council for discussion about the adult care budget.

Cllr. S. Burrell declared an interest as a Director of an Adult Social Care Company.

Cllr. C. Smith declared an interest as a Member of the Board of the Shropshire Pension Fund.

Cllr. Bentley declared an interest as a landlord in relation to any discussions relating to housing business rates.

FESC-12 ALTERNATIVE BUDGET PROPOSALS OF THE MAIN OPPOSITION GROUP

The Chair welcomed everyone to the meeting and asked the members to introduce themselves. The Chair invited the Leader of the Main Opposition Group and Cllr. Lawrence to present the alternative budget proposals and confirmed that questions could be taken during the presentation.

Cllr. Lawrence thanked the Committee for looking at the report and the officers for their support in producing the proposals. He explained that there are limitations on

the extent to which an opposition group can develop budget proposals due to time and resource constraints.

Cllr. Lawrence provided an overview of the alternative budget proposals which included freezing council tax as, in the current fragile economic climate, it was important to retain the 0% increase. However, the Main Opposition group recognised that Adult Social Care is a special case and in previous budgets had supported putting additional funding into adult care and the current proposal supported the inclusion of the proposed 2% increase in Council Tax for the adult care precept.

He explained that the key policy difference between the administration's budget proposals and the Main Opposition's alternative budget was on debt and the opposition group did not support the rapid increase in debt. The increase was illustrated in the graphs on page 4 of the report. It was recognised that some of the debt started when the Main Opposition had been in control. He explained that the more debt that is taken on the more difficult it would be to manage and debt amounts to deferred taxation for Council Tax payers as more of the budget is used to service debt. The current debt approved by Cabinet was £261.6 million which had been used to fund projects such as the solar farm and Nu Place with more projects in the pipeline and was felt to be too high and the Main Opposition group recommended the disposal of assets to reduce the level of debt. There was nothing intrinsically wrong with the projects but the issue was that the Council could not carry this amount of debt. If the Council were a different type of organisation, for example a private company land to sell, it may be different but the model was to borrow and spend on speculative projects. There is a risk issue – the Council is not a private company so is not at risk of insolvency but as it takes on more debt it exposes the Council to greater risk. It was agreed that there was a need to find alternative income streams but the Main Opposition's recommended approach was to 'stick to the knitting' i.e. develop services in areas where the Council has expertise, for example children's services, adult care, ICT, planning or to develop services already traded with schools. The Government had talked about high performing local authorities taking over low performing authorities and there could be opportunities for Telford & Wrekin to take over failing services in other areas or provide services to other organisations – payroll services for example. The approach would be to market services on a national basis to the wider public sector or to private businesses as had happened locally in the past. To kick start this, the proposals included £750k for marketing to break into other areas. It was noted that the proposals presented did not include any income that would be generated.

On Single Status, a percentage of payroll costs had been set aside for a number of years. This had been a sensible approach in the past but the steady reduction in the size of the workforce meant they had calculated that the same level of provision was not needed and the some of the money in the pot could be withdrawn and allocated to services. The recommendation was to resolve Single Status over the next 12 months and to use the residual money in the pot to support front line services.

Other proposals included bringing forward the implementation of the living wage, setting aside money to revisit the housing development targets in the Local Plan which were considered too high and a commitment to investment in highways

without increasing debt levels. The objective was to improve highways standards, although further detailed modelling by officers would be required.

Cllr. Lawrence referred to the graph on page 4 of the report which showed the net debt and was concerned that Telford & Wrekin was moving up the graph and the exposure to risk was increasing. The individual risk for each project funded by borrowing was not great – but they added up to a toxic mix. Local government will become more free standing and in the future will not receive Revenue Support Grant which is a share of the national economy and spreads the risk. In future local authorities will generate income linked to the performance of the local economy (for example business rates) which would be susceptible to down turns in the local or national economy. The local government final salary pension will have a growing deficit as pension holders live longer. There is a legal obligation to fund pensions and this will have to continue with a shrinking workforce so the burden will be a greater percentage.

The commercial Property Investment Portfolio as a legacy of the Telford Development Corporation was used to fund liabilities for maintaining open space inherited from TDC but there were concerns about the risks associated with the volatility of the property market which had led to the collapse of investors in commercial property, building societies and banks during the financial crisis. The minutes of the Boards of Northern Rock, Royal Bank of Scotland would show that before the financial crash that their investments were thought to be wonderful but in reality they were bust.

Residential property had historically done well but the Council has no recent experience in residential property development and management and has no experience in solar farms and as the current guaranteed tariffs could end in future these were considered risky investments.

The alternative budget supported the revised approach to the calculation of the Minimum Revenue Provision (MRP) but recognised the risks of implementing the change at the same time as the projects discussed and the impact on the budget over the longer-term. Taking HLC as an example the change in MRP would mean that the Council would be paying interest for 20-30 years when there was nothing left on the lease whereas the lease would have been paid off under the current MRP calculation. There was some accounting logic and Cllr. Lawrence was supportive of the innovative approach but concerned about the impact on future budgets.

The level of debt was a worry. Cheap borrowing on capital markets to invest in commercial property had led to the downfall of institutions such as Northern Rock who had borrowed cheaply and the value of property had fallen. A report before Christmas gave the example of an organisation that had been unable to let properties and the organisation had gone down. The Growth Agenda was the right approach but it was felt the administration was moving into risky areas which the opposition group was not comfortable with. It was difficult find proper external advice on what level of debt the Council could sustain. It was also problematic to measure. The Council has assets on the balance sheet but they cannot be realised to pay off debt, for example school buildings and highways, and there are liabilities in the pension scheme so assets on the balance sheet are weak.

The recommendation going forward was for the Council to take a 'stress testing' approach to the level of debt, similar to the Bank of England, to assess the potential impact of set-backs in the economy such as the recent down turn in China. The report set out some ideas for metrics which could be used to measure the level of debt which had been suggested by the Council's treasury advisors, Arlington Close, for example, debt per property in the council area or debt net revenue. The metrics would help understand the impact of any loss of income. Modelling the impact of a 10% loss of income increased the debt burden to what was considered a worrying level. The amount of current debt per property currently stands at £3,605 but under the savings proposed by the alternative budget this would reduce to £2,610.

The Main Opposition proposed that £1million of the fund set aside for Single Status should be released and that the Council finances would still be comfortable.

Partnering with other authorities would save money and the development of Centres of Excellence within the authority (e.g. land stability at the Gorge and flooding) could be marketed to public bodies to generate income. Children's services was highlighted as an area with potential to provide expertise to failing services in other authorities.

Cllr. Lawrence explained that the main opposition was supportive of the work to reduce youth unemployment but more could be done. An additional investment of £0.5m from the Invest to Save / Capacity Fund pot was proposed to build on this work and to launch an initiative for adults. The extra funding would equate to 78 apprenticeships or a smaller number of adult training roles. 78 apprentices would reduce youth unemployment in the borough by 5%. Rights of way would also have more money.

Regarding education, Cllr. Lawrence said that a weakness in the administration's strategy was that secondary education had not been expanded to match increased demand from demographics and housing development and £0.075m had been proposed for an urgent review of secondary places.

The opposition group supported union membership but not financial support - the £100k subsidised by Council Tax payers to support union membership should be used for other purposes.

There was fundamental disagreement with the Administration's proposals for the closure of libraries which were unnecessary. Other saving could be made so that the cuts were not required. The alternative budget would cancel the closures. The four year grant settlement from government implied that additional savings will need to be identified for future years and the approach would be to work with officers now to identify additional savings and bring them forward to 2016/17 and 2017/18 so that the library closures and an increase in Council Tax were not needed. Balances would be used to allow time for appropriate alternative savings to be identified. In particular the libraries in Newport and Madeley should be retained and alternative models such as a Public Service Mutual would be supported as a vehicle for library service provision. Other opportunities to generate income would be explored for example internet cafes. Devon had developed a good model.

A summary of the model for the next 2 years and the revised savings proposals was set out on pages 15/16 of the report and the figures stacked up. The key proposals would:

- Reduce Debt by £72.2m,
- Reduce the risks the council faces
- Propose a new strategy for incremental income generation.
- Reduce Union Subsidies
- Accelerate implementation of living wage
- Increase the number of Apprentices in the Council by 78 for 1 year
- Better planning for school places
- Review and Revise Shaping places
- Review rights of way
- Reduces the extent of service impacts and reductions

Pages 18-20 of the report set out the Chief Financial Officer's statement of robustness which concluded that the alternative budget for 2016/17 could be considered as robust enough to be viable.

Cllr. Eade commented on the Local Plan and questioned how the housing development target of 15,500 had been arrived at and that the Council's own survey had found 9,940 houses were required in the borough. The higher level of development would not only put a strain on the budget from the infrastructure required to support the development but would require a 40% increase in jobs over the national average for the period of the Local Plan and there were no proposals in the administration budget as to how that would be achieved. The number of secondary schools places was a worry and could not be resolved quickly; money had been invested in primary schools but there was no funding for secondary schools and in fact the funding had been cut. The only way to increase school places was to borrow and Cllr. Eade was concerned about the additional pressure of development on borrowing. The Chinese economy which had been built on debt was in the news and he was concerned about the effect of the economic cycle.

The Chair thanked Cllr. Eade and Cllr. Lawrence for the presentation and opened the floor to questions.

Cllr. R. Sloan said he had some sympathy with the views on Single Status but he would wait for the report to the Audit Committee before coming to a view on the way forward. Four members of the Finance and Enterprise Scrutiny Committee were also on the Audit Committee. On the Living Wage he asked how the figure of £8.10 had been calculated and if it was based on the figure used by government from the Living Wage Foundation of £8.25. Cllr. A. Lawrence replied that the main opposition group would like to go forward with the Living Wage as quickly as possible and officers had helped with modelling different scenarios. The figure was between the existing minimum wage and the Living Wage. Modelling had showed there would be an advantage to staff affected but no additional strain on the budget and he would ask the Administration to consider the proposal. As a better performing Council there are opportunities for Telford & Wrekin and these should be explored.

Referring to the move to local funding, Cllr. Sloan welcomed the Chancellor's announcement about the retention of 100% of business rates by local authorities, but

said that the devil was in the detail and it would not be introduced until 2020 but he imagined that all Councillors would support local authorities standing on their own two feet. Cllr. Lawrence said that the alternative budget had been developed in the context of the move to local funding; money from the government could be seen as 'AAA' rated (i.e. low risk) but as the Council moves to managing on local NDR and was free standing there were greater risks associated with economic downturn and fewer businesses. Cllr. R. Sloan commented that this could also be considered in the context of the discussion regarding Britain's exit from the European Union. Cllr. Eade reflected that the local economy was based on manufacturing which made it more vulnerable to slowdowns.

Cllr. Eade said that Single Status had been going on for some time. It needed to be resolved and he wanted to share thinking. He wondered if the option of buying people's interest out should be considered which would leave more money in the pot for services. He knew that work was going on but that everyone should push to sort it out. He felt the public would not accept keeping £12 million in the pot when services were under pressure and the contingency should be dug into.

Cllr. Sloan said he agreed with the risks around the final salary pension scheme – this was not just an issue for Telford & Wrekin and Shropshire but affected a whole range of people – but the alternative budget had not offered a solution. Cllr. Lawrence compared the situation to personal finances – would you borrow more now to pay off your mortgage when you know you have to pay more into your pension and if interest rates go up you will have limited options for your budget. As the work force reduces the Council will have to fund the pension deficit for people who retired 10 years ago or more with fewer people. The key point was that the Council should be thinking ahead about what the contribution to the pension scheme means. Salaries and pensions have to be paid. A large and growing debt burden with an increase in interest rates would put pressure on the budget and perhaps there should be a cap on the level of debt. The proposed change to the MRP calculation is good now, but together with other things was concerning and future generations will have to carry the debt.

Cllr. Sloan asked if they saw the 7 regional funds as a threat or opportunity. Cllr. Lawrence said they did not change the dynamic. People were not retiring as quickly nowadays and we will need to put more into the pension fund for when they retire and to fund pensions for past employees. It was possible that the pension costs could increase to a colossal 25% of the salary budget.

Cllr. R. Sloan asked if the £500k capacity fund for youth and adult unemployment included the apprenticeship levy. Cllr. Lawrence said the levy had been built into both budgets. The scheme would help young people to gain experience for a year and enter the jobs market with the skills gained during that time.

Cllr. C. Smith asked about the sale of assets. The proposals to sell the solar farm and dispose of the Nu Place properties would reduce the Council's future income. How would the Council replace this income as assets can only be sold once? Cllr. Lawrence replied they would take a different approach by selling services based on the Council's core activities and expertise. The solar farm was good but not in the Council's area of expertise and is funded by debt. If the asset underperforms and

the debt costs increase there is a risk that the Council will lose the profit margin. The Council should de-risk and sell more of what it knows.

Cllr. Smith said the Council was a pioneer in building the solar farm. Cllr. Lawrence replied that Northern Rock Board members may have said the same before the crash.

The Chair said that the solar farm had generated £180k income this year, above the £140k target. She wanted to know what the rationale for selling off income generating assets was, and where they would expect to get income growth. It would be difficult to generate income from the sale of Council services due to lack of capacity within the organisation. Cllr. Eade replied that figures in the alternative budget had come from Cabinet reports and that the tariff for electricity generated by the solar farm could change with new legislation and new technology. Cllr. Lawrence added that it was not the principle of the solar farm that was the problem – but the debt that this created for the Council. Interest rates were low now but they would go up. In the view of the Main Opposition this is not what the Council should be doing – instead the Council should concentrate on offering services where it could offer expertise that would benefit the national economy, bring income into the Council and create local employment at a lower cost base. Telford & Wrekin has better expertise in some areas than other authorities and should not be borrowing more to invest in risky activities. If income generation does not work the only other way to save money would be to reduce the size of the organisation.

Cllr. C. Smith said that the property portfolio of £50 million brought in an income of £5million which in his view was a good return and the Bank of England had indicated the interest rate would not increase this year so where was the risk? Cllr. Lawrence said interest rates would not rise because the economy was so weak and he hoped he was wrong but the opinion of the main opposition group was that a strategy of investment in risky projects was not right. Cllr. Smith relied that the manufacturing base in Telford and Wrekin was higher than in other West Midlands authority areas. Cllr. Lawrence said they would grow activities where the Council had experts and sell services to other authorities. The Chair asked if this meant they did not want to see growth and Cllr. Lawrence said they did but it would be achieved by investing in public sector activities – he said the Council had some very good staff whose skills could be provided to other authorities. Cllr. Bentley said he would support selling off the solar farm because he felt the Council did not have skills in that area but speculated as to who would be interested in taking it over when the big energy companies were not investing in solar and there would be an increase in tariffs. It would cost a lot to dismantle so that was not an option. The Chair said the solar farm would bring in £185k this year and other authorities were looking at going down the same route. Cllr. Dugmore commented it has been sunny in the summer and Cllr. Bentley said he doubted it would have been generating as much energy in the last few months.

Cllr. Dugmore said the Council should focus on what it does best. The solar farm or windmills are a brilliant idea if the money is there to invest in the first place and he had not seen other authorities queueing up to invest in solar farms. He commented on the previous investment in the ice rink which would now reduce its opening times and he questioned if the Council would get its money back from the investment. He

referred to the Chief Finance Officer's comment on page 19 of the report which said that Nu Place, the solar farm and the Property Investment Portfolio represented a small percentage of the total Council budget. Cllr. Dugmore checked his understanding that the alternative budget was proposing the sale of these assets to avoid the future borrowing costs. Cllr. Lawrence said this was correct – they were not large amounts individually but were part of a growing pool of debt. When he had asked officers how the debt could be reduced, the only assets that could be realised were the solar farm, the PIP properties and Nu Place. There was nothing else that could be disposed of to realistically reduce the debt.

Mr Williams asked what figure would be deemed a 'sustainable level' of debt and if it was realistic or an aspiration? Cllr. Lawrence said that the level of debt would depend on the economic climate and interest rates. The worrying trend at the moment was that the level of debt was going up and this had implications for the revenue budget. The % of the debt as a proportion of the revenue budget should be the main metric to manage debt. His own opinion was that the level of debt should be no more than 10% of the revenue budget and he would be comfortable with reducing it by £70 million. This should be reviewed each year depending on the economy.

Mr Williams asked if the interest rate went up, would the priority be to pay down the debt or cut services. Cllr. Lawrence said interest rates tend to be fixed for a term but the problem comes when the term comes to an end and the project needs to be refinanced – this is managed by the Treasury Management team – but the main point was that the level of debt was worryingly high although it would vary from year to year.

C. Mason-Morris asked how viable the stress test metrics were, for example if debt per property was reduced from £3,600 to £2,600 it would reduce again if more houses were built without doing anything to reduce the debt. Cllr. Lawrence said no one had come up with a perfect measure but they had been trying to find indicators which would give a 'feel' for the level of indebtedness and the metrics suggested in the report for stress testing had been suggested by the external treasury advisors.

The Chair said she was still struggling with the ambition of the alternative budget to generate income and selling off income generating assets. She said that private sector developers has not wanted to develop the land used for Nu Place and that the Council would be providing 400 homes which would generate rental income year on year. The properties should only be sold at the right time to maximise the value and now was not the right time. She also questioned the proposals to cut the Growth Fund as this brought business to the Borough. Regarding the proposals for libraries she did not want to lose the libraries and the council would work with others to find an alternative way to continue to provide these services. She asked what the Main Opposition would do once the assets had been sold – there would be a short term gain but how would the continued library service be sustained?

Cllr. A. Lawrence said that savings could be brought forward now to save the libraries. Over the longer term he accepted the need to generate incremental income but the difference in approach was that there should not be further borrowing. Cabinet had already committed to £260 million of borrowing to finance

the capital programme and in the view of the Main Opposition is that level of debt is not sustainable. The Chair responded that the level of Council debt was £130million and Cllr. Lawrence said that the figure of £260 million was what has already been committed by Cabinet.

Cllr. A. Eade noted that the Administration's budget report stated that 'the aim of the review was to close the following libraries. He suggested that Scrutiny should look at this and suggested the Public Service Mutual was a model should be explored and there were good models in York, Devon and Dudley. He said it was important to keep the service intact and not farm it out piecemeal to Town and Parish Councils. Cllr. Lawrence responded to a question from the Chair about long term sustainability of funding for the libraries that they would fund the core service and would look at a public service mutual model. Cllr. Sloan said that the Committee had taken evidence on the library service and had not yet come to a view. This would happen at the final meeting for the Finance and Enterprise Scrutiny Committee in this process. Cllr. Eade said the libraries in Newport and Madeley were well used and would have core funding but they would look at what other authorities had done. He highlighted the need to support the whole library service and suggested looking at the York model.

The Chair said that by highlighting this in the Administration's budget proposals now gave time to work with people to find a solution to ensure that libraries would not close if at all possible. There was some discussion between members about the wording of the libraries proposal in the administration budget.

Cllr. Lawrence said that the point he was trying to make was that, as all administrations do, they would ask officers to work up plans and proposals for savings and income. £750 was enough to put together a plan for the service. Officers were very good at coming up with innovative ideas and they would be asked to do this.

Cllr. S. Burrell said that 15,500 housing target in the Local Plan (although there were no indicative figures in the Service & Financial Strategy) would mean the employment base would need to grow by over 35% over national average employment projections to sustain that level of development. He said that as the housing target had been set as an aspiration, the budget should make sure that measures were in place to back up the required employment growth. If the alternative budget housing target of 9,940 were taken, employment growth of 5-18% over national average projections would be required. Telford & Wrekin had failed to have employment growth of even 12% above the budget should prioritise employment growth alongside aspirations for housing growth. He mentioned this in the context of the reinstatement of the 16+ transport funding in the alternative budget which was the intelligent thing to do to ensure the Council has the means, method and mode for developing a skilled local work force. He failed to see how this could be achieved by the solar farm or Nu Place and if investment has to be made it should be in skills for young people. Neither could he see how the closure of libraries would help, or the lack of investment in schools. He also said that Burton Borough school was projected to be over-subscribed by 2018 as a result of the number of homes that have been built. He could not see a sensible route in the administration's proposals to achieving the 40% above national average employment growth required by the level of housing in the Local Plan. He supported the creation

of a fund to review the provision of secondary school places. Secondary school places had been planned to 2018 but 2020 was approaching.

Cllr. A. Lawrence said that the alternative proposals included investing in highway infrastructure and that by having less housing growth there would be less strain on schools and services and less debt to carry.

The Chair asked now the investment in highways would be funded? Cllr. Lawrence said that this would be worked up with officers but it would not be funded through debt.

Cllr. R. Sloan asked about the approach to partnering with other local authorities and Scrutiny Committee's response to the Main Opposition Budget proposals from the previous year which highlighted that there were no figures or practical examples and the Committee was not convinced that the approach proposed would work, particularly as other authorities were facing the same budget pressures. Cllr. Lawrence said that Capita and other private sector organisation provide millions of pounds worth of services to authorities and other public sector organisations and he thought that Councils would prefer to buy from other local authorities. He gave the example of children's services which are failing and taken over in the same way that a school in special measures is taken over. He said that Telford & Wrekin Council should anticipate this market appearing and build an offer. Telford & Wrekin was a good authority and had services that could be sold. Where services are not so good we could buy from other authorities.

The Chair said that as a small authority the capacity to do this would be limited and there would be geographical restrictions. Cllr. Lawrence said that the difference was that the Main Opposition did not agree with the level of debt and if services were not sold to generate income then the Council would have to down scale.

The Chair said that without precise figures it was difficult to go further with these proposals. She said that if the number of houses was reduced this would also reduce income from Council Tax and New Homes Bonus which would be about £6 million.

Cllr. S. Bentley said he felt the Council had services and expertise that could be sold to other authorities and highlighted the good work of officers on the world Heritage Site and land stability in the Gorge. The Chair said that the Council may have expertise but she was not sure staff had the capacity. Cllr. A. Lawrence said that if the Main Opposition were in control they would have a team to work up these proposals.

Cllr. A. Eade said that this process could be a political bun fight but that they wanted to share the suggestions in the Main Opposition budget proposals and hoped they would be considered. He gave the example of proposals on essential car user allowance made two years ago which were dismissed at the time but had now been included as a savings proposal. If it had been implemented two years ago the Council would be £1million better off. These were genuine suggestions which he would like to work on with scrutiny. In hard times there are risks with borrowing and the right to buy may change the housing market and the committee should not take

their eye off the ball in monitoring borrowing and he hoped scrutiny had ears for listening.

The Chair said that there was good borrowing and bad borrowing. The Council's borrowing was to generate income not to build civic offices.

Cllr. C. Smith said that he agreed with the Prime Minister and Chancellor that it is important to build more houses. He said he did not agree with selling off houses. Many people have bought houses as part of their 'pension' plans. Cllr. Eade said that the feasibility study found that there should be 5,000 fewer homes. Cllr. Smith said that some developers bought land but then did not build houses. Cllr. A. Eade said he would support a punitive tax to prevent land banking.

Cllr. Lawrence said that the level of indebtedness was high for a small organisation. He gave the examples of Iceland and Cyprus who had over borrowed. The Chair said that the level of borrowing was risk assessed and that she was more worried about the Main Opposition's proposals which set out a reserve of £1.2 million. Cllr. Eade replied that the proposals had been signed off as robust by the Chief Finance Officer. Cllr. Lawrence added that the if the Main Opposition were in control they would work with officers to find more savings but the resources had not been available for further work.

The Chair thanked Cllrs. A. Eade and A. Lawrence for their presentation and the officers for their support in this process. She said that if Members had other questions after the meeting they could request a written response.

Cllrs. A. Eade and A. Lawrence left the meeting.

FESC- 13 SERVICE & FINANCIAL PLANNING STRATEGY 2016/17 – 2018/19 **(DRAFT BUDGET PROPOSALS)**

The Chair confirmed the arrangement for the following meeting on the 27th January.

The Scrutiny Officer confirmed a table had been sent to committee members which set out the information that had been requested. She asked for Members to confirm that this reflected the information they wanted. She also confirmed that the Managing Director would attend the Committee meeting on the 3rd February to provide information about the impact of the Senior Management Team cuts, the approach to re-structuring, Single Status and changes to staff terms and conditions, the geographical impact of savings and consultation with partner organisations.

The meeting ended at 7.47pm.

Chairman:

Date:

FINANCE & ENTERPRISE SCRUTINY COMMITTEE

Minutes of a meeting of the Finance & Enterprise Scrutiny Committee held on Wednesday, 13 January 2016 at 6.00pm in Meeting Room G3/4, Addenbrooke House, Ironmasters Way, Telford, TF3 4NT

PRESENT: Councillors S A W Reynolds (Chair), R Evans, R Sloan, C Smith, D Wright and Co-optees R Williams and C Mason-Morris.

ALSO PRESENT: Cllrs. A Burford, V Fletcher and T Nelson (part) for item 4 (a); Cllr L Clare, Cabinet Member for Leisure Services & Culture; Cllr A England, Cabinet Member for Adult Social Care; A Astley, Assistant Director Neighbourhood & Customer Services; C Jones, Director of Children's and Adult Services; R Smith, Assistant Director Adult Social Services; P Taylor Director Care, Health & Wellbeing.

IN ATTENDANCE: S Jones, Scrutiny Officer.

FESC-05 MINUTES

As the minutes were not available this item was deferred until the next meeting.

FESC-06 APOLOGIES FOR ABSENCE

Cllrs. S Bentley, S Burrell and N Dugmore

FESC-07 DECLARATIONS OF INTEREST

Cllr. Evans declared a potential pecuniary interest in item 4 (a), the budget proposals for adult care, and left the room.

FESC-08 SERVICE & FINANCIAL PLANNING STRATEGY 2016/17 – 2017/18 (DRAFT BUDGET PROPOSALS)

Agenda item 4 (a) Adult Social Care Services

Attending for this item were Cllr A England, Cabinet Member for Adult Social Care; C Jones, Director of Children's and Adult Services; R Smith, Assistant Director Adult Social Services; P Taylor Director Care, Health & Wellbeing.

The Chair welcomed everyone to the second budget scrutiny meeting and congratulated Clive Jones on his appointment as Director of Children's and Adult Services. Members of the Health & Adult Care Scrutiny Committee had been invited to take part in the discussion about the adult care budget. The significance of the adult care budget made this a key issue for scrutiny. A list of questions identified previously by members had been sent to the Cabinet member and officers to address in a presentation and the Chair invited the Cabinet member and officers to present the information.

The Director of Care, Health & Wellbeing (CHW) opened by saying it was appropriate for the Assistant Director Adult Social Services (AD) to deliver the presentation as he was responsible for the purchasing budget which accounted for the majority of spending in adult care. Only a relatively small proportion was spent on providing in house direct care. The AD was supported by commissioners to ensure the appropriate care was purchased at the best price.

The Cabinet member remarked that his role was to support and enable officers to 'fund change'. The resources were no longer available to fund care in the traditional way and there needed to be a shift towards individuals taking more responsibility for their own care. Key priorities were preventing avoidable hospital admissions and quicker discharge from hospital. Keeping people at home longer was better for the person, and cheaper, and underpinned the strategy.

The AD gave a Powerpoint presentation to address issues raised by members which included the following information:

1. An overview of the principles of the new operating model

The new model was about moving from a managed service to a Direct Payments model where people take more responsibility for organising their own care. Since December the workforce had been refocused and the assessment and support planning roles had been separated out. Social Workers would still be responsible for ensuring provision of statutory services such as mental capacity assessments, determining eligibility and safeguarding adults but a Support Planning team had been created to work with individuals and families to find alternative solutions outside the traditional care model. The aim was to maximise individual resilience. The old model was a deficit model (focussed on what people cannot do) and the new model was about focussing on people's strengths, building on the strengths and building the support role of families and communities.

The new model would operate on a geographical locality basis with local communities. In the past, people had come into the service too late when they were in crisis and needing expensive care packages which were not person centred. Now, the idea was to work with people and communities much earlier in their journey.

The new model was underpinned by the financial position. The existing managed service, based on a set of contracts with suppliers, was no longer sustainable and they were looking at how to maximise financial resources and personal budgets based around the Direct Payments model. Previously, the authority had taken a commissioning role but now the thinking was around how the authority could facilitate people to buy their own care. Information gives people power and control, and work had been done with partners around the development of an information/guidance approach.

A provider, My Choice, had been commissioned to deliver an advice and guidance service to replace the existing Access service which is the step before people come into the adult care service. There would be a single point of contact with professional advice behind it. The Director (CHW) explained that My Choice was not

a new provider but a co-operative of existing providers which included Age Concern, the Alzheimer's Society and Citizens' Advice.

Feedback from users had been that they did not want to be passed from one organisation to another – for example between social services, the NHS, voluntary organisations – and the new model had been designed to help people navigate the system. TICAT (Telford Integrated community Assessment Team) had been set up based in House 5 at Princess Royal Hospital in partnership with the Community Trust and Red Cross to help people avoid hospital admission and to provide an integrated model of discharge.

There were three Locality teams under 2 Team Leaders working with local people, community groups and partners – e.g. GPs, faith groups – to reach out to people where they congregate. The teams included: Occupational Therapy to help people stay independent, Safeguarding and Mental Capacity team to protect vulnerable adults, the Support Planning team mentioned earlier created around Direct Payments and the Financial Care Management team to ensure people are supported to contribute or pay for their service.

A flowchart mapping points of access and journeys through the system (Target Operating Model) was shown.

2. Savings

The budget proposed an extra £1.6m for services for vulnerable people over what was in the current budget. However, in the context of the overall grant reduction spending at current levels could not carry on and there was a need to make savings.

Cllr. Wright asked if the £1.6m included the money that would be raised by a 2% increase in Council Tax for the adult care precept. The Finance Manager clarified that the £1.6m would be on top of the budget after the adult care precept had been used to off-set the £5.5m pressures built into the budget. The Director CHW commented that the cost of care would increase for example as a result of the introduction of the living wage and Cllr. England said that the living wage would be phased in so if the 2% adult care precept was levied year on year it would support demand. The Director CHW said the government had also announced that there would be improved funding from the Better Care Fund (BCF) from 2017/18 and that some of the money currently channelled through the NHS would come straight to the local authority.

Cllr. Fletcher asked what the current position was on negotiations with the NHS and how the authority would be working with them to negotiate on BCF funding issues. The Director CHW replied that they were working with the CCG and the BCF this year had been used to support the avoidance of hospital admissions and early discharge but this was not new money and was from the existing health budget so it was only useful if the health cost reduces. Cllr. England said that 3 years ago the relationship with the CCG had been strained with the negotiations over the Continuing Health Care funding (CHC) but it had improved dramatically over the last 6 months. The organisations were able to talk to each other and as a result they were likely to get better outcomes.

There were challenging financial circumstances. The authority has a statutory responsibility to meet assessed needs and money cannot be taken into account so there was a need to look at how to get better outcomes for less money. Cllr. Nelson asked how trends in potential needs which are not static – for example dementia or diabetes rates - were projected into the budget. The AD replied that Telford and Wrekin has one of the fastest growing aging populations in the country so there would be an increase in need but that did not mean there would be an increase of existing service provision. The new model projected a 20% reduction in demand for residential care, reduced demand for nursing care, shorter stays in hospital and the principle was that home is best. The need will be there, but that did not mean more of the same services.

Ongoing savings of £8.1m were needed. If the current direction of travel continued, the authority would be buying less residential care and it was important for providers in the market to be aware of this. The Council would employ fewer staff as people are encouraged to manage their own care provision through Direct Payments and the infrastructure would reflect that.

Cllr. Fletcher noted that the Council was aiming for a 60% Direct Payment target and wanted to know how people would be supported and what safeguards there would be to ensure that the care people procure is safe, good quality and meet their needs. The Director said that quality assurance would be covered later in the presentation. The AD said a transition period was needed to develop support arrangements for people on Direct Payments. The Council would make it simpler for people to develop a career as a PA (Personal Assistant) to increase availability of the workforce. There were already PAs in the benefit system in receipt of attendance allowance but they were not coming into the social care world and the intention was to make it easier for them to move in so it would be easier for people to buy PA support. There was a need to prioritise hospital admission avoidance and discharge; people become dependent very quickly once they are admitted to hospital and there was a need to get people home as soon as possible. Safeguarding would continue be the priority and the Council would always continue to purchase for some people but on a reducing basis.

Regarding CHC funding it was reasonable to assume an increase of £1m which would bring Telford and Wrekin in line with average spend. The reduction of the purchasing budget required a 10% reduction in demand and for Direct Payments/PA to become the model of social care. It was deemed reasonable that there would be a reduction in the use of block contracts (beds which are paid for whether they are used or not) to maximise money available for Direct Payments.

Cllr. Wright asked about the implications for savings on block contracts. The AD said there were implications for staff. They had looked at what was a reasonable workload for one person and the restructure was based on one person carrying out one review and one assessment per day. Cllr. England added that the work may not be done by qualified Social Workers but would be carried out by very experienced staff overseen by Social Workers and he was comfortable with this as this was not a new approach and reflected current practice. The AD continued that the community needed to play a bigger role in supporting vulnerable people at home and this was

the expectation of the authority. The Council would do more to help people employ PAs and to recruit more Shared Lives carers for living or respite care. They would work more effectively with health and housing services which are integral to keeping people at home, rather than seeing them as separate services. A key piece of work was to talk to people and make sure they were aware of the changes that were being made.

3. Locality Working Project (LWP)

The locality approach had been piloted in South Telford. Slides were shown, but not discussed in detail, providing details of outcomes from the project including savings and cost avoidance. The key message was that the model was working in terms of outcomes and savings. The model had been fully staffed since mid-December 2015. The second tranche of officers had just completed the training – it was not an easy or straightforward role – and staff go through an accredited process. During the induction period each officer would be allocated one case per week and Support Planners then work on 3 support plans per week. The team will be ‘hands-off’ – the Support Planners will have the conversations with the person about things that could be done to make things easier for them. The delivery of Direct Payments (to support people to manage their direct payments and deal with employment and NI issues) would transfer to a User Led Organisation. A tender process for a ULO was already underway with a view to starting the service on 1 February.

The restructure of the Senior Management Team (SMT) was underway and would bring housing, cohesion and adult social care together to provide access to a wider range of services through the support planning model. However, it was recognised that the Council could not do everything on its own and communities would need to do more to support vulnerable adults to ensure care is provided in the ‘Right Place, Right Time’. Service users, carers and the community had been involved in developing the model. There was a positive relationship with the CCG and a joint local authority / health resilience framework had been developed to support the model as it was in the interests of NHS partners to keep people healthy.

4. Direct Payments

The number of Direct Payment (DP) clients had increased to 24% by the latest figures. The target was to increase to 30% by the end of February and to sustain an increase to 60% over the longer term supported by the ULO. The Director (CHW) said that the national experience was that where a ULO had been put in place, uptake of DP had increased. The AD continued, people learn from other people and the authority would make it easier for people to employ a PA or to become a self-employed PA which would also be good for employment.

Cllr. Burford asked if the ULO would become the employer and the AD replied that they would not.

Cllr. Burford wanted to know if a user was unhappy with their PA if it would be down to them to make the change. The AD acknowledged that it could be a difficult conversation, especially if they have a relationship or the PA was a family member,

and the authority would not step back but would stay involved to help the user broker the conversation.

Cllr. Burford commented that if the PA was someone that the user knows or a family member and they were dependent on the ULO to find an alternative there would still be a role for the authority and the AD assured him that under the guidelines there was still a role for the local authority and they would not step back. The Transforming Care Programme was underpinned by personal budgets and personal health budgets. The model would also support people's housing needs including provision of Extra Care housing and contracts would be reorganised so that people could move their care provision with them. There would be a decommissioning of some of the residential services for adults with learning disabilities (ALD) and there had already been success in moving to community support with direct tenancies.

5. Budget monitoring

Budget monitoring was a standing item on Leadership Team meeting agendas (AD, Service Delivery Managers and Team Leaders). There were formal monthly meetings with the Managing Director, Director and Cabinet member who challenge performance on savings. There is monitoring of the cost of care packages around personal budgets and DP.

6. Quality assurance

The Council has no role in quality assuring services or PAs that individuals purchase directly with their direct payment and it is their personal choice as to what they buy, However the Council advises that they should DBS check prospective PAs. Although the authority does not have a QA responsibility, it is still has a statutory duty for safeguarding. The purpose of DP is to enable people to exercise personal choice. If a person does not have capacity the authority would be more involved. Most of the services contracted through the Brokerage service are care providers governed by the regulatory bodies the Care Quality Commission or Ofsted who are responsible for inspections and standards. Cllr. England added that there would still be annual assessments for users of the DP / PA model which would enable the authority to keep on top of the situation and the Director (CHW) clarified that the authority had a statutory duty to carry out at least annual review and there would be more where the circumstances warranted. The duty was the same for people on DP as in residential care.

Cllr. Fletcher asked if the authority ever did spot checks on providers and the Director replied that the annual reviews were spot checks but they would not include quality checks on providers which is the responsibility of the CQC. The authority does have its own QA officers and if there were concerns about a specific provider they would be discussed with the CQC but the Quality Officers would carry out a spot check. This would not be the same for DP but if a concern was expressed there would be a safeguarding investigation. The AD added that there were bimonthly meetings with the CQC.

7. The Care Market

A Market Position Statement is produced by the Council and refreshed annually. This captures all market data and trends. There is regular monthly liaison with SPIC (Shropshire Partners in Care) which can be challenging. Providers who had reported that they were struggling were being supported by officers looking at their business models and supporting them to change. There was a 'provider failure plan' in place to enable the Council to assess and jointly manage any planned or unplanned closures in the event of a provider becoming unsustainable. The introduction of the national living wage may impact on providers and the financial pressures had been modelled. The amount raised from the 2% adult care precept would not be enough to meet the difference. The Director (CHW) said that Directors of Adult Services were lobbying government about the precept because it favoured affluent areas with higher property values/banding and areas like Telford and Wrekin with more properties in lower bands were penalised by the approach.

Cllr. Fletcher clarified her understanding that the adult care precept was based on the Council Tax banding principle and the Director (CHW) confirmed that it was linked to banding. The Director of Children's and Adult Services (CAS) said that the government had recognised the issue and aimed to address it with the increase in Better Care Funding from 2017/18. There had been consultation with SPIC (Shropshire Partners in Care) including formal consultation as part of the budget process, and the authority was doing all it could to work with SPIC to help save money. Providers had been challenged to think creatively about how care could be provided in a different way and the Council could support changes through the Invest to Save money. The AD said that they were working as partners so there was a joint understanding of each other's needs.

8. Review of CHC cases

An independent body had been commissioned to review the cases of CHC funding which had been challenged by the Council (originally 49 cases, now fewer). An initial meeting had been held to agree specific guidelines and kick start the process. There would be weekly telephone conferences from 19 January to check progress and the review was scheduled to take about 2 months. Complaints would be directed to the Senior Commissioning Manager at the CCG and a named Manager in Adult Social Care. There had been an improvement in the number of cases funded by CHC but not at the pace that the Council would like to see.

9. Transforming Care Partnership

Following the exposure of abuse at Winterbourne View, authorities had been given a new responsibility to establish a Transforming Care Partnership (TCP) on a prescribed footprint with a requirement to develop community services and reduce inpatient facilities for adults with learning disabilities (ALD). The Council had already started to review its ALD strategy and the good news was that the local model was in line with the new national requirements. Locally there were not many ALD in residential care – less than 10 – compared to larger authorities with much higher numbers – Nottinghamshire for example was thought to have around 190. It was thought that this was possibly due to having better community provision historically.

The new national model 'Building the Right Support' set out the expectation that local authorities would work with NHS partners to reduce inpatient beds. The draft plan needed to be in place by 8 February to submit for Quality Assurance and the final plan agreed by 11 April with a 3 year implementation plan showing how the number of ALD inpatient facilities would be reduced. The cost implications were being looked at with the CCG. Historically people coming out of hospital become the responsibility of the local authority and a there would need to be agreement on on-going funding arrangements and a transfer of funding from the NHS to community services including the local authority. So-called 'dowry' payments were being discussed nationally and it was not clear how they would work but it was understood that the NHS would continue to fund care for people over the lifetime if they were in hospital but would not pick up any new cases.

A Board had been established with Shropshire Council and the CCGs for Telford and Wrekin and Shropshire. Telford & Wrekin's Director of Adult Social Services had been agreed as the Senior Responsible Officer (SRO) in November and after his retirement the AD for Adult Social Care would assume this responsibility. It was considered important for Telford & Wrekin to take a lead role and not be 'done to'. The strategy affected a low number of people but with high costs and they would stay on top of the numbers. Reports would be made to Policy Review.

Cllr. Sloan referred to the cost implications and welcomed the Cabinet Member's comments on the improved relationship with the CCG but noted that historically there had been issues with transfers of funding. NHS budgets were challenging and he asked if there could be another battle over the transfer of funding for high cost ALD care. The Director (CHW) said this was a good point but one of the requirements for TCPs was that CCGs and Specialist Commissioning (which commission services on a regional or national basis) and Social Care authorities had to demonstrate what they spend on ALD and there was an opportunity to demonstrate through the new process that the NHS needs to fund the higher costs of ALD. £15m of the £34m budget for special needs was spent on ALD so the authority was putting in a significant amount of money. There had been a suggestion that budgets are aligned as part of the drive towards the integration of health and care budgets.

10. Service Sustainability

Adult social care had been long highlighted as a budget pressure. This was a national issue. Telford & Wrekin had been successful in managing demand, unit costs and reducing residential and nursing care placements but the scale of the challenge should not be underestimated. Cllr. England said that the last 2-3 years had seen a massive reorganisation of the organisation and he had been impressed by the way officers had adapted to change. Their approach to cuts had not been to say that they were impossible to manage but to say 'how can we manage them?'. He felt that the work the AD had done with the team with the community was good. Outcomes were meeting the cuts in funding without noticeably damaging services to the community and in some cases improving them. There would be a Peer Reviewed in May 2016.

The Chair said the funding reductions had continued but she felt that there was more positivity now compared to 5 years ago and she welcomed the way officers were dealing with the cuts but remained concerned about safeguarding. The AD said they could concentrate on the £10m that needed to be saved but rather they concentrated on what they have to spend - £40m net, £52m gross – which you could do a lot with.

There was also a need to get the message out to Council Tax payers to explain the 2% increase for the adult care precept.

The following points were made at the end of the presentation:

- Cllr. Smith said there were a lot of acronyms in the presentation and in future it would be useful to avoid using them or to have a glossary of terms.
- An electronic copy of the presentation would be circulated to Members
- A written response would be provided to additional questions received from Cllr. Dugmore who had been unable to attend the meeting.

Cllr. England and officers left the meeting and Cllr. Evans re-joined the meeting for the next item.

Agenda item 4 (b) Other elements of the budget proposals

Attending for this item were Cllr. Liz Clare, Cabinet Member for Leisure Services & Culture and Angie Astley, Assistant Director Neighbourhood & Customer Services.

The Chair welcomed Cllr. Clare and the AD to the meeting to address issues raised by the Committee on 6 January. The AD gave a Powerpoint presentation making the following points:

1. Libraries

- The proposed savings for library services would be taken in the second year of the savings programme (i.e. from 2017/18) to allow time to consult with partners on the future of the libraries.
- The current proposals were to have no Council run libraries from 2017/18 in Madeley, Newport, Stirchley, Donnington, Hadley and Dawley; the closure of the mobile library service; to reduce the book fund (for books and e-books) by 50%; to reduce resources in the library Development and Management team.
- However the AD reflected that nobody wanted to put forward the proposals but the budget cuts meant there was little alternative. The proposals were for discussion and there would be 16 months to explore with Town and Parish Councils and other partners the potential for other organisations to carry on the provision of a library offer.
- The proposals would deliver around £565k of savings (minus £25k for potential voids if building were left empty which had not been built into the consultation

document so that the operational running costs were clear). A breakdown of savings was provided for each proposal and library, including staff and building running costs (utilities, business rates etc.) but excluding the cost of licenses for technology. The amount of savings are also dependent on opening hours which varied – some were open full time and some only open 16 hours a week. The libraries in Madeley and Newport provide a First Point service (as satellites to Southwater 1) for the local community to access council services which meant the costs were commensurately higher.

- The withdrawal of the mobile library service would save around £40.5k per year from staff costs (£20k) and vehicle/leasing costs (£20k). The vehicle lease cost £11k per year and was due to expire in March 2018 after when the Council would own the vehicle. The route for the mobile library had been established three years ago after consulting with Parish Councils. The mobile library served residential homes and nursery schools on a rota basis and targeted particular customers. Officers had become aware that further review was needed but it made sense to wait until savings targets were clearer. Ms. Mason-Morris asked how the visitor numbers for the mobile library (p.102 of the budget report) had been arrived at. The AD explained that every time someone went into the library it was noted and the numbers had been averaged out over a 12 month period. The number of visitors varied from week to week but detailed records were kept and could be provided to the committee if members wished to see them. The visitor numbers showed that some stops were not viable. Cllr. Clare added that some visitors popped in because they knew the librarian but that did not make the service cost effective.
- The proposal for Wellington was to reduce the amount of space occupied by the library to expand the fitness centre to generate an extra £80k per year. The library would remain but on a smaller footprint. The area that would be affected was the lower ground floor housing the reference and archive sections. Work was being done to explore where this part of the library could be relocated to make space for the gym. Cllr. Wright commented that Wellington library was quite spacious, and the AD said that the fittings were the latest (other than Southwater 1) and the shelving was moveable so the reconfiguration was feasible. Cllr. Clare said that it was worth doing for the amount of additional income that would be generated.
- Libraries are a statutory service and the Council would continue to run the libraries at Southwater, Oakengates and Wellington.
- Members were given assurance that the consultation process on the libraries would be robust to mitigate the risk of judicial review which had happened in some other authority areas. The present consultation (on the draft budget) was the first stage and had put the proposals out to the public and other key stakeholders but there would be a round of specific consultation on the libraries in the spring. Conversations were already on going with Town and Parish Councils and it was early days but there had been a good response. Cllr. Clare said it was important to engage Town and Parish Councils now when they were setting their precepts and could build into their plans, for example, the AD had been to Donnington to talk through the options and financial implications and been well

received. The AD confirmed that all 6 Town and Parish Councils (with affected libraries) had been contacted and the Principal of HLC had been contacted about Hadley library which was mainly a school library with a small public library so conversations were already going on. Cllr. Clare said she was proud that the Council had continued to invest in the service and assured members that they would do everything possible not to fall foul of the requirements for proper consultation and would do all they could to keep the library offer in place working in partnership with others.

- The AD tabled a spread sheet with details of usage, visitors, First Point enquiries, number of computers, opening hours (staffed and non-staffed), premises and costs, staffing costs, staffing hours, income and total costs for each library. The spread sheet would be posted on the website to provide details for the public and interested parties and in response to FOI requests. Cllr. Reynolds said the libraries were used for computer access for example people looking for work and they needed somewhere to go. The AD said she would welcome Members' ideas of any useful information to add to the spreadsheet and Cllr. Clare said any ideas were welcome. The AD said the spread sheet would provide more information for anyone who may be interested in taking over one of the libraries to think about different models. For example, they may want to use their own cleaners, or look at opportunities for sharing space and resources as had happened at Stirchley where the library had been co-located with the Parish Council and they had saved money by reducing staffed hours to 16 but offering a self-service system overseen but Parish Council staff at other times. Donnington was a good example where there were opportunities to consider co-location with the community centre / Lifelong Learning Centre. Madeley and Newport were more challenging as they were standalone buildings. At Dawley there could be opportunities to co-locate with the Town Council. Co-location could be key to the future of the libraries.

At the end of the presentation Members raised a number of points:

- Cllr. Smith said he could see the reasons for making the proposals because of the budget cuts but he was a school governor and was concerned that the service was being taken away when they were trying to encourage young people to read. He would be interested to hear how the discussions with the Principal of HLC go and how young people can be encouraged to read and get away from screens.
- Cllr. Sloan made a number of points:
 - Alternative models had been developed around the country which it would be interesting to explore including voluntary models
 - He had been interested in the effect when the story broke in the press and the complaints about the closure of Madeley Library even though it was not open full-time and he questioned if the Council had been guilty of providing a 'roll-royce' service in the past when moving forward it could only be what was affordable
 - He asked if the alternative models with the Town and Parish Councils were successful, how would this affect the book fund

- The mobile library route included some stops which were not used but Admaston has its own library and volunteers that take library books out to people and he felt more could be made of volunteering
- He would find it hard to believe if the Parish could not come up with the £11k for Hadley library. The costs were for staffing and the parish was already making a contribution. The premises were locked in with the PFI contract and could not be changed.

The AD responded that:

- The cost of premises in Hadley had not been built in as a saving because they were part of the PFI contract which could not be changed
 - The 50% saving in the book fund was based on the assumption that the Council would not be running the 6 libraries but there was also a pot of funding which could be used to help organisations in the take over phase which could be used to stock books / ebooks. Public gifting of books also needed to be looked at.
 - There were now 94 volunteers who deliver books to people at home and if the mobile service closed the volunteers could possibly visit mobile library users at home. Volunteer schemes operate from 6 libraries in partnership with the voluntary sector and Town and Parish Councils and they would need to look at how volunteers could be secured and supported.
- Mr. Williams asked is the number of reported visitors was an estimate or an actual number. The AD explained that visitor numbers are monitored but it can be difficult to monitor visitors who come into the library to read a newspaper but who don't borrow a book or have any interaction with staff. The numbers reported are known visitors (e.g. borrowers, computer users, someone making an enquiry) and are a good estimate of visitors. There may be some visitors who are not picked up but staff have a good idea about who comes through the door. Cllr. Clare explained that visits are recoded where the person has borrowed a book or visited First Point or accessed a service through the library and the AD added that the data may not capture people who come in for a warm. Cllr. Clare said she had been worried about the computers in the libraries being used by people living outside the borough but had been assured that a TLC card was required to use the computers.
 - Mr. Williams asked if the cost savings for the mobile library include driver costs and the AD confirmed that they did. Mr. Williams suggested that they could save by getting a volunteer driver and the AD said this was possible but there were certain license requirements and the driver also issued books.
 - Cllr. Wright asked what would happen to the vehicle when the lease expires in 2018. The AD said the options were to sell the vehicle as an asset and reinvest the capital receipt or to use it for something else. One idea was to redesign the vehicle and use it as a mobile First Point so people who can't or don't access council services online could be shown how to do it as part of the Council's 'channel shift' approach to help save money.

When there were no further questions Cllr. Clare left the meeting.

2. LED Lighting

Members had questioned return on investment of the LED replacement programme and making the capital investment when old bulbs were still working. The AD responded with the following points:

- A full Invest to Save business case had been worked up which showed that LED would deliver substantial savings on energy and maintenance costs. LED bulbs last longer and are lower maintenance.
- Other councils which had invested in LED had seen a 50-60% saving on energy bills
- The Council spent £1.3m on energy for street lights. By year three of a three year contract LED was projected to deliver an annual on-going saving of £0.5m. LED lights had already been installed in a part of the borough and were delivering savings.

Members raised a number of points:

- Cllr. Wright said Cllr. Dugmore's concern had been about the capital investment in the programme. The AD said the investment was £5.2m over 12 years but there would be a major return. An Invest to Save business case had been modelled and a copy could be sent to Cllr. Dugmore and Members asked if this could be shared with all members of the committee.
- Cllr. Smith remarked that a lot of the columns were at the end of their life and the AD said that the condition of many of the concrete columns was deteriorating and the old bulbs were not very bright.
- Mr. Williams said he appreciated the need to make savings but gave an example of a footpath on Wombridge Road where the new LED lights had been installed and were not as bright or had the same spread as the old ones and asked if savings were being made at the detriment of public safety. The AD said she had not heard of this problem before because the LED lights were fitted with deflectors to spread the light and where they had been installed most of the complaints were that the lights were too bright. The advantage of LED is that brightness could be adjusted up or down and the AD said that she would ask someone to look into this individual case. Cllr. Smith said that complaints about the brightness of lights on Gibbons Road had been resolved by an adjustment.
- Cllr. Wright asked if consideration had been given to switching off traffic lights at night. The AD replied that there were health and safety issues and the Customer, Community & Partnership Scrutiny Committee had reviewed the removal or use of part-time signals and had recommended that signals were not switched off. There were only four roundabouts in the borough with Council managed signals. Cllr. Wright was surprised but the AD clarified that the lights at the M54 junctions were installed and managed by Highways England not the

Council, and that they paid the bill. She said they had done a quiz at a public meeting and at the Scrutiny Committee meeting to test people's perceptions about the number of traffic lights in the borough and an on-line quiz may be a way of raising public awareness.

3. Removal of colour printing

Members were concerned about the proposal to remove the option of colour printing when it may be necessary e.g. for planning documents. The AD explained that the proposal was to turn off the colour printing option on 98% of the Council's printers but services such as planning or architectural services would retain the ability to print in colour when necessary. The print service does most of the colour printing and this would be also be a reminder to staff to use the print service because it was more cost effective than using the printers in service areas.

Cllr. Sloan said he remained to be convinced that any colour printing other than for planning needed to be done.

4. Other issues discussed

Cllr. Evans expressed concern about the proposed increase in burial costs for people who cannot afford them. The AD said that people would still have a choice. The Council offers a statutory minimum burial service for £55 for people who cannot afford to pay more. Cllr. Wright said it was cheaper to have a cremation in Shrewsbury than a burial and the AD said that the Council looked after burials but not cremations and it remained cheaper to be buried in Telford.

Ms. Mason Morris said that the Equality Impact Assessment on burials left a lot to be desired as there would be implications for people of different ages, disability etc. and the AD said that she would ask for this to be revisited.

Cllr. Sloan said there was an issue in that the town was running out of burial space and the AD said that they were looking at plots of land to expand.

Cllr. Sloan said he had suggested the committee look at the impact of the proposals for the community centres, but the issue for him was more of a general point about whether a geographic impact assessment of the cumulative budget cuts had been carried out to see if there are any areas which are particularly affected, and how services were joining up to consult on proposals to that opportunities to join up with partners or co-locate services – such as community centres and libraries – were not lost. The AD said this was a good point and there were opportunities for example in Donnington to bring the library and community centre together and she was already in contact with the Community Participation Manager about this.

A written response to a question about savings proposal 48 (reactive highways maintenance) was tabled.

When there were no further questions the Chair thanked the AD and she left the meeting.

The Chair invited members to put forward any other issues they would like to raise as part of the budget scrutiny.

Cllr. Evans requested information about:

- The smoking cessation budget (proposal 169)
- The evidence base for changes to the drug and alcohol service (proposal 171)
- The reduction in senior management impacting on capacity to maintain services safely (proposal 106). This was supported by other members including Mr. Williams who wanted to know why the number of Cabinet members had not reduced commensurate with staffing reductions.
- Changes to staff terms and conditions (proposal 102). The proposal refers to a letter to the Unions setting out the proposed changes and Members have a responsibility to know about proposals that will impact on staff.
- Restructuring process – many of the staff savings relate to not filling vacant posts. Have restructures been driven by staff leaving the organisation or by designing the structure needed to deliver the organisations' vision.

Mr. Williams wanted to look at Single Status. He wanted to know how the amount set aside for Single Status had kept up with changing staff numbers and if there was still enough in the pot.

It was agreed that the Managing Director would be invited to the meeting on 3 February to address the issues related to restructuring and any others that could be covered at the same time otherwise written responses would be requested.

The meeting ended at 8.15pm.

Chairman:

Date:

2016/2018

Alternative Budget Proposals

from the

Main Opposition Group

of

Telford & Wrekin Council.

Published 14th January 2016.

1. OVERVIEW.

The Opposition key budget strategy proposals for 2016/18 include:-

Budget Deficit: –.

Freezing Council Tax for 2016/17 - We continue to support the freezing of council tax rates as originally promised by the Council's Labour Administration. However, given our previous support and defence of the 'under pressure' Adult Social Care budget and the eventual u-turn by the Labour administration last year to increase funding, we support the opportunity to set a 2% precept with funds ring fenced to support this vital function.

Protecting Adult Social Care – We support the proposals to increase the budget for adult social services and children's safeguarding in 2016/17.

Debt Reduction – During 1998/1999 Telford & Wrekin Council enjoyed a healthy position of having +£72m net cash in hand. This position has deteriorated significantly over the intervening years and in particular the past 4 years; worryingly the current net position at 31st March 2015 stood at -£113m. (See graph on Page 4). In parallel, prudential borrowing is expected to reach £261.6m including the commitments in the Administration's latest medium term financial strategy.

We propose a significant change in policy direction with the aim of bringing the burden of debt down to a sustainable level. Our proposals reduce debt by £72.2m

Reduction in Risk – Given the challenges the Council faces, we recognise that Local Authorities, including Telford & Wrekin, must move into areas which will provide additional opportunities for income generation. However, the current administration's strategy of diversifying into speculative areas where the Authority has no expertise is open to external risks beyond the Council's control. This may adversely impact the Council's future financial security and the ability of future administrations to provide services.

We believe that Telford & Wrekin Council should focus on marketing its core activities which it knows well and thereby reduce the impact that risks present. To achieve this we propose significant asset disposals.

Settle Single Status – During 1997 the then Labour Government compelled all Local Authorities to standardise pay across its workforce. This scheme was never settled at Telford & Wrekin but local tax payer's money has been diverted into a contingency fund which now stands at £11.9m. (Payments into this fund were halted by the last Conservative Administration in 2010/11)

We believe that this issue must be settled over the next 12 months and residual monies (which may be considerable) allocated to support front line services.

Bring forward Living wage - We propose to introduce the living wage at £8.10 from 1st September 2016 – giving the lowest paid within our workforce a living wage for the first time. This is in contrast to the current Administration which talks of a living wage but only announces redundancies.

Development of the Borough/ Local Plan - We do not accept the Housing target of 15,555 new houses set by the current Labour Administration. We believe it to be unsustainable and will place a huge burden on the Borough's infrastructure. The Council's own Housing Needs Survey has specified a need figure of only 9,940

The Conservative Group's response to the Council's Local Plan, supports building a total of 12,500 new dwellings (20% lower than that suggested by the current Labour Administration). This will reduce future costs and pressure and on the Council to support infrastructure, education, Health and social services for an ever increasing population. This approach will also remove the need to build homes on Greenfield sites and the Council's own planned incursion into open countryside on 'Site H1' at Muxton and Lilleshall.

We will initiate and fund a complete review of the Administration's Local Plan Proposals and recent consultation and have set £100k aside for this review.

Highways

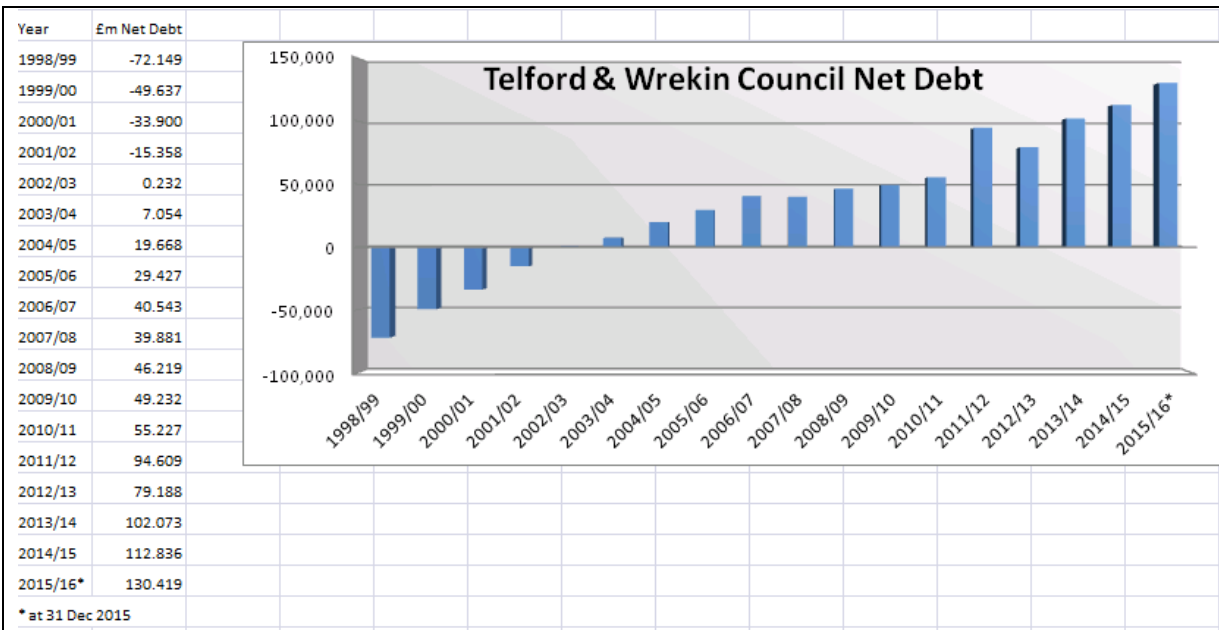
We remain committed to investment in highways, and will work with officers to evaluate how best to achieve this whilst reducing overall debt.

Council 'Prudential Borrowing' – During May 2011 the incoming Labour Administration criticised Conservative "Prudential Borrowing" commitments used to fund Borough wide regeneration, which then stood at **£117.9m**.

As a result, Labour's "*100 Day Budget*" of summer 2011 reduced Prudential Borrowing to **£91.1m** (a reduction of £26.8m). However, the Labour Administration's Prudential Borrowing commitments have since increased to unprecedented levels and are currently projected to reach an anticipated record **£261.6m** after only 4.5 years of the current Administration.

Although much of this additional debt is envisaged to generate a greater revenue return than the cost of borrowing, the exposure to a future change in circumstances, legislation, technology or solar farm feed-in tariffs etc could prove a very significant risk in the future. Furthermore a significant proportion of this debt is invested into speculative areas such as commercial and residential property.

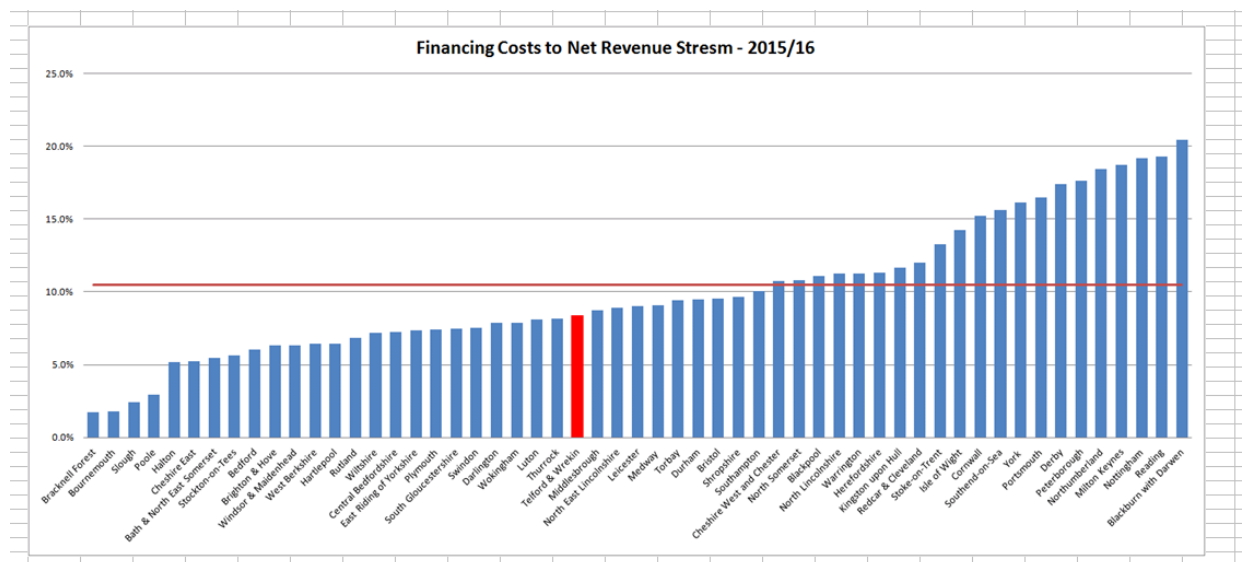
We do not agree with this 'tax and spend' approach and will seek to reduce borrowing levels to safer and more sustainable levels.



As can be seen from the graph above, the council has moved from having £72m cash in hand to £130m net borrowing at December 2015. The trend is clearly one of rising debt.

We are concerned that this level of debt will continue to increase given that further phases of Nu Place (Council's housing development scheme) are already planned together with other projects.

Debt as a % of the Revenue Budget



Currently around 8.4% of the Revenue budget is taken by debt charges, this is with a current average interest rate of 3.56% and net debts of £130m at December 2015. However, the current strategy will see prudential borrowing rise to £261.6m

We consider that, at the present time, any increase in debt charges which increase the portion of principal repayment and interest charges as a percentage of the revenue budget above current levels is both unwise and taking a gamble with public finances. As a result, future budgets may be exposed to greater debt charges.

Moving up the Risk Curve

T&W faces a number of challenges in the coming years, each of which present changes which will increase the risks which the Council will face. Changes such as costs, services provided by the Council and funding sources are set to change the face of Local Government fundamentally.

Risk 1 – Move to local funding

Central government is rightly moving forward to make local authorities responsible for their own funding; the proportion of business rates that can be retained locally is being increased whilst the Revenue Support Grant is being reduced. Whilst we welcome the freedom and control that this gives back to Local Authorities, it could also have the affect of increasing risk. It appears that a time will soon be reached when there is no RSG and all Councils are self funding.

Funding is therefore moving from being a proportion of the national budget and AAA credit rated, to one being based on a more volatile local market and into an organisation that is smaller and without its own credit standing.

These changes and pressures need to be understood and managed by both Officer and Political Leadership to successfully carry the Authority forward. It is clear from the stance taken at the last General Election that the fiscal policies of both major parties were extremely close when dealing with the matter of public finance.

Risk 2 – Final Salary Scheme

The Council is a member of the Shropshire Pension Scheme; this is a final salary defined benefit scheme and is currently underfunded. Historically the scheme has been funded by a combination of employee and employer contributions. The resulting deficit has then been met by the Council via Council Tax Payers, as a proportion of the total scheme deficit.

Whilst the retirement age is rising nationally, the longevity of the scheme members has been rising even faster, this means that a growing deficit fails to be funded by the Council. The deficit is assessed every three years by actuaries, under a triennial review arrangement. Reviews over recent years have consistently meant increased costs. As a result Telford & Wrekin Council has historically chosen the minimum acceptable funding increase.

As the size of the council workforce has reduced, due to savings already made, the size of the council's budget has fallen, despite which contributions to the scheme have increased. This means that the percentage of Telford & Wrekin's revenue budget allocated to pension contributions is rising and will continue to do so.

Risk 3 –Investment Profile

Commercial Property

The council has a property investment portfolio as a legacy of TDC (the old Telford Development Corporation) which is used to fund the liabilities for maintaining open space etc also inherited from TDC. Commercial property is an unpredictable and volatile market area. However parts of the Council's commercial estates require significant investment to bring them up to an acceptable condition and standard. Also, standards will need to be maintained elsewhere to retain existing occupants and attract new businesses to the Borough.

Residential Property

The Council has decided to diversify into a new area where it has no recent or commercial experience; T&W was a housing authority until 1999 but has no recent experience in residential property development, provision or maintenance.

This market is becoming challenging as the Government is making changes to the tax system to reduce the attractions of this type of investment. Future legislation could also affect limited companies such as NuPlace, including 'right to buy' which could fundamentally affect the current or future business case for such speculative developments.

Solar farm

The council has invested in speculative investments such as a solar farm where again it has no experience whatsoever. Changes in tariffs and new technology could seriously affect the future viability of such long term ventures and generate future risk and pressure on future Council budgets.

Risk 4 – Accounting changes

Changes have been made to MRP calculations, which reduce present debt charges but increases them in future years. Although actual cash payments remain the same debt payments in future years increase the pressure on budgets to come.

We support this strategy but recognise it magnifies risk when implemented at the same time as other proposals just highlighted.

Risk 5 Debt funded approach

The expansion of the Council budget is mostly funded by borrowing via the Public Loan works board. Whilst the availability of funding is not an issue interest rates are unlikely to remain at current levels in the long term. However, as interest rates rise, the funding cost of this debt will increase. The revenue budget in future years will have to carry the impact of increasing interest rates.

Risk 6 Capping

Currently council budgets are capped preventing funding from being increased other than by nominal amounts (currently 4%). The Council must be clear on which services it is to continue to provide as costs of current services provision rise, particularly if the ability to raise income continues to be capped.

Risk 7 – Political Driven Growth Agenda

During 2011, the new Labour administration initially embraced a lower debt approach via their 100 day budget. However, since then Debt has almost trebled from £91.1m to a projected total of £261.6m after all current committed schemes have been completed

Growth was initially targeted to be achieved via increased planning approvals leading to increased council tax and new home bonus income. Public opposition to this has been significant and understandable, which has led to pressures for alternative growth approaches to be adopted.

The growth is now being achieved via a move into more speculative and risky assets as already mentioned.

This represents a danger to the Council, which has not been fully understood by the current political leadership, given that over the period 1988 to 2008, property companies, banks and building societies, such as HBOS and NRAM (Northern Rock) have failed due to over expansion into these exact same areas.

The Council budget is therefore increasingly vulnerable to subsequent market shocks and external events.

The trend of increased indebtedness is likely to continue as we are already aware of future planned phases to Nuplace.

Borrowing is a form of deferred tax increase, which is rapidly increasing the burden on future tax payers.

REVIEW OF THE CURRENT ADMINISTRATIONS RAPID DEBT LED APPROACH

We consider the current Administration's approach to be flawed and represent an unbalanced strategy and a business model with inherent vulnerabilities arising from an excessive focus on capital expenditure, asset growth and reliance on debt to generate short-term profitability.

This approach is permitting the Labour Administration to pursue a rapid and uncontrolled growth of the Council balance sheet, which may lead to over-exposure at the peak of the economic cycle. The risks involved are either not identified or, where identified, do not appear to be fully understood by the controlling Cabinet of the current Council.

T&W's underlying balance sheet weaknesses makes Telford & Wrekin vulnerable to market shocks in the event of crisis of the financial system or change in global conditions.

The Council's balance sheet contains valuable assets, but these are assets which are not realisable such as schools and highway infrastructure. The balance sheet once these assets are excluded is considerably weakened.

Our concerns

The current strategy:-

- A risk assessment process that has been inadequately considered by the political leadership of the Council.
- Insufficient focus on risk management or modelling.
- Insufficient testing and political challenge by Cabinet.
- The political leadership continually refers to good and bad debt but fails to demonstrate a balanced assessment of the risk the council is facing.
- The decision to expand growth in council assets is intended to provide diversification. In practice, it increases Telford & Wrekin Council's overall exposure to higher-risk property. The Cabinet is failing to identify the extent to which Telford & Wrekin Council is ascending the risk curve.
- A key feature of T&W's balance sheet is its increasing concentration in property, particularly commercial property assets, residential property and the solar farm.
- Diversity into areas where the Council has no prior experience.

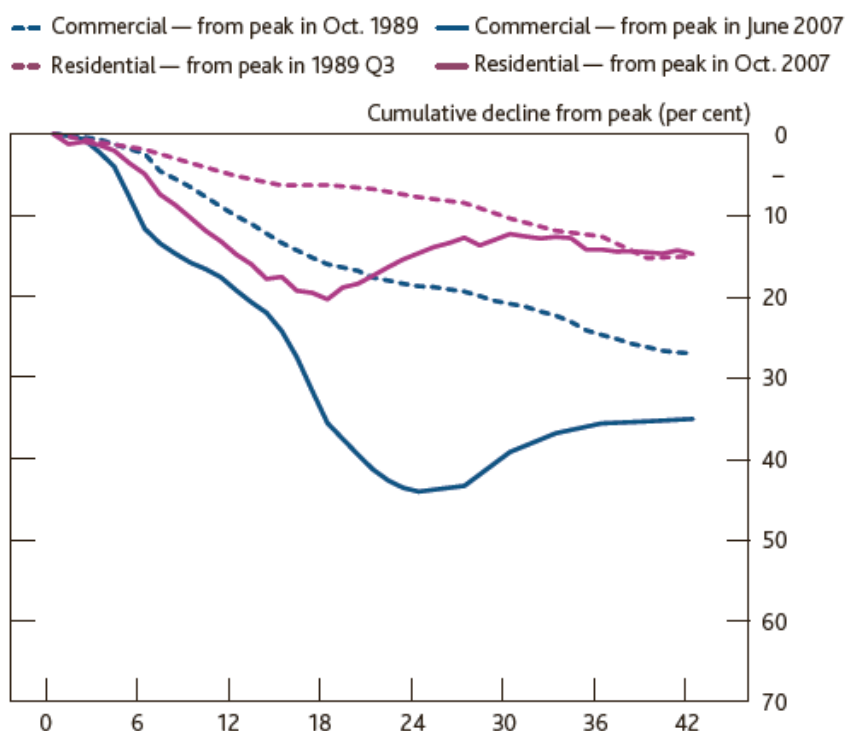
Cabinet members lack sufficient experience and knowledge of finance. Of the councillors who serve in the Cabinet, none have a background in Finance or Accountancy.

We would commit to keeping debt levels to a more manageable level and introduce a more rigorous culture of Risk modelling.

Commercial property

The UK commercial property sector has had a turbulent history. In the past 40 years there have been significant price rises followed by dramatic falls in the early 1970s and 1990s, as well as in the more recent financial crisis, with each period associated with a large build up in lending followed by de-leveraging. Fortunes in this sector can rapidly reverse, affecting a large number of market participants. The proportion of quoted property companies making a loss rose from zero to almost 30% between 1988 and 1992 and 25 banks failed or closed down as the market turned turn in the period up until 2008

Chart 2.11: UK property price falls in recent recessions^(a)



(a) Source: Halifax, MSCI, Nationwide, Thomson Reuters Datastream and Bank of England calculations.

Proposed Actions to de-risk the balance sheet

- Cancel the proposed additional Property Investment Portfolio (PIP) borrowing of £20m.
- Dispose of the Solar Farm.
- Dispose of Nuplace property development.

The above actions will result in capital receipts totalling around £72.2m which would reduce prudential borrowing from the current projected total of £261.6m to £189.4m. The Conservative Group would fund the additional revenue cost arising from making these adjustments from further savings.

Stress testing Telford & Wrekin Council

As all local authorities are different, there is no universally accepted approach to “stress testing” local authority budgets against the potential impacts of major economic setbacks; whether these arise as a result of local factors e.g. the closure of a major local employer, or national or international setbacks. However, the Conservative Group believe that the Council should prepare now for what will inevitably occur at some point in the future. Impacts on the Council from a major recession would potentially include reduced income from business rates, increased bad debts, higher council tax support payments, reduced income from the Property Investment Portfolio and additional cost pressures e.g. children’s Safeguarding. It is the Conservative Group’s view that the Council would be in a much stronger position to deal with such setbacks if debt levels and exposure to “high risk” assets was reduced from the levels approved by the current Administration. Whilst Full Council

approves a set of prudential indicators when setting the budget each year, we believe that a number of further factors should be taken in to account including:-

Controlling the amount of council debt per property which currently stands at £3,605 and would reduce to £2,610 under our proposals.

Limiting the amount of the revenue budget taken up by debt interest charges (Currently interest on outstanding debt consumes 10.48% of projected council tax income).

If adverse economic factors or national political factors resulted in a 10% reduction in total council income, these commitments would increase to 11.65% of council tax income or 4.89% of net revenue stream – all other things being equal.

Such a significant impact arising from a sudden loss of income would force an immediate review of all revenue budget commitments (and reserves) and the implementation of emergency budget savings which would be much easier to deliver if the proportion of the revenue budget committed to fixed debt repayment costs was lower than proposed by the current Administration.

Single Status

Given that the workforce size has decreased steadily over the period 2011 to the present time and that the accrual for single status is a calculation based on a percentage of employment costs, we feel it is now prudent to reduce the accrual by £1m, which still leaves £10.9m available towards future settlement.

Given the long period of time that has elapsed since the inception of this process, we feel it is now time to negotiate a settlement with the Council's workforce, this will: -

- Remove uncertainty for the workforce.
- Allow for better future planning.
- Save on officer time as the issue will be resolved.
- Allow for additional savings to be made and released to the Revenue budget/ revenue reserves at a time when difficult service decisions are necessary.

DEVELOPMENTS

Partnering with other authorities – We believe that significant savings can be achieved over time by partnering with adjacent authorities. Part year savings of £125K are included as a part of this proposal in line with our recommendations made last year.

Revenue opportunities We favour the formation of Centres of Excellence at the Council, which can then market their services to other public sector bodies. Our low cost base and stable workforce is a key advantage meaning that we should be able to secure work from other public bodies outside of our local area. **An example of this: -**

Children's services which persistently fail young people could be taken out of the Councils' hands and given to other high-performing local authorities, children's charities or "teams of experts", under plans unveiled by the current Government. The Education Secretary has told local authorities that improving children's services is not just about money, but about finding a different way of doing things.

We must make sure that we scrutinise every line on the budget and accept that we cannot improve services by doing "*the same old thing in the same old way.*"

High-performing local authorities, charities and experts could be brought in to turn children's services around – often by acting as sponsors, forming "trusts" to take over from authorities that are judged to be failing.

An opportunity therefore exists to provide our better performing services to other local authorities.

Significant income from other local authorities could be generated via this approach and considerably increased in the future by actively marketing our expertise across the broader public sector.

The Approach

Currently T&W has some success with generating external income, but this has been limited to opportunities within the local area. We propose to market our services nationally and will work with officers to find the most appropriate model and opportunities.

Set up costs of £750K will be transferred from the Invest to Save/Capacity Fund for this purpose.

There are a number of areas within the council which can be usefully shared. These include: -

Partnering

- Payroll
- Internal Audit
- Finance Team
- Legal
- Treasury management
- Senior Officer Team
- Architectural Services
- Highway maintenance
- Human resources

New Revenue Opportunities

- Children's services
- Planning
- ICT

Spending Review – As indicated within our 'Pilot proposals' for the Council's Leisure Facilities last year, designed to give Council managers greater commercial freedom, we favour a smaller central structure at the Authority, which currently costs the

Council over £12m per year, in favour of wider competition for the provision of services. T&W Council is now a much smaller organisation than it was 4 years ago which, given the likely direction of travel over the next few years, is likely to become smaller still. It is no longer the authority for which the current structure was designed.

We will commence a major spending and structure review to free up the ability of Managers to manage and provide services.

Youth and Adult Unemployment – We continue to fully support the Council's initiative for reducing Youth Unemployment and welcome the recent reduction over the past 12 months in the Borough's unemployment totals.

However, Youth Unemployment represents only part of the challenges in this area and we would like to build on this success and in addition, launch an initiative for adult unemployment.

The Borough's modelled rate of unemployment (16-64 year olds) was 5.4%, which is lower than regional and national comparators. (Eng 5.6%, W-Mids 6.2%) Youth unemployment is estimated at 12.8% and is below regional and national comparators of 15.6% for England and 16.1% for the West Mids. (We are due an update on Wednesday 20th January; however the latest information available is for the period of July 2014- June 2015)

The effect of redundancy and job loss can have a debilitating effect on the self-esteem, health and living conditions of people who have a wealth of experience and a great deal to offer.

To provide support and reduce both adult and youth unemployment, we would allocate £0.5m from the Invest to Save/Capacity Fund.

The equates for example, to 78 new Apprentice roles for one year, or a lower number of adult training roles. if all the roles filled were for Apprentices then given the number of around 1,400 unemployed young people in the Borough, this would be a reduction of over 5%" We would work with Officers to devise a suitable Adult scheme, the end result of which being a reduction in both Adult and Youth unemployment, through year long training and work experience placements. The actual outcome would therefore be a mix of Adult and Youth employment opportunities.

Rights of Way

Surprisingly, two thirds of Telford & Wrekin is rural and the enjoyment and access to our countryside is an important resource to be enjoyed by the community. The health benefits of walking are well known and may have a greater benefit to the community than the offer of free swimming which has now been withdrawn.

This budget has been underfunded by the current Labour Administration and it is proposed to provide an additional £0.1m to enhance the work of the authority in both rural and urban areas on top of the existing proposals.

Highways

We remain committed to investing in the highway infrastructure of the Borough, as outlined in our previous budget proposals but given the dramatic increase in debt by the current Administration we would wish to launch a comprehensive review of all assets to find the most effective way of investing fully in the infrastructure whilst reducing the debt level down to a manageable level. This will require extensive officer time and is therefore outside of the scope of this budget proposal.

Education

We propose to set aside £0.075m for an urgent review of school places across the Borough due to: -

The cut in the number of Secondary School places made by the current Labour Administration at a time of unprecedented house building

The current Labour Administration's proposal by to build a total of 15,555 new homes across the Borough. (When the Council's own Housing Needs Survey suggests less than 10,000 are needed.)

The belated action taken by the current administration to obtain capital monies from Housing Developers to build new Secondary Schools in the Borough which has left a budget shortfall.

REVIEW OF STAFF TERMS AND CONDITIONS

Given the difficult financial position of the authority, it is necessary to review the terms and conditions of staff and streamline the benefits available.

OTHER SAVINGS

We have identified a number of roles and functions that can be undertaken by other team members and our proposals include the removal of

- Direct Financial Support for Trades Unions
- Indirect Union support via free accommodation
- Reductions to membership subscriptions
- Reductions to conference attendance

Union membership and participation is welcomed; however it is considered iniquitous that tax payers in Telford & Wrekin should be paying for Union representation for Council Officers, facilities which should be paid for by employees themselves. In many instances Council Officers also live outside of the Borough and we question why these facilities should be paid for by T&W Council tax payers.

Review of the Labour Administration's Proposals.

There are some areas of the Administrations budget which are supported, such as the separate precept for Adult Social Care. However, we disagree with the potential for Council Tax increases implied in the Administration's consultation exercise and our budget proposals keeps any further Council Tax increase this year to zero.

The Super CRC site proposed is welcomed. This u-turn reverses the short sighted suspension of the previous Conservative Administrations proposals which would have gone ahead in 2011/12 had Labour's 100 day budget not frozen this project. This site would already have been operational and the savings already available to the Council.

We fundamentally disagree with the Labour Administration's plan for the Borough's Library Service: -

"The aim of the review is to close the following libraries: Dawley, Donnington, Hadley, Madeley, Newport, Stirchley, Mobile Library Service."

The Administration's aim to close the above Borough libraries is without strategic thought and tantamount to a 'slash and burn' approach.

In particular, with proposals to retain two major libraries at the centre of the Borough, the high usage of Newport (76,750 visitors) and Madeley (36,500 visitors) clearly demonstrate the strategic need for also retaining and supporting these two facilities in the north and south of the Borough.

Consequently our budget proposals cancel these suggested closures.

We are aware of a different approach undertaken by a number of local authorities through the formation of a 'Public Service Mutual' as a vehicle for library service provision to ensure libraries not only remain open but prosper whilst delivering savings to their respective Local authorities.

We would approve funding from the Invest to Save/Capacity Fund to explore this proposal.

The four year Grant settlement from Central Government implies that additional savings will need to be identified for future years. Our approach will be to work with officers now to identify additional savings and bring them forward to 2016/17 and 2017/18. However given the amount of officer time this would require, we have shown balances as being used in their place which would allow time for appropriate alternative savings to be identified.

Summary of Budget proposals

Budget Summary

	2016/17 <u>£ m</u>	2017/18 <u>£ m</u>
2016/17 Projected Budget Gap	10.462	22.954
Add: Revenue cost Asset Sales	1.079	0.705

Investments

Cost of Accelerating Govt. Living Wage Increase	0.035	0.240
Education - Review of Secondary School Places	0.075	
Development of Borough/Local Plan	0.100	
Rights of Way	0.100	
Total Investments	0.310	0.240

Deletion of Administration Savings

Savings Proposals (net of pressures)	(9.870)	(20.076)
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Add Back Savings Re-instated:

No 7 - Burials element	0.020	0.045
No 12 - Seasonal Permits	0.004	0.004
No 18 - Bulk Collections	0.000	0.030
No 21 - Litter	0.180	0.180
No 36 - Madeley Library	0.000	0.117
No 40 - Newport Library	0.000	0.122
No 66 - School meals	0.040	0.080
No 76 - Music officer	0.010	0.010
No 91 - Ice rink	0.040	0.040
No 92 - Ski Slope	0.000	0.016
No 93 - Wellington	0.015	0.075
No 95 - Leisure	0.060	0.180
No 126 - 16+ Transport	0.025	0.025

No 152 - Short Break Officer	0.025	0.050
No 157 - Transport	0.100	0.400
No 165 - Youth Clubs	0.151	0.302
No 166 - CSO	0.000	0.121
No 193 - Age UK	0.025	0.000
	<hr/>	<hr/>
	0.695	1.796
Destination Telford ceases	(0.160)	
Joint Working	(0.125)	(0.125)
Revenue from 2% Social Care "Precept"	(1.078)	(2.178)
Other Savings including Trade Union costs	(0.100)	(0.100)
One off single status reserve		(1.000)
One-off Use of Balances	(1.213)	(2.216)
Total Benefits	<hr/>	<hr/>
	(11.851)	(23.899)
Residual Budget Gap	<hr/>	<hr/>
	0.000	(0.000)

Conclusion

Our alternative strategy represents a major departure from the current Administrations strategy.

Our proposals:-

- Reduces Debt by £72.2m,
- Reduces the risks the council faces
- Proposes a new strategy for incremental income generation.
- Reduces Union Subsidies
- Accelerates implementation of living wage
- Increases the number of Apprentices in the Council by 78 for 1 year
- Better planning for school places.
- Review and Revise Shaping places
- Review rights of way
- Reduces the extent of service impacts and reductions

Budget Proposals prepared by: -

Councillor Adrian Lawrence FCA

Councillor Dave Wright

Councillor Andrew Eade

ROBUSTNESS OF THE ALTERNATIVE BUDGET STRATEGY PROPOSED BY THE MAIN OPPOSITION GROUP.

The Council is required to set a balanced budget and under section 25 of the Local Government Act 2003, the Council's Chief Financial Officer is required to give a view on the robustness of the Council's financial strategy including the use of balances and of the financial planning process.

The alternative budget put forward by the main Opposition group will be considered by full Council on 3rd March 2016 and it is therefore appropriate that a view on the robustness of the alternative budget proposals is provided.

The proposals put forward by the main Opposition Group are substantially the same as those put forward by the Administration including the same assumptions on:-

- Income generated from council tax and from implementing the social care precept.
- Investments, pressures and the transfer of funds from the 2015/16 projected underspend to fund one-off costs associated with the delivery of future savings. However, additional one-off investments of £0.275m in 2016/17 relating to reviews of policy on school places, "Development of Borough/Local Plan" and Rights of Way are included. Acceleration of implementation of the Government's "Living Wage" is also proposed at a cost of £0.035k in 2016/17 and £0.24m in 2017/18.
- The overall savings package, although savings totalling £0.695m in 2016/17 rising to £1.796m in 2017/18 are not supported and additional savings totalling £0.385m in 2016/17 and £0.225m in 2017/18 have been included.
- The capital programme although a reference to further (unquantified) investment in highways is referred to.

Key areas of difference include:-

- A proposal to reduce debt levels by not proceeding with/selling some of the commercial investments included in the Administration's proposals. This would have the effect of ultimately reducing debt levels by £72.2m compared to the Administration's proposals. However, there would be a revenue cost arising from losing the assumed profit from these schemes (i.e. excess of income over the cost of debt charges and operating costs). This revenue cost is £1.079m in 2016/17 and £0.705m in 2017/18 and has been built in to the summary shown on page 15 of the Alternative Budget report.
- A proposal to reduce the number of new homes to be built in the Borough by just over 3,000. Under the current local government finance system this would have a financial impact on the Council as income from council tax and New Homes Bonus would be around £6m pa lower than would otherwise be the case. However, this is unlikely to affect 2016/17 or 2017/18 significantly.
- Transferring £1m from the one-off funding set aside for single status in advance of being in a position to model the financial implications of the potential single status settlement. However, a balance of £10.8m would still remain in this provision.
- Commitments of £0.5m to fund 78 new Council apprentices for one year and £0.75m to fund a project to generate additional commercial income over and

above that already built in to the Administration's proposals. These commitments totalling £1.25m would be funded from the Invest to Save reserve.

- Use of one-off resources to balance the budget (over and above the call on the Invest to Save reserve) of £4.429m over the two years. Assuming that the £1m taken from the single status provision is not required for single status, this would use £3.429m of the £4.6m one-offs currently projected to be available at the end of 2015/16, leaving only around £1.2m of useable one-off balances available. Reducing available one-off balances to this level is a higher risk strategy than seeking to deliver the ongoing savings that are required without reliance on the use of one-offs but use of balances allows time for Officers to develop further ongoing savings proposals.

Additional comments:-

- As Chief Financial Officer, I consider the investment strategy that has been adopted by the Administration to be sound and entirely reasonable. Clearly there are risks in implementing such initiatives but there are also financial risks in managing many aspects of the Council's Budget and in seeking to generate additional income from trading, which is a feature in both the Administration's and Alternative Budgets. The issue is to ensure on-going effective management of these risks across the organisation and the track record of the Council to date of robust financial management, in an extremely volatile period of major reductions in Government funding, is very strong. Despite very significant financial challenges the Administration have consistently delivered financial outturn within budget and the Council's accounts continue to receive an unqualified external audit opinion. Income from NuPlace, the Solar Farm and the proposed additional PIP investment represents a small percentage of the total council budget. All reports considered by Cabinet include details of financial implications and major projects are, in my opinion, effectively managed – including the management of risks.
- Most support services generate income from schools and other external clients. The proposed sharing of these services could potentially jeopardise this income or result in some of the benefit being shared with another Council. Therefore specific proposals would need to be subject to consideration of a business case to understand the full implications for the council including any penalties for early termination of IT supplier contracts and one-off project costs.
- The proposed "major spending and structure review to free up the ability of managers to manage and provide services" referred to on page 12 of the report could potentially jeopardise significant income of around £7m pa currently generated from schools and other external clients if it was deemed to indicate that the Council itself does not have confidence in the value for money offered by the council. The details of how this review would be undertaken and the potential implications are not sufficiently clear at this stage but potential issues include, a risk that costs increase if duplication in systems and processes arises, e.g. if several managers go through individual contract specification, tendering and monitoring exercises. Additional costs could also potentially arise if some managers decide that for example they do not wish to purchase HR advice and create equal pay or equalities issues that result in claims against the Council or if statutory requirements such as EU procurement legislation were not complied with when purchasing goods and

services from external suppliers. The Council may also need to incur additional costs if for example in order to prepare the accounts for the council as a whole, information has to be drawn from a number of different financial systems all needing interfaces in to the corporate system to be prepared etc. However no savings assumption has been set for the project.

However, the overall budget for 2016/17 would be likely to balance and can therefore be considered as robust.

Ken Clarke,
Chief Finance Officer.