Telford & Wrekin Co-operative Council

Protect, care and invest to create a better borough

Borough of Telford and Wrekin

Cabinet

5 January 2023

Medium Term Financial Strategy 2023/24- 2026/27

Cabinet Member:	Cllr Rae Evans - Cabinet Member: Finance, Governance & Customer Services
Lead Director:	Ken Clarke - Director: Finance & Human Resources.
Service Area:	Finance & Human Resources
Report Author:	Ken Clarke - Director: Finance & Human Resources.
Officer Contact Details:	**Tel:** 01952 383100 **Email:** ken.clarke@telford.gov.uk
Wards Affected:	All Wards
Key Decision:	Key Decision
Forward Plan:	Yes – 3 November 2022
Report considered by:	SMT – 6 December 2022 Business Briefing – 15 December 2022 Cabinet – 5 January 2023

1.0 Recommendations for decision/noting:

It is recommended that Cabinet Members approve:

1.1 The proposed revised Medium Term Financial Strategy (MTFS) set out in this report for consultation between 6 January 2023 and 5 February 2023.

1.2 Members are asked to note:

1.2.1 The very high level of uncertainty relating to the medium-term financial outlook for the Council due to:

- National and International economic pressures resulting in an extremely challenging financial outlook for U.K. public services
- Rapidly rising costs including energy, food and interest rates which place pressure on the Council's own budgets
- The impact of rising interest rates, the highest rates of inflation for 40 years and a prolonged anticipated economic recession on our residents and businesses resulting in the Council declaring a cost-of-living emergency at Full Council on 10 November
- The cost-of-living emergency resulting in escalating demand for many Council services adding to the financial pressures facing the Council.
- The Government's one-year provisional local government finance settlement not extending beyond the end of March 2024
- The significant potential changes to the local government finance system which have now been discussed by the Government for many years are now unlikely to be introduced before the next general election but remain a major uncertainty. As does the potential impact of Adult Social Care funding reforms which have been delayed until October 2025.

1.2.2 That this high level of uncertainty requires the Council to retain flexibility by limiting new ongoing investments to our highest priorities whilst identifying additional budget savings to ensure a balanced budget for next year and over the medium-term.

1.2.3 That the considerable level of uncertainty together with local elections due in May 2023, which will result in a new Administration with a new mandate, combine to make it appropriate to set only a one-year detailed budget for 2023/24 in the wider context of this overall MTFS.

2.0 Purpose of Report

2.1 To provide an update on the medium-term financial outlook, including key uncertainties and financial pressures and to set out proposals for consultation during the period 6 January 2023 and 5 February 2023. Consultation activities will include holding sessions with key stakeholders including the Voluntary and Community sectors, Town and Parish Councils, businesses, and the Council's cross-party Business & Finance Scrutiny Committee, issuing media releases and seeking views from residents through our website.

2.2 After considering the outcomes from consultation, a further report will be considered at Cabinet on 16 February 2023 at which recommendations will be made for consideration at full Council on 2 March 2023 when the budget for 2023/24 will be finalised and the level of council tax for 2023/24 set, all within the context of a four-year MTFS.

3.0 Background

3.1 The current MTFS, which covered the 4-year period to 2025/26, was approved at full Council on 3 March 2022. This included the 2022/23 revenue budget and medium-term capital programme.

3.2 Since this time, many councils have reported significant pressures in their financial monitoring reports arising from increases in demand for key services and higher costs particularly for provision of social care and for energy costs. Telford & Wrekin Council is also facing significant budget challenges arising from increasing costs and increasing demand for services. The Financial Monitoring Report for 2022/23 also on this agenda provides the latest projections in relation to the projected outturn position for the current year. Most, if not all, of the pressures we face in the current year are of an ongoing nature and are likely to increase in future years.

3.3 At the same, the government is facing significant financial challenges partly arising from the cost of support provided to businesses and through the furlough scheme during the Covid pandemic and the support currently being provided to households and businesses relating to increased energy costs. The government also have to contend with the impacts arising from the Ministerial Statement entitled "The Growth Plan" delivered by the Chancellor of the Exchequer, Kwasi Kwarteng, to the House of Commons on 23 September 2022, (which is widely referred to in the media as the "mini-budget"). This resulted in the pound plummeting to its lowest ever level against the dollar and the Bank of England being forced to buy UK government debt to avoid a collapse in pension schemes. Concern grew globally that the UK economy was entering an unsustainable footing, and the cost of government borrowing soared which has resulted in rapid increases in interest rates impacting on both the Council but also the cost of our residents' mortgages and loans exacerbating the cost-of-living emergency facing residents and local businesses.

3.4 The Government issued a further budget announcement on 17 November which resulted in increased taxes and cuts to public spending being announced. This set the framework within which DLUHC set it's one-year provisional funding settlement for local government which was announced on 19 December 2022.

3.5 The very tight national government funding position, current high rates of inflation, significant cost of living pressures facing our residents and higher interest rates together with major uncertainties over the future economic outlook and over when and what changes will finally be made to the local government finance system create the context within which we must now consider our MTFS proposals. Given the high levels of uncertainty, the one-year settlement provided by the Government and our local elections in May 2023 which will see a new Administration elected with a new mandate, the Council is proposing setting a detailed budget for 2023/24 within the context of a four-year MTFS.

3.6 Despite the exceptional level of uncertainty, as a large complex organisation delivering many essential services to our community, we need to plan over a medium-term period. This is particularly the case for large capital projects which may take more than one year to complete. Therefore, this report sets out a MTFS covering the period 2023/24 to 2026/27. However, due to the high levels of uncertainty and the provisional one-year settlement from Government, projections beyond next year are indicative and will be regularly updated as further information becomes available.

4.0 Summary of main proposals

4.1 The Council has a long track record of sustained strong and effective financial management. Despite having to deliver £141m of ongoing annual budget savings by the end the current financial year since the start of the Government's austerity programme, the Council has out turned within budget for more 15 consecutive years. Due to this track record, we are able to make a number of significant investments to further support our commitment to be on the side of our residents and to further Protect, Care and Invest in the Borough.

4.2 Despite the current high levels of financial pressure and uncertainty facing the Council, this report reaffirms the commitment given last year to freeze the general level of council tax in recognition of the cost-of-living emergency facing our residents. In 2022/23, council tax for the services that this council provides is the lowest in both the East and West Midlands. It is also the second lowest out of all English Unitary authorities. At Band D (the national comparator) council tax in Telford and Wrekin for the services that we provide is £520.09 less pa than in Nottingham. Council tax in the Midlands is, on average, 15.9% higher than in Telford & Wrekin (£228.35pa more at Band D for the services that this Council is responsible for). However, we recognise that council tax is a large bill for our residents and we are committed to ensuring that the Council is as efficient as possible and that we minimise council tax for our residents as far as possible – despite the Government seeking to further shift the burden of funding local government services from government grant to council tax payers with their decision to increase the referendum limit for council tax increases to 5% (including their assumed increase of 2% in the ASC precept for 2023/24 and 2024/25).

4.3 The Council will apply the Government's 2% Adult Social Care precept for next year. This will raise £1.588m towards the £7.26m additional investment that is required into our Adult Social Care services next year and for the average (Band B) property, this will cost £0.43 per week. After this increase, the Council still expects to have the lowest level of council tax in the Midlands region and one of the lowest amongst all unitary authorities in England for the services that it provides. The increase in the total bill for each household will be affected by the decisions of the Police & Crime Commissioner, The Fire Authority and individual town and parish councils.

4.4 As well as the £7.26m additional net ongoing investment into Adult Social Care, the MTFS also makes provision for additional net investment into children's safeguarding of £2.5m next year. The Council's net budget for Children's Safeguarding next year will be over £41.6m and for Adult Social Care the net budget will be £61.6m giving a total commitment to these two key areas of over £103m. equivalent to over two thirds of the total net revenue budget.

4.5 The scope for additional ongoing revenue investments next year is limited, as further investments in other priorities would require more budget savings to be identified. However, several pressure areas have been addressed during development of the MTFS to ensure that the proposed budget is robust and sustainable including investment of £1m more ongoing revenue funding for education transport costs.

4.6 The proposed medium-term capital investment programme totals £364m and is set out in Appendix 13. This includes:

- Over £70m investment to expand Nuplace and Telford & Wrekin Homes providing further high-quality homes for local people to rent from a responsible and responsive landlord,
- Over £70m to support further Growth Fund initiatives bringing new employment opportunities to the Borough,
- Over £40m for transport and Highways schemes,
- Over £40m for education capital projects including investment in school expansion projects to increase pupil places
- £10m for affordable and specialist housing programmes
- Over £11m for a range of housing initiatives, including affordable warmth, empty properties, rough sleeper and temporary accommodation
- £8.7m for a swimming pool in the Dawley area
- £4m funding to progress development of "stalled sites"

- £1.8m into the Stronger Communities Project, a package focused on bringing back key brownfield sites into use, as well as providing a stimulus to the delivery of Station Quarter the next phase of the transformation of Telford Town Centre
- Over £22m for Towns Fund projects
- Almost £5m for Pride in Your High Street schemes
- £3.7m for Environmental Improvements/ Enhancements and funding of £2.8m for Climate change initiatives to support work to reduce the Council's carbon footprint and partnering with government and others on other climate change projects.

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4.7 The Council is firmly on the side of residents and is investing over £12m in a comprehensive cost of living support package over 2022/23 and 2023/24. Further details of this package can be found in section 17 of this report

4.8 The Council is also committed to continuing to deliver its "On Your Side" investment programme which includes both revenue and capital schemes totalling £23.6m during the period 2022/23 – 2025/26, (part of a total £44.4m investment package over a longer period).

4.9 However, of course, we cannot continue to deliver everything that we do currently in exactly the same ways as we have done previously and need to continue to make savings where we can. Since 2009/10 the Council has delivered savings totalling £141m, this report contains details of our approach to identifying savings opportunities and to consultation and engagement on these proposals so that we minimise their impacts as far as possible. The report also puts forward new proposals that will deliver ongoing savings, including from additional income, of £7.9m during 2023/24. Despite the significant budget savings that we have had to make, the Council is still a large organisation delivering many services to local people and it is essential that we use our remaining revenue and capital resources as effectively as possible to deliver the greatest possible benefit for local people. The Council has consistently said that it will continue to protect the most vulnerable in our society and prioritise the protection of services to vulnerable adults and children in our community. The Council is committed to ensuring that we always meet the assessed needs of vulnerable people as we make changes to services, we will always place priority on these essential services and will not let financial pressures mean that we fail to meet the assessed statutory needs of vulnerable residents.

4.10 In order to make the necessary investments into Adult Social Care and Children's Safeguarding and to enable the expected level of savings that will be required over the medium term to be phased in, in a managed way, a review of one-off resources has been undertaken and identified £6m that can be freed-up in order to support the revenue budget for 2023/24. This will not impact on either the £21.7m balance in the Budget Strategy Reserve or the General and Special Fund balances which totalled £5.1m at the start of the current financial year. The Council will retain specific reserves and provisions to make prudent provision for likely risks including insurance excesses, bad debts etc. Further details of the reserves and provisions held by the Council are included at Appendix 6.

4.11 A consultation period on the proposals included in this report will run from 6 January 2023 through to 5 February 2023. The Business & Finance Scrutiny Committee will scrutinise the Administration's budget proposals and any alternative budget proposals put forward by any Opposition group. Cabinet will agree final recommendations to full Council at their meeting to be held on 16 February and final decisions on the budget and council tax for 2023/24 will be taken at full Council on 2 March 2023.

5.0 National Context.

5.1 When the coalition Government was formed in May 2010, they committed to eliminating the national budget deficit which required very significant cuts in public spending and a period of severe financial constraint for the Council commenced. Local authorities were particularly affected by funding cuts during this period because the Government protected many other areas of public spending – but not local government. The cuts to local government were not uniformly spread across the country with more deprived parts of the country losing significantly more grant than more affluent areas.

5.2 At the same time, Adult Social Care and Children's Safeguarding services, in particular, but also other local government services have faced significant additional pressures e.g., from the increase in the number of older people needing access to social care services and specialist care.

5.3 In recent years, as the Government cut funding for local authorities, they assumed that councils would increase council tax by the maximum permitted up to the referendum limit, including the introduction of the Adult Social Care precept. This has seen a direct transfer of the responsibility for funding local government services from grants provided by central government to council taxpayers regardless of the ability of local taxpayers to fund these increases. As a Council with a comparatively low level of Council Tax (see appendices 1 and 2) and the majority of properties in Bands A and B a 1% Council Tax increase raises significantly less than in an area which has a high level of Council Tax and has a large proportion of properties in higher Council Tax bands.

5.4 The severe financial constraints applied by the Government to local authorities during the prolonged period of austerity has resulted in some councils in other parts of the country having to issue “section 114 notices” and take extreme measures to restore financial stability. Locally, in the face of increasing demands for key services at the same time as we have been subject to cuts in our funding from Government, the Council has exercised very active budget management and financial control by Cabinet Members and officers across the Council. The Council has demonstrated a consistently strong track record of sound financial management delivering a financial outturn within budget for over 15 years despite having to deliver £141m ongoing annual budget savings by the end of 2022/23 - without the need to implement any emergency spending control measures.

5.5 The government only held single-year Spending Reviews from 2019 - 2021, with 2019 being a single year due to the political turbulence around Brexit, and 2020 and 2021 being single years due to the COVID-19 pandemic. Prior to 2019, there had been three multi-year Comprehensive Spending Reviews (CSRs) since 2010, with each impacting on local government’s strategic financing.

5.6 CSR 2010 established the initial path of reductions to local government grant funding and introduced the Council Tax Freeze Grant and New Homes Bonus. CSR 2013 continued on this trajectory and introduced the Better Care Fund. CSR 2015 saw the scrapping of the Council Tax Freeze grant, and the introduction of referendum limits for Council Tax and the introduction of the Adult Social Care Precept.

5.7 In October 2021, as Chancellor of the Exchequer, Rishi Sunak MP, the Chancellor announced the Government’s Autumn Budget and CSR2021 - the first multi-year spending review since 2015. CSR2021 set revenue and capital budgets for 2022/23 to 2024/25. This also saw the introduction of the 1.25% Health and Social Care levy to both employee and employer national insurance contributions to support the NHS and introduce a cap on care costs for people self-funding care costs. CSR2021 outlined the Government’s revenue and capital spending plans for the three years 2022/23 – 2024/25 by setting budgets for each central government department.

5.8 CSR2021 was delivered within the constraints of a new set of fiscal rules and in the context of considerably improved economic forecasts from the Office for Budget Responsibility (OBR). The MJ commented that “*The chancellor...revealed a new set of fiscal rules. He vowed to make borrowing only for investment purposes, not revenue expenditure ‘in normal times’, while underlying public sector net debt must continue to fall*.” As reported in Public Finance, The Office for Budget Responsibility stated that “*public spending will increase from 39.8% of GDP before the pandemic to 41.6% of GDP in 2026-27, the largest sustained share of GDP since the late 1970s”* and that *“national debt will peak below 100% of GDP at 98.2% this year, before falling to 88% of GDP in 2026-27*”.

5.9 Overall spending was set to increase in real terms up to 2024/25, with departmental spending increasing in real terms by 3.8% a year on average over the Parliament – a cash increase of £150 billion a year by 2024/25 (£90 billion in real terms) which will require increased taxes to be paid.

5.10 The Government announced a very wide range of priorities in CSR2021, to which much of the additional funding was allocated, these included local government which was set to see an average real terms increase of 3% a year in core spending power. However, this included assumed income from council tax and the Adult Social Care precept. CSR2021 assumed that councils would apply the maximum council tax increase allowable before a referendum is held and also made an assumption of continued growth in the tax base to reflect new properties being constructed. The increase in funding was to be front-loaded. The Core Spending Power increases in future years were linked to ASC reform and merely aimed to compensate councils for the additional costs that they will incur as a result of the cap on care costs for self-funders proposed by the Government.

5.11 On 23 September 2022, the Chancellor of the Exchequer, Kwasi Kwarteng, delivered a Ministerial Statement entitled "The Growth Plan" to the House of Commons, (which is widely referred to in the media as the "mini-budget"). This set out unfunded tax cuts and resulted in the pound plummeting to its lowest ever level against the dollar and the Bank of England being forced to buy billions of pounds worth of UK government debt to avoid a collapse in pension schemes. Concern grew globally that the UK economy was entering an unsustainable footing, and the cost of government borrowing soared which has resulted in rapid increases in interest rates impacting on both the Council but also the cost of our residents' mortgages and loans exacerbating the cost-of-living emergency facing residents and local businesses that were already suffering from the effects of the highest inflation rates for 40 years.

5.12 Following a change in Prime Minister and Chancellor, the Government issued a further budget announcement on 17 November which resulted in increased taxes and cuts to public spending being announced. This set the framework within which DLUHC set it's one-year provisional funding settlement for local government which was announced on 19 December 2022.

6.0 Key Areas of Uncertainty

6.1 Reform of the Local Government Financial System

6.1.1 Significant changes were made to the local government finance system from 2013/14 including the localisation of a share of business rates, the replacement of the national Council Tax benefit scheme with local Council Tax Support schemes and the transfer of responsibility for Public Health services from the NHS to councils with the introduction of a ring-fenced Public Health Grant funded by the Department of Health and Social Care. This current local government finance system represented a significant transfer of risk from the Government to councils but also brought opportunities and incentives to encourage growth in local communities in line with the Government's national drive to increase the availability of housing and jobs. This Council is well placed to benefit from the current financial system with an attractive environment, good motorway connections and ready to go development sites. We have grasped the challenge to become a "Business Supporting, Business Winning" Council.

6.1.2 The funding outlook beyond next year is very uncertain. Radical changes were also proposed by the Government to the local government finance system which were all due to come in to effect in April 2020. However, these changes were delayed by the Government with a revised target implementation date of April 2021. Progress stalled due to the pandemic and the proposed changes were deferred again. Following the Autumn Statement in November it became apparent that the changes would be delayed again. Whilst it is clear that the earliest that any major changes will now be implemented is April 2025, there is currently no commitment to exactly what changes will be implemented or when this might happen.

6.1.3 The Government have again, for the fifth consecutive year, only provided a one year provisional local government finance settlement although some indicative policy guidance for 2024/25 has been provided. Combined with the uncertainty around what changes may be made to the local government finance system, it is very unlikely that the Council will have any real clarity on its funding for 2024/25 and later years until we receive our settlement in December 2023, less than 4 months before the start of the financial year which has now been the case for five years which clearly makes medium term financial planning exceptionally difficult. It is therefore essential that the Council maintains financial flexibility so that it is able to set a legal, balanced budget should the actual position be significantly different from the tentative projections included in this report for future years. The changes to the local government finance system that are being considered will potentially have very significant implications for the Council and could include:

- A new formula used to assess relative needs which will impact on the distribution of available resources between councils.
- Potential changes to the business rates system.
- The "reset of the local government finance system" which would see the benefits of all growth in business rates and council tax income since 2013/14 rebased across the country. This could see 100% of the growth that we have seen lost immediately or a lower percentage given up which could be phased over a number of years. Whilst we would lose the benefit from growth in our area, we would benefit from a share of the growth achieved in other parts of the country.
- The inclusion of data from the 2021 census to update the data from the 2011 census which is still currently in use. The impact of this on the Council will depend on how key data for settlement purposes (such as population) have changed compared t the national average.

- The future arrangements for the New Homes Bonus (NHB) scheme including whether any such scheme is available in future. The Government have again deferred the introduction of a new system and have rolled forward the approach used in 2022/23. However, a new system is expected to be introduced at some point in the future which could impact significantly on the Council as New Homes Bonus is a significant funding stream for the Council.

6.1.4 The Council will continue to take opportunities to respond through all available consultation processes linked to the introduction of these changes to lobby for a fair funding settlement for Telford & Wrekin residents. The Council will also send a response to the provisional settlement. All consultation responses will be agreed by the Cabinet Member for Finance, Governance & Customer Services.

6.2 **Other areas of uncertainty:**

- It should be noted that a new comprehensive spending review will be carried out, probably during 2024 and that there is therefore no certainty over funding allocations beyond 2024/25.
- The rate of inflation has increased significantly, particularly with regard to energy costs placing pressure on Council as well as household budgets. If the Bank of England continue to react to this pressure by further interest rate increases, the Council may face higher costs. Higher interest rates and the high level of the Government's national budget deficit could impact on the economy making the current recession deeper and longer with consequent impacts on the construction of new homes and business premises in the Borough. This could impact on the generation of assumed capital receipt values and on Council budgets for local Council Tax support (if unemployment increases or household incomes fall) and the budgets for homelessness, housing benefit etc.
- The trend of schools to move to Academy status and the consequent risk of loss of existing and potential income for a wide range of services to academy chains.
- The levels of demand for key front-line services – particularly children's safeguarding and Adult Social Care services and whether the Government will make new additional and sustainable funding available for these services.
- The levels of pay awards from 2023/24 and future years and whether these are made as % increases or lump sum awards (as in April 2022).
- The pension fund is subject to triennial re-valuations with the next valuation to be based on the position for assets and liabilities as at 31 March 2025. Any change to the employer's contribution rate will be effective from April 2026. The performance of the investments held by the Pension Fund and the assumptions used by the actuaries to assess the potential liabilities of the fund could have a significant impact on the Council's revenue budget.
- The significant number and value of appeals against rateable values yet to be considered by the Government's Valuation Office agency against the existing valuation list as well as new appeals that may be lodged against the updated valuations is a significant risk to the Council. The Council's budget

includes allowance for potential appeals. However, successful appeals may be higher, or lower, than provided for. Successful appeals impact on the Council's budget by reducing the income from business rates and potentially making repayments if appeals are backdated.

- Projections of what the council's budget gap might be in 2024/25 and later years are therefore extremely difficult to make and have a very high degree of uncertainty. Projections are based on the Council's budget model which will be regularly refined and updated as and when additional information becomes available. It is however certain that the actual position will be different from the projections for 2023/24 and later years included in this report. The actual position may be better or worse.

7.0 Autumn Budget Statement November 2023

7.1 On 17 November 2022, the Chancellor delivered his Autumn Statement, alongside the Office for Budget Responsibility's (OBR's) new set of Economic and Fiscal Outlook forecasts. The Autumn Statement responds to the OBR forecasts and sets out the medium-term path for public finances. This follows the previous Chancellor's Growth Plan announcements in late September 2022, the majority of which have since been rolled back – with the notable exception that the Health and Social Care Levy remains cancelled.

7.2 The Chancellor set two new fiscal policy rules which guide the Autumn Statement:

- Public sector net debt (excluding the Bank of England) needs to be falling as a percentage of GDP by the fifth year of the rolling forecast.
- Public sector net borrowing (the deficit) needs to be below 3% of GDP by the fifth year of the rolling forecast.

7.3 To meet both of those rules, the Autumn Statement delivers public finance measures related to tax and spending worth £55bn by 2027/28. Of this, around £30bn is related to spending policy decisions and £24bn through tax policy decisions.

	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
Total Impact	£1.3bn	(£2.1bn)	£10.0bn	£25.7bn	£41.5bn	£54.9bn
Of which: spending measures	(£1bn)	(£9.5bn)	(£4.7bn)	£8.7bn	£19.0bn	£30.1bn
Of which: taxation measures	£2.3bn	£7.4bn	£14.7bn	£17.0bn	£22.5bn	£24.8bn

7.4 Jessica Studdert of the New Local Government Network, writing in the Municipal Journal said, that "*If the Government's priority was stability, the Autumn Statement failed to deliver…it did the opposite for local public services and communities by confirming only more instability for the* *foreseeable future. The Government's priority was to stabilise the economic volatility created by the previous administration…so, over the next couple of years some unexpected cash injections provide a lifeline for mainstream public services, health and education (and social care if you include extra headroom on council tax increases). The real fiscal pain for public services has been deferred…with a deeper squeeze later".*

7.5 The Autumn Statement confirmed that Departmental Expenditure Limit budgets in 2023/24 and 2024/25 will be maintained at least in line with the budgets set at the Spending Review in cash terms with the majority of the spending reductions planned for the three-year period 2025/26 – 2027/28.

7.6 At Spending Review 2021, departments were also provided with funding to cover employer costs of the Health and Social Care Levy. As the Levy is no longer being introduced as a separate tax from April 2023 and departments will not face these additional costs, their budgets have been adjusted to remove this compensation. This means that the funding received though the "Services Grant" by the Council in 2022/23 has been reduced going forward as part of the 2023/24 settlement process.

7.7 No reductions are planned to Departmental capital spending plans which will continue at the same level in cash terms – although construction costs have seen significant inflationary increases which implies a real terms reduction. The Autumn Statement confirmed that the second round of the Levelling Up Fund will allocate at least £1.7 bn to priority local infrastructure projects.

7.8 To help identify further savings in departmental budgets, the Government is launching an Efficiency and Savings Review. The Review will target increased efficiency, reprioritise spending away from lower-value programmes, and review the effectiveness of public bodies. Savings will be reinvested in public services, and the Government will report on progress in the spring.

7.9 A number of areas pf public spending have been protected with specific commitments:

- The Government has committed to return to spending 0.7% of Gross National Income (GNI) on Official Developmental Assistance (ODA), when, on a sustainable basis, the Government is not borrowing for day-to-day spending and underlying debt is falling. In accordance with the International Development (Official Development Assistance Target) Act 2015, the Government will continue to review and confirm each year whether a return to spending 0.7% of GNI on ODA is possible against the latest fiscal forecast with spending assumed at around 0.5% of GNI until then.
- The Autumn Statement reconfirms the Government's commitment that defence spending will not fall below 2% of GDP.
- The Government is investing an additional £3.3bn in each of 2023/24 and 2024/25 to support the NHS in England. This is intended to enable rapid action to improve emergency, elective, and primary care performance towards pre-pandemic levels.

- The core schools' budget in England will receive an additional £2.3bn of funding in 2023/24 and £2.3 bn in 2024/25.

  Because the Chancellor has capped total departmental spending increases at 1% in real terms every year from 2025/26 until 2027/28; according to the Institute for Fiscal Studies this will mean unprotected departments will lose out on £17bn from their budgets.

7.10 The Government delayed the national rollout of social care charging reforms from October 2023 to October 2025. Funding for implementation will be maintained within local Government to enable local authorities to address current adult social care pressures. Public Finance reported that delaying the cap on the cost of adult social care in England for two years is expected to save £1bn in 2023. The Chancellor said that due to the increasing number of over-80s in the system, there is a "massive pressure" on services and a fear that the cap cannot be delivered in the near future. LGA Chairman Cllr James Jamieson, said: "*The Government needs to use the delay announced today to ensure that funding and support is in place for councils and providers so the reforms can be implemented successfully*."

7.11 The Government announced that it will make available up to £2.8bn in 2023/24 in England and £4.7bn in 2024/25 to help support adult social care and discharge. (This includes £1bn of new grant funding in 2023/24 and £1.7bn in 2024/25, further flexibility for local authorities on council tax and delaying the rollout of adult social care charging reform from October 2023 to October 2025.)

- £1.3bn in 2023/24 and £1.9bn in 2024/25 will be distributed to local authorities through the Social Care Grant for adult and children's social care.
- £0.6bn will be distributed in 2023/24 and £1bn in 2024/25 through the Better Care Fund, with the intention of getting people out of hospital on time into care settings, freeing up NHS beds.
- £0.4bn in 2023/24 and £0.68bn in 2024/25 will be distributed through a grant ringfenced for adult social care which is also intended to help to support discharge.

7.12 The Government announced that it will provide local authorities in England with additional flexibility in setting council tax, by increasing the referendum limit for increases in council tax to 3% per year from April 2023. In addition, local authorities with social care responsibilities will be able to increase the adult social care precept by up to 2% per year. The previous policy, set at the 2021 Spending Review, was for a general limit of 2%, with an extra 1% for adult social care.

7.13 Allowing councils with responsibility for social care to increase council tax by 5% during a cost-of-living emergency is not the answer to funding essential public services. The Association for Public Service Excellence (APSE) state that "*council tax will not provide a means of equal support to council budgets. In areas with a higher proportion of band A and band B properties it stands to reason that they will raise less from a property tax than areas with higher value homes. However, the areas with higher levels of multiple* *deprivation are also the areas where social care demands are often highest, for example in adult care with older people with multiple health conditions and complex needs, and higher proportions of children living in poverty.”* Areas with more properties in higher council tax bands will also tend to have more self-funders and therefore less demand on council funded care services. Similarly, LGA Chairman Cllr James Jamieson said: "*We have been clear that council tax has never been the solution to meeting the long-term pressures facing services - particularly high-demand services like adult social care, child protection and homelessness prevention. It also raises different amounts of money in different parts of the country unrelated to need and adding to the financial burden facing households."*

7.14 The Autumn Statement provided no clarity whether the New Homes Bonus grant system will continue for a further year or not and no indication of likely funding available for Public Heath Grant in 2023/24 or later years was provided.

7.15 With regard to Business Rates, from 1 April 2023, business rates bills in England will be updated to reflect changes in property values since the last revaluation in 2017. A package of targeted support worth £13.6bn over the next five years is intended to support businesses as they transition to their new bills. It is stated that local authorities will be fully compensated for the loss of income as a result of these business rates measures and will receive new burdens funding for administrative and IT costs. Elements of this package are as follows:

- The business rates multipliers will be frozen in 2023/24 at 49.9p and 51.2p, preventing them from increasing to 52.9p and 54.2p. This is worth £9.3bn over the next five years.
- Upwards Transitional Relief will cap bill increases caused by changes in rateable values at the 2023 revaluation. This £1.6bn of support will be funded by the Exchequer, rather than by limiting bill decreases, as at previous revaluations. The ‘upward caps’ will be 5%, 15% and 30%, respectively, for small, medium, and large properties in 2023/24, and will be applied before any other reliefs or supplements. The caps will increase in later years of the scheme. The Government has responded to its consultation on the transitional relief scheme.
- Retail, Hospitality and Leisure Relief - support for eligible retail, hospitality, and leisure businesses is being extended and increased from 50% to 75% business rates relief up to £110,000 per business in 2023/24. Nationally, around 230,000 Retail, Hospitality and Leisure properties will be eligible to receive this increased support worth £2.1bn.
- Bill increases for the smallest businesses losing eligibility or seeing reductions in Small Business Rate Relief (SBRR) or Rural Rate Relief (RRR) will be capped at £600 per year from 1 April 2023. This is support worth over £0.5bn over the next three years and is intended to protect over 80,000 small businesses, who are losing some or all eligibility for relief. This is intended to ensure that no small business losing eligibility for SBRR or RRR will see a bill increase of more than £50 per month in 2023/24.

- At Autumn Budget 2021, the Government announced a new improvement relief to ensure ratepayers do not see an increase in their rates for 12 months as a result of making qualifying improvements to a property they occupy. This will now be introduced from April 2024. This relief will be available until 2028, at which point the Government will review the measure.

7.16 On 12 December 2022, the Secretary of State for Levelling Up, Communities and Local Government published a written ministerial statement which was accompanied by a policy statement on the 2023/24 local government finance settlement and assumptions about the 2024/25 local government finance settlement.

7.17 The policy statement set out assumptions at a national level, but no local authority-level figures were included. Indeed, the bulk of the statement merely confirmed the implications of announcements made as part of the 2022 Autumn Statement. These included that:

- Councils with social care responsibilities will be able to increase council tax by up to 3% with an additional 2% for adult social care without a local referendum, as assumed in the Autumn Statement.
- There will be no referendum limits set for town and parish councils.
- The adult social care funding package announced at the Autumn Statement was confirmed at a national level, although no further details on distribution between authorities were announced.
- The Services Grant will be reduced to account for the cancelation of the increase in National Insurance contributions and to route some funding to the Supporting Families programme. The distribution of the remaining grant will continue to follow the Settlement Funding Assessment as previously.
- The New Homes Bonus will continue in 2023/24 with a new round which will attract no legacy payments.
- The lower tier services grant, and a proportion of expired new homes bonus legacy payments will be repurposed to guarantee that all authorities will see an increase in core spending power of at least 3%, before additional council tax income is factored in. Analysis by LgFutures suggests that "*only those district councils that have significant New Homes Bonus / Lower Tier Services Grant reductions are likely to qualify for additional funding*" as a result of this announcement.
- The Government will explore a potential user-friendly publication on local authority reserves.

7.18 The Government has set out some planning assumptions for the 2024/25 local government finance settlement as follows:

- The Review of Relative Needs and Resources ('Fair Funding Review') and a reset of Business Rates growth will not be implemented in the next two years.
- The council tax referendum principles will continue the same as 2023/24.

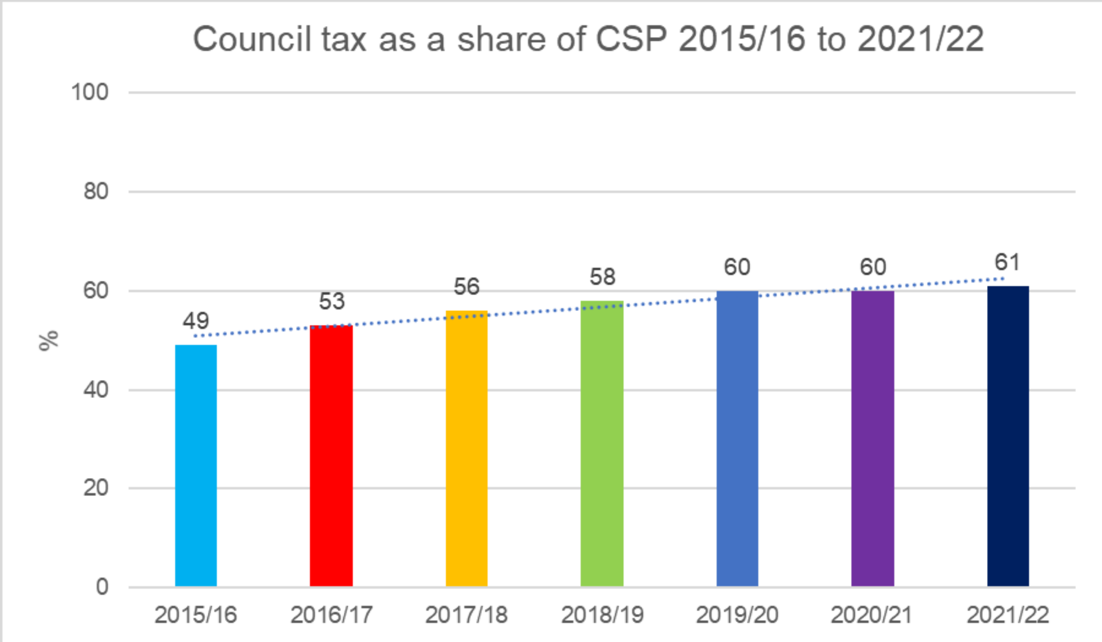
- Revenue support grant will continue and be uplifted in line with baseline funding levels (assumed to be based on September 2023 CPI).
- The Government will set out the future position of New Homes Bonus ahead of the 2024/25 local government finance settlement. The Government has not made a commitment to a new round of payments in 2024/25 but has again committed to set out the future position in the year ahead. The value of such a commitment is unclear, given that it has been made several times in recent years and never fulfilled.

8.0 Local Context

8.1 Telford & Wrekin Council is a high performing local authority providing good quality services for the lowest council tax in the Midlands region for the services that the Council is responsible for:

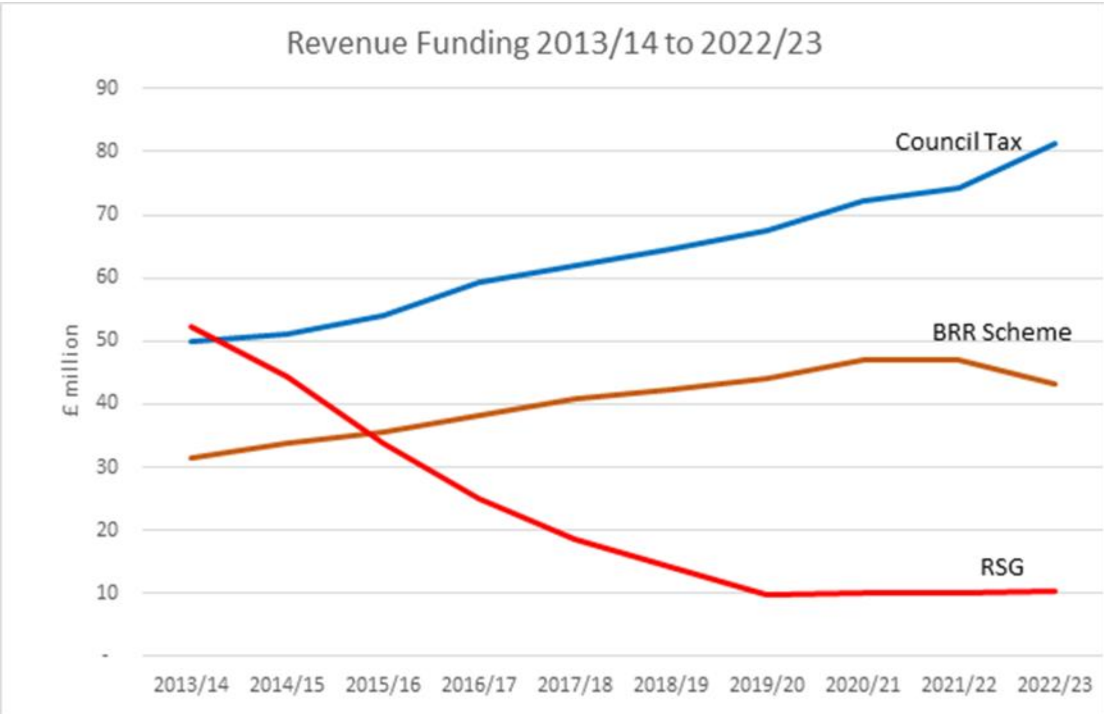
8.2 However, the Government's comparatively low priority for local government compared to other parts of the public sector in recent years has seen funding provided from the government reduce significantly with a deliberate shift in national Government policy to increase the proportion of local government services funded from council tax and other locally derived income sources.

8.3 In their briefing paper: "Local Government Funding Reform Decisions and Options" LgFutures highlight that the "*council tax share of Core Spending Power (CSP) rose from 49% nationally in 2015/16 to a projected 61% in 2021/22*" as shown in the chart that they have produced and which is copied below.



8.4 Locally, the impact of this policy shift is demonstrated in the graph below.

Funding of Telford & Wrekin Council Net Budget since 2013/14



8.5 The amount of Revenue Support Grant (RSG) has fallen from over £50m in 2013/14 to £10.3m in 2022/23. During this period demand for many services has been increasing and inflationary pressures have also increased costs. As can be seen from the graph, the amount raised from council tax has been increasing.

8.6 In 2013/14 39% of the net budget was funded from RSG and 37% was funded from council tax. In 2022/23 only 8% was funded from RSG and 60% funded from council tax. However, throughout this period the council has maintained one of the lowest levels of council tax for the services that this Council provides in both the West and East Midlands, indeed it has been the lowest in the region for the last 5 years. With the proposed continued freeze in the level of the general council tax it is expected that we will continue to have the lowest council tax in the Midlands region in 2023/24.

8.7 As well as a withdrawal of central government funding over many years, the introduction of the existing local government finance system in 2013/14 saw a significant transfer of risk to local authorities. This included the introduction of local “Council Tax Support” rather than centrally funded “Council Tax Benefits” and local retention of business rates. If, as is expected, the economy enters a prolonged recession and potentially the unemployment rate increases, or incomes decrease it is possible that we will see increased costs arising from our local council tax reduction (CTR) scheme. However, to date we have not seen claimant numbers increase significantly but will continue to monitor the position carefully. Any increased cost that does arise will manifest itself through the collection fund as the CTR scheme operates as a discount and reduces the council tax base. It would therefore become a factor to consider when rolling the MTFS on for future years.

8.8 As a large complex organisation delivering a huge variety of essential services and also one that continues to face significant financial pressures and many uncertainties, it is highly desirable that the Council should have a financial strategy that covers the medium term. However, it is clearly very difficult to produce meaningful future projections of resource availability in the absence of medium term funding settlements for local authorities from the Government particularly given the added dimension of continuing uncertainty over potential changes to the local government finance system that have been deferred on many occasions but remain likely to be implemented at some point and also the impact of data changes when the 2021 census data is incorporated into the funding settlement calculations. Despite this uncertainty, we have to make the best projections that we can and ensure that we seek to identify approaches to reduce reliance on government funding, ensure that an appropriate level of reserves and contingencies is maintained by the Council and that the Council maintains its long track record of sound financial management by making realistic budget assumptions, through comprehensive regular financial monitoring and updating the Council’s medium term budget model as additional information becomes available..

8.9 The Council has sought to offset part of the loss of Government grant by generating income by adopting a more commercial approach to many existing services. We have sought to ensure that this approach spreads fixed costs, maximises use of any spare capacity and where possible brings environmental, social, or economic benefits to our residents. We were the second council nationally to open a commercial solar farm and are continue to invest in NuPlace, a wholly owned company, which offers high quality homes, mainly at market rents.

8.10 Primarily NuPlace was established to increase the supply of private rented accommodation in the area, to regenerate brown field sites that the Council had been unable to sell and to drive-up standards in the wider private rented sector by offering a high-quality alternative to private tenants. However, both of these schemes also generate a surplus after paying all associated costs. The profit is used to help reduce the amount of cuts that we would otherwise have to make to the front-line services that the Council provides to our community.

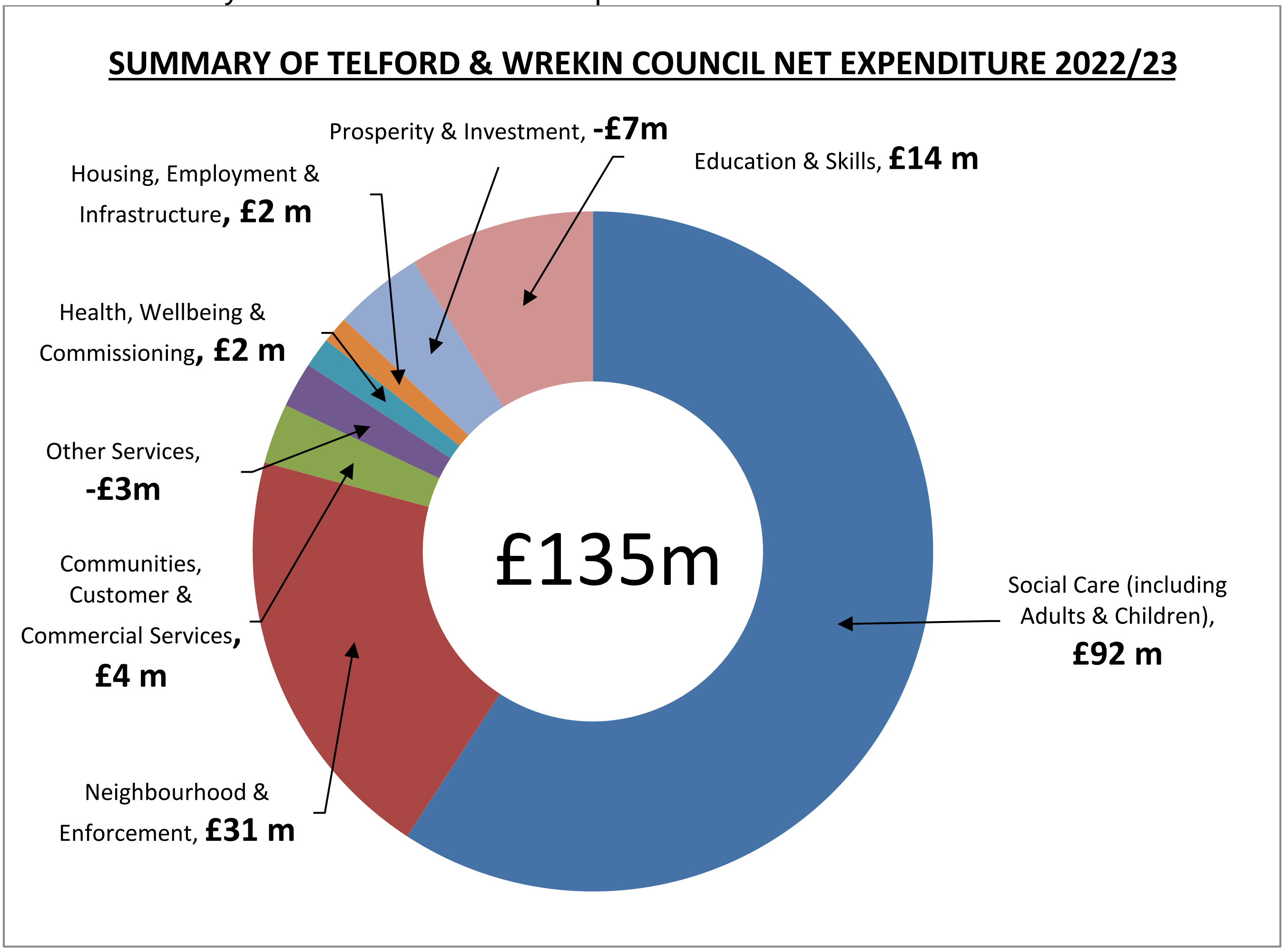
8.11 The Council is also committed to investing in the Borough's future. Ensuring that the Borough is an attractive place to live, work, learn and visit is essential if we are to attract new businesses that will create jobs and bring prosperity to the area and the people that live here. The Council also benefits from retaining a share of any additional business rates (between "reset periods") which also helps to minimise the cuts that we have to make to front-line services.

8.12 As part of our "Business Winning, Business Supporting" Approach, the Council continues to make investments in our Property Investment Portfolio which unlike some councils is invested solely within the Borough in new property holdings bringing new jobs to the Borough from inward investors but also retaining existing jobs in companies looking to expand and which may otherwise move out of the borough. Any net return after covering all associated costs is used to support front line services as will additional retained income from business rates between any reset periods.

8.13 On 3rd March 2022 the Council approved a detailed one-year service and financial planning strategy for the current financial year within the context of a four-year MTFS. The one-year detailed strategy was agreed because the Government only provided a one year funding settlement, because of the added uncertainties caused by the pandemic and because the Government had again deferred their planned major changes to the local government finance system. The Council remains committed to key themes from this earlier strategy and will continue:

- To work with partner organisations, including Town & Parish Councils and voluntary sector and community groups to seek to identify ways to mitigate the impact of some of the cuts to services that we can no longer afford to provide. These discussions have been very successful and the Council is committed to extending this approach further through Partnership Deals with some transitional funding potentially available where appropriate.
- The Council committed to phasing out the residual local council tax support grant to the remaining, most severely affected, Town & Parish Councils over a three-year period commencing in 2022/23. The grant allocations for the relevant town and parish councils in 2023/24 will therefore be two thirds of the amount received in 2022/23 and these amounts have already been notified to relevant councils. The grant in 2024/25 will be half the amount received on 2023/24 with no further amounts payable in future years. The decision to phase the great out over three years was taken in order to enable these town and parish councils to plan on a medium-term basis.

8.14 The budget set for the current year and which forms the basis for the budget for future years is summarised in the pie chart below:



8.15 The chart shows that in 2022/23, £92m, or over two thirds of our net budget, is spent on social care for adults and children. Financial Management reports to Cabinet during the year have consistently highlighted that at Telford & Wrekin both adults and children's social care services are facing pressure despite the significant additional ongoing investments made in recent years, additional ongoing investment in both services is therefore required to ensure a robust MTFS in future years.

9.0 A Council Working to Protect, Care & Invest to Create A Better Borough

9.1 Despite our severe financial constraints, Telford and Wrekin is a progressive Council with ambitions to improve the Borough and the lives of residents, supporting them through the current cost of living emergency as far as we are able to with the resources available to us. We are tackling the enduring impact of the Government's sustained austerity programme and the lasting impacts of the pandemic head on.

9.2 The Council has an ambitious four-year investment programme to protect, care and invest to create a better borough and between 2020 and 2024 we will be investing more than £50m to keep neighbourhoods safe, clean and well connected.

9.3 We are mid-way through delivering a £16m package of investments in projects that will make the borough cleaner, greener, safer and more enjoyable as part of our commitment to Protect, Care and Invest in the Borough which is on top of the £50m referred to above. This package includes:

9.4 Our Council Plan agreed by Cabinet in February 2022 sets out how as a Co-operative Council, the organisation wants to take forward the Borough over the medium term. It is a Plan which is centred on tackling the inequalities that exist in our communities. We will build a strong, clean economy and will ensure that all communities benefit from this - that the very real differences between our communities are "levelled- up" and that all of our communities are resilient, healthy and prospering. Core to all of this will be the action we take to protect our environment and playing our part in tackling the climate emergency. In October 2022, Cabinet agreed a 10-year vision for the borough providing the organisation with a long-term plan for the sort of place we want the borough to be in 2032, outlining our ambitions but also the challenges we want to have addressed. Vision 2032 has been developed with our key strategic partners including the NHS, Police, Telford College, and Harper Adams University providing a series of shared ambitions that we can collectively work together to achieve.

9.5 Despite the severe financial challenges we face, our mission is clear. We will support residents and businesses to recover from the Covid-19 pandemic and through the cost-of-living crisis, to attract new jobs and investment and promote clean growth in the borough, whilst seeking to protect, as far as we are able to, priority front-line services and are working co-operatively with our residents and partners to deliver these.

9.6 From our on-going engagement with local people over many years, we are clear that they and their families have some fundamental priorities which we as a Council will work with them to achieve. We know that the people of Telford & Wrekin want to live:

- **In a safe community** – we work in partnership with West Mercia Police to ensure that Telford & Wrekin remains a low crime area. Our work to support and safeguard children from sexual exploitation has been recognised by Ofsted as amongst the best in the country. The Council is committed to implementing the recommendations included in the report of the Independent Inquiry into Telford Child Sexual Exploitation, Chaired by Tom Crowther QC published in July 2022. Initial funding of £0.25m has been included within the MTFS to cover these costs in addition to committing to protect the funding of the CATE team in real terms in future years and also providing ongoing funding of £0.1m pa to replace existing one-off funding currently used to support part of the budget for the CATE team. If required additional funding will be built in to the MTFS as and when required to ensure the Council can deliver its commitment to safeguard children

- We have worked to get Telford designated as a White Ribbon Town where domestic violence is not tolerated. Our Public Protection team deliver our enforcement agenda to ensure that local services and facilities are safe, that nuisances are tackled and houses in multiple occupation are better managed. We have made a commitment as a Council to always look after the most vulnerable in our community.

- **In a clean environment** – we work in partnership with Idverde and Veolia and also with our Town and Parish Councils to ensure that our streets, parks and public spaces are clean and tidy and that we have first class waste collection and recycling services.

- **In a place with good roads and pavements** – each year we invest in a major programme to repair and maintain our roads and pavements. We have also secured significant amounts of Government funding to improve many roads, roundabouts and junctions so that congestion caused by more cars using our roads in the future will be reduced or avoided. The results from the National Highways & Transportation Survey (NHT) for this year have us top in the region for overall satisfaction with roads, we are joint 3rd nationally and joint second out of all unitary authorities. We have:

  - 626 miles of road,
  - 743 miles of footpaths,
  - 132 cycle ways,
  - 20,000 streetlights,
  - 120 roundabouts

  As part of the Council's 4-year investment programme to Protect, Care and Invest to create a better borough, between 2020 and 2024 we are investing over £50m to keep neighbourhoods safe, clean and well connected. The 'Pride in Our Community' programme will deliver improvements to infrastructure including roads, footpaths, parking. The existing investment plan is summarised below:

- Through our 'Pride in Your Community' initiative and through creative use by elected members of their ward fund allocations, we have also made lots of little improvements in communities and on estates that can make a big difference to everyday life.

- **Where there are first class schools and education facilities** – we work in partnership to support our primary, secondary and special schools and performance is amongst the best in the West Midlands. We will continue to invest in maintaining and extending school buildings.

- **Where there are excellent and accessible Hospital, GP and other Health and Care services -** we are providing a key role working with NHS Health colleagues to ensure the Health and Care needs of our residents are fully articulated and Health and Care Services are planned based on those needs. Championing improvements to GP access and other primary care services together with improvements in Acute Hospital services and service backlogs are priorities for us. Telford deserves first class Hospital and other health and care services, and we will continue to champion this important issues. Health and Care within the community and “closer to or in the home” also remain priorities.

- **Where they have a job and there is a thriving economy** – through our Enterprise Telford approach, we are attracting more new businesses to come to our Borough every year bringing new jobs. We have also supported many existing businesses to succeed and expand.

- Through our ‘Pride in your High Street’ initiative, we have sought to give local businesses the key skills to both survive and thrive in our town centres. We work to protect local jobs, we have lobbied Government to retain key activity in our town. We also work, through our Job Box and Apprenticeship schemes, to ensure local people, and particularly young people, have the skills they need to get a job.

9.7 As a co-operative council, we are committed to listening to and involving residents in developing our plans to protect, care and invest to create a better borough. Our approach is to engage with our communities and partners in a targeted way – making sure the right people are involved at the right time on matters that affect them and this is ongoing throughout the year.

9.8 One way residents can get involved is through our Community Panel – this is intended to be a representative group of local residents who volunteer to give their views and ideas on a range of local issues and services. When they sign up they identify themes of interest so we only contact them about what they wish to be consulted about. In the last 12 months we have involve Panel members on a range of subjects including the Council's budget, Equality, Diversity & Inclusion Strategy, Customer Services, Leisure Services, the Towns Fund, the Ageing Well Strategy and Vision 2032.

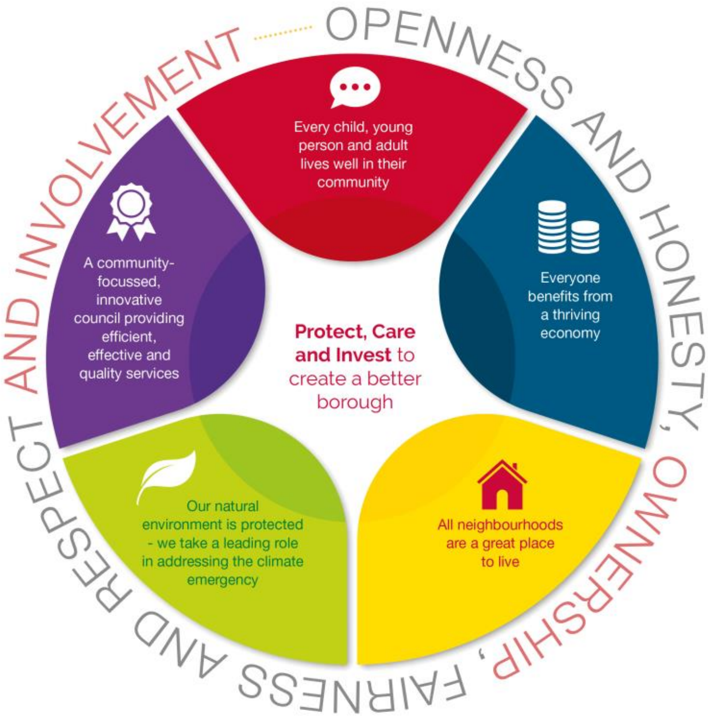
9.9 Our 2032 vision was consulted on this year and shaped by direct input from local people. It set out what we want to see delivered in the next decade in order to build on the progress of the past 10 years, developed in partnership with a range of organisations from across the borough. Initially we spoke to 2,900 residents through a telephone survey and focus groups to find out what they liked about the borough and what they wanted to see change or improve over the next ten years. This was followed up in August by a second phase of consultation to seek further views from local people to make sure they were happy with the proposals we were putting forward and importantly to see what they think might still be missing before final sign off. This included an online survey and face to face consultation at the Balloon Fiesta over the August Bank Holiday weekend. In total we had just over 700 responses.

9.10 While many other councils have focussed on making cuts while neglecting growth and stopped major development projects, we continue to prudently invest to create jobs and safeguard the future prosperity of the Borough and its residents.

9.11 Underpinning our relationship with the community are our vision to **Protect, Care and Invest to create a better borough** and our Co-operative values. These values are at the heart of all that we say and do as an organisation enabling us to deliver our five corporate priorities:

- **Openness and Honesty** - being open and honest in the way we work and make decisions and communicate in a clear, simple and timely way;
- **Ownership** - being accountable for our own actions and empower others with the skills to help themselves;
- **Fairness and Respect** - responding to people's needs in a fair and consistent way;
- **Involvement** - working together with our communities, involving people in decisions that affect their lives and be prepared to listen and take on new ideas.

Our Vision, Priorities and Values



9.12 Our MTFS is the financial expression of our priorities. Through the development of a sound MTFS we maximise the use of revenue and capital resources and ensure that we allocate the funding that is available in the best way to deliver as far as possible on or overall vision to Protect, Care and Invest to Create a Better Borough. “Service Strategies” are prepared for each of the Council’s directorates. These demonstrate how the budgets for each directorate are used to support the work of each directorate and the linkages to each corporate priority. Service Strategies for 2022/23 have been included in Appendix 4. These will be updated for 2023/24 once the budget for 2023/24 has been finalised. The Capital Programme is analysed by corporate priority later in this report to show how we use our capital resources to deliver our corporate priorities.

10.0 Funding Settlement for 2023/24

10.1 The provisional local government funding settlement for 2023/24 was announced on 19 December 2022. This is open for consultation until mid-January. Whilst additional funding was announced for social care, particularly for adults, the settlement was disappointing in that it is only for 1 year and does not recognise the additional financial pressures arising from the cost-of-living emergency. These include energy bills, the cost of essential care packages, food for school meals the costs charged by the contractors that provide services such as waste collection and disposal, environmental maintenance including street sweeping, litter picking and grass cutting. The cost of maintaining roads and footways have increased very significantly. In addition, the number of people in our community needing support from the Council is increasing partly due to the rapidly aging population in the Borough but also due to the pressures being experienced by many of our residents. The headline increase in core spending announced by the Government assumes that councils increase their council tax by 5% in 2023/24 – regardless of whether local people can afford such an increase.

10.2 The provisional settlement announcement followed the Government's policy statement published on 12 December which covered 2023/24 and 2024/25. These are the remaining years of the Spending Review 2021 period. The policy statement followed the Autumn Statement published on 17 November, which set the overall level of available resources.

10.3 This is the fifth consecutive one-year settlement, although "policy intentions" for 2024/25 have been announced which give an indication of the policy direction for 2024/25. However, no indicative allocations for councils for 2024/25 are available. Despite the publication of policy intentions, some very significant uncertainties remain including the future of the New Homes Bonus system, the distribution of resources from Extended Producer Responsibility for packaging and the approach to social care and local government finance reforms over the medium-term.

10.4 It is now clear that the major reforms of the local government finance system including the planned Review of Relative Needs and Resources (the 'Fair Funding Review') and the planned reset to business rates growth have been deferred, once again, at least until 2025/26 and possibly later which extends the period of uncertainty and perhaps the impact of these changes when they are finally implemented. Up to date data from the 2021 census is not being reflected in the allocations which are based on data that is now more than 10 years out of date in most cases.

10.5 The main points of the settlement, at a national level, are set out below.

- Council Tax – As previously announced, the council tax referendum limit will be 3% for local authorities, with social care authorities allowed an additional 2% social care precept.
- Business Rates Retention – the government has changed the inflation measure used to increase local government funding within the Settlement Funding Amount (SFA). The CPI September increase of 10.1% has been used, instead of the RPI September increase of 12.6%.
- Revenue Support Grant – has also been increased by 10.1%;
- Social Care Grant – Nationally, the Social Care Grant has increased by £1,506m to £3,852m. However, £161m of the increase is due to the roll-in of the Independent Living Fund (not previously within the Core Spending Power). The "true" increase is therefore £1,345m, which is funded from the postponement of adult social care charging reforms (£1,265m, and £80m from other parts of the settlement funding envelope).
- Market Sustainability and Fair Cost of Care Fund - This £162m grant has been rolled into the new ASC Market Sustainability and Improvement Fund.

Of the £562m total funding, £162m has been rolled in from the above, with an additional £400m intended for local authorities to make tangible improvements to adult social care, and, in particular, to address discharge delays; social care waiting times; low fee rates; workforce pressures; and to promote technological innovation in the sector.

- A new grant, the ASC Discharge Fund of £300m nationally for 2023/24 intended to form part of Better Care Fund and aimed at reducing delayed transfers of care, allocated on the basis of the improved Better Care Fund shares used in 2023/24.
- The Services Grant has been reduced from £822m to £464m nationally. This reduction is due to the cancellation of the increase in National Insurance Contributions and to move funding to the Supporting Families programme.
- New Homes Bonus - The 2023/24 allocations have been announced at £291m; a reduction of £265m on 2022/23. There have been no changes to the design of the scheme for 2023/24, with a single year's new allocation. The large reduction in funding from the scheme is due to all prior years' legacy payments having now been paid.
- The Lower Tier Services Grant – which was worth £111m in 2022/23 has been abolished.

10.6 The deadline for responses to the provisional settlement is 16 January 2023. The Chief Financial Officer will agree a response to the provisional settlement with the Cabinet Member for Finance, Governance & Customer Services.

11.0 Base Budget For 2023/24

11.1 The base budget for 2023/24 totals £159.515m and is summarised in Appendix 8. The budget will be restated after final decisions have been taken on the savings and investment proposals contained in this report.

11.2 As previously highlighted in this report, there are many areas of significant uncertainty facing the Council and our overall financial position beyond March 2024.

11.3 It is with this uncertainty over the medium-term financial outlook facing the Council in mind that the balance between the key components of the overall MTFS need to be considered i.e.:

- New ongoing revenue and one-off capital investments (which also impact on the revenue budget both in the year of spend but also in some cases for many decades ahead),
- The balance between further savings and the level of council tax increase,
- The use of a prudent level of one-off resources versus retention of a sufficient one-off resources to provide future flexibility.

11.4 Given the high degree of uncertainty, it is difficult to make accurate forward projections. However, it is essential that we now use the best available information to estimate the potential level of budget shortfall in future years so that we can start to plan ahead now through this MTFS framework which is based on the Council’s multi-year budget model which includes many variables and will be regularly reviewed and updated as further information becomes available. Using current available information and assumptions, the position is summarised in the table below. However, it must be noted that the actual position may be very different to that set out below.

Base Budget Movements from 2022/23	**2023/24**	**2024/25**	**2025/26**	**2026/27**
	£'000	£'000	£'000	£'000
2022/23 Base Budget	**134,953**	**134,953**	**134,953**	**134,953**
Adjustment for use of reserves (including council tax collection fund equalisation reserve)	3,149	3,497	3,497	3,497
Inflation on major contracts and utilities	5,470	8,270	9,470	10,670
Pay Inflation	5,237	7,410	8,356	10,278
Pensions - Increases in the lump sum deficit payment - figures from actuaries.	(550)	-	-	-
External Audit Fee	235	235	235	235
New Homes Bonus - no "legacy payments"	1,404	1,808	1,808	1,808
Adult Social Care additional investment	9,021	11,021	13,021	15,021
Assumed additional Social Care Grant based on Autumn Statement Announcement	(4,516)	(6,716)	(8,916)	(11,116)
Children's Safeguarding additional investment	3,715	3,280	3,980	4,980
Pre & Post 16 Transport Costs	1,000	1,000	1,000	1,000
cost of capital Programme	984	3,155	4,637	5,203
Savings previously approved	(3,678)	(3,882)	(3,880)	(3,880)
Reduction to “Lower tier services” and “Services” grants	671	671	671	671
Other	2,420	1,305	1,631	3,238

Updated Base Budget	**159,515**	**166,007**	**170,463**	**176,558**
Income from Council Tax	-80,492	-82,030	-83,530	-85,030
Revenue Support Grant (net of T&PC CTS grants)	-11,557	-12,171	-12,448	-12,697
Business Rates (including “top-up” and s.31 grants)	-52,056	-52,756	-53,256	-53,756
Projected Funding	-144,105	-146,957	-149,234	-151,483
Base Budget Gap before Core Council Tax increase	**15,410**	**19,050**	**21,228**	**25,075**
Less:				
Savings	(7,872)	(16,652)*	(16,652)*	(16,652)*
Adult Social Care Precept 2% in 23/24 followed by 1% in subsequent years. No increase in general council tax in any year is assumed	(1,588)	(2,398)	(3,216)	(4,042)
Use of Balances	(5,950)	0	0	0
To find from further savings	0	0	1,360	4,381

Notes:

*Comprises full-year effect from some 2023/24 proposals plus additional target for further savings to be delivered in 2024/25.

- Considerable uncertainty remains on more than £10m of which have been assumed but not announced at the time of drafting this report. The overall position will be firmed-up in the February report to Cabinet by which time the Council should have final allocations for all outstanding grants and will be able to reflect any additional budget pressures and opportunities that arise over coming weeks.
- The actual amount of business rates available for the budget strategy will be confirmed when the NNDR 1 form is completed and submitted in January 2023.
- No assumption has been made for any increase in the general level of Council Tax in any year. However, increases of 2% for the Government’s ASC precept in 2023/24 and 1% in later years have been assumed.
- The projections for years after 2023/24 are only intended as a broad indication at this stage for planning purposes and the estimates will be further updated as additional information becomes available. They will clearly need to be updated to reflect any change in levels of demand and inflation from those currently assumed.

- It should be noted that a new comprehensive spending review will be carried out, probably during 2024 and that there is therefore no certainty over funding allocations beyond 2024/25 so projections beyond March 2025 have a very high level of uncertainty.

11.5 After having delivered £133.7m of annual savings already, which will increase to £141m by the end of this year, it is clear that further cuts will be more challenging. Clearly the Council will seek to minimise impacts on our community by working with Town and Parish Councils, local community groups, service users, the voluntary sector, volunteers and other partner organisations. Based on the position summarised above, total savings since the period of austerity began are projected to total just under £165m by the end of 2026/27 (assuming no further council tax increases and based on the medium-term projections currently available – although these will inevitably change as further information becomes available) made up as follows:

	£m
Savings made to end of 2022/23	140.9
Savings previously approved for 2023/24	2.7
Savings now put forward for implementation in 2023/24 (gross of leakage from general fund)	7.9
Projected further savings/council tax increase required from 2024/25 to the end of the 4-year MTFS period in 2026/27	13.3
Total Projected savings by end of 2026/27	**164.8**

12.0 Our Approach to Developing Savings Proposals Budget Engagement

12.1 Due to the significant uncertainty over the future of the national local government finance system, the prolonged period of financial constraint for un-protected areas of public spending and the consequent scale of ongoing annual savings that had been delivered by the Council a new approach to the development of future savings proposals was agreed from 2017 onwards. Savings are now more challenging as the “easier savings” have already been taken. More time is therefore needed to consult with stakeholders about options and ways to minimise impacts. Therefore, savings are developed as soon as opportunities arise and capacity allows, rather than co-ordinating consultation through an annual process as historically was the case when resources were not so tight, and the need to implement change not so urgent. This means that we are able to engage with our communities and partners in a more meaningful way to develop more creative solutions to some of our challenges within the Borough. This also means that our budget engagement process takes place throughout the year, rather than just for a 4-week period.

12.2 We will commence targeted discussions with our Town and Parish Councils, trades unions, business community and local voluntary and community sector partners and the Business & Finance Scrutiny Committee during

January 2023. This is part of an ongoing dialogue that will continue throughout the year as our budget proposals are developed.

13.0 Capital Receipts and Debt Charges

13.1 The Council's programme of property rationalisation has not only reduced running costs as we have disposed of buildings and other surplus assets but is also generating significant capital receipts enabling us to fund some investment from internal resources rather than from increased borrowing. Due to a temporary Government relaxation in regulations, the Council is also able to use new capital receipts to fund transformation and statutory severance costs. Debt clearly has to be repaid and adds to pressure on the revenue budget so the generation of capital receipts from the sale of surplus assets helps protect essential front-line services. This reduces the amount of cuts that would otherwise have to be made.

13.2 The Council, unlike the Government, is not able to borrow to fund revenue services as the Council has to set a balanced revenue budget each year with any shortfall being funded by the use of balances or from further cuts to spending or increased income.

13.3 Debt repayments represent a long-term fixed charge against the revenue budget which reduces the amount of funding available for the provision of front-line services. This spreads the cost of the acquisition of these assets over the useful life of the asset. However, some capital investment that is incurred to achieve Council objectives such as Nuplace which is offering tenants in the private rented housing sector the option of a high-quality home operated by a long-term responsive landlord can not only deliver Council priorities but fund assets which are likely to increase in value over the long term and generate a revenue return greater than the cost of the associated debt charges. This surplus is used to reduce the cuts to essential front-line services that would otherwise be required. The Council carefully assesses each potential new investment to ensure that it does not expose the Council to an unacceptable level of risk either on an individual basis or when considering the entire debt portfolio of the Council with our approach set out in the capital and investment strategies, the treasury management strategy and prudential indicators reports that are considered by full Council each year.

13.4 In Telford & Wrekin debt repayments in 2022/23 accounted for 8.8% of the net revenue budget (including payment to Shropshire Council in respect of pre-unitary authority debt). This compares to:

- Telford & Wrekin 8.8%
- Unitary Average 10.6%
- Birmingham 29.7%

13.5 A graph showing the percentage of the net revenue budget allocated to debt repayments in 2022/23 for unitary authorities is included in Appendix 5 (data was not available for Slough Council from the CIPFA data source).

13.6 Our programme of asset sales totals £24.8m over the medium term. The planned profile of these receipts is shown below:

	£m
2022/23	13.161
2023/24	0.410
2024/25	5.250
Later years	6.000
Total	**24.821**

13.7 Generation of these receipts is a key assumption within the MTFS. The Council has a detailed schedule of asset disposals to address this, which is regularly monitored by officers and all the revenue consequences of temporary financing pending these scheduled disposals are built into the Council's base budget projections contained in this report. This dependency will continue to be subject to close monitoring. If any delay is experienced in generating expected receipts, mitigation factors could include a combination of re-phasing some capital spending schemes, identification of other assets for disposal or additional borrowing on a temporary or long-term basis although this would increase revenue costs and necessitate further cuts to other services or the use of additional one-off revenue resources such as the in-year contingency or Budget Strategy Reserve.

14.0 Section 106 Agreements

14.1 Planning obligations under Section 106 of the Town and Country Planning Act 1990 (as amended), commonly known as s106 agreements, are a mechanism which make a development proposal acceptable in planning terms, that would not otherwise be acceptable. They are focused on site specific mitigation of the impact of development. S.106 agreements are often referred to as 'developer contributions'. The common uses of planning obligations are to; secure affordable housing, to secure financial contributions to provide infrastructure (for example relating to necessary highways works to provide access to the development) and to help fund new educational facilities for the children of families that move into newly built houses. Careful negotiations are undertaken with developers in reaching the s.106 agreement, which are legally binding and clearly state what the funding can be used for.

14.2 Legally a S.106 can only be requested when it is:
1. necessary to make the development acceptable in planning terms
2. directly related to the development; and
3. fairly and reasonably related in scale and kind to the development.

14.3 Negotiations have to ensure that developments remain viable and the National Planning Policy Framework (NPPF) states where obligations are being sought or revised, local planning authorities should take account of changes in market conditions over time and, wherever appropriate, be sufficiently flexible to prevent planned development being stalled.

14.4 The Council publishes an Infrastructure Delivery Statement (IDS) each year detailing income and expenditure against S106 agreements. A copy of the current Infrastructure Delivery Statement is attached as Appendix 7.

15.0 2022/23 PROJECTED OUTTURN POSITION

15.1 As the Financial Monitoring report also on this agenda shows, excellent financial control continues to be exercised despite the very significant pressures being faced by the Council and good progress is being made in delivering the overall budget for 2022/23. However, there are some areas of significant pressure and clearly, the actual outturn will be different, either better or worse, than currently projected as we are only part way through the year. It is, therefore, essential that all Cabinet Members and budget holders continue to exercise tight financial control and to deliver all planned savings. It is currently expected that the Council will out-turn just within budget. The position will continue to be closely monitored particularly for key services including adult social care and children’s safeguarding but also seasonal factors such as winter road gritting and any potential costs arising from any flooding events.

16.0 Savings Proposals For 2023/24

16.1 By the end of the current financial year, the Council will have delivered ongoing budget savings of £141m since 2009/10. Despite the proposed 2% ASC precept which will raise around £1.59m, it is necessary for the Council to find further budget savings in order to deliver a balanced budget without using an unsustainable level of one-off balances.

16.2 Appendix 10 therefore includes a schedule of additional savings that if after consultation with service users and other stakeholders were all delivered would generate a total saving of £7.931m in 2023/24 (before leakage from general fund). Clearly after already having delivered £141m of savings, these savings now put forward will include some proposals that are more challenging. As explained elsewhere in this report, extensive consultation with service users and partners will be undertaken in order to identify ways to mitigate the impacts of the proposals or to identify alternative options.

16.3 Whilst additional investment totalling over £7.26m net of savings into Adult Social Care in 2023/24 is put forward in this report and £2.5m net of savings into the Children’s Safeguarding budget for next year, it is not possible, even in these services to continue providing the same services in the same ways. In order to ensure that the Council can continue to always meet the assessed needs of vulnerable adults and children in our community, it is necessary for new approaches to be taken to deliver better outcomes for our clients and to ensure that we operate as efficiently as possible. Cost improvement plans are therefore in place for both Children’s Safeguarding and Adult Social Care. Details of these Cost Improvement strategies are included as Appendices 12 and 11.

16.4 "Invest to Save" savings proposals delivered through capital investment can result in better outcomes for clients as well as significantly reducing costs, for example officers from across the Council are investigating the potential to deliver significant cost savings but also better outcomes for young people by looking at options to support our Foster Carers. This work has focused on the provision of changes to accommodation to enable existing carers to expand their offer and to support new Carers who currently don't have accommodation that would be suitable. The work to date has identified a range of opportunities. Out of 42 Children in Residential Care settings at an average cost of £220k per child there are 9 children who will be ready to step down to a foster placement over the next 12 months if those placements existed. In addition, there are a number of children in Residential care where one of the key barriers to placement is the provision of suitable accommodation e.g. adapted/specialist homes. Delivering such projects requires co-ordinated cross Council working which is already being demonstrated in the redevelopment of the former Red Lion public house site in Wellington.

17.0 Investments

17.1 Due to the tight financial position faced by the Council the scope for new ongoing revenue investments is limited. However, the Council has always said that it will meet the assessed needs of vulnerable adults and children and in order to do this next year, significant additional investment will be made available to Adult Social Care totalling £7.26m after allowing for planned savings in 2023/24. In total the net budget for Adult Social Care and Children's Safeguarding will exceed £100m next year.

17.2 The Council has committed to a comprehensive programme of support totalling more than £12m over the current year and 2023/24 in respect of the cost-of-living emergency facing our residents this includes:

	22/23 £'000	**23/24 £'000**	**TOTAL £'000**
Investment into Crisis Assistance Fund	128		128
Support for Foodbanks	100		100
Cost of Living Grant Scheme	150		150
Additional support for those eligible for the existing Council Tax Support scheme		1,040	1,040
Supermarket Vouchers	1,575		1,575

Energy Efficiency Programme in Homes	2,241		2,241
Low Energy LED Lightbulbs for low-income households	30		30
Emergency boiler repair fund	70		70
Council Tax freeze (rather than increasing general level of council tax in line with the Government's assumption)	1,588	3,970	5,558
Campaigns to raise awareness and increase uptake of available support	25		25
Marches Energy grant scheme		500	500
Work Express Bus Link	600		600
	6,507	**5,510**	**12,017**

17.3 In addition to the schemes above, the Council is also making a number of investments through it's "On Your Side" investment programme that also support residents including:

	22/23 £'000	**23/24 £'000**	**TOTAL £'000**
Our 10 x 10 initiative	200		200
Free swimming lessons	73	73	146
Continued funding of domestic abuse project	25	25	50
	298	98	396

17.4 Unfortunately, the scope for additional ongoing revenue investments next year is limited, as further investments in other priorities would require more budget savings to be identified. However, a number of pressure areas have been addressed during development of the base budget to ensure that the proposed budget is robust and sustainable including investment of £1m more ongoing revenue funding for education transport costs.

17.5 The Council is however proposing a significant capital programme which totals over £364m and is summarised in Appendix 13. This is a very significant set of investment proposals and demonstrates the Council's commitment to **Protect, Care and Invest to Create a Better Borough**. The proposed package of capital investments will bring significant benefits to the Borough.

17.6 Nuplace was established to give tenants in the private rental sector the opportunity to rent high-quality, well-maintained homes from a long-term responsive landlord and by increasing competition in this sector of the housing market standards will be driven up. The initiative has already seen:

- 466 homes delivered, across ten sites with a further 13 refurbished properties across the Borough, bringing the total number of houses delivered to 479. Of these properties, 80 are for affordable rent or built to an adaptable standard, with the remainder being rented on the open market.
- Nuplace's growing portfolio now provides a range of homes for over 1,200 people across the Borough with houses available within North and South Telford and Newport.
- The diversification of Nuplace by the establishment of Telford & Wrekin Homes, involving the acquisition, refurbishment, and rental of properties at locations across the Borough. This will continue to raise standards in the private rented sector.
- In response to the Council's commitment to become carbon neutral across Council operations by 2030, solar panels and electric car charging points have been installed to 46 homes off Southwater Way to reduce energy bills for tenants.
- The programme has resulted in over 23 acres of brownfield land being regenerated, addressing sites that might otherwise blight communities.
- The portfolio is performing well with a cumulative void rate of 1.85% since the first site was opened.
- Since 2015/16 - cumulative net incremental income of £7.89m to 31 March 2022 has been generated for the Council which has benefitted front line services such as social care services.
- In addition, Council Tax and New Homes Bonus payments are estimated to have generated an additional £4.0m cumulatively to the end of March 2023.
- The Nuplace investment portfolio has experienced strong capital growth. Cumulative growth in the portfolio is 29% to the end of March 2022.
- In addition to delivering much needed housing, the programme has delivered considerable added value in terms of local employment, apprenticeships, supply chain development and the delivery of a range of community projects.
- Since 2015/16, Nuplace has delivered a cumulative profit before tax of £2.9m. (£2.2m after tax)

This MTFS now proposes that the Council makes investment of £64m available to further develop NuPlace and Telford & Wrekin Homes from 2023/24 through to 2025/26. In total, the Council's investment in NuPlace and Telford & Wrekin Homes will be £130.9m since NuPlace was established, currently approved funding and this additional investment has the potential to deliver an additional 405 homes which is anticipated to bring the total portfolio to 884 units.

17.7 The Council's Growth Fund, which has now operated for 7 years and:

- Enables the Council to provide land, build and lease bespoke properties and offer full turnkey solutions, and continues to drive a high number of investment enquiries drawing in new investors.

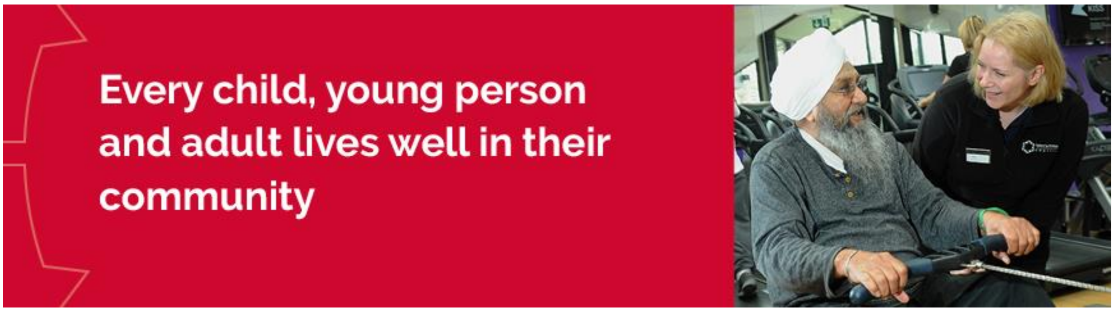
- The Fund has supported a range of commercial opportunities including new industrial units at T54, supporting the growth and expansion of current business such as Filtermist and providing grow on space for new businesses at Hortonwood West. Investment has also supported the delivery of Ni.Park (Newport), a new employment park for the Borough.
- Cumulatively, the £55.7m investment to date through the Growth Fund is estimated to deliver an ongoing gross return of 6.9%, 4.4% after borrowing costs but more importantly this project is attracting and retaining jobs for residents of the Borough.
- The funding committed to date into a range of investments is anticipated to help deliver approximately 1,105 new jobs
- The investment is also delivering growth in business rates income (between resets). The additional business rates of over £600,000 pa is being invested directly into delivering front line services across all the Borough's communities.

  This MTFS now proposes that the Council makes investment of £64m available to further support Growth Fund initiatives from 2023/24 through to 2025/26.

17.8 The proposed Capital Programme will also see:

- Over £40m for transport and Highways schemes,
- Over £40m for education capital projects including investment in school expansion projects to increase pupil places
- £10m for affordable and specialist housing programmes
- Over £11m for a range of housing initiatives, including affordable warmth, empty properties, rough sleeper and temporary accommodation
- £8.7m for a swimming pool in the Dawley area
- £4m funding to progress development of "stalled sites"
- £1.8m into the Stronger Communities Project, a package focused on bringing back key brownfield sites into use, as well as providing a stimulus to the delivery of Station Quarter the next phase of the transformation of Telford Town Centre
- Over £22m for Towns Fund projects
- Almost £5m for Pride in Your High Street schemes
- £3.7m for Environmental Improvements/ Enhancements and
- funding of £2.8m for Climate change initiatives to support work to reduce the Council's carbon footprint and partnering with government and others on other climate change projects.

17.9 The following tables analyse the capital programme against each corporate priority:



17.10 **Every child, young person and adult lives well in their community**
We want everyone in the borough to fulfil their potential, to be the best they can be. To do this it is essential that children and young people get the best possible start to life, that they receive a “good” or outstanding” education, that they learn how to stay healthy and well, and that as adults they can access lifelong learning to develop their skills. We know that everyone, whether child or adult, thrives best when they live in a community with family, friends and networks of support. The Council and our partners will work to this goal where it best meets the interest of the person. Our other four priorities will support the delivery of this priority.

Capital	**Total £’000**	**2022/23 £’000**	**2023/24 £’000**	**2024/25 £’000**	**2025/26 & Later Yrs £’000**
Adults Supported Accommodation	1,725	1,725			
School Schemes	40,350	14,776	23,989	1,585	
Other Schemes	187	187			
Total	**42,262**	**16,688**	**23,989**	**1,585**	**0**

17.11 **Everyone benefits from a thriving economy**
The borough has an outstanding track record of attracting and securing investment to create jobs. Whilst Covid-19 has brought challenges, our focus will be to attract investment, drive innovation and support businesses whilst they recover from these challenges and enable the economy to continue to grow. This is essential if we want an economy that everyone can benefit from which will enable inequalities across our communities to be addressed.

Capital	**Total £'000**	**2022/23 £'000**	**2023/24 £'000**	**2024/25 £'000**	**2025/26 & Later Yrs £'000**
Property Investment Portfolio/Growth Fund	74,397	9,671	42,726	22,000	
Towns Fund	22,353	9,026	12,720	527	79
Get Building Fund	528	528			
Stronger Communities	1,767	250	1,517		
HE Land Deal	20,320	1,854	12,864	5,602	
Other Schemes	51	51			
Total	**119,416**	**21,381**	**69,827**	**28,129**	**79**

17.12 **All neighbourhoods are a great place to live**

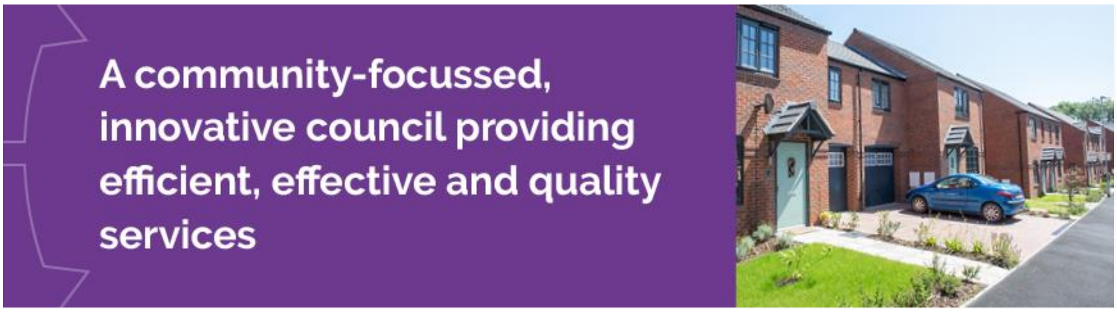
We want all our neighbourhoods to be safe and inclusive for everyone, including the young and the old. We want neighbourhoods to thrive and be places where people want to live. We want people to feel pride in, and ownership of, their communities and to feel as though they belong whatever their background. We want our communities to be well connected and for everyone to have access to good, affordable housing.

Capital	**Total £'000**	**2022/23 £'000**	**2023/24 £'000**	**2024/25 £'000**	**2025/26 & Later Yrs £'000**
Nuplace - Housing Investment	70,678	6,628	28,075	25,825	10,150
Affordable Housing Programme	10,000	600	9,400		
Highways & Transport	40,756	17,767	11,732	7,257	4,000
Playing Pitch Investment	3,000	250	2,750		
Swimming Pool in the Dawley Area	8,750	250	8,500		
Environmental Improvements & Enhancements	3,682	1,682	2,000		
Pride in Your High Street	4,987	1,087	3,900		
Housing Schemes	11,309	7,487	3,822		
Leisure & Cultural Schemes	7,050	1,845	5,205		
Stalled Sites	4,154	2,135	2,019		
Other Schemes	2,308	1,680	628		
Total	**166,675**	**41,411**	**78,031**	**33,082**	**14,150**

17.13 **Our natural environment is protected, and the Council is taking a leading role in tackling the climate emergency**

In October 2019, the Council recognised the climate emergency by committing to make the operation of the Council and the borough carbon neutral by 2030. We are committed to protecting our heritage and habitats too, protecting biodiversity both in the way in which the Council delivers it services but also through local planning policy

Capital	Total £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 & Later Yrs £'000
Climate Change	2,875	820	2,055		
LED Lighting Invest To Save	103	103			
De Carbonisation Schemes	537	537			
Total	**3,515**	**1,460**	**2,055**	**0**	**0**



17.14 **A community-focussed, innovative council providing efficient, effective and quality services**

To deliver our community priorities, we will maximise the use of our resources, ensuring that we work efficiently and effectively together as one system, one organisation. We will continue to develop and support our workforce, our ICT systems and data, and our financial resources. Our decisions about how we do this will be informed by robust engagement and consultation with communities, businesses, partners and stakeholders

Capital	Total £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 & Later Yrs £'000
Asset Management Plan	4,417	717	700	1,000	2,000
ICT Investment	16,461	3,938	3,001	5,522	4,000

Efficiency Capitalisation	7,419	1,000	2,000	2,000	2,419
Other Schemes	3,967	562	1,355	1,336	714
Total	**32,264**	**6,217**	**7,056**	**9,858**	**9,133**

18.0 COUNCIL TAX

18.1 Council Tax in Telford & Wrekin has historically been low compared to other councils. Indeed, it has been the lowest across both the West and East Midlands for the last 5 years for the services that this Council provides. Appendix 1 is a graph comparing Council Tax levels across the Midlands region and demonstrates that Council Tax in this area is the lowest in the Midlands region at Band D (£1,435.23). The average Council Tax at Band D in the Midlands region is around 16% higher than in Telford & Wrekin.

18.2 Appendix 2 compares our Council Tax to the other unitary authorities in England and shows that we have the second lowest Council Tax at Band D out of 59 unitary authorities being £220.94 less pa than the average for unitary authorities of £1,656.17 which is also 15.4% higher than our level at Band D.

18.3 If Telford & Wrekin Council had levied a Council Tax at the average level of Midlands authorities (£1,663.58 at Band D which is £228.35 higher than in Telford & Wrekin) in the current year, we would have generated an additional £12.333m this year.

18.4 A further factor that has reduced resources in this area is "grant damping' whereby grant that the Government has calculated should be paid to this Council is withheld and used to support spending by councils that would otherwise receive less grant e.g. as a result of reducing population numbers. In the calculations used to establish the current local government finance system which came into effect from 1st April 2013, £1.6m pa of this loss was perpetuated in the new baseline funding settlement for the Council and will be withheld from us – equivalent to a cumulative loss of over £17.6m by 2023/24.

18.5 As well as a comparatively low level of Council Tax, this area also has comparatively low property values with the majority of our properties being in Council Tax Bands A or B. 60.2% of total chargeable dwellings in Telford & Wrekin are in these two bands, compared to the average across all unitary authorities of just 48.9%. Whilst this is relatively good news for local residents in terms of their Council Tax bill and although we appreciate that Council Tax bills are a significant cost for local households, it means that we do not have the same scope to generate income from Council Tax as many other parts of the country where levels of Council Tax are much higher and average property values are also higher so a 1% increase raises considerably more per property than it does in Telford & Wrekin.

18.6 Despite the significant withdrawal of Government grant from the Council over the last 10 years, the Council has worked hard to keep Council Tax in Telford & Wrekin as low as possible recognising the financial pressures that our residents face despite the Government's deliberate and sustained policy of shifting the cost of funding local government services away from grants from central government and on to council taxpayers. The LGA have said "*council tax represented 45 per cent of council core spending in 2010/11, but by 2020/21 it had risen to 60 per cent. Council tax rises - particularly the adult social care precept - have never been the answer to the long-term pressures faced by councils. Councils will still have to find savings to already stretched budgets in order to plug funding gaps and meet their legal duty to set a balanced budget".*

18.7 Writing in the Municipal Journal, David Phillips an associate director at the Institute for Fiscal Studies, highlighted that *"The Government has not updated its main estimates of councils' spending needs since 2013, and they were based on even earlier data – sometimes from as far back as the 2001 census. The 2010s saw bigger cuts in poorer areas. As a result, the most deprived tenth of councils' share of spending on adults' and children's social care is estimated to be 15% and 10% below their share of needs, while richer areas' share of spending is above their share of estimated needs."* Giving councils the ability to increase council tax does not match funding to need because areas of greatest deprivation and need tend to have more properties in lower council tax bands but areas.

18.8 In the CSR, Autumn Statement and the local government finance settlement the Government have assumed that councils will increase their level of council tax by the maximum permitted without incurring the costs of a referendum. In this council's case this Government assumption is that we will increase our council tax by a total of 5% including 2% in respect of the ASC precept. However, the Council is very aware of the pressure that many households are facing arising from the cost-of-living emergency including from escalating energy, food and from increasing costs for mortgages and other loan repayments all placing considerable pressure on household finances. Therefore, despite the Government's assumptions over council tax increases and the continuing financial challenges facing the Council, **Telford & Wrekin Council are freezing our level of general council tax for another year, in addition to the freeze applied in 2022/23. The Council will however, apply the Governments' assumed 2% Adult Social Care precept next year.** This will raise £1.588m towards the £7.26m net additional investment required in Adult Social Care next year. The 2% ASC precept would represent the average increase across the whole borough in the Telford & Wrekin part of the council tax bill and may vary slightly for individual households dependent which part of the borough they are located within and would amount to £0.43 per week for the average (Band B) property in the Borough. The increase in the total bill for each household will also be affected by the decisions of the Police & Crime Commissioner, The Fire Authority and individual town and parish councils.

19.0 BASE BUDGET, BALANCES AND CONTINGENCIES

19.1 Base Budget

19.1.1 A summary of the Base Budget position is included at Appendix 8 which shows a net base budget of £159.515m for 2023/24 after reflecting the investments set out in this report but before deducting the savings proposals. Assuming a council tax ASC precept increase of 2% for next year and that all the savings put forward are agreed leaves a requirement for the use of £5.95m use of balances which can be covered from the £6m identified from the comprehensive review of reserves and provisions undertaken during the Autumn of 2022. Appendix 9 includes an analysis of the main changes in moving from the 2022/23 budget to the 2023/24 base budget.

19.2 Balances

19.2.1 Appendix 6 summarises the overall reserves and balances position of the Council after taking account of the various earmarked reserves and the risks faced by the Council. This currently shows over £27.5m available which could be taken into account as part of medium-term budget strategy considerations.

19.2.2 The Government has extended the temporary ability to fund the one-off costs of service reform projects from new capital receipts. Taking advantage of this opportunity offered by the Government will result in higher levels of debt than would have otherwise have been the case and therefore higher debt charges as all capital receipts would otherwise be used to fund planned capital projects. However, whilst the debt charges are ongoing they will be more than offset by the ongoing savings generated from the invest to save measures. In order to take advantage of this flexibility Full Council would need to approve an updated “Efficiency Strategy” which will be included in the Service & Financial planning report to be considered at Cabinet in February. This flexibility which was due to come to an end in March 2022 has now been extended again. In addition to this flexibility, the Council also holds some specific funds to support service transformation. Currently the uncommitted balance in the Severance fund is £1.6m. A further £1.3m is held as an uncommitted balance within the Invest to Save/Capacity Fund.

19.2.3 The total “usable” one-offs of over £20m are detailed in Appendix 6 and will be used to support the delivery of the MTFS as set out in this report. Given the exceptionally high level of uncertainty over the Council’s medium term financial position as previously highlighted in this report, it is important to retain as much flexibility as possible by limiting the use of available one-offs until the medium-term position becomes clearer. The level of usable one-offs gives a good level of comfort that the proposals contained in this report are financially robust given the projected levels of spending in Children's Safeguarding and Adult Social Care in 2023/24 have been fully allowed for in the proposed budget. The council also has £8.92m of general fund funding set aside for the one-off costs of implementing single status which may not all be required and which certainly won't be required in 2023/24. Having adequate uncommitted one-off resources is particularly important as the significant benefits obtained in recent years from treasury management activities cannot be assumed to be available in future years, given potential changes to the guidance relating to Minimum Revenue Provision calculations and expectations that interest rates will increase.

19.3 Risk Management and Financial Resilience

19.3.1 Local Government has faced unprecedented financial challenges since 2010 and the Council has faced significant grant cuts at a time when demand for many services, such as safeguarding vulnerable children and adults, have been increasing. We are also in a period of considerable financial uncertainty due to another 1-year funding settlement and with expectations that some aspects of the much delayed reforms of the Local Government finance system will be implemented over the medium term but no information currently available to model what impact these might have on the Council. As an organisation that provides a vast range of essential services to the community and spends over £500m per annum financial resilience and risk management are very important considerations when agreeing our MTFS.

19.3.2 The key elements underpinning the Council's Financial Resilience are:

- **Setting a robust budget strategy which is deliverable and sustainable**

✓ The Council has a long, proven track record of strong financial management, with no overspends over the past 15 years and has consistently received an unqualified audit opinion from its external auditors
✓ The Council has successfully delivered £141m of budget savings since 2009/10
✓ Although very challenging, many savings have been phased over a number of years to allow adequate time for full consideration, consultation and implementation and in order to identify alternatives that mitigate impacts on our community.
✓ An Invest to Save/Capacity Fund is in place to provide additional resources for priority areas and to assist with the delivery of savings; bids are subject to a rigorous business case development and approval process.
✓ The Council has a comprehensive employee restructuring programme which is used consistently and supported by clear, costed rationales to support reductions in ongoing costs whilst maintaining the delivery of essential services and minimising compulsory redundancies as far as possible.
✓ Where required, additional investment has been included in the budget including, £7.26m additional net investment in Adult Social Care has been allowed for in 2023/24 and new net investment of £2.5m for children's safeguarding.

- ✓ Provisions are included in the accounts where required, to safeguard against potential costs, for example for bad debts and Appeals against NDR valuations.

- **Strong and Effective Financial Management**
- ✓ A robust risk based financial monitoring regime is in place to identify any adverse variances early so that corrective financial management action can take place. Additional in year savings targets have been delivered when necessary to meet service pressures when necessary.
- ✓ A strong and proactive financial management approach is adopted by budget holders supported by their nominated finance officer.
- ✓ The Council retains a good level of reserves and balances for the medium-term strategy.
- ✓ The projected financial outturn for 2022/23 currently shows that the Council again expects to outturn just within budget.
- ✓ Cost Improvement plans are in place to focus on Children's Safeguarding & Family Support and Adult Social Care, areas of high demand and high cost. These are monitored on a regular basis by Senior Managers and Members.
- ✓ All reports considered by Senior Management Team and Cabinet are required to include financial and legal comments prepared by suitably qualified officers to ensure that financial and legal implications are clearly understood before decisions are taken.
- ✓ Decisive corporate action is taken on a timely basis to manage the Council's overall resources in order to address pressures as they, inevitably, arise during the year given the complex disparate range of services provided by the Council.

- **Strong & Effective Capital & Treasury Management**
- ✓ There is an effective Treasury Management Strategy which aims to maximise returns for the Council while minimising risks with a solid long track record of exceeding targets set and always complying with Treasury management parameters.
- ✓ Advice on interest rate projections from independent treasury management advisors has been used when making prudent assumptions on future borrowing costs.
- ✓ Treasury management decisions are managed at a strategic level in order to deliver best value rather than individual loans being taken out for spending on each separate capital project which often span several years.
- ✓ Funding capital assets (i.e. assets that have a long life) from borrowing ensures that the cost of the asset is charged to the revenue account over the useful life of the asset. Clearly if all assets were paid for directly from revenue, current taxpayers would be paying for assets that will still be available to taxpayers many years in the future.
- ✓ All capital investment proposals are subject to a rigorous business case development process to manage and mitigate risks as far as possible and are funded in accordance with the Council's approved Treasury Management Strategy after taking advice from professional external advisors.
- ✓ Capital Programme resources are available, in accordance with the Prudential Code of Borrowing and capacity may exist to capitalise

expenditure planned to be funded from revenue and in extreme circumstances the Minister may authorise an application for a capitalisation direction.

- ✓ A Capital Programme Board meets regularly to drive delivery of the capital programme and manage overall available resources. This is chaired by the Chief Executive and membership includes all Executive Directors, the C.F.O. and all Directors with significant capital projects.

- **Reserves & Balances**
- ✓ The Council has General Fund and Special Fund balances as a safeguard against unforeseen costs as well as earmarked reserves and provisions for specific purposes. A rigorous review of reserves and provisions was undertaken in the Autumn and identified that £6m could be released to support the MTFS in 2023/24 without impacting on the Council's main Budget Strategy Reserve which has an uncommitted balance of over £20m and remains available to support the medium-term strategy.
- ✓ In extreme emergency circumstances, general balances and some other funds that have been set-aside for specific purposes could be used and then replaced as part of a future strategy.
- ✓ The Council holds £8.92m set aside for one-off costs associated with the equal pay settlement. This is a significant sum which will be reviewed as modelling work on the likely cost of the eventual settlement is firmed-up.
- ✓ Contingencies have been built into the revenue budget: A general contingency of £3.95m in 2023/24 is held within the corporate core with a further £3m for inflation and pay awards also held centrally;

- **Strategic Risk Management**
- ✓ The Council has a strategic risk register which is used to identify the substantive issues which may impact negatively on the delivery of the Council's priorities and may also have a financial impact. This is regularly reviewed by Senior Management Team to manage risks and mitigate potential exposures both as part of everyday business and as part of decision making processes.

- **Reducing Dependency on Government Funding**
- ✓ Despite financial challenges, the Council has a clear goal to attract new jobs and investment and promote growth in the borough and is committed to an investment programme which will safeguard the prosperity of the borough – growth will result in additional Council Tax, new homes bonus and business rates pending proposed changes to the local government finance system and periodic resets of the system thereafter.
- ✓ The Council has adopted innovative ways to improve quality of life for residents including Nuplace, its wholly owned housing company which provides tenants in the private rental sector the option of renting a high-quality home from a long-term and responsive landlord. The solar farm, The Telford Land Deal (a unique joint arrangement with the Marches LEP and Homes England) and the Telford Growth Fund all bring significant benefits to residents and a net financial benefit after covering all associated costs is

also generated which is used to help support the provision of front-line services.

- **Insurance Arrangements**

✓ Appropriate insurance arrangements are in place to safeguard the council's assets and protect against liabilities.

- **Experienced Finance Team**

✓ The Council employs an in-house finance team who work closely with service managers developing good working relationships and understanding of the issues and pressures facing services.
✓ The Council's finance team includes a good mix of qualified accountants, accounting technicians and other staff with extensive experience built up in the Council, in other public sector organisations and the private sector.
✓ The Council makes sufficient resources available to the Section 151 Officer to enable comprehensive financial management controls to be maintained.
✓ The Council employs an experienced S.151 Officer who is a member of the Council's Senior Management Team reporting directly to the Chief Executive.
✓ The Council has an experienced Cabinet Member for Council Finance,
✓ Regular Financial Management reports are produced for and considered by the Senior Management Team and for Cabinet and appropriate action is taken to manage pressures as they arise.
✓ Specialist external knowledge is commissioned for specific projects where appropriate.

19.3.3 These factors, together with the Council's long track record of effective financial management over what has been an exceptionally challenging period of austerity, which was unprecedented both in scale and duration, closely followed by a pandemic and now a cost-of-living emergency provide a level of assurance that the Council is both financially competent and in a sound financial position despite the further challenges that the Council will inevitably continue to face.

19.3.4 MRP Consultation - DLUHC launched a consultation on proposed changes to capital finance regulations in respect of Minimum Revenue Provision (MRP) calculations. The consultation closed on 8th February 2022, the outcome from which is still awaited. However, no changes are due to be implemented until April 2024 at the earliest and will be fully reflected in the MTFS when clarified. However, we expect that no changes will be required over and above those that have already been included in our projections for future years.

19.4 Inflation Assumptions and Contingencies

19.4.1 The Council's budget model for future years includes an allowance for pay awards of around 3% for 2023/24. An allowance of around 2% has been built in for 2024/5 and later years. However, the precise impact of pay awards may vary from national headline rates if further lump sum, as opposed to across-the-board percentage, pay awards are made in future years as was the case for the April 2022 pay award. After many years of considerable pay restraint which have seen the pay of council employees cut in real terms by over 25% compared to CPI (and considerably more for the most senior roles) there is a risk that the Council may not be able to retain or attract suitably skilled staff to deliver services in what is now a very challenging environment, therefore in some areas additional "market factor" allowances are applied to aid recruitment and retention.

19.4.2 In accordance with practice in recent years, no allowance has been built in for general inflation, although provision for contractually committed inflation increases (for example the waste collection and disposal and environmental maintenance contracts) and Adult Social Care costs has been made.

19.5 Single Status

19.5.1 The Council is continuing its work to enable the implementation of a new job evaluation scheme to meet the requirements of the Single Status legislation. A considerable amount of work has been undertaken, including developing a comprehensive local Job Evaluation scheme. Work is progressing with the trades unions to ensure that the local job evaluation scheme has been applied in a fair and consistent way. Phases one and two of this work have been completed and work on Phase three which covers Council based employees is currently underway. This is an important process which takes time to complete accurately.

19.5.2 An allowance for the additional ongoing costs arising from single status has been built into the budget for 2024/25 of £1.18m onwards (the cost in 2024/25 would be funded from an earmarked reserve and from 2025/26 ongoing revenue funding is built into the budget model). This is after allowing for existing commitments against the funding previously earmarked e.g. to meet the costs of moving away from fixed point grades and some additional payments for social workers to reflect market rates. It is also in the context of introducing a local job evaluation scheme that is expected to have a lower on-going cost than previously assumed. In addition to the ongoing budgetary provision £8.92m one-off funding has been set aside to meet any one-off costs associated with implementing the Single Status agreement. As work progresses on the project it will be possible to assess how appropriate this level of one-off resource is.

20.0 Education Funding – Dedicated Schools Grant

20.1 Dedicated Schools Grant (DSG) in 2023/24 will be allocated using four blocks:

20.2 Schools Block - funding for all mainstream primary and secondary schools via a local funding formula, although the Government is planning to move to a nationally determined funding formula in future. The amount in the block for Telford & Wrekin is £154m (including £1.4m funding for growth). There is also a further 'Mainstream Schools Additional Grant' which the DfE estimate at £5m for Telford & Wrekin (final allocations published in 2023) representing the additional resources announced in the government's Autumn 2022 budget statement. The overall increase per pupil for Telford & Wrekin including the additional grant is 5.9%, based on DfE information.

20.3 High Needs Block - funding for Special Educational Needs (SEN) placements and support, special schools, pupil referral units and other alternative provision. The amount in this block for 2023/24 is £33.5m but a further £1.4m additional grant arising from the Autumn statement takes the total available for high needs to just under £35m.

20.4 High needs will remain an area of significant financial pressure in Telford & Wrekin, as well as many other Local Authorities, due to the upwards trend in the number and complexity of children and young people with high needs. The lack of flexibility in the deployment of DSG funding means that the Authority is dependent on DfE allocations of high needs funding being sufficient to meet demand. Services are working to make local provision both educationally and financially sustainable, in particular by supporting mainstream schools to be as inclusive as possible.

20.5 Early Years Block - funding for free entitlement provision for 2, 3 and 4 year olds. Since September 2017 publicly funded provision has been extended from 15 hours per week (in term-time) to 30 hours per week for children of working parents. Funding is allocated to settings, both schools and private, voluntary and independent (PVI) providers based on a local funding formula. Total funding for this block is £13.6m.

20.6 The increase in early years funding is significantly lower than for schools and high needs, at 1.1% for 2 year old funding and 2.9% for 3 and 4 year olds. In the context of current inflationary pressures, this will put considerable financial pressure on providers. Cost pressures impacting upon settings include the year on year increases in the national minimum wage. As early years allocations are based upon numbers of children in two January censuses, January 2023 and January 2024 for financial year 2023/24, the allocations are provisional until final adjustments are made after the financial year end (Summer 2024 for financial year 2023/24).

20.7 Central School Services Block – £1.1m - funding for Local Authority central services, which in the main are statutory. The Education Services Grant (ESG) ceased at the end of August 2017 and the Government created this new DSG block specifically for central services. However, the amount allocated is far lower than the previous ESG and Local Authorities need to secure Schools Forum approval for central services costs, despite the services being statutory responsibilities of the local authority.

20.8 In 2022/23, for the first time, we asked maintained schools in Telford & Wrekin to de-delegate funding for the local authority's statutory school improvement functions. Prior to this, these have been funded by the DfE's "School Improvement Monitoring and Brokering Grant". This was removed by the DfE, half in 2022/23 and the remaining half in 2023/24. No alternative funding is being provided, although local authorities' statutory functions remain unchanged. Nationally, the value of the grant is £50m, whilst for Telford & Wrekin it was worth £0.182m in 2021/22, resulting in a pressure that has to be accommodated within the MTFS.

20.9 Pupil premium rates for 2023/24 have all increased by 5%, to the following rates:

- Primary pupils eligible for free school meals at any time over the last six years (FSM6): £1,455
- Secondary FSM6 pupils: £1,035
- Looked-after children: £2,530
- Children who have ceased to be looked-after: £2,530
- Service children: £335

Just over £11m was allocated to Telford & Wrekin via pupil premium in 2022/23, so whilst the 2023/24 allocations have yet to be announced, the increase is likely to mean 2023/24 allocations of around £12m.

21.0 Council Tax Premia

21.1 Council Tax Premia for Second Homes - The Government are proposing to permit councils to charge a council tax premium of 100% on second homes in their areas. In charging this premium, Telford & Wrekin Council would be supporting national policy which is aimed at reducing the number of second homes, freeing them up for local residents to either rent or buy – or alternatively encouraging owners of second homes to make them readily available as holiday lets which will bring tourists into the area. If properties are let out for 140 days or more per year, they may be registered as a business and therefore do not have to pay council tax. They will be charged business rates but may be eligible to receive 100% small business rate relief as a small business. If this is the case, the government will reimburse the Council fully for the cost of this relief.

21.2 When deciding to apply a second homes premium, the first determination under this proposed legislation must be made at least one year before the beginning of the financial year to which it is related.

21.3 Therefore, **the Council is proposing that for second homes the council tax charge is increased from the current standard 100% charge by applying an additional premium of 100% (200% total council tax charge) from 1 April 2024) on properties that are empty for over a year where:**

- **There is no permanent resident in the dwelling, and**
- **The dwelling is substantially furnished**

21.4 Council Tax Premia for Long-Term Empty Dwellings - With regard to long-term empty dwellings, the current policy is that a premium can be charged when the property has been empty for 2 years or more. Currently the council charge:

- 100% premium for properties which have been empty for 2 or more years
- 200% premium for properties which have been empty for over 5 years
- 300% premium for properties which have been empty for over 10 years

21.5 **The Council is now proposing that the initial qualifying period is reduced to 1 year before the 100% premium is applied for long-term empty properties. This change would come into effect from 1 April 2024.**

22.0 Community Engagement and Communication

22.1 As outlined earlier in the report, we will continue to work closely with a range of community groups and Town and Parish Councils to develop alternative ways of delivering services. By engaging with residents and other partners it can be possible to find alternative ways of delivering those services that support our community. We will continue to engage with a range of partners and service users (experts by experience) who could assist in developing alternative service solutions in those areas that have potential to impact upon our residents.

22.2 Our 2023/24 approach to consultation and engagement on our budget will include communication in relation to key changes to where the Council intends to spend its budget and highlight areas for new investments. We will ensure that we engage with the community and our partners where there is an opportunity for us to work together to improve outcomes for our residents, or where there is potential for an impact on the community. We will continue to identify those who wish to work with us on developing alternative service solutions.

22.3 As in previous years, communicating and engaging with the community on our future plans is an important part of the budget process and the ways in which we will do this are outlined below. However, the aim is to build more in-depth engagement during 2023/24 and later years involving residents and partners in developing solutions, therefore an important part of our communication plan is to identify those who are willing and able to be part of this process.

22.4 The ways in which we will seek views on our proposed strategy are as follows;

- Discussions at a number of specific forums during January engaging wot Town and Parish Councils, the voluntary and community sectors and local businesses in both face to face and on-line sessions,
- Communications campaign including media and social media, updated budget page on the council website, and direct email communication

- Gathering comments and feedback via a wide range of channels including email, social media, in writing to freepost address and telephone

Comments can be sent to us at the following E mail address: **yourviewsmatter@telford.gov.uk**

22.5 Throughout this process we will also be gathering contacts of those who wish to be involved in more in-depth engagement in relation to our budget process.

23.0 NEXT STEPS & TIMETABLE

23.1 A consultation period will run from 6 January 2023 through to 5 February 2023 to enable the Council's Cabinet to give careful consideration to the views expressed before preparing their final report and recommendations to Full Council.

23.2 The Business & Finance Scrutiny Committee will scrutinise the Administration's budget proposals and should also have the opportunity to scrutinise any alternative budget proposals put forward by any Opposition group(s) prior to Cabinet on 16 February 2023. The Committee is scheduled to meet to scrutinise these proposals on 9, 12 and 16 January 2023. The Chair of the Business & Finance Scrutiny Committee will have the opportunity to present the recommendations of the Committee at the Cabinet meeting on 16 February if required. The Cabinet will determine their final recommendations for consideration by Full Council at this meeting.

23.3 Full Council will consider the recommendations from Cabinet and Scrutiny/Opposition Groups on 2 March 2023 when final decisions will be made and the budget and Council Tax for 2023/24 will be determined.

24.0 Previous Minutes

- Full Council 3 March 2022 - Service and financial Planning report 2022/23 – 2025/26

25.0 Alternative Options

25.1 This report sets out proposals for how the resources available to the Council could be used during 2023/24. Cleary the Council must meet its statutory responsibilities, additional investment therefore needs to be made in some priority services. However, because the Council is committed to maintaining its policy to freeze the level of general council tax in 203/24 following the freeze applied in 2022/23, in recognition of the cost-of-living crisis facing residents, some further budget savings will have to be made over and above the £141m ongoing budget savings delivered to date and the scope for additional new investments is limited unless further savings can be identified.

25.2 Development of the Council's budget strategy involves balancing a number of considerations including, the appropriate level of one-off resources to use, what level of council tax increase is appropriate in the current circumstances facing our residents, which services we want to prioritise for any new revenue or capital investment and where budget savings (including generation of additional income) may be implemented. Budget holders and Cabinet members consider a number of options in order to be able to set a balanced overall budget for 2023/24 as set out in this report. Any alternative options must meet the legal requirement that the Council sets a balanced budget for next year which must be seen in the wider context of a robust medium term financial strategy. For example, it would not be appropriate to use all available one-off resources to set a balanced budget for next year f this resulted in an unsustainable medium term outlook.

25.3 Alternative priorities and options may emerge through the budget consultation exercise and, if so, can be considered in developing the final set of recommendations for consideration at Cabinet on 16 February 2023 before final decisions are taken at full Council on 2 March 2023.

26.0 Key Risks

26.1 Key risks include levels of demand for key services increasing above the level that can be funded from the approved budget, interest rates increasing beyond the levels assumed, inflationary increases in the cost of supplies and services that are higher than have been assumed and income collection levels being adversely affected by the cost of living crisis or the anticipated recession which could impact on council tax and business rates collection and income from the Council's property holdings and discretionary fees and charges.

26.2 The proposed budget includes a revenue contingency of £3.95m to protect against unexpected changes and the Council also holds a number of specific reserves and provisions e.g. to offset uninsured losses or to cover bad debts. Budget holders actively manage their budgets and the many financial risks and challenges that Council services face. At the start of the current financial year, the Council also held uncommitted general and special fund balances of just over £5m and an uncommitted balance in the Budget Strategy Reserve of over £20m.

26.3 The Council has a long track record of effective robust financial management and, despite the challenges caused by the Government's long austerity programme and the Covid pandemic, has managed to out-turn within budget for the last 15 years.

27.0 Council Priorities

27.1 The development of a comprehensive MTFS is essential to support the effective use of available resources to deliver outcomes for all Council priorities. The report includes an analysis detailing how the capital programme is allocated across corporate priorities and Appendix 13 details the service strategies for each directorate and includes an analysis of the revenue budget used to support the activities of each directorate. The service strategies also detail how each directorate contributes towards the delivery of the Council's corporate priorities.

28.0 Financial Implications

28.1 This report sets out the Council's proposed MTFS for the period commencing April 2023. The financial impacts are detailed throughout the report.

29.0 Legal and HR Implications

29.1 This report develops the proposals for the Council's budget and policy framework which will be consulted upon in accordance with the Policy Framework & Budget Procedure Rules contained in the Constitution. In accordance with the relevant provisions of the Local Government Finance Act 1992, the Local Government Housing Act 1989, the Local Government Act 2003 and the Localism Act 2011, the Council has to set a balanced budget for 2023/24 before the 11 March 2023 and has to have regard to the advice provided by the s.151 officer (Chief Finance Officer) on the robustness of the budget and the adequacy of reserves supporting the budget before doing so.

30.0 Ward Implications

30.1 Borough-wide impact.

31.0 Health, Social and Economic Implications

31.1 The MTFS includes considerable investment in social care services including net new investment to meet increasing costs and levels of demand, particularly for complex care cases, and includes the allocation of the Public Health Grant. The MTFS also provides for support of economic development activity and direct provision of industrial and commercial units for local businesses. The Council is a large employer of local people and has considerable spending power within the local economy. Clearly reductions to budgets as a result of budget savings programmes reduces investment in the local economy although conversely the capital investment programme and additional revenue investment on to social care services help to support the economy.

32.0 Equality and Diversity Implications

32.1 The Council uses Equality Impact Assessments as a tool to ensure our decision making takes into consideration the protected characteristics with regard to the General Equality Duty (GED). In short, we must demonstrate that we pay due regard to eliminate unlawful discrimination, harassment and victimisation, to advance equality of opportunity and to foster good relations. We need to assess and analyse the practical impact on those whose needs are affected by changes to the way that we deliver our services or to our spending. We have adopted a proportionate approach that takes into account the relevance of a proposal with regard to equality. This is a measured response recognising that our resources are best aimed at dealing with those proposals that could have the most significant impact. In order to accomplish this we have followed a process designed to screen proposals and ensure that they are fully explored.

32.2 Our process involves carrying out an initial scoping exercise to determine which budget saving proposals may require action or further investigation with regard to equality impact. For proposals where implications are identified and are at a sufficiently developed state a proportionate impact assessment is undertaken. Where a proposal is still at an early stage of development, an equality impact assessment will be undertaken during its development. This is an ongoing process that will continue throughout the year. As we engage with our community and partners to identify where we may need to deliver services differently, we will ensure that we continue the process of screening these proposals to identify if there are any equality implications.

32.3 The proposals contained in this report will impact on specific groups of people. An initial Impact analysis, on the savings proposals, highlights limited equality impacts, further work will be undertaken to identify and mitigate adverse impacts as far as possible. We will continue to screen all savings proposals for potential equality impacts relative to the General Equality Duty as proposals are developed further prior to implementation and will carry out further impact analysis where appropriate, prior to any final decisions being taken.

32.4 Public consultation will take place between 6 January 2023 and 5 February 2023. The proposals contained in the report will also be subject to Member scrutiny during this period. Final proposals will be considered by Cabinet on 16 February 2023 who will make recommendations to Full Council on 2 March 2023. The final agreed recommendations will be implemented during 2023/24 and future years.

33.0 Climate Change and Environmental Implications

33.1 The revenue budget and capital programme include specific funding to support climate change initiatives, including capital funding of £2.8m for initiatives to reduce the Council’s own carbon footprint, and partnering with government, organisations and residents to reduce emissions across the Borough. This investment is critical to the commitment the Council made in 2019 for its operations and activities to be carbon neutral by 2030, and in supporting the wider aspiration for the Borough to also become carbon neutral. It directly links to the priority that 'our natural environment is protected and the Council has a leading role in addressing the climate emergency', and builds on previous investment that has enabled the Council to reduce its emissions to date by 57% compared to the 2018/19 baseline.

33.2 Many of the actions in the Council's climate change action plan that will be funded by this investment have considerable co-benefits, for example by supporting the delivery of the Council's cost of living strategy. Actions that help to reduce both energy costs and emissions, for example installing insulation, combine significant financial, social, health and environmental benefits. Sustaining investment will also help to mitigate the risks associated with climate change in the UK, as set out by the Committee Independent Assessment of UK Climate Risk for the UK's third Climate Change Risk Assessment (CCRA3), published in June 2021. These include more frequent flooding and extreme weather events, causing damage and disruption to local infrastructure and services, the impact of increasing high temperatures on people's health and well-being, and an increase in the range and consequences of pests, pathogens and invasive species.

34.0 Background Papers

- LGFutures "Autumn Statement Briefing Note" dated 17 November 2022
- The MJ, Autumn Statement by Jessica Studdert, 18 November 2022
- Local Government Association 2022 Autumn Statement Briefing
- Local Government Association Daily News Briefing - 19 November 2022
- Ministerial statement issued by the Secretary of State for Levelling Up, Communities and Local Government published on 12 December and accompanying policy statement
- Local Government Association "On the Day Briefing Provisional Local Government Finance Settlement 2023/2024"
- LGFutures : Briefing paper on Policy Statement: 2023/24 local government finance settlement
- LGFutures : Provisional Local Government Finance Settlement 2023/24: policy commentary
- LGFutures : Briefing paper on Provisional Local Government Finance Settlement 2023/24
- APSE Briefing Autumn Statement 2022 – Analysis on the impact on local government frontline services
- BBC News Website
- Provisional Revenue Support Grant Settlement Announcement 2023/24 – DLUHC Website published 19 December 2022
- Service & Financial Planning Report to Council – 3 March 2022
- Municipal Journal, 20 October 2022, article by David Phillips "Fairness Failure".

35.0 Appendices

1	2022/23 Council Tax Comparison (at Band D) – Midlands Councils
2	2022/23 Council Tax Comparison (at Band D) – Unitary Councils
3	Savings Delivered to Date
4	Service Strategies and Budgets 2022/23
5	Financing costs to net revenue stream 2022/23
6	Reserves and Balances
7	Infrastructure Delivery Statement
8	Base Budget 2023/24
9	Analysis of Base Budget Movements
10	Savings List 2023/24
11	Children's Safeguarding & Early Help Cost Improvement Plan
12	Adult Social Care Continuous Improvement Plan
13	Capital Investment Programme

36.0 Report Sign Off

Signed off by	Date sent	Date signed off	Initials
Legal	27/11/2022	06/12/2022	AL