

TELFORD & WREKIN COUNCIL

**CABINET – 20 FEBRUARY 2020
COUNCIL – 5 MARCH 2020**

SERVICE AND FINANCIAL PLANNING 2020/21 – 2022/23

**REPORT OF THE CHIEF EXECUTIVE AND THE DIRECTOR OF FINANCE
& H.R. (CHIEF FINANCIAL OFFICER)**

LEAD CABINET MEMBERS: CLLR S. DAVIES AND CLLR L. CARTER

1. SUMMARY

- 1.1 In July 2019, following the local elections held in May, the Council's Cabinet agreed a four year programme to "**Protect, Care and Invest to Create a Better Borough**". Our ambition for the borough is for Telford and Wrekin, to be known as: "The place of enterprise, innovation and partnership". Our Service and Financial Planning Strategy seeks to align available resources with this overarching programme and ambition.
- 1.2 This report seeks approval of the Council's Service & Financial Planning strategy for 2020/21. This overview report, along with other linked reports on the agenda including:-
 - The medium-term Capital Strategy and Programme
 - The Investment and Treasury Management Strategies and
 - The Prudential Indicators report

form the Council's overall Medium Term Service & Financial Planning framework and sets out the service priorities and budget for 2020/21.

- 1.3 On 28th February 2019 the Council approved a one year service and financial planning strategy for the current financial year. A one year strategy was agreed because the Government were proposing to make major changes to the local government finance system which were due to be implemented from April 2020 and in addition, no Government spending figures were available beyond the end of the current year. A Comprehensive Spending Review (CSR) was expected to be announced during 2019 which would have set out the Government's priorities over the medium term for public spending, taxation and the national budget deficit. However, the planned changes to the local government finance system have been postponed and will now come in to effect from April 2021 and the CSR was also postponed so this period of unprecedented uncertainty facing local government finance has been extended for a further year.

- 1.4 In view of this significant uncertainty over the future of local government finance and what resources may be available to the Council beyond next year, when the Cabinet considered their draft budget proposals for 2020/21 at the meeting held on 2 January 2020 they again approved a one year strategy for consultation. However, because capital projects need to be planned over a longer time horizon new capital investment proposals were included for 2020/21 and the following three years. Following the Cabinet meeting, a one month engagement period on the Council's proposals commenced on 3 January 2020 and ended on 31 January 2020. The details of the engagement process are summarised in the report.
- 1.5 This report updates the medium term financial projections and reaffirms the Council's commitment to allocating significant additional funding for investment in key priority areas including adult social care and children's safeguarding which will now see an additional £2m invested next year on top of the £2.958m committed at Cabinet in January. This will bring the additional investment in to children's safeguarding to just under £5m next year.

1.6 Key points of the strategy include:-

Revenue Budget for 2020/21:-

- Council Tax in Telford & Wrekin is currently the lowest across the Midlands region for the services that the Council provides (please see Appendices 1 and 2 for council tax comparisons). The Council continues to face increasing demands for both Adult Social Care and Children's Safeguarding. It is therefore proposed that Council Tax for 2020/21 is increased by 1.99% and that the Council applies the Government's additional 2% "Adult Social Care precept" which the Government have assumed will be applied by all eligible councils. This would give a total increase of 3.99%, raising £2.69m in total. 3.99% would be the average increase across the whole borough in the Telford & Wrekin part of the bill but this will vary slightly for individual households. This equates to 77 pence per week for the average property in the Borough (Band B). 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.
- The Adult Social Care precept will raise £1.35m which will be fully invested in to Adult Social Care services. The Council through careful management of its finances will invest more than £2m of additional funding into Adult Social Care services next year over and above this. In total this will see increased investment of £3.926m in Adult Social Care next year. This is almost three times as much as will be raised

from the Adult Social Care precept of 2%. The Council's net budget for Adult Social Care next year will be over £45m

- It is now proposed to increase the additional investment into Children's Safeguarding next year by an additional £2m. This is affordable given the success of the Council's work to support development of new industrial and commercial properties and other growth in the business rates base. In total the additional investment in to the Children's Safeguarding budget next year will be £4.958m. This amount is well over three times the £1.34m that will be raised from the 1.99% general increase in council tax. The Council's net budget for Children's Safeguarding next year will now be over £36m.
- The combined additional investment next year in Adult Social Care and Children's Safeguarding therefore totals £8.884m (which is more than 10% of the existing budgets). The combined total net budget allocation for these services will be in excess of £81.5m
- Extra investments of £0.15m revenue funding to support housing initiatives, £0.1m to pump prime our work on climate change and just over £0.1m revenue funding for Pride environmental projects.
- In order to fund these new investments, to cover rising demand for many services and inflationary cost pressures a package of budget savings totalling £3.306m in 2020/21 rising to £4.581m in 2021/22 is required, together with
- The prudent use of £1.434m of available revenue balances to ensure a balanced budget for 2020/21 whilst retaining sufficient flexibility for the uncertain future that we face beyond 2020/21.

Medium-Term Capital Programme:-

A programme of capital investments totalling more than £234m is set out in the separate Capital Strategy and Capital Programme reports also on this agenda. New investments now put forward for approval include:-

- £60m for a new "Property & Housing Regeneration and Investment Fund" to enable further long-term investments in the development of good quality homes for rent and further expansion of the Council's Property Investment Portfolio. These investments will further increase the choice of homes available for people looking to rent from a high quality, responsive landlord with a commitment to providing secure long-term homes helping to drive up standards in the private rental sector and will also regenerate brown-field sites, attract new jobs, and retain companies that may otherwise leave the Borough if suitable premises are not available. Profits from these investments will be used to help fund key front line services including Adult Social Care and

Children's Safeguarding. Additional council tax, new homes bonus and business rates will also be generated by these investments which will also help to support essential front line services. This investment will build on the benefits already delivered from the Council's commitment to NuPlace and the Telford Growth Fund.

- The proposed Capital Programme will also see £26m invested in an extension to the Council's Pride Programme of environmental improvements over the next four years including:-
 - £5m for regeneration of our Borough Towns and High Streets
 - £12m for further improvements to our roads, footpaths, cycle-paths and car parking provision,
 - £5m for environmental improvements and
 - £4m for improvements to, and maintenance of, bus shelters, bridges and retaining walls.
 - In addition, £2m pa will be available as a contingency in both 2021/22 and 2022/23 to fund additional priorities such as reducing the Council's carbon footprint and partnering with government and others on other climate change projects and any additional pressures that arise. This funding will be allocated to specific schemes through Financial Management reports to Cabinet and full Council or through future Service & Financial Planning strategy reports.
- 1.7 The severe financial constraints that the Council has had to operate within during a decade of austerity have necessitated 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 and unqualified audit opinions for well over a decade despite having to deliver £123,000,000 annual budget savings by the end of 2019/20 - without the need to implement any emergency spending control measures. The Council's external auditors have consistently reported that our arrangements for securing value for money are satisfactory.
- 1.8 As stated above, when Full Council approved the service and financial planning strategy in February 2019, it was not considered appropriate or possible to set a detailed strategy beyond 2019/20 because the Government's current Comprehensive Spending Review, which sets the Departmental Expenditure Limits for each government department, only extended to 2019/20 and as a result The Ministry of Housing, Communities and Local Government (MoHCLG) had only issued forward funding projections for councils to 2019/20.
- 1.9 On 4 September 2019, the Chancellor, announced a One Year "Spending Round" for 2020/21 and also announced that the medium-term Comprehensive Sending Review will be delayed for a year until sometime in 2020. Subsequently the Secretary of State has confirmed

that implementation of the proposed changes to the local government finance system will all be deferred until April 2021 but very little information is available to indicate how this new system will operate and the impacts that the changes will have for individual local authorities. Indeed, it is unlikely that the Council will have any real clarity on its funding for 2021/22 and later years until we receive our settlement in December 2020, less than 4 months before the start of the financial year. The changes that will be implemented will potentially have very significant implications for the Council and are likely to include:-

- “Re-setting” the business rates system to reallocate the benefits of growth in the business rates base since April 2013 that have been retained by individual local authorities across the country,
 - Increasing the proportion of business rates income retained by councils, at a national level, to 75% but at the same time terminating other funding streams for example the remaining Revenue Support Grant and Public Health Grant and/or transferring additional responsibilities to councils in order to retain “fiscal neutrality” at a national level.
 - Implementing a new formula to assess the relative spending needs of all councils. This could potentially see significant shifts in resources across the country.
 - Reviewing the New Homes Bonus system which is a significant funding source for Telford & Wrekin Council.
 - Implementation of a transitional system to limit the amount that any council loses or gains from the introduction of these changes in any one year.
 - Reflecting the implications of the Comprehensive Spending Review now expected sometime during 2020 and the long awaited Adult Social Care green paper.
- 1.10 As information on the outcomes of the Comprehensive Spending Review and how the new local government finance system will operate become available it will be possible to start to model the potential impacts on the Council and to develop a medium term financial strategy for the period 2021/22 to 2023/24.
- 1.11 As there is a very high degree of uncertainty over the future financial outlook for the Council, it is essential to retain as much financial flexibility as possible by retaining uncommitted one-off resources which can be used to support the budget pending the identification of further ongoing savings, if these are required, and by minimising additional ongoing financial commitments as far as possible. This strategy therefore takes a prudent approach to the use of one-off resources and has only allocated additional resources to our highest priorities – particularly protecting vulnerable adults and children.

- 1.12 The Council has faced a very protracted period of severe financial constraint as the Government has sought to reduce the national budget deficit. The Government has protected many areas of public spending, notably the NHS, but not local government and it has been well documented that the cuts to local government have not been applied uniformly across the country but have hit areas with greater social need harder than average. The Council will have delivered £123,000,000 p.a. of ongoing budget savings by the end of the current financial year which is equivalent to around £1,600 less to spend each year on delivering services for every household in the borough and almost twice the £67.5m pa income that the Council receives from Council Tax. The Council has sought to make these savings in ways that protect front line services as far as possible and, where services to the public are affected, to do this in as compassionate a way as possible by looking to find new sources of income and by working hard to identify any alternative ways to work in partnership with other local organisations to ensure continuing service provision.
- 1.13 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.
- 1.14 Prior to the General Election being called, the provisional Local Government Finance Settlement was expected to be announced before 5 December 2019. However, due to the election, it was not received until 20 December. The provisional settlement proposed the first increase in Revenue support Grant for many years, albeit an increase of only 1.63%. The final settlement was received on 6 February and confirmed the figures in the provision settlement as unchanged. Details of 7 other grants totalling just under £14m. had not been received at the time of drafting this report. Therefore, estimates for the outstanding grants have been made and are included in the budget assumptions. It is therefore necessary to approve a delegation to the Director: Finance & H.R. to amend the use of balances in 2020/21 to accommodate any difference in funding between that currently assumed and the final grant allocations after consultation with the Cabinet Member for Council Finance, Partnerships and Commercial Services.
- 1.15 In the provisional funding settlement it was announced that for 2020/21 councils would be allowed to increase council tax by up to 2% before a referendum was held plus 2% in respect of the Adult Social Care precept. For Telford & Wrekin, this would give a maximum increase of 3.99% next year which is equivalent to 77 pence per week for the average property in the Borough (Band B). After many years of severe financial constraint and with the need to make significant additional funding available for both Adults and Children's Social Care Cabinet

Members have very carefully considered the options available to the Council. Given the £123m budget savings made over the past decade it is increasingly difficult to find further savings that do not have unacceptable impacts. Also, given the uncertainty facing the Council's future financial position and the need to find a sustainable ongoing solution to the funding challenges that we face use of remaining one-off resources has to be limited. This leaves council tax which currently is lower in Telford & Wrekin than anywhere else in the Midlands region for the services that this council provides. (Please see Appendices 1 and 2 for comparative information). We appreciate that local residents also face difficult choices in managing their household budgets but having considered the options available to us, the Council is reluctantly proposing to increase council tax by 3.99% for next year. This comprises the 2% Adult Social Care precept which the Government have assumed we will apply and a general council tax increase of 1.99%. All of the additional income raised by this increase will be invested in providing social care services for vulnerable adults and children. No decisions on council tax increases for future years will be made until there is more clarity on the impact of the Government's planned changes to the local government finance system and their impact on this Council. Therefore, no assumptions for further increases in council tax are currently assumed in our financial planning projections for future years.

- 1.16 The Council is firmly of the view that encouraging councils to increase Council Tax bills is no way to deal with the considerable national pressures of funding care of older people and vulnerable children and that the Government needs to identify additional funding to cover these costs which will continue to escalate for the foreseeable future. In Telford & Wrekin a 1% Council Tax increase raises just £0.675m because Council Tax levels are comparatively low, as demonstrated in Appendices 1 and 2, and because the average property in this area is in Band B. Many wealthier parts of the country would raise significantly more from a 1% Council Tax increase as they will have many more properties in higher Council Tax Bands and generally tend to have better health and more "self-funders" and consequently have lower levels of demand for council-funded care. These views are endorsed by the Local Government Association (LGA) who have said that a proper long-term solution for care of vulnerable and older people must be found. The LGA Chairman Cllr James Jamieson has said: "The ability of councils to increase council tax and levy an adult social care precept next year gives them the potential to raise £1.6 billion, but this is not a sustainable solution. Increasing council tax raises different amounts of money in different parts of the country, unrelated to need, and adds an extra financial burden on households. The Government needs to follow through on its pledge to bring forward proposals for long-term reform of adult social care and how it is funded."
- 1.17 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. This budget proposes a total additional investment next year in these services of £8.884m. The Council is committed to ensuring that we always meet the assessed needs of vulnerable people but this does not mean that we can continue to deliver the same services in the same ways. We have to make changes but will always place priority on these essential services and will not let financial pressures due to Government cuts mean that we fail to meet the assessed statutory needs of the most vulnerable. To do this, we have also had to be innovative in identifying ways to generate more income to fund key front line services as well as seeking to address key issues for the Borough such as economic regeneration and improving housing standards in the private rented sector, examples include:-

- The total revenue benefit to the Council from NuPlace after covering all additional costs, last year was £1.170m.
- NuPlace Ltd. made a pre-tax profit of £0.492m in 2018/19, expected to remain around the same level in 2019/20 and has increased the availability of high quality homes in the private rented sector managed by a committed and responsible landlord. In addition, Council Tax of £0.28m is payable to the Council from the NuPlace properties and New Homes Bonus of £0.40m will be received by the Council in total based on current build projections and NHB payment arrangements.
- Our solar farm generates a surplus after paying all costs of £200k pa.
- Our Telford Growth Fund is delivering ahead of expectations, attracting new and retaining existing jobs in the borough. The total revenue benefit net of additional costs is projected to be £2.9m this year for the schemes committed to date (expected to increase to £3.1m for the schemes currently approved in a full year)
- Total income from our Commercial Services teams amounted to £21m. last year.

The net benefits from these investments are used to support front line services.

2. ROBUSTNESS OF THE BUDGET STRATEGY.

- 2.1 The Council is required to set a balanced budget and under section 25 of the Local Government Act 2003, the Council's Chief Financial Officer (CFO) is required to report on the adequacy of the Council's reserves and balances and on the Council's financial strategy including the use of balances and of the financial planning process.

2.2 Appendix 10 gives a more detailed view, but overall, given the continued delivery of savings which will total £123m by the end of this year, the long-term service redesign, particularly in relation to Adults and Children's services, the commercial approach being adopted and the investment being made in the borough, it is considered that the Council is pursuing a sound financial strategy in the context of the most prolonged and challenging financial position it has ever faced due to the combined effect of Government grant cuts and increased service pressures.

3. RECOMMENDATIONS.

3.1 Members are asked to approve the following recommendations for consideration by full Council on 5 March 2020:-

1. To approve the service and financial planning strategy for 2020/21 set out in this set of reports.
2. To approve a Council Tax increase of 3.99% (made up of 2% in respect of the Government's Adult Social Care Precept and a general Council Tax increase of 1.99%) in 2020/21.
3. To approve the investment of a further £3.926m in to Adult Social Care services giving a total net budget of £45.27m. for these services in 2020/21.
4. To approve the investment of a further £4.958m in to Children's Safeguarding & Family Support to protect vulnerable children giving a total net budget of £36.38m. for these services in 2020/21.
5. To approve the investment of £0.150m ongoing funding in to housing and homelessness initiatives.
6. To approve the investment of £0.1m ongoing funding as an initial investment to pump prime our work on climate change whilst also seeking to direct the Council's wider resources as well as external funding opportunities as they arise to further support the Climate Emergency. Decisions on the specific allocation of this new funding to be delegated to the Chief Executive after consultation with the Cabinet Member for Council Finance, Partnerships and Commercial Services.

7. To approve the investment of £0.108m ongoing funding in to small Pride environmental projects. Decisions on the specific allocation of this new funding to be delegated to the Executive Director: Housing, Communities & Customer services after consultation with the Deputy Leader and Cabinet Member for Neighbourhood Services, Enforcement & the Pride Programme.
8. To approve the budget savings listed in Appendix 13 totalling £3.306m in 2020/21 rising to £4.581m in 2021/22.
9. To approve taking a measured approach to the use of available one-off resources of £1.434m in 2020/21.
10. To approve the continuation of 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 and to note the availability of the £1m Partnership Capacity Fund.
11. To approve the base budget in Appendix 6.
12. To approve the policy framework for Reserves and Balances outlined in Appendix 9.
13. To note the CFO's robustness statement in Appendix 10.
14. To approve the Risk Register included at Appendix 3.
15. To approve the revenue implications of the medium term capital programme for the period 2019/20 - 2022/23 set out in the Capital Strategy and Programme reports also on this agenda.
16. To grant delegated authority to the Director: Finance & Human Resources to action any virements required following the final allocation of the Dedicated Schools Grant and other related Grants as long as they are within the budget and policy framework.

17. To grant delegated authority to the Executive Director: Adults Social Care, Health Integration & wellbeing after consultation with the Cabinet Member for Health & Social Care, to enter into appropriate Section 256 and Section 75 Agreements under the NHS Act 2006 (as amended).
18. To authorise the Director: Governance to execute all necessary contract documentation including the affixing of the common seal of the council as appropriate to enable the council to enter into appropriate Section 256 and Section 75 Agreements under the NHS Act 2006.
19. To approve this suite of service and financial planning reports as the Council's Efficiency Strategy for 2020/21, including the summary document at Appendix 14, to enable new capital receipts generated in the six year period starting 1 April 2016 to be used to fund the revenue costs of reform as assumed throughout these reports.
20. To note the initial projections for the potential budget gap through to 2022/23 and to start work in order to identify options for how this could potentially be bridged.
21. Members are asked to approve the option to extend the IGMT loan repayment period as outlined in section 25.1 of this report and terms to be delegated to the Director: Finance & HR and the Director: Prosperity & Investment after consultation with the Cabinet Member for Council Finance, Partnerships and Commercial Services
22. To grant delegated authority to the Director: Finance & H.R. after consultation with the Cabinet Member for Council Finance, Partnerships and Commercial Services to fund an advance payment of pension contributions for 2021/22 from the single status reserve if this is financially advantageous to the Council.
23. That once all final outstanding grant allocations are received, authority to amend the use of balances in 2020/21 to accommodate any difference in funding between that currently

assumed and the final grant allocations be delegated to the Director: Finance & H.R. after consultation with the Cabinet Member for Council Finance, Partnerships and Commercial Services.

24. To note that the budget will be reallocated in to the new organisational structure before the start of April 2020.

- 3.2 Final decisions will be taken by full Council on 5 March 2020 which will agree the budget and Council Tax levels across the Borough for 2020/21.

4. SUMMARY IMPACT ASSESSMENT

COMMUNITY IMPACT	Do these proposals contribute to specific priorities?	
	Yes	<i>The service and financial planning strategy is integral to ensuring that available resources are used as effectively as possible in delivering all corporate priority outcomes.</i>
Will the proposals impact on specific groups of people?		
	Yes	<i>The proposals contained in this report will impact on specific groups of people. Impact assessments, on the savings proposals, will be undertaken as they are developed further prior to consultation with service users and other stakeholders. We will screen all future savings proposals for potential equality impacts relative to the General Equality Duty and will carry out full impact analysis where appropriate, prior to any decisions being taken. Details of this screening and impact analysis process will be included in reports to Cabinet as appropriate.</i>
TARGET COMPLETION/DELIVERY DATE	<i>Public consultation took place between 3 January 2020 and 31 January 2020. The proposals contained in the report were also subject to Member scrutiny during this period. Final proposals will be considered at Full Council on 5 March 2020. The final agreed</i>	

	<i>recommendations will be implemented during 2020/21 and future years.</i>	
FINANCIAL/VALUE FOR MONEY IMPACT	Yes	<i>This report sets out the service and financial planning strategy for the Council for 2020/21.</i>
LEGAL ISSUES	Yes	<i>This report develops the proposals for the Council's budget and policy framework which have been 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 2020/21 before the 11 March 2020 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. AL – 23/1/202</i>
OTHER IMPACTS, RISKS & OPPORTUNITIES	Yes	<i>This report sets out the strategy framework which includes consideration of corporate risks – particularly in relation to the availability of balances. The updated corporate register of strategic risks is included as Appendix 3. Environmental assessment is a procedure that ensures that the environmental implications of Council decisions are taken into account. The principle is to ensure that plans, programmes and projects likely to have significant effects on the environment are made subject to an environmental assessment. Environmental Assessment aims to provide a level of protection to the environment and to contribute to the integration of environmental considerations into the preparation of projects, plans and programmes with a view to reducing their environmental impact. Overall, on balance, the</i>

		<i>environmental assessment of the budget proposals is expected to be positive, particularly with the allocation of initial funding to help support our work on reducing the Council's carbon footprint being included.</i> <i>The economic impacts of the proposals are expected to be broadly positive in 2020/21 given the significant capital and revenue investments outlined in the report and the Council's "business winning, business supporting approach".</i>
IMPACT ON SPECIFIC WARDS	Yes/No	<i>Borough-wide impact.</i>

5. PREVIOUS MINUTES.

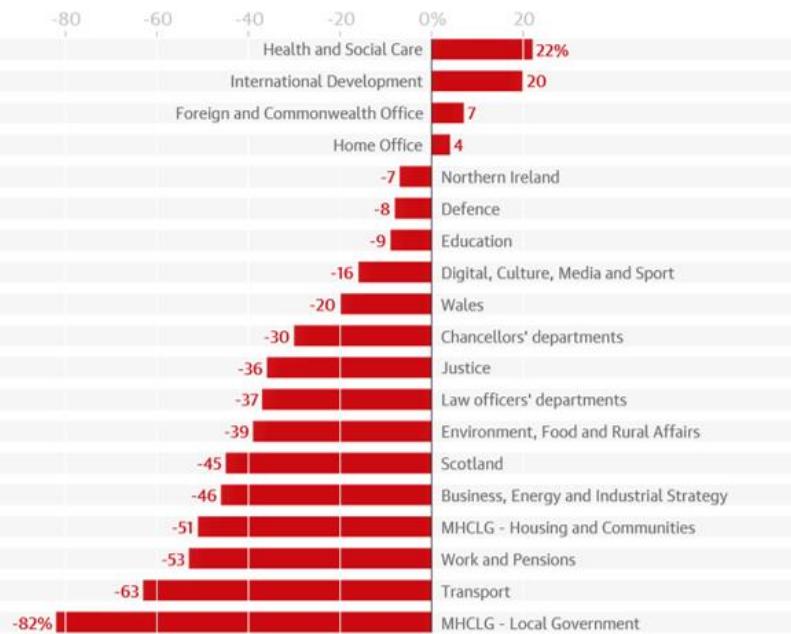
- Full Council 28 February 2019 – Service & Financial Planning 2019/20 – 2021/22
- Cabinet 2 January 2020 – Service & Financial Planning 2020/21 – 2022/23.
- Full Council 23 January 2020 – Setting The Council Tax Base for 2020/21
- Audit Committee 28 January 2020 - 2020/21 Treasury Strategy and Treasury Update Report

6. NATIONAL CONTEXT.

- 6.1 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 – although even now there is still a national budget deficit. Since 2010 however, the Government has also protected many areas of public spending – but not local government. Councils have therefore faced very significant reductions, much greater than almost all other Government funded services. The graphic below was published by the Guardian Online on 4 September 2019 and shows that Government support for local government fell by 82% between 2007/08 and 2019/20:-

Government department spending since the financial crisis

Cumulative real change in day-to-day spending (per capita), 2007-08 to 2019-20



Guardian graphic. Source: Resolution Foundation

- 6.2 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.
- 6.3 The Local Government Association (LGA) has highlighted that English councils will have had to deal with £16 billion of reductions to Government grant funding by the end of this decade. Nor have these reductions been distributed evenly across the country, with many of the councils with greatest social need receiving the greatest cuts as demonstrated in work undertaken for the LGA by the Institute for Fiscal Studies.
- 6.4 The National Audit Office (NAO) have calculated that there have been "substantial real terms falls in government funding (for local government): A 49.1% reduction between 2010/11 to 2017/18 and a 56.3% reduction by 2019/20." The Government are assuming that councils will increase Council Tax by the full Adult Social Care precept and to the maximum of the referendum limit – this is a direct transfer of 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 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.

- 6.5 George Osborne delivered the last Comprehensive Spending Review (CSR) on 25th November 2015. This set out the Government's spending plans and priorities for 2016/17 to 2019/20 and set out expectations for economic growth, inflation and tax receipts during this period. A further CSR was due to be announced during 2019 but was deferred by the Chancellor of the Exchequer, Sajid Javid, until 2020 although no specific date for this has yet been announced.
- 6.6 However, Sajid Javid did announce a one year Spending Round for 2020/21 on 4 September 2019. Key points in the Spending Round included:-
- An increase in year to year Government spending of £13.8bn for 2020/21 across public services;
 - No government department will have their funding reduced in 2020/21;
 - Additional headline funding of £1.5bn for Social Care but this includes £0.5bn to come from councils being able to apply an extra 2% ASC precept to council tax bills next year which for Telford & Wrekin would equate to around £1.35m. This simply transfers the responsibility for bearing the cost of delivering adult social care from the Government to local council tax payers.
 - A proposal that general council tax increases will be limited to less than 2%;
 - A one-off grant of £1bn to support social care costs which for this Council equates to around £3.4m. which is available to support ASC and children's safeguarding in next year only.
 - Confirmation that the one-off funding for social care received in the current year will continue in to next year which is in line with the assumptions that we had already made;
 - High-needs funding for schools to be increased by £700 million in 2020/21, an increase of more than 11% on 2019/20 funding levels. This funding will support children and young people with special educational needs.
 - No data was provided at local authority level and no date was set for the 2020/21 local government finance settlement although this was expected before 5 December 2019.
 - A real terms increase in the Public Health Grant.
 - A 1.7% increase in Revenue Support Grant – the first increase for 10 years.
 - Continued funding for the Troubled Families Programme

- The New Homes Bonus will continue broadly on the current basis for 2020/21 but will be adjusted to reflect current housing growth and the dropping-out of one year of legacy payments.
- 6.7 After the Spending Round announcement, the Secretary of State for Housing, Communities and Local Government confirmed that implementation of the proposed changes to the local government finance system will be deferred for one year, until April 2021. Whilst this announcement was pragmatic given the lack of progress in developing the new system, this decision extends the current high level of uncertainty facing future funding for councils by a further year.

7. LOCAL CONTEXT

- 7.1 The Government's low priority for local government compared to other parts of the public sector and its subsequent significant transfer of risks to the local government sector including the introduction of local Council Tax Support rather than centrally funded Council Tax benefits and local retention of business rates at a time when it has also radically reduced the grant that it gives to councils clearly all combine to increase the level of financial risk faced by councils. It is therefore very desirable that the Council should have a medium term service and financial planning strategy, although it is clearly very difficult to produce meaningful future projections of resource availability given the significant level of uncertainty around the future of the local government finance system created by the Government's ongoing review. Despite this uncertainty created by the Government, we have to make the best projections that we can and ensure that we seek to identify approaches to reduce reliance on government funding, that an appropriate level of reserves and contingencies is maintained by the Council and that financial performance across the Council is effectively controlled.
- 7.2 Despite these severe financial challenges, the Council has a long track record of highly effective financial management and has again received an unqualified External Audit opinion for its latest set of accounts. Despite having made £117m of budget savings by the end of last year and a further £6m during 2019/20, the Council has managed to come within budget, without needing to implement unplanned emergency spending controls and has received unqualified external audit opinions for over a decade during the most protracted period of unprecedented financial constraint that we have ever faced. The cuts in our grants have been made at a time when demand for many services, such as safeguarding children against harm or neglect and Adult Social Care have been increasing. These factors combine to place this Council, like most others, under extreme financial pressure. Further details of savings made to date are included in Appendix 4.

- 7.3 The Council has sought to offset part of the loss of Government grant by generating income by adopting a more commercial approach from a wide range of existing services whilst seeking to recognise and manage risks as far as possible. We have sought to ensure that this approach also brings environmental, social or economic benefits to our residents. We were the second council nationally to open a commercial solar farm and are currently investing in NuPlace, a wholly owned company, which offers good quality homes, mainly at market rents. 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 with the additional objective of driving-up standards in the wider private rented sector by offering a quality alternative to private tenants. However, both of these schemes also generate a surplus after paying the capital costs used to fund the investment and other operating costs. The profit from these and other commercial projects and from our participation in the West Mercia Energy Joint Arrangement 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.
- 7.4 The Council is also committed to investing in Telford'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. Under Government proposals the share of additional business rates growth that is retained will increase to 73.5% (75% including 1.5% for the Combined Fire Authority) in 2021/22.
- 7.5 As part of our "Business Winning, Business Supporting" Approach, the Council has already committed to investing an additional £50m in our Property Investment Portfolio which is being invested within the Borough in new and also existing industrial, commercial and retail property holdings bringing new jobs to the Borough from inward investors but also to retain existing jobs in companies looking to expand and which may otherwise move out of the borough. The net return after debt charges will be used to support front line services as will additional retained income from business rates (between reset periods). This report now puts forward an additional investment of £60m over the next 4 years in commercial property and housing projects to bring a similar range of regeneration, social and financial benefits to the borough to those described above.
- 7.6 On 28th February 2019 the Council approved a one year service and financial planning strategy for the current financial year. A one year strategy was agreed because the Government were proposing to make major changes to the local government finance system which were due to be implemented from April 2020 and in addition, no Government

spending figures were available beyond the end of the current year making medium term projections very difficult. The Council remains committed to key themes from this earlier strategy and in 2020/21 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.
- Our existing policy of transferring grant to Town & Parish Councils in respect of Local Council Tax Support. In line with the agreement made in January 2013, the amount available to allocate is £0.1m in 2020/21. However, this is likely to be the final allocation if the Government cease to provide Revenue Support Grant from April 2021 as currently expected.

8.0 A COUNCIL WORKING TO PROTECT, CARE & INVEST TO CREATE A BETTER BOROUGH

- 8.1 Despite our severe financial constraints, Telford and Wrekin is a progressive Council with ambitions to improve the Borough and the lives of residents. We are tackling the impact of the Government's sustained austerity programme head on and finding new ways to deliver services and to generate income. We have a long track record of sound financial management and innovative solutions.
- 8.2 Our four year programme agreed by Cabinet in July 2019 sets out how as a Co-operative Council, the organisation wants to take forward the Borough over the medium term. It is a vision which is centred on building a strong local identity and resilient and healthy communities by driving housing and economic growth whilst protecting and enhancing our reputation as a "green town" - a great place to live, work, learn, visit and do business.
- 8.3 Despite the severe financial challenges we face, our mission is clear. We are attracting new jobs and investment and promoting 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.
- 8.4 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. 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. Through our ‘Pride in Your Community’ initiative 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 and GP services** – we are working with many GP practices and Health Services in our neighbourhoods to provide more joined-up health and care services that better meet people’s needs there is support in the community to help people to stay healthy. We are also doing all we can to seek to retain full Accident & Emergency services at the Princess Royal Hospital as well as the Women’s and Children’s Centre.
- **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 such as HMRC, Cap Gemini and the Land Registry. 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.

- 8.5 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.
- 8.6 In July 2019, the Council's Cabinet agreed a four year programme to protect, care and invest to create a better borough. Our ambition for the borough is for Telford and Wrekin, to be known as: **The place of enterprise, innovation and partnership.**
- 8.7 The Council's mission statement is to **protect, care and invest to create a better borough**. At the heart of this are the **five commitments** we have made to the community. These are, that we will:-
1. Continue to fight the closure of our 24/7 A&E and Consultant led Women and Children's Centre;
 2. Continue to keep Council Tax amongst the lowest in the Midlands;
 3. Continue to invest £80m per year in protecting the most vulnerable adults and children in our community including those who are victims and survivors of sexual exploitation and domestic abuse;
 4. Invest £50m in roads and footpaths and infrastructure across Telford and Wrekin and continue to invest in creating new jobs for residents;
 5. Continue to fight any proposed merger with Shropshire Council or other authorities as we believe that the borough is best served by its own council that puts its residents first.
- 8.8 To achieve what we want to, we will have to continue to change and develop new models of service delivery, and to generate new income streams to limit cuts to our front line services. We will also lobby government for a fairer funding deal and for investment as Telford moves from 'new town' to 'young town'. Whatever decisions we make, we will continue to seek new ways to work in partnership and co-operation with the borough's communities to understand their priorities and address them.
- 8.9 Underpinning our relationship with the community are our Co-operative values. These values are at the heart of all that we say and do as an organisation:-
- **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.
- 8.10 To enable us to deliver our priorities, the organisation will continue to change and develop in response to the challenges we face, particularly the need to make further savings. Our organisational strategy '**Be the change**' sets out how we will do this.
- 8.11 Despite the savings the Council has made, we still have significant resources to make a real, positive difference to the community and local businesses as articulated through our priorities. Over the past eight years, our 'Being the Change' strategy has successfully steered a large and complex organisation through a period of challenging change and transformation. In reviewing this strategy, we have refocussed it to 'Be the change'. This change is about reinforcing that we all have a role in delivering new ways of working. The organisation needs to continue to develop and change services to new more efficient models if we are to deliver the priorities that the community want us to deliver with the resources that we have. To do this we all need to take ownership of these changes and deliver the best service we can every day. Equally, the Council will continue to get closer to and work with communities to understand their challenges and support them to develop their solutions to them. The five Be the Change themes are:-
- Solving Problems and promoting Social Responsibility
 - Challenging & Changing, Reviewing and Reimagining the way we do things
 - Reducing our Dependency on Government Grants
 - Being a Modern Organisation with Modern Practices and Where we Always Get the Basics Right
 - Joining the dots.
- Further information on these themes is included in section 10 below
- 8.12 The Council's eight priorities that have shaped this Service and Financial Planning Strategy are:-
- Securing the best start in life for children and young people
 - Protect and champion our environment, culture and heritage
 - Improving health and wellbeing across Telford and Wrekin
 - Support communities and those most in need and work to give residents access to suitable housing
 - Keep neighbourhoods safe, clean and well connected
 - Improve local people's prospects through better education, skills and training

- Protect and create jobs as a 'Business Supporting, Business Winning Council'
- Protect and support our most vulnerable children and adults

9. BASE BUDGET FOR 2020/21 AND PROJECTIONS FOR FUTURE YEARS.

9.1 A small number of changes have occurred since the Cabinet considered the Service & Financial Planning Strategy on 2 January 2020. These are summarised in the table below and reflected in the Base Budget shown at section 9.2 and in Appendix 6:-

	2020/21 £'000	2021/22 £'000	2022/23 £'000
Total of changes to Funding from Business Rates and grants – mainly additional business rates using updated data and NDR1 methodology now received from Government	-2,955	-3,103	-3,595
Pay Award allowance increased to 3% pa from 2.5% due to Government announcements on further increases to national living wage	406	836	1288
New Homes Bonus – higher than anticipated allocation in 2020/21	-306	0	0
Children's Safeguarding – additional investment required based on latest projections included in Financial Management report	2,000	2,000	2,000
Transfer to Business Rates Equalisation Account in 2020/21 prior to move to new local government finance system from 2021/22	631	0	0
ICT license costs, Capital and other changes	224	267	307
Therefore no net change to planned use of balances	0	0	0

compared to 2 January Cabinet report is required.

9.2 The base budget for 2020/21 is summarised in the table below.

Service Delivery Unit	2020/21 GROSS EXPENDITURE £	2020/21 GROSS INCOME £	2020/21 NET EXPENDITURE £
Health & Well-being	13,339,465	10,853,015	2,486,450
Governance, Procurement & Commissioning	9,779,269	6,976,904	2,802,365
Customer & Neighbourhood Services	108,470,434	76,752,351	31,718,083
Business, Development & Employment	15,217,298	16,461,998	(1,244,700)
Commercial & Housing Services	43,092,783	39,891,142	3,201,641
Finance & Human Resources	24,847,418	10,103,664	14,743,754
Adult Social Care	68,140,184	22,869,908	45,270,276
Safeguarding and Family Support	39,621,751	3,241,737	36,380,014
Education & Corporate Parenting	121,854,591	111,063,977	10,790,614
Co-operative Council	2,974,655	1,808,421	1,166,234
Corporate Items	17,584,020	30,748,900	(13,164,880)
Netting off of Internal Recharges included above	(53,799,172)	(53,799,172)	-
Total	411,122,696	276,972,845	134,149,851
Contributions To/From Balances	-	434,750	(434,750)
Net Base Budget Total	411,122,696	277,407,595	133,715,101

* This service area includes a wide range of services including non-commercial services such as homelessness, housing and ICT.

- 9.3 The budgets will be restated to reflect the new organisational structure before the start of the new financial year, after final decisions have been taken on the savings and investment proposals contained in this report.
- 9.4 There are many areas of significant uncertainty facing the Council and our overall financial position beyond 2020/21 (see section 13 for further details of key uncertainties) and it is therefore very difficult to make forward projections. However, it is essential that we now use the best available information to estimate the likely level of budget shortfall in future years so that we can start to plan ahead now. The Council's budget model includes many variables and will need to be regularly updated as further information becomes available. However, using current assumptions, the position is summarised in the table below. It must be noted that there is a much greater likelihood than ever before that the actual position may be significantly better or worse than that set out below:-

	2020/21 £m	2021/22 £m	2022/23 £m
2019/20 Base Budget	121.413	121.413	121.413
Inflation – Pay, revised assumption of 3% p.a. plus contract inflation (assumption of 2.5%)	3.250	6.724	10.276
Changes to pension assumptions following the triennial evaluation	-0.810	-0.730	-0.650
New Homes Bonus updated projections	-0.156	0.386	0.651
Impact of the Capital Programme - including revenue impact of new capital investments	1.350	1.892	3.217
<u>Investments:</u>			
Children's Safeguarding & Family Support	4.958	1.608	1.608
Adult Social Care	3.926	2.636	2.636

Housing & Homelessness	0.150	0.150	0.150
Climate Change Initiatives	0.100	0.100	0.100
Small Pride revenue schemes	0.108	0.108	0.108
Other	-1.205	4.123	5.358
Transfer to Business Rates equalisation reserve	0.631	0.000	0.000
Updated Base Budget	133.715	138.410	144.867
Existing Projected Funding	126.342	122.191	119.235
Base Budget Gap	7.373	16.219	25.632
Savings – see Appendix 13	-3.306	-4.581	-4.581
Council Tax Increase of 1.99%	-1.313	-1.313	-1.313
Adult Social Care Precept of 2%	-1.320	-1.320	-1.320
Shortfall to be covered from further use of one offs	1.434		
Shortfall to be covered from further ongoing savings, any council tax increase in 2020/21 and 2022/23 and use of one offs	9.005	18.418	

Notes:-

- Given the very high level of uncertainty over the impact of the Government's proposed changes to the local government finance system, the projections for years after 2020/21 are only intended as a very broad indication at this stage for planning purposes and the estimates will be further updated as additional information becomes available.
- Grant funding allocated to children's safeguarding and Adult Social Care totalling over £4m has only been provided by the Government for 1 year after which it is currently assumed this funding will be withdrawn by Government.

- Considerable uncertainty remains on around £4m. of grants other than RSG which have been assumed but not announced at the time of drafting this report.
 - The revenue impacts of the proposed investment package are included in the table above except for the Property & Housing Regeneration and Investment Fund where the assumption has been made that the debt charges will be offset by income (although no profit from this investment has been assumed at this stage).
 - The projections assume that all savings previously approved by Council are delivered in full and in accordance with currently anticipated timescales.
 - No assumption has been made for any Council Tax increases in 2021/22 and 2022/23 at this stage.
 - The proposed use of balances in 2020/21 is prudent following the comprehensive review of available one-off resources that has been undertaken which has identified usable balances totalling over £20m.
- 9.5 It is with this uncertainty over the medium term financial outlook facing the Council in mind that pressures and any developments need to be considered.
- 9.6 After having delivered £117m of annual savings already, which will increase to £123.5m 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 £146.615m by the end of 2022/23 made up as follows:-

	£m
Savings made to end of 2019/20	123.548
Savings now put forward for implementation in 2020/21 and 2021/22	4.651
Projected further savings required in 2021/22 and 2022/23	18.418
Total Projected savings by end of 2022/23	146.615

10. OUR 2020/21 SERVICE & FINANCIAL PLANNING STRATEGY

10.1 Our Approach to Developing Savings Proposals Budget Engagement

10.1.1 When the Council agreed its medium term service and financial planning strategy at Council in March 2017, it determined that because of the scale of ongoing annual savings that have now been delivered, it was essential that a new approach to the development of future savings proposals should be taken. Future savings are likely to be more challenging and more time will be needed to consult with

stakeholders about options and ways to minimise impacts. It was therefore agreed that future savings would be 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 critical. This means that we are able to engage with our community 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 for a 4 week period. For this single year budget for 2020/21 we are rolling forward this approach.

10.1.2 Since our last budget was agreed in February 2019 we have continued to implement this approach to our budget engagement and have carried out a range of consultations.

10.1.3 We commenced targeted discussions with our Town and Parish Councils and Community and Voluntary Sector partners during January this year. This is part of an ongoing dialogue that will continue throughout the year as our budget proposals are developed. Engagement with the business community also commenced during late January and will again be part of an ongoing dialogue.

10.2 Approach to Future Development of Savings Proposals.

10.2.1 Our approach to Service and Financial Planning is underpinned and informed by our Co-operative Council ethos. This means that we are working together, with the community and partners, to collectively deliver the best we can for Telford & Wrekin with the combined resources we have. We are working to:

- Bring more public services together so that people get what they need at the right place and the right time;
- Involve local people and our employees more in planning and running services; and
- Support our communities better and encourage local people and organisations to do more to help their communities.

10.2.2 Based on this ethos we have adopted 5 core elements for our medium term service and financial strategy set out in more detail in “Be the Change” - our organisational strategy to take the Council forward and help us to deliver the budget savings. In summary the 5 core elements are:

- Solving Problems and promoting Social Responsibility
- Challenging & Changing, Reviewing and Reimagining the way we do things
- Reducing our Dependency on Government Grants
- Being a Modern Organisation with Modern Practices and Where we Always Get the Basics Right

- Joining the dots.

10.2.3 Solving Problems and promoting Social Responsibility.

The Council can no longer afford to, nor is it right, that the Council fixes every family or community challenge. It is the role of the Council and its partners to work with and support families and communities and so reduce demand on public services.

- “**Demand Management**” - ensure that resources are targeted at those residents most in need of help. This is about understanding why people use our services and keeping them out of high cost systems.
- “**Prevention**” – avoid problems which place demand on public services by encouraging people to help themselves to prevent needs developing in the first place.
- “**Early Help & the Right Help**” – when individuals and families do need help and support, we want to identify them quickly and identify the right, effective support first time to avoid issues escalating and requiring more intensive and expensive intervention but also to avoid long-term dependency on our services.
- “**Working in Communities**” – to reduce demand by targeting our resources at areas in the greatest need of support and working more effectively with the resources which are already in place in our communities. Strong communities place the least demand on public services.
- “**Building Community Capacity**” – the need to harness the resources of the community, community groups and Town and Parish Councils, in helping to develop solutions to improve outcomes for our residents. This includes:
 - **Community self-help** – building people’s social support networks by making best use of the resources and assets which are available in a local area. This helps people remain in and be an active part of their local community. The Council has a clear role in facilitating community self-help, in March 2018 we established our ‘start up’ grants which provide up to £2,000 to residents who want to set up new community groups. We also carry out DBS checks, provide information and advice on how to set up a group and have facilitated a programme of training for voluntary organisations over the past 12 months. Promoting volunteering is also a key part of our role as we manage the volunteering website www.volunteertelford.co.uk. We help to promote volunteering opportunities for a wide range of organisations and now have over 1,500 volunteers that work with the Council to make a difference in our communities.
 - **Effective co-production** – supporting the development of service provision by communities and moving away from a narrow focus of meeting needs through practitioner provided services. We have a number of programmes of work that

support effective co-production, we have established a ‘Development’ grant which provides up to £10,000 to support the development of new or alternative provision that helps to reduce demand on Council Services. We are also involved in the ‘Enterprising Communities’ national pilot with Community Catalyst. This project focuses on developing community businesses within the health and social care market that help to reduce the demand on high cost Council services.

- **TWINCL** – We are aware that the voluntary and community sector are also experiencing financial pressures, therefore in June 2018 we launched TWINCL, our Local Authority Online Lottery. This lottery is currently raising money for 56 good causes in Telford and Wrekin and is on target to raise around £33,000 to be shared with these good causes this year.

10.2.4 Challenging & Changing, Reviewing and Reimagining the way we do things

Despite the savings we have had to make, we have worked hard to avoid simply cutting services to balance the books – this would be the easy thing to do. We have had to be creative to find new ways to deliver services and ensure that our services are as efficient as possible. For example, working with Town & Parish Councils, community groups and organisations to deliver libraries, community centres, markets, Children’s Centres and youth services, examples include ‘Feed the Birds’ scheme to tackle social isolation and “Bench to Bench” to encourage people into activity. This has delivered a saving of over £1m over three years.

Examples of what we have done, and will continue to deliver, include:

- **Redesigning services and business process reengineering** to ensure that they are delivered in the most efficient and effective manner.
- **Redesigning and managing our “front-door”** to enable users to get the right service at the right time. Examples include “First Point for Business” and “Family Connect”.
- **Challenging Policies** – e.g. for calculation of Minimum Revenue Provision (changing debt repayment from equal instalments of principal to an annuity basis with cumulative revenue benefits of over £40m by 2019/20).
- **Working with the private sector** – to drive economic growth in order to generate jobs, increase prosperity for the residents and generate additional income for the Council from business rates and New Homes Bonus and Council Tax on new homes built in the Borough. Examples include work with the Telford Business Board and major local employers, the management of the Telford Town Centre shopping centre, house-builders and our Universities.

Building on this progress, moving forward there are some major ways that we will change as an organisation:

- “**Channel Shift**” by providing services and information in the most efficient way. For example, providing clear and robust information on the Council’s website will mean that residents can “self-serve” and not need to contact the Council in other less efficient, more expensive ways such as by telephone or face to face.
- “**Improving Business Intelligence**” – we are a data rich organisation, but all services need to be better at turning this data into intelligence to understand who is using our services and the outcomes they receive. As we continue to change the organisation we need to understand the impact of these changes both in terms of efficiency but also in terms of impact on budget and the community too.
- “**Developing new ways of delivering services**” – we will need to be working in an ever more integrated way with our partners including:
 - Telford & Wrekin NHS Clinical Commissioning Group
 - Town & Parish Councils
 - Voluntary and community sector

10.2.5 Reducing our Dependency on Government Grants.

This is an essential part of our financial strategy to increase and maximise income into the Council from sources other than Government grants. We have already taken significant steps to reduce our dependency on Government Grants and we will continue to drive these forward:

- “**Increasing income through trading our existing services**” – there are many Council services that already “trade” outside the organisation and secure income. For example Finance and HR and Catering.
- “**New commercial development/projects**” – we have developed a track record on taking on new ventures to deliver income to the Council and protect front-line services:
 - A solar farm providing £0.2m pa profit.
 - Established “NuPlace”, a housing company which will provide around 400 new homes for private and affordable rent, with the first homes now occupied.
 - Established a Growth Fund to invest in development of premises for businesses to encourage job creation and retention as well as generating additional rental income and business rates income
 - This report proposes an allocation of a further £60m in to a Regeneration and Investment Fund to be used to generate social, physical regeneration and financial benefits for our community which will also provide some additional financial benefits to help fund front line council services.

We will continue to research and develop new opportunities that can bring in an income stream to the Council. Our approach will always be business case-based.

- “**Maximising existing funding streams**” – there are 3 main areas which we are already progressing and will continue to drive:
 - **Business Supporting, Business Winning** – continuing to work to attract new investment and work to support the retention and growth of existing businesses. As well as being the right thing to develop jobs and growth in the Borough, the Council receives 49% of all new **business rates** rising to 73.5% in April 2021 subject to the implementation of the Government’s business retention rate programme and resets of the system – the first expected to be in April 2021.
 - **Growth Through Good Planning** - this is a whole Council approach by which all services work to support and enable business investment in the Borough.
 - **Property Investment Portfolio** - a property investment portfolio delivering around £8m income per annum from rental income.
- “**Securing external funding**” – again we have successfully driven this agenda, including £18.79m through the Marches Local Enterprise Partnership Local Growth Fund. In addition, we have also joined the **West Midlands Combined Authority (WMCA)** and are actively working through this to maximise future opportunities for the Borough to build on the £3.7m already secured from the WMCA. The £3.7m grant we have secured has kick-started building new homes on stalled brownfield sites in the borough and created new jobs. These new homes will generate additional ongoing income for the Council from Council Tax of over £0.5m pa and New Homes Bonus grant of a similar amount for the first 4 years after construction.

To continue to reduce our dependency on Government Grants, building on our achievements to-date, we must continue to be creative, fast-acting and smart to identify and realise opportunities as and when we identify them.

10.2.6 Being a Modern Organisation with Modern Practices and Where we Always try to Get the Basics Right.

- Employees - The Council has hard working and dedicated employees committed to making a difference to the community. Our Workforce Strategy sets out how we will work to continually support the employees to ensure that they have the right skills and knowledge to deliver services. Core to being a modern organisation is continuing to reshape the Council’s relationship with its staff. We must continue to move towards a more flexible, more pragmatic and less bureaucratic approach to decision making. This means:
 - Increased autonomy for managers and staff to take decisions

- Greater focus on development through workforce development programmes
- Greater flexibility including wider more flexible working and job descriptions for staff.
- Encourage creative thinking and challenge
- Focus on efficiency and reducing bureaucracy
- Increased staff engagement so that employee representatives will have a greater influence in the organisation
- Technology - Investing in ICT to keep our systems up to date is an essential part of 'Be the change'. We have doubled ICT's capital programme from £1m to £2m pa to drive efficiencies and savings as well as ensuring that the ICT network is robust.
- Customer focus - Improving the customer journey and outcomes by driving a digital transformation including the enablement of 'self-serve' at customers' convenience through 'My Telford'.
- Performance - Our Performance Framework tracks the progress we are making delivering our priorities. This is an essential part of our approach to evidence based decision making and will be underpinned by improving data quality.
- Financial Management - This Service & Financial Planning Strategy sets out how we will use our money to deliver our priorities and value for money including where we will invest more to deliver our priorities, but also where we are still required to make savings and deliver efficiencies. The Council has an outstanding track record of sound financial management having received unqualified opinions from the external auditors and having demonstrated sound financial control for over a decade despite challenging savings targets having to be delivered.

Whilst driving change and reshaping the relationship between the Council and its staff, we will continue to focus on getting the basics right, including:

- **Safeguarding our most vulnerable children and adults**
- **Procurement and purchasing** – ensuring that we maximise value from the services which we procure
- **Contract management** – ensuring that we always receive the service or products which we have procured through effective monitoring of delivery and renegotiation of contracts.

10.2.7 Joining the dots

This theme is about working to ensure that all our services work effectively together where this will drive improvement in outcomes for the community. It is about challenging ourselves to ask whether there are opportunities to work collaboratively with other Council services, public services and community partners.

11. CAPITAL RECEIPTS AND DEBT CHARGES

- 11.1 The Council's programme of property rationalisation has not only reduced running costs 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 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.
- 11.2 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 – if available, or from further cuts to spending or increased income.
- 11.3 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. However some “good capital investment” can fund assets which will increase in value over the longer term and/or also generate a revenue return greater than the cost of the associated debt charges. Invest-to-Save schemes such as the solar farm or the Housing Investment Programme and investment in the Property Investment Portfolio represent “good capital investment” as they earn a surplus which can be used to help protect front line services as the surplus generated helps to reduce the impact on the revenue budget of Government cuts to our grants, as well as delivering wider environmental, social or economic benefits. The Council must, however, carefully assess each potential new investment through a proper due diligence and business case process 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 investment portfolio of the Council. Because the Council primarily wants to achieve social, environmental and regeneration benefits from its capital investment programme for residents it will not invest outside our area unlike some other councils. This also ensures that any additional council tax, new homes bonus or business rates income generated by the investment benefits Telford & Wrekin residents.
- 11.4 In Telford & Wrekin debt repayments in 2019/20 accounted for 9.1% of the net revenue budget (including payment to Shropshire Council in respect of pre-unitary authority debt). This compares to:-

○ Birmingham	31.1%
○ Unitary Authority average	9.7%
○ Telford & Wrekin	9.1%
- 11.5 A graph showing the percentage of the net revenue budget allocated to debt repayments in 2019/20 for all unitary authorities is included in Appendix 5.

- 11.6 Our programme of asset sales totals £24.364m over the medium term. The planned profile of these receipts is shown below:

	£m
2019/20	3.342
2020/21	12.492
2021/22	1.980
2022/23	6.550
Total	24.364

- 11.7 Generation of these receipts is a key assumption within the service and financial planning strategy. The Council has a detailed schedule of asset disposals to address this and this schedule is regularly monitored by both officers and members of the Audit Committee and all the revenue consequences of temporary financing pending these scheduled disposals are built in to 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 resources.

12. SECTION 106 AGREEMENTS

- 12.1 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 in to 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.
- 12.2 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.
- 12.3 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.

- 12.4 The Council's Children and Young People Scrutiny Committee undertook a scrutiny review of Primary School Places during 2014 which considered s.106 agreements relating to education and it was agreed that details of these agreements would be included in the service and financial planning report in future years. Details are therefore included in Appendix 8 for the period 1st April 2019 to 31st December 2019 showing income and expenditure on each scheme relating to Education. Details of these and all other s.106 agreements will be included in the final accounts report which is considered by Cabinet in May of each year to show the year-end balance and in-year movement relating to each current s.106 agreement.

13. MEDIUM-TERM FINANCIAL OUTLOOK

13.1 Areas of Uncertainty – Reform of the Local Government Financial System

13.1.1 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.

13.1.2 However, the funding outlook beyond next year is more uncertain than it has ever been. 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, the Secretary of State for Communities and Local Government confirmed that implementation of the proposed changes to the local government finance system will all be deferred for a further year until April 2021 but very little information is available to indicate how this new system will operate and the impacts that the changes will have for individual local authorities.

13.1.3 It is unlikely that the Council will have any real clarity on its funding for 2021/22 and later years until we receive our settlement in December

2020, less than 4 months before the start of the financial year. 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 very tentative projections included in this report for future years. Available uncommitted one-off resources should therefore be held in reserve. The changes that will be implemented will potentially have very significant implications for the Council and are likely to include:-

- A completely new formula used to assess relative needs which will impact on the distribution of available resources between councils. Initial indications are that this review may see councils with a low level of Council Tax, lower than average income levels and higher levels of deprivation losing out compared to the current system. The government currently takes actual income from Council Tax into account when calculating Revenue Support Grant settlements but may in future use an assumed national level of Council Tax. Councils with an actual Council Tax below this could potentially face a funding shortfall. These issues have been highlighted by the Institute for Fiscal Studies (IFS) which has said that "London boroughs tend to set low Council Tax but receive generous grant funding due to high needs assessments. This means they will suffer when funding distribution across all English councils is changed in 2020, the review seems set to make councils who set low tax rates bear more of the cost themselves".
- The move to 75% retention of business rates by local authorities (Locally, this would mean 73.5% for the Council and 1.5% for the Combined Fire Authority). The Government have made it clear that they will not merely pass the additional funding to councils to make up for the cuts to our grants but rather, they will cease other funding streams such as the Public Health Grant which is over £12m in the current year and the remaining Revenue Support Grant and may potentially also pass additional responsibilities to councils so that the transfer is fiscally neutral at both a central and local government level. Some councils are likely to gain from these changes while others will lose and it is not currently possible to assess the impact at individual council level as there are many technical aspects of the new system that still need to be agreed. These technical aspects include:-
 - The implications of the "reset of the business rates baseline" which will see the benefits of all growth in business rates 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 in the growth achieved in other parts of the country.

- The changes to the business rates system may also see changes to the treatment of appeals against the rateable values set by the national Valuation Office Agency. The Government's Valuation Office Agency takes a considerable period of time to process appeals and a significant proportion of the total rateable value in the borough is subject to appeal creating uncertainty over what level of business rates income will actually be received. The Council has to estimate what proportion of these appeals will be successful and to what extent successful appeals will reduce the rates collected when estimating how much income business rates may contribute towards the Council's budget. Appeals represent a significant risk to councils that have no input to decisions about rateable values. The new system may see a move to treating appeals on a national basis but the mechanism for doing this would be highly complex and the cost of successful appeals would be top-sliced from the total funding raised from business rates.
- Any transitional damping arrangements to protect councils from the combined impacts of the changes in business rates income and the fair funding review, any protection would be likely to be funded from limiting the gains for councils that benefit from the new system.
- The New Homes Bonus (NHB) scheme is also under review. NHB has already been reduced with the introduction of a baseline threshold or assumed level of housing growth, currently set at 0.4%pa for which no NHB is paid and the duration of payments has been reduced from 6 years to 4 years but the allocations for 2020/21 have only been guaranteed for one year. However, despite these changes, NHB is still a very significant funding source for the Council. In 2019/20 we will receive over £6m, the proposed changes are likely to reduce the funding allocated through NHB. At a national level, this may see funding transferred from district councils so that additional support could be provided for upper tier councils e.g. to provide Adult Social Care (ASC) services.

13.1.4 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 sent a response to the provisional settlement. All consultation responses will be agreed by the Cabinet Member for Council Finance, Partnerships and Commercial Services. When

responding, we will seek to always highlight the wholly inadequate funding for Adult Social Care which must be put on to a more sustainable basis.

13.2 Comprehensive Spending Review

13.2.1 The last Comprehensive Spending Review (CSR) was undertaken in 2015 and set spending limits for 4 years through to 2019/20 which enabled MoHCLG to offer councils a 4 year RSG settlement which has assisted with medium term financial forecasting. However, there is still no indication of what funding may be available after next year.

13.2.2 The Government was due to undertake a Comprehensive Spending Review (CSR) in 2019. In undertaking a CSR the Government will update its projections for receipts from taxation, its assumptions for economic growth, inflation etc. and set out its priorities for public spending and its target for budget deficits or surpluses over the medium term. However the Government has already indicated that it will provide real terms growth for the NHS and protection for some other areas of public spending so the outlook for local government is likely to remain challenging.

13.2.3 The uncertainties arising from Brexit are likely to create a high level of uncertainty over the medium term projections within the CSR. The CSR will set the Departmental Expenditure Limit (DEL) for the MoHCLG over the medium-term but will not give any indication of the funding that will be available to individual councils. The LGA is actively lobbying in advance of the CSR to highlight the projected funding shortfalls faced by councils and the need for additional funding to be provided rather than further cuts to local services.

13.2.4 However, on 4 September 2019, the Chancellor, announced a one year “Spending Round” for 2020/21 which rolled forward the spending control totals for the current year for one further year but no clarity on spending levels at a national level is available beyond next year. At the same time, the Government committed to undertake a medium-term Comprehensive Sending Review sometime in 2020 although no date has been announced for when this will take place.

13.3. Other areas of uncertainty

13.3.1 The impact of BREXIT on inflation and the Government’s deficit reduction policy and whether the economy moves in to recession with consequent impacts on the construction of new homes and business premises in the Borough, the generation of assumed capital receipt values and on Council budgets for local Council Tax support (if

unemployment increases or household incomes fall), homelessness, housing benefit etc. is currently very uncertain.

- 13.3.2 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.
- 13.3.3 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 Council is expected to receive £5.5m through the "Better Care Fund" (BCF) in 2020/21. There is considerable uncertainty over this funding, and the CCG's contribution of over £6m to the BCF, beyond next year.
- 13.3.4 The levels of pay awards from 2020/21. After a decade of public sector pay restraint and the outcome of the pension fund triennial re-valuation to be undertaken in April 2022 and effective from 2023/24 including the impact of the McCloud age discrimination case which could have a significant financial impact on the Council's future employer pension contributions.
- 13.3.5 Projections of what the council's budget gap might be in 2021/22 and later years are therefore extremely difficult to make and have a very high degree of uncertainty. Projections will therefore be regularly refined and updated as and when additional information becomes available. It is almost certain that the actual position will be significantly different from the projections for 2021/22 and later years included in this report. The actual position may be considerably better if austerity is really over or worse if, for example, the national economy goes into recession.

13.4 Local Government Finance Settlement

- 13.4.1 In the 2016/17 settlement indicative Revenue Support Grant figures were also included for the following three years. The Government offered councils that submitted an acceptable "Efficiency Strategy" a firm 4 year grant settlement. This Council submitted its efficiency strategy and received confirmation that we were eligible for this 4 year grant settlement as detailed below:-

	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m
RSG	24.899	18.457	14.147	9.812
% Reduction from Previous Year	-20.81%	-25.88%	-23.35%	-30.65%

13.4.2 Whilst the reductions to our Revenue support Grant were very significant during the last 4 years, the advance notification did enable some degree of medium term financial planning – at least in the first year or two of the announcement. The absence of any certainty over potential funding levels beyond next year is, however, a major cause for concern.

13.4.3 The provisional settlement for 2020/21 was due to be announced before 5 December 2019 but due to the General Election being called for 12 December this deadline was not met. The provisional settlement was only received on 20 December 2019. However, because the 2019 Spending Round rolled forward the Government's spending control totals for the current year to 2020/21 rather than implementing further reductions, the settlement is considerably more positive than has been the case since 2010/11. The settlement will however still force the Council to continue to make cuts in order to fund the investment that is required in social care service for both vulnerable adults and children because the Government have not allocated sufficient funding to meet the needs of our community and the Council has a legal duty to set a "balanced budget". The final Revenue Support Grant settlement was announced on 6 February and remained unchanged although details are still awaited for a number of other grants.

13.4.4 Whilst the 2019 Spending Round sets the strategic financial overview for the Government as a whole during 2020/21, the provisional local government finance settlement sets out the specific proposals affecting local government for 2020/21 with details for each council being provided. On 20 December 2019, the Secretary of State for the Ministry for Housing, Communities and Local Government, the Rt. Hon. Robert Jenrick MP, made a written statement to Parliament on the provisional local government finance settlement 2020/21. Key points included:-

- The 2020/21 local government finance settlement is for one year only. It is based on the Spending Round 2019 funding levels.
- Council Tax Increases – As previously announced at Spending Round 2019, the council tax referendum limit will be 2% for local authorities with social care authorities also allowed a 2% Adult Social Care precept.
- Business Rates Retention – The three elements of the Business Rates Retention system (Baseline Need, NNDR Baseline and Tariff / Top Up amounts) have all increased by 1.63%, in line with the September 2019 CPI inflation figure.
- Revenue Support Grant - As outlined in the technical consultation, RSG has increased in line with the Business Rates Retention system (+1.63%). Whilst a very small increase, this is noteworthy because it is the first increase in RSG for many years. Our provisional RSG allocation for next year is £9.972m

- New Homes Bonus - The 2020/21 allocations have been announced. These will be paid with the legacy payments due from previous years (2017/18 to 2019/20). As previously announced, there will be no legacy payments for the 2020/21 in year allocations. The deadweight of 0.4% was maintained. Our provisional New Homes Bonus allocation for next year is £6.342m
- Social Care Funding – Originally announced at Spending Round 2019, with further details provided in the technical consultation, the provisional settlement confirms the previously proposed national amounts and allocation methodologies.
- The final settlement was received on 6 February and confirmed the figures in the provisional settlement. The 2020/21 announcement is the first and only year of the Spending Round 2019, with future years' announcements dependent on a number of factors, including: the Spending Review 2020, the outcome of the Fair Funding Review, the Business Rates Retention Reset, the move to 75% Business Rates Retention and any reform of the New Homes Bonus scheme.
- The proposed increase to the small business rates multiplier for 2020/21 is 1.63%, increasing it from 49.1p to 49.9p.
- Parish and Town councils will continue not to be subject to the referendum limits. As in previous years, the government has indicated it will keep this approach under review for future years.
- Public Health Grant - In the 2019 Spending Round the Government announced a real terms increase in the public health budget. It also announced that it will continue to be paid through a ring-fenced grant in 2020/21. However, neither the provisional nor the final settlements included any information about the national total, or individual council allocations, of the public health grant for 2020/21, information which is still awaited at the time of drafting this report. The LGA is calling on the government to provide councils with clarity on the funding available in 2020/21 saying that “the current delay to the announcement is making it extremely difficult for councils to plan effectively.”
- The deadline for responses to the provisional settlement was 17 January 2020 and the Council's response was approved by the Cabinet Member for Council Finance, Partnerships and Commercial Services.

13.4.5 In the Queen's Speech (19 December 2019) it was announced that there would be:

- A fundamental review of business rates - Whilst any change in how business rates is determined would alter the ability of each authority to collect business rates locally, local authority gains or losses from any change would not be expected i.e. as with revaluations, NNDR Baseline, and therefore Top Up / Tariff amounts would be adjusted to offset changes in the amount collected.

- An increase to the retail discount relief (from 33% to 50%) and extension of this to cinemas and music venues, with extensions to pub and local newspaper relief planned. It is expected that the lost business rates income from these new / higher reliefs announced will be, as per previous changes, offset by increased “section 31” grant payments.
- The Government restated its commitment to a review of the business rates system and to move to three-yearly revaluations, beginning in 2021. The 2017 revaluation saw adjustments to top up / tariff amounts to offset the changes in Rateable Value (RV) locally. This made the initial impact of revaluation revenue neutral locally. However, as appeals on the new RV amounts are paid for locally (and are not uniformly distributed) the impact of revaluation 2017 will not be equal across local authorities. It remains to be seen if appeals are nationalised (the government’s hope) as part of any reform of the business rates retention system, for Revaluation 2021.

14. 2019/20 PROJECTED OUTTURN POSITION

- 14.1** As the Financial Management report also on this agenda shows, excellent financial control continues to be exercised and good progress is being made in delivering the overall budget for 2019/20 in very difficult circumstances. 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.
- 14.2** Pressures in Children’s Safeguarding have become greater since the budget model for this service area was agreed. Therefore it is now proposed to build an additional £2m in to the safeguarding budget for next year on an ongoing basis. This funding will be added directly in to the budget rather than held in a central provision and will ensure that the budget for this service for next year can be considered as robust despite this additional in-year pressure.
- 14.3** Overall, the latest Financial Management report which is included on this agenda shows that it is currently expected that the Council will have some one-off funding available within the revenue budget contingency for 2019/20 at year end (currently estimated to be in the region of £1.149m) but as this is a projection, the final position may be either better or worse than this and therefore this potential benefit has not been assumed to be available in the assessment of projected one-off resources.

15. SAVINGS PROPOSALS 2020/21

- 15.1 By the end of the current financial year, the Council will have delivered ongoing budget savings of £123.548m since 2009/10. Despite small increases in some grants for next year and some one-off additional funding provided by the Government for social care spending pressures, the Council needs to invest an additional £3.926m in to Adult Social Care and an additional £4.958m into Safeguarding Children next year. Despite the proposed council tax increase it is therefore 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.
- 15.2 Appendix 13 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 £3.306m in 2020/21 rising to £4.581m in 2021/22. Clearly after already having delivered £123m 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 mitigate the impacts of the proposals or alternative options.
- 15.3 Whilst additional investment totalling almost £9m in social care is put forward in this report, 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 11 and 12.

16. INVESTMENTS

- 16.1 Due to the tight financial position faced by the Council the scope for new 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 on a one-off basis pending the new local government finance system now being implemented in April 2021 which will hopefully include additional sustainable funding for both children's and adult social care. Therefore the scope for further revenue investments is limited, as additional investments in other priorities would require further budget savings to be identified.

16.2 However, some additional revenue funding is proposed for our highest priorities. Revenue investment proposals put forward in this strategy include:-

- Increased investment of £3.926m in Adult Social Care next year. This is more than twice as much as will be raised from the Adult Social Care precept of 2%.
- Increased investment of £4.958m in Children's Safeguarding next year.
- The combined additional investment next year in Adult Social Care and Children's Safeguarding therefore totals £8.884m (which is more than 10% of the existing budget). The combined total net budget allocation for these services will be in excess of £81.5m
- Investment of £0.1m ongoing revenue funding to support our Rogue Landlord team to continue to tackle rogue landlords, work with good landlords and support private tenants by continuing to invest in our 'Better Homes for All' scheme.
- £0.05m to explore ways to support our young people to get onto the housing ladder, through development of a housing "app" and other housing and homelessness initiatives.
- £0.1m as initial pump-priming support to develop and coordinate delivery of the Council's commitment to reduce carbon emissions from Council services and operations by 2030 and ensure engagement with the community in delivering carbon reduction actions and achieving Plastic Free Telford status. Addressing climate change is a critical theme for the Council and additional resources will be allocated as required through future service and financial planning strategies, and through outturn reports where any budget contingency funds remain uncommitted at year end, as specific work-streams and funding requirements are developed. This will enable the Council to continue to work to reduce its carbon footprint and partner with government and others on other climate change projects.
- £0.108m revenue funding for small Pride environmental projects to be allocated to specific schemes by the Executive Director: Housing, Communities & Customer Services after consultation with the Deputy Leader.

16.3 In addition to these revenue investments, a number of capital investments are also included in the Capital Programme report included as part of this suite of service and financial planning reports. Capital projects take time to deliver and need to be planned over the medium term. Proposed new capital investments and their phasing are therefore set out in the table below:-

Capital	Total	Phasing		
	20/21	21/22	22/23	23/24

	£m	£m	£m	£m	£m
Property/Housing Regeneration and Investment Fund	60.0	7.5	17.5	17.5	17.5
PRIDE Schemes:-					
Regeneration - Borough Towns / High Streets	5.0	0.2	2.4	2.4	0.0
Roads, Footpaths, Cycle-paths, Car Parking	12.0		4.0	4.0	4.0
Structures - Bridges, retaining walls, bus shelters etc.	4.0	1.0	1.0	1.0	1.0
Other environmental improvements	5.0	0.5	0.5	2.0	2.0
Contingency – additional priorities including climate change and any in-year pressures that arise	4.0		2.0	2.0	
Total	90.0	9.2	27.4	28.9	24.5

- 16.4 The new £60m “Property & Housing Regeneration and Investment Fund” will enable further long-term investments in the development of good quality homes for rent and further expansion of the Council’s Property Investment Portfolio. These investments will further increase the choice of homes available for people looking to rent from a high quality, responsible landlord with a commitment to providing secure long-term homes and will also regenerate brown-field sites, attract new jobs, and retain companies that may otherwise leave the Borough if suitable premises are not available. Profits from these investments will be used to help fund key front line services including Adult Social Care and Children’s Safeguarding. It is anticipated that additional council tax, new homes bonus and business rates will also be generated by these investments which will also help to support essential front line services. No debt charges for this funding allocation have been included at this stage as these projects are assumed to be at least revenue neutral (i.e. income generated should cover the debt charges) or, as is considered more likely, the impact on the revenue budget will be positive allowing investment in to front line services. However, in order to be prudent no surplus has been assumed at this stage.
- 16.5 The Council’s existing £64.4m funding allocation for Nuplace has already seen:-
- 329 homes delivered, of which 44 are affordable.
 - Planning permission has been secured for a further 91 units, bringing Nuplace’s portfolio to 420 by 2020, including 19 specialist needs dwellings.

- Houses are provided across the borough, covering north and south Telford as well as Newport.
- 800 people are living in Nuplace homes and benefit from a reliable landlord committed to providing long-term homes,
- The portfolio is performing well with a void rate during last year of less than 2.5%.
- Since 2015/16 - cumulative net incremental income of £3.242m. has been generated for the Council which has benefitted front line services such as social care services.
- Last year alone, the additional incremental income for the council amounted to £1.17m.
- In addition, Council Tax and New Homes Bonus payments are estimated to have generated an additional £0.526m since 2016/17, rising to £0.7m in 2019/20.
- Since 2015/16, Nuplace has delivered a cumulative profit before tax of £1.17m.
- Over 23 acres of brownfield land have been regenerated.
- Added value has been delivered in terms of local employment, apprenticeships, supply chain development and the delivery of a range of community projects.

The proposed Investment and Regeneration Fund will enable further similar investments to be made to provide more good quality homes for residents as well as driving new income to help us provide front-line services.

- 16.6 The Council's existing £50m Growth Fund, which has now operated for 4 years:-
- Enables the Council to provide land, build and lease bespoke properties and offer a full turnkey solutions, and continues to drive a high number of investment enquiries drawing in new investors.
 - The Fund has supported commercial opportunities including Southwater as well as industrial employers such as Rosewood Pet Products and Eden Horticulture Ltd.
 - Cumulatively, the £43m investment to date through the Growth Fund is estimated to deliver an ongoing gross return of 7.3%, 4.8% after borrowing costs, with over 50% linked to long term lettings of up to 15 years.
 - The £43m committed to date, in to a range of investments is anticipated to help deliver approximately 1000 new jobs and safeguard a further 250 jobs.
 - Through the investment of the full £50m the Council is on target to generate over £3m p.a. in additional gross income.

- The investment is also delivering growth in business rates income. The additional business rates of over £500,000 pa is being invested directly into delivering front line services across all the Borough's communities.

The proposed Investment and Regeneration Fund will enable further similar investments to be made to continue to attract new jobs and protect existing jobs as well as driving new income to help us provide front-line services.

- 16.7 As explained in the capital programme report, the proposed Capital Programme will also see £26m invested in an extension to the Council's Pride Programme of environmental improvements over the next four years including:-
- £5m for regeneration of our Borough Towns and High Streets
 - £12m for further improvements to our roads, footpaths, cycle-paths and car parking provision,
 - £5m for environmental improvements and
 - £4m for improvements to, and maintenance of, bus shelters, bridges and retaining walls.
 - In addition, £2m pa will be available as a contingency in 2021/22 and 2022/23 to fund additional priorities such as reducing the Council's carbon footprint and partnering with government and others on other climate change projects and any additional pressures that arise. This funding will be allocated to specific schemes through Financial Management reports to Cabinet and full Council or through future Service & Financial Planning strategy reports.
- 16.8 In total, the proposed Capital Investment Programme, including existing planned schemes, totals over £234m.
- 16.9 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 revenue and capital investments will bring significant benefits to the Borough.

17. COUNCIL TAX

- 17.1 Council Tax in Telford & Wrekin has historically been low compared to other councils. 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 (£1,301.55). The average Council Tax at Band D in the Midlands region is more than 14% higher than in Telford & Wrekin.
- 17.2 Appendix 2 compares our Council Tax to the other unitary authorities in England and shows that we have the fourth lowest Council Tax at Band

D out of 56 unitary authorities being £182.67 less pa than the average for unitary authorities of £1484.22 which is more than 14% higher than our level at Band D.

- 17.3 If Telford & Wrekin Council had levied a Council Tax at the average level of Midlands authorities (£1492.20 at Band D which is £190.65 higher than in Telford & Wrekin) in the current year, we would have generated an additional £9.65m. this year.
- 17.4 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 in to 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 £12.8m by 2020/21.
- 17.5 The Council also continues to suffer from a population undercount. We believe that the Office for National Statistics undercounts our population by around 4,000 people which has resulted in a further loss of grant of around £1.2m pa. in recent years – a cumulative loss of £9.6m for the period 2013/14 to 2020/21.
- 17.6 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. 61.6% of total chargeable dwellings in Telford & Wrekin are in these two bands, compared to the average across all unitary authorities of just 50.5%. 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 still 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 levels are also higher so a 1% increase raises considerably more per property than it does in Telford & Wrekin.
- 17.7 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 significant withdrawal of Government grant from the Council over the last 10 years. However, the most critical services that the Council delivers are safeguarding vulnerable adults and children and the Council is committed to ensuring that we always meet the assessed need of vulnerable social care clients. Whilst the government made some one-off funding available to support social care services next year, this is insufficient to meet the increases in demand that we face. The Council continues to see increasing demands for both Adult Social Care and Children’s Safeguarding. It is therefore proposed that Council Tax for 2020/21 is increased by a total of 3.99% (made up of 2% in respect

of the Government's Adult Social Care Precept which the Government has assumed that all eligible councils will apply and a general Council Tax increase of 1.99%). 3.99% 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 77 pence 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.

- 17.8 Last year the Council implemented a scheme to exempt young people aged 18 – 22 leaving its care and living within the Borough from Council Tax. This year, when the Council Tax Base was set at full Council in January this scheme was extended up to the 25th birthday of care leavers. It is estimated that there are currently 30 additional council tax accounts that will benefit from a care leavers discount at a total cost of around £20,000.

18. BASE BUDGET, BALANCES AND CONTINGENCIES

18.1 Base Budget

- 18.1.1 A summary of the Base Budget position is included at Appendix 6 which shows a net base budget of £133.715m for 2020/21 after reflecting the investments set out in this report but before deducting the savings proposals. Assuming a council tax increase of 3.99% for next year and that all the savings put forward are agreed leaves a funding gap of £1.434m. Appendix 7 includes an analysis of the main changes in moving from the 2019/20 budget to the 2020/21 base budget.

18.2 Balances

- 18.2.1 Appendix 9 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 around £20.94m available which could be taken in to account as part of medium term budget strategy considerations, excluding the current projection for unused 2019/20 corporate contingency of £1.149m. shown in the Financial Management report also on this agenda and the recommended use of £1.434m to balance the position for next year.

- 18.2.2 The Government offered Councils the ability to fund the one-off costs of service reform projects from new capital receipts generated during a three year period commencing from 1st April 2016, which was subsequently extended to a six year period (up to and including 2021/22) as part of the provisional settlement on 19th December 2017. This 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 needs to approve the updated “Efficiency Strategy” at Appendix 14. The Council will need to build up a balance in the severance fund for use from 2022/23 onwards. Currently the uncommitted balance in the Severance fund is £1.2m. A further £0.8m is held as an uncommitted balance within the Invest to Save/Capacity Fund.

- 18.2.3 The total “usable” one-offs of £20.94m are detailed in Appendix 9 and will be used to support the delivery of the medium term service and financial planning strategy in future years. 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. However, it is proposed to use a limited amount of these uncommitted one-off resources, £1.434m, to support the revenue budget in 2020/21. 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 2020/21 have been fully allowed for in the proposed budget, with £2m additional funding now allocated to children’s safeguarding over and above the £2.958m included in the January report to Cabinet. The Council also has £11.92m 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 2020/21 giving the Council additional potential flexibility if required in the short-term. 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 later years as the Council has now “locked-in” over £90m of previously very short term debt to longer-term fixed rates of interest (before the PWLB increased rates across the board by 1%).
- 18.2.4 The Partnership Capacity Fund has a current balance of £1.0m. This funding is set aside to be used for community grant programmes such as those outlined earlier in this report, to support the development of volunteering schemes and to develop capacity within the voluntary sector.
- 18.2.5 At the time of writing this report, the Council was still waiting to be notified of a number of grant allocations totalling almost £14m. Whilst estimates for the outstanding amounts have been made if the final grant allocations are different to the assumed amounts it will be necessary for authority to amend the use of balances in 2020/21 to be delegated to the Director: Finance & H.R. after consultation with the Cabinet Member for Council Finance, Partnerships and Commercial Services.

18.3 Risk Management and Financial Resilience

18.3.1 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 with changes to the Local Government finance system, now due to be implemented in April 2021 and currently no national Comprehensive Spending Review figures from the Government beyond 2020/21. As an organisation which provides a vast range of different services to the community and spends almost £500m per annum financial resilience and risk management are very important considerations when setting the Service & Financial Planning Strategy.

18.3.2 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 10 years and has consistently received an unqualified audit opinion from its external auditors
 - ✓ The Council has successfully delivered £123m 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 and a Partnership Capacity Fund are 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 – fewer than 10% of the posts that have been deleted to date have been as a result of compulsory redundancy.
 - ✓ Where required, additional investment has been included in the budget, £3.926m additional investment in Adult Social Care has been allowed for in 2020/21 and £4.958m additional investment in to Children's Safeguarding has been built in to the 2020/21 budget to support Looked After Children

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

- **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 in recent years to meet service pressures.
- ✓ The projected financial outturn for 2019/20 currently shows a considerable amount of contingency should be available at year end despite significant additional pressures being experienced in the children's safeguarding 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 SMT 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**

- ✓ 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 very exceptional circumstances the Minister may authorise an application for a capitalisation direction.
- ✓ There is an effective Treasury Management Strategy (included within this suite of service and financial planning reports and considered in detail by The Audit committee at their meeting in January) 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.
- ✓ Long term interest rates are allowed for in the budget projections despite, at the time of drafting this report, still

holding around £40m of total debt in short term loans (at the time of writing this report) running at rates below 1%. (Having “locked-in” over £90m of previously short-term debt in the months leading up to the PWLB’s decision to increase rates across the board by 1%). This enables the Council to lock in to longer term fixed rate loans when advised to do so by our external Treasury Advisors without impacting on the medium term financial projections included in this report.

- ✓ 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.
- ✓ All capital and revenue 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 advisors.

- **Reserves & Balances**

- ✓ The Council has General Fund and Special Fund balances as a safeguard against unforeseen costs. A rigorous review of reserves and balances has been undertaken.
- ✓ One-off resources will be retained as far as possible to provide financial flexibility due to the high degree of uncertainty over the future financial outlook.
- ✓ 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 £11.92m 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 settlement is firmed-up.
- ✓ Contingencies have been built into the revenue budget: a general contingency of £3.2m in 2020/21 with a further £0.7m for inflation;
- ✓ A £4m contingency is included in the medium term capital programme.

- **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.

- ✓ The updated Strategic Risk Register is included as Appendix 14 of this report.

Reducing Dependency on Government Funding

- ✓ A key focus of the budget is on income generation, for example through the proposed £60m “Property & Regeneration Investment Fund” thus reducing the Council’s reliance on Government Grant in the future making the Council more financially independent but also more subject to economic cycles.
- ✓ Despite the financial challenges being faced, 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 the major changes to the system expected in April 2021 and periodic resets of the system.
- ✓ The Council has adopted innovative ways to generate income such as from Nuplace, its wholly owned housing company, the solar farm, The Telford Land Deal (a joint arrangement with the Marches LEP and Homes England) and the Telford Growth Fund. Surpluses from these investments support front line services as well as providing wider environmental, social or economic benefits.

- **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 a very experienced Cabinet Member for Council Finance, Partnerships and Commercial Services
- ✓ Regular Financial Management reports are produced for and considered by the Senior Management Team and for Cabinet and appropriate action taken to manage pressures as they arise.
- ✓ Specialist external knowledge is commissioned for specific projects where appropriate.

18.3.3 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 is unprecedented both in scale and duration, provide a level of assurance that the Council is in a sound financial position despite the further challenges that the Council will inevitably continue to face. Additional information on the financial robustness of the council is included in Appendix 10.

18.4 Inflation Assumptions and Contingencies

18.4.1 The Council's budget model includes an allowance for pay awards of 3% from 2020/21 through until 2022/23. If actual pay awards are lower than this the saving will be used to reduce the savings requirements for these years. If they are higher the Council will need to find further savings. After many years of considerable pay restraint which have seen the pay of council employees cut in real terms by over 25% (and considerably more for the most senior roles) there is a risk that as the economy improves the Council may not be able to retain or attract suitably skilled staff to deliver services in what is now a very challenging environment.

18.4.2 In accordance with practice in recent years, no allowance has been built in for general inflation, although some provision for contractually committed inflation and Adult Social Care costs has been made.

18.5 Single Status

18.5.1 The Council is planning to implement a new job evaluation scheme during 2021/22 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 has 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.

18.5.2 An allowance for the additional ongoing costs arising from single status has been built in to the budget for 2021/22 of £0.318m (allowing for implementation from January 2022) rising to £1.270m in 2022/23. 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 £11.92m one-off funding was set aside several years ago 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.

18.5.3 Initial discussions with the Pension Fund and its actuaries have identified that the Council could potentially receive a significant one-off financial benefit if an advance payment of the pension contributions for future years is made. Currently 95% of the estimated pension contribution for each year is paid at the start of the year which gives a benefit of around £0.2m pa. However, if 95% of the estimated pension contribution for 2021/22, which would total around £11.2m, was paid on 1 April 2020, an additional benefit of around £0.48m could be received by the Council. After deducting the benefit that the Council would receive from holding a higher cash balance for this period if this transaction was not entered in to (which would effectively reduce treasury management gains to some extent during 2020/21), a very significant net benefit would still be generated. It would potentially be possible to "borrow" funding from the Single Status reserve in order to make the advanced payment to the pension fund. The reserve would be available when it is required, which could be from early January 2022. Negotiations are continuing with the pension fund and actuary over the details of this potential transaction and discussions will be needed over the accounting treatment with the external auditors. However, in order to enable this transaction to take place if it is deemed to be in the overall best interests of the Council, it is recommended that delegated authority be granted to the Director: Finance & H.R. after consultation with the Cabinet Member for Council Finance, Partnerships and Commercial Services to fund an advance payment of pension contributions for 2021/22 from the single status reserve on 1 April 2020 if this is financially advantageous to the Council once full details are available and all implications have been assessed. No assumption for the receipt of this benefit has been made at this point and any benefit that does arise will be a one-off benefit that will be reported to members through future Financial Management reports to Cabinet.

19 EDUCATION FUNDING – DEDICATED SCHOOLS GRANT

- 19.1 Dedicated Schools Grant (DSG) in 2020-21 will be allocated using four blocks:
- 19.2 **Schools Block £126m** - funding for all mainstream primary and secondary schools via a local funding formula, although the Government's stated aspiration is to move to a nationally determined

funding formula in future. The amount in the block for Telford & Wrekin has increased by around £9m compared to 2019/20, due to more pupils, particularly in the secondary sector and an increase of around 4.8% in the funding per pupil. The 4.8% increase arises from a national increase of around 4% per pupil, plus a further increase as Telford & Wrekin school funding is brought up to the National Funding Formula (NFF) level.

- 19.3 **High Needs Block £25m** - which funds Special Educational Needs (SEN) placements and supports special schools, pupil referral units and other alternative provision. The allocation for 2020/21 represents an increase of over £3m compared to 2019/20 and broadly reflects a national increase of funding of around 12%, which in turn is recognition of the severe budget pressures in this area. In each of the last two years, Telford & Wrekin's Schools Forum has agreed to move 0.5% of the Schools Block, equating to £0.6m in 2019/20, to high needs. This transfer has been agreed by the Forum in the context of high needs budget pressures. The Forum has not supported such a transfer for 2020/21 as the Government has provided substantial additional high needs funding, and this means that the net increase for high needs will be around £2.6m.
- 19.4 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.
- 19.5 **Early Years Block £12m** – 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. There was a significant increase in funding per child amounting to around 8% for Telford & Wrekin in 2017/18, but the announced 2020/21 increase, of less than 2% per child, will be the first increase since 2017/18. Cost pressures impacting upon settings include the year on year increases in the minimum wage. As early years allocations are based upon numbers of children in two January censuses, January 2020 and January 2021 for financial year 2020/21, the allocations are provisional until final adjustments are made after the financial year end (Summer 2021 for financial year 2020/21).
- 19.6 **Central School Services Block £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, most of which are statutory responsibilities of the local authority.

20. EQUALITY IMPACT ASSESSMENT

- 20.1 Equality Impact Assessment is a tool that is used 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.
- 20.2 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.

21. ENVIRONMENTAL AND ECONOMIC IMPACT ASSESSMENTS.

- 21.1 Environmental assessment is a procedure that ensures that environmental implications of Council decisions are taken into account. The principle is to ensure that plans, programmes and projects likely to have significant effects on the environment are made subject to an environmental assessment. Environmental Assessments aim to provide a level of protection to the environment and to contribute to the integration of environmental considerations into the preparation of projects, plans and programmes with a view to reduce their environmental impact.

- 21.2 The inclusion, for the first time, of both revenue and capital funding earmarked for initiatives that will help the Council reduce its carbon footprint working with government and partners where appropriate will also reduce the Council's environment impact. Overall, on balance the environmental assessment of the budget proposals is expected to be positive for example as the Council operates from fewer buildings energy use will be lower and lower employee numbers will result in decreased car journeys to and from work and potentially work related journeys as we redesign services and use communication technology differently.
- 21.3 An economic impact assessment will be undertaken for those proposals that have a significant individual economic impact. Clearly reducing spending by the Council will impact on the local economy for example through fewer people being directly employed by the Council and less business being placed by the Council with local suppliers as spending reductions are made. The Council adopts a proactive business supporting and business winning approach which will reduce the adverse economic impacts caused by the Government's continuing cuts to our grant and has also set out a significant Capital Programme which should offset the impact of revenue budget spending cuts.

22. COMMUNITY ENGAGEMENT AND COMMUNICATION

- 22.1 As outlined earlier in this report we have revised our approach to budget engagement to enable discussion at an earlier stage with partners regarding how we deliver our services in the future and meet our financial challenges. The focus of the 4 week budget engagement process this year has been on communicating our strategy for Service & Financial Planning for next year to our partners and wider community and seeking to open an ongoing dialogue with them about how we can work differently together in order to make best use of available resources. This has involved clear communication in relation to where the Council intends to spend its budget, the proposed level of council tax increase and highlighted the areas for new investment. The Council's strategy was published on our website, information was provided on social media and was supported by wider media communications. People were given an opportunity to comment on these proposals by email, telephone or social media.
- 22.2 As part of our engagement process we have also commenced dialogue with our partners in the voluntary and community sector, Town and Parish Councils and the business community. These sessions involved presentations on our Service & Financial Planning strategy and provided more detailed information about the challenges we face. The sessions also included an opportunity to consider how we might work in partnership together to develop alternative ways of continuing

provision that meets the needs of our community, particularly those that are most vulnerable.

- 22.3 Some common themes were explored across these sessions including sharing examples of how partners are already supporting the delivery of the Council's priorities and how the Council can work with partners to continue to support this good practice. An ongoing theme continues to be a focus on collaborative working and ensuring that we are all making the most of the limited resources we have. The importance of an ongoing dialogue was also identified and the Council is committed to taking this forward.
- 22.4 As outlined above, communication of the Council's Service and Financial Planning Strategy has been the start of the process of more in depth engagement that will continue throughout the year. We will use the feedback from partners to enable us to work together as specific proposals relating to service delivery are developed. Our joined up approach to equality and consultation will ensure that we engage residents appropriately in relation to proposed changes to the delivery of Council services.

23. FEEDBACK FROM SCRUTINY

- 23.1 The Council's Finance & Commercial Services Scrutiny Committee is a politically balanced committee of seven non-Executive elected members and two co-opted members. The Committee is the main mechanism by which Cabinet consults annually with Scrutiny on the budget proposals.
- 23.2 The Committee held two meetings on 13 January and 20 January 2020 to scrutinise the Service & Financial Planning Strategy 2020/21 – 2022/23 agreed by Cabinet for consultation on 2 January 2020.
- 23.3 An alternative budget was not put forward by the main opposition group.
- 23.4 The Committee would like to thank the Cabinet Members for Finance, Commercial Services and the Borough Economy and Health and Adult Social Care, the Chief Financial Officer and the Director: Adult Social Care for their presentations and answering questions to assist the Committee in its deliberations. The Committee also thanks those Officers involved in providing written responses to a number of questions raised.
- 23.5 The general consensus of the Committee was to support the administration's budget approach in light of the lack of clarity around funding beyond 2020-21. In particular, the Committee made the following observations:-

- (a) Adult Care continued to be financially challenging, not just for Telford and Wrekin but for local authorities across the country. Following a presentation by the Cabinet Member for Health and Social Care and the Director for Adult Social Care, the Committee were content that the approach summarised in the Cost Improvement Plan was robust and effective. It was clear to the Committee that the application of the Government's 2% "Adult Social Care precept" was a necessity, although the sum raised from this would be insufficient to meet demand and the Council's proposed significant total investment of £3.926m in 2020/21, including additional funding over and above that generated from the total proposed council tax increase was, therefore, also supported to mitigate the pressure in this area. The Committee continued to keenly await the government's green paper and an early debate on funding for long term social care.
- (b) The Committee noted that Children's Safeguarding similarly continued to face increasing demands on funding and it was noted that Children & Young People Scrutiny Committee could oversee this area through its work programme.
- (c) The Committee supported the proposed increase in Council Tax for 2020/21 of 1.99%, together with the application of the Government's additional 2% "Adult Social Care precept" (a total of 3.99%).
- (d) The Committee also noted and supported the investment plans proposed in the budget strategy and supported the prudent use of £1.434m of available revenue balances as set out in the report.

24. STRATEGIC RISK REGISTER

- 24.1** As an organisation which provides a vast range of different services to the community and spends revenue and capital resources of around £500m pa, the management of risks is an important consideration in the budget setting process. The Council has a strategic risk register – included at Appendix 3, 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 the Senior Management Team to manage risks and mitigate potential exposures both as part of everyday business and as part of decision making processes.

25. IRONBRIDGE GORGE MUSEUM TRUST

25.1 The Council made a loan to the Ironbridge Gorge Museum Trust which is due to expire in January 2023. The balance outstanding at 31 December 2019 was £169.4k and the loan is secured by a guarantee from the Ironbridge (Telford) Heritage Foundation Ltd. The intention was that the loan would be repaid through offsetting services bought from the Trust over the period of the agreement with repayment being monitored against the January 2023 timescale. A recent review of the service delivery and repayment arrangements indicates that a more realistic payment schedule would be to provide the option to extend the loan to January 2025 if required. This continues the valuable partnership working between the Council and IGMT which is key to the effective management of the World Heritage Site, maximising tourism and promoting Destination Telford.

26. ROBUSTNESS OF THE FINANCIAL STRATEGY AND LEVELS OF RESERVES & BALANCES.

- 26.1 The Council is required to set a balanced budget and under section 25 of the Local Government Act 2003, the Council's Chief Financial Officer (CFO) is required to report on the adequacy of the Council's reserves and balances and on the Council's financial strategy including the use of balances and of the financial planning process and the Council must have regard to this report when agreeing the medium term financial strategy.
- 26.2 **Appendix 10 gives a more detailed view, but overall, given the continued delivery of savings which will total over £123m by the end of this year, the long-term service redesign, particularly in relation to Adults and Children's services, the commercial approach being adopted, and the investment being made in the borough, it is considered that the Council is pursuing a sound financial strategy in the context of the most prolonged and challenging financial position it has ever faced due to the combined effect of Government grant cuts and increased service pressures.**

27. NEXT STEPS & TIMETABLE

- 27.1 Once the service and financial planning strategy for 2020/21 has been approved by full Council on 5 March 2020 and the Council Tax resolutions have been approved, it will be imperative that considerable resource is devoted to rigorous financial management and monitoring by all managers and budget holders. All managers need to effectively and proactively manage their business. Managers will need to take an increased role in the financial management of their services through increased use of the Agrezzo financial management system and appropriate training to facilitate and support this continues to be made available.

- 27.2 The Council faces many financial challenges over and above the obvious and very significant reductions in Government grant. There are many risks and uncertainties inherent in the financial system that was imposed by the Government during 2013/14. As made clear earlier in the report there is a very high level of uncertainty about how the CSR2020 and the new local government finance system to be introduced from April 2021 will impact on the Council.
- 27.3 As well as exercising tight financial control and effective financial management, managers and Cabinet Members will continue working together to identify further savings and opportunities for additional income to bridge the significant potential budget shortfalls currently projected in 2021/22 and 2022/23. Developing options for consultation will involve discussion with partner organisations, service users and the community. The Council will need to actively respond to any additional consultation opportunities offered by the Government during 2020/21 around the new local government finance system and ensure that the implications of the final changes are understood and opportunities are maximised and the associated risks are effectively managed as far as possible.

28. BACKGROUND PAPERS

- LG Futures Local Government Finance Settlement briefing
- Guardian online - What to expect in Sajid Javid's spending review, published 4 September 2019
- Municipal Journal article by Heather Jamieson "Brokenshire: 2019 will be turning point for local government" published 19 November 2018.
- BBC News Website
- LGA Website and "Provisional Local Government Finance Settlement 2020/21: on-the-day briefing" document
- Revenue Support Grant Settlement Announcement – MoHCLG Website
- Service & Financial Planning Report to Council – 28 February 2019
- Setting the Council Tax Base Report to Council – 23 January 2020
- Service & Financial Planning Report to Cabinet – 2 January 2020

Report prepared by:-

Ken Clarke, Director: Finance & H.R. (Section 151 / Chief Financial Officer) - Tel: (01952) 383100

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