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Public

**MEDIUM TERM FINANCIAL PLAN - BUDGET PAPER FOR 2011/12 TO 2014/15****Responsible Officer** James Walton - Section 151 Officer

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**Purpose of Report**

This report sets out a framework for consideration by Cabinet of the Council's budget position for the three year period 2011/12 to 2013/14, and seeks Members' agreement to a list of further saving proposals for 2011/12 alongside a framework to reduce our spending in future years. The report is written in the light of the final Local Government Finance Settlement received on 9 February 2011.

The report finalises the process undertaken since last summer of producing a balanced budget for 2011/12; linking together previous reports identifying reductions in spending, increased income from fees and charges, and changes to the Council's Capital Programme. At the same time, the process has set out measures to manage service pressures arising from 2010/11, provide resources for transformation of our future service delivery, and recognise the need for an increased level of general reserves.

In addition to previous Budget reports, this paper sets out the framework for a full Medium Term Financial Plan (MTFP), including a revision of savings targets in future years, a framework of proposals for further spending reductions in 2012/13 and 2013/14, alongside known spending pressures and proposed changes to the role, structure and operating model of Shropshire Council, and of the local public sector generally.

This report identifies savings that will need to be implemented by 1 April 2011 to deliver a balanced budget in the next financial year, together with broader proposals to meet future savings targets. However, given the uncertainty that remains around the detail of reduced local government finance, and in particular the Government's clear statement that the 4 year CSR should be viewed as a 2 year settlement with an indicative further 2 years, where further funding changes are possible in 2013, it is prudent to be cautious about our savings targets in the latter years of the MTFP. However, the Council does need now to make clear commitments and spending decisions which will provide additional funds for general reserves and ensure greater financial resilience for the authority in future years.

## Recommendations

It is recommended that Cabinet:-

- A. Notes the additional information about the Council's future funding set out in our Final Funding Settlement;
- B. Notes the revised resources and budget totals, which need to be included in our revised savings targets for 2011/12 to 2014/15 (see Appendices 1 and 2);
- C. Agrees and recommends to Council the proposed framework for future spending reductions in 2012/13 and 2013/14, as shown in Appendix 4;
- D. Agrees and recommends to Council the proposed further spending cuts, as listed in Appendix 7, in order to produce a balanced Budget for 2011/12, subject to scrutiny and consultation, where appropriate.

## REPORT

### 1. Background

#### 1.1 Strategy Framework

- 1 The Council has already taken a number of key decisions concerning its 2011/12 budget, which in total will deliver spending cuts of almost £31 million. These have concentrated on changes which can be implemented relatively quickly, (sometimes before April 2011) and, without major implications for service delivery, in order to achieve early progress on tackling our future funding deficits. The scale and front loading of the Government's spending cuts have not afforded us time to deliver savings as part of the transformation programme we already have in train. However, the balancing of the 2011/12 budget now provides the space for us to consider outline proposals for the 2012/13 and the 2013/14 financial years in good time to put major service changes on the ground.
- 2 As part of initial decisions already taken, the Cabinet has identified a number of key principles which have guided the development of our Medium Term Financial Plan, and these have been supported by full Council.
- 3 To date, Members have placed a strong emphasis on:-
  - protecting services for safeguarding those local people at risk, (both adults and children), because they are the most vulnerable;
  - finding savings by reducing bureaucracy, duplication, administrative and managerial costs, as a first priority, in order to protect frontline service (so far as is possible);

- reducing staffing costs, (through a partial vacancy freeze pending a wider review of future staffing needs and changes in terms and conditions), in ways which avoid compulsory redundancies, (if possible);
  - increasing income from fees and charges, to compensate partially for loss of Government funding; and
  - keeping future Council Tax increases below the current rate of inflation, (or reducing them to zero, particularly when the Government's current policy of capping Council Tax comes to an end).
- 4 Members have agreed a strategic approach to our medium term priorities for investment and disinvestment, and further work has been undertaken on this to quantify such proposals over the period of the MTFP.
- 5 Reductions in spending of the order identified in this report, set against council service delivery priorities and changes to the way in which the council will operate in future, cannot be delivered using a traditional approach to cost reduction through efficiency savings and marginal cuts to existing service scope or standards. A more fundamental transformation of what the council delivers in future needs to be undertaken. At full Council, following extensive public consultation, Members have agreed a limited number of key priorities which will become the focus for the investment of the Council's reduced resources. These will require scaling back of some less vital services and moving funding between current services, as follows:-
- Economic growth, (jobs and prosperity for local people);
  - Flourishing Shropshire Communities, (resilient, self-sufficient local towns and villages);
  - Public confidence, (being open, transparent and democratically accountable to local people);
  - High quality schools, (giving our local children the skills for future work, and the opportunity for social mobility); and
  - Modern infrastructure, (a framework for all local residents to equip them for life in the 21<sup>st</sup> Century).
- 6 Our Medium Term Financial Plan needs to be developed, therefore, against this framework of established priorities, and our agreed programme of service transformation, to deliver the best outcomes for Shropshire residents over the next three years, phased against the known level of resources available to us within any given financial year.

## **1.2 External Influences**

- 7 The impact of the wider economic recession on Shropshire Council and increased demand for our services has been apparent in 2010/11, and this will continue at least through next year. A number of service areas (such as Planning) have suffered from loss of income and increased costs, through such things as increasing utilities and fuel prices. More locally, the impact of reductions in throughput and increased public demand have similarly increased spending pressures. Some of these pressures may subside over the next three years, but even this is unlikely before the tail end of this period,

and others will continue to grow, such as those associated with an ageing population. Regardless of any eventual economic upturn, the impact of these pressures will not disappear altogether. This needs to be recognised and managed appropriately, in drawing together our Medium Term Financial Plan.

- 8 At the same time, the Government's Comprehensive Spending Review (CSR) identified a number of new initiatives for local authorities to consider, including such things as the New Homes Bonus and Tax Incremental Financing. A view will need to be taken on how these will impact on Shropshire, and what focus needs to be placed on acquiring additional resources through these initiatives.
- 9 The New Homes Bonus (NHB) represents additional funding for local authorities in 2011/12, funded from a national funding pot of £200m. Initial estimates suggest that such funding could be worth over £1m per year to Shropshire and is based upon the increase in dwellings in the Council's valuation list from one year to the next. The funding would be received in the form of an unringfenced grant for a rolling 6 year period. For financial years beyond 2011/12 there is one-off funding of £250m set aside, with the balance of funding being topsliced from formula grant. The implications of this may be, therefore, that in later years some or all of the NHB grant is offset by loss in basic formula grant.
- 10 The Coalition Government announced at the time of the CSR additional Personal Social Services funding of (nationally) £530m in 2011/12 growing to £930m in 2012/13 and £1bn in the final two years. In addition, £1bn would also be made available to local authorities across the country from existing NHS funds. The additional funding enables local authorities to work more closely with the NHS to make transformational changes in the delivery of care to reduce escalating costs arising from an ageing population. The implications of this funding is discussed later in this report.

## **2 Financial Strategy 2011/12 to 2013/14**

### **2.1 Resource Implications for the Period 2011/12 to 2013/14**

- 11 Previous reports to council have identified the parameters and assumptions used in putting together our new budget strategy. Following the announcement of the Comprehensive Spending Review (CSR) on 20 October 2010, a number of these assumptions were revised, with a consequent impact on the overall projected savings targets for 2011-15. The impact of the CSR on Shropshire Council's assumptions was reported to Members at an open briefing on 22 October 2010.
- 12 On 9 February 2011, the final Local Government Finance Settlement was received from the Government (subsequent to the draft settlement received on 13 December 2010), and this allows us to refine our estimates with a greater degree of certainty. Table 1 below summarises the four sets of savings assumptions for future years drawn up to date.

**Table 1 – Estimated Impact of the settlement on Shropshire Council**

	2011/12 (£)	2012/13 (£)	2013/14 (£)	2014/15 (£)
Original Savings Target (Pre CSR)	15,776,000	14,803,000	16,471,000	3,517,000
Revised Savings Target (Post CSR, Pre Draft Settlement)	19,201,000	20,171,000	17,834,000	9,220,000
Second Revision Savings Target (Post Draft Settlement, Pre Final Settlement)	19,863,000	Insufficient information available to revise former target	Insufficient information available to revise former target	Insufficient information available to revise former target
Third Revision Savings Target (Post growth and budget pressures)	30,803,000	Insufficient information available to revise former target	Insufficient information available to revise former target	Insufficient information available to revise former target
Final Revision Savings Targets (Post Final Settlement)	32,303,000	20,254,000	9,190,000	7,285,000

- 13 In summary, for 2011/12, the impact of the Comprehensive Spending Review was to increase the savings requirement by £3,425,000 before the further impact of changes to the Local Government Funding Formula Mechanism (the 'RSG' Formula) and the greater detail provided by the Draft Funding Settlement, which provides much greater clarity on the impact of the CSR on the Council.
- 14 The Draft Settlement was announced on 13 December 2010 and provided details of the level of RSG/NNDR Grant payable to Shropshire, including details of specific and area based grants transferring into formula. The outcome of this was that the RSG/NNDR figure for 2011/12 was £95,181,832, which was around £662,000 lower than we had estimated.
- 15 The Final Settlement was released on 9 February 2011 and this included a figure for RSG/NNDR for 2011/12 of £95,251,254, which was a slight (£69,000) improvement on the Draft Settlement. In addition, the Final Settlement included the RSG/NNDR figure for 2012/13 of £87,117,072, which was in line with previous (post CSR) projections.
- 16 Further refinement of the Council's financial position over the longer term has been possible using the settlement figures for 2011/12 and 2012/13 and reconsidering the assumptions made for the final two years of the CSR period. The outcome of the re-evaluation has been to reduce the savings targets over these two years. However, although these figures represent our best estimates of the savings target required, they are based only on the information available at this time. The Government have been very clear that the Comprehensive Spending Review should be considered as only a two year settlement, with a further two years indicative figures. To this end, while representing our best estimate, the figures in Table 1 must be considered as estimates and used only as a basis for cautiously planning the framework for

the medium term financial plan. Further information on the Council's resources is attached at Appendix 2.

- 17 Aside from the RSG/NNDR settlement, the other key external financing issue for the council is around residual specific grants. At the time of writing, we are still unable to confirm grants amounting to around £1m at 2010/11 prices. The above figures over the period of the CSR have assumed that these 'missing' grants will be forthcoming, at 2010/11 prices, for 2011/12 and beyond. A schedule of grants for 2011/12 and 2012/13 is attached at Appendix 6.
- 18 A final reconciliation undertaken against the grant information available within January has indicated that almost £1m of assumed grant will not be received by the authority. The impact of this has been one of the factors increasing the 2011/12 savings target.
- 19 From the information we do have, and the further analysis we have been able to undertake, it is apparent that, while the front loading of reductions in government funding have increased the savings in earlier years, this has been compensated for to some degree in later years. This is the principal reason why savings targets have fallen in later years. In addition, the work undertaken in producing a balanced budget for 2011/12, produces a beneficial impact in later years, in terms of the full year effects of savings already agreed and the longer term impact of, say, the increase in the Council Tax taxbase.
- 20 We have assumed in future years that there will be a reduction in grants equivalent to £1.5m year on year from 2013/14.

#### Council Tax

- 21 Over the period of the MTFP, Council Tax needs to be equalised across Shropshire and estimates within the MTFP have assumed that Council Tax will be equalised downwards in 2013/14. The financial implications of this are a reduction in resources of £1.6m from 2013/14 onwards.
- 22 From 2011/12 to 2014/15 the Council will receive just over £3.2m a year in Council Tax Freeze Grant to offset the 0% increase proposed for 2011/12, over the life of the CSR. In 2015/16, it will be necessary to factor in a 2.5% increase in Council Tax, or consider alternatives, when the Council Tax Freeze grant for 2011/12 is removed. At this present time, it is assumed that funding proposed over the CSR period to cover contributions to reserves, transformational invest to save schemes, and contributions to the capitalisation of redundancy costs will be removed in 2015/16 and redirected to cover this reduction.

## **2.2 Budget Pressures and Growth Implications 2011/12 to 2014/15**

- 23 Together with the implications of reduced resources over the period of the CSR, it is also crucial to ensure that appropriate attention is given to underlying budget pressures and growth areas within the Council business areas. Attached at Appendix 1 is a summary of the Council's budget position before spending cuts. Some of the key elements to be considered are

summarised in the following paragraphs and attached at Appendix 3 is a summary of some of the key assumptions used in the budget build up.

- 24 The announcement of additional Personal Social Services funding for local authorities, unringfenced and built into formula grant, has been considered as part of the budget assumptions for the MTFP. Although the level of additional funding received by Shropshire Council cannot be identified within formula grant, a calculation has been made based upon national figures. The outcome of this is that we estimate that growth of around £2.9m in 2013/13 rising to £3.1m in 2013/14 is appropriate to build into our budget assumptions. To this end, a growth allocation of £2,920,730 has been built into base budget in 2012/13 with a further £219,839 in 2013/14 (which will provide a base budget allocation for future years of £3,140,569).
- 25 An allocation of £240,000 has been included within the budget assumptions for 2013/13 onwards to fund demography pressures within the Older People's budget. This growth figure is historic and will be subject to change when further consideration of the impact of additional Personal Social Services funding (as discussed above) have been taken into account on the demographic pressures identified in previous calculations. This is another reason for caution about longer term budget pressures.
- 26 Growth for the transition cost of Adults with Learning Difficulties moving for Children's Social Services has been built into budget assumptions for 2011/2 (£625,000), with increased contributions in later years of a further £540,000 in 2012/13 and consider £165,000 in 2013/14.
- 27 At the time of the CSR release, it was announced that the National Carbon Reduction Commitment Scheme (which amounted to a charge per tonne for all carbon emissions for an organisation) would be revised removing any pay-back to organisations from the scheme and effectively making the scheme a Carbon Tax levied on all organisations from April 2012 (a delay of 12 months). The impact of this is estimated to be £846,000 for 2012/13 onwards and this has been built into our estimates. However, work is ongoing to reduce our carbon emissions and it is estimated that savings in excess of the tax levied will be made by the end of the CSR period.
- 28 A growth item already included for 2011/12 related to a base budget contribution to balances over the life of the MTFP. With final changes to the Council's overall financial position, it has been necessary to reduce the base budget contribution in 2011/12 from £963,000 (after a reduction of £1m to fund growth in the Severe Weather budget) to £909,095. Our budget assumptions also allow us to make two further £5m contributions to build up prudent balances in 2012/13 and 2013/14, as already agreed by Members, before this budget contribution is removed in 2014/15.
- 29 Growth items for 2011/12, built into base budget and thus available in later years, were discussed in the previous Council report of 13 January 2011, For reference items related to:
  - £1,300,000 for capitalisation of redundancy costs;

- £1,352,713 for transformation costs (this has increased by almost £53,000 for the January 2011 Council report);
  - £555,779 for waste budget pressures;
  - £1,000,000 increase in the base budget for Severe Weather funding from a reduction in the budgeted contribution to reserves in the short term.
- 30 A number of growth items shown above are currently budgeted to remain in place until 2015/16, and will then be removed to help fund the loss of Council Tax Freeze Grant in that year. The growth items removed or reduced are:- Capitalisation of redundancy costs (£1.3m), transformation budget (£1.35m), and contribution to reserves (£0.9m).

## **2.3 Delivering the Medium Term Financial Plan 2011/12 to 2014/15**

- 31 Council has considered and agreed savings totalling £30.803m between 30 September 2010 and 13 January 2011. The savings target was established following receipt of the draft settlement on 13 December 2010 and incomplete information on the level and number of Area Based and Specific Grants.
- 32 Based upon a net budget of £221m the level of savings already agreed across the authority (£30.8m) amount to an almost 14% reduction in our spending. It is not possible to make a saving of this order without impacting on all services in one way or another. For this reason, undertaking initiatives at organisational level; focussing on reducing the costs of management overheads, staffing costs, procurement processes and contract pricing, reduces the need for service specific savings. It has been possible to find almost 27% of savings for 2011/12 from corporate initiatives.
- 33 Furthermore, savings undertaken in the first wave (or List 1 savings) provided over £5m of savings within services but without service implications. Together with a revised policy on increases in fees and charges in future years (which has delivered almost £3.5m in increased income for 2011/12 above) it has been possible to deliver over 55% of our savings target without major service implications.
- 34 In setting a framework for the delivery of future savings across the Council, the strategies employed above will become even more important, if we are to prevent 'salami slicing' cuts in services which have a real impact on the front line.
- 35 Around 15% of the savings we have had to make in 2011/12 are as a direct result of reductions in Government grants which had formerly been ringfenced to delivering specific initiatives. The Council has already made careful decisions about where to passport these reductions through and where to protect services despite the loss of grant.
- 36 Taking the above into account, around 30% of the 2011/12 savings have been made where the Council has taken careful decisions to reduce the level of service. The approach taken has been to cut harder in some areas so as to provide protection for higher priority services.



37 The former corporate structure of Directorate Management Teams each with Business Support functions is disbanded within the New Operating Model and the savings from this will not be apparent in 2011/12 or in the figures quoted at Appendix 11, which explains why many of these areas appear to have been spared cuts.

38 When considering our service areas, the four largest spending areas are as follows (excluding schools):

- Adult Social Care
- Children's Social Care and Safeguards
- Waste
- Highways and Streetscene

Together, these four areas represent over 50% of the non-schools budget and it is not possible to find savings of the scale required for 2011/12 and beyond without making significant savings in these areas. These areas represent stated Council priorities and, significantly, are the same areas that have been identified by local people as a priority to be relatively protected, through the budget simulator exercise. In light of this the relative level of service savings in these areas are lower than in other areas with none of the four areas seeing savings not more than 10% (of which much effort has been made to ensure these are savings without major service implications wherever possible).

39 As a consequence of the above, other lower priority areas have had to make deeper cuts and, to this end, six service areas have seen cuts in excess of 20% (although again as far as possible these savings have been made in ways which have minimal service implications). The seven services realising the deepest cuts are:

- Chief Executives office (e.g. Performance, Complaints & Scrutiny and Customer Access);
- Resources Directorate (e.g. Accountancy, IT and Shire Services);
- Locality Working (LJC Devolved Budgets);
- Strategy & Development;
- General Fund Housing;
- Public Protection; and
- Leisure and Culture (actually at 17%).

While these services have seen significant cuts, their combined budgets amount to only 6% of the Council's overall net budget.

40 Further savings amounting to £2.568m have been put forward for 2011/12 to ensure that a balanced budget is produced following final revisions to the

Council's financial control totals undertaken in January 2011. Details of these savings are provided in Section 3 below and attached at Appendix 7.

- 41 The approach taken by the authority to delivering savings in the first year has been twofold. Services have been tasked with delivering savings against notional targets based pro rata to the level of budgets. In addition a second approach, to identify corporate and 'top down' savings has been an important factor in delivering the scale of savings necessary in 2011/12 and will be an increasingly important feature in future years. Such an approach has, for example, delivered savings from proposed changes to staff terms and conditions and well as contractual savings from revised broadband and mobile telephony contracts. Future consideration of alternative delivery models, revised procurement mechanisms, changes in standards of service and service redesign will all play a significant part in delivering savings over the period of the CSR.
- 42 Greater focus will need to be placed, in the future, on spend which is controllable if we are to meet our savings targets. While the gross spend budget for 2010/11 amounts to £630m, only around £350m of this budget is subject to direct control by the authority. Of our controllable budget, almost half relates directly to staffing.

## 2.4 Framework for Savings Proposals 2012/13 to 2014/15

- 43 Final decisions are still to be taken to deliver a balanced budget for 2011/12 and this is detailed in Section 3 below. However, given the scale of the savings targets in future years, it is necessary to establish and agree a framework for delivery of these savings, which represent the greatest financial challenge this authority has faced.
- 44 Table 2 below, identifies the key areas where savings proposals will be directed over the life of the MTFP. Further detail on these proposals is given at Appendix 4.

**Table 2 – Savings Proposal Framework 2012/13 to 2013/14**

	2012/13 £'000	2013/14 £'000
Management Review and Changes to Terms and Conditions	3,964	4,100
Service Redesign and recommissioning:		
- People	7,043	10,277
- Places	600	400
Procurement	1,000	1,000
Shared Services	500	1,500
Reduced Prudential Borrowing	1,150	2,600
Income through interest rate increase	367	854
Reducing premises operating costs	0	2,000
Trading Income	982	1,021
Contract Renegotiation	500	500
Carbon Savings	496	822
<b>Total</b>	<b>16,602</b>	<b>25,074</b>

- 45 Further work still needs to be undertaken over the following year to reprofile savings, particularly in 2012/13, to ensure that the funding gap identified in each year is closed.

### **3 Budget 2011/12**

#### **3.1 Funding and Resource Issues 2011/12**

- 46 The final settlement was received on 9 February 2011, and included a marginal increase in funding for Shropshire Council of £69,000 as compared to the draft settlement released in December 2010. The Council's final financial position for 2011/12 is provided in Appendix 5, with control totals for each of the current Directorates attached at Appendix 9.
- 47 Information relating to Area Based and Specific Grants has been incomplete over the period of drawing up the Council's Medium Term Financial Plan. As a result, a number of assumptions had to be made in relation to those Government grants where announcements were delayed, or where clear information simply did not exist. A schedule of grants for Shropshire Council, demonstrating that grants of £970,756 are under review and could still be reduced or removed altogether. At this stage we have assumed we will continue to receive these grants at 2010/11 prices. A summary of specific Grant information for 2011/12 is contained within Appendix 6.
- 48 In early January 2011, it came to light that a number of grants in CYPS had been deleted by the Government's funding changes. These amounted to just over £2.4m. While account had been taken within the savings proposals of almost £1.9m loss of grant, as agreed by Council on 13 June 2011, there has been a requirement to make additional savings of £500,000 within the CYPS Directorate, as a result of this later change in Government funding.
- 49 In addition, a net loss of £995,000 in grants was identified following the final reconciliation of funding undertaken in January 2011 (and based upon the assumptions given in paragraph 51 above). This means the total loss of specific and area based grant for Shropshire Council amounts to £6,280,000 in 2011/12.
- 50 Other adjustments in funding amounting to £6,000 have been necessary in the final tidying up of the Council's financial resources as compared to previous estimates. This brings our final gap in funding and resources in 2011/12 to £32,303,000, as attached at Appendix 5.
- 51 As part of the budget setting procedure for 2011/12 it is also necessary to consider the Housing Revenue Account to recommend rent increases for the year, and also to agree the Council Tax Resolution report. Both of these areas will be considered as separate reports to Council. Please note the Council Tax Resolution report will not be available for Cabinet to consider on 15 February and will instead be considered directly by full Council on 24 February 2011.

### 3.2 Budget Pressures and Growth Implications 2011/12

- 52 As a result of reductions in the number of posts in our staffing establishment implemented before 31 March 2011, and staffing reductions following the management review, together with post deletions identified in List 1, 2 and 3 savings, there has been a consequent redundancy liability to be funded within the 2010/11 financial year. The financial implications of these changes have been considered as part of the monthly revenue monitors to Cabinet throughout the 2010/11 financial year.
- 53 Where post reductions cannot be completed before 31 March 2011, the impact on the 2011/12 financial year is twofold. Firstly, the level of saving is reduced in year, for example to only 11/12 of the full year figure if a post only becomes vacant on 1 May 2011 rather than 1 April 2011. Secondly, the redundancy cost (where this exists) falls within the 2011/12 financial year. Redundancy costs falling within 2011/12 will be managed within year, where possible, and a further application for capitalisation of redundancy costs will be made to CLG, though the likely outcome of this remains unclear at present.
- 54 The Month 9 Revenue Budget Monitor reports a Council-wide overspend of £1.4m, with plans set out to eliminate it by March 2011. Therefore, at a Council-wide level, the planning assumption is that there is no detrimental impact in 2011-12 flowing from 2010-11 overspends. Cabinet has received a report proposing a development of the carryforward rules to improve accountability, transparency and a change of focus, whereby funds that are not required to complete planned outcomes are remitted to the General Fund Balance. In summary, the report identifies a process for funds to be carried forward to complete planned outcomes and ensure the 2011/12 budget is not burdened with 2010/11 projects that remain to be completed.
- 55 Further work has been undertaken to review savings agreed within previous Council reports and this had identified a timing issue of delivery of a number of savings linked to changes through restructures and changes to staff terms and conditions.
- 56 The 2011/12 budget strategy assumed £3m part year saving through changes to terms and conditions implemented from July 2011. While further refinement of the estimates has increased this figure, the impact on 2011/12 financial year is reduced to around £1.9m as changes are currently at consultation stage and, even with agreement, cannot be implemented much before September 2011.

### 3.3 Further Savings Proposals 2011/12

- 57 As highlighted in paragraph 48 above, CYPS Directorate has, as a result of further grant loss, needed to find additional savings of £500,000. This has been managed by reducing activity funded through the unringfenced Early Intervention Grant.
- 58 Further consideration has been made of the ability of the authority to generate efficiency savings as a consequence of movement towards our New Operating Model. As teams are redefined, amalgamated or reconfigured,

there is the potential to make non-staff budget savings by using budgets currently spread around the authority in a more efficient way.

- 59 In addition, early consideration of the Council's current Procurement and Commissioning practices has identified that further savings can be found in this area within the 2011/12 financial year, and in future years. Details of the savings referred to in this section (£2,568,000) are attached at Appendix 7.
- 60 As part of the ongoing cycle of consideration of the finances of the Council, and taking every opportunity to reduce the spend of the authority, a number of initiatives will deliver further savings in 2011/12.
- 61 Further revisions have been made to the Fees and Charges levied by the authority and the opportunity has been taken to finalise a number of reviews of charging levels that were only partially concluded in the report to Council 13 December 2010. Details of the revised charging schedules are attached at Appendix 8.
- 62 Council has agreed Cabinet recommendations for a major review of the roles and responsibilities of Council managers, designed to reduce such overheads by at least 20% over the period of the Medium Term Financial Plan, although the bulk of such savings will not be realised until 2013, because of the need to retain sufficient capacity to manage the major service changes required in this period.
- 63 Work began on the management review during the autumn of 2010. While careful consideration has been taken to ensure the authority has sufficient management capacity over the period of the MTFP, it will be possible to realise a proportion of these savings within the 2011/12 financial year.

#### **4 Strategy Development 2012/13 to 2013/14**

##### **4.1 Consultation**

- 64 As part of the preparation of the Council's Budget Strategy for the period from 2011/12 to 2013/14, we have engaged in an unprecedented and extensive public consultation process over the summer period. The main purposes of this were to:
- make sure that local people understood the scale of the likely cuts in Government funding to be faced by the Council over the next few years, and the consequent need for major changes in the standard, scope and method of service delivery across the Council;
  - demonstrate that the Council had taken a pro-active approach to seeking greater efficiency savings and reducing overheads, as its first response, in order to protect essential frontline services; and
  - seek the views of our residents on their sense of relative priorities and the value they placed on particular services. (These have recently been reported to Council, and have influenced our decisions on spending priorities).

- 65 This process was co-ordinated as part of an initial communication plan, which was effective in meeting these objectives. The Council's approach has received wide local media coverage and, generally, has been well received by local people. During this initial period of consultation, it was made clear that the feedback received would be used to inform the decision making of elected Members on our Medium Term Financial Plan, and that these decisions would be shared with the public, as proposed spending cuts are agreed by the Cabinet (and, subsequently, by Full Council) in the period October 2010 to January 2011, for the financial year 2011/12.
- 66 Shropshire Council ran an online Budget Simulator between July 2010 and January 2011. The simulator allowed members of the public to put forward their views on increases or reductions in spend across a number of services and consider the implications in terms of resultant Council Tax levels.
- 67 The outcomes of this consultation (based on 357 respondents) are shown in Appendix 10, and have been taken into account in these proposals. The results show that respondees are willing to accept cuts in most service areas. In addition, the results of the budget simulation have a good degree of correlation with the Council's priorities as set out in Section 1.1 of this report. Protection of services to the vulnerable and investment in Economic Growth and Infrastructure, together with the funding for services such as Adult Social Care, Economic Development and Highways Maintenance are all key features of the Council's financial plan.
- 68 The Medium Term Financial Plan provides details of the latest projections of resources available to Shropshire Council over the period 2011/12 to 2013/14 alongside the framework for consideration of savings proposals. Using the process established for setting the 2011/12 budget, savings proposals will be established and taken forward for consideration by Cabinet and Council throughout the year. This will allow greater scrutiny of individual saving proposals and enable services to undertake necessary changes without being hamstrung by the delays involved in a less flexible annual budget setting cycle.
- 69 The Performance and Strategy Scrutiny Committee is the primary vehicle for scrutiny of the budget, and all proposed savings, following consideration by Cabinet, will automatically be included within the Scrutiny Process. As established for the 2011/12 Budget Strategy, the Performance and Strategy Scrutiny Committee may request scrutiny of any proposals, in greater detail, at other Scrutiny Committees or by relevant Task and Finish Groups.

## **4.2 Equalities**

- 70 Shropshire Council's Single Equality Scheme (SES) 2010-2013 sets out commitments to ensure that equalities impacts are assessed in the delivery of services. Equality Impact Assessments are scheduled to be considered as part of the SES Action Plan within a number of services areas. However, it has been necessary to review these and expand upon them, in light of the proposals within the Medium Term Financial Plan. To this end, an assessment of the impact of the Council's medium term financial plan has been made in relation to savings proposed and implemented, to date, in four ways: cuts to meet savings targets, additional income as identified through the

recently agreed fees and charges report, cuts to meet loss of Government grant, and changes to our capital programme to meet affordability targets.

- 71 The cumulative impact of these savings has been considered across all equalities groups, as detailed in the previous report to Council (13 January 2011). Further savings for 2011/12, as detailed in Appendix 7, have also been considered as part of the EINA process. A summary Equalities Impact Need Assessment has been completed for each of these savings and no areas of high impact have been identified from these additional savings.

#### **4.3 Risk Management**

- 72 Every effort has been made to ensure the Council's MTFP has been built on firm foundations and that estimates of resources, budgets and pressures are robust and based on the latest and best information available. To this end, a report to Cabinet on 19 January 2011 set out the need for confidence in the robustness of estimates produced by the authority. A number of risks have been identified within the build up of the MTFP and these are detailed below.
- 73 The CSR as published on 20 October 2010 ostensibly provided the Council with a picture of its financial position over the next four years. However, given the uncertainty that remains around the detail of reduced local government finance, and in particular the Government's clear statement that the 4 year CSR should be viewed as a 2 year settlement with an indicative further 2 years, where further funding changes are possible, it is prudent to be cautious about our savings targets in the latter years of the MTFP.
- 74 At the time of writing we are still awaiting information around a number of specific grants. Notification of these grants is expected before the beginning of the new financial year and it will be necessary to assess the impact of any changes to our assumptions once these notifications have been received.
- 75 The management of the 2010/11 budget still poses a risk as it has been assumed that the Council will not have to bear the impact of an overspend in 2010/11 into the 2011/12 financial year. Action is in place to manage this process as detailed in the monthly monitor to Cabinet.
- 76 The timing of delivery of the 2011/12 savings can lead to a delay in producing the necessary savings within the financial year. One example of this has already been highlighted and managed above i.e. delay in the delivery of savings through changes to staff terms and conditions. In addition, there is the risk that savings through the implementation of restructures will be delayed due to the impact of staff consultation.
- 77 A number of savings detailed within a social care setting are based on assumptions that transformation of the service and closer working with the NHS will lead to a reduction in demographic pressures currently felt by the service.
- 78 In mitigation of the above risks, contributions to reserves have been built into our assumptions and it may be necessary to use these in the short term to manage delays resulting from the above initiatives.

**List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)**

Council Report 30 September 2010

Revenue Budget Scrutiny 2011/12 and Future Years – Performance and Scrutiny 18 October 2010

Fees and Charges Report – Council 9 December 2010

Medium Term Financial Plan 2011-14 – Council 9 December 2010

Revenue Budget 2011/12 – Savings with Service Implications – Council 9 December 2010

Draft Medium Term Financial Plan 2011/12 to 2013/14 - Council 13 January 2011

**Human Rights Act Appraisal**

The recommendations contained in this report are compatible with the provisions of the Human Rights Act 1998.

**Environmental Appraisal**

The eventual outcome of the budget will have an impact on the resources available for sustainable development.

**Risk Management Appraisal**

The 2011/12 budget drawn up within the parameters detailed in this report sets out a range of service pressures and service developments facing the Council in the coming years. These therefore help to identify areas where additional resources are required and help with medium term service planning and decision making.

**Community / Consultations Appraisal**

Consultation has been undertaken to guide the priorities of the Medium Term Financial Plan.

**Cabinet Member** - Keith Barrow, Leader of the Council

**Local Member** - N/A

**Appendices**

Appendix 1 – Financial Summary 2011/12 to 2014/15

Appendix 2 – Resources Projections Summary 2011/12 to 2014/15

Appendix 3 – MTFP Key Assumptions 2011/12 to 2014/15

Appendix 4 – Proposed Savings Framework 2012/13 to 2013/14

Appendix 5 – Revised Financial Summary 2011/12

Appendix 6 – Anticipated Grants Levels for 2011/12 and 2012/13

Appendix 7 – Additional "List 4" Savings 2011/12

Appendix 8 – Additional Fees and Charges Schedule 2011/12

Appendix 9 – Directorate Control Totals 2011/12

Appendix 10 – Budget Simulator Results 2011/12