

# Business Plan and Financial Strategy

2014 – 2017

As soon as possible, everything is as efficient as it can be, focusing on the customer, prevention and partnership. Our customers are at the centre of everything we do.

# Contents

<b>Foreword from Keith Barrow – Leader of Shropshire Council</b>	1
<b>The context we find ourselves in</b>	2
<b>Council Priorities</b>	4
<b>Listening to our customers</b>	5
<b>The Context for our key services</b>	7
• Adult Social Care Services – Operational Challenges	8
• Children and Young Peoples Services – Operational Challenges	11
• Public Health – Operational Challenges	12
• Resources and Support – Operational Challenges	14
• Commissioning – Operational Challenges	15
<b>How we will ensure we make best use of our resources</b>	18
<b>Our approach</b>	19
<b>Strategic Financial Overview</b>	28

## **Foreword from Keith Barrow – Leader of Shropshire Council**

**We have all become accustomed to seeing doom-laden news about how Councils across the UK are facing up to tough times. It would be very easy for me to talk about how hard things are for Shropshire Council. Instead, as Leader, I'm here to tell you about the true picture for our county and how we propose to tackle the challenges we face responsibly, creatively and with a passion for what matters most.**

This is our Business Plan and Financial Strategy for the next three years. It's a complete break from the past. This is a place where you can find information about how this council is increasingly thinking and working as a business, redesigning everything it does, putting customer needs first and foremost.

Instead of artificial set piece debates in the council chamber, we want to take this plan forward by involving people every step of the way as change happens. This means sharing options with you, talking about the choices we will face and involving you when we make decisions.

We set out our priorities here - to help grow and protect our beautiful county and those who live, work and visit it. To deliver these priorities, Cabinet, Scrutiny Members and Council Managers are working as a team to invest scarce resources where they can make the biggest impact.

Instead of a roll forward budget, this year we've been business planning on a zero based approach, making no assumptions about status quo. That's how I want us to move forward in future, carefully choosing where to invest to make the most impact for people and priorities with greatest need. I didn't become a Councillor to make cuts. Like all the talented people who work for and support Shropshire Council, I sought election so I can make a difference, helping Shropshire become a thriving, successful county, full of people who can make the most of their lives. I believe this means completely changing the way every part of the Council works, reinventing everything we do so it's genuinely built around the needs of our customers, rather than getting bogged down in bureaucracy and processes.

We are already working in new ways - using ip&e, our wholly owned company to trade some of our great services across the public sector, creating public profit that then gets ploughed back into the county to invest in what we do for our residents.

I am incredibly proud to be from Shropshire and I know the changes we've made in this plan give us all good reason to be, so take a look at our plan, get involved in shaping our county and play your part in making it a place where we can all continue to be proud, now and for generations to come.

## The context we find ourselves in

**Shropshire is on the cusp of building a profoundly different relationship between public services and customers. The council is responding to a once in a lifetime, irreversible shift in funding by redesigning everything we do resulting in better and more responsive services at a lower cost.**

The context for this is simple. Demographic and financial pressures mean that continuing to deliver the status quo is impossible, even if we wanted to. Conventional approaches to squeezing more and more efficiency out of the same old systems can't keep pace with the increasing costs of an aging population, let alone factoring in the impact of increasing demand for complex, high cost care.

At the same time, we believe Shropshire's economy has massive potential to be unleashed. We're already a hub for creative businesses and people with bright ideas. By seizing opportunities for investment, building world-class education for our young people, and for learning throughout life, we want to kick-start a new entrepreneurial revolution in the County, creating many wide ranging employment opportunities in the short and longer term, retaining talent and skills in Shropshire.

Our approach puts the role of elected members as community leaders at the heart of this, representing customers, seeking out and championing their voice, making sure their perspective is central to everything we do. We'll give people as much say as possible in making

choices about their future, focusing on prevention and thus reducing later, higher cost activity whenever we can.

This starts with how we support our children to get the best possible outcomes from education, and help all our young people go to great schools and to get the most from this experience. As schools become more self-governing, our role will be to champion the interests of children as they grow up, helping them to realise their full potential, giving them the best range of options for the rest of their lives. This, in turn will develop a skilled workforce, higher wage levels and increasing prosperity for Shropshire.

Our county is documented as being one of the safest places to live in the country and we will work hard to ensure this continues to be the case. Due to a variety of elements including better public awareness of safeguarding and child protection issues, increasing numbers of Shropshire children are being referred to social services. Costs of placements in the 13-17 age group are also rising and numbers of young people with learning difficulties becoming young adults will almost double in the next three years. Like any good parent though, we want all our looked after children to benefit most from the opportunities on offer – educational, economic and in terms of a supportive family environment.

Shropshire benefits massively from its active, experienced and engaged older population. We have more older people than average in England (20.7% of the population are aged 65 and over, compared with 16.4% for

England and Wales, Census 2011), and the over 65s are growing faster than elsewhere (23.8% compared with 10.9% for England and Wales, Census 2001-2011)

Our voluntary sector is one of the strongest and most capable in the UK, partly due to this injection and availability of expertise. It's changing though with fewer long term volunteers and more people looking to the sector to provide work experience to help them get into permanent work. Recognising this, we're working with communities, and with the voluntary sector to develop their capacity to do as much as possible for themselves.

The flip side to this is that 1 in 20 adults receive some form of care – 16,000 people in the county, most of whom have health conditions and associated needs. Supporting these are over 34,000 informal, unpaid carers, just 1 in 10 of whom are, in turn, supported by the Council. Reflecting this we have increasing numbers of people with dementia and other conditions needing complex care, particularly in the over 85s.

Responding to these pressures, our approach is to give people – service users and carers alike, as much say as possible in purchasing the support they require. We want to promote self-support and independence wherever possible to reduce reliance on funded services. Our overall intention is to help people not to use adult social care services at all, or if eligible, to meet their needs as quickly and efficiently as possible.

To enable this reinvention of community facing services, we're fundamentally rethinking how all our support functions work. In partnership with ip&e, we are designing the right infrastructure, anticipating the council and other commissioning organisations' future needs. We are zero based budgeting, starting with no assumptions about what we currently do, building investment on the basis of outcomes. We are accelerating the move of services online with a digital first approach giving easier and cheaper access to information and services.

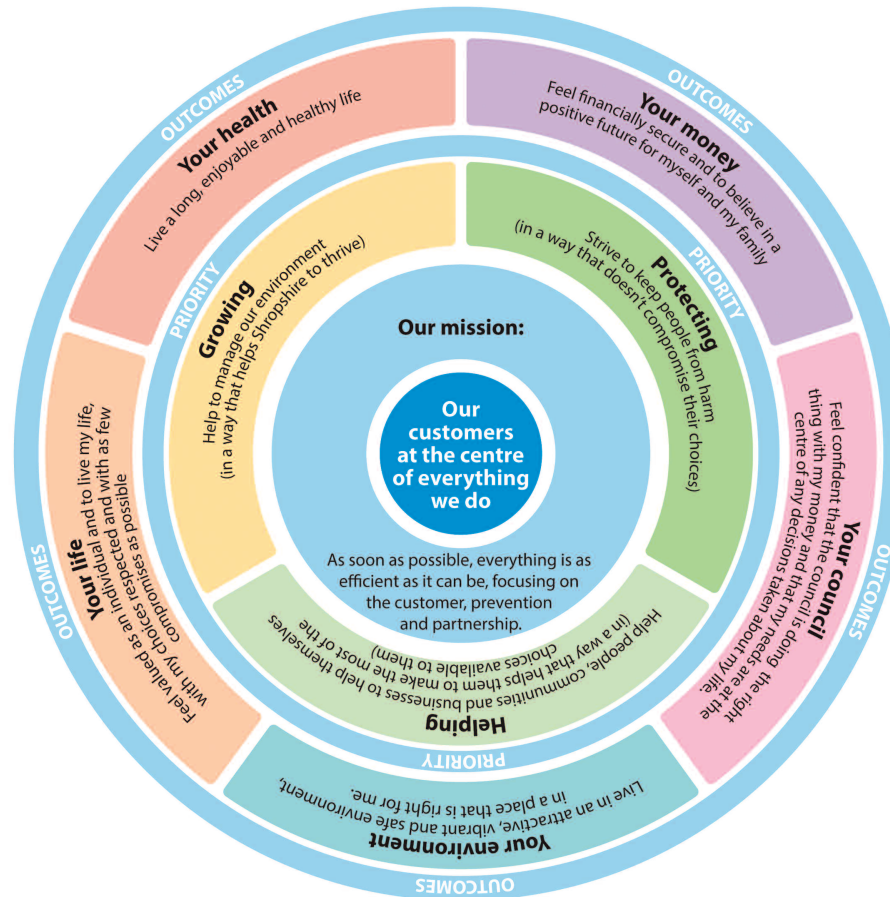
Shropshire has over 3170 miles of highways and one of its biggest challenges is ensuring their maintenance to keep communities connected. The highways asset includes bridges, streetlights, roads, culverts, retaining walls and drainage systems worth £4 Billion and therefore needs a cost effective strategy to maintain.

We want to sell or otherwise dispose of all our legacy of inefficient buildings. Instead of the old symbolic importance of Shirehall and the Council Chamber we will prioritise the assets we and our customers need and will use in an increasingly online future.

We want to use ip&e to create new business capacity to meet future needs, where necessary through partnership always retaining controlling interest. Early signs are this is an exciting offer for many other councils and commissioning organisations looking for partner organisations that share public service values.

# Council Priorities

As a council, we are focusing on delivering better outcomes for our customers. Everything we undertake should work towards fulfilling one or more of these outcomes, with an emphasis on ensuring that our priorities are delivered. This is summarised in Figure 1 below, and forms the backdrop for delivering the Council’s Medium Term Financial Plan over the next three years.



## Listening to our customers

**Our priority is to design our new services so that they focus on customer needs. To do this we have to understand our customers better than ever before.**

We are working with communities to explore different ways of designing and delivering services. Through our Local Commissioning approach we've recognised that we need to redesign everything we do as an organisation in ways that take full account of what's already happening in each community, and on understanding customer needs as the basis for what we, and others do instead. So, rather than a 'we know best' one-size fits all approach, everything we redesign from now on starts with, and builds on this insight.

Through this approach, we work with a range of local people and organisations, using statistical data, financial information and crucially people's real-life stories about life and their experiences. This is then used as a resource by local Shropshire Councillors, other key local leaders and agencies to redesign what happens to make sense from the perspective of local people, stripping out waste, duplication and cost.

In Church Stretton for instance, this has already resulted in redesign of how older people are supported to live independent lives, for as long as possible, and in getting long term unemployed people back to work. In both cases, taking a whole community perspective has meant understanding and maximising the resource of voluntary and community based organisations, and tapping into the immense experience from local people themselves. The end result will be substantial savings to the council and other public service organisations, at the same time as improved outcomes for local people.

Wider than this, effective two way communication is key to building knowledge and understanding. That's why we have put in place a range of channels to enable us to talk to our customers and to listen to what they have to say:

- People can email us, call, write or visit one of our customer service points. They can visit our website and complete an online report form or join in an online conversation
- They can use one of our many social media channels – to ask a question on Twitter or Facebook , or comment on one of our You Tube channels
- We hold a wide range of public meetings at which people can find out more and have their say. This year we're looking at how we can get more value from these, building on local joint committees
- People can call or email their local councillor or the appropriate Cabinet member, to ask a question or pass on a comment.
- The latest news from the Council can be found on our online Newsroom, Twitter feed and in local and regional media.

As one example of public consultation, Join the Conversation 2013 took place during the week of 16 September, with four public meetings held in Oswestry, Craven Arms, Bridgnorth and Shrewsbury. The events were open to the public, and local people were given the chance to submit questions in advance with emphasis being placed on the financial challenge faced by the public sector. Senior representatives from West Mercia Police, the Clinical Commissioning Group and Shropshire Fire and Rescue could be quizzed, in addition to Council Leader Keith Barrow and Chief Executive Clive Wright.



## The Context for our key services

To strengthen how we operate to be able to meet the challenges ahead of us we are organised into 5 main areas, all delivering against our overall priority – “As soon as possible, everything is efficient as it can be, focusing on the customer, prevention and partnership”:

- Adult Social Care Services
- Children and Young Peoples Services
- Health
- Resources and Support
- Commissioning

Crucially these are not isolated silos and each needs to work in new and different ways to make the biggest possible impact on the overall challenges of redesigning everything we do.

**Adult Social Care Services** – here we have a powerful role to play in recognising not only the cost of an aging population, but also its potential to make a positive impact on other service areas, drawing on the rich experience and commitment of older people across Shropshire, recognising their skills and commitment. Whether in rethinking care services, building a new university offer or reinventing how library services are delivered, older people will have a crucial role to play.

**Children and Young People’s Services** – will need to play an increasingly influential role as the advocate for young people across all service areas – to ensure all young people are kept safe from harm, achieve well and make an effective transition into adulthood. As the average age of Shropshire’s residents increases, it puts more emphasis than ever on ensuring a powerful voice for young people.

**Public Health** – by merging public health and Shropshire Council, we want to explore the full potential for all council services to be as health promoting as possible. This means making the most of our new health expertise over areas as diverse as planning control, social work and school meals. We need to better, and more fully recognise the whole-life cost of ill health to people and families, and to the council, and are committed to taking a long term view on changing behaviours, on designing healthy communities and reinforcing healthy choices.

**Resource and Support** – needs to exert its influence in order to challenge, and frequently lead change. It will do this by being focused on finding solutions, keeping aware of best in class approaches, and by suggesting new ways of working – whether by using new technology, better evidence on need, sound governance and management or through creative use of our key assets – people and buildings.

**Commissioning** – will need to lead creative redesign across all our teams, blending capacity from across the council to best meet customer demand. It will help bring the customer and community perspective to bear on challenges facing high-cost, high-demand areas of adult social care and children’s services

Key operational and financial challenges are now set out for each service area:

## **Adult Social Care Services – Operational Challenges**

Is focused on providing support for vulnerable people aged 18 and over, older people and adults with disabilities. In order to meet their needs at a local level, we need to consider both the increasing demand on services from an ageing population, the increasing numbers of younger adults with complex disabilities and the expectation of service users and their families.

We are choosing to meet these inexorable pressures through a fundamental re-think about what we do. Instead of delivering more and more efficiencies by incrementally changing what we currently deliver, we need to talk with our customers about an entirely new approach that’s financially sustainable but which actually meets people’s needs better by understanding them better. We must be willing to innovate, to manage risks differently and to share new ideas.

This will inevitably involve changing people's expectations about how services are delivered, but will absolutely not mean lowering standards around quality of life. There are further opportunities for the reduction of cost of provision and internal efficiencies, but the focus must now be on demand-led transformation and the real challenge is changing the relationship between citizens and the Council. This will need to fully consider how working with other key partners – particularly the voluntary sector, health providers and suppliers can help.

We will focus on individual's needs with an eye to their family and to their community as resources which can support these, minimising reliance on the council and other public agencies as the norm. The role that paid and, in particular unpaid carers play will be crucial.

Much demand for public services is driven by behaviour, often citizens behave the way they do because the public service behaves the way it does. To manage down the costs of local services with the support of the public, we need to engage with citizens and develop a relationship of trust so that:

- People who can are able to commission their own care within the resources available to them
- The council's role becomes one of facilitator and enabler, rather than a provider of services
- People can plan their care and take control over decisions with our support
- The most vulnerable adults are safeguarded and our high quality service is maintained

## **Adult Social Care Services - Financial Outlook**

Shropshire faces significant demographic challenges both in relation to the increasing number of elderly people as well as those elderly people aged over 85. Equally there are growing numbers of people who have life limiting conditions either as a result of accident or disability that require high levels of support and therefore associated funding. In addition to the increase in overall numbers, the type of support requested is often disproportionately expensive and therefore work will be needed to ensure that the most cost effective support is provided whilst offering as much choice as possible.

We also need to factor in the impact of emerging national policies. The Care Bill currently under development will put care on a more statutory footing as well as introducing deferred payment arrangements and a national minimum eligibility for support.

The Commission on Funding of Care and Support, headed by Andrew Dilnot, set out its blueprint for reforming social care funding in July 2013. Its proposals, which would add £1.7bn to the costs of care in England, include:

- Capping lifetime individual contributions to care at £85,000. This would cover care at home and in residential care, but not board and lodging costs within care homes.
- Providing free care for those who develop needs before they reach 40.
- Raising the means-test threshold for savings below which people become eligible for state-funded residential care from £23,250 to £100,000.
- Standardising contributions to board and lodging costs in residential care at between £7,000 and £10,000 a year.
- Introducing a national system of assessment and eligibility, initially set at substantial need.
- Retaining disability benefits paid to people with care needs, but rebranding attendance allowance

While the Government has welcomed the proposals there is concern about the costs of implementation. However, a full government response will not be made until a White Paper next spring.

## **Children and Young Peoples Services – Operational Challenges**

Children and Young People Services is responsible for ensuring that all children and young people in the County are kept safe from harm and achieve their full potential, becoming happy, healthy adults. It champions the interests of children through a range of universal, targeted and specialist services, working with a range of organisations including schools and colleges, the police, health and voluntary sector.

Key enduring responsibilities include:

- the Child Protection System, including statutory assessment processes and the duty to remove children from their family, including through the legal process.
- ensuring the adequacy and sufficiency of suitable placements for children – including fostering, adoption and residential homes, provide for the needs of disabled children, provide Early Help arrangements, ensure an Independent review service is in place and
- ensuring that the educational needs of looked after children are met.

- the statutory functions of schools admissions and placement planning, ensuring good governance for maintained schools and access to full time education,
- assessment and placement of children with Special Educational Needs, enforcement of attendance and intervention in schools judged to be failing.
- Education Improvement Services provide support and challenge to 152 primary and secondary schools. They deliver a traded service to schools, including support to Governing Bodies

## Children and Young Peoples Services - Financial Outlook

There will be a step change reduction in education finance over the next few years for two key reasons – firstly the increasing numbers of Academy schools and secondly the anticipated falling school rolls:

- 1) Shropshire has 11 Academy schools (August 2013) - 9 secondary and 2 primary, numbers which are likely to increase significantly in the next three years. As the number of academy based pupils increases, the level of Education Services Grant for Shropshire will fall. This will, in turn reduce funding for education support services. Work is currently underway to model the likely reductions in the Education Services Grant and consequential impact on education support services. This will be used to develop options for the future commissioning and delivery of education support.

As a result of the changes made so far, funding has been released back to the Council from that top-sliced to fund the over-projected number of Academy schools in Shropshire (wrongly assumed by Central Government) which impacted on the Council's general fund resources.

- 2) The number of children of statutory school age in Shropshire will continue to fall until at least 2015. The number of primary age pupils will start to rise but is expected to only reach the level of 2012. The size and location of housing developments will influence the demand for school provision.

The number of children with additional learning needs, and with disabilities, is expected to rise. The number of children in the looked after system has seen an upturn in 2012/13 partly due to an increase in referrals to children's social care in the light of recent national cases. This area will need to be carefully managed in 2013-2015.

## Public Health – Operational Challenges

Public health is all about promoting and protecting people's health and well-being, preventing ill health and prolonging life through whatever means possible. Merging Shropshire Council with Public Health is creating opportunities to improve health outcomes by using evidence to improve decision making across the Council's work.

There are three main areas of focus for the team within Shropshire Council, working across the organisation to maximise their impact:

- **Health improvement** – promoting the health and wellbeing of the population by enabling individuals, families and communities to lead healthier lifestyles
- **Health protection** – protecting the population from infection or environmental hazards, including immunisation and screening
- **Improving service** – through surveillance and monitoring of specific diseases and risk factors, audit and evaluation

Compared with England averages, Shropshire is a healthy place to live with higher life expectancy rates for men and women. However we have differences in life expectancy from inequalities, with men from the most affluent communities living six years longer than the poorest and women four years longer.

Preventable causes of premature death and serious long term illness such as obesity, smoking, substance misuse and lack of physical activity are major factors in heart disease, stroke and cancer. With the ageing profile of the local population, investment is needed to prevent or delay the onset of long term conditions such as diabetes, cardiovascular disease and chronic obstructive airways disease.. Key challenges for Shropshire to address include the rising levels of obesity amongst children and adults, the low levels of physical activity and rural health inequalities

As everything the Council does is redesigned, there's an opportunity to put greater emphasis on promoting healthy lifestyles and preventing of ill health, thereby reducing future demand for expensive health and social care. Through complete service

redesign, the public health department will work across all the Council's existing services to maximise their impact on health outcomes, including the following programmes which Shropshire Council now has responsibility for commissioning:

- Children's Public Health aged 5-19 years (School Health)
- Physical Activity
- Obesity Prevention & Nutrition
- Alcohol and Drug Misuse prevention and treatment
- Tobacco Control
- Public Mental Health
- Dental Public Health
- NHS Health Checks
- Infection Prevention & Control
- Sexual Health
- Health at Work
- Accidental Injury Prevention
- Reducing Seasonal Mortality
- Reducing and preventing birth defects

## **Public Health - Financial Outlook**

Shropshire has one of the lowest grants for public health in England (£29 per head of population compared to the national average of £49 and Westminster Council's allocation of £132 per head.) The Department of Health has advised that it will review the funding formula this autumn. We therefore need to show how this unfairly and severely limits our ability to tackle health inequalities and to commission the right services for Shropshire people.

To reach the national average per capita allocation Shropshire would require double its £8.9 million allocation. Whilst the Department of Health has planned a further 10% increase in the grant for 2014/15, it hasn't shown how a 'Fair Shares' allocation will be achieved and over what timescale.

The Health and Social Care Act 2012 also places a new responsibility on Local Authorities to commission health services for school age children from April 2013. A consultation is under way to enable a service redesign to come into effect from September 2014. From April 2016 the Local Authority will have responsibility for commissioning Health Visiting Services for Shropshire. This responsibility currently rests with NHS England. It will be necessary for the Local Authority to work closely with NHS England to enable a smooth transition of commissioning responsibility and to enable service redesign appropriate to the needs of our population.

## **Resources and Support – Operational Challenges**

The Resources and Support team helps define the context in which Shropshire Council as a commissioning organisation needs to function. Through excellent financial, legal, strategic and organisational advice, guidance and where necessary, controls, the Directorate enables the council to deliver outcomes for its customers in the most cost-effective ways possible.

In partnership with ip&e, the council's preferred innovation partner, the directorate is designing the infrastructure for the future needs of Shropshire Council and other commissioners looking to work in radically different ways. This will enable swift take up of the best systems and most efficient and well-designed business processes. It means anticipating future demand, working with the council and other customers to help understand and take advantage of what's on offer.

Although always working in a supportive way, the Directorate will therefore need to challenge and frequently lead change. It will always do this by being focused on finding solutions, by keeping aware of best in class approaches and by suggesting new ways of working.

Rather than outsource, Shropshire Council will use its influence, through ip&e, to create new business capacity designed from scratch to meet future needs. Where necessary it will do this through partnership with other organisations, always retaining a majority controlling interest. These relationships will blend the council's expertise with insight and capacity from others. Resources and Support will be at the heart of this new approach to delivering excellent public services.



## **Resources and Support – Financial Outlook**

The Resources and Support Team helps to manage the Council's overall resources and is at the centre of producing estimates of Council resources from Council Tax, Local Business Rates and Central Government Funding. The current austerity measures that have driven reduced funding across the public sector from CSR 2010, through to the spending round update in June 2013, have all been built into the Council's financial projections over the medium term. Over the longer term it is unlikely that resources will grow in local government, and the Resources and Support Team will need to ensure that the Council continues to deliver a legal and sustainable budget making key strategic decisions on behalf of the wider council and through the support to redesign of services.

## **Commissioning – Operational Challenges**

The Commissioning Directorate is at the heart of, and will frequently drive the fundamental redesign of all council activity. By working together it will redesign and reinvent how we deliver services at pace based on evidence, ensuring that what is commissioned best meets customer needs by being as efficient and effective as possible, focusing more on prevention and less on reactive activity.

The Commissioning Directorate covers a broad range of services, some of which are commissioned and other areas remain delivered within the council. As with all other council services, these will all be subject to reinvention over this business plan period, most within the next twelve months.

Specific commissioned areas include Waste Collection and household recycling services, Leisure facilities (excluding joint use), Highways and Maintenance and Housing Support. Those that are currently directly delivered are both universal and targeted and include Libraries, Public Protection, Development Management and Planning Policy, Housing Services, Outdoor Recreation, Public Transport, Arts Development, Sports Development, Business Growth including Business Support, Environmental Services, Theatre Services and the Visitor Economy (museums, tourism and archives).

These reflect a very significant part of the council's physical presence within Shropshire's communities. In rethinking and reshaping how these are delivered in future, the council will always focus on what local assets and capacity exists, on what

needs are identified locally and on the potential to achieve the same, or better outcomes for customers by using these assets, and capacity within the community and across other organisations more intelligently. A major challenge for Public Protection will be to focus more on the identification and management of risk to people's health, safety and wellbeing at the same time as supporting economic growth, helping businesses grow and employ more local people.

The Local Commissioning pilot has continued to be rolled out since its inception in February 2013 in Church Stretton, led by local members alongside our partners in the public, private and voluntary sector. Other areas have also started the approach including Oswestry, Wem, Shrewsbury (in the ward of Monkmoor) and Craven Arms. As with the work in Church Stretton, there is strong focus on working collectively to help redesign services based on demand in a locality that will be better, faster and cheaper for the customer, by working together, with a focus on prevention.

An example of the potential results from this work is that within Church Stretton, partners are now recommending an entirely new approach to jointly commissioned preventative services. The prototype work there found significant duplication and gaps in prevention by the four main teams (adult social care, housing, Clinical Commissioning Group and public health). Commissioning of preventative activity is siloed and the impact on other parts of the economy hasn't been sufficiently considered. Because of this, some preventative activity happens too late, and the evidence points to potential improvements by working together, using a proportionate response and giving people support and encouragement to plan for getting older.

The Locality Commissioning approach brings various services together around themes – like aging well and reducing worklessness, which are then developed and prototyped into new and innovative ways of working that drive out duplication and inefficiencies and increase customer value. Once this is understood, services will then be commissioned out to the Shropshire market place, knowing that what is needed can be delivered in a different way and at a significantly lower cost. Depending on the outcomes of the prototype, the re-commissioned services could be commissioned at a local, area or county wide level. The commissioning and governance of place is also being developed with a view that this will be managed and led locally, creating a truly local approach to commissioning of services.

Local commissioning and the approach adopted is now being rolled out in significant parts of Shropshire Council where existing services are being redesigned and reinvented around outcomes. This forms a significant part of the broader Business Plans and complements existing activity such as deep dive service redesigns – current examples include those in Adult Social Care (Gusto and People2People), Highways (Edge to Edge) and Economic Development (Project North) and also strategic commissioning – done on a wider scale, such as that recently undertaken in Highways and Leisure.

This sits alongside innovation in how the council approaches maintenance of key community infrastructure. Through collaboration with Cheshire West and Chester Council, we are focusing on proactive rather than reactive maintenance programmes to share expertise and resources. We also have a strong business relationship with Ringway, our highways contractor, and together we are exploring new and innovative approaches to service delivery.

As these new approaches are developed the role of Shropshire Council will move quite quickly from service provider to service specifier and will mean less people will be employed directly by Shropshire Council, with more either moving to ip&e as Shropshire's key provider of choice, the voluntary and independent sector or other delivery models such as Town Councils and staff mutuals.

## **Commissioning - Financial Outlook**

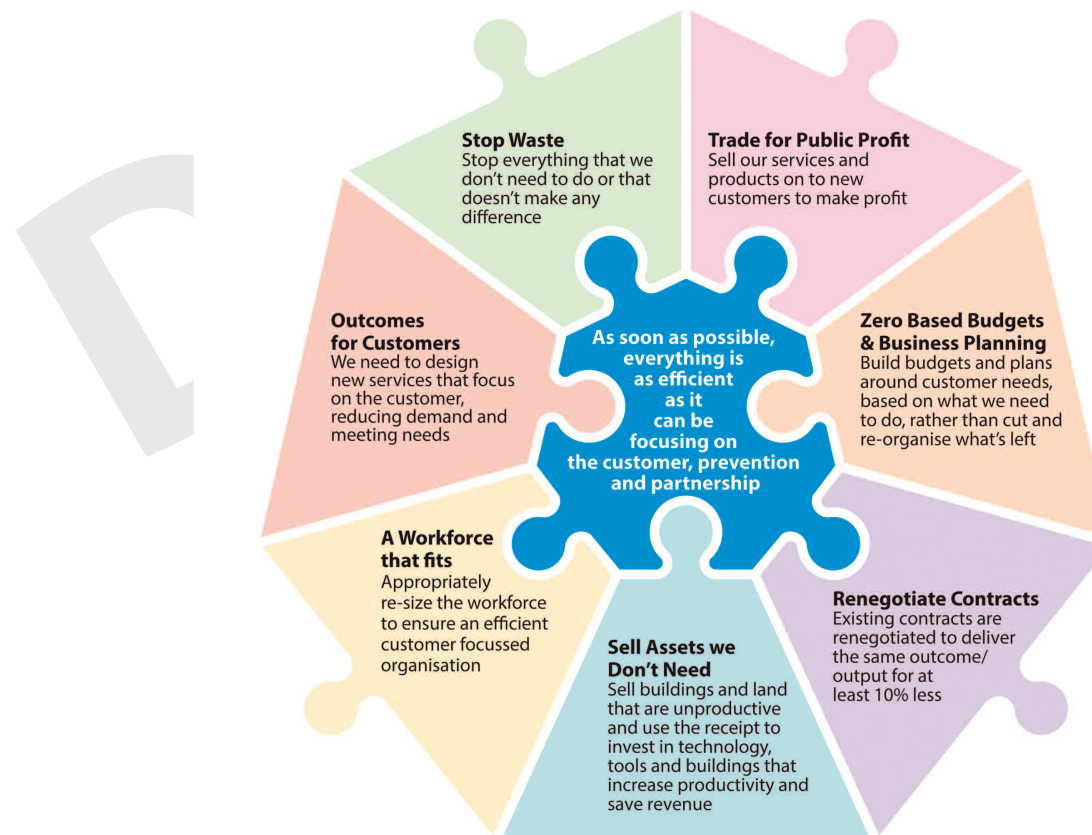
Over the next 18 months Shropshire Council will increase its mixed economy approach to commissioning, working with partners, other local authorities (including Town and Parish Councils), and with the community. Based on evidence from the early small-scale prototyping already undertaken, this should deliver upwards of 50% savings of existing budgets across Shropshire Council.

The Council jointly with the Shropshire Business Board put in place a new Economic Growth Strategy at the end of 2012 to run till 2016. It has been written from the perspective of the business community and is based on collaboration to unlock private sector growth. The role of the Council is very much to make sure the conditions are in place to facilitate this growth. The key priorities are accelerating business growth, infrastructure for growth, stimulating our growth sectors and our skilled and loyal workforce. The strategy will have detailed delivery plans led by our business leaders on the Board.

It will drive new jobs and higher business growth and lead to an increase in business rates paid, a reduction in benefits claimed and greater vitality in our market towns. These outcomes will directly benefit other council services – with a more sustainable income flow alongside reduced demand for higher cost safety-net interventions.

# How we will ensure we make best use of our resources

The jigsaw image below shows, in plain English, how we intend approaching the task of fundamental redesign, across everything we do so that it delivers our core purpose.



## **Our approach**

We will redesign everything we do so that it is utterly focused on delivering against this set of commitments. We are confident that through redesign we will be able to deliver the same or better outcomes in terms of meeting the real needs of Shropshire people, using significantly less money.

Our approach to increasing productivity by doing things differently and in some cases by doing different things will not only mean our business is orientated around the customer but will also bridge the projected funding gap over the next three years. Where possible we will use these design principles to deliver redesigned services ahead of financial necessity

### **Significant areas of review over the next 3 years**

As we've consistently emphasised throughout this plan, absolutely all services need to be fundamentally redesigned during the next three years. Moreover the majority of changes will happen soon, in the first year, recognising the importance of looking across the organisation in one go seeing and maximising synergies, rather than pulling out discrete areas one at a time, risking more silos and wastage. Far from being over ambitious, this approach is essential if we are truly to deliver on our core purpose. It's crucial to recognise there are no areas of council activity to remain untouched or unchanged over this period.

We will, however, focus on the areas of largest potential impact first and recognise these as particularly crucial in redesigning the council to be fit for its future:

#### **Adults Social Care Services**

- We will change how we support vulnerable adults – seeking to understand the whole person, their family, and their lives, helping them to understand and make best possible use of all available resources in the community . Only then and where absolutely necessary will the council step in to provide what support is needed to keep people as independent as possible.

- This will make much more sense from the perspective of the customer and cut costs by stopping the need for high cost services in as many cases as possible by doing more to prevent personal situations getting worse, early on.
- We will change how we commission care services - both across the county and, particularly locally in our towns and villages to help develop and grow what's on offer there, so that people can get the affordable care and other services they need through personalised budgets giving them choice and control.
- We will encourage and enable voluntary and community sector organisations to play their part in offering more affordable options for people to get a decent quality of life.

### Adult Social Care Services Directorate overall budget

	Gross Revenue Budget £	Gross Controllable Budget £	Savings Target £	Proposals Identified £
Overall Current Gross Controllable Budget	£98,023,000	£69,858,121	£24,450,342	£24,450,343

### Summary estimate for realising budget reductions:

	2014/15	2015/16	2016/17
Phasing of Proposals (%)	28.0%	36.8%	35.2%
Phasing of Proposals (£)	6,843,354	9,008,547	8,618,442
Voluntary Redundancy (where separately identified) (£)	0	0	0
Income Generation (where separately identified) (£)	400,000	400,000	400,000
Other (£)	6,443,354	8,608,547	8,218,442

## Children and Young Peoples Services

- Redesign how we support families with children and young people so they quickly get a single point of contact with us. This will help get them the right expertise to meet their needs.
- With public health now fully integrated with the Council this means we can explore how school health, targeted mental health in schools and Children's Centres can best be delivered to benefit the customer. Bringing all our services that support families together means we can cut out any duplication, focusing on the whole family in one place, doing more for less
- Wherever possible we want children to live in supportive family homes so we will put much more emphasis on helping birth families, wherever possible to care for their children. This will reduce the numbers needing to go into care, particularly those aged over 13.
- Where care outside the birth family is essential, we will do more to encourage as short a period of placement as possible, helping parents prepare for a speedy and successful return.
- We will improve the ability of families to purchase services to meet their needs and young people to successfully prepare for the world of work and adulthood
- We will support children's social workers so they can focus on productive contact with their customers. They will have the right tools to work in the community, cut out unnecessary process and focus on what makes a difference.
- As schools get freedom to choose where they buy their support from, we want to be able to help them get the best possible deals. We will therefore review how we deliver educational support, exploring options for creative partnerships that protect the Council's influence, whilst ensuring they can get what they need, supporting excellent education.
- We will re-define and re-position our relationship with schools, placing emphasis on our responsibility to improve the attainment of children and young people, driving up school standards.

## Children and Young Peoples Services Directorate overall budget

	Gross Revenue Budget £	Gross Controllable Budget £	Savings Target £	Proposals Identified £
Overall Current Gross Controllable Budget	£236,193,000	£35,964,333	£12,587,517	£11,076,000

### Summary estimate for realising budget reductions:

	2014/15	2015/16	2016/17
Phasing of Proposals (%)	41.8%	29.3%	28.9%
Phasing of Proposals (£)	4,635,000	3,240,000	3,201,000
Voluntary Redundancy (where separately identified) (£)	800,000	0	0
Income Generation (where separately identified) (£)	0	0	0
Other (£)	3,835,000	3,240,000	3,201,000

## Public Health

Look at how all of the following areas of activity are best commissioned and delivered in the context of the current market and opportunities for trading outside of Shropshire:

- School health
- Health visiting
- Substance misuse
- Smoking cessation
- Obesity management
- Health checks



## Public Health Directorate overall budget

	Gross Revenue Budget £	Gross Controllable Budget £	Savings Target £	Proposals Identified £
Overall Current Gross Controllable Budget	£9,706,000	£237,980	£83,293	£54,727

## Summary estimate for realising budget reductions:

	2014/15	2015/16	2016/17
Phasing of Proposals (%)	100.0%	0%	0%
Phasing of Proposals (£)	54,727	0	0
Voluntary Redundancy (where separately identified) (£)	0	0	0
Income Generation (where separately identified) (£)	0	0	0
Other (£)	54,727	0	0

## Commissioning

- We will reform our services that regulate businesses in the county (including planning and licensing) so they can best bring their skills and abilities to support firms to grow, helping create job opportunities and benefit people's health, wellbeing and prosperity.

- We will focus on our support for Tourism and the wider sector across the county by reviewing the council's impact on tourism, maximising the economic value from our assets to bring as much spend by visitors as possible into the County. This will look at the best management and ownership arrangements of our tourist and visitor economy sites.
- We will enable as much activity for young people as efficiently as possible starting from the perspective of people growing up in Shropshire, putting the emphasis on supporting what they need in ways that are as relevant, commissioned and local as possible.
- Across waste collection and recycling we will work with our business partners to encourage more recycling where this reduces costs to the council and delivers environmental benefits for the people of Shropshire
- We will review all of our current contractual arrangements with partners – whether large scale for example (Veolia – waste collection, Coop – Bereavement Services) or smaller and more local – with schools, community groups and town councils to get the best possible deal for Shropshire residents.
- These new approaches and reimagining of solutions will look to achieve increased flexibilities and support business redesign that better meet customer demand at reduced costs, recognising that the market place and funding environment is becoming more competitive. Other key areas we will focus on will include:
  - Community based leisure facilities
  - Highways and transport collaboration with other local authorities
  - Environmental maintenance

### Commissioning Directorate overall budget

	Gross Revenue Budget £	Gross Controllable Budget £	Savings Target £	Proposals Identified £
Overall Current Gross Controllable Budget	123,441,000	53,976,095	18,891,633	18,891,633

**Summary estimate for realising budget reductions:**

	2014/15	2015/16	2016/17
Phasing of Proposals (%)	40.1%	35.2%	24.8%
Phasing of Proposals (£)	7,566,962	6,642,060	4,682,611
Voluntary Redundancy (where separately identified) (£)	0	0	0
Income Generation (where separately identified) (£)	0	0	0
Other (£)	7,566,962	6,642,060	4,682,611

**Resources and Support**

- We will only keep and use the physical assets we need to meet customer demand. This means selling underused and vacant land to boost capital funds and saving revenue like a business. We will use new technology to allow our staff to work in a mobile and flexible way to suit the needs of our customers. This means we need less accommodation and what we keep should be designed and equipped to help people work collaboratively and flexibly. To achieve this we will use a Corporate Landlord model, where all property assets are managed centrally together through a commercial approach.
- We will design the infrastructure for the future needs of Shropshire Council and other commissioners looking to work in radically different ways. This will enable swift take up of the best systems and most efficient and well-designed business processes.
- End to end review of how the council uses information to drive decision making, identifying duplication and waste, evaluating the potential for income generation through trading associated with the value we put on intelligence
- Reviewing procurement, Audit, Risk and Insurance teams to reflect the changing demands of the commissioning organisation

- Rationalising face to face customer contact, through a digital first approach making it easier and cheaper for people to access the information and services they're looking for.
- Reviewing HR support, streamlining processes helping managers and team leaders become highly effective people and resource managers through informed self-service.
- Reviewing levels of support in democratic and legal services taking account of willingness of customers to accept different levels of provision and opportunities, through an Alternative Business Structure to enable the team to sell on its services.
- We are working closely with our trading partner ip&e (Trade Co) to grow a suite of businesses based on understanding and anticipating the public service customer needs of the future, whilst driving down our own service costs. We will do this by developing attractive, tradable services to tap into a targeted, growing market.

This includes reviewing the potential for trading using the council's capacity, skills and assets in new ways including;

- Developing an enabling technology offer, bringing the best in cloud based and mobile technology to bear on challenges facing the UK public sector
- Exploring a core service offer delivering excellence in governance for public service commissioners
- Developing our business design and programme management expertise, using Shropshire as the shop window for a growing potential customer base
- Bringing together health improvement services – offering a range of support to change behaviours in ways that improve people's long term health and well-being

	Gross Revenue Budget £	Gross Controllable Budget £	Savings Target £	Proposals Identified £
Overall Current Gross Controllable Budget	157,326,000	71,046,852	24,866,398	26,649,382

**Summary estimate for realising budget reductions:**

	2014/15	2015/16	2016/17
Phasing of Proposals (%)	50.3%	25.9%	23.8%
Phasing of Proposals (£)	13,400,802	6,908,924	6,339,656
Voluntary Redundancy (where separately identified) (£)	2,612,141	0	0
Income Generation (where separately identified) (£)	666,052	244,148	188,548
Other (£)	10,122,609	6,664,776	6,151,108

# Strategic Financial Overview

**This document concentrates on revenue resources and expenditure, but is set in the context of the Council's other key strategy documents, in particular the Capital Strategy and the Treasury Management Strategy.**

The Business Plan and Financial Strategy will be used to help develop the detailed budget for 2014/15 to be agreed by Council in February 2014 and agree the parameters for a further two financial years, 2015/16 and 2016/17. Together this will form the Council's next Medium Term Financial Plan 2014/15 to 2016/17. It is important, however, to continue to look beyond 2016/17 at the long term financial outlook for the Council.

The Council's policy is to review the medium term financial plan and consult with the public bi-annually. In practice, this will mean reviewing the final year of an existing Medium Term Financial Plan and extending it by two years on a bi-annual basis.

The Council has a gross budget of £624.7m which is funded by Council Tax, Localised Business Rates, Revenue Support and Top up Grant, Other Specific Grants and Fees and Charges.

The gross budget detailed in this document is different to the gross budget referred to in the Period 6 monitoring report for 2 reasons

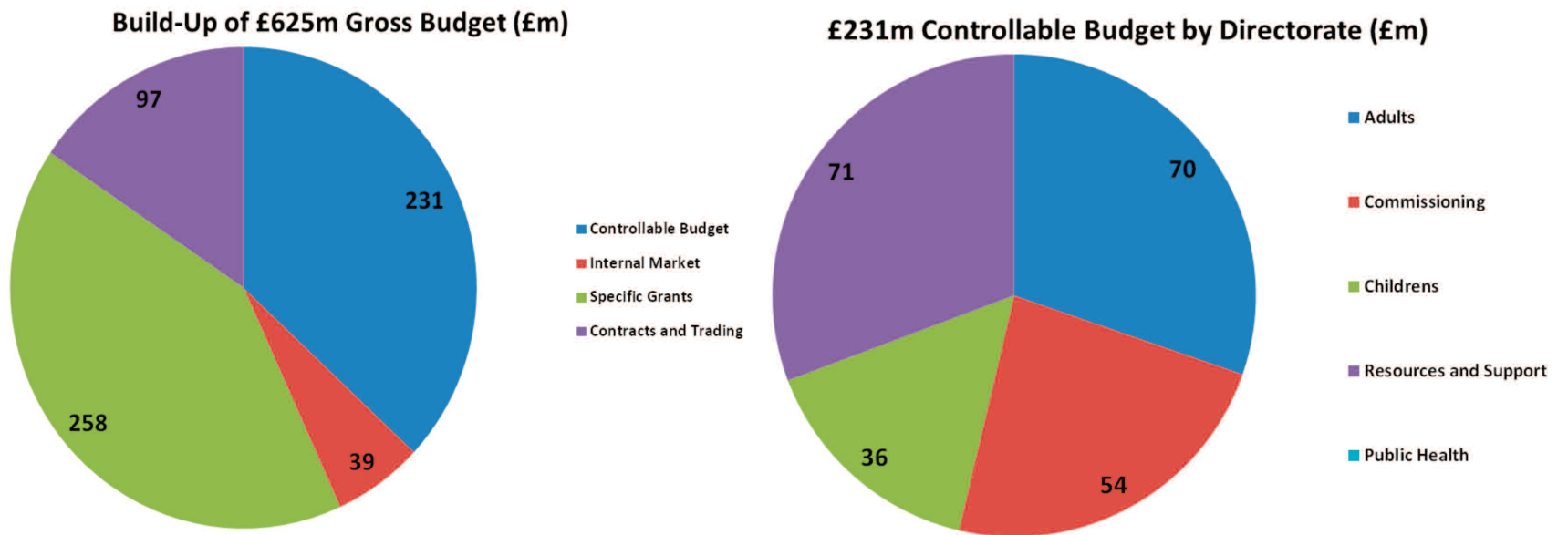
- a) Schools have a nil impact on the Council's net budget and as variations to gross budget are controlled directly by schools these have been excluded from the gross budget calculations. This reduces the gross by £18.4m
- b) Since Period 6, a number of further grant changes have been confirmed. These include a reduction in Dedicated Schools Grant of £30m due to schools converting to academy status. The total change to gross required since period 6 monitoring is £32.3m

These changes together reconcile the gross budget in period 6 monitoring report (£675.4m) to the gross budget of £624.7m detailed here.

This budget can be analysed both objectively by service area and subjectively by type of expenditure e.g. Employees, Supplies and Services, etc.

To consider how and where savings can be found, non-controllable areas such as those funded by specific grants can be excluded (such as Dedicated Schools Grant). The remaining budget can then be considered for redesign to deliver savings.

The following charts show how the budget can be categorised.



The funding the Council can expect to have over the next three years has been estimated and projected using a number of assumptions. An estimation of the costs the Council will have to cover have also been projected over the same timeline. This provides an assessment of the difference between costs and resources and results in a funding gap, or put another way, the need to deliver savings of £80m.

In February 2013 the Council agreed the 2013/14 Budget and the Financial Strategy for 2013/14 to 2022/23. Savings of £23.877m were agreed for 2013/14 and the Strategy recognised that further savings would be required in future years. Based on the CSR 2010, savings of £8.5m were identified in 2014/15 which, further to the Autumn Budget Statement and the additional cuts of 2% for public services, increased to c£10m. It was also identified that there were a number of one off savings in 2013/14 which would impact on 2014/15 budget and mounting service pressures which would need addressing. This document provides the latest information on the Council's financial projections for 2014/15 to 2016/17.

The issues the strategy addresses include:-

- Real terms reductions in resources
- Increased demand for key services
- Changes in responsibilities between local government and other public sector bodies

A key objective of agreeing the strategy is to avoid short term reactive decision making in the face of urgent or unplanned demands.



## The Current Year Budget, 2013/14

On 28 February 2013 the Council agreed the 2013/14 budget. As part of this, a reduced budget of £23.877m was agreed. The Council's net budget does not vary once it has been agreed for a financial year. The gross budget does, however need to change to reflect up to date information on income levels.

The last financial strategy was considered by Cabinet on 26 June 2013, since then the gross budget for 2013/14 has been amended to reflect changes in specific grants and other income. Changes to the gross budget in year are reported as part of the monitoring process and reflected in the strategy as 2013/14 gross budget is the starting point for the development of future years' budgets.

On-going pressures identified and managed in the current year need to be reflected in future years' budgets. As previously reported the following 2013/14 pressures have been identified and built in to future years budgets.

**Table 1: Existing Financial Pressures to reflect in 2014/15 Budget**

	£'000	Notes
Previous years financial pressures to carry forward to 2014/15		
One off savings in 2013/14	4,686	Identified in Cabinet Report 16/01/2013
Unachievable 2013/14 and 2012/13 Savings procurement-	4,018	Accommodation, commerciality and
Shortfalls in grant allocations	811	LACSEG
Services Pressures	9,000	Adult Social Services
Total	18,515	

The 2013/14 budget will be considered as part of the regular revenue monitoring reports to Cabinet. Any changes to the on-going consequences for 2014/15 budget will be reflected in financial strategy updates.

The level of the general reserve as at 31 March 2013 was £6.820m. A further net contribution to the reserve is to be made in 2013/14 of £3.173m which gives a projected balance as at period 6 monitoring of £9.993m.

### **Resource and Expenditure projections 2014/15, 2015/16 and 2016/17**

Our future financial take into account what Treasury and other government departments are setting out as the context for future funding of local government. The Financial Strategy on 24 July 2013 included details of announcements up to that date. Since then the Department for Communities and Local Government has published a consultation paper on the Local Government Finance Settlement for 2014/15 and 2015/16. This shows how the Government will reduce local government funding and how other technical changes are then required to the Local Government Control Totals. These reflect the need to fund safety net payments and capitalisation and to top slice a percentage of the Total New Homes Bonus Funding and allocate this to the Local Enterprise Partnerships to promote economic growth. The consultation paper showed examples of how individual authorities grant funding would change.

Analysis of this shows that the 2014/15 projections for the Council's central government funding within the Council's Financial Strategy are in line with the latest information available. In future years, however, they indicate that grant reductions will be greater than originally modelled. This has been reflected in the latest resource projections and has meant funds identified in July's Financial Strategy as "prudency funds against further cuts" now need to be allocated in 2015/16. This approach has meant that the savings target remains at £80m.

The Council's Gross Resource and Expenditure have been updated to reflect the most up to date information on government funding and spending pressures.

A summary of the Council's gross resource and expenditure projections is given in Table 2 below:

**Table 2: Gross Resource and Expenditure Projections**

	2014/15 £'000	2015/16 £'000	2016/17 £'000
Projected Resources	613,938	600,586	589,953
Current Projected Expenditure	655,469	662,252	669,953
Funding Gap	<b>41,531</b>	61,666	80,000
Year on Year Funding Gap		<b>20,135</b>	<b>18,334</b>

The Table shows that over the three year period savings of £80m are projected, with £41.5m of these being required in next year, 2014/15.

The resource projections are detailed in Appendix 1, expenditure projections in Appendix 2 and key assumptions in Appendix 3.

With a revised 2013/14 budget of £624.689m it can be seen that the £80m savings target is as a result of a reduction in Resource projections of £34.736m and an increase in expenditure projections of £45.264m over a 3 year period.

The latest changes in resource projections for Shropshire Council are summarised in Table 3 below:

**Table 3: Assumed Changes in Gross Resource Projections**

	Change 2014/15 £'000	Change 2015/16 £'000	Change 2016/17 £'000
Revenue Support Grant	-12,561	-13,241	-7,654
Locally Retained NNDR	+307	0	0
Top Up Grant	+296	0	0
Return of national topsliced NHB	+289	0	0
Council Tax Income (0% Rise)	+232	+232	+232
Government Grants	+903	0	0
Fees and Charges	+200	0	0
Collection Fund Surplus	-417	0	0
Allowance for further reductions	0	-343	-3,211
<b>Total</b>	<b>-10,751</b>	<b>-13,352</b>	<b>-10,633</b>

The majority of the reduction is due to projected reductions in Revenue Support Grant.

The latest changes in expenditure projections for Shropshire Council are summarised in Table 4 below:

**Table 4: Assumed Adjustments in Gross Expenditure**

	Change 2014/15 £'000	Change 2015/16 £'000	Change 2016/17 £'000
Prices inflation	2,759	2,852	3,006
Pay award and increments	1,852	1,382	1,120
Pensions	5,384	550	574
Debt Charges	1,000	1,000	1,000
Unachieved Savings brought forward	9,516	0	0
Removal of Contribution to Reserves and Elections Fund budgets	-5,700	0	0
Underlying pressures in Adult Services	9,000	0	0
Demographic Growth in Adult Services	2,000	2,000	1,500
Demographic Growth in Children's Services	1,000	1,000	500
Investment Funds (one year only)	2,000	-2000	0
Growth to effect release of Smoothing Reserve	2,000	0	0
Grant and other changes	-31	0	0
<b>Total</b>	<b>30,780</b>	<b>6,784</b>	<b>7,700</b>

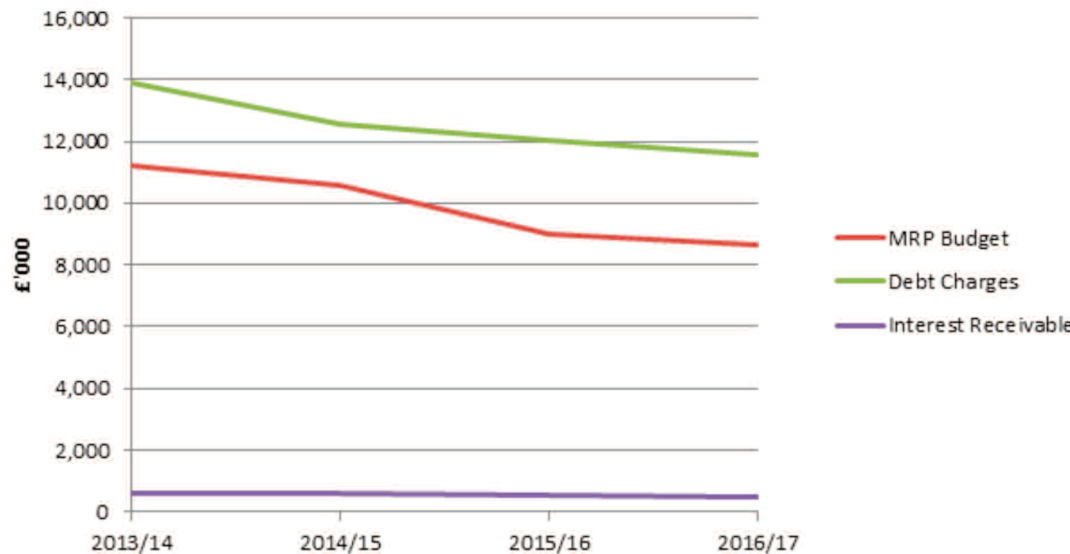
Areas identified in the table above is considered further in the following paragraphs.

Prices inflation is allocated on a case by case basis and only where there is a contractual requirement to increase cost. As part of the Council's Business Planning , contract negotiations are being undertaken and where possible reductions in year on year inflationary increases will be negotiated. Consequent reductions will be reflected in the savings proposals.

The calculation for pay awards and pay increments uses the current pay basis to estimate the requirements. The current estimates assume some reduction in staff numbers over the next 3 years and as the actual numbers become clearer these projections will be revised and the difference reflected in the savings proposals.

Pensions contributions are made up of a lump sum payment which is fixed and independent of staffing numbers and costs and a contribution based on a percentage of basic pay (currently 11.7%). The Pensions growth built into the strategy is based on information provided by the Actuary in June and reflects the need to increase the lump sum element substantially in 2014/15. Since then, further work has been undertaken which indicates that not all of this growth will be required in 2014/15. Any adjustment to the amount required will be reflected in the savings proposals.

### Impact on Treasury Management Budgets if Capital Receipts Target Achieved



**Debt Charges** - The funding for the Capital Strategy is currently based upon delivery of the existing capital programme with a reliance on capital receipts in preference to borrowing. Despite this, an assumption has been built in to the Financial Strategy that an element of borrowing will be required in each of the following three years. Based on the current proposals to rationalise assets across the County, and the progress being made, it is possible to meet our current programme of capital schemes without the need to borrow and thus this allocation may be declared as a revenue saving. The graph left shows how the budget will reduce if capital receipts are released to plan.

The **unachieved** savings figure relates to one off savings in 2013/14 and other previously agreed savings which have not been achieved as detailed in Table 2.

In 2013/14 a contribution of £5m was made to **reserves**. This was a deliberate policy to increase the level of reserves to a more prudent level, taking into account a risk assessment of the level of reserve required and a broad indication of reasonable reserve levels applied nationally (2% of gross revenue budget). As this has been achieved the base budget contribution is not required in 2014/15. Similarly a £0.7m contribution to cover the costs of **elections** was one-off.

The growth for existing and future **demographic growth in adults** services built in to the expenditure projections is an initial estimate based on the information available at that time. Further modelling will be undertaken to refine and update these projections for Cabinet in December taking into account redesign and new ways of working that will be established and considered through Business Planning work being undertaken.

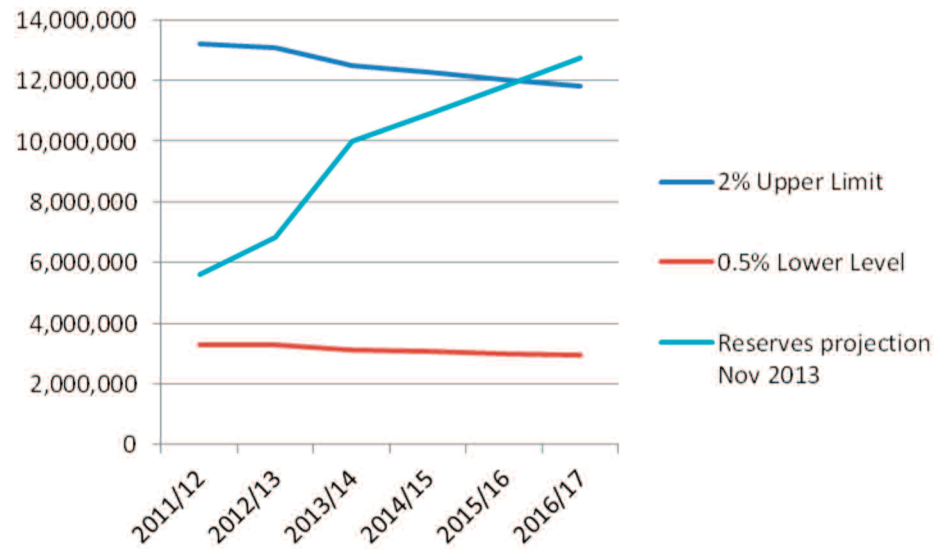
The **demographic growth** shown for **Looked After Children** will likewise be reviewed following further work on projections for growth in numbers and costs of Looked After Children through the Business Planning review work.

A one off budget of £2m has been included in 2014/15 to be allocated on the basis of robust business cases showing that an initial **investment** is required to redesign services and generate on going budget savings.

There is £19m currently in the **Waste Smoothing Reserve** which will be required over the next 20 years to fund the waste management contract. It is proposed that a change in accounting policy is implemented and additional funds applied to the Waste Management base budget to remove the need to hold this substantial reserve over future years. This proposal has been factored into the funding gap figures and an allocation of £2m growth to base budget has been included. This has now been reviewed to ensure that the Waste Management budget will remain in balance over the remainder of the PFI contract. In addition, the Waste Smoothing Reserve currently attracts interest on balances of 5% per annum, allocated from interest earned by the Council on its cash balances. A review has established that by allocating £2m into base budget, the current Waste Smoothing Reserve and 5% interest assumption can be removed. It is proposed that some of this provision is used in 2013/14 and 2014/15 to fund redundancy costs. Interest on balances will also be freed up for potential additional savings which are currently being modelled.

The projected level of General Reserve as at 31 March 2014 is £9.993m. The Council’s policy on balances is to have a general fund balance (excluding schools balances) of between 0.5% and 2% of the gross revenue budget and the current direction of travel suggests this can be met or exceeded. A review of the risk assessed level of reserves required is undertaken annually and agreed by Council, and the potential level of reserves will be considered against this in the new year.

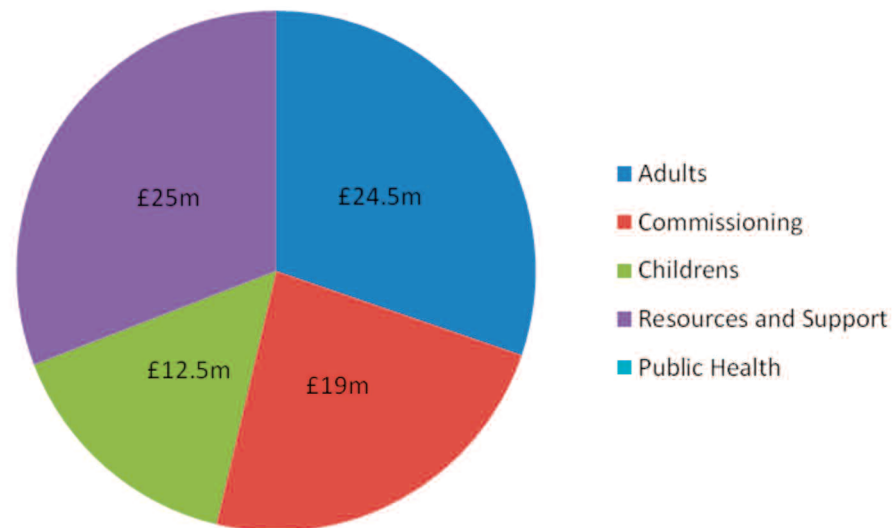
The following Graph shows the latest position on the General Reserve.





## Proposals to deal with the Projected Budget Shortfall 2014/15 to 2016/17

To give directorates an indication of the level of savings they would be required to contribute to the target of £80m, savings targets have been allocated on the basis of the controllable budget of £231m. The following diagram shows the split over directorates.



As identified above, there is a projected shortfall of resources compared to expenditure of £80m over the next 3 years which will be continually reviewed throughout the Medium Term Financial Plan. Our approach will be to maintain, where possible, a consistent description of the funding gap, but where initiatives help reduce this gap, to report these as savings. For example, an initiative to reduce staffing numbers will reduce costs immediately, but will also reduce the aggregate growth requirement for any pay award across the council. We will treat this as a saving against our established funding gap of £80m, rather than reduce the funding gap to a different figure.

As detailed in earlier sections of this document, proposals have been drawn up to meet the identified funding gap, and these are summarised in the table below.

Directorate	Gross Revenue Budget (£)	Gross Controllable Budget (£)	Savings Target Identified for each Directorate, based on 35% of controllable Budget (£)	Proposals Identified as at 13.11.13 (£)	Proposed Reduction in Controllable Budget (%)	Proposed Reduction 2014/15 (£)	Proposed Reduction 2015/16 (£)	Proposed Reduction 2016/17 (£)
Adult Services	98,023,000	69,858,121	24,450,342	24,470,343	35.0%	6,843,354	9,008,547	8,618,442
Childrens Services	236,193,000	35,964,333	12,587,517	11,076,000	30.8%	4,635,000	3,240,000	3,201,000
Commissioning	123,441,000	53,976,095	18,891,633	18,891,633	35.0%	7,566,962	6,642,060	4,682,611
Resources and Support	157,326,000	71,046,852	24,866,398	26,649,382	37.5%	13,400,802	6,908,924	6,339,656
Public Health	9,706,000	237,980	83,293	54,727	23.0%	54,727	0	0
Total	624,689,000	231,083,381	80,879,183	81,142,085	35.1%	32,500,845	25,799,531	22,841,709

## Financial Uncertainty

From 2013/14 a new funding mechanism for Local Government was introduced which is based on the retention of 50% of locally raised Business Rates. The remaining funding received by the Council, Revenue Support Grant and Top up is based on the Council receiving a total amount comparable to the amount that would have been received under the four block funding methodology. There is a risk that the government's estimate of Shropshire's Business Rates is too high so that the remaining RSG and Top up are insufficient to make up the total amount required. Alternatively, if the government has estimated Shropshire's share of Business Rates, the baseline, conservatively it will mean that the Council's actual Business Rates have to fall firstly down to the baseline figure then 7.5% below that figure before the safety net arrangements apply. Shropshire's current projections show projected Business Rates above the baseline assumptions.

From 2013/14 the funding mechanism is fixed. Variation in the Council's Business Rates will result directly in more or less funding for the Council. The safety net mechanism is only invoked when the Council's total net income is reduced by 7.5% or more. For Shropshire this is a drop of £3.5m below the baseline, however, our current projections show we would be operating above this level, therefore would need to suffer a greater drop of almost £4.5m before the Safety Net would be invoked.

Locally retained business rates introduce uncertainty to the Council's in year available resources; previously the Council was informed of the amount of redistributed business rates it would receive before the start of the financial year, under the new system the resources the Council actually receives will only be estimated in advance and could vary significantly. To mitigate the risk of large variations in estimated Business Rates, monitoring of Business Rates income will be further developed and reported regularly.

The government has retained 50% of Business Rates and distributes this back to local authorities after any adjustments as Revenue Support Grant and a Top Up payment. Central Government can continue to adjust local government finance settlements by adjusting the control totals and distributing any surplus Business Rates as new responsibilities.

In addition, as delivery and needs change the funding mechanism will not reflect these changes. It is proposed that the system will not be reset for 7 years- i.e. until 2020/21.

By creating a Business Plan and Financial Strategy that looks at the longer-term and is regularly updated to reflect new information, the Council is in a stronger position to approach future challenges proactively, rather than reactively.

While this plan represents our approach to the mitigation of the financial uncertainty we are faced with, the tight and uncertain financial climate over the medium to long term still presents a high risk to the authority. In addition to the known uncertainties we have planned for, there remains potential for further, as yet unrecognised, risks. For this reason, a prudent approach to the level of reserves held by the Council remains sensible and necessary. As the new Business Rates Retention system is introduced this will mean the introduction of new provisions for rating appeals and other fluctuations.

DRAFT

SHROPSHIRE COUNCIL - NET AND GROSS RESOURCES PROJECTIONS SUMMARY 2014/15 to 2016/17				Appendix 1		
	2013/14 REVISED	2013/14 Notes & Assumpti ons	2014/15 REVISED	2014/15 & Beyond Notes & Assumpti ons	2015/16 ORIGINAL	2016/17 ORIGINAL
<b>RSG</b>	67,074,002	Figure as per CLG 2013/14 Final Local Government Finance Sett lement.	54,512,946	Figure as per CLG 2014/15 Provisional Local Government Finance Sett lement less prudent £1m (1% plus extra) for L4/15 and 1.0% for 2015/16 and 2016/17	46,271,613	38,617,423
<b>Business Rates Retenti on Allocati on:</b>				Adjustment Further to Summer 2013 Consultati on	(5,000,000)	(5,000,000)
NNDR (as raised and then retained locally)	38,370,380	Local projecti ons based on returned NNDR1	38,677,343	Allowance for Further reducti on	(342,599)	(3,552,925)
Top Up	9,659,912	Figure as per CLG 2013/14 Final Local Government Finance Sett lement.	9,956,192	Local 2013/14 projecti ons infl ated by 0.8%	38,677,343	38,677,343
Safety Net Payments				Figure as per CLG 2014/15 Provisional Local Government Finance Sett lement	9,956,192	9,956,192
NDR Surplus/Defi cit on Collecti on Fund						
Prior year adjustmets (e.g. correcti on to safety net payments)						
<b>TOTAL START UP FUNDING RECEIPT:</b>	<b>115,104,294</b>		<b>103,146,481</b>		<b>89,562,549</b>	<b>78,698,033</b>
<i>Movement on previous year's funding</i>			10.4%			
<i>Adjustments to enable 2012/13 - 2013/14 comparison</i>						
Less Grants included within RSG & BRRA (above as of 2013/14)						
Plus full LACSEG top slice						
<b>FORMULA GRANT (RSG/NNDR) - for 2012/13 comparison only</b>		<i>This reducti on is due to top slicing for pay restraint, new developemnt deals, NHB top slice and safety net held back. It is anti cipatd that £6.3m of this top slice will be returned through Y3 NHB allocati on unused NHB top slice, and unused safety net in year. Restoring the funding to more or less the original 2013/14 esti mate.</i>				
<i>Movement on previous year's funding</i>						
Return of amounts topliced from RSG/BRRA Allocati on						
Share of £2bn unused New Homes Bonus top slice	378,230	Figure as per CLG 2013/14 Final Local Government Finance Sett lement.	667,408	Esti mate SCT Model V2.5 esti mate	667,408	667,408
Share of returned damping (unused safety net held back)	0	This may be an in year bonus. More informati on required	0	This may be an in year bonus. More informati on required		
<b>TOTAL FUNDING FROM CENTRAL/LOCAL SHARE</b>	<b>115,482,524</b>		<b>103,813,889</b>		<b>90,229,957</b>	<b>79,365,441</b>
<i>Movement on previous year's funding</i>						
Taxbase	99,280	Actual Council Tax taxbase determined for 2013/14	99,478	0.2% increase in Council Tax Taxbase assumed in 2014/15, 2015/16 and 2016/17	99,677	99,877
Reducti on in Taxbase due to Council Tax Support Grant	12,005	Actual reducti on in Council Tax taxbase determined for 2013/14	12,005	Assumed same reducti on in Council Tax taxbase due to local Council Tax Support	12,005	12,005
<b>Council Tax Income</b>	<b>115,632,994</b>	Projected Council Tax income	<b>115,864,260</b>	Council tax freeze assumed	<b>116,095,988</b>	<b>116,328,180</b>
Collecti on Fund Surplus	416,666	Actual share of esti mated collecti on fund surplus	0	Provisional fi gure based on projected share of collecti on fund surplus		
				Revised fi gure removes any share due to potenti al of increased Council Tax income volati lity as a result of local Council Tax support.		
<b>TOTAL NET RESOURCES - 2013-14 onwards</b>	<b>231,532,184</b>		<b>219,678,149</b>		<b>206,325,945</b>	<b>195,698,621</b>

	2013/14 REVISED Cabinet 17th Nov - 2013	2013/14 Notes & Assumpti ons	2014/15 REVISED Cabinet 17th Nov - 2014	2014/15 Notes & Assumpti ons	2015/16 REVISED Cabinet 17th Nov - 2015	2016/17 REVISED Cabinet 17th Nov - 2016
<b>GOVERNMENT GRANTS</b>	286,187,984		282,801,029		256,706,812	256,706,812
- Re-categorisati on of Grants		Budget Book Change	3,099,562			
- Early Learning & Childcare For Two Year Olds	(301,970)		(301,970)			
- LACSEG / ESG	(1,508,864)		(1,508,864)			
- 2013/14 Council Tax Freeze Grant	3,163		3,163			
- Community Safety Grant	86,520		86,520			
- Children On Remand Grant	(12,646)		(12,646)			
- Adopti on Reform Grant	680,118		680,118			
- Anti cipated Reducti on in Specific Grants	1,000,000		1,000,000			
- Local Reform & Community Voices Grant						
- Public Health Grant						
- Magistrates Courts Loan Charges						
- Children On Remand						
- Supporti ng Community Transport						
- Bikeability						
- Social Fund Grant						
- Council Tax Support New Burdens Funding						
- Effi ciency Support for Services in Sparse Areas Grant						
- Dedicated Schools Grant	(25,690,000)		(25,690,000)		(25,690,000)	(25,690,000)
- Homelessness Main Grant	(528,000)		(528,000)		(528,000)	(528,000)
- Supporti ng Bett er Housing Management	(36,582)		(36,582)		(36,582)	(36,582)
- Extended Rights to Free Transport / General Duty to Promote Sustainable Travel	(75,777)		(181,677)		(181,777)	(181,777)
- 2014/15 Council Tax Freeze Grant			1,296,159		1,296,159	1,296,159
<b>GOVERNMENT GRANTS</b>	<b>255,803,946</b>		<b>256,706,812</b>	-902,866	<b>256,706,812</b>	<b>256,706,812</b>
<b>OTHER GRANTS &amp; CONTRIBUTIONS</b>	<b>25,950,880</b>		<b>25,950,880</b>		<b>25,950,880</b>	<b>25,950,880</b>
<b>FEES &amp; CHARGES</b>	<b>63,039,210</b>		<b>63,239,210</b>		<b>63,239,210</b>	<b>63,239,210</b>
<b>INTERNAL MARKET &amp; INTERNAL RECHARGES</b>	<b>48,362,850</b>		<b>48,362,850</b>		<b>48,362,850</b>	<b>48,362,850</b>
Total Income outside of Net	393,196,886		394,259,752	-1,102,866		
<b>TOTAL GROSS RESOURCES - 2013-14 onwards, aft er income Savings</b>	<b>624,689,070</b>		<b>613,937,901</b>		<b>600,585,697</b>	<b>589,953,373</b>

SHROPSHIRE COUNCIL - FINANCIAL SUMMARY 2014/15 to 2016/17			
	2014/15	2015/16	2016/17
	£	£	£
<b>APPENDIX 2</b>			
<b>Expenditure</b>			
<b>Original Gross Budget Requirement</b>	624,689,073	655,468,676	662,252,841
<b>Inflation</b>			
- Prices	2,758,931	2,852,381	3,006,053
- Pay 1% award	955,196	885,196	839,083
- Pay Increment	896,688	496,988	281,097
- Pension Costs	5,384,000	549,600	574,300
- Auto Enrolment (impacts 2017/18)	0	0	0
<b>Committed Growth</b>			
- Debt Charges (Reduced as part of Savings)	1,000,000	1,000,000	1,000,000
<b>New Growth</b>			
- Demography: Older People			
- Demography: Adults	2,000,000	2,000,000	1,500,000
- Demography: Childrens services	1,000,000	1,000,000	500,000
- Personal Social Services			
- Contribution to Balances	(5,000,000)		
- Elections (2013/14 only)	(700,000)		
New Service Pressures			
New Investment funding- One year only	2,000,000	(2,000,000)	
Repaying for borrowing for Redundancies	2,000,000		
<b>Changes to Expenditure Reflected in Resources</b>			
Specific Grant Changes from Previous Year Including New Responsibilities	902,866	TBA	TBC
Specific Grant Changes since 24/07/2013 Strategy			
Other Income Changes since 24/07/2013 Strategy			
Benefits (assume at same level as reduction in Resources)	(197,936)		
Virements affecting Gross			
<b>Business Rates Retention</b>			
- Provision for Losses on Appeal			
- Provision for business rate decline (before safety net)	0		
- Surplus/(Shortfall) Available for Provision			
- shortfall in LACSEG/under 2s met one off in 2013/14 from spare			
- remove "surplus" available in 2013/14 only	(736,046)		
- build growth to cover net loss in grants (make from surplus in 2013/14)	810,834		
<b>Monitoring Issues</b>			
- One off savings in 2013/14	4,686,190		
- Monitoring issues around Unachievable Savings	4,018,880		
- Services Pressures - Adult Services	9,000,000		
<b>Gross Budget Requirement (Including Internal Recharges) Before Savings</b>	655,468,676	662,252,841	669,953,373
Savings-2013/14			
<b>Gross Budget Requirement (Including Internal Recharges) After Savings</b>	655,468,676	662,252,841	669,953,373

## Shropshire Council - Medium Term Financial Plan Key Assumptions 2014/15 - 2016/17

### Inflation Assumptions

	BASIS	2014/15	2015/16	2016/17
Pay inflation	Assumed a 1% pay increase from 2013/14 onwards.	1.00%	1.00%	1.00%
Prices Inflation	This has been calculated on the contractual bases of the main contracts that the Council has in place. Inflation rates range from 1% to 10% on individual contracts. Energy costs are assumed to be growing at 10% p.a.	Based on contractual price inflation and 10% p.a. for energy costs.		
Pensions Increase	<p>The 2010 actuarial valuation resulted in employer contributions being split into 2 separate elements, a percentage of pensionable pay and a lump sum to provide for a reducing payroll. The percentage of pensionable pay will not increase within the 4 year MTFP period, however the lump sum will be inflated each year.</p> <p>The 2010 actuarial valuation using March 2013 information is currently being undertaken and firm figures should be known by end of November, however, initial calculations in October 2012 suggested a lump sum increase of £4.550m and an increase in the employer contribution rate of 0.6% (taking the rate to 12.3%) with consequential growth of £0.504m.</p>	<p>12.3%</p> <p>&amp;</p> <p>lump sum increase of £4.550m</p>	<p>Adjusted CPI Inflation as at March 2010 +1.5% on lump sum each year.</p> <p>(The CPI figure is 3% and is the market expectation for long-term inflation (RPI basis) adjusted for Inflation Risk Premium (IRP) and CPI Indexation.)</p>	<p>Adjusted CPI Inflation as at March 2010 +1.5% on lump sum each year.</p> <p>(The CPI figure is 3% and is the market expectation for long-term inflation (RPI basis) adjusted for Inflation Risk Premium (IRP) and CPI Indexation.)</p>

## Council Tax Assumptions

	BASIS	2014/15	2015/16	2016/17
Council Tax Taxbase	Assumed an increase in the Council Tax taxbase of 0.2% in 2014/15, 2015/16 and 2016/17.	0.20%	0.20%	0.20%
	Assumed a constant reduction in the Council Tax taxbase due to local Council Tax Support	-12,005	-12,005	-12,005
		Band D Equivalents	Band D Equivalents	Band D Equivalents
Council Tax Increase	Council Tax freeze assumed for 2014/15, 2015/16 and 2016/17.	0.00%	0.00%	0.00%



## Grant Assumptions

BASIS	2014/15	2015/16	2016/17
Business Rates Retention Scheme:			
(i) RSG	2014/15 as per CLG Provisional Local Government Finance Settlement less prudent £1m (1% reduction as per March 2013 Budget Statement plus extra).	£1m reduction on CLG provisional figure	Further 8.2% cash reduction for start up funding equivalent to 15% reduction in RSG plus
	Further 8,2% cash reduction for both 2015/16 and 2016/17 and an allowance for further reductions of £5m		Further 8.2% cash reduction for start up funding equivalent to 16.5% reduction in RSG
		<b>£5m further adjustment</b>	
(ii) Locally Retained Business Rates	Local 2013/14 projections (based on returned NNDR1) inflated by 0.8%	0.8%	0.8%
(iii) Top Up Payment	2014/15 as per CLG Provisional Local Government Finance Settlement.	As per CLG (2014/15)	As per CLG (2014/15)
	No further change in 2015/16 and 2016/17.		
(iv) New Homes Bonus Adjustment	2014/15 as per latest modelled figures from SCT. No further change in 2015/16 and 2016/17.	As per latest modelled figures	As per latest modelled figures
Specific Grants	Latest specific grant notifications reflected in 2014/15 resources.	As per latest grant notifications	No further changes
	Assumed no further change in specific grants in either 2015/16 or 2016/17.		No further changes

## New Growth and Demography

	BASIS	2014/15	2015/16	2016/17
Demography: Adults Services	This is the best estimate of growth resulting from increased number and cost of care packages.	£2,000,000	£2,000,000	£1,500,000
Demography: Children's Services	This is an estimate based on recent increases . in the number of looked after children	£1,000,000	£1,000,000	£500,000
Contribution to Balances	<p>A contribution to balances has been built in for 2013/14 so that, if spend was to budget, the level of general balances would stand at just under £13m which is in line with the risk based calculation performed on the Council's general fund balance, and already agreed by members. At period 6, a projected overspend of £2.6m will reduce the year end balance to c£10m</p> <p>The additional contribution to balances from base budget of £5m has been removed in 2014/15. Future year's contributions have been set to maintain the level of reserve at a prudent level of 2% or more of Gross Budget.</p>	Remove contribution from base budget (£5,000,000)	Maintain Reserve level at 2% of gross budget	Maintain Reserve level at 2% of gross budget