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## Draft Medium Term Financial Plan 2011/12 to 2013/14

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### Purpose of Report

This report sets out a framework for consideration by Full Council of the Council's budget position for the period 2011/12 to 2013/14, and seeks Members agreement to a list of further proposals to reduce our spending in future years. The report is written in the light of the Draft Funding Settlement for Local Government (received 13 December 2010) and ahead of the Final Settlement, which will not be received until January 2011, and could be substantially different to the Draft Settlement.

The report focuses on the key initial goal of producing a balanced budget for 2011/12; linking together previous reports identifying savings, increased fees and charges, and changes to the Council's Capital Programme, together with measures to manage service pressures arising from 2010/11, provide resources for transformation of our service delivery and recognise the need for a revised level of general reserves.

As this initial approach to meeting our 2011/12 financial year savings target expands into a full Medium Term Financial Plan, a second element will be developed to produce a framework of proposals for further spending reductions in 2012/13 and 2013/14. This will need to provide greater detail than previously available, for the delivery of deeper savings over the following two years, to meet a currently estimated remaining shortfall in funding of £38,000,000.

This report identifies savings that will need to be implemented by 1 April 2011 to deliver a balanced budget next year. However, given the uncertainty that remains around the detail of reduced local government finance, it will be prudent to exceed our savings target in 2011/12, to ensure that additional funds can be provided for general reserves, so as to ensure greater financial resilience for the authority in future years.

### Recommendation

It is recommended that Council:-

1. Notes the additional information about the Council's future funding set out in our Draft Funding Settlement;

2. Notes the additional Budget pressures identified, which need to be included in our revised savings target;
3. Notes the changes in our planning assumptions about future spending requirements; and
4. Agrees the proposed further spending cuts, as listed in Appendices 2 to 5, in order to produce a balanced Budget for 2011/12.

## REPORT

### 1. Background

#### Strategy Framework

- 1 The Council has already made a number of key decisions concerning its 2011/12 budget, which in total will deliver significant spending cuts. These have concentrated on changes which can be implemented relatively quickly, (sometimes before April 2011) and, in most cases without major implications for service delivery, in order to achieve early progress on tackling our future funding deficits.
- 2 As part of initial decisions already taken, the Cabinet has identified a number of key principles which will guide the development of the Medium Term Financial Plan, and these have been accepted 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. In addition, more recently, Members have agreed a strategic approach to our medium term priorities for investment and disinvestment (see paragraph 8 below).

5. This approach has helped local people understand the Council's careful and sound management of the initial Budget setting process, (and seems to have been generally welcomed), as well as preparing the public for the unavoidable effects on our services, given the scale of cuts in Government funding.
6. It is expected that further savings can be made from a more rigorous approach to the commissioning and procurement of goods and services, in future. However, because wages and salaries are our main financial commitment, it is likely to be unavoidable that Members will need to seek a major element of the final wave of spending reductions from cuts in our overall staffing costs, as a result of their decisions on service transformation and reprioritisation. These are likely to come from a combination of:-
  - a down-sizing and reshaping of our (non-schools) workforce;
  - further changes in terms and conditions of employment for Council staff, to ensure maximum flexibility, (proposals for these are being consulted on currently); and
  - improvements in staff productivity, (as a result of new ways of working and the introduction of new technology).
7. As a key part of this approach, 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 next 2-3 years, (although the bulk of such savings will not be realised until 2013). In addition, action is in hand by senior managers to explore the viability and potential benefits of a move to providing a range of "back-office" support services, on a shared basis, jointly with neighbouring local authorities or with other local public services within Shropshire. The reduced costs this would produce cannot yet be calculated precisely, but will make a helpful contribution to our total cuts target.
8. Reductions in spending of this order, 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 recently, Members have agreed a limited number of key priorities which will become the focus for the investment of the council's limited resources. Consequently, this 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).

- 9 Our Medium Term Financial Plan needs to be developed, therefore, against this framework of priorities and our agreed programme of 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.
- 10 To this end, the focus of this paper, at this stage, is to provide a balanced budget for 2011/12. Savings targets for future years will reflect the outcomes of the phased delivery of the transformation programme, which will require significant progress in its implementation during 2011/12 (and 2012/13), to ensure that a balanced budget can be achieved in 2012/13 and 2013/14, respectively.

## External Influences

- 11 The impact of the wider economic recession on Shropshire Council and increased demand for our services has been apparent in 2010/11, and these will continue into future years. A number of service areas have suffered from loss of income and increased costs, through such things as increasing utilities or fuel costs. More locally, the impact of reductions in throughput and increased 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. Regardless of any eventual economic upturn, the impact of these pressures will not disappear altogether. This needs to be recognised and managed in drawing together our Medium Term Financial Plan.
- 12 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 delivering additional resources through these initiatives. At this stage, no assumptions for 2011/12 have been built into this plan, as this work is still in progress.
- 13 Shropshire Council, like all local authorities, is funded from a number of sources; Council Tax, Revenue Support Grant/National Non-Domestic Rates (RSG/NNDR), Specific and Area Based Grants and locally generated Fees and Charges.
- 14 Shropshire has direct influence over only two of these funding streams; Council Tax and Fees and Charges, and possible additional income from these sources is severely constrained, given the desire to set a 0% Council Tax increase. A separate report to Council on 9 December 2010 agreed the Council's strategy for fees and charges (which was to increase fees year on year by RPI (as at September of the preceding year) plus 4%.
- 15 The remaining elements of our funding have been reconsidered as part of the CSR on 20 October 2010, although details of the implications of this for Shropshire are unavailable in a number of areas. The CSR made changes to the way in which specific grants would be paid in future; rolling them into 9 core grants, absorbing them within RSG/NNDR grant, or discontinuing them.

- 16 The impact of the changes to RSG/NNDR, specific grants and area based grants is discussed in greater detail later in the report.

### **1.3 Equalities**

- 17 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 initial proposed changes to our capital programme to meet affordability targets, (subject to Cabinet and Council Consideration in January 2011).
- 18 The cumulative impact of these savings has been considered across all equalities groups. Many of the savings proposed were not found to have disproportionate impacts across these groups. For example, a proposed saving to reduce staffing in say Development Management or area based social care may impact on users of the service, but mitigating the effects of this is already being considered as part of the process to implement the saving. However, when these savings proposals are considered alongside other proposed reductions, and alongside the indirect impact on non-service users, three key themes were identified for future consideration by Members:-
- Early Years and Childcare Provision
  - School Advisory Services
  - Adults who regularly access social care services
- 19 A summary Equalities Impact Need Assessment has been completed for each of these areas and no areas of high impact have been identified at this stage. A small number of medium impact areas have been highlighted, which will be considered through the Council's Strategic Equalities Group.

### **Consultation**

- 20 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).

- 21 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 to December 2010.
- 22 Shropshire Council has been running an online Budget Simulator since July 2010. The simulator is still live and allows 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. The simulator can be found at the following address  
<http://www.budgetsimulator.com/shropshire>
- 23 Further explanation on the next steps of developing the medium term financial plan and implications for Shropshire Council and its services will be made available on our website and through Local Joint Committee meetings over the January and February period.

## **2 Financial Strategy 2011/12**

### **2.1 Budget Strategy Timetable**

- 24 Key dates in the build up of the Budget Strategy for 2011/12, and of the medium term financial plan for future years, are attached at Appendix 6. This timetable takes into account the key dates known at the present time.
- 25 In summary, the Council will set the final budget for 2011/12 on 24 February 2011. This will take into account a Council Tax level (for Shropshire Council) set at 0% for 2011/12, the level of grant through RSG/NNDR (informed by the final funding settlement figures from the Government in January 2011) and the level of specific and area based grants to be provided during the year.

### **2.2 Progress to date**

- 26 On 15 September 2010, Cabinet approved a report detailing the Medium Term Financial Plan for 2011/12 to 2014/15 that had been developed to date. The report identified savings targets and proposed savings for 2011/12 to be made at two levels: 'management initiated savings' which are judged to have minimal impact on the wider community, and other savings which will have some 'service delivery implications' (and which formed the basis for further scrutiny over the autumn).

- 27 On 30 September 2010, Council considered and approved the implementation of Management Initiated Savings totalling £5,648,000, alongside £1,697,000 of corporate cross-council savings.
- 28 On 9 December 2010, Council approved the implementation of a further £3,280,000 of Savings with Service Delivery Implications, following consideration of these by the Performance and Strategy Scrutiny Committee on 18 October 2010.
- 29 Through the loss of Area Based Grant within 2010/11, as part of the in-year cuts implemented by the Coalition Government, it was necessary to identify further savings amounting to £1,710,000 for 2011/12 within Children and Young People's Services Directorate. Proposals for these savings were also agreed by Council on 9 December 2010.
- 30 Council also agreed a revised Fees and Charges report on 9 December 2010 which, in total, has provided additional resources of £2,261,000 in 2011/12.
- 31 The implementation of all the agreed savings identified so far within the budget process will deliver **£12,886,000** in total. With the addition of savings to cover the known loss of Area Based Grant in CYPS, Council has already signed off **£14,596,000** of savings in total for 2011/12.

### 3 Funding and Resources Issues for 2011/12

- 32 A number of funding reductions and resource issues have been identified which will impact on Shropshire over the period of the CSR. The impact of these on our 2011/12 funding is drawn out below.

#### 3.1 Loss of Formula Grant

- 33 Previous reports to council have identified the parameters and assumptions used in putting together the budget strategy. Following the announcement of the Comprehensive Spending Review (CSR) on 20 October 2010, a number of these assumptions have had to be revised, with a consequent impact on the overall assumed 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.
- 34 On 13 December, the Council's Draft Funding Settlement was received from the Government, and this has allowed us to refine our estimates further with a greater degree of certainty. Table 1 below summarises the three 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	tbc	tbc	tbc

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- 35 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. However, some key aspects of our grant funding remain unclear until we receive our final funding figures in January 2011.
- 36 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 was £95,181,832, which is around £662,000 lower than we had estimated. The reasons for this reduction appear threefold:
- Grants transferred into formula were reduced before transfer in, to levels lower than we had estimated (around £1.4m lower)
  - Changes were made to the formula funding mechanism which created winners and losers across local authorities
  - The front loading announced in the CSR was reduced slightly within the draft settlement announcement
- 37 While it is not possible to identify the separate impact of each of these individual elements, the outcome is that they have cancelled each other out to some extent and delivered an RSG/NNDR figure requiring Shropshire to make additional net savings of **£662,000**.

### 3.2 Loss of Specific Grant

- 38 A number of changes are being made to the way in which local authorities are funded through specific grants in the future. One example of this is that a number of Specific and Area Based Grants are to transfer into RSG/NNDR formula grant. The national total of £3.4bn specific grants transferring into formula is currently worth approximately £16.3m to Shropshire. (However, as noted above, this was reduced by £1.4m to £14.9m before it was rolled into formula). In some cases, grants have been 'tailored' to the formula funding mechanism. This means the original grant for Shropshire was adjusted for national changes (e.g. reduced) then added to the Shropshire allocation. Other grants were not tailored and the national allocation was added to the RSG/NNDR 'pot' and then allocated through the funding formula mechanism.
- 39 From April 2011 onwards, specific grant streams to local authorities not included in formula grant will be reduced from over 90 to 9 core grants. All ringfencing on core grants will be removed, except from the Dedicated Schools Grant and a new grant for public health, to be introduced in 2013. A separate, new unringfenced Early Intervention Grant, worth around £2bn nationally, will be introduced by the end of the Spending Review period, although it is now clear that this is funded from the amalgamation of existing former grants. The Shropshire allocation represents a slight increase over what was already received in 2010/11. For information, the 9 core grants and their allocations are reproduced below:



• Dedicated Schools Grant (Ringfenced)	Unconfirmed
• Public Health Grant (Ringfenced)	Unconfirmed
• Early Intervention Grant	£9,861,152
• Learning Disabilities	£4,498,623
• New Homes Bonus	Unconfirmed
• Housing Benefit and Council Tax Benefit Administration Grant	£2,048,201
• PFI Grant	Unconfirmed
• Preventing Homelessness	£316,470
• Council Tax Freeze Grant	£3,235,679

- 40 An additional grant has also been announced, which may in fact be a 10<sup>th</sup> core grant, for Local Flood Authorities. Shropshire's allocation is £135,400.
- 41 What is also unclear, at the moment, is the fate of those existing grants – area based and specific grants – that are not core grants or are not transferred into formula grant. The most up to date information has identified grants which will be absorbed into Dedicated Schools Grant or the new Early Intervention Grants. According to the announcements made, local authorities will only be funded through their RSG/NNDR allocation and 9 core grants. Therefore, if a current grant is not absorbed within RSG/NNDR or a core grant, in theory it will no longer be paid. In Shropshire, for Area Based Grants alone, these residual grants amount to almost £6m. The total value of the 39 grants currently received by Shropshire, which have not been identified as either transferring into Formula Grant or one of the core grants, amounts to £109m.
- 42 The majority of the education budget in local authorities is funded via Dedicated Schools Grant (DSG) and specific and area based grants. At this stage, it has been assumed that the nationally quoted 12% reduction in non-schools education expenditure will be passported through as a reduction in specific and area based grants. For Shropshire, this would be equivalent to a reduction in grants of £1,892,000. Other services, such as Road Safety and School Meals, receive dedicated grants which will either reduce or disappear. The assumed loss of grant, in those other services, is estimated to be £1,183,000. As agreed by Council on 9 December 2010, £1,710,000 has already been identified as a loss of grant in CYPS. In total, it is estimated that **£4,785,000** of grants will be lost to the authority in 2011/12 and arrangements to cover this loss are identified later in this report.

### 3.3 Budget Pressures and Growth Requirements to be Covered

- 43 The Month 7 Revenue Budget Monitor reports a Council-wide overspend of £244,000 on a declining trend and set out plans 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 will shortly receive a report which will propose 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 will propose for agreement 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.

- 44 The Council's Month 7 Revenue Budget Monitor also identifies developing spending pressures through the year across all services. The amelioration of these pressures is particularly pertinent for 2011/12, given the introduction of the Council's new operating model and the inability to continue our previous practice of directorates managing budget pressures with savings from other areas within their remit. It is necessary, therefore to capture these pressures and deal with them as part of the MTFP. Pressures identified include:
- Waste Management budget pressure of **£556,000** (loss of LATS income and increase in landfill tax)
  - Planning Inquiry for Energy from Waste Facility **£20,000**; and
  - Ongoing loss of income in planning and Highways Development Control of **£633,000**
- 45 Further refinement of estimates in corporate, cross-council savings has reduced our target savings figure by **£110,000**. In addition, detailed considerations of inflationary pressures covering our major contracts in 2011/12 has increased the prices inflation assumption leading to an overall budgetary pressure of **£383,000**.
- 46 Shropshire Council will shortly be putting in place the first phase of an unprecedented transformation programme, which will see a fundamental rethink and redesign of the way many services are currently delivered. This programme will need to ensure through service changes and improvements, the delivery of significant savings. As such, the council will need to be able to undertake "invest to save" schemes at a level not considered before. Within the current budget constraints, no funding exists to provide such investment and it will be necessary to deliver additional savings, both revenue and capital, to allow such investment to take place, on basis of robust business cases about the benefits this will bring for local people. At this stage, an initial allocation of **£1,300,000** has been identified to deliver spend to save schemes and service transformation, in 2011/12.
- 47 An application has been made by the Council to DCLG for the capitalisation of redundancy costs flowing from a reduction in the number of posts within the Authority. Such capitalisation would allow the costs of redundancy to be funded from capital receipts, which would remove any related pressures from our revenue account. Alternatively, it may be possible to spread the costs over future years, with a view to funding the costs from revenue contributions. Such an approach, it is currently estimated, would require a cost of approximately **£1,300,000** to be budgeted for in 2011/12 and represents an additional cost.
- 48 The level of general reserves held by Shropshire Council at 1 April 2010 was £2,875,000. 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. This approach was inherited from the previous County Council. For 1 April 2011, the minimum balance required is £3,139,440.
- 49 To assess whether this level of minimal reserves is adequate in these more uncertain times, there will be a risk based assessment, to calculate a prudent level of general fund balances for the council to hold in future. The current

level of reserves does not provide an adequate assurance to guard against future pressures, a fact more pertinent in the current climate of severe funding reductions and the need to undertake a complete transformation of the authority. Such a risk assessment is being undertaken and will be reported shortly. The outcome of the risk assessment is expected to recommend that the council works towards holding reserves to the level of at least £10m, and to achieve this over the period of this Medium Term Financial Plan. At the present time it is proposed to allocate **£1,963,000** to reserves in 2011/12, which would give a figure for general balances of approximately £5.1m or 0.8% of gross revenue budget.

### 3.4 Summary of Funding and Resource Issues for 2011/12

50 The funding pressures identified above constitute a summary of the most significant financial issues facing the authority at the present time. This list is not exhaustive, and the medium term financial plan will continue to evolve over the coming months to take account of further developments, as they are identified. At this point in time, however, it is estimated that to deliver a balanced budget for 2011/12, the council needs to have found savings (compared to the 2010/11 budget) of **£30,803,000** by 1 April 2011. That is:

- £19.863m from the settlement
- £4.785m from loss of specific grant
- £4.192m from budget pressures and growth requirements
- £1.963m to contribute to reserves; and

A breakdown of the funding and resources issues facing the authority in 2011/12 is attached at Appendix 1.

51 Given the progress made to date, as detailed earlier in this report (i.e. savings of £12,886,000 plus £1,710,000 savings in CYPS to cover loss of grant i.e. £14,596,000), it will be necessary to identify a further **£16,207,000** of savings for 2011/12 and proposals to achieve this are set out within this report.

## 4 Revised Budget and Savings Proposals for 2011/12

52 To help meet the remaining saving target of **£16,207,000** for 2011/12, further refinement of estimates and initial planning assumptions has taken place, details of which are given below.

### 4.1 Budget Assumptions (and changes)

53 Pay inflation had previously been built in to our funding plans, on the basis of providing for the possible need for a £250 annual increase payment for posts paid up to £21,000. However, as the Local Government Employers have suggested that no pay increase will be offered for 2011/12, this projected figure has now been removed. This is estimated to save **£419,040**.

54 The three year actuarial valuation of the Pension Fund has now been completed. The actuary has suggested that employer contributions are split into two separate elements, the employer contribution rate for current employees, and a fixed lump sum payment which will provide for a potential reduction in the workforce in the future. The net effect of these changes is that

the growth required for pension contributions can reduce by **£544,000** in 2011/12. (These changes are subject to agreement of a separate report to Cabinet on 22 December 2010).

- 55 The growth required for debt charges has been recalculated, based on our reprofiled capital programme for 2010/11 and future years. Due to slippage in the capital programme, this has reduced the level of growth required for debt charges. Our capital strategy is currently being reviewed, and any further reprofiling of the capital programme may result in further savings from debt charges. It is estimated at this stage that revenue budget savings of **£1,300,000** can be made in 2011/12.
- 56 Projections of our council tax taxbase for 2011/12 have identified that the level of Council Tax we can raise as an authority can be increased, compared to our original estimates, by £1,186,891. This was the subject of a report to Cabinet on 8 December 2010. Review of the collection fund has identified an additional £47,000 surplus above the original assumption of £400,000. In total this provides additional resources of **£1,233,891**.
- 57 Previously built into the budget build up for 2011/12 was an allocation of £500,000 growth as the first tranche of funding for the Council's Extra Care PFI Initiative. Subsequent announcements from the Government have indicated that this PFI scheme will not now be pursued, and, as such, this budget allocation has now been removed, saving **£500,000**.

#### **4.2 Changes to Existing Proposed Savings**

- 58 A number of savings proposals included in the report to Council on 9 December 2010 were identified as being unachievable in the required timescale, when they had been subject to detailed review. These savings, amounting to **£226,000**, have been replaced by alternative savings proposals within the 2011/12 same service areas, to ensure our overall savings targets for are met.

#### **4.3 Changes to Staff Terms and Conditions**

- 59 On 8 December 2010, Cabinet agreed a report concerning changes to staff terms and conditions. The report identified a number of changes which we are now consulting our staff and the Trades Unions, on. These could, potentially, be implemented by 1 April 2011 in some cases. The potential changes to terms and conditions included:
- Additional Payments
  - Allowances
  - Annual Leave
  - Occupational Sick Pay
  - Office Hours Policy
  - Working Week
- 60 Such changes would clearly deliver substantial savings for the authority should they be approved. At this stage, a part year effect has been identified for savings in 2011/12. Detailed estimates are currently being drawn up but, for the purposes of this paper, an assumption of overall savings of **£3,000,000** in 2011/12 is appropriate and prudent.

#### 4.4 Savings with Additional Service Delivery Implications

- 61 On 9 December 2010 Council approved savings of £3,280,000, all of which had service delivery implications to varying degrees. In addition, to meet loss of grant, council also agreed £1,710,000 of savings specifically in CYPS. Since then, all our services have revisited their budgets and identified further savings proposals to allow the council to meet its savings target for 2011/12. The majority of these savings will have some service delivery implications and an assessment of impact has been made. Attached at Appendices 2 to 5 are further savings proposals to produce a balanced budget in 2011/12. These have been split into two lists; those savings which can be achieved with little or no service impact and those which have a more tangible impact on the community. In total these savings amount to **£9,653,000**.
- 62 Together with the changes to budget assumptions and changes to staff terms and conditions, this will deliver the total remaining savings target for 2011/12 of **£16,207,000**.

#### Conclusion

- 63 In summary, Council have to date agreed savings of £14,596,000 against an estimated savings requirement of £30,803,000 for 2011/12. This report provides details of the further savings that need to be made to meet this target; some £16,207,000.
- 64 The further savings are delivered across three key blocks:
- Changes to budget assumptions (£3,771,000)
  - Changes to staff Terms and Conditions (£3,000,000)
  - Savings with further Service Implications (£9,436,000)
- 65 Delivery of all the above savings is estimated to deal with the expected level of RSG/NNDR for Shropshire for 2011/12 and allow general reserves to be increased by almost £2m, providing additional financial resilience for the Council for the future.
- 66 Following the introduction of a unitary council in Shropshire from 1 April 2009, savings were made in the following financial year (2010/11) of £7,340,000 and 53 posts were deleted. Inclusion of the 2011/12 savings proposals brings the total saving over two years to £38,143,000 and a reduction in the establishment (excluding schools' posts) of 7% or 400 posts.
- 67 Given the significant front loading of cuts flowing from the CSR announcement in October, it has been necessary to focus on the delivery of a balanced budget for 2011/12, rather than produce a more strategic three year medium term financial plan. The proposals in this report do not, therefore, deliver a medium term financial plan; rather a one year strategy. Further development of proposals to meet future requirements and estimated further savings of £38,000,000 will be developed over the coming weeks.
- 68 Together with consideration of the future Capital Strategy for the authority, a full Medium Term Financial Plan will be drawn up and considered by Council on 24 February 2011. At this time, the final budget for 2011/12 will also be agreed.

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

**Service Plans**

Shropshire Council Corporate Plan

Cabinet Report 15 September 2010

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

**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

Appendix 2 – CYPS - Savings 2011/12 with further Service Delivery Implications

Appendix 3 – DS - Savings 2011/12 with further Service Delivery Implications

Appendix 4 – CS - Savings 2011/12 with further Service Delivery Implications

Appendix 5 – Cross Council - Savings 2011/12 with further Service Delivery Implications

Appendix 6 – Timetable for Medium Term Financial Plan