

**FINANCIAL STRATEGY - 2012/13 TO 2020/21, INCLUDING PHASE 3 SAVINGS
2012/13 AND 2013/14****Responsible Officer** Rachel Musson

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1 Summary

- 1.1 The Council's Medium Term Financial Plan agreed by Full Council on 24 February 2011 sets out the Council's approach to managing its finances over the period 2011/12 to 2014/15. Since February 2011 there have been four further financial strategy reports to Cabinet in July, September, November and February which have refined the Council's financial position and recommended approval of phases 1, 2 and 3 of the 2012/13 and 2013/14 savings. This report provides the latest position on Council's future resource and expenditure projections and, in line with the agreed 2012/13 budget timetable, includes Phase 3 2012/13 and 2013/14 budget savings for approval by Council.
- 1.2 The 2012/13 provisional formula grant settlement was published for consultation on 8 December 2011. Shropshire's formula grant allocation for 2012/13 in the provisional settlement is the same as was initially published on 7 February 2011 and as the Council has used in resource projections. The position for 2013/14 onwards is less certain and is unlikely to be confirmed until December 2012 following further consultation on the Local Government Resource Review. Resource and expenditure projections for 2013/14 onwards will continue to be refined throughout 2012/13.
- 1.3 This strategy is the product of significant work, including 'Star Chamber' events undertaken by all Senior Managers in January 2012, which has been carefully undertaken to ensure the accurate presentation of the financial landscape and effectively manage the complexities, to provide a robust way forward for the Council.

2 Recommendations

It is recommended that Council:-

- 2.1 Agree to accept Council Tax Freeze Grant for 2012/13 totalling £3.225m on the basis that Council Tax levied by Shropshire Council will be frozen for 2012/13;
- 2.2 Agree the Phase 3 savings for 2012/13 identified in this report at Appendix 4;
- 2.3 Agree that where the implementation of Phase 3 savings extends beyond 1 April 2012, additional savings will be delivered in future years as detailed in the report;
- 2.4 Agree to adjust the 2012/13 budget by £1.210m and the 2013/14 budget by £1.500m to reflect issues identified by the Star Chamber process (see paragraph 5.3.5.);
- 2.5 Agree that the one off resource of £0.850m identified for 2012/13 as a result of the estimated collection fund outturn is allocated to provide additional resources to deliver the transformation programme in 2012/13;
- 2.6 Agree the 2012/13 gross and net budget for the Council as set out in Table 1 noting that service budgets within this cash limit will be set out in the Council's Revenue and Capital budget book which will be published by 31 March 2012.
- 2.7 Agree to apply the savings in recommendation 2.2. plus savings already agreed by Full Council on 22 September 2011 and 15 December 2011 to produce a balanced budget for 2012/13.
- 2.8 Agree the Statement of Chief Financial Officer on the Adequacy of Provisions and Reserves 2011-2014 as set out in Appendix 5, noting the council's projected general fund balances over this period.
- 2.9 Agree the Statement of Chief Financial Officer on the Robustness of Estimates 2011-2014 as set out in Appendix 6.
- 2.10 Agree the Pay and Reward Policy for all Council staff for 2012/13 as set out in Appendix 7.

REPORT

3 Risk Assessment and Opportunities Appraisal

3.1 Financial Uncertainty

- 3.1.1 The local authority finance settlement announced on 7 February 2011 (draft settlement announced 13 December 2010), while ostensibly a four year settlement, actually provided only a fixed two year allocation of formula grant for local authorities for the periods 2011/12 and 2012/13. The CSR 2010 only gave indications of how the overall level of funding for local authorities will change in the following two years, 2013/14 and 2014/15, and therefore provides only limited clarity of the financial landscape for the Council over the medium term.
- 3.1.2 The Government has recently completed an initial consultation on the Local Government Resource Review. It is anticipated that a formal consultation process on the detailed methodology to be used to allocate resources will take place over the summer 2012. Funding levels for 2013/14 and 2014/15 are likely to be clarified late November 2012.
- 3.1.3 Together with the uncertainty around the outcome of the resource review, there is the increasing possibility that the Government's austerity measures will continue beyond the levels already indicated in the national projections for public sector expenditure limits in the 2010 Spending Review. This uncertainty will continue beyond 2014/15. By creating a financial strategy that looks at the longer-term and is regularly updated to reflect new information, however, the Council will be in a stronger position to approach future challenges proactively rather than reactively. It is clear at this stage that the current funding squeeze is expected to continue well into the future, and it is likely local government will be required to make further spending reductions, in addition to those already identified, although the exact scale of these remains unclear at this time.
- 3.1.4 While the Financial Strategy represents our approach to the mitigation of the financial uncertainty we are faced with; the 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. To this end, the Financial Strategy includes, at Appendices 5 and 6, statements of the Chief Financial Officer of Adequacy of Provisions and Reserves, and Robustness of Estimates over the spending plan period.

3.2 Other Risks and Opportunities

3.2.1 The Financial Strategy sets the resource parameters within which the Council can deliver or commission services to meet its priority outcomes. All risks and opportunities which have a material monetary value are considered within the strategy. Setting the Financial Strategy and agreeing detailed changes necessary to deliver the agreed budget for the next financial year by February 2012, will take into account the requirements of the Human Rights Act, any necessary environmental appraisals, the need for Equalities Impact Needs Assessments and any necessary service user consultation over and above that already taken by the Council.

4 Financial Implications

4.1 The Council's Financial Strategy identifies the financial implications of the overall strategic direction of the authority. Of particular note within this report are:

- Details of Phase 3 savings estimated to deliver £9.328m in 2012/13 and £14.303m in 2013/14;
- The total savings identified for 2012/13 of £19.848m and for 2013/14 of £20.729m (inclusive of Phase 3 savings);
- The projected General Reserve balances over the short to medium term of £3.4m, £5.8m and £11.4m between 2011/12 and 2013/14, subject to reported uncertainties.
- Long term financial planning Issues identified in Section 5.7.

5 Background

5.1 Strategic Framework of Priorities

5.1.1 The annual budget and wider financial strategy help identify the approach the Council will take to deliver planned outcomes for Shropshire's citizens. The approach allows strategic planning to be carried out in a more effective way by considering service priorities, resource availability and efficiency savings that help the Council to achieve its overall goals over the short and long term.

5.1.2 The Council's Strategic Priorities are described by the following key elements, which underpin the Council's transformation programme, which itself provides the framework for the delivery of budget savings over the short and medium term:

- Flourishing Shropshire Communities;
- Greater Public Confidence;
- Better Health and Wellbeing;
- Better Education Attainment and Work Placed Skills;
- Economic Growth and Prosperity;

- Modern Infrastructure and Different Ways of Working;
- Organisational Development and Behaviour Change.

5.2 Structure of the Financial Strategy

- 5.2.1 Section 5.3 considers the overall financial position and how this has changed since the last Financial Strategy paper was considered by Cabinet on 16 November 2011.
- 5.2.2 Section 5.4 considers how issues within the current year's budget, which have been raised through the monitoring of 2011/12 budget, will impact on future years' budgets.
- 5.2.3 Section 5.5 considers our immediate short term financial plan; i.e. how the 2012/13 budget it is to be delivered.
- 5.2.4 Section 5.6 considers the rest of the Council's Medium Term Financial Strategy; that is the financial years 2013/14 and 2014/15, which represent the remaining two years in the current CSR period.
- 5.2.5 Section 5.7 looks beyond 2014/15 to the longer term financial prospects for the Council.
- 5.2.6 Appendices to support these sections are attached to this report (Appendices 1 to 4). In addition, the following appendices are also attached, as specifically required:
- Appendix 5 – Adequacy of Provisions and Reserves
 - Appendix 6 – Robustness of Estimates
 - Appendix 7 – Pay and Reward Policy

5.3 Current Resource, Income, and Expenditure Projections

- 5.3.1 The 2012/13 provisional formula grant settlement was published for consultation on 8 December 2011. The grant figure for 2012/13 is as initially indicated and unchanged from the figure used in the Council's resource projections. The Council tax base for 2012/13 has now been agreed by Cabinet on 14 December and is slightly higher than projected. The higher council tax base gives additional resources of c£0.095m in each year.
- 5.3.2 There is no additional information available at present about future year resources and the projections used are the best estimates available of the Council's resources for the second half of the CSR, under the new rates retention funding methodology. **It is important to note that until the Local Government Resource Review is finalised and funding allocations confirmed in December 2012, there is considerable**

uncertainty about the level of funding the Council will receive, particularly in the medium term.

- 5.3.3 Table 1 below identifies the net savings required for each year in the period 2011/12 to 2014/15 based on the difference between the projected resources and current budget requirement assumptions. The table also shows the previously reported savings target and the difference between that and the latest projections.

Table 1: Resource, Gross and Net Budget and Savings Projections

	2012/13 (£)	2013/14 (£)	2014/15 (£)
Gross Budget before Savings	642,222,921	651,084,628	652,169,476
Total Estimated Income	399,561,307	394,836,642	393,336,642
Rolling Year Budget Requirement (Income and Expenditure Projections)	242,661,614	256,247,986	258,832,834
Resource Projections (Net Budget Requirement)	218,769,494	215,408,989	209,991,047
Revised Savings Required (Cumulative)	23,892,120	40,838,997	48,841,787
Revised Savings Required Target-Additional (Year on Year)	23,892,120	16,946,877	8,002,790
Savings Target as at Council 15 December 2011 (Year on Year)	22,778,833	15,444,599	8,002,954
Increase/ (Reduction) in Target Saving	1,113,287	1,502,278	-164

- 5.3.4 The Council's Revenue and Capital budget book will set the cash limits for services within the net budget requirement. The gross budget will be amended to reflect the allocation of savings as either a reduction in expenditure or an increase in income. The revenue and capital budget book will include revised internal market allocations after taking into account both the implications of the Shared Services savings and the move to a more customer focused charging basis. The Revenue and Capital Budget book will be published by 31 March 2012 including the latest position in relation to service recharges and referenced directly to Table 1 and Appendix 1 of this report.
- 5.3.5 The increase in the target saving for 2012/13 is an increase in expenditure requirements of £1.210m (see paragraph 5.3.6) offset by the change in council tax income (which varies slightly between years) as a result of a higher Council Taxbase (see paragraph 5.3.1). The increase in 2013/14 is mainly as a result of inclusion of an allowance for

performance payments (see paragraph 5.3.10). More detail on the Council's budget requirement, resource projections and assumptions is given in Appendices 1, 2 and 3.

5.3.6 It should be noted that the financial position in 2012/13 is projected on the basis that 2011/12 expenditure budget issues are dealt with either from within existing budgets or from the temporary transfers from the general reserve or other reserves and provisions which are paid back in 2012/13. In November an estimate of unachievable 2011/12 savings of £924,000 was identified and built into the estimates for 2012/13. In January 2012 a series of Star Chamber events were undertaken by the Senior Management Board and all Group Managers, Corporate Heads of Service and Area Directors. This process has allowed the Senior Management Board to scrutinise budgets and saving targets with a view to ensuring that all savings are achievable. As part of this process the sustainability of delivering 2011/12 savings was further tested, alongside information currently contained within the Monthly Revenue Monitors for 2011/12. As a result, it has been identified that the long term shortfall in savings from 2011/12 is £1.525m (4.7% of the £32.303m target). The shortfall reflects efficiency savings that have been achieved but cannot be disaggregated from savings targets delivered within existing service areas. This adjustment needs to be made to ensure there is no double counting of this saving in 2012/13 and beyond. Consequently it is recommended that a further adjustment of £0.601m is made, increasing the existing allowance of £0.924m to £1.525m.

5.3.7 In addition, a number of other adjustments have been identified, as follows:

- £271,000 for loss of School Meal Grant in 2011/12 (compensating savings have been delivered by the service, but the budget assumption was incorrectly built in that grant income would be retained)
- £98,000 for Handy Person Grant which could not be passported to services in 2011/12.
- £240,000 for additional resources to cover budget pressures and previously unidentified growth items (e.g. Broadband Development team).

5.3.8 In total, the adjustments in paragraphs 5.3.6 and 5.3.7 amount to £1.210m in 2012/13.

5.3.9 In 2012/13, the Council's Budget Requirement has been reduced by the use of Council Tax Freeze Grant of £3.225m. This assumption was included in the financial projections considered by Cabinet on 16 November 2011. This is a one off grant which offsets base budget issues in 2012/13 only. Long term implications of accepting this grant are minimised as our planning assumptions for 2012/13 were already based on a freeze of Council Tax.

- 5.3.10 In 2013/14 additional growth has been allocated for Performance Payments which would be made from April 2013 onwards. This figure will be reviewed as the scheme is developed over the forthcoming year.
- 5.3.11 Resource, income and expenditure projections will be reviewed on an ongoing basis as information becomes available and will be reported to Cabinet and Council as part of the ongoing development of the Financial Strategy.
- 5.3.12 Table 2 below shows the revised savings targets (as set out in Table 1) as compared to achievable savings (after adjustments made following Star Chamber events).

Table 2: Savings required and savings identified showing (shortfall)/surplus in savings

	CSR "first half"	CSR "second half" (Indicative allocations)		CSR 2014
	2012/13(£)	2013/14(£)	2014/15(£)	2015/16 (£)
Savings Target	23,892,120	16,946,877	8,002,790	3,235,679
Achievable Savings Identified Against Target	19,828,000	20,729,000	1,300,000	-
(Shortfall) / Surplus in Savings - cumulative	(4,064,120)	(281,997)	(6,984,787)	(10,220,466)

Note: Current Financial Strategy has identified savings targets for Financial Years 2011/12 to 2013/14 only.

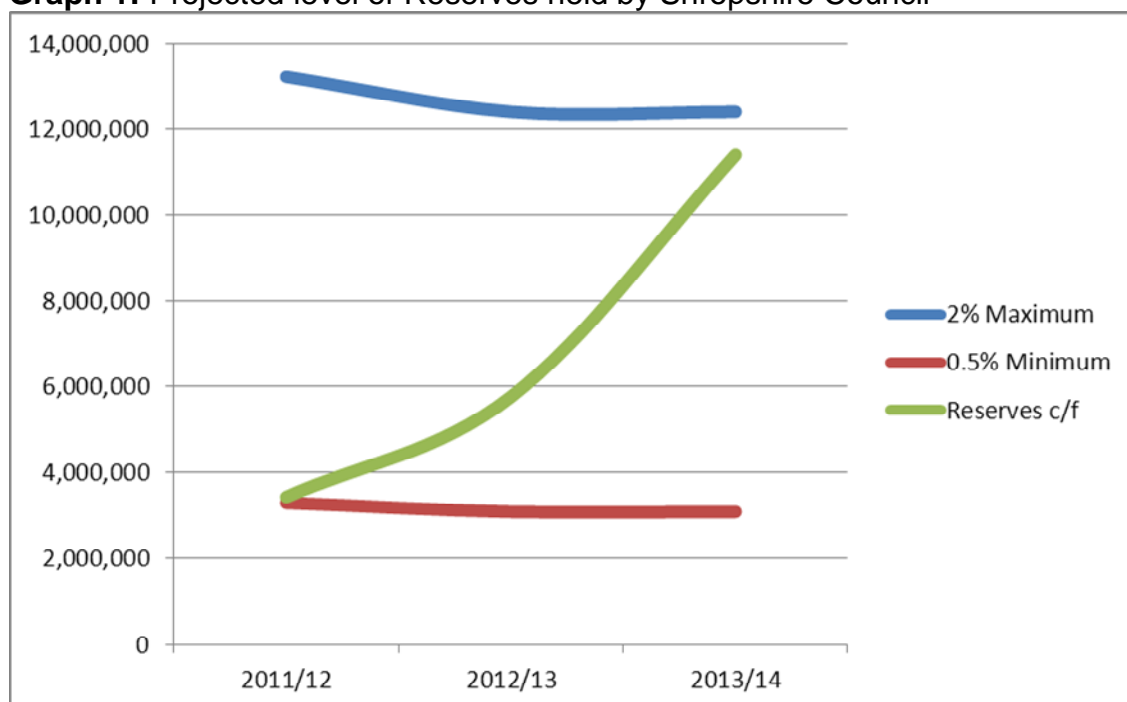
- 5.3.13 Details of phase 3 savings are contained within Appendix 4 to this report.
- 5.3.14 The total savings agreed for 2012/13 and 2013/14 including the Phase 3 savings considered in this report are as follows in Table 3

Table 3: Total Savings 2012/13 -2013/14

	2012/13 £m	2013/14 £m	Approved/To be Approved by Council
Phase 1	8.107	7.701	22 September 2011
Phase 2	2.393	1.725	15 December 2011
Phase 3	9.328	14.303	23 February 2012
Total	19.848	20.729	

5.3.15 The Council has an agreed policy to hold a general fund balance of between 0.5% and 2.0% of gross revenue budget (in reality this means holding reserves at a level between £3m and £14m). In addition, a risk assessed level of general reserves was previously agreed by Council at £13m. The latest assessment is attached at Appendix 5, Annex C, demonstrating a similar assessed level for 2012/13, but an increase in future years, in the main, due to the level of uncertainty in local government finance over the medium to long term. Consideration of the level of general fund balance carried forward at the end of year provides a useful check on the impact not only of savings targets and their achievement, but also of the impact of one-off funding and costs. At the present time, we are estimating that we would only be able to hold reserves closer to the minimum level identified above for 2011/12 and 2012/13 (£3.4m in 2011/12 and £5.8m in 2012/13). However, in 2013/14, based on a budgeted contribution to reserves of £5.9m, it is envisaged that reserves would grow to approximately £11.4m. At the present time, the council has not considered savings targets for 2014/15 and beyond. The current projections for 2014/15 are that significant savings would be required and in addition the loss of Council Tax Freeze grant in 2015/16 would increase the saving target in that year by £3.2m. Until the savings targets in these years are considered, the impact on general reserves cannot be calculated accurately. The impact on reserves of the current three year savings plan is shown graphically below.

Graph 1: Projected level of Reserves held by Shropshire Council



5.4 Current Year Budget (2011/12)

5.4.1 Cabinet receive monitoring reports each month providing detail on the management of the current year budget. There are three key risks associated with the 2011/12 budget that impact on the deliverability of a balanced budget for 2012/13. These are:

- Managing in-year service pressures which at period 9 are estimated to deliver a £1.096m overspend in 2011/12;
- Managing one-off redundancy costs associated with savings delivery which could not be calculated accurately at an early stage;
- Delivering 2011/12 base budget savings agreed by Council on 24 February 2011;

5.4.2 In-year service overspends only represent an issue within the Financial Strategy if they are likely to have implications in the long term. The key issue identified here was income targets that are not considered sustainable in the short to medium term. The financial strategy, agreed by Council on 15 December 2011, adjusted for £1.3m unachievable income in 2011/12 and also removed income budget increases for inflationary increases in charges. Previous financial strategies had assumed that income from discretionary services would increase by RPI+4%. A report, Review of Income from fees and charges, was considered by Cabinet on 11 January 2012 and whilst this review recommended several increases in charges for services it also recommended that no increase was made to income budgets at this stage. This is because, in general, managers have stated that fee increases will only offset budget shortfalls caused by the continued trend in loss in demand and also because services already have significant savings to achieve in areas such as leisure centres. The net result of fee increases, loss of demand and service changes to deliver 2012/13 savings is that, at present, it would not be prudent to assume any further budgetary increase in fees and charges as part of the financial strategy.

5.4.3 The assumptions within the Financial Strategy are that one-off redundancy costs will not impact on the longer term budget. However, the impact of any shortfall in the delivery of base budget savings must be accounted for within the future budget assumptions. The Month 9 Revenue Monitor identifies a shortfall in the delivery of 2011/12 savings of £2.580m. However, a number of savings identified within this figure do not represent a long term shortfall i.e. while they could not be delivered in 2011/12, they can be delivered in 2012/13. Review of 2011/12 savings as part of the Star Chamber process has estimated the long term shortfall in savings from 2011/12 to be £1.525m (4.7% of the £32.303m target). This increases the previous estimate of £0.924m by £0.601m (as detailed in 5.3.6 above).

5.5 Short Term Financial Plan (2012/13)

- 5.5.1 The medium term financial strategy agreed by members in February 2011 identified savings of £17.602m to be implemented in 2012/13 and a further £24.074m for 2013/14. These savings were categorised into 3 different phases for approval. Phase 1 and Phase 2 savings have been approved by members at September and December Council respectively. The balance of savings to be achieved at Phase 3 based on the initial savings identified was identified in the Cabinet report on 16 November as £7.102m for 2012/13 and £17.648m for 2013/14.
- 5.5.2 As part of the further development of the Financial Strategy, managers have been required to attend Star Chamber events in January 2012. This process has allowed the Senior Management Board to scrutinise budgets and saving targets with a view to ensuring that all savings are achievable and have robust delivery plans, and to identify if, whenever possible, savings can be brought forward.
- 5.5.3 The Star Chamber events have resulted in a change in Phase 3 savings to be agreed for each year as shown below:

Table 4: Changes to Phase 3 Savings

	2012/13 £m	2013/14 £m	Total £m
Revised Phase 3 Saving	9.328	14.303	23.631
Initial Phase 3 Saving	7.102	17.648	24.750
Change-increase/(reduction)	2.226	-3.345	-1.119

- 5.5.4 The reasons for the change in savings of £1.119m over the 2 year period (with further detail provided in Appendix 4) are as follows:
- Additional savings from Shared Services of £0.300m
 - Shortfall in savings from the part night lighting initiative of - £0.119m
 - Extended lead in time required to achieve the full saving arising from the review of in-house day care services in line with personalisation, which reduces the delivery of a £2m saving in 2013/14 by -£1.300m.
- 5.5.5 The full saving required from the review of in-house day care services will be achieved in 2014/15. This will, however, mean that in 2013/14 the shortfall has to be covered by the general reserve.

- 5.5.6 Other adjustments which have been made have involved either a reprofiling of the savings between financial years or adjustments between service areas within a year. Phase 3 savings are detailed in Appendix 4 showing clearly where original figures have been amended.
- 5.5.7 Included in the Phase 3 savings detailed in Appendix 4 is a target of £0.982m for 2012/13 and £1.021m for 2013/14 to be achieved from additional trading income generated by services being built on a more commercial basis. The development of a Commercial Strategy which seeks to develop a more commercial environment within the Council through developing the skills and attitudes of staff, to ensure the best use of the Council's resources can be achieved will contribute to the savings target identified above. This work is being led by the Corporate Head of Finance and Commerce, and will develop over the forthcoming months with the support of a multi-disciplinary team. Work undertaken as part of the income review will inform this work.
- 5.5.8 The collection fund outturn for 2011/12 has now been estimated and a one off additional surplus of £0.850m for use in 2012/13 has been identified. A separate report on the agenda, Estimated Collection Fund Outturn for 2011/12, identifies a balance of £1.908m surplus.
- 5.5.9 This surplus represents a one off resource only and it is recommended that in 2012/13 it is allocated for the transformation programme.

5.6 Medium Term Financial Plan (2013/14 to 2014/15)

- 5.6.1 The current projections on government funding for 2013/14 and 2014/15 are the best available based on the announcements on likely levels of spending cuts indicated at the time of the CSR in October 2010 and the information available on Shropshire's likely funding levels under the new funding methodology proposed in the Resource Review. Since then it has become apparent that the government's austerity cuts are set to continue and there is a likelihood that additional funding pressures will need to be managed from 2013/14. Without details it is difficult to estimate the implications of reduced funding in future years. However, a reduction of 1% in what is currently received by the Council through formula grant would be a loss to the authority of around £0.9m from 2013/14 onwards. In the Council's Statement on the Adequacy of Reserves, reference has been made to a year on year loss of 5% funding from 2013/14. This allowance will be refined and built into future budget assumptions as soon as appropriate information is made available.
- 5.6.2 The current resource projections are based on the best estimates available of the total the Council will receive under the new funding mechanism. Until the final detail of the mechanism to be used to allocate funding to local authorities is released, there is a risk that the

Council's projections are inadequate. In addition, even under a new funding mechanism, the total amount available for distribution to local authorities will sit within the national control totals which could change from those indicated at the time of the CSR 2010. A particular risk is the potential for the Government to top slice the amount to be made available for New Homes Bonus from the total amount to be received by local authorities from business rates or top up grant.

5.6.3 The New Homes Bonus and Community Infrastructure Levy will both deliver alternative funding for Shropshire. These are potentially new sources of funding for the authority and will be ringfenced to ensure they represent investment in local communities to improve the quality of life for Shropshire people. Further work is being undertaken to ensure we have a prudent and affordable strategy in place to utilise these funds, without presenting risk to the authority particularly given that the funding for these initiatives is uncertain in the medium and long term. Our strategy will ensure we use available resources in ways that create real additional benefits for our local communities, by providing better infrastructure and amenities.

5.6.4 The delivery of savings targets over the medium term will continue to be managed closely and in line with the following considerations:

- Transformation funding has been retained at £1.3m in base budget providing limited funding for development of spend to save initiatives. Note, in 2012/13 only an additional one-off allocation of £0.850m will be made available, funded from the estimated collection fund surplus.
- Capitalisation of any redundancy costs occurring is unlikely to be an option and the existing redundancy reserve will be fully depleted in 2011/12. Service Managers will be expected to cover the one-off costs of redundancy in-year within savings implementation plans.
- Levels of reserves for 2012/13 are unlikely to be significantly above minimum levels, leaving little resource for the management of one-off strategic costs or non-delivery of savings targets.

5.6.5 Budget pressures will continue to be identified and refined over the medium term. Where possible these have been built into our planning, but the following areas require further refinement (over the next twelve months) before consideration for inclusion in the 2013/14 budget (or potential revision of the 12/13 budget):

- Demographic Growth, particularly in services provided by Assessment and Eligibility, post transformation of the service. Growth by 2013/14, over 2011/12 budget, is currently built into our estimates at £4.086m (including Personal Social Services funding).

- Further reductions in demand for income generating services resulting in unachievable income targets and questionable sustainability.
- Government set charges for such areas as Carbon Reduction Tax and Landfill Tax are unknown beyond 2012/13 and an allowance will need to be built into future budgets should current tax levels increase.
- Reduction in available funding resulting from the implementation of the Universal Credit
- Carbon reduction savings may not be generated at the levels anticipated from 2013/14 onwards due to uncertainty around energy prices and the level of Feed in Tariffs available in the future.
- The movement of schools to Academy status is expected to impact on Council funding and resources.
- The basis for recharging back-office costs to frontline services is currently being reviewed.
- The impact of reducing our asset base (generation of capital receipts) can have a negative impact on revenue funding if an asset currently provides an income stream to the authority.
- Funding streams from central government or partner organisations may not be guaranteed beyond 2012/13.

5.6.6 The 2013/14 position assumes that all of the 2012/13 savings are delivered in full in 2012/13. Any slippage in the implementation of the savings or failure to achieve the full savings will impact on future years.

5.6.7 A rolling Medium Term Financial Plan will continue to be developed each year to ensure the Council is adequately prepared for all known financial pressures, and it is envisaged that greater detail on the delivery of 2013/14 and 2014/15 savings will be available with each iteration of the Financial Strategy.

5.7 Long Term Financial Plan (2015/16 to 2020/21)

5.7.1 To develop our Resource and Expenditure projections over the longer term, it is necessary to consider what drives budget changes, and to then develop appropriate forecasting or control this change. The following key drivers of change have been identified, in addition to inflation:

- i) Economy
- ii) Demography
- iii) Policy
- iv) Technology
- v) Climate

5.7.2 Managers have also identified service specific drivers and anticipated changes under each of these headings. It is apparent from the initial

information that change elements under each heading identified have the potential to impact on specific groups of services and residents. It is also recognised that there is a need to distinguish between change drivers which we can control and take action to address, and those which can lead to uncontrollable changes in service needs and costs.

- 5.7.3 Economic – The need to recognise the impact of the economic climate upon Shropshire’s residents and businesses. How can we reduce burdens on businesses and stimulate growth? The level of economic activity will affect the demand for services; for example, rising levels of unemployment would increase welfare demand (rebates). It could also cause switching behaviours, such as increased bus or cycle usage together with reduced parking revenue. Under the proposals for Rates Retention, economic activity will be a key driver in determining the Council’s resources. Work is currently being undertaken to encourage inward investment in the County, including Shropshire Council’s ‘Invest in Shropshire’ initiative and the development of the Marches Local Enterprise Partnership with Herefordshire and Telford & Wrekin. In the future, the new funding mechanism will require the Council to actively increase housing provision, business opportunities and job creation, to maximise income, which will no longer be related to needs and underlying pressures in the county through, for example, demographic growth. In addition, many of Council services would be impacted by price increases in crude oil which have the potential to significantly impact on our ability to deliver those services in the future.
- 5.7.4 Demographic - Changes in population, household formation and the provision of accommodation will bring changes in demand, as well as potential alterations to Government grant. The analysis of population change should differentiate over age categories, and should be broadly aligned across four ages: pre-school, learning, working and retirement. The Financial Strategy currently provides for demographic growth in both older people and Adults with Learning Disabilities. Work is on-going to consolidate demographic modelling performed within individual services and by Council partners (e.g. Health) in order to ensure consistent and reliable data. Demographic growth has implications for many of our services.
- 5.7.5 Policy - External examples from Government include the requirement to move to individualised care packages, subsidy for a nil Council Tax change, and the cessation of specific grants. The Government can also signal changes through an alteration to resource arrangements, with the proposal for Business Rates Retention being a prime example, but also New Homes Bonus and Community Infrastructure Levy. All of these changes signal a movement away from any needs assessment in the locality, instead placing the emphasis on generation of local funding from local business to subsidise Council Tax resource. A change in standards – e.g. safeguarding – as opposed to new policies, can

increase or reduce demand for resources. Another example is the Government's proposals to localise Council Tax Support, whilst at the same time reducing the totality of funding for this by 10%. Policy changes can affect low income families, often increasing the demand for services. All policy changes require evaluation to understand any effect on Resource or Spending Projections. Evaluation of policy changes is undertaken across all services and the financial impact evaluated by the Forward Planning Team.

- 5.7.6 Technology - Citizen Enablement has brought about changes in demand and expectation of the public spending increases (FOI requests and open public data), decreases (online information gathering and points of access) and changing economic activity (home working). Internal improvements to processes are regarded as a response to change.
- 5.7.7 Climate - Colder winters, increased rain, and/or hotter summers require changed responses from the Council and result in financial pressures. At an ecological level, the carbon and waste responses are examples of worldwide requirements. In addition, there is the need to consider the implications of Carbon Taxation on all services, regardless of whether we directly run them in future.
- 5.7.8 The Council's transformation programme is focussed on radically changing services and the way the Council works. The impact of this work will be felt over the medium term and will provide the pathway to managing services in the future and a basis for mitigating the longer term drivers identified. An example of this could be that, while the approach to transforming adult social care to respond to demographic pressures in older people is anticipated to deliver savings in the medium term, its legacy will be to provide an approach which allows us to manage the continued impact of extra demand from demographic growth in this sector, which will not cease simply because we have transformed the services we provide.

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

Medium Term Financial Plan 2011/12 to 2013/14 – Budget Paper (Council 24 February 2011)

Medium Term Financial Plan – Strategic Framework of priorities for reshaping the role of the Council and redesigning service delivery (Council 24 February 2011)

Financial Strategy 2012/13 to 2020/21 – Cabinet 20 July 2011

Financial Strategy 2012/13 to 2020/21 – Cabinet 14 September 2011

Financial Strategy 2012/13 to 2020/21-Cabinet 16 November 2011

Income Review- Cabinet 11 January 2012

Cabinet Member (Portfolio Holder)

Keith Barrow – Leader

Local Member

All

Appendices

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SHROPSHIRE COUNCIL - FINANCIAL SUMMARY 2012/13 to 2014/15				APPENDIX 1
	2012/13	2013/14	2014/15	
	£	£	£	
Expenditure				
<i>Original Gross Budget Requirement (As reported in 14 September 2011 Cabinet Report)</i>	622,427,149	642,222,921	651,084,628	
Adjust for:				
- 2011/12 Unachievable Savings	1,525,000			
- Additional 2011/12 List 3 Savings	(300,000)	0	0	
- Changes to T&C Savings (1.9% not 2.7%)	500,000	500,000		
Inflation				
- Prices	3,038,000	2,641,646	2,772,317	
- Pav	17,300	1,071,783	1,082,501	
- Pension Costs	302,220	315,810	330,030	
Committed Growth				
- Debt Charges (Reduced as part of Savings)	2,600,000	2,600,000	2,600,000	
New Growth				
- Demography: Older People	240,000			
- Demography: Adults with Learning Disabilities (Transition Cases)	540,000	165,000		
- Carbon Reduction Commitment Tax	846,000			
- Personal Social Services	2,920,730	219,839		
- Contribution to Balances	5,000,000		(5,000,000)	
- Elections		700,000	(700,000)	
- Adjustments required following "Star Chamber "	609,000			
- Car Allowances increase from 40p to 45p per mile	300,000			
- Performance Related Pay		1,500,000		
- Transformation	852,371	(852,371)		
Equivalent Increases/Reductions in Expenditure (Passported Increases/Reductions in Grants)				
- Early Intervention Grant	609,030			
- Learning Disability & Health Reform Grant	106,821			
- Lead Local Flood Authorities Grant	89,300	805,151		
Gross Budget Requirement (Excluding Internal Recharges)	642,222,921	651,084,628	652,169,476	
Income				
Government Grants				
- Anticipated Changes in Specific Grants	(293,539,500)	(297,569,316)	(292,844,651)	
- 2012/13 Council Tax Freeze Grant	(805,151)	1,500,000	1,500,000	
- 2012/13 Council Tax Freeze Grant	(3,224,665)	3,224,665		
Revised Government Grants Going Forward	(297,569,316)	(292,844,651)	(291,344,651)	
Other Grants & Contributions				
	(20,424,760)	(20,424,760)	(20,424,760)	
Fees & Charges				
- Additional Income (Removed from Base - additional income in Phase 3 Savings)	(83,778,390)	(81,567,231)	(81,567,231)	
- Loss of WMS Surplus	913,480			
- Projected Shortfall in 2012/13 Income targets based on 2011/12 Period 6 monitor	1,297,679			
Revised Fees and Charges	(81,567,231)	(81,567,231)	(81,567,231)	
Total Estimated Income (Excluding Internal Recharges)	(399,561,307)	(394,836,642)	(393,336,642)	
Net Budget Requirement (excluding DSG)	242,661,614	256,247,986	258,832,834	

SHROPSHIRE COUNCIL - RESOURCES PROJECTIONS SUMMARY 2012/13 TO 2014/15				
	2012/13	2013/14	2014/15	Assumptions
	£	£	£	
Formula Grant (RSG/NNDR)	95,251,254	87,132,840	86,636,183	
Assumed Grant Loss	(8,118,414)	(496,657)	(5,674,670)	
Amended Formula Grant / Assumed Baseline Funding (Business Rates Retention Scheme)	87,132,840	86,636,183	80,961,513	RSG / NNDR as per DCLG provisional settlement figure in 2012/13. Baseline Funding (Business Rates Retention Scheme) as per initial LGA estimates in 2013/14 and 2014/15.
Council Tax				
Taxbase	109,998	110,218	110,438	Actual Council Tax taxbase determined for 2012/13 (0.57% increase over 2011/12) and 0.2% increase in 2013/14 and 2014/15.
Council Tax	129,727,877	128,372,806	128,629,534	0% increase for 2012/13, equalise down in 2013/14, increase of 0% in 2014/15
Collection Fund Surplus	1,908,777	400,000	400,000	
Total Available	218,769,494	215,408,989	209,991,047	

Appendix 3

Shropshire Council - Medium Term Financial Plan Key Assumptions 2012/13 - 2014/15**Inflation Assumptions**

	BASIS	2012/13	2013/14	2014/15
Pay inflation	Assumed that a pay freeze will be in place for a further year, with a 1% pay increase from 2013/14 onwards.	0.00%	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.	<i>Based on contractual price inflation and 10% pa for energy costs.</i>		
Income Inflation	The Council approved the policy of applying RPI + 4% to fees and charges. A review of all fees and charges has been undertaken and was reported to Cabinet in January 2012. For this reason, all assumed increases in charges have been removed from the Financial Strategy.	0.00%	0.00%	0.00%
Pensions Increase	The 2010 actuarial valuation has indicated that employer contributions should be 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.	<i>Adjusted CPI Inflation as at March 2010 +1.5% on lump sum each year. (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.)</i>		

Council Tax Assumptions

	BASIS	2012/13	2013/14	2014/15
Council Tax Taxbase	Actual Council Tax taxbase determined for 2012/13 (0.57% increase over 2011/12) and 0.2% increase in both 2013/14 and 2014/15.	Actual 2012/13 Council Tax taxbase	0.20%	0.20%
Council Tax Increase	A Council Tax freeze has been applied for 2012/13, with Council Tax equalising down to the lowest value in 2013/14. No increase has been assumed again in 2014/15, thereby freezing Council Tax for three consecutive years (and reducing it for some residents) despite growing cost pressures.	0.00%	Equalise Council Tax down	0.00%

Appendix 3

Grant Assumptions

	BASIS	2012/13	2013/14	2014/15
Formula Grant / Baseline Funding	The Formula Grant provisional settlement figure from DCLG has been detailed for 2012/13. In 2013/14 and 2014/15 Baseline Funding (Business Rates Retention Scheme) figures as per LGA initial estimates have been detailed.	As per DCLG	As per LGA initial Baseline Funding estimates	As per LGA initial Baseline Funding estimates
Specific Grants	Specific grant allocations have been detailed for the Core Revenue Grants in 2012/13 however confirmation is still awaited on a number of specific grants. No indication has been made as to the likely value of specific grants in future years, therefore for prudence, a 5% reduction has been assumed in the following two years.	As per DCLG	-5.00%	-5.00%

New Growth and Demography

	BASIS	2012/13	2013/14	2014/15
Demography: Older People	Additional growth is required to reflect the latest projections of increasing numbers of older people requiring social care services.	240,000	No further Growth	No Further Growth
Demography: Adults with Learning Disabilities (Transition Cases)	This growth has been calculated based on the latest numbers of children with learning disabilities that will transfer into adult social care over the next 3 years.	540,000	165,000	No Further Growth
Carbon Reduction Commitment Tax	The Council will incur additional costs through the Carbon Reduction Commitment. Costs have been calculated based on £22 per tonne of carbon emissions, which will be offset in future years by savings in energy costs.	846,000	No Further Growth	No Further Growth
Personal Social Services	The Government announced additional grant would be received to reflect the new responsibilities for local authorities on personal social services. Details of Shropshire Council's allocation are unclear therefore the grant allocations have been calculated based on national averages.	2,920,730	219,839	No Further Growth
Contribution to Balances	Contributions to balances have been built in for 2011/12 and 2012/13 so that by 2013/14, the level of general balances should stand at £13m which is in line with the risk based calculation performed on the Council's general fund balance, and already agreed by members.	5,000,000	Maintain contribution for 2 nd year	Remove contribution from base budget (5,000,000)

Appendix 4

Savings 2012/13- Phase 3 to be considered by Cabinet 8 February 2012 and Council 23 February 2012

Phase 3 2012/13 savings detailed below also relate to the 2013/14 savings where applicable. In addition, the remaining 2013/14 savings are included for decision as part of Phase 3.

SAVINGS	POSTS DELETED 2012/13	POSTS DELETED 2013/14	TOTAL BUDGET £'000	BUDGET SAVINGS 2012/13 £'000	BUDGET SAVINGS 2013/14 £'000	DETAILS / RISKS / IMPLICATIONS	STAKEHOLDERS & EINA IMPLICATIONS
Service Redesign (People) Learning and Skills						Karen Bradshaw	
Advisory Service – review staffing team. Review role/function/purpose.	tbc	tbc	2,197	143	200	Number of posts to be confirmed after consultation process. Current role of local authority in relation to schools and support and advice will change, move towards traded service.	Stakeholders can still access provision but on a traded basis. The EINA implications are low, though there may be some potential indirect impact on young people in schools.
Extended school services staffing review	2	0	846	57	0	Reduce core extended schools team to reflect use of advisors within extended services.	
Music Service on traded basis	0	0	234	140	440 58	Under consultation at present. Schools and individual pupils will pay full cost of lessons, impact felt on those families less able to pay. The savings will be met by a combination of cost reductions and an income target.	Stakeholders are used to purchasing services, but may find it more challenging to access provision given wider economic constraints. EINA implications are low – but access to services may impact over time on target groups
Early years reduction	0	0	5,656	100	100	Will limit the impact on frontline service priorities through management efficiencies and also the cessation of additional sustainability funding to schools & Private, Voluntary and Independent (PVI) nurseries. Dedicated Schools Grant (DSG) funding will be recycled to achieve base budget savings elsewhere.	Stakeholders will note a reduction in some previously funded support activities from reduced services, though they will still be able to purchase some of them directly themselves. The EINA implications are low, though there may be some potential indirect impact on young people in settings.
Rationalisation of Sensory Inclusion Service (SIS) and Education Psychology Service (EPS).	6	0	1,421	200	0	Could see reduction in level of service. Will need to work in collaboration with Telford and Wrekin on 12/13 budgets. SIS is DSG funded and will therefore be recycled to achieve base budget savings elsewhere.	Stakeholders are currently being consulted by the service provider, Telford & Wrekin Council. While the Council is seeking to protect frontline services, the EINA implications are low to medium for the target group.
Administration reductions	15	0	1,165	200 287	0	Move to a centralised administration team. No risk or implications other than those related to staffing.	Reductions in back office staffing should have a minimum impact on stakeholders. EINA implications are low.

SAVINGS	POSTS DELETED 2012/13	POSTS DELETED 2013/14	TOTAL BUDGET £'000	BUDGET SAVINGS 2012/13 £'000	BUDGET SAVINGS 2013/14 £'000	DETAILS / RISKS / IMPLICATIONS	STAKEHOLDERS & EINA IMPLICATIONS
Service Redesign (People) Learning and Skills						Karen Bradshaw	
Income generation	0	0	N/A	400 137	200 <i>Revised since Cabinet</i> 163	Work to develop traded service required, including providing services for other local authorities, determine market demand and competition. Need to adapt to changing education agenda.	Stakeholders will be faced with charges for services previously underwritten by grant or base budget, so can exercise choice. EINA implications are low.
Transport	0	0	10,744	100	300	Increases to Post16 charges, and E-Auction Savings. Consultation completed to be	Increased charges will impact on service users which will have EINA implications, though these are expected to be low.
Lifelong Learning and group structure rationalisation	4	tbc	1,052	130	300	Review roles and functions of staff in 2012/13. Move information, Advice and Guidance to a traded service in 2013/14.	Staffing reductions will impact on services for client groups – however, they will be able to purchase some of these services. EINA implications are low.
SEN	2	0	919	100	0	Review of staffing structure in 2012/13.	Structural changes will be at the management level so will have minimal impact on stakeholders, with the EINA implications expected to be low.
Out of county Special Educational Needs placements	0	0	4,417	0	150	More appropriate provision in county will reduce expensive out county placements. Work is underway to develop new package of in county provision to deliver savings in 2013/14.	Changes are not taking place until 2013/14. There will be an impact for families requiring the provision, with the EINA implications likely to be medium for the target group.
Outdoor Education	0	0	55	60 18	0 <i>Revised since Cabinet</i> 37	Deletion of the Council's budget to provide remission of fees for pupils from low income families attending Arthog Outdoor centre (not available for other providers). Individual schools remissions policies may be used to continue to support low income families. May continue to consider continued support for 2012 Summer term costs. 2011/12 current projection is £70,000.	Schools receive allocations of pupil premium funding and it would not be inappropriate to use this funding for the target group of disadvantaged young people to continue to access such provision, though this will be determined at the individual school level. The EINA implications should therefore be low.
Youth support – Information Advice and Guidance	0	tbc	736	0	167	The reduction will be achieved through better targeting of resources and increased use of new technology.	Changes are not taking place until 2013/14. The impact on stakeholders and EINA implications are expected to be low.

SAVINGS	POSTS DELETED 2012/13	POSTS DELETED 2013/14	TOTAL BUDGET £'000	BUDGET SAVINGS 2012/13 £'000	BUDGET SAVINGS 2013/14 £'000	DETAILS / RISKS / IMPLICATIONS	STAKEHOLDERS & EINA IMPLICATIONS
Service Redesign (People) Assessment and Eligibility						Stephen Chandler	
Review in-house day-care in line with personalisation	0	tbc	3,593	0	2,000 700	<p>Adult social care services were subject to a period of consultation on the future delivery of services. The outcomes of the consultation indicate firmly that day time opportunities are valued, as were, personal budgets and increasing employment opportunities for adults with learning disabilities. Changing the offer of day time opportunities will be in line with the growth of personal budgets which will enable service users to choose more community based activities rather than traditional building based services.</p> <p>Approval with Phase 2/3 (Dec/Feb) 2012/13 savings will be required due to the lead time required to develop alternative offers of day time activities including employment.</p>	<p>Stakeholders are: Service users Family carers Staff, health and social care professionals.</p> <p>EINA impact is low, support is not being removed from individuals but delivered differently using personal budgets to give more choice and control to individuals. There will be an increased variety of support available.</p>
Savings and efficiencies linked to new investment	0	0	58,765 (all areas)	1,150	182	<p>Savings linked to new investment including: First point of contact provision of information and advice.</p> <ul style="list-style-type: none"> The development of more web based access to information and advice and peer support Mobile and flexible working Review of preventative services to ensure targeted where most needed Development of community living and supported accommodation. 	<p>Stakeholders include staff, service users from all client groups, family carers, health and social care professionals, voluntary and community sector, Independent providers.</p> <p>A general EINA has indicated that impact is low as new investment will deliver efficiencies with low impact on stakeholders. However as each new change in the way services are provided is confirmed and implemented a new EINA will be required.</p>

SAVINGS	POSTS DELETED 2012/13	POSTS DELETED 2013/14	TOTAL BUDGET £'000	BUDGET SAVINGS 2012/13 £'000	BUDGET SAVINGS 2013/14 £'000	DETAILS / RISKS / IMPLICATIONS	STAKEHOLDERS & EINA IMPLICATIONS
Service Redesign (People) Assessment and Eligibility						Stephen Chandler	
Review in-house provision of residential and nursing homes	0	0	2,080	0	650	<p>This saving will be delivered through the transfer of in-house services to alternative provider.</p> <p>Approval with Phase 1 for Crowmoor and with Phase 2/3 (Dec/Feb) for 2012/13 and 2013/14 savings for other in house provision is required.</p> <p>There will be a review of additional in-house provision to identify the most appropriate delivery model (quality, value for money, growth).</p>	<p>Staff Service users (learning disabilities and older people) Family carers PCT and other professional partners.</p> <p>The equality impact assessment indicates low impact as the services will not be removed but provided differently.</p>

SAVINGS	POSTS DELETED 2012/13	POSTS DELETED 2013/14	TOTAL BUDGET £'000	BUDGET SAVINGS 2012/13 £'000	BUDGET SAVINGS 2013/14 £'000	DETAILS / RISKS / IMPLICATIONS	STAKEHOLDERS & EINA IMPLICATIONS
Service Redesign (People) Safeguarding						Kathryn Edwards	
Youth support - Targeted Youth Support	0	0	1,176	0	167	Savings to be achieved from the remands to custody funding coming to the LA from 2012/13. Additional strategies include the progression of payment by results and income generation.	No specific risks identified.
Growth	0	0	8,671	300	700	Saving from the allocated growth budget for 2012/13 given the reduction in Looked After numbers. £700k (2013/14) to be achieved through further reduction in need for external placements due to achievements of preventative crisis team.	Preventative work is having early impact and is reducing numbers of older children needing to enter the Looked After Children system. Early indications are that the targets will be met despite volatility of demand.
Placements	0	0	5,130	500	300	Savings from reduction in expenditure on external placements for Looked After Children through block contract commissioning. Increased use of short breaks for disabled young people to reduce need for permanent long term care.	Block contracting commissioning is proving cost effective and is not reducing choice or ability to match placements. Short breaks programme is providing range of supports. Parents and carers are involved in continual review.
Staffing	3	tbc	8,983	100	100	Savings across the Safeguarding Group Services (pro rata reductions across five teams)	This is on course and is not affecting service delivery as savings are being found through efficiencies.
Contracts	0	0	2,127	100	100	Efficiencies achieved through renegotiation of contacts across the safeguarding group.	Stakeholders and providers have been consulted. There are no significant changes to the level of services delivered.
Service Redesign (People) Public Protection and Enforcement						Paul McCreary	
Further review of Public Protection Service to deliver cost savings	tbc	tbc	6,300	0	500	Review and re-design of services to ensure effective integration of new service areas, greater focus on prevention and early intervention, improved service quality and optimisation of income streams. Service re-design and implementation in 2012.	Approach at this stage is to deliver services differently, not to compromise service quality. However, impact assessment will reflect changing approach to maintain service quality levels as part of work to develop a 3-Year Service Strategy.
Service Redesign (People) Other						David Taylor	
Review of re-commissioning across the sector	0	tbc		0	700 300	Reconsideration of the service to deliver reduced costs.	

SAVINGS	POSTS DELETED 2012/13	POSTS DELETED 2013/14	TOTAL BUDGET £'000	BUDGET SAVINGS 2012/13 £'000	BUDGET SAVINGS 2013/14 £'000	DETAILS / RISKS / IMPLICATIONS	STAKEHOLDERS & EINA IMPLICATIONS
Service Redesign (People) Care and Wellbeing						Janet Graham	
Further Savings Arising from Consolidation of Children's Centre Areas	tbc	tbc	4,600	500	-100	<p>This is in addition to Phase 1 savings of £0.6m in 2012/13 and £0.5m in 2013/14. The 2012/13 saving is revised to £1.1m (an increase of £0.5m) and the 2013/14 saving is revised to £0.4m (a reduction of £0.1m). Overall this is a net additional saving of £0.4m</p> <p>Proposal:</p> <ul style="list-style-type: none"> • to consolidate number of CC areas from 18 to 13 <p>12 areas will amalgamate to 7 "new" areas, 4 areas will increase in size, 1 area will reduce in size and 1 area will stay the same. The areas are defined using primary school catchment boundaries and the criteria for change includes community trends to accessing services, co-terminosity with other agencies and council services and team organisation. Decisions, taking account of service user input, will be ratified through local multi-agency advisory boards in the Autumn term</p> <p>Proposal:</p> <ul style="list-style-type: none"> • to increase involvement of voluntary and community sector 	<p>Statutory duty to consult (Childcare Act 2006) Stakeholder representation formalised through Advisory Boards, 5 groups countywide include:</p> <ul style="list-style-type: none"> • parents • health professionals • safeguarding and support • voluntary sector • education staff <p>Protected groups include: Teenage Parents Children with disability Gypsy Traveller families Looked after children</p> <p>Services for the above groups are provided through children's centres. It is not intended that these services should cease or reduce, however the way in which the services may be delivered e.g. the provider may change. Consultation and involvement in the development of delivery of new ways of working will be managed through the Advisory Boards to include careful involvement of these groups where they may be affected</p>

SAVINGS	POSTS DELETED 2012/13	POSTS DELETED 2013/14	TOTAL BUDGET £'000	BUDGET SAVINGS 2012/13 £'000	BUDGET SAVINGS 2013/14 £'000	DETAILS / RISKS / IMPLICATIONS	STAKEHOLDERS & EINA IMPLICATIONS
Service Redesign (Places) Environment						Steve Price	
<p>Review of public transport provision, including the Shropshire Link service, to explore options for efficiencies, reducing expenditure and increasing income is being undertaken with Members in 2012.</p> <p>Review the effectiveness of publicity / information provision for all local bus services</p>	0	tbc	2,000	0	200	<p>Existing service provision is already stretched as savings of £1million made in 2011/2012 following adoption of minimum level of service proposed within the Bus Strategy. Careful consideration needs to be given of potential impact on vulnerable/rural communities.</p> <p>Budget already under significant pressure from rising inflation and fuel costs, additional savings will need to be found to meet these pressures.</p> <p>Increasing fares and an aging population is increasing expenditure on concessionary travel reimbursement</p> <p>Reducing level of publicity & information could reduce numbers of passengers being carried and therefore reduce income.</p>	

SAVINGS	POSTS DELETED 2012/13	POSTS DELETED 2013/14	TOTAL BUDGET £'000	BUDGET SAVINGS 2012/13 £'000	BUDGET SAVINGS 2013/14 £'000	DETAILS / RISKS / IMPLICATIONS	STAKEHOLDERS & EINA IMPLICATIONS
Service Redesign (Places) Environment						Steve Price	
<p>Adopt a risk based approach to reduction in our portfolio of street lights, illuminated signs etc leading to reduction in electricity costs. In particular the adoption of part night lighting for 70% of all street lights in Shropshire.</p> <p>This will result in a reduced consumption of electrical energy and carbon allowances liability.</p> <p>When the four year project is complete the full annual saving is estimated to be £162,500 per annum.</p>	0	0	1,953	0 20	200 61 SHORT FALL 119	<p>The part night lighting (pnl) initiative is the only initiative that will provide any significant saving with a short payback period. This involves switching 70% of the street lights off between midnight and 05:30 hours.</p> <p>Cabinet approved the adoption of pnl from 1 April 2012 on 28 September 2010.</p> <p>It is important to note that the Cabinet report required savings to be recycled to pay the capital costs of the pnl change. A bid to the Capital Strategy has been put forward for the investment costs of £280,000.</p> <p>The risk which is non-controllable is the increase in energy costs which during the project's life will impact on the savings made in consumption.</p>	<p>Important that the potential safety implications of proposals are worked through and discussed with stakeholders and that a consistent risk assessment process is followed which is fair to all stakeholders</p> <p>An EINA was completed for the Cabinet Report of the 19 October.</p>
Service Redesign (Places) Facilities Management						Tim Smith	
Rationalise our office accommodation leading to fewer buildings with reduced costs of rates, rent and utilities.	0	tbc	14,300	0 200	2,000 1,800	This will require new and more flexible ways of working and will change the pattern of service delivery in some of our towns.	<p>Key stakeholders are staff, tenants, members of the public, elected members, partners and voluntary organisations.</p> <p>Each accommodation proposal will consider the needs of groups of people defined by the Equalities Act to ensure that they are not adversely affected.</p> <p>Their needs, particularly in respect of disability and access, forms an integral part of all Council property reviews</p>

SAVINGS	POSTS DELETED 2012/13	POSTS DELETED 2013/14	TOTAL BUDGET £'000	BUDGET SAVINGS 2012/13 £'000	BUDGET SAVINGS 2013/14 £'000	DETAILS / RISKS / IMPLICATIONS	STAKEHOLDERS & EINA IMPLICATIONS
Service Redesign (Places) Business Growth and Prosperity						Andy Evans	
Reconsider services with Arts & Culture	2	6	3,010	154	216	<p>The Visitor Economy service will drive savings through service review, commercial business planning for facilities, new operating models and alternative delivery of services:</p> <p>2012/13 £63,000 Reduction in Development Budget operating budgets were refined and streamlined during 2010/11 no direct impact on service provision. £30,000 Reduction in operating budget at Acton Scott. Risks - reduction in marketing spend may depress visitor figures and income £45,000 Shropshire Hills Discovery Centre Reduction in operating budget Risks – as above Shropshire Archives £16,000 Education Saving from deletion of vacant post</p> <p>2013/14 £116,000 Museums £40,000 Shropshire Hills Discovery Centre year 2 savings to be achieved by further changes to the operating model. £60,000 Shropshire Archives Increased Income A capital investment to create the digitisation records of circa £70,000 is required to deliver this target.</p>	<p>None</p> <p>No significant impact anticipated</p> <p>Work is on-going with the Discovery Centre Advisory Board regarding impact on stakeholders and community interests.</p> <p>Impact – Increase online accessibility to Archives Records. Increase in volunteering within the service.</p>

SAVINGS	POSTS DELETED 2012/13	POSTS DELETED 2013/14	TOTAL BUDGET £'000	BUDGET SAVINGS 2012/13 £'000	BUDGET SAVINGS 2013/14 £'000	DETAILS / RISKS / IMPLICATIONS	STAKEHOLDERS & EINA IMPLICATIONS
Service Redesign (Places) Commissioning and Procurement						Mike Morris	
Reduction of expenditure on priority services through a service review facilitated by the RIEP (Regional Improvement Partnership – West Midlands)	0	0	c400	0	100	Service Review of Print Services, including external print spend and reduction in printers facilitated by the RIEP. The RIEP consultant's piece of work is completed and is informing a larger piece of work now being undertaken by the Business Improvement and Redesign Team.	<p>This we believe is achievable but will form part of the project being led by the business Improvement and Redesign team. The study commissioned through the RIEP funded project is we understand helping to inform that work.</p> <p>Commissioning and Procurement will be supporting the on-going project which may include the re-tendering of the current framework arrangements for the procurement of Print services.</p>
Renegotiate annual contracts from IT suppliers. Where appropriate we will re-tender over the next three years	0	0	1,500	0	100	A fairly drawn out process as contracts came up for renewal and these will need to be brought together under the control of the Commissioning and Procurement Group.	<p>Work has begun on renegotiation of the OLM (Carefirst) contract – and a full list of all IT support contracts has been provided. These total approx. £1.5m with renewals falling due from 2011/12 through 2013/14.</p> <p>Whilst confident that these savings are achievable we are conscious that they need to be looked at 'in the round' against the wider plan for Shared ICT Services – and that they most probably need to be much more aggressive.</p>
Renegotiate the cost of mobile phone charges and equipment at the end of the current contract in 2013.	0	0	110	0	35	No service implications.	<p>This will be a re-tender in 2012/13 and will be led by Business Improvement/telecoms section.</p> <p>Based on previous results and given the pace of technological change, we believe this is readily available.</p>

SAVINGS	POSTS DELETED 2012/13	POSTS DELETED 2013/14	TOTAL BUDGET £'000	BUDGET SAVINGS 2012/13 £'000	BUDGET SAVINGS 2013/14 £'000	DETAILS / RISKS / IMPLICATIONS	STAKEHOLDERS & EINA IMPLICATIONS
Service Redesign (Places) Commissioning and Procurement						Mike Morris	
Further Savings arising from Commissioning/Recommissioning in 2012/13 and 2013/14. Savings achieved through the recommissioning of Supporting Peoples Services. Further savings from renegotiation of rents for care homes.	0	0	6,345	470	440	Further Savings arising from Commissioning /Decommissioning in 2012/13 and 2013/14	Savings achieved and in place from April 2012 Services recommissioned on outcomes basis with greater flexibility in the way that services are delivered. Services will have greater reach into private sector accommodation and will deliver 40% more customers. Rent negotiations to be concluded in February 2012.
				220	22		
				35	33		
SAVINGS	POSTS DELETED 2012/13	POSTS DELETED 2013/14	TOTAL BUDGET £'000	BUDGET SAVINGS 2012/13 £'000	BUDGET SAVINGS 2013/14 £'000	DETAILS / RISKS / IMPLICATIONS	STAKEHOLDERS & EINA IMPLICATIONS
Reduced Prudential Borrowing						Tim Smith	
Revenue savings from reduction in the capital programme	0	0	3,750 over 2 years	1,150	2,600	As a result of the review of the capital programme and decisions taken to remove a significant proportion of prudential borrowing a saving of £3.75m will be realised in 2012/13 and 2013/14. This is dependent upon delivery of the agreed capital receipts programme.	Key stakeholders for this are the Council, Cabinet and SMB who will require assurance that the prudential borrowing element of the corporate funded capital programme will be removed. There is no direct equalities impact in this regard.
Service Redesign						George Candler, Tim Smith, Steph Jackson	
Community Hubs	0	tbc	tbc		800	This saving will be met across other service areas as they move from existing front line buildings into Libraries to form new Service Hubs. It is expected that as a result some assets will be vacated and can then be considered for disposal. Area Directors, Tim Smith and Steph Jackson leading on this project. First Service Hub planned for Spring 2012 and the learning from this will provide accelerated roll out over the next 18 months.	Consultation has started with staff, customers and public sector partners for the Oswestry Service Hub. No EINA implications

SAVINGS	POSTS DELETED 2012/13	POSTS DELETED 2013/14	TOTAL BUDGET £'000	BUDGET SAVINGS 2012/13 £'000	BUDGET SAVINGS 2013/14 £'000	DETAILS / RISKS / IMPLICATIONS	STAKEHOLDERS & EINA IMPLICATIONS
Shared Service Programme						Wendy Marston	
Creation of an internal shared service offering and then consideration of best model of delivery for the medium term e.g. joint service with other public sector body; externalised service; joint venture company etc.	Est. 60		tbc	500 1,800	1500 500	<p>A shared service approach will require new ways of working both from those delivering and receiving the shared service. New models of delivery will require considered planning and the various commercial/financial risks mitigated.</p> <p>Internal shared services will be in place for April 2012, incorporating as a minimum HR, Finance, IT, Property and Facilities Management. Future phases, including the addition of further services and development of the delivery model with other local authorities, should be sufficiently developed for decision in February 2012 with implementation ahead of 2013/14.</p>	<p>Consultation mechanisms in place through:</p> <ul style="list-style-type: none"> • Staff Design Council • Staff Forum • Business Assurance Group (inc internal and external stakeholders)

SAVINGS	POSTS DELETED 2012/13	POSTS DELETED 2013/14	TOTAL BUDGET £'000	BUDGET SAVINGS 2012/13 £'000	BUDGET SAVINGS 2013/14 £'000	DETAILS / RISKS / IMPLICATIONS	STAKEHOLDERS & EINA IMPLICATIONS
Service Redesign (Area Directors)						George Candler	
Review of leisure provision to include consideration of outsourcing of facilities, review of operating times and reductions in controllable spend.	123 transfer		4,994	436 475	64 25	<p>Review will consider the outsourcing of 5 leisure facilities, renegotiation of existing contracts and review of management arrangements at leisure centres.</p> <p>Risk that cost of transferring services does not realise the planned savings (Tender bids due to be returned February 2012)</p> <p>Operating times across the remaining directly managed leisure sites will be reviewed in order to reduce staffing costs and condense activity programmes to utilise facilities more efficiently.</p> <p>This will take place in conjunction with discussions at joint-use sites with schools with a view to transferring operation back to their governance or exploring other delivery models. The inherent risk with this process is that schools do not agree to take back complete responsibility for managing the centres, resulting in leisure provision remaining with Shropshire Council. Discussions with some schools have already commenced and this will be progressed in more detail in 2012.</p> <p>Expenditure budgets have been consistently reduced since unitary</p>	Users, clubs, organisations, governing bodies, Sport England, CSP, leisure development, support services, local members.
Reconsider services with the arts and culture sector including pushing services closer to the front line through co-location of libraries with other services.	3		5,046	230	50	Review of library services will aim to reduce costs of mobile library service and other accommodation costs. Other areas will see increased income generation, reduced service and reductions in grant aid.	No Stakeholder/ EINA implications

SAVINGS	POSTS DELETED 2012/13	POSTS DELETED 2013/14	TOTAL BUDGET £'000	BUDGET SAVINGS 2012/13 £'000	BUDGET SAVINGS 2013/14 £'000	DETAILS / RISKS / IMPLICATIONS	STAKEHOLDERS & EINA IMPLICATIONS
Service Redesign (Area Directors)						Clive Wright	
Youth support - Positive Activities	tbc	tbc	732	0	166	Efficiencies will be achieved through effective commissioning of positive activities.	Consultation has been extensive with young people, all elected members, voluntary and community sector and staff. No EINA implications
Service Redesign (Terms and Conditions)						Jackie Kelly	
Changes to staff terms and conditions	0	0		Agreed in Phase 1	1,500	Changes to staff terms and conditions, subject to consultation, will see reductions in overall staffing costs. The total saving from terms and conditions savings over the period 11/12 to 13/14 has been reduced by £1m as a result of uncertainty over the achievement of some elements of the saving.	Shropshire Council staff. EINA completed and shared with Trade Unions.
Service Redesign (Commerciality)						Rachel Musson	
Increased income from Council services	0	0	19,225	982	1,021	The move to a more commercial basis for services will realise increased levels of income.	
Total Proposed Savings				7,102 9,328	17,648 14,303		



<u>Committee and Date</u>
Original report to Cabinet 11 January 2012
Updated as Appendix to Council 23 February 2012

<u>Item</u>
<u>Public</u>

STATEMENT OF CHIEF FINANCIAL OFFICER ON THE ADEQUACY OF PROVISIONS AND RESERVES 2011-14

Responsible Officer Rachel Musson
 e-mail: rachel.musson@shropshire.gov.uk Tel: (01743) 252007

1. Summary

1.1 Under Section 25 of the Local Government Act 2003, the Authority's Chief Financial Officer (Director of Finance) is required to report on the robustness of the estimates made for the purposes of the budget calculations and the adequacy of the proposed reserves. This report deals with the adequacy of the proposed reserves and enables a longer term view of the overall financial position of the council to be taken.

2 Recommendations

2.1 That the Cabinet approve:

A The recommended level of general balances to support the 2012/13 revenue budget at £14.1m;

B The plan to reach this level of reserves over a longer period;

2.2 That the Cabinet note the projected recommended level for the following two years at £16.4m and £18.8m

3 Background

3.1 On an annual basis the Council considers its level of reserves and provisions, including the General Fund Balance, to assess whether it is adequate. There are two main approaches for deciding the optimum level of the general balances. One method is to set an arbitrary percentage of expenditure, which at one stage the Audit Commission recommended as 5% of net revenue budget expenditure. An alternative, preferable, method is an approach based on a risk assessment of the budget.

- 3.2 This paper sets out the framework for a risk assessment approach. The issues the framework considers include the following:
- i. The Council will need to budget for the cost of any redundancies necessary to achieve any budget savings and restructuring to the extent they are not contained in the budget proposals. The Council's policy is that redundancy costs are contained in the budget proposals.
 - ii. There is always some degree of uncertainty over whether the full effects of any economy measures and/or service reductions will be achieved. Whilst the budget process has been prudent in the assumptions and that those assumptions, particularly about demand led budgets, should hold true in changing circumstances an adequate level of general contingency provides extra reassurance the budget will be delivered.
 - iii. The Bellwin Scheme Emergency Financial Assistance to Local Authorities provides assistance in the event of an emergency. The local authority is able to claim assistance with the cost of dealing with an emergency over and above a threshold set by the Government (Shropshire's threshold for 2012/13 has been calculated at £754,000 which is approximately 0.2% of budget). The assistance is usually 85% of any eligible costs over the threshold. Any incident for which assistance is sought must involve conditions, which are clearly exceptional by local standards and the damage to local authority infrastructure or communities must be exceptional in relation to normal experience. In the first instance these initial costs will have to be met from reserves.
 - iv. The risk of major litigation, both currently and in the future.
 - v. Risk of changes to grants.
 - vi. The risk of losing subsidy arising from outstanding Housing Benefit and Council Tax Benefit Subsidy claims
 - vii. The risk of grants being introduced mid-year that require the Council to contribute.
 - viii. Unplanned volume increases in major demand led budgets, particularly in the context of high and accelerating growth.
 - ix. Changes in the economic climate which may influence certain levels of income to be received at a lower level than previous years.
 - x. The need to retain a general contingency to provide for any unforeseen circumstances, which may arise.
 - xi. The need to retain reserves for general day to day cash flow needs.

4 The Framework for the General Balance

- 4.1 The basis of the Framework is to identify areas of risk with an

appropriate budget amount, an assessed level of risk (high, medium and low) and a percentage factor which will vary according to the level of risk. This process produces a value from which a risk assessed optimum level of general balance can be created.

- 4.2 Eleven areas of risk have been considered and these, with explanatory text, are set out in Annex A. Annex B provides a summary of the calculation for the general balance at £14.2m for 2012/13, £16.5m for 2013/14 and £18.8m for 2014/15.
- 4.3 In addition, it is necessary to identify a mechanism for achieving the risk assessed level of reserves, without this very mechanism of delivery leading to an instability in the Council's finances. For this reason, it is necessary to phase increases in balances over the medium term, ensuring a minimum balance is maintained (currently 0.5% of gross revenue budget) with planned increases built into the Financial Strategy at appropriate, affordable points.

5 Review of Earmarked Reserves and Provisions

- 5.1 To support the 2011/12 budget a detailed review of earmarked reserves and provisions was undertaken. This identified a value of £1.1m which was released to support the General Fund in 2011/12, included for decision in the monthly monitors to Cabinet. A breakdown of the earmarked reserves, including those released is attached at Annex C. The initial view taken was that all of these reserves would be repaid in 2012/13. No further earmarked reserves have been identified.

6 General Fund Balance

- 6.1 It is essential in setting a balanced budget that the Council has money available in the event of unexpected spending pressures. The "balances" need to reflect spending experience and risks to which the Council is exposed.
- 6.2 Based upon the latest budget monitoring position at Month 9 it is projected that at the end of 2011/12 the balances, after allowing for planned management action, could be as low as £1.6m. This reflects the difficulty in delivering front loaded budget savings of the scale facing the council in the short to medium term. The Financial Strategy recognises that balances need to be increased to the risk assessed level and so has provided for a contribution to the General Fund Balance in 2011/12 of £0.9m, and of £5.9m in 2012/13 and 2013/14.
- 6.3 With appropriate management action, the level of balances is anticipated to realistically remain close to 'minimum' levels in 2011/12 and 2012/13, with a significant uplift in 2013/14 to more closely achieve the risk assessed optimum level. This coincides with two significant risk areas which are factors from April 2013:
 - 6.3.1 The impact of the second half of the Comprehensive Spending Review 2010 which could see an increase in the level of cuts above

that announced in October 2010.

- 6.3.2 The impact of the proposed Local Government Resource Review which would see localisation of Business Rates based on economic activity and an end to assessment of needs within Council boundaries
- 6.4 A budget review is undertaken in November of each year and this is built into the consideration by Council of general fund balances for the following three years in February.

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

Cabinet Member (Portfolio Holder)
Keith Barrow - Leader

Local Member
All

Appendices

Annex A: Eleven Areas of risk for Shropshire Council

Annex B: Risk Assessment for Balances

Annex C: Earmarked Reserves

Appendix 5 **ANNEX A****Eleven Areas of risk for Shropshire Council**

No	6.4.1 Area of risk	Explanation of risk
1	Inflation on expenditure	<p>There are two key issues in relation to inflation.</p> <ul style="list-style-type: none"> • There may be some items of expenditure – fuel costs for example - where any estimate of inflation is a ‘best guess’. The risk assessment puts a figure to the higher level of inflation that would seem to be unreasonable to include in a budget, but might come to pass. • Information is less accurate for years 2 and 3; the risk assessment covers the higher range. <p>At the present time it is difficult to predict the direction that the wider economy will take and thus the level of inflation required.</p>
2	Interest rates on borrowing and investment	<p>This issue here are similar to those in 1 above, but for a specific area.</p> <p>The expected impact of developments on interest rates in 2011/12 are expected to continue to impact the 2012/13 budget with reduced interest earned on future money to be placed on the money markets. In the past it was possible for the Council to lend money and get a better interest rate than it was paying for borrowed money.</p> <p>The Council's borrowing has been undertaken at fixed rates of interest and so the level of interest payable is not considered as a risk to variable rates.</p>
3	Grants, Housing Benefits	<p>The Government system for allocating grants can appear short-term and a ‘best guess’ has to be offered in lieu of hard facts. Currently there are 2 issues:</p> <ul style="list-style-type: none"> • Housing Benefits – whilst the administration grant is straightforward (but reducing), the subsidy is subject to audit and, sometimes, abatement. The Council has no particular earmarked reserve to meet such an unforeseen cost should it occur.

No	6.4.1 Area of risk	Explanation of risk
		<ul style="list-style-type: none"> On occasions general issues arise on grants which place the Council at risk of clawback.
4	<p>Infant (estimated) budgets, (Income or Expenditure)</p> <ul style="list-style-type: none"> Job Evaluation Remodelling and Reorganisation including redundancies Invest to save costs Transformation costs 	<p>There are some initiatives that are known will happen, but are not sufficiently advanced to accurately cost.</p> <p>The results on job evaluation scores but not pay have been passed to staff on 1st December 2008. Appeals on points are on-going and it is unknown how this will impact on salary costs.</p> <p>As part of the budget process discussions have taken place with the CLG re capitalisation of redundancies. Whether this will be achieved cannot be guaranteed until late in the budget process.</p>
5	<p>Volume changes - Demand led or volatile budgets (Income or Expenditure)</p> <ul style="list-style-type: none"> Land sales Collection Fund Discretionary Income from Fees and Charges 	<p>There are long standing areas of risk due to volatility, where we budget for the middle of the range, but might find the actuality is at the higher end.</p> <p>In certain areas such as Land Sales the planned receipts estimated to the Council is made more difficult due to reducing market values and problems for potential procurers in obtaining finance. The effect of this has impacted on the Capital Plan.</p> <p>In respect of the Collection Fund then there would seem to be a risk that in the current economic downturn that the current projected levels of Council Tax collection fall leading to increased pressure on the Collection Fund.</p> <p>Income from fees and charges is below budget in 2011/12 due to a number of factors including the current economic climate. This is likely to continue and is adjusted for within the Financial Strategy, but is subject to short term negative variations from year to year.</p>
6	Efficiency savings	The budget includes improvement programmes that will deliver savings; the risk is that they may

No	6.4.1 Area of risk	Explanation of risk
		<p>be delivered at a slower rate.</p> <p>For future years there is a requirement on the Council to make year on year cashable efficiency savings.</p>
7	Insurance, funds and excesses	<p>Acts of God can result in higher insurance traffic than had been anticipated.</p> <p>Shropshire Council would seem to be well covered on this aspect re the general assessment of provisions and reserves in that it has based them on a detailed Actuarial Review given the potential impact of the economy which may lead to an increase in claims.</p>
8	Emergency planning – Bellwin, disaster recovery, snow days	<p>Were a disaster to occur, we have to have a reserve in place to pick up costs that will fall to the Council.</p> <p>The impact of flooding within the Council area based on present experience is that it is limited to localised pockets.</p> <p>The Council area has encountered budget pressures in the last two financial years due to extreme weather conditions and additional costs such as snow clearance particularly in winter. An additional £1m was added to the Severe Weather budget in 2011/12 to help mitigate this, but overspends in previous years have, at times, been in excess of this growth level.</p> <p>Other disasters such as those on ICT could occur on a one off basis.</p>
9	<p>Changes (Income or Expenditure)</p> <ul style="list-style-type: none"> • Carbon Reduction Tax • LATS and Landfill costs 	<p>Change necessarily means doing things in a way for which we have no evidence. Our assumptions may be wrong.</p> <p>Also, the areas of change will alter over the years.</p> <p>This is the most difficult area to predict but there</p>

No	6.4.1 Area of risk	Explanation of risk
	<ul style="list-style-type: none"> • Debt Collection • Allowance for Budget Pressures (e.g. Demography) 	<p>will be increased costs which are not foreseen when the budget is prepared. An example is developments on FCHO and what impact it has on the Council recovery of specific costs.</p> <p>An allowance for budget pressures has also been built in to accommodate any corrective action that needs to be taken if the assumptions about changes in service delivery should change.</p>
10	Financial guarantees /legal exposure	<p>The contracts containing obligations that if not fulfilled, would attract a penalty.</p> <p>The Council does have PFI Schemes, however there is no risk to the financing of the schemes at this present moment.</p>

Appendix 5 ANNEX B

2011/12			AREA OF RISK	2012/13			2013/14			2014/15		
Budget £000	Risk Level	Value £000		Budget £000	Risk Level	Value £000	Budget £000	Risk Level	Value £000	Budget £000	Risk Level	Value £000
			Inflation									
132,018	0.10%	132.0	Salaries	127,186	0.25%	318.0	120,394	0.25%	301.0	119,118	0.25%	297.8
14,879	1.00%	148.8	Premises	14,334	2.00%	286.7	13,569	2.00%	271.4	13,425	2.00%	268.5
18,990	4.00%	759.6	Transport	18,295	4.00%	731.8	17,318	4.00%	692.7	17,134	4.00%	685.4
62,613	1.00%	626.1	Supplies & Services	60,321	1.00%	603.2	57,100	1.00%	571.0	56,495	1.00%	564.9
141,235	0.25%	353.1	Third Party Payments	136,066	0.25%	340.2	128,800	0.25%	322.0	127,435	0.25%	318.6
96,145	0.25%	240.4	Transfer Payments	92,626	0.25%	231.6	87,680	0.25%	219.2	86,750	0.25%	216.9
465,880		2,260		448,829		2,511	424,861		2,377	420,358		2,352
			Interest Rates									
278,300	0.00%	0	Borrowing	278,300	0.00%	0	278,300	0.00%	0	278,300	0.00%	0
66,305	0.20%	133	Investment	66,305	0.50%	332	66,305	0.50%	332	66,305	0.50%	332
400	10.00%	40	PWLB	400	10.00%	40	400	15.00%	60	400	20.00%	80
223	10.00%	22	Icelandic Bank exposure	89	10.00%	9	89	10.00%	9	89	10.00%	9
		195				380			400			420
			Grants									
84,000	0.25%	210	Housing Benefits	84,000	0.25%	210	84,000	0.25%	210	84,000	0.25%	210
	Quantum		General Clawback		Quantum	0		Quantum	0		Quantum	0
0	0.00%	0	LGR/CSR implications	0			86,636	5.00%	4,332	80,962	10.00%	8,096
		210				210			4,542			8,306
			Infant Budgets									
0	1.50%	0.0	Job Evaluation	1,500	1.50%	23	1,000	1.00%	10		0.50%	0
8,500	40.00%	3,400.0	Redundancy	3,000	100.00%	3,000	1,500	100.00%	1,500	1,000	100.00%	1,000
1,400	10.00%	140.0	Transformation	1,400	10.00%	140	1,400	10.00%	140	1,400	10.00%	140
		3,540				3,163			1,650			1,140
			Volume Changes									
18,486	1.00%	184.9	Land Sales	27,505	3.50%	963	3,738	4.00%	150	573	5.00%	29
128,986	0.10%	129.0	Collection Fund	129,631	0.50%	648	128,278	0.40%	513	128,535	0.30%	386
		314				1,611			663			414
			Efficiency Savings									
1,068	80.00%	854	2011/12 Budget	-	-	-	-	-	-	-	-	-
1,000	50.00%	500	Procurement	1,000	70.00%	700	1,000	20.00%	200	1,000	10.00%	100
30,800	2.00%	616	Non-achievement of budget savings	17,602	5.00%	880	24,074	5.00%	1,204	4,550	5.00%	228
		1,354				1,580			1,404			328
			Insurance									
3,904	0.00%	-	Provision	3,904	0.00%	-	3,904	0.00%	-	3,904	0.00%	-
2,113	0.00%	-	Reserve	2,113	0.00%	-	2,113	0.00%	-	2,113	0.00%	-
			Emergency Planning									
50	Quantum	50	ICT Disaster	50	Quantum	50	50	Quantum	50	50	Quantum	50
40	Quantum	40	Other Incident	40	Quantum	40	40	Quantum	40	40	Quantum	40
754	10.00%	75	Bellwin	754	10.00%	75	754	30.00%	226	754	50.00%	377
2,469	25.00%	617	Severe Weather	2,469	25.00%	617	2,469	25.00%	617	2,469	25.00%	617
		783				783			933			1,084
			Changes									
-	-	-	Carbon reduction tax	846	20.00%	169	846	70.00%	592	846	100.00%	846
522	10.00%	52	LATS Risk	0	10.00%	0	1,190	10.00%	119	1,190	10.00%	119
3,741	7.50%	281	Landfill Costs	4,275	8.10%	346	4,809	10.00%	481	4,809	10.00%	481
14,381	0.10%	14	Debt Collection	14,381	1.00%	144	14,381	0.50%	72	14,381	0.50%	72
19,225	5.00%	961	Discretionary Income	19,225	5.00%	961	19,225	5.00%	961	19,225	5.00%	961
224,684	1.00%	2,247	Additional Budget Pressures (e.g.Demography)	224,684	1.00%	2,247	224,684	1.00%	2,247	224,684	1.00%	2,247
		3,555				3,867			4,472			4,726
			Financial Guarantees									
	Quantum		PFI (SWP)		Quantum	0		Quantum	0		Quantum	0
	Quantum		PFI (QICS)		Quantum	0		Quantum	0		Quantum	0
-		-	Street Lighting		Quantum	0		Quantum	0		Quantum	0
		0				0			0			0
	Quantum		Other		Quantum	0		Quantum	0		Quantum	0
		12,211	TOTAL			14,105			16,441			18,771

Appendix 5 ANNEX C

	Balance held at 31/03/11 £	Amount released in 2011/12 £	Balance projected at 31/03/12 £
Earmarked Reserve			
Usable Reserves:			
Area Based Grant	275	0	275
Connexions Legacy	204	-150	54
Council Elections	190	-190	0
Craven Arms Auction Yard	70	-70	0
CYPS Directorate	291	-208	83
Economic Development Workshops Major Maintenance	190	0	190
Education – Staff Sickness Insurance	283	0	283
Education – Theft Insurance	55	0	55
Fire Liability	1,806	-500	1,306
Legal Disbursements	100	-100	0
Local Authority Business Growth Incentive	43	-43	0
Major Planning Enquiries	433	0	433
Motor Insurance	307	250	557
PFI Buildings Equipment Replacement	286	-210	76
Resources Efficiency	417	-150	267
Revenue Commitments for Future Capital Expenditure	2,693	0	2,693
Schools Building Maintenance Insurance	376	0	376
Shire Catering and Cleaning Efficiency	234	271	505
Shropshire Waste Partnership	13,850	0	13,850
TMO Vehicle Replacement	1,313	0	1,313
Transformation	213	0	213
Voluntary Early Retirement/Severance	1,077	0	1,077
Directorate Carry Forwards	206	0	206
	24,912	-1,100	23,812
Other Reserves:			
Shropshire Waste Partnership	5,720	0	5,720
Landfill Allowance Trading Scheme	221	0	221
	5,941	0	5,941



<u>Committee and Date</u>	<u>Item</u>
Original report to Cabinet 11 January 2012	
Updated as Appendix to Council 23 February 2012	<u>Public</u>

STATEMENT OF CHIEF FINANCIAL OFFICER ON THE ROBUSTNESS OF THE ESTIMATES 2011-14

Responsible Officer Rachel Musson

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1. Summary

- 1.1. Under Section 25 of the Local Government Act 2003, the Authority's Chief Financial Officer (Director of Finance) is required to report on the robustness of the estimates made for the purposes of the budget calculations.

2. Recommendations

- 2.1. That the Cabinet approve the statement as set out below.

3. Background

- 3.1. Each year council considers a Statement of the Robustness of Estimates. Budget estimates are exactly that, estimates of spending and income made at a point in time. This statement about the robustness of estimates cannot give a guaranteed assurance about the budget, but gives members reasonable assurances that the budget has been based on the best available information and assumptions.
- 3.2. In order to meet the requirement on the robustness of estimates a number of key processes were put into place, including:
- the issuing of clear guidance to Business Areas on preparing budgets;
 - peer review by finance staff involved in preparing the standstill [base] budget i.e. the existing budget plus inflation;
 - the use of information identified through budget monitoring in 2011/12 to re-align budgets with current demand, for 2012/13;
 - a review via Senior Management Board of proposed savings for 2011/12 to 2013/14 and their achievability;
 - a Member review and challenge of each Business Area's proposals for the three year budget through the Member Working party;
 - review of the three year budget proposals by the responsible Cabinet Member for the budget;

- Reporting on the robustness of estimates to the Performance and Strategy Scrutiny Committee and subsequent scrutiny by that Committee.
 - A thorough review, via Star Chamber Events undertaken in January 2012, of all budget assumptions and savings targets for the years 2011/12 to 2013/14 to reconfirm the robustness of estimates produced over the current three year financial plan.
 - Notwithstanding these arrangements which are designed to test the budget throughout its various stages of development, considerable reliance is placed on Senior Managers having proper arrangements in place to identify issues, project demand data, and consider value for money and efficiency.
- 3.3. A key part of improving these processes is to develop data and information to monitor service volume and unit costs and track changes in both. This will also assist in the Council's Medium Term Strategic Planning.
4. **Risk Assessment**
- 4.1. On an annual basis the Council will undertake a formal review of risks associated with the budget and Financial Strategy and identify balances at appropriate level compared to the risks. The development and introduction of this risk assessment is not intended to replace the Council's existing Risk Registers, rather that they should inform any revision of these Risk Registers.
- 4.2. The Risk Assessment is intended to form part of the 2011/12 and onward Budgetary Control framework and used at Budgetary Control meetings with Business Area personnel and reviewed annually by the authority.
- 4.3. Throughout the budget process, Members and officers are able to assess the robustness of budgets and the achievability of savings, income and budget reductions. The key risks that remain are:
- Changes to staffing arrangements through restructure or remodelling of services;
 - The further iterative development of the New Operating Model, with any new budgetary arrangements and management practices;
 - The delivery of savings targets and efficiency measures;
 - Changes to the Capital Programme, to achieve the policy objective of eliminating Prudential Borrowing, unless it is self-funding;
 - Improvements in budgeting, the implementation of which, may throw up funding challenges.
 - The impact of the Local Government Resource Review from April 2013
 - The impact of the recalibration of public sector funding in the second half of CSR 2010 from April 2013.
- 4.4. These assumptions and potential changing circumstances will require the forecasts for future years to be reviewed early in each financial year leading to more detailed budgets being prepared for the next financial year and the

medium term during the autumn of each financial year. This would normally be considered and agreed by Cabinet and Council in December of each year. In addition, the Star Chamber process instigated in January 2012 will, in future, be built in on an annual basis, to provide assurance and testing of budget resilience. In future these events will be timetabled for November, to fit more appropriately with the existing budget process.

5. Robustness of Revenue Estimates

- 5.1. The 2012/13 budget process continues the trend of improving the Council's budget preparation, most notably in budget re-alignment, due to information and trend data drawn from the monitoring of the 2011/12 budget, as reported to Cabinet on a monthly basis.
- 5.2. As part of developing the 2012/13 budget, members of the administration have considered available options and they are reflected in the proposed budget.
- 5.3. The three year position, over the remainder of the CSR 2010 is given in Table 1 below and shows deficits in all years, as predicted at February 2011 and updated in January 2012, to reflect latest information (note Cabinet on 11 January 2012 were provided with latest information to November 2011). The impact of these changes are within the tolerance built into our estimates, meaning that we do not, at this time, have to fundamentally amend our savings targets for the two years 2012/13 and 2013/14. The additional savings required in 2014/15 are included for information, but are not considered within the current three year medium term financial plan to 2013/14.

Table 1: Three Year Revenue position £000's

	2012/13	2013/14	2014/15
February 2010 Surplus – Deficit +	+20,254	+9,190	+7,285
January 2012 Surplus – Deficit +	+23,892	+16,947	+8,003
Savings Proposals February 2010	+17,602	+24,074	0
Achievable Savings January 2012	+19,828	+20,729	+1,300

- 5.4. The development of short, medium and long term planning in 2011/12 will improve the 2012-15 savings and efficiency proposals. Annex A shows the factors taken into account in developing the draft budget.

6. Capital Budget

- 6.1. The agreed programme is funded as set out within the revised capital strategy to be agreed by Council on 23 February 2012. Projects have been costed at current year prices with many subject to tender process after inclusion in the programme. This may lead to variance in the final cost. In some areas, the design brief may not be finalised, again giving rise to potential price variance.
- 6.2. The risk of the Council being unable to fund variations outside of the programme is minimal mainly due to phasing of projects. If necessary the Council can choose to freeze parts of the programme throughout the year to ensure spend is kept within the agreed budget.
- 6.3. There are two main risks.
 - Firstly, the ability to deliver the capital programme within the agreed timescales. Slippage from 2011/12 is fully funded over the Financial Strategy period but this in itself will increase pressure on the Council to deliver the anticipated 2012/13 programme.
 - Secondly, revised capital strategy has an amount set aside for new starts based on the availability of capital receipts. In the continuing, difficult financial climate, these receipts may be lower than expected, which will have to be managed.

Appendix 6 Annex A

Analysis of Robustness of Revenue Estimates

Budget Assumption	Financial Standing and Management
1. The treatment of demand led pressures	<p>The major demand factor affecting the 2012/13 budget, and later years is Council remodelling. A prudent view of the financial benefits of remodelling the council has been adopted. An application to CLG for the capitalisation of redundancy costs was agreed in March 2011 for between £3.2m and £4.3m.</p> <p>All Strategic Managers review their base budgets including demand led pressures. Business Areas are expected to put forward management and policy actions to manage the additional demand within the relevant legislation either within the relevant budget or reprioritising within their Business Areas budgets. If this is not possible and under-spending management action or policy actions in other Business Areas are not sufficient to cover the additional demand, then the minimum level of reserves may have to be used to address the additional expenditure temporarily.</p> <p>Such an eventuality has been considered in future years' budgets and it is assumed that general fund reserves are restored to at least the minimum prudent level in the following year.</p> <p>The 2012/13 budget has been based upon budget monitoring and projections made by Strategic Managers of demand in future years.</p>
2. The treatment of inflation and interest rates.	<p>Pay – 0% has been provided in the 2012/13 budget for the pay award for staff with 1% thereafter. The overall planning total currently allows for no increase in the paybill due to increments.</p> <p>New Pension contribution rates took effect in April 2011, following the Revaluation during 2010/11. The employer's rate has been built into the budget, but mitigated by extending the period over which the deficit is recovered, from 22 to 25 years.</p> <p>Price inflation has been provided on contractually or quasi-contractually committed budgets at the rate stated in the relevant agreement.</p> <ul style="list-style-type: none"> • Interest rates paid for 2012/13 have been assumed at 5.44% from April 2011 for temporary investment and 4.75% for any new borrowing. •
3. Estimates of the level and timing of capital receipts.	<p>The budget proposals for 2012/13 assume the following with regard to interest on funds.</p> <p>Revenue - that average investment funds will produce interest at a rate of 0.7% (the bank base rate not expected to increase from 0.5% until September 2013), this income will be available to support the revenue budget.</p> <p>Capital receipts will be treated as general cash balances when investing and any interest earned will be available to support the revenue budget.</p>
4 The treatment of income	<p>Fees and charges have been increased at a rate faster than inflation at RPI plus 4%, resulting in an 8.4% uplift.</p> <p>There have been shortfalls in income in 2011/12 due to factors such as elasticity of demand in the current economic climate. This issue has been considered as part of the income review into fees and charges. This review has considered the level of income as monitored in the monthly revenue monitors to Cabinet, and considered the impact of increases in charges, or the freezing of charges on the 2012/13 budget.</p>

Budget Assumption	Financial Standing and Management																		
5. The treatment of efficiency savings/ productivity gains.	All Strategic Managers have a responsibility to ensure the efficient delivery of services and when efficiency savings are proposed that those savings are both realistic in terms of the level of savings and timing. Should the level and timing of such savings vary due to unforeseen events and under-spending, management action or policy actions within the relevant Business Area and corporately, will be implemented as demonstrated in monthly revenue monitors to Cabinet.																		
6. The financial risks inherent in any significant new funding partnerships, major outsourcing deals or major capital developments	The sharing of risk is in accordance with the principle of the risks being borne by the party best placed to manage that risk. Inherent risks include any guarantee or variation of service throughput (service volumes). If risks materialise the expectation is that such an eventuality will be considered in future years' budgets and general fund reserves restored to at least the minimum prudent level.																		
7. The availability of other funds to deal with major contingencies	The minimum level of reserves assumes that management and policy actions will be taken to address major contingencies. Should these be insufficient, the minimum level of reserves may have to be used temporarily and restored to at least their minimum prudent level or the optimal level through future budgets. A risk based approach is set out at in a separate report, reviewed annually.																		
8. The overall financial standing of the authority (level of borrowing, debt outstanding, council tax collection rates etc)	<p>The Council has debts of £278m as at December 2011. Were we to fund capital expenditure by borrowing we would budget prudently, avoiding external borrowing where cash resources allow.</p> <p>The capital programme assumes that there will a reduction in prudential borrowing, and it will only be retained if the expenditure is self-funding.</p> <p>The revenue budget assumes that external borrowing will be used to fund capital expenditure for 2012/13 until such time as expenditure or capital receipts income is reprofiled to remove this assumption.</p> <p>The assumed (ultimate) Council Tax collection rate for 2012/13 onwards is 98.5% and judged to be achievable. For each 1% not collected, the cost is approximately £1.290m in lost income to the Council in 2013/14. Legislation requires that any Collection Fund deficit be corrected through the Council Tax in the next year. The surplus is distributed in 2012/13.</p>																		
9. The authority's track record in budget and financial management.	<p>The Council's recent track record in budget and financial management 2005 to 2012 shows potential variations from a £2.1m overspend to a £0.3m underspend (a range of £2.4m). The trend in the last three years has been one of overspending, but with managed impact in the following year (hence the gradual removal of the impact of the £2.1m overspend in 2008/09 from the following two years).</p> <table border="1" data-bbox="568 1753 1497 2027"> <thead> <tr> <th>Financial Year</th> <th>(£'000)</th> <th>Underpend/Overspend</th> </tr> </thead> <tbody> <tr> <td>2005/06</td> <td>(196)</td> <td>Under</td> </tr> <tr> <td>2006/07</td> <td>(303)</td> <td>Under</td> </tr> <tr> <td>2007/08</td> <td>(133)</td> <td>Under</td> </tr> <tr> <td>2008/09</td> <td>2,141</td> <td>Over</td> </tr> <tr> <td>2009/10</td> <td>919</td> <td>Over</td> </tr> </tbody> </table>	Financial Year	(£'000)	Underpend/Overspend	2005/06	(196)	Under	2006/07	(303)	Under	2007/08	(133)	Under	2008/09	2,141	Over	2009/10	919	Over
Financial Year	(£'000)	Underpend/Overspend																	
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2007/08	(133)	Under																	
2008/09	2,141	Over																	
2009/10	919	Over																	

Budget Assumption	Financial Standing and Management		
	2010/11	518	Over
	2011/12*	1,096	Over
	Total 2005 to 2012		Over
	<p>* As projected at Period 9 monitoring</p> <p>However, this has been achieved by considerable management and policy actions to ensure spending is in line with the budget each year.</p> <p>Base budget under provision, the full year effect of previous decisions, demographic growth and legislative change have been identified and will continue to be identified during the budget and Medium Term Planning process.</p> <p>Ultimately, financial performance relies on all budget holders actively managing their budgets and complying with financial regulations, including not committing expenditure if there is no budget provision available.</p>		
<p>10. The authority's capacity to manage in-year budget pressures</p>	<p>The authority needs to continually improve its ability to manage in-year budget pressures. The following steps are already in place:</p> <ul style="list-style-type: none"> • Overspends are ringfenced to services, carried forward and offset against the following year's budget • Accuracy of estimates has been improved over the year, but further work is required. • The monitoring system continues to be improved in terms of accuracy, the frequency of reporting and the challenge process. <p>The 2011/12 projected overspend at Period 9 (December) reported to Cabinet on 8 February 2012, was £1.096m, and is being responded to.</p> <p>Equally, the ability to manage in-year pressures has been recognised in the risk appreciation of the level of Reserves, resulting in the implementation of plans to increase the level over a period of years.</p>		
<p>11. The strength of the financial information and reporting arrangements.</p>	<p>It has been recognised that the financial information and reporting arrangements needs to be strengthened. The Council needs to fully implement commitment accounting, and improve the usability of the system for non-financial users. Improvements to the SAMIS accounting system have been implemented in 2011/12, including the use of the 'Collaborative Planning' module.</p>		
<p>12. The authority's virement and end of year procedures in relation to budget under/overspends at authority and departmental level.</p>	<p>The Council's virement and carry forward rules are clear and contained within the Constitution as updated in February 2011. The Council is operating management disciplines to ensure management and policy actions are considered in relation to overspending budgets. Generally virement is considered at a corporate level against corporate priorities, including the contribution towards the optimal level of general fund reserves. The Council operates a policy of clawing back overspends from the relevant Business Areas in the following year – a discipline which needs to be maintained.</p>		
<p>13. The adequacy of the authority's insurance</p>	<p>The Council's insurance arrangements are a balance between external insurance premiums and internal funds to "self-insure" some areas. Premiums and self-funds are reactive to external perceptions of the risks faced by the</p>		

Budget Assumption	Financial Standing and Management
arrangements to cover major unforeseen risks.	Council which includes both risks that are generic to all organisations and those specific to the authority. The level of the Insurance Reserve has been reviewed and is judged to be adequate; the position being that estimated outstanding liabilities are covered by the balance on the Reserve.

Appendix 7

Pay and Reward Policy For All Council Staff 2012-13

Contents

1. Introduction
2. Legal Framework
3. Definitions
4. Principles
5. Notice Periods
6. Pensions
7. Senior Pay
8. Accountability and Decision Making on Remuneration and Reward
9. Review of Policy

Appendices

- i) **Appendix A – Shropshire Council Pay Scales (NJC Staff)**
- ii) **Appendix B – Pensions and Retirement Policy**
- iii) **Appendix C – Redundancy and Compensation Policy**

Summary

Shropshire Council recognises the importance of managing pay fairly and in a way that motivates staff to make a positive contribution to the Council. All staff should be appropriately rewarded and valued for their work. The decisions that are taken to determine starting salaries or to recognise a change in duties and responsibilities are crucial to maintaining equality of pay across the Council. All posts at Grades 1 to 10 within the Council's organisation structure have gone through an NJC job evaluation process in recent years, all PO Graded posts are currently being evaluated using the Monks scheme with a target implementation date of April 2013.

1.0 Introduction

1.1 Shropshire Council has a clear written policy on wages and salaries for all staff employed at the Council to ensure that all staff are rewarded fairly, without discrimination, for all the work they do.

1.2 When reviewing the pay policy, Trade Union Representatives will be consulted as appropriate and their views taken into account when deciding the pay policy.

1.3 Shropshire Council recognises that pay is not the only means of rewarding and supporting staff, and the Council will work to ensure that all staff have good working conditions, regular access to appropriate development and training opportunities, and other forms of financial and non-financial reward.

1.4 This policy will aim to reflect:-

- Fairness and equality of opportunity
- The need to encourage and enable people to perform to the best of their ability
- The need to recruit and retain skilled, experienced, and qualified staff in a competitive market
- The desire to operate a transparent pay and grading structure.

1.5 Shropshire Council's employment offer includes a wider range of benefits alongside pay – access to learning and development, flexible working, performance management, and the opportunity to undertake work of public value.

1.6 To make these principles work, Shropshire Council needs remuneration arrangements which:-

- Are based on a clear and rational process for setting and reviewing the pay of employees;
- Provide a pay framework and levels of remuneration which are sufficiently flexible and reasonably competitive, taking account of relevant benchmarking, and market related pay data;
- Enable the Council to recruit and retain employees with the required skills, knowledge and experience; and
- Are affordable by the Council and support the provision of good quality public services.

1.7 Shropshire Council will make this policy and any related procedures available to all staff, ensuring that any concerns, complaints or formal appeals about its application are managed promptly, fairly and objectively.

1.8 Shropshire Council wishes to ensure that development and promotion opportunities, where possible, are available to all employees.

1.9 Shropshire Council will not promote staff through the grading system nor use other pay mechanisms in order to assist in securing an employee's improved pension entitlement on retirement.

2.0 Legal Framework

2.1 The primary legislation governing equal pay is the Equalities Act 2010 and subsequent amendments. This requires employers to ensure that men and women in the same employment, carrying out equivalent work (as defined below), receive the same level of pay. The following terms are contained in Equal Pay Legislation:

- 'Like work' is defined as work which is the same or broadly similar
- 'Work rated as equivalent' is defined as work which has achieved the same or similar number of points under a job evaluation scheme.

- 'Work of equal value' is defined as work which is broadly equal in value when compared under headings such as effort, skill and decision making responsibility.

2.2 In addition, indirect discrimination has been incorporated into equal pay as a result of case law in the UK and Europe. Indirect discrimination may arise when pay policy has a disproportionate impact on one particular sex.

2.3 Differences in pay may be justified where it is established that the difference is for a genuine and material reason which is not related to gender.

3.0 Definitions

3.1 For the purposes of this policy and in line with legislation, pay is defined by Article 141 of the Treaty of Rome as:

The ordinary basic or minimum wage or salary and any other consideration, whether in cash or kind, which the worker receives, directly or indirectly, in respect of his (or her) employment from his (or her) employer.

3.2 Pay therefore includes allowances, pensions, discretionary bonuses, annual leave and sick pay, as well as other non-financial benefits such as vocational training.

3.3 Chief Officer means the Chief Executive, Corporate Directors, Director of Health and Care, Area Directors, Monitoring Officer, s151 Officer, Corporate Heads of Service and Group Managers. For further details of the Council's delegations to officers including delegations to Chief Officers, see Part 8 of the Council's Constitution or follow the link below:

[http://www.shropshire.gov.uk/democracy.nsf/viewAttachments/LSIY-8QFMD7/\\$file/08-part-8-delegations-to-officers.pdf](http://www.shropshire.gov.uk/democracy.nsf/viewAttachments/LSIY-8QFMD7/$file/08-part-8-delegations-to-officers.pdf)

4.0 Principles

4.1 Pay Structures

4.1.1. Shropshire Council's pay structure is currently split across three sectors, described below. The pay range for a large proportion of staff will be based on the NJC framework for Local Government Services. (The Green Book). The national pay spine will apply for posts on Grades 1 to PO 22. There have been no increases in the National Pay Spine since April 2009, and all salaries are being reduced, as part of changes by the Council to staff terms and conditions of employment, except for those employees on the lowest pay levels, in two stages in October 2011 and 2012, respectively. Current arrangements for these grades provide for individuals to receive annual incremental progression within the grade, on the basis of their performance at work.

(NB. Incremental progression has been frozen from 1 April 2011 until 31st March 2013 to enable the introduction of a new Performance Management system).

4.1.2. All other pay related allowances are the subject of either nationally or locally negotiated rates, having been determined from time to time in accordance with

collective bargaining machinery and/or as determined by Council Policy. In determining its grading structure and setting remuneration levels for all posts, the Council takes account of the need to ensure value for money in respect of the use of public expenditure, balanced against the need to recruit and retain employees who are able to meet the requirements of providing high quality services to the community, delivered effectively and efficiently and at the times at which those services are required.

4.1.3. Following local negotiations, pay levels have been reduced as one of Shropshire Council's measures to manage significant cuts in its funding, while protecting the future employment of its current staff, and reducing the costs of redundancy on the public purse. The level of reduction has been designed to protect employees on lower pay levels. The table below shows the scope of the first phase of the reductions (in October 2011), and shows the reduced pay for lower paid employees:

SCP Range	Reduction In Value
4 - 7	0%
8 - 9	1%
10	2%
11 - 60	2.7%
Senior Pay Band	2.7%

A further reduction of up to 2.7% on the new pay rates will be put into effect from 1 October 2012. Negotiations are currently taking place with the Trade Unions on this and staff will be kept updated regarding this.

4.1.4 Equal Opportunity Considerations – pay and conditions will apply equally to employees working full-time and part-time in accordance with the Part-time Employment (Prevention of Less Favourable Treatment) Regulations 2000.

See Appendix A for current pay scales for Grade1 to PO22.

4.2 Pay Range – Grades 1 to 10

4.2.1. For the majority of its staff, Shropshire Council operates a Grade 1 to 10 pay structure, ranging from spinal column point (SCP) 4 to SCP 34. Job Evaluation has been carried out for this range of grades using the National Joint Council (NJC) Job Evaluation Scheme, to ensure fair treatment based on the level of duties and responsibilities involved in each job.

4.2.2. Salary on recruitment in all pay ranges should be set at a level within the range consistent with attracting and securing the appointment of good calibre people. Flexibility exists to pay a higher incremental point or a higher salary within the range for both recruitment and retention purposes. Such practice must be made within budgetary arrangements and taking account of equality implications.

4.2.3. The lowest remuneration for Council employees is Grade 1, SCP 4 £12,145 p.a. These are, in essence, the council's "lowest paid employees", by the fact that

this grouping comprises the lowest paid workers in the council. These jobs have been objectively evaluated against their job content in the course of the implementation of Job Evaluation in Shropshire Council. (The Council also employs apprentices who are not included within the definition of 'lowest paid' as they are temporary training posts).

4.3 Pay Ranges – Principal Officer (PO) 1 to 22

4.3.1. Shropshire Council operates the PO pay scale, ranging from SCP 33 to SCP 57, which currently overlaps with the pay scale below. These cover posts requiring a high level of technical/ professional competence or have management responsibilities. Job Evaluation is currently underway for this range of grades using the Monks Evaluation Scheme.

4.3.2. All posts currently being paid at Grade 11 have already been evaluated using the NJC Scheme. These posts have also been compared against the Monks JE Scheme, in order to moderate their grade and also to ensure that the two schemes interlink correctly.

4.4 Pay Ranges – Senior Pay Band

4.4.1. The Senior Manager Pay bands were revised in December 2010. They were determined following an assessment of median base pay for Public Sector Managers carried out by Price Waterhouse Coopers in September 2010. They will be reviewed annually through an objective market assessment from April 2013, to ensure continued competitiveness. The rates have been reduced by 2.7% with effect from 1 January 2012, and will be reduced further in October 2012, in line with pay for other Council staff. The pay ranges are shown below.

Grade	Pay Range	% Reduction Wef 1 Jan 2012	Revised Pay Range wef 1 Jan 2012	Job Title
SPB 1	£160 - £180 k	2.7	£155,680 - £175,140*	Chief Executive
SPB 2	£125 - £135 k	2.7	£121,625 - £131,355	Corporate Director
SPB 3	£100 - £110 k	2.7	£97,300 - £107,030	Area Director
SPB 4	£70 - £85 k	2.7	£68,110 - £82,705	Group Managers & Corporate Heads of Service
SPB 5	£55 - £65 k	2.7	£53,515 - £63,245	Service Manager

*SPB1 Chief Executive's pay was reduced voluntarily wef 1 October 2011, and will reduce further in October 2012, in line with pay for other Council staff.

4.5 Other Pay Schemes

4.5.1 Shropshire Council has a small number of employees on other nationally determined pay scales and conditions, including:

- Soulbury (teaching staff now in school support roles)
- NJC for Youth Workers
- Craft Workers

4.5.2 These pay schemes are used to give greater flexibility to meet particular service needs and assist in recruitment and retention of appropriately qualified and experienced staff.

4.6 Salary Progression

Grade 1 to PO22

4.6.1. Incremental progression within the evaluated grade is due on the 1st April each year based on performance at work, or 6 months after appointment if less than 6 months in the new grade by 1st April, i.e. an increment is paid after 6 months if the employee is appointed between 1st October and 31st March. However, a 2 year freeze of incremental progression was introduced following consultation with the trade unions. The freeze is currently in place commencing on 1 April 2011 until 31 March 2013. The freeze affects paragraphs 4.6.3, 4.6.4 and 4.6.5 below.

4.6.2. Posts are usually advertised within salary bands which contain several annual increments, and where the top of the salary band advertised represents the maximum incremental point within that pay range. Appointments are normally made at the minimum of the pay range, unless there is an objectively justifiable reason e.g. the candidate's previous experience or difficulties in recruiting at the lowest pay point. However, the advice of Human Resources experts must be sought in these cases, to ensure equality issues have been considered.

4.6.3. Incremental progression (for posts on NJC for Local Government Services terms and conditions) within the pay range for the job takes place until the maximum SCP of the job is achieved.

4.6.4. **Accelerated Increments** -The salary of an employee may be accelerated within the grade on the grounds of special merit or ability, by up to two increments, provided that the maximum of the grade is not exceeded. The additional benefit of increments granted in this way is not carried over on the regrading of the post or on the employee's promotion to a higher graded post.

4.6.5. Additional Increments

4.6.5.1. Up to two additional increments may be granted to employees (graded on an NJC grade) beyond the normal maximum of the grade of the post to which they are appointed.

4.6.5.2 The award of up to two additional increments may only be made to employees who have consistently achieved a high level of performance and who have made a significant contribution to the Council's work.

4.6.5.3 All employees who have completed 35 years of service will be considered, but not automatically accepted for the additions.

4.6.5.4 At any one time, the number of employees receiving additional increments shall not exceed 3% of the number of full time employees employed under the conditions of service to which the scheme applies.

4.6.6. Honoraria

4.6.6.1. An employee, who for any reason other than the annual leave of another employee is called upon at the request of their Directorate to undertake the full duties and responsibilities of a higher graded post for a continuous period of at least four weeks, is entitled to be paid in accordance with the grading of the post temporarily occupied. The salary to be paid in such circumstances is the salary that would apply if the employee were promoted to the higher graded post. Once the qualifying period of four weeks has been satisfied the higher salary will be paid with effect from the first day on which the employee was required to undertake the full duties and responsibilities of the higher post.

4.6.6.2. In any case where there is no automatic entitlement to a higher salary the Council may consider granting an honorarium (of an amount dependent upon the circumstances of each case) to an employee who performs duties outside the scope of his post over an extended period or where the additional duties and responsibilities involved are exceptionally onerous.

4.6.7 Ex Gratia Payments

4.6.7.1. The principal purpose of the ex-gratia payments scheme is to maintain the goodwill of staff who have suffered personal loss during the course of their duties and where no provision exists for the claim to be referred to the council's Insurers.

Senior Pay Band

4.7.1 New appointments will normally commence on an 'entry salary' within the bottom 10% of the salary band. However, this may be adjusted to take account of previous experience and remuneration.

4.7.2. Any additional payment within the Senior Pay Band will be based on performance in relation to the achievement of objectives and on meeting the behavioural competences set. A pay pot will be determined each year based on an agreed percentage of the Senior Pay Band salaries budget. The Remuneration Committee will agree the pay pot.

The actual percentage paid to an employee at the end of the performance year depends on:

- Size of agreed Pay Pot
- Actual salaries for the group

- Individual Performance against agreed objectives
- Performance related pay awarded using a normal distribution curve as a moderation mechanism.
- Salaries pitched around affordability and market pressures.

The Remuneration Committee will determine pay increases for SPB grades 1-3.

The Strategic Management Group will recommend pay increases in SPB grades 4-5 for the approval of the Remuneration Committee.

Performance related pay awards will not bring the level of individual pay above the top of the relevant Senior Pay Band.

Additional payments are currently frozen until 31 March 2013.

4.8 Pay Review

4.8.1. Grades 1 to PO22 are reviewed in line with the National Pay Award for Local Government staff.

4.8.2 Shropshire Council's Senior Pay Bands are locally determined and not subject to national pay negotiations by the JNC for Chief Executives and Chief Officers in Local Authorities. There are no cost of living increases any adjustments to the pay band range are based on affordability and market forces.

4.9 Market Supplement

4.9.1. Basic pay may be supplemented by a market supplement which reflects the current national or regional rate for the nature of the post, as long as market evidence on demand for these skills supports it. This market supplement will apply to a relatively small number of people, and will be subject to review, e.g. Children's Safeguarding Social Workers.

4.9.2. Any Market Supplements are reviewed annually and can be adjusted or removed in line with market changes.

4.10. Recruitment and Retention Payments

4.10.1 The Corporate Head of Organisation Development has delegated powers under Shropshire Council's Constitution to introduce and maintain employee benefits, other than the provision of cars, where these are likely to assist with recruitment and retention and where the costs can be found within existing budgets.

4.10.2. This delegation has been used to address serious recruitment and retention issues within specified areas and specific posts within Children and Families Social Work Teams. With effect from February 2010, new employees have received a one off initial incentive payment of £2,857 gross and existing employees a retention

payment of £2,857 gross. Clear criteria apply, including a requirement to repay these amounts on leaving if this takes place within 2 years of appointment, and review periods to ascertain whether to continue, modify or remove these payments.

4.11 Pay Data

4.11.1. Shropshire Council will obtain up to date local, regional and, if appropriate, national pay data to inform decision making on local pay awards and market levels, alongside, other relative factors e.g. labour turnover rates.

4.12 Allowances

- **Sick pay**

Short term sick pay

If an employee has already had one or more periods of sickness absence in the previous twelve months, the Council does not pay sick pay for the first three working days of sickness.

Long term sick pay

During 1st year of service 1 month's full pay

During 2nd year of service 2 months' full pay

During 3rd year of service 4 months' full pay

During 4th and 5th years of service 5 months' full pay

After 5 years of service 6 months' full pay

- **Overtime**

Additional hours / overtime, which are not eligible for an enhancement (for night, weekend or public holiday work), will be paid at plain time.

- **Subsistence**

Subsistence payments for reimbursement of the cost of breakfast and evening meal are made when an employee is required to stay away from their home overnight on Council business, on production of appropriate receipted evidence of such expenditure.

- **Annual Leave**

All staff are eligible for 25 days annual leave plus bank holidays per year, with 5 days extra awarded to those staff with 5 years local government service, giving a maximum entitlement of 30 days a year. (There is a phased reduction over a two and a half year period in place at present to meet this requirement, recognising that staff entitlement is currently greater than this. All staff will be subject to the new scheme by 1 April 2014).

- **Office Hours / Annualised Hours**

From 1 October 2011, the public opening hours for Shropshire Council are 7am to 7pm, Monday to Friday and 8am to 1pm on a Saturday. All staff are subject to Annualised Hours, i.e. they are contracted to work a set number of hours over a year, not a fixed working week, with working patterns being made in line with a new Flexible Working Hours policy.

- **Callout/Standby**

Payments are made to reflect the unsociability of working in particular circumstances, where an employee is recalled to work at short notice. These are locally agreed.

- **Relocation**

Shropshire Council may provide relocation assistance to new recruits as part of the employment package; this is offered on an exceptional basis to attract candidates to hard to fill roles. The Council does not make payments to employees to reflect the costs of increased travel to work if the employee's work location changes. Approval of relocation assistance is delegated to the Corporate Head of Organisation Development.

- **Car Allowances**

Employees using their cars, motor cycles or cycles for the efficient performance of their duties, which have been agreed by their line manager, will be eligible to receive an allowance in line with HMRC Approved Mileage rates as follows (effective from 1 April 2012 backdated to 1 January 2012)

Cars Up to 10,000 miles (in each financial year April to March) – 45p per mile

Over 10,000 miles (in each financial year April to March) – 25p per mile

Motor Cycle 24p per mile

Cycles 45p per miles for the first 10,000 miles (for cycles, reimbursement above 20p per mile is liable for income tax)

4.13 Termination of Employment

4.13.1. In relation to the termination of employment, the Council will have due regard to making any appropriate payments where it is in the Council's best interests. Any such payments will be in accordance with contractual or statutory requirements and take into account the potential risks and liabilities to the Council, including any legal costs, disruption to services, impact on employee relations and management time. This is consistent with the risk management practices of well governed organisations in private, public and voluntary/charitable sectors.

4.13.2. Shropshire Council has adopted a policy preventing any employee who has retired early from being re-employed or re-engaged by the authority other than in exceptional circumstances.

5.0 Notice Periods

5.1 The contractual period of notice required to be given to an employee to terminate their employment, and that required of them on resignation, will be clearly stated in the terms of their appointment. The following local scheme on contractual notice periods has been adopted for NJC employees:-

Those graded up to and including Grade 8	1 month
Those on Grade 9 to P08 (scp 29-43) inclusive	2 months
Those graded P09 (scp 41-44) and above	3 months

5.2 The contractual notice period for Chief Officers is 3 months.

5.3. The statutory provisions relating to minimum periods of notice to be given by the employer to any employee are as contained in the Employment Rights Act 1996

Period of continuous employment - Minimum notice

One month or more but less than 2 years	Not less than 1 week
Two years or more but less than 12 years	1 week for each year of continuous service
12 years or more	Not less than 12 weeks

5.4 The employer's obligation to the employee under the contractual notice agreed must always be read against any additional notice required to be given to the employee under the statutory grade. Therefore an employee with one month's contractual notice entitlement, with 5 years' service, will be entitled to five weeks statutory notice on the termination of their employment by the Council and an additional week's notice for each additional year's service up to a maximum of 12 weeks' notice.

6.0 Pensions

6.1 All Council employees are entitled to join the Local Government Pension scheme (LGPS) which is offered by Local Government Employers. If staff are eligible for membership of the LGPS, they will automatically become a member of the "scheme". To be able to join the LGPS, employees need to have a contract employment for at least three months duration and be under the age of 75. Employees have the right to decide not to join the "scheme". The benefits and contributions payable under the Fund are set out in the Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007 (as amended). Appendix B provides details of

Shropshire Council's Pensions and Retirement Policy and Appendix C details of the Council's Redundancy and Compensation Policy.

6.2 The current level of contribution to the scheme by employees effective from 1 April 2011 is as follows, based on full time equivalent pensionable pay:

Band	Full-time equivalent pay	Contribution rate
1	Up to £12,900	5.5%
2	£12,901 - £15,100	5.8%
3	£15,101 - £19,400	5.9%
4	£19,401 - £32,400	6.5%
5	£32,401 - £43,300	6.8%
6	£43,301 - £81,100	7.2%
7	£81,000	7.5%

7.0 Senior Pay

7.1. The salary levels of Chief Officers on appointment is set by elected members, at the relevant committee of council. The salary details for Chief Officers are published at:

<http://www.shropshire.gov.uk/opendata.nsf/open/C9FDB1C9DB74769980257829003B6C52>

This information has been published since October 2010, and was updated in March 2011 in the interests of openness and transparency, and shows levels of remuneration for Chief Officers for the previous financial year. The definition of Chief Officer is contained in paragraph 3.3 above.

7.2 Under Regulation 4 of the Accounts and Audit (Amendment No2) (England) Regulations 2009 [SI 2009 No.3322] the Council has a legal requirement to report the remuneration of senior employees as part of its published salaries information. This requirement has now been reinforced under section 38 (1) of the Localism Act 2011, which requires the Council to produce a pay policy statement on an annual basis.

7.3 The process for the recruitment and remuneration of Chief Officers is set out in Part 4 of the council's constitution.

Where Council proposes to appoint the Chief Executive or a Director, the post will be advertised externally on a national basis, unless there are exceptional circumstances to restrict appointment to eligible current staff, e.g. to avoid redundancy.

Where the Council proposes to appoint a Chief Officer, the Council will:

- (a) draw up a statement specifying:
 - (i) the duties of the post concerned; and
 - (ii) any qualifications or qualities to be sought in the person to be appointed.
- (b) make arrangements for the post to be advertised in such a way as is most likely to bring it to the attention of persons who are qualified to apply for it; and

(c) make arrangements for a copy of the statement mentioned in paragraph (a) to be sent to any person on request.

7.4 (a) The full Council will approve the appointment of the Head of Paid Service following the recommendation of such an appointment by a committee or sub-committee of the Council. That committee or sub-committee must include at least one member of the Executive of the Council.

(b) The full Council may only approve the appointment of the Head of Paid Service where no well-founded objection has been made by way of any member of the Executive.

7.5 The Chief Executive's total remuneration package includes fees payable for duties as Returning Officer in all local elections. Where appropriate, fees for European and National elections and referenda are set out and paid by central government directly to the Chief Executive as Returning Officer.

7.6 The relationship between the rate of pay for the lowest paid Council employees and the chief officers' is determined by the processes used for determining pay and grading structures as set out earlier in this policy statement . The statutory guidance under the Localism Act recommends the use of pay multiples as a means of measuring the relationship between pay rates across the workforce and that of senior managers, as included within the Hutton review 'Review of Fair Pay in the Public Sector' 2010. The Government supports the case for a fixed limit on dispersion of pay, through a requirement that no public sector manager can earn more than 20 times the lowest paid person in the organisation. The Hutton report concluded that the relationship to median earnings was a more relevant measure and the Government's Code of Recommended Practice on Data Transparency recommends the publication of the ratio between the highest paid salary and the median average salary of the authority's workforce.

7.7 The remuneration of the Chief Executive is £175,140 per annum, and this will reduce further by up to 2.7% in October 2012, in line with pay for other Council staff. The median basic remuneration for a full time equivalent employee of Shropshire Council is £18,610 per annum. The mean basic pay, based on 5,495 posts ranging in pay from the Chief Executive's remuneration to Grade 1 (SCP 4 - £12,145), is £22,105. The current pay multiple from top to bottom of the organisation is 1:14. The ratio from the median pay to the Chief Executives pay is 1:10, which is well within the recommended limits.

7.8 Chief Officers do not receive bonuses.

7.9 Chief Officers who hold a statutory role, including the Section 151 Officer and Monitoring Officer receive a responsibility allowance of £15,000 per annum.

7.10 All Chief Officers are eligible for the same Car Allowance as outlined for all employees in section 4.9 above

7.11 Chief Officers are currently entitled to 32 days annual leave. However, as part of changes to terms and conditions, this will reduce to 30 days by 1 April 2014, to equalise such entitlement with other staff.

7.12 The Council will, have regard to the specific legal requirements which apply to the termination of employment of the Head of Paid Service, the Section 151 Officer and the Monitoring Officer as its Statutory Officers.

8.0 Accountability and Decision Making on Remuneration and Reward

8.1 The Council's Cabinet has powers delegated to it in accordance with Section 3 of the Constitution, to make decisions on major policy matters affecting the council as a whole and to make decisions which have significant service or resource implications across the Council as a whole. This includes significant locally determined changes to staff terms and conditions and remuneration.

8.2 The Employees' Joint Consultative Committee which consists of Trade union representatives and Members is constituted to agree changes to employee terms and conditions, such as changes to allowances, mileage, and annual leave, subject to ratification by Cabinet and, where the decision has significant financial implications, by full Council.

8.3 The Council's Human Resources Sub Committee has delegated authority to act in relation to the appointment, terms and conditions, discipline, capability, suspension or dismissal of the Chief Executive, statutory and non-statutory Chief Officers, and Deputy Chief Officers

8.4 The Remuneration Committee is constituted to provide on-going governance of Chief Officers pay and reward. It is due to be established during 2012 and will be chaired by a Cabinet Member, plus 4 other elected members (3 Majority Group and 1 Opposition Group Member) a Corporate Director, Corporate Head of OD, and an independent advisor. The role of the Remuneration Committee will be to:

- Set the pay pot for Senior Pay Band managers
- Agree average award percentages
- Approve SPB salary bands
- Receive recommendations from Strategic Management Group
- Approve salaries and increase for SPB 1-3
- Set on going pay policy for Senior Pay Band managers
- Review equality monitoring information

9.0 Review of the Policy

9.1 This policy will be subject to annual review and amendment, taking account of legislation, external best practise, internal data on recruitment and retention and external pay data etc.

Appendix 7 Annex A

Shropshire Council Current Grades, Salary Scales and Hourly Rates

A list of grades and the salary points within each grade are given in Column A. Individual salary points are listed in Column B.

Columns C and D give the current annual salary and hourly rates for each salary point for all staff subject to the Terms and Conditions changes introduced in 2011/12. These rates are with effect from either 1 October 2011, 1 January 2012, or 1 February 2012, depending on your staff group/working hours.

Further pay reductions are expected with effect from 1 October 2012.

Column E shows the anticipated overall percentage reduction (that is, both reductions).

Column F gives the resultant annual salary figures with effect from 1 October 2012.

Note that it is the council's firm intention to look again how the second pay reduction may be reduced and all staff will be kept updated regarding this.

Column A	Column B	Column C	Column D	Column E	Column F
Grades and SCP	SCP	Annual Full-time salary	£ Hourly salary	Total % reduction (both reductions)	Anticipated Full-time salary with effect from 01/10/2012
Grade 1 = 4 - 5	4	£12,145	6.2954	0.0%	£12,145
Grade 2 = 5 - 7	5	£12,312	6.3820	0.0%	£12,312
	6	£12,489	6.4737	0.0%	£12,489
	7	£12,787	6.6282	0.0%	£12,787
Grade 3 = 8 - 10	8	£13,057	6.7682	1.50%	£12,991
	9	£13,453	6.9734	2.00%	£13,317
	10	£13,597	7.0481	3.00%	£13,458
Grade 4 = 11 - 13	11	£14,335	7.4306	5.40%	£13,937
	12	£14,633	7.5851	5.40%	£14,227
	13	£15,027	7.7893	5.40%	£14,610
Grade 5 = 14 - 17	14	£15,300	7.9308	5.40%	£14,876
	15	£15,621	8.0972	5.40%	£15,187
	16	£15,996	8.2916	5.40%	£15,552
	17	£16,376	8.4886	5.40%	£15,921
Grade 6 = 18 - 21	18	£16,698	8.6555	5.40%	£16,234
	19	£17,321	8.9784	5.40%	£16,841
	20	£17,955	9.3071	5.40%	£17,457
	21	£18,610	9.6466	5.40%	£18,093

Column A	Column B	Column C	Column D	Column E	Column F
Grades and SCP	SCP	Annual Full-time salary	£ Hourly salary	Total % reduction (both reductions)	Anticipated Full-time salary with effect from 01/10/2012
Grade 7 = 22 - 25	22	£19,091	9.8959	5.40%	£18,561
	23	£19,653	10.1872	5.40%	£19,107
	24	£20,295	10.5200	5.40%	£19,732
	25	£20,938	10.8533	5.40%	£20,357
Grade 8 = 26 - 28	26	£21,621	11.2074	5.40%	£21,021
	27	£22,338	11.5790	5.40%	£21,718
	28	£23,068	11.9574	5.40%	£22,428
Grade 9 = 29 - 31	29	£23,981	12.4307	5.40%	£23,315
	30	£24,784	12.8469	5.40%	£24,097

Column A	Column B	Column C	Column D	Column E	Column F
Grades and SCP	SCP	Annual Full-time salary	£ Hourly salary	Total % reduction (both reductions)	Anticipated Full-time salary with effect from 01/10/2012
	31	£25,567	13.2528	5.40%	£24,857
Grade 10 = 32 - 34	32	£26,322	13.6441	5.40%	£25,591
PO1 = 33 - 36	33	£27,097	14.0459	5.40%	£26,345
PO2 = 34 - 37	34	£27,863	14.4429	5.40%	£27,090
PO3 = 35 - 38	35	£28,447	14.7456	5.40%	£27,657
PO4 = 36 - 39	36	£29,201	15.1365	5.40%	£28,390
PO5 = 37 - 40	37	£30,018	15.5600	5.40%	£29,185
PO6 = 38 - 41	38	£30,897	16.0156	5.40%	£30,039
PO7 = 39 - 42	39	£31,914	16.5428	5.40%	£31,029
PO8 = 40 - 43	40	£32,752	16.9772	5.40%	£31,843
PO9 = 41 - 44	41	£33,616	17.4250	5.40%	£32,683
PO10 = 42 - 45	42	£34,473	17.8693	5.40%	£33,517
PO11 = 43 - 46	43	£35,333	18.3150	5.40%	£34,352
PO12 = 44 - 47	44	£36,201	18.7650	5.40%	£35,197
PO13 = 45 - 48	45	£37,015	19.1869	5.40%	£35,988
PO14 = 46 - 49	46	£37,909	19.6503	5.40%	£36,857
PO15 = 47 - 50	47	£38,779	20.1013	5.40%	£37,703
PO16 = 48 - 51	48	£39,641	20.5481	5.40%	£38,541

Column A	Column B	Column C	Column D	Column E	Column F
Grades and SCP	SCP	Annual Full-time salary	£ Hourly salary	Total % reduction (both reductions)	Anticipated Full-time salary with effect from 01/10/2012
PO17 = 49 – 52	49	£40,492	20.9892	5.40%	£39,369
PO18 = 50 – 53	50	£41,365	21.4418	5.40%	£40,217
PO19 = 51 – 54	51	£42,231	21.8906	5.40%	£41,059
PO20 = 52 – 55	52	£43,361	22.4764	5.40%	£42,158
PO21 = 53 – 56	53	£43,918	22.7651	5.40%	£42,700
PO22 = 54 – 57	54	£44,776	23.2099	5.40%	£43,533
	55	£45,644	23.6598	5.40%	£44,378
	56	£46,511	24.1092	5.40%	£45,221
	57	£47,344	24.5410	5.40%	£46,030
	58	£48,220	24.9951	5.40%	£46,882
	59	£49,083	25.4424	5.40%	£47,721
	60	£49,705	25.7648	5.40%	£48,325

Pensions and Retirement Policy

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1.0 Statement of Purpose/Objective

In supporting one of our core values of promoting diversity, the Council no longer applies compulsory retirement at 65. We also provide for early and flexible retirement as part of enhancing the Council's employment policies. Shropshire Council's retirement policy meets the requirements of the Employment Equality (Age) Discrimination Regulations 2006.

2.0 Scope

This policy applies to all Shropshire Council employees, other than those employed by schools, for whom a separate policy will apply.

3.0 Roles and Responsibilities

3.1 The Responsibilities of Managers

3.1.1 Managers have a statutory duty to ensure that all employees approaching retirement age are informed of Shropshire Council's retirement policy at a point 6 to 12 months prior to an employee reaching the age of 65. They are also required to be aware of the flexible retirement provisions.

3.2 The Responsibilities of Employees

3.2.1 Employees are responsible for deciding whether or not they wish to be a member of the pension scheme and for taking the necessary actions to request the transfer in of any other scheme membership as outlined in this policy. They are responsible for informing their Managers of planned retirement dates and of their wishes in terms of their employment beyond 65. They should do this 3 months prior to reaching the age of 65, unless their contractual notice allows this to be sooner. They are also responsible for following the relevant processes outlined below in respect of pension transfers, early retirement or flexible retirement.

4.0 Pensions

4.1 Joining the Pension Scheme and Contribution Rates

4.1.1 Employees will automatically become a member of the pension scheme, unless one of the following apply:

- Unless in a post in which the employee is required to join another public sector scheme, e.g. teachers
- Employed as a casual worker (unless they have mutuality of obligation, whereby the employer is obliged to provide work and the employee obliged to take it)

- Whereby the offer of employment, and subsequent contract does not exceed three months
- Where the employee has written to Shropshire Pension Fund to confirm they do not want to be a member of the pension scheme.
- Employees over the age of 75

4.1.2 Effective from 1st April 2011, employees' pension contribution rate will be based on their full time equivalent pensionable pay according to the following table:

Band	Full-time equivalent salary	Contribution rate
1	Up to £12,900	5.5%
2	>£12,901 - £15,100	5.8%
3	>£15,101 - £19,400	5.9%
4	>£19,401 - £32,400	6.5%
5	>£32,401 - £43,300	6.8%
6	>£43,301 - £81,100	7.2%
7	>£81,100	7.5%

The contribution band will be assessed using the full time equivalent salary plus any permanent pensionable extra payments.

For term time staff, the FTE will be based on the full time working across the term time weeks only, plus any permanent pensionable extras.

Any fee earning staff will be assessed on the previous year's earnings to 31st March.

The salary figures detailed in the table above will increase on 1st April each year by the rise in the Consumer Price Index.

4.1.3 In addition to pensionable contributions, an employee is able to purchase additional scheme pension in steps of £250 per annum, up to a maximum of £5,000. Advice on this is available from the Pensions team (see paragraph 11.1 below).

4.2 Re-assessment of bandings

4.2.1 The Council will re-assess bandings for all employees every April, with the exception of the following:

- Promotion or permanent/long term honoraria payments
- Down-grading or demotion
- A re-grading exercise

All of the above will prompt an immediate reassessment.

4.2.2 The Council will not re-assess pension contribution bandings after a back dated pay award.

4.2.3 All employees who are members of the scheme shall be informed of their current or new pension contribution banding after every annual reassessment.

4.2.4 Any appeal against a decision regarding an employees pension contribution banding, or any other decision relating to an employees rights or liabilities under the scheme, will be as detailed in paragraph 9.1 below.

4.3 Transferring Pension into the Shropshire Pension Fund

4.3.1 Employees may choose to transfer other pension rights into the Shropshire Pension Scheme. Advice on this is available from the Pensions team (see paragraph 11.1 below).

4.3.2 The request to transfer pension rights should normally be made within 12 months of the employee starting employment with Shropshire Council.

4.3.3 In exceptional circumstances, where an employee can show good cause, they may seek an extension to the first twelve months by up to a further 12 months before making a decision on making an application to transfer their pension rights subject to confirmation from their Corporate Director that they are not likely to retire, or be subject to ill-health retirement in the near future. In all instances, the employee should write to the Corporate Head of Organisation Development requesting an extension to the twelve months, detailing any extenuating circumstances.

4.3.4 Any appeal against a decision not to allow an employee to transfer pension rights, or any other decision relating to an employee's rights or liabilities under the scheme, will be as detailed in paragraph 9.1 below.

4.3.5 Relevant employees (those who have AVC contracts taken out prior to 13th November 2001) at retirement may request to transfer in AVCs (Additional Voluntary Contributions). Requests should be made within 1 month of retiring; however this may be extended to 3 months to allow for administrative procedures.

4.4 Certificates of "Protection of Pension Benefits"

4.4.1 With effect from 1st April 2008 a Certificate of Protection of Pension Benefits will no longer be issued. Existing certification issued prior to this date will still apply.

4.5 Augmentation

4.5.1 The local Government Pension Scheme Regulations permit employers to give added years pension benefits (augmentation) to employees.

4.5.2 Augmentation will be considered only in exceptional circumstances and is not an automatic entitlement. The Corporate Head of Organisation Development, in consultation with the Corporate Head of Finance and Commerce, has discretion to approve augmentation after taking into account all the financial implications.

4.5.3 Augmentation will also be permitted in accordance with the Council's Redundancy and Compensation Policy

5.0 Retirement

For information on all aspects of retirement please refer to the "Shropshire Fund Pension Scheme Booklet – a guide to your pension" available from the Pensions Team(01743 – 252130) or look on their website www.shropshire.gov.uk/pensions.nsf

5.1 Early Retirement on Compassionate or Exceptional Grounds

5.1.1 Early release of pension under regulation 30 of the LGPS (Benefit, Membership and Contribution) Regulations 2007 may be requested in certain circumstances by employees who are aged 55 or over but under 65. The circumstances where permission for early retirement in exceptional circumstances will be granted will be very limited.

5.1.2 Sympathetic consideration will be given to early payment of pension on compassionate grounds, e.g. where there is a need by a member of staff to provide long term care, which can be evidenced, to a dependant relative or partner. In such cases, the full pension will be payable, with no reduction for early release of the pension. The additional pension costs will be met from the particular budget to which their salary costs are attributed, as a lump sum when the employee leaves.

5.1.3 Release of pension in the circumstances of voluntary redundancy or efficiency is covered in the Redundancy and Compensation Policy.

5.1.4 Employees should obtain information about potential pension benefits in these cases from the Pensions team before submitting a formal request.

5.1.5 Early retirement requests will be considered initially by the appropriate Corporate Director and then passed for further consideration to the Corporate Head of Organisation Development, the Corporate Head of Finance and Commerce, and the Chief Executive as Head of Paid Service for submission for final approval, by the Early Retirement Panel.

5.1.6 Any appeal against a decision not to grant early retirement, or any other decision relating to an employees rights or liabilities under the scheme, will be as detailed in paragraph 9.1 below.

5.2 Early retirement on the grounds of ill health

5.2.1 With effect from 1st April 2008, a three tiered ill health retirement scheme will apply. Extra membership on the grounds of ill health retirement will be awarded on the following basis:

- If there is no reasonable prospect of the member of the scheme obtaining any gainful employment before the age of 65, extra membership of 100% of the period to the age of 65 will be awarded.
- If the member of the scheme is likely to be able to obtain “gainful” employment before the age of 65, but cannot do so within a period of three years of the estimated date of leaving, extra membership of 25% of the period to the age of 65 will be awarded
- If the member of the scheme is likely to obtain “gainful” employment within a period of three years of the estimated date of leaving, no extra membership will be awarded, and only accrued benefits will be payable. This payment is reviewable after a period of 18 months, once a further medical opinion of an Occupational Health Physician has been obtained. In the event of the employee obtaining gainful employment, the benefit will cease to be paid.

In this instance, “gainful” is defined as “paid employment for not less than 30 hours per week for a period of not less than 12 months”

5.2.2 The process for ill health retirements can be found within the Council’s policy on “Caring about Sickness”, Section 9

5.3 Flexible Retirement

5.3.1 Under the flexible retirement arrangements, employees who are members of the Local Government Pension Scheme, may request a reduction in their hours or move to a lower graded post and also draw their pension whilst continuing to work, under regulation 18 of the pension scheme regulations. This will be subject to management consent and will only be considered where there is a justifiable business case and the cost, if any, of early release of pension is managed within the section’s budget.

5.3.2 To be considered for this, employees must:

- be aged 55 or over
- work in a post or area of work where there are difficulties in recruiting; there are skill shortages or work of a particular nature which requires their skills;
- get authorisation for early release of their pension.

5.3.3 Employees who request a reduction in their hours or in the grade of their post should use the procedure outlined in the "Flexible Working Framework".

5.3.4 Early release of pension before age 65 may mean pension benefits are reduced. Employees should therefore obtain information on their pensionable benefits, which would apply in these circumstances before submitting a request. This is available from the Pensions team (see paragraph 11.1 below).

5.3.5 The decision to permit an employee to receive immediate payment of their pension under flexible retirement will be authorised by their Corporate Director, in discussion with the Corporate Head of Organisation Development.

6.0 Working beyond the age of 65

6.1 Job applicants over the age of 65

There will be no upper age restriction for job applicants to the Council. Where a job applicant aged 65 or over is appointed, they will receive the standard contractual terms which apply to the post.

6.2 Existing employees working beyond age 65

6.2.1 The Employment Equality (Age) Regulations 2006 state that employees have the right to request not to be retired. As Shropshire Council does not apply a compulsory retirement age, an employee can continue in their post beyond the age of 65 if they wish to do so.

6.2.2 Performance of all employees will continue to be reviewed through the normal annual performance appraisal mechanisms. When being appraised, no employee should be treated differently because of their age.

6.2.3 Employees approaching the age of 65 will be contacted 6 to 12 months prior to them reaching that age, informing them that they have the right to request not to retire and seeking their confirmation on whether they intend to retire or to continue to work.

6.3 Requests to continue to work beyond age 65

6.3.1 Directorate HR Teams will monitor and advise Managers when an employee is approaching 65 years of age.

6.3.2 Managers will send the employee a letter informing them of their right to work beyond retirement age with a form attached for the employee to complete and return to confirm their intention to retire or to continue to work (Contact your HR administrator in order to obtain copies of both of these documents - Appendix 1 and 2).

6.3.3 All employees are given the opportunity to request to work flexibly, which Managers will consider sensitively in the light of the needs of the service.

6.4 Implications for employees in the Local Government Pension Scheme (LGPS) who work beyond age 65

6.4.1 Employees in the LGPS who continue to work beyond 65

6.4.1.1 Employees over the age of 65 can remain in the scheme to the eve of their 75th birthday and their LGPS benefits earned up to age 65 will be increased to compensate for their late payment. Benefits must be paid from age 75, even if employment continues beyond that age.

6.4.2 Employees formerly in the LGPS who after a break in service are re-employed at 65 or above

6.4.2.1 Employees under the age of 75 can re-join and remain in the scheme up to that age and benefits must be paid from age 75, even if employment continues beyond that age. Any LGPS pension already in payment will not be affected, but any part of that pension resulting from added years given in early retirement cases may be subject to adjustment. Details are available from the pension section in individual cases.

6.4.3 Employees appointed at 65 or above with no previous reckonable service

6.4.3.1 Employees under the age of 75 can join and remain in the scheme up to that age and benefits must be paid from age 75, even if employment continues beyond that age.

7.0 Pre-retirement Courses

7.1 Employees who have indicated that they wish to retire will have the opportunity of attending a Pre-Retirement Course, to better prepare them for that change.

7.2 Further details are available from the appropriate Training Co-ordinator, to whom nominations should also be returned.

8.0 Links to Other Policies

8.1 This policy links to Shropshire Council's Flexible Working Framework and to the Council's Redundancy and Compensation Policy.

9.0 Pensions Appeals

9.1 In accordance with Regulation 58 of the Local Government Pension Scheme (Administration) Regulations 2008, the Council is required to draw all employees' attention to the fact that, if they are dissatisfied with any decision relation to their rights or liabilities under the Scheme, they may make an application to the Treasury and Exchequer Manager, the person appointed for resolving disputes. An appeal

must be made within six months of the event. Standard forms and guidelines are available from the Pension Team for this purpose.

If employees remain dissatisfied, they may apply for a reconsideration of the decision to the Corporate Head of Legal and Democratic Services. The final level of appeal would be to the Pensions Ombudsman.

In all instances, all initial concerns, or matters whereby an employee is not in agreement, should be referred to the Pensions Team or the Pensions Manager

10.0 Monitoring and Review

10.1 Human Resources will work with Managers to monitor the application of this policy. Shropshire Council may review any aspect of the procedure in the light of changing circumstances at any time, in consultation with the trade unions.

10.2 The policy will be reviewed at regular intervals, in conjunction with changes to legislation, and any changes to the regulations as informed by the LGPS that may impact upon it. The policy will be reviewed no later than 2 years after its implementation, in consultation with the trade unions.

11.0 Further Advice on Pensions

11.1 Advice and information on the Local Government Pension Scheme (LGPS) is available from the Pensions team who can be contacted on 01743 252130 or at pensions@shropshire.gov.uk. Further useful information can also be found at www.shropshire.gov.uk/pensions.nsf

Redundancy and Compensation (Abstract from Redundancy Policy)

1. Scope

The Policy applies to all Council employees, except those employed directly by schools, (please refer to the Schools Personnel Handbook a copy should be located in each school and in the Children & Young Peoples HR Team) It applies to employees whose appointments are subject to the following national conditions of service:-

- JNC for Chief Executives
- JNC for Chief Officers
- NJC for Local Government Services
- JNC for Youth & Community Workers
- The Soulbury Committee

Where National conditions of service contain additional provisions, these will be taken into account.

6. Redundancy and Compensation

6.1 Redundancy and compensation payments

6.1.1 All employees who are made redundant, whether that be following a call for volunteers in a particular area of service or who are compulsorily redundant, and have a minimum of 2 years continuous service with the Council and related employers, (local authorities and other specified public employers covered by the Redundancy Payments Modification Orders) will be entitled to receive an additional compensatory payment if their employment with the Council is terminated on grounds of redundancy. This paragraph does not apply where service has been augmented under Paragraph 6.3 .

6.1.2 Employees will receive the following entitlement:

Service	Entitlement
For service between ages 16 – 21	½ week's pay for each completed year of service multiplied by 1.5
For service between ages 22 – 40	1 week's pay for each completed year of service multiplied by 1.5
For service from age 41 and above.	1 ½ weeks' pay for each completed year of service multiplied by 1.5

A component of the above lump sum will be made up of the statutory entitlement listed at 6.1.1

The additional compensatory payment is calculated taking account of any local government service, and service covered by the Redundancy Payments Modification Orders.

6.1.3 "Service" is the equivalent of any continuous service with the Council and related employers (local authorities and other specified public employers covered by the Redundancy Payments Modification Orders) up to a maximum of 20 years in total.

6.1.4 "A week's pay" is equivalent to the employee's actual level of contractual earnings.

6.1.6 The total amount of service counted will be up to a maximum of 20 years. The total compensatory payment will not exceed the equivalent of 75 weeks pay.

6.1.7 In all cases, a week's pay will be calculated on the employee's actual level of contractual earnings.

6.1.8 For employees in Shire Services who have a contractual entitlement to "qualifying hours" and who, at any time during the 52 weeks immediately preceding the date on which notice to terminate employment is served, have worked qualifying hours in addition to contractual hours, a week's pay shall be 1/52nd of the aggregate of the contractual qualifying hours relating to the 52 weeks multiplied by the basic hourly rate of pay to which the employee is entitled on the date that dismissal is served.

6.2 Payment of Pension

6.2.1 Any employee who is subject to these redundancy provisions, who is aged 55 and over at the date of termination and is a member of the pension scheme, will be eligible to receive immediate payment of their pension.

6.2.2 In these cases, the employing service will meet any additional strain on pension fund.

6.3 Purchasing Additional Pension Benefits

6.3.1 If the employee is a member of the Local Government Pension scheme, there will be an option to purchase additional pension benefits under regulation 12 of the LGPS (Benefits, Membership and Contribution) Regulations 2007 as an alternative, but not as well as additional compensation under section 6.1 of the LGPS (Early Termination of Employment (Discretionary Compensation)) Regulations 2006 . The additional service cannot exceed 10 years and will be the period which can be purchased by the notional additional compensation i.e. the excess over the statutory payment calculated in accordance with paragraph 6.1. This will be at no extra cost to the Council and the calculation will take into account any additional pension costs met by the Council resulting from the early payment of pension benefits. The employee must be an active member of the LGPS and any decision to purchase additional pension benefits must be made before their employment is terminated.

6.4 Early Retirement on Grounds of Efficiency

- 6.4.1 Early release of an employee's pension will be considered where the employee is aged 55 or over and is a member of the Shropshire pension scheme. In all cases, the employing service must be able to demonstrate that the retirement will result in efficiencies for the service.
- 6.4.2 In situations where early retirement is granted on the grounds of efficiency of the service, there will be no entitlement to redundancy pay, as there is no redundancy and employees will receive the early release of their pension benefits only.
- 6.4.3 In these cases, the employing service will meet any additional strain on the pension fund.
- 6.4.4 Any decisions regarding retirement on the grounds of efficiency will be taken by the Early Retirement Panel.

Review of Policy

The policy will be reviewed at regular intervals, in conjunction with changes to legislation that may impact upon it.