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## FINANCIAL STRATEGY – 2013/14 TO 2022/23

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### 1 Summary

In February 2012 the Council agreed savings to be implemented in 2013/14 based on the latest resource projections and estimates of expenditure. These projections have been reviewed and refined as necessary throughout 2012/13 and the report to Cabinet on 16 January 2013 identified that, further to the announcement of the draft Local Government Finance Settlement, the Council's financial position for 2013/14 was in line with the initial projections agreed in February 2012. The January report recognised that further analysis of the draft data would be undertaken during January and that the final financial strategy report would use that information along with the final settlement details to finalise the 2013/14 budget. On 4 February 2013, the final Local Government Finance Settlement was announced. This report updates the Council's Financial Strategy to bring it into line with the final Local Government Finance Settlement. The report also includes updated information on specific grants, the latest estimate of the Council's share of the council tax collection fund and the Council's latest estimate of Business Rates. The update on our expenditure projections will be based on the latest 2012/13 monitoring information and known service and inflationary pressures. This is the final Financial Strategy to be produced this year and includes the formal setting of the 2013/14 budget. The report identifies the Council's position in relation to resources and expenditure with details of gross spend by service area contained within the Council's Revenue and Capital Budget for 2013/14 which is available on the Council's intranet in draft form and will be finalised following Council on 28 February 2013.

## **2 Recommendations**

It is recommended that Council:

- 2.1 Approve savings of £8.995m for 2013/14, £5.847m to replace previously agreed savings and £3.148m to cover new service pressures as detailed in Appendix 6.
- 2.2 Agree the 2013/14 Budget as set out within this report incorporating the savings identified above.
- 2.3 Agree to accept Council Tax Freeze Grant for 2013/14 and 2014/15 totalling £1.3m, on the basis that Council Tax will be equalised down (or frozen) for 2013/14.
- 2.4 Agree Housing rents for 2013/14 increase in line with the Government recommended formula rent which will result in an average increase of 4.88%
- 2.5 Agree Affordable rents based on 80% of the local market rent are introduced to appropriate re-let properties and all new homes built for rent.
- 2.6 Agree the Statement of Chief Financial Officer on the Robustness of the Estimates and Adequacy of Provisions and Reserves 2012-15 as set out in Appendix 7, noting the Council's projected general fund balances over this period.
- 2.7 Agree the Pay and Reward Policy for all Council staff for 2013/14 as set out in Appendix 8.

## **REPORT**

### **3 Risk Assessment and Opportunities Appraisal**

#### **3.1 Financial Uncertainty**

- 3.1.1 From 2013/14, the new funding is based on 50% retention of Business Rates. The remaining funding received by the Council, Revenue Support Grant and Top up is based on the Council receiving a total amount comparable to the amount that would have been received under the four block funding methodology. There is a risk that the government's estimate of Shropshire's Business Rates is too high so that the remaining RSG and Top up are insufficient to make up the total amount required. Conversely, if the government has estimated Shropshire's share of Business Rates, the Baseline, conservatively it will mean that the Council's actual Business Rates have to fall firstly down to the Baseline figure then 7.5% below that figure before the safety net arrangements apply. Shropshire's current assumptions around Business Rates indicate the latter.

- 3.1.2 Beyond 2013/14 the funding mechanism is fixed. Variation in the Council's Business Rates will result directly in more or less funding for the Council. The safety net mechanism is only invoked when the Council's total net income is reduced by 7.5% or more. For Shropshire this is a drop of £3.5m below the baseline, however, our current projections show we would be operating above this level, therefore would need to suffer a greater drop of almost £4.5m before the Safety Net would be invoked.
- 3.1.3 The government has retained 50% of Business Rates and distributes this back to local authorities after any adjustments as Revenue Support Grant and a Top Up payment. Central Government can continue to adjust local government finance settlements by adjusting the control totals and distributing any surplus Business Rates as new responsibilities.
- 3.1.4 In addition, as service needs change the funding mechanism will not reflect these changes. It is proposed that the system will not be reset for 7 years- i.e. until 2020/21.
- 3.1.5 By creating a financial strategy that looks at the longer-term and is regularly updated to reflect new information, the Council is in a stronger position to approach future challenges proactively, rather than reactively. It is expected, at this stage, that the current funding squeeze will continue well into the future, and it is likely that local government will be required to make further major spending reductions in 2015 and 2016, in addition to those already identified, although the exact scale of these remains unclear at this time. The Council's decision on 3 May 2012 to implement a new strategic commissioning framework for all Council services and to create a new, wholly owned council company to deliver a range of services represents a fundamental part of the Council's approach to reducing the impact of further funding cuts on the scope and quality of essential local public services.
- 3.1.6 While the financial strategy represents our approach to the mitigation of the financial uncertainty we are faced with, the tight and uncertain financial climate over the medium to long term still presents a high risk to the authority. In addition to the known uncertainties we have planned for, there remains potential for further, as yet unrecognised, risks. For this reason, a prudent approach to the level of reserves held by the Council remains sensible and necessary. As the new Business Rates Retention system is introduced this will mean the introduction of new provisions for rating appeals and other fluctuations.

## **3.2 Other Risks and Opportunities**

- 3.2.1 The financial strategy sets the resource parameters within which the Council can commission services to meet its priority outcomes. All risks and opportunities which have a material monetary value are considered within the strategy.
- 3.2.2 The Council's financial strategy recognises that there are risks and opportunities associated with ip&e as it a wholly owned company of the Council. The

development of the Council's future financial strategy will need to be clear about the financial expectations of ip&e and how this will impact on the Council's budget.

- 3.2.3 Setting the financial strategy and agreeing the detailed changes necessary to deliver the agreed budget for the next financial year, by February 2013, 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 or being taken by the Council.

## **4 Financial Implications**

- The Council's financial strategy identifies the financial implications of the overall strategic direction of the authority.
- The resource and expenditure projections are based on the final Local Government Finance Settlement and the Council's own estimate of locally retained Business Rates.
- The Council's net budget is fixed for the year based on these estimates. The Council's gross budget includes specific grants and other income which may change throughout the year.
- The current predictions on the level of general reserves based upon the latest projections for 2012/13 spending are contained within this report.
- The Council's proposals for ip&e were considered in separate reports on Cabinet's agenda. The assumptions in the financial strategy are that the resources required by the council to purchase services from ip&e will remain within existing budgets. Any variations to this will be reported as required through the budget monitoring process and in future Financial Strategy Reports.

## **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 ongoing efficiency savings that help the Council to achieve its overall goals over both the short and long term.

- 5.1.2 The Council Plan 2011-2013 identified the Council's priorities as follows:

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

The budget is developed with the aim of delivering these objectives.

## **5.2 Structure of the Financial Strategy**

- 5.2.1 Section 5.3 considers the Final Local Government Finance Settlement for 2013/14 and Provisional Settlement for 2014/15.
- 5.2.2 Section 5.4 considers the Council's net and gross resource projections.
- 5.2.3 Section 5.5 considers 2013/14 expenditure projections and revised savings proposals required as a result of the most up to date monitoring information.
- 5.2.4 Section 5.6 considers the Housing Revenue Account Rent level 2013/14
- 5.2.5 Section 5.7 considers the Council's Pay and Reward Policy for 2013/14
- 5.2.6 Section 5.8 considers resource and expenditure projections for 2014/15.
- 5.2.7 Section 5.9 considers the monitoring issues in 2012/13 budget with on-going budget implications.
- 5.2.8 Section 5.10 considers the Council's Long Term Financial Strategy

## **5.3 Final Local Government Finance Settlement 2013/14**

- 5.3.1 On December 5 2012 the Chancellor announced his Autumn Budget Statement which sets the context for public spending levels over the remaining two years of the current spending review period. The headline for local authorities was that, although they were to be exempt from a 1% further savings target on public spending in 2013/14, in 2014/15 they would have an additional 2% reduction in their spending. For Shropshire a 2% reduction is estimated at c£2m. The Autumn Budget Statement also identifies that austerity measures will continue an extra year until 2017/18.
- 5.3.2 The 2013/14 and 2014/15 Provisional Local Government Finance Settlement was published on 19 December 2012. This was followed by a four-week consultation which ended on 15 January 2013. The Government then announced the Final 2013/14 Local Government Settlement and 2014/15 Provisional Settlement on 4 February 2013.
- 5.3.3 The draft Settlement data focussed on the impact on Spending Power for each authority. On average, Local Authorities would see a 1.7% reduction in spending power in 2013/14 when compared on a like for like basis to 2012/13. For Shropshire the figure was below average at 1.1% and this equates to a £2.69m loss.
- 5.3.4 The Spending Power calculation includes the impact of Start Up Funding (Localised Business Rates, Revenue Support Grant and Top Up Grant inclusive of previous grants that have been 'rolled in') and a number of specific grants such as

Council Tax Freeze Grant. It does not, however, include all grants and a number of these were announced later (most notably the Public Health Grant worth £8.948m).

- 5.3.5 Analysis of the £2.69m loss indicated that it was inclusive of the withdrawal of Council Tax Freeze Grant (2012/13 allocation) which had already been anticipated within our savings target meaning the headline impact of the draft settlement announcement on existing savings plans was minimal.
- 5.3.6 Previous reports to Cabinet have identified changes to the way the Council's budget is financed as a result of the introduction of the new Business Rates Retention funding methodology. In summary, the Government has estimated the amount of Business Rates which can be raised locally, allowed local councils to keep 50% and made adjustments called top ups and tariffs to ensure that the distribution of the funding at the start of the new system is in line with the funding which would have been received under the existing four block funding system.
- 5.3.7 On 4 February 2013, the final settlement data was released and the amount of Revenue Support Grant and top up grant for Shropshire for 2013/14 was confirmed. There was a very small change in start up funding for Shropshire of less than £5,000 due mainly to changes in grants rolled in to the Business Rates system. There was, however, a new unringfenced but one-off transitional grant for sparsely populated areas. Shropshire's allocation is £637,708 of a national figure of £8.5m. DCLG's statement on the final settlement stated that this additional funding was being provided for 2013/14 only, to help authorities secure efficiencies in services for sparsely populated areas. For 2014/15 there was a further small change in the amount of Revenue Support Grant which was a late amendment to the draft settlement data.

## **5.4 Net and Gross Resources**

- 5.4.1 The Council's net budget is funded by Revenue Support Grant, top up grant, locally retained Business Rates, Council Tax and any surplus on the collection fund.
- 5.4.2 The settlement provides fixed amounts for Revenue Support Grant and top up grant and gives a baseline assumption for Business Rates. The Business Rates Baseline figure and top up grant are used to baseline the Authority's funding so that this figure is used to measure if a safety net payment is required. The Council's resource projections use the Council's own estimate of locally retained Business Rates which is higher than the Government's estimate. This is explained further below.
- 5.4.3 Over the last month the DCLG has issued further guidance on the completion of the National Non Domestic Rates (NDDR) return which identifies the total amount of Business Rates to be collected, the amount to be paid to central government and the amount to be retained locally. This, alongside a review of our own assumptions on loss on collections, has resulted in a reduction in Shropshire's

share of Business Rates of £0.448m. The figure quoted includes an amount to be earmarked for loss of appeals of £2.278m. The Council will have to fund successful appeals pre-dating 2013/14 and the estimate is based on the outstanding list of appeals and local management information. Each year the Council will revisit this assumption and will revise the amount required based on the appeals outstanding.

- 5.4.4 The Council Tax figure is based on the council tax taxbase agreed by Cabinet in December multiplied by the average Band D Council Tax which in 2013/14 has been equalised down (or frozen) across the County. The Council Tax reflects the localisation of Council Tax Support Grant. The estimate of the Council's share of the collection fund surplus has been revised based on the latest position on the collection fund. This has resulted in the estimate of the Council's share of this fund increasing by £0.017m.
- 5.4.5 Table 1 below shows the latest projections on Resources for the Council's net Budget. The variations from the figures reported at Cabinet on 16 January 2013 are shown with further explanation given below.

**Table 1: 2013/14 Revised Resource Projections-Net Budget**

	2013/14 Draft Finance Settlement	2013/14 Final Settlement	Variation from Draft to Final Settlement
	£'000	£'000	£'000
Business Rates retained locally	38,818	38,370	-448
Top up	9,662	9,660	-2
Revenue Support Grant (RSG)	67,076	67,074	-2
Return of top sliced amounts	379	378	-1
Council Tax	115,633	115,633	
Collection Fund	400	417	17
<b>Net Budget</b>	<b>231,968</b>	<b>231,532</b>	<b>-436</b>

- 5.4.6 In January, it was noted that the draft settlement produced a one-off additional resource on our initial projections of £1.983m. The final settlement information shown in Table 1 will mean that this figure is reduced by £0.436m to £1.547m. It is important to note that this is a one off balance in 2013/14 only and needs to be considered across the two years to help smooth the significant reduction in base budget now being projected in 2014/15.
- 5.4.7 To identify the gross budget figure; specific grants, other grants and contributions and fees and charges are added to the net budget. During January work was undertaken to update specific grants to be received in 2013/14. Information has

been received for the majority of specific grants including the new Public Health Grant. There are, however, still a number of predicted figures being used to arrive at the total specific grant figure, most notably the Local Authority Central Spend Equivalent Grant (LACSEG) which in future will be known as the Education Services Grant (ESG). Based on the latest available information, specific grants are estimated to total £283m, an increase of £11m. The increase includes additional schools funding for both dedicated schools grant and pupil premium which will be passported to schools of c£6m and additional funding for the Council including Council Tax freeze grant of £1.3m and Public Health, which is £1.9m above our original assumptions. The Public Health funding received includes an uplift to try and address the underfunding in the County and this uplift is set to continue for the next five years. In 2014/15 the grant is expected to increase by a further £0.9m. As more information on specific grants is received, figures will continue to be amended. The impact of grant changes may be positive or negative within service areas and/or overall and the starting assumption is that any changes are directly passported. Further savings may then be required if the loss of grant can not be reflected in service spending (hence the need to identify savings through the notified loss of EIG grant identified within this report).

- 5.4.8 Figures for other income from non specific grants and contributions and fees and charges have been revised to reflect the latest available information. It is important to note that, although service net budgets are only likely to change if restructuring occurs, the gross budget is more fluid and is varied, subject to virement rules, as new information becomes available as part of the monitoring process throughout the year.
- 5.4.9 The settlement includes the 2011/12 Council tax freeze grant which was initially available for the period of the spending review (4 years to 2014/15) and which has now been transferred into the Councils base funding. In addition, the Council will receive Council Tax Freeze grant for 2013/14 which will be available for 2 years as a specific grant. The 2012/13 Council tax freeze grant was for one year only.
- 5.4.10 The 2013/14 allocation of New Homes Bonus for the Council is £1.374m which means that in total the Council will receive £4.203m in 2013/14 for NHB (inclusive of the previously announced 2011/12 and 2012/13 allocations). In July 2012, Cabinet approved commitments of £3.053m in 2012/13 against funding received in 2011/12 and 2012/13. In January, Cabinet agreed £2.4m of NHB funding available in 2013/14 would be used to meet savings targets on a one off basis. This leaves £1.8m in 2013/14 which is uncommitted at this stage.
- 5.4.11 Table 2 below details the Council Gross Resources for 2013/14:



**Table 2: 2013/14 Gross Resources (Before Savings)**

	2013/14 Draft Finance Settlement	2013/14 Final Finance Settlement	Notes
	£'000	£'000	
Net Budget	231,968	231,532	See Table 1 above
Other Income	410,277	419,932	See Appendix 1
	642,245	651,464	

5.4.12 More detail on Resource Projections is contained in Appendix 1 and a complete list of specific grants is attached as Appendix 2.

## 5.5 2013/14 Expenditure Projections

5.5.1 In February 2012, the Council approved savings of £20.729m to be implemented in 2013/14. Achievement of this savings target in 2013/14 will close the gap between resources and expenditure identified for 2013/14 of £16.947m and allows a repayment to reserves of £3.782m to cover the shortfall in savings in 2012/13. It has previously been identified that there will be a shortfall of £0.282m at the end of 2013/14 after the achievement of planned savings. This will be addressed within the 2013/14 budget.

5.5.2 As detailed above, savings of £20.729m for 2013/14 have been approved by Council. The 2013/14 savings target came on top of 2012/13 savings of £19.828m, and previous achieved savings of £38m to 31 March 2012. These savings are being managed on top of existing services pressures, particularly in Assessment and Eligibility. Monitoring in 2012/13 has highlighted issues with the achievement of 2012/13 savings targets which are being managed in 2012/13 but which may have implications for the 2013/14 budget (particularly where there was an anticipated increase in these savings in 2013/14). Also additional service pressures have been identified for 2013/14 which need managing.

5.5.3 An assessment of the achievement of 2013/14 savings undertaken for January Cabinet identified the following shown in Table 3.

**Table 3: 2013/14 Savings**

	£'000
Considered achievable and allocated to Services	9,256
Considered achievable, still to be allocated to services	5,626
Savings which have been considered as not achievable in 2013/14	5,847
Total 2013/14 Savings	20,729

5.5.4 The 16 January Cabinet report also identified service pressures amounting to £4.248m for 2013/14 which were offset by applying £1.1m of Council Tax Freeze Grant to £3.148m. Cabinet approved alternative savings of £8.995m to cover the non achievable savings of £5.847m identified above and the £3.148m service pressures. This resulted in an increase in total savings to be achieved in 2013/14 of £3.148m to £23.877m, £20.095m required to balance the budget and £3.782m to be repaid to reserves.

5.5.5 The latest expenditure projections are shown in Appendix 3 and a summary of the gap between expenditure and resources is given in Table 4 below:

**Table 4: Expenditure and Resources showing Savings:**

	2013/14 Draft Settlement (16/01/2013 Report)	2013/14 Final Settlement	
	£'000	£'000	
Resources	642,246	651,464	See Table 2
Expenditure Projections	659,192	671,559	Appendix 3
Savings Required	16,946	20,095	
Movement in Savings required		3,148	

5.5.6 The necessity to revise the 2013/14 savings targets but still deliver a robust and balanced budget for 2013/14 has meant that a number of one-off savings (£4.699m) will need to be applied and that these will need to be taken into account when setting the 2014/15 budget and beyond.

5.5.7 After taking account of savings the gross budget for the council for 2013/14 is £654.059m. This budget is detailed at service level in the Council's Revenue Budget Book and can be found on the Council's internet page.

## 5.6 Housing Revenue Account Rent Level 2013/14

5.6.1 The Housing Subsidy system ended in March 2012 and the Housing Revenue Account (HRA) is now operating under self-financing. Under this transition the Government calculated that a settlement figure of £83.3m would be paid by Shropshire Council based on a 30 year projection of HRA expenditure and income. The dwelling rent income projection was made on the assumption that the Council will continue to set rents in accordance with the Government's formula rent calculation. If actual rents are not increased by an equivalent amount, the real rental income stream to the HRA will be less than the amount assumed in the settlement sum creating the risk that the HRA will have insufficient funding to support the revenue cost to finance the debt and remain viable.

5.6.2 Conversely if rents are increased above the recommended amount, the HRA will gain income above the level assumed by the Government which could create headroom to enable service improvement. However there would be an increased

risk of rising levels of rent arrears if rent payers face financial difficulties in the current economic climate.

- 5.6.3 Since 2002 the Government has recommend that Council Housing rents are increased each year in line with the formula rent calculation. This approach has been followed by the former District and Borough Councils in Bridgnorth and Oswestry and by subsequently Shropshire Council since 2009. The main reasons for adherence to this approach is that it reflects the assumptions made by the Government in determining Housing Subsidy Payments (up to 2011/12) and future rent income assumed in the debt settlement payment, it complies with Government policy on national rent restructuring for social housing rents and gives a consistent and justifiable approach to annual rent increases.
- 5.6.4 The formula rent calculation makes provision for an annual inflationary increase based on the preceding September RPI plus ½%, plus an incremental step towards achieving the recommended Target Rent for each property by a specified convergence date. The implication of this latter factor means that all rents will not increase by a consistent amount, as the net change for an individual property in any year is influenced by the movement that is needed to achieve convergence. As Shropshire Council rents are generally below the target rent, the average increase will be above the September RPI plus ½%. It is important to note that Target Rents will increase each year in accordance with the formula and if actual rents are increased at a lower rate in any year, increases in subsequent years will need to be correspondingly greater due to the need to “catch up” to achieve the convergence date.
- 5.6.5 Rent convergence remains targeted for 2015/16 and the September 2012 RPI figure was 2.6%. Application of these factors to the rent calculation gives rise to an average increase of £3.55 taking the average weekly rent from £72.75 to £76.30 on a 52 week basis.
- 5.6.6 In October 2010 the Government announced its intention to introduce a new affordable rent based on 80% of market rent for a similar property in the local area. The additional finance raised should be available for reinvestment in the development of new social housing. On 11 May 2011 Cabinet gave approval for the submission of a bid to the Homes and Communities Agency (HCA) for grant funding towards the cost of developing 62 new affordable homes for sale and rent. The bid proposed a total of 204 affordable rent tenancies in the stock as a whole, including all new build, and the additional yield from these tenancies would be utilised to contribute towards the development cost of the new homes. The subsequent success of that application generated an £814,000 contribution from the HCA towards the new build programme. The new build works are included in the current Capital Programme and it is planned to complete the schemes by March 2015 with the delivery of 25 low cost homes for sale on a shared ownership basis and 37 homes for rent. Valuations for market rents should be made in accordance with RICS recognised methods and once set are subject to an annual increase of RPI plus ½% (as with formula rent) for the duration of the tenancy. However, the affordable rent can be rebased on the issue of a new tenancy in

order to ensure general compliance with 80% of market rent requirement. A comparison of current Shropshire Council rents shows that on average they are around £15 per week below average affordable rents. Affordable rents will only be applied to appropriate new tenancies with the decision based on local need, availability and condition of the property. It is intended that affordable rent tenancies are limited to houses and will not be offered on supported housing. It will be necessary to monitor the performance of these tenancies to ensure that they remain affordable and sustainable. Such monitoring will include but is not limited to the level of rent arrears, proportion of failed tenancies and the level of demand for affordable rent properties. The Council will have the discretion to convert affordable rent properties (unless specifically developed for affordable rent) back to social rent where a property cannot be let at an affordable rent level. Affordable rents are eligible for housing benefit.

## **5.7 Council's Pay and Reward Policy 2013/14**

5.7.1 The Council's Pay and Reward policy for all Council staff for 2013/14 is attached at Appendix 8.

## **5.8 2014/15 Budget**

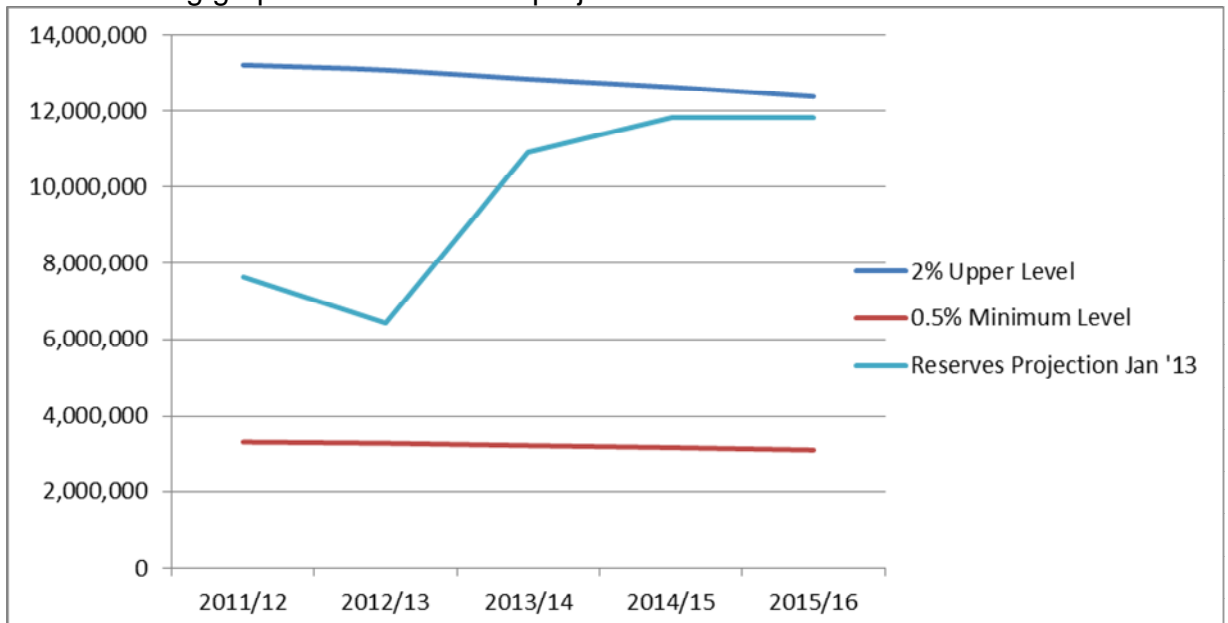
5.8.1 The Final Local Government Settlement included Provisional 2014/15 figures. There was a small change to the provisional Revenue Support Grant for 2014/15 in the final settlement.

5.8.2 Details of 2014/15 resource projections are given in Appendix 1. In previous reports, the additional savings to be met in 2014/15 have been identified as around £8m. The settlement data indicates that the position for 2014/15 is worse than projected. This can be explained by the additional cuts for public services of 2% identified in the Chancellors Budget Statement on 5 December 2012. The settlement data indicates the reduction in resources between 2013/14 to 2014/15 will increase by c£2.8m. In addition, the one off savings in 2013/14 of £4.699m will need to be found. The latest projection on savings to be found for 2014/15 is given in Appendix 4. These savings will be considered as part of the development of the financial strategy going forward and the next three years Medium Term Financial Plan.

## **5.9 Monitoring Issues in the Current Year Budget (2012/13) with On-going Budget Implications**

5.9.1 The 2012/13 budget is monitored monthly and Period 9 monitoring is a separate report on Cabinet's agenda for 20 February 2013. A £1.050m overspend is forecast at period 9 resulting mainly from an overspend of £5.0m in Assessment and Eligibility (A&E) offset by action across the authority to deliver compensating underspends elsewhere.

- 5.9.2 This A&E overspend sits within a background of a savings reduction in 2012/13 of £4.3m with a further £4.05m agreed for 2013/14. There are also issues which have been recognised since the 2012/13 budget was set which have contributed to the projected overspend including demographic pressures and levels of income generation.
- 5.9.3 There is a risk as at period 9 that the service will be unable to recover from the projected overspend in 2012/13 and this is reflected in the unachievable savings identified in Table 4 above.
- 5.9.4 The Council’s policy on balances is to have a general fund balance (excluding schools balances) of between 0.5% and 2% of the gross revenue budget.
- 5.9.5 In October’s financial strategy, the level of general reserves projected at 1 April 2013 was £6.429m with a further net contribution of £4.489m during 2013/14 giving a balance of £10.918m for 2013/14. This level of reserve is important as the authority moves into a new funding mechanism with increased levels of uncertainty and is risk assessed annually. It is therefore essential that action is taken to mitigate any potential overspends in 2012/13.
- 5.9.6 The revenue monitor report identifies that if spending pressures are not managed in 2012/13 and the projected overspend materialises then the level of general reserve at the end of 2012/13 will be impacted by this. The current projection is for general reserves to be £6.441m at the end of the financial year. After net contributions budgeted for in 2013/14 this would give the Council a projected general reserve level of £10.930m at the end of 2013/14.
- 5.9.7 The following graph shows the latest projections.



## **5.10 Council's Long Term Financial Strategy**

- 5.10.1 Given the country's current economic position it is likely that austerity measures will continue beyond the current spending review period which ends in 2014/15. In the Chancellors Budget Statement on 5 December 2012 he stated that the austerity measures would continue until at least 2017/18.
- 5.10.2 The current indications are that the level of savings required from 2015/16 will be at a similar level to the current spending review period, which is a reduction of 28% over 4 years. For Shropshire, when considered alongside the need to adjust the budget for unavoidable growth and inflation, this is estimated to result in annual savings targets of between £15m and 20m each year. This figure will be affected by the amount of locally raised Business Rates, either positively or negatively. It is believed that a full four year spending review may not be published in 2014, rather a single year spending round published for 2015/16 only, increasing uncertainty further.
- 5.10.3 It is unlikely that the Council will be able to continue in its existing form in future years and the Council has already started to plan for a future with further reduced resources. The paragraphs which follow identify some of the ways that the Council will be working differently in the future and how it is responding to financial and service pressures to create a more customer centric approach that enables customers to efficiently achieve the desired outcomes.
- 5.10.4 The likelihood of a reduction in resources, the requirements of the Localism Act and the desire to continue to provide high quality services all meeting the stated outcomes of the Council have lead the Council to consider how services will be provided in the future. The Council is considering how to become a future commissioner of services and outcomes on behalf of the residents of Shropshire.
- 5.10.5 Over the next 18 months Shropshire Council will accelerate its approach to commissioning, building on the work that has been done to date as well as embracing a new approach, with local members at the heart of it.
- 5.10.6 Local Commissioning will be led by local members alongside our partners in the public, private and voluntary sector to help design services 'from the ground up'. This will be done using local intelligence alongside strong engagement with the community, to understand what the demands are in a community, how much is spent on services and how services are delivered at present.
- 5.10.7 This will help shape local outcomes on what is important to these communities and what should be prioritised. Services will then be developed and prototyped in new and innovative ways to drive out duplication and inefficiencies and increase customer value. Once this is understood, services can then be commissioned out to the Shropshire market place, knowing that what is needed can be delivered in a different way and at a significantly lower cost. This commissioning and governance of place will also be managed and led locally, creating a truly local approach to commissioning of services.

- 5.10.8 Local commissioning will run alongside existing activity such as deep dive service redesigns – current examples include those in Adult Social Care (Gusto and People2People), Highways (Edge to Edge) and Economic Development (Project North) and also strategic commissioning – done on a wider scale, such as that recently undertaken in Highways and Leisure.
- 5.10.9 As these new approaches are developed the role of Shropshire Council will move quite quickly from service provider to service specifier and will mean less people will be employed directly by Shropshire Council, with more either moving to ip&e as Shropshire's key provider of choice, the voluntary and independent sector or other delivery models such as Town Councils and staff mutuals.
- 5.10.10 The likely savings are expected to be significant and based on smaller scale prototyping already undertaken, should deliver upwards of 50% of existing budgets across Shropshire Council. With the first locality identified (Church Stretton) to be ready to commission services for the town by the end of June, a much clearer idea of the level of savings will be known at this time.
- 5.10.11 Since the Council made the decision in May 2012 to create a wholly owned Council company, subsequently named ip&e, considerable work has been undertaken to establish this company and agree a strategic contract between the council and ip&e which clearly identifies the objectives of the arrangement and the way in which it will work. A key part of this work has been about ensuring that robust governance arrangements are in place and the financial plans for transfer of services/outcomes to ip&e are financially sound and realistic. This work will continue as individual service plans are developed over the coming months.
- 5.10.12 A separate report to Cabinet on 20 February 2012 provides more detail on the work undertaken to date on ip&e. Detailed Business Plans for services proposed for transfer to ip&e are currently being developed.
- 5.10.13 It will be important to distinguish between the financial implications for ip&e as detailed in the ip&e Business Plan and that for the Council. The final ip&e Business Plan will include the income and expenditure projections for services of which only some will be provided for and paid for by the Council. The Council's financial position for the purpose of financial planning will be that the current expenditure and income budgets relating to the services to be transferred continue unchanged. If these assumptions need to be varied, this will be done in line with approvals required in the Council's financial rules. Appendix 5 details the resources identified for the services currently planned for transfer in 2013/14 and also provides some examples of why it may be necessary to revise these resource projections.
- 5.10.14 The Council will need to adapt to its changing circumstances by reviewing the way in which it apportions overheads and recharges costs between services. The ability to control and flex support costs and understand the impact of overheads on services will become more and more important in the new Council approach.

- 5.10.15 The Council is focused on ensuring the right people deliver the right services in the right way for Shropshire residents. By developing ip&e, we will have more flexible ways to give Shropshire people what they deserve.
- 5.10.16 As services transfer, the Council will become smaller, focusing on a commissioning model and developing the internal talent essential to maintaining quality of services through outcome driven commissioning. We will nurture our remaining staffing resource, ensuring we procure effectively, deliver efficiently and reduce the reliance on central government funding in the future as our grant levels continue to decrease.
- 5.10.17 The staffing structures at the Council are evolving significantly to reflect this, with a fresh, streamlined senior management team, dedicated to rolling out a reflective structure of talent and efficiency throughout the authority.
- 5.10.18 As the Council considers services for potential transfer to ip&e so it will have to ensure the commercial viability of services. This may involve a review of support costs as identified above and will also involve a consideration of working practices, charging regimes and market forces.
- 5.10.19 Another key change for the Council is the introduction of Universal Credit by the Welfare Reform Bill which fundamentally changes the work of Local Authorities in relation to benefit administration. Universal credit will be administered nationally putting some 80 council jobs at risk. The Council is currently exploring opportunities to assess the viability of working with a third party supplier to administer support schemes which the government are localising for a wider geographical area to protect and even enhance local employment opportunities.
- 5.10.20 As noted earlier in the report, the Council has received a ringfenced grant to cover the cost of providing Public Health services which have transferred to the Council. The change in responsibility for Public Health should enable the Council to influence the factors that adversely affect the health and wellbeing of local people. The Joint Strategic Needs Assessment has identified that there is a significant difference in life expectancy between the most and least affluent sections of our population, namely 6.5 years for men and 4 years for women. The long term objectives for Public Health are therefore to a) reduce health inequalities and b) improve the life expectancy and quality of the life for all.
- 5.10.21 Whilst a detail analysis of the new grant that was announced in January 2013 is being undertaken, it is assumed that the Department of Health has allocated sufficient funds to support existing NHS responsibilities that are transferring to the Local Authority. If this assumption is correct then there will be an opportunity for some investment in the coming year in activities such as Obesity Prevention and Mental Health Promotion that have been under-resourced in the past and have been identified in the Health and Wellbeing Strategy.



- 5.10.22 There will be step changes in education finance over the next few years. The number of Shropshire academy schools will increase from the current 4 in January 2013, to 9 on 1 April 2013 (8 secondary and 1 primary). There is every probability that the number of Shropshire academies will increase in the next 12 months and beyond.
- 5.10.23 There will be an impact on the amount of Education Services Grant the Council receives, which is primarily based on pupil numbers. As the numbers of pupils in academies increase the level of Education Services Grant will inevitably decrease. This will impact on those elements of retained education support services currently being underwritten by the grant. Work is currently underway to model the likely reductions in the Education Services Grant and the effect on budgets for education support services. This will add to the pressures already being faced with meeting the Council's budget reduction targets and will be factored into the review of staffing and service structures as the options for the future commissioning and delivery of education support services are considered.
- 5.10.24 In addition to the financial impact of schools gaining academy status, the number of children of statutory school age will continue to fall until at least 2015. The number of primary age pupils will start to rise but is expected to only reach the level of 2012. The size and location of housing developments will influence the demand for school provision.
- 5.10.25 The number of children with additional learning needs , and with disabilities, is expected to rise. The number of children in the looked after system has seen an upturn in 2012/13 and will need to be carefully managed in 2013-2015.
- 5.10.26 Further changes will arise from the development of new initiatives and offers to people approaching Adult Social Care for support have seen a focus away from a menu driven council funded offer. Gusto is an example whereby supporting people to remain connected with families, communities and interest as a means of enabling people to remain healthy and well has been a positive approach to prevention. Equally the Social Work Practice Pilot (People to People) has shown that focusing on an individual's abilities, networks and local community support has delivered better outcomes and reduced costs to the council. These examples will be explored further and where appropriate expanded and regularised.
- 5.10.27 Developing and supporting individuals to self-support will become a much more important focus in the offer of support and expectation on the service
- 5.10.28 Shropshire faces significant demographic challenges both in relation to the increasing number of elderly people as well as those elderly people aged over 85. Equally there are growing numbers of people who have life limiting conditions either as a result of accident or disability that require high levels of support and therefore associated funding. In addition to the increase in overall numbers the type of support requested is often disproportionately expensive and therefore work

will be needed to ensure that the most cost effective support is provided whilst offering as much choice as possible.

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

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

Financial Strategy 2012/13 to 2020/21 - Council 23 February 2012

Financial Strategy 2013/14 to 2022/23 - Cabinet 4 July 2012

Financial Strategy 2013/14 to 2022/23 – Cabinet 17 October 2012

Financial Strategy 2013/14 to 2022/23 – Cabinet 16 January 2013

Financial Strategy 2013/14 to 2022/23 – Cabinet 20 February 2013

**Cabinet Member (Portfolio Holder)**

Keith Barrow - Leader

**Local Member**

All

**Appendices**

Appendix 1 Net and Gross Resource Projections

Appendix 2 Specific Grants 2013/14 and 2014/15

Appendix 3 Financial Summary

Appendix 4 2014/15 Provisional Savings Target

Appendix 5 Financial implications of ip&e for the Council

Appendix 6 Additional Savings 2013/14

Appendix 7 Statement of Chief Financial Officer on the Robustness of Estimates and Adequacy of Reserves 2012-15

Appendix 8 Council's Pay and Reward Policy for All Council Staff 2013/14

Council – 28<sup>th</sup> February 2013 – Financial Strategy 2013/14 to 2022/23

Appendix 1

SHROPSHIRE COUNCIL - NET AND GROSS RESOURCES PROJECTIONS SUMMARY 2012/13 TO 2014/15

	2012/13	SCT v2.5			2013/14	2013/14 Notes & Assumptions	2014/15	2014/15	2014/15	2014/15 Notes & Assumptions
		2013/14 ORIGINAL	2013/14 REVISED	2013/14 DRAFT SETTLEMENT						
	£	£	£	£	£	£	£	£	£	
<b>RSG</b>			59,555,104	67,076,435	67,074,002	Revised based on SCT Model V2.5. Final Figure is greater due to the significant reduction in Top slicing for NHB and Safety Net/Capitalisation	50,932,258	55,475,903	55,528,139	Estimate SCT Model V2.5, Final Draft Settlement
<b>Business Rates Retention Allocation:</b>										
NNDR (as raised and then retained locally)			37,557,653	38,818,015	38,370,380	Local projections based on returned NNDR1	37,855,516	39,128,559	38,677,343	Local 2013/14 projections inflated
Top Up			8,332,498	9,661,545	9,659,912	Final Settlement	8,524,146	9,957,875	9,956,192	Final Settlement
Safety Net Payments			0				0			
NDR Surplus/Deficit on Collection Fund			0				0			
Prior year adjustments (e.g. correction to safety net payments)			0				0			
<b>TOTAL START UP FUNDING RECEIPT:</b>			<b>105,445,255</b>	<b>115,555,995</b>	<b>115,104,294</b>		<b>97,311,920</b>	<b>104,562,337</b>	<b>104,161,674</b>	
Movement on previous year's funding							-7.7%	-0.8%		
Return of amounts topsliced from RSG/BRRA Allocation										
Share of £2bn unused New Homes Bonus topslice			5,172,181	379,000	378,230	Final Settlement Figure	4,022,140	667,408	667,408	Estimate SCT Model V2.5 estimate
Share of returned damping (unused safety net held back)			1,057,055	0	0	This may be an in year bonus. More information required	2,452,200	0	0	This may be an in year bonus. More information required
<b>TOTAL FUNDING FROM CENTRAL/LOCAL SHARE</b>			<b>111,674,491</b>	<b>115,934,995</b>	<b>115,482,524</b>		<b>103,786,260</b>	<b>105,229,745</b>	<b>104,829,082</b>	
Movement on previous year's funding							-7.1%			
Taxbase	109,998	110,218	110,218	99,280	99,280	Actual Council Tax taxbase determined for 2013/14	110,438	99,478	99,478	0.2% increase on 2013/14 Council Tax Taxbase
Assumed Reduction in Taxbase due to Council Tax Support Grant			11,781				11,781			
<b>Council Tax Income</b>	<b>129,727,877</b>	<b>128,372,806</b>	<b>114,478,707</b>	<b>115,632,994</b>	<b>115,632,994</b>	<b>13,894,099.4372</b>	<b>114,907,909</b>	<b>115,864,260</b>	<b>115,864,260</b>	Council tax Freeze assumed
Collection Fund Surplus	1,908,777	400,000	400,000	400,000	416,666	Actual	400,000	400,000	400,000	Estimate
<b>TOTAL NET RESOURCES - 2013-14 onwards</b>	<b>218,769,494</b>	<b>215,408,989</b>	<b>226,553,198</b>	<b>231,967,989</b>	<b>231,532,184</b>		<b>219,094,169</b>	<b>221,494,005</b>	<b>221,093,342</b>	Surplus required for Losses on Appeals Provision
		-1.5%	3.6%	7.7%						

	2012/13	2013/14			2013/14	2013/14 Notes & Assumptions	2014/15	2014/15	2014/15	2014/15 Notes & Assumptions
		ORIGINAL	REVISED	REVISED						
	£	£	£	£	£	£	£	£	£	
<b>GOVERNMENT GRANTS</b>	<b>296,812,920</b>	<b>296,812,920</b>	<b>296,812,920</b>							
2011/12 New Homes Bonus		1,791,669	1,791,669							
2012/13 New Homes Bonus		1,037,914	1,037,914							
2013/14 New Homes Bonus			161,029							
2012/13 Council Tax Freeze Grants		(3,224,665)	(3,224,665)							
Anticipated Grant Changes		(1,500,000)	(1,000,000)							
Grants Transferred into BRRS (w.e.f 2013/14 and contained within amounts above)			(30,849,745)							
Reduction to grants transferring into BRRS			(8,355,434)							
Changes to Existing Grants			(419,702)							
New Grants (includes return of LACSEG amounts to fund central maintained schools)			15,921,280							
<b>GRANTS</b>	<b>296,812,920</b>	<b>294,917,838</b>	<b>271,875,266</b>	<b>271,875,266</b>	<b>283,088,422</b>	latest information, still awaiting LACSG	<b>271,875,266</b>	<b>271,875,266</b>	<b>282,801,029</b>	Based on latest information
<b>OTHER GRANTS &amp; CONTRIBUTIONS</b>	<b>24,007,558</b>	<b>24,007,558</b>	<b>24,007,558</b>	<b>24,007,558</b>	<b>30,715,036</b>	Adjusted for Latest Monitoring information	<b>24,007,558</b>	<b>24,007,558</b>	<b>30,715,036</b>	As 2013/14
<b>FEES &amp; CHARGES</b>	<b>62,243,236</b>	<b>62,243,236</b>	<b>62,243,236</b>	<b>62,243,236</b>	<b>61,627,962</b>	Adjusted for Latest Monitoring information	<b>62,243,236</b>	<b>62,243,236</b>	<b>61,627,962</b>	As 2013/14
<b>INTERNAL MARKET &amp; INTERNAL RECHARGES</b>	<b>52,151,460</b>	<b>52,151,460</b>	<b>52,151,460</b>	<b>52,151,460</b>	<b>47,095,263</b>	Revised Figures	<b>52,151,460</b>	<b>52,151,460</b>	<b>47,095,263</b>	As 2013/14
Total Income outside of Net					422,526,683				422,299,290	
Includes Savings of					2,594,910				2,594,910	
<b>TOTAL GROSS RESOURCES - 2013-14 onwards, after Savings</b>	<b>653,984,668</b>	<b>648,729,081</b>	<b>636,830,717</b>	<b>642,245,509</b>	<b>654,058,867</b>		<b>629,371,689</b>	<b>631,771,525</b>	<b>640,737,722</b>	
<b>TOTAL GROSS RESOURCES - 2013-14 onwards, before Savings</b>	<b>653,984,668</b>	<b>648,729,081</b>	<b>636,830,717</b>	<b>642,245,509</b>	<b>651,463,957</b>		<b>629,371,689</b>	<b>631,771,525</b>	<b>640,737,722</b>	

Council – 28<sup>th</sup> February 2013 – Financial Strategy 2013/14 to 2022/23

SPECIFIC GRANTS 2013/14 & 2014/15	2013/14	APPENDIX 2
	£	2014/15 £
Dedicated Schools Grant	177,906,000	177,906,000
Education Services Grant	5,808,548	5,621,764
Local Reform & Community Voices Grant	244,116	251,735
Quality in Community Services - Private Finance Initiative	1,522,650	1,522,650
Waste - Private Finance Initiative	3,185,610	3,185,610
2011/12 New Homes Bonus	1,791,669	1,791,669
2012/13 New Homes Bonus	1,037,914	1,037,914
2013/14 New Homes Bonus	1,373,792	1,373,792
Housing Benefit Administration Subsidy	1,738,754	1,738,754
2013/14 Council Tax Freeze Grant	1,309,288	1,309,288
Public Health Grant	8,948,000	9,843,000
Homelessness Main Grant	528,000	528,000
<b>Local Services Support Grant</b>		
- Supporting Better Housing Management	36,582	36,582
- Community Safety Grant		
<i>Stronger Safer Communities</i>	60,480	60,480
<i>Young People's Substance Misuse (Home Office)</i>	25,000	25,000
- Extended Rights to Free Transport / General Duty to Promote Sustainable Travel	397,677	397,677
- Lead Local Flood Authorities	89,263	89,263
Pupil Premium Grant	6,080,000	6,080,000
Former LSC - School Sixth Forms	5,908,350	5,908,350
Learning and Skills Council	641,190	641,190
NNDR Administration Grant	449,890	449,890
Mandatory Rent Allowances: Subsidy	53,280,000	53,280,000
Rent Rebates: Subsidy	8,317,740	8,317,740
Magistrates Courts Loan Charges	90,570	9,850
Tackling Troubled Families	506,400	506,400
Community Right to Challenge New Burdens	8,547	8,547
Youth Justice Board - Children on Remand (Transfer of Responsibility)	46,350	47,770
Adoption Reform Grant	TBC	TBC
Local Sustainable Transport Fund	893,000	893,000
Supporting Community Transport	189,980	-
Bikeability	80,000	-
Social Fund Grant	566,882	558,636
Community Right to Bid	7,855	7,855
Council Tax Support New Burdens Funding	130,617	122,623
Local Enterprise Partnerships Core Funding Grant	250,000	250,000
Efficiency Support for Services in Sparse Areas Grant	637,708	-
Anticipated Reduction In Grants	(1,000,000)	(1,000,000)
<b>TOTAL</b>	<b>283,088,422</b>	<b>282,801,029</b>

**SHROPSHIRE COUNCIL - FINANCIAL SUMMARY 2012/13 to 2014/15**

	2013/14	2014/15	2015/16-TBC
	£	£	£
<b>Expenditure</b>			
<i>Original Gross Budget Requirement (As per 2012/13 Budget Book)</i>	653,984,668	671,558,837	669,341,971
<i>Adjust for NHB-2011/12 and 2012/13</i>	2,829,583		
<i>Adjusted 2012/13 Gross budget</i>	656,814,251		
<b>Adjust for:</b>			
- Changes to T&C Savings (1.9% not 2.7%)	500,000		
<b>Inflation</b>			
- Prices	2,617,074	2,737,810	
- Pay	1,071,783	1,082,501	
- Pension Costs	315,810	330,030	
<b>Committed Growth</b>			
- Debt Charges (Reduced as part of Savings)	2,600,000	2,600,000	
<b>New Growth</b>			
- Demography: Older People			
- Demography: Adults with Learning Disabilities (Transition Cases)	165,000		
- Carbon Reduction Commitment Tax			
- Personal Social Services	219,839		
- Contribution to Balances		(5,000,000)	
- Elections (2013/14 only)	700,000	(700,000)	
- Increments	1,308,000	942,000	
- Surplus/(Shortfall) increments	192,000	(942,000)	
- Transformation(2012/13 only)	(852,371)		
<b>New Service Pressures</b>	2,530,000		
<b>Changes to Expenditure reflected in Resources</b>			
Changes in Specific Grants from previous year inclu New Responsibilities	19,234,229	(287,393)	
Benefits (assume at same level as reduction in Resources)	(18,740,578)	(197,936)	
Virements affecting Gross	(940,899)		
<b>Business Rates Retention</b>			
- Provision for Losses on Appeal	2,277,816		
- Provision for business rate decline (before safety net)	0	0	
- Surplus/(Shortfall) Available for Provision	1,546,883	-1,546,883	
- Surplus/(Shortfall) Available for Provision		(1,234,994)	
<b>Gross Budget Requirement (Including Internal Recharges) Before Savings</b>	671,558,837	669,341,971	
Savings-2013/14	-17,499,967	-17,499,967	
<b>Gross Budget Requirement (Including Internal Recharges) After Savings</b>	654,058,870	651,842,004	

**APPENDIX 4**

**2014/15 Budget Outlook**

	£	
Resources	638,201,242	
Expenditure	<u>666,805,491</u>	
	-28,604,249	
2013/14 Savings	<u>-20,094,882</u>	
2014/15 Savings Target	-8,509,369	
Existing Shortfall in Savings	-282,000	Estimate
Existing Deficit in Budget	-1,234,994	
One off Savings in 2013/14	-4,699,000	
Corporate Budgets		
Savings not yet Allocated	-2,500,000	Estimate
Closedown issues	?	
<b>Estimated Savings Target for 2014/15</b>	<b>-£17.5m</b>	

## Financial Implications of ip&e for the Council

### Overview

1. It is important to distinguish between the financial implications for Shropshire Council and the financial implications which will be shown in the ip&e Business Plan. The Council has to start from the basis that, where services transfer, the resources currently allocated to the services in the Councils budget will be the resources that the Council has to purchase those services from ip&e. For ip&e, the total income it receives will include income earned from delivering services on behalf of the Council and also from other sources.
2. The table below identifies the current 2013/14 budget for the services identified for transfer in 2013/14.

**Table 1: 2013/14 Council Budget for Transferring Services**

2013/14	Shire Services	Shared Services
Gross Budget	13,890,530	13,593,550
Income	-13,210,025	-13,547,770
<b>Net Budget</b>	<b>680,505</b>	<b>45,780</b>

3. There are a number of issues around the current budgets for these services which are discussed below.

### Shire Services

4. Shire Services operate as a trading account within the Council's accounts with a view to breaking even i.e. covering their costs by income. For the last few years, the Council has supported the trading activity by c£0.680m. Initially this budget was identified to cover additional costs arising from job evaluation and the need to replace obsolete equipment. Consideration needs to be given to whether this budget will continue to be allocated to Shire Services. The Council's budget currently continues to allocate this amount for Shire Services in 2013/14.
5. The Shire Services income figure is made up of income from Shropshire Council for the delivery of services, income from schools both within and outside Shropshire and income from other organisations. Income currently received from Shropshire Council is estimated to be £1.2m, but more work needs to be undertaken to verify this figure.
6. The Council therefore has a total budget of c£1.9m currently earmarked for Shire Services. Going forward, the Council could reasonably assume that it would pay no more than this amount and could possibly forecast a reduction in this budget as, in the role of sole shareholder, any profit to be distributed would be paid as dividends to the Council.
7. The relationship with Shire Services involves the Council buying services from Shire Services and Shire Services buying services back from the Council, currently through the internal market. In total these charges are c£0.280m including accommodation. Any reduction in the amount



paid for these services will have an impact of the remaining Council budget unless a corresponding reduction in expenditure is made.

8. For Shire Services, therefore, the Council's financial planning will start from the basis that they make a net budget contribution to ip&e for Shire Services of £0.680m, the available purchasing budget is £1.2m and £0.280m will continue to be paid for Support Services and accommodation.
9. The Business Plan for Shire Services will take account of the Council transactions identified above as well as other transactions it has or plans to have with third parties.
10. The key financial interaction between Shire Services and the Council is shown in Table 2 below:

**Table 2: Councils Budget with Shire Services-*Estimate***

	£'000- Estimate
Base Budget Contribution	680
Purchasing Budget	1,200
Income from Charges for Support Services and Accommodation	-280
Net Council Budget	1,600

### **Shared Services**

11. The Shared Services Budget is more complicated. The budget identified in Table 1 above covers the services currently identified as Shared Services. A review of the scope of Shared Services is being undertaken and this could increase or reduce the amount of budget identified to deliver services. The income to pay for these services comes from both the Council and external customers. Approximately 80% of the income is received through the internal market from Council services with the remainder coming from external customers. Once the scope of Shared Services is agreed, a clear understanding of the Council's budget available to buy services will be identified.

### **Ip&e Management**

12. The management costs of ip&e also have to be funded. At present the Council has no budget identified to contribute to the management costs of ip&e.
13. The Council has agreed a loan to fund management costs in the first two years. Repayment will commence one year after the first drawdown date during which time interest will accrue.
14. The Business plan of ip&e will need to allow for recovery of management costs in the longer term and repayment of the loan.

### **Variations to the Council's current budget commitments and income**

15. As stated the Council's starting point will be the budget currently allocated to purchase services.
16. This budget will then be compared to the required payment to ip&e. Any changes to the Council's budget will then be agreed. Any adjustments will require approval in line with the current financial rules and will be dealt with, as required, through the budget monitoring reporting process.
17. Examples of variations which could affect the Council's budget include:
  - Reduction in income for accommodation if ip&e decide to use alternative office accommodation
  - Increase in purchasing budget to allow development of new working arrangements, probably on a one off basis
  - Additional income for the Council in the form of dividend payments
  - Any effect on the Council's VAT exempt activities percentage
  - Knock on effect of transfers out of the pension scheme

### **Ip&e Business Plans**

18. The ip&e Business Plans will be produced on the basis of robust estimates of expenditure and income projections for the services. These projections will take account of the Council's current available budget.
19. A review of the plans will allow the Council to amend its current budget assumptions as required. Any adjustments will require approval in line with the current financial rules and will be dealt with, as required, through the budget monitoring reporting process.

Appendix 6

List A: Additional Savings deliverable against existing savings proposals with minimal impact on services

Existing Savings Target Grouping	Service	Existing Savings Target 2012/13 to 2013/14 (£)	Additional Savings Proposal 2013/14 (£)	Details of Saving Proposal	Base Budget or One Off Saving
Teme Leisure Contract	Area Directors	40,000	50,000	Leisure - Teme Leisure negotiations to deliver on-going saving	£50,000 base budget saving
Further review of Public Protection Service to deliver cost savings	Public Protection and Enforcement	500,000	140,000	Further savings from service re-structure of staffing.	£140,000 base budget saving
Savings from New Street Scene contract	Area Directors	600,000	786,000	Reduction in Environmental Maintenance budget - will be manageable as rates and prices are less than anticipated over the initial implementation period of the Ringway Contract, giving rise to a mix of one-off and short term savings..	£786,000 one off saving in the first instance
Transport	Learning and Skills	400,000	400,000	Route rationalisations and e- auctions in process. Higher than anticipated savings can be delivered from 2013/14.	£400,000 base budget saving
Review of Interest on balances	Corporate Budgets	1,221,000	900,000	Treasury Management interest on balances continuing to outperform benchmark	£900,000 base budget saving
Management Review for most senior posts in authority, plus other corporate reviews of staffing	All Areas	950,000	283,700	Reduction in Pay Budgets through the deletion of vacant posts and review of enhanced pay budgets.	£271,000 base budget saving, £12,700 One-off Saving for 2013/14 only.
Contract Renegotiation	Commissioning and Procurement	1,000,000	50,000	Waste Management - Standardised opening hours for Household Recycling Centres	£50,000 base budget saving
Commerciality Savings - Reduced spending, increased Income, review of procurement processes and costs, and efficiency savings	All Areas		2,323,950	See attached sheet - List A2, Commerciality Savings	£1,343,950 Base Budget Saving. £1,042,700 One-off Saving for 2013/14 only
Commerciality Savings - Reduced spending, increased Income, review of procurement processes and costs, and efficiency savings	Corporate Budgets	2,003,000	1,591,350	Apply Unallocated New Homes Bonus for 2013/14 only. Allocations made in July 2012 amount to £3m, with a further £0.5m to be allocated. This will not impact on previous commitments or future allocations beyond 2013/14.	£1,591,350 One-off Saving for 2013/14 only.
		6,714,000	6,525,000		

Council – 28<sup>th</sup> February 2013 – Financial Strategy 2013/14 to 2022/23

List A2: (Commerciality Savings) Additional Savings deliverable against existing savings proposals with minimal impact on services (Included in List A)

Existing Savings Target Grouping	Service	Existing Savings Target 2012/13 to 2013/14 (£)	Additional Savings Proposal 2013/14 (£)	Details of Saving Proposal	Base Budget or One Off Saving
Commerciality Savings - Reduced spending, increased Income, review of procurement processes and costs, and efficiency savings	Learning and Skills		190,000	Review of Early Years and Enable Services and Social Care Training budgets	Base budget saving
Commerciality Savings - Reduced spending, increased Income, review of procurement processes and costs, and efficiency savings	Area Directors		16,820	Arts - New commissioning arrangements and 8% reduction in working budget.	Base budget saving
Commerciality Savings - Reduced spending, increased Income, review of procurement processes and costs, and efficiency savings	Area Directors		111,220	Community Working - Review of Grants & Subscriptions Budget, reduction in working budgets and withdrawal of Rural Communities Grant and Charity Review funding payable to the Community Council of Shropshire.	Base budget saving
Commerciality Savings - Reduced spending, increased Income, review of procurement processes and costs, and efficiency savings	Area Directors		93,830	Libraries - Review of budgets, contracts and increases in income.	Base budget saving
Commerciality Savings - Reduced spending, increased Income, review of procurement processes and costs, and efficiency savings	Area Directors		9,280	Leisure -Community Grants	Base budget saving
Commerciality Savings - Reduced spending, increased Income, review of procurement processes and costs, and efficiency savings	Business Growth and Prosperity		30,000	Reductions in Business Development Activity	Base budget saving
Commerciality Savings - Reduced spending, increased Income, review of procurement processes and costs, and efficiency savings	Business Growth and Prosperity		15,000	Reductions in sustainability activity & grants	Base budget saving
Commerciality Savings - Reduced spending, increased Income, review of procurement processes and costs, and efficiency savings	Business Growth and Prosperity		100,000	Development Mgmt. savings and efficiencies and increased income.	Base budget saving
Commerciality Savings - Reduced spending, increased Income, review of procurement processes and costs, and efficiency savings	Business Growth and Prosperity		59,000	Theatre Severn: review of working budgets and increased income.	Base budget saving
Commerciality Savings - Reduced spending, increased Income, review of procurement processes and costs, and efficiency savings	Business Growth and Prosperity		32,000	Visitor Economy: Savings from review of Tourism activity.	Base budget saving
Commerciality Savings - Reduced spending, increased Income, review of procurement processes and costs, and efficiency savings	Business Growth and Prosperity		36,000	Outdoor Recreation : Review of expenditure budgets.	Base budget saving
Commerciality Savings - Reduced spending, increased Income, review of procurement processes and costs, and efficiency savings	Business Growth and Prosperity		22,000	Additional Sustainability income	Base budget saving
Commerciality Savings - Reduced spending, increased Income, review of procurement processes and costs, and efficiency savings	Business Improvement		120,000	Review of general expenditure budgets and income generation.	£90,000 Base Budget Saving. £30,000 One-off Saving for 2013/14 only
Commerciality Savings - Reduced spending, increased Income, review of procurement processes and costs, and efficiency savings	Corporate Budgets		128,000	Review of Supplies and Services Budgets and reduction in External Audit fees.	Base budget saving
Commerciality Savings - Reduced spending, increased Income, review of procurement processes and costs, and efficiency savings	Facilities Management		48,000	Review of expenditure and income budgets.	Base budget saving
Commerciality Savings - Reduced spending, increased Income, review of procurement processes and costs, and efficiency savings	Waste Management		60,000	Introduce charging for disposal in addition to collection for Schedule 2 non-domestic properties (e.g. institutions)	Base budget saving
Commerciality Savings - Reduced spending, increased Income, review of procurement processes and costs, and efficiency savings	Waste Management		20,000	Cessation of funding to SCRL – notice issued October 2012	Base budget saving
Commerciality Savings - Reduced spending, increased Income, review of procurement processes and costs, and efficiency savings	Waste Management		15,000	Non-provision of reuse credits to furniture schemes	Base budget saving

List A2: (Commerciality Savings) Additional Savings deliverable against existing savings proposals with minimal impact on services (Included in List A)

Existing Savings Target Grouping	Service	Existing Savings Target 2012/13 to 2013/14 (£)	Additional Savings Proposal 2013/14 (£)	Details of Saving Proposal	Base Budget or One Off Saving
Commerciality Savings - Reduced spending, increased Income, review of procurement processes and costs, and efficiency savings	Legal and Democratic Services		80,000	Contribution to the Elections reserve is no longer required as we budget in year as necessary.	Base budget saving
Commerciality Savings - Reduced spending, increased Income, review of procurement processes and costs, and efficiency savings	Organisational Development		40,000	Reduction in consultancy, development and recruitment budgets.	Base budget saving
Commerciality Savings - Reduced spending, increased Income, review of procurement processes and costs, and efficiency savings	Public Protection and Enforcement		20,000	Reduction in operational budgets.	Base budget saving
Commerciality Savings - Reduced spending, increased Income, review of procurement processes and costs, and efficiency savings	Strategic Planning		80,000	Voluntary and Community Sector Assembly funding agreed for 2012/13 only.	Base budget saving
Commerciality Savings - Reduced spending, increased Income, review of procurement processes and costs, and efficiency savings	Customer Care and Involvement		1,000,000	Maximise Subsidy for Housing Benefit and Council Tax Benefit.	One-off saving in 2013/14 only
		0	2,323,950		



- 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 2012/13 to re-align budgets with current demand, for 2013/14;
- a review via Senior Management Board of proposed savings for 2012/13 to 2014/15 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.
- 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.

3.4. On an annual basis the Council also considers the level of reserves held, including the General Fund Balance, to assess whether they are 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, however this generally has little reflection of the potential contingencies that the Council may need to draw on. An alternative, preferable, method is an approach based on a risk assessment of the budget.

3.5. This paper sets out the framework for a risk assessment approach. The issues the framework considers include strategic, operational and financial risks that the authority is facing. This includes, for example, changes in external funding or the council's ability to deliver savings; the effectiveness of budget monitoring to identify variances from spending plans and trigger timely remedial action; the availability of other funds to cover costs – for example, from an insurance policy, or from the government under the Bellwin Scheme for emergency financial assistance; and the extent to which contingency is built into individual departmental budgets and the council's overall budget.

#### **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 2012/13 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 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 or the overall operating model;
  - The delivery of savings targets and efficiency measures within the required timeframe;
  - Changes to the Capital Programme, to achieve the policy objective of eliminating Prudential Borrowing, unless it is self-funding;
  - Improvements in budgeting and/or associated systems, the implementation of which may throw up funding challenges;
  - The impact of changes on a national or regional basis that do not fall within the existing budget process; and
  - The impact of austerity measures including the recalibration of public sector funding in the second half of CSR 2010 and CSR 2014.
- 4.4. These assumptions and potential changing circumstances will require the forecasts for future years to be reviewed in each financial year leading to more detailed budgets being prepared for the next financial year and for the Medium Term Financial Plan. Impacts within year are reported on a monthly basis to Members within the existing monitoring reports for both revenue and capital.

## **5. Robustness of Revenue Estimates**

- 5.1. The 2013/14 budget process continues the trend of improving the Council's budget preparation, most notably in the budget re-alignment due to information and trend data drawn from the monitoring of the 2012/13 budget, as reported to Cabinet on a monthly basis.
- 5.2. As part of developing the 2013/14 budget, members of the administration have considered available options and they are reflected in the proposed budget.
- 5.3. The two year position, over the remainder of the CSR 2010 is given in Table 1 below and shows the latest prediction, which is a deficit in both years. Savings targets are monitored and revised in-year and action taken to manage unachievable savings or increased timescales. A managed balance is identified in 2013/14 (reduced from £4.064m in 2012/13). The budget for 2014/15 has not been developed beyond initial estimates and will form part of the next three year Medium Term Financial Plan to be developed in the summer/autumn of 2013/14.



**Table 1: Three Year Revenue position £000's**

	2013/14	2014/15
Predicted Funding Gap	16,947	8,003
Savings Target	20,729	1,300
Balance to be Carried Forward	282	6,985
Achievable Original Savings (Latest Estimate)	14,882	1,300
Net Additional Pressures	3,148	0
Alternative Savings Identified	8,995	0
Managed Balance Carried Forward	282	6,985

- 5.4. To improve the medium term financial planning for the authority it is proposed to undertake mid-term reviews of the medium Term Financial Plan every two years, extending the existing plan by two years at each review. Annex 1 shows the factors taken into account in developing the draft budget.

## **6. Capital Budget**

- 6.1. The agreed programme is fully funded within the 3 year timescale 2012-15. 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 2012/13 is fully funded over the Financial Strategy period but this in itself will increase pressure on the Council to deliver the anticipated 2013/14 programme.
- Secondly, the draft 3 year 2012-15 programme 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.

6.4 The capital programme will be actively managed and reprofiled during the course of the financial year to reflect scheme delivery timescales and revisions to funding agreements for projects. However at the end of the year, slippage within the programme normally occurs which had not previously been anticipated. This will be due to delays in delivery of schemes and the net of underspends and overspends against specific projects. As shown in Table 2 below, in 2011/12 there was slippage of £4.710m which represents 6.9% of the revised capital programme. Action has already been taken during the course of 2012/13 to reprofile budgets to future years to reflect latest data on project delivery.

**Table 2: Three Year Capital position £000's**

	2011/12	2012/13	2013/14
Capital Programme	+77,362	+69,509	+64,708
Reprofile Budgets	-3,317	-7,479	-
Revised Capital Programme	68,674	62,030	64,708
Slippage	-4,710	-	-
Actual Capital Programme	+63,964	+62,030	+64,708

6.5 The capital programme will include a target for capital receipts to be delivered to ensure the programme is fully funded and removing the need for prudential borrowing to be undertaken. This target generally decreases during the course of the year to reflect the reprofiled budget, however the full capital receipt target will still be required to fully fund the capital programme. In 2011/12 a total of £8.3m was delivered against a revised target of £8.6m.

## 7. The Framework for the General Balance

7.1 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.

- 7.2 Nine areas of risk have been considered and these, with explanatory text, are set out in Appendix 1. Appendix 2 provides a summary of the calculation for the general balance at £16.138m for 2013/14, £16.056m for 2014/15 and £16.945m for 2015/16.
- 7.3 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.

## **8. Review of Earmarked Reserves and Provisions**

- 8.1 A review of the earmarked balances held by the Council has also been performed to establish the purpose of the reserves and the likely timescale that these reserves will be utilised.
- 8.2 Earmarked reserves are created to meet known or predicted requirements in the future. There are 5 main categories of earmarked reserves that the Council holds:
- Sums set aside for major schemes, such as capital developments, or to fund major reorganisations
  - Insurance Reserves
  - Reserves of trading and business units
  - Reserves retained for service departmental use
  - School Balances
- 8.3 The Council held balances of £36.684m in earmarked reserves at 31 March 2012. During the course of 2012/13 it is anticipated that a net £0.144m will be added to the total earmarked reserves in order to fund known commitments. A review of the remaining balances has indicated that a further £0.128m can be released that are no longer required. This amount will be released to the General Fund Balance. A full breakdown of the earmarked reserves is attached at Appendix 3 with details of the purpose of each reserve and the likely timescales for use of the funds.

## **9. General Fund Balance**

- 9.1 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.
- 9.2 The revenue monitoring reports have provided members with an updated projection on the General Fund during the course of 2012/13. This has incorporated a number of assumptions which have now been reviewed:

Existing assumptions:

- Repayment of earmarked reserves that were released in 2011/12. – *only £100,000 is considered necessary for repayment after earmarked reserve review.*

- Full use of New Homes Bonus allocations in 2012/13 – *this will be contributed to an earmarked reserve and will fund approved commitments as agreed by Cabinet.*
- Use of £0.650m for ip&e set up costs – *this was intended for set up costs relating to ip&e, however £0.500m will now be covered by the loan agreement.*

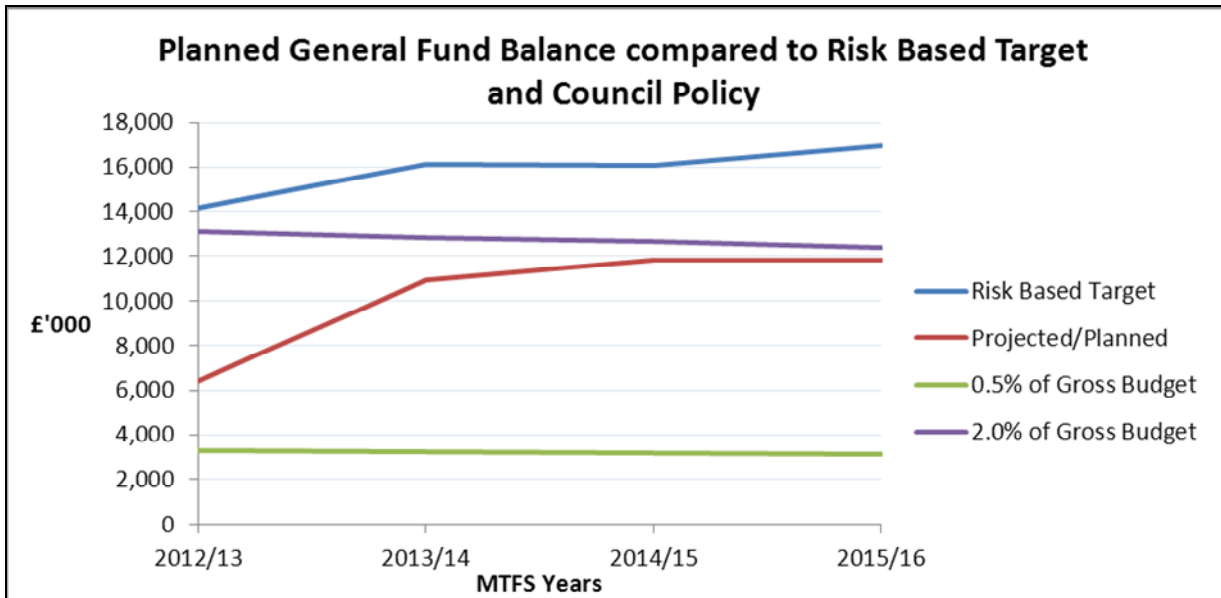
New assumptions:

- *In addition, it is anticipated that at least £0.500m will be available from an underspend against Council Tax Subsidy in 2012/13. This has not previously been reported in the monitoring reports and the final amount will only be determined at the end of the financial year.*
- *The review of earmarked reserves as detailed in section 8 above has released £0.128m into the General Fund.*
- *Known redundancies of £0.362m for 2013/14 have been agreed in principle. These redundancies are fully funded from service areas in future years, however in the short term these will be funded temporarily from the General Fund.*

9.3 On the basis of the revised assumptions above, the projected 2012/13 General Fund Balance is provided below:

	Projection as per Period 7 (£'000)	Revised Projection at Period 8 (£'000)
General Fund Balances as at 31 March 2012	7,638	7,638
Budgeted contribution to General Fund Balance	5,909	5,909
Repayment of Overspend (County Training Yr2)	681	681
Repayment of Earmarked Reserves	(1,084)	(100)
New Homes Bonus (net allocations in year)	(818)	(818)
New Homes Bonus (to be allocated)	(1,203)	(1,203)
Unallocated Savings from 2012/13	(4,064)	(4,064)
Transformation contribution including ip&e	(650)	(150)
Contribution to 2012/13 Pay Award	(500)	(500)
Ringfenced Fixed Penalty Notice Income	(168)	(168)
2012/13 projected outturn (Overspend)	(1,015)	(1,062)
Assumed Council Tax Subsidy underspend	0	500
Release of earmarked reserves	0	128
Agreed Redundancies in 2013/14	0	(362)
<b>Projected Balance at 31 March 2013</b>	<b>4,726</b>	<b>6,429</b>

- 9.4 The Financial Strategy, agreed by Council on 23 February 2012, anticipated a level of reserves by year end of £5.741m. The current projection shows that the General Fund balance is now anticipated to be above this level, and therefore is in line with the assumptions in the Financial Strategy.
- 9.5 The Financial Strategy recognised that balances need to be increased to the risk assessed level and so has provided for a contribution to the General Fund Balance and of £5.9m in 2012/13 and 2013/14. Based on the planned contributions to the General Fund Balance, the balance will be marginally below 2% of the gross budget of the council by 2015/16 as shown in the chart below.



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

Appendix A: Analysis of Budget Assumptions and Financial Risks, including the Council's Financial Management Arrangements and Appropriate Mitigation

Appendix B: Risk Based Calculation of General Fund Balances

Appendix C: Earmarked Reserves

**Appendix 7A**

**Analysis of Budget Assumptions and Financial Risks, including the Council's Financial Management Arrangements and Appropriate Mitigation**

Budget Assumption	Explanation of Risk	Financial Standing and Management and Mitigating Action
<p>1. The treatment of inflation</p>	<p>There are two key issues in relation to inflation.</p> <ul style="list-style-type: none"> <li>• There may be some items of expenditure – fuel or energy 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.</li> <li>• Information is less accurate for years 2 and 3; the risk assessment covers the higher range.</li> </ul> <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>	<p>Pay – 1% has been provided in the 2013/14 budget to reflect the pay award for staff with 1% thereafter. It is anticipated that any increments are funded within service budgets.</p> <p>Pension contribution rates are anticipated to remain at the same level for the period of the MTFS, however inflation has been provided for the lump sum element of the pension contribution.</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"> <li>•</li> </ul>
<p>2. Interest rates on borrowing and investment</p>	<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 2012/13 are expected to continue to impact the 2013/14 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. However borrowing undertaken with PWLB is due to mature and so there is a potential risk to securing new borrowing at similar interest rates to those currently budgeted for.</p>	<ul style="list-style-type: none"> <li>• Interest receivable budgets have been set based on 2012/13 profile of the interest gained on cash balances held. These range from investments for 12 months gaining 2% to short term call accounts which gain only 0.3%.</li> <li>•</li> <li>• Interest rates have been set at 5.46% for all borrowing costs based on current interest rates.</li> <li>•</li> </ul>
<p>3. Estimates of the level and timing of capital receipts.</p>	<p>The Council has developed an asset management strategy and has a policy of reducing borrowing costs around the capital programme where possible. Therefore the capital programme is dependent on the delivery of capital receipts. The planned receipts estimated to the Council are made more difficult due</p>	<p>Capital receipts are monitored monthly in the capital monitoring report and are RAG rated in terms of their anticipated delivery against target.</p>

Budget Assumption	Explanation of Risk	Financial Standing and Management and Mitigating Action
	to reducing market values and problems for potential procurers in obtaining finance.	
4. The treatment of demand led pressures	<p>There are long standing areas of risk due to volatility, where we budget for demographic changes in future years, but might find the actuality is at the higher end.</p> <p>Two areas specifically affected by demography are adult social care and childrens social care, where we have seen significant budget pressures due to increasing numbers of clients receiving care packages.</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 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 an appropriate prudent level over the course of the MTFS.</p> <p>The 2013/14 budget has been based upon budget monitoring and projections made by Strategic Managers of demand in future years.</p>
5. The treatment of efficiency savings	<p>The budget includes improvement programmes that will deliver savings; the risk is that they may be delivered at a slower rate.</p> <p>This includes savings targets included specifically for Procurement and Office Accommodation savings.</p>	<p>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.</p> <p>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.</p>
6. The financial risks inherent in any significant new funding partnerships, major outsourcing deals or major capital developments	<p>The Council has set up a wholly owned company which it plans to be a vehicle for service delivery in the future. Other delivery vehicles are also being considered by service areas. Full business cases are required for any services being considered for transfer to an alternative service vehicle.</p>	<p>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.</p> <p>Business cases for any new delivery vehicles will fully investigate any financial</p>

Budget Assumption	Explanation of Risk	Financial Standing and Management and Mitigating Action
		risks that the Council may face in the future and the MTFS updated accordingly.
<p>7. The availability of other funds to deal with major contingencies</p>	<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 recent 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>	<p>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.</p> <p>An earmarked reserve has been established for Severe Weather however any pressure not covered by this reserve would need to be funded from the general fund balance. A risk based approach in calculating the general fund balance takes into consideration the types of incidents and costs associated and this is reviewed annually.</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 Council which includes both risks that are generic to all organisations and those specific to the authority.</p> <p>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.</p>
<p>8. Impact on council funding of announcements of national changes</p>	<p>Further changes in councils' funding are due to take effect from April 2013. This includes the partial retention by councils of locally collected business rates to replace some government and the transfer of responsibility for council tax support to councils.</p> <p>Councils do not yet know what the full impact of these changes will be on their income, therefore it is prudent to include a risk factor against the level of budgeted income from these two sources.</p>	<p>The localisation of business rates and the change to Council Tax Support are the two most significant changes announced affecting Council funding for 2013/14 and future years.</p> <p>Financial modelling has been undertaken of these two changes and the MTFS updated accordingly. Any unforeseen pressures would need to be covered by the general fund balance.</p>
<p>9. The overall financial standing of the authority (level of, debt outstanding, council tax collection rates etc)</p>	<p>Change necessarily means doing things in a way for which we have no evidence. Our assumptions may be wrong. Also, the areas of change will alter over the years.</p> <p>An allowance for budget pressures has also been built in to accommodate any</p>	<p>The level of aged debt within the sundry debtors figure is monitored closely and any debts at risk are highlighted with budget managers during the course of the year so that the appropriate action may be taken. Bad debt provisions are maintained to protect the budget against any such</p>



Budget Assumption	Explanation of Risk	Financial Standing and Management and Mitigating Action																														
	<p>corrective action that needs to be taken if the assumptions about changes in service delivery should change.</p> <p>In the current economic downturn the risk of collecting all income due to the Council is enhanced, which includes all sundry debt, and charges relating to Council Tax and NNDR. Any such pressure identified should be evaluated and provided for.</p> <p>Income from fees and charges is also vulnerable to change based on 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>	<p>pressures, but should these not be sufficient, the general fund would be used.</p> <p>The assumed Council Tax collection rate for 2013/14 onwards is 97.5% and is judged to be achievable based on previous experience. Legislation states that any Collection Fund deficit be corrected through the Council Tax in the next year. The surplus is distributed in 2013/14.</p> <p>There have been shortfalls in income in 2012/13 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 2013/14 budget.</p>																														
<p>10. The authority's track record in budget and financial management.</p>	<p>Any overspend realised in a financial year would result in the use of the general fund balance. The Council has identified that the level of general fund balances need to increase in order to protect the Council against specific financial risks, and so any general overspend due to weaknesses in budget management, undermine any planned action being taken on the General Fund Balance.</p> <p>Financial management needs to be considered across all service areas of the Council. If a particular service area is unable to manage a particular overspend pressure, this may present a need to use general fund balance in the current financial year. Also this may have implications on future level of balances if no action is taken to reduce the spending pressure for the service area in future years or offset by compensating savings.</p>	<p>The Council's recent track record in budget and financial management 2005 to 2013 shows potential variations from a £2.1m overspend to a £2.7m underspend (a range of £4.8m). In the last financial year, the Council generated an underspend compared to overspends in previous financial years.</p> <table border="1" data-bbox="970 1234 1437 1742"> <thead> <tr> <th>Financial Year</th> <th>(£'000)</th> <th>Underspend/ 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> <tr> <td>2010/11</td> <td>518</td> <td>Over</td> </tr> <tr> <td>2011/12</td> <td>(2,709)</td> <td>Under</td> </tr> <tr> <td>2012/13*</td> <td>1,062</td> <td>Over</td> </tr> <tr> <td>Total 2005 to 2013</td> <td></td> <td>Over</td> </tr> </tbody> </table> <p>* As projected at Period 8 monitoring</p> <p>This has been achieved by considerable management and policy actions to ensure spending is in line with the budget each year.</p>	Financial Year	(£'000)	Underspend/ Overspend	2005/06	(196)	Under	2006/07	(303)	Under	2007/08	(133)	Under	2008/09	2,141	Over	2009/10	919	Over	2010/11	518	Over	2011/12	(2,709)	Under	2012/13*	1,062	Over	Total 2005 to 2013		Over
Financial Year	(£'000)	Underspend/ Overspend																														
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2012/13*	1,062	Over																														
Total 2005 to 2013		Over																														

Budget Assumption	Explanation of Risk	Financial Standing and Management and Mitigating Action
		<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>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"> <li>• Overspends are ringfenced to services, carried forward and offset against the following year's budget</li> <li>• Accuracy of projections has been improved over the year, but further work is required.</li> <li>• The monitoring system continues to be improved in terms of accuracy, the frequency of reporting and the challenge process.</li> </ul> <p>It has been recognised that the financial information and reporting arrangements needs to be strengthened. Therefore the development of the Collaborative Planning Module within the Council's financial management system has been implemented to help address this issue. This has incorporated improvements to budget profiling.</p> <p>The Council's virement and carry forward rules are clear and detailed in the Constitution.</p>

## APPENDIX 7B

## Risk Based Calculation of General Fund Balances

Balances Spreadsheet Calculation												
2012/13			AREA OF RISK	2013/14			2014/15			2015/16		
Budget £000	Risk Level	Value £000		Budget £000	Risk Level	Value £000	Budget £000	Risk Level	Value £000	Budget £000	Risk Level	Value £000
			<b>Inflation</b>									
127,186	0.25%	318	Salaries	123,294	0.25%	308	119,521	0.25%	299	115,864	0.25%	290
14,334	2.00%	287	Premises	13,896	2.00%	278	13,471	2.00%	269	13,058	2.00%	261
18,295	4.00%	732	Transport	17,735	1.00%	177	17,192	1.00%	172	16,666	1.00%	167
60,321	1.00%	603	Supplies & Services	58,476	0.25%	146	56,686	0.25%	142	54,952	0.25%	137
136,066	0.25%	340	Third Party Payments	131,902	0.25%	330	127,866	0.25%	320	123,953	0.25%	310
92,626	0.25%	232	Transfer Payments	89,792	0.25%	224	87,044	0.25%	218	84,381	0.25%	211
<b>448,829</b>		<b>2,511</b>		<b>435,095</b>		<b>1,464</b>	<b>421,781</b>		<b>1,419</b>	<b>408,874</b>		<b>1,376</b>
			<b>Interest Rates</b>									
278,300	0.00%	0	Borrowing	268,800	0.00%	0	273,700	0.00%	0	269,900	0.00%	0
400	10.00%	40	PWLB	9,900	1.00%	99	5,000	1.00%	50	8,800	1.00%	88
66,305	0.50%	332	Investment	81,472	0.50%	407	81,472	0.50%	407	81,472	0.50%	407
89	10.00%	9	Icelandic Bank exposure	0	0.00%	0	0	0.00%	0	0	0.00%	0
		<b>380</b>				<b>506</b>			<b>457</b>			<b>495</b>
			<b>Capital Receipts</b>									
27,505	3.50%	963	Land Sales	23,556	10.00%	2,356	4,221	25.00%	1,055	1,440	25.00%	360
		<b>963</b>				<b>2,356</b>			<b>1,055</b>			<b>360</b>
			<b>Demand led Pressures</b>									
-	-	-	Adult Social Care	63,559	3.25%	2,066	63,559	3.25%	2,066	63,559	3.25%	2,066
-	-	-	Childrens Social Care	9,782	1.50%	147	9,782	1.50%	147	9,782	1.50%	147
						<b>2,212</b>			<b>2,212</b>			<b>2,212</b>
			<b>Efficiency Savings</b>									
1,000	70.00%	700	Procurement	3,436	50.00%	1,718	3,436	25.00%	859	3,436	10.00%	344
-	-	-	Office Accommodation	2,000	85.00%	1,700	2,000	47.50%	950	2,000	7.50%	150
17,602	5.00%	880	Non-achievement of budget savings	16,177	5.00%	809	36,177	7.50%	2,713	56,177	10.00%	5,618
		<b>1,580</b>				<b>4,227</b>			<b>4,522</b>			<b>6,111</b>
			<b>Partnerships, Outsourcing arrangements</b>									
-	-	-	IP&E	500	Quantum	500	500	Quantum	500	500	Quantum	500
						<b>500</b>			<b>500</b>			<b>500</b>
			<b>Insurance and Emergency Planning</b>									
			- Provision	4,237	0.00%	-	4,237	0.00%	-	4,237	0.00%	-
			- Reserve	2,228	0.00%	-	2,228	0.00%	-	2,228	0.00%	-
50	Quantum	50	ICT Disaster	50	Quantum	50	50	Quantum	50	50	Quantum	50
40	Quantum	40	Other Incident	50	Quantum	50	50	Quantum	50	50	Quantum	50
754	10.00%	75	Bellwin	754	Quantum	754	754	Quantum	754	754	Quantum	754
2,469	25.00%	617	Severe Weather	2,469	20.00%	494	2,469	20.00%	494	2,469	20.00%	494
		<b>783</b>				<b>1,348</b>			<b>1,348</b>			<b>1,348</b>
			<b>Funding Changes</b>									
84,000	0.25%	210	Housing Benefits	61,792	0.25%	154	61,792	0.25%	154	61,792	0.25%	154
-	0.00%	-	Council Tax Support	-	0.00%	-	14,000	7.25%	1,015	14,000	7.25%	1,015
		<b>210</b>				<b>154</b>			<b>1,169</b>			<b>1,169</b>
			<b>General Financial Climate</b>									
846	20.00%	169	Carbon reduction tax	-	0.00%	-	-	0.00%	-	-	0.00%	-
4,275	8.10%	346	Landfill Costs	5,051	5.00%	253	5,051	5.00%	253	5,051	5.00%	253
14,381	1.00%	144	Debt Collection	12,652	5.00%	633	12,652	5.00%	633	12,652	5.00%	633
129,631	0.50%	648	Collection Fund	114,479	0.50%	572	114,908	0.50%	575	114,908	0.50%	575
-	0.00%	-	NNDR Business Rates	38,818	0.50%	194	38,818	0.50%	194	38,818	0.50%	194
19,225	5.00%	961	Discretionary Income	17,091	5.00%	855	17,091	5.00%	855	17,091	5.00%	855
		<b>2,269</b>				<b>2,506</b>			<b>2,508</b>			<b>2,508</b>
			<b>Redundancy</b>									
3,000	100.00%	3,000	Redundancy	1,000	10.00%	100	1,000	10.00%	100	1,000	10.00%	100
1,500	1.50%	23	Job Evaluation	-	0.00%	-	-	0.00%	-	-	0.00%	-
1,400	10.00%	140	Transformation	1,352	10.00%	135	1,352	10.00%	135	1,352	10.00%	135
224,684	1.00%	2,247	Additional Budget Pressures	225,829	0.50%	1,129	225,829	0.50%	1,129	225,829	0.50%	1,129
		<b>5,409</b>				<b>1,364</b>			<b>1,364</b>			<b>1,364</b>
		<b>14,105</b>	<b>TOTAL</b>			<b>16,138</b>			<b>16,056</b>			<b>16,945</b>

## Earmarked Reserves

	Balance as at 31 March 2012 £'000	Anticipated movement in 2012/13 £'000	Movement due to Review £'000	Projected Balance as at 31 March 2013 £'000	Purpose of Reserve and Timescale of Release
<b>Sums set aside for major schemes, such as capital developments, or to fund major reorganisations</b>					
Revenue Commitments for Future Capital Expenditure Reserve	2,414	-2,414	0	0	This funding is fully committed to capital programme in 2012/13. Therefore this funding should be fully utilised, unless there is significant slippage in the capital programme.
Transformation	1,067	-1,067	0	0	This was established from the underspend on the transformation fund in 2011/12. It is anticipated that this will be released fully in 2012/13 based on the current profile of spend.
Voluntary Early Retirement/Severance	1,221	-1,221		0	Funds were allocated to this reserve to fund known pension strain costs to be incurred in 2012/13. Therefore the current balance will be fully utilised.
<b>Insurance Reserves</b>					
Fire Liability Reserve	1,446	137	0	1,583	Funds held in order to cover the cost of excesses on all Council properties. The balance held in this reserve will always be held as long as the Council has insurance excesses to cover.
Motor Insurance Reserve	661	-16	0	645	Funds held for costs not covered under the Council's motor insurance policy. The balance held in this reserve will always be held as long as the Council has insurance excesses to cover.
<b>Reserves of trading and business units</b>					
Shire Catering and Cleaning Efficiency	0	0	0	0	Any underspends generated by Shire Services are contributed to this reserve for investment in future years. No balance currently held from 2011/12 as the service generated an overspend which cleared this reserve.
<b>Reserves retained for service departmental use</b>					
Council Elections Reserve	43	0	0	43	This balance is held to offset any costs of bi-elections during the course of the year. This balance will be used in 2013/14 towards the cost of the Council elections.
CYPS Directorate Reserve	83	0	-83	0	Balance no longer required therefore is being released in 2012/13.
Economic Development Workshops Major Maintenance Reserve	232	0	0	232	Funds identified and committed to any Repairs and Maintenance required on the Economic Development Workshops. Funds will be called on and released as required.
Landfill Allowance Trading Scheme Reserve	228	0	0	228	Notional accounting entry therefore balance required to offset balance sheet entries.
Legal Disbursements Reserve	50	0	0	50	Contingency sum for child care cases therefore funds will be called on and released as required.
Local Support Services Grant Reserve	284	-284	0	0	Specific commitments identified from unspent grant. Should be fully committed in 2012/13 however may be topped up by new allocations (unknown)
Local Joint Committee Reserve	61	-61	0	0	This reserve is held for any uncommitted balances from Local Joint Committees at the end of each financial year. The balance is released in the following financial year.
Major Planning Inquiries Reserve	497	-40	-45	412	This reserve is used to meet the one-off costs of major planning inquiries. The current schedule of commitments against this reserve detail that this reserve will be fully utilised in 2015.

## APPENDIX 7C

	Balance as at 31 March 2012 £'000	Anticipated movement in 2012/13 £'000	Movement due to Review £'000	Projected Balance as at 31 March 2013 £'000	Purpose of Reserve and Timescale of Release
New Homes Bonus Reserve	0	4,519	0	4,519	This reserve includes any allocations of New Homes Bonus Grant that the Council has received but commitments have not yet been realised. The current schedule of commitments plans for the majority of this funding to be released by 2014/15.
People Services Reserve	1,607	-1,607	0	0	This was established to safeguard the council against pressures within Assessment & Eligibility and external children's placements given the service areas volatility. It is anticipated that this will be fully committed in 2012/13 given the current pressures on these budgets.
PFI Building Equipment Replacement Reserve	59	-59	0	0	This was established in 2007/08 to fund replacement equipment in PFI buildings. The balance held has been fully committed in 2012/13.
Resources Efficiency Reserve	315	-167	0	148	Established for investment in new developments, particularly information technology, that service areas would not be expected to meet. The current schedule of commitments against this reserve detail that this reserve will be fully utilised in 2015.
Severe Weather Reserve	600	0	0	600	Balance held as a contingency sum for the costs of winter maintenance. Funds will be called on and released as required.
Shropshire Waste Partnership - Smoothing Reserve	16,830	2,361	0	19,191	Reflects the budgeted contributions in the early years of the Waste PFI contract that will be used to smooth the step up in the Unitary Charge once additional facilities come on line. This balance will be committed over the course of the 27 year contract.
Shropshire Waste Partnership - General Reserve	5,985	0	0	5,985	Established from SWP underspends and has been earmarked towards future capital and revenue pressures in the budget. Also includes notional entries relating to prepayments relevant to the IFRS accounting treatment therefore balance required to offset balance sheet entries.
Theatre Severn R&M	20	0	0	20	Funds identified and committed to any Repairs and Maintenance required on the Theatre. Funds will be called on and released as required.
TMO Vehicle Replacement	1,775	62	0	1,837	Required to meet the costs of replacement vehicles by the Integrated Transport Unit. Current replacement schedule has a value of £1.8m.
<b>School Balances</b>					
Education - Staff Sickness Insurance Reserve	450	0	0	450	School contributions for specific insurance scheme. Balance to be held in reserve will be determined at year end when all school contributions received, and details of commitments against reserve are finalised.
Education - Theft Insurance Reserve	76	0	0	76	School contributions for specific insurance scheme. Balance to be held in reserve will be determined at year end when all school contributions received, and details of commitments against reserve are finalised.
Schools Building Maintenance Insurance Reserve	681	0	0	681	School contributions for specific insurance scheme. Balance to be held in reserve will be determined at year end when all school contributions received, and details of commitments against reserve are finalised.
<b>TOTAL</b>	<b>36,684</b>	<b>144</b>	<b>-128</b>	<b>36,700</b>	

# Pay and Reward Policy For All Council Staff 2013-14

## 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 and support the delivery of the Council's objectives. The pay policy details our approach to managing pay and reward in a way which supports the aims and objectives of the organisation.

### 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 respective elements of the pay policy.

1.3 Shropshire Council recognises that pay is not the only means of rewarding and supporting staff, and the Council endeavours 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 aims to reflect:-

- pay and grading underpinned by job evaluation (where a scheme exists)
- 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

1.5 Shropshire Council's employment offer includes a wider range of benefits alongside pay

- access to learning and development
- access to local government pension scheme
- flexible working where this fits business needs
- Performance management which incorporates smart objectives and behaviors
- Access to a range of benefits offered through 'Rewarding People'
- carrying out work which is of public value and contributes to making Shropshire a great place to live and work.

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 at local and national level;
- Enable the Council to recruit and retain employees with the required skills, knowledge and experience; and
- which 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 the 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 Head of Paid Service (Director of Operations), Director of Children's Services, Director of Adult Services, Director of Public Health, Director of Commissioning, Director of Resources and Support, Area Commissioners, Monitoring Officer, Section 151 Officer, and Heads of Service. 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-8RAFX/\\$file/08-part-8-delegations-to-officers.pdf](http://www.shropshire.gov.uk/democracy.nsf/viewAttachments/LSIY-8RAFX/$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 / Band 14. Salaries in Shropshire Council have been 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 October 2011 and again in October 2012 in the latter there was a pay increase and a pay reduction wrapped into the change.

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 31<sup>st</sup> March 2013)

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 commissioning or 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 in 2012, pay levels have again been reduced as one of Shropshire Council's measures to manage its budgets, while protecting the future employment of its current staff, and reducing the costs of redundancy on the public purse. The level of planned reduction was offset by implementing a 1% increase. The approach taken also incorporated protection of employees on lower pay levels. The table below shows the scope of the second phase of the reductions in October 2012, and shows that lower paid employees benefitted from a 1% increase and no reduction in pay, in recognition of the fact that there has been no nationally awarded pay increase since 2009 and that a pay cut could potentially create hardship.

<b>SCP Range</b>	<b>Reduction In Value October 2012</b>	<b>October 2012 % Pay Increase</b>
4 - 13	0%	1% increase
14	1%	1% increase
15	1.5%	1% increase
16	2.0%	1% increase
17	2.5%	1% increase
18 - 60	2.7%	1% increase
Senior Pay Band	2.7%	1% increase

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 / Band 14.

## **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. This grading structure has been developed through the local application of the National Joint Council (NJC) Job Evaluation Scheme. The NJC Scheme is designed for application within local authorities and provides a mechanism for reviewing the duties and responsibilities of the posts to determine the appropriate grade.

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 £12,266 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)

4.3.1. Shropshire Council has operated a PO pay scale, ranging from SCP 33 to SCP 57, across 22 grades this means that each grade overlaps with the pay scale of the grade above and below. These cover posts requiring a high level of technical/ professional competence or have management responsibilities.

4.3.2. Work is currently taking place to implement a new pay structure for PO graded posts based on a 4 band, 5 increment pay structure with each band abutting (rather than overlapping) each other. This pay structure uses existing spinal column points and has been developed by carrying out a benchmarking job evaluation exercise on approximately 100 jobs using the Monks JE Scheme. Implementation of the new bands is being carried out as part of restructuring activities with a deadline of completing all PO posts by 2014/15.

4.3.3. A number of posts which were evaluated under the NJC Job Evaluation Scheme were identified as operating above Grade 10. These posts are currently being paid at Grade 11(scp 35 - 37). 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 and will be assimilated onto the new PO band with other posts when their service area is restructured.

### 4.4 Pay Ranges – Senior Pay Band (Currently under Review)

4.4.1. The Senior Manager Pay bands were revised in December 2010. The bands were determined following an assessment of median base pay for Public Sector Managers carried out by Price Waterhouse Coopers in September 2010. The rates have been reduced by 2.7% with effect from 1 January 2012, and were further reduced in October 2012, in line with changes made to other Council staff (see paragraph 4.1.3 above).

Shropshire Council is going through significant changes to its operating model to move to a commissioning organisation. This is entailing a restructure at senior management level as a result Senior Pay Bands 1 to 3 have been reviewed and revisions are currently subject to confirmation.

Grade	Pay range	Pay Range less 2.7% wef 1 Jan 2012	Pay Range (less 2.7% plus 1% wef 1 October 2012)	Job Title
SP 1* (new grade)	Not applicable	Not applicable	£99,000*	Director of Operations
SP 2*	Not applicable	Not applicable	£97,000*	Director
SP 3*	Not applicable	Not applicable	£85,000 - £90,000*	Area Commissioner
SPB 4	£70 - £85k	£68,110 - £82,705	£66,882 - £81,214	Heads of Service
SPB 5	£55k - £65k	£53,515 - £63,425	£52,550 - £62,105	Service Manager

\* New Pay Points SP1 to SP3 are subject to confirmation during February/March 2013

## 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 within the respective sectors.

## 4.6 Salary Progression

### Grade 1 to PO22/PO band 14 (scp 1 to scp 57)

4.6.1. Incremental progression within the evaluated grade is due on the 1<sup>st</sup> April each year based on performance at work, or 6 months after appointment if less than 6 months in the new grade by 1<sup>st</sup> April, i.e. an increment is paid after 6 months if the employee is appointed between 1<sup>st</sup> October and 31<sup>st</sup> March. A 2 year freeze of incremental progression was implemented following consultation with the trade unions between 1 April 2011 and 31 March 2013. The freeze is due to be lifted from 1 April 2013, subject to approval by cabinet.

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 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. (Currently under review)

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.

### **4.7 Senior Pay Band**

4.7.1 New appointments will normally commence on the bottom of the salary band or 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.

4.7.3 Progression within Senior Pay Band was frozen for 2 years until 1 April 2013, work is currently taking place on detailed application of progression based on performance outcomes for implementation during 2013/14.

### **4.8 Pay Review**

4.8.1. Grades 1 to PO22/PO Band 14 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 Head of Human Resources 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.

#### **4.11 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 (Currently Under Review)**

### **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 to receive 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 Head of Human Resources.

- **Salary Protection (Currently under Review)**

Shropshire Council operates salary protection arrangements in a range of circumstances including:

- where an employee has been at risk of redundancy and is successfully redeployed to another post at a lower salary
- Where an employee has been redeployed to another lower graded post due to a disability or health related issue
- Where as a result of a restructuring or grading review/ job evaluation process the grade of the post is reduced

In these circumstances the employee will receive pay protection (based on the level of pay but not hours of work). Protection normally applies for a period of up to 12 months.

- **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

**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". in accordance with the Auto Enrolment Regulations. Employees have the right to decide to opt out of the "scheme" by following the required process. 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) and Local Government Pension Scheme (Miscellaneous) Regulations 2012. 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 2012 is as follows, based on full time equivalent pensionable pay:

<b>Band</b>	<b>Full-time equivalent pay</b>	<b>Contribution rate</b>
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 the council. The salary details for Chief Officers are published at:

<http://www.shropshire.gov.uk/opendata.nsf/open/4811CFD9EC026CC78025782900336F02>

This information has been published since October 2010, and was updated in March 2012 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 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.

7.4 The remuneration of the most senior manager within Shropshire Council, the Director of Operations is £99,000. The median basic remuneration for a full time equivalent employee of Shropshire Council is £17,646 per annum. The mean basic pay, based on 5,786 posts ranging in pay from the Director of Operations remuneration to Grade 1 (SCP 4 - £12,266), is £20,659. The current pay multiple from top to bottom of the organisation is

1:8. The ratio from the median pay to the Director of Operations pay is 1:6, which is well within the limits outlined in the Hutton Review.

7.5 Chief Officers do not receive bonuses.

7.6 The Section 151 Officer and The Monitoring Officer (Head of Legal and Democratic Services) receive a responsibility allowance of £15,000 per annum.

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

7.8 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.

7.9 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 In accordance with the Council's constitution the Head of Paid Service (Director of Operations) has delegated powers to approve the grading and regrading of posts (covered by NJC for Local Government Service, Soulbury and Youth and Community Worker Conditions of Service) where the grade maximum is PO17 or above (or equivalent). Chief Officers have authority to approve changes to the grading of posts (covered by NJC for Local Government Service, Soulbury and Youth and Community Worker Conditions of Service), taking account of job evaluation outcomes for posts covered by these schemes and subject to financial provision for the current and future years being available, and the proposed maximum of the grade being below PO 17 (or equivalent).

8.4 Remuneration decisions making processes for Senior Pay is currently under review.

## **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 A

**Shropshire Council Pay scales**

Pay Scales for employees covered by the Conditions of Service for NJC for Local Government Services effective 1 October 2012

A Salary Column Point	B 30/09/2011	C % Reduction on 30/9/2011 value	D 01/10/2011 Value	E Planned 01/10/2012 Value	F % Overall Reduction on 30/9/2011 value	G % Increase	H New 1/10/12 Value
4	£12,145	0.0%	£12,145	£12,145	0.0%	1%	£12,266
5	£12,312	0.0%	£12,312	£12,312	0.0%	1%	£12,435
6	£12,489	0.0%	£12,489	£12,489	0.0%	1%	£12,614
7	£12,787	0.0%	£12,787	£12,787	0.0%	1%	£12,915
8	£13,189	1.00%	£13,057	£12,991	1.00%	1%	£13,188
9	£13,589	1.00%	£13,453	£13,317	1.00%	1%	£13,588
10	£13,874	2.00%	£13,597	£13,458	2.00%	1%	£13,732
11	£14,733	2.70%	£14,335	£13,937	2.70%	1%	£14,479
12	£15,039	2.70%	£14,633	£14,227	2.70%	1%	£14,779
13	£15,444	2.70%	£15,027	£14,610	2.70%	1%	£15,177
14	£15,725	2.70%	£15,300	£14,876	3.70%	1%	£15,295
15	£16,054	2.70%	£15,621	£15,187	4.20%	1%	£15,534
16	£16,440	2.70%	£15,996	£15,552	4.70%	1%	£15,824
17	£16,830	2.70%	£16,376	£15,921	5.20%	1%	£16,114
18	£17,161	2.70%	£16,698	£16,234	5.40%	1%	£16,397
19	£17,802	2.70%	£17,321	£16,841	5.40%	1%	£17,009
20	£18,453	2.70%	£17,955	£17,457	5.40%	1%	£17,631
21	£19,126	2.70%	£18,610	£18,093	5.40%	1%	£18,274
22	£19,621	2.70%	£19,091	£18,561	5.40%	1%	£18,747
23	£20,198	2.70%	£19,653	£19,107	5.40%	1%	£19,298
24	£20,858	2.70%	£20,295	£19,732	5.40%	1%	£19,929
25	£21,519	2.70%	£20,938	£20,357	5.40%	1%	£20,561
26	£22,221	2.70%	£21,621	£21,021	5.40%	1%	£21,231
27	£22,958	2.70%	£22,338	£21,718	5.40%	1%	£21,935
28	£23,708	2.70%	£23,068	£22,428	5.40%	1%	£22,652
29	£24,646	2.70%	£23,981	£23,315	5.40%	1%	£23,548
30	£25,472	2.70%	£24,784	£24,097	5.40%	1%	£24,337
31	£26,276	2.70%	£25,567	£24,857	5.40%	1%	£25,106
32	£27,052	2.70%	£26,322	£25,591	5.40%	1%	£25,847
33	£27,849	2.70%	£27,097	£26,345	5.40%	1%	£26,609
34	£28,636	2.70%	£27,863	£27,090	5.40%	1%	£27,361
35	£29,236	2.70%	£28,447	£27,657	5.40%	1%	£27,934
36	£30,011	2.70%	£29,201	£28,390	5.40%	1%	£28,674
37	£30,851	2.70%	£30,018	£29,185	5.40%	1%	£29,477
38	£31,754	2.70%	£30,897	£30,039	5.40%	1%	£30,340
39	£32,800	2.70%	£31,914	£31,029	5.40%	1%	£31,339
40	£33,661	2.70%	£32,752	£31,843	5.40%	1%	£32,162
41	£34,549	2.70%	£33,616	£32,683	5.40%	1%	£33,010
42	£35,430	2.70%	£34,473	£33,517	5.40%	1%	£33,852
43	£36,313	2.70%	£35,333	£34,352	5.40%	1%	£34,696
44	£37,206	2.70%	£36,201	£35,197	5.40%	1%	£35,549
45	£38,042	2.70%	£37,015	£35,988	5.40%	1%	£36,348
46	£38,961	2.70%	£37,909	£36,857	5.40%	1%	£37,226

47	£39,855	2.70%	£38,779	£37,703	5.40%	1%	£38,080
48	£40,741	2.70%	£39,641	£38,541	5.40%	1%	£38,926
49	£41,616	2.70%	£40,492	£39,369	5.40%	1%	£39,762
50	£42,513	2.70%	£41,365	£40,217	5.40%	1%	£40,619
51	£43,403	2.70%	£42,231	£41,059	5.40%	1%	£41,470
52	£44,564	2.70%	£43,361	£42,158	5.40%	1%	£42,579
53	£45,137	2.70%	£43,918	£42,700	5.40%	1%	£43,127
54	£46,018	2.70%	£44,776	£43,533	5.40%	1%	£43,968
55	£46,911	2.70%	£45,644	£44,378	5.40%	1%	£44,822
56	£47,802	2.70%	£46,511	£45,221	5.40%	1%	£45,673
57	£48,658	2.70%	£47,344	£46,030	5.40%	1%	£46,491
58	£49,558	2.70%	£48,220	£46,882	5.40%	1%	£47,351
59	£50,445	2.70%	£49,083	£47,721	5.40%	1%	£48,198
60	£51,084	2.70%	£49,705	£48,325	5.40%	1%	£48,809

## Pensions and Retirement Policy

### Contents

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### 1.0 Introduction

This policy provides key information on the pension scheme including who is eligible to join, auto enrolment into the scheme and contribution rates through to retirement. More details on the Shropshire Pension fund and its benefits is contained on the pensions website (see paragraph 9.1 for details)

### 2.0 Scope

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

### 3.0 Pension

#### 3.1 Joining the Pension Scheme

Contractually employees will automatically be enrolled (auto enrolment) into the pension scheme on appointment, unless one of the following apply:

- appointed to 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)

- the offer of employment, and subsequent contract does not exceed three months (however the employee will have the right to request enrolment into the scheme in writing)
- the Employee is over the age of 75 when appointed

### 3.2 Contribution Rates

Employees' pension contribution rate (effective 1 April 2013) will be based on their full time equivalent pensionable pay according to the following table :

<b>Band</b>	<b>Full-time equivalent salary</b>	<b>Contribution rate</b>
1	Up to £13,500	5.5%
2	>£13,500.01 - £15,800	5.8%
3	>£15,800.01 - £20,400	5.9%
4	>£20,400.01 - £34,000	6.5%
5	>£34,000.01 - £45,500	6.8%
6	>£45,500.01 - £85,300	7.2%
7	More than £85,300	7.5%

The contribution band will be assessed using the full time equivalent salary plus any permanent pensionable extra payments (see website for details).

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 31<sup>st</sup> March.

The salary figures detailed in the table above will increase on 1<sup>st</sup> April each year by the rise in the appropriate rate of inflation.

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 9.1).

### 3.3 Re-assessment of bandings

3.3.1 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.

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

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

3.3.4 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.

### **3.4. Opting Out of the Pension Scheme**

3.4.1 Eligible employees who have been auto enrolled into the pension scheme may opt out of the scheme. This must be done in writing and cannot be done until on or after the date of commencement of employment or date of becoming eligible to be a member of the scheme.

3.4.2 Employees who opt out within 3 months of being enrolled are treated as not having been a member and will receive a refund of contributions. Where an employee opts out after 3 months of enrolment then there will be no refund and the employee will receive a pension for the contribution they have made payable in accordance with the scheme rules applicable at the time.

3.4.3 Details of how to opt out of the scheme and the relevant form can be found on the Shropshire Pension Fund website or by contacting the Pension Team see paragraph 9.1 below for details

### **3.5 Transferring Pension into the Shropshire Pension Fund**

3.5.1 Employees may choose to transfer other pension rights into the Shropshire Pension Scheme. Advice on this is available from the Pensions Team (see paragraph 9.1 below).

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

3.5.3 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 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 Head of Human Resources requesting an extension to the twelve months, detailing any extenuating circumstances.

3.5.4 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.

3.5.5 Relevant employees (those who have AVC contracts taken out prior to 13<sup>th</sup> 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.

### **3.6 Certificates of “Protection of Pension Benefits”**

3.6.1 With effect from 1<sup>st</sup> April 2008 a Certificate of Protection of Pension Benefits ceased to be issued, however, certification issued prior to this date will still apply.

### **3.7 Augmentation**

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

3.7.2 Augmentation will be considered only in exceptional circumstances it is not an automatic entitlement. The Head of Human Resources, in consultation with the Section 151 Officer, has discretion to approve augmentation after taking into account all the financial implications.

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

## **4. 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](http://www.shropshire.gov.uk/pensions.nsf)*

### **4.1 Early Retirement on Compassionate or Exceptional Grounds**

4.1.1 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.

4.1.2 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.

4.1.3 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 Director and then passed for further consideration to the Head of Human Resources, the Head of Governance and Assurance, and the Director of Operations 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 1<sup>st</sup> 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.
- Where a member’s pension has been suspended under the tier 3 ill health retirement regulations the Council will permit members to apply for reinstatement of their pension on or after age 55 and before age 60. In these circumstances the Council may also be willing to waive, on compassionate grounds, any actuarial reduction that would otherwise be applied arising from the early payment of these benefits. Applications will be considered by the Head of Human Resources and the Head of Governance and Assurance in the first instance.

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 Director, in discussion with the Head of Human Resources. If the line manager approves the flexible retirement they should complete the form available on Ask HR.

## **6.0 Pre-retirement Courses**

6.1 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.

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

## **7.0 Links to Other Policies**

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

## **8.0 Pensions Appeals**

8.1 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 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.

## **9.0 Monitoring and Review**

9.1 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.

9.2 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.

## **10.0 Further Advice on Pensions**

10.1 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](mailto:pensions@shropshire.gov.uk). Further useful information can also be found at [www.shropshire.gov.uk/pensions.nsf](http://www.shropshire.gov.uk/pensions.nsf)

**If you opt out within 3 months of being auto enrolled, your contributions will be refunded to you. If you opt out after 3 months, you will receive a pension for the contribution that you have made.**

## 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 (Currently Under Review)

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.