



Shropshire Council  
Legal and Democratic Services  
Shirehall  
Abbey Foregate  
Shrewsbury  
SY2 6ND

Date: Friday, 31 October 2014

:

**Committee:  
Environment and Services Scrutiny Committee**

**Date: Monday, 10 November 2014**

**Time: 1.00 pm**

**Venue: Ludlow Room, Shirehall, Abbey Foregate, Shrewsbury, Shropshire, SY2 6ND**

You are requested to attend the above meeting.  
The Agenda is attached

Claire Porter  
Head of Legal and Democratic Services (Monitoring Officer)

**Members of Environment and Services Scrutiny Committee**

Vince Hunt (Chairman)

Keith Roberts (Vice Chairman)

Peter Adams

Ted Clarke

Nigel Hartin

Roger Hughes

Christian Lea

Pamela Moseley

Vivienne Parry

Arthur Walpole

Your Committee Officer is:

**Jane Palmer** Senior Democratic Services Officer

Tel: 01743 252748

Email: [jane.palmer@shropshire.gov.uk](mailto:jane.palmer@shropshire.gov.uk)

# AGENDA

## 1 Apologies for absence and substitutions

## 2 Disclosable Pecuniary Interests

Members are reminded that they must not participate in the discussion or voting on any matter in which they have a Disclosable Pecuniary Interest and should leave the room prior to the commencement of the debate.

## 3 Minutes of the meeting held on 20 October 2014 (Pages 1 - 2)

To consider the Minutes of the Environment and Services Scrutiny Committee meeting held on 20 October 2014. **TO FOLLOW**

## 4 Public Question Time

To receive any questions, statements or petitions from the public of which members of the public have given notice. Deadline for notification for this meeting is Wednesday 5 November 2014.

## 5 Member Question Time

To receive any questions of which members of the Council have given notice. Deadline for notification for this meeting is Wednesday 5 November 2014.

## 6 Scrutiny of the progress made in delivering the Council's Financial Strategy (Pages 3 - 184)

Members will consider the progress in delivering the Council's Financial Strategy [and therefore the Business Plan] and help inform the refresh and refocus for 2015/16 onwards.

The Committee will work with the Financial Strategy and the Business Plan as 3 year rolling documents. Members will be given the opportunity to undertake proactive scrutiny by feeding back and sharing issues and thoughts on the areas that may require updating or refocusing in the coming year's refresh of the Business Plan [as part of the delivery of the Financial Strategy] to achieve the required savings.

The following documents are included:

- a) Performance report and dashboards relevant to the Committee's specific

remit **TO FOLLOW**

- b) Quarter 1 performance report and dashboards [from 15 October 2014 Cabinet meeting]
- c) Business Plan and Financial Strategy document [from 27 February 2014 Council meeting]
- d) Financial Strategy [from 30 July 2014 Cabinet]

## **7 Date/Time of next meeting**

The Committee is next scheduled to meet on Monday 8 December 2014 at 2.00pm.

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Environment and  
Services Scrutiny  
Committee  
  
20 October 2014  
  
2.00 pm

Item  
  
**3**  
  
Public

**MINUTES OF THE ENVIRONMENT AND SERVICES SCRUTINY COMMITTEE  
MEETING HELD ON 20 OCTOBER 2014  
TIMES NOT SPECIFIED**

**Responsible Officer:** Jane Palmer  
Email: jane.palmer@shropshire.gov.uk Tel: 01743 252748

**Present**

Councillor (Leader)  
Councillors

- 20 **Apologies for absence and substitutions**
- 21 **Disclosable Pecuniary Interests**
- 22 **Minutes of the last meeting held on 8 September 2014**
- 23 **Public Question Time**
- 24 **Member Question Time**
- 25 **Performance on the Highways and Environmental Team Service [HETSC]  
contract: Ringway**
- 26 **Date/Time of future meetings**

<TRAILER\_SECTION>

Signed ..... (Chairman)

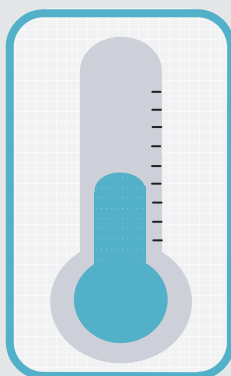
Date:

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# Your Council—Infographic Dashboard

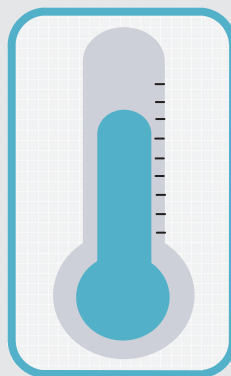
End of year budget

**£223,445,000**



Forecast outturn

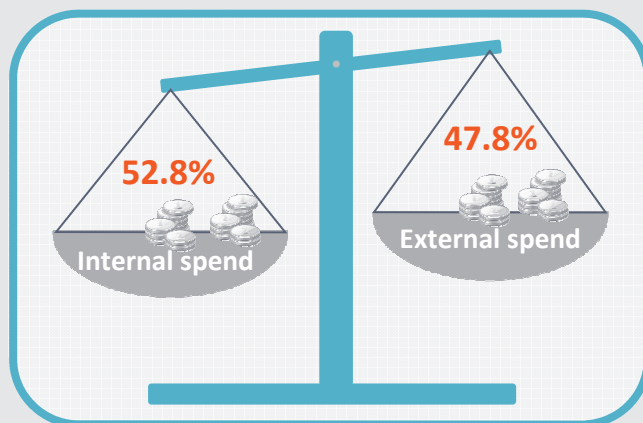
**£226,670,000**



**£3.225m forecast overspend**

47.8% of **gross revenue**  
budget spent externally

**Apr to Jun 2014**



July 13



**5,096**

posts

June 14

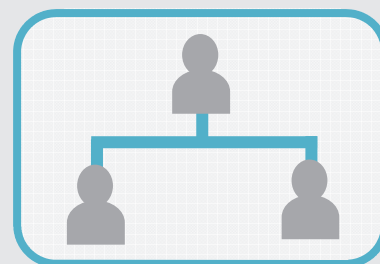


**4,524**

posts

The average  
number of  
**Council work-  
force layers**

under the Chief Executive has  
**remained at 4.9**



**73%** of **residents** surveyed are **satisfied** with their **local area**

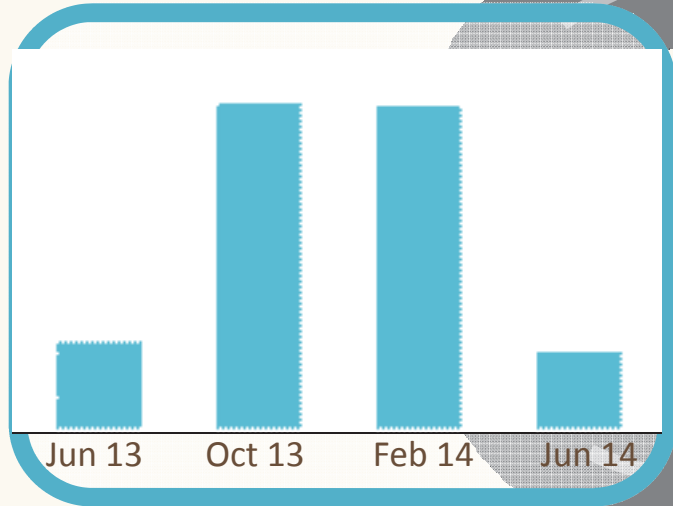


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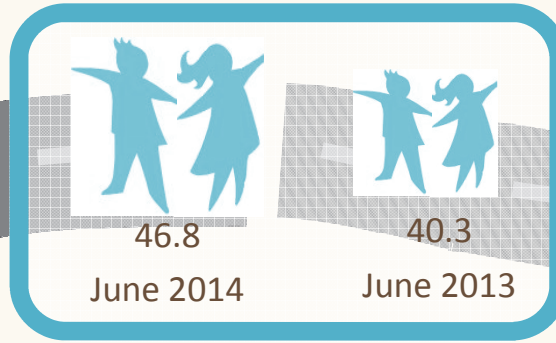


# Shropshire Outcomes

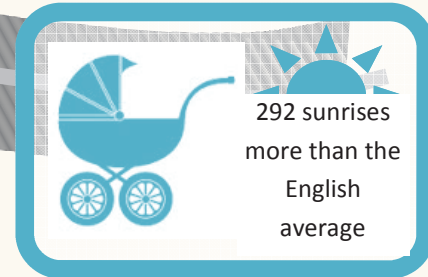
Children with a 2nd or subsequent **Child Protection Plan** has **decreased**



Number of **looked after children** per 10,000 has **increased**



**Your life outcome** SC1  
Welcome to Shropshire



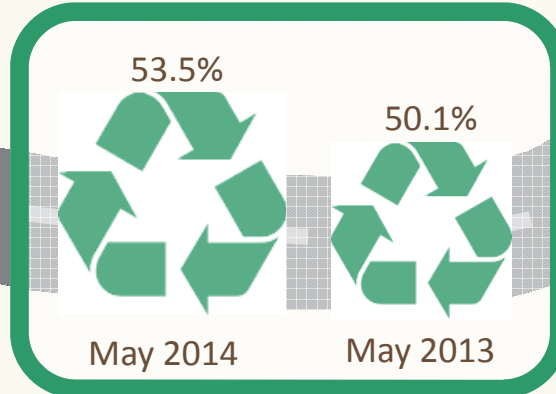
Born in 2012, average **life expectancy** is **81.8 years**

**Your environment outcome** SC2  
A Great Place To Live

**Fear of crime** has **fallen** whilst **reported offences** has slightly **increased** in 3 months to Mar 14

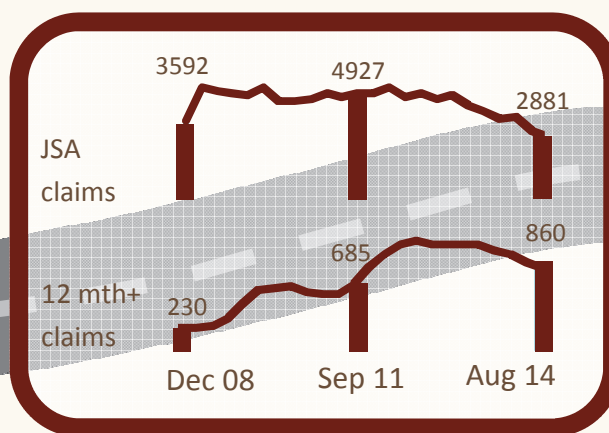


Household waste sent for **recycling, re-use or composting** has **increased**



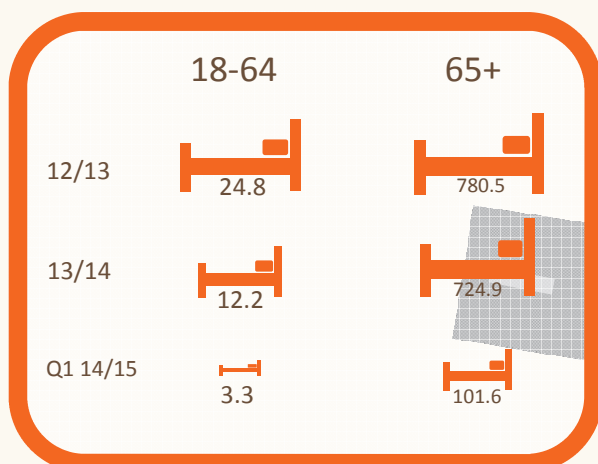
**Your money outcome** SC3  
Floreat Salopia

**House price v earnings ratio** has **decreased**



**Job Seekers Allowance** claims **lowest** since Oct 2008... but **long term claimants** remain **high**

**Your health outcome** SC4  
Please Drive Carefully

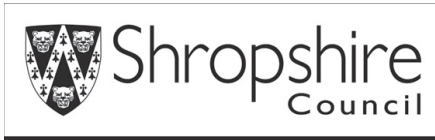


**Reduced permanent admissions** into residential care homes, per 100,000 population



**Reduced delayed transfers of care** from hospital, per 100,000 population aged 18+, due to Adult Social Care

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<u>Committee and Date</u>
Cabinet 15 October 2014
12.30 pm

<u>Item</u>
<b>9</b>
<u>Public</u>

## Quarter 1 Performance Report 2014/15

**Responsible:** Tom Dodds, Performance Manager  
e-mail: [tom.dodds@shropshire.gov.uk](mailto:tom.dodds@shropshire.gov.uk)

01743 253068

### 1. Summary

- 1.1 The report is produced based on the new performance management framework and reporting methodology. This has been developed following work with the Portfolio Holders and Scrutiny members during the Performance Management Rapid Action Group in January - February 2014.
- 1.2 At the corporate level performance is monitored using an overall change infographic (See Appendix 1). The delivery of the outcomes for Shropshire stated in the Shropshire Council's Business Plan and Financial Strategy 2014 – 2017 is being monitored through a basket of indicators grouped in technical dashboards. The key intelligence from the 4 technical outcomes dashboards (signed off by Directors and considered by the relevant Scrutiny Committee) are not included with this report but are available on request. The intelligence is summarised in the outcomes infographics dashboards (Appendix 2).
- 1.3 This report summarises the latest measures of performance relating to the four outwards focusing outcomes for Shropshire Council:
  - **Your money** – 'Feel financially secure and to believe in a positive future for myself and my family'
  - **Your environment** – 'Live in an attractive, vibrant and safe environment, in a place that is right for me'
  - **Your life** – 'Feel valued as an individual and to live my life, with my choices respected and with as few compromises as possible'
  - **Your health** – 'Live a long, enjoyable and healthy life'
- 1.4 Information from the Change info graphic dashboard reflects the progress towards the fifth council outcome:
  - **Your council** – 'Feel confident that the council is doing the right thing with my money and that my needs are at the centre of any decisions taken about my life'
- 1.5 As part of developing and further refining what is measured to demonstrate progress and the impact of commissioning decisions and changes to services, work is taking place with Scrutiny Committees. A Task and Finish Group is

currently in operation with the Adult Social Care and Health Scrutiny Committee looking at measures appropriate to the new operating model for Adult Social Care. Alongside this, the Portfolio Holder for Performance has discussions with fellow Portfolio Holders to understand what actions and developments are planned and/or in place to respond to the issues and ensure outcomes are achieved.

## **2. Recommendations**

Members are asked to

- A. Consider the key underlying and emerging issues in the reports and appendices.
- B. Identify any performance areas that they would like to consider in greater detail or refer to the appropriate Scrutiny Committee.

## **REPORT**

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

- 3.1 Poor performance could have implications for vulnerable people (including children) who are supported by Council services and the economic growth in Shropshire. In turn, there may be significant financial, legal and reputational risk to the Council, Schools (and Academies), and partners from across the public and voluntary and independent care sectors.
- 3.2 Effective monitoring and follow-up against key measures of success provides the opportunity to manage risks and ensure that Children and Young People and vulnerable adults in Shropshire remain safe and achieve the desired outcomes. Increasingly, performance reporting will reflect the impact of commissioning decisions by the Council, linking directly with the management of contracts and building on the current approach of looking at how effective the Council is at delivering its outcomes.

### **4. Financial Implications**

- 4.1 This report does not have any direct financial implications, but presents service and financial information to support decision making. Accountable officers and senior managers may use the information to inform actions or interventions for improving service performance and the prioritisation and use of resources.
- 4.2 Full financial details are presented as part of the Financial Reports.

### **5. High level Change Infographics dashboard**

- 5.1 The high level graphic shows the four measures which are used to show the Council's performance in managing the budget, its staffing levels, its expenditure and residents satisfaction in the area they live.
- 5.2 The projected revenue forecast for the year, at Quarter 1, shows a potential overspend of £3.225m on a net budget of £223.45m for the full year. This is being monitored and will be revised each month. Full details are presented in the financial reports.

- 5.3 The number of non-school posts has reduced from 5096 (3,393 FTE equivalent) in July 2013 to 4524 (2855 FTE equivalent) in June 2014. The average number of layers of management between Chief Executive and staff has remained at 4.9 over the same period of time.
- 5.4 In Q1 2014/15, The Council spent 47.8% of its original gross revenue budget with external organisations (therefore excluding staffing costs, transfer payments and recharges). This is broadly in line with the profiled minimum standard 48.3% for the quarter and reflects progress of the Council's approach to the way services are being delivered.
- 5.5 The first quarterly survey to track satisfaction with local areas was launched in Quarter 1. When asked: "Overall, how satisfied or dissatisfied are you with your local area as a place to live? By local area we mean within 15-20 minutes walking distance from your home." 73% of respondents (net score) reported being either very satisfied or fairly satisfied. The survey conducted through Shropshire Council's People's Panel will be repeated on a quarterly basis to reflect the residents' view overall about the impact of the outcomes delivered by Shropshire Council and its partner organisations.

## **6. Summary Outcomes Infographic Dashboard**

- 6.1 The summary outcomes presents the key messages from the intelligence captured by the technical performance dashboards using infographic images – one for each outcome prioritised by the Council. The infographic has been developed as a result of responding to the Members' Task and Finish group work to enhance performance reporting and focus more on the key performance intelligence to inform decision making and scrutiny.
- 6.2 The latest published Office of National Statistics (ONS) data shows that the average life expectancy at birth in Shropshire (79.8 for males and 83.8 for females) is above the national average both for males and females. As contextual information Shropshire's results for healthy life expectancy is also better than England average.
- 6.3 The rate of Looked After Children (LAC) per 10k population has again risen but remains below the average level for statistical neighbours and England. The absolute number of LAC has been rising since August 2011 when it stood at 195. At the end of Q1 there were 286 LAC, representing a 47% increase over this period.
- 6.4 Children's Social Care Services are being re-designed with a focus to reduce the need for children to be looked after or the period of time that children are looked after in a safe way. More support is being provided to the children on the edge of care. For children deemed in need of permanency care due to significant harm, more focus is put on ensuring timely care planning. Early Help strategy developments included support from social workers for partner organisations to help manage risk at lower level or in case of significant harm to act promptly.
- 6.5 Data for the first quarter of this financial year shows an improvement in performance regarding the percentage of Children who are subject to a second or subsequent child protection plan within two years and only less than 1% of the active cases with a child protection plan that was started more than two years ago.

- 6.6 The level of reported crime for period ending March 2014 has shown a slight increase compared to previous quarter, the first increase from one quarter to another since Dec 2011. However, the overall trend shows a reduction since March 2010. The fear of crime survey shows there has been a reduction in the fear of crime from 32.9% for the 12 months to Dec 2013 to 25.8% for the 12 months to March 2014.
- 6.7 The amount of household waste that is re-used, recycled or sent for composting has increased when compared to the previous year.
- 6.8 Average house prices in Shropshire are now 7.32 times average earnings compared to 8.42 in 2008. Although this makes housing slightly more affordable the ratio of earnings to house prices remain above the West Midlands average.
- 6.9 Claimant numbers for the Job Seekers Allowance have continued to decrease during the year with numbers now at the lowest level since Oct 2008. The percentage of claimants remains below the average for England and the West Midlands region. Long-term claimant numbers are reducing, albeit at a slower rate, and remain above pre-recession levels.
- 6.10 Permanent admissions into residential care homes (as a rate per 100,000 population) reduced year on year for both 18 to 64 and 65+ age groups.
- 6.11 Delays in transfers from hospital due to social care have continued to reduce continuing the trend from the last two years. This is a continuation of the effective joint working arrangements with partner agencies to ensure support services are in place and that delays from hospital are kept to a minimum. The result for the end of 2013/14 financial year shows better performance compared to our family group and matched England average.

## **7. Conclusion**

- 7.1 This first performance report provides an update on the results achieved and the impact on delivering the five outcomes for Shropshire based on the methodology developed as part of the Members Rapid Action Group at the beginning of the calendar year.
- 7.2 Performance in the first quarter of 2014/15 has shown a number of improvements.
- Performance has improved in the recycling rates of household waste,
  - There are less delays in transfer from hospital and
  - Fewer children are subject to a second Child Protection Plan.

In addition to these improvements there are also challenges to be faced.

- Increasing numbers of Looked After Children, following the national trend
- An above average older population placing additional demand on social care provision

These additional demands are contributing to the early budget forecasts which show a potential overspend.

Measures and new ways of working are being developed and implemented to deliver services in different ways and continue to deliver the council's outcomes and priorities.

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

Business Plan and Financial Strategy 2014 – 2017

**Cabinet Member (Portfolio Holder)**

Tim Barker

**Local Member**

All

**Appendices**

Appendix 1 – Change Infographic Dashboard

Appendix 2 – Outcome Summary Infographic Dashboard

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# Business Plan and Financial Strategy 2014 - 2017



Our customers are at the centre of everything we do

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## Foreword from Keith Barrow – Leader of Shropshire Council

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

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

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

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

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

We are already working in new ways - using ip&e, our wholly owned company to trade some of our great services across the public sector, creating public profit that then gets ploughed back into the county to invest in what we do for our residents. So, instead of 'externalising' or 'outsourcing' services, through ip&e we believe we can keep cash in Shropshire and, by winning business outside the county, help protect jobs here.

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

## The context we find ourselves in

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

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

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

Our approach puts the role of elected members as community leaders at the heart of this, representing customers, seeking out and championing their voice, making sure their perspective is central to everything we do. We'll give people as much say as possible in making choices about their future, focusing on prevention and thus reducing later, higher cost activity whenever we can.

The council is changing how it works to become a commissioner rather than direct deliverer of services. Our draft commissioning strategy sets out how this will focus on delivering outcomes for our customers, based on need. This means future relationships with customers and communities will be to engage, listen and understand need, and then commission from organisations that will deliver outcomes.

Our approach to commissioning starts with how we support our children to get the best possible outcomes from education, and help all our young people go to great schools and to get the most from this experience. As schools become more self-governing, our role will be to champion the interests of children as they grow up, helping them to realise their full potential, giving them the best range of options for the rest of their lives. Strong, high quality Further and Higher Education is crucial part of this too. In particular we want to strengthen Higher Education in the county through a new university, complementing and working alongside colleges already in Shropshire, anticipating and helping to shape the county's economy. This, in turn will develop a skilled workforce, higher wage levels and increasing prosperity for Shropshire.

Our county is documented as being one of the safest places to live in the country and we will work hard to ensure this continues to be the case. Due to a variety of elements including better public awareness of safeguarding and child protection issues, increasing numbers of Shropshire children are being referred to social services. Costs of placements in the 13-17 age group are also rising and numbers of

young people with learning difficulties becoming young adults will almost double in the next three years. Like any good parent though, we want all our looked after children to benefit most from the opportunities on offer – educational, economic and in terms of a supportive family environment.

Shropshire benefits massively from its active, experienced and engaged older population. We have more older people than average in England (20.7% of the population are aged 65 and over, compared with 16.4% for England and Wales, Census 2011), and the over 65s are growing faster than elsewhere (23.8% compared with 10.9% for England and Wales, Census 2001-2011)

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

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

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

care services at all, or if eligible, to meet their needs as quickly and efficiently as possible.

To help be as efficient as possible we're fundamentally rethinking how all our support functions (like HR, Finance, IT) work. In partnership with ip&e, we are designing the right infrastructure for the council's future needs. We want this to be the best so we can sell to other organisations within and beyond Shropshire, bringing cash back into the county. We are zero based budgeting, starting with no assumptions about what we currently do, building investment on the basis of outcomes. We are accelerating the move of services online with a digital first approach giving easier and cheaper access to information and services.

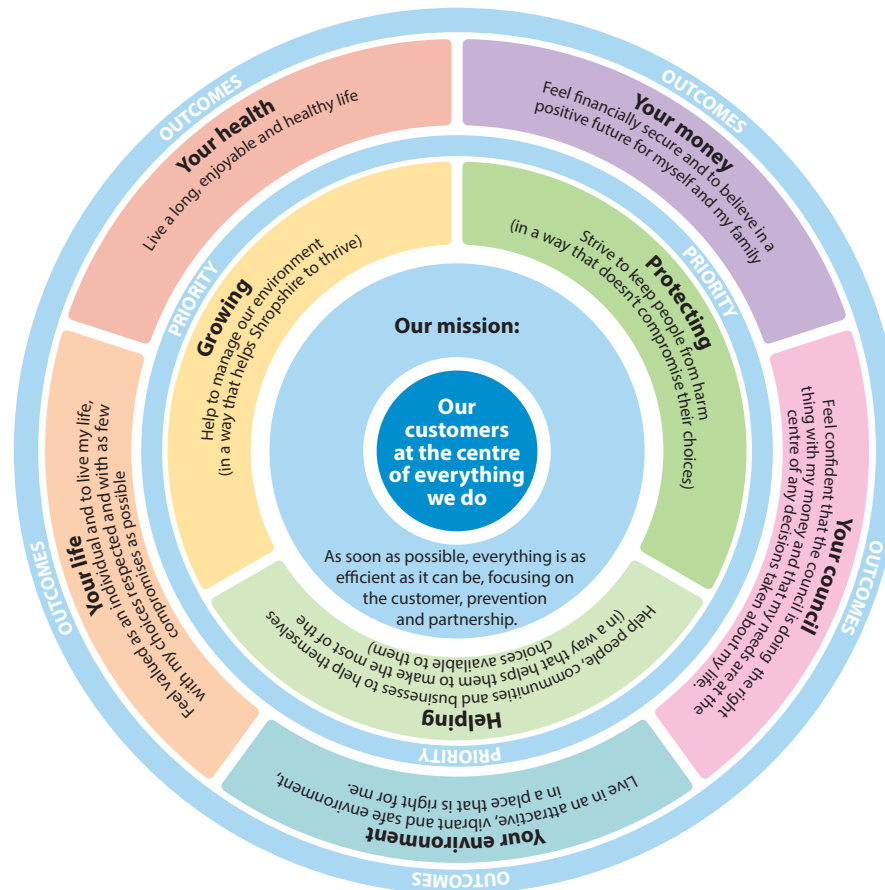
Shropshire has over 3170 miles of highways and one of its biggest challenges is ensuring their maintenance to keep communities connected. The highways asset includes bridges, streetlights, roads, culverts, retaining walls and drainage systems worth £4 Billion and therefore needs a cost effective strategy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

We want to sell or otherwise dispose of all our legacy of inefficient buildings. Instead of expensive buildings that are no longer fit for purpose or needed by the new council, like Shirehall, we will prioritise the buildings we and our customers need and will use in an increasingly online future.

We want to use ip&e to create new businesses to meet future needs, where necessary through partnership, always retaining a controlling interest and keeping any profit within Shropshire to reinvest in public services. Early signs are this is an exciting offer for many other councils and commissioning organisations looking for partner organisations that share their public service values.

# Council Priorities

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



## Listening to our customers

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

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

Through this approach, we work with a range of local people and partner organisations, using statistical data, financial information and crucially people's real-life stories about life and their experiences. This is then used as a resource by local Shropshire Councillors, other key local leaders and agencies to redesign what happens to make more sense from the perspective of local people, stripping out waste, duplication and cost. Any commissioning that results from redesign will aim to keep money and jobs as local as possible, recognising the importance of this to the economy and health of our communities.

A critical part of our new approach will then be evaluating the impact of commissioned services on the problems they are designed to address. Reviewing these and seeking to constantly improve and reinvent what we commission will be key to our ongoing approach.

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

## Redesigning everything we do: Local Commissioning case study

### Discovery Centre

The Shropshire Hills Discovery Centre has been run by Shropshire Council since 2001 as a visitor attraction, information centre, library and gateway to the outstanding landscape and local area. It is currently operating at a significant loss and costing the Council over £120,000 pa to run.

As part of our local commissioning approach, local elected members, working with the community have led development of a radical new approach, keeping what's best about the centre, reinforcing its role in tourism and turning it into a genuine asset for local businesses.

The new plans see it run as a training centre for food-related employment, a leisure resource for local people and a visitor attraction that makes links between the high quality landscape and great locally sourced food, ploughing even more visitor spend back into the economy.

By transferring ownership to the South Shropshire Housing Association, the centre will be run by their partner – Grow, Cook, Learn. They will offer training in food related industries, creating and supporting local jobs. The library will move to the Craven Arms Community Centre and be managed by the South Shropshire Furniture Scheme as the first community library in Shropshire. The Customer Service Point will move to the Gateway centre and continue to be managed by Shropshire Council.

These changes will save over £100,000 pa at the outset and, by generating more income to the local economy, make a much bigger impact in the long-run.



As well as intensive re-design work with specific communities, effective two way communication is key to building knowledge and understanding. That's why we have put in place a range of ways to talk to our customers and to listen to what they have to say:

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

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

## The Context for our key services

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## **Redesigning everything we do – Adult Social Care case study**

Over the past 12 months we've completely redesigned the role social work practice teams play in their communities. This centres on reframing the relationship with people who need support. Instead of starting by focusing on everything that person needs, and in isolation from what's going on in their community, we begin by looking at what strengths they could build on – whether personal or within their local area. We're developing better relationships with local Voluntary and Community organisations and the role they can play in meeting needs.

Through this approach we believe we can dramatically reduce spend on packages of care as well as reducing future demand for services and commissioned interventions. The People to People pilot work has shown potential savings of £1.9 million over the next 3 years but by making this the way we do things across the county, redesigning what we think of as social care, we are confident we can save £10m over the same period.

At the same time we've identified and stripped out waste from our administrative systems and processes. This has included work on old debts, contract arrangements, financial processes and audit functions. By working with frontline staff, we've helped redesign operational processes and paperwork, streamlining Community Care Assessments and funding agreements. Together we project savings of over £1.2m per year from new ways of working which also make things better for customers and frontline staff.

## Adult Social Care Services - Financial Outlook

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

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

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

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

While the Government has welcomed the proposals there is concern about the costs of implementation. However, a full government response will not be made until a White Paper in spring 2014.

## Children and Young Peoples Services – Operational Challenges

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

Key enduring responsibilities include:

- the Child Protection System, including statutory assessment processes and the duty to remove children from their family, including through the legal process.
- ensuring the adequacy and sufficiency of suitable placements for children – including fostering, adoption and residential homes, provide for the needs of disabled children, provide Early Help arrangements, ensure an Independent review service is in place and
- ensuring that the educational needs of looked after children are met.
- the statutory functions of schools admissions and placement planning, ensuring good governance for maintained schools and access to full time education,
- assessment and placement of children with Special Educational Needs, enforcement of attendance and intervention in schools judged to be failing.
- Education improvement through challenge and support to early years settings, schools and colleges, some of which is through a traded service, including support to governing bodies.

## Redesigning everything we do: Children and Young People case studies

### **Inspire to Learn**

Shropshire Council currently delivers a range of traded services to schools – HR, Payroll, School Meals and specialist advice and support to teachers. Schools are free to purchase this from the council, or from other providers based outside of Shropshire. The council's wholly owned company, ip&e recognized the potential to deliver these services in an very different ways and put together an 'Inspire to Learn' proposal. This starts from the perspective that everything that happens in a school should be designed to do all it can to help children and young people reach their full potential. With this in mind, the quality and marketing of healthy school meals and providing the right support to head teachers and school managers to develop their business are absolutely crucial and central to creating a learning environment. Having received cabinet approval, ip&e Trading is now developing a robust business model, working directly with school heads and business managers to design the best possible service for the future, able to trade in Shropshire and beyond.

### **Whole family support**

Just as we've fundamentally redesigned the way adult social care works, in children and young people's services, we've looked at how multi-disciplinary teams at local level work with the whole family to do everything possible early on to prevent the need for more costly later action, often inevitably with a less positive outcome from the family perspective. The aim is to prevent escalation to costly specialist services and provide support to help families reduce their need for social care. Projected savings are half a million pounds in year one and £700,000 in year two.

This redesign sits alongside re-examination of social care systems and structures, aiming to reduce the number of key social workers that a child or family will need to have over the course of several years. These changes will increase individual social workers ability to support a family, improving the quality of their support and cutting out unproductive and wasteful handovers and duplication. Anticipated savings her are once again in the region of between a quarter and half a million pounds a year.

## Children and Young Peoples Services - Financial Outlook

There will be a step change reduction in education finance over the next few years for a number of reasons:

- 1) The overall reduction in funding to local authorities for the provision of services through the government's fiscal policies.
- 2) Shropshire has 12 Academy schools (January 2014) - 9 secondary , 2 primary and one special. Numbers of academies are likely to increase in the next few years. As the number of academy based pupils increases, the level of Education Services Grant for Shropshire will fall as resources are transferred to the Education Funding Agency who are responsible for funding state schools outside the maintained sector. This will, in turn, reduce funding for education support services. Work has been done to model the likely reductions in the Education Services Grant and consequential impact on education support services in the next few years. This is being used to develop options for the future commissioning and delivery of education support services.
- 3) The number of children of statutory school age in Shropshire will continue to fall until at least 2019. This reduction will result in a loss in Dedicated Schools Grants of nearly £7m over the period based on current projected pupil numbers. While housing developments will influence the demand for school provision in some specific parts of Shropshire, they are unlikely to result in a significant increase in aggregate pupil numbers across the whole county and instead are likely to result in a redistribution of the existing pupil population.

The number of children with additional learning needs, and with disabilities, is expected to rise. The number of children in the looked after system saw an upturn in 2012/13 partly due to an increase in referrals to children's social care in the light of recent national cases. These areas are the focus of significant service re-design in order to ensure appropriate early intervention, to manage costs and provide more effectively for these vulnerable children.



## Public Health – Operational Challenges

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

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

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

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

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

As everything the Council does is redesigned, there's an opportunity to put greater emphasis on promoting healthy lifestyles and preventing of ill health, thereby reducing future demand for expensive health and social care. Through complete service redesign, the public health department will work across all the Council's existing services to maximise their impact on health outcomes, including the following programmes which Shropshire Council now has responsibility for commissioning:

- Children's Public Health aged 5-19 years (School Health)
- Physical Activity
- Obesity Prevention & Nutrition

- Alcohol and Drug Misuse prevention and treatment
- Tobacco Control
- Public Mental Health
- Dental Public Health
- NHS Health Checks
- Infection Prevention & Control
- Sexual Health
- Health at Work
- Accidental Injury Prevention
- Reducing Seasonal Mortality
- Reducing and preventing birth defects

## Redesigning everything we do: Public Health case study

Although funding for public health services is largely protected through ring fencing, we are looking at how we can redesign some of the behaviour change activity in Shropshire so it can be even more effective and, potentially generate income from work outside the county and with local health providers. Through the Help 2 Change approach being developed with ip&e we are exploring opportunities to integrate more of what we do to help people stop smoking, manage a healthy lifestyle and weight.

## Public Health - Financial Outlook

Shropshire has one of the lowest grants for public health in England (£29 per head of population compared to the national average of £49 and Westminster Council's allocation of £132 per head.) The Department of Health has advised that it will be reviewing the funding formula during 2014. Shropshire Council is lobbying Central Government, along with other rural local authorities, to show how this unfairly and severely limits our ability to tackle health inequalities and to commission the right services for Shropshire people.

To reach the national average per capita allocation Shropshire would require double its £8.9 million allocation. Whilst the Department of Health has planned a further 10% increase in the grant for 2014/15, it has yet to demonstrate how a 'Fair Shares' allocation will be achieved and over what timescale.

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

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

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

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

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

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

## **Redesigning everything we do: Resources and Support case studies**

### **ThreeSixty Communications**

The first business unit to be created in ip&e Limited is ThreeSixty Communications. Designed to deliver a complete communications, marketing and PR service this team provides high quality support to Shropshire Council and other clients in the housing, criminal justice and other public service organisations. The team exemplifies the approach envisaged for ip&e which seeks to anticipate, understand and then meet demand in the public sector, designing solutions to meet that demand. By trading in Shropshire and beyond the team is bringing profit back into the county to be reinvested. The team approach is to work with customers to fully appreciate their expectations and then bring its skills to bear through campaigns as well as more reactive approaches. As ip&e grows, some of the additional areas of anticipated growth – particularly business design and public health behavior change have strong synergies with ThreeSixty's area of business.

### **Programme Management/Business Design**

With over 100 change projects running across the council and more in the pipeline, effective governance and programme management is essential – to keep projects on track, ensure key legal, financial and HR issues are addressed and make sure that all possible benefits are extracted for customers from everything that's under review. The Programme Management Office and Business Design teams within Resources and Support are the hub around which this coordination and leadership takes place. With the role of this team increasing over the next year, additional secondees are being bought together to ensure change is subject to effective external challenge, and is supported by the right capacity at the frontline.

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

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

## **Commissioning – Operational Challenges**

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

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

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

These reflect a very significant part of the council's physical presence within Shropshire's communities. In rethinking and reshaping how these are delivered in future, the council will always focus on what local assets and capacity exists, on what needs are identified locally and on the potential to achieve the same, or better outcomes for customers by using these assets, and capacity within the community and across other organisations more intelligently. A major challenge for Public Protection will be to focus more on the identification and management of risk to people's health, safety and wellbeing at the same time as supporting economic growth, helping businesses grow and employ more local people.

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

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

The Locality Commissioning approach brings various services together around themes – like aging well and reducing worklessness, which are then developed and prototyped into new and innovative ways of working that drive out duplication and inefficiencies and increase customer value. Once this is understood, services will then be commissioned out to the Shropshire market place, knowing that what is needed can be delivered in a different way and at a significantly lower cost. Depending on the outcomes of the prototype, the re-commissioned services could be commissioned at a local, area or county wide level. The commissioning and governance of place is also being developed as part of the evolution of Local Joint Committees with a view that this will be managed and led locally, creating a truly local approach to commissioning of services. This evolving approach is taking the learning from the Local Governance Boards in Church Stretton and Monkmoor, with a view to expanding this across the county in 2014.

Local commissioning and the approach adopted around redesign being rolled out in significant parts of Shropshire Council where existing services are being redesigned and reinvented around outcomes. This forms a significant part of the broader Business Plans and complements existing activity such as deep dive service redesigns – current examples include those in Adult Social Care (Gusto, STEP and People2People), Children’s Services (Family First), 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.

## Redesigning everything we do: Commissioning case study

The Hedge to Hedge initiative is a good example of how looking at service design from the community’s perspective shows how the way we do things frequently makes little sense and costs much more than it needs to. Hedge to Hedge is a redesign of reactive highway and street scene services. In many ways it represents common sense. Rather than forever referring back to base to get jobs done, Hedge to Hedge means crews are empowered to sort problems out as they see them and has transformed the way work is ordered, relationships between client and contractor, improved response times and reduced costs.

The new approach has meant that contract savings have been achieved at the same time as service standards have improved. Shropshire’s work has been highlighted as best practice by the Highways Agency.

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

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

## **Commissioning - Financial Outlook**

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

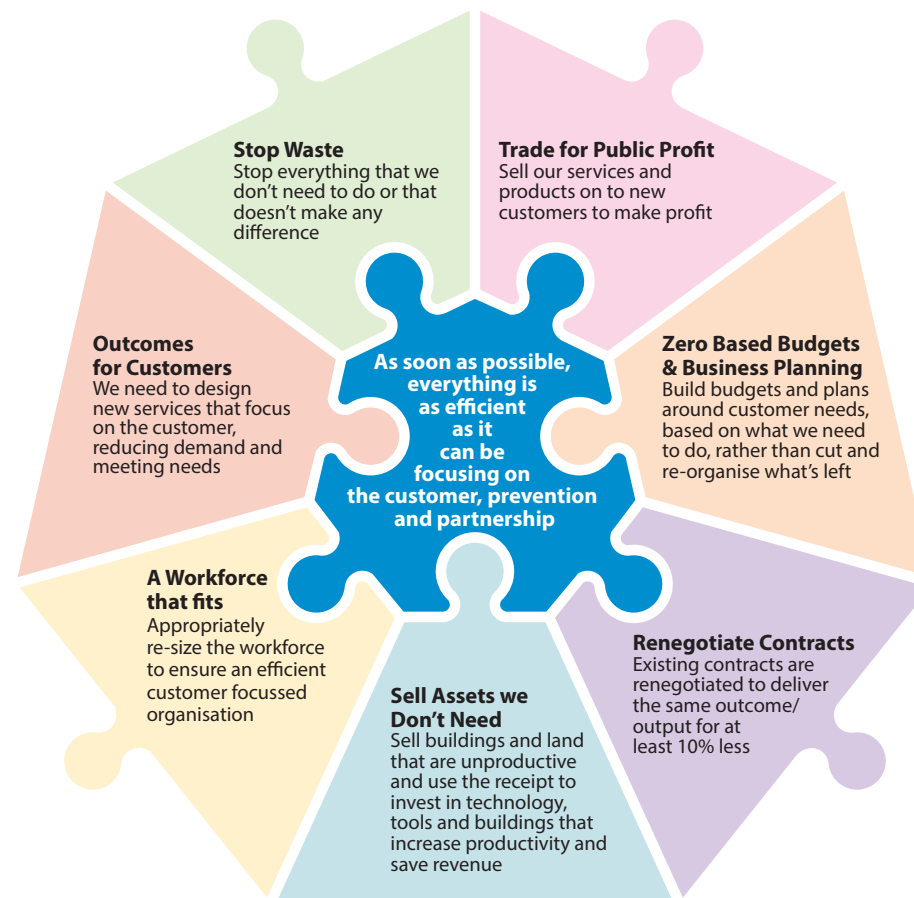
The Council jointly with the Shropshire Business Board put in place a new Economic Growth Strategy at the end of 2012 to run till 2016. It has been written from the perspective of the business community and is based on collaboration to unlock private sector growth. The role of the Council is very much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

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



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

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



## Our approach

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

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

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

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

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

#### Adults Social Care Services

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

- This will make much more sense from the perspective of the customer and cut costs by stopping the need for high cost services in as many cases as possible by doing more to prevent personal situations getting worse, early on.
- We will change how we commission care services - both across the county and, particularly locally in our towns and villages to help develop and grow what's on offer there, so that people can get the affordable care and other services they need through personalised budgets giving them choice and control.
- We will encourage and enable voluntary and community sector organisations to play their part in offering more affordable options for people to get a decent quality of life.
- We will invest in the development of 4 new supported living bungalows to enable adults with learning disabilities to live independently. This will deliver revenue savings through reduced admissions to residential care.

### Adult Social Care Services Directorate overall budget

	Gross Revenue Budget £	Gross Controllable Budget £	Savings Target £	Proposals Identified £
Adult Services	£98,023,000	£69,858,121	£24,450,342	£24,745,343

**Summary estimate for realising budget reductions:**

Portfolioholder	Redesign Piece	Proposal	2014/15 £	2015/16 £	2016/17 £
Lee Chapman	Renegotiate Contracts	Review and renegotiate contracts across Adult Services with a view to redesigning or reducing requirements to meet lower cost allowances. Review will include all major procurement areas.	1,904,072	1,459,586	400,000
Lee Chapman	Outcomes for Customers	Redesign and recommission reablement services to include START service and external provision.	550,000	0	0
Lee Chapman	Outcomes for Customers	Redesign the Adult Social Care operating model. A new model of service that maximises individual potential of families and communities, playing a different and more rewarding part in support.	3,020,000	2,600,000	4,000,000
Lee Chapman	Outcomes for Customers	To introduce a modern social care delivery model building upon the success of the P2P and STEP developments	727,984	655,186	589,667
Lee Chapman	Outcomes for Customers	Reconfigure services across Adult Services including day service provision, Community Living, Client Property and Appointeeships and Sensory Impairment.	1,134,347	150,000	0
Lee Chapman	A workforce that fits	Appropriately resize the workforce to ensure efficient and customer focussed organisation. VR proposals within Adult Services	1,200,000	200,000	0
Lee Chapman	Zero Based Budgets and Business Planning	Review of service delivery across Adult Services to take account of existing high cost placements and reduce future demand for such services.	1,260,000	1,828,775	2,628,775
Lee Chapman	Zero Based Budgets and Business Planning	Review of Transport Costs across Adult Services.	436,951	0	0
		<b>Total</b>	<b>10,233,354</b>	<b>6,893,547</b>	<b>7,618,442</b>

## New Delivery Proposals – Adult Services

Portfolioholder	Redesign Piece	Proposal	2014/15 £	2015/16 £	2016/17 £
Lee Chapman	Outcomes for Customers	Development of Supported Living Services for Adults with Learning Disabilities. Namely the development of 4 further Supported Living bungalows at Adderley Road, Market Drayton; London Road, Shrewsbury and two further sites to be identified.	Included in existing programme	-	-

## Children and Young People's Services

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

- As schools get freedom to choose where they buy their support from, we want to be able to help them get the best possible deals. We will therefore review how we deliver educational support, exploring options for creative partnerships that protect the Council's influence, whilst ensuring they can get what they need, supporting excellent education.
- We will re-define and re-position our relationship with schools, placing emphasis on our responsibility to improve the attainment of children and young people, driving up school standards.

### Children and Young Peoples Services Directorate overall budget

	Gross Revenue Budget £	Gross Controllable Budget £	Savings Target £	Proposals Identified £
Children's Services	£236,193,000	£35,964,333	£12,587,517	£12,667,000

### Summary estimate for realising budget reductions:

Portfolioholder	Redesign Piece	Proposal	2014/15 £	2015/16 £	2016/17 £
Ann Hartley	Renegotiate Contracts	Review and renegotiate contracts across Children's Services with a view to redesigning or reducing requirements to meet lower cost allowances. Review will include all major procurement areas.	0	300,000	0
Ann Hartley	Outcomes for Customers	Develop all age disability provision with Adult Social Care and develop personalisation agenda.	100,000	200,000	0

Portfolioholder	Redesign Piece	Proposal	2014/15 £	2015/16 £	2016/17 £
Ann Hartley	Outcomes for Customers	West Mercia Adoption Service. Review Fostering arrangements for more challenging young people.	25,000	50,000	0
Ann Hartley	Outcomes for Customers	Develop Joint Venture with commercial provider. Review Early Years support, increase trading.	1,430,000	200,000	0
Ann Hartley	Outcomes for Customers	Analyse back office processes: administration; use of IT, impact of rurality.	150,000	345,000	200,000
Ann Hartley	Outcomes for Customers	Review Supervised Access across Children's Services with a view to meeting revised needs.	200,000	0	0
Ann Hartley	Outcomes for Customers	Redesign early support and assist provision.	500,000	700,000	0
Ann Hartley	Outcomes for Customers	Expansion of local provision, wider range of provision at a local level for 16/17 year old care leavers	0	400,000	0
Ann Hartley	Outcomes for Customers	Redesign Education Improvement Team to carry out statutory responsibilities to meet the support and challenge requirements of Education.	150,000	0	101,000
Ann Hartley	A workforce that fits	Appropriately re-size the workforce to ensure an efficient and customer focussed organisation. Voluntary Redundancy proposals within Children's Services.	800,000	0	0
Ann Hartley	Zero Based Budgets and Business Planning	Review current residential provision within Children's Services and increase assessment capacity. Review existing and future mix of provision.	2,266,000	1,370,000	1,589,000
Ann Hartley	Zero Based Budgets and Business Planning	Review of Transport Costs across Children's Services.	1,591,000	0	0
		Total	7,212,000	3,565,000	1,890,000

## Public Health

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

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

### Public Health Directorate overall budget

	Gross Revenue Budget £	Gross Controllable Budget £	Savings Target £	Proposals Identified £
Public Health	£9,706,000	£237,980	£83,293	£54,727*

\*Public Health will work with other service areas to explore how savings can be made by considering how these areas contribute to public health priorities.

### Summary estimate for realising budget reductions:

Portfolioholder	Redesign Piece	Proposal	2014/15 £	2015/16 £	2016/17 £
Karen Calder	Zero Based Budgets and Business Planning	Review Public Health spending to meet spending targets	54,727	0	0



## Commissioning

- We will reform our services that regulate businesses in the county (including planning and licensing) so they can best bring their skills and abilities to support firms to grow, helping create job opportunities and benefit people's health, wellbeing and prosperity.
- We will focus on our support for Tourism and the wider sector across the county by reviewing the council's impact on tourism, maximising the economic value from our assets to bring as much spend by visitors as possible into the County. This will look at the best management and ownership arrangements of our tourist and visitor economy sites.
- We will enable as much activity for young people as efficiently as possible starting from the perspective of people growing up in Shropshire, putting the emphasis on supporting what they need in ways that are as relevant, commissioned and local as possible.
- Across waste collection and recycling we will work with our business partners to encourage more recycling where this reduces costs to the council and delivers environmental benefits for the people of Shropshire.
- We will review all of our current contractual arrangements with partners – whether large scale for example (Veolia – waste collection, Coop – Bereavement Services) or smaller and more local – with schools, community groups and town councils to get the best possible deal for Shropshire residents.
- These new approaches and reimagining of solutions will look to achieve increased flexibilities and support business redesign that better meet customer demand at reduced costs, recognising that the market place and funding environment is becoming more competitive. Other key areas we will focus on will include:
  - Community based leisure facilities
  - Highways and transport collaboration with other local authorities
  - Environmental maintenance
- New capital schemes are being developed in order to improve customer services for a number of our services. This includes providing self-serve facilities within Libraries and improved customer services at the Acton Scott Historic Working Farm.
- The council is also looking to further develop its industrial estates and business parks in order to retain existing tenants and attract new businesses into Shropshire.

### Commissioning Directorate overall budget

	Gross Revenue Budget £	Gross Controllable Budget £	Savings Target £	Proposals Identified £
Commissioning	£123,441,000	£53,976,095	£18,891,633	£19,025,633

### Summary estimate for realising budget reductions:

Portfolioholder	Redesign Piece	Proposal	2014/15 £	2015/16 £	2016/17 £
Steve Charmley, Claire Wild, Gwilym Butler, Mal Price	Renegotiate Contracts	Review and renegotiate contracts across Commissioning Directorate with a view to redesigning or reducing requirements to meet lower cost allowances. Review will include all major procurement areas.	1,355,667	2,407,834	1,747,849
Steve Charmley	Outcomes for Customers	Redesign of Business and Enterprise function that will lead to an end to end offer for the business community.	65,825	118,350	144,075
Steve Charmley	Outcomes for Customers	Redesign Healthier People and Communities - (Review animal movement monitoring contract)	30,000	0	0
Gwilym Butler	Outcomes for Customers	Modernisation of processes and creation of efficiencies within Theatre Services	90,000	10,000	0
Steve Charmley	Outcomes for Customers	Redesign of a new Visitor Economy model including museum services and visitor attractions	263,627	178,840	172,590
Steve Charmley	Outcomes for Customers	Behavioural change programme using customer segmentation approach to increase recycling and reduce waste growth.	288,000	126,500	240,000

Portfolioholder	Redesign Piece	Proposal	2014/15 £	2015/16 £	2016/17 £
Gwilym Butler	Outcomes for Customers	Redesign the Libraries service, including Visitor Information Centres.	1,006,331	299,764	0
Claire Wild	Outcomes for Customers	Redesign Highways and Transport function, creating alliance with Cheshire West and Chester (CWAC)	430,000	72,340	502,341
Claire Wild	Outcomes for Customers	Redesign Environmental Maintenance function, creating merged function with CWAC, moving processes in house and increasing income	150,000	202,660	152,659
Gwilym Butler	Outcomes for Customers	Redesign within Community Action, Positive Activities, Outdoor Recreation and Sports Development to create a Community Enablement Team (CET)	196,163	171,445	0
Gwilym Butler	Outcomes for Customers	Redesign of the Outdoor Recreation service that will lead to locally led approaches with a focus on physical activity	51,400	288,215	207,375
Steve Charmley	Outcomes for Customers	Redesign of Public Protection - in preparation for Regulatory and Business Support Services (RABSS)	109,000	0	0
Steve Charmley	Outcomes for Customers	Redesign Healthier and Sustainable Environment, including commissioning of Parking and Cash Collection	94,315	0	0
Steve Charmley	Outcomes for Customers	Create efficiencies in Bereavement Services function, stopping non-utilised service and generating income	58,500	0	0
Gwilym Butler	Outcomes for Customers	Redesign across Positive Activities, Arts Development and Sports Development to create a new model for Activities for Young People	58,832	215,844	215,844
Steve Charmley	Outcomes for Customers	Redesign Safer and Stronger Communities function, stopping Bikeability and redefining 24/7 CCTV monitoring	20,838	140,000	0

Portfolioholder	Redesign Piece	Proposal	2014/15 £	2015/16 £	2016/17 £
Mal Price	Outcomes for Customers	Redesign of Development Management and Planning Policy - Environment & Sustainability Service will be redesigned with other planning functions in order to create a more integrated delivery focussed Business Unit	150,600	35,000	0
Gwilym Butler	Outcomes for Customers	Review of joint use Leisure Facilities to identify how they are best delivered on a local basis.	118,420	206,055	227,335
Mal Price	Outcomes for Customers	Redesign and reinvention of Housing Services concentrating on early intervention, providing an integrated approach to meeting people's needs, cutting out waste to improve customer outcomes.	500,000	1,604,025	0
Steve Charmley	Trade for Public Profit	Create commercial activity within the wider Regulatory and Business Support Services model.	0	50,000	772,779
Steve Charmley, Claire Wild, Gwilym Butler, Mal Price	A workforce that fits	Appropriately re-size the workforce to ensure an efficient and customer focussed organisation. Voluntary Redundancy proposals within Commissioning Directorate.	2,165,749	310,707	0
Steve Charmley	Stop Waste	Reduce Sustainability supplies and services budget	6,000	0	0
Gwilym Butler	Stop Waste	Cease provision of Local Joint Committee grant funding	529,850	0	0
Steve Charmley	Stop Waste	Enforcement of Waste Management Policy and decommissioning of some services.	180,000	0	0
Steve Charmley, Claire Wild, Gwilym Butler, Mal Price	Zero Based Budgets and Business Planning	Review of Transport Costs across Commissioning Directorate.	286,090	0	0
		Total	8,205,207	6,437,579	4,382,847

## New Delivery Proposals – Commissioning

Portfolioholder	Redesign Piece	Proposal	2014/15 £	2015/16 £	2016/17 £
Steve Charmley	Renegotiate Contracts	Intelligent Client System: New software for the monitoring of performance under the Waste Management contract. Further details required to establish if eligible capital expenditure.	70,000	-	-
Gwilym Butler	Outcomes for Customers	Self Service Machines: Required to help deliver recurrent revenue savings.	100,000	-	-
Steve Charmley	Trade for Public Profit	Stanley Lane Industrial Estate: Initial works to prepare the site for development of new workshop units.	150,000	-	-
Steve Charmley /Tina Wood	A workforce that fits	Acton Scott Historic Working Farm: Consolidates the retail and ticketing area, reducing staffing costs per annum by around £10,000.	36,000	-	-
		Total	356,000	0	0

## Resources and Support

- We will only keep and use the physical assets we need to meet customer demand. This means selling underused and vacant land to boost capital funds and saving revenue like a business. We will use new technology to allow our staff to work in a mobile and flexible way to suit the needs of our customers. This means we need less accommodation and what we keep should be designed and equipped to help people work collaboratively and flexibly. To achieve this we will use a Corporate Landlord model, where all property assets are managed centrally together through a commercial approach.
- We will design the infrastructure for the future needs of Shropshire Council and other commissioners looking to work in radically different ways. This will enable swift take up of the best systems and most efficient and well designed business processes.
- End to end review of how the council uses information to drive decision making, identifying duplication and waste, evaluating the potential for income generation through trading associated with the value we put on intelligence.
- Reviewing procurement, Audit, Risk and Insurance teams to reflect the changing demands of the commissioning organisation.
- Rationalising face to face customer contact, through a digital first approach making it easier and cheaper for people to access the information and services they're looking for.
- Reviewing HR support, streamlining processes helping managers and team leaders become highly effective people and resource managers through informed self-service.
- Reviewing levels of support in democratic and legal services taking account of willingness of customers to accept different levels of provision and opportunities, through an Alternative Business Structure to enable the team to sell on its services.
- We are working closely with our trading partner ip&e (Trade Co) to grow a suite of businesses based on understanding and anticipating the public service customer needs of the future, whilst driving down our own

service costs. We will do this by developing attractive, tradable services to tap into a targeted, growing market. This includes reviewing the potential for trading using the council's capacity, skills and assets in new ways including;

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

	Gross Revenue Budget £	Gross Controllable Budget £	Savings Target £	Proposals Identified £
Resources and Support	£157,326,000	£71,046,852	£24,866,398	£26,708,592

### Summary estimate for realising budget reductions:

Portfolioholder	Redesign Piece	Proposal	2014/15 £	2015/16 £	2016/17 £
Mike Owen	Sell Assets we don't need	Asset rationalisation to fit with mobile and flexible working ethos. Manage total asset base of Council under a Corporate Landlord arrangement	900,650	1,527,443	0
Mike Owen	Renegotiate Contracts	Review and renegotiate contracts across Resources and Support Services with a view to redesigning or reducing requirements to meet lower cost allowances.	20,000	0	0

Portfolioholder	Redesign Piece	Proposal	2014/15 £	2015/16 £	2016/17 £
Mike Owen	Outcomes for Customers	Redesign points of face to face contact for the full range of transactional services. Meet the demand for increased access in alternative methods of contact e.g. digital and mobile.	150,000	0	0
Mike Owen	Trade for Public Profit	Further develop a commercial approach to our business and maximise earnings and trading potential.	329,700	29,700	29,700
Mike Owen	A workforce that fits	Develop a workforce that appropriately fits the size and requirements of the organisation as it moves to become a commissioning council.	3,976,364	179,871	115,759
Mike Owen	Stop Waste	Reduce travel and associated costs across the Resources and Support Directorate by maximising opportunities offered through technological solutions.	46,800	0	0
Mike Owen	Stop Waste	Rationalise spend in ICT. Ensure that all systems are used to best advantage of the business	2,152,000	28,000	40,000
Mike Owen	Stop Waste	Stop contracts where review has identified that costs outweigh benefits.	31,000	0	0
Mike Owen	Zero Based Budgets and Business Planning	Redesign Services, for example, Business Design, Digital Services, Customer Services, Business Support, Print Services, Programme Management.	291,748	210,448	150,848
Mike Owen	Zero Based Budgets and Business Planning	Procure to Pay redesign implemented across the authority to improve procurement, contract and payment processes and efficiency.	1,200,000	0	0
Mike Owen	Zero Based Budgets and Business Planning	Plan for 7.5% on-going reduction in costs across Resources and Support through continual review and redesign to meet the changing needs of the organisation as they develop.	0	4,242,655	2,967,906



Portfolioholder	Redesign Piece	Proposal	2014/15 £	2015/16 £	2016/17 £
Mike Owen	Zero Based Budgets and Business Planning	Review of corporate budgets to meet expected demand across the authority in relation to; removal of borrowing requirements through the generation of capital receipts, increased generation of interest on balances, baselining of an element of New Homes Bonus, review of the baseline contribution to reserves and removal of the on-going Transformation budget, replacing it with an invest to save fund.	5,000,000	1,500,000	1,500,000
Mike Owen	Zero Based Budgets and Business Planning	Review of budgets set aside for Members, reflecting future requirements ie reduced printing costs.	88,000	0	0
		Total	14,186,262	7,718,117	4,804,213

### New Delivery Proposals – Resources and Support

Portfolioholder	Redesign Piece	Proposal	2014/15 £	2015/16 £	2016/17 £
Mike Owen	Sell assets we don't need	Ptarmigan Building - Installation of new toilets: Required to increase occupancy of building as in currently restricted on health & safety grounds. Scheme linked to Accommodation Strategy and will enable more staff to be located in the Ptarmigan Building, releasing other properties for disposal.	40,000	-	-

Portfolioholder	Redesign Piece	Proposal	2014/15 £	2015/16 £	2016/17 £
Mike Owen	Sell assets we don't need	"Corporate Landlord: As part of the Corporate Landlord model some capital investment may be required where a major maintenance liability is identified, where condition has deteriorated to such an extent, due to pressure on the Corporate Repairs & Maintenance budget.  Some capital expenditure may also be required in order to enable the future disposal of some properties, such as where access to a property needs to be split. These will be considered based on individual project appraisals and should be self financed as these works will enable a further assets to be disposed, although there may be a short term pressure as the works will be required in advance of the disposal and may cross financial years."	TBC	TBC	TBC
Mike Owen	Sell assets we don't need	Refit of Buildings: Estimate of likely costs of refitting buildings due to accommodation moves required but could be higher depending on the option chosen.	600,000	-	-
Mike Owen	Sell assets we don't need	Lync Telephony Rollout: Purchase of handsets, supplemented by revenue funding.	300,000	-	-
Mike Owen	Sell assets we don't need	Move Exchange infrastructure to "Cloud": Migration required. Hardware refresh required in 2014 at £500k which means the shift to Cloud is cheaper. Relocation costs negated. Further details required to establish if eligible capital expenditure.	200,000	-	-
Mike Owen	Outcomes for Customers	University Project: Work being undertaken around getting the university up and running.	TBC	TBC	TBC

Portfolioholder	Redesign Piece	Proposal	2014/15 £	2015/16 £	2016/17 £
Mike Owen	Trade for Public Profit	Replacement of Ballot Booths: Replacement of 143 Ballot Booths for Health & Safety Reasons - will generate more income from hiring out.	43,615	-	-
Mike Owen	Stop Waste	Implementation of new Disaster Recovery system, decommissioning legacy systems and implementation of single view of the customer system.	956,000	-	-
Mike Owen	Zero based budget and business planning	Electronic Mail Room Implementation. Further details required to establish if eligible capital expenditure.	500,000	-	-
Mike Owen	Zero based budget and business planning	Procure to Pay (P2P): Potential Investment required if new system to be implemented.	100,000	-	-
		Total	2,739,615	TBC	TBC

## Strategic Financial Overview – Revenue

This overview includes the latest estimates of the Council's revenue resources and expenditure. It is set in the context of the Council's other key strategic documents, in particular, the Treasury Management Strategy and the Capital Strategy which is now incorporated within the Business Plan.

The Draft Council Business Plan and Financial Strategy considered by Cabinet on 13 November 2013 provided details of the council's financial projections for resources and expenditure over the 3 year period 2014-17. In January, Cabinet received an update to the Business Plan and Financial Strategy which included the latest resource and expenditure projections following the draft Local Government Finance Settlement for 2014 to 2015 and further information on the proposals to meet the funding gap identified of £80m over the period 2014-2017.

The Final Council Business Plan and Financial Strategy includes the latest financial position for 2014/15 following the Final Local Government Finance Settlement announced on 5 February 2014. The resource and expenditure projections have also been updated for the latest estimate of the Council's share of Business Rates, the collection funds for council tax and business rates and further information received on specific grants for 2014/15.

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

#### Summary

The Council's Gross Budget for 2013/14 is £624.7m. Throughout 2013/14, Cabinet has considered reports identifying the latest position on the Council's resource and expenditure projections for the period 2014-17. The updates throughout the year have used the most up to date information on budget monitoring, current and future service pressures, government funding and council tax income projections. This final report will include an update including the adjustments required arising from the Final Local Government Finance settlement, latest estimates of council tax and business rates income and the estimated positions on the business rates and council tax collection funds. The report will also adjust for changes to specific grants.

Table 1 below provides a summary of resource and expenditure projections which are then explained in more detail in the sections below:

**Table 1: Resource and Expenditure Projections 2014-2017**

	2014/15 £'000	2015/16 £'000	2016/17 £'000
Resources	572,138	558,886	548,424
Expenditure	613,669	620,553	628,424
Funding Gap	-41,531	-61,667	-80,000
Year on Year		-20,136	-18,333

### Resource Projections

The Final Local Government Finance Settlement 2014/15 was announced on 5 February 2014. The settlement also provided illustrative figures for 2015/16. The final settlement shows a small improvement on Revenue Support Grant in 2014/15 from the draft settlement announced on 18 December 2013 of £0.013m due to an increase in the returned holdback included.

The estimate of the amount to be returned during the year for unused topsliced funding relating to New Homes Bonus has also been reviewed following the final settlement. This figure has reduced from the initial estimate of £0.667m to £0.155m, a reduction of £0.512m.

The key messages from the Finance Settlement are identified below:

- Council tax freeze grant for 2013/14 has been rolled into general funding rather than being a separate specific grant. There is no overall change to Shropshire resource projections from this as it is a switch from specific grants to general funding, however, it does provide some more certainty that this funding will continue at some level in future years.
- Funding for sparse authorities has also been rolled into base funding. This is £0.776m for Shropshire. This is new funding for the Council as last year's funding was assumed to be received on a one off basis.
- Other changes around top up and returned top slices have been made to reflect the government's latest information on these amounts.

- The inflationary increase for Business Rates has been capped at 2%, 1.2% less than the September RPI index which is usually used. The financial effect of this and other discretionary reliefs introduced by the government for small businesses and empty properties will be compensated for by a grant payment to local authorities in 2014/15 and 2015/16.
- There will not be a topslicing of New Homes Bonus (NHB) funding in 2015/16 and future years which was due to be allocated to Local Enterprise Partnerships (LEPs)

The resource projections use the Council's own estimate of locally retained Business Rates. The 2014/15 estimate for locally retained Business Rates has been updated based on the authority's National Non Domestic Rates return to central government on 31 January 2014, referred to as NNDR 1, which provides details of the net yield from business rates after reliefs, allowable charges on the fund and provisions for bad debts and appeals. This has resulted in a reduction in the estimate of locally retained business rates of £0.352m.

In December 2013, Council approved the Council Tax taxbase at 100,475.19 Band D equivalents. This taxbase assumes a collection rate of 97.5% and assumptions about the reduction in taxbase due to council tax support based on information in November 2013.

The estimates for the Council's share of the council tax and business rates collection funds for 2013/14 have recently been calculated and this has resulted in a total increase in resources in 2014/15 on a one off basis of £1.033m. This is made up of an estimated surplus in the council tax collection fund of £2.018m and an estimated deficit in the business rates collection fund of £0.985m.

The council tax collection fund estimated surplus is as a result of an increase in both tax base and collection rate from the original estimate. The business rates estimated collection fund deficit is mainly as a result of the original estimates including a projection of growth in the total business rates arising from one property which did not materialise in the year. It should be noted that in 2013/14, the council will receive a grant to compensate for additional relief offered to small businesses under central government policies. In 2014/15 this grant will continue and additional grant amounts will be paid to compensate for new initiatives announced as part of the Autumn Statement.

In 2013/14 a provision was established for Business Rates appeals. The amount estimated and set aside was £2.277m. The latest information for 2013/14 indicates that £1.098m of this provision has been utilised to date and that the level of the

provision needs to be £1.821m at the end of 2013/14 which has meant a further net contribution of £0.642m has been necessary from the 2013/14 Business rates collection fund. The latest estimates of year on year increases required to this provision to cover potential appeals from each new year liability raised indicate the existing base budget contribution of £2.277m can potentially be reduced. This will be reviewed in future financial strategies when 2013/14 financial year has been closed and the final position on Business Rates and appeals is known.

The above changes have meant that the net budget has increased from that reported in January 2014 by £0.182m additional resource. This has been reflected in the expenditure estimates by an addition to the resources available to offset 2014/15 savings which now stands at £6.262m in total, £2.454m arising from increased resource projections.

The resource projections have also been updated for the latest information on specific grants and other income. In addition, changes arising from a review of internal market charges have been made. The internal market charges for 2014/15 and future years have been adjusted for in the gross budget to ensure the cost of these services and the recharged cost for these services are no longer both reflected in the gross budget. This reduces both resources and expenditure projections. The total change in income outside of the net budget is -£44.254m. This is made up of an increase in specific grants of £0.603m and a change of -£44.857 arising from review of internal market and other income charges and exclusion of the gross internal market charges.

The total change in resources projection is £44.072m, taking account of the increase in net resources of £0.182m and the reduction in income of £44.254 detailed above. The revised resources projection for 2014/15 is £572.139m.

In 2015/16, the net budget has reduced by £0.624m due to a combination of a reduction in the Business rates projection to be retained locally and also a reduction in the figure for returned top sliced amounts as detailed in the final Local Government Finance Settlement. The gross income figure has reduced in total by £42.154m, the additional £41.529m being a combination of a reduction due to the internal market of £44.857 and an increase in specific grants of £3.327m. It is important to stress that the changes outside of the net budget are made on both the resources and expenditure side so do not affect the Council's projections on required savings.

The latest Resource projections are detailed in Annex 1.

## Expenditure Projections

The Council Business Plan and Financial Strategy 2014-2017 considered by Cabinet on 15 January 2014 included growth of £45.264. The latest estimates have been adjusted to reflect additional specific grants and give total growth of £48.592m over the 3 year period 2014-17. This is detailed in the table 2 below. The calculation of growth was reviewed for Cabinet in January and is now included in Annex 2 for information.

**Table 2: Growth in Budget 2014-17**

	2014/15 £'000	2015/16 £'000	2016/17 £'000
2013/14 Budget Issues	10,088		
Grant net changes		2,725	
Additional Growth			
– Carbon Management	372		
– Review of recharges outside General Fund	525		
– Asset Sales – Removal of Income streams	37		
– Further review of budget issues impacting on 2014/15 and beyond	1,085	50	50
Adjustments to offset growth			
– New Homes Bonus	-1,106	-1,609	-1,909
– Debt Charges and Interest on Balances	-76		
Inflation			
– Pay	955	885	839
– Increments	897	497	281
– Prices	2,759	2,852	3,006
– Pensions			3,500
Debt Charges (used as saving )	1,000	1,000	1,000



**Table 2: Growth in Budget 2014-17 cont.**

	2014/15 £'000	2015/16 £'000	2016/17 £'000
Demography			
– Adults – current year pressure	9,300		
– Adults – future years	1,867	1,758	1,500
– Children's – current year pressure	2,800		
– Children's – future years	772	1,183	1,183
Adjustment to base for Reserves contribution	-5,000		
Adjustment to base for Elections budget in 2013/14	-700		
Investment Fund to replace Transformation Funding	2,000	-2,000	
Repayment to Provisions for Redundancy Costs			2,000
Subtotal Growth	27,575	7,341	11,450
Contribution to Savings from			
– review of expenditure projections	3,808	2,168	-3,750
– revision of resources projections	2,454	-2,454	
		-170	170
Total Growth	33,837	6,885	7870

### Impact of Transfers to ip&e on the Council's Budget

In August 2013 Media services, now known as ThreeSixty Communications transferred to ip&e. Details of the media services budget were reported as part of the Financial Strategy report to Cabinet on 24 July 2013. As part of negotiations with ip&e and with the requirement for the Council to achieve £80m of savings over the next 3 financial years, savings have been achieved from in the Council's budget available to commission work from ThreeSixty Communications.

In 2014/15, the Project Programme Management Office and the Business Design team are being considered for transfer to ip&e. Together these services are to be known as “Change for the best”. A review of the budgets available to commission the transferred services has been undertaken. Again, this budget has been reduced year on year in line with the reductions other budgets remaining with the council are subject to. The budgets available to commission services from ip&e in 2014/15 have been identified as follows:

**Table 3: budgets identified to commission services from ip&e**

	2014/15 £	2015/16 -Estimate £	2016/17 - Estimate £
Programme Management Office	348,670	315,160	186,660 (TBC)
Business Design Team	252,060	209,160	166,260
<b>“Change for the Best” sub total</b>	<b>600,730</b>	<b>524,320</b>	<b>352,920</b>
ThreeSixty Communications	302,380	272,680	242,980
<b>Total</b>	<b>903,110</b>	<b>797,000</b>	<b>595,900</b>

The budget for “Change for the Best” for 2016/17 has still to be agreed. It can be seen that a substantial reduction has been made to the budgets available to commission services. It is envisaged that the services within ip&e will strive to generate external income to offset the reductions in council spending. Alternatively, savings will need to be found from expenditure budgets.

A report providing a Business Case for the transfer of services to ip&e and seeking approval for this will be reported to Cabinet in March 2014.

As further services are considered for transfer to ip&e, full consideration will be given to the budget available both in the current year and future years for the council to commission transferring services. Services transferring will be clear about future savings to be made by the council from the budget available to commission services from ip&e.

## Savings Targets and Proposals

The updated resources and expenditure projections are shown in Table 1 above and result in the funding gap previously reported to Cabinet of £80m over the 3 year period.

Proposals identified are summarised in Table 4 below with more detail provided under the individual services shown earlier in the Business Plan under the section on “Our Approach”.

**Table 4: Proposals Identified to Manage the Funding Gap**

	2014/15 £'000	2015/16 £'000	2016/17 £'000
Proposals Identified	39,892	24,614	18,695
Less Year 3 Savings Contingency			(3,201)
Cumulative Total		64,506	80,000

The proposals identified over the 3 year period 2014/15 to 2016/17 exceed the target of £80m. There is, however, a shortfall of 1.639m based upon the current profile for 2014/15. The proposals put forward for 2014/15 have also been subject to a review to consider risks associated with delivery within available timescales as follows:

- Red – More work needs to be undertaken to turn this idea for redesign or prototype into an operational plan with timescales
- Amber – Operational change identified but programme and timescales need to be worked through in more detail before delivery
- Green – Operational change identified with time scale quantified and understood, just needs to be delivered

As part of budget assurance, it would be reasonable to assume that close to 100% of the Green and Amber category proposals can be implemented, but it would be prudent to assume that a proportion of Red Category proposals may slip, or with further refinement, may not be achievable to the level assumed. Table 6 below provides a summary of the 2014/15 proposals over the categories identified above.

**Table 5: Savings Proposals Deliverability**

	£'000
Green Category Proposals	15,930
Amber Category Proposals	9,030
Red Category Proposals	14,932
Total	39,892

As noted in the previous paragraph, revision and rephrasing of growth proposals can reduce the funding gap by up to £6.262m in 2014/15 on a one-off basis. Our planning assumptions are that the first call on this will be the funding of the shortfall on savings identified in 2014/15 of £1,639m. After allowing for this, it appears that the total value of all proposals currently (including rephrasing of growth) exceed the funding gap identified in 2014/15, however, the timing of delivery and the scale of proposals to be implemented in a short time period still represent a significant risk to the authority. For this reason, it is essential that the Council has a reasonable level of reserves in place to help mitigate against this risk.

As at period 9 monitoring, the General Fund Balance has a projected balance of £12.055m although this is likely to change before year end, and any reduction in the projected overspend position identified at Period 9 would increase these levels.

The Council's policy is that a minimum General Fund Balance equivalent to 0.5% of the gross budget should be maintained. A minimum balance under this policy would therefore be £3.094m for 2014/15.

Taking all of the above factors into account, therefore, the Council now has a realistic and robust plan to deliver a balanced budget over the short and medium term. However, while this strategy provides a plan for delivering a balanced budget, the impact on current services, level of savings, scale of change, reduction in resources and increase in uncertainty will all require careful and robust management over the next three years.

## **Longer Term Financial Outlook**

Details of how the Council is working differently now and how this will develop over the coming years are set out earlier in this document under the 5 individual service areas.

## Strategic Financial Overview – Capital

This overview updates the Capital Programme for the period 2014/15 to 2016/17, based on current confirmed funding and delivery schedule for schemes. This is not a full review and revision of the Capital Strategy at this point of the year as the Council's focus has been on the delivery of revenue savings, however the introduction of schemes assisting this work are now being considered.

A number of new schemes have been proposed for inclusion in the programme, financed from Corporate Resources. These schemes will potentially deliver revenue savings for the Council, however further work is required to develop these proposals into comprehensive capital appraisal documents that can be formally approved. This activity takes place between February and July and formal approval of these schemes will be sought in July Council. These schemes will be prioritised based on the fit with the business plans of the service and the revenue savings the schemes will generate. The capital cost of the schemes will also need to be affordable within the projected available capital receipts.

### Capital Allocations 2014/15 to 2016/17

The capital programme report 2013/14 to 2016/17, approved Council 28 February 2013, contained a combination of confirmed and indicative allocations of capital grants. Where the Council has received updated confirmed allocations, these have been built into the capital programme. Any changes to capital allocations have been pass-ported through to the service area. The following section details these allocations.

#### Department of Education – Schools Programme

The Department of Education has confirmed Basic Need allocations totalling £4m for the period 2014/15 to 2016/17 and new funding of £587,000 for Infant Free School Meals. Condition funding of £4,275,499 and Devolved Formula Capital of £820,841 have also been confirmed for 2014/15. These are broadly in line with previous year's capital funding, taking into account the further schools that have transferred to Academies.

In addition to the new funding allocations expected for 2014/15 there is significant funding that has been brought forward from previous year's capital programmes. The table below summarises the funding estimated to be available in the 2014/15 Learning & Skills Capital Programme:

**Table 1: Learning & Skills Capital Funding**

Funding	B/F Funding £	14/15 New Allocation £	14/15 Total £	15/16 Allocation	16/17 Allocation
Basic Need	-	492,821	492,821	1,709,784	1,795,273
Universal Infants Free School Meals	-	587,365	587,365	-	-
Condition	-	4,275,499	4,275,499	-	-
DFC	1,365,684	820,841	2,186,525	-	-
Capital Receipts	5,232,413	-	5,232,413	-	-
Section 106	42,228	-	42,228	-	-
Revenue Contributions (school Balances)	8,152	-	8,152	-	-
<b>Total</b>	<b>6,648,477</b>	<b>6,176,526</b>	<b>12,825,003</b>	<b>1,709,784</b>	<b>1,795,273</b>

This funding has been allocated by programme areas as detailed in the Capital Programme (see annex 4). This is a combination of schemes slipped from 2013/14, multi-year schemes and allocations by programme area, which will be allocated to specific schemes based on school priorities. Learning & Skills have developed a programme to utilise all the above funding that is available to them in 2014/15, with Condition works being the largest area of the programme. Further consideration will be made to the deliverability of a programme consisting of the brought forward funding and the 2014/15 funding in the financial year, once the full programme of schemes is allocated.

Other than the new Basic Need allocations, no funding is currently programmed beyond 2014/15 as this is subject to ongoing discussion by Department of Education as to how capital funding will be provided in the future. £2.35m is currently projected to be generated in future years from the disposal of surplus former school sites, following school amalgamations. These receipts are ring fenced for investment in schools as previously agreed by Council as part of the amalgamation programme.

### Department of Transport - Local Transport Plan (LTP)

Department of Transport funding for Highways was detailed in a 4 year settlement in 2011 and 2014/15 is the final year of this settlement. The Shropshire allocation for 2014/15 is detailed in the table below:

**Table 2: Department of Transport LTP allocations**

Funding	14/15 Allocation
Highways Maintenance	11,973,000
Highways Maintenance - Additional Funding	1,227,000
Integrated Transport	2,385,000
Local Sustainable Transport Fund (Specific bid for grant)	714,000
<b>Total</b>	<b>16,299,000</b>

In addition to the above, a £125,000 revenue contribution is included in the programme for Street Lighting and £265,000 Commuted sum funding is included in the bridges programme. The outline proposed Highways and Transport capital programme is included in this document, rather than as a separate report later in the year, as in previous years.

The detailed programme is included in annex 6 to this document and a summary including funding is provided in Table 3 on the following page.

**Table 3: Highways Capital Programme & Financing 2014/15**

	B/F Funding £	14/15 New Allocation £	14/15 Total £	15/16 Allocation £	16/17 Allocation £
Highways					
Structural Maintenance of Bridges	1,366,100	-	-	264,606	1,630,706
Structural Maintenance of Roads	11,458,900	-	-		11,458,900
Street Lighting	375,000	-	-	125,000	500,000
Total Highways	13,200,000	-	-	389,606	13,589,606
Integrated Transport					
Network Management and Efficiency	-	849,977	114,000	-	963,977
Public Transport	-	100,000	50,000	-	150,000
Walking and Cycling	-	457,680	550,000	-	1,007,680
Safety and Speed Management	-	977,343	-	-	977,343
Total Integrated Transport	-	2,385,000	714,000	-	3,099,000
Total	13,200,000	2,385,000	714,000	389,606	16,688,606

The highways capital maintenance programme is developed based on an Asset Management approach. With funding allocations based on using network intelligence gained from routine condition surveys as well as other sources of information; investment will be prioritised where it will achieve the greatest returns.

Integrated transport schemes are prioritised based on the contributions to key objectives such as safety, network efficiency, environmental benefits and levels of local support.

No funding is currently included beyond 2014/15. Department of Transport are currently consulting on a new policy for local authority highways maintenance funding from 2015, which will be used to distribute highways maintenance funding from 2015/16 to 2020/21. Previous indications had been that highways maintenance funding will continue at similar levels, but Integrated Transport funding will decrease.



## **DCLG - Disabled Facilities Grants**

The Department of Communities and Local Government have not confirmed Disabled Facilities Grant (DFG) allocations for 2014/15, but the allocation is assumed to be in line with previous allocation of around £1.1m.

From 2015/16 funding will be provided by the Department of Health, rather than DCLG. The DFG funding will be included in the new Integrated Transformation Fund. This is described as a 'single pooled budget for health & social care services to work more closely together in local areas based on a plan agreed between the NHS & local authorities'. This will be a pooled budget, which will be allocated based on local priorities. Currently no projections are available for what funding Shropshire will receive from 2015/16 onwards.

## **Department of Health - Adult Social Services**

Further funding of £764,663 has been allocated to Shropshire for 2014/15. In October 2013 a report was approved by Cabinet for the Development of Supported Living Services for Adults with Learning Disabilities. Namely the development of 4 further Supported Living bungalows at Adderley Road, Market Drayton; London Road, Shrewsbury and two further sites to be identified. These developments will be part financed by the Development Trust, but will also require some match funding by the Council. It is planned to allocate the 2014/15 Adults capital grant towards these developments and work is ongoing to develop the plans and costs for each site and until that is in place, the funding from the Development Trust cannot be confirmed. Based on a provisional estimate of when works will take place, this funding has been split across 2014/15 and 2015/16. These schemes will potentially deliver financial savings across both the health and social care economy through remodelled services and better outcomes for individuals.

Further funding of £970,000 is included in the Adult Social Care capital programme for 2014/15, which is funding re-profiled from previous years. Plans are being developed to allocate these monies to schemes in accordance with the priorities in the Adult Services business plan.

## Housing Revenue Account (HRA)

Under the self-financing regulations, the Council has a 5-year transitional period to implement component-based depreciation for the HRA. Once implemented, this will be used to determine the level of capital investment required in the housing stock. As allowed in the transitional period, the Council will use the baseline Major Repairs Allowance (MRA) figure in the HRA self-financing determination for Shropshire as the basis for the amount allocated for capital investment in 2014/15 and 2015/16. For this period the MRA figure is around £4m in each year, £3.2m of which will be allocated to Major Repairs Capital works, with the balance retained for New Build capital works or possible repayment of HRA debt.

In addition to the £3.2m allocated in 2014/15, £1.1m has been previously re-profiled from previous years, making a total Major Repairs Programme budget of £4.3m. £3.85m of this budget has been allocated to improvement programmes, with £430,000 still to be allocated. The New Build Programme is also ongoing in 2014/15, with £5.8m allocated in the programme and the majority of works due to complete in 2014/15.

## Corporately Financed capital schemes

Previous Capital Strategies have reduced the number of corporately financed schemes to align the programme to available resources and avoid the unaffordable ongoing revenue costs of borrowing to finance the programme. Following these previous reviews there is limited scope to make further savings in the existing capital programme; especially as given the nature of capital schemes, a number of schemes are ongoing across financial years with contracts in place to deliver these schemes. This document is not a full review and revision of the Capital Strategy and as such no new Corporately Financed schemes have been added to the programme. However, there are opportunities to re-profile areas of the capital programme.

The significant changes to corporately financed schemes in the capital programme for are summarised below:

- Re-profiling of Council funding for the Shrewsbury Vision as part of the Riverside Development. Originally £3.75m was included for 2015/16, however £250k has now been brought forward to 2014/15 to fund known pressures and the remaining rescheduled until 2016/17.

- Re-profiling of Small Business Loans by bringing £140k forward into 2014/15 to match contracts already entered into.
- Reduction of the Disabilities Discrimination Act Capital Budget to £50k per annum to reflect that works have been delayed due to Placed Based Review / Accommodation Rationalisation, but also provide funding to meet the Council's Legal obligations.
- The £1.12m that was carried forward as a Highways underspend from 2012/13 and then re-profiled to 2014/15 to ease pressure on capital receipt generation in 2013/14 has been re-allocated to the Depot Redevelopment budget in 2013/14 and 2014/15 in place of part of the self-financed prudential borrowing funding. This will enable the service to make a revenue savings as they will have reduced debt financing charges.

These changes have resulted in a net decrease of £0.05m in corporately financed schemes across the three year term of the capital programme and have re-profiled expenditure across the years of the programme, providing increased opportunity for receipts to be generated to avoid the requirement for any corporately financed prudential borrowing.

### **Capital Programme 2013/14 to 2016/17**

The revised capital programme, following the grant changes and the review of the capital programme is detailed in Annex 4 and a summary of the programme is provided in Table 4.

Table 4: Capital Programme 2014/15 to 2015/16

2013/14 Budget £	Service Area	2014/15 Budget £	2015/16 Budget £	2016/17 Budget £
	<b>General Fund</b>			
34,370,972	Commissioning	33,394,659	8,152,534	3,500,000
802,621	Adult Services	1,419,791	314,663	-
11,689,304	Children's Services	13,173,406	1,709,784	1,795,273
1,198,883	Resources & Support	268,000	50,000	50,000
<b>48,061,780</b>	<b>Total General Fund</b>	<b>48,255,856</b>	<b>10,226,981</b>	<b>5,345,273</b>
3,994,173	Housing Revenue Account	10,090,890	3,287,090	-
<b>52,055,953</b>	<b>Total</b>	<b>58,346,746</b>	<b>13,514,071</b>	<b>5,345,273</b>

Based on the capital programme in Table 4, the financing of the capital programme is detailed in Table 5.

Table 5: Capital Programme Financing 2014/15 to 2016/17

2013/14 Budget £	Financing	2014/15 Budget £	2015/16 Budget £	2016/17 Budget £
(73,612)	Self Financed Prudential Borrowing	261,142	-	-
29,306,851	Government Grants	34,408,091	1,709,784	1,795,273
1,156,309	Other Grants	442,303	-	-
1,484,621	Other Contributions	382,512	-	-
4,067,662	Revenue Contributions to Capital	2,805,294	311,400	-
2,616,591	Major Repairs Allowance	6,293,314	3,200,000	-
13,497,531	Corporate Resources (Capital Receipts/ Prudential Borrowing)	13,754,090	8,292,887	3,550,000
<b>52,055,953</b>	<b>Total Financing</b>	<b>58,346,746</b>	<b>13,514,071</b>	<b>5,345,273</b>

## **Proposed Future Schemes**

Due to current uncertainties around future capital finance resources, both in terms of external grant funding and internal capital receipts to be generated from the disposal of surplus assets, the Council is currently not in a position to produce a new comprehensive Capital Strategy for future years. This document is a holding position based on the previous strategy.

Work is ongoing to develop new schemes in line with the Business Plans of Services and for schemes that will generate ongoing revenue savings. A number of new schemes have been proposed for inclusion in the programme, financed from Corporate Resources and are detailed in annex 5. Further work is required to develop these proposals into comprehensive capital appraisal documents that can be formally approved. This activity will take place between February and July and formal approval of these schemes will be sought in July Council. These schemes will be prioritised based on the schemes fit with the business plans of the service and the revenue savings the schemes will generate and also depending on the level of available capital receipts.

## **Capital Receipts**

Capital receipt projections are based on current projections of assets to be disposed, the estimated capital receipt they will generate from disposal and the financial year in which the disposal will be completed. There is a high level of risk in these projections as they are subject to changes in property and land values and the actions of potential buyers. Based on the current projected capital receipts and the revised allocated capital receipts (Table 5); Table 6 shows the capital receipts position across the years of the capital programme.

**Table 6: Capital Receipts Projections 2014/15 to 2016/17**

	2014/15 £	2015/16 £	2016/17 £
Corporate Resources Allocated in Capital Programme	13,754,090	8,292,887	3,550,000
To be allocated from Ring Fenced Receipts	1,885,239	1,456,660	1,762,500
<b>Total Commitments</b>	<b>15,639,329</b>	<b>9,749,547</b>	<b>5,312,500</b>
<b>Capital Receipts in hand/projected:</b>			
Estimated carry forward	5,861,934*		
Projected - "Highly Likely" (see below)	7,154,465	2,380,000	4,000,000
<b>Total in hand/projected</b>	<b>13,016,399</b>	<b>2,380,000</b>	<b>4,000,000</b>
<b>Shortfall / (Surplus) to be financed from additional capital receipts / Prudential Borrowing</b>	<b>2,622,930</b>	<b>7,369,547</b>	<b>1,312,500</b>
Further Assets Being Considered for Disposal	13,593,915	6,836,250	3,595,000

\* Dependant on outturn position 2013/14 and capital receipts generated in 2013/14.

The above capital receipt projections for 2014/15 to 2016/17 are based on current scheduled disposals that are profiled for each year. All receipts have been RAG rated (Red, Amber, Green), those listed as Green are where it is rated as 'highly likely' that the disposals will be completed in year. In addition to these there are a number of further disposals that have been identified for potential disposal in future years. These receipts hold significant risk against delivery and therefore until the plans for disposal against these assets are formally agreed, these will not be included when considering the programmes affordability. On the basis that the current programme is unaffordable, further work is required on the deliverability of the list of assets being considered for disposal.

If the Council cannot generate the required level of capital receipts, the Council will need to further reduce or re-profile the capital programme or undertake prudential borrowing, which will incur revenue costs that are not budgeted in the revenue financial strategy.

## **Self-Financing Prudential Borrowing Schemes**

The capital programme also includes schemes to be financed from self-financed prudential borrowing. The borrowing costs of which will be financed from the revenue savings generated from the schemes. Following change to the schemes in the capital programme the only remaining profiled borrowing is for the Highways Depots Redevelopment scheme. It is hoped this will not now be required based on the level of works required, but if it is the revenue costs will be financed from savings generated in future years under the Highways Maintenance contract.

## **Capital Allowance for Housing Capital Receipts**

The local Authorities (Capital Finance and Accounting) (England) Regulations 2003 require the Council to pay into the national housing pool 75% of the capital receipt in relation to the disposal of a council dwelling through Right to Buy and 50% of the capital receipt in relation to the disposal of any other interest in Housing Revenue Account (HRA) assets. Any single receipt of less than £10,000 in value is exempt. The other 25% or 50% respectively remains with the Council for investment in other capital projects at the discretion of the Council; this can include either housing or non-housing schemes.

The Council can avoid the pooling payment and therefore maximise funds for Council use by setting a Capital Allowance, approved by Full Council. This states that these receipts will be reserved for expenditure on affordable housing and regeneration, including expenditure on the Council's housing stock. The capital allowance once created is then used to reduce the amount which is required to be pooled by offsetting relevant receipts against it. The capital allowance can be increased at any time as approved by Full Council and decreases ("extinguished") by the amount of capital receipts received and applied to fund qualifying expenditure.

For 2014/15 it is proposed to set a Capital Allowance of £1 million and that capital receipts received will be reserved for expenditure on the council's housing stock. This is based on the maximum anticipated level of receipts that could be generated in 2014/15.

# Annex 1 – Resource Projections 2014-17

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	2013/14 REVISED	2014/15 REVISED <small>Cabinet 15th Jan. 2014</small>	2014/15 REVISED <small>Cabinet 12th Feb. 2014</small>	2014/15 & Beyond Notes & Assumptions	2015/16 REVISED <small>Cabinet 15th Jan. 2014</small>	2015/16 REVISED <small>Cabinet 12th Feb. 2014</small>	2016/17 ORIGINAL <small>Cabinet 15th Jan. 2014</small>	2016/17 ORIGINAL <small>Cabinet 15th Feb. 2014</small>
<b>RSG</b>	67,074,002	57,044,734	57,058,059	Figures as published on 5 February 2014 for the Local Government Final Finance Settlement 2014/15 and Provisional 2015/16. 2016/17 estimates adjusted for Council tax freeze grant only. Adjustment Further to Summer 2013 Consultation NNDR1 2014-15 figure. The deficit on the collection fund from the previous year, shown below, is netted off. Figure as per CLG 2014/15 Final Local Government Finance Settlement  Final Local Government Finance Settlement This may be an in year bonus. More information required  Actual taxbase for 2014/15 and 0.2% increase in Council Tax Taxbase assumed in 2015/16 and 2016/17 Assumed same reduction in Council Tax taxbase due to local Council Tax Support  Council tax freeze assumed  Revised Estimate of Collection fund Surplus as at 31 January 2014 Estimate of Business Rates Collection Fund as at 31 January 2014, submitted on 2014/15 NNDR 1	41,368,409	41,368,409	30,211,097	31,230,562
<b>Business Rates Retention Allocation:</b>					38,677,343	38,325,286	38,677,343	38,325,286
NNDR (as raised and then retained locally) including appeals provision	38,370,381	38,677,343	38,325,286		10,119,908	10,119,908	9,956,192	9,956,192
Top Up	9,659,912	9,848,092	9,848,092					
Safety Net Payments								
NDR Surplus/Deficit on Collection Fund								
Prior year adjustments (e.g. correction to safety net payments)								
<b>TOTAL START UP FUNDING RECEIPT:</b>	<b>115,104,295</b>	<b>105,570,169</b>	<b>105,231,437</b>		<b>90,165,660</b>	<b>89,813,603</b>	<b>78,844,632</b>	<b>79,512,040</b>
Return of amounts topsliced from RSG/BRRR Allocation								
Share of £2bn unused New Homes Bonus topslice	378,230	667,408	154,558		667,408	394,940	667,408	0
Share of returned damping (unused safety net held back)	0							
<b>TOTAL FUNDING FROM CENTRAL/LOCAL SHARE</b>	<b>115,482,525</b>	<b>106,237,577</b>	<b>105,385,995</b>	<b>90,833,068</b>	<b>90,208,543</b>	<b>79,512,040</b>	<b>79,512,040</b>	
<i>Movement on previous year's funding</i>		1,111,237						
Taxbase	99,280	100,475	100,475	100,676		100,877		
Reduction in Taxbase due to Council Tax Support Grant	12,005					12,005		
<b>Council Tax Income</b>	<b>115,632,994</b>	<b>117,025,463</b>	<b>117,025,463</b>	<b>117,259,514</b>	<b>117,259,514</b>	<b>117,494,033</b>	<b>117,494,033</b>	
Collection Fund Surplus- Council Tax	416,666	0	2,018,834					
Business Rates Collection fund			-985,341					
<b>TOTAL NET RESOURCES - 2013-14 onwards</b>	<b>231,532,185</b>	<b>223,263,040</b>	<b>223,444,951</b>	<b>208,092,582</b>	<b>207,468,057</b>	<b>197,006,073</b>	<b>197,006,073</b>	

	2013/14 REVISED <small>Cabinet 13th Nov. 2013</small>	2014/15 REVISED <small>Cabinet 15th Jan. 2014</small>	2014/15 REVISED <small>Cabinet 12th Feb. 2014</small>	2014/15 Notes & Assumptions	2015/16 REVISED <small>Cabinet 15th Jan. 2014</small>	2015/16 REVISED <small>Cabinet 12th Feb. 2014</small>	2016/17 ORIGINAL <small>Cabinet 15th Jan. 2014</small>	2016/17 ORIGINAL <small>Cabinet 15th Feb. 2014</small>
<b>GOVERNMENT GRANTS</b>	255,803,946	255,394,361	255,976,900		255,394,361	258,700,970	255,394,361	258,700,970
<b>OTHER GRANTS &amp; CONTRIBUTIONS</b>	25,950,880	25,950,880	28,425,620		25,950,880	28,425,620	25,950,880	28,425,620
<b>FEES &amp; CHARGES</b>	63,039,210	63,239,210	57,137,050		63,239,210	57,137,050	63,239,210	57,137,050
<b>INTERNAL MARKET &amp; INTERNAL RECHARGES</b>	48,362,850	48,362,850	7,154,140		48,362,850	0	48,362,850	7,154,140
Internal Recharges only			7,154,140			7,154,140		7,154,140
Total Income outside of Net	393,156,886	392,947,301	348,693,710					
<b>TOTAL GROSS RESOURCES - 2013-14 onwards, after income Savings</b>	<b>624,689,071</b>	<b>616,210,341</b>	<b>572,138,661</b>		<b>601,039,883</b>	<b>558,885,837</b>	<b>589,953,374</b>	<b>548,423,853</b>



## Annex 2 – Details of Growth Included in the Expenditure Projections 2014-17

### The Current Year 2013/14 Budget

The figure included for 2013/14 Budget issues is made up of the following

- savings achieved on a one off basis in 2013/14, £4.686m
- pressures identified in 2013/14 where previously agreed savings have not been achievable, £4.019m.
- grant changes £1.383mm also reflected in resource projections

There were a number of further savings built in to 2013/14 budget which have been identified in 2013/14 monitoring as not deliverable. In addition a number of further budget pressures have been identified. The requirement to achieve £80m savings over the period 2014/15 to 2016/17 has resulted in all budgets being stripped to the minimum required. Pressures and unachievable savings have been managed to date by one off savings in existing budgets e.g. vacant posts. There is now no capacity to cover unavoidable budget variances from within cash limited budgets. It is therefore essential that where there is a known budget pressure either budget growth is allocated or this pressure is taken into account when savings are proposed. Unachievable savings and budget pressures identified are noted in the following paragraphs.

Carbon management savings were built in 2012/13 and 2013/14 budget. In total there is a saving of £0.818m built in 2013/14 budget (£0.496m 12/13 saving and an additional £0.322m 2013/14 saving). This saving has not been delivered due to issues around ownership of buildings and suitable contractors. Growth of £0.846m was also built in to 2013/14 budget for the carbon tax liability. The carbon tax liability has since been recalculated and a liability of £0.4m is more in line with current requirements. In total therefore there is a net shortfall on the Carbon budget of £0.372m (£0.818m less £0.446m). Work is continuing to identify savings in this area and will be considered going forwards.

The recharges made through the internal market are currently being reviewed. As part of this, charges to trading or ring-fenced services (e.g. Pension Fund, Housing Revenue Account) are being considered for appropriateness. For example,

the review of the recharges made to the Housing Revenue Account (HRA) and the arms length management organisation, ST&RH, has highlighted that the general fund income received from recharges is not sustainable. A number of other small adjustments have been identified within the General Fund that need to be reflected more accurately and in total £0.525m is required to ensure a number of budgets are revised to more sustainable levels.

Further pressures or unachievable savings have been identified as part of 2013/14 monitoring as a result of improved monitoring processes, systems and future forecasting of their implications. The impact on 2014/15 and beyond has been projected at £1.085m. These have been identified in 2013/14 monitoring reports but are being contained in the current year's budget by savings elsewhere e.g. vacancy management. In 2014/15, it is expected that with the level of budget reductions to be implemented there will be no capacity to offset these pressures. They include previously identified, but subsequently unachievable income targets and accommodation rationalisation savings.

Period 6 monitoring highlighted a shortfall in car parking pressure of c£0.300m. This pressure has been taken into account within Commissioning savings proposals in 2014/15 so that no additional growth is required.

A number of Council properties currently generating a revenue stream to the Council are being sold as part of the Council's rationalisation of assets and to generate savings elsewhere within the budget. In addition, the capital receipt to be generated will far exceed any loss of revenue income. For the Economic Regeneration service, recent sales have meant a loss in revenue of £0.037m. This loss is required as growth to balance the Economic Regeneration budget.

As budget monitoring continues in 2013/14 and budgets are evaluated as part of Business Planning and service redesign, any further issues will be reported in future updates to the Business Plan and Financial Strategy. It is important that adequate budgets are set to deliver the agreed service provision and where inadequate budgets have been set either service requirements or budget levels are adjusted accordingly.

In summary, an adjustment of £2.019m is required to deal with existing budget pressures.

## Adjustments to Budgets to offset Growth

The Council has received New Homes Bonus (NHB) Funding since 2011/12 as an unringfenced grant. This represents new funding to the authority, but in the main has been financed from a topslice to the Council's Revenue Support Grant. In 2014/15 this grant will be £5.759m in total and an increase of £0.8m has been estimated for 2015/16 and a further £0.8m for 2016/17. From 2017/18, the amount received will have to be offset by the loss of the year 1 funding reaching the end of the 6 year payment period.

The savings proposals include the use of £2m of NHB in 2014/15 and a further £0.5m in each of 2015/16 and 2016/17. There is therefore a base budget contribution from New Homes Bonus funding of £3m by 2016/17.

An allowance has been made in current and future years to spend NHB on a number of developments and initiatives to help generate further NHB into the future. After allowing for this, and the contribution identified in the paragraph above, a small balancing figure has been used to offset other budget pressures.

A small adjustment of £0.076m has been made to the debt charges budget. This is further to adjustments already included as part of the savings strategy.

## Inflationary Increases

The increase required for the 1% April pay award has been estimated by using current staff costs and making some assumptions about redundancies. As the position becomes clearer any potential reduction in the amount required will be used to offset the funding gap.

As stated for pay inflation, any change in the amount required for increments will also be used to offset the funding gap.

The total prices inflation is based on individual contract requirements and is not currently anticipated that this will vary significantly from the estimate provided.

In March 2013, the triennial actuarial valuation of the Pension fund projected that the funding level had dropped from 81% to 76% funded and recommended a change in annual contribution to the fund from Shropshire Council as one of the member authorities.

The growth built in to the current financial strategy of £5.384m allows for an increase in the fixed sum element of the Council's contribution to pay for existing liabilities and also an increase in the percentage contribution for current members to cover future projected liabilities.

Further work has been undertaken over the summer to consider the valuation and also take into account changes in gilt yields over the period which have moved substantially and reflect an improved funding level compared to the point-in-time review as at 31 March 2013. Consideration of the gap between assets and liabilities since the valuation point suggest that the additional deficit identified at that time may not be representative of a position that should be used for planning purposes for the Council. So, while the updated position suggests that it is not necessary to include growth to the levels identified originally, at this point in time, it is essential that a decision is not taken too quickly. To this end, it has been assumed that growth for the Pension Fund Deficit over the three year period of the Medium Term Financial Plan should be reduced from £6.508m to £3.5m, and for this not to be allocated until 2016/17.

## **Debt**

As detailed in the Council's Business Plan and Financial Strategy on 13 November 2013, the growth of £1m in debt charges is included as a revenue saving as any new capital projects are now to be funded by capital receipts in 2014/15 rather than additional borrowing.

## **Adults – Existing Year and Forecast Future year Budget pressures**

In the Revenue Outturn position for 2012/13 Long Term Support for Adults delivered an overspend of £5.8m. This overspend was net of an allocation of £1.3m grant available in 2012/13 only. In 2013/14, a pressure of £8.8m was identified early in the financial year and reported as part of period 4 monitoring. Management action undertaken to ensure the Council's total budget is not overspent included a decision by Council on 26 September 2013 to agree virements from other service areas to cover this overspend in 2013/14. It was recognised that this pressure, dealt with on a one off basis in 2013/14, would likely continue into 2014/15 and should be budgeted for appropriately. The Council Business Plan and Financial Strategy considered by Cabinet on 13 November 2013 included £9m growth for this identified pressure. This figure has been revised and increased to £9.3m as the projected ongoing budget pressure.

In addition to the 2013/14 pressure, demographic trends have been reviewed and highlight that in 2014/15 and beyond, demand for services, and therefore increasing costs, are likely to continue.

For population projections the authority uses information developed by the Institute of Public Care (IPC) which shows the possible impact that demography and certain conditions may have on populations. There are two main systems: POPPI (Projecting Older People Population Information) used for information on populations 65 and over and PANSI (Projecting Adult Needs and Service Information) which is used for populations aged 18-64.

The information from POPPI has been used to project local demographic changes for the number of adults using services. Costs of services will vary depending on what and where care is provided (home based or residential) and also the level of contribution received from the client. To project future costs the current split of types of care provided, the costs and the contributions have been used and costs and contributions have been updated as required for estimated inflation. A summary of the growth required is contained in Table 1 below.

**Table 1: Growth Assumptions in Adult Services 2014/15-2016/17**

	2014/15 £	2015/16 £	2016/17 £
Community Based Care	449,254	388,555	tbc*
Care Home Placements	770,132	895,117	tbc*
ALD Transition Cases	647,123	474,819	484,316
Total	1,866,509	1,758,491	tbc*
Provision for growth	1,866,509	1,758,491	1,500,000

\*See below

It is recognised that the current pattern of service delivery will change as services are redesigned. This will mean that the growth in costs because of demographic changes is offset by a reduction as the way we provide services changes. It will be difficult to monitor each of these things separately. The current Council Business Plan and Financial Strategy requires that a net reduction in Adults services spend of £10m is required over the next 3 years.

The Care Bill currently before Parliament proposes changes to the way Social Care is charged for based on the findings of the Dilnott commission. Further detail on the impact of the Dilnott report for Shropshire Council was provided for Cabinet in January. At present it has not been possible to quantify what financial impact the proposed changes will have for Shropshire. Despite the government's initial indications that any changes proposed by the Bill will be fully funded by additional funding being passed to local government, given the current fiscal position it is unlikely that all costs will be fully funded or if additional funding is provided that there will be a reduction to compensate from other areas of local authority funding. A figure of £1.5m has been included as a provision for the potential increase in 2016/17. As more detail of the proposals becomes available, financial implications will be updated.

### **Children's - Existing Year and Forecast Future year Budget pressures**

In 2012/13 Children's services managed a pressure in the area of Looked After Children (LAC) of £0.8m and early in 2013/14, monitoring reports identified that this pressure had increased and to meet the element that could not be contained by the service, a virement of £1m was approved by Council on 26 September 2013. Further work has been undertaken to establish the value of the underlying pressure that needs to be reflected in the on-going budget from 2014/15 onwards. This has been identified as £2.8m and an allowance to this value has been identified.

In addition work has been undertaken to establish the value of demographic pressure, resulting from additional LAC cases.

**Table 2: Growth Assumptions in Children's Services 2014/15-2016/17**

	2014/15 £	2015/16 £	2016/17 £
External Placements Growth	274,000	685,000	685,000
Internal Foster Provision Growth	273,750	273,750	273,750
External Foster Care Growth	166,858	166,858	166,858
Other Growth inc 16+	57,223	57,223	57,223
Provision for growth	771,831	1,182,831	1,182,831

As with Adult Services, it is recognised that current service delivery patterns will change as services are redesigned. This will mean that the growth in costs because of demographic and other changes will be offset by reductions through new ways in which we provide services. It will be difficult to monitor these elements separately, but for current modelling purposes the Financial Strategy has allowed for growth as identified above, offset by savings proposals through redesigned services as provided earlier in the report.

### **Investment Fund**

A one off budget of £2m has been allocated in 2014/15 to be used to fund expenditure required to develop and deliver on going savings. Funds will be allocated on the basis of a robust business case identifying an agreed rate of return on the required investment, which will be modelled to replenish this fund where appropriate.

### **Repayment to Provisions for Redundancy Costs**

The approach taken by the authority to undertake a voluntary redundancy programme was formally closed on 31 January 2014. It has been estimated that the total cost of this exercise, taking into account requests in future years that have not yet been authorised is approximately £18.8m.

To fund these and future VR costs, the balance on the Waste Management Smoothing Reserve has been transferred to the redundancy reserve. An amount has been left in the Waste Smoothing Reserve to cover the required contributions over the next 3 financial years under the current arrangements, but then base budget growth of £2m has been calculated and built in from 2016/17 to ensure sufficient funding is available over the remaining life of the contract in line with the original modelled costs. The calculation of growth of £2m in base in 2016/17 also allows for the removal of the requirement for the reserve to accumulate interest.

## **Contributions to Savings Targets**

The changes to growth projections as detailed above has resulted in an overall reduction in the growth requirement from that originally estimated over the Medium Term Financial Plan period of £2.226m.

The changes to resource projections mean that by 2016/17 the projections are in line with our planning assumptions but that in both 2014/15 and 2015/16 there are one off additional resources from those originally modelled to help manage the delivery of savings proposals as profiled over the medium term.

In summary, the work undertaken to review growth and resources has identified a total of up to £6.262m being available to offset the funding gap in 2014/15. This is an improvement on the amount identified in the financial strategy considered on 15 January 2014 of £0.182m.



## Annex 3 – Financial Summary 2014/15 to 2016/17- Expenditure Projections

### Expenditure

#### **Original Gross Budget Requirement**

#### **2013/14 Budget Issues with ongoing implications**

- One off savings in 2013/14
- Monitoring issues around Unachievable Savings
- Services Pressures - Adult Services
- Service Pressures - Children's Services
- Carbon Management Review
- Review of Recharges outside General Fund
- Asset Sales - Removal of income stream
- Further Review of budget issues impacting on 2014/15 and beyond

#### 2014/15 - New Budget Growth

#### **Inflation**

- Prices
- Pay 1% award
- Pay Increment
- Pension Costs
- Auto Enrolment (impacts 2017/18)

#### **Committed Growth**

- Debt Charges (Reduced as part of Savings)

#### **New Growth**

- Demography: Adults
- Demography: Childrens services
- Contribution to Balances (remove base budget for 2014/15 onwards)
- Elections (2013/14 only)

#### New Service Pressures

- New Investment funding- One year only
- Repaying for borrowing for Redundancies

2014/15	2015/16	2016/17
£	£	£
624,689,073	613,669,446	620,552,991
4,686,190		
4,018,880		
9,300,000		
2,800,000		
372,000		
525,000		
37,000		
1,085,030	50,000	50,000
2,758,931	2,852,381	3,006,053
955,196	885,196	839,083
896,688	496,988	281,097
0	0	3,500,000
0	0	0
924,000	1,000,000	1,000,000
1,867,000	1,758,000	1,500,000
772,000	1,183,000	1,183,000
(5,000,000)		
(700,000)		
2,000,000	(2,000,000)	2,000,000

	2014/15	2015/16	2016/17
	£	£	£
<b>Changes to Expenditure Reflected in Resources</b>			
Specific Grant Changes from Previous Year Including New Responsibilities	1,485,405	2,724,070	TBC
Income Changes	20,810		
Benefits (assume at same level as reduction in Resources)	(197,936)		
<b>Budget Adjustments for surpluses and deficits</b>			
- remove "surplus" available in 2013/14 only	(736,046)		
- build growth to cover net loss in grants (make from surplus in 2013/14)	810,834		
<b>Offsetting Budget Adjustments</b>			
Use of NHB Smoothing	(1,106,000)	(1,609,000)	(1,909,000)
Contributions to Savings for changes in Projections			
- Net Growth Change	3,807,970	2,167,600	(3,749,700)
- Net Resources Change-14/15 one year only	2,454,351	(2,454,351)	
- Net Resources Change-15/16 one year only		(170,339)	170,339
<b>Gross Budget Requirement (Including Internal Recharges) Before Savings</b>	<b>658,526,376</b>	<b>620,552,991</b>	<b>628,423,863</b>
Review of Internal Market and Income budget after Savings	(16,490,980)		
Removal of Grossing up associated with Internal Market costs	(28,365,950)		
<b>Gross Budget Requirement (Excluding Internal Market )</b>	<b>613,669,446</b>	<b>620,552,991</b>	<b>628,423,863</b>

## Annex 4 – Capital Programme

Scheme Description	Code	Project Manager	2014/15 Budget £	2015/16 Budget £	2016/17 Budget £	Details
<b>Commissioning</b>						
<b>Leisure</b>						
Market Drayton Swimming Centre - Changing Rooms	KST51	P Davis	10,000	-	-	Retention due on scheme 14/15; financed from specific Grant.
<b>Total</b>			<b>10,000</b>	-	-	
<b>Community Action</b>						
Whitchurch Civic Centre	KST48	N Willcox	132,000	-	-	Final works and retention due on scheme 14/15; financed from corporate resources and revenue contribution.
<b>Total</b>			<b>132,000</b>	-	-	
<b>Waste Management</b>						
In Vessel Composting Facility	K6WMO	L Wolfe	325,000	-	-	For land purchases as part of Veolia Waste Management contract, planning approval has been rejected on initial site identified and Veolia are now looking to identify new site. If this is identified the transaction could go through in 3-4 months, on this basis budget still required in 2014/15. Financed from Corporate Resources.
Road Vanguard Way	K6WMB	L Wolfe	5,002	-	-	Final works due on scheme 14/15; financed from revenue contribution.
<b>Total</b>			<b>330,002</b>	-	-	
<b>Bereavement Services</b>						
New Burial Site - Shrewsbury	K6BS1	L Wolfe	128,000	-	-	Retention due on scheme 14/15; financed from Corporate Resources.
<b>Total</b>			<b>128,000</b>	-	-	
<b>Highways &amp; Transport - LTP</b>						
<b>Structural Maintenance of Bridges</b>						
Bridgeguard Rolling Programme	K6BG4	J Williams	1,630,706	-	-	Financed from DfT grant and commuted sum, see appendix 3 for programme details.
<b>Total</b>			<b>1,630,706</b>	-	-	
<b>Structural Maintenance of Roads</b>						
Structural Maintenance of Principal Roads	K6AF9	T Sneddon	350,222	-	-	Financed from DfT grant, see appendix 3 for programme details.
Structural Maintenance of Secondary Roads	K6AF0	T Sneddon	1,349,378	-	-	Financed from DfT grant, see appendix 3 for programme details.
Structural Maintenance of Road to be allocated		T Sneddon	9,759,300	-	-	Financed from DfT grant, see appendix 3 for programme details.
<b>Total</b>			<b>11,458,900</b>	-	-	
<b>Street Lighting</b>						
Programme of structural replacement of lighting columns	K6SL1	R Buzzacott	300,000	-	-	Financed from DfT grant & revenue contribution, see appendix 3 for programme details.
Conversion of SOX Streetlights to Electronic Control Gear	K6SL2	R Buzzacott	100,000	-	-	Financed from DfT grant, see appendix 3 for programme details.
Part Night Lighting	K6SL3	R Buzzacott	100,000	-	-	Financed from DfT grant, see appendix 3 for programme details.
<b>Total</b>			<b>500,000</b>	-	-	
<b>Local Transport Plan - Integrated Transport Plan</b>						
<b>Network Management and Efficiency</b>						
Network Management and Efficiency General	K6NE1	R Buzzacott	963,977	-	-	Financed from DfT grant, see appendix 3 for programme details.
<b>Total</b>			<b>963,977</b>	-	-	
<b>Public Transport</b>						
Public Transport - General	K6PT4	R Buzzacott	150,000	-	-	Financed from DfT grant, see appendix 3 for programme details.
<b>Total</b>			<b>150,000</b>	-	-	
<b>Walking and Cycling</b>						
Walking and Cycling General	K6CY2	R Buzzacott	1,007,680	-	-	Financed from DfT grant, see appendix 3 for programme details.
<b>Total</b>			<b>1,007,680</b>	-	-	
<b>Safety and Speed Management</b>						
Speed Management - General	K6SM1	R Buzzacott	977,343	-	-	Financed from DfT grant, see appendix 3 for programme details.
<b>Total</b>			<b>977,343</b>	-	-	
<b>Total Integrated Transport Plan</b>			<b>3,099,000</b>	-	-	
<b>Total Highways &amp; Transport - LTP</b>			<b>16,688,606</b>	-	-	
<b>Strategic Highways - Non LTP Project Management</b>						
Cleobury Mortimer Public Conveniences	K6EM3	S Brown	3,684	-	-	Retention due on scheme 14/15; financed from Corporate Resources.
Whitchurch Town Centre Improvements	K6PMD	K Jones	4,764	-	-	Retention due on scheme 14/15; financed from S106 contribution.
<b>Total</b>			<b>8,448</b>	-	-	
<b>Flood Defences &amp; Water Management</b>						
Much Wenlock - Flood & Water Management	K6FW1	D Edwards	600,000	-	-	Specific Environment Agency funding for the scheme.
Shifnal - Flood & Water Management	K6FW4	D Edwards	140,000	-	-	Specific Environment Agency funding for the scheme.
<b>Total</b>			<b>740,000</b>	-	-	
<b>Environmental Maintenance - Depots</b>						
Depot Redevelopment - Unallocated	K6H03	S Brown	611,865	-	-	Planned depot improvements, financed from Corporate Resources and prudential borrowing.
Depot Redevelopment - Whittington, Oswestry	K6H05	S Brown	2,000	-	-	Planned depot improvements, financed from Corporate Resources.
Depot Redevelopment - Hodnet	K6H06	S Brown	2,000	-	-	Planned depot improvements, financed from Corporate Resources.
Depot Redevelopment - Craven Arms	K6H08	S Brown	707,820	-	-	Planned depot improvements, financed from Corporate Resources.
Depot Redevelopment - Stourbridge Road, Bridgnorth	K6H09	S Brown	97,892	-	-	Planned depot improvements, financed from Corporate Resources.
<b>Total Environmental Maintenance - Depots</b>			<b>1,421,577</b>	-	-	
<b>Total Commissioning</b>			<b>19,458,633</b>	-	-	

Scheme Description	Code	Project Manager	2014/15 Budget £	2015/16 Budget £	2016/17 Budget £	Details
<b>Commissioning - Heads of Service</b>						
<b>Public Protection</b>						
<b>Housing Health &amp; Wellbeing</b>						
Disabled Facilities Grants						
Market Drayton Empty Property Incentive Grant	K5P14	B Carey	80,000	-	-	- Grants allocated for bring empty properties back into use, financed from New Homes Bonus revenue monies..
Oswestry Area Empty Property Incentive Grant	K5P15	B Carey	55,000	-	-	- Grants allocated for bring empty properties back into use, financed from New Homes Bonus revenue monies..
<b>Total</b>			<b>1,516,000</b>	-	-	
<b>Total Public Protection</b>			<b>1,516,000</b>	-	-	
<b>Business Growth &amp; Prosperity</b>						
<b>Visitor Economy</b>						
Music Hall Refurbishment	K5HA9	A Evans	140,000	-	-	- Retention due on scheme; financed from Corporate Resources.
Digitalisation of Records	K5HAH	M McKenzie	5,973	-	-	- Final equipment purchases on scheme, financed from Corporate Resources.
Records, Archives & Museums Store - Hortonwood	K5HAP	M McKenzie	50,000	-	-	- Final equipment purchases on scheme, financed from Corporate Resources.
<b>Total</b>			<b>195,973</b>	-	-	
<b>Enterprise &amp; Business</b>						
Food Enterprise Centre - Construction (Battlefield)	KER38	M Pembleton	35,000	-	-	- Retention due on scheme; financed from Corporate Resources.
Ludlow Eco Park Plot 3	KED20	M Pembleton	30,000	-	-	- Final payments on scheme; financed from Corporate Resources.
Shropshire Small Business Loan Scheme - Phase 1	KED32	M Pembleton	130,000	100,000	-	- Funding contracted to be provided, profiled as per contracts; financed from Corporate Resources.
Shropshire Small Business Loan Scheme - Phase 2	KED36	M Pembleton	250,000	-	-	- Funding contracted to be provided, profiled as per contracts; financed from Corporate Resources.
Shrewsbury Business Park Phase 2 Extension	KED33	M Pembleton	400,000	-	-	- Final works and retention due on scheme 14/15; financed from corporate resources and revenue contribution.
<b>Total</b>			<b>845,000</b>	<b>100,000</b>	-	
<b>Outdoor Recreation</b>						
Oswestry Play & Recreational Improvements	K5BC7	M Blount	50,000	-	-	- Capital receipt funded project.
Trefonen Playing Pitch Phase 2 - Drainage Improvements	K5T52	M Blount	31,456	-	-	- External grant/contributions (S106) funded project.
Snailbeach Lead Mine Higher Level Stewardship	K5T53	C Dean	148,297	-	-	- External grant funded project.
<b>Total</b>			<b>229,753</b>	-	-	
<b>Infrastructure &amp; Growth - Growth Point</b>						
Shrewsbury Growth Point	K6GP1	J Harrison	553,000	-	-	- Funding remaining, currently held for possible requirement for Flaxmill Implementation stage project, financed from Corporate Resources.
Flaxmill Project - Bus Depot & Sports & Social Club	K6GP2	J Harrison	580,000	-	-	- Funding remaining, currently held for possible requirement for Flaxmill Implementation stage project, financed from Corporate Resources.
Shrewsbury Vision	K6GP4	J Harrison	150,000	-	-	- Funding remaining, financed from Corporate Resources.
Flaxmill Project - Implementation	K6FM1	J Harrison	1,000,000	-	-	- Funding allocated for Flaxmill Implementation stage project, financed from Corporate Resources. Further external funding has not been built into the programme as funding contracts have not yet been signed and scheme costs still being worked through.
Shrewsbury Vision - New Riverside Development	K6HR1	J Harrison	500,000	-	3,500,000	- Funding provided from Corporate Resources for refurbishment of Raven Meadows Multi Storey Car park as part of Riverside Shopping Centre Development. These scheme has been reprofiled based on the latest projections on scheme delivery.
<b>Total</b>			<b>2,783,000</b>	-	<b>3,500,000</b>	
<b>Planning Policy - Affordable Housing</b>						
Affordable Housing - Idsall Crescent	K6AHF	A Mortimer	170,350	-	-	- New build affordable Housing scheme, financed from S106 monies.
Affordable Housing - Rolling Fund	K6AHG	A Mortimer	33,500	300,000	-	- New Homes Bonus funding to be allocated as schemes development; further funding also available from S106 monies held.
Affordable Housing - Plas Fynnon, Oswestry	K6AHQ	A Mortimer	300,000	-	-	- Grant for affordable housing scheme, S106 and New Homes Bonus funded scheme.
Affordable Housing - Saxon Fields, Wem	K6AHR	A Mortimer	32,770	-	-	- Final payment on S106 funded scheme.
Shrewsbury Self Build Scheme	K6AHT	A Mortimer	260,000	-	-	- To develop infrastructure to enable self build plots to be made available, financed from New Homes Bonus.
Drapers Almshouses	K6AHU	A Mortimer	240,000	-	-	- Grant for affordable housing scheme, S106 funded scheme.
Community Led Affordable Housing Grant Scheme	K6AHV	A Mortimer	114,000	11,400	-	- Grant for affordable housing scheme, New Homes Bonus funded scheme.
Affordable Housing Contributions Grant Scheme (S106)	K6AHW	A Mortimer	37,500	-	-	- Grant for affordable housing scheme, S106 funded scheme.
<b>Total Strategic Planning and Public Information</b>			<b>1,188,120</b>	<b>311,400</b>	-	
<b>Broadband</b>						
Broadband Project - Milestone 0	KB000	C Taylor	345,118	170,777	-	- Joint funded project from BDUK Grant and Corporate Resources; profiled based on contract entered into with BT.
Broadband Project - Milestone 1	KB001	C Taylor	4,260,712	3,900,885	-	
Broadband Project - Milestone 2	KB002	C Taylor	2,572,350	2,065,472	-	
Broadband Project - Milestone 3	KB003	C Taylor	-	1,604,000	-	
<b>Total Business Growth and Prosperity</b>			<b>12,420,026</b>	<b>8,152,534</b>	<b>3,500,000</b>	
<b>Total Commissioning</b>			<b>33,394,659</b>	<b>8,152,534</b>	<b>3,500,000</b>	

Scheme Description	Code	Project Manager	2014/15 Budget £	2015/16 Budget £	2016/17 Budget £	Details
<b>Adult Services</b>						
<b>Social Care Operations</b>						
<b>Adult Social Care</b>						
Adults - DoH Grant	K5B71	R Houghton	450,000	314,663	-	New DoH grant funding , to be provisionally allocated to development of 4 new Supported Living bungalows, which will attract additional Development Trust funding.
Telecare Call Monitoring	K5B88	R Houghton	200,000	-	-	Funding brought forward from previous years; financed from Corporate Resources & B/F grant.
IT/Mobile Flexible Working	K5B89	R Houghton	150,000	-	-	Funding brought forward from previous years; financed from Corporate Resources & B/F grant.
Kempsfield - Specialist Accommodation	K5B90	R Houghton	100,000	-	-	Funding brought forward from previous years; financed from Corporate Resources & B/F grant.
Safe Place Hub - ALD's Louise House	K5B91	R Houghton	50,000	-	-	Funding brought forward from previous years; financed from Corporate Resources & B/F grant.
Development Trust Bungalow - Raven Site, Market Drayton	K5B94	R Houghton	350,000	-	-	Ongoing scheme, further match to be built in from Development Trust once confirmation received.
Adult Social Care Community Capital Grant Scheme	K5B01	R Houghton	40,000	-	-	Funding brought forward from previous years; financed from Corporate Resources & B/F grant.
IT Hardware - Implementation of Care Bill	K5B02	R Houghton	40,000	-	-	Funding brought forward from previous years; financed from Corporate Resources & B/F grant.
Extra Care Initiative	K5B03	R Houghton	39,791	-	-	Funding brought forward from previous years; financed from Corporate Resources & B/F grant.
<b>Total Assessment &amp; Eligibility</b>			<b>1,419,791</b>	<b>314,663</b>	-	
<b>Total Adult Services</b>			<b>1,419,791</b>	<b>314,663</b>	-	
<b>Children's Services</b>						
<b>Children's Safeguarding</b>						
<b>Early Years</b>						
Early Years & Childcare	K3L22	S Wilkins	100,000	-	-	Funding to be allocated to Early Years schemes, financed from Corporate Resources.
Two Year Old Funding for Early Education	K3LA1	S Wilkins	82,454	-	-	Funding re-profiled from previous years, committed to providing grants; financed from Corporate Resources.
Mereside Primary - 2 Yr Olds	K3L06	S Wilkins	100,000	-	-	Scheme slipped from 13/14, financed from Corporate Resources.
Crowmoor Primary - Development of 2 year old places	K3L08	S Wilkins	32,000	-	-	Scheme slipped from 13/14, financed from Corporate Resources.
<b>Total</b>			<b>314,454</b>	-	-	
<b>Children's Residential Care</b>						
Havenbrook - External Buildings Conversion	K3A47	K Bradshaw	33,949	-	-	Funding for works, financed from Corporate Resources.
<b>Total</b>			<b>33,949</b>	-	-	
<b>Total Children's Safeguarding</b>			<b>348,403</b>	-	-	
<b>Learning &amp; Skills</b>						
<b>Primary Schools</b>						
Primary School Basic Need	K3AXJ	P Wilson	985,642	1,709,784	1,795,273	New 14/15, 15/16, 16/17 Basic Need allocation and 13/14 funding B/F; to be allocated to new schemes to be identified.
Primary School Refurbishment	K3AXK	P Wilson	723,840	-	-	Funding B/F from 13/14; to be allocated to new schemes to be identified.
Ellesmere Primary Basic Need	K3AX1	P Wilson	350,000	-	-	Scheme slipped from 13/14, financed Corporate Resources/S106 monies.
Whitchurch - Basic Need	K3182	P Wilson	290,000	-	-	Scheme slipped from 13/14, financed Corporate Resources.
Highley - Reconfigure Office Area & Accessible Toilet	K3A08	P Wilson	20,000	-	-	Scheme slipped from 13/14, financed Corporate Resources.
Morville - Secure Lobby	K3A17	P Wilson	70,000	-	-	Scheme slipped from 13/14, financed Corporate Resources.
Buildwas Primary - Demountable Toilets Refurbishment	K3A53	P Wilson	60,000	-	-	Scheme slipped from 13/14, financed Corporate Resources.
Kinlet Primary - Heads Office/PPA/Lobby Works	K3A54	P Wilson	50,000	-	-	Scheme slipped from 13/14, financed Corporate Resources.
Radbrook Primary - Secure Lobby	K3A57	P Wilson	30,000	-	-	Scheme slipped from 13/14, financed Corporate Resources.
Hanwood Primary - Secure Lobby and Office Works	K3A58	P Wilson	70,000	-	-	Scheme slipped from 13/14, financed Corporate Resources.
Worthen Primary - Secure Lobby	K3A59	P Wilson	30,000	-	-	Scheme slipped from 13/14, financed Corporate Resources.
St Lawrence, Church Stretton - Secure Lobby & Office Extension	K3A60	P Wilson	60,000	-	-	Scheme slipped from 13/14, financed Corporate Resources.
West Felton Primary - Lobby/Office/Staffroom Improvements	K3A66	P Wilson	79,900	-	-	Scheme slipped from 13/14, financed Corporate Resources.
Cheswardine - Create Internal Staffroom	K3A70	P Wilson	40,000	-	-	Scheme slipped from 13/14, financed Corporate Resources.
<b>Total</b>			<b>2,859,382</b>	<b>1,709,784</b>	<b>1,795,273</b>	
<b>School Amalgamations</b>						
School Amalgamations - Contingency	K3061	P Wilson	238,243	-	-	Contingency in case of overspend on existing schemes, financed from Corporate Resources
Shawbury Primary / St Mary's Amalgamation	K3207	P Wilson	115,110	-	-	Funding required to complete scheme, financed from Corporate Resources.
St Martins - All Through School	K3208	P Wilson	1,021,544	-	-	Funding required to complete scheme, financed from Corporate Resources and DfE grant.
<b>Total</b>			<b>1,374,897</b>	-	-	
<b>Secondary Schools</b>						
Secondary School Refurbishment	K3BXK	P Wilson	187,840	-	-	Funding B/F from 13/14; to be allocated to new schemes to be identified.
Meole Brace New Floor Classroom S7	K3B08	P Wilson	25,000	-	-	New scheme for 14/15, financed from DfE grant.
Ludlow School Refurb of Science Classrooms	K3B16	P Wilson	210,000	-	-	New scheme for 14/15, financed from DfE grant.
Lacon Child Refurb of Science Classrooms	K3B17	P Wilson	115,000	-	-	New scheme for 14/15, financed from DfE grant.
Oldbury Wells Improved Science Room/Arts	K3B18	P Wilson	58,000	-	-	New scheme for 14/15, financed from DfE grant.
Thomas Adams Upgrade Changing Rooms	K3B19	P Wilson	58,000	-	-	New scheme for 14/15, financed from DfE grant.
Meole Brace Sport Changing Room Refurb	K3B20	P Wilson	70,000	-	-	New scheme for 14/15, financed from DfE grant.
<b>Total</b>			<b>723,840</b>	-	-	
<b>Universal Infant Free School Meals</b>						
Universal Infant Free School Meals		P Wilson	587,365	-	-	Funding B/F from 13/14; to be allocated to new schemes to be identified.
<b>Total</b>			<b>587,365</b>	-	-	

Scheme Description	Code	Project Manager	2014/15 Budget £	2015/16 Budget £	2016/17 Budget £	Details	
<b>Asset Management Plan - Condition/Suitability</b>							
AMP Condition	K3R24	P Wilson	3,161,165	-	-	Funding B/F from 13/14 and new projected funding; to be allocated to new schemes to be identified.	
Coleham Primary - Stonework Repairs	K3R46	P Wilson	30,000	-	-	Scheme slipped from 13/14, financed Corporate Resources.	
Cleobury Mortimer Primary - re-wire	K3RA7	P Wilson	110,000	-	-	Scheme slipped from 13/14, financed Corporate Resources.	
Rushbury Primary Re Roof Pitch Roof	K3RD2	P Wilson	70,850	-	-	Scheme slipped from 13/14, financed Corporate Resources.	
Rushbury Primary - Chimney Demolition	K3RD3	P Wilson	10,900	-	-	Scheme slipped from 13/14, financed Corporate Resources.	
<b>Total</b>			<b>3,382,915</b>				
<b>Fire Safety Schemes</b>							
Fire Safety - Unallocated	K3V01	P Wilson	300,000	-	-	Funding B/F from 13/14; to be allocated to new schemes to be identified.	
Fire Safety - Radbrook	K3V45	P Wilson	20,468	-	-	Scheme slipped from 13/14, financed Corporate Resources.	
Fire Safety - Shifnal	K3V46	P Wilson	27,529	-	-	Scheme slipped from 13/14, financed Corporate Resources.	
Fire Safety - Whitchurch Infants	K3V47	P Wilson	24,861	-	-	Scheme slipped from 13/14, financed Corporate Resources.	
Fire Safety - Highley	K3V48	P Wilson	22,699	-	-	Scheme slipped from 13/14, financed Corporate Resources.	
<b>Total</b>			<b>395,557</b>				
<b>Special Education Needs</b>							
Schools Access Initiative Contingency	K3C50	P Wilson	250,000	-	-	Funding B/F from 13/14; to be allocated to new schemes to be identified.	
Special Education Refurbishment	K3CX0	P Wilson	850,000	-	-	Funding B/F from 13/14; scheme developed for delivery in 2014/15.	
<b>Total</b>			<b>1,100,000</b>				
<b>Contingency</b>							
Salary Contingency	K3050	P Wilson	200,000	-	-	New projected grant funding, if additional fees works required.	
<b>Total</b>			<b>200,000</b>				
<b>Devolved Formula Capital</b>							
Devolved Formula Capital - Allocated by schools		P Wilson	2,201,047	-	-	Allocated direct to schools, combination of grant B/F from previous years and estimated grant for 14/15.	
<b>Total Learning &amp; Skills</b>			<b>12,825,003</b>	<b>1,709,784</b>	<b>1,795,273</b>		
<b>Total Children's Services</b>			<b>13,173,406</b>	<b>1,709,784</b>	<b>1,795,273</b>		
<b>Resources &amp; Support</b>							
<b>Customer Care &amp; Support Services</b>							
<b>Property Services</b>							
Disabilities Discrimination Act (other than schools)	KXX18	S Jackson	50,000	50,000	50,000	Ongoing budget to meet Legal obligation of DDA, funded from Corporate Resources.	
Lord Hill Statue Repairs	KCS01	S Jackson	50,000	-	-	Final works and retention due on scheme 14/15; financed from corporate resources.	
Shirehall - Replace Roof Crown Courts	KCS02	S Jackson	168,000	-	-	Budget re-profiled from 13/14, scheme to be reassessed; financed from Corporate Resources.	
			<b>268,000</b>	<b>50,000</b>	<b>50,000</b>		
<b>Total Customer Care &amp; Support Services</b>			<b>268,000</b>	<b>50,000</b>	<b>50,000</b>		
<b>Total Resources &amp; Support</b>			<b>268,000</b>	<b>50,000</b>	<b>50,000</b>		
<b>Total General Fund Capital Programme</b>			<b>48,255,856</b>	<b>10,226,981</b>	<b>5,345,273</b>		
<b>Housing Revenue Account</b>							
<b>Major Repairs Programme - SC Contracts</b>							
Housing Major Repairs Programme	K5P01	P McCreary	430,000	3,200,000	-	Based on available Major Repairs Allowance Funding in HRA business plan, plus budget B/F from 2013/14. Allocated to specific schemes so far:	
Kitchens & Bathrooms	K5P20	P McCreary	400,000	-	-		
Disabled Adaptations	K5P24	P McCreary	350,000	-	-		
Replacement Doors	K5P41	P McCreary	300,000	-	-		
Roofing	K5P42	P McCreary	100,000	-	-		
Heating Installations	K5P43	P McCreary	500,000	-	-		
Asbestos Removal	K5P45	P McCreary	500,000	-	-		
Insulation	K5P46	P McCreary	600,000	-	-		
Major Works Programme	K5P56	P McCreary	100,000	-	-		
			<b>3,280,000</b>	<b>3,200,000</b>			
<b>Major Repairs Programme - STAR Housing Contracts</b>							
STAR Housing Rewires	K5R02	P McCreary	300,000	-	-		
STAR Electrical Remedial Works	K5R04	P McCreary	450,000	-	-		
STAR Roofing	K5R05	P McCreary	100,000	-	-		
STAR Major Works	K5R06	P McCreary	150,000	-	-		
			<b>1,000,000</b>				
<b>New Build Programme</b>							
Housing New Build Programme	K5NB1	P McCreary	5,810,890	87,090	-	New build programme, financed from MRA, HRA revenue and capital receipts from sale of properties built.	
			<b>5,810,890</b>	<b>87,090</b>			
<b>Total Housing Revenue Account</b>			<b>10,090,890</b>	<b>3,287,090</b>			
<b>Total Capital Programme</b>			<b>58,346,746</b>	<b>13,514,071</b>	<b>5,345,273</b>		

Scheme Description	Code	Project Manager	2014/15 Budget £	2015/16 Budget £	2016/17 Budget £	Details
<b>Financing</b>						
Self Financed Prudential Borrowing			261,142	-	-	
<b>Government Grants</b>						
Department of Transport			16,299,000	-	-	
Department of Health			1,151,966	-	-	
Department for Education						
- Condition Capital Grant			4,275,499	-	-	
- Basic Need Capital Grant			492,821	1,709,784	1,795,273	
- Universal Infant Free School Meals			587,365	-	-	
- Devolved Formula Capital			2,186,525	-	-	
Disabled Facilities Grants			1,081,000	-	-	
HCA - New Build			894,000	-	-	
BDUK - Broadband			6,719,314	-	-	
Environment Agency			720,601	-	-	
			<b>34,408,091</b>	<b>1,709,784</b>	<b>1,795,273</b>	
<b>Other Grants</b>						
Sports England			29,400	-	-	
Natural England			148,297	-	-	
Other Grants			264,606	-	-	
			<b>442,303</b>	-	-	
<b>Other Contributions</b>						
Section 106			381,512	-	-	
Other Contributions			1,000	-	-	
			<b>382,512</b>	-	-	
Revenue Contributions to Capital			2,805,294	311,400	-	
Major Repairs Allowance			6,293,314	3,200,000	-	
Corporate Resources (Capital Receipts/ Prudential Borrowing)			13,754,090	8,292,887	3,550,000	
<b>Total Confirmed Funding</b>			<b>58,346,746</b>	<b>13,514,071</b>	<b>5,345,273</b>	

## Annex 5 – New Delivery proposals to be developed

Directorate	Service	Redesign Piece	Proposal	2014/15 £	2015/16 £	2016/17 £
Commissioning	Libraries	Outcomes for Customers	Self Service Machines: Required to help deliver recurrent revenue savings.	100,000	-	-
Commissioning	Waste Management	Renegotiate Contracts	Intelligent Client System: New software for the monitoring of performance under the Waste Management contract. Further details required as to what the £70,000 is for as may not be eligible capital expenditure.	70,000	-	-
Commissioning	Enterprise & Business	Trade for Public Profit	Stanley Lane Industrial Estate: Initial works to prepare the site for development of new workshop units.	150,000	-	-
Commissioning	Visitor Economy	A workforce that fits	Acton Scott Historic Working Farm: Consolidates the retail and ticketing area, reducing staffing costs per annum by around £10,000.	36,000	-	-
Adult Services	Adult Social Care	Building outcomes for customers	Development of Supported Living Services for Adults with Learning Disabilities. Namely the development of 4 further Supported Living bungalows at Adderley Road, Market Drayton; London Road, Shrewsbury and two further sites to be identified. These developments will be part financed by the Development Trust, but will also require some match funding by the Council. It is planned to allocate the 2014/15 Adults capital grant towards these developments and work is ongoing to develop the plans and costs for each site and until that is in place, the funding from the Development Trust cannot be confirmed.	Included in existing programme	-	-
Resources & Support	Commercial Services	Sell assets don't need	Ptarmigan Building - Installation of new toilets: Required to increase occupancy of building as in currently restricted on health & safety grounds. Scheme linked to Accommodation Strategy and will enable more staff to be located in the Ptarmigan Building, releasing other properties for disposal.	40,000	-	-
Resources & Support	Commercial Services	Sell assets don't need	Corporate Landlord: As part of the Corporate Landlord model some capital investment may be required where a major maintenance liability is identified, where condition has deteriorated to such an extent, due to pressure on the Corporate Repairs & Maintenance budget.  Some capital expenditure may also be required in order to enable the future disposal of some properties, such as where access to a property needs to be split. These will be considered based on individual project appraisals and should be self financed as these works will enable a further assets to be disposed, although there may be a short term pressure as the works will be required in advance of the disposal and may cross financial years.	TBC	TBC	TBC
Resources & Support	Commercial Services	Sell assets don't need	Refit of Buildings: Estimate of likely costs of refitting buildings due to accommodation moves required but could be higher depending on the option chosen.	600,000	-	-
Resources & Support	Commercial Services	Outcomes for Customers	University Project: Work being undertaken around getting the university up and running. Awaiting details of what student numbers are likely to be in both Sept 14 and Sept 15, but we could be trying to create halls of residence for up to 300 students. Costs will depend very much on what we acquire.	TBC	TBC	TBC
Resources & Support	Legal Strategy & Democratic	Trade for Public Profit	Replacement of Ballot Booths: Replacement of 143 Ballot Booths for Health & Safety Reasons - will generate more income from hiring out.	43,615	-	-
Resources & Support	Customer Involvement	Sell assets don't need	Mobile Contract Replacement : Procurement route is in place, alternative is to procure through IP&E Trade Co, estimated cost c. £80k; has been identified can be funded from IT budget, so no capital commitment required.	-	-	-
Resources & Support	Customer Involvement	Sell assets don't need	Lync Telephony Rollout: Appraisal received and approved in principal - awaiting tender confirmation. Approved as self financing borrowing (to be repaid from revenue savings).£198k identified from transformation, leaves a potential shortfall on the purchasing of handsets of approx. £300k.	300,000	-	-
Resources & Support	Customer Involvement	Sell assets don't need	Equitrac Implementation: Reduction in Hardware. Cost c.£25k. Further details required, may not be/all be capital expenditure. No longer being rolled out for 2014/15 at present.	-	-	-
Resources & Support	Customer Involvement	Sell assets don't need	EDRMS Rollout: £170k already spent, project underway to replace MORSE. Further details required, may not be/all be capital expenditure. £176k allocated in Transformation which assumed will cover these costs, unless further capital investment is required.	-	-	-
Resources & Support	Customer Involvement	Sell assets don't need	Move exchange to cloud: Migration required. Hardware refresh required in 2014 at £500k which means the shift to Cloud is cheaper. Relocation costs negated. Further details required, may not be/all be capital expenditure.	200,000	-	-
Resources & Support	Customer Involvement	Zero based budget & business planning	Electronic Mail Room Implementation: Based on original business case from 2012, will need revisiting, however this is a service we could procure "as a service", we cannot host on premise. Excludes CR impact. Further details required, may not be/all be capital expenditure.	500,000	-	-
Resources & Support	Customer Involvement	Stop Waste	Disaster Recovery/Single View of the Customer/Decommissioning : Services bundled within this offer would have a return on investment for benefits fraud, council tax fraud, generic fraud and will provide the organisation with a decommissioning plan which is required for moving the data centre and reducing the data centre move costs. In addition provides the council with single view of customer and business intelligence which starts to put in place prevention services (required as an outcome of the business planning process across all areas). Further details required, may not be/all be capital expenditure.	956,000	-	-
Resources & Support	Finance & Assurance	Zero based budget & business planning	Procure to Pay (P2P): Potential Investment required if new system to be implemented.	100,000	-	-
<b>Total based on current estimates:</b>				<b>3,052,000</b>	-	-



## Annex 6 – Highways Programme

Funding in capital Programme	£
DfT - Maintenance Block	11,973,000
DfT - Integrated Transport Block	2,385,000
DfT - Local Sustainable Transport Fund	714,000
DfT - Additional Highways Maintenance Funding	1,227,000
Other Grant	264,606
Revenue Contribution to Capital	125,000
	<b>16,688,606</b>

Scheme	CC	Budget Holder	Total Budget	Financing						
				DfT - Maintenance Block	DfT - Additional Highways Maintenance Funding	DfT - Integrated Transport Block	DfT - Local Sustainable Transport Fund	Other Grant	Revenue	
				£	£	£	£	£	£	
<b>Highways</b>										
<b>Structural Maintenance of Bridges</b>										
<b>Bridgeguard Rolling Programme</b>	<b>K6BG4</b>	<b>J Williams</b>	<b>1,630,706</b>	<b>1,366,100</b>		-	-			<b>264,606</b>
Planned Programme of works to include the following schemes, including consultancy fees, land compensations costs and other associated direct capital costs:										
Tern No 1 Bridge										
Hadnall Culvert										
Bankfields Lane Bridge										
Stiperstones Ret Wall										
Aston Bridge										
Church Window Bridge										
Outrack Bridge										
Heathton West Bridge										
Wagbeach Footbridge										
Hurst Bend, Clun										
Glazeley Bridge										
Farlow Bridge										
Water Lane Retaining Wall										
Sweyney Bridge										
Beech House Canal Bridge										
Pimley Manor & Uffington Bridges										
Buildwas Bridge										
<b>Structural Maintenance of Roads - To be split across Principal &amp; Secondary Roads in year based on final programme of schemes to be delivered</b>										
<b>Shropshire Central - Road Maintenance Projects</b>	<b>K6AF0</b>	<b>T Sneddon</b>	<b>3,500,000</b>	<b>2,273,000</b>	<b>1,227,000</b>					
Centralised budget for highway re-surfacing of highest priority schemes identified from network condition data. The budget will be used to design and implement these schemes in 2014/15 and also to identify schemes to be designed ready for implementation in 2015/16, based on an estimated budget available for both years at this stage.										
The order in which we deliver the schemes and also the number we be dependent on various factors including:										
<ul style="list-style-type: none"> <li>• Complexity of design</li> <li>• Co-ordination of road space</li> <li>• Seasonal construction operations</li> <li>• Environmental constraints</li> <li>• Availability of resources</li> <li>• Availability of contractors resources</li> </ul>										

Scheme	CC	Budget Holder	Total Budget	Financing					
				DfT - Maintenance Block	DfT - Additional Highways Maintenance Funding	DfT - Integrated Transport Block	DfT - Local Sustainable Transport Fund	Other Grant	Revenue
				£	£	£	£	£	£
<b>Structural Maintenance of Roads - To be split across Principal &amp; Secondary Roads in year based on final programme of schemes to be delivered</b>									
<b>Shropshire Central - Road Maintenance Projects</b>	<b>K6AF0</b>	<b>T Sneddon</b>	<b>3,500,000</b>	<b>2,273,000</b>	<b>1,227,000</b>				

The provisional list of the top 20 sites to be considered for 2014/15 from the priority list which has been identified by network condition data is as follows:

Location	ID	Length	Prioritisation	Division
A442 Cann Hall Lane (Bypass)	A442/480	175	Renewal	South East
B4385 Station Street	B4385/ 90	444	Renewal	South West
A489 Heblands Junction to Bromleys Mill	A489/ 40	1,263	Renewal	South West
B4384 Schoolhouse Lane - Kennel Crossroads 40MPH Section	B4384/ 30	511	Preservation	South West
A529 High Street, Market Drayton	A529/120	260	Renewal	North East
A529 Adderley Lodge to Spoonley Junction	A529/ 40	2,256	Renewal	North East
A529 Shavington Junction to Adderley Lodge	A529/ 30	1,335	Renewal	North East
A490 Chirbury to County Boundary Calcot	A490/ 40	2,911	Renewal	South West
A488 Halston Junction to Pontesford 30MPH limit	A488/530	1,319	Renewal	Central
A41 Chester Road roundabout to B5395 junction, Grindley Brook	A41/480	347	Preservation	North East
A489 B4370 junction to Glenburrell	A489/ 95	1,026	Renewal	South West
B5065 Prees Lower Heath (Crunchmoor Lane junction to start 30MPH)	B5065/ 80	1,733	Renewal	North East
A5191 Spring Gardens, Shrewsbury	A5191/ 90	120	Renewal	Central
B4367 Clungunford Village	B4367/ 30	314	Renewal	South West
A4117 Cleobury to B4202 Junction	A4117/220	1,884	Preservation	South West
A529 Adderley - County boundary to 30MPH start	A529/ 10	1,763	Renewal	North East
A495 Penisarllan Junction to Steetley junction	A495/ 20	2,361	Renewal	North West
B4385 Three Ashes to Hopton Heath	B4385/200	1,853	Renewal	South West
A488 Colstey Cottage to Acton	A488/230	1,799	Renewal	South West
A53 Bradnor House to Albrightlee House	A53/ 40	470	Renewal	Central

<b>North Shropshire West - Unallocated Budget</b>	<b>K6S1A</b>	<b>T Sneddon</b>	<b>989,035</b>	<b>989,035</b>				
<b>North Shropshire East - Unallocated Budget</b>	<b>K6S2A</b>	<b>T Sneddon</b>	<b>975,525</b>	<b>975,525</b>				
<b>South Shropshire West - Unallocated Budget</b>	<b>K6S6A</b>	<b>T Sneddon</b>	<b>1,130,955</b>	<b>1,130,955</b>				
<b>South Shropshire East - Unallocated Budget</b>	<b>K6S4A</b>	<b>T Sneddon</b>	<b>1,186,155</b>	<b>1,186,155</b>				
<b>Shrewsbury Urban - Unallocated Budget</b>	<b>K6S7A</b>	<b>T Sneddon</b>	<b>653,823</b>	<b>653,823</b>				
<b>Shrewsbury Rural - Unallocated Budget</b>	<b>K6S5A</b>	<b>T Sneddon</b>	<b>823,807</b>	<b>823,807</b>				

Budgets devolved to Highways Divisions based on length of highways network in the division. To be allocated by Divisions to structural maintenance schemes on Principal & Secondary roads within in their divisional area, based on asset management need.

<b>Depot Fixed Costs - Principal</b>	<b>K6P01</b>	<b>T Sneddon</b>	<b>250,222</b>	<b>250,222</b>				
<b>Depot Fixed Costs - Secondary</b>	<b>K6S01</b>	<b>T Sneddon</b>	<b>899,378</b>	<b>899,378</b>				

Budget required for capital element of Depot fixed costs; 45% of total cost, with remainder charged to revenue. Provisional split between Principal and Secondary roads based on estimated split of the capital programme.

Scheme	CC	Budget Holder	Total Budget	Financing					
				DfT - Maintenance Block	DfT - Additional Highways Maintenance Funding	DfT - Integrated Transport Block	DfT - Local Sustainable Transport Fund	Other Grant	Revenue
			£	£	£	£	£	£	£
<b>Shropshire Central - Unallocated Responsive Budget</b>	<b>KSA01</b>	<b>T Sneddon</b>	<b>500,000</b>	<b>500,000</b>					
Centrally retained budget, to initially be held back in the event of any unplanned responsive works are require in year. To be allocated to specific schemes in year.									
<b>Road Assessment Surveys</b>	<b>KSA94</b>	<b>T Sneddon</b>	<b>250,000</b>	<b>250,000</b>					
Centrally retained budget for road assessment surveys, where they are eligible as part of capital schemes.									
<b>Shropshire Drainage - Secondary Roads</b>	<b>KNS9F</b>	<b>T Sneddon</b>	<b>200,000</b>	<b>200,000</b>					
<b>Shropshire Drainage - Principal Roads</b>	<b>KPS9F</b>	<b>T Sneddon</b>	<b>100,000</b>	<b>100,000</b>					
Centrally retained budget for highways drainage structural maintenance scheme on Principal and Secondary roads.									
<b>Total Structural Maintenance of Roads</b>			<b>11,458,900</b>	<b>10,231,900</b>	<b>1,227,000</b>	-	-	-	-
<b>Street Lighting</b>									
<b>Programme of structural replacement of lighting columns</b>	<b>K6SL1</b>	<b>R Buzzacott</b>	<b>300,000</b>	<b>175,000</b>					<b>125,000</b>
Budget for the replacement of existing lighting columns that have reached the end of their asset life. Replacement lighting will be new efficient lighting stock and will thus enable ongoing operational revenue savings to be made against street lighting budgets.									
<b>LED Conversions</b>	<b>K6SL2</b>	<b>R Buzzacott</b>	<b>100,000</b>	<b>100,000</b>					
Budget for the to convert existing lighting to LED. These will be more energy efficient than existing lights and will thus enable ongoing operational revenue savings to be made against street lighting budgets.									
<b>Part Night Lighting</b>	<b>K6SL3</b>	<b>R Buzzacott</b>	<b>100,000</b>	<b>100,000</b>					
Budget for adapting lighting for part night lighting, this will enable ongoing operational revenue savings to be made against street lighting budgets.									
<b>Total Street Lighting</b>			<b>500,000</b>	<b>375,000</b>	-	-	-	-	<b>125,000</b>
<b>Total Highways</b>			<b>13,589,606</b>	<b>11,973,000</b>	<b>1,227,000</b>	-	-	-	<b>389,606</b>
<b>Integrated Transport</b>									
<b>Network Management and Efficiency</b>	<b>K6NE1</b>	<b>R Buzzacott</b>	<b>963,977</b>	-		<b>849,977</b>	<b>114,000</b>		-
To be allocated to schemes to improve Network Management and Efficiency, full programme of schemes for delivery in 2014/15 to be identified.									
<b>Public Transport</b>	<b>K6PT4</b>	<b>R Buzzacott</b>	<b>150,000</b>	-		<b>100,000</b>	<b>50,000</b>		-
To be allocated to schemes for Public Transport, full programme of schemes for delivery in 2014/15 to be identified.									
<b>Walking and Cycling</b>	<b>K6CY2</b>	<b>R Buzzacott</b>	<b>1,007,680</b>	-		<b>457,680</b>	<b>550,000</b>		-
To be allocated to walking and cycling schemes, full programme of schemes for delivery in 2014/15 to be identified.									
<b>Safety and Speed Management</b>	<b>K6SM1</b>	<b>R Buzzacott</b>	<b>977,343</b>	-		<b>977,343</b>	-		-
To be allocated to schemes to improve safety and speed management, full programme of schemes for delivery in 2014/15 to be identified.									
<b>Total Integrated Transport</b>			<b>3,099,000</b>	-		<b>2,385,000</b>	<b>714,000</b>		-
<b>Total Highways &amp; Transport</b>			<b>16,688,606</b>	<b>11,973,000</b>	<b>1,227,000</b>	<b>2,385,000</b>	<b>714,000</b>	-	<b>389,606</b>

# Business Plan and Financial Strategy 2014 - 2017

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Our customers are at the centre of everything we do

Committee and Date

Cabinet  
16 January 2014

Item

Public

## STATEMENT OF CHIEF FINANCIAL OFFICER ON THE ROBUSTNESS OF THE ESTIMATES AND ADEQUACY OF RESERVES 2013-16

**Responsible Officer** James Walton

Email: james.walton@shropshire.gov.uk

Telephone: (01743) 255011

### 1. Summary

- 1.1. Under Section 25 of the Local Government Act 2003, the Authority's Chief Financial Officer is required to report on the robustness of the estimates made for the purposes of the budget calculations and the adequacy of the proposed reserves.

### 2. Recommendations

- 2.1. That Cabinet approve the recommended level of general balances to support the 2014/15 revenue budget at £18.5m, noting that the projected balance will be below this for 2014/15;
- 2.2. That Cabinet note the projected recommended level for the following two years at £15.2m and £12.1m, and that the projected level of general balances will be brought in line with the target for 2016/17.

### 3. Background

- 3.1. Each year council considers a Statement of the Robustness of Estimates. Budget estimates are exactly that, estimates of spending and income made at a point in time. This statement about the robustness of estimates cannot give a guaranteed assurance about the budget, but gives members reasonable assurances that the budget has been based on the best available information and assumptions.
- 3.2. In order to meet the requirement on the robustness of estimates a number of key processes were put into place, including:
- Review of existing budgets on a zero based budgeting basis to ensure appropriate reflection of anticipated costs for services and functions as they are currently delivered and utilised as an on-going process in service redesign.
  - Separation of roles within the Finance Team in setting budget control totals, identifying budget requirement and inputting into the Finance System.

- The use of information identified through budget monitoring in 2012/13 to re-align budgets with current demand, for 2013/14;
  - Review by Finance Staff with Service Managers to understand the achievability, deliverability and timescales for all proposed service redesign.
  - Opportunity for Member review and challenge via Rapid Scrutiny.
  - Direct involvement of Cabinet Members throughout the business planning and budget setting process.
  - Reporting of the business planning and budget setting process to Scrutiny Committee for review and challenge.
  - 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 element in the development of the budget requirement of all services commissioned by the Council is the review of customer demand data, unit costs and existing service volumes to help identify the financial implications of redesigned services utilising a zero based budget approach. While these processes are understood and are being implemented, the significant amount of redesign work being undertaken by the Council at this time presents a risk in establishing a final and balanced budget for 2014/15. In previous years, it has been possible to deliver savings by taking known and quantifiable costs out of services within agreed timelines, leading to a robust budget being established for the remainder of the service ahead of the financial year commencing. Under redesign, the reconfiguration of the service under zero based budgeting principles does not readily identify the level of saving that can be applied to an existing service budget. Therefore, the approach has been taken that expected savings (which in themselves are tested by Finance Staff) will be removed from an existing service budget ahead of the redesign work establishing the revised budget requirement on a zero based budget approach. This may, therefore, lead to variances in the approved budgets that will need to be vired in the next Financial Year.
- 3.4. As part of this approach, it will be necessary to ensure that spending is monitored robustly until the process is completed, to ensure that the overall budget for the Council is balanced.
- 3.5. 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.
- 3.6. 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 onward Budgetary Control framework and used at Budgetary Control meetings with Service 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 wide scale voluntary redundancy requests, restructure or remodelling of services or the overall Council Structure;
  - The delivery of service redesign proposals, 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 final year of CSR 2010 and the 2013 spending round.
- 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 to Members within the existing monitoring reports for both revenue and capital.



## 5. Robustness of Revenue Estimates

- 5.1. The 2014/15 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 budget, as reported to Cabinet on a monthly or quarterly basis.
- 5.2. As part of developing the 2014/15 budget, members of the administration have considered available options and they are reflected in the proposed budget.
- 5.3. The position, over the remainder of the CSR 2010 and 2013 spending round is given in Table 1 below and shows the latest prediction, which is a funding gap of £80 million over the next three years

**Table 1: Gross Resources and Expenditure Projections (£'000s)**

	2014/15	2015/16	2016/16
Projected Resources	616,210	601,040	589,953
Current Projected Expenditure	657,741	662,707	669,953
Funding Gap	<b>41,531</b>	61,667	80,000
Year on Year Funding Gap		<b>20,136</b>	<b>18,333</b>

- 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. Projects have been costed at current year prices but may be subject to tender process after inclusion in the programme which 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 2013/14 is fully funded over the Financial



Strategy period but this in itself will increase pressure on the Council to deliver the anticipated 2014/15 programme.

- Secondly, the draft 3 year 2013-16 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 2012/13 there was slippage of £7.373m which represents 14.8% of the revised capital programme. Action has already been taken during the course of 2013/14 to reprofile budgets to future years to reflect latest data on project delivery.

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

	2012/13	2013/14	2014/15
Capital Programme	+69,509	+68,411	+55,066
Reprofile Budgets	-12,455	-10,441	-
Revised Capital Programme	57,054	57,970	55,066
Slippage	-7,373	-	-
Actual Capital Programme	+49,681	+57,970	+55,066

6.5 The capital programme includes 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 2012/13 a total of £6.5m was delivered against an original target of £11.6m. It should be noted that whilst this only represents a delivery of 56%, this level of receipts was sufficient for the programme to be fully funded due to the reprofile of expenditure within the capital programme.

## 7. The Framework for the General Balance

7.1 A Framework has been developed 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, while Appendix 2 provides a summary of the calculation for the general

balance. The risk based target is significantly higher in 2014/15 than in the following two years due to the risk around the increased savings targets and increased pressure on generating capital receipts in that year.

7.3 In addition, it is necessary to consider 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, should this be necessary.

## **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 £42.989m in earmarked reserves at 31 March 2013. During the course of 2013/14 it is anticipated that a net £21.855m will be released from earmarked reserves to fund known commitments. A review of the remaining balances has indicated that a further £0.864m 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.

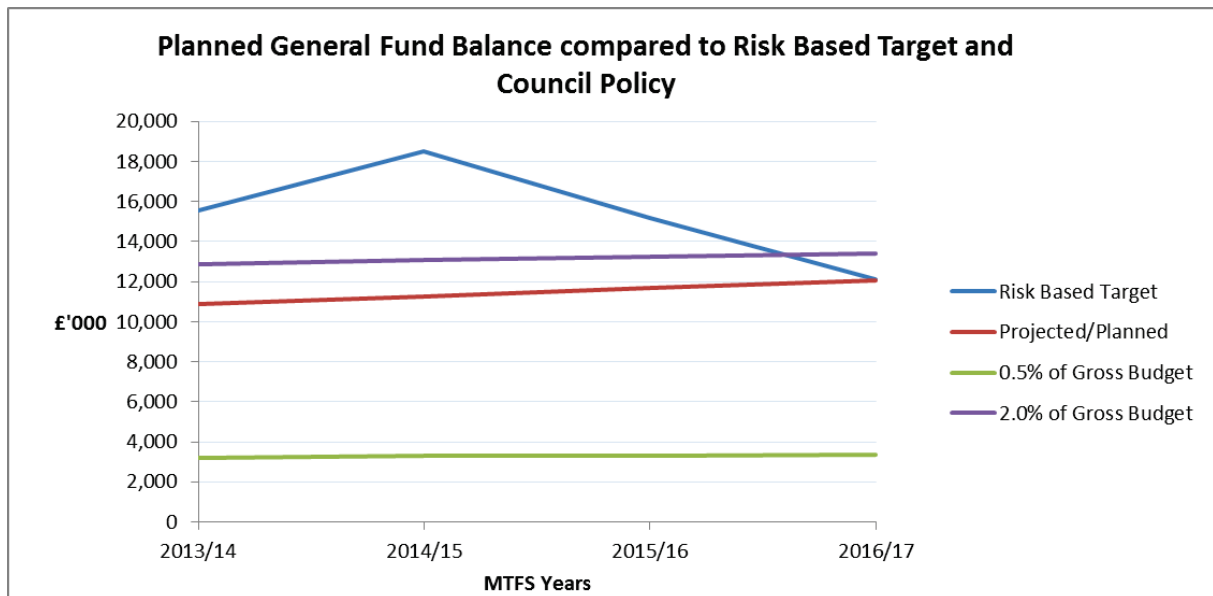
9.2 The revenue monitoring reports have provided members with an updated projection on the General Fund. The only amendment required to the projection detailed in the Period 6 monitoring report is the release of the earmarked reserves as detailed above.

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

	Projection as per Period 6 (£'000)	Revised Projection (£'000)
General Fund Balances as at 31 March 2013	6,820	6,820
Budgeted contribution to General Fund Balance	5,909	5,909
Repayment of Overspend (County Training Yr3)	417	417
Repayment of Redundancies provided for in 2012/13	268	268
Release of Council Tax Subsidy underspend	(500)	(500)
Shortfall in budgetary savings	(282)	(282)
Projected outturn as at Period 6	(2,639)	(2,639)
Release of earmarked reserves		864
Projected General Fund Balance as at 31 March 2014	<b>9,993</b>	<b>10,857</b>

9.4 The Financial Strategy, agreed by Council anticipated a level of reserves by year end of £10.930m. The current projection shows that the General Fund balance is now anticipated to be £10.857m.

9.5 The Financial Strategy recognised that balances need to be increased to the risk assessed level and additional base budget contributions over the last 2 years have increased the balance to its current level. These additional base budget contributions have been removed within the 2014/15 budget strategy. Whilst the General Fund Balance will be significantly lower than the risk based target in 2014/15, as shown in the graph below, the risk based target reduces in future years and the Council's projected contributions to the General Fund will bring the balance in line with the target by 2016/17.



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

Appendix 2: Risk Based Calculation of General Fund Balances

Appendix 3: Earmarked Reserves

## 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
1. The treatment of inflation	<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. Any increments awarded have also been funded within the service budgets based on existing staffing levels.</p> <p>The actuarial valuation for pension contributions has resulted in an increase in the ongoing contribution rate from 11.7% to 13.5%. The valuation has also stated a reduction in the lump sum which has been reflected.</p> <p>Price inflation has been provided on contractually or quasi-contractually committed budgets at the rate stated in the relevant agreement.</p>
2. Interest rates on borrowing and investment	<p>This issue here are similar to those in 1 above, but for a specific area.</p> <p>The Council's policy of generating capital receipts to prevent new borrowing, and allowing existing borrowing to mature has resulted in a reduction in available cash balances to invest. The level of interest rates on investments has also dropped to record lows resulting in reduced returns on cash balances. 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 if borrowing should be required, there is a potential risk that any new borrowing may not be secured at similar interest rates to those currently budgeted for.</p>	<p>Interest receivable budgets have been set based on 2013/14 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 0.25%.</p> <p>Interest rates have been set at 5.41% for all borrowing costs based on current interest rates.</p>
3. Estimates of the level and timing of capital receipts.	<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 to reducing market values and problems for potential procurers in obtaining finance.</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
<p>4. The treatment of demand led pressures</p>	<p>There are long standing areas of risk due to volatility, where we budget for demographic changes in future years, but might find the actual is at the higher end.</p> <p>Two areas specifically affected by demography are adult social care and children's social care, where we have seen significant budget pressures due to increasing numbers of clients receiving care packages.</p>	<p>All Managers review their base budgets including demand led pressures. Services 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 Service budgets. If this is not possible and under-spending management action or policy actions in other Services 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 2014/15 budget has been based upon budget monitoring and projections made by Heads of Service of demand in future years.</p>
<p>5. The treatment of efficiency savings</p>	<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 total savings targets of £80m over the next three year period projected in the Financial Strategy which will have risks involved in terms of delivery, and also the delays in delivery.</p>	<p>All 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 Service Area and corporately will be implemented where appropriate. Alternatively the General Fund Balance will be utilised as a temporary funding mechanism until the full savings are achieved.</p>
<p>6. The financial risks inherent in any significant new funding partnerships, major outsourcing deals or major capital developments</p>	<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 risks that the Council may face in the future and the MTFP updated accordingly.</p>

Budget Assumption	Explanation of Risk	Financial Standing and Management and Mitigating Action
<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 geographical area covered by the Council 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 relating to 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>Any major incident or emergency may result in significant costs to the Authority. Depending on the incident concerned, the Council may be able to recover such costs through the Bellwin Scheme however the Council would need to cover any expenditure up to the agreed threshold level. This level is fully included within the Council's general fund balance.</p>
<p>8. Impact on council funding of announcements of national changes</p>	<p>Council funding is always subject to change, especially in the current economic climate. However the Budget Strategy takes account of projected changes in the Revenue Support Grant and specific government grants.</p>	<p>The only risk factor included is in relation to the Housing Benefits grants which the Council receives. Changes are planned for welfare benefits which may increase the Council's exposure to costs over and above the grant that is received. This has been factored into the General Fund risk based calculation.</p>
<p>9. The overall financial standing of the authority (level of, debt outstanding, council tax collection rates etc)</p>	<p>Change may mean doing things in a way for which we have no ready evidence and any assumptions made may be wrong. Additionally, the areas of change will alter over time.</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</p>



Budget Assumption	Explanation of Risk	Financial Standing and Management and Mitigating Action																					
	<p>An allowance for budget pressures has also been built in to accommodate any corrective action that needs to be taken if the assumptions about changes in service delivery should change.</p> <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>protect the budget against any such pressures, but should these not be sufficient, the general fund would be used.</p> <p>The assumed Council Tax collection rate for 2014/15 onwards is 97.5% and is judged to be achievable based on previous experience. Legislation states that any Collection Fund surplus/deficit be corrected through the Council Tax in the next year. The surplus is distributed in 2014/15.</p> <p>An income review has been produced for Cabinet on the income from 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 2014/15 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 general fund balances need to be in place 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 2009 to 2014 shows potential variations from a £2.6m overspend to a £2.7m underspend (a range of £5.3m).</p> <table border="1" data-bbox="987 1020 1463 1402"> <thead> <tr> <th>Financial Year</th> <th>(£'000)</th> <th>Underspend/ Overspend</th> </tr> </thead> <tbody> <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>284</td> <td>Over</td> </tr> <tr> <td>2013/14*</td> <td>2,639</td> <td>Over</td> </tr> <tr> <td>Total 2009 to 2013</td> <td></td> <td>Over</td> </tr> </tbody> </table> <p>* As projected at Period 6 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> <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>	Financial Year	(£'000)	Underspend/ Overspend	2009/10	919	Over	2010/11	518	Over	2011/12	(2,709)	Under	2012/13	284	Over	2013/14*	2,639	Over	Total 2009 to 2013		Over
Financial Year	(£'000)	Underspend/ Overspend																					
2009/10	919	Over																					
2010/11	518	Over																					
2011/12	(2,709)	Under																					
2012/13	284	Over																					
2013/14*	2,639	Over																					
Total 2009 to 2013		Over																					



Budget Assumption	Explanation of Risk	Financial Standing and Management and Mitigating Action
		<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, particularly in light of redesign work being undertaken.</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 tool is now used within the Council to improve the financial information provided and the consistency of financial reports produced.</p> <p>The Council's virement and carry forward rules are clear and detailed in the Constitution.</p>

## APPENDIX 2

### Risk Based Calculation of General Fund Balances

2013/14			AREA OF RISK	2014/15			2015/16			2016/17		
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>									
110,998	0.25%	277	Salaries	99,321	0.25%	248	93,660	0.25%	234	88,508	0.25%	221
13,509	2.00%	270	Premises	12,088	2.00%	242	11,399	2.00%	228	10,772	2.00%	215
18,013	1.00%	180	Transport	16,118	1.00%	161	15,200	1.00%	152	14,364	1.00%	144
53,556	0.25%	134	Supplies & Services	47,922	0.25%	120	45,190	0.25%	113	42,705	0.25%	107
130,541	0.25%	326	Third Party Payments	116,808	0.25%	292	110,150	0.25%	275	104,092	0.25%	260
68,289	0.25%	171	Transfer Payments	61,105	0.25%	153	57,622	0.25%	144	54,452	0.25%	136
<b>394,906</b>		<b>1,359</b>		<b>353,362</b>		<b>1,216</b>	<b>333,221</b>		<b>1,147</b>	<b>314,893</b>		<b>1,083</b>
			<b>Interest Rates</b>									
269,375	0.00%	0	Borrowing	259,475	0.00%	0	254,475	0.00%	0	245,675	0.00%	0
9,900	1.00%	99	PWLB	5,000	1.00%	50	8,800	1.00%	88	5,000	1.00%	50
93,850	0.50%	469	Investment	93,850	0.50%	469	93,850	0.50%	469	93,850	0.50%	469
		<b>568</b>				<b>519</b>			<b>557</b>		<b>519</b>	
			<b>Capital Receipts</b>									
9,200	0.00%	0	Land Sales	22,759	11.00%	2,503	11,405	25.00%	2,851	9,601	8.50%	816
		<b>0</b>				<b>2,503</b>			<b>2,851</b>		<b>816</b>	
			<b>Demand led Pressures</b>									
69,385	10.00%	6,939	Adult Social Care	69,385	1.00%	694	69,385	1.00%	694	69,385	1.00%	694
9,930	10.00%	993	Childrens Social Care	9,930	1.00%	99	9,930	1.00%	99	9,930	1.00%	99
		<b>7,932</b>				<b>793</b>			<b>793</b>		<b>793</b>	
			<b>Efficiency Savings</b>									
23,877	5.00%	1,194	13/14 non achievement of savings	0	0.00%	0	0	0.00%	0	0	0.00%	0
0	0.00%	0	14/15 non achievement of savings	41,531	5.00%	2,077	41,531	2.50%	1,038	41,531	0.00%	0
0	0.00%	0	14/15 slippage of savings	41,531	10.00%	4,153	41,531	0.00%	0	41,531	0.00%	0
0	0.00%	0	15/16 non achievement of savings	0	0.00%	0	20,135	5.00%	1,007	20,135	2.50%	503
0	0.00%	0	15/16 slippage of savings	0	0.00%	0	20,135	10.00%	2,014	20,135	0.00%	0
0	0.00%	0	16/17 non achievement of savings	0	0.00%	0	0	0.00%	0	18,334	5.00%	917
0	0.00%	0	16/17 slippage of savings	0	0.00%	0	0	0.00%	0	18,334	10.00%	1,833
		<b>1,194</b>				<b>6,230</b>			<b>4,059</b>		<b>3,253</b>	
			<b>Partnerships, Outsourcing arrangements</b>									
500	Quantum	500	IP&E	500	Quantum	500	500	Quantum	500	500	Quantum	500
		<b>500</b>				<b>500</b>			<b>500</b>		<b>500</b>	
			<b>Insurance and Emergency Planning</b>									
3,976	0.00%	-	Provision	3,976	0.00%	-	3,976	0.00%	-	3,976	0.00%	-
2,555	0.00%	-	Reserve	2,555	0.00%	-	2,555	0.00%	-	2,555	0.00%	-
50	Quantum	50	ICT Disaster	100	Quantum	100	100	Quantum	100	100	Quantum	100
50	Quantum	50	Other Incident	50	Quantum	50	50	Quantum	50	50	Quantum	50
775	Quantum	775	Bellwin	775	Quantum	775	775	Quantum	775	775	Quantum	775
2,672	10.00%	267	Severe Weather	2,672	40.00%	1,069	2,672	40.00%	1,069	2,672	40.00%	1,069
		<b>1,142</b>				<b>1,994</b>			<b>1,994</b>		<b>1,994</b>	
			<b>Funding Changes</b>									
61,598	0.25%	154	Housing Benefits	61,598	0.25%	154	61,598	0.25%	154	61,598	0.25%	154
		<b>154</b>				<b>154</b>			<b>154</b>		<b>154</b>	
			<b>General Financial Climate</b>									
4,339	5.00%	217	Landfill Costs	4,339	5.00%	217	0	5.00%	0	0	5.00%	0
6,700	5.00%	335	Debt Collection	5,000	5.00%	250	4,000	5.00%	200	3,000	5.00%	150
116,050	0.50%	580	Collection Fund	115,864	0.50%	579	116,096	0.50%	580	116,328	0.50%	582
38,370	0.25%	96	NNDR Business Rates	38,677	0.25%	97	38,677	0.25%	97	38,677	0.25%	97
15,616	2.00%	312	Discretionary Income	15,616	2.00%	312	15,616	2.00%	312	15,616	2.00%	312
60	0.00%	0	Planning Inquiries	100	Quantum	100	100	Quantum	100	100	Quantum	100
		<b>1,540</b>				<b>1,555</b>			<b>1,289</b>		<b>1,241</b>	
13,000	0.00%	0	Redundancy	13,000	15.00%	1,950	13,000	6.00%	780	13,000	6.00%	780
231,532	0.50%	1,158	Additional Budget Pressures	219,678	0.50%	1,098	206,326	0.50%	1,032	195,694	0.50%	978
		<b>1,158</b>				<b>3,048</b>			<b>1,812</b>		<b>1,758</b>	
		<b>15,547</b>	<b>TOTAL</b>			<b>18,513</b>			<b>15,156</b>		<b>12,112</b>	

## Earmarked Reserves

	Balance as at 31 March 2013 £'000	Anticipated movement in 2013/14 £'000	Movement due to Review £'000	Projected Balance as at 31 March 2014 £'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	2,211	-1,711	0	500	This funding is fully committed to capital programme in 2013/14. However it is anticipated that some of the schemes may slip into 2014/15 and therefore the projected balance will be required in future years.
Transformation	1,867	0	0	1,867	This was established from the underspend on the transformation fund in 2011/12 and 2012/13. This balance is considered necessary for future investment required to deliver service redesign projects highlighted in the Business Planning work.
Voluntary Early Retirement/Severance	465	6,033	0	6,498	Funds were allocated to this reserve to fund known pension strain costs to be incurred in 2013/14. This cost will be incurred, however a further contribution will be made to this reserve to provide for future potential redundancy costs expected from achieving budgetary savings.
<b>Insurance Reserves</b>					
Fire Liability Reserve	1,857	-50	0	1,807	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	727	22	0	748	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	143	-143	0	0	Any underspends generated by Shire Services are contributed to this reserve for investment in future years. The balance currently held from 2012/13 will be used to fund any overspend generated within the service.
<b>Reserves retained for service departmental use</b>					
Council Elections Reserve	43	0	-43	0	This balance was held to fund any additional costs of the 2013/14 election. This has been fully funded within the base budget and so the balance is no longer required.
Economic Development Workshops Major Maintenance Reserve	280	45	0	325	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	0	0	0	0	Notional accounting entry therefore balance required to offset balance sheet entries.
Legal Disbursements Reserve	50	0	-50	0	This included contingency sums for child care case, however additional base budget provision has now been included in order to release this reserve.
Local Services Support Grant Reserve	3,394	-3,340	-54	0	Specific commitments identified from unspent grant. The majority has been fully committed in 2013/14 however an uncommitted balance has been identified which can be released.
Local Joint Committee Reserve	209	-209	0	0	This reserve was held for any uncommitted balances from Local Joint Committees at the end of each financial year. This balance will be fully released in 2013/14.
Major Planning Inquiries Reserve	482	-24	-70	388	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 3

	Balance as at 31 March 2013 £'000	Anticipated movement in 2013/14 £'000	Movement due to Review £'000	Projected Balance as at 31 March 2014 £'000	Purpose of Reserve and Timescale of Release
New Homes Bonus Reserve	4,435	-2,253	0	2,182	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 almost half of this balance to be required in 2013/14 and the remaining balance will be utilised in future years.
People Services Reserve	107	0	-107	0	This was established to safeguard the council against pressures within Adult and external children's placements given the service areas volatility. A residual amount remained at the end of 2012/13 and it has now been determined that this can be released.
PFI Building Equipment Replacement Reserve	12	-12	0	0	This was established in 2007/08 to fund replacement equipment in PFI buildings. The balance held will be fully committed in 2013/14.
Public Health	793	-793	0	0	This reserve was created to cover residual costs of Public Health that the NHS had committed to prior to transition. The balance held will be fully committed in 2013/14.
Resources Efficiency Reserve	834	-406	-41	387	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	710	0	0	710	Balance held as a contingency sum for the costs of winter maintenance. Funds will be called on and released as required.
Shropshire Waste Partnership Reserve	20,258	-19,635	0	623	This reserve contained the budgeted contributions in the early years of the Waste PFI contract that are required to smooth the step up in the Unitary Charge once additional facilities come on line. The Council has now built provision in the base budget to fund this stepped increase and therefore the majority of the balance on the reserve can be released.
Theatre Severn R&M	29	0	0	29	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	2,012	0	-500	1,512	Required to meet the costs of replacement vehicles by the Integrated Transport Unit. Current replacement schedule has a value of £1.5m.
<b>School Balances</b>					
Education - Staff Sickness Insurance Reserve	568	170	0	738	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	183	50	0	233	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	1,323	400	0	1,723	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>42,989</b>	<b>-21,855</b>	<b>-864</b>	<b>20,270</b>	

# Pay and Reward Policy Statement For All Council Staff 2014-15

## Contents

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2. Legal Framework
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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 aim 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 behaviours
- 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 (Chief Executive), 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/MJOS-97REXG/\\$file/08-part-8-delegations-to-officers.pdf](http://www.shropshire.gov.uk/democracy.nsf/viewAttachments/MJOS-97REXG/$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.

(NB. Incremental progression was frozen from 1 April 2011 until 31<sup>st</sup> March 2013 and reinstated from 1 April 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 were 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 the 1% national cost of living increase for NJC staff. The approach taken also incorporated protection of employees on lower pay levels.
- 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) 5 to SCP 34. On 1 October 2013 scp 4 was removed from the NJC national pay spine. The Shropshire 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 5 £12,435 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 almost now complete 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 summer 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. The current grades are shown below and are subject to review, in line with service redesign:

<b>Grade</b>	<b>Pay Range</b>	<b>Job Title</b>
SP 1	£99,000	Chief Executive
SP 2	£97,000	Director
SP 3	£85,000 to £90,000	Area Commissioner
SPB 4	£66,882 to £81,214	Head of Service
SPB 5	£53,811 to £62,105	Service Manager

- 4.4.2 A re-structure took place in January 2013 which saw new appointments made to SP1, SP2, SP3 and SPB4 grades.

## 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 was lifted from 1 April 2013.

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, pending the implementation of a Performance Related Pay Scheme. Decisions have been made not to proceed with implementing such a scheme given the amount of change and service redesign that is taking place across the organisation. As outlined in 4.4.2 a re-structure took place in January 2013 which saw new appointments made to SP1, SP2, SP3 and SP4 grades. In April 2013, a 2.4% pay increase was applied to those on SPB5 in recognition of performance and in the absence of a formal Performance Related Pay Scheme. This restructure and the restoration of incremental progression for NJC grades meant that the only group of staff to have no pay progression at all were Service Managers on SPB5. Therefore an increment equivalent to the value of the average incremental increase (2.4% was applied to all those on SPB5 (only those

with the headroom in grade received the increase with the value capped at the top of the grade). Payment was made in recognition of Performance and in the absence of a formal Performance Related Pay Scheme.

#### **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.

#### **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. Currently this policy is suspended and therefore employees receive pay for the first three days.

- **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.

- **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 the 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**

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 Where a severance package (not including employee statutory entitlements) exceeds £100,000, the decision to award such a package will be made by full Council.
- 4.13.3. 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 2013 is as follows, based on full time equivalent pensionable pay:

Band	Full-time equivalent salary	Contribution rate
1	£0 - £13,700	5.5%
2	>£13,701 -£16,100	5.8%
3	>£16,101 - £20,800	5.9%
4	>£20,801 - £34,700	6.5%
5	>£34,701 - £46,500	6.8%
6	>£46,501 - £87,100	7.2%
7	More than £87,100	7.5%

- 6.3 A new LGPS Scheme for 2014 is being introduced from April 2014. This will see a number of changes to the current scheme which include (but are not limited to):
- Moving from a final salary based scheme to a career average scheme.



- Contribution Rates – how these are calculated and the level of contributions will change.
- What is included in Pensionable pay
- Employees may opt for retirement from age 55 onwards at a full cost to themselves on termination of pensionable employment, without employer consent.

## 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/C9FDB1C9DB74769980257829003B6C52>

This information has been published since October 2010 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 Chief Executive is £99,000. The median basic remuneration for a full time equivalent employee of Shropshire Council is £18,273 per annum. The mean basic pay, based on 4,793 posts ranging in pay from the Chief Executive remuneration to Grade 1 (SCP 5 - £12,435), is £20,653. 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 (Head of Governance and Assurance) 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 30 days annual leave.
- 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 New appointments that are made which have a remuneration package with a value of over £100,000 will be subject to approval of full Council.

## **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.

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<u>Committee and Date</u>	<u>Item</u>
Council	<b>8</b>
27 <sup>th</sup> February 2014	<u>Public</u>

## **BUSINESS PLAN AND FINANCIAL STRATEGY – 2014/15 TO 2016/17**

**Responsible Officer** James Walton

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### **1 Summary**

The Draft Council Business Plan and Financial Strategy considered by Cabinet on 13 November 2013 provided details of the council's financial projections for resources and expenditure over the 3 year period 2014-17. In January, Cabinet received an update to the Business Plan and Financial Strategy which included the latest resource and expenditure projections following the draft Local Government Finance Settlement for 2014 to 2015 and further information on the proposals to meet the funding gap identified of £80m over the period 2014-2017.

The Final Council Business Plan and Financial Strategy considered by Cabinet on 19 February 2014 includes the latest financial position for 2014/15 following the Final Local Government Finance Settlement announced on 5 February 2014. The resource and expenditure projections have also been updated for the latest estimate of the Council's share of Business Rates, the collection funds for council tax and business rates and further information received on specific grants for 2014/15.

The report also includes an update of the capital programme for 2014-17 based on current confirmed funding and delivery schedule for schemes.

### **Recommendations**

It is recommended that members:

- A. Agree the Final Business Plan and Financial Strategy attached at Appendix 1 and agree the proposals for setting the Council's budget for the three years 2014/15 to 2016/17.
- B. Recognise the projected funding gap over the period 2014/15 to 2016/17 of £80m; £41.531m falling in 2014/15
- C. Approve the savings identified in 2014/15 of £39.892m and rephasing of growth proposals of £1.639m to meet the funding gap.
- D. Agree the adjustments to the budget for the internal market to ensure that the costs of these services and the recharge cost and income for these services are no longer both reflected in the gross budget.

- E. Approve the budget for 2014/15 of £573.139m, after savings and internal market costs adjustments.
- F. Agree to accept Council Tax Freeze Grant for 2014/15 of £1.307m on the basis that Council Tax will be frozen for 2014/15.
- G. Note the financial implications of the transfer of the Programme Management Office and Business Design Team to ip&e.
- H. Agree the revised Capital Programme for 2014/15 to 2016/17 as set out within the report and recommend this to Council for approval.
- I. In accordance with the regulations, approve a Capital Allowance of £1million for 2014/15 to enable the Council to retain in full, capital receipts received from the disposal of Housing Revenue Account (HRA) assets (excluding Right to Buy sales). Furthermore, that the capital receipts from such sales are reserved for expenditure on the Council's housing stock.
- J. Agree the Statement of Chief Financial Officer on the Robustness of the Estimates and Adequacy of Provisions and Reserves 2013-16 as set out in Appendix 2, noting the Council's general fund balance over this period.
- K. Agree the Pay and Reward Policy for all Council staff for 2014/15 as set out in Appendix 3.

## **REPORT**

### **2 Risk Assessment and Opportunities Appraisal**

- 2.1 The development and delivery of the Council's Business Plan and Financial Strategy for the next three years is the key process in managing many of the Council's strategic risks. The opportunities and risks arising are assessed each time the document is refreshed for Cabinet consideration. The Council's Strategic Risks are reported separately, but the Business Plan and Financial Strategy makes specific reference to the significant financial uncertainty across Local Government in the Medium Term.

#### **Financial Uncertainty**

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

that figure before the safety net arrangements apply. Shropshire's current projections show projected Business Rates above the baseline assumptions.

- 2.3 From 2013/14 the funding mechanism is fixed. Variation in the Council's Business Rates will result directly in more or less funding for the Council. The safety net mechanism is only invoked when the Council's total net income is reduced by 7.5% or more. For Shropshire this is a drop of £3.5m below the baseline, however, our current projections show we would be operating above this level, therefore would need to suffer a greater drop of almost £4.5m before the Safety Net would be invoked.
- 2.4 Locally retained business rates introduce uncertainty to the Council's in year available resources; previously the Council was informed of the amount of redistributed business rates it would receive before the start of the financial year, under the new system the resources the Council actually receives will only be estimated in advance and could vary significantly. To mitigate the risk of large variations in estimated Business Rates, monitoring of Business Rates income will be further developed and reported regularly, reducing risk as the level and quality of data is increased.
- 2.5 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.
- 2.6 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.
- 2.7 By creating a Financial Strategy that continues to look beyond the next three years 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.
- 2.8 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 becomes embedded this will mean the revision of newly introduced provisions for rating appeals and other fluctuations.
- 2.9 For the Financial Year 2014/15 the total value of all proposals (including rephasing of growth) exceed the funding gap identified. However, the timing of delivery and the scale of proposals to be implemented in a short time period still represent a significant risk to the authority. For this reason it is essential that the Council has a reasonable level of reserves in place to help mitigate against this risk and this is set out within the Business Plan and Financial Strategy.

- 2.10 The report on the Robustness of Estimates and Adequacy of Reserves is attached at Appendix 2 and should be considered alongside this report.

### **Other Risks and Opportunities**

- 2.11 The Business Plan and 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.
- 2.12 The Council's Business Plan and 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 be clear about the financial expectations of ip&e and how this will impact on the Council's budget.
- 2.13 Setting the Financial Strategy and agreeing the detailed changes necessary to deliver the agreed budget for the next financial year, will take into account the requirements of the Human Rights Act, any necessary environmental appraisals and the need for Equalities Impact Needs Assessments and any necessary service user consultation.

### **3 Financial Implications**

- 3.1 The Council's Business Plan and Financial Strategy identifies the financial implications of the overall strategic direction of the authority.
- 3.2 The resource projections are based on the 2014/15 Final Local Government Finance Settlement. The Council's own estimate of locally retained Business Rates as detailed in the National Non Domestic Rates return to Government dated 31 January 2014 is used.
- 3.3 The expenditure projections take account of known services changes and pressures including legislative changes.
- 3.4 All projections in future years will be continually reassessed as information becomes available and national and local circumstances change from those modelled within the Strategy.
- 3.5 The current predictions on the level of general reserves are based upon the latest projections for 2013/14 spending as at Period 9 monitoring.
- 3.6 The financial impact of any known transfer of services, for example to ip&e, has been estimated and identified in the report. The impact of any further transfers will be included in future strategies once they have been approved.

### **4 Business Plan and Financial Strategy 2014-2017**

- 4.1 In November 2013, Cabinet received the first draft of the Council's Business Plan and Financial Strategy. Since that date significant work has been undertaken to

improve the document, to provide more details of our plans, to reflect the latest financial position and to refine the Council's vision for the future.

- 4.2 In January, Cabinet received a number of updated sections and additions to the Business Plan and Financial Strategy incorporating further details on savings proposals and updating of the current capital programme, and these have now been incorporated into a final single document.
- 4.3 The finalised Business Plan and Financial Strategy is attached at Appendix 1 to this report and has been agreed by Cabinet on 19 February 2014. This document will continue to be updated and refreshed in the coming months and years. The document includes the Council's Medium Term Financial Plan for the following three years (2014/15 to 2016/17) along with commentary and the impact of the current financial year (which represents the final year of the previous Medium Term Financial Plan) and indications of the longer term financial outlook for the Council. Alongside the Business Plan and Financial Strategy, and Medium Term Financial Plan, Council will set the Council's revenue and capital budget for 2014/15. A Council budget book is being produced to reflect the impact of the first year of the Medium Term Financial Plan and to allow the Council to formally set the budget for 2014/15.
- 4.4 The Business Plan sets out the Council's approach to redesigning everything we currently do, to make best use of the resources we have available. The document itself has been available on the Council's website for review and consideration as part of the budget consultation process. Additionally, through the Council's Scrutiny process and a series of Rapid Action Groups, the Business Plan and Financial Strategy has been open to robust review by all Members of the Council.
- 4.5 The Business Plan and Financial Strategy identifies a funding gap of £80m over the next three financial years. Details of the basis for deriving this figure are set out in the document alongside proposals identified to meet this funding gap.
- 4.6 The phasing of savings required to produce a balanced budget is as follows:
- 2014/15 £41.531m
  - 2015/16 £20.136m
  - 2016/17 £18.333m
- 4.7 Work has been undertaken to ensure that the savings proposals and budget requirements align to allow the Council to set a legal and balanced budget for 2014/15 by 1 April 2014. This is detailed in the Strategic Financial Overview section of the Business Plan and Financial Strategy.
- 4.8 The proposals identified to balance the budget over the same period are as follows:
- 2014/15 £39.892m
  - 2015/16 £24.614m
  - 2016/17 £15.494m
  - Three year total £80.0m



- 4.9 Details of the phasing of proposals to meet the profile of the funding gap is set out in the attached Business Plan and Financial Strategy. In summary:
- Specific savings proposals to the value of £80m have been identified
  - Proposals totalling £39.892m have been identified for 2014/15.
  - Revision and rephasing of growth proposals can reduce the funding gap by up to £6.262m in 2014/15, to date only £1.639m of this is required to be built in.
  - With full delivery of the savings proposals and other measures identified above it will be possible to set a balanced budget for 2014/15.
- 4.10 The proposals put forward for 2014/15 have been subject to a review to consider risks associated with delivery within available timescales. While the total value of all proposals currently exceed the funding gap identified in 2014/15, the timing of delivery and the scale of proposals to be implemented in a short time period represent a significant risk to the authority. For this reason, it is essential that the Council has a reasonable level of reserves in place to help mitigate against this risk.
- 4.11 The Local Government Settlement included details of Council Tax Freeze Grant for 2014/15, including indicative allocations equivalent to a 1% increase in the average 2013/14 Band D amount multiplied by the tax base. In line with previous years the Council has based resource projections on the assumption that there will be no increase in the Council's element of the Council Tax bill. Therefore the authority is in a position to claim Council Tax Freeze Grant, which for 2014/15 is indicated to be worth £1.307m.
- 4.12 The Business Plan and Financial Strategy identifies the approach for the future transfer of services to ip&e; the Council's wholly owned company. The Financial Strategy takes account of any known transfer of services to ensure that the Council's financial position is understood and reflected ahead of any decision taken to approve a transfer. A number of areas are under review for future transfer to ip&e, and at this stage the transfer of the Programme Management Office and Business Design Team is well advanced. The financial implications of the transfer are set out in the attached Business Plan and Financial Strategy, ahead of the business case for transfer being considered and approved by Cabinet.
- 4.13 The Business Plan and Financial strategy now includes the Council's revised Capital Programme which was considered by Cabinet in January 2014, for approval by Council in February. In line with previous years and in accordance with the regulations, it is necessary to approve a Capital Allowance of £1million for 2014/15 to enable the Council to retain in full, capital receipts received from the disposal of HRA assets (excluding Right to Buy sales). The capital receipts received from such sales are reserved for expenditure on the Council's housing stock.

## **5 Approval of 2014/15 Budget**

- 5.1 The budget for the 3 years 2014-2017 is set out in the Strategic Financial Overview section of the Business Plan.



- 5.2 The resource and expenditure projections identify the funding shortfall of £80m over the period 2014-2017, £41.531m falling in the next financial year 2014/15. The gross budget for 2014/15 is detailed as £572.139m after savings. This gross budget includes an adjustment of £16.491m for reductions around the internal market and support services costs and an adjustment of £28.366m for the internal market to ensure the costs of these services and the recharged cost and income for these services are no longer both reflected in the gross budget. This total adjustment of £44.657m has been removed from both the resource and expenditure projections and does not affect the Council's savings projections.
- 5.3 The Councils Revenue and Capital 2014/15 Budget Book provides further details of the 2014/15 budget and can be found on the Council's website.

## **6 Public Consultation 2013**

- 6.1 Join the Conversation 2013 took place during the week of 16 September, with four public meetings held in Oswestry, Craven Arms, Bridgnorth and Shrewsbury. The events were open to the public, and local people were given the chance to submit questions in advance with emphasis being placed on the financial challenge faced by the public sector. Representatives from West Mercia Police, the Clinical Commissioning Group and Shropshire Fire and Rescue were in attendance, in addition to Keith Barrow and Clive Wright from Shropshire Council.
- 6.2 Members of the public posed questions to all members of the panel, with maintaining good public services being the primary concern. Having initially made savings in other ways, all services are now tackling the more difficult issue of reducing the workforce to save money. The panel stressed that every effort is being made to do things differently, with less bureaucracy, and the same or a better outcome for a lesser cost.
- 6.3 Other common themes included questions on locality commissioning, partnerships and the future of ip&e Ltd.
- 6.4 An online survey to share views on the budget proposals was available on the Shropshire Council website from 17 January to 9 February. People were also able to request a paper copy.
- 6.5 The feedback included comments on the consultation itself and the explanation of the proposals. People told us that the language used and the level of detail should be improved.
- 6.6 In response we have reviewed the wording, removed acronyms, unless explained previously in the text, and told people where they can find more budget information. We will also take this on board for future consultations.
- 6.7 In addition, some of the comments received were from partner organisations inviting us to work more closely with them, and we will be following up these responses.

## Summary of Responses

### Adult Social Care

- 6.8 The most prominent theme relating to responses on the adult social care proposals was the importance of protecting the vulnerable. Comments included: "Dignity and respect for our elderly is essential and they need professional care and commitment."
- 6.9 Points also submitted included not over-burdening those we provide support to with responsibility, and the need for more joined-up thinking with our partners.
- 6.10 In response, we will take these comments on board ensure we engage well with users, their carers and the broader community as we implement our changes. We are clear and reiterate our Council Priorities to protect and help those needing our support to maximise and achieve their potential.

### Children's Services

- 6.11 The main theme of responses on children's services proposals was that investing in the county's children was a priority, noting the long term impact this has. Comments included: "Children are our future, if we neglect their needs we neglect our future."
- 6.12 The responses also included different views on intervening at early stages to provide support, and the need to encourage more young families to live in Shropshire.
- 6.13 In response, we will focus on ensuring that we provide support for vulnerable children as early as possible. We will work with the family ensuring support is joined up.
- 6.14 By providing help in a different way and in a more sustained way where necessary, we will reduce the demand on high level social work interventions.

### Public Health

- 6.15 Many respondents highlighted the importance of investment in prevention to reduce health problems such as obesity and long term conditions such as diabetes. Overall they believed that such investment would reduce costs in treatment and care later in life.
- 6.16 Some respondents wished to see some investment in council led services such as outdoor recreation and physical activity promotion programmes such as swimming, particularly for children and older people.
- 6.17 Health promotion for older people was highlighted by some respondents as a way of reducing the potential burden of an ageing population on social care services.
- 6.18 All of the comments received will be taken into account within our future plans.

## Commissioning

- 6.19 The consultation prompted a variety of views on commissioning and contracts. These included outlining how there should be more understanding of commissioning processes and that contracts should be reconsidered. One of the comments was: "Management contracts should be reconsidered in the light of quality of service delivery. Commissioning of management is one part but there is need for capital investment..." Some people recommended buying in more services and others did not as they said this was more expensive.
- 6.20 Those who responded also suggested getting volunteers more involved in the work of the council.
- 6.21 We recognise the importance of clarity and consistency in our commissioning activity and hence Shropshire Council is currently seeking feedback on its draft Commissioning Strategy which outlines how we will go about commissioning and some key principles that will be followed. We already have a strong approach to contract management with existing providers and monitor progress against a number of set criteria to ensure quality of provision. In terms of capital investment, we recognise that this may be appropriate for certain commissioned activities and where this is, we aim to reflect this in the contract. For example the recent leisure contract resulted in several hundred thousand pounds of capital investment at a number of leisure facilities including Market Drayton and Oswestry. As part of the model that Shropshire Council follows when deciding what areas to commission a clear business case is developed which highlights the best approach to take. This includes what the best delivery model is, quality of provision, and wherever possible that the work stays in Shropshire.
- 6.22 Shropshire is blessed with many thousands of people who volunteer across the county, not just within Shropshire Council but also in other public sector and voluntary sector organisations. Shropshire Council alongside West Mercia Police are now leading on an initiative to enhance and further develop the various networks with its VIPs (Volunteers in Public Services) model - it's still at it's very early stages but the work has already brought all the key stakeholders and providers together to explore how this important area can be further enhanced. This work will continue throughout 2014.

## Resources and Support

- 6.23 One of the strong themes in the Resources and Support responses was to cut back office services and bureaucracy. The comments included: "Reduce back end costs to a minimum – this should be your first focus if you really want to protect frontline services."
- 6.24 In response, in the plan we show how, through ip&e and our 'Inspire to Learn' educational support service, we are unlocking our capacity and expertise to trade with other organisations, bringing new income into the county to help support essential services. This means we're doing all we can to retain and ultimately grow high quality local employment by helping unlock the commercial potential from our workforce. Inspire to Learn is just the first of what we plan to be a series of similar commercial offers.

- 6.25 We also explain how our approach to redesigning everything we do based on need is already driving out waste and streamlining processes, cutting costs at the same time as improving what we do for our customers. As part of each end-to-end service review, the role of resources and support teams are carefully considered.
- 6.26 People also shared the view that the council should plan any changes thoroughly, such as office moves and managing assets, and not be dependent on digital technology.
- 6.27 In response we are reviewing the use of all our physical assets, selling or otherwise disposing of those that are no longer essential. As set out in the plan, the council will increasingly move to a more mobile and flexible approach, enabling staff to work on the move, be less reliant on costly and remote office bases and be more accessible to our customers. This shift is being made in tandem with the Broadband through the Connecting Shropshire programme, complementing the commercial rollout. Digital technology is a crucial part of this shift but clearly isn't a panacea for every customer contact.

### **Further Comments**

- 6.28 Further comments and suggestions included increasing council tax to minimise the impact of budget reductions, cutting non-essential services, looking at more opportunities to generate income, being certain about what the council wants to achieve with redesign work and continuing to assess this, and making sure we focus on needs rather than cost.
- 6.29 Those who responded also asked us to be open about reductions, said managers should be held to account on making savings, and suggested reducing salaries for senior staff in addition to looking at the possibility of reducing the number of councillors representing the county and councillors' expenses.
- 6.30 Our responses to these comments are given below.
- 6.31 We have built our budget strategy around not increasing council tax and instead redesigning services, because we believe that is the better approach. We believe we can redesign services around the customer to reduce costs, rather than increase funding and perpetuate any inbuilt inefficiency. To increase Council Tax by more than 2% would require us to undertake a potentially costly referendum, and by freezing Council Tax we receive Council Tax Freeze Grant to a value equivalent to 1%. Therefore, the option of increasing Council Tax by 2% would deliver a net benefit of only £1.03m per annum.
- 6.32 Our plan is not to cut non-essential services, but to focus on our priorities and redesign all the services we provide. While we understand the outcomes we are aiming to achieve, we are not certain about how services will look until we have completed the design work. Our priorities include putting the needs of our customers at the centre of everything we do. We will keep the public, users and customers informed as we move through the redesign process, consulting where necessary, to ensure that we make the right decisions.

- 6.33 We will be looking at future opportunities to generate income to supplement the costs of services, our approach to this is set by Council every year as part of our review of Fees and Charges. We believe this is something which will be aided by the creation of our wholly owned company ip&e.
- 6.34 Our Senior Management team and Cabinet are working closely to deliver the Council's budget, with members and senior staff being held accountable for the delivery of savings proposals against their savings targets over the next three years. In relation to allowances, all Councillors approved a 5% reduction in their allowances in 2011/12 which remains in place. All Managers and staff were subject to a 5.4% reduction in their pay as part of changes to terms and conditions in 2011/12 and 2012/13. In addition, Senior Management pay has been separately reviewed and the Head of Paid Service remuneration benchmarked against other local authorities. The data available has shown that Shropshire is the lowest paying authority for senior pay across England for Unitary and County Councils and is on a par with or below District Council levels.
- 6.35 In addition to the budget consultation completed to date, more specific consultation will be undertaken, as necessary, on detailed proposals as these are formulated and the impacts on future service delivery becomes apparent. The process of redesign is fundamental to the proposals being put forward by the Council, and as such it is not possible to identify details of future service provision until the redesign work has been completed, the implications understood and the process of implementation is ready to be commenced.

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

Financial Strategy 2013/14 to 2022/23 – Cabinet 13 November 2013

Financial Strategy and Capital Programme 2014/15 to 2016/17 – Cabinet 15 January 2014

Robustness of Estimates and Adequacy of Reserves – Cabinet 15 January 2014 (attached at Appendix 2)

Revenue Monitoring Report Period 9 – Cabinet 19 February 2014

Capital Monitoring Report – Cabinet 19 February 2014

Treasury Strategy 2014/15 – Cabinet 19 February 2014

Estimated Collection Fund Outturn 2013/14 – Cabinet 19 February 2014

Business Plan and Financial Strategy 2014-2017 – Cabinet 19 February 2014

**Cabinet Member (Portfolio Holder)**

Keith Barrow – Leader

**Local Member**

All

**Appendices**

Appendix 1 Shropshire Council Draft Business Plan and Financial Strategy

Appendix 2 Robustness of Estimates and Adequacy of Reserves

Appendix 3 Pay and Reward Policy for all Council staff for 2014/15



<p><u>Committee and Date</u></p> <p>Cabinet</p> <p>30<sup>th</sup> July 2014 12:30pm</p>	<p><u>Item</u></p> <p style="text-align: center; font-size: 2em;"><b>7</b></p> <p><u>Public</u></p>
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## FINANCIAL STRATEGY 2015/16 – 2017/18

**Responsible Officer** James Walton

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### 1. Summary

This overview includes the latest estimates of the Council's revenue resources and expenditure. It is set in the context of the Council's other key strategic documents, in particular, the Treasury Management Strategy and the Capital Strategy which is now incorporated within the Business Plan.

The Council Business Plan and Financial Strategy 2014/15 to 2016/17 was agreed by Full Council on 27 February 2014. The Plan identified a funding gap of £80m over the 3 years 2014/15 to 2016/17 and sets out the Council's approach to redesigning services and delivering the required savings by making the best use of resources available. The Financial Strategy is a rolling plan which is revised throughout each financial year, usually quarterly, as more information becomes available about the level of resources, service pressures and service delivery changes. This report is the first Financial Strategy in 2014/15. The report will consider the information from current year monitoring reports and any implications of this for future year's budgets. It will also consider revised information for years 2 and 3, 2015/16 and 2016/17 of the current financial plan and outline initial projections for 2017/18.

### 2. Recommendations

It is recommended that members:

- A. Note that the funding gap of £80m for the period 2014-17 identified in the Council Business Plan and Financial Strategy agreed by Council in February 2014 is retained for planning purposes.
- B. Note the initial funding gap identified for 2017/18, which will be refined before being built into the Council's next Medium Term Financial Plan
- C. Note that a further, updated report, is due to be presented to Council in September to reflect the financial implications of the planned university and Annual Business Plan for ip&e.



## REPORT

### 3. Risk Assessment and Opportunities Appraisal

- 3.1. The development and delivery of the Council's Business Plan and Financial Strategy for the next three years is the key process in managing many of the Council's strategic risks. The opportunities and risks arising are assessed each time the document is refreshed for Cabinet consideration. The Council's Strategic Risks are reported separately, but the Business Plan and Financial Strategy makes specific reference to the significant financial uncertainty across Local Government in the Medium Term.

#### **Financial Uncertainty**

- 3.2. The 2014/15 funding settlement gave illustrative figures for 2015/16 only. There is a risk that these figures are further reduced when the provisional 2015/16 settlement is announced in December 2014. Also there is increased uncertainty around funding levels beyond the current parliamentary term. This increases uncertainty both in 2015/16 and future years as previously incoming governments have made in year as well as future year changes to local government departmental expenditure limits.
- 3.3. As government funding reduces, the Council becomes more reliant on locally retained business rates. As detailed in previous reports, a reduction in business rate income in any year would have to be around 10% before a safety net payment would be invoked. This drop is higher than the 7.5% indicated in the funding mechanism as the Council's budgeted business rate income is higher than the baseline level that the 7.5% drop would be measured against.
- 3.4. Locally retained business rates introduce uncertainty to the Council's in year available resources; previously the Council was informed of the amount of redistributed business rates it would receive before the start of the financial year, under the new system the resources the Council actually receives will only be estimated in advance and could vary significantly.
- 3.5. Variations from budgeted revenues for both Business Rates and Council Tax are dealt with through the relative collection fund account. The timing of the availability of the final figures means that adjustments required, i.e. deficits or surpluses on the collection fund, fall 2 years after the year in which they relate. To mitigate the risk of large variations in estimated Business Rates, monitoring of Business Rates income will be further developed and reported regularly, reducing risk as the level and quality of data is increased.



- 3.6. The funding mechanism does not reflect any service needs changes from year to year. It is proposed that the system will not be reset for 7 years i.e. until 2020/21.
- 3.7. By creating a Financial Strategy that continues to look beyond the next three years 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.
- 3.8. 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 becomes embedded this will mean the revision of newly introduced provisions for rating appeals and other fluctuations.
- 3.9. The Council has started the financial year 2014/15 with a reasonable level of general reserve to help mitigate against the risk of delay in implementation of the significant savings proposals. It is essential that this is kept under review both in the current year and with a view to future years and balancing the budget.

#### **Other Risks and Opportunities**

- 3.10. The Business Plan and 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.
- 3.11. The Council's Business Plan and Financial Strategy recognises that there are risks and opportunities associated with ip&e as it is a wholly owned company of the Council. The development of the Council's future financial strategy will be clear about the financial expectations of ip&e and how this will impact on the Council's budget.
- 3.12. Setting the Financial Strategy and agreeing the detailed changes necessary to deliver the agreed budget for the next financial year, will take into account the requirements of the Human Rights Act, any necessary environmental appraisals and the need for Equalities Impact Needs Assessments and any necessary service user consultation.

#### 4. The Current Year Budget, 2014/15

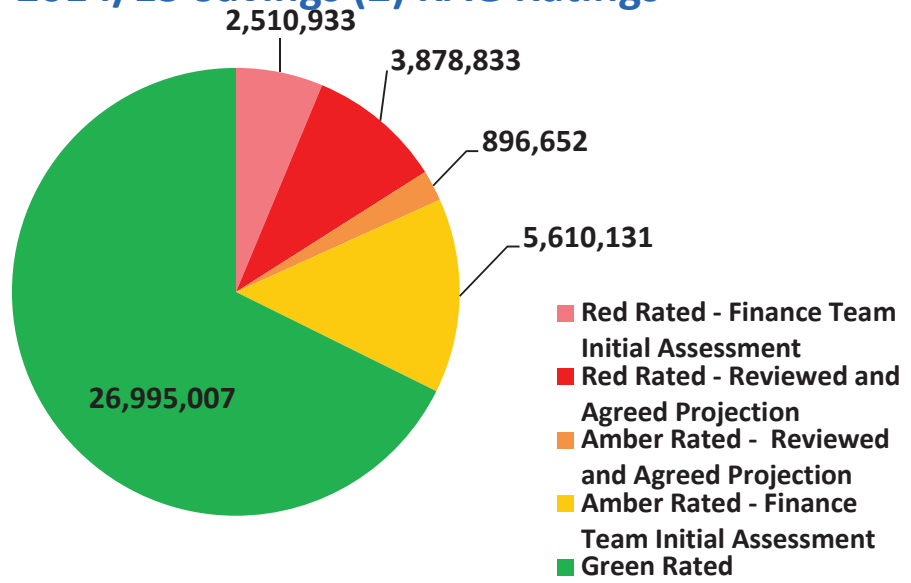
- 4.1. In February, Council agreed a savings target of £41.531m for 2014/15 and savings identified against this target of £39.892m. It was recognised that there was a shortfall on savings target of £1.639m in 2014/15 which would need to be identified from within 2014/15 budget.
- 4.2. The proposals put forward for 2014/15 were reviewed to consider risks associated with delivery within available timescales as follows:
- Green – Saving identified, quantified and confirmed and achieved
- Amber – Saving identified, quantified and confirmed but not yet achieved
- Red, either – Saving identified but not quantified and confirmed or achieved, or – Saving unachievable
- 4.3. The report recognised that revision and re-phasing of growth proposals reflected an increase in, and addition to, the resources available to offset savings of £6.262m in 2014/15 on a one off basis. The first call on this is the shortfall on savings identified in 2014/15 of £1.639m. The remaining balance is available to address financial issues within 2014/15.
- 4.4. Following Council in February, work has been undertaken to review the RAG categorisation of savings, extend the categorisation to all 3 years of the financial strategy and identify any areas where the achievement of saving and/or redesign of service is at risk of being significantly delayed or unachievable. These areas have been referred to as Key Areas of Concern and have been the subject of heightened management action by Directors and Cabinet Members from 11 June 2014.
- 4.5. Table 1 below identifies the RAG rating for all 2014/15 proposals based on:
- An initial assessment;
  - Review by the Finance Team based on financial evidence available; and finally
  - Overlay by Directors and Portfolioholders based on delivery of milestones and action being undertaken on the ground (in the absence of financial data to justify projections).

**Table 1: Update on Delivery of 2014/15 Savings Proposals**

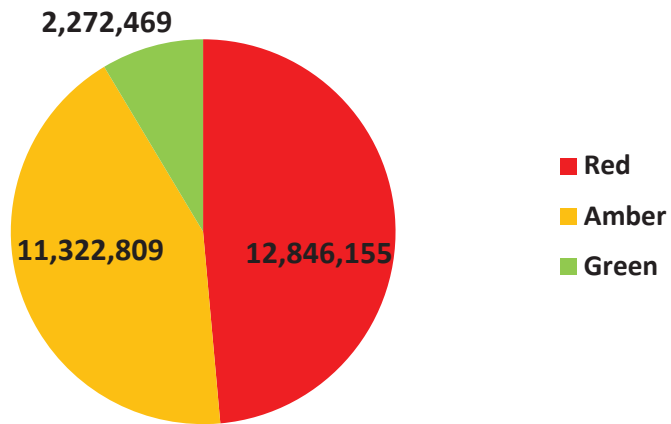
Service Area	Position as at 11 <sup>th</sup> June 2014 £'000	Finance Team Initial Assessment as at Period 3 £'000	Reviewed and Agreed Projection for Period 3 £'000
<b>Red Savings</b>			
Adult Services	1,304	2,511	0
Children's Services	2,922	1,908	1,908
Commissioning	1,287	1,287	1,287
Public Health	0	0	0
Resources & Support	684	684	684
Corporate	0	0	0
	6,197	6,390	3,879
<b>Amber Savings</b>			
Adult Services	5,781	4,812	0
Children's Services	999	569	0
Commissioning	774	774	774
Public Health	0	0	0
Resources & Support	352	352	123
Corporate	0	0	0
	7,906	6,507	897
<b>Green Savings</b>			
Adult Services	3,148	2,910	10,233
Children's Services	3,291	4,735	5,304
Commissioning	6,144	6,144	6,144
Public Health	55	55	55
Resources & Support	6,351	6,351	6,580
Corporate	6,800	6,800	6,800
	25,789	26,995	35,116
<b>TOTAL SAVINGS</b>	<b>39,892</b>	<b>39,892</b>	<b>39,892</b>

- 4.6. The most recent categorisation, as at Period 3, is shown in the pie charts below with detail by service area and change since the last reported position detailed in Appendix 1.

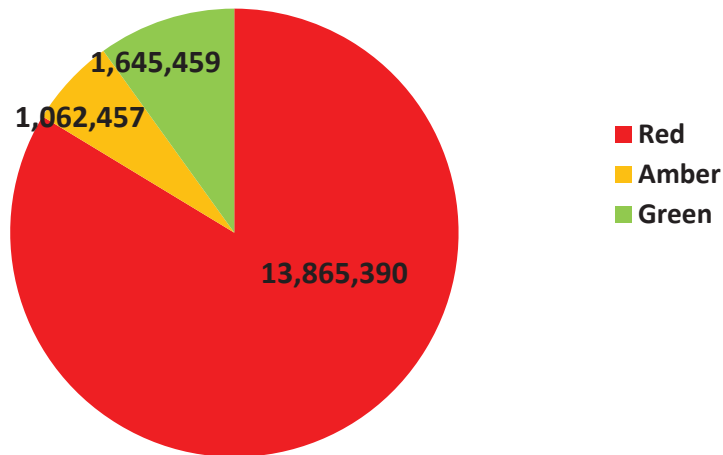
### 2014/15 Savings (£) RAG Ratings



### 2015/16 Savings (£) RAG Ratings



## 2016/17 Savings (£) RAG Ratings



4.7. The key areas of concern around achievement of savings and service redesign identified to date are:-

- Adults services – Contracts, Direct Payments, Purchasing and Transition
- Children's Services – Looked After Children, Learning and Skills (savings from Inspire To Learn Project)
- Commissioning Services – Environmental Maintenance, Waste Management
- Resources and Support – Property (rationalisation of assets)

4.8. Savings relating to these key areas of concern form a significant amount of red rated saving identified in 2014/15 and into future years and by identifying them as key areas early in the process, it is possible to provide greater resilience to the Medium Term Financial Plan. Where further review identifies areas where savings are delayed or not achievable in 2014/15, there is the possibility that they can be covered in 2014/15 by the use of one off savings/ grants/ reserves when the underlying saving still remains to be implemented. Where the on-going saving can be implemented, but over a longer timescale, this approach does not destabilise the Financial Strategy. Where a saving proves unachievable, for whatever reason, this will be reported back through the Financial Strategy and alternative approaches identified. This is discussed in more detail below.

- 4.9. A separate report to Cabinet on 30 July 2014 considers Period 3 Revenue Monitoring position. At this early stage in the year the projection is that the revenue budget for 2014/15 will be £3.225m overspent.
- 4.10. The monitoring report provides detail on the build up of this overspend projection, in terms of unachievable 2014/15 savings and other service pressures or funding.
- 4.11. For the Financial Strategy it is the impact of any 2014/15 monitoring issues in future years which is important. Often pressures arising within a year are dealt with on a one off basis within year and the ongoing pressure then needs to be addressed in the next financial year. This is true for both unachievable savings and new service pressures.
- 4.12. As we move into 2015/16 budget, the current assumption is that £41.531m of savings have been achieved and expenditure to be incurred in 2015/16 can be financed by the resources identified for 2015/16. Where information arising from 2014/15 monitoring makes this assumption incorrect it is important this is identified.
- 4.13. The tables below provide a summary by service area of budget issues identified in the current year monitoring projections which will impact on future years budgets

**Table 2: Red and Amber rated Savings in 2014/15 which may have implications for future years**

	<b>Red Savings detailed in Projection £'000</b>	<b>Amber Savings detailed in Projection £'000</b>	<b>Total  £'000</b>
Adult Services	0	0	0
Children's Services	1,908	0	1,908
Commissioning	1,287	774	2,061
Public Health	0	0	0
Resources & Support	683	123	806
Corporate	0	0	0
<b>TOTAL</b>	<b>3,878</b>	<b>897</b>	<b>4,775</b>

**Table 3: Pressures identified in 2014/15 which may have implications for future years**

	Ongoing Monitoring Pressures Identified	Ongoing Savings Delivered	Ongoing Monitoring Savings Identified	Total
	£'000	£'000	£'000	£'000
Adult Services	2,846	0	-34	2,812
Children's Services	416	-3	-416	-3
Commissioning	2,542	-483	0	2,059
Public Health	0	0	0	0
Resources & Support	428	0	0	428
Corporate	0	0	0	0
<b>TOTAL</b>	<b>6,232</b>	<b>-486</b>	<b>-450</b>	<b>5,296</b>

- 4.14. At this stage in the financial year, the issues identified above are being actively monitored and regular meetings with Portfolio holders are being held to accelerate decision making to progress achievement of savings. It has been made clear that savings must be achieved or alternatives found. Any delay in implementation must be offset by one off savings.
- 4.15. The Period 3 Monitor identifies savings flagged as Red and Amber for which there is a degree of uncertainty over deliverability and also pressures within services that fall outside of savings proposals. The total proposals flagged Red and Amber sum to £4.775m (as shown in Table 2), although at this stage it is anticipated that these are deliverable in a longer timeframe or can be replaced by alternative proposals and as such do not destabilise the Financial Strategy. In addition, the Period 3 monitor has identified £4.727m of pressures that have arisen in-year, but have the potential to continue into future years, causing an issue that needs to be recognised and managed within the Medium Term Financial Plan. The current estimate of the net pressures requiring resolution in the longer term is £5.296m (as shown in Table 3). In the main this pressure consists of the ongoing pressure identified late in 2013/14 relating to the revenue and capital split in redesigned highways and environmental maintenance work, and growth in Adult Social Care placements currently appearing to exceed the modelled growth identified over the Medium Term Financial Plan period. These issues are not yet at a stage where financial implications can be built into the Financial Strategy, instead they are currently being flagged as issues for further investigation only.
- 4.16. The monitoring and balancing of the 2014/15 budget will continue to be reported throughout 2014/15 as part of the monitoring reports.

4.17. For 2014/15, any projected overspend would have to be financed by the general reserve which has a balance as at 1 April 2014 of £14.497m.

## 5. Resource and Expenditure Projections 2015/16 and 16/17

5.1. The Council Business Plan and Financial Strategy agreed by Council in February identified the expenditure and resource projections for 2015/16 and 2016/17.

5.2. The projections have been revised to reflect the latest information and also to include initial projections for 2017/18. The table below provides the information provided at Council and the updated information with further explanation of any changes detailed in the paragraphs below.

**Table 3: Resource and Expenditure Projections 2015/16-2017/18**

	2014/15 Feb 14 Council £'000	2015/16 Feb 14 Council £'000	2015/16 Revised £'000	2016/17 Feb 14 Council £'000	2016/17 Revised £'000	2017/18 Projection £'000
<b>Resources</b>		<b>558,886</b>	<b>551,510</b>	<b>548,424</b>	<b>540,015</b>	<b>531,072</b>
<b>Expenditure Projections</b>		<b>579,022</b>	<b>572,125</b>	<b>586,893</b>	<b>578,678</b>	<b>582,483</b>
<b>Cumulative Savings Target</b>				<b>38,469</b>	<b>38,664</b>	<b>51,410</b>
<b>Achieved in Previous Year(s)</b>	<b>41,531</b>			<b>20,136</b>	<b>20,615</b>	<b>38,664</b>
<b>In Year Savings</b>		<b>20,136</b>	<b>20,615</b>	<b>18,333</b>	<b>18,048</b>	<b>12,746</b>
<b>Change (Cum)</b>			<b>479</b>		<b>194</b>	

### Resource Projections

5.3. Government funding to Shropshire includes Revenue Support Grant and, in Shropshire's case, top up grant. When the current Local Government Finance system was introduced in April 2013, approximately 50% of funding came from Revenue Support Grant and the remainder from locally retained Business Rates adjusted by top ups and tariffs. The government made



assumptions about the amount of locally retained business rates to calculate top up and tariff payments at the start of the system to ensure the new system did not inadvertently adjust any local authority's total government funding. The Assumed Locally Retained Business Rates, Top Up Payment and the Revenue Support Grant together are referred to as the Authority's Settlement Funding Assessment. The Assumed or Baseline Business Rates and Top Up figure are fixed in real terms and increased annually by RPI as part of the funding mechanism. Any change to the total government funding is therefore only implemented by a change in Revenue Support Grant as the other two funding components are fixed.

- 5.4. The Settlement Funding Assessment is important for the Authority as it is used not only to calculate % reductions going forward but also the Baseline Business Rates is used to calculate Shropshire's safety net. However, for resource projections Shropshire uses its own projections on locally retained Business Rates based on up to date local information which is also included in government returns.
- 5.5. The 2014/15 Local Government Finance Settlement in February 2014 provided illustrative figures for 2015/16. These showed a reduction in Settlement Funding Assessment of 14% and a consequence reduction in the Revenue Support Grant Element of 27.5% for 2015/16. Our current assumptions for 2016/17 assume a reduction of 11.5% in Settlement Funding Assessment and 25.5% in Revenue Support Grant. A recent survey carried out by the Society of County Treasurers Technical Team in Somerset indicates that other authorities are assuming reductions in funding between 8% and 14%.
- 5.6. In terms of Locally Retained Business Rates, projections for 2015/16 have been updated following the outturn position for 2013/14 and increased information about appeals, reliefs and adjustments between the collection and general fund. No growth has been built into Business Rates projections going forward. Although the business rates multiplier will increase by RPI each year (unless restricted), the rateable value projections are too volatile for any growth to be assumed at this stage. This assumption is in line with assumptions around future Business Rates levels made by other authorities who replied to the technical team survey referred to above.
- 5.7. Council tax income projections have been updated to increase the growth in council tax base projected from 0.2% to 0.5%. Council Tax has been frozen at 2014/15 levels going forward.
- 5.8. The Local Government Department Expenditure Limit (DEL) used in the calculation of illustrative 2015/16 funding calculations has been top sliced for several things such as new homes bonus, safety net payments and

capitalisation of transformation expenditure. The government policy on this top slicing is that any unused top sliced amounts will be returned to local authorities. The current projections include a returned amount for new homes bonus as indicated in the settlement details but no return for other items. In 2013/14, the Council received notification of £354k for return of unused capitalisation top slice on 27 March 2014. Further returns could be made in 2014/15 and future years providing an in year bonus.

- 5.9. Income from Specific Grants has been revised to reflect the latest information. Revised amounts for 2014/15 will be dealt with as part of revenue monitoring. In 2015/16 there has been a reduction from the initial projections of £6.8m. Of this, £3m, is a net adjustment for grant recoupment for academy status and additional funding for High Needs. Also within Children's services, Education Services Grant (ESG) has reduced significantly both in 2014/15 and further in 2015/16. In addition, a number of grants will cease in 2015/16 including Local Sustainable Transport Fund and Social Fund Grant. The current assumption is that reductions in specific grants will be offset by reductions in expenditure in the service areas. This assumption may need to be revisited as services continue to be reviewed throughout this year.
- 5.10. Assumptions on the payment of Council tax freeze grant are based on budget announcements and are as follows:
- 2011/12 was paid as specific grant in 2011/12 and was then rolled into the base funding
  - 2012/13 was paid for 1 year only
  - 2013/14 was paid as a grant in 2013/14 and then added to the Local Government Departmental Expenditure Limit (LG DEL) in 2014/15
  - 2014/15 will be paid as a grant in both 2014/15 and 2015/16 and will then be built into spending review baselines
  - 2015/16 will be paid as a grant in 2015/16 only
  - 2016/17 and future years – no announcement has been made regarding further grants in 2016/17 and beyond.
- 5.11. Included within specific grants are additional grants paid to the Council as a result of government policies on business rates which have reduced the Council's share of Business Rates income. Examples of these are the cap of 2% on the increase in the rateable value multiplier and the temporary extension of the doubling of small business rate relief scheme.

5.12. Income from fees and charges has been left at current levels in the projections. As savings are implemented and services are redesigned income from fees and charges will change however at this stage there is insufficient information to amend the current figures.

5.13. Detailed Resource projections are shown in Appendix 2

### **Expenditure Projections**

5.14. The expenditure projections include growth for pay and prices, demography, use of New Homes Bonus funding and adjustments to reflect changes between years for grants.

5.15. A review of pay and prices inflation has resulted in small net adjustments in both 2015/16 and 2016/17 using the latest employee costs and contract information. It is clear that going forward there will be a change in the relative size of each of these expenditure groups. This will effect pay and prices calculations. The Council will need to ensure that as it moves to a commissioning council, it does not increase the financial risk of increased costs due to inflationary linked contracts.

5.16. Although a debt charge figure is shown in 2015/16 and 2016/17, this has been used as a saving. The current projections assume that the Council will not increase it's borrowing. A change in the capital strategy to borrow would mean that this saving could not be achieved and revenue growth for debt charges would need to be found.

5.17. The figures included for demographic growth for Adults and Children's were reviewed last Autumn. Both Adults and Children's services are monitoring the actual growth the services are encountering and further information on this will be provided in future financial strategies.

5.18. As detailed above in the Resource projections, changes in specific grants are assumed to change expenditure projections by the same amount. If reductions in specific grant funding can not be matched by a reduction in expenditure this would increase savings requirements.

5.19. There are a number of grants currently being received which the Council has no budgeted expenditure against. These include the s31 grants for Business Rates, Council Tax freeze Grant and any return of top sliced amounts. In 2013/14, growth of £2.277m was built in for a provision for business rates appeals. This figure was required on a one off basis in 2013/14 and it is anticipated that future appeals liabilities will be dealt with through the Business Rates Collection Fund.

- 5.20. The current expenditure projections do not include any new base budget commitments which may arise as the Council develops its plans towards a University for Shropshire. This is considered later in section 7.
- 5.21. At this stage the revised resource and expenditure projections change the 2015/16 position by less than £0.5m and in 2016/17 the change is reduced to less than £0.2m. On this basis the savings target within the Council Plan and Financial Strategy agreed by Council on 27 February 2014 of £80m over 3 years will not be revised. As we continually refine and update the financial strategy this target will remain under review.
- 5.22. Detailed Expenditure projections are shown in Appendix 3

## **6. 2017/18 Initial Projections**

- 6.1. Resource projections for 2017/18 indicate a further reduction in revenue support grant of £9.5m. This reduction in resources is offset slightly by growth in Council tax base which is estimated to increase the income from Council Tax by £0.6m. In addition to this reduction in resources, current projections for inflationary growth are £4.1m. The Council is therefore facing a shortfall in resources of at least £13m in 2017/18. Services pressures including demography or increased borrowing would add to this funding shortfall.
- 6.2. Service pressures identified to date which would impact on 2017/18 budget include auto enrolment. Auto enrolment was introduced in April 2013. The scheme means that employees not currently opted into the pensions scheme would be periodically opted in and would have to physically request to be left out. It is therefore envisaged that more employees will become scheme Members. This comes at a cost to Shropshire Council by way of having to make pension contributions for those employees newly opted in. Shropshire Council has been able to defer the staging date for the scheme so that it does not commence until April 2017 therefore no extra pension cost will be incurred until the financial year 2017/18. It is difficult to estimate the financial implications of this as it will depend on the employees who decide to remain opted in. It has previously been estimated that on the basis of a worst case scenario costs could be in excess of £1m.
- 6.3. In addition a major pressure facing Adult Social Services is the introduction of the Care Act 2014. Members were provided with a briefing note on the Dilnot Report – Implications for Shropshire Council as part of the Financial Strategy report considered by Cabinet on 15 January 2014. In May 2014, the Care Bill received royal assent and the Act introduces legislative changes based on the findings and recommendations in the

Dilnot Report. Changes arising from the Act are phased with some changes around assessments coming in from 1 April 2015 the financial implications of which are currently uncertain. Changes around thresholds and the cap will be introduced from 1 April 2016 which will create additional funding pressures in 2016/17 which will increase in 2017/18 as client contributions reach the cap. The government has indicated that additional funding will be made available to local authorities to fund additional costs including implementation costs. The financial implications of the Act are currently being modelled and further information will be provided later in this financial year.

## 7. University of Shropshire

- 7.1. Council received a report on 17 July 2014 outlining plans for a University for Shropshire and approved a project budget of up to £1m to allow the development of plans including pre contract/construction activity and any costs associated with decanting staff from buildings. This funding is within existing budgets previously earmarked for transformation.
- 7.2. Council will receive a further report on a developed Business Case for the University at its meeting on 25 September 2014. The financial implications of any proposals will be included in an updated Council Business Plan and Financial Strategy which will be taken to the same meeting for approval.

## 8. The impact on the Council’s budget of Transfers to the Council’s wholly owned company i,p&e

- 8.1. There have been two areas of service which have transferred to ip&e to date, Media Services known as ThreeSixty Communications and the Project Management Office and the Business Design team, known at the time as ‘Change for the Best’. The estimated budget available to commission these services is shown below:

**Table 3: Budgets identified to commission services from ip&e**

	2015/16 - Estimate	2016/17 - Estimate
	£	£
Programme Management Office	315,160	186,660 (TBC)
Business Design Team	209,160	166,260
<b>“Change for the Best” sub total</b>	<b>524,320</b>	<b>352,920</b>
ThreeSixty Communications	272,680	242,980

<b>Total</b>	<b>797,000</b>	<b>595,900</b>
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- 8.2. As reported in February to Council, the budget for “Change for the Best” for 2016/17 has still to be agreed. It can be seen that a substantial reduction has been made to the budgets available to commission services. It is envisaged that the services within ip&e will strive to generate external income to offset the reductions in council spending. Alternatively, savings will need to be found from expenditure budgets.
- 8.3. Other services which have currently been agreed for consideration to transfer to ip&e include Public Health Services – ‘Help to Change’, School Support Services - ‘Inspire to Learn’ and Regulatory and Business Support Services - ‘Fulcrum’.
- 8.4. ip&e are currently preparing it's Annual Business Plan which has been held back while the potential for the above services and implications of the University proposal are given due consideration. Once available, the ip&e Annual Business Plan will allow costings to be included In the Council’s financial Strategy over a three year period.
- 8.5. As further services are considered for transfer to ip&e, full consideration will be given to the budget available both in the current year and future years for the council to commission transferring services. Services transferring will be clear about future savings to be made by the council from the budget available to commission services from ip&e.

## **9. Longer Term Financial Outlook**

- 9.1. The longer term financial outlook as detailed in the Council’s Business Plan and Financial Strategy agreed by Council in February 2014 is continually being updated and refined. Details of how the Council is working differently now and how this will develop over the coming years will be set out in more detail over the coming months, ahead of a refresh of the Council’s Business Plan and Financial Strategy for the next Medium Term Financial Plan 2016/17 to 2018/19.

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

Council Business Plan and Financial Strategy 2014-17 – Council 27 February 2014

**Cabinet Member (Portfolio Holder)**

Keith Barrow – Leader

**Local Member**

All

**Appendices**

Appendix 1 2014-17 Savings RAG Rated

Appendix 2 Resource Projections 2015/16 – 2017/18

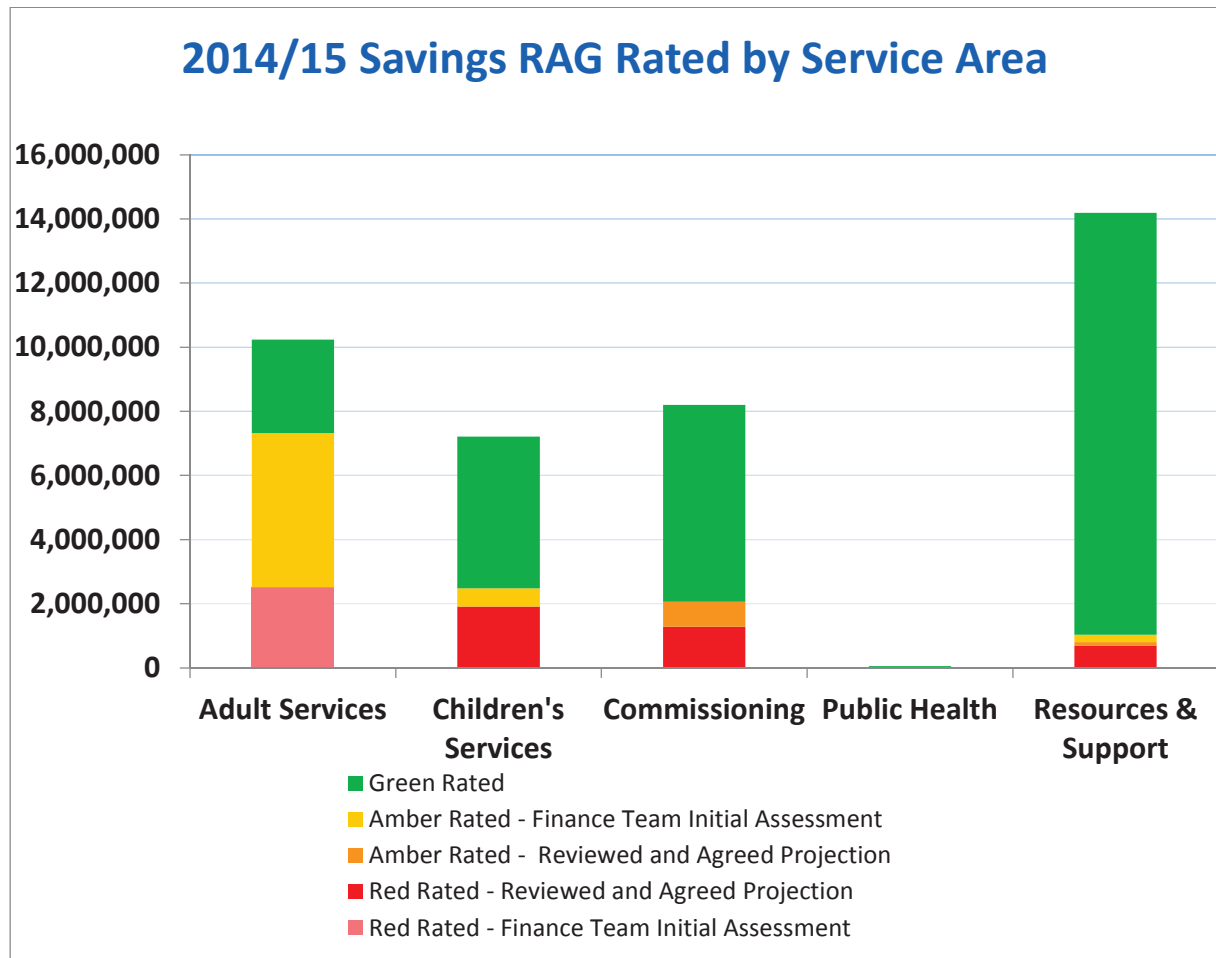
Appendix 3 Expenditure Projections 2015/16 – 2017/18

APPENDIX 1

2014/15, 2015/16 AND 2016/17 SAVINGS RAG RATED

2014/15 Savings RAG Ratings			
Red £	Amber £	Green £	Total £

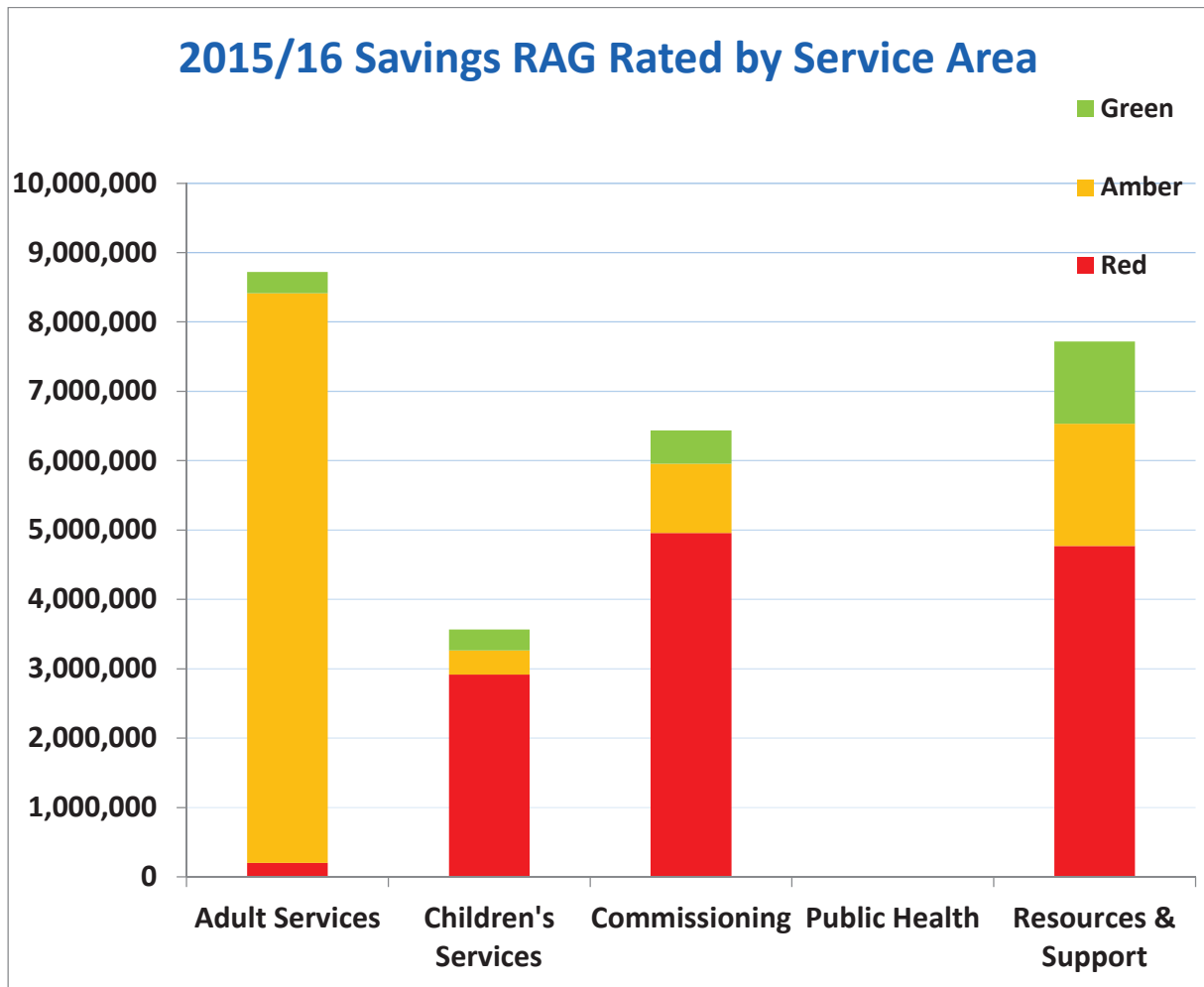
Adult Services	0	0	10,233,360	<b>10,233,360</b>
Children's Services	1,908,329	0	5,303,671	<b>7,212,000</b>
Commissioning	1,287,072	773,757	6,144,378	<b>8,205,207</b>
Public Health	0	0	54,727	<b>54,727</b>
Resources & Support	683,432	123,000	13,379,830	<b>14,186,262</b>
<b>Council</b>	<b>3,878,833</b>	<b>896,757</b>	<b>35,115,966</b>	<b>39,891,556</b>





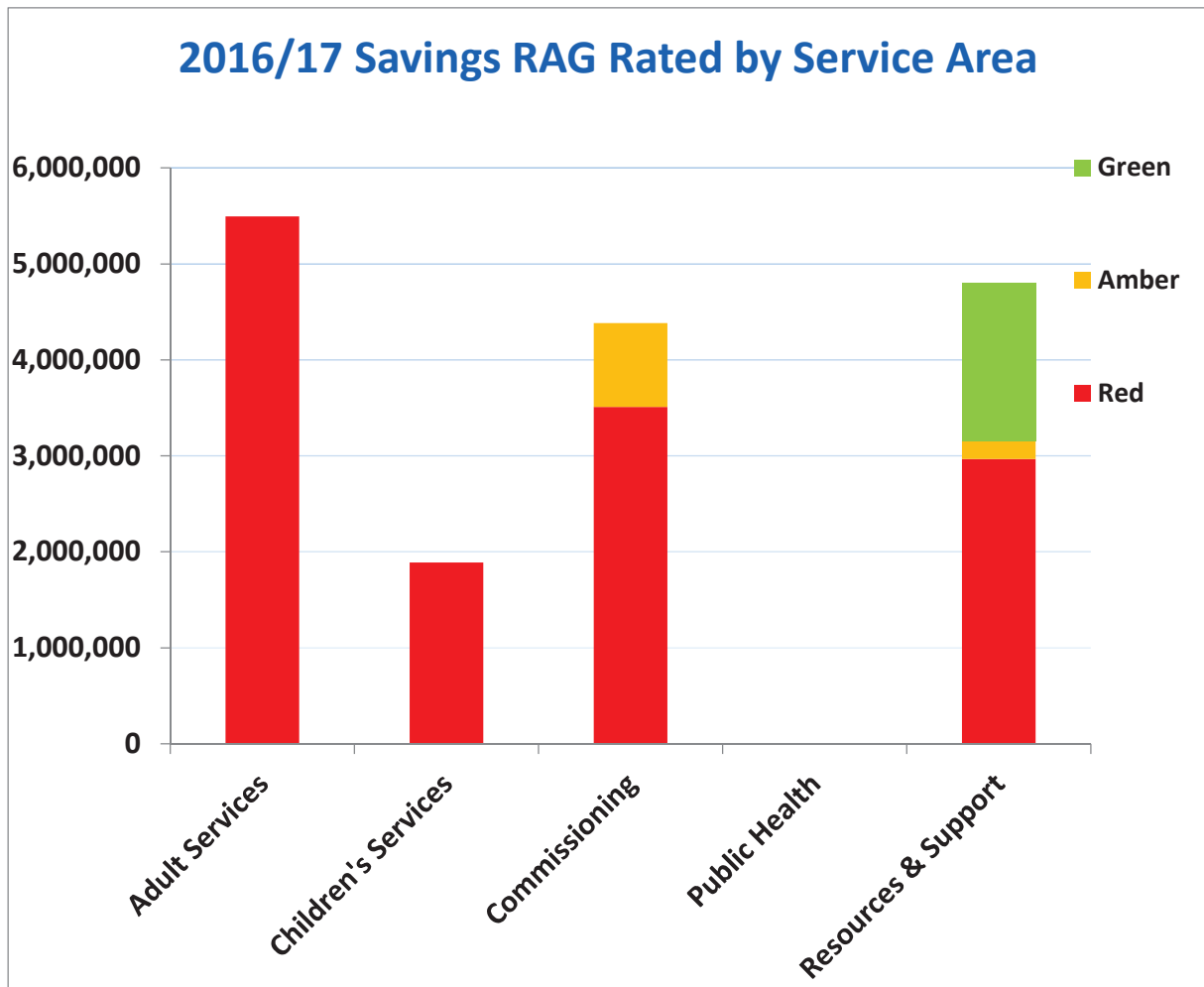
APPENDIX 1 (CONTINUED)

	2015/16 Savings RAG Ratings			
	Red £	Amber £	Green £	Total £
Adult Services	200,000	8,214,237	306,500	8,720,737
Children's Services	2,915,000	350,000	300,000	3,565,000
Commissioning	4,958,574	997,387	481,618	6,437,579
Public Health	0	0	0	0
Resources & Support	4,772,581	1,761,185	1,184,351	7,718,117
<b>Council</b>	<b>12,846,155</b>	<b>11,322,809</b>	<b>2,272,469</b>	<b>26,441,433</b>



APPENDIX 1 (CONTINUED)

	2016/17 Savings RAG Ratings			
	Red £	Amber £	Green £	Total £
Adult Services	5,496,246	0	0	5,496,246
Children's Services	1,890,000	0	0	1,890,000
Commissioning	3,511,238	871,609	0	4,382,847
Public Health	0	0	0	0
Resources & Support	2,967,906	190,848	1,645,459	4,804,213
<b>Council</b>	<b>13,865,390</b>	<b>1,062,457</b>	<b>1,645,459</b>	<b>16,573,306</b>



	<b>Total Council Savings 2014/15 To 2016/17</b>			
	<b>Red</b>	<b>Amber</b>	<b>Green</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Adult Services	8,207,179	13,026,408	3,216,756	<b>24,450,343</b>
Children's Services	5,814,329	918,960	5,933,711	<b>12,667,000</b>
Commissioning	10,144,459	2,255,178	6,625,996	<b>19,025,633</b>
Public Health	0	0	54,727	<b>54,727</b>
Resources & Support	8,423,919	2,303,928	15,980,745	<b>26,708,592</b>
<b>Council</b>	<b>32,589,886</b>	<b>18,504,474</b>	<b>31,811,935</b>	<b>82,906,295</b>

					APPENDIX 3
<b>SHROPSHIRE COUNCIL - FINANCIAL SUMMARY 2015/16 to 2017/18</b>					
	2015/16	2015/16	2016/17	2016/17	2017/18
	27 Feb 2014	30 July 2014	27 Feb 2014	30 July 2014	30 July 2014
	£	£	£	£	£
<b>Expenditure</b>					
<i>Original Gross Budget Requirement</i>	572,138,661	572,138,661	579,022,206	572,125,394	578,678,441
<b>Current Year Monitoring Issues with ongoing implications</b>					
- Asset Sales - Removal of income stream	50,000	50,000	50,000	50,000	0
- As identified as at P3- no growth included as at P3		0		0	0
2014/15 - New Budget Growth					
<b>Inflation</b>					
- Prices	2,852,381	2,796,947	3,006,053	2,921,147	3,058,689
- Pav 1% award	885,196	710,957	839,083	723,654	734,834
- Pav Increment	496,988	637,769	281,097	480,607	332,950
- Pension Costs	0	0	3,500,000	3,500,000	0
- Auto Enrolment (impacts 2017/18)-ESTIMATE	0		0		TBC
<b>Committed Growth</b>					
- Debt Charges (Reduced as part of Savings)	1,000,000	1,000,000	1,000,000	1,000,000	0
<b>New Growth</b>					
- Demography: Adults	1,758,000	1,758,000	1,500,000	1,500,000	0
- Demography: Childrens services	1,183,000	1,183,000	1,183,000	1,183,000	0
New Service Pressures					
New Investment funding- One year only	(2,000,000)	(2,000,000)			
Repaying for borrowing for Redundancies			2,000,000	2,000,000	0
Care Act implications					TBC
<b>Changes to Expenditure Reflected in Resources</b>					
Specific Grant Changes from Previous Year Including New Responsibilities	2,724,070	(4,083,850)	0	(1,317,000)	(321,980)
<b>Offsetting Budget Adjustments</b>					
Use of NHB Smoothing	(1,609,000)	(1,609,000)	(1,909,000)	(1,909,000)	0
Reallocation of Business Rates Appeals Base Budget		(2,277,816)			
Additional Contribution to offset Delay in Savings Achievement		2,277,816			
Contributions to Savings for changes in Projections					
- Net Growth Change	2,167,600	2,167,600	(3,749,700)	(3,749,700)	
- Net Resources Change-14/15 one year only	-2,454,351	-2,454,351			
- Net Resources Change-15/16 one year only	(170,339)	(170,339)	170,339	170,339	
<b>Gross Budget Requirement (Excluding Internal Market)</b>	579,022,206	572,125,394	586,893,078	578,678,441	582,482,934



<u>Committee and Date</u>	<u>Item</u>
Cabinet	
30 <sup>th</sup> July 2014 12:30pm	7
	<u>Public</u>

## FINANCIAL STRATEGY 2015/16 – 2017/18

**Responsible Officer** James Walton  
e-mail: james.walton@shropshire.gov.uk Tel: 01743 255011

### 1. Summary

This overview includes the latest estimates of the Council's revenue resources and expenditure. It is set in the context of the Council's other key strategic documents, in particular, the Treasury Management Strategy and the Capital Strategy which is now incorporated within the Business Plan.

The Council Business Plan and Financial Strategy 2014/15 to 2016/17 was agreed by Full Council on 27 February 2014. The Plan identified a funding gap of £80m over the 3 years 2014/15 to 2016/17 and sets out the Council's approach to redesigning services and delivering the required savings by making the best use of resources available. The Financial Strategy is a rolling plan which is revised throughout each financial year, usually quarterly, as more information becomes available about the level of resources, service pressures and service delivery changes. This report is the first Financial Strategy in 2014/15. The report will consider the information from current year monitoring reports and any implications of this for future year's budgets. It will also consider revised information for years 2 and 3, 2015/16 and 2016/17 of the current financial plan and outline initial projections for 2017/18.

### 2. Recommendations

It is recommended that members:

- A. Note that the funding gap of £80m for the period 2014-17 identified in the Council Business Plan and Financial Strategy agreed by Council in February 2014 is retained for planning purposes.
- B. Note the initial funding gap identified for 2017/18, which will be refined before being built into the Council's next Medium Term Financial Plan

- C. Note that a further, updated report, is due to be presented to Council in September to reflect the financial implications of the planned university and Annual Business Plan for ip&e.

## REPORT

### 3. Risk Assessment and Opportunities Appraisal

- 3.1. The development and delivery of the Council's Business Plan and Financial Strategy for the next three years is the key process in managing many of the Council's strategic risks. The opportunities and risks arising are assessed each time the document is refreshed for Cabinet consideration. The Council's Strategic Risks are reported separately, but the Business Plan and Financial Strategy makes specific reference to the significant financial uncertainty across Local Government in the Medium Term.

#### Financial Uncertainty

- 3.2. The 2014/15 funding settlement gave illustrative figures for 2015/16 only. There is a risk that these figures are further reduced when the provisional 2015/16 settlement is announced in December 2014. Also there is increased uncertainty around funding levels beyond the current parliamentary term. This increases uncertainty both in 2015/16 and future years as previously incoming governments have made in year as well as future year changes to local government departmental expenditure limits.
- 3.3. As government funding reduces, the Council becomes more reliant on locally retained business rates. As detailed in previous reports, a reduction in business rate income in any year would have to be around 10% before a safety net payment would be invoked. This drop is higher than the 7.5% indicated in the funding mechanism as the Council's budgeted business rate income is higher than the baseline level that the 7.5% drop would be measured against.
- 3.4. Locally retained business rates introduce uncertainty to the Council's in year available resources; previously the Council was informed of the amount of redistributed business rates it would receive before the start of the financial year, under the new system the resources the Council actually receives will only be estimated in advance and could vary significantly.
- 3.5. Variations from budgeted revenues for both Business Rates and Council Tax are dealt with through the relative collection fund account. The timing of the availability of the final figures means that adjustments required, i.e. deficits or surpluses on the collection fund, fall 2 years after the year in which they relate. To mitigate the risk of large variations in estimated Business Rates, monitoring of Business Rates income will be further

developed and reported regularly, reducing risk as the level and quality of data is increased.

- 3.6. The funding mechanism does not reflect any service needs changes from year to year. It is proposed that the system will not be reset for 7 years i.e. until 2020/21.
- 3.7. By creating a Financial Strategy that continues to look beyond the next three years 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.
- 3.8. 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 becomes embedded this will mean the revision of newly introduced provisions for rating appeals and other fluctuations.
- 3.9. The Council has started the financial year 2014/15 with a reasonable level of general reserve to help mitigate against the risk of delay in implementation of the significant savings proposals. It is essential that this is kept under review both in the current year and with a view to future years and balancing the budget.

#### **Other Risks and Opportunities**

- 3.10. The Business Plan and 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.
- 3.11. The Council's Business Plan and Financial Strategy recognises that there are risks and opportunities associated with ip&e as it is a wholly owned company of the Council. The development of the Council's future financial strategy will be clear about the financial expectations of ip&e and how this will impact on the Council's budget.
- 3.12. Setting the Financial Strategy and agreeing the detailed changes necessary to deliver the agreed budget for the next financial year, will take into account the requirements of the Human Rights Act, any necessary environmental appraisals and the need for Equalities Impact Needs Assessments and any necessary service user consultation.

#### 4. The Current Year Budget, 2014/15

- 4.1. In February, Council agreed a savings target of £41.531m for 2014/15 and savings identified against this target of £39.892m. It was recognised that there was a shortfall on savings target of £1.639m in 2014/15 which would need to be identified from within 2014/15 budget.
- 4.2. The proposals put forward for 2014/15 were reviewed to consider risks associated with delivery within available timescales as follows:  
  
Green – Saving identified, quantified and confirmed and achieved  
  
Amber – Saving identified, quantified and confirmed but not yet achieved  
  
Red, either – Saving identified but not quantified and confirmed or achieved, or – Saving unachievable
- 4.3. The report recognised that revision and re-phasing of growth proposals reflected an increase in, and addition to, the resources available to offset savings of £6.262m in 2014/15 on a one off basis. The first call on this is the shortfall on savings identified in 2014/15 of £1.639m. The remaining balance is available to address financial issues within 2014/15.
- 4.4. Following Council in February, work has been undertaken to review the RAG categorisation of savings, extend the categorisation to all 3 years of the financial strategy and identify any areas where the achievement of saving and/or redesign of service is at risk of being significantly delayed or unachievable. These areas have been referred to as Key Areas of Concern and have been the subject of heightened management action by Directors and Cabinet Members from 11 June 2014.
- 4.5. Table 1 below identifies the RAG rating for all 2014/15 proposals based on:
  - An initial assessment;
  - Review by the Finance Team based on financial evidence available; and finally
  - Overlay by Directors and Portfolioholders based on delivery of milestones and action being undertaken on the ground (in the absence of financial data to justify projections).

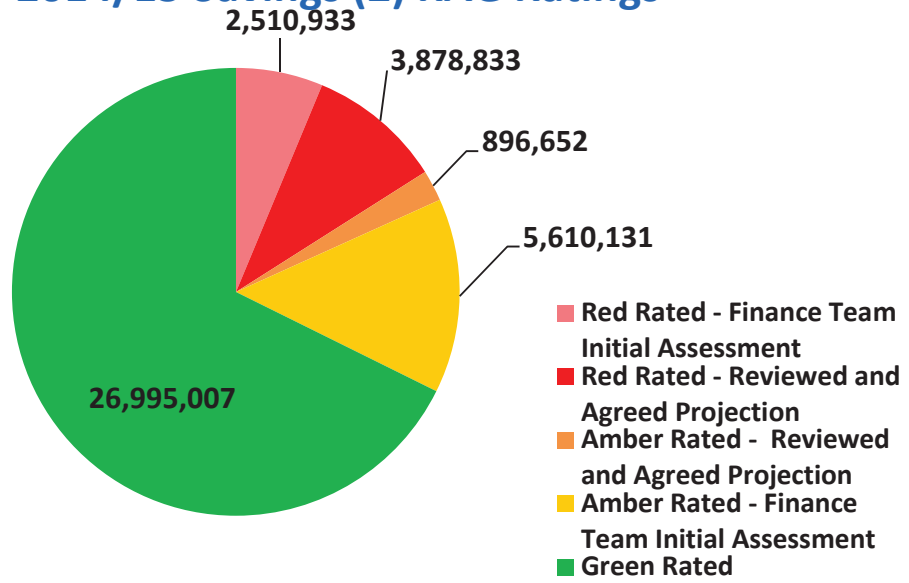


**Table 1: Update on Delivery of 2014/15 Savings Proposals**

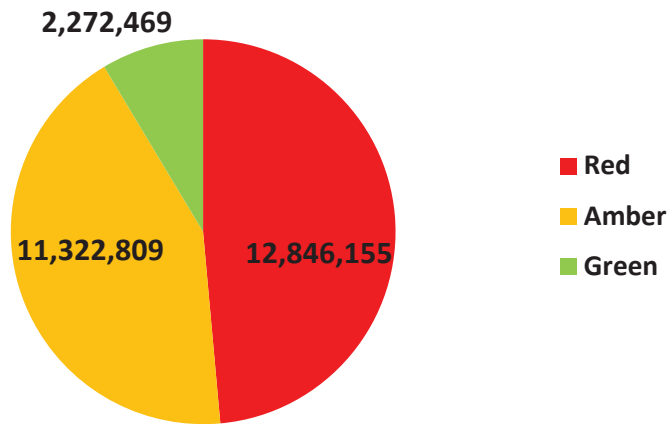
Service Area	Position as at 11 <sup>th</sup> June 2014 £'000	Finance Team Initial Assessment as at Period 3 £'000	Reviewed and Agreed Projection for Period 3 £'000
<b>Red Savings</b>			
Adult Services	1,304	2,511	0
Children's Services	2,922	1,908	1,908
Commissioning	1,287	1,287	1,287
Public Health	0	0	0
Resources & Support	684	684	684
Corporate	0	0	0
	6,197	6,390	3,879
<b>Amber Savings</b>			
Adult Services	5,781	4,812	0
Children's Services	999	569	0
Commissioning	774	774	774
Public Health	0	0	0
Resources & Support	352	352	123
Corporate	0	0	0
	7,906	6,507	897
<b>Green Savings</b>			
Adult Services	3,148	2,910	10,233
Children's Services	3,291	4,735	5,304
Commissioning	6,144	6,144	6,144
Public Health	55	55	55
Resources & Support	6,351	6,351	6,580
Corporate	6,800	6,800	6,800
	25,789	26,995	35,116
<b>TOTAL SAVINGS</b>	<b>39,892</b>	<b>39,892</b>	<b>39,892</b>

- 4.6. The most recent categorisation, as at Period 3, is shown in the pie charts below with detail by service area and change since the last reported position detailed in Appendix 1.

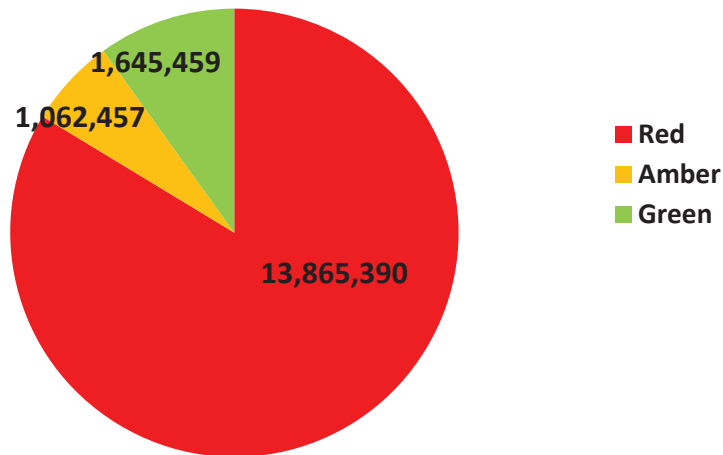
### 2014/15 Savings (£) RAG Ratings



### 2015/16 Savings (£) RAG Ratings



## 2016/17 Savings (£) RAG Ratings



4.7. The key areas of concern around achievement of savings and service redesign identified to date are:-

- Adults services – Contracts, Direct Payments, Purchasing and Transition
- Children's Services – Looked After Children, Learning and Skills (savings from Inspire To Learn Project)
- Commissioning Services – Environmental Maintenance, Waste Management
- Resources and Support – Property (rationalisation of assets)

4.8. Savings relating to these key areas of concern form a significant amount of red rated saving identified in 2014/15 and into future years and by identifying them as key areas early in the process, it is possible to provide greater resilience to the Medium Term Financial Plan. Where further review identifies areas where savings are delayed or not achievable in 2014/15, there is the possibility that they can be covered in 2014/15 by the use of one off savings/ grants/ reserves when the underlying saving still remains to be implemented. Where the on-going saving can be implemented, but over a longer timescale, this approach does not destabilise the Financial Strategy. Where a saving proves unachievable, for whatever reason, this will be reported back through the Financial Strategy and alternative approaches identified. This is discussed in more detail below.

- 4.9. A separate report to Cabinet on 30 July 2014 considers Period 3 Revenue Monitoring position. At this early stage in the year the projection is that the revenue budget for 2014/15 will be £3.225m overspent.
- 4.10. The monitoring report provides detail on the build up of this overspend projection, in terms of unachievable 2014/15 savings and other service pressures or funding.
- 4.11. For the Financial Strategy it is the impact of any 2014/15 monitoring issues in future years which is important. Often pressures arising within a year are dealt with on a one off basis within year and the ongoing pressure then needs to be addressed in the next financial year. This is true for both unachievable savings and new service pressures.
- 4.12. As we move into 2015/16 budget, the current assumption is that £41.531m of savings have been achieved and expenditure to be incurred in 2015/16 can be financed by the resources identified for 2015/16. Where information arising from 2014/15 monitoring makes this assumption incorrect it is important this is identified.
- 4.13. The tables below provide a summary by service area of budget issues identified in the current year monitoring projections which will impact on future years budgets

**Table 2: Red and Amber rated Savings in 2014/15 which may have implications for future years**

	<b>Red Savings detailed in Projection £'000</b>	<b>Amber Savings detailed in Projection £'000</b>	<b>Total  £'000</b>
Adult Services	0	0	0
Children's Services	1,908	0	1,908
Commissioning	1,287	774	2,061
Public Health	0	0	0
Resources & Support	683	123	806
Corporate	0	0	0
<b>TOTAL</b>	<b>3,878</b>	<b>897</b>	<b>4,775</b>

**Table 3: Pressures identified in 2014/15 which may have implications for future years**

	Ongoing Monitoring Pressures Identified	Ongoing Savings Delivered	Ongoing Monitoring Savings Identified	Total
	£'000	£'000	£'000	£'000
Adult Services	2,846	0	-34	2,812
Children's Services	416	-3	-416	-3
Commissioning	2,542	-483	0	2,059
Public Health	0	0	0	0
Resources & Support	428	0	0	428
Corporate	0	0	0	0
<b>TOTAL</b>	<b>6,232</b>	<b>-486</b>	<b>-450</b>	<b>5,296</b>

- 4.14. At this stage in the financial year, the issues identified above are being actively monitored and regular meetings with Portfolio holders are being held to accelerate decision making to progress achievement of savings. It has been made clear that savings must be achieved or alternatives found. Any delay in implementation must be offset by one off savings.
- 4.15. The Period 3 Monitor identifies savings flagged as Red and Amber for which there is a degree of uncertainty over deliverability and also pressures within services that fall outside of savings proposals. The total proposals flagged Red and Amber sum to £4.775m (as shown in Table 2), although at this stage it is anticipated that these are deliverable in a longer timeframe or can be replaced by alternative proposals and as such do not destabilise the Financial Strategy. In addition, the Period 3 monitor has identified £4.727m of pressures that have arisen in-year, but have the potential to continue into future years, causing an issue that needs to be recognised and managed within the Medium Term Financial Plan. The current estimate of the net pressures requiring resolution in the longer term is £5.296m (as shown in Table 3). In the main this pressure consists of the ongoing pressure identified late in 2013/14 relating to the revenue and capital split in redesigned highways and environmental maintenance work, and growth in Adult Social Care placements currently appearing to exceed the modelled growth identified over the Medium Term Financial Plan period. These issues are not yet at a stage where financial implications can be built into the Financial Strategy, instead they are currently being flagged as issues for further investigation only.
- 4.16. The monitoring and balancing of the 2014/15 budget will continue to be reported throughout 2014/15 as part of the monitoring reports.

4.17. For 2014/15, any projected overspend would have to be financed by the general reserve which has a balance as at 1 April 2014 of £14.497m.

## 5. Resource and Expenditure Projections 2015/16 and 16/17

5.1. The Council Business Plan and Financial Strategy agreed by Council in February identified the expenditure and resource projections for 2015/16 and 2016/17.

5.2. The projections have been revised to reflect the latest information and also to include initial projections for 2017/18. The table below provides the information provided at Council and the updated information with further explanation of any changes detailed in the paragraphs below.

**Table 3: Resource and Expenditure Projections 2015/16-2017/18**

	2014/15 Feb 14 Council £'000	2015/16 Feb 14 Council £'000	2015/16 Revised £'000	2016/17 Feb 14 Council £'000	2016/17 Revised £'000	2017/18 Projection £'000
<b>Resources</b>		<b>558,886</b>	<b>551,510</b>	<b>548,424</b>	<b>540,015</b>	<b>531,072</b>
<b>Expenditure Projections</b>		<b>579,022</b>	<b>572,125</b>	<b>586,893</b>	<b>578,678</b>	<b>582,483</b>
<b>Cumulative Savings Target</b>				<b>38,469</b>	<b>38,664</b>	<b>51,410</b>
<b>Achieved in Previous Year(s)</b>	<b>41,531</b>			<b>20,136</b>	<b>20,615</b>	<b>38,664</b>
<b>In Year Savings</b>		<b>20,136</b>	<b>20,615</b>	<b>18,333</b>	<b>18,048</b>	<b>12,746</b>
<b>Change (Cum)</b>			<b>479</b>		<b>194</b>	

### Resource Projections

5.3. Government funding to Shropshire includes Revenue Support Grant and, in Shropshire's case, top up grant. When the current Local Government Finance system was introduced in April 2013, approximately 50% of funding came from Revenue Support Grant and the remainder from locally retained Business Rates adjusted by top ups and tariffs. The government made

assumptions about the amount of locally retained business rates to calculate top up and tariff payments at the start of the system to ensure the new system did not inadvertently adjust any local authority's total government funding. The Assumed Locally Retained Business Rates, Top Up Payment and the Revenue Support Grant together are referred to as the Authority's Settlement Funding Assessment. The Assumed or Baseline Business Rates and Top Up figure are fixed in real terms and increased annually by RPI as part of the funding mechanism. Any change to the total government funding is therefore only implemented by a change in Revenue Support Grant as the other two funding components are fixed.

- 5.4. The Settlement Funding Assessment is important for the Authority as it is used not only to calculate % reductions going forward but also the Baseline Business Rates is used to calculate Shropshire's safety net. However, for resource projections Shropshire uses its own projections on locally retained Business Rates based on up to date local information which is also included in government returns.
- 5.5. The 2014/15 Local Government Finance Settlement in February 2014 provided illustrative figures for 2015/16. These showed a reduction in Settlement Funding Assessment of 14% and a consequence reduction in the Revenue Support Grant Element of 27.5% for 2015/16. Our current assumptions for 2016/17 assume a reduction of 11.5% in Settlement Funding Assessment and 25.5% in Revenue Support Grant. A recent survey carried out by the Society of County Treasurers Technical Team in Somerset indicates that other authorities are assuming reductions in funding between 8% and 14%.
- 5.6. In terms of Locally Retained Business Rates, projections for 2015/16 have been updated following the outturn position for 2013/14 and increased information about appeals, reliefs and adjustments between the collection and general fund. No growth has been built into Business Rates projections going forward. Although the business rates multiplier will increase by RPI each year (unless restricted), the rateable value projections are too volatile for any growth to be assumed at this stage. This assumption is in line with assumptions around future Business Rates levels made by other authorities who replied to the technical team survey referred to above.
- 5.7. Council tax income projections have been updated to increase the growth in council tax base projected from 0.2% to 0.5%. Council Tax has been frozen at 2014/15 levels going forward.
- 5.8. The Local Government Department Expenditure Limit (DEL) used in the calculation of illustrative 2015/16 funding calculations has been top sliced for several things such as new homes bonus, safety net payments and

capitalisation of transformation expenditure. The government policy on this top slicing is that any unused top sliced amounts will be returned to local authorities. The current projections include a returned amount for new homes bonus as indicated in the settlement details but no return for other items. In 2013/14, the Council received notification of £354k for return of unused capitalisation top slice on 27 March 2014. Further returns could be made in 2014/15 and future years providing an in year bonus.

- 5.9. Income from Specific Grants has been revised to reflect the latest information. Revised amounts for 2014/15 will be dealt with as part of revenue monitoring. In 2015/16 there has been a reduction from the initial projections of £6.8m. Of this, £3m, is a net adjustment for grant recoupment for academy status and additional funding for High Needs. Also within Children's services, Education Services Grant (ESG) has reduced significantly both in 2014/15 and further in 2015/16. In addition, a number of grants will cease in 2015/16 including Local Sustainable Transport Fund and Social Fund Grant. The current assumption is that reductions in specific grants will be offset by reductions in expenditure in the service areas. This assumption may need to be revisited as services continue to be reviewed throughout this year.
- 5.10. Assumptions on the payment of Council tax freeze grant are based on budget announcements and are as follows:
- 2011/12 was paid as specific grant in 2011/12 and was then rolled into the base funding
  - 2012/13 was paid for 1 year only
  - 2013/14 was paid as a grant in 2013/14 and then added to the Local Government Departmental Expenditure Limit (LG DEL) in 2014/15
  - 2014/15 will be paid as a grant in both 2014/15 and 2015/16 and will then be built into spending review baselines
  - 2015/16 will be paid as a grant in 2015/16 only
  - 2016/17 and future years – no announcement has been made regarding further grants in 2016/17 and beyond.
- 5.11. Included within specific grants are additional grants paid to the Council as a result of government policies on business rates which have reduced the Council's share of Business Rates income. Examples of these are the cap of 2% on the increase in the rateable value multiplier and the temporary extension of the doubling of small business rate relief scheme.



5.12. Income from fees and charges has been left at current levels in the projections. As savings are implemented and services are redesigned income from fees and charges will change however at this stage there is insufficient information to amend the current figures.

5.13. Detailed Resource projections are shown in Appendix 2

### **Expenditure Projections**

5.14. The expenditure projections include growth for pay and prices, demography, use of New Homes Bonus funding and adjustments to reflect changes between years for grants.

5.15. A review of pay and prices inflation has resulted in small net adjustments in both 2015/16 and 2016/17 using the latest employee costs and contract information. It is clear that going forward there will be a change in the relative size of each of these expenditure groups. This will effect pay and prices calculations. The Council will need to ensure that as it moves to a commissioning council, it does not increase the financial risk of increased costs due to inflationary linked contracts.

5.16. Although a debt charge figure is shown in 2015/16 and 2016/17, this has been used as a saving. The current projections assume that the Council will not increase it's borrowing. A change in the capital strategy to borrow would mean that this saving could not be achieved and revenue growth for debt charges would need to be found.

5.17. The figures included for demographic growth for Adults and Children's were reviewed last Autumn. Both Adults and Children's services are monitoring the actual growth the services are encountering and further information on this will be provided in future financial strategies.

5.18. As detailed above in the Resource projections, changes in specific grants are assumed to change expenditure projections by the same amount. If reductions in specific grant funding can not be matched by a reduction in expenditure this would increase savings requirements.

5.19. There are a number of grants currently being received which the Council has no budgeted expenditure against. These include the s31 grants for Business Rates, Council Tax freeze Grant and any return of top sliced amounts. In 2013/14, growth of £2.277m was built in for a provision for business rates appeals. This figure was required on a one off basis in 2013/14 and it is anticipated that future appeals liabilities will be dealt with through the Business Rates Collection Fund.

- 5.20. The current expenditure projections do not include any new base budget commitments which may arise as the Council develops its plans towards a University for Shropshire. This is considered later in section 7.
- 5.21. At this stage the revised resource and expenditure projections change the 2015/16 position by less than £0.5m and in 2016/17 the change is reduced to less than £0.2m. On this basis the savings target within the Council Plan and Financial Strategy agreed by Council on 27 February 2014 of £80m over 3 years will not be revised. As we continually refine and update the financial strategy this target will remain under review.
- 5.22. Detailed Expenditure projections are shown in Appendix 3

## **6. 2017/18 Initial Projections**

- 6.1. Resource projections for 2017/18 indicate a further reduction in revenue support grant of £9.5m. This reduction in resources is offset slightly by growth in Council tax base which is estimated to increase the income from Council Tax by £0.6m. In addition to this reduction in resources, current projections for inflationary growth are £4.1m. The Council is therefore facing a shortfall in resources of at least £13m in 2017/18. Services pressures including demography or increased borrowing would add to this funding shortfall.
- 6.2. Service pressures identified to date which would impact on 2017/18 budget include auto enrolment. Auto enrolment was introduced in April 2013. The scheme means that employees not currently opted into the pensions scheme would be periodically opted in and would have to physically request to be left out. It is therefore envisaged that more employees will become scheme Members. This comes at a cost to Shropshire Council by way of having to make pension contributions for those employees newly opted in. Shropshire Council has been able to defer the staging date for the scheme so that it does not commence until April 2017 therefore no extra pension cost will be incurred until the financial year 2017/18. It is difficult to estimate the financial implications of this as it will depend on the employees who decide to remain opted in. It has previously been estimated that on the basis of a worst case scenario costs could be in excess of £1m.
- 6.3. In addition a major pressure facing Adult Social Services is the introduction of the Care Act 2014. Members were provided with a briefing note on the Dilnot Report – Implications for Shropshire Council as part of the Financial Strategy report considered by Cabinet on 15 January 2014. In May 2014, the Care Bill received royal assent and the Act introduces legislative changes based on the findings and recommendations in the

Dilnot Report. Changes arising from the Act are phased with some changes around assessments coming in from 1 April 2015 the financial implications of which are currently uncertain. Changes around thresholds and the cap will be introduced from 1 April 2016 which will create additional funding pressures in 2016/17 which will increase in 2017/18 as client contributions reach the cap. The government has indicated that additional funding will be made available to local authorities to fund additional costs including implementation costs. The financial implications of the Act are currently being modelled and further information will be provided later in this financial year.

## 7. University of Shropshire

- 7.1. Council received a report on 17 July 2014 outlining plans for a University for Shropshire and approved a project budget of up to £1m to allow the development of plans including pre contract/construction activity and any costs associated with decanting staff from buildings. This funding is within existing budgets previously earmarked for transformation.
- 7.2. Council will receive a further report on a developed Business Case for the University at its meeting on 25 September 2014. The financial implications of any proposals will be included in an updated Council Business Plan and Financial Strategy which will be taken to the same meeting for approval.

## 8. The impact on the Council's budget of Transfers to the Council's wholly owned company i,p&e

- 8.1. There have been two areas of service which have transferred to ip&e to date, Media Services known as ThreeSixty Communications and the Project Management Office and the Business Design team, known at the time as 'Change for the Best'. The estimated budget available to commission these services is shown below:

**Table 3: Budgets identified to commission services from ip&e**

	2015/16 - Estimate	2016/17 - Estimate
	£	£
Programme Management Office	315,160	186,660 (TBC)
Business Design Team	209,160	166,260
<b>"Change for the Best" sub total</b>	<b>524,320</b>	<b>352,920</b>
ThreeSixty Communications	272,680	242,980

<b>Total</b>	<b>797,000</b>	<b>595,900</b>
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- 8.2. As reported in February to Council, the budget for “Change for the Best” for 2016/17 has still to be agreed. It can be seen that a substantial reduction has been made to the budgets available to commission services. It is envisaged that the services within ip&e will strive to generate external income to offset the reductions in council spending. Alternatively, savings will need to be found from expenditure budgets.
- 8.3. Other services which have currently been agreed for consideration to transfer to ip&e include Public Health Services – ‘Help to Change’, School Support Services - ‘Inspire to Learn’ and Regulatory and Business Support Services - ‘Fulcrum’.
- 8.4. ip&e are currently preparing it's Annual Business Plan which has been held back while the potential for the above services and implications of the University proposal are given due consideration. Once available, the ip&e Annual Business Plan will allow costings to be included In the Council’s financial Strategy over a three year period.
- 8.5. As further services are considered for transfer to ip&e, full consideration will be given to the budget available both in the current year and future years for the council to commission transferring services. Services transferring will be clear about future savings to be made by the council from the budget available to commission services from ip&e.

## **9. Longer Term Financial Outlook**

- 9.1. The longer term financial outlook as detailed in the Council’s Business Plan and Financial Strategy agreed by Council in February 2014 is continually being updated and refined. Details of how the Council is working differently now and how this will develop over the coming years will be set out in more detail over the coming months, ahead of a refresh of the Council’s Business Plan and Financial Strategy for the next Medium Term Financial Plan 2016/17 to 2018/19.

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

Council Business Plan and Financial Strategy 2014-17 – Council 27 February 2014

**Cabinet Member (Portfolio Holder)**

Keith Barrow – Leader

**Local Member**

All

**Appendices**

Appendix 1 2014-17 Savings RAG Rated

Appendix 2 Resource Projections 2015/16 – 2017/18

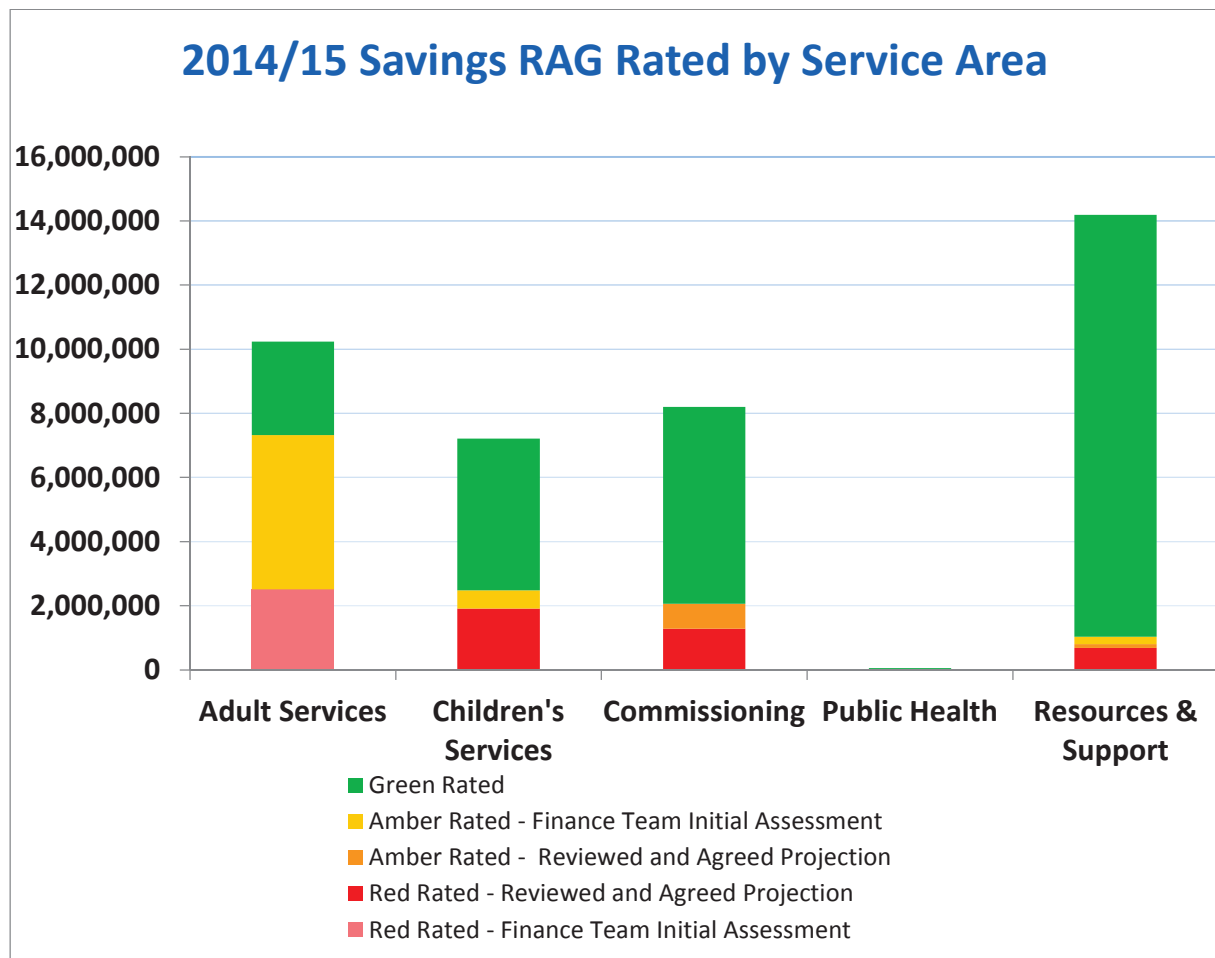
Appendix 3 Expenditure Projections 2015/16 – 2017/18

APPENDIX 1

2014/15, 2015/16 AND 2016/17 SAVINGS RAG RATED

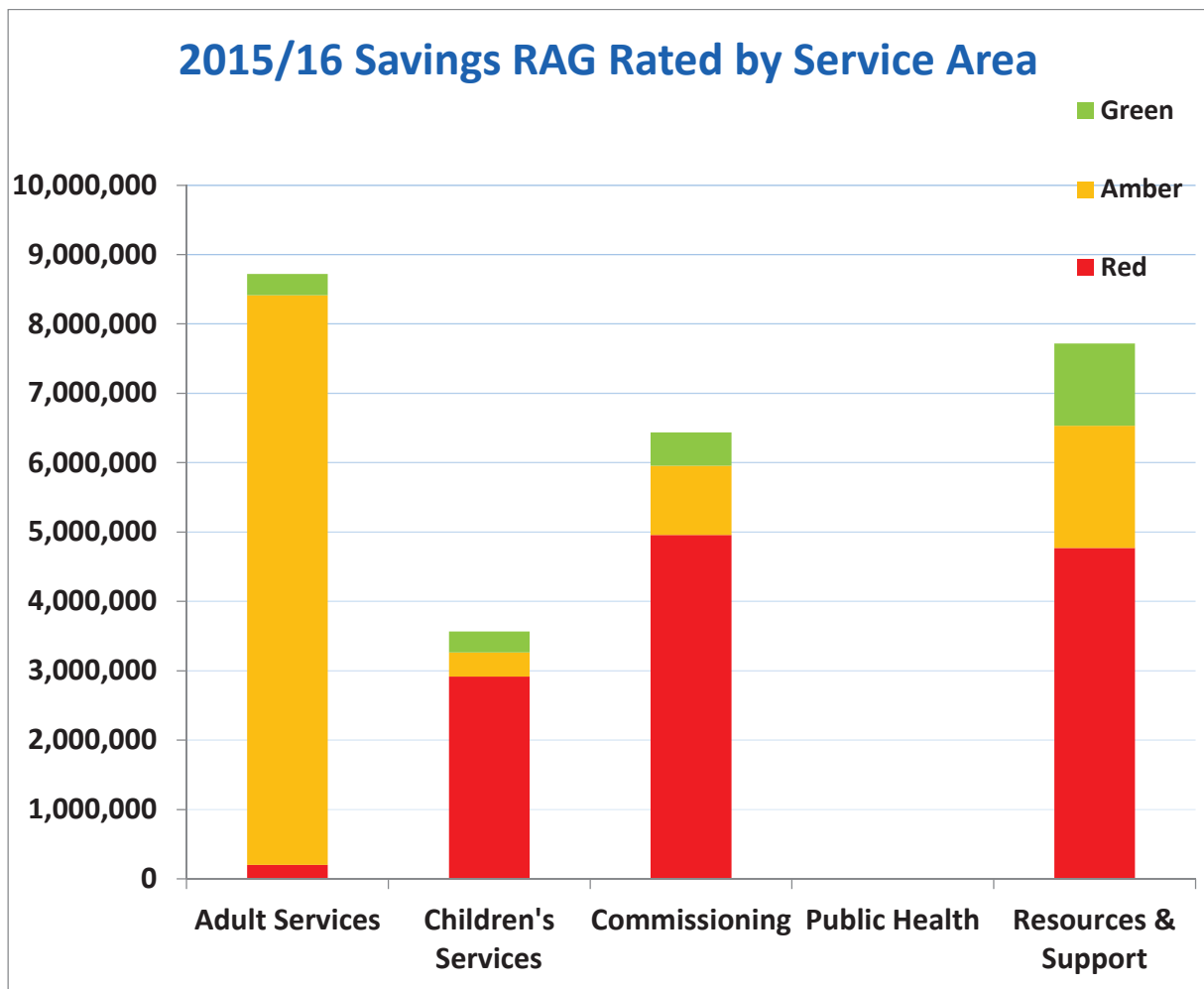
2014/15 Savings RAG Ratings			
Red £	Amber £	Green £	Total £

Adult Services	0	0	10,233,360	<b>10,233,360</b>
Children's Services	1,908,329	0	5,303,671	<b>7,212,000</b>
Commissioning	1,287,072	773,757	6,144,378	<b>8,205,207</b>
Public Health	0	0	54,727	<b>54,727</b>
Resources & Support	683,432	123,000	13,379,830	<b>14,186,262</b>
<b>Council</b>	<b>3,878,833</b>	<b>896,757</b>	<b>35,115,966</b>	<b>39,891,556</b>



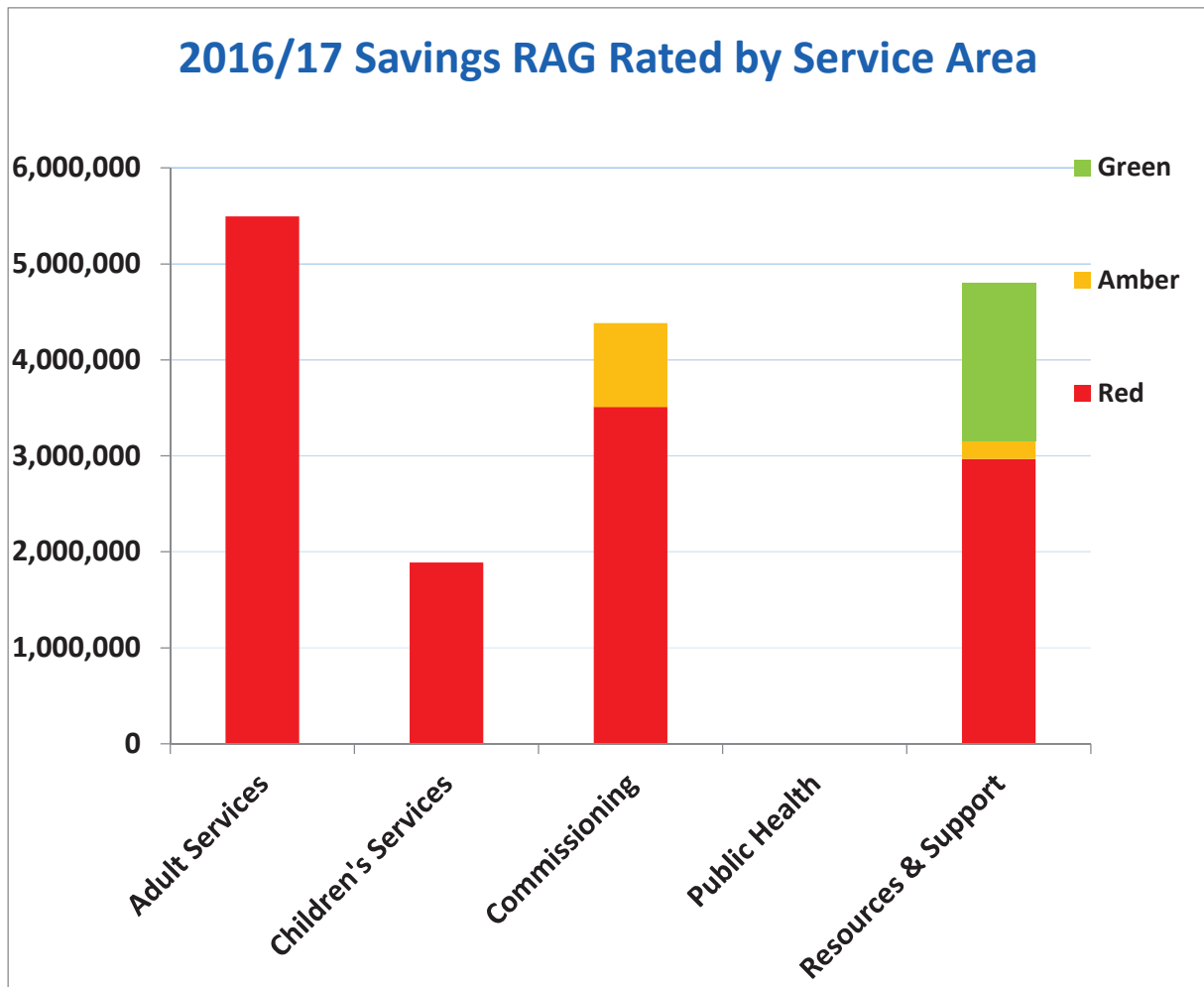
APPENDIX 1 (CONTINUED)

	2015/16 Savings RAG Ratings			
	Red £	Amber £	Green £	Total £
Adult Services	200,000	8,214,237	306,500	8,720,737
Children's Services	2,915,000	350,000	300,000	3,565,000
Commissioning	4,958,574	997,387	481,618	6,437,579
Public Health	0	0	0	0
Resources & Support	4,772,581	1,761,185	1,184,351	7,718,117
<b>Council</b>	<b>12,846,155</b>	<b>11,322,809</b>	<b>2,272,469</b>	<b>26,441,433</b>



APPENDIX 1 (CONTINUED)

	2016/17 Savings RAG Ratings			
	Red £	Amber £	Green £	Total £
Adult Services	5,496,246	0	0	5,496,246
Children's Services	1,890,000	0	0	1,890,000
Commissioning	3,511,238	871,609	0	4,382,847
Public Health	0	0	0	0
Resources & Support	2,967,906	190,848	1,645,459	4,804,213
<b>Council</b>	<b>13,865,390</b>	<b>1,062,457</b>	<b>1,645,459</b>	<b>16,573,306</b>





	<b>Total Council Savings 2014/15 To 2016/17</b>			
	<b>Red</b>	<b>Amber</b>	<b>Green</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Adult Services	8,207,179	13,026,408	3,216,756	<b>24,450,343</b>
Children's Services	5,814,329	918,960	5,933,711	<b>12,667,000</b>
Commissioning	10,144,459	2,255,178	6,625,996	<b>19,025,633</b>
Public Health	0	0	54,727	<b>54,727</b>
Resources & Support	8,423,919	2,303,928	15,980,745	<b>26,708,592</b>
<b>Council</b>	<b>32,589,886</b>	<b>18,504,474</b>	<b>31,811,935</b>	<b>82,906,295</b>

SHROPSHIRE COUNCIL - NET AND GROSS RESOURCES PROJECTIONS SUMMARY 2015/16 to 2017/18							Appendix 2		
	2014/15 FINAL Cabinet 12th Feb. 2014	2015/16 Original Cabinet 12th Feb. 2014	2015/16 Revised Cabinet 30 July 2014	2015/16 & Beyond Notes & Assumptions	2016/17 ORIGINAL Cabinet 19th Feb. 2014	2016/17 REVISED Cabinet 30 July 2014	2017/18 ORIGINAL Cabinet 30 July 2014		
<b>RSG</b>	57,058,059	41,368,409	41,368,409	Figures as published on 5 February 2014 for the Local Government Final Finance Settlement 2014/15 and Provisional 2015/16. 2016/17 estimates adjusted for Council tax freeze grant only.	31,230,562	30,794,514	21,377,294		
<b>Business Rates Retention Allocation:</b>									
NNDR (as raised and then retained locally) including appeals provision	38,325,286	38,325,286	37,406,389	NNDR1 2014-15 figure. The deficit on the collection fund from the previous year, shown below, is netted off.	38,325,286	37,406,389	37,406,389		
Top Up	9,848,092	10,119,908	10,119,908	Figure as per CLG 2014/15 Final Local Government Finance Settlement. Assume 2% RPI increase	9,956,192	10,322,306	10,528,752		
Safety Net Payments									
NDR Surplus/Deficit on Collection Fund									
Prior year adjustments (e.g. correction to safety net payments)									
<b>TOTAL START UP FUNDING RECEIPT:</b>	<b>105,231,437</b>	<b>89,813,603</b>	<b>88,894,706</b>		<b>79,512,040</b>	<b>78,523,210</b>	<b>69,312,435</b>		
Return of amounts topsliced from RSG/BRR Allocation									
Share of £2bn unused New Homes Bonus topslice	154,558	394,940	394,940	Final Local Government Finance Settlement	0	0	0		
Share of returned damping (unused safety net held back)		0	0	This may be an in year bonus. More information	0	0	0		
<b>TOTAL FUNDING FROM CENTRAL/LOCAL SHARE</b>	<b>105,385,995</b>	<b>90,208,543</b>	<b>89,289,646</b>		<b>79,512,040</b>	<b>78,523,210</b>	<b>69,312,435</b>		
<i>Movement on previous year's funding</i>									
Taxbase	100,475	100,475	100,978	Actual taxbase for 2014/15 and increase in Council Tax Taxbase assumed in 2015/16 and 2016/17 increased to 0.5% from 0.2%	100,877	101,482	101,990		
<b>Council Tax Income</b>	<b>117,025,463</b>	<b>117,259,514</b>	<b>117,610,591</b>	Council tax freeze assumed	<b>117,494,033</b>	<b>118,198,644</b>	<b>118,789,637</b>		
Collection Fund Surplus- Council Tax	2,018,834		500,000	Based on Previous years		500,000	500,000		
Business Rates Collection fund	-985,341		-500,000	Based on previous years		-500,000	-500,000		
<b>TOTAL NET RESOURCES - 2013-14 onwards</b>	<b>223,444,951</b>	<b>207,468,057</b>	<b>206,900,237</b>		<b>197,006,073</b>	<b>196,721,853</b>	<b>188,102,072</b>		
			(567,821)			(284,220)	(8,619,782)		
	2014/15 REVISED Cabinet 12th Feb. 2014	2015/16 REVISED Cabinet 12th Feb. 2014	2015/16 Revised Cabinet 30 July 2014	2014/15 Notes & Assumptions	2016/17 ORIGINAL Cabinet 19th Feb. 2014	2016/17 REVISED Cabinet 30 July 2014	2017/18 ORIGINAL Cabinet 30 July 2014		
<b>GOVERNMENT GRANTS</b>	<b>255,976,900</b>	<b>258,700,970</b>	<b>251,893,050</b>	Latest Information on Specific Grants	<b>258,700,970</b>	<b>250,576,050</b>	<b>250,254,070</b>		
<b>OTHER GRANTS &amp; CONTRIBUTIONS</b>	<b>28,425,620</b>	<b>28,425,620</b>	<b>28,425,620</b>	Left unchanged at this stage	<b>28,425,620</b>	<b>28,425,620</b>	<b>28,425,620</b>		
<b>FEES &amp; CHARGES</b>	<b>57,137,050</b>	<b>57,137,050</b>	<b>57,137,050</b>	Left unchanged at this stage	<b>57,137,050</b>	<b>57,137,050</b>	<b>57,137,050</b>		
<b>INTERNAL MARKET &amp; INTERNAL RECHARGES</b>									
Internal Recharges only	7,154,140	7,154,140	7,154,140	Left unchanged at this stage	7,154,140	7,154,140	7,154,140		
Total Income outside of Net	348,693,710								
<b>TOTAL GROSS RESOURCES - 2013-14 onwards, after income Savings</b>	<b>572,138,661</b>	<b>558,885,837</b>	<b>551,510,097</b>		<b>548,423,853</b>	<b>540,014,713</b>	<b>531,072,952</b>		

					APPENDIX 3
<b>SHROPSHIRE COUNCIL - FINANCIAL SUMMARY 2015/16 to 2017/18</b>					
	2015/16	2015/16	2016/17	2016/17	2017/18
	27 Feb 2014	30 July 2014	27 Feb 2014	30 July 2014	30 July 2014
	£	£	£	£	£
<b>Expenditure</b>					
<i>Original Gross Budget Requirement</i>	572,138,661	572,138,661	579,022,206	572,125,394	578,678,441
<b>Current Year Monitoring Issues with ongoing implications</b>					
- Asset Sales - Removal of income stream	50,000	50,000	50,000	50,000	0
- As identified as at P3- no growth included as at P3		0		0	0
2014/15 - New Budget Growth					
<b>Inflation</b>					
- Prices	2,852,381	2,796,947	3,006,053	2,921,147	3,058,689
- Pav 1% award	885,196	710,957	839,083	723,654	734,834
- Pav Increment	496,988	637,769	281,097	480,607	332,950
- Pension Costs	0	0	3,500,000	3,500,000	0
- Auto Enrolment (impacts 2017/18)-ESTIMATE	0		0		TBC
<b>Committed Growth</b>					
- Debt Charges (Reduced as part of Savings)	1,000,000	1,000,000	1,000,000	1,000,000	0
<b>New Growth</b>					
- Demography: Adults	1,758,000	1,758,000	1,500,000	1,500,000	0
- Demography: Childrens services	1,183,000	1,183,000	1,183,000	1,183,000	0
<b>New Service Pressures</b>					
New Investment funding- One year only	(2,000,000)	(2,000,000)			
Repaying for borrowing for Redundancies			2,000,000	2,000,000	0
Care Act implications					TBC
<b>Changes to Expenditure Reflected in Resources</b>					
Specific Grant Changes from Previous Year Including New Responsibilities	2,724,070	(4,083,850)	0	(1,317,000)	(321,980)
<b>Offsetting Budget Adjustments</b>					
Use of NHB Smoothing	(1,609,000)	(1,609,000)	(1,909,000)	(1,909,000)	0
Reallocation of Business Rates Appeals Base Budget		(2,277,816)			
Additional Contribution to offset Delay in Savings Achievement		2,277,816			
Contributions to Savings for changes in Projections					
- Net Growth Change	2,167,600	2,167,600	(3,749,700)	(3,749,700)	
- Net Resources Change-14/15 one year only	-2,454,351	-2,454,351			
- Net Resources Change-15/16 one year only	(170,339)	(170,339)	170,339	170,339	
<b>Gross Budget Requirement (Excluding Internal Market)</b>	579,022,206	572,125,394	586,893,078	578,678,441	582,482,934

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