

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

Date: Tuesday, 31 October 2017

Committee:
Performance Management Scrutiny Committee

Date: Wednesday, 8 November 2017
Time: 2.00 pm
Venue: Oswestry Room, Shirehall, Abbey Foregate, Shrewsbury, 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 Performance Management Scrutiny Committee

Claire Wild (Chair)	Alan Mosley
Gwilym Butler (Vice-Chair)	Cecilia Motley
Karen Calder	Peggy Mullock
Roger Evans	Dave Tremellen
Hannah Fraser	Leslie Winwood

Your Committee Officer is:

Julie Fildes Committee Officer
Tel: 01743 257723
Email: julie.fildes@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 meetings held on 21st September 2017 and 10th October 2017 (Pages 1 - 12)

To consider the Minutes of the Performance Management Scrutiny Committee meeting held on 21st September 2017 and 10th October 2017.

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 5pm on Friday 3rd November 2017.

5 Member Question Time

To receive any questions of which members of the Council have given notice. Deadline for notification for this meeting is 5pm, Friday 3rd November 2017.

6 Council Tax Support Scheme (Pages 13 - 34)

To consider the Council Tax Support Scheme.

Contact: James Walton, Head of Finance, Governance and Assurance.
James.Walton@Shropshire.gov.uk

7 Financial Strategy (Pages 35 - 64)

To consider the Financial Strategy and to consider the establishment of the Financial Strategy (2018/19 to 2020/21) Task and Finish Group.

Contact: James Walton, Head of Finance, Governance and Assurance,
james.walton@shropshire.gov.uk

8 Digital Transformation Programme Update

To receive a verbal update from the Head of Human Resources and development on the progress of the Digital Transformation Programme.

Contact: Michele Leith, Head of Human Resources and Development,
Michele.leith@shropshire.go.uk

9 Date/Time of next meeting of the Committee

The Committee is scheduled to next meet at 2pm on Wednesday 24th January 2018.

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SHOPSHIRE COUNCIL

PERFORMANCE MANAGEMENT SCRUTINY COMMITTEE

Minutes of the meeting held on 21 September 2017

12.45 - 3.10 pm in the Shrewsbury Room, Shirehall, Abbey Foregate, Shrewsbury, Shropshire, SY2 6ND

Responsible Officer: Julie Fildes

Email: julie.fildes@shropshire.gov.uk Tel: 01743 257723

Present

Councillor Claire Wild (Chair)

Councillors Gwilym Butler (Vice-Chair), Karen Calder, Roger Evans, Hannah Fraser, Cecilia Motley, Peggy Mullock, Dave Tremellen and Leslie Winwood

20 Election of Chairman

RESOLVED: That Councillor Claire Wild be elected as Chairman for the ensuing municipal year.

21 Apologies for Absence and Substitutions

Apologies were received from Councillor Alan Mosley.

22 Appointment of Vice-Chair

RESOLVED: That Councillor Gwilym Butler be appointed Vice-Chairman for the ensuing municipal year.

23 Disclosable Pecuniary Interests

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

24 Minutes of the meeting held on 20 July 2017

RESOLVED:

That the minutes of the Performance Management Scrutiny Committee meeting held on 20 July 2017 be approved as a correct record and signed by the Chairman.

25 Public Question Time

Mr Steven Mulloy submitted the following questions and the written responses were tabled at the meeting.

i) *That the existing Developer Contributions SPD and the Type and Affordability of Housing SPD be reviewed. With regard to the Type and Affordability of Housing*

SPD this should seek to incentivise individual landowners and parishes to bring forward land for affordable housing use;

Question: *It is my understanding that this was being reviewed last year, but can I ask if any consideration has been given to the Dynamic Viability Index (DVI) which is appended to the SPD, and whether it serves any useful purpose given the issue that was highlighted at a meeting a few years ago with the Head of Planning and portfolio Holder? (See **Appendix 1**).*

Response: No further consideration has been given to the use of the DVI at this time, but this will form part of the work needed to review the Type & Affordability of Housing SPD in due course;

ii) That increased effort be directed into promoting Community-led affordable housing schemes;

Question: *Has any consideration been given to para 4.66 of Policy CS4 (below) and the lack of use of the 'interactive toolkit' which has only been used by less than 10% of parish councils? Unfortunately, some parish councils are little more than private clubs, so if you want community led affordable housing schemes, surely you need to encourage PC's to carry out intelligent analysis of their communities?*

Response: This issue was previously addressed in a response which Mr Mulloy received from Eddie West on 4th May 2017. Shropshire Council has actively supported a 'bottom-up' approach to capture local information about housing need, including through extensive use of the interactive toolkit (in 43 parishes). As a direct result, there are now a number of successful community led schemes throughout the County which have generated tangible outcomes which make additional local provision for affordable housing. In response to demand Shropshire Council is currently advertising a new post to assist communities in developing and promoting community led schemes which accurately reflect local affordable housing need.

iii) That the Local Plan Member Group be recommended to consider the need to review existing countryside planning policies (CS5 / CS11 / MD7a & b) in relation to the delivery of affordable housing as part of the current Local Plan Review;

Question: *Is the committee aware that the main evidence base for AHC and CIL is the 'Affordable Housing Viability Study 2010 (AHVS 2010) which was carried out by Fordham Research, and that the company came out of liquidation to conduct the survey (albeit with a slight name change), then returned to liquidation once the study was completed (see **Appendix 2**)? The report has a number of errors which really questions its credibility as an evidence base for developer contributions, but when pointed out to the Council it was dismissed as 'death by a thousand details' (see **Appendix 3**).*

Response: Shropshire Council is aware of the potential inadequacies of the Fordham research. However, that research is now dated and development viability is kept under constant review. In this context, we are satisfied that the prevailing target rates reflect development viability in the Shropshire context. Planning appeal decisions reinforce this confidence.

iv) *That arrangements for allocating CIL revenue should be clarified to ensure that available funding is used to support the highest investment priorities. The Portfolio Holder for Planning should be asked to agree any spending decisions made by the officer level Internal Infrastructure Group.*

Question: *An objection was raised to the Councils Statement of Accounts 2015/16 about the way the Council dealt with CIL exemptions. The objection focussed on the Exceptional Circumstances Relief from CIL for Brogyntyn Hall of £860k, and a false CIL declaration for Besford House that slipped through the system. The External Auditor reported back in his letter of 19th June 2017 and issued a Statutory Notice with a recommendation under S27(6) of The Local Audit & Accountability Act 2014 as follows:*

"The Council 'should formally review' its arrangements in respect of CIL and in particular should ensure that when calculating CIL liability in relation to future development schemes, it documents its consideration of the available evidence as to whether or not the premises have been 'in lawful use' and therefore qualify for a 'demolition deduction' from CIL, taking account of the Hourhope case and any other relevant case law and guidance."

Can I ask what consideration, if any, was given, or will be given to this by the Task & Finish Group or this committee?

Response: No specific consideration was given to this matter by the Task & Finish Group. However, in response to the external auditors recommendation, Shropshire Council has recently updated its CIL Form 0: Determination of CIL Liability, to require photographs to be provided as evidence to corroborate whether a building has been in lawful use for the specified time period where there are any buildings to be demolished or converted as part of the development.

v) *That a letter be sent to all Shropshire Council Councillors and all Parish and Town Councils clarifying who the responsible authorities are for various parts of the CIL revenue, and Shropshire Council's expectations on how the CIL revenue will be prioritised. This letter will be circulated alongside the annual Place Plan letter.*

Question: *Can I ask that this letter also emphasises the importance of intelligent analysis of their communities as described in Core Strategy policy CS4 and that since the Localism Act, we have moved from representative democracy to consultative democracy?*

Response: Shropshire Council will consider this request when drafting the letter.

Mr Mulloy responded to each of the answers:

Answer 1: Consideration needs to be given to the timescales for the use of the DVI in the review of the Type and Affordability of Housing SPD.

Answer 2: Mr Mulloy expressed concern that five years after the implementation of the Localism Act, only 43 out of 170 Parish Councils had engaged with the rural

interactive toolkit. He advocated a more proactive approach to encourage Parish Councils to engage in the process.

Answer 3: Mr Mulloy re-iterated his concern that the use of the Affordable Housing Viability Study 2010 had been supported on appeal when the evidence base was poor.

Answer 4: Mr Mulloy asked Members to note that lack of consultation of developer contributions had led to unexpected high fees and that he had requested a variation in S106 fees 7 months previously but had not received a response. He continued that the External Auditor had made a statutory declaration regarding the use of available evidence when determining if premises had been in lawful use and the S106, CIL & NHB Task and Finish Group had failed to appreciate the gravity of this, he continued that more work should be done on this matter.

Question 5: Mr Mulloy said that he was pleased with this response.

Finally Mr Mulloy requested that the 29 responses to the Statement of Community Involvement consultation be viewed as a low turnout and asked that consideration be given to whether this complied with Council policies.

26 Report of the S106, CIL and NHB Task and Finish Group

The Planning Policy and Strategy Manager introduced the report from the S106, CIL and NHB Task and Finish Group. He asked Members to note that this was a short report outlining the work of the group so far and that the Task and Finish Group was ongoing. Members observed that the report concentrated on legal planning agreements rather than the use and distribution of CIL monies.

The Planning Policy and Strategy Manager explained that CIL income was only received once development was in progress and not when Planning Permission was granted. During the previous few years many developers had applied for planning permissions but not commenced building work, this had impacted on the amount of funding received from S106 and CIL agreements. He continued that the group was considering the ways that developer contributions could be used most effectively to deliver necessary infrastructure projects.

Members noted that Supplementary Planning documents required amendment following changes in Government guidelines, which were to the detriment of rural areas. Community led development schemes had been instigated to address this, with planning policies making it easier to obtain exceptions for affordable housing in rural areas. The importance of communities having Place Plans to support their aspirations was discussed. It was observed that the Government view and aspirations for community led housing projects was unclear and further guidance was awaited.

Members discussed where CIL funding should be spent with discussion of the amount being ring fenced to the area where it was generated. The Chief Executive explained that there were strict criteria in the legislation determining what happened to the funding, with communities receiving their statutory portion as the

Neighbourhood Fund, and the Council having discretion on the use of the remaining balance. Only allowing CIL expenditure in areas where it was generated could lead to an unbalanced provision of service and infrastructure. A Member observed that many smaller parishes were agreeing to development in the belief that the CIL revenue would be used for local projects and this was not necessarily the case as the Neighbourhood Funds received were often insufficient or could not be used as the community had thought due to onerous conditions attached.

The Planning Policy and Strategy Manager confirmed that Place Plans were to be reviewed and that Parish Plans fed in the Place Plans. Members questioned the value of Parish Plans and suggested that Neighbourhood Plans suited larger settlements and towns and not smaller parishes.

Members asked if the amount retained by the Council from CIL revenue to cover administration costs could be used to support Neighbourhood Plans and Housing Surveys. The Planning Policy and Strategy Manager responded that the Council retained 5% of the revenue received and the costs of administering the service were far greater than the contribution retained. Despite this, the Council still supported the development of Place Plans, Neighbourhood Plans and Housing Surveys.

In response to a Member's question regarding which developments were subject to CIL agreements, the Planning Policy and Strategy Manager agreed that the system was operated differently in Shropshire to some neighbouring authorities as when the charging structure had been adopted in 2012 it had not been possible to differentiate between large and small scale commercial premises. It was thought at that time that the imposition of the CIL charge would stifle commercial development.

Members observed that the public needed to see the benefits of CIL revenue received as a result of development.

RESOLVED: that

- i. the report be received as an interim report and its recommendations be accepted, subject to the rewording of paragraph iv, to read as "The Portfolio Holder for Planning and Regulatory Services be consulted regarding any spending recommendations made by the officer level Internal Infrastructure Group".
- ii. the Task and Finish Group continue its work with particular emphasis on the Community Infrastructure Levy and present its final report to the Committee in due course.

27 Member Question Time

There were no questions from Members.

28 Digital Transformation Programme Update

The Head of Human Resources and Development gave a verbal update on the progress of the Digital Transformation Programme and agreed to distribute a briefing note to Members after the meeting [copy attached to the signed minutes].

In response to a Member's question, the Head of Human Resources and Development anticipated that the delay in the going live date for ERP would not have a significant impact.

A Member asked for further information on the situation regarding staff resources, the Head of Human Resources and Development confirmed that there was adequate budget for the provision of staff resources. She added that in-house training was a good solution as there was not a sufficient supply of people with the requisite skills in the current workforce market.

The Head of Human Resources and Development agreed to provide briefing notes of progress for future meetings of the Committee.

RESOLVED:

That the verbal report of the Head of Human Resources and Development be noted.

29 Quarter 1 Performance Report

The Performance Manager introduced the Quarter 1 Performance Report which had been considered by Cabinet at its meeting of 6th September 2017. Members noted that all areas covered by the report demonstrated a level of stability. He drew Members' attention to the rise in visitor numbers for the tourism sector and theatres, changes in the way that the NHS report delayed transfer of care times and the penalties for not doing so, and the on-going rise in the numbers of people killed or seriously injured in road accidents. He suggested that Members access the new Shropshire Performance Portal, which he described as being in its early stages and anticipated that it would develop and improve with the progression of the Digital Transformation Programme.

In answer to a Member's question regarding road accidents and the decreasing staff levels since 2007/8, the Performance Manager explained that Shropshire was performing well when compared with other local authorities and that the necessary level of service was being maintained despite fewer staff. He continued that the road traffic accident statistics were being more closely examined to ascertain if there were consistent trends which could be targeted. Members noted that further information on this issue would be presented at a future meeting.

Member commented on the Shropshire Performance Portal, and a Member observed that some reports she expected to find there, such as those on school progress were not available. Members welcomed the portal but expressed hope that it would develop with time and more data would become available and accessible more quickly as the system improved. Members also observed that they would welcome more detailed data with the inclusion of more detailed subsets.

Members discussed the flu vaccine programme and the financial consequences of not being adequately prepared or public complacency in the absence of a flu epidemic. Members noted that the target rate of 60% inoculation had been achieved.

RESOLVED:

That the Quarter 1 Performance Report be noted.

30 The Financial Strategy

The Head of Finance, Governance and Assurance gave a verbal update on the progress of the Financial Strategy. Member noted that a number of factors had delayed its progress and it was due to be considered by Cabinet on 18th October 2017. Although all other milestones remained in place as scheduled.

The Head of Finance, Governance and Assurance explained that there was uncertainty over the retention of 100% of Business Rates following the delay in legislation due to the General Election in June and this had had an impact on the Financial Strategy. He continued that in the report to be considered by Cabinet on 18th October 2017, the revised anticipated funding gap would be presented with a plan to manage it through the Economic Growth Plan and Commerciality Strategy. He added that 18 schemes were already in place.

Members noted that Cabinet had met with Grant Thornton, the Council's external auditors where concerns had been raised regarding the identified Value for Money conclusions.

Grant Thornton had allowed access to CFO insights provided by Cliffa and themselves. This gave access to benchmarking of costs across all authorities. Shropshire demonstrated low expenditure per head of population and was in the bottom quintile algorithm for all service expenditure.

The Head of Finance, Governance and Assurance continued that the Financial Strategy would be presented to the Performance Management Scrutiny Committee at its meeting on 22nd November, before being considered by Cabinet on 6th December and then by Council on 14th December 2017. Members noted that this was a tight timescale and gave little time for a considered response to be presented by the Performance Management Scrutiny Committee. It was suggested that the November meeting of the committee should be brought forward to allow more time for this.

In response to a Member's question the Head of Finance, Governance and Assurance confirmed that he anticipated an overspend of £4.2m for the current financial year. He continued that Directors were addressing this. Members were advised that using more one-off savings to address the funding gap in this financial year would result in them not being available in subsequent years. He continued that in previous years the anticipated overspend had been reduced throughout the year and he expected that this pattern would be repeated.

The Chief Executive reminded Members that the Council had a duty to protect people living in Shropshire, and short term actions to reduce spending could have long term impacts through increased costs. It was important that the Council avoided service failure.

RESOLVED:

The Financial Strategy be considered at the next meeting of the Committee.

31 Date/Time of next meeting of the Committee

RESOLVED:

That the next meeting of the Committee be rescheduled to an alternative date to allow adequate time for the preparation of a response to the Financial Strategy if required.

Signed (Chairman)

Date:

SHOPSHIRE COUNCIL

PERFORMANCE MANAGEMENT SCRUTINY COMMITTEE

Minutes of the meeting held on 10 October 2017

**2.00 - 2.55 pm in the Shrewsbury Room, Shirehall, Abbey Foregate, Shrewsbury,
Shropshire, SY2 6ND**

Responsible Officer: Julie Fildes

Email: julie.fildes@shropshire.gov.uk Tel: 01743 257723

Present

Councillor Claire Wild (Chair)

Councillors Roger Evans, Hannah Fraser, Alan Mosley, Cecilia Motley, Peggy Mullock, Dave Tremellen, Mark Jones (Substitute) (substitute for Karen Calder) and Ed Potter (Substitute) (substitute for Gwilym Butler)

1 Apologies for Absence and Substitutions

Apologies for absence were received from Councillors Karen Calder (Substitute Councillor Mark Jones), Gwilym Butler (substitute Councillor Ed Potter) and Les Winwood.

2 Disclosable Pecuniary Interests

Members were 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 Public Question Time

No public questions were received.

4 Member Question Time

There were no questions from Members.

5 Call-in: Minimum Income Guarantee

The Head of Finance, Governance & Assurance explained how the Minimum Income Guarantee [MIG] worked and the amounts that both couples and single pensioners were entitled to retain before charges for care could be made, as set out in the Cabinet report dated 6th September 2017 attached to the Agenda.

The Leader of the Liberal Democratic Group asked the Committee to consider that it was unreasonable to raise fee levels for personal care halfway through the year once pensioners had become accustomed to a higher income level and were not expecting the increase. He added, that the increased income from the higher level of fees had not been outlined in the Council budget, and therefore amounted to a windfall for the Council at the expense of pensioners on a limited income. Members were asked to consider a report from the Daily Telegraph from 10th October 2017 and information from the Centre for

Research and Social Policy, tabled by the Leader of the Liberal Democrat Group, [copies attached to the signed minutes]. These papers showed a 3.5% increase in the inflation rate for food, and outlined the level of income required for an acceptable standard of living. He suggested that option 4 would have been preferable, which delayed the increase in charges until the next financial year.

The Portfolio Holder for Finance was invited to respond. He explained that it was not possible to include the Government's proposed MIG Level in the previous year's forecast, as it had not been set until after the Council Budget had been agreed. He continued that the MIG level in Shropshire was set at a higher level than was set by the Government, so pensioners already retained more of their income before becoming subject to fees and those with less than £23,500 in assets, not including their home, were not subject to any charges. He accepted that the increase in charges would account for most of the pension increase awarded but stated that this was not affecting the most vulnerable group of pensioners and the charges were not being backdated. He stated that he did not believe the decision to have been flawed.

Members discussed the issues. It was noted that the costs of food and heating had increased in real terms and concern was expressed regarding pensioners ability to afford sufficient heating and food if an increase in charges was made. The Chief Executive confirmed that no in-depth calculations had been made on the impact of the increase in charges, he reiterated that pensioners had to have a significant amount in assets before they were subject to fees. He continued that pensioners had received substantial increases in the levels of pensions paid due to the triple lock policy which had not been applied to benefit other sections of society.

The Head of Finance, Governance & Assurance responded to the Leader of the Liberal Democratic Group's comments regarding the increase in fees not being included in the Financial Strategy and was therefore seen as bonus income. He explained that as overall income fell and the cost of Adult Social Care increased, the Council had a duty to maximise income where it was possible to do so and as circumstances permitted. He continued that it was often the case that circumstances changed after the publication of the Financial Strategy and it was important that increasing income and decreasing costs were always seen as a financial priority and obligation.

The Chairman moved that the Cabinet paper and decision be accepted and this was seconded. The meeting was adjourned at 2.35 pm to enable legal advice to be sought on The Liberal Democrat Group Leader's request to submit a minority report. The meeting was reconvened at 2.50pm and the Senior Solicitor referred the Committee to sections 11 and 16 of the Overview and Scrutiny Procedure Rules in Part 4 of the Council's Constitution which indicated that the option of a minority report was not available to the Committee when it was considering a called in decision.

The Liberal Democratic Group Leader then moved that the recommendation be amended, and that Option 4, as outlined in the Cabinet Report, be recommended to the Portfolio Holder and Cabinet. This was lost by 6 votes to 3.

RESOLVED: that the Cabinet Paper of the 6th September 2017 on the Minimum Income Guarantee be accepted and the decision endorsed.

Signed (Chairman)

Date:

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<u>Committee and Date</u> Cabinet 18 October 2017 Performance Management Scrutiny Committee 8 November 2017
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SHROPSHIRE COUNCIL – COUNCIL TAX SUPPORT SCHEME 2018-19

Responsible Officer James Walton
e-mail: James.walton@shropshire.gov.uk Tel: (01743) 257775

1. Summary

- 1.1 In 2017/18 Shropshire Council is one of only 20% of Councils that still provide 100% protection through its local Council Tax Support (CTS) scheme. In 2018/19, it is highly likely that this percentage will fall further. Authorities across the country currently provide protection as low as 70%. Shropshire Council is facing an extremely challenging financial future and central government has been clear that councils should look to maximise locally generated income to help manage this situation and to support the continued delivery of key and critical services now and into the future.
- 1.2 Under the current CTS scheme it is necessary to administer minor awards that, for an individual, may amount to only a few pence per week. Furthermore, working age individuals not in employment can receive 100% protection against their council tax liability. It is proposed to implement two key changes:
 - Set a minimum award threshold of £1.50 per week to simplify the process and help reduce administration
 - To limit protection under CTS to 80% rather than 100%, while ensuring the design of the scheme still provides 100% protection to the most vulnerable in society.
- 1.3 Together these proposals could generate almost £1.2m additional revenue per annum, generated by asking a greater proportion of Shropshire's population to contribute towards the cost of delivering local services.
- 1.4 It is proposed to make no changes to the Revenue and Benefits Team as a result of these proposals (the increased cost of collection caused by reducing protection to 80% would be partially offset by implementing the minimum award threshold of £1.50). It is likely, however, that the overall collection rate will fall in the short-term. Shropshire Council currently has one of the highest collection rates in the country and while this is anticipated to be maintained in the long term, there may be a short to medium term impact as a result of these changes. Nevertheless, the impact of these proposals would be financially positive for the Council, even in the short term, and this would be reflected within the Council's

Financial Strategy by an immediate and increasing reduction in the existing funding gap.

- 1.5 This report proposes some changes to the existing council tax support scheme for Shropshire Council, and also details options for introducing a minimum council tax payment for all council tax support claimants.

2. Recommendations

- 2.1 Members are asked to

- A. Agree option 4 as the preferred option for amending Shropshire Council's council tax support scheme for 2017-18 and associated exemptions with an estimated gross saving of £1,190,000 and confirm the arrangements for consultation as set out in the report
- B. Note that subject to the proposed consultation the preferred scheme will be brought to full Council on 14 December 2017 for approval.

3. Risk Assessment and Opportunities Appraisal

- 3.1 The authority has a statutory duty to make a council tax reduction scheme. The authority must make any revision to its scheme or replace it with another scheme, no later than 31 January in the financial year preceding that for which the revision or replacement is to have effect.
- 3.2 The Government reduced the amount of funding it provided for council tax support by 10% when responsibility for localised council tax support was passed to billing authorities in 2013. It has been necessary for the Council to find ways to accommodate this shortfall ever since.
- 3.3 The 90% funding made available for council tax support is ostensibly included within the overall grant funding that the Council receives from central government (that is, it was rolled into Revenue Support Grant), but is not separately identifiable within the grant. It follows as government funding continues to be cut there is less funding available for council tax support. Furthermore, with RSG being removed entirely by April 2020 there will be no government support for Council Tax Support in future.
- 3.4 The Council continues to face unprecedented cuts in central government funding, and ever increasing pressure to maximise its own resources to cover the cost of services locally provided.
- 3.5 The Council's key strategic risk is the ability to set a sustainable budget. The changes proposed within this report could form part of a long-term sustainable solution.

4. Financial Implications

- 4.1 Option 1 – do nothing and retain the existing Council Tax Support Scheme. Saving £0.

For the 2017-18 financial year the Council provides in excess of £7 million council tax support to working age claimants. Option 1 would provide no saving against this £7m.

- 4.2 Option 2 – Make changes to the existing scheme to align with Housing Benefit and apply a minimum award of £1.50 a week. Saving £206,000

This option would remove entitlement to claimants that only qualify for a relatively small amount of council tax support, and associated administration costs. It is estimated that these changes would save the Council at least £206,000 per year. These amendments are detailed in the Shropshire Council Tax Summary document at Appendix A.

- 4.3 Option 3 - Make changes to existing scheme to align with Housing Benefit and introduce a minimum award of £1.50 per week and apply 10% minimum payment in Council Tax Support. Saving £694,000

It is estimated that this would save the Council at least £836,000 per year. With the exemptions from the minimum payment percentage detailed below this would reduce to £694,000.

- 4.4 Option 4 – Make changes to existing scheme to align with Housing Benefit and introduce a minimum award of £1.50 per week and apply a 20% minimum payment in Council Tax Support. Saving £1,190,000

It is estimated that this would make a gross saving to the Council of £1,480,000 per year, offset by exemptions as set out below.

- 4.5 It is proposed that the following categories would be exempt from the 20% minimum payment in the proposed scheme at the following cost. For more details of the exemption criteria please refer to the summary document at Appendix A.

- Claimants in receipt of the severe disability premium. To exempt these claimants from the proposed 20% minimum payment in council tax support would cost an estimated £245,000
- Claimants in receipt of the support component of Employment and Support Allowance. The support component Employment and Support Allowance is for people with a 'limited capacity for work'. To exempt these claimants from the proposed 20% reduction in council tax support would cost an estimated additional £45,000

- Claimants in receipt of war pension exemption – This would cost a minimal amount in the region of £200
- 4.6 The net saving to the Council of aligning its scheme with Housing Benefit changes, applying a £1.50 per week minimum award, applying a 20% minimum payment, but exempting claimants in receipt of the severe disability premium and the support component of Employment and Support Allowance and war pensions would be £1,190,000.
- 4.7 A survey of other Council that have introduced a minimum payment to their Council Tax Support scheme has shown that there is a detrimental effect on their overall council tax collection rate. This has varied among different Councils between 0.3% and 0.7% in the first year, but gradually improving over subsequent financial years.
- 4.8 For the 2015-16 and 2016-17 financial years Shropshire Council has reported a collection rate of 98.4%. The Council's overall council tax debit for 2017-18 is £175 million. Shropshire Council keep around 82% of this as its precept. If the collection rate fell by 0.1%, that would mean a loss of income to Shropshire Council of £143,500 (£175,000 loss overall). If the collection rate fell by 0.4% that would mean a loss of income in year to Shropshire Council of £574,000 (£700,000 loss overall).
- 4.9 The majority of the impact of the initial changes, following the 2013 introduction of the Council's scheme, was felt by claimants in employment. The impact of the proposed changes will be consistent with that felt in other parts of the country. In Shropshire, it is anticipated that less than 7% of the impact of the new proposals will fall on working age claimants in work, with the remainder of the impact falling on working age claimants not in employment. The majority of claimants will continue to receive support, albeit at a lower level. Some examples of the potential impact of the changes for individuals is included at Appendix C.
- 4.10 It should be noted that Shropshire Council's Revenues Team would continue to collect these amounts during subsequent financial years. It should also be noted that any decision to create additional council tax debit, particularly among lower income groups, will increase administration and recovery costs within the Revenues and Benefits Teams. This may mean, for example, that within existing resources there would be reduced capacity to focus on collection of council tax arrears, which could impact on the overall council tax collected by Shropshire Council.
- 4.11 Discretionary Fund**
- 4.12 A council tax support scheme must state the procedure by which a person may apply for a reduction under section 13A (1) (c) of the Local Government Finance Act 1992 which provides delegation to a billing authority to reduce the amount of council tax to nil, either in relation to particular case, or by determining a class of dwellings.

- 4.13 As the local council tax support scheme is classed as a council tax discount, any appeals against council tax support awards are heard by the Valuation Tribunal. As local schemes are not legislation, but are locally defined schemes, the Valuation Tribunal will not consider an appeal against a billing authority's actual scheme, as that is beyond their jurisdiction. The Valuation Tribunal can, however, advise dissatisfied claimants of their right to apply to the billing authority for a discretionary discount under section 13 (1) (c) above. They will also hear appeals where the authority refuses to exercise this discretion, and will potentially overturn a billing authority decision to award discretionary discount on appeal.
- 4.14 It follows that any decision to apply a uniform minimum percentage payment in respect of council tax support awards is likely to see a marked increase in requests for discretionary discount considerations.
- 4.15 Currently, the discretion to award discretionary discounts has been delegated to the Head of Finance, Governance and Assurance (Section 151 Officer), and requests are considered on an ad hoc basis. There is no policy to guide awards of this nature, nor is there any funding to cover the cost of such awards. Therefore the cost of any discretionary discount is picked up by the wider taxpayer.
- 4.16 To cater for an increase in requests for discretionary council tax discount, some Councils have developed a policy document against which requests can be verified, and also a hardship fund from which any discretionary awards are paid.
- 4.17 An option is to set aside a discretionary fund of £50,000 to cater for future requests for discretionary council tax discount, and to establish a policy document against which requests could be awarded. This will be brought back to Council for approval.
- 4.18 It should be noted that the Council is currently allocated Government grant each year to make Discretionary Housing Payments (DHP) where Housing Benefit or Universal Credit claimants require further assistance towards housing cost or rent liability. It is probable that a number of claimants that will be adversely affected by proposed changes to the CTS scheme and request additional discretionary assistance which might also be legitimately considered for a DHP. Given that the DHP fund is often substantially underspent, a combined approach to administering both funds would enable a more holistic view of the claimant and would provide opportunity for discretionary payments to be administered under the policy, but not necessarily at direct cost to the Council and the local taxpayer.

5. Background

- 5.1 The former national Council Tax Benefit scheme was abolished on 31 March 2013 and replaced with a new system of localised Council Tax Support, which requires each billing authority to design and implement its own scheme for awarding council tax discounts to working age customers on low incomes, while accommodating a 10% reduction in Government funding.

- 5.2 Shropshire Council's scheme was approved by Cabinet on 17 October 2012. Effectively the scheme agreed by Shropshire Council continued to be means tested but made a number of adjustments to the existing council tax default scheme, namely
- Removal of second adult rebate
 - Increase the value of non-dependant deductions
 - Removal of child benefit and earnings disregards
 - Reducing the upper capital limit to £10,000
 - Minimum earnings threshold for EEA
 - Special education needs allowance disregarded in full
 - War pension/armed forces compensation scheme guaranteed income payments disregarded in full
 - Changes to habitual residency test to fall in line with Housing Benefit
- 5.3 Crucially, the Shropshire Council scheme did not implement a minimum payment percentage across all claimants. That means that certain claimants in receipt of passported benefits still receive 100% protection and pay no council tax.
- 5.4 Legislative changes have continued to be made in relation to Housing Benefit, which is currently assessed alongside Council Tax Support as part the same assessment process. These changes have not been reflected in the Council Tax Support scheme. As Housing Benefit and the Council Tax Support scheme have diverged it has made the assessment process more confusing for claimants, and more administratively challenging for staff. It would therefore be advantageous for the Council to agree to amend the Council Tax Support scheme with effect from 1 April 2018 to align it with Housing Benefit changes.
- 5.5 Shropshire Council went live with Universal Credit in April 2015. This change, however, only affected new claims from single working age claimants. Shropshire Council is currently scheduled to move to full service with Universal Credit in February 2018. This means that all new claims for working age claimants will move to Universal Credit with effect from February 2018. There are currently no plans for pensioners to move off Housing Benefit. Due to the way Universal Credit works the experience from other Councils that have already moved to full service is that they are receiving a high number of notifications from DWP of small changes to Universal Credit entitlement each month in respect of people that have moved to Universal Credit. The effect on Council Tax Support is that their entitlement is being recalculated each month, meaning their council tax instalments are continually being recalculated and pushed into the future. One way to avoid this problem would be to introduce a minimum change amount for Universal Credit. This would mean that there would be no change in entitlement to Council Tax Support if the change in Universal Credit is less than £10.00 per week.
- 5.6 While Shropshire Council has continued to offer 100% council tax reduction support to certain passported claimants, the majority of other billing authorities have required all claimants to make a minimum payment contribution to council tax. For 2016-17 out of 326 billing authorities only 67 authorities (of which

Shropshire was one) continued to offer 100% protection from council tax. Members are asked to consider implementing an option which would reduce the overall cost of the scheme.

5.7 While there remains uncertainty about the continued roll out of Universal Credit it is recommended to continue with a Council Tax Support scheme that remains means tested as the calculation is linked to Housing Benefit.

5.8 If the roll out of Universal Credit continues as planned it may be sensible to consider further changes to the Council Tax Support scheme, possibly from April 2019. One option to consider for future years if the planned roll out of Universal Credit for Shropshire continues as scheduled, is implementation of an income banded scheme that is simplified and operates more as a Council Tax discount.

5.9 Consultation

5.10 Before making a scheme the authority must (in the following order)

- Consult any major precepting authority which has power to issue a precept to it
- Publish a draft scheme in such manner as it thinks fit, and
- Consult such other persons as it considers are likely to have an interest in the operation of the scheme

5.11 Case law has determined that any consultation undertaken to change the Council Tax Support scheme must refer to alternative methods to absorb the shortfall in government funding.

5.12 Changes to the existing scheme to align with Housing Benefit would be minimal. Consultation for these changes would be published on the website, and registered social landlords, advice agencies and other relevant service areas would be made aware of the consultation.

5.13 Any changes to the scheme to introduce a percentage reduction would be felt more widely across all working age claimants. If the Council wished to consider a minimum payment percentage then the proposed consultation would be, in addition to the above, to write to all affected working age claimants to advise them of the proposed changes and invite comment.

5.14 It is proposed to undertake consultation over a period of six weeks which would enable a decision to be taken at the Full Council Meeting on 14 December 2017. Over this period there is the opportunity for Performance Management Scrutiny Committee to consider this if they wish.

5.15 An Equality and Social Inclusion Impact Assessment has been completed and the result is that this change is not likely to have an adverse impact on any particular group. The ESIIA is at Appendix B.

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

N/A

Cabinet Member (Portfolio Holder)

Councillor David Minnery

Local Member

N/A

Appendices

Appendix A: Council Tax Support Summary Document

Appendix B: ESIIA

Appendix C: Examples of the impact of the proposed changes.

Appendix A: Council Tax Support Summary Document

SHROPSHIRE COUNCIL – BENEFITS SERVICE

COUNCIL TAX SUPPORT (CTS)

Introduction

The current Council Tax Benefit scheme is a means tested benefit that helps people with a low income to pay their Council Tax.

From April 2013 this will be abolished and all local authorities will provide a new scheme called 'Council Tax Support'. The funding that is provided for this scheme will be reduced by 10% and therefore it is likely that some people will have to pay more towards their Council Tax bill.

The changes will not affect pensioners even though they will move into the new scheme. The Government have confirmed that all pensioners will be protected and receive the same amount of benefit they do now under the current Council Tax Benefit Scheme.

Each local authority will be able to provide Council Tax support in a different way depending on local needs, funding available and how it can be administered. Each Council is expected to devise a new scheme and then put this to public consultation by the end of 2012.

Our new scheme was devised and published on the Shropshire Council website for customers, stakeholders and other agencies to comment on. Public consultation closed on the 14th December and the new scheme was formally adopted by the Council on 16th January 2013.

Anyone of working age will now be subject to the new scheme from April 2013. The differences that you will see in the new Council Tax Support Scheme are: -

- Removal of second adult rebate
- Reduction of the capital limit from £16,000 to £10,000
- Removal of earnings disregards
- Removal of child benefit disregard
- Increase in non-dependant deductions

Please note the following amendments are for the calculation of Council Tax Support only and do not affect Housing Benefit calculations.

Removal of Second Adult Rebate

Second Adult Rebate (2AR) is awarded to a customer based on the circumstances of a second adult living in the property. Under the new scheme this has been abolished and will no longer be effective from 01.04.13.

Reduction of the capital limit

For working age people the capital limit will reduce to £10,000 from 01.04.13. This will mean that if a customer's savings amounts to more than £10,000 they will not be entitled to CTS. The lower capital limit of £6,000 remains the same.

Tariff income calculations remain as is i.e. from the total amount if capital £6,000 is deducted, the remainder is then divided by 250 if the result is not an exact multiple of £1 the result is rounded up to the next whole £1

All other capital rules including static savings, land and property, shares, etc remain the same.

Removal of Earnings disregards

All income disregards for working age people will cease from the 01.04.13.

Removal of Child Benefit disregards

Child benefit will no longer be disregarded from the calculation of CTS from the 01.04.03.

Increase in non-dependant earned income deductions (working age only)

From 01.04.13 non dep deductions will increase to the following: -

£5 for anyone earning under £100,
£10 for anyone earning between £100 and £150
£20 for anyone earning over £150 per week

This deduction will only be made from their earned income. It won't affect any other income they receive.

Non-dependant earned income deductions (pension age only)

Gross income less than £186.00	=	£3.65
Gross income £186.00 to £321.99	=	£7.25
Gross income £322.00 to £400.99	=	£9.15
Gross income £401.00 or above	=	£10.95

Unearned income will attract the following disregards (working age and pension age):

Others aged 18 or over incl. JSAC & ESAC	=	£3.65
In receipt of Pension Credit, IS, JSA (IB), ESA(IR)	=	nil

(If nil income is added to the claim for the non-dep it appears to take the maximum deduction).

(This disregard will be up-rated annually in line with figures provided annually by DCLG)

A new minimum earnings threshold will be introduced with effect from 01/04/15 to reflect the current arrangements in the Housing Benefit scheme.

This minimum earnings threshold will help to determine whether a European Economic Area (EEA) national's previous or current work can be treated as genuine and effective for the

purposes of deciding whether they have a right to reside in the UK as a worker or self-employed person.

The minimum earnings threshold has been set at the level at which workers start to pay National Insurance Contributions (NICs), currently £153 a week in the 2014/15 tax year. If an EEA national can prove that they have been earning at least this amount for a period of 3 months immediately before they claim CTS their work can be treated as genuine and effective and they will have a right to reside as a worker or self-employed person.

If they do not satisfy the minimum earnings threshold criteria, a further assessment will be undertaken against a broader range of criteria (such as hours worked, pattern of work, nature of employment contract etc.) to determine whether their employment is genuine and effective.

Ultimately, if an EEA national's income does not meet the minimum earnings threshold or the additional criteria to be classified as genuine and effective employment they will not be eligible for CTS.

Special Educations Needs Allowance – to be disregarded in full with effect from 01/09/14

War Pensions / Armed Forces Compensation Scheme Guaranteed Income Payments – to be disregarded in full with effect from 01/04/13 (and to be consistent with Housing Benefit)

From 01/04/15 the CTR scheme will include changes to the habitual residency test to reflect changes to the Housing Benefit (HB) regulations.

The amendments to the CTS scheme removes access to CTS for EEA jobseekers who make a new claim for CTS on or after 1 April 2015. EEA nationals who are self-employed, are workers or who are unemployed but retain their worker status have the same rights to CTS as a UK national and their situation remains unchanged.

EEA jobseekers who are entitled to CTS and JSA(IB) on 31 March 2015 will be protected until they have a break in their claim for CTS or JSA. If their JSA ends because they have started work, then as long as we can be satisfied that their employment is genuine and effective they will be able to access in-work CTS as either a worker or a self-employed person. Claimants receiving in-work CTS beyond 1 April will continue to be able to access CTS, if they become entitled to JSA(IB) on or after that date, but only if they retain their worker status. If they are a jobseeker then their CTS entitlement ends from the Monday following the cessation of work.

Changes with effect from 1 April 2018 to bring the scheme in line with Housing Benefit changes

- **2 child cap**

The Government has announced that they will limit benefit support by only taking into account a maximum of two dependent children per family. It affects all claims where new children are born after April 2017. This will apply in Housing Benefit to families that make a new claim from April 2017

- **Loss of the family premium**

The Government removed the family premium for new claims within the assessment of Housing Benefit with effect from May 2016

- **Bereavement Support Payments to be disregarded in full**

This was introduced into Housing Benefit with effect from April 2017

- **Any payments from the 'We love Manchester Fund' and the 'London Emergency Trust' to be disregarded in full**

- **Maximum backdate period of 1 month**

- **Absence from home limited to 4 weeks when outside GB**

The temporary absence rules for Housing Benefit were amended in 2015 reducing the allowable period of temporary absence outside Great Britain from 13 weeks to 4 weeks.

The limit applies to new periods of absence only. Exceptions are when an absence is in relation to

- Death of a partner, child or close relative
- Receiving medical treatment
- A person who has fled their home due to fear of violence
- A member of Her Majesty's forces posted overseas

- **Beneficial changes in circumstances to be reported within one month of the change in order for the claim to be updated from the date of change, otherwise changes will take effect from the Monday following date notified.**

- **All working aged claimants who receive Council Tax Support (unless they are a pensioner or classed as vulnerable) will pay 20% of their council tax liability, (after appropriate discounts have been awarded)**

An example of this change is as follows:

1) **Current scheme (which allows for 100% reduction)**

The customer's liability is £20.00 per week. As they are in receipt of Jobseekers Allowance they are entitled to full Council tax reduction making their council tax balance for the year £0.00

2) Proposed new scheme (20% minimum payment)

The customer liability is £20.00. Before any calculation takes place 20% of this amount is reduced from the liability to be used. This means that any calculation will be carried out on a figure of £16.00. Again the customer is on Jobseekers Allowance and so they are entitled to a full award. This will mean their council tax balance for the year will be £208.00 (£4.00 x 52).

- **De Minimis change amount of £10.00 per week for claimants in receipt of Universal Credit**
- **Claimants who meet the specific criteria of severe disablement contained within the policy will be protected from any percentage reduction in council tax support. Claimants in receipt of Employment and Support Allowance will be protected from any percentage reduction in council tax support. This will also apply to customers who meet the criteria for receiving a war compensation related benefit or pension. Specifically this includes**

Criteria to be awarded for the severe disability premium:

- The customer has to be in receipt of
 - 1) Attendance allowance or
 - 2) Higher or middle rate care component of disability living allowance or
 - 3) The daily living allowance rate of personal independence payments
- They must not have a resident non-dependant
- No person is entitled to, and in receipt of, carers allowance in respect of caring for the customer and;
- If the customer has a partner they must also meet all above criteria

Criteria to be awarded the support component of employment and support allowance –

It is accepted that some people's difficulties or disabilities are such that not only is the person not expected to look for work but are also not expected to undertake an work related activities or plan for starting work due to the severity of their difficulties

Criteria to qualify for the war pension's exemption

The customer and/or partner has to be in receipt of either:

- War pension
- War disablement pension
- War service attributable pension
- War widows pension
- War mobility supplement

SUMMARY OF CHANGES FROM 01.04.13

Current Council Tax Benefit Scheme (CTB)	Council Tax Support (CTS)
Second Adult Rebate - Awarded to the customer based on the circumstances of 'second adult'. Can be awarded due to a 'better buy' comparison	No award due for second person. On 'better buy' calculation customer will only be awarded any CTS due.
Reduction of the capital limit - Upper capital limit of £16,000. Above this limit the person would not qualify for CTB. Lower capital of £6,000. Below this figure amount is ignored. Amounts above £6,000 attract tariff income at £1 for every £250 or part of above the lower capital limit	Upper capital limit of £10,000. Above this limit the person would not qualify for CTB. Lower capital of £6,000. Below this figure amount is ignored. Amounts above £6,000 attract tariff income at £1 for every £250 or part of above the lower capital limit
Removal of earnings disregards – Permitted work - £97.50 Lone parents - £25.00 Disabled, carers or special occupations - £20.00 Couples - £10 Single £5	Permitted work - £0 Lone parents - £0 Disabled, carers or special occupations - £0 Couples - £0 Single £0
Removal of Child Benefit disregard – Child Benefit is fully disregarded for the calculation of CTB	Child benefit is fully included for the calculation of CTS
Increase in non-dependant deductions (using current figures) On pass ported benefit - £0.00 On JSA C/ESAC - £3.30 Works less than 16 hours on maternity, paternity, adoption or sick leave - £3.30 Income more than £394.00 per week – £9.90 £316.00 to £393.99 per week – £8.25 £238.00 to £315.99 per week - £6.55 £183.00 to £237.00 per week - £3.30 £124.00 to £182.99 per week – £3.30 Under £124.00 – £3.30	On pass ported benefit - £0.00 On JSA C/ESAC - £3.30 Works less than 16 hours on maternity, paternity, adoption or sick leave - £3.30 Earnings less than £100 - £5.00 Earnings between £100 and £150 - £10.00 Earnings above £150 - £20.00

APPEALS

There will be no joint HB/CTR appeals – they will be heard separately by different bodies. First Tier Tribunals will hear the Housing Benefit appeals (as now) and the Valuation Tribunals Service will hear Council Tax Support appeals.

The legislation is contained within the Local Government Finance Act. Appeals against the local Council Tax Support Scheme will be covered by Regulation 16(b).

Process:

- The customer firstly needs to write to the Council saying they disagree with the decision. There is no time limit to do this. They can request this at any time.
- If we do not alter our original decision the customer has the right to appeal to the Valuation Tribunal.
- To appeal to the Valuation Tribunal the customer will need to do this on line at www.valuationtribunal.gov.uk
- The customer must complete the on line appeal application within two months of the date of the decision notice sent by ourselves upholding the original decision

As local schemes are not legislation, but are locally defined schemes, the Valuation Tribunal will not consider an appeal against a billing authority's actual scheme, as that is beyond their jurisdiction. However, the Valuation Tribunal will advise dissatisfied claimants of their right to apply to the billing authority for a discretionary discount under section 13 (1) (c) of the Local Government Finance Act 1992. They will also hear appeals where the authority refuses to exercise this discretion.

Appendix B: ESIIA**Shropshire Council Part 1 ESIIA: initial screening and assessment**

Please note: prompt questions and guidance within boxes are in italics. You are welcome to type over them when completing this form. Please extend the boxes if you need more space for your commentary.

Name of service change

Change to local Council Tax Support scheme. Proposed change is to align the scheme with changes that have been made to Housing Benefit legislation, and apply a 20% minimum payment in council tax support to apply to all working age claimants. Pensioners are protected in law from these changes, and continue to have their council tax support assessed against the former council tax benefit rules.

Certain groups are proposed as being exempt from these changes.

Aims of the service change and description

The authority has a statutory duty to make a council tax reduction scheme. The authority must make any revision to its scheme or replace it with another scheme, no later than 31 January in the financial year preceding that for which the revision or replacement is to have effect.

The Government reduced the amount of funding it provided for council tax support by 10% when responsibility for localised council tax support was passed to billing authorities in 2013.

Funding for council tax support is included within the overall grant funding that the Council receives from central government, but is not separately identifiable. It follows as government funding continues to be cut, that there is less funding available for council tax support.

Shropshire Council's council tax support scheme was approved by Cabinet on 17 October 2012. Effectively the scheme agreed by Shropshire Council continued to be means tested but made a number of adjustments to the existing Council Tax Default scheme, namely

- Removal of second adult rebate*
- Increase the value of non-dependant deductions*
- Removal of child benefit and earnings disregards*
- Reducing the upper capital limit to £10,000*
- Minimum earnings threshold for EEA*
- Special education needs allowance disregarded in full*
- War pension/armed forces compensation scheme guaranteed income payments disregarded in full*
- Changes to habitual residency test to fall in line with Housing Benefit*

Crucially, the Shropshire Council scheme did not implement a minimum percentage across all claimants. That means that certain claimants in receipt of pass ported benefits still receive 100% protection and pay no council tax.

Legislative changes have continued to be made in relation to Housing Benefit, which is currently assessed alongside Council Tax Support as part the same assessment process. These changes have not been reflected in the Council Tax Support

scheme. As Housing Benefit and the Council Tax Support scheme have diverged it has made the assessment process more confusing for claimants, and more administratively challenging for staff. It would therefore be advantageous for the Council to agree to amend the Council Tax Support scheme with effect from 1 April 2018 to align it with Housing Benefit changes. These amendments are detailed in the Shropshire Council Tax Support Summary document at appendix A.

Shropshire Council went live with Universal Credit in April 2015. However, this only affected new claims from single working age claimants. Shropshire Council is currently scheduled to move to full service with Universal Credit in February 2018. This means that all new claims for working age claimants will move to Universal Credit with effect from February 2018. There are currently no plans for pensioners to move off Housing Benefit. Due to the way Universal Credit works the experience from other Councils that have already moved to full service is that they are receiving a high number of notifications from DWP of small changes to Universal Credit entitlement each month in respect of people that have moved to Universal Credit. The effect on Council Tax Support is that their entitlement is being recalculated each month, meaning their council tax instalments are continually being recalculated and pushed into the future. One way to avoid this problem would be to introduce a minimum change amount for Universal Credit. This would mean that there would be no change in entitlement to Council Tax Support if the change in Universal Credit is less than the £10.00 per week.

While Shropshire Council have continued to offer 100% council tax reduction support to certain pass ported claimants the majority of other billing authorities have required all claimants to make a minimum payment contribution to the council tax. For 2016-17 out of 326 billing authorities only 67 authorities (of which Shropshire was one) continued to offer 100% protection from council tax.

Shropshire Council is now considering proposals to align its council tax support scheme with housing benefit, and apply a 20% minimum payment percentage in council tax support for working age claimants. The following groups will be exempt from this proposal.

- Claimants in receipt of the severe disability premium.*
- Claimants in receipt of the support component of Employment and Support Allowance. The support component Employment and Support Allowance is for people with a 'limited capacity for work'.*
- Claimants in receipt of war pensions*

While there remains uncertainty about the continued roll out of Universal Credit it is recommended to continue with a Council Tax Support scheme that remains means tested as the calculation is linked to Housing Benefit.

Intended audiences and target groups for the service change

- Members of the public*
- Members*
- Registered Social Landlords*
- Working age claimants*
- Other Council departments*
- Advice agencies*

Evidence used for screening of the service change

The Council has had significant cuts in funding and needs to explore ways to reduce costs. For 2016-17 the majority of other Councils (79%) have implemented a minimum payment percentage into their council tax support scheme.

Specific consultation and engagement with intended audiences and target groups for the service change

A consultation on the proposed amendments to Shropshire Council's council tax support scheme will commence on 19 October 2017 and run for six weeks. As well as a consultation document being published on the internet, all affected claimants will be contacted about the proposed changes to the new scheme and invited to respond.

Potential impact on Protected Characteristic groups and on social inclusion

Using the results of evidence gathering and specific consultation and engagement, please consider how the service change as proposed may affect people within the nine Protected Characteristic groups and people at risk of social exclusion.

1. Have the intended audiences and target groups been consulted about:
 - their current needs and aspirations and what is important to them;
 - the potential impact of this service change on them, whether positive or negative, intended or unintended;
 - the potential barriers they may face.
2. If the intended audience and target groups have not been consulted directly, have their representatives or people with specialist knowledge been consulted, or has research been explored?
3. Have other stakeholder groups and secondary groups, for example carers of service users, been explored in terms of potential unintended impacts?
4. Are there systems set up to:
 - monitor the impact, positive or negative, intended or unintended, for different groups;
 - enable open feedback and suggestions from a variety of audiences through a variety of methods.
5. Are there any Human Rights implications? For example, is there a breach of one or more of the human rights of an individual or group?
6. Will the service change as proposed have a positive or negative impact on:
 - fostering good relations?
 - social inclusion?

Initial assessment for each group

Please rate the impact that you perceive the service change is likely to have on a group, through inserting a tick in the relevant column. Please add any extra notes that you think might be helpful for readers.

Protected Characteristic groups and other groups in	High negative impact	High positive impact	Medium positive or negative	Low positive or negative
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Shropshire	<i>Part Two ESIIA required</i>	<i>Part One ESIIA required</i>	impact Part One ESIIA required	impact Part One ESIIA required
Age (please include children, young people, people of working age, older people. Some people may belong to more than one group eg child for whom there are safeguarding concerns eg older person with disability)			This change will have a negative impact on working age claimants as they will receive less council tax support. Pensioners are protected in legislation. The council retain power to award council tax discounts on an ad hoc basis through discretionary powers and will exempt certain vulnerable groups from these changes.	
Disability (please include: mental health conditions and syndromes including autism; physical disabilities or impairments; learning disabilities; Multiple Sclerosis; cancer; HIV)			Exempt from minimum payment percentage where claimant or partner is in receipt of severe disability premium, support component of Employment Support Allowance and War pensions	√
Gender re-assignment (please include associated aspects: safety, caring responsibility, potential for bullying and harassment)				√
Marriage and Civil Partnership (please include associated aspects: caring responsibility, potential for bullying and harassment)				√
Pregnancy & Maternity (please include associated aspects: safety, caring responsibility, potential for bullying and harassment)				√
Race (please include: ethnicity, nationality, culture, language, gypsy, traveller)				√
Religion and belief (please include: Buddhism, Christianity, Hinduism, Islam, Judaism, Non conformists; Rastafarianism; Sikhism, Shinto, Taoism, Zoroastrianism, and any others)				√
Sex (please include associated aspects: safety, caring responsibility, potential for bullying and harassment)				√
Sexual Orientation (please include associated aspects: safety; caring responsibility;				√

potential for bullying and harassment)				
Other: Social Inclusion (please include families and friends with caring responsibilities; people with health inequalities; households in poverty; refugees and asylum seekers; rural communities; people for whom there are safeguarding concerns; people you consider to be vulnerable)				√

Guidance on what a negative impact might look like

High Negative	Significant potential impact, risk of exposure, history of complaints, no mitigating measures in place or no evidence available: urgent need for consultation with customers, general public, workforce
Medium Negative	Some potential impact, some mitigating measures in place but no evidence available how effective they are: would be beneficial to consult with customers, general public, workforce
Low Negative	Almost bordering on non-relevance to the ESIIA process (heavily legislation led, very little discretion can be exercised, limited public facing aspect, national policy affecting degree of local impact possible)

Decision, review and monitoring

Decision	Yes	No
Part One ESIIA Only?	√	
Proceed to Part Two Full Report?		√

If Part One, please now use the boxes below and sign off at the foot of the page. If Part Two, please move on to the full report stage.

Actions to mitigate negative impact or enhance positive impact of the service change

This is the section where you can explain what the service area is already planning to do. Check: for the groups who may be affected, what actions will you now take to mitigate or enhance impact of the service change? For example, if you are reducing a service there may be further use you could make of publicity and awareness raising through social media and other channels to reach more people who may be affected.

Actions to review and monitor the impact of the service change

This is the section where you can explain what actions the service area will be taking to review and monitor the impact of the service change, and with what

frequency. Check: what arrangements will you have in place to continue to collect evidence and data and to continue to engage with all groups who may be affected by the service change, including the intended audiences? For example, customer feedback and wider community engagement opportunities, including involvement of elected Shropshire Council councillors for a locality.

Scrutiny at Part One screening stage

People involved	Signatures	Date
<i>Lead officer carrying out the screening</i>	Phil Weir	28 September 2017
<i>Any internal support*</i>		
<i>Any external support**</i>		
<i>Head of service</i>	James Walton	28 September 2017

**This refers to other officers within the service area*

***This refers either to support external to the service but within the Council, eg from the Rurality and Equalities Specialist, or support external to the Council, eg from a peer authority*

Sign off at Part One screening stage

Name	Signatures	Date
<i>Lead officer's name</i>	Phil Weir	28 September 2017
<i>Head of service's name</i>	James Walton	28 September 2017

Appendix C

Changes to Council Tax Support (CTS) means that individuals currently eligible to receive 100% protection through this scheme would now receive a lower level of protection. This means that those affected will pay more towards their Council Tax Bill than they currently do. Some individuals who currently do not pay anything towards their Council Tax Bill would now be expected to make some contribution. The examples below give some illustrations of the impact this could have of individuals and households as a result of the proposed changes.

Example 1: Someone in receipt of Job Seekers allowance will have their income assessed against an 'applicable amount'. Where there is no excess of income over their applicable amount they would currently make no minimum payment under CTS. Under the new proposals they would instead pay 20% of their Council Tax Bill. Full Council Tax payable in this example would be £1040.00, or £20.00 per week (an average Band A liability).

	Current	Proposed
Weekly Council Tax Bill = £20.00. Contribution under CTS proposed to be 20% of Bill	£0.00	£4.00
Total Weekly Payment	£0.00	£4.00
Total Council Tax payable (Total Payment figure X 52 weeks)	£0.00	£208.00

Example 2: Someone with an excess of income over their applicable amount would currently make a contribution of 20% of this excess income, but no minimum payment under CTS. Under the proposals they would also pay 20% of their Council Tax Bill. Full Council Tax payable in this example would be £1040.00, or £20.00 per week (an average Band A liability). Excess of income in this example is £17.50 per week.

	Current	Proposed
Weekly contribution towards Council Tax (20% of excess income of £17.50)	£3.50	£3.50
Weekly Council Tax Bill = £20.00. Contribution under CTS proposed to be 20% of Bill	£0.00	£4.00
Total Weekly Payment	£3.50	£7.50
Total Council Tax payable (Total Payment figure X 52 weeks)	£182.00	£390.00

Example 3: Someone with an excess of income over their applicable amount would currently make a contribution of 20% of this excess income, but no minimum payment under CTS. Under the proposals they would also pay 20% of their Council Tax Bill up to the value of their Council Tax Bill. Full Council Tax payable in this example would be £1040.00, or £20.00 per week (an average Band A liability). Excess of income in this example is £83.00 per week.

	Current	Proposed
Weekly contribution towards Council Tax (20% of excess income of £83.00)	£16.60	£16.60
Weekly Council Tax Bill = £20.00. Contribution under CTS proposed to be 20% of Bill	£0.00	£4.00
Total Weekly Payment (In this case, this will be limited to the value of the Council Tax Bill)	£16.60	£20.00
Total Council Tax payable (Total Payment figure X 52 weeks)	£863.20	£1,040.00



Committee and Date

Cabinet
18 October 2017
PMSC
8 November 2017

Item

7

Public

FINANCIAL STRATEGY 2018/19 – 2022/23

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1. Summary

This report is the first financial strategy report for 2017/18 and provides information and recommendations on the Council's proposals to manage its financial position for 2018/19 and beyond.

In this report, officers have revisited the extensive growth modelling exercise previously carried out in May 2016. This exercise has been undertaken over the summer of 2017 and provides a detailed projection of the Council's financial position over the next five years based upon delivery of services in accordance with current Cabinet and Council approvals. The results of this growth modelling are set against a model of available resources projected over the same period resulting in an updated funding gap for the Council.

Significant changes as a result of this work include:

- Additional pressures as a result of growing demand and demographic changes particularly in Children's services, alongside known growth in Adult Services;
- The cumulative impact of changes and loss in funding that are, nevertheless, tied to the statutory delivery of services;
- Increased inflation requirements for major contracts;
- Savings proposals that have previously been drawn up by officers, but have not been achieved or approved for delivery due a number of contributory factors;
- Continued Government funding reductions.

As a result the funding gap has grown. Furthermore a significant proportion of this growth has been felt most keenly in the 2018/19 financial year. The estimated funding gap for 2018/19 had previously been estimated at £24m, but is now expected to be in the order of £36m. This gap is then expected to grow by approximately £6m per year as set out in Table 1. below:

Table 1: Revised funding gap

Year	2018/19	2019/20	2020/21	2021/22	2022/23
Funding Gap	£36m	£44m	£49m	£54m	£59m

We have a statutory duty to set a legal budget. As a result, the Financial Strategy attempts to accurately reflect the level of spend we are due to undertake in future years reflecting the services we believe we have a duty to deliver. To produce a balanced budget, the gap between this estimated level of spend and our estimated level of resources has been bridged as far as possible by the use of one-off funds. Previously the gap could be bridged for the years 2017/18 and 2018/19, and partially bridged in 2019/20. An initial review now suggests that the 2018/19 gap can no longer be completely bridged. It is currently estimated that following application of all known one-off resources, and with no further action, a gap of approximately £2.4m would remain in the next financial year, 2018/19.

The outcome (regardless of how it is described within the budget process) is that the growth in Adult Social Care and the costs of other statutory responsibilities of this council are not affordable under the current funding and expenditure model. The use of one-off funding is masking, and not solving, the underlying financial position where expenditure will continue to outstrip resources. Decisive action in the short term is critical to bring this worsening situation under control.

An approach is being developed by officers and Cabinet in response. This approach requires Council priorities to be set by Cabinet, followed by an alignment of service delivery to those priorities. In simple terms, this means understanding what we want to do and then putting our efforts into doing those things as efficiently as we can. Four key pillars of this approach can be summarised in the following priority order:

Innovate	Focus on the highest priority areas and those most likely to provide greatest reward including Children's Services, Digital Transformation and Health and Adult Services
Raise Income	Focus on investment and commercial activity
Cut Services	Reconsider the core services the Council will continue to provide and focus resources on that core offer only. Once decided, make these decisions as quickly as possible.
Use Reserves	In a strategic manner to enable and smooth the delivery of the above.

The Department for Communities and Local Government is currently seeking applications from authorities to pilot 100% Business Rates Retention in 2018/19 and to pilot new pooling models. Discussions have commenced with Telford and Wrekin and Herefordshire Councils to assess whether submission of a joint business case could be beneficial to our areas. The deadline for submission of business cases is Friday 27 October but assessing the potential financial implications and developing associated governance arrangements are complex issues which are still being discussed.

2. Recommendations

It is recommended that members:

- A. Agree the changes required to the 2017/18 budget as a result of the Final Local Government Settlement and the introduction of improved Better Care Funding announced in the Spring Budget.
- B. Note the changes required to future years budgets as a result of the Local Government Settlement and the review of expenditure and income following a second growth modelling exercise.
- C. Note the revised funding gap for the years 2018/19 to 2022/23
- D. Approve the savings proposals which will contribute towards delivery of a balanced budget in 2018/19 as outlined in Appendix 4
- E. Grant delegated authority to the Head of Finance, Governance and Assurance (s151 Officer), after consultation with the Portfolio Holder for Finance, to apply for Business Rates pilot status alone or jointly with one or more other councils.

REPORT

3. Risk Assessment and Opportunities Appraisal

3.1. The development and delivery of the Council's Financial Strategy 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 Financial Strategy makes specific reference to the Council's ability to set a sustainable budget (the highest of the Council's key strategic risks). Other risks associated with or mitigated by the setting of an approved Financial Strategy are listed below:

- ICT Provision
- ICT Digital Transformation
- Future Funding Levels

3.2. 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 Equality and Social Inclusion Impact Assessments (ESIIA) and any necessary service user consultation.

Financial Uncertainty

- 3.3. There is a significant risk that the Council's financial position will impact on service delivery, both statutory and non-statutory in future years. It is still unclear as to the extent of this impact as a great deal of work, including consultation where necessary, is required to move from the production of savings proposals to actual changes in service delivery seen on the ground. Nevertheless, we will continue to identify proposals for service reductions that are necessary to deliver a balanced budget over the medium term. This approach needs detailed consideration to ensure the Council is not placed at risk of being unable to deliver statutory functions to an appropriate quality
- 3.4. The Final Local Government Finance Settlement from February 2016 provided details for the financial years 2016/17 to 2019/20. In addition, Central Government offered to provide all local authorities with a confirmed multi-year offer (to 2019/20) where any Council was prepared to provide details of its efficiency statement before the deadline of 14 October 2016. Shropshire Council agreed to accept this offer and as a result the following allocations provided in the final settlement are now expected to be honoured:
- Revenue Support Grant (RSG)
 - Rural Services Delivery Grant (RSDG)
 - Transition Grant (2016/17 and 2017/18 only)
 - Business Rates Top-Up Grant

Whilst the offer does not cover the following key grants meaning they cannot be guaranteed they do appear in the Local Government Settlement so in this iteration of the strategy they have been built in to 2019/20. Whether these will continue beyond this point is unknown.

- New Homes Bonus (NHB)
 - Improved Better Care Fund (IBCF)
 - Additional Better Care Fund (ABC)
- 3.5. There is further uncertainty in the short term as IBCF and ABC are being reviewed again by central government. A number of local authorities are being targeted and details of their spending proposals are being challenged which could result in changes to the funding mechanism.

- 3.6. To help mitigate risks all core grants identified in the two lists above have been considered as one-off funding. Reliance on these funds, however, has still been assumed over the medium term.

4. Developing the Strategy

- 4.1. Shropshire Council has taken up the Government's offer of a multi-year settlement (as approved by Council in October 2016) and this ostensibly provides certainty in resources through to 2019/20. Beyond this point, however, there are no details as to what local government funding could look like.
- 4.2. Local Government continues to face considerable uncertainty with regards to future funding arrangements and this has a direct impact on the ability to develop a longer term finance strategy.
- 4.3. The reality is that a number of significant funding streams (for example Improved Better Care Fund and New Homes Bonus) are excluded from the multi-year settlement and the fourth and final year of the multi-year settlement period (2019/20) is also the year that 100% Business Rate Retention and Fair Funding was originally timetabled to begin.
- 4.4. The Department for Communities and Local Government (DCLG) has stated that there are no current plans for resurrecting or re-introducing the provisions of the Local Government Finance Bill which means that the introduction of 100% retention is effectively suspended with no current plans for its introduction. It is expected that DCLG will contact local authorities again once it has proposals for a business rates policy going forward and how that might be introduced. It has said that it is engaging ministers on the options for future reform without an immediate Bill and that “the government is committed to delivering the manifesto pledge to help local authorities to control more of the money they raise and will work closely with local government to agree the best way to achieve this.”
- 4.5. The DCLG has stated that the fair funding review does not require a slot in the legislative calendar and will be continuing along its current trajectory. Technical Working Groups, however, have not as yet presented details of how this might operate so it is impossible to calculate the impact of these changes on Shropshire Council. The option to create a long-term financial strategy is consequently not available and as such the Council continues to develop a two-stage approach:

- 1) Develop a short-term financial strategy for the year 2018/19 based on achievable, lower impact savings proposals and using one-off resources to close the resultant gap.
- 2) Develop an underlying strategy, alongside the Corporate Plan, Economic Growth and Commercial Strategies, to supersede the short-term strategy. This will focus on four key themes of innovation, income generation, service cuts and strategic use of reserves. Using the time afforded by Stage 1, this enables a considered approach to be undertaken to Stage 2 albeit still with clear financial benefits from earlier implementation.

4.6. The Financial Strategy is based upon delivery of a balanced budget over the Medium Term. Each year the delivery of services and savings proposals is monitored and reported to Cabinet on a quarterly basis. The impact of significant additional pressures (for example, demographic pressures in Adult Services) and the non-achievement of savings proposals impact not only on the relevant financial year, but also in future years of the Strategy. In previous years there has been an ability to freeze spending elsewhere in the budget to compensate for these pressures. In the future, there is a significant risk that there will be insufficient controllable budgets left in the Council to mitigate pressures appearing elsewhere. This may mean that reserves held for emergencies instead become relied upon to cover known pressures. If reserves are depleted in this way, the Council's funding position will become unsustainable.

4.7. Detailed work has been undertaken to revise the growth projections across the Council, in particular for Adult Services and Children's Safeguarding services where the expenditure is most volatile. This work is influenced by numerous variables which are often non-controllable. Each of these issues can lead to uncertainty in the base data or assumptions which are then extrapolated. If the pressure in Adult Services and Children's Safeguarding in future years is understated this would lead to short term decision making to deliver a balanced budget. If this pressure is over stated in future years, this would lead to decisions being taken elsewhere in the Council's budget that may be unnecessary. The risk of continued budget variances in this area have been reduced by allocating dedicated resources to model spend projections and by attempting to model and identify all variables.

5. The Funding Gap

- 5.1. Both Resources and Expenditure projections have been updated and the Revised Funding Gap is shown below in Table 2.

Table 2: Revised Funding Gap for 2018/19 to 2022/23

£'000	2018/19	2019/20	2020/21	2021/22	2022/23
Revised Expenditure	591,170	605,151	601,101	615,645	631,458
Revised Resources	554,703	561,189	552,542	561,977	572,188
Revised Funding Gap	36,467	43,962	48,559	53,668	59,270

5.2. Whilst there is some improvement in resources the overall position is considerably worse than last time due to increased pressures across a range of sources.

5.3. Table 3 below identifies the key changes to the funding gap for 2018/19 and 2019/20. In addition the figures for 2020/21 to 2022/23 can now be included. As these figures have not been reported previously, there is no change in the gap to explain, hence this section of the table is greyed out.

Table 3: Change in Funding Gap since 23 Feb 2017

	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000
Funding Gap as at 23 Feb 2017	23,822	36,597	n/a		
Net Change in Grants	-885	-6,492			
Increase in Council Tax Base	-243	-513			
Change in Fees & Charges	-92	-1,224			
Revision to future savings		-312			
Change in Pay & Prices	2,198	3,917			
Increase in Demographic/Demand led/New Service Pressures	7,643	7,965			
Savings proposals that have not been achieved	4,025	4,025			
Revised Funding Gap	36,468	43,963	48,559	53,669	59,270

Green	=Position impact on funding gap
Red	=Negative impact on funding gap

6. Resource Projections

6.1. There have been a number of changes to the resource projections since the February Financial Strategy. These are summarised below in Table 4 and the most significant discussed in the paragraphs that follow.

Table 4: Change in Resources since 23 Feb 2017

	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000
Resources as at 23 Feb 2017	560,656	554,754	n/a		
New Homes Bonus	5	5,635			
Improved Better Care Fund		8,153			
Change in Specific Grants	-6,294	-9,090			
Increase in Council Taxbase	243	513			
Change in Fees & Charges	92	1,224			
Revised Resources Oct 2017	554,702	561,189	552,542	561,977	572,188

New Homes Bonus and Improved Better Care Fund

- 6.2. Neither the New Homes Bonus or the Improved Better Care Fund allocations are referenced in the multiyear offer and in previous iterations of the strategy were assumed to cease in 2018/19. The grants are acknowledged, however, in the Local Government Settlement for 2018/19 and they have therefore been built into the strategy. The New Homes Bonus has been assumed to continue for the full term shown in Table 4 above. These grants fund existing expenditure and any changes to these assumptions will increase the funding gap.

Specific Grants

- 6.3. The change in specific grants is assumed to have no material impact on the funding gap as expenditure may adjust in line with these changes. The change is made up of several changes across many grants but most notably a large decrease in Dedicated Schools Grant (DSG) and Education Support Grant (ESG) is offset by the introduction of the Additional Better Care Funding which is described below.

Additional Better Care Fund

- 6.4. After the Council's budget for 2017/18 was set, local authorities received the announcement within the Spring Budget Statement that they were to receive additional improved Better Care Funding over the next three financial years. Shropshire Council's allocation is as shown in Table 5:

Table 5: Shropshire Council's Additional Better Care Fund Allocations

2017/18 £'000	2018/19 £'000	2019/20 £'000	Total £'000
5,976	3,959	1,967	11,903

- 6.5. There are several conditions attached to the funding, the first being that the grant must be spent on services not already budgeted for. As Shropshire

Council has adopted an approach of prioritising expenditure on adult social care, existing adult social care services are already fully funded within the Council's 2017/18 revenue budget (albeit through the creating of a subsequent funding gap for the authority as a whole).

- 6.6. Secondly, the additional funding is subject to a series of strict targets and measures that restrict its use. The funding is explicitly focused on reducing pressures on the NHS, particularly delayed hospital discharges. This, and the condition of additionality of expenditure as above, has meant that a list of new schemes and pilots has been created in order to make use of the grant for 2017/18, focusing on ways that NHS related outcomes can be improved in this financial year.
- 6.7. The grant must be pooled into the Better Care Fund, and therefore there is a requirement that the Council's plans for grant expenditure are jointly agreed with Shropshire CCG and approved by Shropshire's Health and Wellbeing Board.
- 6.8. The additional funding is one-off and time-limited, and therefore does not change the Council's underlying funding gap. Therefore, the Council cannot create new legacy cost pressures as a result of the funding, and this has added to the challenge of committing the grant in a way that is useful and meaningful, as long-term placement costs, for example, cannot be funded with the grant, as the Council would not be able to afford these costs after the grant has been withdrawn.
- 6.9. Further to this, the late notification of the grant, and the delay to the accompanying guidance, has meant that many schemes have not been active until recent weeks. This makes it highly unlikely that the full grant 2017/18 allocation will be spent this year, as intended by DCLG. Shropshire Council is therefore seeking reassurance that grant not spent within 2017/18 can be carried forward into the next financial year, however no reassurance has been provided by DCLG at this time, and therefore there is a risk that some of the grant may have to be repaid.
- 6.10. Allocations for 2018/19 are draft, and are subject to local authorities meeting required targets for delayed discharges from hospitals throughout autumn 2017. Those local authorities who do not meet required hospital discharge targets in the autumn are likely to have a reduction to their iBCF allocation in 2018/19. Shropshire Council intends to use part of its 2018/19 allocation to maintain services that would otherwise have to be reduced, in accordance with its Financial Strategy, however the value of the grant that may be available for this purpose will depend upon whether part of the 2017/18 allocation can be carried forward, and on the value of the 2018/19 allocation. A further update will be provided in the next Financial Strategy.

- 6.11. There is further uncertainty in the short term as iBCF and ABC are being reviewed again by central government. A number of local authorities are being targeted and details of their spending proposals are being challenged which could result in changes to the funding mechanism.

Council Taxbase

- 6.12. The estimate of growth in council taxbase has been increased from 1.58% to 1.75%. Whilst this increase comes with risks and is higher than the national average it is in line with actual increases that have been seen in Shropshire over the last few years. It is assumed that Shropshire Council's element of the Council Tax will be increased by 3.99% for each year of the Financial Strategy. This had already been assumed in previous planning and only the impact of the increased assumptions on Council Taxbase will result in revised figures.

Fees & Charges

- 6.13. Fees and Charges across the Council have been reviewed. The present model assumes discretionary increases in line with inflation. Further work is currently being undertaken to identify opportunities for increased income generation and it is anticipated that this work will help reduce the present funding gap.

7. Expenditure Projections

- 7.1. A detailed review of the growth model has been undertaken over the summer of 2017. This is a refresh of work carried out in May 2016. The result is that expenditure has increased since the last iteration of the financial strategy in February 2017. A summary of the increase is shown below in Table 6 and the most significant items discussed in the paragraphs which follow.

Table 6: Change in Expenditure since 23 Feb 2017

	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000
Expenditure as at 23 Feb 2017	584,478	591,350	n/a		
Change in Specific Grants	-7,174	-1,794			
Pay inflation and increments	570,346	1,345			
Prices inflation	1,628	2,571			
Increases in demography/demand	3,208	3,537			
Service Specific Pressures	4,435	4,427			
Unachievable savings proposals	4,025	4,025			
Improved 19/20 savings proposals	0	-312			
Revised Expenditure Oct 2017	591,170	605,151	601,101	615,646	631,458

Grants

- 7.2. As described above in the resources section changes in specific grants, New Homes Bonus and Additional Better Care Fund has no material impact on the

funding gap as it is assumed that expenditure will adjust in line with these changes (although any change that reduced NHB to below £5m would directly impact on the funding gap). The change shown is made up of several changes across many grants but most notably a large decrease in Dedicated Schools Grant is offset by the introduction of the Additional Better Care Funding. Expenditure plans are flexed accordingly.

Pay inflation and increments

- 7.3. A 1% pay award is assumed for staff year on year and assumptions are also made about how staff will move along the incremental pay scale. There has been an adjustment in the approach to increment cost which reflects the fact that evidence suggests that the cost is unlikely to taper over a period but remain relatively constant as turnover of staff and staff moving job roles continues.

Prices Inflation

- 7.4. The authority is committed to a number of different contractual arrangements, whilst some of these contracts are constructed to deliver savings year on year a larger number require differing levels of inflationary uplift.

Pressure from Demography, Demand and Specific Service Pressures

- 7.5. Pressures arise as a result of the growing population as well as increased uptake and cost of services but in some cases pressures arise for very specific reasons.
- 7.6. The approach of the growth review exercise is to identify and project an accurate forecast of expenditure. This approach means that where expenditure pressures have been identified which have no conceivable plan for rectification they are built into the expenditure projection. This means that where in-year budget shortfalls are identified as a result of long term pressures, substantial growth can appear in the initial year, which may then be subject to further growth and inflation pressures in later years.
- 7.7. The total growth applied for this group of pressures is shown in Fig 1. Below

8. Fig 1. Total Gross Demography and Demand Expenditure forecast

	2018/19	2019/20	2020/21	2021/22	2022/23
	£	£	£	£	£
Based on Growth Modelling (August 2017 exercise)					
Service Specific, Demography and Demand driven pressures					
Adult	7,331,055	7,584,146	8,195,638	8,858,117	9,640,345
Children	3,601,329	778,566	585,124	516,261	516,282
Place & Enterprise	1,136,295	106,790	106,790	106,790	106,790
Public Health	-1,885	0	0	0	0
Resources & Support	2,575,198	-591,380	227,254	430,321	751,145
Total budget growth requirement	14,641,992	7,878,122	9,114,805	9,911,489	11,014,562

Adults Services

- 8.1. Within adults services this expenditure pressure is driven by many factors not just increasing numbers of people but requirements to provide more costly complex care arrangements. The adults growth model, which was updated in May 2017, remains a good predictor of the expenditure pressure and the growth requirement has not changed significantly in this iteration of the financial strategy. It should be noted that just a +2% change in assumptions could cause a +£8m pressure between now and 20/21. Also an added pressure is likely to emerge as the proportion of income collected in fees and charges in relation to the total cost of care declines.

Children's Services

- 8.2. Children's services have seen a gradual increase in the number of looked after children over the last six months, which includes a higher number of UASC than experienced previously. Placements for children are increasingly expensive as an increasing number of children with complex care needs require specialist residential provision. Recent legislation has increased responsibilities in respect of financial support to Children Leaving Care, as the impact of Staying Put means that young people who wish to continue to live with their carers choose to do so, together with increases in post 16 allowances payable. The reduction of the DSG and ESG creates significant pressures within learning and skills, where functions relating to Education Improvement and other functions such as admissions, SEN, Education Welfare and those related to being the employer of staff of maintained schools remain. Whilst at a corporate level additional BCF offsets some of the loss of educational grants, the BCF has specific requirements, and thus the impact on Learning and Skills remains significant.
- 8.3. Costs for Unaccompanied Asylum Seeking Children (UASC) are now exceeding the Home Office Funding available. Some allowance has been made for further UASCs presenting in county with costly care requirements in future years though, due to the volatile nature of this group, this may not be required. Other larger costs in this category relate to the loss of grants in Children's services,

specifically Education Support Grant and Dedicated Schools Grant contributions.

Place & Enterprise

- 8.4. Pressures in Place and Enterprise include the costs of subsidising the current number of bus routes, increases in rates costs as a result of revaluations and anticipated changes in relation to the New Code of Practice for Winter Maintenance which could see gritting coverage rise from 28% of the network to 40%.
- 8.5. Other pressures relates to items such as Concessionary Fares, Road Network costs and Street lighting which are all driven by changes in the population and changes in economic growth and housing development.

Resources & Support

- 8.6. Within resources & support there is a budget shortfall because of the cost for IT Disaster Recovery. This has been funded to date from reserves but should now be considered business as usual. There is also a need to rectify an historic budget shortfall in IT licensing costs and support and maintenance services. Additional costs are being incurred as a result of changes in IT security activity. Provision is also made to cover the costs of legal disbursements and elections.

Reinstatement of unachievable savings proposals from prior years

- 8.7. The authority has put forward and delivered a significant number of savings proposals over the years. Some £185million since 2009/10.
- 8.8. However, in a handful of cases these savings have been impossible to achieve and have created a budget pressure which requires addressing. Fig 2. Shows the total savings to be reinstated by directorate. The reasons for non-delivery are varied and some of these are discussed below.

Fig 2. Unachievable savings proposals from prior years

2018/19 £	
Based on Growth Modelling (August 2017 exercise)	
Budget Growth Required due to Unachieved "Red" savings in 16/17 and 17/18	
Adult	0
Children	509,350
Place & Enterprise	370,000
Public Health	0
Resources & Support	41,570
Total budget growth required due to unachieved red savings	920,920

8.9. Within Children's Services it has become impossible to deliver the planned savings against the Education Improvement Service and Education Access services. The savings plans were drawn up prior to the removal of the General duties Education Support Grant. These Services have had to absorb the loss of the Education Service Grant in their budgets instead of making the original savings target. Also, a savings target in respect of short breaks has not been fully delivered. The relevant contracts have been reviewed and, whilst a greater number of short break opportunities has been secured lowering the unit cost, there has been no overall reduction in the total cost.

8.10. Within Place & Enterprise savings (income target) in relation to the University Centre occupation of the Guildhall have been reinstated as they have not been achieved to date however, these are likely to be brought forward again in future savings exercises. In the meantime the budget shortfall requires correction.

8.11. Resources & Support have been unable to achieve savings in relation to the review of printing solutions. This is likely to be brought forward again in future savings exercises.

9. Closing the Gap

Table 7: The Unsolved Funding Gap

£'000	2018/19	2019/20	2020/21	2021/22	2022/23
Revised Funding Gap	36,467	43,962	48,559	53,668	59,270
Government one off funding	9,280	14,005	21	-21	119
Council one off funding	24,817	0	0	0	0
Unsolved Funding Gap	2,370	29,957	48,538	53,689	59,152

9.1. Table 7 above shows that there is an unresolved gap in 2018/19. It will therefore be necessary to bring forward proposals to close this gap before budgets are finalised in February 2018.

9.2. As referred to in the introduction officers and Cabinet are developing an approach to manage the worsening financial situation. Closure of the gap will rely on strategies falling under four key pillars. Each is described below:

1. Innovate and 2. Raise income

9.3. An important element of closing the funding gap is the contribution of the Council's Commercial Strategy and Economic Growth Strategy as well as high profile projects such as digital transformation. It is crucial that such strategies and projects deliver savings through investment and transformational change. The following paragraphs discuss how each is currently contributing towards closing the gap.

9.4. The Council's commercial strategy sets out a number of aspirational targets. The details of these targets continue to be refined and until they are completed and risk assessed they cannot be included in the financial strategy. It is expected that proposals arising from this strategy will be brought forward before February 2017.

9.5. The Economic Growth Strategy changes the focus of previous strategies to take into account the direct financial benefit to the council of economic development and regeneration. High levels of business growth are already being delivered in Shropshire, the Economic Growth Strategy builds on this to place more emphasis on different types of growth and how such growth can help generate revenue.

9.6. It is expected that the Digital Transformation Programme will deliver savings. However, the project is in the early stages of development and as such it is not possible to fully appreciate what the redesign of the council's internal services and processes will look like. Therefore at this point we are unable to ascertain impact on cost. Once the design phase has concluded it is expected that savings and benefits will be more easily identifiable. Appendix 5 sets out the current position of the project.

3. Cut Services

9.7. The Council's external auditors Grant Thornton recently held a Members' Briefing Session where they made it very clear that given the current financial position service cuts would be required and indeed expected sooner rather than later.

- 9.8. Due to the lead time that some savings proposals take to implement the sooner savings proposals can be agreed the more likely they will contribute to resolving the immediate financial problem. It is expected that a number of proposals will be brought forward for Cabinet approval in December 2017. Unless a special meeting of the Council is arranged the December Cabinet meeting will be the latest point at which savings proposals impacting 2018/19 can be approved by Cabinet in order to allow for appropriate consultation prior to Council approval in February. Appendix 4 lists some savings strategies which have been sufficiently developed to require approval at this point and Members are asked to do so. The summary value of these proposals is shown in table 8 below. Once approved the unresolved gap showing above can be adjusted. Significantly more savings will be required in the coming months.

Table 8: Summary of new Savings proposals recommended for Approval

Total value of proposals:	-92,080	-415,300	-154,430	0	0
Directorate/Portfolio	18/19	19/20	20/21	21/22	22/23
Adults	0	-267,600	-146,700	0	0
Childrens	-65,300	0	0	0	0
Place & Enterprise	-26,780	-147,700	-7,730	0	0
Public Health	0	0	0	0	0
Resources & Support	0	0	0	0	0

4. Use of reserves

- 9.9. Appendix 3 shows the various one-off funding sources which are currently being applied to begin to close the gap. Government one off funding includes the New Homes Bonus, Rural Services Delivery Grant and Improved Better Care Funding. There is no guarantee that these will continue beyond 2019/20 however, it has been assumed that at least the New Homes Bonus will. This grant supports a corresponding expenditure line in the base budget and this would have to be removed if the grant ceased.
- 9.10. One off Council funding is comprised of freed up reserves, collection fund adjustments and conditionally released reserves. The conditionally released reserves are released on the assumption that they are replaced by Capital Receipts in future years. Any threat to the generation of capital receipts would compromise the ability to repay this funding. In previous iterations of the financial strategy more of these funds were applied to meet the gap in 2019/20 however, due to the increase in gap next year they are now required sooner.

10. Long Term Financial Strategy

The focus of the Financial Strategy has become short-term over the preceding 18 months. This has been driven partly by local circumstance and partly through uncertainty of proposed government changes in local authority funding. The review of council spend and resources undertaken over the summer of 2017 has delivered projections through to 2022/23 although as projections extend out year on year, the levels of assurance that can be provided will fall. In the absence of detail, any future government funding assumptions, various local assumptions have been applied to form the basis of a growth and funding model.

The Department for Communities and Local Government is currently seeking applications from authorities to pilot 100% Business Rates Retention in 2018/19 and to pilot new pooling models. Discussions have commenced with Telford and Wrekin and Herefordshire Councils to assess whether submission of a joint business case could be beneficial to our areas. The deadline for submission of business cases is Friday 27 October but assessing the potential financial implications and developing associated governance arrangements are complex issues which are still being discussed.

By becoming a pilot area for business rates, Shropshire Council would be better placed to understand some of the complex issues involved in local business rates retention. Were Shropshire to be selected as a pilot for 2018/19, it would be necessary to revise the current projections contained within this report.

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

Cabinet Member (Portfolio Holder)

David Minnery

Local Member

All

Appendices

Appendix 1 – Resource Projections

Appendix 2 – Expenditure Projections

Appendix 3 – Funding Gap

Appendix 4 – New savings proposals

Appendix 5 – Digital Transformation Update

Appendix 1 - Resource Projections

	2018/19 £	2019/20 £	2020/21 £	2021/22 £	2022/23 £	Assumptions
Council Tax	142,018,325	150,269,406	158,999,285	168,237,685	178,012,238	2018/19 onwards based on 1.75% increase in Taxbase and 3.99% increase in Band D p.a.
Business Rates:						
Business Rates Collected	42,373,597	43,139,711	43,919,677	44,713,745	45,522,170	2017/18 based on NNDR1, future years based on growth of 0.8% and multiplier increase of 1%
Estimated Reduction in Business Rates (s31 see below)	-2,690,070	-2,690,070	-2,690,070	-2,690,070	-2,690,070	
Top Up Grant	9,786,471	10,134,578				As per Provisional Local Government Finance Settlement 2017
			10,134,578	10,134,578	10,134,578	Assume constant from 2019/20 onwards
RSG	13,301,166	6,119,050				As per Final Local Government Finance Settlement 2017
			4,079,333	2,039,667		0 Assume RSG will reduce to zero by 2022/23
Collection Fund:						
Council Tax	500,000	500,000	500,000	500,000	500,000	2017/18 based on collection fund estimate
Business Rates	-500,000	-500,000	-500,000	-500,000	-500,000	2017/18 based on collection fund estimate
NET BUDGET	204,789,488	206,972,675	214,442,804	222,435,606	230,978,916	
Grants included in Core Funding:						
Improved Better Care Fund i	4,328,800	8,153,520	0	0	0	As per Provisional Local Government Finance Settlement 2017
New Homes Bonus	5,872,869	5,634,949	5,021,050	4,978,060	5,118,840	As per Final Local Government Finance Settlement 2017
Rural Services Delivery Grant	4,082,797	5,307,636	0	0	0	As per Final Local Government Finance Settlement 2017
Transition Grant	0	0	0	0	0	As per Final Local Government Finance Settlement 2017
Adult Social Care Support Grant	0	0	0	0	0	As per Final Local Government Finance Settlement 2017
s31 Business Rates Grants	2,690,070	2,690,070	2,690,070	2,690,070	2,690,070	
CORE FUNDING	221,764,025	228,758,851	222,153,924	230,103,736	238,787,826	

Appendix 2 – Expenditure Projections

	2018/19 £	2019/20 £	2020/21 £	2021/22 £	2022/23 £
Original Gross Budget Requirement	576,847,806	591,170,403	605,151,506	601,101,199	615,645,990
Inflationary Growth :					
Pay	1,736,400	1,771,400	1,806,800	1,843,040	1,879,700
Prices	3,297,385	2,661,433	2,908,430	3,147,842	3,179,325
Pensions	3,555	14,575			
Demography & Demand	10,207,019	7,885,625	9,104,995	9,901,259	11,003,912
Service Specific Pressures	4,434,972	-7,503	9,810	10,230	10,650
Local Generated Pressures :					
Elections	-700,000				
Specific Grants Changes between years	-4,673,935	1,967,488	-17,880,343	-357,580	-261,430
Changes in specific grants Feb to sep					
ASC Care Grant removed					
All other changes in 2016/17					
Adjustment to Gross budget offset by Income changes					
Adjust for Reduction to offset income reduction	-320,242				
Savings:					
Deduct ongoing Savings - 2017/18					
Deduct ongoing Savings - 2018/19 (green and ambers)	-583,477				
Deduct ongoing Savings - 2019/20 (green and ambers)		-311,916			
2016/17 and 2017/18 Savings not achievable	920,920				
TOTAL EXPENDITURE	591,170,403	605,151,506	601,101,199	615,645,990	631,458,147

Appendix 3 – Funding Gap

	2018/19 £	2019/20 £	2020/21 £	2021/22 £	2022/23 £
Resources	554,702,502	561,188,975	552,542,212	561,977,196	572,187,782
Expenditure	591,170,403	605,151,506	601,101,199	615,645,990	631,458,147
Gap in year	36,467,901	43,962,531	48,558,987	53,668,794	59,270,364
One Off Funding to be used:					
Rural Services Delivery grant	4,082,800	5,307,640	0	0	0
Transition Grant - One Off	0				
New Homes Bonus - One Off	867,971	544,780	21,050	-21,940	118,840
Adult Social Care Support Grant - One Off	0				
Improved Better Care Funding	4,328,805	8,153,519			
Savings BF	8,851				
One off Monitoring underspends					
Adult Services Contingency	3,000,000				
Collection Fund Adjustments	2,100,000				
Earmarked Reserves - Freed up	6,374,722				
Free up Conditional Release Reserves	11,253,143	0			
Free up Conditional Reserves - Pensions	2,081,536				
TOTAL ONE OFF FUNDING	34,097,828	14,005,939	21,050	-21,940	118,840
Remaining Gap to be Funded	2,370,073	29,956,592	48,537,937	53,690,734	59,151,524

Appendix 4 - New Savings proposals for approval

Total value of proposals:	-92,080	-415,300	-154,430	0	0
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Ref	Directorate/Portfolio	Counci Function	18/19	19/20	20/21	21/22	22/23	Commentary	Status
P01	Place & Enterprise / Steve Davenport	Public Conveniences	-24,780	0	0	0	0	Closure of public conveniences at Newport Road, Prees Heath, and Brownlow Street, Whitchurch.	Recommended for approval at Cabinet 18/10/2017
P02	Place & Enterprise / Joyce Barrow	Rockspring	-2,000	-2,000	-7,730	0	0	End agreement with Rockspring Community Centre	Recommended for approval at Cabinet 18/10/2017
P03	Place & Enterprise / Steve Charmley	Repairs & Maintenance	0	-145,700	0	0	0	15% reduction in R&M and office moves budget	Recommended for approval at Cabinet 18/10/2017
A01	Adults Services/Lee Chapman	Day Services	0	-96,700	-96,700	0	0	The outsourcing of Aquamira, Albert Road, Greenacres and Avalon.	Recommended for approval at Cabinet 18/10/2017
A02	Adults Services/Lee Chapman	Joint Training (part 1)	0	-77,000	0	0	0	Reduction of costs and increases to course fees	Recommended for approval at Cabinet 18/10/2017
A03	Adults Services/Lee Chapman	Enable	0	-50,000	-50,000	0	0	Secure further income from external contracts	Recommended for approval at Cabinet 18/10/2017
A04	Adults Services/Lee Chapman	Positive Steps	0	-43,900	0	0	0	Contract review.	Recommended for approval at Cabinet 18/10/2017
P01	Childrens Services/Nick Bardsley	Education Improvement Service	-65,300	0	0	0	0	A restructure of Education Improvement Service to deliver core statutory duties only.	Recommended for approval at Cabinet 18/10/2017

Appendix 5

ICT DIGITAL TRANSFORMATION – UPDATE

1. Background

1.1. Council last received an update regarding the Digital Transformation Programme at its meeting on 18th May 2017. At this meeting it was agreed that future updates to the costs and savings of the programme would be reflected in the Council's budget and updated and monitored through the council's regular processes such as this Financial Strategy, Capital Programme and Monitoring reports.

1.2. The Council's stated desire is to deliver services at the highest quality and lowest cost compared to other authorities in everything that it does. It has therefore put in place strategies to help it achieve these aim. These strategies, including the Digital Transformation Programme Strategy are described below:

- The Economic Growth Strategy - the Council has adopted an Economic Growth Strategy with the aim to generate growth in jobs and businesses and also directly generate resources for the Council on a number of fronts including through increased business rate generation
- The Commercial Strategy – the Council has adopted a Commerciality Strategy to improve efficiency and income generation across the Council, placing more and more services on a commercial footing and creating new income streams to supplement service delivery across the authority.
- The Digital Transformation Strategy - the Council has adopted an ICT Digital Transformation Strategy that will transform IT systems, reshape services and 'back-office' functions, reducing costs, removing duplication, improving efficiency and enabling more effective service delivery across a rural geography.

2. Project Structure and Governance

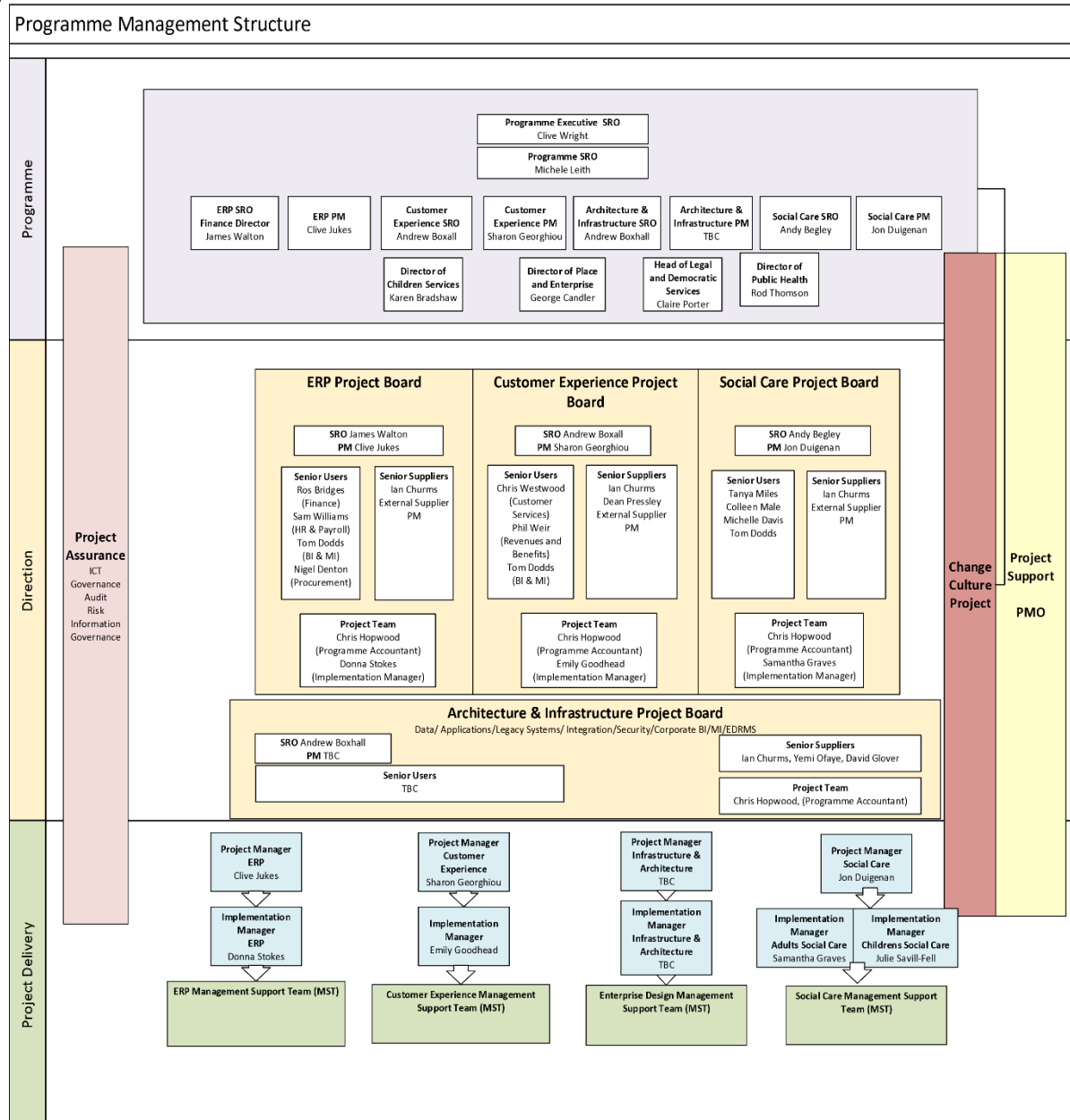
2.1. The Digital Transformation Strategy covers the following areas:

- Enterprise Resource Planning (for HR and Finance systems)
- Customer Experience
- Social Care
- Architecture & Infrastructure

2.2. The image at Fig 1.0 below sets out the Programme Management structure for Digital Transformation. The four distinct project elements of ERP, Customer

Experience, Social Care and Architecture & Infrastructure sit clearly within a framework comprising project assurance, project support, overarching programme management and project delivery.

Fig 1.0



2.3. Once the tender has been awarded and contract signature is achieved each project will go through the three stages of Design, Build and Implementation. The paragraphs below describe where each project element is in relation to these stages.

Enterprise Resource Planner (ERP):

- 2.3.1. The ERP contract has been awarded to Methods Business & Digital Technology Ltd. who are a delivery partner of Unit4 who are supplying their market leading solution. Unit4 are a globally successful company working with 310 Public Sector and Not for Profit companies in the UKI including 63 Local Authorities. The project is in the first stage, this being the Design stage. The Design stage is in three phases which will see involvement from both the business project team and wider business stakeholders. Firstly the project teams will run through the Value Accelerator (the name given to the public sector template version of the system) and then spend time aligning this to the Council's requirements, documenting any differences. The second phase will then work through any differences in further detail and the final design phase will wrap up any remaining issues.
- 2.3.2. Once the proposed solution is approved and signed off the project will move into the Build stage. Most of the work in this stage will be carried out by the supplier. Finally the project will move to Implementation stage when testing, data migration and training will take place.
- 2.3.3. Business Champions from within the Council staff structure have been identified and work has commenced to guide the staff to best be able to promote engagement with the new proposed ways of working.
- 2.3.4. Directors were recently engaged in a presentation to consider the key cultural changes which will be brought about by the ERP. Namely changes such as directing greater control of budgets and recruitment processes to those best placed to do so, i.e. the relevant budget holder and also introducing a 'no purchase order, no pay' approach to provide better oversight and control of procurement activity.

Infrastructure and Architecture (I&A):

- 2.3.5. The I&A stream of work had its overarching project definition document and Terms of Reference (ToR) agreed by main programme board in late July. This element of the digital transformation programme is primarily being managed and delivered by the in house IT team and a Programme Manager has been appointed. Since agreeing the ToR, the I&A project group has agreed to commission a specific piece of work to support the data and business intelligence needs of the organisation. A corporate approach to change management and reporting has also been documented and agreed.
- 2.3.6. In terms of changes to the Council's IT Infrastructure. The WiFi tenders are currently being evaluated, with the aim of delivering phase one (Shirehall) in November. The next elements of the I&A to be worked on will focus on programme wide communications and support, the overall infrastructure, the single logon and "MyAccount" features.

The Customer Experience Project:

- 2.3.7. This element of the programme will deliver a new Customer Relationship Management system (CRM) and a new Contact Centre solution. Both contracts are in the procurement phase with a number of options being considered.

The Social Care Project

- 2.3.8. Liquidlogic has been identified as the preferred supplier for the new Social Care Adults and Children's solution and a contract was signed with them on 31st March 2017. Design work on the new system is progressing well and plans for the testing and implementation activities are being finalised with Liquidlogic to establish go live dates and more detailed project steps.
- 2.3.9. The Business Champions workshop held recently was well received, with around 40 champions now engaged with the project team. "As is" and "To be" business process workshops are nearing completion and service manager walkthroughs have been arranged prior to full service sign off. The preparation of test systems has been progressing and Liquidlogic will be releasing an initial set of system environments imminently.

- 2.4. All of the projects are either in the very early stages of contract award or in early design phases, it is not possible to absolutely quantify the likely overall cost of delivering the solutions as additional work may be required or additional modules purchased in order tailor the solutions to meet Shropshire's needs. This has an impact on how the financials for the project are presented and the level of assumptions that are required to be made.

3. Financials

- 3.1. The detailed financial position will be shown in future reports. The total approved budget for the programme, which has not been changed since last reported, is £26.2m and has been allocated across the projects as shown in Table 1.0. The budget is a mix of both capital and revenue funding.

Table 1.0

Project Stream	Allocated Budget £m
ERP	£6.894
Social Care	£4.908
Customer Experience	£5.579
Infrastructure and architecture	£3.819
Overall Programme Management	£5.032
Total	£26.232

NB: The programme management element comprises costs arising from the pre-procurement engagement activities, implementation and final sign off. Elements include costs for matters such as Programme Discovery and Business Case Augmentation, Data and Enterprise Augmentation, Data Migration Scope Definition and Roadmap, Infrastructure Migration Project, Programme Manager and Support, costs associated with Change Management and a Programme Contingency.

- 3.2. Initial project costings are based on assumptions prior to the procurement phase. As the project elements achieve contract award and contract signature and then move through the project phases it is possible to start to firm up cost and savings estimations. Future reports will consider this.

Terms of Reference for the Financial Strategy (2018/19 to 2020/21) Task and Finish Group

Context

The draft Financial Strategy (2018/19 to 2020/21) is under development, with an early version presented to Cabinet on the 18 October 2017. It sets out the developing financial approach of the Council for the coming years.

The extensive growth modelling exercise completed in 2016 was revisited in the summer 2017, and the Financial Strategy identifies the revised funding gap for the Council which has taken account of the following factors:

- Additional pressures as a result of growing demand and demographic changes particularly in Children's services, alongside known growth in Adult Services;
- The cumulative impact of changes and loss in funding that are, nevertheless, tied to the statutory delivery of services;
- Increased inflation requirements for major contracts;
- Savings proposals that have previously been drawn up by officers, but have not been achieved or approved for delivery due a number of contributory factors;
- Continued Government funding reductions.

Revised funding gap:

Year	2018/19	2019/20	2020/21	2021/22	2022/23
Funding Gap	£36m	£44m	£49m	£54m	£59M

The draft Financial Strategy sets out an approach being developed by Cabinet and officers which is based around four key pillars which are summarised in the following priority order:

Innovate	Focus on the highest priority areas and those most likely to provide greatest reward including Children's Services, Digital Transformation and Health and Adult Services
Raise income	Focus on investment and commercial activity
Cut services	Reconsider the core services the Council will continue to provide and focus resources on that core offer only. Once decided, make these decisions as quickly as possible.
Use Reserves	In a strategic manner to enable and smooth the delivery of the above.

Objectives

- To understand the process and activity stages required to develop the Financial Strategy 2018/19 to 2020/21
- To understand the factors contributing to the funding gaps including the additional pressures identified through the growth modelling exercise

- To consider and scrutinise the proposals and emerging plans aligned to the four pillars of the approach that are being developed.
- To consider the direct and indirect impacts of proposals on service delivery across the Council.
- To be able to complete specific pieces of work to identify and work up alternatives to emerging plans, including the feasibility of the alternative proposals
- To provide a mechanism to engage with communities, partners and providers
- To understand any possible risks and impacts on the Council's finances and the ability to deliver a balanced budget in future years
- Make evidence based recommendations and alternative proposals for future budget setting.

Information required

- The draft Financial Strategy 2018/19 to 2020/21
- The back ground information and data which has informed the growth modelling exercise
- Emerging proposals and plans related to delivering the four pillars described in the draft Financial Strategy
- Learning from other Council's which have made changes to similar service areas
- Any available evidence of likely impact of change to services, any related risks and how they might be tolerated, mitigated or removed all together
- Other information and evidence will be identified as the Task and Finish Group progresses and plans become clearer

Methods to be used

- Desktop exploration of contextual data and information – including receiving presentations that explain the process followed and what the data shows
- Review the proposals and plans related to delivering the four pillars described in the draft Financial Strategy
- Identification of any learning and best practice from other Councils
- Hearing from service users, communities, current and potential providers, and partners to understand issues, ideas, innovation and opportunities
- Identification and invitation of specific witnesses
- Development of evidence based recommendations

Timescales

- The Task and Finish Group will present its final report to the Performance Management Scrutiny Committee at the end of January 2018. The meeting will be arranged to enable an agreed report and any recommendations from the Committee to be presented to Cabinet in early February 2018 ahead of Council on the 22 February 2018.