



<u>Committee and date</u>
Performance Management Scrutiny Committee
3 February 2016

<u>Item</u>
Public

REPORT OF THE BUDGET 2016/17 TASK AND FINISH GROUP

Responsible Officer Tom Dodds

Email: tom.dodds@shropshire.gov.uk

Tel: 01743 253068

1.0 Summary

- 1.1 This report presents Performance Management Scrutiny Committee with the findings and recommendations of the Budget 2016/17 Task and Finish Group. It shares the process that followed, as well as the key emerging issues that the Task and Finish Group have identified through their work.
- 1.2 The Task and Finish Group would like to thank the Portfolio Holders, Directors and their Senior Managers, and the Chief Executive for their openness and frank discussion of the budget 2016/17 and the Financial Strategy.

2.0 Recommendations

- A. The Council should continue to actively lobby the appropriate individuals and organisations about the financial situation it finds itself in; individually and collectively with other local authorities.
- B. The Scrutiny Work Programme should be built around the Financial Strategy and take account of the work being done to develop opportunities and proposals to change the way that services are delivered. It would be useful for Scrutiny to be involved in the budget setting process at an earlier stage.
- C. More information on the impact/implications of proposed savings should be included in future years budget proposals, and as the plans for areas set out in the Financial Strategy are refined and more defined.
- D. There needs to be a comprehensive view of the risks and impacts of proposed changes to be clear on unforeseen consequences and how they will be managed, tolerated or avoided.
- E. In order to enable a better view of how the Council is deploying its resources, future budgets should be aligned with the future long term strategy of the Council and as well as the more operational split to service areas.

- F. The work through 2016/17 and future work should pay greater attention to the identification and realisation of income generation opportunities by all means available to the Council.
- G. Communication and engagement with all stakeholders and communities on the reality of the situation affecting the Council and the opportunities and options which are available to deliver current services differently, must continue to be a priority .
- H. Work with partners needs to continue to ensure that wherever possible plans and actions do not shunt risks and costs between organisations, and joint and integrated working is explored and implemented to maximise the impact of resources.
- I. The Council should explore with partners and providers how appropriate support can be put in place to enable them to take up opportunities to ensure services that communities value continue to be available to them.

3.0 Risk Assessment and Opportunities Appraisal

- 3.1 The Council has developed a Sustainable Business Model to help work through the difficult choices that need to be made with a reducing budget and statutory requirements.
- 3.2 This Task and Finish group has focused on the Budget for 2016/17, but also taken account of the context of the Financial Strategy for 2017/18 and 2018/19. It is clear that all changes to meet the challenges faced by the Council now carry risks, whether they are political, economic, social, technological, legal or environmental. The Task and Finish group believe that more information on the potential impact or implications of the budget proposals would have helped them to fulfil this activity.
- 3.3 The Task and Finish Group have considered some risks and opportunities these with Senior Officers and Portfolio Holders where it has been possible to do so. As services are redesigned and options for future delivery are identified the process for doing this should include identifying opportunities and the risks of achieving the as an early step with the specification of future arrangements.

4.0 Financial Implications

- 4.1 This report will be presented to Cabinet to inform the Budget for 2016/17. The report sets out the view and recommendations of the Task and Finish Group, and subject to Cabinet agreeing any specific recommendations and alternative suggestion that may be made, does not have any direct financial implications.

5.0 Context

- 5.1 The Task and Finish Group has focused on the proposals for the Council Budget 2016/17, but also sought to understand the future direction set out in the financial strategy to inform their consideration.
- 5.2 The Objectives for the Task and Finish Group were as follows:
 - To consider the budget proposals and identify the priority areas for further consideration and the relevant people to hear from to inform this work.

- To develop lines of enquiry and provide any witnesses with the requests for information to provide sufficient time for responses to be developed and supporting information provided.
- To consider the emerging information arising from the Big Conversation.
- To consider options and evidence of what works that is applied in other areas of the Country and use this inform the formulation of any recommendations for alternative proposals.
- To identify any likely impacts of the budget proposals and explore how these will be managed with the relevant officers and Portfolio Holders.
- To make recommendations to Cabinet on the proposed 2016/17 Budget
- To identify any topics to be added to Scrutiny Committee work programmes.
- To understand the process of saving identification
- To understand the rationale for the decommissioning process and the implications for 2016/17.

5.3 The Task and Finish Group consisted of the following Members:

- Cllr Hannah Fraser – Chair
- Cllr Vince Hunt – Vice Chair
- Cllr Alan Mosley
- Cllr Gwilym Butler
- Cllr Nick Bardsley

5.4 In order to achieve their objectives and make the most of the time available the Task and Finish group identified the key questions that they wanted to ask of the Chief Executive, Section 151 Officer and to Directors and their senior managers. These questions were circulated in advance of the meeting and are attached at appendix 1. An additional meeting of the Task and Finish group was added to take place on the 27 January following the Special Cabinet Meeting for the Task and Finish Group to meet with Portfolio Holders.

5.5 The report of the Task and Finish group will be presented to the Performance Management Scrutiny Committee on the 3 February 2016, and will then go to Cabinet on the 10 February.

6.0 Key findings

6.1 Based on the Autumn Budget Statement and Settlement the Task and Finish Group received the following essential messages from the Chief Executive and Section 151 Officer that helped to explain the challenges that the Budget 2016/17 and the Financial Strategy are setting out to address:

- Expected cuts to Government funding will be frontloaded and will include additional responsibilities.
- There is a stated shift by National Government to Local Government being self-sufficient for funding e.g. through locally raised funds such as Council Tax and Business Rates. [For Council Tax, it was shared that the Treasury assumption is that all upper tier Councils would take up the 2% precept for Adult Social Care and a 1.75% to 1.99% increase which would be below the 2% referendum level.]

- The proposal for Shropshire was Council Tax would increase by 3.99%, in line with the Treasury assumption. This would be for 2016/17, and going forward into future years.
- The provisional settlement for the next 4 years does not detail what will happen with 100% retention of Business Rates. However, a shift in liabilities to the Council is expected including covering Attendance Allowance and the Public Health Grant. The cost of liabilities would be expected to exceed the value of the retained grant.
- The Council is budgeting for an additional £2million for the increase in National Insurance contributions.
- The living wage is expected to require £1million per year through to 2020/21 when the level set by the Chancellor is reached. The Council expecting to be paying an additional £5m from base budget in 5 years.
- Allowance of £500,000 per year in the base budget is being made for Apprenticeships.
- Some urban authorities will be net beneficiaries over the coming years. Shropshire Council expects to be a net loser. Cuts to urban authorities will also not be frontloaded.
- The Rural Services Delivery Grant is used to cover the additional cost of delivery in rural areas, and this could be worth an additional £5million for Shropshire by 2019/20. At present, it is proposed to use this grant to cover the loss of Care Act funding to Adult Social Care in 2016/7 and 2017/18.
- The Council is lobbying through the County Council's Network and Local Government Association to raise the issues and challenges being faced.

- 6.2 Each Directorate continues to face different challenges over the coming years. The Task and Finish Group identified that Directors had greater confidence in achieving the savings in 2016/17 than in the coming years. There were also differing degrees of confidence expressed by Directors in achieving the full planned savings for 2016/17, and all highlighted the challenges and that delivering the required savings over the coming years would result in changes to the way services are currently provided.
- 6.3 In order to achieve the savings over the coming year Directors described a range of approaches which covered redesign of current services both provided from within the Council and by external providers, including through the renegotiation of contracts, changes to opening hours or levels of service, through recommissioning, and through closer working with Town and Parish Councils.
- 6.4 In Adult Social Care, no new savings are identified for 2016/17, however there is a requirement to deliver £3.2M of savings identified but not achieved from last years' budget. A key mechanism of delivering these and future savings is to provision for supported living to reduce demand for residential care. These savings are achievable but subject to some risk of slippage. Ongoing savings identified for 2017/18 include cuts to preventative services which may in fact be statutory under the Care Act, and these savings are therefore highly uncertain. There is a significant risk that reductions in preventative services will increase demand for statutory services, putting further pressure on

budgets. A significant factor contributing to budget pressures in ASC is the volatility of demand in hospital discharges and complex care packages. There is scope for significant improvements in working arrangements with CCG and NHS partners to help control these costs, if there is the will amongst all partner organisations to contribute to these improvements.

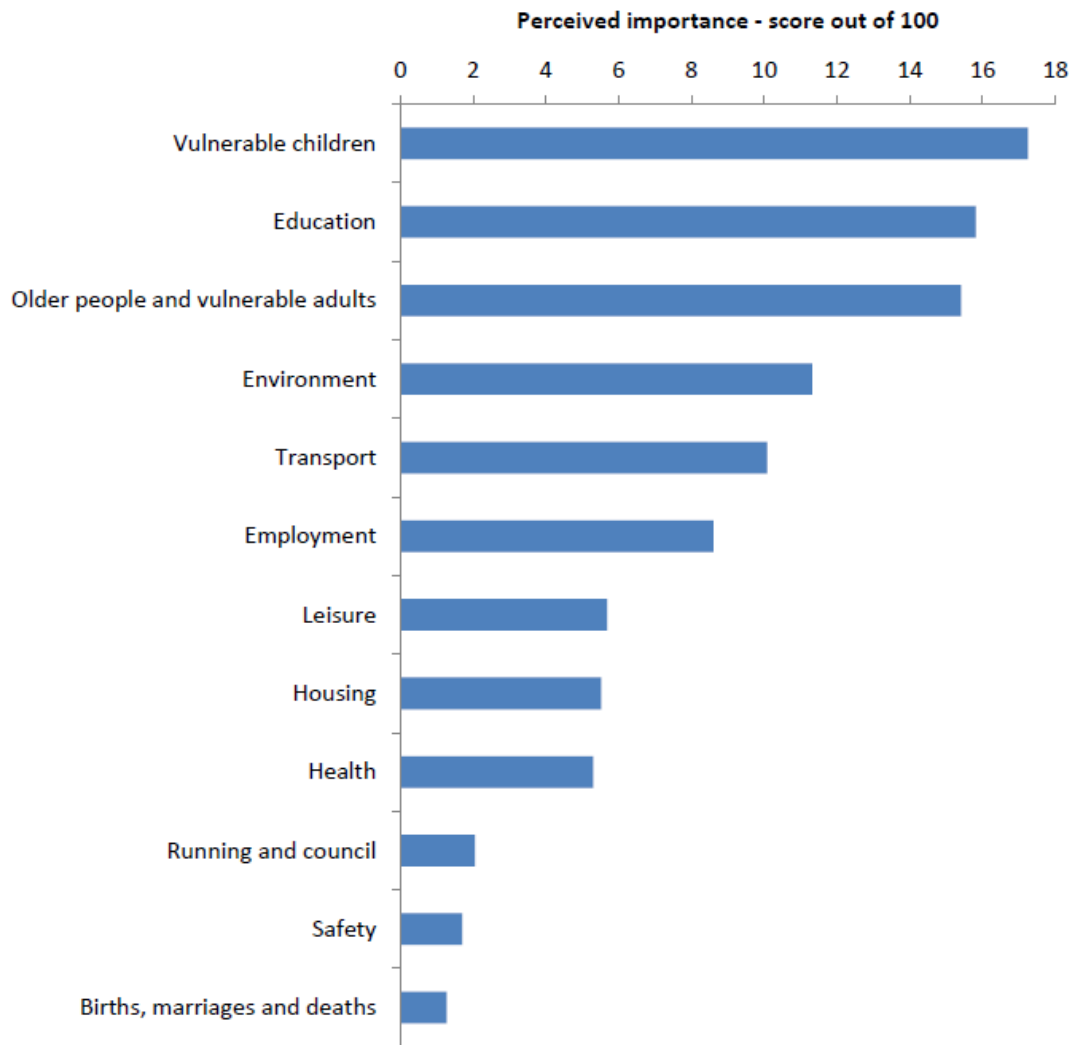
- 6.5 The Task and Finish group received evidence highlighting the impact of demographic pressures on services such as an increasing older population, as well as factors outside of the Council's control such as the impact of the weather, changes in circumstance of people who had been paying for their own care, and the priorities and policies of partners.
- 6.6 In Young People's Services, the 2016/17 budget includes changes to provisioning residential care for Looked After Children, and redesign of some early help/support services. The volatility of demand, particularly with regard to Looked After Children puts these savings at some risk. The Task and Finish Group were assured that the needs of the child were put ahead of budget considerations when designing care packages. There is genuine concern that the savings required for the 2017/18 budget are not deliverable, and that the level of service reduction in many important areas will not only impede the Directorate's ability to deliver statutory services and control demand, but will have implications for outcomes for Shropshire's Children. Increased capacity would assist in making changes that could achieve savings, although the capacity and willingness of stakeholders can also be a factor in progress. Work is ongoing to find ways that future budget requirements can be met with less impact on services.
- 6.7 In the Commissioning Directorate, many of the services that will be subject to change in 2016/17 and moving forward are those that are most visible to most of the public, and many savings proposals will be subject to public consultation. At present, the specific details of changes across many service areas are not fully defined. Whilst the budget changes for 2016/17 are considered deliverable, it is difficult to evaluate the likely impact of service changes.
- 6.8 The importance of preventative services was discussed in relation to helping manage demand. Additionally, the Task and Finish Group recognised the complex interdependences and linkages that exist across all of the Council's service areas to meet the wide ranging statutory requirements that the Council is responsible for. Non-statutory services provided by or organised through the Commissioning Directorate enable other Directorates to achieve their statutory responsibilities, for example the provision of swimming pools so that children can learn to swim, and the provision of public transport.
- 6.9 Work is continuing with Town and Parish Council's to explore how they might take on the management of services important to their communities, and the handing over assets to ensure that they remain accessible to communities. This is of particular importance for ongoing delivery of services such leisure centres, museums, parks and countryside, community development, arts and culture, where the Council's budget in 2017/18 is planned to reduce to zero.
- 6.10 The Task and Finish Group raised concerns about the capacity of Town and Parish Councils to deliver or provision for these services, some of which entail significant costs. It is important that the ongoing fate of these services is

monitored by the Council particularly where there may be impacts on delivery of statutory services, and where cessation of services would have significant impact on the quality of life for residents.

- 6.11 Behaviour change was discussed as a means of reducing demand and therefore costs. There was little evidence that any Directorates were provisioning to encourage or incentivise behaviour change, nor indeed any evidence that this is truly a viable mechanism to achieve the required levels of savings and maintain the provision of services in communities in the timescales the Council is working within. The focus on enabling people and communities to do more for themselves and others would require a shift from people looking to the Council and other public services to do things for them, to people taking the responsibility and feeling empowered to do so.
- 6.12 The Task and Finish Group also identified that the Council should have a continued role in supporting networks of local provision to achieve economies of scale and to help develop the capacity and sustainability of partners and providers. This role might in future be commissioned from Shropshire Council by, for example, Town and Parish Councils and the Voluntary Community and Social Enterprise sector.
- 6.13 The investment in IT was identified to the Task and Finish Group as an essential step in helping the Council maximise the opportunities and benefits that technology can bring to the Council and people who want to contact the Council or who receive or use services. Getting the right systems in place could help automate processes and enable significant redesign of services.
- 6.14 In relation to ip&e, members of the Task and Finish Group heard that no assumptions had been made in relation to income generated by ip&e. They were informed that a review was underway which was taking account of current and likely future trading.
- 6.15 The Big Conversation started in November with a survey running until the 6 January 2016. The survey has been followed by focus groups, and will feed into action planning workshops. The survey results identify the following key points:
- A total of 2,271 survey responses were received
 - 77% respondents agree that the Council should combine services with other Council's and Public Sector organisations.
 - 53% agree with investing in IT to reduce staff costs
 - 62% agree that some services should be protected and others cut back to make savings
 - 61% agree to some extent that the Council should make more use of local residents and volunteers
 - 71% of respondents agree that communities should be enabled to do more for themselves
 - 32% of respondents are willing or very willing to contribute through participation or volunteering. Only 15% stated they were not willing to do so.
 - More than 55% of respondents agree that fees should be increased so that the costs of some services are largely paid for by the direct user.

- 49% of respondents agreed with raising Council Tax compared to 34% who disagreed. 15% of respondents identified that they neither agreed or disagreed with increasing Council Tax.

6.16 The survey also sought to understand the perceived importance of services areas identified by people completing it:



7.0 Conclusions

- 7.1 The Council needs to achieve balanced budgets for 2016/17 and subsequent years. This is becoming increasingly challenging as the available funding reduces.
- 7.2 The current financial strategy should place more emphasis on increasing available funding, by all means available to the Council, rather than focusing solely on service reduction.
- 7.3 Based on the information and feedback provided, the Task and Finish group believe that there is a risk of slippage in the 2016/17 budget, and therefore implications for future budgets.

- 7.4 The reliance on one-off savings in the 2016/17 budget continues to be a concern, as this creates ongoing pressures for future budgets and highlights a lack of sustainability in the current operation.
- 7.5 The likely impact of the cuts to services to Shropshire residents remains unclear, even at this late stage of budget development.
- 7.6 National Government policy has shifted from no increases in Council Tax to local authorities generating income to cover all of their costs through Council Tax and Business Rates. Information received by the Task and Finish group indicates that, should this be the final position, the Council will be a net loser in relation to income.
- 7.7 The Task and Finish Group supports the attempts to raise awareness nationally about the impact of cuts to Shropshire Council's budget. Lobbying Shropshire MPs, and nationally through the County Council Network and Local Government Association must continue to promote fairer funding for rural counties, and fairer funding for Adult Social Care. In addition, measures to mitigate the impact of freezing council tax over 7 years must be sought.
- 7.8 Innovative approaches have been identified to meet future budget requirements, with a great deal of reliance on Town and Parish Councils and VCS to provide services. The Council must maintain sufficient support to local delivery networks to ensure ongoing service provision, particularly where impacts to statutory services or quality of life for residents are identified.
- 7.9 There is a significant focus and reliance on reducing demand through changing behaviours. If this is to be a meaningful strategy for reducing expenditure, evidence based approaches should be rapidly developed to achieve change.
- 7.10 The value of preventative services was a common feature of the information shared by Directors and their senior managers. There is a significant risk of uncontrolled demand on budgets if preventative services are cut without regard to likely consequences. The Task and Finish group recognise this and believe qualitative and quantitative analysis of the benefits and impacts of preventative services needs to be undertaken to understand the implications of any changes in provision in order to help avoid any unforeseen or unplanned consequences.
- 7.15 The discussions with the Directors and their senior managers identified that partners can and do have an impact on the Council's ability to achieve its savings, and vice versa. It would be prudent to identify and develop opportunities for partners to pull together on appropriate service areas and pool budgets and explore and implement integrated commissioning to avoid duplication and maximise the reach and impact of resources.
- 7.16 The Council would benefit from a clearer stated Strategy for Change over the coming years, to define its future role under more austere conditions. Without a clearer sense of its purpose and role, the Council is at risk of losing knowledge, skills, expertise and assets in an uncontrolled manner which is unhelpful to its future endeavours.
- 7.17 Business rates are an important consideration, which are not fully addressed by the Financial Strategy due to a lack of information from central

government. Nonetheless, it is clear that maximising business rates income must be an ongoing priority, and sufficient investment in understanding how this can be achieved is needed.

- 7.18 The timescales to consider the 2016/17 budget have been too short. The issues which need to be addressed and the significant changes to the way that services are delivered would benefit from an early start to look at the emerging plans for 2017/18 and 2018/19. This needs to begin as soon as possible.
- 7.19 It is clear that the financial strategy for 2017/18 and onwards is extremely challenging, and that current proposals for meeting a balanced budget may not be deliverable, particularly with regard to protection of vulnerable children and adults. Additionally, significant cuts to supporting and preventative services across all directorates may have impacts to the delivery of statutory duties, and to outcomes for Shropshire Residents. Work is ongoing to find ways of minimising the impacts of cutting expenditure.
- 7.20 Scrutiny needs to have an active and value adding role in this; taking an earlier view of the development of the proposals to deliver balanced budgets over future years. The Scrutiny Work Programme, can be structured around the Financial Strategy. The experience and knowledge developed through this activity should be used this to inform consideration of plans and proposals during the relevant Budget consultation period. This needs to be constructive and work with the relevant service areas, providing challenge as well as using the strengths of scrutiny such as engagement.

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

Financial Strategy 2016/17 to 2020/21 – Cabinet 9 December 2015

Cabinet Member (Portfolio Holder)

Michael Wood

Local Member

All

Appendices

Appendix 1 – Questions to Directors, Senior Managers, Chief Executive and Section 151 Officer

Appendix 2 – Questions to Portfolio Holders

**Scrutiny Session with Directors, Senior Managers, Chief Executive and
Section 151 Officer**

Monday 11 January 2016

Who?	Areas of focus and specific questions
Questions for all Directors	<ul style="list-style-type: none"> • Please can you explain the savings to be made in your Directorate? • Are the savings that have been identified realistic and achievable? • Please can you explain the unachievable savings for your Directorate? • What is the process that is followed to identify a saving? • What are the minimum levels we can operate, commission or enable to achieve the Mandatory and Discretionary services? • How have/will Mandatory and Discretionary services be reflected in the protected, maintained, temporary and decommissioned services categories? • What will services look like in the future? What will the impact of the savings be/what are they expected to be? • Have unforeseen impacts been identified associated with the proposals for 2016/17 and beyond, and how will they been managed?

Questions for the Chief Executive and Section 151 Officer

- If services are going to be decommissioned (stopped) in 2018/19 – why not generate the saving in 2017/18 or 2016/17 and make the savings earlier and ‘put the money in the bank’?
- Why is decommissioning tapered in the way it is?
- Are plans in place to avoid slippage in future years and has learning been identified and acted on to achieve this?
- What is the split of budget between Mandatory Services and Discretionary Services? (What proportion of the budget is allocated to Discretionary Services and roughly what proportion of the services that the Council provides would fit into this group?)
- What contribution is ip&e making to the savings?
- How many services within the temporary and decommissioned services are being moved to ip&e?
- How does the settlement and other recent announcements impact on the Financial Strategy Report?
- How have staff been involved in the development of the strategy and plans?
- How have service areas been identified within the four different categories in the Financial Strategy report?
- What services are within the three other categories that are not protected? How will the findings of the Big Conversation be used to inform or change this?

Questions to Portfolio Holders (Task and Finish Group Session – Wednesday 27 January 2016):

- What is your view and understanding of the key strategies to deliver savings in your portfolio?
- What are the expected impacts of the savings proposed in the Budget 2016/17 in your Portfolio?
- How does Commissioning relate to your portfolio?
- What is your understanding of how behaviours could be changed to deliver savings in your areas of responsibility to reduce demand for services and enable communities and people to do more for themselves? How confident are you that this will be successful?
- What opportunities are there to work together across the Council and with partners to commission services and outcomes to maximise the benefit achieved?