



Committee and Date

Council

21 July 2016

10.00 am

Item

**7**

Public

## **FINANCIAL STRATEGY 2017/18 – 2019/20**

**Responsible Officer** James Walton

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### **1. Summary**

Cabinet has received and approved two financial strategy reports on 18 May and 13 July 2016 which set out the Council's financial position over the next 3 years. The reports set out the proposed approach to managing the considerable uncertainty in Local Government Finance by ensuring the longer term consequences of decisions made in the short term are understood. These two reports include recommendations to Council to approve savings to be implemented by 2017/18 and 2018/19. The reports also identify a number of further proposals which together would aim to deliver a balanced budget across 2017/18 and 2018/19 financial years.

Cabinet has also received reports on 27 April and 11 May 2016 detailing the Council's approach to replacement of the current Adult and Children's Services Social Care IT system and wider ICT Digital Transformation. Detailed work has been undertaken to estimate the costs and benefits of implementing the changes recommended in these reports and the net financial impact on the Council has been estimated. An option available to the Council to help fund the net cost of these developments is to make use of new flexibilities allowing the use of new capital receipts to fund revenue costs.

As part of the Government's offer of multiyear financial settlements, the Council is required to approve and submit to Government an Efficiency Plan. The plan, attached at Appendix 5 to Annex 1, was considered by Cabinet on 13 July and summarises the Council's Strategy for maximising efficiency over the next four years allowing essential services to be maintained within a sustainable budget. The efficiency plan also summarises the council's proposals to use the new flexibilities on the use of capital receipts to fund revenue costs, including the net estimated cost of IT developments referred to above, in order to achieve long term savings. Council is required to approve the change in policy necessary to make use of this new flexibility.

This report seeks approval from Council for the recommendations agreed by Cabinet.

## 2. Recommendations

It is recommended that members:

- A. Approve amendments to the current net budget to reflect savings of £17.025m by 2017/18 and a further £1.624m by 2018/19 as detailed in the Financial Strategy Report to Cabinet 13 July 2016 (Annex 1), Appendix 2.
- B. Note that further work is being progressed to deliver a Sustainable Business Model for the Council to close the Core Funding Gap and deliver a financially self-sufficient Council in the medium to long term.
- C. Note the work being undertaken to attempt to reduce or close the reported Core Funding Gap in the short term in 2017/18 and 2018/19 by the use of one-off initiatives (to replace delivery of some Red RAG Rated savings as reported to Cabinet on 27 January 2016). Council note that to achieve a balanced budget without further Red Savings proposals being implemented would require the identification of almost £34m of one-off proposals over these two financial years which will not reduce the size of the core funding gap in future years (still requiring £28.7m of base budget savings by 2019/20)
- D. Approve the Efficiency Plan including the proposals around the use of the new flexibilities on the use of Capital Receipts as detailed in the Financial Strategy Report to Cabinet 13 July 2016 (Annex 1), section 9 and Appendix 5
- E. Note the financial implications of ICT investment as set out in Table 7, Annex 1 and approve the necessary amendments to the gross budget to reflect these financial implications.

### REPORT

1. Attached at Annex 1 is the Financial Strategy 2017/18 – 2019/20 which was agreed by Cabinet on 13 July 2016. Members will need to refer to the report in the Annex in order to consider the recommendations for approval. The paragraphs below provide a brief summary but do not repeat all of the detail contained in the Cabinet report.
2. The report to Cabinet on 13 July 2016 provides the detail on the recommendations for Council approval including details of the Council's projections on resources and expenditure and the most up to date growth projections for Adults services.

3. The savings recommended for Council approval have been considered by Cabinet over the last 3 months as shown below:

**Table 1: Savings to be Approved- Included in Expenditure Projections**

	2017/18 £m	2018/19 £m
Savings recommended by Cabinet 18 May 2016 (Recommendation D)	9.455	1.123
Amendments to Children's Services savings	-1.693	-0.221
New Savings recommended by Cabinet 13 July 2016 (Recommendation A)	9.263	0.722
<b>Total</b>	<b>17.025</b>	<b>1.624</b>

4. A complete list of the Savings recommended for approval by Council is shown in the Financial Strategy Report to Cabinet 13 July 2016 (Annex 1), Appendix 2.
5. After the approval of the savings the following funding gaps remain in each of the next 2 years.

	2017/18 £m	2018/19 £m
Funding Gap after Savings Agreed	13.691	20.211

6. There are a number of further proposals that Cabinet is considering to deliver a balanced budget across 2017/18 and 2018/19 financial years. These will include:
- Use of one-off grants (including Core Grants),
  - Freeing up of earmarked reserves,
  - Applying existing savings proposals that can be achieved more quickly and therefore brought forward,
  - Delivering anticipated and managed underspends,
  - Allowing for collection fund adjustments and, potentially,
  - Carrying forward unapplied Adult Services Contingent Budget.

7. Future financial strategies will include any revision to the financial projections required as a result of new information and will recommend to Council proposals to balance the budget in 2017/18 and 2018/19.
8. The Council's Efficiency Plan is detailed in Appendix 5 to Annex 1. The Council is required to submit this plan to Government by 14 October 2016.
9. Reports to Cabinet on 27 April and 27 May 2016 have considered the Council Digital Transformation Programme. The financial strategy report summaries the estimated financial implications of ICT investment (Annex 1, Table 7)
10. As part of the Council's Efficiency Plan, the Council is seeking flexibility to fund the net cost of ICT investment by the flexible use of Capital receipts.
11. The Efficiency Plan also includes proposals to allow the funding of redundancy costs by the flexible use of capital receipts.
12. The following table summarises the net cost of ICT investment and redundancy costs for which authority to fund from capital receipts is being sought from the Government as part of the Efficiency Plan.

	2016/17	2017/18	2018/19	Total
	£m	£m	£m	£m
Net Cost to be funded	16.156	8.435	0.862	25.453
Redundancy Costs	4.143	4.143	4,143	12.429

13. It is important to note that the above costs are estimates included in the Efficiency Plan to allow the Council some flexibility when it is considering how the costs of future transformation of services will be funded.
14. The Council's gross budget will require amending to reflect the gross cost of the ICT investment which will be funded by approved use of capital receipts and other reserves and balances.
15. Following consideration of the Financial Strategy by Cabinet on 13 July a number of minor typographical errors in the report have been corrected in the copy attached to this report at Annex 1. These corrections include a number of figures, but have no impact on any of the recommendations approved.

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

Financial Strategy 2017/18 - 2018/19 – Cabinet 18 May 2016

Financial Strategy 2016/17 – 2018/19 – Cabinet 17 February 2016

ICT Digital Transformation Programme – Cabinet 11 May 2016

Social Care System Replacement – Cabinet 27 April 2016

**Cabinet Member (Portfolio Holder)**

Malcolm Pate

**Local Member**

All

**Appendices**

Annex 1 – Financial Strategy 2017/18 – 2019/20 - Cabinet 13 July 2016

**Annex 1**



<u>Committee and Date</u>	<u>Item</u>
Cabinet	
13 July 2016	
12:00 noon	<u>Public</u>

**FINANCIAL STRATEGY 2017/18 – 2019/20**

**Responsible Officer** James Walton

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**1. Summary**

This report is the second financial strategy report in 2016/17 and provides an update on the Council’s proposals to manage its financial position for 2017/18 and beyond.

In the first financial strategy report considered by Cabinet in May the funding shortfall in 2017/18 and 2018/19 was considered recognising that further work was being undertaken on the growth projections for Adults Services produced in February 2016. Over the last few months all growth projections for services across the Council have been revised and in addition further work has been undertaken to consider the steps necessary to achieve a balanced budget in the short term and a Sustainable Business Model over the medium to long term.

Our approach is to manage the considerable uncertainty in Local Government Finance by ensuring we understand long term consequences of decisions we take in the short term. This uncertainty is set to continue for a number of years. Clarity on the implications for Local Government, and Shropshire Council, of 100% local business rate retention, changes in responsibilities including Academisation, devolution and the recent EU Referendum decision will not be forthcoming for some time yet. Our plan, therefore, is to continue to refine the Council’s Sustainable Business Plan and work towards its delivery over the medium term, understanding that this plan is built on many unknowns, including the uncertainty already described.

In the meantime, we will continue to review every available option to deliver a balanced budget in the short term, taking account of the implications of these short term decisions over the medium term. This approach will enable our planning to take into account future uncertainties as they begin to be resolved and clarity is provided.

In May, Cabinet received the Financial Strategy, identifying a funding gap of £17.3m in 2017/18 growing to £30.4m in 2018/19. As a result of further work these figures have been refined and restated to identify the 'core' funding gap. The core funding gap is the difference between our projected expenditure and our core resources as defined by central government. For 2017/18 the core funding gap is £13.7m, growing to £20.2m in 2018/19. This gap is set to grow, as RSG is removed, temporary grants such as improved RSDG and Transition Grant come to an end and New Homes Bonus and Improved Better Care Funding Grant are revised and will reach approximately £45m by 2021/22. This underlying core funding gap of £45m per year will need to be solved by the creation of a balanced Sustainable Business Model over the medium term, and once we have clarity of the current funding uncertainties described earlier. The short term plan is to close, as far as possible, the funding gaps of £13.7m in 2017/18 and £20.2m in 2018/19 by the use of one-off initiatives (to replace delivery of some Red RAG Rated savings as reported to Cabinet on 27 January 2016) understanding their impact on the delivery of the sustainable Business Model and longer term savings proposals. The report begins to identify options to close this gap on a one-off basis, but it is recognised that this work is not yet complete, nor does this represent a long, or even medium term, solution. To achieve a balanced budget without further Red Savings proposals being implemented would require the identification of almost £34m of one-off proposals over these two financial years which will not reduce the size of the core funding gap in future years (still requiring £28.7m of base budget savings by 2019/20). Progress is due to be reported back to Cabinet in September 2016.

As previously reported, a budget setting task group has been established by Performance Management Scrutiny Committee to consider the proposals identified to allow a balanced budget to be set in 2017/18 and 2018/19.

Two reports relating to the Council's ICT development have been approved by Cabinet this year (Social Care System Replacement 27 April 2016 and ICT Digital Transformation Programme 11 May 2016). The summary financial implications of these two developments as currently estimated are set out in Section 9.6. A final business case is currently being produced from which the financial implications will be taken to Full Council for approval.

The Financial Strategy should be considered alongside the development of the Corporate Plan which is due to be approved by Cabinet on 13 July 2016. Future iterations of the Financial Strategy will be built around the Corporate Plan framework. Proposals developed within this framework will identify performance proposals formulated alongside financial targets within the following high level outcomes:

- Healthy People
- Resilient Communities
- Prosperous Economy
- Operation of the Council

## 2. Recommendations

It is recommended that members:

- F. Agree and recommend to Council further ongoing savings of £9.263m, deliverable by 2017/18 and £9.985m (a further £0.722m) deliverable by 2018/19 as set out in Table 5 and described in Appendix 2.
- G. Note the revision of the Council's Growth Model and the allocation of ongoing savings and efficiencies has resulted in a core funding gap in 2017/18 and 2018/19 of £13.690m and £20.211m respectively.
- H. Note that further work is being progressed to deliver a Sustainable Business Model for the Council to close the Core Funding Gap and deliver a financially self-sufficient Council in the medium to long term.
- I. Note the work being undertaken to attempt to reduce or close the reported Core Funding Gap in the short term in 2017/18 and 2018/19 by the use of one-off initiatives (to replace delivery of some Red RAG Rated savings as reported to Cabinet on 27 January 2016). Cabinet note that to achieve a balanced budget without further Red Savings proposals being implemented would require the identification of almost £34m of one-off proposals over these two financial years which will not reduce the size of the core funding gap in future years (still requiring £28.7m of base budget savings by 2019/20).
- J. Approve and recommend to Council the Efficiency Plan as described in Section 9 and detailed in Appendix 5 including the proposals around the use of the new flexibilities on the use of Capital Receipts.
- K. Consider the latest Adults Growth projections as set out in Section 5 and approve the creation of a £2.5m contingency Budget for 2016/17 only, as identified in section 4.3.
- L. Note the initial projections produced to identify the Core Funding Gap in 2019/20 as set out in Table 5.

## 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 and the significant financial uncertainty across Local Government in the Medium Term.

### **Financial Uncertainty**

- 3.2. There is a significant risk that the Council's financial position will impact on service delivery 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 or being unable to meet the needs of the most vulnerable. The impact of the finance settlement and the potential for an emergency budget in the autumn brings into question our ability to deliver a Sustainable Business Model in the short to medium term.
- 3.3. The Final Local Government Finance Settlement provided details for the financial years 2016/17 to 2019/20. The figures beyond 2016/17, however, may be subject to variations in future settlements and this may depend on whether the Council accepts the Governments offer of a multi-year settlement. Given the increased uncertainty associated with the EU Referendum result, 100% business rate retention, changes in responsibilities and devolution, it would appear prudent to accept this offer.
- 3.4. 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.
- 3.5. Detailed work has been undertaken to revise the growth projections for Adult Services. 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 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 have been unnecessary. The risk of continued budget variances in this area have been reduced by allocating additional resources to model future spend projections and by attempting to model and identify all variables. Spending on Adults Services, however, still represents the Council's greatest risk area in terms of potential budget overspends. For this purpose it is proposed to introduce a 'contingent budget' to reduce the risk of major variation in the short term.

- 3.6. Setting the Financial Strategy and agreeing the detailed changes necessary to deliver the agreed budget for the next financial year, will take into account the requirements of the Human Rights Act, any necessary environmental appraisals and the need for Equalities Impact Needs Assessments and any necessary service user consultation.

#### **4. Savings in the current financial year, 2016/17**

- 4.1. The monitoring of expenditure and income and the achievement of savings targets in 2016/17 will be reported to Cabinet as part of the Quarterly Monitoring Reports to Cabinet.
- 4.2. The projections for 2017/18 and 2018/19 currently assume all savings agreed for 2016/17 are achieved. Any underachievement of 2016/17 savings or additional pressures with ongoing financial implications will need to be adjusted for in the Council's future projections of expenditure.
- 4.3. Section 5 below considers the work undertaken for Adults Services to revise growth projections and the implications this has had for the approved 2016/17 agreed budget and the future year's budgets. The current projections and revised modelling suggests that growth could be reduced by as much as £2.5m in 2016/17. It is recommended that this is held as a contingent budget to provide resilience in the short term against volatility or errors in the revised modelling. Should this contingent budget not be applied in 2016/17 it would be carried forward as a one-off resource.

#### **5. Adult Services Budget Growth Projections**

- 5.1. In January, as a result of 2015/16 financial monitoring information available at the time, the growth projections for Adults services in current and future years were revised and adjusted significantly. The table below identifies the

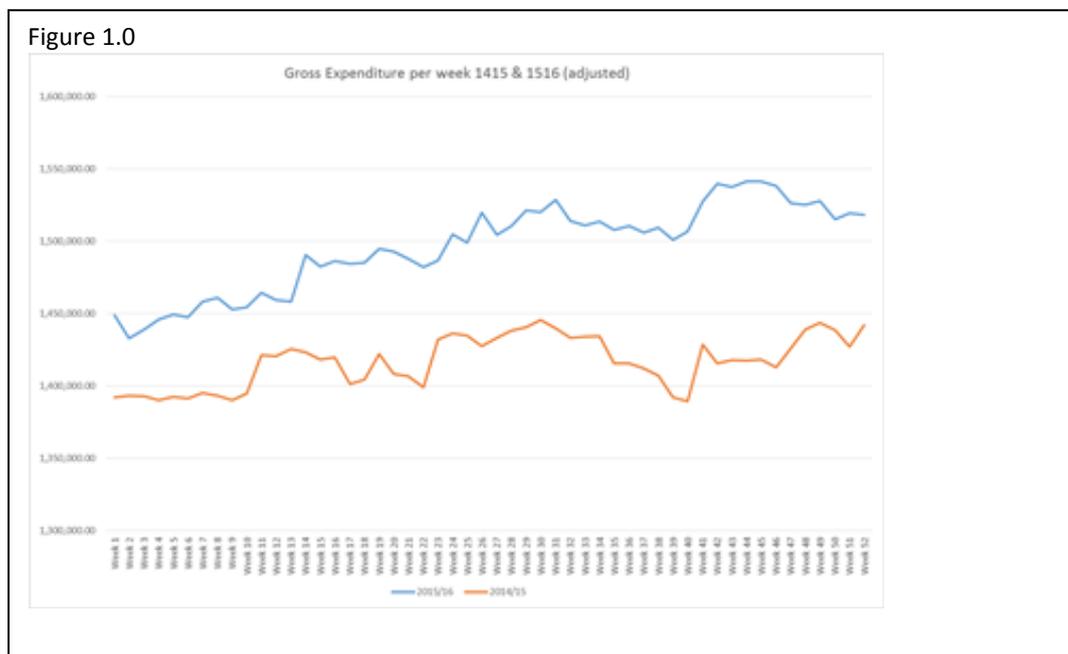
growth allocated to Adults when setting the 2016/17 budget and the parameters for 2017/18 and 2018/19 budget.

**Table 1: Existing Adults Growth Projections included in Budget Projections**

	2016/17	2017/18	2018/19
	£m	£m	£m
Net Growth for Adults Purchasing Budgets – annual	14.859	9.371	9.371
Cumulative Growth	14.859	24.230	33.601

- 5.2. The projections were based on levels of additional gross spend being experienced in 2015/16. In the financial strategy report to Cabinet in May, Members were informed that significant work was being undertaken to verify the growth projections included in the budget which would also take account of operational management information in addition to financial data.
- 5.3. Considerable work has been undertaken since February to extract data from the Social Care System to establish expenditure and income trends. This work is still ongoing, however at this point sufficient data has been extracted to give a better understanding of the position and has allowed the growth requirement to be recalculated. A copy of a presentation setting out work undertaken and findings to date is attached at Appendix 1.
- 5.4. A growth model has been developed which considers the weekly spend pattern and the income recovery relationship against this. Given the importance and financial significance of the Adult Social Care budget, the following paragraphs explain in detail how the model has been developed.
- 5.5. In the first instance it was necessary to understand the pattern of purchasing expenditure over time. Expenditure falls into two main categories, these being expenditure on spot purchasing and expenditure on block purchasing. Block purchasing amounts to approximately £17.7m gross spend and is supported by firm contractual arrangements. As such this area of spend is reasonably predictable. The growth model instead focusses on estimating the more volatile spot purchasing spend, this being expenditure for individual care packages generated as and when they arise and constitutes around £70m of gross purchasing spend.

- 5.6. Data extracted (shown below in Figure 1) shows the pattern of weekly gross spot purchasing spend throughout 2014/15 and 2015/16.

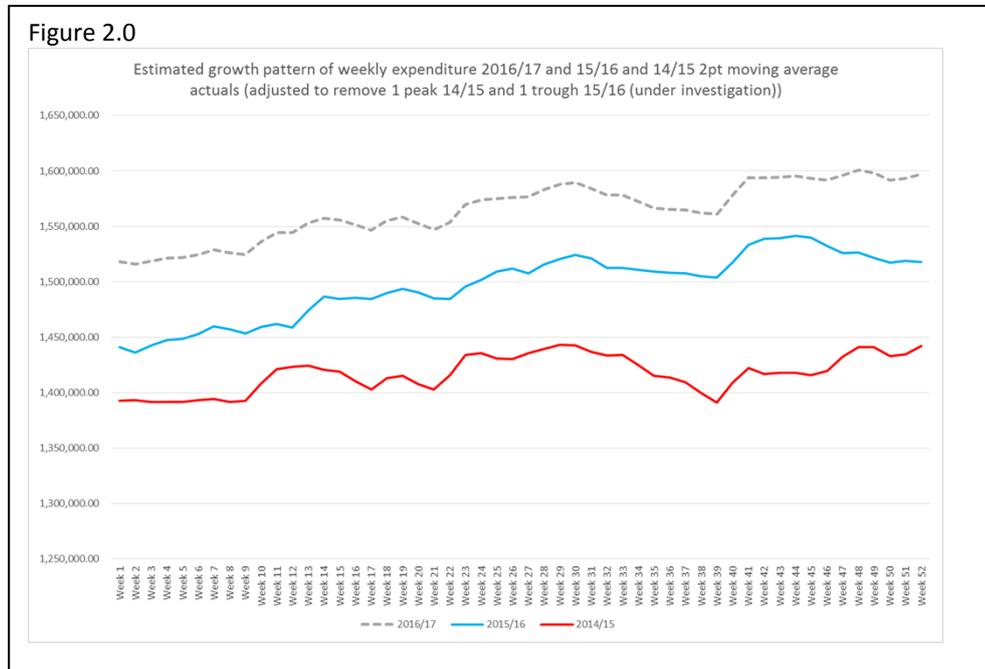


- 5.7. Figure 1 demonstrates a relatively clear trend of an overall increase during the year. Also evident is a drop in weekly spend approaching the end of December after which it rises sharply. This is mostly likely explained by annual winter pressures experienced year on year. It is important to note that the actual expenditure, as shown in Figure 1, is free of processing lags as the spend is placed against the week in which care was delivered.

- 5.8. Using this data it is possible to derive a projected growth trajectory for 16/17. To do this the actual data for 14/15 and 15/16 is smoothed slightly using moving averages and an estimated 16/17 pattern is developed as shown in Figure 2.

- 5.9. This estimated trajectory (shown as the dotted grey line in Figure. 2) is then applied to an estimated starting weekly spend point in 2016/17.

5.10. To estimate the week 1 spend for 2016/17 (the starting point) data is extracted from the system at an agreement level showing all of the agreements currently in force. It is critical to ensure this starting point is as accurate as possible as the future growth pattern relies on this.



5.11. It is also difficult to get this right as it is constantly moving. This is due to a number of reasons including delays in processing agreements, backdating agreements and incomplete agreements becoming authorised.

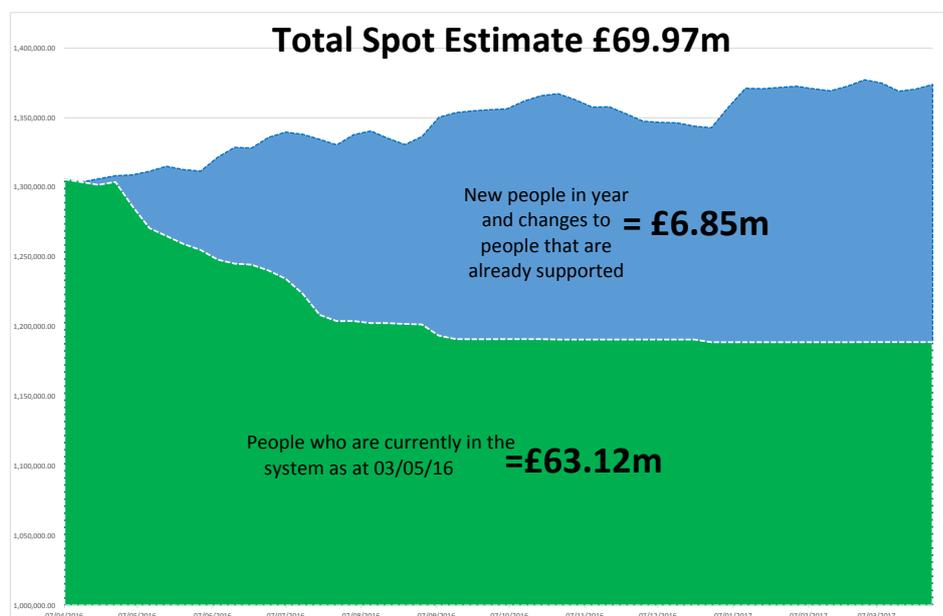
5.12. Analysis of past spend suggests that historically it can take up to four months before a weekly spend figure stops moving significantly. The service has taken steps to identify the reasons for continuous movement and there are now processes in place to keep this to a minimum, though movement is to be expected to some degree. In some cases movement is unavoidable, for example in a case of capital reduction where the financial impact may not be identifiable until several weeks after responsibility has been taken for supporting the package. This situation results in backdated payments having to be put onto the system causing volatility in the financial information.

5.13. It should also be noted that a weekly commitment figure will not necessarily convert to an actual weekly spend figure of the same value. Reasons for this include incomplete agreements on the system. Once a care package requirement is identified a draft contract is entered onto the system and it awaits authorisation before becoming an actual paying contract. Some of

these incomplete contracts never complete and if they are not purged from the system they skew the figures feeding into the weekly spend assumptions. Again, there is a process in place to routinely identify these agreements and purge the system, where resources allow.

- 5.14. The latest growth projections used in this strategy are currently based on an assumption that the week 1 spend for 16/17 figure is £1.306m. This includes £0.060m of incomplete contracts, some of which may not come to fruition. On the counter side it does not allow for backdated contracts which may appear in later months. It is estimated that these two factors will cancel each other out but further work is required to understand the behaviour behind them and better estimate the starting point.
- 5.15. The week one position of £1.306m can be analysed at client and agreement level to provide the service with a wealth of information on the make-up of purchasing spend. This can be tracked over time to establish more granular trends in purchasing behaviour. The presentation attached at Appendix 1 shows some of this analysis of the week one position.
- 5.16. Once a week one starting point is established the growth trajectory can be applied to it. By summing the weekly spend arising throughout the full financial year and projected total weekly gross spot spend can be estimated. See Figure 3.
- 5.17. In Figure 3.0 below the lower green area represents the commitments which are currently known to us on the system.
- 5.18. Some agreements will have future end dates already applied and some will be open ended. The blue area captures the expected increase in commitments/spend as the people who are currently supported have their packages extended or changed in any way and as new people are

Figure 3.0



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supported. In simple terms at the time of running the model it is expected that in the region of £63.120m will be paid out against people that are known to the service and a further £6.850m will be paid out against those people and new people before the end of the year. The way in which the growth trajectory is developed, based on historic spend patterns, will implicitly address expected death rates within the model.

- 5.19. These same growth assumptions are projected forward to derive spend estimates for future years. All of this is then fed into the financial strategy.
- 5.20. There is much work to do to further analyse commitment and actual spend behaviour and there is now much more potential to do this effectively given the data and tools now available and still in development. Over time the day one spend position can be monitored as well as the conversion rates from commitment to actual spend. New information over time will inform next iterations of the model and future growth assumptions may require altering as better information becomes available or as operational strategies impact spend.
- 5.21. The model also allows for assumptions to be applied regarding future pressures arising from new legislation. At present the model accounts for the impact of the changes to the National Living Wage, as far as it considers a level of likely inflation to packages prices. However, there may be further impact that we are as yet unable to quantify. There are also other pressures that at present are unquantifiable and which may materially change projections. These pressures mainly relate to forthcoming changes in legislation or changes in the behaviour of significant bodies such as the CCG and include the following:
- 5.21.1. Waking/Sleeping night changes to legislation
  - 5.21.2. Transforming Care Partnership
  - 5.21.3. Attendance allowances changes
  - 5.21.4. Care Act – Phase 2 implementation
  - 5.21.5. Minimum Income Guarantee changes
  - 5.21.6. The Sustainability and Transformation Plan and other Health Economy plans
- 5.22. We will continue to monitor these ‘horizon’ issues and as they become quantifiable and more certain they can be accounted for in future projections and built into the Financial Strategy.
- 5.23. The latest projections using the model described above show the following revised estimates of growth, which are expected to release previously assumed resources as shown. It should be noted that the growth in

2016/17 has been fixed in these projections resulting in a steep reduction in the amount required in 2017/18. Any growth allocated in 2016/17 which is not required will be transferred to a reserve at the end of 2016/17 financial year to alleviate the 2017/18 budget shortfall. At present this is estimated at £2.5m

**Table 2: Revised Adults Growth Projections showing Surplus.**

	2016/17	2017/18	2018/19
	£m	£m	£m
Revised Net Growth for Adults Purchasing – annual	14.859	3.177	5.334
Revised Cumulative Growth	14.859	18.036	23.370
<b>Surplus Growth allocated (in year)</b>		<b>6.194</b>	<b>4.037</b>

5.24. The above table shows that the latest information is that the growth for Adults purchasing can be reduced by £6.194m in 2017/18 and a further £4.037m in 2018/19. This information should be considered along with other adjustments made following a review of the council's growth assumptions which is considered in Section 8 below.

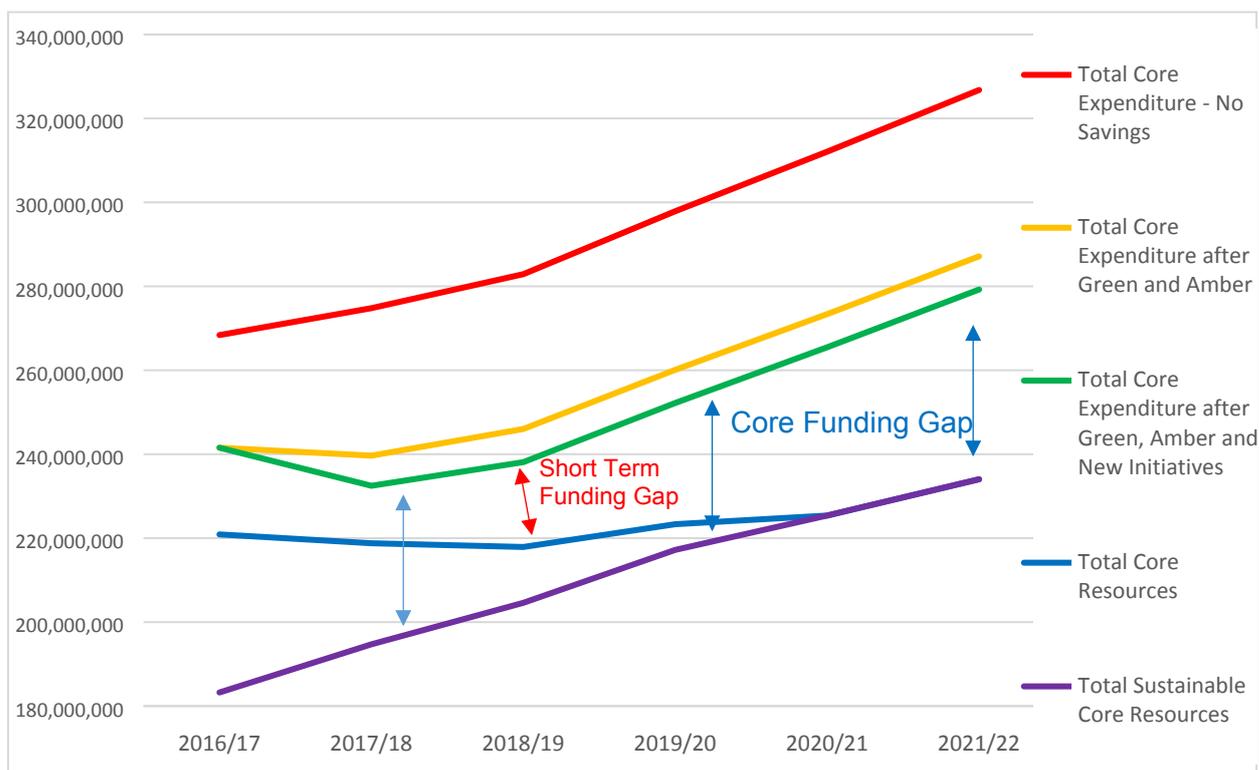
## **6. Development of the Financial Strategy 2017/18 to 2019/20**

- 6.1. Cabinet received four financial strategy reports throughout 2015/16 setting out the budget position for the Council over the three-year period of the Medium Term Financial Plan, 2016/17 – 2018/19.
- 6.2. The savings proposals required to balance the 2016/17 Financial Year were agreed by Cabinet on 17 February 2016 and this report also set out the parameters for the budget in the following 2 years, 2017/18 and 2018/19.
- 6.3. Chart 1 below sets out the modelled position for Shropshire Council looking forward to 2021/22. The position, as far as we are able to estimate, is that the Council has a significant funding gap that continues to grow into the future. The red line on the graph identifies projected spend before savings proposals were identified and approved by Cabinet. After the application of

savings proposals already agreed, the red line moves down to the amber line on the graph. Further proposals, as set out within this report and recommended for approval (a second tranche of savings), further reduce the gap, moving the amber line down to the green line.

- 6.4. The purple line on the graph shows the underlying sustainable funding projected for the Council. The blue line takes account of funding from non-sustainable sources (RSG, Transition Grant and improved RSDG).
- 6.5. The core funding gap that needs to be solved by the Council is demonstrated on the graph as the difference between the purple and green lines – this is £13.69m in 2017/18 growing to £45.2m in 2021/22. This position would be improved with confirmation that all grants contained within Core Funding were to continue indefinitely.

**Chart 1: Growth Model for Shropshire Council 2016/17 to 2021/22**



- 6.6. The development of a Sustainable Business Model to allow the Council to consider what services will be affordable going forward was detailed in Financial Strategy reports over the last year. In the report to Cabinet on 27 January 2016 details of what service budgets would look like in 2017/18 and 2018/19, within the latest resource projections, were included. It is now necessary to reconsider and develop this work taking into account the latest position on the projected funding gap for these years and the latest

work and considerations on the achievability of the proposals identified. This work will continue throughout the year in line with the timetable set out in Table 3 below.

**Table 3: Timetable - 2017/18 and 2018/19 Budget**

Date	Group	Details (subject to available information e.g. Settlement)
13 July 2016	Cabinet	Agree and recommend to Council <ul style="list-style-type: none"> <li>- Identify second tranche of savings proposals, where possible deliverable within the year, and any further adjustments required to the 2016/17 budget to help balance the 2017/18 and 2018/19 budget.</li> <li>- Financial implications of the Council's ICT Digital Transformation Programme</li> <li>- Detail, as necessary, the efficiency statement to be returned to Government to allow multi-year settlement (see Appendix 5).</li> </ul>
21 July 2016	Council	Approve <ul style="list-style-type: none"> <li>- Second tranche of savings proposals, where possible deliverable within the year, and any further adjustments required to the 2016/17 budget to help balance the 2017/18 and 2018/19 budget.</li> <li>- Financial implications of the Council's ICT Digital Transformation Programme</li> <li>- Detail, as necessary, the efficiency statement to be returned to Government to allow multi-year settlement (see Appendix 5).</li> </ul>
27 July 2016	Cabinet	Receive update report from Performance Management Scrutiny Committee including feedback from Budget Setting Task Group
26 September 2016	Cabinet	Agree and recommend to Council <ul style="list-style-type: none"> <li>- Identify third tranche of savings proposals, aligned to Corporate Plan and where possible deliverable within the year, and any further adjustments required to the 2016/17 budget to help balance the 2017/18 and 2018/19 budget to reduce the Core Funding Gap.</li> <li>- Proposals to balance 2017/18 and 2019/20 budget using one-off funds and short term proposals, that will not contribute to closing the Core Funding Gap.</li> </ul>
9 November 2016	Cabinet	Consider latest information on Resource and Expenditure Projections and savings for 2017/18 and 2018/19

21 December 2016	Cabinet	Consider latest information on Resource and Expenditure Projections and savings for 2017/18 and 2018/19 - subject to the Council receiving the draft Local Government Finance Settlement.
8 February 2017	Cabinet	Agree 2017/18 Budget for approval by Council including all 2017/18 Savings and any 2018/19 savings which can be agreed.
23 February 2017	Council	Approve 2017/18 Budget

## 7. 2017/18 and 2018/19 Revised Projections of Resources and Expenditure

- 7.1. The Financial Strategy Report to Cabinet in May provided details of the Resource and Expenditure projections for 2017/18 and 2018/19 and the size of the financial gap remaining after all Green and Amber Savings had been implemented and core grants, treated each year on a one off basis, were applied. The remaining shortfall was identified as £17.259m in 2017/18 and £30.368m (an additional £13.109m) in 2018/19.
- 7.2. The May report recognised that even if all identified savings were applied, including those RAG rated as Red, a funding shortfall would remain in 2017/18 and 2018/19 of £1.910m and £7.602m.
- 7.3. Since May, the Council's Growth projections have been revisited. This is necessary each year to ensure pay and prices are based on the latest budget information and that any known service changes can be considered in growth projections.
- 7.4. The main change in the review of the growth projections is around the Adults purchasing Demographic growth calculations which are detailed in section 5 above and Appendix 1. There were other changes around pay and prices assumptions. The reported remaining gap assumed all Green and Amber savings were implemented and achievable. Since May, Children's services savings achievable have reduced by £1.693m in 2017/18 and £0.221m in 2018/19. The changes are highlighted in Appendix 2.
- 7.5. The following table details the revised gap following the revision of the Growth model and the change to Children's Services savings.

**Table 4: Revised Funding Shortfall in 2017/18 and 2018/19 after Green and Amber Savings and One-Off Core Grants Applied**

	2017/18 £m		2018/19 £m	
	May 2016	July 2016	May 2016	July 2016
<b>Funding Gap</b>	<b>17.259</b>	<b>12.574</b>	<b>30.368</b>	<b>21.001</b>
<b>Change - improvement</b>		<b>4.685</b>		<b>4.682</b>
<b>Analysis of Change:</b>				
Improvement from Growth Remodelling		6.378		4.903
Movement of Savings proposals to RED rated		-1.693		-0.221
<b>Total Change</b>		<b>4.685</b>		<b>4.682</b>

7.6. The improvement in the Growth Model is a combination of a reduction in the amount required for pay inflation, increments, prices inflation and a net reduction in demographic growth required by Adult Services.

7.7. The figures above, in both May and July, include the use of Core Grants treated as one off basis. Going forwards it is important to be clear on the sustainable budget position i.e. the budget which can be supported by on-going resources, and to identify clearly the use of one off funding to balance budgets. The above figures include the one off use of Core Grants of £10.380m in 2017/18 and £9.195m in 2018/19.

## **8. Balancing 2017/18 and 2018/19 Budget**

8.1. Alongside the revision of growth projections, detailed work has been undertaken to identify how the remaining gap can be closed in the short and long term. This has included a review of savings RAG rated as Red to consider partial achievement in the short term, identification of any new savings proposals and a review of all corporate funding and resource assumptions. Table 5 below identifies the Core Funding Gap and provides details of new savings areas identified.

**Table 5: Core Funding Gap**

	2017/18 £m	2018/19 £m	Notes
Funding Gap as identified above in Table 4	12.574	21.001	
Remove non-sustainable funding from the calculations	10.380	9.195	
Reduce Gap by sustainable, base-budget savings proposals:			
- Corporate Funding Resource Assumptions	-5.868	-5.868	
- Red RAG rated Savings – partially deliverable by 2017/18	-2.729	-2.729	
- Red RAG rated Savings – partially deliverable by 2018/19		-0.590	
- New Savings Proposals Identified	-0.666	-0.798	
<b>Total adjustments to be approved</b>	<b>-9.263</b>	<b>-9.985</b>	See Appendix 2
<b>Revised Funding Gap</b>	<b>13.691</b>	<b>20.211</b>	

8.2. The latest projections of Resources and Expenditure are shown in Table 6 below which reflect the revised position as shown in Table 5 above. Further detail is provided in Appendices 3 and 4.

**Table 6: Resource and Expenditure Projections 2017/18 to 2019/20**

	2017/18	2018/19	2019/20
	£	£	£
Resources	563,198,776	559,272,590	562,078,935
Expenditure	576,888,531	579,483,279	590,739,832
Sustainable Budget Gap	<b>-13,689,756</b>	<b>-20,210,689</b>	<b>-28,660,897</b>

8.3. It is recommended that the ongoing adjustments identified in Table 5 above of £9.263m and £9.985m for 2017/18 and 2018/19 respectively are agreed by Cabinet and recommended for approval by Council.

8.4. Cabinet has already considered and approved the use of some one-off resources to help close the core funding gap and further work is being undertaken to identify further proposals to deliver a balanced budget across 2017/18 and 2018/19 financial years. Further proposals will include the following options:

- Use of one-off grants (including Core Grants),
- Freeing up of earmarked reserves,

- Applying existing savings proposals that can be achieved more quickly and therefore brought forward,
  - Delivering anticipated and managed underspends,
  - Allowing for collection fund adjustments and, potentially,
  - Carrying forward unapplied Adult Services Contingent Budget.
- 8.5. It is important to note that should any of the base budget savings proposals identified in this report not be progressed this will result in the core funding gap increasing, reducing the Council's sustainability and requiring identification of further one-off funds (from the proposed sources set out in paragraph 8.4 above) to temporarily balance the budget.
- 8.6. A key component of the Council's long term strategy to become self-sufficient is the need to invest resources to deliver efficiencies and returns on investment. This requires investment in the right places at the right time and there are three key components to this strategy:
- 8.6.1. Identify Resources for investment; understanding the sources of funding, the implications and timescales involved
- 8.6.2. Create the conditions to deliver success; whether this is creating the space for innovation, or the time to ensure proposals are robust
- 8.6.3. Invest wisely in the short and longer term within a framework of proposals; this will ensure the strategic direction of the Council as set out in the Corporate Plan can be achieved.
- 8.7. The Efficiency Plan attached at Appendix 5 sets out our plans to use new flexibilities in Capital Receipts to meet the first component set out in 8.6.1 above. A full and thorough analysis of our capital assets and our ability to generate capital receipts will now be undertaken over the summer. The initial working target for capital receipts is £38m, as set out in Appendix 5.
- 8.8. The options to deliver a balanced budget in the short term, as set out in paragraph 8.4 above, may only be achievable by use of this new flexibility to enable short term resources to be reprofiled to create the conditions to deliver success (i.e. the second component set out in 8.6.2.) and potentially reduce the pressure to close the funding gap in the short term only by the implementation of published Red RAG rated savings.
- 8.9. The efficiency plan at Appendix 5 identifies the framework by which the final component as set out in 8.6.3 can be achieved.

- 8.10. The Financial Strategy assumes a 3.99% Council Tax increase in every year going forward. This is presumed to be the maximum increase allowed without having to hold a referendum. If this planning assumption were changed, the core funding gap would alter accordingly.
- 8.11. Growth in resources to close the remaining funding gap is being considered but is unlikely to deliver a solution, certainly in the short term or as an initiative on its own. It is unlikely to be appropriate to consider an increase in Council Tax to close the £13.689m core funding gap in 2017/18, which would be above the assumed referendum threshold of 3.99%.
- 8.12. The approach being adopted; generating capital receipts, using new flexibilities, freeing up one-off resources and identifying a long-term strategic Sustainable Business Model will demonstrate the following characteristics over the short-term:
- 8.12.1. The Council's long-term core funding gap is understood and acknowledged. In 2017/18 this gap is £13.7m growing to approximately £45m without action by 2021/22.
- 8.12.2. The underlying self-sustainability of the Council requires a re-set of Council finances in two ways;
- Our resources and spending must be brought into line (i.e. referring to back to Chart 1, the gap between the Green line and the Purple line must be closed)
  - Our ability to generate resources needs to match our demand on expenditure (i.e. referring back to Chart 1, the Green and Purple lines need to follow the same trajectory and grow, or fall, at the same rate).
- 8.12.3. To achieve this requires short term stability in the Council's budget and operational model to create the conditions to deliver success in the implementation of our Corporate Plan.
- 8.12.4. Delivery of all savings proposals approved to date (including those set out in Appendix 2 to this report) creates a core funding gap of £13.7m in 2017/18 growing to £20.2m in 2018/19, £28.7m in 2019/20 and estimated to reach £45m by 2021/22.
- 8.12.5. Red RAG Rated proposals set out in January 2016 amounted to approximately £15m of which £2.7m have been taken forward for approval in this report ('Achievable RED Savings' as set out in Appendix 2). The balance of RED savings, if delivered, would,

from a financial perspective, close the gap in 2017/18 and thereby bring the Council closer to a self-sufficient funding position (i.e. by permanently bringing the funding gap down by a further £12m). This would, however, have a significant impact on service delivery across many areas in the short term and potentially on a permanent basis.

- 8.12.6. Delivery of one-off funding instead, if sufficient sources and proposals could be identified, would require the identification of approximately £34m over the next two years and would leave the funding gap in 2019/20 untouched at £28.7m.
- 8.13. A balance must therefore be struck between making decisions purely on a financial basis which may have unintended and unwanted operational impacts on service delivery; or instead focussing entirely on our ambitions to deliver quality and valued services which we do not have the funding to provide on a sustainable basis in the longer term.
- 8.14. Our approach is to acknowledge our financial position, try to minimise short-term decision making on a purely financial basis and create the conditions to enable the Council to meet as many of its key strategic outcomes in the long term, within a self-sufficient financial model. In practice, this undoubtedly means using one-off funding in the short term to enable the time a space to deliver a Sustainable Business Model in the medium term.

## **9. Review of 2017/18 and 2018/19 Savings Proposals**

- 9.1. As demonstrated in Table 5 above, there are a number of proposals which, with approval, reduce the core funding gap in the financial years 2017/18 and 2018/19. Details of these proposals are given in Appendix 2. Implications identified by Directorate of the Council are given below.

### **9.2. Commissioning Directorate**

- 9.2.1. Since the May 2016 Financial Strategy, further savings have been proposed for 2017/18 within the Commissioning directorate. The majority of these savings are in areas that may have to reduce to nil in order to balance the council's budget in the medium term. These functions are predominantly within the Leisure and Culture portfolio.
- 9.2.2. A project plan is being put in place to document the timescales in which savings could be achieved from the transfer of Leisure and Culture assets and services into alternative management and funding arrangements. The plan particularly focuses on leisure centres, libraries and museums.

Significant progress has already been made in this regard within Libraries, where five libraries have been transferred into alternative management arrangements since January 2016. The new 2017/18 Libraries saving proposed represents continuation with this work, particularly within the larger market towns.

- 9.2.3. Service redesign continues to take place, for example within the Arts Service, where collaboration between Shropshire Council and the Arts Sector is enabling the Arts Development Officer to support the sector in becoming more self-sufficient and sustainable, enabling the Arts budget to be tapered down over several years.
  - 9.2.4. Within Outdoor Partnerships, an enterprising approach to providing a cost neutral parks service has been proposed. The new approach will be to increase income in order to maintain expenditure budgets for the service, therefore reducing Council support and working towards a medium-term cost-neutral service.
  - 9.2.5. The Community Enablement Team is also beginning to work on a business plan focussing on generating income in order to safeguard the work of the team. The majority of the new 2017/18 saving relates to this new enterprising approach.
  - 9.2.6. It is proposed that youth commissioning funding in support of “direct” local youth activity provision is reduced in 2017/18 and has been previously highlighted in Cabinet papers. Our suggested approach to maximising the value of future funding is based on targeting funding to those areas where previous intelligence has confirmed that the “specific needs” are the highest.
- 9.3. Children’s Services**
- 9.3.1. An external review of the savings proposals put forward for the Children and Young People directorate have been undertaken and provided general validation to the proposal. Subject to some further detailed analysis and modelling in some areas as recommended, savings rated green amber are brought forward for approval.
  - 9.3.2. Further agreement will need to be reached regarding the ongoing contribution of DSG to Early Help and prevention services
  - 9.3.3. At the point of writing the impact of the National Funding Formula for education together with proposals set out in the Education Excellence Everywhere white paper are unclear and will need to be analysed as details of the role of Local Authorities in education and therefore its associated

funding in the short and medium term are forthcoming. These potential reductions in funding for the LA have not been factored into the existing savings proposals.

9.3.4. Where services are traded, there is an opportunity to up-trade both within and outside Shropshire Council and thus secure additional revenue within existing resources.

9.3.5. Where traded services are not fully funded and are not meeting statutory responsibilities, further efficiencies will be secured.

#### 9.4. **Public Health**

9.4.1. The implications of further cuts in Public Health Grant need further evaluation and may impair the ability of the Council to meet its statutory functions in this area. As more detail is available, the impact of reductions on services will be detailed.

#### 9.5. **Adult Services**

9.5.1. The implications for service cuts within Adult Services will be formulated around the on-going review into demographic growth and underlying costs. The latest position is mentioned in Section 5 above, and it is the understanding of the scale, the ability to predict and the key drivers behind this growth that will shape the Council's ability to manage the impact on the overall budget.

#### 9.6. **Resources and Support**

9.6.1. The Council has benchmarked the costs of delivering its corporate and democratic core against similar authorities and found it to be below average cost. In addition, a review of management costs demonstrates that senior management pay rates are amongst the very lowest in the country and since 2011 the number of senior managers has fallen from 95 to 42. This is already a reduction in excess of 50% and is planned to fall further in future. As reported in October 2015, even if support costs were able to be reduced to 50% across the entire Council, this would deliver no more than £10m to £12m in total and, while part of the solution, will not, in itself, solve the Council's overall financial position.

9.6.2. As reported to Cabinet on 27 April and 11 May 2016, a Digital Transformation Programme is currently being drawn up to final business case by the ICT Project Team and will form a cornerstone of the Council's drive for improved efficiency within service delivery. Two reports have been approved by Cabinet this year (Social Care System Replacement 27 April

2016 and ICT Digital Transformation Programme 11 May 2016). The summary financial implications of these two developments as currently estimated are set out in Table 7 below. A final business case is currently being produced from which the financial implications will be taken to Full Council for approval.

**Table 7: Summary Financial Implications of ICT Investment**

	Year 0 (2016/17) £	Year 1 (2017/18) £	Year 2 (2018/19) £	Year 3 (2019/20) £	Year 4 (2020/21) £	Total £
<b>Costs:</b>						
Social Care System	3,574	2,059	301	225	232	
Digital Strategy	17,879	12,034	6,486	4,915	4,465	
<b>Total Costs</b>	<b>21,453</b>	<b>14,093</b>	<b>6,787</b>	<b>5,140</b>	<b>4,697</b>	
Cashable Savings	80	441	708	848	970	
Base Budget	5,217	5,217	5,217	5,217	5,217	
<b>Net Position to be Funded</b>	<b>16,156</b>	<b>8,435</b>	<b>862</b>	<b>(925)</b>	<b>(1,490)</b>	<b>23,037</b>
Non-Cashable Benefits	352	3,583	7,419	8,992	11,008	31,354

## 10. Performance Management Scrutiny Committee/ Task and Finish Group

- 10.1. The Budget 2016/17 Task and Finish Group recommended that Scrutiny should be involved in the budget setting process at an earlier stage than it had been previously. This recommendation was agreed by Cabinet at their meeting of the 10 February 2016
- 10.2. In response to this a Budget Setting Task and Finish Group was established to enable scrutiny to have earlier involvement in the budget setting process and provide meaningful comment on the savings proposals and potential alternatives.
- 10.3. Performance Management Scrutiny Committee and the Budget Setting Task Group have met and considered proposals as set out in previous reports and have also reviewed the Council's position on General Fund Balance and Earmarked Reserves. The process used to determine the basis for, and level of, Earmarked Reserves and General Fund Balance has also been reviewed by an Audit Committee Task Group. The Group

concluded that the approach taken was reasonable and this was reported back to the Scrutiny Task and Finish Group. In addition, the Performance Management Scrutiny Task Group have reviewed the Adult Services growth model as described in Section 5 above and considered the wider implications for developing savings proposals across the whole Council.

- 10.4. The Performance Management Scrutiny Committee will report on progress to Cabinet on 27 July 2016.

## **11. Efficiency Strategy and Plan 2016/17 to 2019/20**

- 11.1. On 17<sup>th</sup> December, as part of the Draft Local Government Finance Settlement it was announced that multiyear settlements could be agreed subject to local authorities producing Efficiency plans.
- 11.2. Detailed below is an extract from a letter to local Authorities from the Secretary of State for Local Government and Communities dated 10 March 2016.

“I do not intend to provide further guidance on what efficiency plans should contain – they should be locally owned and locally driven. But it is important that they show how this greater certainty can bring about opportunities for further savings. They should cover the full 4-year period and be open and transparent about the benefits this will bring to both your council and your community. You should collaborate with your local neighbours and public sector partners and link into devolution deals where appropriate.

Of course this offer is entirely optional. It is open to any authority to continue to work on a year-by-year basis, but I cannot guarantee this minimum offer to those who do not accept.

I have already seen how much the sector has welcomed this move and I look forward to a strong response. For any further queries, please contact officials at the above address”

- 11.3. It is recommended, given the level of uncertainty surrounding local government finance, that an efficiency plan is produced. Attached at Appendix 5 is the Council’s proposed Efficiency Statement in response to this request.
- 11.4. It is important to note that the agreement of the Efficiency Plan will give some certainty on some, but not all, elements of funding from Central Government. The offer includes a minimum guarantee for Revenue Support Grant, Rural Services Delivery Grant and Transition Grant only and does not refer to New Homes Bonus, Better Care Fund or any specific grant.

11.5. Whilst the a multi-year settlement offers certainty on specific government grants over the next few years and protects against the strong probability that these grants will be reduced unless the Council accepts the settlement offered, it should be made clear that the funding gap referred to earlier in this report remains and so the Council must work to develop a sustainable budget position in the medium term.

## **12. Implications for the Council of the EU Referendum Decision**

- 12.1. Following the result of the referendum on 23 June 2016, the UK is now expected to invoke 'Article 50' which outlines the process a country must use to withdraw from the EU. This would then lead to a two-year period of negotiations between the UK government and the European Council to agree the conditions for withdrawal and to disentangle the laws and agreements which currently exist. In the short term, the uncertainty will have implications for financial markets which we are already seeing by the UK's credit rating has been downgraded from the top AAA, and FTSE 100 and other listed company share prices have fallen dramatically. In the longer term, the economic position for the UK will very much depend on the deal and relationships the UK forges with the remaining EU countries and those further afield.
- 12.2. There have been predictions of further austerity measures beyond those required if the UK had voted to stay within the EU. It is too early to be clear on what this may mean for Shropshire's finances. It does, however, appear that the acceptance of the four-year financial settlement from the government (as described in Section 11 above) would be in the interest of the Council given the potential for further cuts.
- 12.3. The Council has a Treasury Management Policy in place to guard against the major impacts of movements in money markets, although long term implications are not known and will need to be kept under review.

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

Financial Strategy 2017/18 - 2018/19 – Cabinet 18 May 2016

Financial Strategy 2016/17 – 2018/19 – Cabinet 17 February 2016

ICT Digital Transformation Programme – Cabinet 11 May 2016

Social Care System Replacement – Cabinet 27 April 2016

**Cabinet Member (Portfolio Holder)**

Malcolm Pate

**Local Member**

All

**Appendices**

Appendix 1 – Adults Revised Growth Projections Presentation

Appendix 2 – 2017/18 and 2018/19 Savings Proposals and Core Grants

Appendix 3 – Resource Projections

Appendix 4 – Expenditure Projections

Appendix 5 – Efficiency Plan



# Adults Services

## Forecasting Purchasing Spend May 2016



**Method:**

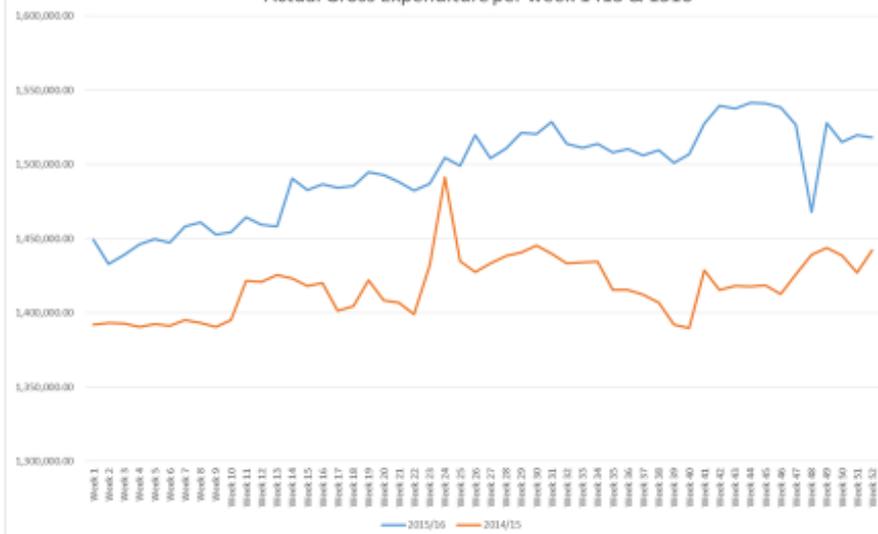
Focus on spot contract expenditure

1. Establish a pattern of weekly growth
2. Establish a Week 1 starting point for 16/17
3. Apply growth trend to starting point
4. Monitor against actual and review differences

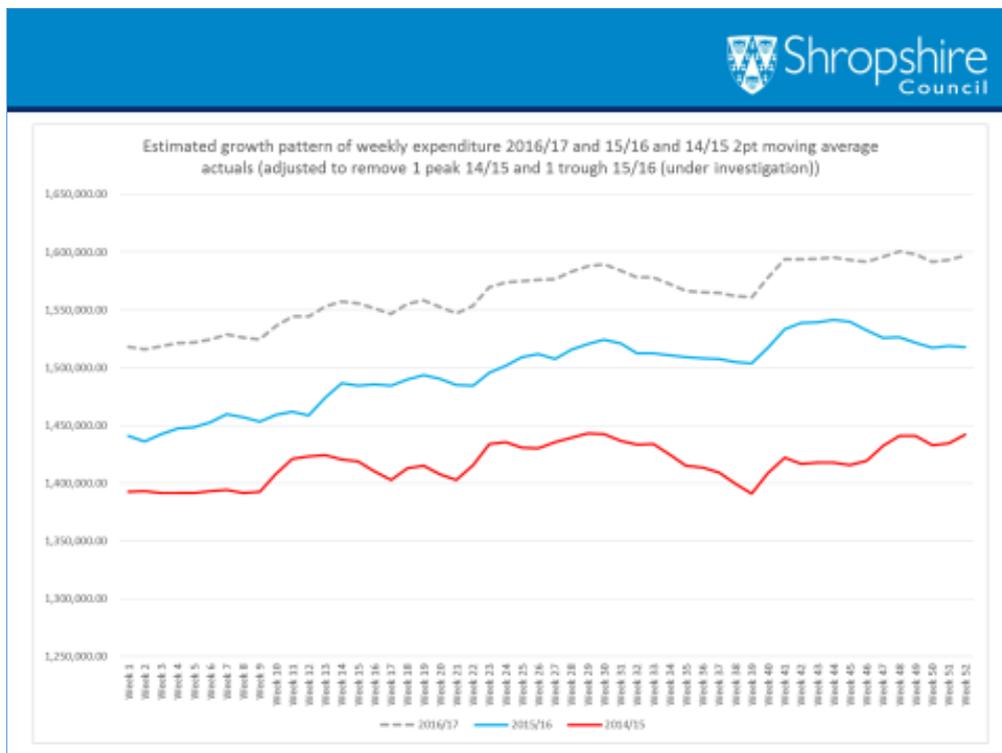
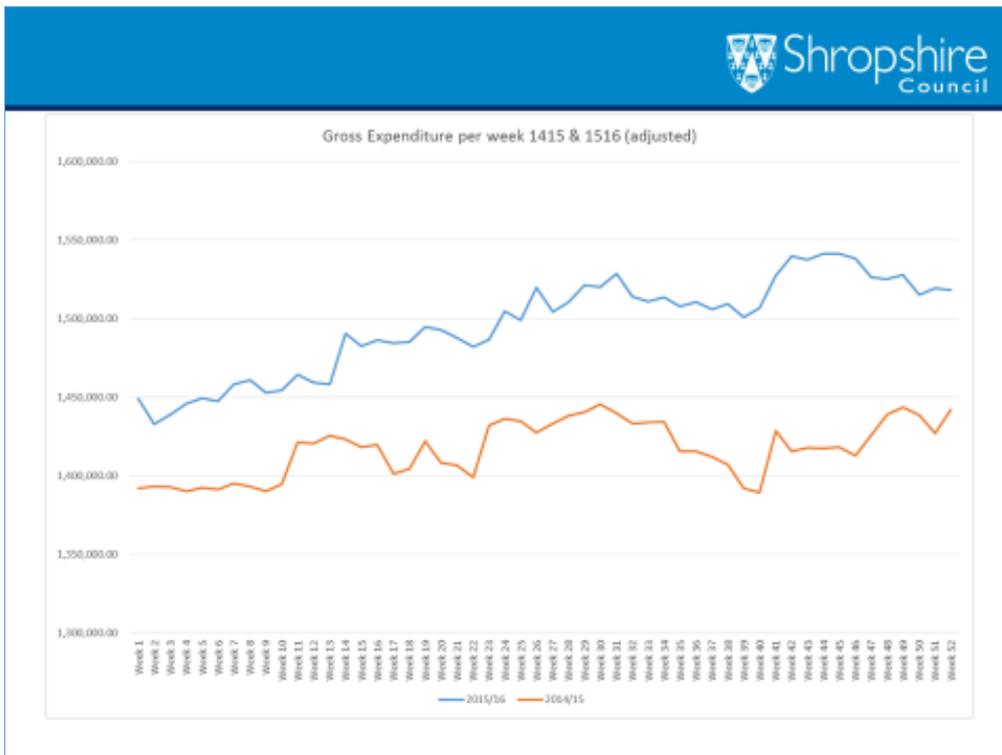
### 1. Establishing a pattern of growth:

- Weekly gross spend data 14/15 and 15/16
- Identify, investigate and eliminate unusual transactions
- Smooth actuals using moving averages
- Apply the resulting trend

Actual Gross Expenditure per week 1415 & 1516



Actual payments made related to the week in which the relevant care was delivered. Includes Block spend.

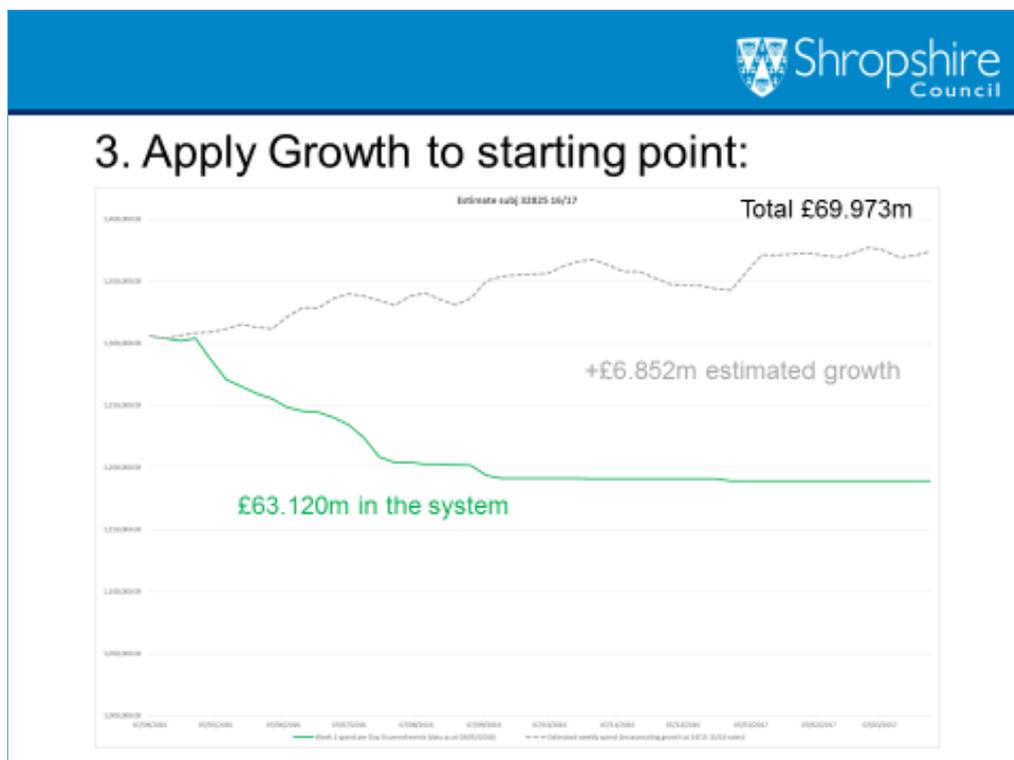
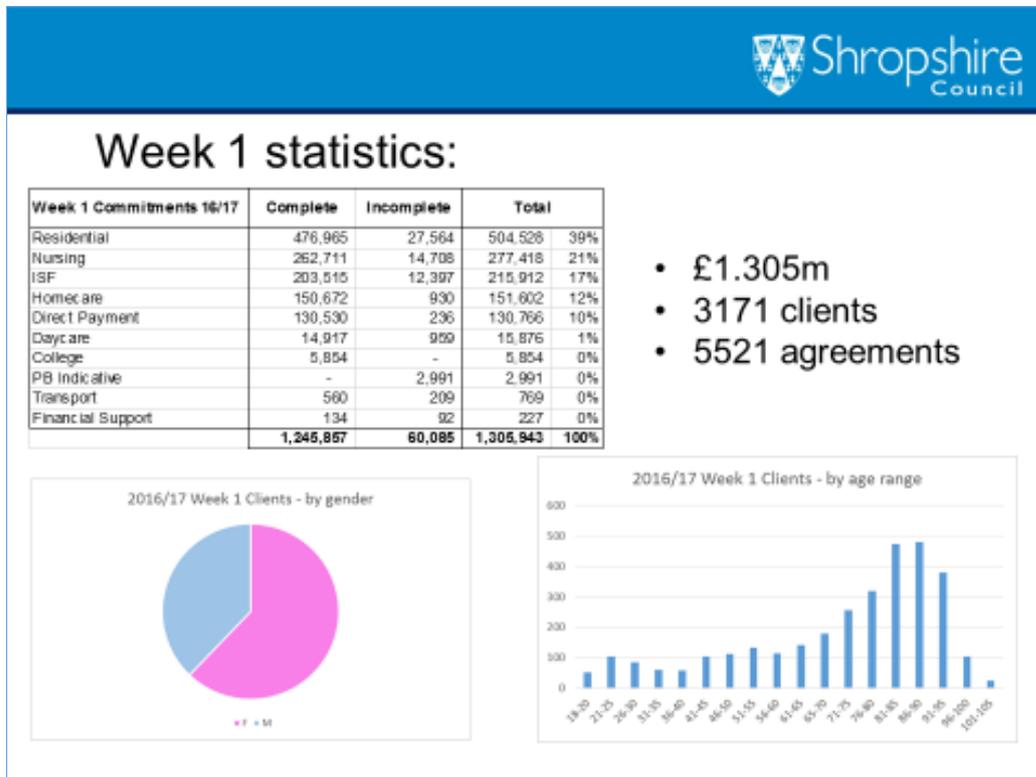


## 2. Establishing Week 1 spend:

- Critical to get this right
- Issues include:
  - Pending contracts (not yet on the system)
  - Backdated contracts (not yet on the system)
  - Incomplete contracts (loaded but not authorised to pay)

## Current Week 1 estimate:

- Analyse contracts loaded
- £1.305m per week 1 spend estimate
- Ensure annual uplift loaded



## Latest Forecast Result:

Purchasing Area	2015/16			2016/17			2017/18	2018/19	2019/20	2020/21	
	BUDGET	FINAL	Variance	BUDGET	PROJECTION	Variance	PROJECTION	PROJECTION	PROJECTION	PROJECTION	
SPOT PURCHASING (including Direct Payments)	52,948,680	62,167,495	9,218,815	74,658,860	67,393,312	(7,266,548)	73,244,625	79,585,241	86,456,037	93,901,470	
HEALTH EXPENDITURE ON INTEGRATED PACKAGES	3,347,000	3,139,040	(208,000)	2,579,430	2,579,430	0	2,579,430	2,579,430	2,579,430	2,579,430	
BLOCK PURCHASING	16,240,620	16,958,795	718,175	16,997,800	17,774,274	776,474	18,129,760	18,492,355	18,862,202	19,239,446	
CONTRIBUTIONS TO DOM CARE	(4,070,390)	(3,990,593)	79,797	(8,527,540)	(6,988,905)	1,538,635	(7,498,235)	(8,048,308)	(8,642,483)	(9,284,414)	
CONTRIBUTIONS TO RES CARE	(10,707,390)	(12,399,235)	(1,691,865)	(13,491,520)	(11,057,238)	2,434,282	(11,863,051)	(12,793,322)	(13,673,373)	(14,688,979)	
INCOME FROM HEALTH	(4,036,970)	(3,700,879)	336,091	(3,151,290)	(2,579,430)	571,860	(2,579,430)	(2,579,430)	(2,579,430)	(2,579,430)	
SERVICE CHARGE	(13,940)	(8,640)	5,294	(33,500)	(33,500)	0	(33,500)	(33,500)	(33,500)	(33,500)	
DEBIT AGAINST CONTRIBUTIONS TO RES CARE	148,080	0	(148,080)	0	0	0	0	0	0	0	
ILF GRANT	0	(1,315,000)	(1,315,000)	(1,665,670)	(1,665,670)	0	(1,665,670)	(1,665,670)	(1,665,670)	(1,665,670)	
CARE ACT FUNDING FROM BCF	0	(609,000)	(609,000)	0	(609,000)	(609,000)	(609,000)	(609,000)	(609,000)	(609,000)	
CARE ACT IMPLEMENTATION GRANT	(2,009,320)	(2,007,844)	1,476	0	0	0	0	0	0	0	
	51,846,520	58,234,111	6,387,601	67,367,660	64,813,274	(2,554,386)	69,704,916	74,987,795	80,694,242	86,859,344	
Net Growth Forecast					6,579,163	12%	4,891,642	5,282,870	5,706,457	6,165,301	8%

### Caution:

Actuals can take over a year to stop moving

- Backdated Contracts
- Incomplete Contracts

Health related activity needs further work

## Appendix 2

<b>Summary</b>	<b>2017/18 (£m)</b>	<b>2018/19 (£m)</b>	<b>Notes</b>
Green Savings	1.773	-1.535	Approved by Cabinet 18 May 2016, amended 13 July for reduction in Children's Savings
Amber Savings	5.989	2.437	Approved by Cabinet 18 May 2016, amended 13 July for reduction in Children's Savings
Achievable Red Savings	2.729	0.590	Recommended for Approval, Cabinet 13 July 2016
New Proposals	0.666	0.132	Recommended for Approval, Cabinet 13 July 2016
Corporate Savings	5.868	0.000	Recommended for Approval, Cabinet 13 July 2016
<b>Total</b>	<b>17.025</b>	<b>1.624</b>	
<b>Cumulative Total</b>		<b>18.649</b>	

Analysis of Savings Proposals - Summary	2017/18	2017/18	2018/19	2018/19	2017/18	2018/19
Green and Ambers previously considered by Cabinet	May-16	Jul-16	May-16	Jul-16	Movement	Movement
	£	£	£	£	£	£
<b>Green</b>						
Adults	0	0	0	0		
Childrens	-1,157,500	-277,340	0	0		
Commissioning	0	0	0	0		
Public Health	0	0	0	0		
Resources and Support	-1,496,045	-1,496,045	1,535,434	1,535,434		
	-2,653,545	-1,773,385	1,535,434	1,535,434	880,160	0
<b>Amber</b>						
Adults	0	0	0	0		
Childrens	-2,600,030	-1,787,500	-409,245	-187,500		
Commissioning	-3,463,070	-3,463,070	-455,000	-455,000		
Public Health	-228,849	-228,849	-250,848	-250,848		
Resources and Support	-509,546	-509,546	-1,543,158	-1,543,158		
	-6,801,495	-5,988,965	-2,658,251	-2,436,506	812,530	221,745
Green and Ambers previously considered by Cabinet	-9,455,040	-7,762,350	-1,122,817	-901,072		
<b>Red</b>						
Adults	-4,023,866	-4,023,866	0	0		
Childrens	-2,104,543	-3,797,233	-2,413,623	-2,635,368		
Commissioning	-7,190,580	-7,190,580	-3,913,680	-3,913,680		
Public Health	0	0	0	0		
Resources and Support	-2,030,000	-2,030,000	-1,090,000	-1,090,000		
	-15,348,989	-17,041,679	-7,417,303	-7,639,048	-1,692,690	-221,745
<b>Total Savings Identified</b>	<b>-24,804,029</b>	<b>-24,804,029</b>	<b>-8,540,119</b>	<b>-8,540,120</b>	<b>0</b>	<b>0</b>

### New Savings To be Approved

Red Rates Savings Deliverable - in 2017/18 and 2018/19					
Adults		0		0	
Childrens		-125,733		0	
Commissioning		-843,570		0	
Public Health		0		0	
Resources and Support		-1,759,890		-590,000	
<b>Total</b>		<b>-2,729,193</b>		<b>-590,000</b>	<b>-2,729,213</b>

New Savings Proposals					
Energy Company Work		-132,000		-132,000	
Grey Fleet Savings		-424,000			
Shrewsbury Town Council Civics		-110,000			
<b>Total</b>		<b>-666,000</b>		<b>-132,000</b>	

<b>Review of Corporate Budgets</b>		<b>-5,868,000</b>			
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<b>Total New Savings</b>		<b>-9,263,193</b>		<b>-722,000</b>	
<b>Cumulative by 2018/19</b>				<b>-9,985,193</b>	

Children's Services

Ref	Directorate/Portfolio	Council Function	2017/18 Savings Proposal (£)	2018/19 Savings Proposal (£)	Commentary	Status
<b>Green savings:</b>						
C14	Children's Safeguarding / David Minnery	Children with Disabilities	-170,000	0	Recommissioning provision to deliver in a different way	Approved Cabinet 18.05.16
C19	Children's - Safeguarding / David Minnery	Foster Care Service - Fostering Placements	-107,340	0	Savings achieved through best value.	Approved Cabinet 18.05.16
<b>Total Green Savings</b>			<b>-277,340</b>	<b>0</b>		
<b>Amber Savings:</b>						
C01	Children's Learning and Skills / David Minnery	Education Access and Equality	-150,000	0	School attendance monitoring function placed at risk	Approved Cabinet 18.05.16
C02	Children's - Learning & Skills / David Minnery	Education Improvement (including Early Years)	-200,000	0	Reduced provision available to support high quality educational outcomes, could impact on the outcomes for children and on the LAs capacity to support improvement	Approved Cabinet 18.05.16 2018/19 Saving now categorised as Red
C03	Children's - Learning & Skills / David Minnery	Home to School Transport (including SEN Transport)	-187,500	-187,500	Further efficiencies are reliant on full implementation of personalisation policy, and fuel costs.	Approved Cabinet 18.05.16 Savings in both years reduced and balance now categorised as Red
C08	Children's - Learning & Skills / David Minnery	Information Advice and Guidance	-250,000	0	The team would reduce significantly and would not be able to provide information advice and guidance across Shropshire. This could impact on the progression of young people, and the number of young people who are not in education employment or training	Approved Cabinet 18.05.16 Saving in 2017/18 reduced and balance now categorised as Red
C25	Children's - Safeguarding / David Minnery	Children's Centres	-1,000,000		Early Help services prevents children wherever possible receiving children's social care interventions. Schools and other stakeholders will face pressure to meet demand.	Approved Cabinet 18.05.16
<b>Total Amber Savings</b>			<b>-1,787,500</b>	<b>-187,500</b>		
<b>Achievable Red Savings</b>						
C31	Children's Learning and Skills / David Minnery	Special Educational Needs	-94,311	0	To deliver a further saving in 2017/18 the team will divert resources towards traded work.	Recommended for approval Cabinet 13.07.16
C32	Children's - Learning & Skills / David Minnery	Education Improvement (subject to ESG)	-31,422	0	Additional Saving proposed to be funded from traded work and review of the service.	Recommended for approval Cabinet 13.07.16
<b>Total Achievable Red Savings</b>			<b>-125,733</b>	<b>0</b>		
<b>New Initiatives</b>						
None						
<b>Corporate Savings</b>						
None						
<b>Total Savings</b>			<b>-2,190,573</b>	<b>-187,500</b>		

Commissioning			2017/18	2018/19		
Ref	Directorate/Portfolio	Council Function	Savings Proposal (£)	Savings Proposal (£)	Commentary	Status
<b>Green savings:</b>						
None						
<b>Amber Savings:</b>						
M01	Commissioning - Planning, Regulatory Services and Environment / Mal Price	Refuse collection and recycling	-2,250,000	0	Collection service redesign / contract renegotiation	Approved Cabinet 18.05.16
M05	Commissioning - Planning, Regulatory Services and Environment / Mal Price	Environmental health, planning and trading standards	-280,000	-205,000	Redesign of service areas	Approved Cabinet 18.05.16
M06	Commissioning - Highways and Transportation / Simon Jones	Highways management, maintenance and street cleansing	-350,000	-150,000	Energy efficiency, increased income and redesigning the workforce	Approved Cabinet 18.05.16
M11	Commissioning - Highways and Transportation / Simon Jones	Public transport - Council Delivery	-250,000	0	Redesign of functional areas	Approved Cabinet 18.05.16
M12	Commissioning - Business and Economy / Steve Charmley	Economic growth and business support	-159,040	-100,000	Combination of efficiency savings and local commissioning of functional areas	Approved Cabinet 18.05.16
M13	Commissioning - Leisure and Culture / Stuart West	Leisure centres, swimming pools and sports development	-70,080	0	Combination of efficiency savings and local commissioning of functional areas	Approved Cabinet 18.05.16
M14	Commissioning - Leisure and Culture / Stuart West	Theatre services	-103,950	0	Increases in income	Approved Cabinet 18.05.16
<b>Total Amber Savings</b>			<b>-3,463,070</b>	<b>-455,000</b>		
<b>Achievable Red Savings</b>						
M08	Commissioning - Leisure and Culture / Stuart West	Parks, countryside and rights of way	-25,000	0	Outdoor Partnerships business plan for income generation should result in further savings being proposed later in the financial year, but at present an assessment of the proposals against the 2016/17 savings target is required before further savings can be proposed.	Recommended for approval Cabinet 13.07.16
M10	Commissioning - Corporate Support	Commissioning directorate management team and support functions	-80,000	0	Efficiency savings and further redesign.	Recommended for approval Cabinet 13.07.16
M16	Commissioning - Leisure and Culture / Stuart West	Leisure centres, swimming pools and sports development	-77,830	0	25% saving on Teme Leisure contract to be negotiated. Will result in reduction in provision.	Recommended for approval Cabinet 13.07.16
M17	Commissioning - Leisure and Culture / Stuart West	Museums and tourism	-80,000	0	Further redesign of function.	Recommended for approval Cabinet 13.07.16
M20	Commissioning - Leisure and Culture / Stuart West	Libraries	-150,000	0	Transfer of one or more of the larger libraries to a commissioned model.	Recommended for approval Cabinet 13.07.16
M21	Commissioning / Children and Young People	Youth activities and youth centres	-118,400	0	50% reduction to LJC budgets for youth activities	Recommended for approval Cabinet 13.07.16
M22	Commissioning - Rural Services and Communities / Cecelia Motley	Community development	-76,450	0	Efficiency savings and move to income generating model proposed at present.	Recommended for approval Cabinet 13.07.16
M23	Commissioning - Leisure and Culture / Stuart West	Arts	-35,890	0	As per December 2015 proposals developed in consultation with stakeholders	Recommended for approval Cabinet 13.07.16
M25	Commissioning - Highways and Transportation / Simon Jones	Car parks	-200,000	0	To be delivered through change to linear tariffs. Could be potential to increase this value later in the financial year.	Recommended for approval Cabinet 13.07.16
<b>Total Achievable Red Savings</b>			<b>-843,570</b>	<b>0</b>		
<b>New Initiatives</b>						
M26	Commissioning - Business and Economy / Steve Charmley	Energy Company Work	-132,000	-132,000	Development of an energy company indicates net income generation for the Council.	Recommended for approval Cabinet 13.07.16
M27	Commissioning - Highways and Transportation / Simon Jones	Grey Fleet savings	-424,000	0	Review of grey fleet mileage claimed shows that potential savings can be released across the Council in 2017/18.	Recommended for approval Cabinet 13.07.16
<b>Total New Initiatives</b>			<b>-556,000</b>	<b>-132,000</b>		
<b>Corporate Savings</b>						
None						
<b>Total Savings</b>			<b>-4,862,640</b>	<b>-587,000</b>		

## Public Health

Ref	Directorate/Portfolio	Council Function	2017/18 Savings Proposal (£)	2018/19 Savings Proposal (£)	Commentary	Status
<b>Green savings:</b>						
None						
<b>Amber Savings:</b>						
P02	Public Health / Karen Calder	Registrars	-20,000	-20,000	The Department of Health is yet to announce the Public Health Grant for the next two years therefore it will not be clear until the end of January about the resources available to the council to meet its statutory commitments. In addition the Home Office is consulting on changes to the Marriage Legislation that may mean that the Registrars' Service may have a reduction in the sources of revenue that it receives through the licensing of venues and the related fees for conducting services. On that basis the saving plan has been given an overall rating of Amber until a detailed review of the factors outlined above can be assessed.	Approved Cabinet 18.05.16
P07	Public Health / Karen Calder	Help to Change	-80,349	-102,348		Approved Cabinet 18.05.16
P09	Public Health / Karen Calder	Multi-agency Drug and Alcohol Team	-25,000	-25,000		Approved Cabinet 18.05.16
P11	Public Health / Karen Calder	School Nurses	-56,000	-56,000		Approved Cabinet 18.05.16
P17	Public Health / Karen Calder	Community Safety	-47,500	-47,500		Approved Cabinet 18.05.16
<b>Total Amber Savings</b>			<b>-228,849</b>	<b>-250,848</b>		
<b>Achievable Red Savings</b>						
None						
<b>New Initiatives</b>						
None						
<b>Corporate Savings</b>						
None						
<b>Total Savings</b>			<b>-228,849</b>	<b>-501,696</b>		

Resources and Support						
Ref	Directorate/Portfolio	Council Function	2017/18 Savings Proposal (£)	2018/19 Savings Proposal (£)	Commentary	Status
<b>Green Savings:</b>						
R07	Resources and Support / Malcolm Pate	Provisional Settlement Adjustment	-1,496,045	1,535,434	Apply £5.385m of New Homes Bonus and £0.562m of RSDG over 3 years to offset front-loading of RSG reduction (Note growth not saving in 18/19 to reflect front loading of RSG reductions in years 1 and 2)	Approved Cabinet 18.05.16
<b>Total Green Savings</b>			<b>-1,496,045</b>	<b>1,535,434</b>		
<b>Amber Savings:</b>						
R04	Resources and Support / Malcolm Pate	Revenues and Benefits	-200,000	-100,000	Redesign of service areas	Approved Cabinet 18.05.16
R22	Resources and Support / Michael Wood	Customer Services	-290,997	0	Redesign of service areas to deliver corporate savings.	Approved Cabinet 18.05.16
R23	Resources and Support / Michael Wood	Other Customer services	-143,700	0	Redesign of service areas to deliver corporate savings.	Approved Cabinet 18.05.16
R24	Resources and Support / Michael Wood	Corporate Landlord	-1,001,113	-304,770	Redesign of service areas to deliver corporate savings.	Approved Cabinet 18.05.16
R26	Resources and Support / Michael Wood	Other property services	-150,812	0	Redesign of service areas to deliver corporate savings.	Approved Cabinet 18.05.16
R27	Resources and Support / Michael Wood	Non Distributable costs and other Corporate	-100,000	0	Redesign of service areas to deliver corporate savings.	Approved Cabinet 18.05.16
R28	Resources and Support / Michael Wood	Shire Services	-200,000	-276,617	Redesign of service areas to deliver corporate savings.	Approved Cabinet 18.05.16
R29	Resources and Support / Malcolm Pate	Other	1,577,076	-861,771	One-off resources and/or savings applied from previous years to offset unachieved savings reallocated to service areas.	Approved Cabinet 18.05.16
<b>Total Amber Savings</b>			<b>-509,546</b>	<b>-1,543,158</b>		
<b>Achievable Red Savings</b>						
R30	Resources and Support / Michael Wood	Corporate & Democratic Core	-229,890	0	Reductions in External Audit Fees, Debt Management Charges and Members Telephone and Car Allowance budgets can be delivered in full in 2017/18	Recommended for approval Cabinet 13.07.16
R31	Finance / Malcolm Pate	Treasury Management	-1,530,000	-590,000	Currently anticipated to be deliverable due to repayment of borrowing, thereby reducing debt charges and additional interest to be achieved on investments.	Recommended for approval Cabinet 13.07.16
<b>Total Achievable Red Savings</b>			<b>-1,759,890</b>	<b>-590,000</b>		
<b>New Initiatives</b>						
R32	Resources and Support / Malcolm Pate	Shrewsbury Town Civics	-110,000	0	Renegotiation of the Shrewsbury town Council contract has now enabled the base budget contribution towards the civic costs to be removed.	Recommended for approval Cabinet 13.07.16
<b>Total New Initiatives</b>			<b>-110,000</b>	<b>0</b>		
<b>Corporate Savings</b>						
R33	Resources and Support / Malcolm Pate	Review of Corporate Budgets	-5,868,000	0	Review of growth adjustments within the budget has released £2.898m within Corporate Budgets. A further £2.094m can be released due to a change in the collection fund surplus/deficit as a result of new guidance on the inclusion of a provision. Remaining £0.876m to be released from budgets retained for pensions contribution growth which is no longer required.	Recommended for approval Cabinet 13.07.16
<b>Total Corporate Savings</b>			<b>-5,868,000</b>	<b>0</b>		
<b>Total Savings</b>			<b>-9,743,481</b>	<b>-597,724</b>		

Appendix 3									
Projections of Resources - 2016/17 to 2019/20									
	2016/17	2016/17	2017/18	2017/18	2018/19	2018/19	2019/20	2019/20	Notes
	FINAL £	JULY £	INITIAL £	JULY £	INITIAL £	JULY £	INITIAL £	JULY £	
RSG	31,565,931	31,565,931	20,447,511	20,447,511	13,301,166	13,301,166	6,119,050	6,119,050	As in the Local Government Finance Settlement, Final 4 February 2016.
Business Rates Allocation									
Locally Retained Business Rates	38,746,737	38,746,737	39,447,278	39,447,278	40,160,485	40,160,485	40,886,586	40,886,586	Estimate from NNDR1 form for 2016/17 - 49%. Future years , growth of 0.8% and multiplier increase of 1% pa
Estimated Reduction in BRs from Budget Announcement (see below s31 Grants)			-3,860,000	-3,860,000	-3,860,000	-3,860,000	-3,860,000	-3,860,000	
Top up Grant	10,119,908	10,119,908	10,318,949	10,318,949	10,623,367	10,623,367	10,962,908	10,962,908	As in the Local Government Finance Settlement, Final 4 February 2016.
Council Tax taxbase	104,912.48	104,912	105,751.78	105,752	106,597.79	106,598	107,450.57	107,451	Taxbase increase 0.8% pa
Council Tax	1211.19	1211.19	1259.52	1259.52	1309.77	1309.77	1362.03	1362.03	3.99% increase per year
Council Tax Income	127,068,947	127,068,947	133,196,482	133,196,482	139,618,587	139,618,587	146,350,900	146,350,900	
Council Tax Collection Fund	2,987,003	2,987,003	500,000	500,000	500,000	500,000	500,000	500,000	
Business rates Collection Fund	-5,961,407	-5,961,407	-500,000	-500,000	-500,000	-500,000	-500,000	-500,000	
<b>Net Budget</b>	<b>204,527,118</b>	<b>204,527,118</b>	<b>199,550,220</b>	<b>199,550,220</b>	<b>199,843,605</b>	<b>199,843,605</b>	<b>200,459,444</b>	<b>200,459,444</b>	
<b>Grants included in Core Funding</b>									
Improved Better Care Fund			216,823	216,823	4,328,805	4,328,805	8,153,519	8,153,519	
New Homes Bonus	9,219,280	9,219,280	9,269,560	9,269,560	5,783,460	5,783,460	5,544,780	5,544,780	
Rural Services Delivery Grant	6,573,303	6,573,303	5,307,636	5,307,636	4,082,797	4,082,797	5,307,636	5,307,636	
Transition Grant	575,652	575,652	585,686	585,686		0		0	
s31 Business Rates Grants			3,860,000	3,860,000	3,860,000	3,860,000	3,860,000	3,860,000	
	16,368,235	16,368,235	19,239,705	19,239,705	18,055,062	18,055,062	22,865,935	22,865,935	
<b>Core Funding</b>	<b>220,895,353</b>	<b>220,895,353</b>	<b>218,789,925</b>	<b>218,789,925</b>	<b>217,898,667</b>	<b>217,898,667</b>	<b>223,325,379</b>	<b>223,325,379</b>	
Excluding Collection Funds for smoothing	223,869,757		218,789,925		217,898,667		223,325,379		As measured by Government
			-2.27%		-0.41%		2.49%		Year on year change
							-544,378		
							-0.24%		Change over the 4 year period
<b>Local Income</b>									
Fees and charges	60,900,260	65,394,230	66,080,165	62,132,906	71,371,297	63,209,935	74,573,557	64,414,281	
Other Grants and contributions	32,619,780	32,594,170	32,619,780	32,594,170	32,619,780	32,594,170	32,619,780	32,594,170	
Specific Grants (excluding Core Funding Grants above)	239,871,115	238,527,565	239,571,625	238,228,075	235,459,668	234,116,118	231,634,955	230,291,405	
Internal Recharges	11,090,250	11,453,700	11,090,250	11,453,700	11,090,250	11,453,700	11,090,250	11,453,700	
Total Income outside of Core Funding	344,481,405	347,969,665	349,361,820	344,408,851	350,540,995	341,373,923	349,918,542	338,753,556	
<b>Gross Budget</b>	<b>565,376,758</b>	<b>568,865,018</b>	<b>568,151,744</b>	<b>563,198,776</b>	<b>568,439,661</b>	<b>559,272,590</b>	<b>573,243,921</b>	<b>562,078,935</b>	

Appendix 4

Projections of Expenditure - 2017/18 , 2018/19 and 2019/20								APPENDIX 4	
	2016/17	2016/17	2017/18	2017/18	2018/19	2018/19	2019/20	2019/20	
	FINAL £	ADJUSTED £	INITIAL £	REVISED £	INITIAL £	REVISED £	INITIAL £	REVISED £	
<b>Original Gross Budget Requirement</b>	576,378,810	576,378,810	596,902,316	589,515,376	616,120,791	576,888,531	629,456,194	579,483,279	
<b>Inflationary Growth</b>									
<b>PAY</b>	1,991,292	1,991,292	1,597,392	1,361,007	1,613,332	1,166,054	1,367,738	996,311	
<b>PRICES</b>	5,006,995	5,006,995	2,411,736	1,861,804	2,595,592	1,669,604	3,109,939	1,717,763	
<b>Pensions</b>	0	0	0	0	0	0	0	0	
<b>Demography</b>	21,877,515	21,877,515	13,413,035	824,076	13,423,082	6,999,013	7,452,146	7,556,318	
<b>National Government Policy changes</b>									
NI	2,000,000	2,000,000							
Minimum Living Wage (included in paya nd preices for adjust	1,000,000	1,000,000	1,000,000		1,000,000		1,000,000		
Apprenticehips	500,000	500,000							
Debt charges	1,000,000	1,000,000							
<b>Grant loss/ grant rolled into Base funding</b>	1,970,870	1,970,870							
<b>Specific Grants Changes between years</b>	2,492,253	2,492,253	-1,288,024	-1,288,024	-5,296,603	-5,296,603	986,161	986,161	
<b>Income Changes</b>	-10,079,103	-10,079,103							
All other changes in 2016/17	-7,236,317	-7,236,317	2,084,336	2,084,336					
<b>Adjustment to Gross budget offset by Income changes</b>		3,488,260							
<b>Add Savings carried forward from 2015/16 to be achieved</b>		15,961,130							
<b>Deduct ongoing Savings - 2016/17</b>		-26,836,330							
<b>Deduct ongoing Savings - 2017/18</b>				-7,762,349					
<b>Deduct ongoing Savings - 2018/19</b>						-901,078			
<b>Adjust for Reduction to offset income reduction</b>				-444,000		-320,242			
<b>TO BE APPROVED</b>									
Corporate Base Budget Savings				-5,868,481					
Red Savings Deliverable				-2,729,213		-590,000			
New Savings Proposals				-666,000		-132,000			
	596,902,316	589,515,376	616,120,791	576,888,531	629,456,194	579,483,279	643,372,178	590,739,832	

## Appendix 5

### Shropshire Council: Efficiency Strategy and Plan 2016/17 to 2019/20

#### Background

1. As part of the Local Government Finance Settlement the Chancellor announced that multiyear settlements could be agreed subject to local authorities producing an Efficiency Plan. Subsequently, in March the Secretary of State for Local Government and Communities wrote to all Local Authorities confirming this offer and stating that although no detailed guidance was to be provided on the content of efficiency plans they should show how this greater certainty can bring about opportunities for further savings.
2. Also in March the government issued updated Statutory Guidance on the Flexible Use of Capital Receipts and stated that the proposed use of this flexibility should be transparent and agreed by full Council as part of the Financial Strategy and any proposed Efficiency Plan.
3. This Efficiency Strategy and Plan will summarise the Council's Strategy for maximising efficiency over the next 4 years allowing essential services to be maintained within a sustainable budget. The plan will also detail how, to achieve a sustainable budget, the Council proposes to utilise the new flexibility in the use of Council Receipts available between 1 April 2016 and 31 March 2019.
4. The plan should be read in conjunction with the Financial Strategy 2017/18 – 2019/20 Report approved by Cabinet on 13 July 2016 and recommended for Council approval, 21 July 2016.
5. This plan is required to be submitted to Government by 14 October 2016 and will be recommended for Council approval on 21 July 2016 ([link to Council report to be inserted after Council](#)). Subject to government approval, this plan will allow the Council to benefit from certainty about the minimum level of resources from central government. Although government funding is a reducing percentage of the Council's total funding, this will allow an element of stability to the Council's financial planning.
6. The following section will detail
  - The council's approach to delivering a sustainable budget
  - Proposed use of the new flexibilities around the use of capital receipts
  - Prudential indicators

## The Council’s approach to delivering a sustainable budget

7. Shropshire Council has a proven track record of delivering savings and efficiencies. In the past 7 years, since the Unitary Council was formed the Council has delivered £160m savings including:

- De-layered its management structure and established appropriate spans of control across all functions
- Moving away from the National Pay Scale and reducing salaries by 5.4% over 2 years and making other terms and conditions savings to limit staff costs.
- Asset rationalisation, contract renegotiation and service redesign across all areas of the Council.
- Redesign of Adult Social Care to deliver some of the lowest cost but highest quality services in the Country.

The table below provides a summary of the savings in each financial year

**Table 1: Savings 2009/10 – 2015/16**

<b>Financial Year</b>	<b>Saving £m</b>
2009/10	10.280
2010/11	7.540
2011/12	28.440
2012/13	23.890
2013/14	23.880
2014/15	39.890
2015/16	26.440
	<b>160.360</b>

8. As noted above, a large proportion of the savings have been achieved under the strapline of moving to a “Workforce that fits”. This has minimised the impact on the front line service the customer receives. Where direct services delivery has been redesigned, a positive impact for citizens has been sought. A good example of this is the redesign which has occurred in Adults Services which is described below.
9. Efficiencies and savings have been achieved across all services including those under increasing financial pressure from increased service demand. In Adult Services, a key area of service redesign has been based upon different conversations and support occurring at a very early stage in the relationship or pathway that the citizen encounters. At the First Point of Contact (FPoC) the conversation starts focusing on utilising the strengths of both the individual and their family in conjunction with the available resources in the local community to meet their needs at that time. This has enabled successful solutions to be identified for over 70% of the people who contact us through FPoC during the first conversation. We follow up two weeks later to confirm that the need or issue has

been addressed or resolved. The feedback received has been both positive in terms of choice of support and the aspirational focus of the support. We have shown that the Council cares through this simple call back. The principle of holding different conversations continues with those people who require a local face to face support again through the redesigned “Let’s Talk” approach. This has delivered a shorter wait to see a Social worker and being local based allows for greater use of local community based resources.

10. In the current financial year the council has savings proposals of £23.051m to be achieved and a further £24m is being met by one-off initiatives and funding.

11. A number of savings proposals have been agreed over the next 2 financial years and a framework of proposals is being drawn together under the Council’s new Corporate Plan which focuses on the following high level outcomes:

- Healthy People
  - A clean and attractive environment is maintained
  - Potential for future good health is improved
  - Demand for health and care services is reduced
- Resilient Communities
  - Volunteering and self-support has increased
  - Needs have been met to prevent demand from escalating
  - Local members are leading in their communities
  - The range of opportunities for leisure, culture and community participation has increased, with low or no funding
- Prosperous Economy
  - Rural businesses have grown
  - Existing businesses overall have grown
  - New small businesses have established
  - The economy has diversified into higher added-value business
  - Jobs for young people have been created
- Operation of the Council
  - Corporate Support and Overheads reduce
  - The efficiency of the Council has been improved
  - New income streams have been created
  - Commercial operating is increasing across the Council

12. The framework for savings proposals includes:

- Redesign and restructure of services in Adults, Children’s and Commissioning Services,
- Working with our partners to find alternative delivery solutions for a number of front line services,

- Action to reduce corporate support costs and overheads
- Delivering new income streams across the Council
- A new Digital Strategy to improve ICT efficiency
- Changes to reduce costs and increase benefits from contracted, external service delivery
- Creation of a new enterprise and commercial services section within the Council to drive a more commercial approach to service delivery

13. The overall impact of this framework of proposals is being formulated alongside the Corporate Plan with performance measures identified alongside financial targets. To date, proposals that have been formulated into resilient plans amount to £8.664m, with a further £9.985m for later years recommended for Council approval on 21 July 2016. This still leaves an ongoing funding shortfall in the medium to long term for which proposals will continue to be brought forward within the funding envelope and framework as described above.

14. Shropshire Council in the last 12 months has accelerated its partnership working at a strategic level both to seek out new opportunities that will benefit Shropshire directly as well as contributing to wider areas of work that benefit a wider geography but will reap longer term benefits to the county. Examples include our involvement in the West Midlands Combined Authority as a non-constituent member where discussions have already begun on key strategic areas of focus such as a Land Commission for the WMCA and also the establishment of a Growth Company.

In February 2016 Shropshire also formally became active members in the Northern Gateway Partnership – established by Cheshire East to realise the benefits of HS2 coming to Crewe. For Shropshire there are real benefits for the county along the A500 corridor.

Shropshire, alongside Telford and Wrekin and Herefordshire Councils have also been finalising the devolution proposals that will be forwarded to the DCLG in the summer in anticipation of a future ‘challenge session’ before a formal submission by the end of the year.

Most recently, Shropshire has worked with 10 other public sector partners including the CCG, West Mercia Police, DWP and Shrewsbury and Telford Hospitals to mention a few, in establishing the Shropshire Estates Partnership and have recently secured £50,000 from the LGA/Cabinet Office to develop a detailed Assets and Service Delivery Plan as we look to create greater efficiencies across the public sector estate.

15. There is considerable uncertainty around public finances at the present time including the impact of 100% Local Business Rates Retention, the impact of potential devolution plans of which Shropshire is currently actively working with four, changes in service delivery responsibilities and the impact of the recent EU referendum decision. These uncertainties prevent the Council from gaining a clear understanding of its financial envelope into the future.
16. The Council's Corporate Plan sets out the high level outcomes for the Council over the next four-year period (<http://shropshire.gov.uk/committee-services/documents/g3358/Public%20reports%20pack%2013th-Jul-2016%2012.30%20Cabinet.pdf?T=10>). The Council is planning to use a mixture of confirmed efficiency plans (as mentioned above) alongside a number of one-off proposals to manage the budget over the next 2 years. This will allow sufficient time to produce detailed delivery plans resulting in a long term Sustainable Business Model within the framework mentioned above. The Council feels strongly that it is important to consider fully the options for changes to services understanding the risks and potential benefits and ensuring wherever possible the outcomes for Shropshire and its residents remain good. It is also hoped that, over the medium term, there will be more information around some of the uncertainties referred to above which will allow the Council to better plan sustainable service delivery. The new flexibility around the use of Capital receipts will support the Council's financial strategy over the next 3 years to facilitate this.

	2016/17 (£m)	2017/18 (£m)	2018/19 (£m)	2019/20 (£m)
Estimated Gross Resources		563.2	559.3	562.1
Growth Model estimate of Gross Expenditure		576.9	579.5	590.7
Core Funding Gap		13.7	20.2	28.6
Efficiency Proposals:				
Resilient Plans approved in Growth Model Figure (to 13.07.16)		17.0	1.6	0
Framework Proposals (developed alongside Corporate Plan)				28.6
Short Term Proposals approved (to 13.07.16)		13.7	20.2	0
Remaining Gap	0	0	0	0

## **Proposed Use of new Flexibilities around the use of Capital Receipts**

17. The greater flexibilities around the use of capital receipts offered in the financial years 2016 to 2019 allow the Council to utilise capital receipts generated in this period to fund the revenue costs of service reform. The key criteria to use when deciding whether expenditure can be funded by the capital receipts flexibility is that it is forecast to generate ongoing savings to an authority's (or several authorities'), and/or to another public sector body's net service expenditure.

18. Over the 3 year period 2016/17 to 2018/19, Shropshire proposes to use the flexibility as follows:

- £12.5m to fund redundancy costs. This is in line with an average annual cost of redundancy of approximately £4.1m over the last 5 years and will allow the council to manage service redesign and restructure changes.
- IT Digital Transformation is estimated to cost £20.268m over the three-year period. This will involve a complete review of the Council's IT infrastructure and deliver significant efficiency savings estimated to reach £8.9m per annum and an overall return on investment by year 4. The full report can be found by clicking on the link below:  
<http://shropshire.gov.uk/committee-services/documents/b10729/To%20Follow%20Report%2011th-May-2016%2011.00%20Cabinet.pdf?T=9>
- Replacement of Adults and Children's Social Care IT system is estimated to cost £5.185m over the three-year period. This project will update and upgrade the current social care processes with a new IT System to ensure the quality and delivery of social care services for the adults and children of Shropshire are provided in the most cost effective way. The system will also improve the quality of management information which will increase the ability to drive greater efficiency from service and contract delivery. The replacement of the IT System is estimated to delivery efficiency savings estimated to reach £2.2m per annum and an overall return on investment by year 4. The full report can be found by clicking on the link below:  
<http://shropshire.gov.uk/committee-services/documents/g3193/Public%20reports%20pack%2027th-Apr-2016%2012.30%20Cabinet.pdf?T=10>

The split over the three financial years is shown in the table below:

	2016/17 £m	2017/18 £m	2018/19 £m	Total £m
Redundancy costs	4.143	4.143	4.143	12.429
IT Digital Transformation	12.824	6.620	0.824	20.268
Adults and Children's Social Care IT system IT	3.331	1.816	0.038	5.185
Total per annum	20.298	12.579	5.005	37.882

### Prudential Indicators

19. The attached report (link below) sets out the Council's prudential indicators for 2016/17. These indicators are designed to ensure that the Council's capital borrowing is affordable and does not place undue burden on the Council's revenue budget or Council tax payers (i.e. the cost of servicing the interest paid on capital borrowing). This report forms part of the overall service and financial planning strategy which was approved at full Council on 25 February 2016.

<http://shropshire.gov.uk/committee-services/documents/g2927/Public%20reports%20pack%2025th-Feb-2016%2010.00%20Council.pdf?T=10>