



<u>Committee and Date</u>
Cabinet
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Financial Strategy Task and Finish Group Report – May to July 2016

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Summary

This report presents Cabinet with the findings of the Performance Management Scrutiny Committee Financial Strategy Task and Finish Group following their consideration of the Financial Strategy Budget Proposals for 2017/18.

The Task and Finish Group identified three main areas of focus for their work and have held meetings over a seven week period to hear from Managers and Portfolio Holders about the budget proposals. Findings to date recognise the challenging situation that the Council is in and the importance of trying to avoid decisions which might create unforeseen and unwanted consequences in the future.

The Task and Finish Group have formed conclusions and recommendations which they hope will be constructive at this stage of the development of the 2017/18 budget. They plan to continue with their work in the autumn as plans become clearer and further opportunities to provide proactive and constructive challenge arise.

Recommendations

- A. That capital receipts are used to cover redundancy costs to free-up the redundancy reserve, and other ear-marked reserves are reviewed to identify available money of more than £2million, to provide one-off funds to help fill gaps in the budget for 2017/18, but that in doing so plans are in place to replenish them for subsequent years.
- B. That conversations should be held with Public Sector partners with a view to establishing a co-ordinated prevention programme for vulnerable people, and help manage demand to services and enable independence.
- C. That Preventative Services and Housing Support Services are funded to continue in 2017/18, possibly using funding from reserves, whilst work take place with public sector partners, including researching what other Councils are developing for the future.

- D. That infrastructure projects that will benefit the economy are a component part of the work to develop the Economic Strategy.
- E. That the Passenger Transport budget is reviewed to identify the point at which commercial bus services would be affected by reduced budgets, and the gap between the remaining budget and this tipping point closed using reserves.
- F. That the requirements of businesses from target sectors set out in the Economic Strategy to be retained and attracted to Shropshire are researched and implemented.
- G. That those services areas whose responsiveness is critical to achieving the proposed savings are reviewed to ensure that there are sufficient resources, and to establish where external expertise could add value and pace.

Opportunity Risk Assessment

The delivery of the Financial Strategy is key to the Council having a balanced budget whilst meeting the highest priority needs and protecting and supporting vulnerable people.

Having reviewed the Financial Strategy the Financial Strategy Task and Finish group have identified that they will be considering Adult Social Care as the biggest spend area for the Council with growing demand, the sustainability of the Financial Strategy and whether there are longer term consequences to the plans, and the General Fund balance and the required level of reserves.

Financial Assessment

Although there are no direct financial impacts from this report and the work of the Task and Finish Group, their recommendations will be made to Cabinet and if accepted, could inform the Financial Strategy.

Report

1. Areas of focus for the Task and Finish Group

In order to prioritise their work that Task and Finish Group identified three key areas of focus following questions and discussion with the Head of Finance, Governance & Assurance and the Statutory Scrutiny Officer:

- General Fund balance
- Setting a sustainable budget
- Adult Social Care

2. Findings from the Task and Finish Group work

2.1 General Fund

2.1.1 The Task and Finish Group considered the General Fund and earmarked reserves. In this work, they asked the Audit Committee to look at the reserves through their terms of reference.

Key messages:

2.1.2 The Audit Committee Task Group challenged the basis by which the General Fund Balance was calculated and also suggested an alternative approach. The result of this challenge was to confirm that the process of calculation and the current value of the General Fund Balance was justifiable.

2.1.3 The Task and Finish group understand that it may be possible to review earmarked reserves and make a one-off contribution to the revenue account at some point in the future. There are consequences that would need to be considered and agreed, but there was the potential for this figure to be in excess of £2m. Decisions on using reserves need to be planned and should be made with a clear view of the consequences should the reserve be required when it is no longer available.

2.1.4 There is an option to use the new powers related to capital for revenue purposes. This could be used to cover redundancy costs and free up reserves (the redundancy reserve is c£7million). Capital receipts would need to be available to cover this. If the generation of Capital receipts to cover the expected costs of redundancy over 2017/18 and coming years is achievable, the Task and Finish group would recommend that this option is progressed.

2.2 Sustainable Budget

2.2.1 The Task and Finish group reviewed the red rated savings and identified a number of areas they wanted to understand in more detail. Overall, an overarching requirement for the coming years is the need to get income and cost/expenditure on to the same cost neutral trajectory. As part of this it is important that short-term decisions for 2017/18 don't have long-term unintended consequences.

Promoting Economic Growth

2.2.2 There was clear support and recognition from the Task and Finish Group of the importance of ensuring that there are more, better paid jobs, more jobs for younger people and to attract graduates, and a clear view of the types of business Shropshire would want to attract and retain in the future. Linked to this was the need to maintain whole system view including transport infra structure and housing at affordable levels.

2.2.3 Discussions covered the development of the Economic Vision for Shropshire and the new Economic Growth Strategy and through this

the need to identify the types of business that should be retained or brought to Shropshire, and what they would require in the future that would attract them.

2.2.4 Linked to this was the value of developing infrastructure and the Task and Finish Group discussed opportunities such as establishing a parkway station and associated business/industrial capacity in Shrewsbury, following a similar model to that being progressed in Stafford. Other opportunities raised included the vacation of the barracks at Ternhill and the possibility of mixed development of the site to include employment land.

Public Transport

2.2.5 Through exploring the proposed saving of £1million with officers it is evident that this could destabilise the commercial public transport network. The impact could be significant with modelling suggesting that only the Shrewsbury to Ludlow route and routes in Shrewsbury and Ludlow would remain.

2.2.6 Managers are looking to identify the 'tipping point' where such an unforeseen consequence would occur. As part of seeking to ensure the future of a less reduced network in the future discrete services in the market towns are the focus of discussions with providers, to explore whether some routes might be commercially viable. As part of the conversation on this and drawing on their knowledge of these services, the Task and Finish Group promoted that conversations should be had with bus users to see if they would pay more to retain services.

2.2.7 A key issue which emerged from reviewing the reduction in funding for public transport was the likely impact on people without their own transport being able to access employment opportunities, as well as services which would contribute to their health and well-being.

Libraries, Leisure and Culture

2.2.8 The Task and Finish Group are aware of the numerous conversations with local members, Parish and Town Councils, the VCSE, and the private sector. Through discussions as part of their work they were updated on the work that has started looking at facilitating discussions between local councils to explore how they could cluster and work collectively to support the future management of local services.

2.2.9 Indicative proposals have been received from some Parish and Town Councils and most are engaged in discussions, although a few were highlighted that weren't interested in this area of work. It is clear that no one-size fits all. The majority have raised issues and concerns with:

- the timescales (proposals by the end of September 2016),
- their capacity to take on services,
- whether they have the skill-set at this point in time.

- fairness, where one population could be paying for a Countywide service that happens to be in their town or local area.
- risk of clawback by grant funding agencies such as the Big Lottery are also an issue.

2.2.10 Members highlighted two key issues:

- Is there sufficient responsiveness and capacity in Shropshire Council to help move plans forward to achieve deadlines e.g. to enable asset transfer across a range of buildings for 31 March 2017?
- Although the Council is currently continuing with the deadline of 30 September 2016 for proposals, how can time be created should it be required without impacting on financial requirements and the quality of services e.g. during or at the end of 2017/18?

Children's Social Care Prevention

2.2.11 Members received a written response to their questions and through this understand that the Council continues to recognise the value of early help as a prevention to increased risk to children and demand on specialist social work services. However, it is not a statutory safeguarding function.

2.2.12 To continue to invest at the current level, and seek more investment from other funding streams including the Clinical Commissioning Group, Schools Dedicated Schools Grant, Public Health and Troubled Families, which is needed. The Council's Early Help Strategy is combined with the Troubled Families' phase 2 recognising the shared outcomes for children and families, and work is underway with partners to ensure that these shared outcomes promote further joint funding opportunities.

2.2.13 The savings related to Children's Centres will result in a change in their offer, which will be targeted to vulnerable children as identified by either social work assessments or Early Help assessments. The universal "Early Help" offer will be delivered in the future through Health Visiting and the Healthy Child Programme. Public Health and Children's Social Workers will work together to support parents, the voluntary community and social enterprise sector, and the community to develop other early help information and support to families in the local community, and is part of the council's wider strategy to promote self-reliance and resilience. This work will reduce the impact of the reduced universal services on children and families.

2.2.14 To maximise on opportunities to develop new early help and support services to families through community engagement and family based work, bids are being made to the Social Care Innovation Fund. This is for specific projects offering early help to children with challenging behaviours a result of learning needs, and family outreach work as part of our edge of care and rehabilitation work.

Special Educational Needs and Disability

2.2.15 Members were informed through the written response that elements of the services that Educational Psychology deliver are statutory and that approached to reduce the impact that a reduction in funding would bring were being explored. The Education Psychology Service has a solid trading basis and this is increasing. As trading increases, this reduces the demand on the core service.

2.3 Adult Social Care

2.3.1 Health and Social Care. The interplay between Health and Social Care is a significant feature for the future of Adult Social Care. The Task and Finish group were interested in how can reducing demand for Health Services reduce demand for Social Care? Through the discussions it was clear that there were strong links to preventative services and early intervention. In addition, the importance of the two sectors working effectively together was confirmed. Failure to do so can result in additional pressures being created, and the quality of care can also be impacted on. For example, if there is no coordination between organisations when they procure from the care provider market, then they can end up competing for services which drives up costs rather than working together to manage the market.

2.3.2 Spot purchasing. 85% of care is purchased using spot purchasing. Although it offers flexibility, does spot purchasing offer the best value? The recently introduced Brokerage Service provides the Council with a clearer view of what is happening in the market and domiciliary care providers have a better understanding of the business development opportunities. There are 80 approved providers on the framework. As a result the Council has a better view of the hourly rates which helps with conversations and negotiations and the ability to help manage the market. This helped ensure that best value was achieved where possible through competition between providers including those within blocks. The Task and Finish Group could see the value of this development and supported the planned extension to residential care and self-funders.

2.3.3 Prevention. Red RAG rated savings for 2017/18 would see a budget of £1.8m for VCS preventative services, and £1.9m for Housing Support both drop to £0 if fully implemented. The Task and Finish Group were made aware that the Adult Social Care operating model is predicated on early intervention and prevention. In the region of 75% of people contacting the Council for Adult Social Care are signposted to these services from the First Point of Contact and through Let's Talk Local sessions in communities. Their discussion also highlighted that these services contribute to community cohesion, health and wellbeing, and can help to reduce the impact on communities. Overall they contribute to reducing demand and therefore cost to the public sector.

- 2.3.4 Through their consideration Members highlighted the following key issues:
- Can the Council afford to stop funding the VCS preventative services and Housing Support Services? If people are not supported through preventative services and early intervention wouldn't their needs and the costs associated with them significantly increase when they need services from the public sector?
 - The beneficiaries of preventative services and supported housing come from across the Public Sector. Conversations should be held with these organisations to explore how a co-ordinated prevention programme can be established.
- 2.3.5 Social Care IT system replacement. Improved IT and access to data, information and intelligence was highlighted through discussions as essential for the effective future management of demand and shaping the markets with partners and providers by Adult Social Care. Developing effective modelling to support forecasting demand should be central to this work. However, the Task and Finish Group also understood that developing the modelling was not trivial and that there were many different factors that would need to be taken into account.

3 Conclusion

- 3.1 Delivering the savings over the coming year and beyond is a significant challenge. It is clear through the Task and Finish Group's work that balancing the risk of making the savings or using one-off payments from reserves will be essential. This in turn is reflected in either reducing or stopping services in the short-term which has unforeseen consequences for the achievement of future plans.
- 3.2 The innovation to redesign and reshape services to change behaviours and reduce demand and minimise the impact on people who use services needs to continue. Coupled with this is the generation of income to the Council by trading services and products, which will help to off-set the reducing funding that the Council receives.
- 3.3 In addition, there should be greater consideration of prevention policies and interventions at the earliest possibility, which could be enabled by more integration of Public Health in Council services.
- 3.4 The Task and Finish Group would also encourage the Council to take bold steps to retain and attract businesses and ensure that the infrastructure is in place to do this. The timing is good to set out this ambition in the Economic Vision and the new Economic Growth Strategy.
- 3.5 The Task and Finish Group will continue their work in the autumn as the Financial Strategy and Budget for 2017/18 continues to develop.

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

Financial Strategy – Budget 2017/18 – 2018/19 (Cabinet, 18 May 2016)

Cabinet Member (Portfolio Holder)

Cllr Malcolm Pate

Local Member

All

Appendices