



Committee and Date

Cabinet

4 July 2018

FINANCIAL STRATEGY 2019/20 – 2021/22

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1. Summary

This report is the first financial strategy report for 2018/19 and provides information and recommendations on the financial position given the increase in expenditure resulting from the approval of an amendment to the Pay and Reward Policy.

This report provides an update on the delivery of compensatory savings to fund the part year costs of the increase in pay from 1 October 2018, and the remaining full year effect of the increase in 2019/20.

To date, there is scope to deliver up to £2.215m of savings proposals from a number of approaches in the short term, with the potential to fund the part year cost of £2.071m in 2018/19. There is risk around the delivery of these with only £1.904m being categorised as Green and the remaining £0.311m being Amber rated. In addition, some of these savings are one-off in nature.

For 2019/20, savings of £2.332m have been identified against the £3.208m cost identified however 75% of these savings identified are categorised as red with significant risk around delivery. Further savings proposals amounting to approximately £2m are being taken forward in parallel but these have not yet been validated, nor clarified in terms of delivery timescales.

If the savings identified in Appendix 1 are delivered, there remains a funding gap of £1.963m over the two years to be resolved, with a £0.783m pressure in the 2018/19 financial year solved by a one-off contribution. With delivery of a proposed additional £2m savings the Financial strategy can be brought back into balance, and the 2018/19 budget pressure can potentially be solved by a one-off contribution from earmarked reserves of £0.799m.

2. Recommendations

It is recommended that members:

- A. Note the financial implications identified in 2018/19 and 2019/20 from the implementation of the amended Pay and Reward Policy.

- B. Approve the savings proposals which will contribute towards the cost of introducing the amended Pay and Reward Policy as outlined in Appendix 1.

REPORT

3. Risk Assessment and Opportunities Appraisal

- 3.1. The development and delivery of the Council's Financial Strategy is the key process in managing many of the Council's strategic risks. The opportunities and risks arising are assessed each time the document is refreshed for Cabinet consideration. The Council's Strategic Risks are reported separately, but the Financial Strategy makes specific reference to the Council's ability to set a sustainable budget (the highest of the Council's key strategic risks).
- 3.2. Setting the Financial Strategy and agreeing the detailed changes necessary to deliver the agreed budget for the next financial year, will take into account the requirements of the Human Rights Act, any necessary environmental appraisals and the need for Equality and Social Inclusion Impact Assessments (ESIIA) and any necessary service user consultation.

4. Revised Pay and Reward Policy

- 4.1. Full Council approved a revision to the Pay and Reward Policy on 17 May 2018. The financial impact of this amendment is a part year additional cost of £2.07m in 2018/19, and £5.28m for 2019/20.
- 4.2. It was agreed that the following savings proposals would be progressed to fund the additional costs relating to the pay and reward policy:
- Review of Adult Social Care/Children's Social Care joint commissioning with the CCG.
 - Public Health commissioned outcomes review.
 - Review of external funding, corporate assumptions and contingencies.
- 4.3. The saving relating to joint commissioning with the CCG has not progressed in terms of delivery as the focus to date has been on recovering outstanding debts already in place with the CCG. This saving is therefore categorised as red given the status of plans for delivery. It should be noted that this proposal was considered likely to generate a saving in excess of £1m.
- 4.4. A detailed review of Public Health outcomes has been considered over the last month and base budget savings proposals to a value of £1.615m have been identified in the Council's net budget. Of this value £0.588m has been

identified for 2018/19 and £1.027m in 2019/20 and more information on these savings proposals is shown in Appendix 1. In considering these savings proposals, the delivery has been RAG rated as shown below in Table 1.

Table 1: RAG Rating of Public Health Outcomes Review

	2018/19 £000	2019/20 £000	Total £000
Green	277	6	283
Amber	311	291	602
Red	0	730	730
Total	588	1,027	1,615

- 4.5 The review of corporate budgets has identified additional savings of £0.700m in 2018/19 relating to inflationary growth which is no longer required. This is considered as a green rated saving.
- 4.6 In addition, a review of earmarked reserves has identified that a further £0.799m can be released from a number of reserves to part fund these costs on a one-off basis in 2018/19.
- 4.7 A further external review of Adult Services, Children’s Services and Public Health outcomes is in the process of being commissioned. The scale of savings to be delivered is not yet quantified or a timescale for delivery identified, but the current working assumption is that approximately £2m could be delivered before 2020/21 which would be sufficient, in addition to the measures identified above, to bring the Financial Strategy back to a balanced budget after the application of the Pay and Reward Policy changes. Any overachievement of savings, either in quantum or timescales, would be reflected in a corresponding reduction in the short-term reliance on one-off funding.

5. The Funding Gap

- 5.1. Given the risk around delivery of the savings identified, Table 2 demonstrates that there would be a funding gap of £3.4m remaining if only the green and amber savings currently identified are delivered. If the identified Red categorised savings are delivered, this would leave a funding gap of £1.66m to be closed from the external review mentioned in 4.7 above.

Table 2: Funding Gap resulting from Amended Pay and Reward Policy for 2018/19 and 2019/20

	2018/19 £'000	2019/20 £'000	TOTAL £000
Additional Expenditure from Pay and Reward Policy	2,071	3,208	5,279
Savings (Green and Ambers):			
Joint Commissioning with CCG	0	0	0
Public Health Outcomes Review	(588)	(297)	(885)
Corporate Budgets	(700)	0	(700)
Earmarked Reserves (One Off)	(799)	799	0
Funding Gap	(16)	3,710	3,694
Savings (Red):			
Joint Commissioning with CCG	0	(1,000)	(1,000)
Public Health Outcomes Review	0	(730)	(730)
External Review	0	(2,000)	(2,000)
Remaining Funding Gap	(16)	(20)	(36)

6. Alternative Proposals to Close the Funding Gap

- 6.1 The Council has implemented three spending freezes during the last five financial years which have enabled the Council to bring its projected outturn position from an overspend to a balanced budget or slightly underspent. Therefore this tool has been extremely effective in delivering in year savings where pressures have arisen.
- 6.2 The level of agency spend within the Council has increased over the last twelve months, and a contributory factor to this spend is the difficulty that service areas have had to recruit staff given the lower pay rates to other local Councils. Once the pay scales are increased to NJC rates, it is anticipated that recruitment to positions within the Council will improve and the need for agency staff and the additional costs that are generated from agency staff will be removed.
- 6.3 Whilst alternative proposals may need to be considered to help provide resilience in balancing the 2018/19 budget, there would still be a need to address any funding gap on an on-going basis with permanent savings. It is therefore necessary to keep delivery of the proposed savings under constant review, to ensure the plans for savings categorised as red in Table 2 are progressed and detailed plans for additional savings identified for inclusion in the 2019/20 Financial Strategy in February 2019.

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

Cabinet Member (Portfolio Holder)

David Minnery

Local Member

All

Appendices

Appendix 1 – New Savings Proposals

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Ref	Directorate	Portfolio Holder	Description	2018/19	2019/20	2020/21	2021/22	2022/23	RAG Rating	Status
A28	Adult Services	Lee Chapman	Joint Commissioning with CCG	0	1,000,000	0	0	0	Red	Recommended for approval at Cabinet 04/07/18
H20	Public Health	Lee Chapman	Senior management salary saving	30,000	6,000	0	0	0	Green	Recommended for approval at Cabinet 04/07/18
H21	Public Health	Lee Chapman	Vision screening allocation	23,180	0	0	0	0	Green	Recommended for approval at Cabinet 04/07/18
H22	Public Health	Lee Chapman	LAC funding	23,000	0	0	0	0	Green	Recommended for approval at Cabinet 04/07/18
C18	Children's Services	Nick Bardsley	0-25 PHNS to take over management of one EH Hub	0	75,000	0	0	0	Amber	Recommended for approval at Cabinet 04/07/18
H23	Public Health	Lee Chapman	Health Visitor services in Wales	40,000	0	0	0	0	Green	Recommended for approval at Cabinet 04/07/18
C19	Children's Services	Nick Bardsley	Remove non-mandated activity from current 0-25 PHNS contract	0	380,000	0	0	0	Red	Recommended for approval at Cabinet 04/07/18
H24	Public Health	Lee Chapman	Integrated Sexual Health Services - Pharmacies/School Nurses	0	50,000	0	0	0	Red	Recommended for approval at Cabinet 04/07/18
H25	Public Health	Lee Chapman	Integrated Sexual Health Services - recharge for Welsh residents	67,500	22,500	0	0	0	Amber	Recommended for approval at Cabinet 04/07/18
H26	Public Health	Lee Chapman	Pathology tests	0	30,000	0	0	0	Red	Recommended for approval at Cabinet 04/07/18
H27	Public Health	Lee Chapman	Library Contract	5,000	0	0	0	0	Green	Recommended for approval at Cabinet 04/07/18
A29	Adult Services	Lee Chapman	Improved service integration - NHS Health checks, Help to Quit	69,250	0	0	0	0	Green	Recommended for approval at Cabinet 04/07/18
A30	Adult Services	Lee Chapman	Staffing restructure -Help to Change	36,630	38,960	0	0	0	Amber	Recommended for approval at Cabinet 04/07/18
A31	Adult Services	Lee Chapman	Contract review	21,500	64,500	0	0	0	Amber	Recommended for approval at Cabinet 04/07/18
A32	Adult Services	Lee Chapman	Roll out of social prescribing with Adults Services Lets Talk Local hubs	135,000	0	0	0	0	Amber	Recommended for approval at Cabinet 04/07/18
H28	Public Health	Lee Chapman	Infection Prevention Control	30,000	0	0	0	0	Amber	Recommended for approval at Cabinet 04/07/18
H29	Public Health	Lee Chapman	Mental Health Promotion	20,000	0	0	0	0	Green	Recommended for approval at Cabinet 04/07/18
H30	Public Health	Lee Chapman	Specialist Advice	0	12,040	0	0	0	Amber	Recommended for approval at Cabinet 04/07/18
H31	Public Health/Adult Services	Lee Chapman	Community Training	26,960		0	0	0	Green	Recommended for approval at Cabinet 04/07/18
H31	Public Health/Adult Services	Lee Chapman	Community Training		28,000	0	0	0	Amber	Recommended for approval at Cabinet 04/07/18
H32	Public Health	Lee Chapman	Inpatient retender	20,000	10,000	0	0	0	Amber	Recommended for approval at Cabinet 04/07/18
H33	Public Health	Lee Chapman	Community Drug and Alcohol Service	0	250,000	0	0	0	Red	Recommended for approval at Cabinet 04/07/18
H34	Public Health	Lee Chapman	Prescribing budget	40,000		0	0	0	Green	Recommended for approval at Cabinet 04/07/18
H34	Public Health	Lee Chapman	Prescribing budget		40,000	0	0	0	Amber	Recommended for approval at Cabinet 04/07/18
H35	Public Health	Lee Chapman	Pharmacy supervision	0	20,000	0	0	0	Red	Recommended for approval at Cabinet 04/07/18
R25	Resources and Support	David Minnery	Removal of inflationary growth	700,000	0	0	0	0	Green	Recommended for approval at Cabinet 04/07/18
Total value of proposals				1,288,020	2,027,000	0	0	0		