


Committee and Date

Cabinet

11 February 2015

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Item
10
Public
BUSINESS PLAN AND FINANCIAL STRATEGY 2014/15 – 2016/17
Responsible Officer James Walton

e-mail: james.walton@shropshire.gov.uk Tel: 01743 255011

1. Summary

The Council Business Plan and Financial Strategy 2014/15 to 2016/17 was originally agreed by Full Council on 27 February 2014. The Plan identified a funding gap of £80m over the 3 years 2014/15 to 2016/17 and set out the Council's approach to redesigning services and delivering the required savings by making the best use of resources available. The Financial Strategy is a rolling plan which is revised throughout each financial year, usually quarterly, as more information becomes available about the level of resources, service pressures and service delivery changes.

This report provides a refresh of the Council's Business Plan and Financial Strategy 2014/15 to 2016/17 ahead of setting the Council's 2015/16 Budget, following:

- Consideration by Cabinet in December 2014;
- The resulting consultation exercise undertaken to the end of January 2015;
- The Final Local Government Settlement announced on 3 February 2015, and;
- The latest estimates of the Council's share of Business Rates, the collection funds for Council Tax and Business Rates and further information received on Specific Grants for 2015/16.

The final refreshed plan is attached as Appendix 1 and includes the Council's three year Medium Term Financial Plan (MTFP) covering the same period.

The overall funding gap over the three year period remains at £80m, although the make up of this gap has changed. Proposals identified to bridge the funding gap have also been refreshed and reviewed. This has enabled a view to be taken of how the 2015/16 financial year has been impacted by progress throughout 2014/15 and action taken to ensure the financial strategy is not destabilised by

non-achievement of proposals or in-year pressures that have an impact on the base budget going forward.

The Business Plan and Financial Strategy is set in the context of the Council's other key strategic documents, in particular, the Treasury Management Strategy and the Capital Strategy which is also incorporated within the attached Council Business Plan.

The report also includes an update of the capital programme for 2015-17 based on current confirmed funding and delivery schedules for capital schemes.

Recommendations

It is recommended that members:

- A. Agree and recommend to Council the refreshed Business Plan and Financial Strategy attached at Appendix 1 and agree the proposals for setting the Council's budget until 2016/17.
- B. Note that the funding gap of £80m for the period 2014-17 identified in the Council Business Plan and Financial Strategy agreed by Council in February 2014 has been reviewed and retained for planning purposes
- C. Note the initial savings proposals identified for achievement by 2015/16 of £66.333m and the progress made in achieving savings and therefore agree the amendments and approve the savings proposals identified as removed from base for 2015/16 of £58.909m service savings with the balance of £7.424m to be met by additional ongoing and one off resources.
- D. Note the additional service pressures identified for 2015/16 of £7.644m to be met by additional ongoing and one off resources in 2015/16.
- E. Approve the budget for 2015/16 of £571.758m, after savings and internal market costs adjustments.
- F. Agree to accept Council Tax Freeze Grant for 2015/16 of £1.320m on the basis that Council Tax will be frozen for 2015/16.
- G. Note the financial implications of the transfer of Fulcrum and Help2Change to ip&e.
- H. Agree the revised Capital Programme for 2015/16 to 2016/17 as set out within the report and recommend this to Council for approval.

- I. Approve the Highways & Transport programme of schemes for delivery in 2015/16 and delegate authority to the Area Commissioner South in consultation with the Portfolio Holder to approve any changes to the implementation plan of schemes for delivery in 2015/16, within the parameters of the outline capital programme.

REPORT

2. Risk Assessment and Opportunities Appraisal

- 2.1. The development and delivery of the Council's Business Plan and Financial Strategy for a three year period 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 Business Plan and Financial Strategy makes specific reference to the significant financial uncertainty across Local Government in the Medium Term.
- 2.2. The Business Plan and Financial Strategy attached at Appendix 1 contains an appraisal of the risks and opportunities associated with the strategic financial approach of the Council, both in terms of revenue and capital.
- 2.3. 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.

3. Financial Implications

- 3.1. The Council's Business Plan and Financial Strategy identifies the financial implications of the overall strategic direction of the authority.
- 3.2. The resource projections are based on the 2015/16 Final Local Government Settlement. The Council's own estimate of locally retained Business Rates as detailed on the Non Domestic Rates return to Government dated 31 January 2015 is used.
- 3.3. The expenditure projections take account of known services changes and pressures including legislative changes.
- 3.4. All projections in future years will be continually reassessed as information becomes available and national and local circumstances change from those modelled within the Strategy.

- 3.5. The current predictions on the level of general reserves are based upon the latest projections for 2014/15 spending as at quarter 3 monitoring.
- 3.6. The financial impact of any known transfer of services, for example to ip&e, has been estimated and identified in the report. The impact of any further transfers will be included in future strategies once they have been approved

4. Business Plan and Financial Strategy 2014 - 2017

- 4.1. The Business Plan and Financial Strategy 2014/15 was agreed by Council in February 2014. As we approach the second year of this plan, significant work has been undertaken to refresh the underlying data to ensure that the changing financial and dynamic position of the Council is appropriately reflected in the Council's key strategic document.
- 4.2. The refresh is substantially completed, enabling the Council's budget for the 2015/16 Financial Year to be set. To this end, the main elements of the refreshed document attached at Appendix 1 include a review of the revenue budget (taking account of 2014/15 revenue monitoring reports), a review of resources and consideration of the delivery of our savings proposals both within the current year and 2015/16, thus allowing any revisions from our agreed plan in February 2014 to be scrutinised and reviewed.
- 4.3. A review of the Council's progress in delivery of savings proposals, underlying pressures and estimates of demographic growth have resulted in the need to identify additional or alternative proposals to deliver a balanced budget for 2015/16 and a stabilised financial strategy. A number of Strategic Working Groups, directly involving senior officers of the Council working alongside Members of the Administration and Cabinet have been tasked with developing, challenging and testing alternative approaches and options for consideration. This has resulted in confirmation of greater capacity for existing savings proposals to be delivered and alongside this, a number of options being identified for alternative savings.
- 4.4. To ensure that a proportionate approach is taken to the implementation of any new, alternative savings, these have been identified separately where necessary. While the impact of these changes are not significant within the Council's overall Medium Term Financial Plan, there is the potential for some specific proposals to have an impact on communities or individuals. As these proposals are developed more fully they may be subject to specific consultation, and where this is anticipated, one-off funding has been set aside to enable the 2015/16 budget to be agreed. Details of the impact of the refresh are set out in section 5 below.

4.5. Over the winter work was undertaken to consider further elements within the Business Plan and Financial Strategy, taking account of our key plans and strategies in such areas as:

- Commissioning Strategy
- Asset Management Strategy (Updated and to be considered by Cabinet 11 February 2015)
- Economic Growth Strategy
- IT and Customer Access Strategy
- Organisational Development Strategy (including Workforce Plan)
- ip&e Annual Business Plan
- Planning Strategies, such as SAMDev and the Shropshire Housing Strategy
- Health and Wellbeing and Resilient Communities Strategies

4.6. The latest refresh of the Business Plan and Financial Strategy includes, as far as possible, updated and additional information and financial implications of a number of key priorities being taken forward by the Council. The continued development of the Council's Business Plan is subject to Cabinet and Council reports and decisions as necessary, and in future will further expand the following themes:

- The Council's capital strategy, including short and long term delivery of capital receipts and other financing options, the current capital programme and future requirements, the implications of delivery of the Asset Management Strategy, the impact of large scale initiatives such as broadband roll out, creating the new University and review of our IT Infrastructure.
- Investment opportunities, including how the Council turns physical assets into financial assets, economic growth programmes and initiatives to put the council onto a stable long term financial footing, with the ambition to make it self-reliant in the light of continued cuts in Government funding. The Council's Asset Management Strategy sets a targeted outcome to raise net revenue income derived from assets and land to £10m by March 2020 and as approaches are identified and financial implications calculated, these will be reflected in future iterations of the Business Plan.
- Income generation, ensuring we meet our aims as set out in the Council's Charging Policy and maximise our income earning potential, whether from within the Council or through ip&e, to enable us to support our key services. This will align with the Council's Fees and Charges Report, also on the Cabinet agenda. Income generation through fees and charges is likely to become of greater importance in future iterations of the Business Plan through the development of a financially self-reliant Council model.

- Further developments around our intention to create a Council that Commissions, integrating our commissioning requirements with ip&e's Annual Business Plan to create a coherent Business Plan for the Council.
 - Continued work with our partners to ensure that while the Business Plan represents the Council's vision, this aligns closely with our partners to ensure that together we are meeting the wider needs of the County.
 - Our plans for the development of University Centre Shrewsbury.
- 4.7. The Local Government Settlement included details of Council Tax Freeze Grant for 2014/15, including indicative allocations equivalent to a 1% increase in the average 2014/15 Band D amount multiplied by the tax base. In line with previous years the Council has based resource projections on the assumption that there will be no increase in the Council's element of the Council Tax bill. Therefore the authority is in a position to claim Council Tax Freeze Grant, which for 2015/16 is indicated to be worth £1.320m
- 4.8. The Business Plan and Financial Strategy identifies the approach for the future transfer of services to ip&e; the Council's wholly owned company. The Financial Strategy takes account of any known transfer of services to ensure that the Council's financial position is understood and reflected ahead of any decision taken to approve a transfer. A number of areas are under review for future transfer to ip&e, and at this stage the transfer of the Fulcrum and Help2Change is well advanced. The financial implications of the transfer are set out in the attached Business Plan and Financial Strategy, ahead of the business case for transfer being considered and approved by Cabinet.

5. The Budget Strategy

- 5.1. In February Council agreed a savings strategy to meet the projected funding gap of £80m over the period 2014-17. Savings proposals were identified and agreed in the report which gave a total of £83.201m over the 3 year period. In July the savings proposals profile was slightly amended (bringing forward £1.827m of savings from 2016/17 to 2015/6). The following table provides the latest breakdown of the savings target and the identified proposals over the three year period.

Savings Targets and Saving Proposals 2014-17, as at February 2014

	2014/15	2015/16	2016/17	Total
	£'000	£'000	£'000	£'000
Savings Target (as at February 2014)	41,531	20,136	18,333	80,000
Savings Proposals (as at February 2014)	39,892	24,614	18,695	83,201
Savings Proposals (as at December 2014)	39,892	26,441	16,868	83,201
Over/(under) achievement	(1,639)	6,305	-1,465	3,201
Cumulative		4,666	3,201	

- 5.2. The proposals put forward in all years have been reviewed throughout 2014/15 to consider risks associated with delivery within available timescales as follows:

Green – Saving identified, quantified and confirmed and achieved

Amber – Saving identified, quantified and confirmed but not yet achieved

Red, either – Saving identified but not quantified and confirmed or achieved, or – Saving unachievable

- 5.3. Revenue Monitoring for 2014/15 has considered the achievement of 2014/15 savings proposals, identified areas of underachievement in the year and alternative proposals to balance the 2014/15 budget. The 2014/15 revenue monitoring report is the mechanism for reviewing in year budget control and achievement of savings. It is the impact of the 2014/15 monitoring issues on future years which is taken into account in the financial strategy.
- 5.4. The Financial Strategy in December provided an update on the RAG rating for all 3 years. At this stage in the 2014/15 financial year, the focus for the financial strategy was moved from the in-year monitoring of savings in 2014/15 to the need to ensure that the Council's 2015/16 and indeed longer term budget can be balanced. In particular, Cabinet was given details of

the total savings required by 2015/16 and a summary of what had been already achieved at the time of writing the December report and what was still to be implemented for 1 April 2015. The non-delivery of 2014/15 savings and the use of one off alternative savings is addressed in the 2014/15 monitoring reports.

Savings Targets and Proposals 2015/16, as at December 2014

	£'000	£'000
Savings to be achieved for 2015/16		66,333
Savings achieved to date (as at December 2014)	27,446	
Proposed savings for delivery 2015/16	37,082	
Proposals slipped to 2016/17	518	
Proposals considered unachievable	1,287	
Savings in 2016/17		16,868
Total		83,201

- 5.5. The table above shows that the Council's proposals currently require savings of £66.333m to be delivered by 2015/16. Implementing all of these savings would result in a surplus of £4.666mm in 2015/16. In December, £27.446m of the required savings were noted as achieved with a further £37.082m planned to be achieved by 1 April 2015.
- 5.6. Since the last report, work has continued to progress the achievement of savings with particular focus on delivering a balanced 2015/16 budget. Directors and Cabinet Members have met to reconsider the reasonableness of the assumption that £66.333m will be achieved in savings for 2015/16 and to identify any areas where the savings proposals are either unachievable or will not be implemented in time. The following summarises the position for the Council. The detail of savings within each Directorate is provided in the Council Business Plan attached at Appendix 1, from page 35 to 54.

Savings Targets and Saving Proposals 2015/16, as at February 2015

	£'000	£'000
Savings to be achieved for 2015/16		66,333
Savings achieved or anticipated to be achieved by 1 April 2015	58,909	
Proposals slipped to 2016/17	1,207	
Proposals now considered unachievable	6,218	
Savings in 2016/17		16,868
Total Savings		83,201

- 5.7. From the Table above it can be seen that together the slippage and non-achievement of savings proposals totals £7.425m in 2015/16. In addition to the unachievable and slipped savings identified for 2015/16 there are a number of growth and/or service pressures that have been highlighted in Cabinet quarterly Revenue Monitoring Reports which, while being addressed in various ways in-year, nonetheless have an impact on future years. In total these pressures amount to £7.644m, the main element of £5.737m is in Adults Services, £1m in Looked After Children and the balance within other service areas. To balance the 2015/16 budget it is necessary to allocate resources to cover this shortfall in savings achievement and pressures which in total amount to £15.069m. The proposal for covering this shortfall is shown in the table below with further explanation provided in the subsequent paragraphs.

Alternative Savings Proposals 2015/16, as at February 2015

	£'000	£'000
Proposals Slipped to 2016/17	1,207	
Proposals now considered unachievable	6,218	7,425
Additional growth and/or Service Pressures		7,644
Total projected shortfall in 2015/16 Budget		15,069
On- going Resources identified:		
Increase in Council Tax Taxbase for inclusion in base budget	1,670	
Increase in Business Rates Projections for inclusion in base budget	1,525	
Proposed overachievement of Savings Target (£83.201m less £80.000m Funding Gap)	3,201	
Total ongoing Resources available		6,396
One off Resources available:		
Net Collection funds Surplus available in 2015/16	3,204	
Additional funding identified in Draft and Final Settlements (cannot be assumed as base budget)	1,001	
One off surplus of savings proposals compared to target 2015/16 (net of variation in savings gap identified in July 2014)	986	
Impact on corporate resources in 2015/16 of previous year council tax freeze grant and s31 grants paid relating to Business Rates	3,482	
Total one off Resources Identified and Allocated		8,673
Total Funding made available to cover Projected 2015/16 Shortfall		15,069

- 5.8. The Council tax Base for 2015/16 is set each year in December based on detailed information on households in each council tax band and estimates for discounts and exemptions. In December 2014, 2015/16 Council tax

Base was agreed by Council as 102,411.33, which provides additional resources of £1.670m against the council's initial planning assumptions.

- 5.9. The estimate of locally retained Business rates has been updated following the completion of the council's NNDR1 form to government on 30 January 2015. This provides net additional resources of £1.525m
- 5.10. As identified in the tables above, original savings proposals over the Medium Term Financial Plan totalled £83.201m, providing a potential overachievement of £3.201m over the three year plan, and moreover a one-off overachievement of £4.666m in 2015/16 as a result of the phasing of savings proposals compared to the profile of the funding gap. In 2015/16, the profiling of savings means there is £0.986m available as one off funds (allowing for an increase of £0.479m in savings as identified in July and December Financial Strategies) alongside £3.201m in base budget.
- 5.11. As reported separately to Cabinet on 11 February 2015, the council's estimate of collection funds net surplus for 2014/15 is £3.204m. This is available in 2015/16 as a one off resource.
- 5.12. The provisional Local Government Settlement announced on 18 December 2014 provided £0.643m of additional resources. Due to the timing of the announcement this could not be reported to Cabinet in December. The Final Local Government Settlement was announced on 3 February 2015 and Shropshire Council benefitted from an additional £0.358m for Local Welfare Provision (a 0.48% share of £74m identified and allocated nationally). In total this additional funding provides £1.001m of additional resource, although this can only be considered as one off funding due to the uncertainty around central government funding in the short term, and the expectation that all government funding will eventually be removed.
- 5.13. The final element of funding referred to in the table above (£3.481m) is an amalgamation of one-off funding from a variety of sources that have been received by the council but to which no long term expenditure commitments can or have been made. The major elements of these funds include additional s31 grants (provided to compensate for a 2% cap on the Business Rates Multiplier), small Business Rate Relief as compensation following application of national policy and residual council tax freeze grant received for years up to and including 2014/15. The latest announcement of Council Tax Freeze Grant for 2015/16 has not been included in this corporate resource as it has already been committed.
- 5.14. The above proposals identify the Council's approach to delivering a legal and balanced budget for 2015/16, and while allocating a number of one-off resources to do this, should be considered alongside the following:

- The Council's Senior Management Team, Members of the Cabinet and Administration and partner organisations are working closely together to identify longer term sustainable alternatives with the aspiration of creating a financially self-sufficient model for the future Council.
- All funding streams not within direct control of the Council have generally been assumed to be one-off in nature. While this is appropriately risk-averse treatment, it does provide the potential that some funding may be available in some subsequent years and thus over the medium term, rather than being strictly one-off.
- None of the approaches identified require the use of reserves, thus preventing any weakening of the Council's financial resilience in the short to medium term.

6. Public Consultation

- 6.1. Prior to the launch of the current Business Plan and Financial Strategy, itself containing the Council's Medium Term Financial Plan 2014/15 to 2016/17, a series of public consultation events took place. Join the Conversation 2013 took place in September 2013, with four public meetings held in Oswestry, Craven Arms, Bridgnorth and Shrewsbury. The events were open to the public, and local people were given the chance to submit questions in advance with emphasis being placed on the financial challenge faced by the public sector. Representatives from West Mercia Police, the Clinical Commissioning Group and Shropshire Fire and Rescue were in attendance, in addition to Keith Barrow and Clive Wright from Shropshire Council.
- 6.2. Members of the public posed questions to all members of the panel, with maintaining good public services being the primary concern. Other common themes included questions on locality commissioning, partnerships and the future of ip&e Ltd.
- 6.3. As in previous years, ahead of the budget being set for the following year, online consultation was undertaken on the Council's overall budget proposals. An online survey to share views on the budget proposals was available on the Shropshire Council website from 17th December 2014 to 30th January 2015 alongside contact details for additional requests. Feedback on the main issues identified as a result of the consultation are detailed in following paragraphs.
- 6.4. **Adult Social Care**

The most prominent themes relating to responses on the adult social care proposals were that the proposals may put people at risk, that spending

should be maintained or increased and that more information was required to give an informed response on detailed proposals. Comments included: “The proposals to make vulnerable adults less reliant on funded services I believe puts people at greater risk.”

In response, we will take these comments on board. We have already ensured that as we engage differently with users, their carers and the broader community and implement changes that may impact on them that this is done in a way that minimises risk, enhances esteem and ability. We are clear that our Council Priorities are to protect and help those needing our support to maximise and achieve their potential.

6.5. Children’s Services

The main theme of responses on children’s services proposals was that investing was a priority, and more funding is needed in this area rather than less. Comments included: “I feel strongly that budgets to support early help and intervention for children, young people and their families should remain a priority for the council.”

In response, we are ensuring that we spend the money we have as wisely and appropriately as possible and will ensure that we prioritise the provision of support for vulnerable children and families as early as possible.

6.6. Public Health

Some respondents focussed on the links between Public Health and the Health Service, whilst others responded about the way Public Health integrates with a number of different Council services. One comment stated: “Public health in its widest sense is integral to the well-being of any society.”

All of the comments received will be taken into account in our future plans and working arrangements.

6.7. Commissioning

The consultation prompted a variety of views on commissioning, although a number of respondents felt that the commissioning model outcomes were unrealistic or not enough information was available for them enable informed consideration. One of the comments was: “Shropshire Council is expecting to make savings from commissioning before it develops local and authority-wide commissioning capability.”

In response, we are developing our approach to commissioning across a number of models, responding to local as well and county-wide needs and

aspirations. While our thinking has identified a clear direction of travel, we are working in localities to meet local needs on a flexible and appropriate basis that will differ, and only be derived after consulting with localities in the future.

6.8. Resources and Support

The strongest theme to emerge in this area, and indeed across the Council as a whole, was in not supporting the removal of Council Tax Support Grant to Town and Parish Councils. Responses were received from a number of Town and Parish Councils including comments such as “Parish Councillors at their recent meetings totally disagree with Shropshire Council's decision not to pass on this grant to local Parish Councils”

In response, we have carefully considered the issues detailed in the budget consultation, alongside the letters and emails we have received independently of the budget consultation process, and as set out in meetings and conversations held with representatives of Town and Parish Councils. We have identified ways in which we wish to continue our close working relationships with Town and Parish Councils and have agreed to investigate ways of working in the future to help, wherever possible, the financial position of Town and Parish Councils.

People also said that the Council must not lose services and that the consultation process was poorly designed. In response we will take these comments on board, and reiterate that we will engage at more detailed levels, outside of the budget consultation exercise, where this is appropriate.

6.9. Further Comments

Further comments, that have not already been addressed above, included services being more involved in planning and decision making, priority being given to the elderly and disabled, suggestions that the proposals reduce democracy, that budget reductions are inevitable and several comments not in support of proposals around Ludlow Museum Resource Centre.

Our responses are that we believe we can redesign services around the customer to reduce costs. Whilst understanding the outcomes we are aiming to achieve, we are not certain about how services will look until we have completed the design work. Our priorities include putting the needs of our customers at the centre of everything we do. We will keep the public, users and customers informed as we move through the redesign process, consulting where necessary, to ensure that we make the right

decisions. In addition to the budget consultation completed to date, more specific consultation will be undertaken, as necessary, on detailed proposals as these are formulated and the impacts on future service delivery becomes apparent. The process of redesign is fundamental to the proposals being put forward by the Council, and as such it is not possible to identify details of future service provision until the redesign work has been completed, the implications understood and the process of implementation is ready to be commenced.

7. Longer Term Financial Outlook

- 7.1. The longer term financial outlook as detailed in the Council's Business Plan and Financial Strategy agreed by Council in February 2014 is continually being updated and refined and significant work is now being undertaken to reshape the council to deliver its existing and emerging strategic aims and priorities.
- 7.2. In January and February senior officers, Cabinet Members, the redesign team and key strategic partners undertook a series of Design Workshops to shape our ambition and approach across four key emerging themes:
 - A Council that Commissions
 - Our strategic delivery partner ip&e
 - Our approach to resource and income generation over the medium to long term
 - Development of the University Centre Shrewsbury
- 7.3. Details of how the Council will be working differently and how this will develop over the coming years will be set out in more detail over the coming 6 months, ahead of a new Business Plan and Financial Strategy developed for the next Medium Term Financial Plan period of 2016/17 (revised) to 2018/19 and the Council's long term vision.

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

Council Business Plan and Financial Strategy 2014-17 – Council 27 February 2014
Financial Strategy – Report 1 – Cabinet 30 July 2014

Cabinet Member (Portfolio Holder)

Keith Barrow – Leader

Local Member

All

Appendices

Appendix 1 Refresh Business Plan and Financial Strategy