



Committee and Date

Cabinet
14 September 2011

Council
22 September 2011

Item

11

Public

FINANCIAL STRATEGY - 2012/13 TO 2020/21, INCLUDING PHASE 1 SAVINGS 2012/13

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1 Summary

- 1.1 The Council's Medium Term Financial Plan was agreed by Full Council on 24 February 2011 and this set the Council's approach to managing its finances over the period 2011/12 to 2014/15. This report provides details of the implementation of the agreed financial plan, in particular details of the first phase of savings for 2012/13, an update on planning assumptions for 2012/13 and beyond, and greater development of the Medium and Long Term financial Strategies, beyond 2014/15.
- 1.2 Further updates to this report will be brought before Cabinet and Council in December 2011 and February 2012, building on the framework agreed by Cabinet on 20 July 2011. In line with the process used to determine the 2011/12 budget strategy, savings identified for 2012/13 will be considered in greater detail by Council in phases throughout the current financial year, with appropriate allowance made for scrutiny consideration, the completion of Equalities Impact Needs Assessments where appropriate and consultation with service users on the method of delivery of the savings targets already agreed by members in our Medium Term Financial Plan.

2 Recommendations

It is recommended that Members:-

- 2.1 Agree the Phase 1 savings for 2012/13 identified within this report (Appendix 5) and recommend them to Council for agreement on 22 September 2011.
- 2.2 Agree that where the implementation of Phase 1 savings extends beyond 1 April 2012, additional savings will be delivered in future years, as detailed in the report, without the need for Council to duplicate decision making.

- 2.3 Note that further savings, relating to 2013/14, have been identified for consideration by Cabinet alongside Phase 3 2012/13 savings, in February 2012.
- 2.4 Note the updated information contained within the Medium Term (April 2013 to March 2015) and Long Term (April 2015 to March 2021) sections of this report to guide our financial decisions in a proactive and consistent way.

REPORT

3 Risk Assessment and Opportunities Appraisal

3.1 Financial Uncertainty

- 3.1.1 The local authority finance settlement announced on 9 February 2011 (draft settlement announced 13 December 2010), while ostensibly a four year settlement, actually provided only a fixed two year allocation of formula grant for local authorities for the periods 2011/12 and 2012/13. The Spending Review 2010 only gave indications of how the overall level of funding for local authorities will change in the following two years, 2013/14 and 2014/15, and therefore provides only limited clarity of the financial landscape for the Council over the medium term.
- 3.1.2 Government has announced that a comprehensive review of local government finance will be conducted in 2011, which will feed into the distribution of local authority resources in 2013/14. This increases the level of uncertainty around forecasting our resources beyond 2012/13.
- 3.1.3 Beyond 2014/15, the projections for expenditure requirements and likely levels of funding are less certain. However, by creating a financial strategy that looks at the longer-term, and that is constantly updated to reflect new information, the Council will be in a stronger position to approach future challenges proactively, rather than reactively. It is clear at this stage, at least, that the current funding squeeze will continue well into the future.
- 3.1.4 While the Financial Strategy represents our approach to the mitigation of the financial uncertainty we are faced with; the financial climate over the medium to long term still presents a high risk to the authority. In addition to the known uncertainties we have planned for, there is the potential for further, as yet unrecognized, risks.

3.2 Other Risks and Opportunities

- 3.3 The Financial Strategy sets the resource parameters within which the council can deliver or commission services to meet its priority outcomes. All risks and opportunities which have a material monetary value should be considered within the strategy. Setting the Financial Strategy and agreeing detailed changes necessary to deliver the agreed budget for the next financial year (by February 2012) will take into account the requirements of the Human Rights

Act, any necessary environmental appraisals, the need for Equalities Impact Needs Assessments and in some cases any necessary service user consultation.

4 Financial Implications

4.1 The Council's Financial Strategy identifies the financial implications of the overall strategic direction of the authority. Of particular note within this report is:

- Details of Phase 1 savings estimated to deliver £8.107m in 2012/13 and £7,701m in 2013/14
- Identification of 2013/14 savings where a decision by Cabinet can be made alongside Phase 3 2012/13 savings in February 2012
- Update on planning assumptions for future financial years

5 Background

5.1 Strategic Framework of Priorities

5.1.1 The annual budget and wider financial strategy help identify the approach the Council will take to deliver planned outcomes for Shropshire's citizens. The approach allows strategic planning to be carried out in a more effective way by considering service priorities, resource availability and efficiency savings that help the council to achieve its overall goals over the short and long term.

5.1.2 The Council's Strategic Priorities are described by the following key elements, which underpin the council's transformation programme, which itself provides the framework for the delivery of budget savings over the short and medium term:

- Flourishing Shropshire Communities
- Greater Public Confidence
- Better Health and Wellbeing
- Better Education Attainment and Work Placed Skills
- Economic Growth and Prosperity
- Modern Infrastructure and Different Ways of Working
- Organisational Development and Behaviour Change

5.2 Structure of the Financial Strategy

5.2.1 Section 5.3 considers the overall financial position reported to Council on 24 February 2011, identifying where it is necessary to update earlier projections for resources, expenditure and income for the authority.

5.2.2 Section 5.4 considers the current year budget and updates members on the delivery of the agreed 2011/12 savings targets.

5.2.3 Section 5.5 considers our immediate short term financial plan; i.e. how the 2012/13 budget it is to be delivered.

5.2.4 Section 5.6 considers the rest of the Council's Medium Term Financial Strategy; that is the financial years 2013/14 and 2014/15, which represent the remaining two years in the current Comprehensive Spending Review period.

5.2.5 Section 5.7 provides an initial insight into the information to be used for a new Long-Term Financial Plan for the council, covering the period 2015/16 to 2020/21.

5.3 Current Resource, Income, and Expenditure Projections

5.3.1 Table 1 below identifies the net savings target identified for each year in the period 2011/12 to 2014/15 based on the difference between the projected resources and current budget requirement assumptions. These savings are as agreed by Council on 24 February 2011 and reported to Cabinet on 20 July 2011

Table 1

	2011/12 (£)	2012/13 (£)	2013/14 (£)	2014/15 (£)
Council 24 February 2011				
Resource Projections	224,684,499	216,503,316	214,031,724	208,255,953
Rolling Year Budget Requirement (Income and Expenditure Projections)	256,987,499	236,756,985	223,222,180 (App 1 243,475,849 less 20,253,669)	215,540,534 (App 1 244,984,659 less 20,253,669 less 9,190,456)
Year on Year Savings Target as at Council 24/02/11	32,303,000	20,253,669	9,190,456	7,284,581

5.3.2 Since July, further work has been undertaken to update the projections of both resources available and spending projections. In particular, the following should be noted.

5.3.3 The Council's share of the collection fund surplus for 2010/11 was estimated at £447,000 in the 2011/12 budget. The actual figure for 2010/11 is £1,103,406 giving an additional one off sum of £656,406 which can be included in 2012/13 resource projections.

5.3.4 The Council Tax Base assumption in the resource projections is that it remains unchanged in future years. Historically, however, the tax base has grown year on year and this could yield additional resources from 2012/13

onwards. An increase in the taxbase of 0.5% which is in line with recent growth would yield an additional c£500,000 in 2012/13 which, if the growth continued annually, would be £1m in 2013/14 and £1.5m in 2014/15. However, any benefit cannot be assumed at this stage, as set out in Paragraph 5.3.9.

- 5.3.5 Formula Grant levels for 2012/13 have been assumed at the level set out in the two year Local Government Finance settlement. The final settlement for 2012/13 will not be received until January 2012 and could be different to our planning assumption. For future years, reduction in grant has been assumed in line with national projections detailed in the Comprehensive Spending Review. The medium term formula grant projections have been considered against the potential funding for the Council under the proposed Rates Retention Scheme (see later) and at present appear in line. The estimate of funding from Formula Grant has therefore been left as in the original MTFP workings approved by Council in February 2011. It is important to note that until the Local Government Resource Review is finalised, there is considerable uncertainty about the level of funding the Council will receive, particularly in the Medium Term. Part of our long term planning is to look at scenarios for future budget cuts beyond 2013.
- 5.3.6 Information on specific grant and other income from grants, fees and charges has been updated. This has resulted in an accounting adjustment to increase resource projections of £30,494,903, offset by committed in-year expenditure of the same amount i.e. a net nil effect on the Council's net budget and no impact on any savings targets.
- 5.3.7 The New Homes Bonus and Community Infrastructure Levy are both estimated to result in additional funding for Shropshire. These are potentially new sources of funding for the authority and will be ringfenced to ensure they represent investment in local communities to improve the quality of life for Shropshire people. Further work is being undertaken to ensure we have a prudent and affordable strategy in place to utilise these funds, without presenting risk to the authority particularly given that the funding for these initiatives is uncertain in the medium and long term. Our strategy will ensure we use available resources in ways that create real additional benefits for our local communities, by providing better infrastructure and amenities
- 5.3.8 The Council's projections on Budget Requirement have been left as reported to Cabinet in July. Services are collating information on any Inflationary increases beyond that already built in to the budget projections that will impact on future years. Several of the Council's contracts are inflated by reference to particular indices e.g. RPI, CPI, RPIx at a point in time. The inflation allocation in the Budget Build up makes assumptions about what those indices will be and where the reality is different the service has to manage within year with the assumed inflation and then, in the past, has received any shortfall in inflation in the next year. This has previously happened, in particular, with Waste Management. The Retail Price Index, which is a factor

used to uplift several of the Council's contracts, is currently 5% (July 2011). The effect of changes in indices on Contracts is being mapped and will, as necessary, be adjusted for in the Budget Requirement calculations.

- 5.3.9 In total the resource projections that can be quantified amount to an additional resource of £1.156m (from surplus Collection Fund and potential increased Council Tax Base). This additional resource has not been reflected in the resource projections at present as firstly the Collection Fund surplus provides only a one-off resource, secondly, the increase in Council Tax Base will not be confirmed until October, and thirdly the potential pressures referred to above have not yet been quantified and could remove any benefit of this additional resource.
- 5.3.10 In summary, consideration of the planning assumptions used in the Financial Strategy agreed by Council in February has at this stage indicated that projections are still appropriate based on the information available.
- 5.3.11 Further detail on current Resource, income and expenditure projections is provided in Appendix 1 (Resource projections), Appendix 2 (Projected Budget Requirement) and Appendix 3 (Financial assumptions).
- 5.3.12 A number of savings identified as achievable in each year are based around planning assumptions within the budget. Each of these will require ongoing review and could result in increased or reduced savings compared to target. Areas to be reviewed include:-
- Pay and prices inflation
 - Income projections (including that from fees and charges)
 - Terms and Conditions changes
- 5.3.13 Work to develop the underlying resource requirement of the council, when considering issues such as demographic changes, economic trends and policy changes is ongoing and considered in section 5.7.
- 5.3.14 Resource, income and expenditure projections will be reviewed on an ongoing basis as information becomes available and will be reported to Cabinet and Council as part of the ongoing development of the Financial Strategy.
- 5.3.15 Maintaining our resource projections at this time means that we are still adopting the existing savings targets for 2012/13 and beyond. The 2012/13 savings are discussed in section 5.5.
- 5.3.16 The savings target for the second half of the Comprehensive Spending Review (2013/14 to 2014/15), while based on available information, may be inadequate when considered against a number of issues:
- As discussed above, the final two years of the CSR provide only indicative resource figures for local authorities. An estimation of the resource implications for Shropshire was interpolated from national data, but the

Government did reserve the right to reconsider the figures, which could result in a worse financial settlement for these years.

- The 2012/13 savings identified to date fall more than £3.5m short of target and it will be necessary to identify additional savings to meet this, even if they are not implemented until the following year, 2013/14. This creates a cashflow issue which can only be managed by ensuring sufficient reserves are available to be used in the short term to plug this gap, and are then replenished in subsequent years.
- A budgeted contribution to reserves is removed in 2014/15 (on the assumed basis that reserves have been increased to the agreed level of £13m). Without removing this contribution, the savings target in that year would be £5m higher than the level we have currently planned for, and this would have required additional savings or cuts in services to be identified.

5.3.17 Identified savings compared to savings targets (as shown in Table 1) are shown in Table 2 below.

Table 2

	CSR Block 1 (Notified Allocations)		CSR Block 2 (Indicative Allocations)	CSR 2014
	2011/12 (£)	2012/13 (£)	2013/14 and 2014/15 (£)	2015/16 to 2018/19 (£)
Savings Target as at Council 24/02/11	32,303,000	20,253,669	16,475,037	Tbc
Savings Identified Against this Target	31,409,000	17,602,000	24,074,000	Tbc

5.3.18 The table shows that, in 2011/12 and 2012/13, mainly as a result of the front loading of local government cuts, there is a projected shortfall in identified savings against our projected savings targets. The cumulative impact of this shortfall is dealt with in 2013/14 to 2014/15 (based on current CSR assumptions). Managing this strategy presents a number of difficulties over the short to medium term.

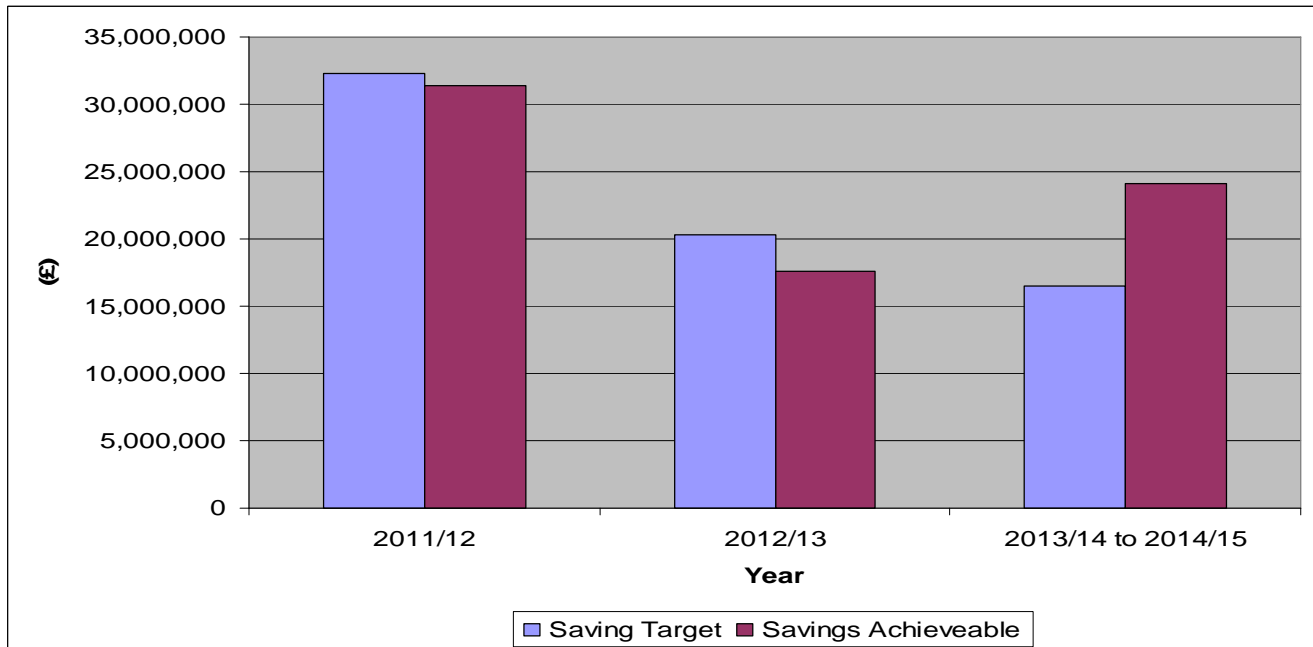
5.3.19 Any shortfall in the deliverability of savings, assuming alternative savings cannot be found, can only be met by using one-off resources. Given that the authority has historically held very low levels of reserves, temporary use of reserves is only of limited help, although the policy decision to increase the level of reserves will provide significant additional flexibility in later years. An alternative is to identify a temporary spending freeze in certain areas to bring spending down to the level of resources available, particularly in 2011/12.

5.3.20 There are two key dilemmas with the use of any one-off funds however. They do not remove the need to make the cut, only at best delaying the decision,

and also they may need to be replenished, meaning that, in the following year we could be dealing with double the problem.

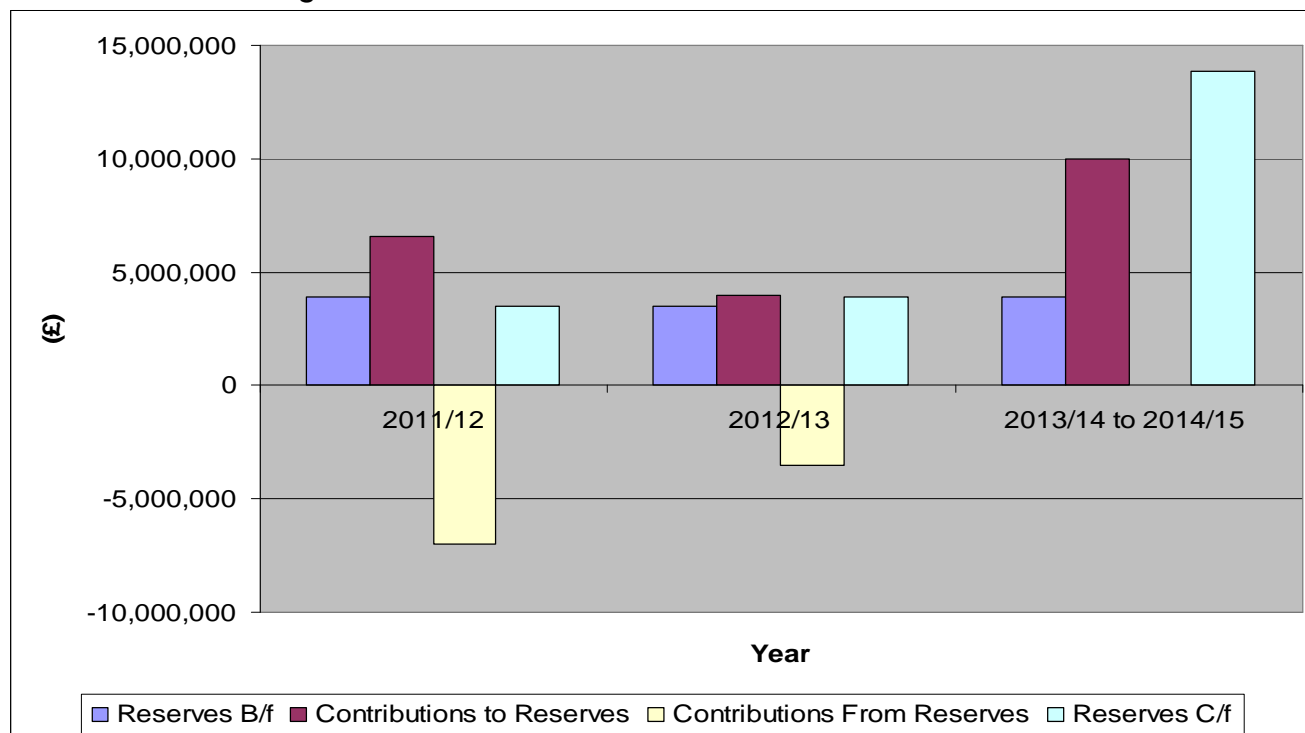
5.3.21 Figures 1 and 2 below shows a proposed strategy for managing the level of cuts over the period of the CSR.

Figure 1 – Savings Targets compared to Achievable Savings



5.3.22 As can be seen in Figure 1, there is a shortfall in achievable savings compared to the savings target in 2011/12 and 2012/13. If the current projections hold, however, by the second period of the CSR we should see significant savings flowing through as a direct result of the work being undertaken to transform the way in which we deliver public services. The savings target here (£16.475m) is planned to be significantly overachieved to deal with the issues identified above, which is why we are planning for achievable savings, in that period, of £24.074m (as shown in Table 2).

Figure 2 – Impact of achievable savings, one-off resources and on-off costs on level of general reserves.



- 5.3.23 Figure 2 provides a summary of the impact of our proposed strategy on the level of reserves. This takes into account not only the budget strategy, but also the impact of one-off resources and pressures that need to be managed over the period. In 2011/12 it is expected that we will need to make a contribution from reserves of approximately £7m. This is in excess of the balance held in the General Fund Balance (£3.907m at 1 April 2011) and can only be managed through one-off contributions to reserves made in year, alongside the budgeted contribution to reserves of £909,000. This is discussed in greater detail in section 5.4.
- 5.3.24 In 2012/13 the budgeted contribution to reserves of £5.909m is estimated to be sufficient to repay the use of one-off resources (where this is necessary) and still maintain a minimal general fund balance of approximately £3.5m. In the second period of the CSR (2013/14 to 2014/15) the budgeted contribution to reserves and the delivery of an estimated £24.074m savings, should be sufficient to provide the council with around £13m of reserves (in line with our agreed policy). Given the uncertainty over funding in this period, the achievement of this level of reserves is by no means certain; however, this approach represents good financial management.
- 5.3.25 In 2014/15 the budgeted contribution to reserves is removed from our planning assumptions (the effect being that the savings target in 2014/15 is helpfully reduced by £5m). It is envisaged that in the 2013 to 2015 period that the increased level of achievable savings will be sufficient to balance the budget, repay the use of one-off funds in previous years and provide for a sufficient and robust level of reserves for future years.

5.3.26 A consequence of this approach is that the Council does not have the flexibility to make use of its limited reserves in other ways over the current spending review period.

5.3.27 An alternative approach is to seek deeper spending cuts in 2012/13, before major changes in service delivery have been put in place. However, this risks significant cuts in jobs for Council staff and cuts in services for the public.

5.4 Current Year Budget (2011/12)

5.4.1 Cabinet receive detailed monitoring reports each month providing detail on the management of the current year budget. There are three key risks associated with the deliverability of a balanced budget for 2011/12. These are:

- Delivering £32,303,000 savings agreed by Council on 24 February 2011.
- Managing in-year service pressures which are currently estimated to deliver a £985,000 overspend in 2011/12.
- Managing one-off redundancy costs associated with staffing savings (currently estimated at £6.7m), which could not be calculated accurately at an early stage.

5.4.2 As a result, there is little or no financial flexibility in the current year, unless additional spending reductions can be found which are capable of being implemented quickly.

5.4.3 While monthly monitors will provide detail of how the current year budget is being managed; the Financial Strategy considers how and whether 2011/12 issues impact on future years.

5.4.4 Of the 2011/12 savings identified, it is estimated that £894,000 may not be achieved with the plans currently in place. As a result, while one-off measures will balance the budget in 2011/12, alternative measures may be required in future years.

5.4.5 In-year service pressures as identified in the Month 4 Monitor is currently estimated to be £985,000. Details of the make up of this projected overspend can be found within the report to Cabinet (14 September 2011).

5.4.6 Redundancies, arising from restructures to meet existing savings targets and as a result of the management review to reduce management overheads produce one-off costs which need to be met in-year. Current estimates put this cost at £6.7m, and a number of approaches to managing this include:-

- Proactively redeploying staff across the authority into existing agreed vacancies by undertaking appropriate training and development.
- Applying to the Government for permission to capitalise a proportion of redundancy costs, thus allowing the authority to fund the costs from one-off capital receipts.
- Use of one-off revenue funds and/or reserves to cover redundancy costs where this is in the Council's best interests in the longer term.

- 5.4.7 A number of actions are being undertaken to manage the 2011/12 budget, given the issues discussed above, including:-
- Use of £1,161,000 of funds identified within earmarked reserves, where no commitments are now projected to fall in 2011/12 (although these funds will need to be replaced where a commitment does fall due). While this approach manages the shortfall in 2011/12, it does not take away the need to still deliver the base budget saving over time and, in addition, replace the earmarked reserve.
 - Implementation of a spending freeze across a number of areas of activity, which will be carefully monitored to provide a basis for also delivering some base budget savings in future years.
 - The distribution of new ground rules on financial control to all managers, by the Chief Executive, to ensure a consistent and highly disciplined approach to balancing the Council's budget.
- 5.4.8 The above action is required to ensure spending remains within the 2011/12 budget. Reducing one-off costs, or using one-off funds in lieu of base budget savings does not deliver a long term sustainable budget, so it will be necessary to take account of these within our future savings targets. Based on the delivery of existing savings plans, it will be necessary to increase the savings target for 2012/13 to cover the savings target of £894,000. It will also be necessary to repay the use of one-off funds applied from earmarked reserves and general balances as discussed earlier.

5.5 Short Term Financial Plan (2012/13)

- 5.5.1 A review of the 2012/13 savings proposals agreed by Council on 24 February has identified £17.602m of savings against a target of £20.254m. This means we currently have a shortfall against target of £2.652m in the 2012/13 financial year. In addition, the small amount of unachievable base budget savings from 2011/12 will increase this shortfall by approximately £894,000 to £3,546,000.
- 5.5.2 As part of our longer term resource calculations, additional savings have been identified in later years to remove this base budget shortfall. This will require careful management because, unless savings can be brought forward and implemented within year, it will be necessary to commit a level of general reserves in 2012/13 to balance the budget as demonstrated in Figures 1 and 2 above.
- 5.5.3 Group managers have reviewed the savings agreed by Council in greater detail and indicated to Cabinet in July at what point this year Members would have the opportunity to consider how these savings can be delivered. The approach adopted by the Council was to agree savings at the beginning of the Medium Term Financial Plan (24 February 2011) and to then consider and agree the detail of the method of implementation of these savings throughout the 2011/12 municipal year. This allows Members appropriate time to

consider the proposals and allows managers time to plan the implementation of the service changes required. Appendix 4 provides the complete list of 2012/13 savings including the phase in which they will be considered by Council. Also included are 2013/14 savings and consideration has been made as to whether the 2013/14 savings can be agreed at the same time as the 2012/13 saving. Appendix 4 is broken down into 5 categories:

- Savings identified for 2012/13 where it is possible to agree the implementation of future years' savings at the same time.
- Savings identified for 2012/13 where it *may* be possible to agree the implementation of future years' savings at the same time, but further work is required over the autumn.
- Savings identified for 2012/13 where it is not possible to agree the implementation of future years' savings at the same time. Here the only item is the saving in relation to changes to Staff Terms and Conditions. Initial proposals include a 2.7% reduction in staff pay in 2011/12 and a further 2.7% reduction in 2012/13. We are continuing to explore whether a full 2.7% reduction is required in year 2, hence this decision cannot be taken at an early stage.
- Savings identified for 2013/14 where it is possible to agree the implementation of this saving in February 2012.
- Savings identified for 2013/14 where it *may* be possible to agree the implementation of this saving in February 2012, but further work is required over the autumn.

5.5.4 Phase 1 savings for 2012/13 are to be implemented on or before 1 April 2012, and amount to £8.107m (and a further £4.701m in 2013/14). Details of these savings are contained within Appendix 5 to this report.

5.5.5 A number of the savings considered within Phase 1 contain milestones for implementation. This means that while savings will be delivered in 2012/13, the continued implementation of the agreed plan will lead to further savings in future years. These future savings have already been included within our planning assumptions for the Medium Term Financial Plan. Members are asked to agree that it will not be necessary for these implementation plans to be viewed again for future years (which would duplicate decision making) and the consequent future year savings have been identified within Appendix 5 for information.

5.5.6 Phase 2 savings for 2012/13 (and where applicable future years) will be considered by Council on 15 December 2011, with Phase 3 savings considered on 23 February 2012.

5.5.7 A updated budget timetable for setting the 2012/13 budget is attached at Appendix 6, identifying when Cabinet and Scrutiny Committees will have the opportunity to consider proposals on how the agreed savings are to be implemented.

5.6 Medium Term Financial Plan (2013/14 to 2014/15)

- 5.6.1 At the time of the Comprehensive Spending Review (October 2010) a number of assumptions were made to help predict grant settlements for 2013/14 and 2014/15 (as detailed in Appendix 3).
- 5.6.2 The savings target for the second half of the Comprehensive Spending Review (2013/14 to 2014/15) may be inadequate, and it is important that this is held in constant review. Projections made at the present time are that the use of significant one-off funding will be required, over the medium term, unless additional spending reductions can be found which reduce the base budget and are capable of being implemented quickly.
- 5.6.3 The use of one-off funds does not, of course, deliver the overall budget savings the Council requires over the Medium Term. This is why the planned achievable savings over the 2013 to 2015 period exceed the savings target (see Table 2). In addition, until further detail on the final two years of CSR 2010 is known, there is a risk that further savings may be required.
- 5.6.4 A rolling medium term financial plan will continue to be developed each year to ensure the council is adequately prepared for all known financial pressures, and it is envisaged that greater detail on the delivery of 2013/14 savings will be available with each iteration of the Financial Strategy.
- 5.6.5 The basis for the projections of Shropshire's Formula Grant was that it will reduce in line with the national projections detailed in the Comprehensive Spending Review. On 17 March 2011, the Secretary of State for Communities and Local Government announced the launch of the Local Government Review. In the Financial Strategy report to Cabinet in July, it was recognised that this review would affect the council's grant funding but at the time of writing the Council was still awaiting further details on which to base revised Formula Grant projections.
- 5.6.6 On 18 July 2011, CLG issued a formal consultation on Phase One of the Review: Proposals for Business Rates Retention. In addition, eight accompanying technical papers were issued in August. A response to the consultation is required by 24 October 2011. A summary of the main issues for the Council's financial planning is given in the following paragraphs with more information contained in a briefing note in Appendix 7.
- 5.6.7 The aim of the Review is to reduce local government's financial reliance of central government and to incentivise local government to promote business growth in their area.
- 5.6.8 Under the existing arrangements, non-domestic rates (or business rates) revenue collected by local authorities is pooled centrally before being redistributed to local authorities in England. Under the Business Rates Retention proposals, local authorities will retain a share or all of the Business

Rates collected in their area as well as receiving an additional top-up if required.

- 5.6.9 The consultation paper considers how the total amount an Authority receives will be calculated in the first instance. Once this base amount is calculated where authorities collect more Business Rates than the base amount they will pay a tariff into a Central pool and where they collect less Business Rates than the Base amount they will receive a top up from the Central pool. It is likely that the base amount will be calculated on the basis of the amount authorities would be due to receive in Formula Grant in 2012/13.
- 5.6.10 Shropshire collects less in local Business Rates than it receives in Formula Grant. It will therefore be in a position whereby as well as retaining the Business Rates collected locally, it will require a top up to meet the base amount decided by CLG.
- 5.6.11 The technical details in the consultation paper are still being worked through in order to respond to CLG by 24 October 2011. The following issues will be important in our response:-
- Calculation of the Base Amount
 - Annual increase in Base Amount
 - Stability
 - Protection against significant reduction in locally collected Business Rates
 - Correlation between service needs and Business Rate income
 - Revaluations
 - Future projections on Business Rate Income
 - Future Government interventions
- 5.6.12 On the basis of the information available at this stage, the estimates of funding from Government in future years have been left unchanged in the Resource projections. As more work is undertaken and the outcome of the consultation exercise is completed, further updates to our projections will be necessary.

5.7 Long Term Financial Plan (2015/16 to 2020/21)

- 5.7.1 To develop our Resource and Expenditure projections over the longer term it is necessary to consider what drives the change in our budget and to then develop the means of forecasting or controlling this change. The following five types of drivers of change have been identified, in addition to inflation.
- 5.7.2 Economic - The level of economic activity will affect the demand for services; for example, a rising level of unemployment would increase welfare demand (rebates). It could also cause switching behaviour, such as increased bus or cycle usage together with less parking revenue. Under the proposals for Rates Retention, Economic activity will be a key driver in determining the Council's Resources. Work is currently being undertaken to encourage

inward investment in the County including Shropshire Council's Invest in Shropshire initiative and the development of the Marches Local Enterprise Partnership with Herefordshire and Telford & Wrekin.

- 5.7.3 Demographic - Changes in population, household formation and the provision of accommodation will bring changes in demand, as well as potential alterations to Government grant. The analysis of population change should differentiate over age categories, which should be broadly aligned across four ages, pre-school, learning, working and retirement. The Financial Strategy currently has amounts built in for demographic growth in both older people and Adults with Learning Disabilities. Work is being undertaken to consolidate demographic modelling performed within individual services and by our partners (e.g. Health) in order to have consistent and reliable data.
- 5.7.4 Policy - External examples from Government include the requirement to move to individualised care packages, subsidy for a nil Council Tax change, and the cessation of specific grants. The Government can also signal changes via an alteration to resource arrangements with the Proposal for Rates Retention being a prime example but also New Homes Bonus and Community Infrastructure Levy. A change in standards – eg, safeguarding – as opposed to new policies, can increase or reduce demand for resources. Another example is the Government's proposals to localise Council Tax Support, whilst at the same time reducing the totality by 10%. All policy changes require evaluation to understand any affect on Resource or Spending Projections. Evaluation of policy changes is undertaken across all services and the financial impact evaluated by the Forward Planning Team.
- 5.7.5 Technology - Citizen Enablement has brought about increases in demand (FOI requests) and decreases (online information gathering) as well as changing economic activity (home working). Internal improvements to processes are, again, regarded as a response to change.
- 5.7.6 Climate - At a mundane level, colder winters, increased rain and/or hotter summers require changed responses from the Council and produce their own financial pressures. At an ecological level, the carbon and waste responses are examples of world-wide requirements.
- 5.7.7 The longer term resource and expenditure projections are being developed by consolidating information under each of the change drivers identified.

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

Medium Term Financial Plan 2011/12 to 2013/14 – Budget Paper (Council 24 February 2011)

Medium Term Financial Plan – Strategic Framework of priorities for reshaping the role of the council and redesigning service delivery (Council 24 February 2011)

Financial Strategy 20112/13 to 2020/21 – Cabinet 20 July 2011

Cabinet Member (Portfolio Holder)

Keith Barrow - Leader

Local Member

All

Appendices

Appendix 1 Resource Projections – Financial Summary 2012/13 to 2014/15

Appendix 2 Projected Budget Requirement – Resources Projections Summary
2012/13 to 2014/15

Appendix 3 Key Financial Assumptions 2011/12 to 2014/15

Appendix 4 Proposed Savings 2012/13 and 2013/14

Appendix 5 Phase 1 Savings 2012/13 (and 2013/14)

Appendix 6 Budget Timetable

Appendix 7 Local Government Resource Review

SHROPSHIRE COUNCIL - FINANCIAL SUMMARY 2011/12 to 2014/15

	2011/12	2012/13	2013/14	2014/15
	£	£	£	£
Expenditure				
Original Gross Budget Requirement (For 2011/12 see Council 24th February 2011)	591,932,246	622,427,149	636,717,146	643,404,864
Correction of Expenditure Budgets to Reflect Grossing Up of Grants (see "Income" lines - Government Grants, Other Grants & Contributions and Fees & Charges)	30,494,903			
Inflation				
- Prices		2,312,596	2,415,286	2,523,888
- Pay		17,300	1,071,783	1,082,501
- Pension Costs		302,220	315,810	330,030
Committed Growth				
- Debt Charges		2,600,000	2,600,000	2,600,000
Existing Service Pressures				
- Looked After Children				
New Growth				
- Demography: Older People		240,000		
- Demography: Adults with Learning Disabilities (Transition Cases)		540,000	165,000	
- Planning Inquiry				
- Capitalisation costs relating to VER				
- Waste Landfill Tax and LATS income shortfall				
- Invest to Save Projects within Transformation Programme				
- Severe Weather				
- Carbon Reduction Commitment Tax		846,000		
- Personal Social Services		2,920,730	219,839	
- Contribution to Balances		5,000,000		(5,000,000)
Additional expenditure relating to new grants 2010/11				
- Additional expenditure built in for additional 2010/11 Government Grants				
Reductions relating to 2010/11				
- Savings in expenditure required to offset reductions in 2010/11 Government Grants				
DSG Related Formula Changes:				
2010/11 Final Allocation				
Expenditure relating to specific grants transferring into DSG				
Reduction in expenditure due to reduced 2011/12 DSG				
Indicative pupil number reductions				
Expenditure relating to Pupil Premium Grant				
Other DSG amendments				
Savings				
Corporate Savings:				
- Broadband Savings				
- Car Allowances (need protection list to net off)				
- Professional Subscriptions				
Management Initiated Savings				
Service Delivery Savings				
List 3 Savings		(1,294,000)	(100,000)	
List 3 Savings re Grant reductions				
Terms & Conditions				
List 4 Savings				
Equivalent reductions in expenditure (passported reductions in Grants)		805,151		
Gross Budget Requirement (Excluding Internal Recharges)	622,427,149	636,717,146	643,404,864	644,941,283
Income				
Original Government Grants (see Council 24th February 2011)	(283,382,834)			
Government Grants brought forward		(293,539,500)	(294,344,651)	(292,844,651)
Corrections to Government Grant Following Final Confirmations	(10,156,666)			
Further Anticipated Changes in Specific Grants		(805,151)	1,500,000	1,500,000
Revised Government Grants going forward	(293,539,500)	(294,344,651)	(292,844,651)	(291,344,651)
Original Other Grants & Contributions (see Council 24th February 2011)	0			
Other Grants & Contributions brought forward		(20,424,760)	(20,424,760)	(20,424,760)
Corrections to Other Grants & Contributions Following Final Confirmations	(20,424,760)			
Revised Other Grants & Contributions going forward	(20,424,760)	(20,424,760)	(20,424,760)	(20,424,760)
Original Fees & Charges (See Council 24th February 2011)	(83,864,913)			
Fees & Charges brought forward		(83,778,390)	(85,190,750)	(86,659,604)
Corrections to Fees & Charges	86,523			
Additional Income (Agrees to Fees & Charges Report excluding Income in Savings Proposals)		(1,412,360)	(1,468,854)	(1,527,609)
Revised Fees & Charges	(83,778,390)	(85,190,750)	(86,659,604)	(88,187,213)
Total Estimated Income (Excluding Internal Recharges)	(397,742,650)	(399,960,161)	(399,929,015)	(399,956,624)
Net Budget Requirement (excluding DSG)	224,684,499	236,756,985	243,475,849	244,984,659

SHROPSHIRE COUNCIL - RESOURCES PROJECTIONS SUMMARY 2012/13 to 2014/15

	2012/13	2013/14	2014/15	Assumptions
	£	£	£	
Formula Grant (RSG/NNDR)	95,251,254	87,117,072	86,246,309	
Specific Grants Transferring into Formula Grant	0	0	0	
Assumed Grant Loss	-8,134,182	-870,763	-5,775,771	RSG as per DCLG figures in 2011/12 & 12/13, reductions in 2013/14 & 14/15 based on CSR assumptions
Assumed Grant Loss - Cost of Being in Business				
Amended Formula Grant	87,117,072	86,246,309	80,470,538	
<u>Council Tax</u>				
Tax Base 2011/12	109,370	109,370	109,370	
Council Tax (assuming 0% increase for 2011/12, 2012/13, equalise down in 2013/14, increase of 0% in 2014/15)	128,986,244	127,385,415	127,385,415	
Collection Fund Surplus	400,000	400,000	400,000	
Total Available	216,503,316	214,031,724	208,255,953	

Shropshire Council - Medium Term Financial Plan Key Assumptions 2011/12 – 2014/15**Inflation Assumptions**

	Basis	2011/12	2012/13	2013/14	2014/15
Pay inflation	Assumed that a pay freeze will be in place for the next 2 years, with a 1% pay increase in future years.	0.00%	0.00%	1.00%	1.00%
Prices Inflation	This has been calculated on the contractual bases of the main contracts that the Council has in place. Inflation rates range from 1% to 10% on individual contracts.	<i>Based on contractual price inflation</i>			
Income Inflation	The Council approved the policy of applying RPI + 4% to fees and charges. In order to be prudent on income projections in future years, a standard 4% has been applied. This policy will continue to be reviewed.	8.60%	4.00%	4.00%	4.00%
Pensions Increase	The 2010 actuarial valuation has indicated that employer contributions should be split into 2 separate elements, a percentage of pensionable pay and a lump sum to provide for a reducing payroll. The percentage of pensionable pay will not increase within the 4 year MTFP period, however the lump sum will be inflated each year.	11.7% + £6m lump sum	CPI +1.5% on lump sum each year		

Council Tax Assumptions

	Basis	2011/12	2012/13	2013/14	2014/15
Council Tax Taxbase	No increase in council tax base has been assumed over the 4 year MTFP period. An increase of 0.5% in taxbase would result in c£500k additional resource. The current assumption will be revisited in October when the Council completes Council Tax Base Returns for CLG with updated Tax Base information.	<i>Based on 2011/12 taxbase</i>			
Council Tax Increase	A Council tax freeze has been applied for the next two years, with council tax equalising down to the lowest value in 2013/14. A zero percent increase has been assumed again in 2014/15.	0.00%	0.00%	Equalise Council Tax down	0.00%

Grant Assumptions

	Basis	<u>2011/12</u>	<u>2012/13</u>	<u>2013/14</u>	<u>2014/15</u>
Formula Grant	Formula grant figures have been detailed for 2011/12 and 2012/13. For the following 2 years, the anticipated reduction is in line with the national projections detailed in the Comprehensive Spending Review. The projections used are in line with the latest estimates of the Council's resources under the Rates Retention proposals based on the available technical information. These assumptions will be revisited as the details of the Rates Retention model are confirmed	As per DCLG	As per DCLG	-1.00%	-6.70%
Specific Grants	Specific grant allocations have been detailed for the Core Revenue Grants in 2011/12 and 2012/13, however confirmation is still awaited on a number of specific grants previously received. No indication has been made as to the likely value of specific grants in future years, therefore for prudence, a 5% reduction has been assumed in the following two years.	As per DCLG	As per DCLG	-5.00%	-5.00%

New Growth and Demography

	Basis	<u>2011/12</u>	<u>2012/13</u>	<u>2013/14</u>	<u>2014/15</u>
Demography: Older People	Additional growth is required to reflect the latest projections of increasing numbers of older people requiring social care services.	200,000	240,000	No further Growth	No Further Growth
Demography: Adults with Learning Disabilities (Transition Cases)	This growth has been calculated based on the latest numbers of children with learning disabilities that will transfer into adult social care over the next 3 years.	625,000	540,000	165,000	No Further Growth
Carbon Reduction Commitment Tax	The Council will incur additional costs through the Carbon Reduction Commitment. Costs have been calculated based on £22 per tonne of carbon emissions, which will be offset in future years by savings in energy costs.	0	846,000	No Further Growth	No Further Growth
Personal Social Services	The Government announced additional grant would be received to reflect the new responsibilities for local authorities on personal social services. Details of Shropshire Council's allocation are unclear therefore the grant allocations have been calculated based on national averages.	0	2,920,730	219,839	No Further Growth
Contribution to Balances	Contributions to balances have been built in for 2011/12 and 2012/13 so that by 2013/14, the level of general balances should stand at £13m which is in line with the risk based calculation performed on the Council's general fund balance, and already agreed by members.	909,095	5,000,000	Maintain contribution for 2 nd year	Remove contribution from base budget (5,000,000)

Savings Identified for 2012/13 with Phase for agreement by Council in 2011/12. It will be possible to agree the implementation of future years' savings at the same time

SAVINGS	2012/13 Budget Savings £'000	2013/14 Budget Savings £'000	2012/13 Saving Phase for Council Approval	DETAILS / RISKS / IMPLICATIONS
Service Redesign (People) Learning and Skills				Karen Bradshaw
Rationalisation of SIS and EPS	200	0	3	Could see reduction in level of service. Will need to work in collaboration with Telford and Wrekin.
Administration reductions	200	0	3	No risk or implications other than those related to staffing.
Outdoor Education	60	0	3	School asked to pay full cost of outdoor activities rather than receive subsidy from Council.
Advisory Service – review staffing team (see below). Review role/function/purpose	200	200	3	Current role of local authority in relation to schools and support and advice will change, move towards traded service.
Music Service on traded basis	140	140	3	Schools and individual pupils will pay full cost of lessons, impact felt on those families less able to pay.
Early years reduction	100	100	3	Will attempt to manage the impact on direct priorities through management efficiencies.
Income generation	200	500	3	Work to develop traded service required, including providing services for other local authorities, determine market demand and competition. Need to adapt to changing education agenda.
Lifelong Learning and group structure rationalisation	130	300	3	Review roles and functions of staff.
SEN/Out of county placements	100	150	3	More appropriate provision in county will reduce expensive out county placements. Work is underway to develop new package of in county provision.

SAVINGS	2012/13 Budget Savings £'000	2013/14 Budget Savings £'000	2012/13 Saving Phase for Council Approval	DETAILS / RISKS / IMPLICATIONS
Service Redesign (People) Care and Wellbeing				Janet Graham
Consolidation of Children's Centre Areas boundaries and increasing voluntary and community sector involvement will provide the opportunity to reconfigure services and realise savings in staffing, administration, area budget and reduce premises costs.	600	500	1	Consolidation of these areas does not mean closures of Children's Centre's. It has been proposed that we consolidate from 18 to 11 areas (there is a statutory duty to consult and so at the moment no decision has been made that the degree of merging is possible or appropriate).
Service Redesign (People) Assessment and Eligibility				Stephen Chandler
Review of Adult Social Care Services including:				
Restructure Adult and Care Management	188	0	2	Savings linked to new investment.
Cancel Homecare Contract	30	0	2	Savings linked to new investment.
Create more capacity in reablement for Older People	500	500	1	Promoting independence and managing thresholds. A period of reablement and maximising independence will support older people to remain independent for longer in their own homes and lead to lower levels of ongoing care being required.
Create more capacity in reablement for Young Adults	500	500	1	Promoting independence and managing thresholds. A period of reablement and maximising independence will allow younger adults to live more independently with lower levels of ongoing care.
Reduce day care and growth of personalised budgets	250	250	2	Promoting independence and managing thresholds. Develop the market to encourage independent and voluntary sector providers to offer more creative alternatives to traditional support for clients with a personal budget. As the numbers of people with personal budgets increase a wider range of cheaper, more varied alternatives will enable personal budgets to achieve more and better outcomes.

SAVINGS	2012/13 Budget Savings £'000	2013/14 Budget Savings £'000	2012/13 Saving Phase for Council Approval	DETAILS / RISKS / IMPLICATIONS
Service Redesign (People) Assessment and Eligibility				Stephen Chandler
Increase Telecare support	100	100	1	Expanding telecare and telehealth in place of traditionally delivered domiciliary care.
Implement electronic home care monitoring	350	100	2	Savings linked to new investment. On-going project from 2011/12 will achieve further efficiencies in 2012/13 and 2013/14.
Savings and efficiencies linked to new investment	1,150	182	3	Savings linked to new investment.
Transport efficiencies	150	200	1	Improved procurement of social care transport to achieve 25% of saving over 2 years (saving to be delivered by in-house transport unit). Efficiencies achieved through better procurement.
Reduce admissions to residential care	875	675	2	<p>Reducing residential expenditure. Maintain admissions to residential care in line with national best practice (target 40% or below of budget spent on residential care). We are looking to reduce our expenditure on residential care by 25% over the next 3 years on the following basis:</p> <p>We believe that people should be supported as far as possible and as long as possible to retain their independence in their own home. We will also ensure that our current eligibility criteria is adhered to, this should reduce the number of placements made.</p> <p>We will look at an incentive scheme for providers for short term placements.</p> <p>Working with health partners on the virtual ward.</p> <p>Develop a shared lives scheme for older people and adults with a physical disability similar to that offered to adults with learning disability.</p>

SAVINGS	2012/13 Budget Savings £'000	2013/14 Budget Savings £'000	2012/13 Saving Phase for Council Approval	DETAILS / RISKS / IMPLICATIONS
Service Redesign (People) Assessment and Eligibility				Stephen Chandler
Target reduction in cost of residential placements	200	200	2	Reducing residential expenditure. The Council currently spends a large amount of money paying above our standard rates. We are working with Shropshire Partners in Care to ensure that when a client enters a residential or nursing homes they are fully informed of the contribution that the Council may make should their capital fall below the threshold. We will look at our brokerage model to ensure that we are negotiating the best possible price for a placement.
Service Redesign (People) Safeguarding				Kathryn Edwards
Growth	300	700	3	Saving from the allocated growth budget for 2012/13 given the reduction in Looked After numbers. £700k (2013/14) to be achieved through further reduction in need for external placements due to achievements of preventative crisis team.
Placements	500	300	3	Savings from reduction in expenditure on external placements for Looked After Children through block contract commissioning. Increased use of short breaks for disabled young people to reduce need for permanent long term care.
Staffing	100	100	3	Savings across the Safeguarding Group Services (pro rata reductions across five teams)
Contracts	100	100	3	Efficiencies achieved through renegotiation of contacts across the safeguarding group.
Service Redesign (Places) Commissioning and Procurement				Mike Morris
Reduce spend on Corporate stationery and supplies by 25% through an active control system and removal of expensive options.	50	0	1	No service implications- already achieved savings in 2011/12 which will carry through to 2012/13.

SAVINGS	2012/13 Budget Savings £'000	2013/14 Budget Savings £'000	2012/13 Saving Phase for Council Approval	DETAILS / RISKS / IMPLICATIONS
Service Redesign (Places) Commissioning and Procurement				Mike Morris
Reduce spend on agency staff through tighter approval and control mechanisms applied by Group Managers to any further agency commitments. This may involve revision of current framework.	550	470	1	<p>Currently we have a number of contract framework arrangements for agency staff across all areas of activity.</p> <p>We have, through working with group managers and Finance colleagues, identified where this spending has been taken place- and put the necessary controls to limit such expenditure.</p> <p>Already in 2011/12 we are seeing significant reductions.</p>
Re-tender community alarms services to replace existing equipment with new 'plug and play' moveable equipment	60	55	1	Should be no adverse service implications. We will give sufficient notice to existing providers to give them time to switch over to equipment specified in the framework. The programme is part of the Telecare development and is on track.
Impose stricter centralised control over all aspects of IT expenditure and Procurement.	170	100	1	<p>Tighter and centralised control of IT expenditure with no real service implications and better control of peripheral costs.</p> <p>Controls are now in place and savings are already being achieved 2011/12- with future savings areas being targeted.</p>
Renegotiate out of county placements costs for younger people.	170	140	2	A significant challenge can be anticipated from Care Providers, who will threaten to withdraw their services, in which case we will need to source suitable alternative provision. We also anticipate resistance from families – and possible legal challenge in a number of cases. This will need careful planning ahead and management.
Carbon Savings				Steve Price
Savings as a result of initiatives to reduce everyday usage.	496	822	1	Initiatives in place over the period of the MTFP will generate energy savings which, by 2014/15, will be in excess of the Carbon Tax levied on the authority. Growth of £846,000 has been built into the budget for 2012/13 which is the net cost of undertaking minimal action; i.e. before action to deliver the savings shown here.

SAVINGS	2012/13 Budget Savings £'000	2013/14 Budget Savings £'000	2012/13 Saving Phase for Council Approval	DETAILS / RISKS / IMPLICATIONS
Contract Renegotiation				Mike Morris
Review ongoing contract terms and financing arrangements	500	500	2	May have some service implications, but will require detailed negotiations over the next 2 years.
Shared Services Programme				David Myers
Creation of an internal shared service offering and then consideration of best model of delivery for the medium term eg joint service with other public sector body; externalised service; joint venture company etc.	500	1,500	3	<p>A shared service approach will require new ways of working both from those delivering and receiving the shared service. New models of delivery will require considered planning and the various commercial/financial risks mitigated.</p> <p>Internal shared services will be in place for April 2012, incorporating as a minimum HR, Finance and IT. Future phases, including the addition of further services and development of the delivery model with other local authorities, should be sufficiently developed for decision in February 2012 with implementation ahead of 2013/14.</p>
Service Redesign (Area Directors)				George Candler, Chris Edwards, Clive Wright
Consider scope of new integrated highways and streetscene contract to offer savings through reduced rates and scope for reduced supervision costs. Consider appropriateness of service standards.	600	0	1	We will understand potential of the new contract to offer savings when detailed figures are returned by bidders later in 2011. Any reductions in service standards may lead to public dissatisfaction.
Review of leisure provision to include consideration of outsourcing of facilities, review of operating times and reductions in controllable spend.	436	64	3	Review will consider the outsourcing of 6 leisure facilities, renegotiation of existing contracts and review of management arrangements at leisure centres.
Reconsider services with the arts and culture sector including pushing services closer to the front line through co-location of libraries with other services.	230	850	3	Review of library services will aim to reduce costs of mobile library service and other accommodation costs. Other areas will see increased income generation, reduced service and reductions in grant aid.

SAVINGS	2012/13 Budget Savings	2013/14 Budget Savings	2012/13 Saving Phase for Council Approval	DETAILS / RISKS / IMPLICATIONS
	£'000	£'000		
Management Review				Kim Ryley, Jackie Kelly
Management Review - Process	350	600	1	A review of senior management across the organisation to reduce costs in this area by 20%. The New Operating Model (NOM) management restructure has been completed and is on target to deliver the required savings in both years. A small number of managers have additionally been retained on an interim basis to assist with the Transformation Programme and these will be released in a timescale to meet the required savings.
Income Through Interest Rate Increases				Rachel Musson
Review of interest on balances achievable	367	854	1	Due to the current economic climate, interest rate projections are currently between 0.5% and 1.75% over the next two years. This has decreased from the original projections and will result in an additional cost of £665k in 2012/13 and £694k in 2013/14. These additional costs can be funded from within debt charges.
Trading Income				Kim Ryley
Increased income from Council services	982	1,021	2	The move to a more commercial basis for services will realise increased levels of income. In addition the Council's policy to move to income increases based on RPI and 4% year on year will reinforce the achievement of this target.
Total Proposed Savings	12,684	12,773		

Savings Identified for 2012/13 with Phase for agreement by Council in 2011/12. It may not be possible to agree the implementation of future years' savings at the same time

SAVINGS	2012/13 Budget Savings £'000	2013/14 Budget Savings £'000	2012/13 Saving Phase for Council Approval	DETAILS / RISKS / IMPLICATIONS
Reduced Prudential Borrowing				Tim Smith
Revenue savings from reduction in the capital programme	1,150	2,600	3	As a result of the review of the capital programme and decisions taken to remove a significant proportion of prudential borrowing a saving of £3.75m will be realised in 2012/13 and 21013/14. This is dependent upon delivery of the agreed capital receipts programme.
Service Redesign (Business Growth & Prosperity)				Andy Evans
Reconsider services with Arts & Culture	154	216	3	Visitor Economy service will drive savings through service review, commercial business planning for facilities, now operating models and alternative delivery of services. A capital investment if circa £150k will be required to realise the increase in income for digitisation of records.
Total Proposed Savings	1,304	2,816		

Savings Identified for 2012/13 with Phase for agreement by Council in 2011/12. It will not be possible to agree the implementation of future years' savings at the same time

SAVINGS	2012/13 Budget Savings £'000	2013/14 Budget Savings £'000	2012/13 Saving Phase for Council Approval	DETAILS / RISKS / IMPLICATIONS
Changes to Staff Terms and Conditions				Kim Ryley, Jackie Kelly
Changes to staff terms and conditions	3,614	1,500	1	Changes to staff terms and conditions, subject to consultation, will see reductions in overall staffing costs.
Total Proposed Savings	3,614	1,500		

Savings Identified for 2013/14 for agreement by Council in Phase 3 2011/12 (February 2012).

SAVINGS	2013/14 Budget Savings £'000	2012/13 Saving Phase for Council Approval	DETAILS / RISKS / IMPLICATIONS
Service Redesign (People) Assessment and Eligibility			Stephen Chandler
Review in-house provision of residential and nursing homes	650	3	Reducing residential expenditure. An early decision is required as any potential transfer of in-house services to achieve efficiencies will have at least twelve months lead time.
Service Redesign (Places) Environment			Steve Price
Adopt a risk based approach to reduction in our portfolio of street lights, illuminated signs etc leading to reduction in electricity costs.	200	3	Important that the potential safety implications of proposals are worked through and discussed with stakeholders.
Service Redesign (Places) Facilities Management			Tim Smith
Rationalise our office accommodation leading to fewer buildings with reduced costs of rates, rent and utilities.	2,000	3	This will require new and more flexible ways of working and will change the pattern of service delivery in some of our towns.
Service Redesign (Places) Commissioning and Procurement			Mike Morris
Reduction of expenditure on priority services through service reviews	100	3	A review of print operations across the authority is estimated to deliver a £100,000 saving by 2013/14.

SAVINGS	2013/14 Budget Savings £'000	2012/13 Saving Phase for Council Approval	DETAILS / RISKS / IMPLICATIONS
Service Redesign (Places) Commissioning and Procurement			Mike Morris
Renegotiate annual contracts from IT suppliers. Where appropriate we will re-tender over the next three years	100	3	A fairly drawn out process as contracts came up for renewal and these will need to be brought together under the control of the Commissioning and Procurement Group.
Renegotiate the cost of mobile phone charges and equipment at the end of the current contract in 2013.	35	3	No service implications.
Total Proposed Savings	3,085		

Savings Identified for 2013/14 for possible agreement by Council in Phase 3 2011/12 (February 2012).

SAVINGS	2013/14 Budget Savings £'000	2012/13 Saving Phase for Council Approval	DETAILS / RISKS / IMPLICATIONS
Service Redesign (People) Learning and Skills			Karen Bradshaw
Youth support --Information Advice and Guidance	167	3	The reduction will be achieved through better targeting of resources and increased use of new technology
Service Redesign (People) Assessment and Eligibility			Stephen Chandler
Review in-house day-care in line with personalisation	2,000	3	Reshaping day-care provision. Adult social care services are currently subject to a period of consultation on the future delivery of services. The outcomes of the consultation will influence the review of in-house day care. It is not therefore possible to agree this area of saving until the consultation has been completed around Oct/Nov 2011. Approval with Phase 2/3 (Dec/Feb) 2012/13 savings will be required due to the lead time to implement the changes and achieve savings.
Service Redesign (People) Safeguarding			Kathryn Edwards
Youth support - Targeted Youth Support	167	3	Savings to be achieved from the remands to custody funding coming to the LA from 2012/13. Additional strategies include the progression of payment by results and income generation.
Service Redesign (People) Public Protection			Paul McCreary
Further review of Public Protection Service to deliver cost savings	500	3	Review of service to improve income collection and rationalisation of services provided.

SAVINGS	2013/14 Budget Savings £'000	2012/13 Saving Phase for Council Approval	DETAILS / RISKS / IMPLICATIONS
Service Redesign (People) Other			David Taylor
Review of re-commissioning across the sector	700	3	Review of commissioning across all People Services to deliver better service outcomes at a lower cost.
Service Redesign (Places) Environment			Steve Price
Explore potential for extended community transport provision of bus services; review publicity/information; review frequency of high cost services	200	3	The existing service provision is already stretched so careful consideration of potential impact on vulnerable/rural communities. Also need to consider cumulative effect of any changes on public and bus operators.
Service Redesign (Area Directors)			George Candler, Chris Edwards, Clive Wright
Youth support - Positive Activities	166	3	Efficiencies will be achieved through effective commissioning of positive activities.
Total Proposed Savings	3,900		

Savings 2012/13- Phase 1 to be considered by Cabinet 14 September 2011 and Council 22 September 2011

With the exception of the savings relating to Terms and Conditions, decisions regarding the Phase 1 2012/13 savings detailed below also relate to the 2013/14 savings where applicable.

SAVINGS	POSTS DELETE D	BUDGET SAVINGS 2012/13 £'000	BUDGET SAVING 2013/14 £'000	DETAILS / RISKS / IMPLICATIONS	STAKEHOLDERS and EINA implications
Service Redesign (People) Care and Wellbeing					
Consolidation of Children's Centre Area boundaries and increasing voluntary and community sector involvement will provide the opportunity to reconfigure services and realise savings in staffing, administration, area budget and reduce premises costs.		600	500	<p>Janet Graham</p> <p>Proposal:</p> <ul style="list-style-type: none"> to consolidate number of CC areas from 18 to 13 <p>12 areas will amalgamate to 7 "new" areas, 4 areas will increase in size, 1 area will reduce in size and 1 area will stay the same. The areas are defined using primary school catchment boundaries and the criteria for change includes community trends to accessing services, co-terminosity with other agencies and council services and team organisation. Decisions, taking account of service user input, will be ratified through local multi-agency advisory boards in the Autumn term</p> <p>Implications and risks include:</p> <ul style="list-style-type: none"> reduction in number of Ofsted inspections required reduction in leadership and management functions for managers opportunity to consolidate property assets resulting in some reduction in overhead costs some changes to service delivery locations risk of a public perception of reduction in service Ofsted performance risk as transition is made to new areas 	<p>Statutory duty to consult (Childcare Act 2006) Stakeholder representation formalised through Advisory Boards, 5 groups countywide include:</p> <ul style="list-style-type: none"> parents health professionals safeguarding and support voluntary sector education staff <p>Protected groups include: Teenage Parents Children with disability Gypsy Traveller families Looked after children</p> <p>Services for the above groups are provided through children's centres. It is not intended that these services should cease or reduce, however the way in which the services may be delivered e.g. the provider may change. Consultation and involvement in the development of delivery of new ways of working will managed through the Advisory Boards to include careful involvement of these groups where they may be affected.</p>

Service Redesign (People) Care and Wellbeing (cont'd)				Janet Graham	
				<p>Proposal:</p> <ul style="list-style-type: none"> • to increase involvement of voluntary and community sector <p>Implications and risks include:</p> <ul style="list-style-type: none"> • reduction in staff hours required to run universal groups and crèche for families • vacant hours available to provide savings • further development of the community sector to deliver services • staff redundancies – it is not possible to identify the exact number of posts to be deleted at this point • achievement of savings dependant on uptake of involvement, capacity and quality of the community sector • risk to Ofsted performance during transition period 	

Service Redesign (People) Assessment and Eligibility				Stephen Chandler	
Review of Adult Social Care Services including:					
Create more capacity in reablement for Older People		500	500	<p>Promoting independence and managing thresholds. A period of reablement and maximising independence will support older people to remain independent for longer in their own homes and lead to lower levels of ongoing care being required. Fair Access to Care Services (FACS) eligibility for adult social care services remains at substantial and critical. To manage this threshold and to ensure consistent application all social work staff with responsibility for assessment and care management have received refresher training on the application of FACS. The START Supported Discharge service is providing a re-ablement service in the Shrewsbury area as a pilot funded by the PCT for people discharged from RSH. The Task and Finish Scrutiny group for assessment and eligibility budget is exploring the opportunities for re-ablement, the cost savings that can be achieved and the improved outcomes for older people. The T& F Group will be finalising their report on 30 September 2011. Early key messages from the adult social care consultation programme currently underway is indicating that re-ablement and support to keep older people independent in their own home is important to individuals.</p>	<p>Stakeholders:</p> <ul style="list-style-type: none"> • vulnerable adults in Shropshire – older people, adults with learning disabilities, adults with physical disabilities, adults with sensory impairment and adults with mental health needs including autistic spectrum disorder • family carers • voluntary sector providers • independent sector providers • PCT • South Staffordshire and Shropshire foundation trusts • health and social care professionals <p>EINA only identified low impact areas as this proposal will have a positive impact in promoting independence.</p> <p>The use of personal budgets will enable individuals to purchase flexible care arrangements to meet changing levels of need for a range of providers.</p>

Service Redesign (People) Assessment and Eligibility (cont'd)				Stephen Chandler	
Create more capacity in reablement for Young Adults		500	500	<p>Promoting independence and managing thresholds.</p> <p>A period of reablement and maximising independence will allow younger adults to live more independently with lower levels of ongoing care.</p> <p>The Task and Finish Scrutiny group for assessment and eligibility budget is exploring the opportunities for re-ablement, the cost savings that can be achieved and the improved outcomes for younger adults. The T& F Group will be finalising their report on 30 September 2011.</p> <p>Early key messages from the adult social care consultation programme currently underway is indicating that re-ablement and support help younger adults to live independently is important to individuals.</p>	<p>Stakeholders:</p> <ul style="list-style-type: none"> • vulnerable adults in Shropshire – older people, adults with learning disabilities, adults with physical disabilities, adults with sensory impairment and adults with mental health needs including autistic spectrum disorder • family carers • voluntary sector providers • independent sector providers • PCT • South Staffordshire and Shropshire foundation trusts • health and social care professionals <p>EINA only identified low impact areas as this proposal will have a positive impact in promoting independence.</p> <p>The use of personal budgets will enable individuals to purchase flexible care arrangements to meet changing levels of need for a range of providers.</p>

Service Redesign (People) Assessment and Eligibility				Stephen Chandler	
Increase Telecare support		100	100	<p>Expanding telecare and telehealth in place of traditionally delivered domiciliary care.</p> <p>The Assessment and Eligibility Telecare visioning Group in has completed a Telecare options appraisal and is in the process of finalising the Telecare offer for Shropshire. The offer for Shropshire will be further developed wherever possible with Health Colleagues to promote compatibility with Telehealth systems. Expansion of Telecare is linked to the retender of community alarms referred to in Commissioning and Procurement (Places) below.</p> <p>The Task and Finish Scrutiny group for assessment and eligibility budget savings is exploring the opportunities for the use of Telecare across all client groups. The cost savings that can be achieved and the improved outcomes for all client groups are being considered. The T& F Group will be finalising their report on 30 September 2011.</p> <p>Early key messages from the adult social care consultation programme currently underway indicate that Telecare is a real alternative to some traditional care delivery. However a low level of awareness has also been identified. Raising awareness of Telecare to all client groups including those not eligible for support from the Local Authority is an important part of the prevention agenda.</p>	<p>Stakeholders:</p> <ul style="list-style-type: none"> • vulnerable adults in Shropshire – older people, adults with learning disabilities, adults with physical disabilities, adults with sensory impairment and adults with mental health needs including autistic spectrum disorder • family carers • voluntary sector providers • independent sector providers • PCT • South Staffordshire and Shropshire foundation trusts • health and social care professionals <p>EINA only identified low impact areas as this proposal will have a positive impact in promoting independence.</p> <p>The use of personal budgets will enable individuals to purchase flexible care arrangements to meet changing levels of need for a range of providers.</p>

Service Redesign (People) Assessment and Eligibility (cont'd)				Stephen Chandler	
Transport efficiencies		150	200	<p>Improved procurement of social care transport to achieve 25% of saving over 2 years (saving to be delivered by in-house transport unit). Efficiencies achieved through better procurement.</p> <p>A review of current transport arrangements within assessment and eligibility has identified some immediate savings for 2011/12 of £25k. Further work with the Passenger Transport Unit is required to identify further efficiencies for 2012/13 and 2013/14 through contract renegotiations and route realignment.</p>	<p>Stakeholders:</p> <ul style="list-style-type: none"> • vulnerable adults in Shropshire – older people, adults with learning disabilities, adults with physical disabilities, adults with sensory impairment and adults with mental health needs including autistic spectrum disorder • family carers • voluntary sector providers • independent sector providers • PCT • South Staffordshire and Shropshire foundation trusts • health and social care professionals <p>EINA only identified low impact areas as this proposal will have a minimum impact on services provided to individuals.</p> <p>The use of personal budgets will enable individuals to purchase flexible care arrangements to meet changing levels of need for a range of providers.</p>
Service Redesign (Places) Commissioning and Procurement				Mike Morris	
Reduce spend on agency staff through tighter approval and control mechanisms applied by Group Managers to any future agency commitments. This may involve revision of the current framework.		550	470	<p>Currently we have a number of contract framework arrangements for agency staff across all areas of activity.</p> <p>We have, through working with group managers and Finance colleagues, identified where this spending has been taken place- and put the necessary controls to limit such expenditure.</p> <p>Already in 2011/12 we are seeing significant reductions.</p>	<p>All managers.</p> <p>EINA only identified low impact measures- as these actions will lead to better use of existing resources.</p>

Service Redesign (Places) Commissioning and Procurement				Mike Morris	
Reduce spend on Corporate stationery and supplies by 25% through an active control system and removal of expensive options.		50	0	No service implications- already achieved savings in 2011/12 which will carry through into 2012/13.	All managers No EINA is required
Re-tender community alarms services to replace existing equipment with new 'plug and play' moveable equipment		60	55	Should be no adverse service implications. We will give sufficient notice to existing providers to give them time to switch over to equipment specified in the framework. The programme is part of the Telecare development and is on track.	Stakeholders include providers, service users of sheltered housing support services and internal housing services. EINA only identified low impact areas and this proposal will in fact produce a more flexible system and a more consistent response.
Impose stricter centralised control over all aspects of IT expenditure and Procurement.		170	100	Tighter and centralised control of IT expenditure with no real service implications and better control of peripheral costs. Controls are now in place and savings are already being achieved in 2011/12- with future savings areas being targeted.	All managers No EINA is required.
Carbon Savings				Steve Price	
Savings as a result of initiatives to reduce everyday usage.		496	822	Initiatives in place over the period of the MTFP will generate energy savings which, by 2014/15, will be in excess of the Carbon Tax levied on the authority. Growth of £846,000 has been built into the budget for 2012/13 which is the net cost of undertaking minimal action; i.e. before action to deliver the savings shown here. Examples of the initiatives being considered and/or developed are: Installation of Solar Photovoltaic Cells Installation of wind Turbines Installation of wood pellet burners in buildings reliant on oil heating to make use of the Renewable Heat Incentive. Installation of Solar PV on Council Houses	No EINA implications identified.

Service Redesign (Area Directors)				George Candler, Chris Edwards, Clive Wright	
Consider scope of new integrated highways and streetscene contract to offer savings through reduced rates and scope for reduced supervision costs. Consider appropriateness of service standards.		600	0	<p>A new Highways and Environment Term Service Contract , value of approximately £20 million per annum for upto 10 years, is being procured now and currently is in a commercially sensitive assessment period. The assessment process for this high value and impact contract is long, exhaustive and involves many officers. The new contract commences on the 1 April 2012.</p> <p>The exact make-up of the savings will be defined once the award is made to the successful tenderer and we have agreed with them which aspects of their offering are suitable for Shropshire and can deliver the savings.</p>	<p>Stakeholders could include everyone that uses the highway network in Shropshire, Members, Town and Parish Councils, Businesses.</p> <p>Given that highways maintenance is a universal service used by all groups in society it is unlikely that there will be any specific EINA implications.</p>
Management Review and Changes to Staff Terms and Conditions				Kim Ryley, Jackie Kelly	
Management Review – Process		350	600	<p>A review of senior management across the organisation aims to reduce costs in this area by 20%.</p> <p>The New Operating Model (NOM) management restructure has been completed and is on target to deliver the required savings in both years. A small number of managers have additionally been retained on an interim basis to assist with the Transformation Programme and these will be released in a timescale to meet the required savings.</p>	Shropshire Council managers and staff.
Management Review and Changes to Staff Terms and Conditions				Kim Ryley, Jackie Kelly	
Changes to staff terms and conditions		3,614*	1,500*	<p>Changes to staff terms and conditions, subject to consultation, will see reductions in overall staffing costs.</p> <p>Initial proposals include a 2.7% reduction in staff pay in 2011/12 and a further 2.7% reduction in 2012/13. We are continuing to explore whether a full 2.7% reduction is required in year 2, hence this decision cannot be taken at an early stage.</p>	<p>Shropshire Council staff.</p> <p>EINA completed and shared with Trade Unions.</p>

Income Through Interest Rate Increases				Rachel Musson	
Review of interest on balances achievable		367	854	Due to the current economic climate, interest rate projections are currently between 0.5% and 1.75% over the next two years. This has decreased from the original projections and will result in an additional cost of £665k in 2012/13 and £694k in 2013/14. The current assumption is that additional costs can be funded from within our revised projections for debt charges.	No EINA required
Total Proposed Savings-Phase 1 to be agreed 14 September 2011		8,107	4,701		
Total Proposed Savings-Phase 1 not considered for approval at this stage		0	1,500		
Total Proposed Savings-Phase 1		8,107	6,201		

Financial Strategy Timetable for 2012/13 Budget Decisions

Date	Meeting	Item (s) for Discussion
Wednesday 20 July, 12.30pm	Cabinet	Financial Strategy 2012/13-2020/21
Wednesday 3 August 2011	Cabinet	
Wednesday 14 September 2011, 12.30pm	Cabinet	Financial Strategy 2012/13-2020/21 second iteration. Update on resource and expenditure projections Recommend Phase 1 savings to Council
Thursday 15 th September 2011, 10.30am	Enterprise and Growth Scrutiny	Procurement savings
Thursday 15 th September 2011, 5pm	Protecting and Enhancing our Environment Scrutiny	Carbon savings Integrated Highways and Streetscene Contract
Monday 19 September 2011, 10am	Joint meeting, Safe and Confident Communities / Healthy Communities Scrutiny	Assessment and Eligibility savings Children's Centres savings
Wednesday 20 September 2011, 2.30pm	Performance and Strategy Scrutiny committee	Financial Strategy 2012/13-2020/21 second iteration. Update on resource and expenditure projections Consideration of all other Phase 1 savings to Council
Thursday 22 September 2011, 10am	Council	Financial Strategy 2012/13-2020/21 Agree Phase 1 savings
Wednesday 16 November 2011, 12.30pm	Cabinet	Financial Strategy 2012/13-2020/21 Recommend Phase 2 Savings to Council Setting the Tax Base for 2012/13 Fees and Charges for 2012/13
Monday 28 November, 10am	Healthy Communities Scrutiny	

Date	Meeting	Item (s) for Discussion
Wednesday 30 November 2011	Performance and Strategy Scrutiny Committee	Financial Strategy 2012/13-2020/21 Phase 2 Savings to Council Fees and Charges for 2012/13
Late Nov/Early Dec		Formula Grant Announcement-Draft
Monday 5 December 2011, 5pm	Protecting and Enhancing our Environment Scrutiny	
Wednesday 7 December 2011, 2.30pm	Safe and Confident Communities Scrutiny	
Wednesday 14 December 2011, 12.30pm	Cabinet	Tbc - Financial Strategy 2012/13-2020/21 including update on Draft Formula Grant Settlement.
Thursday 15 December 2011, 10.30am	Enterprise and Growth Scrutiny	
Thursday 15 December 2011, 10am	Council	Financial Strategy 2012/13-2020/21 Agree Phase 2 savings Setting the Tax Base for 2012/13 Fees and Charges for 2012/13
Wednesday 11 January 2011, 12.30pm	Cabinet	Financial Strategy 2012/13-2020/21 Recommend Phase 3 Savings to Council
Wednesday 11 January 2012, 2.30pm	Safe and Confident Communities Scrutiny	
Tuesday 13 January 2012, 10.30am	Enterprise and Growth Scrutiny	
Friday 16 January 2012, 10am	Healthy Communities Scrutiny	

Date	Meeting	Item (s) for Discussion
Friday 16 January 2012, 5pm	Protecting and Enhancing our Environment Scrutiny	
Wednesday 18 January 2012, 2.30pm	Performance and Strategy Scrutiny Committee	Financial Strategy 2012/13-2020/21 Phase 3 Savings
January 2012		Final Formula Grant Settlement
Wednesday 8 February 2012, 12.30pm	Cabinet	Tbc - Financial Strategy 2012/13-2020/21 including update following final settlement Agree Final Budget Strategy Council Tax Resolution Housing Revenue Account 2012/13 Capital Strategy 2012/13-2015/16
Thursday 23 February 2012, 10am	Council	Financial Strategy 2012/13-2020/21 Agree Phase 3 savings Agree Final Budget Strategy Council Tax Resolution Housing Revenue Account 2012/13 Capital Strategy 2012/13-2015/16

Financial Strategy – 14 September 2011– LGRR update

1. Local Government Resource Review

- 1.1. On 17 March 2011 the Secretary of State for Communities and Local Government, Eric Pickles, announced the launch of the Local Government Resource Review.
- 1.2. The aim of the review is to secure a shift of power from Westminster to people by giving new powers to local authorities, communities, neighbourhoods and individuals.
- 1.3. The first phase of the Local Government Resource Review is looking at giving local councils greater financial autonomy. The second phase of the review will look at extending this to communities and local people through Community Budgets. And, it will look at providing greater flexibility for local authorities, their partners and communities to use their resources more effectively.

2. Phase One - The Proposed Business Rates Retention Scheme

- 2.1. One of the ways in which Central Government propose to reduce reliance on Central Government is through the relocalisation of Business Rates. On 18 July 2011 CLG issued a formal consultation document followed by eight accompanying technical papers on this issue. A response to the consultation is required by 24 October 2011.
- 2.2. The proposals focus on the distribution of business rate tax revenues, rather than changes to the system of business rate taxation. Rate setting powers will remain under the control of central Government and the revaluation process will be unchanged.
- 2.3. Under existing arrangements, non-domestic rates (or business rates) revenue collected by local authorities is pooled centrally before being redistributed to local authorities in England. So while local authorities have a vital role to play in supporting the economy, there is limited direct financial incentive to do so.
- 2.4. It is the Government's intention to bring Business Rates Retention in from April 2013. The consultation paper summarises the changes for various groups these are shown below:
 - **The General Public**
Council's budget linked to business growth, with more businesses resulting in more funding for services as well as improved employment opportunities and benefits for the economy. Protection will be in place to ensure local authorities can meet local service needs.
 - **Business Rate Payers**

No change, but there will be a link between the rates paid and services in the area. Added incentives for the local authority to work with the VOA to ensure properties are valued correctly.

- **Developers**

Local authorities will have greater incentives to grant planning permission, especially for renewable energy projects. Local authorities will be able to borrow to fund infrastructure using Tax Incremental Financing (TIF) powers.

- **Billing Authorities (district councils, unitary authorities)**

Will still bill and collect business rates but will now retain some of that income locally. The baseline will be set and billing authorities will see increases in funding if they grow and decreases in funding if they decline.

- **County Councils**

Will receive a share of the rates collected in their districts as well as an additional top-up if required. The baseline will be set and counties will see increases in funding if they grow and decreases in funding if they decline. Counties may wish to consider forming a pool with their districts and/or neighbouring authorities.

- **Police and Fire & Rescue**

Will receive the level of funding for 2013/14 and 2014/15 as set out in the 2010 Spending Review. Funding will not be affected by fluctuations in business rates in the area. A full review will take place into how these authorities are funded, in time for the 2015/16 settlement.

2.5. The rates retention model has been developed to meet the following aims:

- Ensure a fair starting point for all local authorities;
- Deliver a strong growth incentive where authorities can benefit from increases in their business growth and from hosting renewable energy projects;
- Include a check on disproportionate benefits;
- Ensure sufficient stability in the system; and
- Include an ability to reset in the future to ensure levels of need are met.

2.6. In general terms it is proposed that each authority will be assessed for their National Business Rates Baseline, i.e. a total amount of NNDR funding. This is likely to be based on funding figures for 2012/13 in order to minimise funding volatility. This baseline will be frozen at the commencement of the scheme.

2.7. The baseline would then be compared to the business rate yield in the area. If there is a shortfall a 'top up' is received from Government but where there is a surplus this is paid back to government in the form of a 'tariff', balancing the system.

2.8. The top ups and tariffs will be fixed at the commencement of the scheme in 2013/14 and would not be reviewed until such time as a 'reset' of the system

occurs, which could be as much as ten years afterwards and may remain at the discretion of the Government.

- 2.9. Once the baseline is set authorities will see increases in funding if they grow and decreases in funding if they decline. A system of levies and safety nets is proposed to protect authorities from disproportionate gains and losses.
- 2.10. Whilst actual figures are not yet known Shropshire Council's business rate baseline will be higher than the total business rates collected locally. This means that Shropshire will receive a fixed 'top up' from the Government (this may be subject to an increase in line with RPI in future years).
- 2.11. From the commencement of the scheme Shropshire will be able to benefit from any growth in its business rates yield but could also suffer if there is a decline. Forecasting systems will need to be developed to take into account the potentially more volatile nature of this funding.
- 2.12. The consultation paper highlights the following areas in which local authorities can improve the growth prospects of an area:
 - Planning decisions;
 - Transport infrastructure;
 - Education and Training for young people;
 - Advertising consent;
 - Licensing powers;
 - Building regulation control; and
 - Food standards.
- 2.13. Some of the total national business rates yield will be top sliced in the form of a 'set aside' which will be paid back to authorities in the form of other grants. For example continued funding for the New Homes Bonus grant. Each authority would contribute an amount to the set aside that is proportionate to their baseline.
- 2.14. The next spending review will examine ways in which the activities and responsibilities of local government can be more closely aligned with business rates income.
- 2.15. The consultation also takes forward the announcement that the Government will implement Tax Increment Finance where Local Authorities would be able to choose to borrow against future growth in business rates to help fund the provision of infrastructure.

3. Phase Two – Community Budgets

- 3.1. The second phase of the Local Government Resource Review is looking at how Neighbourhood and Community Budgets can be used to:
 - give communities and local people more power and control over local services and budgets

- develop outcomes, service solutions and a single budget, or options for pooling and aligning resources, comprising all spending on public services in an area
- 3.2. The 2010 Spending Review announced the first phase of 'Community Budgets', in which 16 places were to identify the national and local funding they would need to deliver transformational solutions for families with multiple problems.
 - 3.3. Community Budgets pool and align various national and local funding strands into a single local funding pot for tackling selected policy area issues.
 - 3.4. Building on the success and knowledge gained from Total Place, the expectation is that this will enable places to go even further in designing service solutions that meet the key needs of their citizens.
 - 3.5. Government has recently invited Expressions of Interest from more authorities who wish to take forward Community Budgets for Families with Multiple problems. They are also looking to extend coverage to other policy areas. Government intends to roll out the scheme nationally by 2013-14.

Shropshire Council and partner organisations have started to explore the potential for community budgets and, as part of the council's transformation programme will be seeking engagement with the national community budget pathfinder programme. Through this we are particularly keen to explore the potential for strong and effective democratically accountable leadership of local spend and if this can be achieved by combining the community budget approach with our work on the community leadership role of councillors