



Date: Wednesday, 10 December 2014

Time: 12.30 pm

Venue: Shrewsbury Room, Shirehall, Abbey Foregate, Shrewsbury, Shropshire,  
SY2 6ND

Contact: Penny Chamberlain, Principal Committee Officer  
Tel: 01743 252729  
Email: [penny.chamberlain@shropshire.gov.uk](mailto:penny.chamberlain@shropshire.gov.uk)

## CABINET

### TO FOLLOW REPORT (S)

#### **8 Financial Strategy 2015/15 to 2017/18 (Pages 1 - 78)**

Lead Member – Mr Mike Owen, Portfolio Holder for Resources, Finance and Support.

Report of the Head of Finance, Resources and Governance (Section 151 Officer) is attached marked 8.

Contact – James Walton – 01743 255011

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Committee and Date

Cabinet

10 December 2014

12:30pm

Item

8

Public

## FINANCIAL STRATEGY 2015/16 – 2017/18

**Responsible Officer** James Walton

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

### 1. Summary

This report provides a refresh of the Council’s Business Plan and Financial Strategy 2014/15 to 2016/17 which is attached as Appendix 1 and includes the Council’s three year Medium Term Financial Plan (MTFP) covering the same period.

The overall funding gap over the three year period remains at £80m, although the make up of this gap has changed. Proposals identified to bridge the funding gap have also been refreshed and reviewed. This has enabled a view to be taken of how the 2015/16 financial year has been impacted by progress throughout 2014/15 and action taken to ensure the financial strategy is not destabilised by non-achievement of proposals or in-year pressures that have an impact on the base budget going forward.

This overview includes the latest estimates of the Council’s revenue resources and expenditure. It is set in the context of the Council’s other key strategic documents, in particular, the Treasury Management Strategy and the Capital Strategy which is also incorporated within the Council Business Plan.

The Council Business Plan and Financial Strategy 2014/15 to 2016/17 was agreed by Full Council on 27 February 2014. The Plan identified a funding gap of £80m over the 3 years 2014/15 to 2016/17 and sets out the Council’s approach to redesigning services and delivering the required savings by making the best use of resources available. The Financial Strategy is a rolling plan which is revised throughout each financial year, usually quarterly, as more information becomes available about the level of resources, service pressures and service delivery changes. On 30 July, the financial projections were revised on the basis of the most up to date information on resource and expenditure projections and also to outline initial projections for 2017/18. Additionally in September an interim report provided information on progress on 2 of the Council’s key projects, the University and ip&e. Since then, the ip&e Business Plan has been considered by Cabinet on 15 October 2014 and work around the development of the University Centre for Shrewsbury has progressed. Council will receive a report on the University Centre Shrewsbury on 18 December 2014.

This report will consider the information from current year monitoring reports and any implications of this for future year's budgets. It will also consider revised information for years 2 and 3, 2015/16 and 2016/17 of the current financial plan and initial projections for 2017/18.

The financial strategy is a key document and part of the Council's Business Plan. The financial implications of all the Council's plans and strategies are reflected in the Financial Strategy.

## **2. Recommendations**

It is recommended that members:

- A. Note that the funding gap of £80m for the period 2014-17 identified in the Council Business Plan and Financial Strategy agreed by Council in February 2014 has been reviewed and retained for planning purposes.
- B. Note the progress made in achieving the agreed savings and agree the amendments and alternative savings identified within the Business Plan and Financial Strategy.
- C. Agree to remove any allocation of council tax support grant to Town and Parish Councils for 2015/16 and future year's council tax reduction scheme.

## **REPORT**

### **3. Risk Assessment and Opportunities Appraisal**

- 3.1. The development and delivery of the Council's Business Plan and Financial Strategy for a three year period is the key process in managing many of the Council's strategic risks. The opportunities and risks arising are assessed each time the document is refreshed for Cabinet consideration. The Council's Strategic Risks are reported separately, but the Business Plan and Financial Strategy makes specific reference to the significant financial uncertainty across Local Government in the Medium Term.

#### **Financial Uncertainty**

- 3.2. The 2014/15 funding settlement gave illustrative figures for 2015/16 only. There is a risk that these figures are further reduced when the provisional 2015/16 settlement is announced in December 2014 (unavailable at time of writing). Also there is increased uncertainty around funding levels beyond the current parliamentary term. This increases uncertainty both in 2015/16 and future years as previously incoming governments have made in year as well as future year changes to local government departmental expenditure limits.
- 3.3. As government funding reduces, the Council becomes more reliant on locally retained business rates. As detailed in previous reports, a reduction

in business rate income in any year would have to be around 10% before a safety net payment would be invoked. This drop is higher than the 7.5% indicated in the funding mechanism as the Council's budgeted business rate income is higher than the baseline level that the 7.5% drop would be measured against.

- 3.4. Locally retained business rates introduce uncertainty to the Council's in year available resources; previously the Council was informed of the amount of redistributed business rates it would receive before the start of the financial year, under the new system the resources the Council actually receives will only be estimated in advance and could vary significantly. Additionally central government retains control of the multiplier for Business Rates. The Autumn Statement released on 3 December stated that there will be a review of the future structure of business rates to report by Budget 2016. This will be fiscally neutral and consistent with the Government's agreed financing of local authorities. They will also publish interim findings from the review of business rates administration in December 2014. Any reduction in the Business Rate multiplier as part of this review would have a detrimental impact on Council funding as 49% of all locally raised Business Rates are now retained locally.
- 3.5. Variations from budgeted revenues for both Business Rates and Council Tax are dealt with through the relative collection fund account. The timing of the availability of the final figures means that adjustments required, i.e. deficits or surpluses on the collection fund, fall 2 years after the year in which they relate. To mitigate the risk of large variations in estimated Business Rates, monitoring of Business Rates income will be further developed and reported regularly, reducing risk as the level and quality of data is increased.
- 3.6. The funding mechanism does not reflect any service needs changes from year to year. It is proposed that the system will not be reset for 7 years i.e. until 2020/21.
- 3.7. As there are changes to the responsibilities of the Council, whether this is a transfer from or to the Council, there is a risk that the change in resources is not commensurate. Examples of service areas where this is a risk include benefits and proposals around Universal Credits and also changes in Adult Social Care required as part of the Care Act.
- 3.8. By creating a Financial Strategy that continues to look beyond the next three years at the longer-term and is regularly updated to reflect new information, the Council is in a stronger position to approach future challenges proactively, rather than reactively.

- 3.9. While the Financial Strategy represents our approach to the mitigation of the financial uncertainty we are faced with, the tight and uncertain 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 remains potential for further, as yet unrecognised, risks. For this reason, a prudent approach to the level of reserves held by the Council remains sensible and necessary.
- 3.10. The Council has started the financial year 2014/15 with a reasonable level of general reserve to help mitigate against the risk of delay in implementation of the significant savings proposals. It is essential that this is kept under review both in the current year and with a view to future years and balancing the budget.

### **Other Risks and Opportunities**

- 3.11. The Business Plan and Financial Strategy sets the resource parameters within which the Council can commission services to meet its priority outcomes. All risks and opportunities which have a material monetary value are considered within the strategy.
- 3.12. The Council's Business Plan and Financial Strategy recognises that there are risks and opportunities associated with ip&e as it is a wholly owned company of the Council. The development of the Council's future financial strategy will be clear about the financial expectations of ip&e and how this will impact on the Council's budget.
- 3.13. Setting the Financial Strategy and agreeing the detailed changes necessary to deliver the agreed budget for the next financial year, will take into account the requirements of the Human Rights Act, any necessary environmental appraisals and the need for Equalities Impact Needs Assessments and any necessary service user consultation.

## **4. Background**

- 4.1. The Business Plan and Financial Strategy 2014/15 was agreed by Council in February 2014. This plan is now being refreshed part way through year 1 of the plan to ensure that the changing financial and dynamic position of the Council is appropriately reflected in its key strategic document.
- 4.2. The refresh is not yet complete and is being undertaken in a structured manner leading to a final draft being submitted to Council in February 2015, enabling the Council's budget for the 2015/16 Financial Year to be set. To this end, the main elements of the refreshed document attached at Appendix 1 include a review of the revenue budget (taking account of 2014/15 revenue monitoring reports), a review of resources and

consideration of the delivery of our savings proposals both within the current year and 2015/16, thus allowing any revisions from our agreed plan in February 2014 to be scrutinised and reviewed.

- 4.3. Over the winter work will continue to consider further elements within the Business Plan and Financial Strategy, taking account of our key plans and strategies (which are currently being reviewed) in such areas as:
- Commissioning Strategy
  - Asset and Accommodation Strategy
  - Economic Growth Strategy
  - Technology and Customer Access Strategy
  - Organisational Development Strategy (including Workforce Plan)
  - ip&e Annual Business Plan
  - Planning Strategies, such as SAMDev and the Shropshire Housing Strategy
  - Health and Wellbeing and Resilient Communities Strategies
- 4.4. In February 2015, the latest refresh of the Business Plan and Financial Strategy will be complete and will include updated and additional information and financial implications, which, in the meantime, may be the subject of Cabinet and Council reports and decisions as necessary, and will include:
- The Council's capital strategy, including short and long term delivery of capital receipts and other financing options, the current capital programme and future requirements, our emerging asset and accommodation strategy, the impact of large scale initiatives such as broadband roll out, creating the new University and review of our IT Infrastructure.
  - Investment opportunities, including how the Council turns physical assets into financial assets, economic growth programmes and initiatives to put the council onto a stable long term financial footing in the light of continued cuts in funding.
  - Income generation, ensuring we meet our aims as set out in the Council's Charging Policy and maximise our income earning potential, whether from within the Council or through ip&e, to enable us to support our key services. This will align with the Council's Fees and Charges Report due to be agreed at the same time.

- Further developments around our intention to create a Council that Commissions, integrating our commissioning requirements with ip&e’s Annual Business Plan to create a coherent Business Plan for the Council.
- Continued work with our partners to ensure that while the Business Plan represents the Council’s vision, this aligns closely with our partners to ensure that together we are meeting the wider needs of the County.
- Our plans for the development of University Centre Shrewsbury.

**5. The Current Year Budget, 2014/15**

- 5.1. The 2014/15 financial year funding gap was identified, with proposals to close this gap approved by Council. Cabinet have been kept abreast of progress in balancing the 2014/15 budget through regular monitoring reports on both revenue and capital. This report considers the latest information reported to Cabinet (Quarter 2 Monitoring Reports) and the impact of emerging pressures and achievement of savings proposals on the three year Medium Term Financial Plan. While the monitoring reports will consider the in-year position and identify measures to ensure we are able to deliver a balanced budget for the year, the Financial Strategy will consider the financial implications over the medium term, to confirm measures are put in place to ensure financial stability and a sustainable financial position through to 2016/17, and will consider whether adequate progress is being made to close the identified £80m funding gap. Savings proposals to meet this gap were identified and agreed in February 2014 and totalled £83.201m over the 3 year period.
- 5.2. Alongside a review of our net expenditure position and the delivery of agreed savings proposals, it is also prudent to refresh the resources position for the council to ensure that the quoted £80m funding gap over the three years of the Medium Term Financial Plan remains appropriate.
- 5.3. The following table provides the breakdown of the savings target and the identified proposals over the three year period

**Table 1 Savings Targets and Saving Proposals 2014-17, February 2014**

	<b>2014/15</b>	<b>2015/16</b>	<b>2016/17</b>	<b>Total</b>
	<b>£’000</b>	<b>£’000</b>	<b>£’000</b>	<b>£’000</b>
<b>Savings Target (as at February 2014)</b>	<b>41,531</b>	<b>20,136</b>	<b>18,333</b>	<b>80,000</b>

<b>Savings Proposals (as at February 2014)</b>	<b>39,892</b>	<b>24,614</b>	<b>18,695</b>	<b>83,201</b>
<b>Over/(under) achievement</b>	<b>(1,639)</b>	<b>4,478</b>	<b>362</b>	<b>3,201</b>
<b>Cumulative</b>		<b>2,839</b>	<b>3,201</b>	

- 5.4. Revenue Monitoring for 2014/15 has considered the achievement of 2014/15 savings proposals and the Financial Strategy in July provided an update on the RAG rating for all 3 years. Directors and Cabinet members have been working on progressing savings areas and identifying “blockers” to timely achievement of the savings. To this end, the top 30 savings by value across the remaining years of the Medium Term Financial Plan were reviewed and rated Red and Amber. Together the top 30 savings amount to £40m, or almost half of the savings approved as part of our plan, and actions have been put in place to ensure we have more robust plans in place around their delivery.
- 5.5. The 2014/15 revenue monitoring report is the mechanism for reviewing in year budget control and achievement of savings. It is the impact of the 2014/15 monitoring issues on future years which is taken into account in the financial strategy.
- 5.6. This report includes the latest position on the achievement of savings with particular regard to 2015/16 budget which will be set by Council in February 2015.
- 5.7. The table below provides the latest projections of the funding gap (as detailed in the 30 July 2014 Financial Strategy) and the profile of the savings proposals which are being monitored within quarterly Monitoring reports to Cabinet.

**Table 2 Savings Targets and Revised Saving Proposals 2014-17**

	<b>2014/15</b>	<b>2015/16</b>	<b>2016/17</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Savings Target (revised July 2014)</b>	<b>41,531</b>	<b>20,615</b>	<b>18,048</b>	<b>80,194</b>
<b>Savings Proposals (as per Monitoring Reports)</b>	<b>39,892</b>	<b>26,441</b>	<b>16,868</b>	<b>83,201</b>
<b>Over/(under)achievement</b>	<b>(1,639)</b>	<b>5,826</b>	<b>1,180</b>	<b>3,007</b>

<b>Cumulative</b>		<b>4,187</b>	<b>3,007</b>	
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- 5.8. The table above shows that the Council’s proposals currently measure delivery of savings against a target of £66.333m (£39.892m + £26.441m) by 2015/16. As demonstrated above, implementing and delivery of all of these savings could result in a one-off surplus of £4.187m in 2015/16, but also provides an element of (albeit short term) contingency within our plans.
- 5.9. Directors and Cabinet Members have met to consider the reasonableness of the assumption that £66.333m will be achieved in savings for 2015/16 and to identify any areas where the savings proposals are either unachievable or will not be implemented in time. The following table summarises the position for the Council and forms the basis for the refresh of the proposals within the Business Plan and Financial Strategy attached at Appendix 1.

**Table 3 Revised Savings Targets and Proposals as Identified in the Refreshed Business Plan and Financial Strategy**

	<b>£’000</b>	<b>£’000</b>
<b>Savings target 2014/15 and 2015/16 combined</b>		<b>66,333</b>
<b>Savings achieved to date (as per Quarter 2 Revenue Monitor)</b>	<b>27,446</b>	
<b>Revised Proposed Savings Target for delivery 2015/16 (as per revised Business Plan and Financial Strategy attached)</b>	<b>37,082</b>	
<b>Proposals slipped to 2016/17</b>	<b>518</b>	
<b>Proposals considered Unachievable</b>	<b>1,287</b>	
<b>Revised Proposals for delivery in 2016/17</b>		<b>16,868</b>
		<b>83,201</b>

- 5.10. In addition to the unachievable and slipped savings identified for 2015/16 there are a number of service pressures that have been highlighted in Monitoring Reports which, while being addressed in various ways in-year, nonetheless have an impact on future years that needs to be recognised. In the main, the areas identified fall within Adult Services and have been highlighted at £5.737m at this stage. Altogether the potential impact on the Council is £7.542m for which new savings proposals are required. Further work is being undertaken between Cabinet and Senior Managers to identify how this additional, emerging gap in future years can be addressed. At the present time, it is considered prudent to highlight this pressure and allocate an additional target in relation to re-sizing the workforce and this is reflected within the attached Business Plan and Financial Strategy. However, this remains only a planning assumption at this stage, with further work being undertaken before Council agrees the budget in February 2015. Additionally, as the initial savings proposals identified above were in excess of the required level of saving in 2015/16 by £4.187m it is feasible that this target could be reduced to £3.355m in 2015/16.
- 5.11. Furthermore, Table 3 above reflects the position as reported in Quarter 2. The level of achieved savings for 2014/15 and brought forward savings for 2015/16 are expected to increase as we approach year end. For example, while the level of 'Green Rated' savings of £27.446m identified above represents the position as at 30 September 2014, this figure will continue to evolve and move (as will our estimates of on-going pressures) for the remainder of the year.
- 5.12. Changes continue to be made to the way in which Councils are funded through intervention by Central Government, and the implementation of Localised Council Tax Support in 2013/14 had implications on Council funding and local Town and Parish Councils also. In 2013/14 and 2014/15 the Council resolved to pass an element of Central Government Grant to Town and Parish Councils. The Council's developing financial position no longer makes the payment of grant to Town and Parish Councils affordable and it is recommended that this payment is removed.

## **6. Autumn Statement 3 December 2014**

- 6.1. The Chancellor's Autumn Statement does not provide definitive information on Local Government Finance, but does provide indications ahead of the Local Government Settlement expected towards the end of December. The Statement confirmed that local services will not face additional cuts in 2015/16. However, by May 2015, Government funding for councils will be 40 per cent lower than in 2010.

- 6.2. While new devolved powers have been announced for Greater Manchester, there has been no mention of devolution for the rest of England at this time.
- 6.3. The Chancellor also made announcements on multiyear funding settlements and the future structure of business rates, although the detail of these is yet to be considered.
- 6.4. The Autumn Statement appears to confirm that the decisions announced will not be funded through a further reduction in local government funding. However, public spending control remains central to the Government’s commitment to reducing the deficit.
- 6.5. The Government has committed to giving local authorities and clinical commissioning groups (in collaboration with NHS England) indicative multiyear budgets as soon as possible after the next Spending Review. The Government will also work towards enabling greater multi-year certainty in funding for schools and certainty for adult education providers where appropriate, in the context of area based strategies. Again, further detail is required before this can be assessed adequately.

**7. Longer Term Financial Outlook**

- 7.1. The longer term financial outlook as detailed in the Council’s Business Plan and Financial Strategy agreed by Council in February 2014 is continually being updated and refined. Details of how the Council is working differently now and how this will develop over the coming years will be set out in more detail over the coming 12 months, ahead of a new Business Plan and Financial Strategy developed for the next Medium Term Financial Plan period of 2016/17 (revised) to 2018/19.

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

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

**Cabinet Member (Portfolio Holder)**  
 Keith Barrow – Leader

**Local Member**All

**Appendices**

Appendix 1 Draft Refresh Business Plan and Financial Strategy



# DRAFT REFRESH

Shropshire Council Business Plan and Financial Strategy 2014 – 2017

Our customers are at the centre of everything we do

8<sup>th</sup> December 14 (V11)

# Contents

	Page
<b>Foreword from Keith Barrow – Leader of Shropshire Council</b>	3
<b>The context we find ourselves in</b>	5
<b>Council Priorities</b>	9
<b>Listening to our customers</b>	10
<b>The Context for our key services</b>	15
Adult Social Care Services – Operational Challenges	17
Children and Young Peoples Services – Operational Challenges	21
Public Health – Operational Challenges	24
Resources and Support – Operational Challenges	27
Commissioning – Operational Challenges	30
<b>How we will ensure we make best use of our resources</b>	35
<b>Our approach</b>	36
<b>Strategic Financial Overview – Revenue</b>	54
<b>Strategic Financial Overview – Capital (Not updated/included)</b>	70
Annex 1 – Resource Projections 2014-17	81
Annex 2 – Details of Growth included in Expenditure Projections 2014-17	82

# Foreword from Keith Barrow –

## Leader of Shropshire Council

Sometimes it seems that the toughest times encourage us to be at our most ambitious and creative as a nation. This year's debate about devolution of power to different parts of the UK and to cities make it more vital than ever that we focus on defining and starting to realise our ambitions for Shropshire's future. As others seek new powers and identity we need to be clear in our direction, bold in our self-belief and self-aware enough to collaborate and play to our strengths together as a county. That's why we're focusing on investment that puts in place new foundations, fit for the county to thrive in the 21<sup>st</sup> Century – a new university, superfast broadband infrastructure, totally redesigned business support, all of which will underpin economic success making us more resilient for the future.

Perhaps sometimes it feels like we don't like to shout about our achievements in Shropshire. I think we're a naturally modest place and mostly all the better for it. But across a whole range of activity there are good reasons for this to change and as councils across the UK adapt to permanently lower levels of public funding, I think we have a very interesting story to tell about what we're doing to give people who use our services the most powerful voice possible in reshaping how their needs are met

I'm delighted to say there's increasing national interest and excitement about what we're doing to redesign public services around the needs of our customers. We've already saved over £70m and are well on the way to saving another £80m over the three years of this plan, but at the same time, satisfaction levels for key services like adult social care are on the increase. Details of our proposals, refreshed at the end of our first year of delivery, are set out later in our Business Plan.

Shropshire is changing too. By 2030, if current trends continue, we know we'll have significantly fewer working age people in the county but more than a 70% increase in 65-84 year olds and even more rapid increase in those aged over 85. The experience and skills older people can offer our communities must not be under-estimated. But with that comes pressures which is why we've totally rethought our approach to frontline support in adult social care, resulting in around 70% of calls to social care now being handled at first point of contact, without a social worker being involved.

That's why I'm absolutely committed to play to Shropshire's strengths as somewhere with an unrivalled quality of life and potential, and where we're genuinely thinking afresh about how we support communities and citizens to live successful and rewarding lives. Our economy has come

through the past few years in reasonable health. Unemployment rates are falling, numbers of jobs increasing and we have excellent business survival rates. But I think we can do much more to make the most of our assets, including the volunteers, charities and other activity within our communities that helps make them such great places to live.

As we enter 2015, I really believe that Shropshire has a great deal to be optimistic about for its future. By drawing on our historic reserves of innovation and resilience, but coupling these to new resources like our university and our increasingly creative business and voluntary sectors we can continue to shape and develop our county now and for the future.

## The context we find ourselves in

Shropshire is building a profoundly different relationship between public services and customers. Quite simply, we believe that whatever national political scenario rolls out over the next 10 years, nothing will ever be quite the same again. The long post-war period of public service and welfare state growth has come to an end. The demographic trends alone, coupled with cost of care for enduring and long-term conditions make the status quo untenable. The council is responding to what we anticipate to be a permanent reduction in central funding by redesigning everything we do resulting in better and more responsive services at a lower cost. This is to help make the county as resilient and self-reliant as possible, realistically anticipating a near-future in which minimal levels of central government funding are available to underpin our public services.

In this context, we want to use our company, ip&e to create new businesses to meet future needs, where necessary in partnership, always retaining a controlling interest and keeping any profit within Shropshire to reinvest in public services. The signs are that this is an exciting offer for many other councils and commissioning organisations looking for partners that share their public service values. Crucially though, we want ip&e to grow in ways which complement rather than threaten existing Shropshire businesses. Where sectors and businesses are already strong in the county we will work with, rather than compete. Where partnerships can strengthen our success, that's how our company will want to work – alongside in a mutually supportive relationship.

We believe the 'Shropshire pound' is a critical concept for the future of the council, our company and our communities. Ensuring that as much value that's generated locally is retained within the county will become more and more important – with implications for economic development as well as public services. That's why we are reshaping the Council to be as well positioned as possible in order to generate income from outside through a sustainable long-term income growth strategy that supports Council priorities.

Its also why our new University Centre Shrewsbury will, as it develops, become even more critical to helping Shropshire's economy develop and grow sustainably. The University, delivered through partnership with University of Chester is a central strand to our emerging long-term vision for Shropshire's economy. By bringing world-class expertise and research to bear on our situation, our capabilities and to help develop our ambition, we want to most fully explore Shropshire's economic potential. Rather than being a well-kept secret, we believe our strengths, abilities and creativity mean we are exceptionally well placed to benefit from global trends. We also intend to lay the foundations for an

ultimately independent, free-standing 'University for Shropshire' which can help us address availability of skills, gaps in capacity and attract and retain business and investment in new growth sectors of our economy.

In short, we believe Shropshire's economy has massive potential to be unleashed. We're already a hub for creative businesses and people with bright ideas. By seizing opportunities for investment, building world-class education for our young people, and for learning throughout life, we want to kick-start a new entrepreneurial revolution in the county, creating many wide ranging employment opportunities in the short and longer term, retaining talent and skills in Shropshire.

Our approach puts the role of elected councillors as community leaders at the heart of this, representing customers, seeking out and championing their voice, making sure their perspective is central to everything we do. Our focus now is on supporting elected councillors to be local commissioners within their communities. We'll give people as much say as possible in making choices about their future, focusing on prevention and thus reducing later, higher cost activity whenever we can.

This role fits in with how the council is changing the way it works to become a commissioner rather than direct deliverer of services. We expect to co-commission with a range of public sector partners, citizens, communities and localities. Our commissioning strategy sets out how this will focus on delivering outcomes for our customers, based on need. This means future relationships with customers and communities will be to engage, listen and understand need, and then commission from organisations that will deliver outcomes.

Our approach to commissioning starts with how we support our children to get the best possible outcomes from education, and help all our young people go to great schools and to get the most from this experience. As schools become more self-governing, our role will be to champion the interests of children as they grow up, helping them to realise their full potential, giving them the best range of options for the rest of their lives. Strong, high quality Further and Higher Education is a crucial part of this too. In particular we want to strengthen Higher Education in the county through the new university, complementing and working alongside colleges already in Shropshire, anticipating and helping to shape the county's economy. This, in turn, will develop a skilled workforce, higher wage levels and increasing prosperity for Shropshire.

Our county is documented as being one of the safest places to live in the country and we will work hard to ensure this continues to be the case. A range of factors including better public awareness of safeguarding and child protection issues have seen an increase in numbers of Shropshire children being referred to social services. Costs of placements in the 13-17 age group are also rising and numbers of young people

with learning difficulties becoming young adults will almost double in the next three years. Like any good parent though, we want all our looked after children to benefit most from the opportunities on offer – educational, economic and remain within a supportive family environment wherever possible.

Shropshire benefits massively from its active, experienced and engaged older population. We have more older people than average in England (20.7% of the population are aged 65 and over, compared with 16.4% for England and Wales, Census 2011), and the over 65s are growing faster than elsewhere (23.8% compared with 10.9% for England and Wales, Census 2001-2011). In light of this demographic balance we aim to make Shropshire an exemplar for longer lives – adding ‘life to years’ as well as ‘years to life’.

Our voluntary sector is one of the strongest and most capable in the UK, partly due to the availability of expertise. It’s changing though, with fewer long term volunteers and more people looking to the sector to provide work experience to help them get into permanent work. Recognising this, we’re working with communities, and with the voluntary sector to develop their capacity to do as much as possible for themselves. University Centre Shrewsbury has already identified this as a major potential area for collaboration, working alongside the VCS Assembly and its members to support evaluation, gain insight and experience from elsewhere and academically validate activity (or advise on improvement) so that the sector can grow and support people within and beyond Shropshire.

Around 1 in 20 Shropshire adults receive some form of care. That’s 16,000 people in the county, most of whom have health conditions and associated needs. Supporting these are over 34,000 informal, unpaid carers, just 1 in 10 of whom are, in turn, supported by the Council. We have increasing numbers of people with dementia and other conditions needing complex care, particularly in the over 85s. Responding to these pressures, our approach is to give people – service users and carers alike, as much say as possible in purchasing the support they require. We want to promote self-support and independence wherever possible to reduce reliance on funded services. Our overall intention is, wherever possible to help people not to use adult social care services at all, or if eligible, to meet their needs as quickly and efficiently as possible. We need to do this in ways that fully comply with new and additional requirements coming out of the Care Act and which protect the most vulnerable members of society and keep them safe.

To help be as efficient as possible we’re fundamentally rethinking how all our support functions (like HR, Finance, IT) work. In partnership with ip&e, we are designing the right infrastructure for the council’s future needs. We want this to be the best so we can sell to other organisations beyond Shropshire, bringing wealth and jobs into the county. We are redesigning around zero based budgeting principles, starting with no assumptions about what we currently do, building investment on the basis of outcomes. We are accelerating the move of services online with

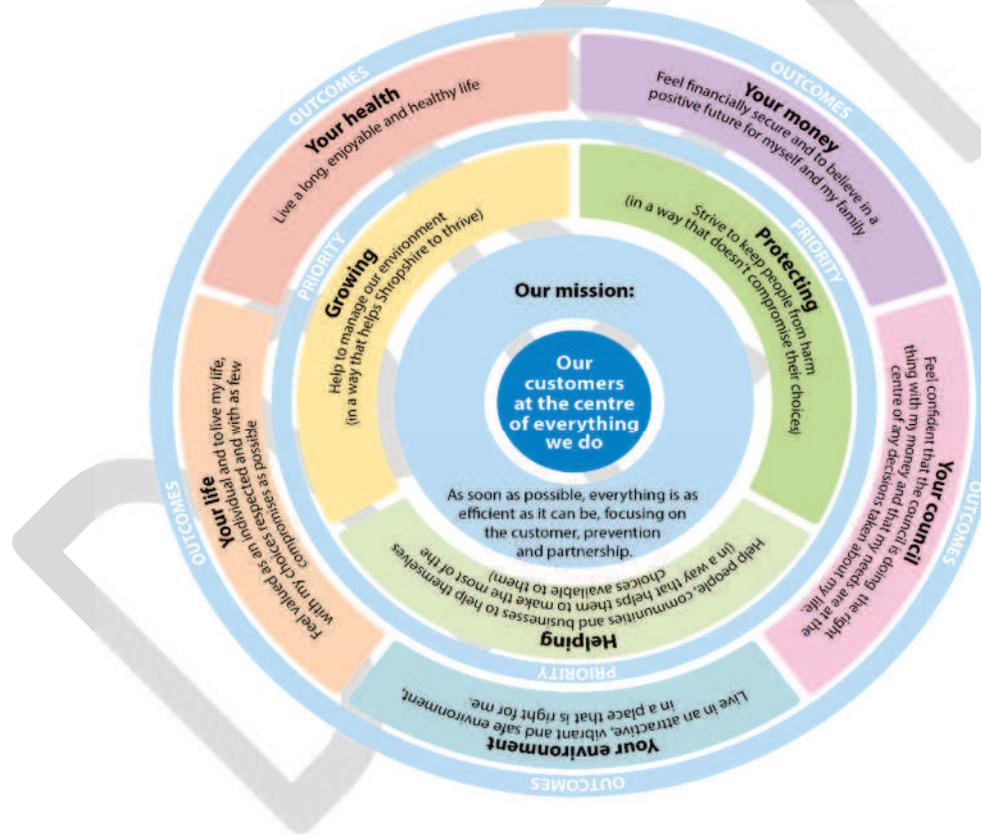
a digital first approach giving easier and cheaper access to information and services. We want to create a strong, flexible and committed workforce with the right experience, knowledge and skills through the right quantity and quality of people.

Shropshire's infrastructure is of great importance in unlocking our economic potential and realising much of this ambition. In physical terms, the county has over 3,170 miles of highways and one of its biggest challenges is ensuring their maintenance to keep communities connected. The highways assets include bridges, streetlights, roads, culverts, retaining walls and drainage systems worth £4 Billion and therefore need a cost effective strategy to maintain. Our infrastructure, Broadband and mobile Internet accessibility is of equal and growing importance and an area where we know we need to do more, particularly to sustain and capitalise on our potential competitive advantage from quality of life factors.

We want to develop assets that generate revenue to fund public services, and sell or otherwise dispose of the buildings we will not need as we change the way we operate. Instead of expensive buildings that are no longer fit for purpose or needed by the new council, like Shirehall, we will prioritise the buildings we and our customers need and will use in an increasingly online future. Over the next year much of our office-based (rather than face-to-face) staff will move out of expensive buildings and be enabled to work flexibly in ways which more accurately reflect the location of need.

# Council Priorities

As a council, we are focused on achieving better outcomes for our customers. Everything we undertake should work towards fulfilling one or more of these outcomes, with an emphasis on ensuring that our priorities are delivered. This is summarised in Figure 1 below, and forms the backdrop for delivering the Council’s Medium Term Financial Plan over the next three years.



## Listening to our customers

Our priority is to design new services to ensure that they focus on customer needs. To do this we have to understand our customers better than ever before and use this information to shape the services that customers need .

We are working with communities to explore different ways of designing and delivering services. Through our Local Commissioning approach we've recognised that we need to redesign everything we do as an organisation in ways that take full account of what's already happening in each community, and on understanding customer needs as the basis for what we, and others, do instead. So, rather than a 'we know best' one-size fits all approach, everything we redesign from now on starts with, and builds on this insight.

Through this approach, we are working with a range of local people and partner organisations, using statistical data, financial information and crucially people's real-life stories about life and their experiences. This is then used as a resource by local Shropshire Councillors, other key local leaders and agencies to redesign what happens to make more sense from the perspective of local people, stripping out waste, duplication and cost. Any commissioning that results from redesign will aim to keep money and jobs as local as possible, recognising the importance of this to the economy and health of our communities.

A critical part of our new approach will then be evaluating the impact of commissioned services on the problems they are designed to address. Reviewing these and seeking to constantly improve and reinvent what we commission will be key to our ongoing approach.

In Church Stretton for instance, this has already resulted in redesign of how older people are supported to live independent lives, for as long as possible, and in getting long term unemployed people back to work. In both cases, taking a whole community perspective has meant understanding and maximising the resource of voluntary and community-based organisations, and tapping into the immense experience from local people themselves. The end result will be substantial savings to the council and other public service organisations, at the same time as improved outcomes for local people.

# Organisation Development and Workforce Strategy

Organisational Development (OD) is deliberately planned organisation-wide interventions that are designed to enable an organisation to achieve its strategic goals. We are developing a systematic approach through learning and development activity that is intended to change attitudes, behaviours and structure of the current organisation to enable it to make full use of advances in technology, manage a shrinking budget, exploit new opportunities and meet the ensuing challenges of the external environment.

OD interventions are about change so involve people, but are also about developing processes, systems and structures. The primary purpose of the activity is to develop the organisation as a whole - processes, staff, outputs and outcomes.

Our OD plan is designed to link up all our learning and development activity to support service redesign so, for example, it can support agile working and the rollout of new technologies by ensuring people have the skills necessary to fully use new systems.

## **Our People**

Our people are vital to helping us deliver excellent services to our customers. To do this effectively we have developed a Workforce Strategy.

The aim of our workforce strategy is to create the conditions for establishing a strong, flexible and committed workforce. To achieve this it will be necessary to identify and analyse what the organisation (commissioning council) is going to need. In particular the requirements in terms of experience, knowledge, skills, quality and quantity of workforce need to achieve our aims.

The workforce planning activity links to both strategic and local commissioning, and enables a co-ordinated approach to ensuring that commissioned activity can be delivered by the providers in the market, or where there is under supply the market can be stimulated to develop to meet demand.

As service design activity increases, the skill profile of the workforce will change and a robust workforce plan will establish a framework to develop the available workforce in line with the emerging profile.

A highly-skilled and well-developed workforce will remain motivated and capable of delivering and competing in the constantly changing workplace environment both locally and nationally.

Activities include:-

- Identifying the skills, knowledge and experience required - where gaps exist, how these can be filled. Utilising those with the required skills to up-skill others to create a qualified and skilled workforce.
- Planned Organisational Development interventions to bring about significant improvements in organisational effectiveness and efficiency.
- Creating solutions for operating in a more mobile and agile environment by adopting different ways of working including use better use of space and better technology. In an environment that is underpinned by a different culture within the workforce. One that embraces change.
- Demand and supply management of an external workforce – ensuring that resources are deployed in the most appropriate way, at the right time to meet commissioning outcomes.

‘The right people, with the right skills in the right numbers, at the right time.’

### **Redesigning everything we do: Local Commissioning**

The Locality Commissioning approach is increasingly how we work by bringing various services together around themes – like Early Help and reducing worklessness, which are then developed and prototyped into new and innovative ways of working that drive out duplication and inefficiencies and increase customer value. Once this is understood, services will then be commissioned out to the Shropshire market place, knowing that what is needed can be delivered in a different way and at a significantly lower cost. Depending on the outcomes of the prototype, the re-commissioned services could be commissioned at a local, area or countywide level. Activities for Young People is one model that will be in place from Spring 2015, and we are currently exploring other areas including local highways, maintenance of place (grass cutting, pavement repairs etc) through to car parking in local communities and library services. The commissioning and governance of place will be led by the local elected councillors in their evolving role as commissioners of place, and by bringing partners together within the Local Joint Committees. This evolving approach has taken its learning from the Local Governance Boards in Church Stretton and Monkmoor that were established back in 2013 when this new journey began.

## The Context for our key services

To strengthen how we operate to be able to meet the challenges ahead of us we are organised into 5 main areas, all delivering against our overall priority – “As soon as possible, everything is efficient as it can be, focusing on the customer, prevention and partnership”:

- Adult Social Care Services
- Children and Young People’s Services
- Public Health
- Resources and Support
- Commissioning

Crucially these are not isolated silos, and each works in new and different ways to make the biggest possible impact on the overall challenges of redesigning everything we do.

**Adult Social Care Services** – has a powerful role to play in recognising not only the cost of an ageing population but also the importance of supporting and maintaining resilience. The older population has great potential to make a positive impact on other service areas, drawing on the rich experience and commitment of older people across Shropshire. Whether in rethinking care services, building a new university offer or reinventing how library services are delivered, older people will have a crucial role to play. Working in partnership with communities, the VCS and the NHS will be increasingly important to achieving all these priorities.

**Children and Young People’s Services** – plays an increasingly influential role as the advocate for young people across all service areas – to ensure all young people are kept safe from harm, attend school, achieve well and make an effective transition into adulthood. As the average age of Shropshire’s residents increases, it will become even more important to ensure the best provision, good opportunities and that there is a powerful voice for young people, facilitating their engagement within their own communities. Safeguarding children will be at the heart of everything that we do.

**Public Health** – we are continuing to explore the full potential for all council services to be as health-promoting as possible. This means making the most of our new health expertise over areas as diverse as planning control, social work and school meals. We need to more fully recognise

the whole-life cost of ill health to people and families, and to the council, and are committed to taking a long term view on changing behaviours, on designing healthy communities and reinforcing healthy choices. We also intend to build new bridges with the academic capacity being delivered through University Centre Shrewsbury – particularly supporting evidence-based decision-making.

**Resources and Support** – challenges and enables change by being focused on finding solutions and by devising and supporting new ways of working in support of the frontline teams who provide a service to the public. Whether by using new technology, utilising the evidence from best practice nationally, through joint work with partner agencies, or through more creative use of our key assets – people and buildings, we are developing more cost effective ways of delivering key services to local people.

**Commissioning** – has through the development of the new Commissioning Strategy established clarity and consistency on why we are commissioning and how we will go about it. It has created the approach across the organisation on keeping as much of what we deliver here in Shropshire, therefore strengthening the local economy and creating jobs – a key strand of our Economic Growth Strategy. The Commissioning Team is now focusing on creating consistency of approach (with a new useful interactive guide) in how we commission within the organisation, as well as identifying the skills, knowledge and awareness needed to make us (staff and elected councillors) successful in our approach. Local Commissioning is being driven within the commissioning team working with elected councillors to ensure what we commission at a local level best meets those community needs.

Key operational and financial challenges are now set out for each service area:

## Adult Social Care Services – Operational Challenges

Adult Social Care Services is focused on providing support for vulnerable people aged 18 and over, older people and adults with disabilities. In order to meet their needs at a local level, we need to consider both the increasing demand on services from an ageing population, the increasing numbers of younger adults with complex disabilities and the expectation of service users and their families. We also need to support individuals with much more complex needs for longer than before.

We have chosen to meet these inexorable pressures through a combination of approaches. We have reframed the expectations that citizens should have when they contact us. Through a different conversation with greater focus on the individual's potential rather than their deficits or need, we aim to enable citizens to have their need met with little or no requirement for council funding. For those people with the most complex needs we aim to still maximise individual potential and choice working to deliver innovative solutions in partnership with the VCS and the NHS. Finally, for those whose needs are the most complex, we commission the most cost effective support solutions.

This has clearly involved working to change people's expectations about how services are delivered, but has not meant lowering standards around quality of life. We believe there are further opportunities for the reduction of cost of provision and internal efficiencies, but the focus must now be on demand-led transformation and the real challenge is changing the relationship between citizens and the Council. The requirement and potential of how working differently, with our other key partners – particularly the voluntary sector, health providers and suppliers, needs to be explored and developed further to maximise their help.

We also focus on individuals' needs with an eye to their family and to their community as resources which can support these, minimising reliance on the council and other public agencies as the norm. The role that paid and, in particular, unpaid carers play will be crucial. Much demand for public services is driven by behaviour - often citizens behave the way they do because the public service behaves the way it does. To manage down the costs of local services with the support of the public, we need to engage with citizens and develop a relationship of trust so that:

- People who can are able to commission their own care within the resources available to them
- The council's role becomes one of facilitator and enabler, rather than a provider of services
- People can plan their care and take control over decisions with our support
- The most vulnerable adults are safeguarded and our high-quality service is maintained

## Redesigning everything we do – Adult Social Care case study

In the last year we have completely redesigned the relationship and offer of support that the citizens of Shropshire has with the council.

The redesign has been achieved through building upon the initial work done with People to People, enhanced and further strengthened through the work undertaken within the STEP 1 and STEP 2 prototypes to create the 'New operating model' (NOM). The NOM is based upon different conversations and support occurring at a very early stage in the relationship or pathway that the citizen encounters. At our First Point of Contact the conversation starts by focusing on utilising both the strengths of the individual and their family in conjunction with available resources within their local community to meet their need at that time.

We are now able to identify successful solutions for over 70% of the people who contact us via FPOC during that initial conversation. We also follow up two weeks later to confirm that the need or issue has been addressed and resolved. The feedback received to date has been both positive in the choice of support identified and the aspirational focus of the support. We have shown that the council 'cares' through this very simple call back.

The principle of holding different conversations continues with those people who require a local face-to-face support again through the redesigned 'Lets Talk local' approach. This has delivered a shorter wait to see a social worker and being local-based allows for greater use of local communitybased resources.

We aim to further strengthen this approach through the 'resilient communities' development work underway at present.

The NOM created through redesign has supported not just redesign of the citizen pathway but also the processes our staff use, the assessment tools and records they keep and the reports created to measure outcomes and impact. This has enabled the creation of tools that staff feel are relevant to the job they do, providing meaningful data and realtime feedback on impact and performance. The morale and satisfaction of staff within the service and the recorded compliments has increased. In addition, through the redesign we have been able to reduce the staffing establishment associated with the pathway by 12% whilst increasing productivity and outcomes.

## Adult Social Care Services - Financial Outlook

Shropshire faces significant demographic challenges both in relation to the increasing number of elderly people as well as those elderly people aged over 85. Equally there are growing numbers of people who have life-limiting conditions either as a result of accident or disability that require high levels of support and therefore associated funding. In addition to the increase in overall numbers, the type of support requested is often disproportionately expensive and therefore work will be needed to ensure that the most cost effective support is provided whilst offering as much choice as possible.

We have factored into our redesign activities the impact of emerging national policies. The implementation of the Care Act puts care on a more statutory footing, as well as introducing deferred payment arrangements and a national minimum eligibility for support.

The Commission on Funding of Care and Support, headed by Andrew Dilnot, set out its blueprint for reforming social care funding in July 2013. Under its proposals, some of which have yet to be finalised, it is estimated £1.7bn would be added to the costs of care in England, including *(the following figures remain provisional until final publication of the funding reforms)*:

- Capping lifetime individual contributions to care at £72,000. This would cover care at home and in residential care, but not board and lodging costs within care homes.
- Providing free adult social care support for those who develop needs before they reach 18.
- Raising the means-test threshold for savings below which people become eligible for state-funded residential care from £23,250 to £118,000.
- Standardising contributions to board and lodging costs in residential care at between £7,000 and £10,000 a year.
- Introducing a national system of assessment and eligibility, initially set at substantial need.
- Retaining disability benefits paid to people with care needs, but rebranding attendance allowance.

The true costs of implementing the Care Act will emerge clearly throughout the next two years (2015-2017). Careful monitoring of its impact, both service-wide and financially, will be necessary to ensure successful implementation.

### **Better Care Fund (BCF)**

The Better Care Fund, which comes into full implementation in April 2015, supports and requires Adult Social Care and the NHS to work much more closely together, including where appropriate the integration of services. The BCF, which will be overseen by the Health & Well-being Board, will initially be £21.75m but has the option of increasing where this model supports redesign. There are two primary focuses within the Better Care Funding: community resilience, and reduction in demand for hospital-based care.

The development of resilience within local communities to support vulnerable people living healthy and well supports clearly the Adult Social Care operating model, but careful monitoring of the impact of both the overall community resilience strategies and also the specific schemes within the BCF will be critical.

Another focus of the Better Care Fund has been on reducing hospital admissions and enhancing the supportive discharge processes to assist people to return home. The Council, in conjunction with both Shropshire Clinical Commissioning Group (CCG) and Shropshire Community Trust, has developed Integrated Community Services (ICS) which has focused on this area and will provide a positive model for the future. This has been a good example of co-production between the CCG, and council and co-delivery between the council and Shropshire Community Trust.

## Children and Young People’s Services – Operational Challenges

Children and Young People’s Services is responsible for ensuring that all children and young people in the county are kept safe from harm and achieve their full potential, becoming happy, healthy adults. It champions the interests of children through a range of universal, targeted and specialist services, working with a range of organisations including early years settings, schools and colleges, the police, health and voluntary sector.

Key enduring responsibilities include:

- The Child Protection System, including statutory assessment processes and the duty to remove children from their family, including through the legal process.
- Ensuring the adequacy and sufficiency of suitable placements for children – including fostering, adoption and residential homes, provide for the needs of disabled children, provide Early Help arrangements, ensure an Independent review service is in place.
- Ensuring that the educational needs of looked after children are met.
- the statutory functions of schools admissions and placement planning, ensuring good governance for maintained schools and access to full-time education.
- Assessment and placement of children with Special Educational Needs, enforcement of attendance and intervention in schools judged to be failing.
- Continuing to improve education provision and outcomes through delivering the Council’s core role to monitor, challenge and support early years settings, schools and colleges. There is also a focus on developing further a separate, well-targeted and good quality traded service to offer to schools and their governing bodies.

### Redesigning everything we do: Children and Young People case studies

#### Inspire to learn

Shropshire Council has established a new approach to delivering a range of traded services to schools – HR, Payroll, School Meals and specialist advice and support to teachers. Schools are free to purchase these services from the council, or from other providers based outside of Shropshire, and competition in this market place is strong. The council and its wholly-owned company, ip&e, have developed a very different and compelling vision for traded services to schools in Shropshire. We have branded the results ‘Inspire to learn’. The approach starts from the

perspective that everything that happens in a school should be designed to do all it can to help children and young people reach their full potential. We have been co-designing the new offer with headteachers, schools business managers and governors. What we will provide in future is more choice in what is delivered and how it is delivered. Our new approach will enable us to work with individual schools and clusters of schools to create a menu of services which are flexible to meet the changing needs of the education sector. To achieve our aim we will continue to work in partnership with ip&e and our school communities to provide a single point of contact for traded services. The new and re-designed suite of services will benefit children and young people in Shropshire schools and has the ability to be traded out beyond Shropshire's boundaries and in this way help to secure the future for the support to our schools.

### **Whole family support**

Just as we've fundamentally redesigned the way adult social care works, in children and young people's services, we've looked at how multi-disciplinary teams at local level work with the whole family to do everything possible early on to prevent the need for more costly later action, often inevitably with a less positive outcome from the family perspective. The aim is to prevent escalation to costly specialist services and provide support to help families reduce their need for social care. Savings of £500,000 in year one have been achieved with anticipated savings of £700,000 in year two.

This redesign sits alongside the reconfiguration of social care systems and structures, aiming to reduce the number of key social workers that a child or family will need to have over the course of several years. These changes have increased individual social workers' abilities to support a family, improving the quality of their support and cutting out unproductive and wasteful handovers and duplication. Savings achieved in 2014 were £500,000.

### **Preventing Children Becoming 'Looked-After'**

We will be the first in the country to implement a programme of short breaks for young people on the edge of care. This initiative will provide short residential breaks combined with social therapy with young people and their parents, so that wherever possible families can live together in a unified and sustained way, thus avoiding the need for children to come into the care of the local authority.

## Children and Young People's Services - Financial Outlook

There will be a step change reduction in education finance over the next few years for a number of reasons:

- 1) The overall reduction in funding to local authorities for the provision of services through the Government's fiscal policies.
- 2) Shropshire has 17 Academy schools (November 2014) – 12 secondary, 4 primary and one special. Numbers of academies are likely to increase in the next few years. There are currently five Academy conversions in progress. As the number of academy-based pupils increases, the level of Education Services Grant for Shropshire will fall as resources are transferred to the Education Funding Agency who are responsible for funding state schools outside the maintained sector. This will, in turn, reduce funding for education support services. Work has been done to model the likely reductions in the Education Services Grant and consequential impact on education support services in the next few years. This is being used to develop options for the future commissioning and delivery of education support services.
- 3) The number of children of statutory school age in Shropshire will continue to fall until at least 2019. This reduction will result in a loss in Dedicated Schools Grants of nearly £7m over the period based on current projected pupil numbers. While housing developments will influence the demand for school provision in some specific parts of Shropshire, they are unlikely to result in a significant increase in aggregate pupil numbers across the whole county and instead are likely to result in a redistribution of the existing pupil population.

The number of children with additional learning needs and disabilities is expected to increase. The number of children referred to children's social care is 44% higher when compared with the same period in the previous year. The rate of Looked After Children also continues to rise, seeing a 47% increase over the same period last year. These areas are the focus of significant service re-design in order to ensure appropriate early intervention, and to provide more whole family and local-focused solutions, which includes the introduction of short breaks for young people on the edge of care, and increased permanency outcomes for children to be with families, either their own, close relatives or with foster families.

## Public Health – Operational Challenges

Public health is all about promoting and protecting people’s health and well-being, preventing ill health and prolonging life. Shropshire Council’s Public Health responsibilities are creating opportunities to improve health outcomes by using evidence to improve decision-making across the Council’s work.

There are three main areas of focus for the team within Shropshire Council, working across the organisation to maximise their impact:

- Health improvement – promoting the health and well-being of the population by enabling individuals, families and communities to lead healthier lifestyles
- Health protection – protecting the population from infection or environmental hazards, including immunisation and screening
- Improving service – through surveillance and monitoring of specific diseases and risk factors, audit and evaluation

The Health and Social Care Act 2012 created Health and Well-being Boards. This unique Council-hosted committee is formed from a mixture of appropriate Cabinet members and officers from Shropshire Council, Directors and Lay Members of Shropshire Clinical Commissioning Group, Healthwatch, the Voluntary Sector Assembly and NHS England. The Shropshire Health and Well-being Strategy and the Joint Strategic Needs Assessment are currently being refreshed to ensure that the Board’s co-ordinated efforts focus on the key rural health inequality challenges facing our population. The Health and Well-being Board has also been given the responsibility by central government of oversight of the Better Care Fund. The fund brings together existing resources from the Council and the CCG as part of a joint strategy to deliver greater integration of key health and social care services.

Compared with England averages, Shropshire is a healthy place to live with higher life expectancy rates for men and women. Public Health England’s “Longer Lives” survey rates Shropshire amongst the best council areas for its lower levels of premature death. However, we have differences in life expectancy from inequalities, with men from the most affluent communities living almost six years longer than those men from the least affluent communities, and for women the gap between the most and least affluent is almost four years.

Preventable causes of premature death and serious long term illness such as obesity, smoking, substance misuse and lack of physical activity are major factors in heart disease, stroke and cancer. With the ageing profile of the local population, investment is needed to prevent or delay the onset of long term conditions such as diabetes, cardiovascular disease and chronic obstructive airways disease. Key challenges for

Shropshire to address include the rising levels of obesity amongst children and adults, the low levels of physical activity and rural health inequalities.

Shropshire Council now has responsibility for commissioning the following public health services:

- Children's Health aged 5-19 years (School Health)
- Promoting Physical Activity
- Obesity Prevention & Nutrition
- Alcohol and Drug Misuse prevention and treatment
- Tobacco Control
- Mental Health Promotion
- Dental Health
- NHS Health Checks
- Infection Prevention & Control
- Sexual Health

The Health and Social Care Act 2012 also places a new responsibility on Local Authorities to commission health visiting services from April 2015. This responsibility currently rests with NHS England. It will be necessary for the Local Authority to work closely with NHS England to enable a smooth transition of commissioning responsibility and to enable service redesign appropriate to the needs of our population. The inclusion of this new service within the Council's commissioning responsibilities will provide an opportunity to redesign the programmes that are currently provided to support families, children and young people within Shropshire in the home, in children's centres, schools and other community facilities.

As part of the Council's redesign of its services, a specialist health promotion service has been created with the intention to transfer to ip&e. The new service called Help2Change provides a range of programmes to help local people including the Health Checks Screening programme and Smoking Cessation service. Working with local partners such as GP surgeries and Shropdoc, Help2Change will also have the opportunity of offering its services to other councils and health service commissioners. Through the Help 2 Change approach being developed with ip&e we are exploring opportunities to integrate more of what we do to help people stop smoking, manage a healthy lifestyle and weight.

The development of a University for Shropshire includes a plan to establish a research cluster around health and well-being. As part of this development, the Council's Public Health Team is working closely the University of Chester staff to create a viable joint academic unit.

### **Public Health - Financial Outlook**

In April 2013 Shropshire was allocated one of the lowest grants for public health in England (£29 per head of population compared to the national average of £49 and City of Westminster Council's allocation of £128 per head.) The Department of Health has advised that it will be reviewing the funding formula. Shropshire Council continues to lobby central government and local MPs, along with other rural councils, to show how this unfairly and severely limits our ability to tackle health inequalities and to commission the right services for Shropshire people. In 2014/15 the public health grant received a 10% uplift in funding as part of a move towards a fairer share of national resources. Even with this increase in resources Shropshire Council still receives less funding per capita than the national average, namely £32 per capita compared to the £51 national average allocation. In financial terms if Shropshire were to receive the national average allocation this would equate to an almost £6m increase in its current £9.8m grant.

The current target allocation set for Shropshire is £35 per capita compared to its current £32. Based on our population of over 300,000 people our council was expecting to receive an almost £1m increase in its funding for financial year 2015/16. However, in October 2014 the Department of Health announced that it was freezing the move to a fair shares funding arrangement; therefore, Shropshire Council will not receive any additional funding next year for its current responsibilities.

The council faces additional financial pressures in delivering the public health responsibilities given to it by central government. These include funding the cost of patients resident in Wales who access sexual health clinical services with Shropshire and the loss of a central grant to reduce fuel poverty and hard to heat homes. These changes in Department of Health funding policy place a limit on the investment that Public Health can make into illness prevention and health promotion services; therefore, the council will continue to lobby for a fairer resource allocation form central government.

## Resources and Support – Operational Challenges

The Resources and Support team provides a wide range of services to support the operations of Shropshire Council, including managing our assets, our Customer Service Centre which provides a 'first point of contact' for advice or assistance from local residents, to key support functions such as finance, legal services and IT. This range of roles helps to define the context in which Shropshire Council as a commissioning organisation needs to operate. As a gateway to local people our customer service centre, our website and related services are a key resource to local communities. Such services need to reflect the changing needs of local people, the developments in technology and the resources that are available to local government. Such factors must drive Shropshire Council to develop excellent financial, legal, strategic and organisational advice, guidance and where necessary, controls, to deliver outcomes for its customers in the most cost-effective ways possible.

In partnership with ip&e, we are designing the infrastructure for the future needs of Shropshire Council and other commissioners looking to work in radically different ways to improve outcomes to our customers. This will enable swift take up of the best systems and most efficient and well-designed business processes. It means anticipating future demand, working with the council and other customers to help understand and take advantage of what's on offer. It also means working with local communities to create appropriate and accessible ways for them to identify easily the sources of advice and support that they may need. Whilst in the past councils have relied on having their own offices in every location across their boundaries, increasingly it makes more sense for such resources to be shared with other partners or voluntary sector organisations. As part of our plans to strengthen our emergency planning arrangements the Council's Emergency Planning Team is now based at Shropshire Fire and Rescue Services. This has improved information sharing and our joint response to civil emergencies. The Public Health Promotion Service 'Help2Change' has co-located with the county's Out of Hours Medical Service 'Shropdoc'. This partnership will enable both organisations to improve the range of health promotion services that they can provide to local people.

## Redesigning everything we do: Resources and Support case studies

### Craven Arms Library

#### Background

The Library was located in the local primary school until 2007. It then moved into Shropshire Hills Discovery Centre (SHDC) as part of a programme of improvements to the Centre with Advantage West Midlands (AWM) funding. The library became part of the SHDC, with Council staff operating the visitor attraction, café, VIC and library as one integrated service.

In 2012 review of the Centre began. It was clear that its role had become that of a community centre as well as a visitor destination. There was already a community centre at the other end of the town which had just been taken over by Shropshire Furniture Scheme (SFC) and it was obvious that the two centres needed to compliment and not duplicate each other. The SHDC needed to re-define its identity; the Council needed to make significant savings and could no longer afford to run the Discovery Centre in the same way. It was decided to invite other organisations to make expressions of interest in running the Centre as a visitor destination in partnership with the Council.

The Library, as a community facility, did not fit into this vision but it would fit well with the aims of the newly-extended and refurbished community centre (CasCA). The SFC were very interested in taking over the Library and discussions began between the Council and SFC early in 2013. At the same time it was agreed that the Council would work with Grow, Cook, (L)earn as the new partner to run SHDC.

#### Where we are now

The Library was transferred to the SFC in April 2014. The SFC run the Library as an integral part of CasCA, using their staff.

The new model is one example of local commissioning with the Council and the Shropshire Furniture Scheme. The library remains a part of the Council's network of 22 libraries and the Council provides the books, exchanges, van deliveries and the support of a librarian.

This model for the delivery of library services is similar to other models nationally whereby the library is transferred to, or works in partnership with, another organisation. Shropshire Libraries intends to work in partnership with other local organisations in the delivery of up to 16 of its smaller libraries.

### **What works well**

- Although smaller in size, the library is in a good central space with the opportunity to use other spaces for library events and library customers also make use of the Centre's IT Suite.
- There are longer opening hours from 9.30am to 10.00pm daily and Saturday mornings.
- Managers and staff are enthusiastic, keen to learn and keen to improve and develop the library there.
- The Library fits in with other activities in the Centre. People attending to use sports facilities and community activities can make use of the library on the same visit and vice versa.

### **Customer Service**

The Customer Service Point was also located in the Shropshire Hills Discovery Centre and dealt mainly with 'traditional' service provision to those customers whose preferred method of doing business is face to face. Services provided were mainly around bus pass provision, Blue Badge application and renewal, waste enquiries and transactions and reporting issues such as environmental and highways services.

The decision to relocate the Customer Service Point to CascA was partly as a result of previous involvement with the Furniture Scheme's similar operation run from the Rockspring Centre in Ludlow which had grown in stature and trust among the local population and was very community oriented, with strong links to local volunteering resources and strategic partners such as housing associations.

### **New Delivery Model**

At the moment the delivery of services remains with Customer Services staff: however, a new dedicated public phone is now being installed that will link callers directly to the Customer Service Centre that is able to handle the majority of customer need. Additionally, a new public PC which will be located in CascA's IT suite and which will be dedicated to council business. Staff and volunteers at the centre will assist customers in conducting transactions via the Council's website.

**What works well:**

This new approach of local commissioning has been shaped and co-designed by all of the key partners – Shropshire Council, Craven Arms Town Council, Shropshire Furniture Scheme and others. Led by the local councilors in their role as local commissioners, key outcomes and services are still being provided and improved upon, but within a financial envelope that is more efficient to the council tax payer.

**Programme Management/Business Design**

During 2014/15 the Programme Management Office and Service Design Team were combined, moved into ip&e Ltd and commissioned to provide business design expertise for the Council. In practise, this has encompassed design activity across the breadth of the Council, for example increasing recycling and reducing levels of waste, changes to transport services and arrangements, changing how the Council supports and enables economic growth, and helping Adult Social Care move to a preventative delivery model. Given the high levels of knowledge and experience within the team, the Council has also seconded a small group of its staff from across the Council to understand and learn this new approach to designing services around the needs of customers. This has resulted in additional capacity and enabled the team to cover a wider range of design activities.

With over 100 change projects currently running across the council (and more in the pipeline), effective governance and programme management is essential. Through its tracking hub role, the team helps the Council Management Team to keep projects on track, quickly resolve issues and make sure that the best possible outcomes are achieved for customers, the Council and the tax payer. In addition the team has also been instrumental in helping the Council to understand how it can most efficiently transition services into different delivery vehicles (including ip&e), and supporting key initiatives such as the development of University Centre Shrewsbury.

**Resources and Support – Financial Outlook**

The Resources and Support team helps to manage the Council's overall resources and is at the centre of managing the infrastructure that supports Council resources from Council Tax, Local Business Rates and Central Government Funding. The austerity measures that have driven reduced funding across the public sector from CSR 2010, through to the spending round update in June 2013, have all been built into the Council's financial projections over the medium term. Over the longer term it is unlikely that resources will grow in local government, and indeed there may be further pressures on local council budgets in the coming financial years. The Resources and Support team will need to ensure that the Council continues to deliver a legal and sustainable budget, making key strategic decisions on behalf of the wider council and

through the support to redesign of services. As other councils and statutory sector organisations face similar financial challenges, we will explore opportunities to develop areas of business that could be shared or sold to other organisations through our company ip&e. In doing so, this approach will achieve economies of scale and increase potential revenue, whilst maintaining an efficient, effective service to Shropshire Council.

### **Commissioning – Operational Challenges**

The Commissioning team whilst principally focused on those areas that make up activities in a place or community, continues to work across all parts of the council to ensure what we do is redesigned around the citizen and the communities they live in. It continues to be a key player alongside other functional areas in Adult Social Care Services, Children’s Services, Public Health as well as wider working with the Clinical Commissioning Group, the Voluntary and Community Sector and West Mercia Police in helping communities to support one another; or, put another way, creating resilient communities.

The Commissioning area has continued its journey on redesign, including the transition of newly designed Public Protection and Planning teams that will be in ip&e from April 2015. It is also having numerous ‘community conversations’, led by local elected councillors, with all of the key interested community groups and organisations to shape a different offer that best meets those community needs. A good example of this is considering the way we provide the library offer alongside Visitor Information and customer services, and through these conversations designing a new approach that best meets those community needs.

The Commissioning team takes the lead on the Council’s overall approach to commissioning. It also directly delivers a number of service areas which will all be subject to redesign over this business plan period, most within the next twelve months.

Specific commissioned areas include Waste Collection and household recycling services, Leisure facilities (excluding joint use), and Highways and Maintenance. Those that are currently directly delivered are both universal and targeted and include Libraries, Public Protection, Development Management and Planning Policy, Outdoor Recreation, Public Transport, Arts Development, Positive Activities, Community Enablement, Sports Development, Business Growth including Business Support, Environmental Services, Theatre Services and the Visitor Economy (museums, tourism and Shropshire Archives).

These reflect a very significant part of the council's physical presence within Shropshire's communities. In rethinking and reshaping how these are delivered in the future, the council will always focus on what local assets and capacity exists, as it moves more towards the local commissioning approach. It will do this by understanding what needs there are locally and, working with the local elected councillors, seek to achieve the same, or better, outcomes for customers by using these assets, and capacity within the community and across other organisations more intelligently. The Positive Activities service is one of the first areas to be commissioned at a local level using the existing Local Joint Committees as its local governance, and genuinely giving those communities the resources (money, buildings and skills) locally to shape activities for young people in the local area, based on strong evidence and need.

This new way of commissioning has evolved from the work that was first started in February 2013 in Church Stretton. It has since led to many similar conversations and new, redesigned ways of working in communities that has then become a new 'business as usual'. For example, in Ludlow we have been working with Ludlow Assembly Rooms and Ludlow Town Council to develop new ways of delivering the Museum and Visitor Information Centre. Proposals include relocating the Museum to the newly refurbished Buttercross (supported by funding from the Market Towns Revitalisation Programme) with Ludlow Town Council and the Friends Group then running the day to day operations. In addition the Visitor Information Centre will be integrated with the Box Office operations, which will free up space on the ground floor for the Assembly Rooms to develop new activities, which will generate new revenue streams into the business. This new operating model has been enabled by agreeing a new lease for the whole building and by commissioning both the Assembly Rooms and Ludlow Town Council to deliver services on behalf of Shropshire Council.

Similarly, in Shrewsbury the *Team Shrewsbury* model has been adopted. The partnership includes Shrewsbury Town Council, West Mercia Police, Shropshire Fire & Rescue, Shrewsbury Business Improvement District (BID), Shrewsbury Shopping Centre, Safer Shrewsbury and Shrewsbury Street Pastors and has a vision that by working together, Team Shrewsbury will develop a more streamlined approach in tackling some of the issues the town faces, reducing bureaucracy, pooling resources and knowledge, and ultimately creating a safer environment and promoting pride of place.

The team is also working closely with several other organisations including The Big Busk and The Ark to look at the bigger picture in regards to public protection issues to ensure that people who are genuinely vulnerable are supported to find appropriate help.

Again, partnership working is key – by looking at citizens and communities collectively (as opposed to organisationally) the new approaches continue to be better, faster and cheaper for the customer, because we are working together, with a focus on prevention.

The work in Church Stretton has also acted as a catalyst for change in many other areas. For example, in transport we are now exploring a different approach to how we ensure those children that have specific needs can get from their home to their school. Working in partnership with parents and carers through their representative bodies and schools, we are together shaping how we can deliver our transport services more cost effectively, whilst providing better outcomes for pupils and their families. Parents and carers will be able to access new transport offers including Independent Travel Training and Personal Transport Budgets, providing greater flexibility for families and promoting greater independence for pupils beyond their time at school.

### **Redesigning everything we do: Locality Commissioning**

The new approach to commissioning youth activities is a good example of progress with locality commissioning and greater engagement of service users. The council is developing this approach for its activities for young people, to complement those already being delivered by voluntary and independent providers. From April 2015, the council will no longer directly deliver youth activities on a county wide basis. Instead, youth activities will be commissioned in local areas by Local Joint Committees (LJCs) with greater engagement from young people themselves. The expected benefit of this approach is to ensure that local resources and needs are better understood, that activities are better developed in response to this, and therefore outcomes for young people keep improving.

We are learning from this example that commissioning on a local basis leads to further changes. For example, our approach to understanding needs and existing resources has to become more detailed. Our communication and support for the provider market has to be clear and consistent. Equally, support for elected councillors of the LJCs and the young people themselves has to be developed and shaped through 'learning by doing'. For this reason, we are continuing to invest in an infrastructure support partner, which will enable providers to increase their capacity and capability as well as supporting the work of the Community Enablement Team (CET), who are focusing on developing local governance and engagement with young people. In the long run, this should enable the provider market to become more self-sufficient and may lead to further efficiencies for the council.

## Commissioning - Financial Outlook

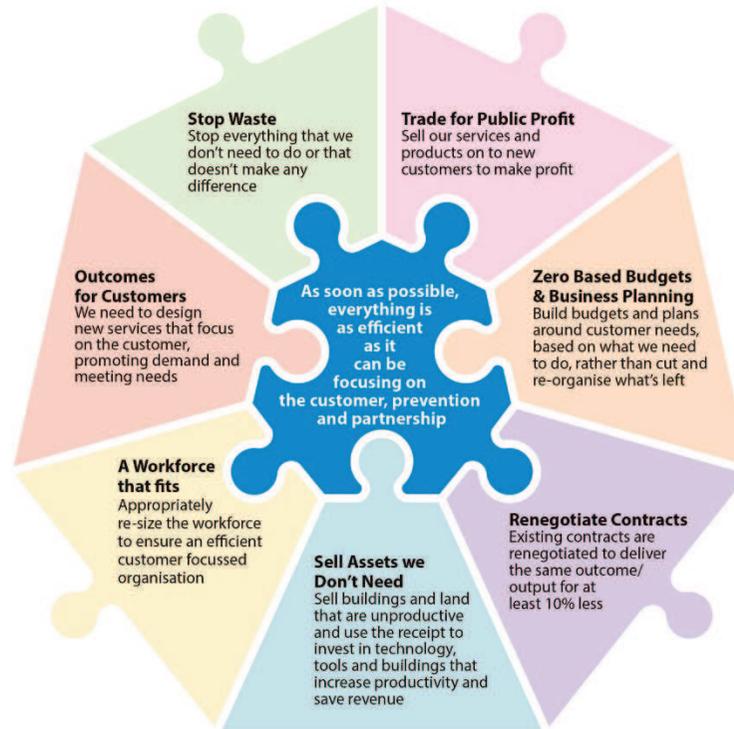
One year into the 3 Year Plan and good progress has been made in redesigning some key areas of what we do – this has improved outcomes for our customers and as a result we have been able to achieve virtually all of the efficiencies that were expected. The next 12 months will see further redesign work take place and will continue with the mixed economy approach to commissioning, working with partners, other local authorities (including town and parish councils), and with the community.

Over the last few months we have been designing our economic growth service to ensure it is set up to approach and successfully respond to opportunities that create the conditions for economic growth and resilience in Shropshire. Our new approach is centred around bringing together areas within the Council that have historically operated quite separately and acknowledging there are major benefits and efficiencies in pooling these resources. By bringing together our people, income sources and assets to work in new and innovative ways, we can take a far more co-ordinated approach to economic growth through the creation of a single team with a strong strategic vision.

We have worked hard in tandem with the Shropshire Business Board to ensure our top priority actions have been included within the Marches Local Enterprise Partnership (LEP), Strategic Economic Plan (SEP), and Local Growth Fund bid. The Marches LEP has obtained substantial funding in a Growth Deal; part of this is £6M towards the Shrewsbury Integrated Transport Package and £4M towards the Oxon Link Road in Shrewsbury. In Growth Deal 2, the Marches LEP has, as top priorities, the Superfast Broadband extension programme requesting £11.5M and University Central Shrewsbury with £6.9M for Phase 1 of the development.

# How we will ensure we make best use of our resources

The jigsaw image below shows visually how we intend approaching the task of fundamental redesign across everything we do so that it delivers our core purpose.



# Our approach

We will redesign everything we do so that it is utterly focused on delivering against this set of commitments. We are confident that through redesign we will be able to deliver the same or better outcomes in terms of meeting the real needs of Shropshire people, using significantly less money.

Our approach to increasing productivity by doing things differently and in some cases by doing different things will not only mean our business is orientated around the customer but will also bridge the projected funding gap over the next three years. Where possible we will use these design principles to deliver redesigned services ahead of financial necessity

## Significant areas of review over the 3 years of this financial plan

As we've consistently emphasised throughout this plan, absolutely all services need to be fundamentally redesigned during the three years of this financial plan. Significant changes have happened in the first year. The importance of looking across the organisation in one go has been recognised, seeing and maximising synergies, rather than pulling out discrete areas one at a time, risking more silos and wastage. Far from being over ambitious, this approach is essential if we are truly to deliver on our core purpose. It's crucial to recognise there are no areas of council activity to remain untouched or unchanged over this period.

We will, however, focus on the areas of largest potential impact first and recognise these as particularly crucial in redesigning the council to be fit for its future:

### Adults Social Care Services

We will change how we support vulnerable adults – seeking to understand the whole person, their family, and their lives, helping them to understand and make best possible use of all available resources in the community. Only then and where absolutely necessary will the council step in to provide what support is needed to keep people as independent as possible. This will make much more sense from the perspective of the customer and cut costs by stopping the need for high cost services in as many cases as possible by doing more to prevent personal situations getting worse, early on.

We will change how we commission care services - both across the county and, particularly locally in our towns and villages to help develop and grow what's on offer there, so that people can get the affordable care and other services they need through personalised budgets giving them choice and control.

We will encourage and enable voluntary and community sector organisations to play their part in offering more affordable options for people to get a decent quality of life.

We will invest in the development of 4 new supported living bungalows to enable adults with learning disabilities to live independently. This will deliver revenue savings through reduced admissions to residential care.

#### Adult Social Care Services Directorate overall budget 2014/15

	Gross Revenue Budget £'000	Net Budget £'000	Original Savings Proposals (Adjusted for Restructure) £'000	Achieved as at 1 <sup>st</sup> Dec 2014 £'000	Planned Achieved by 2015/16 £'000	Slipped to 2016/17 £'000	Not achievable £'000	Pressure £'000	2016/17 Savings £'000
Adult Services	91,376	67,342	27,310	3,339	16,892		1,287	5,737	5,791

## Summary estimate for realising budget reductions:

Portfolioholder	Redesign Piece	Proposal	2014/15 £'000	2015/16 £'000	2016/17 £'000
Lee Chapman	Renegotiate Contracts	Review and renegotiate contracts across Adult Services Contracts with a view to redesigning or reducing requirements to meet lower cost allowances. Includes review of funding streams. Review will include all major procurement areas.	902	7,441	200
Lee Chapman	Outcomes for Customers	Redesign and recommission reablement services to include START service and external provision.	535	15	0
Lee Chapman	Outcomes for Customers	Redesign the Adult Social Care operating model. A new model of service that maximises individual potential of families and communities, playing a different and more rewarding part in support.	696	777	5,109
Lee Chapman	Outcomes for Customers	To introduce a modern social care delivery model building upon the success of the P2P and STEP developments.	252	328	482
Lee Chapman	Outcomes for Customers	Reconfigure services across Adult Services including day service provision, Community Living, Client Property and Appointeeships and Sensory Impairment.	868	312	0
Lee Chapman	A workforce that fits	Appropriately resize the workforce to ensure efficient and customer focussed organisation. VR proposals within Adult Services.	1,010	443	0
Lee Chapman	Zero Based Budgets and Business Planning	Review of service delivery across Adult Services to take account of existing high cost placements and reduce future demand for such services.	328	508	0
Lee Chapman	Zero Based Budgets and Business Planning	Review of Transport Costs across Adult Services.	152	0	0
Mal Price	Outcomes for Customers	Redesign and reinvention of Housing Services concentrating on early intervention, providing an integrated approach to meeting people's needs, cutting out waste to improve customer outcomes.	901	1,203	0
Mal Price	A workforce that fits	Appropriately re-size the workforce to ensure an efficient and customer focussed organisation. Voluntary Redundancy proposals within Commissioning Directorate.	428	32	0
		<b>TOTAL SAVINGS PLANS</b>	<b>6,072</b>	<b>11,059</b>	<b>5,791</b>
Lee Chapman	Identification of new external funding sources to support savings delivery	At this point we anticipate that funding in relation to Care Act implementation/pressures and monies within the BCF can be earmarked to reduce savings pressures in the service.	0	3,100	0

Portfolioholder	Redesign Piece	Proposal	2014/15 £'000	2015/16 £'000	2016/17 £'000
		TOTAL ACHEIVABLE SAVINGS	6,072	14,159	5,791
		Unachievable savings	0	1,288	0
		TOTAL SAVINGS TARGET	6,072	15,447	5,791

Pressure Projection			
As explained in the main body of the report the service is experiencing increasing demand from an ageing population and the increasing numbers of younger adults with complex disabilities. The new operating model aims to tackle this area however, in addition to the brought forward pressure created during 2014/15, there is potential for further pressure to be created over and above demography allocation during 2015/16.		-5,736	
<b>Total pressure including unachievable savings*</b>		<b>-7,024</b>	

\*See Page 56

## Children and Young People's Services

Redesign how we support families with children and young people so that we look at the family as a whole, addressing underlying needs.

- We will bring our services that support families together meaning we can cut out any duplication, focusing on the whole family in one place, with support locally.

Wherever possible we want children to live in supportive family homes so we will put much more emphasis on helping birth families, wherever possible to care for their children. This will reduce the numbers needing to go into care, particularly those aged over 13. Where care outside the birth family is essential, we will do more to encourage as short a period of placement as possible, ensuring a stable permanent placement.

- We will improve the ability of families to purchase services to meet their needs and young people to successfully prepare for the world of work and adulthood through personalisation.

We will support children's social workers so they can focus on productive contact with their customers. They will have the right tools to work in the community, cut out unnecessary process and focus on what makes a difference.

- Redesign services based on strong local teams that bring together coherently local provision, including support that the community can provide.
- Redesign the transition process from children to adulthood so that it better empowers children and families to plan for their long term future.
- The Council retains its core responsibility for ensuring good quality provision and outcomes for all schools, including academies. However, schools have more freedom to choose where they buy additional support from. We want to help them get the best possible value for money and have reviewed how we deliver educational support. Inspire to Learn will deliver high quality services which are focused on ensuring excellent education through a locally designed service which retains social capital (local knowledge, investment and employment) within Shropshire.

- We will re-define and re-position our relationship with schools, clarifying our core responsibilities to ensure financially efficient place planning and high quality provision and outcomes for all children and young people alongside commissioning effective traded services for schools.

### Children and Young Peoples Services Directorate overall budget

	Gross Revenue Budget £'000	Net Budget £'000	Original Savings Proposals (Adjusted for Restructure) £'000	Achieved as at 1 <sup>st</sup> Dec 2014 £'000	Planned Achieved by 2015/16 £'000	Slipped to 2016/17 £'000	Not achievable £'000	Pressure £'000	2016/17 Savings £'000
Children's Services	217,853	50,968	12,667	5,921	4,338	518			2,407

### Summary estimate for realising budget reductions:

Portfolioholder	Redesign Piece	Proposal	2014/15 £'000	2015/16 £'000	2016/17 £'000
Ann Hartley	Outcomes for Customers	Redesign and transfer of Education Support Services to ip&e (Inspire to Learn) and secure commissioning arrangements and retained team.	1,430	200	0
Ann Hartley	Outcomes for Customers	Develop all age disability provision with Adult Social Care and develop personalisation agenda.	100	400	0
Ann Hartley	Outcomes for Customers	West Mercia Adoption Service. Review Fostering arrangements for more challenging young people.	25	50	0
Ann Hartley	Outcomes for Customers	Analyse and restructure back office processes: administration; use of IT, impact of rurality.	150	545	200
Ann Hartley	Outcomes for Customers	Review Supervised Access across Children's Services with a view to meeting revised needs.	200	0	0

Portfolioholder	Redesign Piece	Proposal	2014/15 £'000	2015/16 £'000	2016/17 £'000
Ann Hartley	Outcomes for Customers	Redesign early help and prevention provision, develop community resilience & local provision.	500	1,400	0
Ann Hartley	Outcomes for Customers	Redesign Education Improvement Team to carry out statutory responsibilities to meet the support and challenge requirements of Education.	150	67	34
Ann Hartley	A workforce that fits	Appropriately re-size the workforce to ensure an efficient and customer focussed organisation. Voluntary Redundancy proposals within Children's Services.	800	0	0
Ann Hartley	Zero Based Budgets and Business Planning	Review current LAC provision within Children's Services and increase assessment capacity. Review existing and future mix of provision, emphasis on maximising children cared for by family.	1,781	2,420	1,589
Ann Hartley	Zero Based Budgets and Business Planning	Review of Transport Costs across Children's Services.	857	165	569
Ann Hartley		Overachievement of Savings in 2015/16 to cover growth Pressure in Looked After Children		-981	
		TOTAL	5,993	4,266	2,392

Underachievement of Savings

£16,000\*

Slippage of savings to be achieved by 2015/16 into 2016/17

£501,667\*

\*See Page 56

## Public Health

Review at how all of the following areas of activity are best commissioned and delivered in the context of the current market and opportunities for trading outside of Shropshire:

- School health
- Health visiting
- Substance misuse
- Smoking cessation
- Obesity management
- Health checks

### Public Health Directorate overall budget

	Gross Revenue Budget £'000	Net Budget £'000	Original Savings Proposals (Adjusted for Restructure) £'000	Achieved as at 1 <sup>st</sup> Dec 2014 £'000	Planned Achieved by 2015/16 £'000	Slipped to 2016/17 £'000	Not achievable £'000	Pressure £'000	2016/17 Savings £'000
Public Health	13,154	1,044	219	145	42				32

\*Public Health will work with other service areas to explore how savings can be made by considering how these areas contribute to public health priorities.

### Summary estimate for realising budget reductions:

Portfolioholder	Redesign Piece	Proposal	2014/15 £'000	2015/16 £'000	2016/17 £'000
Karen Calder	Zero Based Budgets and Business Planning	Review Public Health spending to meet spending targets.	55	0	0
Karen Calder	Renegotiate Contracts	Review and renegotiate contracts across Coroner Services with a view to redesigning or reducing requirements to meet lower cost allowances	20		
Karen Calder	A workforce that fits	Develop a workforce that appropriately fits the size and requirements of the organisation as it moves to become a commissioning council	70		
Karen Calder	Zero Based Budgets and Business Planning	Plan for 7.5% on-going reduction in costs across Coroners and Registrars through continual review and redesign to meet the changing needs of the organisation as they develop		42	32
		<b>TOTAL</b>	<b>145</b>	<b>42</b>	<b>32</b>

### Commissioning

By working with our partners in Health, the voluntary and community sector and West Mercia Police, we will make our communities more self-sufficient in the future, reducing demand and the need for Council intervention. The redesign of libraries and community hubs will be integral to this

We will continue our commissioning journey, working closely with other public sector commissioners and the provider market to ensure what citizens access is appropriate, of sufficient quality and best meets local need. The locality commissioning approach, led by elected councillors will continue building on the Activities for Young People approach and reflecting other redesigned activity in highways, environmental maintenance, transport and car parks.

We will develop a short and long term vision for developing the local economy in Shropshire and being clear what our role is in that. The redesign of Economic Growth will reflect this new approach where we will create Business Relationship Managers with local businesses to help them thrive in Shropshire. Our commitment to broadband accessibility through the Connecting Shropshire Programme will continue at pace to ensure as many people as possible have broadband connectivity.

We will reform our services that regulate businesses in the county (including planning and licensing) so they can best bring their skills and abilities to support firms to grow, helping create job opportunities and benefit people’s health, wellbeing and prosperity. This new model will be a key business unit within ip&e and will enable these services to be offered commercially, therefore providing additional income back to the authority.

Across waste collection and recycling we will work with our business partners and local communities to encourage more recycling where this reduces costs to the council, delivers environmental benefits for the people of Shropshire, and supports the local economy by turning waste into green energy.

We will continue to review all of our current contractual arrangements with partners – whether large scale for example (Veolia – waste collection) or smaller and more local – with schools, community groups and town councils to get the best possible deal for Shropshire residents. We will also observe the recently refreshed COMPACT in our discussions with the Voluntary and Community Sector and create flexibility where we can to enable smaller organisations to develop in the market place of Shropshire.

These new approaches and reimagining of solutions will look to achieve increased flexibilities and support business redesign that better meet customer demand at reduced costs, recognising that the market place and funding environment is becoming more competitive. Other key areas we will focus on will include:

- Community based leisure facilities
- Environmental maintenance at a local level
- Car Parking at a local level

**Commissioning Directorate overall budget**

	Gross Revenue Budget £'000	Net Budget £'000	Original Savings Proposals	Achieved as at 1 <sup>st</sup> Dec 2014 £'000	Planned Achieved by 2015/16 £'000	Slipped to 2016/17 £'000	Not achievable £'000	Pressure £'000	2016/17 Savings £'000

			(Adjusted for Restructure) £'000						
Commissioning Services	104,627	78,042	16,461	5,542	6,536				4,383

### Summary estimate for realising budget reductions:

Portfolioholder	Redesign Piece	Proposal	2014/15 £'000	2015/16 £'000	2016/17 £'000
Steve Charmley	Outcomes for Customers	Redesign of Business and Enterprise function that will lead to an end to end offer for the business community.	66	227	36
Steve Charmley	Outcomes for Customers	Redesign Healthier People and Communities	30	0	0
Steve Charmley	Outcomes for Customers	Modernisation of processes and creation of efficiencies within Theatre Services.	90	10	0
Steve Charmley	Outcomes for Customers	Redesign of a new Visitor Economy model including museum services and visitor attractions.	264	179	173
Steve Charmley	Outcomes for Customers	Review of waste collection model, leading to increased recycling and improved service delivery.	240	120	240
Steve Charmley	Outcomes for Customers	Redesign the Libraries service, identifying alternative delivery models on a local basis and creating community hubs in market towns.	523	300	368
Claire Wild	Outcomes for Customers	Redesign Highways and Transport function, reviewing provision of car parking and transport solutions.	430	0	430
Claire Wild	Outcomes for Customers	Redesign Environmental Maintenance function, increasing income generation where possible.	150	0	0
Steve Charmley	Outcomes for Customers	Redesign within Community Action to create a Community Enablement Team (CET).	196	81	0
Steve Charmley	Outcomes for Customers	Redesign of the Outdoor Recreation service that will lead to locally led approaches with a focus on physical activity.	162	194	194
Steve Charmley	Outcomes for Customers	Redesign of Public Protection - in preparation for Regulatory and Business Support Services (RABSS).	109	0	0

Portfolioholder	Redesign Piece	Proposal	2014/15 £'000	2015/16 £'000	2016/17 £'000
Steve Charmley	Outcomes for Customers	Redesign Healthier and Sustainable Environment, including commissioning of Parking and Cash Collection.	94	0	0
Steve Charmley	Outcomes for Customers	Create efficiencies in Bereavement Services function, stopping non-utilised service and generating income.	59	0	0
Steve Charmley	Outcomes for Customers	Redesign across Positive Activities, Arts Development and Sports Development to create a new model for Activities for Young People.	5	362	95
Steve Charmley	Outcomes for Customers	Redesign Safer and Stronger Communities function, stopping Bikeability and redefining 24/7 CCTV monitoring.	103	58	0
Mal Price	Outcomes for Customers	Redesign of Development Management and Planning Policy - Environment & Sustainability Service will be redesigned with other planning functions in order to create a more integrated delivery focussed Business Unit.	151	35	0
Steve Charmley	Outcomes for Customers	Review of joint use Leisure Facilities to identify how they are best delivered on a local basis.	118	168	114
Steve Charmley	Trade for Public Profit	Create commercial activity within the wider Regulatory and Business Support Services model.	0	50	773
Steve Charmley, Claire Wild, Mal Price	Zero Based Budgets and Business Planning	Review of Transport Costs across Commissioning Directorate.	286	0	0
Steve Charmley, Claire Wild, Mal Price	A workforce that fits	Appropriately re-size the workforce to ensure an efficient and customer focussed organisation. Voluntary Redundancy proposals within Commissioning Directorate.	1,723	278	0
Steve Charmley, Claire Wild, Mal Price	Renegotiate Contracts	Review and renegotiate contracts across Commissioning Directorate with a view to redesigning or reducing requirements to meet lower cost allowances. Review will include all major procurement areas.	1,361	2,960	1,960
Steve Charmley	Stop Waste	Reduce Sustainability supplies and services budget.	6	0	0
Steve Charmley	Stop Waste	Cease provision of Local Joint Committee grant funding.	530	0	0
Steve Charmley, Claire Wild, Mal Price	Stop Waste	Efficiency savings across the Directorate		180	

Portfolioholder	Redesign Piece	Proposal	2014/15 £'000	2015/16 £'000	2016/17 £'000
Steve Charmley	Stop Waste	Enforcement of Waste Management Policy and decommissioning of some services.	180	0	0
		<b>TOTAL</b>	<b>6,876</b>	<b>5,202</b>	<b>4,383</b>

## Resources and Support

We will only keep and use the physical assets and buildings we need to meet customer demand. This means selling underused and vacant property and land to boost capital funds, allowing us to invest in areas that matter to our residents.

We will use new technology to allow our staff to work in a mobile and flexible way to suit the needs of our customers. This means we need less accommodation and what we keep should be designed and equipped to help people work collaboratively and flexibly. To achieve this we will use a Corporate Landlord model, where all property assets are managed centrally together through a commercial approach.

We will design the infrastructure for the future needs of Shropshire Council and other commissioners looking to work in radically different ways. This will enable swift take up of the best systems and most efficient and well-designed business processes.

End to end review of how the council uses information to drive decision making, identifying duplication and waste, evaluating the potential for income generation using a commercial approach or through our company ip&e.

Reviewing procurement, Audit, Risk and Insurance provision to reflect the changing demands of the commissioning organisation.

Rationalising face to face customer provision through a digital first approach, making it easier and cheaper for people to access the information and services they're looking for, at a time that suits them.

Reviewing HR support, streamlining processes, helping managers and team leaders become highly effective employees and resource managers through informed self-service.

Reviewing levels of support in democratic and legal services, taking account of willingness of customers to accept different levels of provision and opportunities, also through a possible Alternative Business Structure to enable the team to sell on its services.

We are working closely with our company ip&e to grow a suite of businesses based on understanding and anticipating the public service customer needs of the future, whilst driving down our own service costs. We will do this by developing attractive, tradable services to tap into a targeted, growing market. This includes reviewing the potential for trading using the council's capacity, skills and assets in new ways including;

- Developing an enabling technology offer, bringing the best in cloud based and mobile technology to bear on challenges facing the UK public sector
- Exploring a core service offer delivering excellence in governance and infrastructure management for public service commissioners
- Developing our business design and programme management expertise, using Shropshire as the shop window for a growing potential customer base
- Bringing together health improvement services – offering a range of support to change behaviours in ways that improve people's long term health and well-being
- Developing a regulatory and business support service into a commercially viable business model
- Exploring all areas of business to understand and anticipate market demand, and where appropriate assessing and developing business propositions that are commercially viable to increase income opportunities.

	Gross Revenue Budget £'000	Net Budget £'000	Original Savings Proposals (Adjusted for Restructure) £'000	Achieved as at 1 <sup>st</sup> Dec 2014 £'000	Planned Achieved by 2015/16 £'000	Slipped to 2016/17 £'000	Not achievable £'000	Pressure £'000	2016/17 Savings £'000
Resources & Support Services	134,242	26,048	26,545	12,498	9,274				4,772

### Summary estimate for realising budget reductions:

Portfolioholder	Redesign Piece	Proposal	2014/15 £'000	2015/16 £'000	2016/17 £'000
Mike Owen	Sell Assets we don't need	Asset rationalisation to fit with mobile and flexible working ethos. Manage total asset base of Council under a Corporate Landlord arrangement.	900	1,897	0
Mike Owen	Outcomes of Customers	Redesign points of face to face contact for the full range of transactional services. Meet the demand for increased access in alternative methods of contact e.g. digital and mobile.	150	0	0
Mike Owen	Trade for Public Profit	Further develop a commercial approach to our business and maximise earnings and trading potential.	430	30	30
Mike Owen	A workforce that fits	Develop a workforce that appropriately fits the size and requirements of the organisation as it moves to become a commissioning Council.	3,849	412	115
Mike Owen	Stop Waste	Reduce travel and associated costs across the Resources and Support Directorate by maximising opportunities offered through technological solutions.	47	0	0
Mike Owen	Stop Waste	Rationalise spend in ICT. Ensure that all systems are used to best advantage of the business.	759	28	40
Mike Owen	Stop Waste	Stop contracts where review has identified that costs outweigh benefits.	31	0	0
Mike Owen	Zero Based Budgets and Business Planning	Redesign Services, for example, Business Design, Digital Services, Customer Services, Business Support, Print Services, Programme Management.	292	311	151

Portfolioholder	Redesign Piece	Proposal	2014/15 £'000	2015/16 £'000	2016/17 £'000
Mike Owen	Zero Based Budgets and Business Planning	Procure to Pay redesign implemented across the authority to improve procurement, contract and payment processes and efficiency.	1,200	0	0
Mike Owen	Zero Based Budgets and Business Planning	Plan for 7.5% on-going reduction in costs across Resources and Support through continual review and redesign to meet the changing needs of the organisation as they develop.	0	3,498	2,936
Mike Owen	Zero Based Budgets and Business Planning	Review of corporate budgets to meet expected demand across the authority in relation to; removal of borrowing requirements through the generation of capital receipts, increased generation of interest on balances, baselining of an element of New Homes Bonus, review of the baseline contribution to reserves and removal of the on-going Transformation budget, replacing it with an invest to save fund.	6,350	1,500	1,500
Mike Owen	Zero Based Budgets and Business Planning	Review of budgets set aside for Members, reflecting future requirements ie reduced printing costs.	88	0	0
		<b>TOTAL</b>	<b>14,096</b>	<b>7,676</b>	<b>4,772</b>

# Strategic Financial Overview – Revenue

## Summary

This overview includes the latest estimates of the Council's revenue resources and expenditure. It is set in the context of the Council's other key strategic documents, in particular, the Treasury Management Strategy and the Capital Strategy which is also incorporated elsewhere within the Council Business Plan.

The development and delivery of the Council's Business Plan and Financial Strategy for the next three years is the key process in managing many of the Council's strategic risks. The opportunities and risks arising are assessed each time the document is refreshed for Cabinet consideration. The Council's Strategic Risks are reported separately, but the Business Plan and Financial Strategy makes specific reference to the significant financial uncertainty across Local Government in the Medium Term.

## Financial Uncertainty

The 2014/15 funding settlement gave illustrative figures for 2015/16 only. There is a risk that these figures are further reduced when the provisional 2015/16 settlement is announced in December 2014 (unavailable at time of writing). Also there is increased uncertainty around funding levels beyond the current parliamentary term. This increases uncertainty both in 2015/16 and future years as previously incoming governments have made in year as well as future year changes to local government departmental expenditure limits.

As government funding reduces, the Council becomes more reliant on locally retained business rates. As detailed in previous reports, a reduction in business rate income in any year would have to be around 10% before a safety net payment would be invoked. This drop is higher than the 7.5% indicated in the funding mechanism as the Council's budgeted business rate income is higher than the baseline level that the 7.5% drop would be measured against.

Locally retained business rates introduce uncertainty to the Council's in year available resources; previously the Council was informed of the amount of redistributed business rates it would receive before the start of the financial year, under the new system the resources the Council

actually receives will only be estimated in advance and could vary significantly. Additionally central government retains control of the multiplier for Business Rates. The Autumn Statement released on 3 December stated that there will be a review of the future structure of business rates to report by Budget 2016. This will be fiscally neutral and consistent with the Government's agreed financing of local authorities. They will also publish interim findings from the review of business rates administration in December 2014. Any reduction in the Business Rate multiplier as part of this review would have a detrimental impact on Council funding as 49% of all locally raised Business Rates are now retained locally.

Variations from budgeted revenues for both Business Rates and Council Tax are dealt with through the relative collection fund account. The timing of the availability of the final figures means that adjustments required, i.e. deficits or surpluses on the collection fund, fall 2 years after the year in which they relate. To mitigate the risk of large variations in estimated Business Rates, monitoring of Business Rates income will be further developed and reported regularly, reducing risk as the level and quality of data is increased.

The funding mechanism does not reflect any service needs changes from year to year. It is proposed that the system will not be reset for 7 years i.e. until 2020/21.

As there are changes to the responsibilities of the Council, whether this is a transfer from or to the Council, there is a risk that the change in resources is not commensurate. Examples of service areas where this is a risk include benefits and proposals around Universal Credits and also changes in Adult Social Care required as part of the Care Act.

By creating a Financial Strategy that continues to look beyond the next three years at the longer-term and is regularly updated to reflect new information, the Council is in a stronger position to approach future challenges proactively, rather than reactively.

While the Financial Strategy represents our approach to the mitigation of the financial uncertainty we are faced with, the tight and uncertain 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 remains potential for further, as yet unrecognised, risks. For this reason, a prudent approach to the level of reserves held by the Council remains sensible and necessary.

The Council has started the financial year 2014/15 with a reasonable level of general reserve to help mitigate against the risk of delay in implementation of the significant savings proposals. It is essential that this is kept under review both in the current year and with a view to future years and balancing the budget.

### Other Risks and Opportunities

The Business Plan and Financial Strategy sets the resource parameters within which the Council can commission services to meet its priority outcomes. All risks and opportunities which have a material monetary value are considered within the strategy.

The Council's Business Plan and Financial Strategy recognises that there are risks and opportunities associated with ip&e as it is a wholly owned company of the Council. The development of the Council's future financial strategy will be clear about the financial expectations of ip&e and how this will impact on the Council's budget.

### The Budget Strategy

In February Council agreed a savings strategy to meet the projected funding gap of £80m over the period 2014-17. Savings proposals were identified and agreed in the report which gave a total of £83.201m over the 3 year period. The following table provides the breakdown of the savings target and the identified proposals over the three year period.

#### Savings Targets and Saving Proposals 2014-17, February 2014

	2014/15	2015/16	2016/17	Total
	£'000	£'000	£'000	£'000
<b>Savings Target (as at February 2014)</b>	<b>41,531</b>	<b>20,136</b>	<b>18,333</b>	<b>80,000</b>
<b>Savings Proposals (as at February 2014)</b>	<b>39,892</b>	<b>24,614</b>	<b>18,695</b>	<b>83,201</b>

<b>Over/(under) achievement</b>	<b>(1,639)</b>	<b>4,478</b>	<b>362</b>	<b>3,201</b>
<b>Cumulative</b>		<b>2,839</b>	<b>3,201</b>	

The proposals put forward for 2014/15 were reviewed to consider risks associated with delivery within available timescales as follows:

Green – Saving identified, quantified and confirmed and achieved

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

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

Following Council in February, work has been undertaken to review the RAG categorisation of savings, extend the categorisation to all 3 years of the financial strategy and identify any areas where the achievement of saving and/or redesign of service is at risk of being significantly delayed or unachievable.

Revenue Monitoring for 2014/15 has considered the achievement of 2014/15 savings proposals and the Financial Strategy in July provided an update on the RAG rating for all 3 years. Directors and Cabinet members have been working on progressing savings areas and identifying “blockers” to timely achievement of the savings. To this end, the top 30 savings by value across the remaining years of the Medium Term Financial Plan were reviewed and rated Red and Amber. Together the top 30 savings amount to £40m, or almost half of the savings approved as part of our plan, and actions have been put in place to ensure we have more robust plans in place around their delivery.

The 2014/15 revenue monitoring report is the mechanism for reviewing in year budget control and achievement of savings. It is the impact of the 2014/15 monitoring issues on future years which is taken into account in the financial strategy.

This report includes the latest position on the achievement of savings with particular regard to 2015/16 budget which will be set by Council in February 2015.

The table below provides the latest projections of the funding shortfall (as detailed in the 30 July 2014 Financial Strategy) and the profile of the savings proposals.

	<b>2014/15</b>	<b>2015/16</b>	<b>2016/17</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Savings Target</b>	<b>41,531</b>	<b>20,615</b>	<b>18,048</b>	<b>80,194</b>
<b>Savings Proposals</b>	<b>39,892</b>	<b>26,441</b>	<b>16,868</b>	<b>83,201</b>
<b>Over/(under)achievement</b>	<b>(1,639)</b>	<b>5,826</b>	<b>1,180</b>	<b>3,007</b>
<b>Cumulative</b>		<b>4,187</b>	<b>3,007</b>	

The table above shows that the Council’s proposals currently require savings of £66.333m to be delivered by 2015/16. Implementing all of these savings would result in a surplus of £4.187m in 2015/16.

Directors and cabinet members have met to consider the reasonableness of the assumption that £66.333m will be achieved in savings for 2015/16 and to identify any areas where the savings proposals are either unachievable or will not be implemented in time. The following summaries the position for the Council with more information included within the sections showing each individual service area's savings.

	£'000	£'000
Savings to be achieved for 2015/16		66,333
Achieved to date	27,446	
Proposed for delivery 2015/16	37,082	
Slipped to 2016/17	518	
Unachievable	1,287	
Savings in 2016/17		16,868
		83,201

In addition to the unachievable and slipped savings identified for 2015/16 there are a number of service pressures that have been highlighted in Monitoring Reports which, while being addressed in various ways in-year, nonetheless have an impact on future years that needs to be recognised. In the main, the areas identified fall within Adult Services and have been highlighted at £5.737m at this stage. Altogether the potential impact on the Council is £7.542m for which new savings proposals are required. Further work is being undertaken between Cabinet and Senior Managers to identify how this additional, emerging gap in future years can be addressed. At the present time, it is considered prudent to highlight this pressure and allocate an additional target in relation to re-sizing the workforce. However, this remains only a planning assumption at this stage, with further work being undertaken before Council agrees the budget in February 2015. Additionally, as the initial savings proposals identified above were in excess of the required level of saving in 2015/16 by £4.187m it is feasible that this target could be reduced to £3.355m in 2015/16.

The level of saving achieved to date and the amount still proposed for delivery for 2015/16 will continue to be monitored and a final position will be included in the February 2015 Council Business Plan to set the final 2015/16 budget. At this stage, there is £37.082m which is identified as achievable for 2015/16 which has not been implemented. Within the total of £37.082m there are a number of savings areas which have a risk of non-achievement. These will continue to be monitored.

## **Resource and Expenditure Projections 2015/16 and 16/17**

### **Summary**

The Council Business Plan and Financial Strategy agreed by Council in February identified the expenditure and resource projections for 2015/16 and 2016/17.

In July, the projections were revised to reflect the latest information and also to include initial projections for 2017/18. For this refresh further changes have been made to the projections for changes in grants. Also the projections have been revised for the proposed council tax base for 2015/16 which is on a separate report on Cabinet's agenda. The table below provides the information provided at Council and updated information with further explanation of any changes detailed in the paragraphs below.

## Resource and Expenditure Projections 2015/16-2017/18

	2014/15 Feb 14 Council £'000	2015/16 Feb 14 Council £'000	2015/16 Revised £'000	2016/17 Feb 14 Council £'000	2016/17 Revised £'000	2017/18 Projection £'000
<b>Resources</b>		<b>558,886</b>	<b>546,180</b>	<b>548,424</b>	<b>534,693</b>	<b>525,760</b>
<b>Expenditure Projections</b>		<b>579,022</b>	<b>566,795</b>	<b>586,893</b>	<b>573,357</b>	<b>577,170</b>
<b>Cumulative Savings Target</b>				<b>38,469</b>	<b>38,664</b>	<b>51,410</b>
<b>Achieved in Previous Year(s)</b>	<b>41,531</b>			<b>20,136</b>	<b>20,615</b>	<b>38,664</b>
<b>In Year Savings</b>		<b>20,136</b>	<b>20,615</b>	<b>18,333</b>	<b>18,048</b>	<b>12,746</b>
<b>Change (Cum)</b>			<b>479</b>		<b>194</b>	

## Resource Projections

Government funding to Shropshire includes Revenue Support Grant and, in Shropshire's case, top up grant. When the current Local Government Finance system was introduced in April 2013, approximately 50% of funding came from Revenue Support Grant and the remainder from locally retained Business Rates adjusted by top ups and tariffs. The government made assumptions about the amount of locally retained business rates to calculate top up and tariff payments at the start of the system to ensure the new system did not inadvertently adjust any local authority's total government funding. The Assumed Locally Retained Business Rates, Top Up Payment and the Revenue Support Grant together are referred to as the Authority's Settlement Funding Assessment. The Assumed or Baseline Business Rates and Top Up figure are fixed in real terms and increased annually by RPI as part of the funding mechanism. Any change to the total government funding is therefore only implemented by a change in Revenue Support Grant as the other two funding components are fixed.

The Settlement Funding Assessment is important for the Authority as it is used not only to calculate % reductions going forward but also the Baseline Business Rates is used to calculate Shropshire's safety net. However, for resource projections Shropshire uses its own projections on locally retained Business Rates based on up to date local information which is also included in government returns.

The 2014/15 Local Government Finance Settlement in February 2014 provided illustrative figures for 2015/16. These showed a reduction in Settlement Funding Assessment of 14% and a consequence reduction in the Revenue Support Grant Element of 27.5% for 2015/16. Our current assumptions for 2016/17 assume a reduction of 11.5% in Settlement Funding Assessment and 25.5% in Revenue Support Grant. A recent survey carried out by the Society of County Treasurers Technical Team in Somerset indicates that other authorities are assuming reductions in funding between 8% and 14%.

In terms of Locally Retained Business Rates, projections for 2015/16 have been updated following the outturn position for 2013/14 and increased information about appeals, reliefs and adjustments between the collection and general fund. No growth has been built into Business Rates projections going forward. Although the business rates multiplier will increase by RPI each year (unless restricted), the rateable value projections are too volatile for any growth to be assumed at this stage. This assumption is in line with assumptions around future Business Rates levels made by other authorities who replied to the technical team survey referred to above.

Council tax income projections have been updated to use the proposed 2015/16 Council Tax taxbase and to increase the growth in Council Tax base projected from 0.2% to 0.5%. Council Tax has been frozen at 2014/15 levels going forward.

The Local Government Department Expenditure Limit (DEL) used in the calculation of illustrative 2015/16 funding calculations has been top sliced for several things such as new homes bonus, safety net payments and capitalisation of transformation expenditure. The government policy on this top slicing is that any unused top sliced amounts will be returned to local authorities. The current projections include a returned amount for new homes bonus as indicated in the settlement details but no return for other items. In 2013/14, the Council received notification of £354k for return of unused capitalisation top slice on 27 March 2014. Further returns could be made in 2014/15 and future years providing an in year bonus.

Income from Specific Grants has been revised to reflect the latest information. Revised amounts for 2014/15 will be dealt with as part of revenue monitoring. In 2015/16 there has been a reduction from the initial projections of £6.8m. Of this, £3m, is a net adjustment for grant recoupment for academy status and additional funding for High Needs. Also within Children's services, Education Services Grant (ESG) has reduced significantly both in 2014/15 and further in 2015/16. In addition, a number of grants will cease in 2015/16 including Local Sustainable Transport Fund and Social Fund Grant. The current assumption is that reductions in specific grants will be offset by reductions in expenditure in the service areas. This assumption may need to be revisited as services continue to be reviewed throughout this year.

Assumptions on the payment of Council tax freeze grant are based on budget announcements and are as follows:

- 2011/12 was paid as specific grant in 2011/12 and was then rolled into the base funding
- 2012/13 was paid for 1 year only
- 2013/14 was paid as a grant in 2013/14 and then added to the Local Government Departmental Expenditure Limit (LG DEL) in 2014/15
- 2014/15 will be paid as a grant in 2014/15 and it is likely that it will be build into 2015/16 spending baselines.

- 2015/16 will be paid as a grant in 2015/16 only
- 2016/17 and future years – no announcement has been made regarding further grants in 2016/17 and beyond.

Included within specific grants are additional grants paid to the Council as a result of government policies on business rates which have reduced the Council's share of Business Rates income. Examples of these are the cap of 2% on the increase in the rateable value multiplier and the temporary extension of the doubling of small business rate relief scheme.

Income from fees and charges has been left at current levels in the projections. As savings are implemented and services are redesigned income from fees and charges will change however at this stage there is insufficient information to amend the current figures.

Detailed Resource projections are shown in Annex 1.

### **Expenditure Projections**

The expenditure projections include growth for pay and prices, demography, use of New Homes Bonus funding and adjustments to reflect changes between years for grants.

A review of pay and prices inflation has resulted in small net adjustments in both 2015/16 and 2016/17 using the latest employee costs and contract information. It is clear that going forward there will be a change in the relative size of each of these expenditure groups. This will effect pay and prices calculations. The Council will need to ensure that as it moves to a commissioning council, it does not increase the financial risk of increased costs due to inflationary linked contracts.

Although a debt charge figure is shown in 2015/16 and 2016/17, this has been used as a saving. The current projections assume that the Council will not increase it's borrowing. A change in the capital strategy to borrow would mean that this saving could not be achieved and revenue growth for debt charges would need to be found.

The figures included for demographic growth for Adults and Children's were reviewed last Autumn. Both Adults and Children's services are monitoring the actual growth the services are encountering and further information on this will be provided in future financial strategies.

As detailed above in the Resource projections, changes in specific grants are assumed to change expenditure projections by the same amount. If reductions in specific grant funding can not be matched by a reduction in expenditure this would increase savings requirements.

There are a number of grants currently being received which the Council has no budgeted expenditure against. These include the s31 grants for Business Rates, Council Tax freeze Grant and any return of top sliced amounts. In 2013/14, growth of £2.277m was built in for a provision for business rates appeals. This figure was required on a one off basis in 2013/14 and it is anticipated that future appeals liabilities will be dealt with through the Business Rates Collection Fund.

At this stage the revised resource and expenditure projections change the 2015/16 position by less than £0.5m and in 2016/17 the change is reduced to less than £0.2m. As we continually refine and update the financial strategy this target will remain under review.

Detailed Expenditure projections are shown in Annex 2.

### **2017/18 Initial Projections**

Resource projections for 2017/18 indicate a further reduction in revenue support grant of £9.5m. This reduction in resources is offset slightly by growth in Council tax base which is estimated to increase the income from Council Tax by £0.6m. In addition to this reduction in resources, current projections for inflationary growth are £4.1m. The Council is therefore facing a shortfall in resources of at least £13m in 2017/18. Services pressures including demography or increased borrowing would add to this funding shortfall.

Service pressures identified to date which would impact on 2017/18 budget include auto enrolment. Auto enrolment was introduced in April 2013. The scheme means that employees not currently opted into the pensions scheme would be periodically opted in and would have to physically request to be left out. It is therefore envisaged that more employees will become scheme Members. This comes at a cost to Shropshire Council by way of having to make pension contributions for those employees newly opted in. Shropshire Council has been able to defer the staging date for the scheme so that it does not commence until April 2017 therefore no extra pension cost will be incurred until the

financial year 2017/18. It is difficult to estimate the financial implications of this as it will depend on the employees who decide to remain opted in. It has previously been estimated that on the basis of a worst case scenario costs could be in excess of £1m.

### **Adult Services**

From 1 April 2015 there are 2 major changes to Social Care Funding which will need reflecting in the Council's Financial Strategy, the Care Act 2014 and the Better Care Fund.

The Care Act, which became law in May 2014, is designed to bring the current laws relating to adult social care together in one Act. The majority of the changes contained within the Act are set to take place in April 2015 with the reform of funding (including the cap on care costs) to take effect from April 2016. Detail of the reforms to be implemented, the work undertaken to date to progress this and the likely financial implications are currently being considered and will be reported to the Health and Adult Social Care Scrutiny Committee in December 2014.

The financial implications arising from both Care Act implementation as well as the new burden impact of the reform itself are still being modelled. At present there is an assumption that the costs associated with the implementation of the Act will be 100% funded. The funding will either be from additional revenue grants from DCLG/ DH or will be included within the Better Care Fund. In 2015/16, the additional costs and funding is currently estimated at c£2.6m. The additional funding and costs will be included in the Council's resource and expenditure projections for the next Financial Strategy Report.

The Better Care Fund has been set up following government policy to bring together health and social care to work more closely together. The fund is not new money; it comes from a number of sources previously provided to the local authority as NHS support for adult social care under s256 agreements, Council funds for disabled facilities grant, Adults capital und and a larger amount from Clinical Commissioning Groups (CCG) baselines. A significant amount of the funding is therefore already within the Council's gross budget with the remainder within the CCG budget. In total, for Shropshire it is estimated there will be approximately £21.75m of funding identified within the Better Care Fund. The Council's Gross budget will need to reflect all the funds which are managed by the Council. This still has to be agreed with the CCG and will be reflected in the next Financial Strategy report. The current assumption is that the funding identified will at least equal to the expenditure required and that initially there may be the opportunity to allocate some of this funding to offset the 2015/16 savings proposals.

In addition to the changes outlined above around the Care Act and the Better Care Fund, the Government has previously decided to close the Independent Living Fund (ILF) on 30 June 2015. All current ILF users will transfer to sole local authority support on 1 July 2015. It is estimated that Shropshire will receive c£1.3m in 2015/16 as a grant to fund the transfer from 1 July 2015. It is still unclear how this will be funded beyond 2015/16.

For all of the Adult Services changes outlined above there are financial risks around the additional costs of the changes exceeding the funds identified. Significant cost modelling is being undertaken by Shropshire and other authorities to ensure that funding allocations reflect projected costs.

### **Economic Development**

In addition to the Council's revenue gross budget there are sources of funding which the Council can access to deliver its priorities for Shropshire. These include capital funding, LEP and European funding. Within the revenue budget and the agreed charging policy, the Council can ensure that resources are used to maximise the benefit for Shropshire. This will mean that it is important that certain funding streams are not ring-fenced to the area generating the funding but that instead the wider financial benefits of different uses of the funding are considered particularly where they can be used to lever matched funding in. This will be considered in more detail over the coming months as part of the Council's investment and income strategy and included within the final Council Plan in February.

### **Longer Term Financial Outlook**

The longer term financial outlook as detailed in the Council's Business Plan and Financial Strategy agreed by Council in February 2014 is continually being updated and refined. Details of how the Council is working differently now and how this will develop over the coming years will be set out in more detail over the coming months, ahead of a refresh of the Council's Business Plan and Financial Strategy for the next Medium Term Financial Plan 2016/17 to 2018/19.

## Strategic Financial Overview – Capital

(NB NOT AMENDED PLEASE REFER TO FEBRUARY 2014 BUSINESS PLAN – CAPITAL STRATEGY CURRENTLY BEING REVIEWED FOR APPROVAL IN FEBRUARY 2015)

DRAFT

SHROPSHIRE COUNCIL - NET AND GROSS RESOURCES PROJECTIONS SUMMARY 2015/16 to 2017/18										Annex 1
	2014/15 FINAL Cabinet 12th Feb. 2014	2014/15 Revised Cabinet 10th Dec. 2014	2015/16 Revised Cabinet 30 July 2014	2015/16 Revised Cabinet 10 December 2014	2015/16 & Beyond Notes & Assumptions	2016/17 REVISED Cabinet 30 July 2014	2016/17 REVISED Cabinet 10 December 2014	2017/18 ORIGINAL Cabinet 30 July 2014	2017/18 ORIGINAL Cabinet 10 December 2014	
RSG	57,058,059	57,058,059	41,368,409	41,368,409	Figures as published on 5 February 2014 for the Local Government Final Finance Settlement 2014/15 and Provisional 2015/16. 2016/17 estimates adjusted for Council tax freeze grant only.	30,794,514	30,794,514	21,377,294	21,377,294	
<b>Business Rates Retention Allocation:</b>										
NNDR (as raised and then retained locally)including appeals provision	38,325,286	38,325,286	37,406,389	37,406,389	NNDR1 2014-15 figure. The deficit on the collection fund from the previous year, shown below, is netted off.	37,406,389	37,406,389	37,406,389	37,406,389	
Top Up	9,848,092	9,848,092	10,119,908	10,119,908	Figure as per CLG 2014/15 Final Local Government Finance Settlement. Assume 2% RPI increase	10,322,306	10,322,306	10,528,752	10,528,752	
Safety Net Payments										
Prior year adjustments (e.g. correction to safety net payments)										
<b>TOTAL START UP FUNDING RECEIPT:</b>	<b>105,231,437</b>	<b>105,231,437</b>	<b>88,894,706</b>	<b>88,894,706</b>		<b>78,523,210</b>	<b>78,523,210</b>	<b>69,312,435</b>	<b>69,312,435</b>	
Return of amounts topsliced from RSG/BRRA Allocation										
Share of £2bn unused New Homes Bonus topslice	154,558	154,558	394,940	394,940	Final Local Government Finance Settlement	0	0	0	0	
Share of returned damping (unused safety net held back)			0	0	This may be an in year bonus. More information required	0	0	0	0	
<b>TOTAL FUNDING FROM CENTRAL/LOCAL SHARE</b>	<b>105,385,995</b>	<b>105,385,995</b>	<b>89,289,646</b>	<b>89,289,646</b>		<b>78,523,210</b>	<b>78,523,210</b>	<b>69,312,435</b>	<b>69,312,435</b>	
<i>Movement on previous year's funding</i>										
Taxbase	100,475	100,475	100,978	102,411	Actual taxbase for 2014/15 and 2015/16. Increase in Council Tax Taxbase assumed for 2016/17 and future years increased to 0.5% from 0.2%	101,482	102,923	101,990	103,438	
<b>Council Tax Income</b>	<b>117,025,463</b>	<b>117,025,463</b>	<b>117,610,591</b>	<b>119,280,524</b>	Council tax freeze assumed	<b>118,198,644</b>	<b>119,876,927</b>	<b>118,789,637</b>	<b>120,476,312</b>	
Collection Fund Surplus- Council Tax	2,018,834	2,018,834	500,000	500,000	Based on Previous years	500,000	500,000	500,000	500,000	
Business Rates Collection fund	-985,341	(985,341)	-500,000	-500,000	Based on previous years	-500,000	-500,000	-500,000	-500,000	
<b>TOTAL NET RESOURCES - 2013-14 onwards</b>	<b>223,444,951</b>	<b>223,444,951</b>	<b>206,900,237</b>	<b>208,570,170</b>		<b>196,721,853</b>	<b>198,400,136</b>	<b>188,102,072</b>	<b>189,788,746</b>	
	2014/15 REVISED Cabinet 12th Feb. 2014	2014/15 Revised Cabinet 10th Dec. 2014	2015/16 Revised Cabinet 30 July 2014	2015/16 Revised Cabinet 10 December 2014	2014/15 Notes & Assumptions	2016/17 REVISED Cabinet 30 July 2014	2016/17 REVISED Cabinet 10 December 2014	2017/18 ORIGINAL Cabinet 30 July 2014	2017/18 ORIGINAL Cabinet 10 December 2014	
GOVERNMENT GRANTS	255,976,900	247,469,230	251,893,050	247,273,680	Latest Information on Specific Grants	250,576,050	245,956,680	250,254,070	245,634,700	
OTHER GRANTS & CONTRIBUTIONS	28,425,620	25,735,960	28,425,620	25,735,960	Revised for 2014/15 and 2015/16 then left unchanged	28,425,620	25,735,960	28,425,620	25,735,960	
FEES & CHARGES	57,137,050	57,522,335	57,137,050	57,522,335	Revised for 2014/15 and 2015/16 then left unchanged	57,137,050	57,522,335	57,137,050	57,522,335	
INTERNAL MARKET & INTERNAL RECHARGES										
Internal Recharges only	7,154,140	7,078,190	7,154,140	7,078,190	Revised for 2014/15 and 2015/16 then left unchanged	7,154,140	7,078,190	7,154,140	7,078,190	
Total Income outside of Net	348,693,710	337,805,715	344,609,860	337,610,165		343,292,860	336,293,165	342,970,880	335,971,185	
<b>TOTAL GROSS RESOURCES - 2013-14 onwards, after income Savings</b>	<b>572,138,661</b>	<b>561,250,666</b>	<b>551,510,097</b>	<b>546,180,335</b>		<b>540,014,713</b>	<b>534,693,301</b>	<b>531,072,952</b>	<b>525,759,931</b>	
Changes since last report		-10,887,995		-5,329,761			-5,321,412		-5,313,020	

SHROPSHIRE COUNCIL - FINANCIAL SUMMARY 2015/16 to 2017/18							ANNEX 2	
	2014/15 27 Feb 2014 £	2014/15 10-Dec-14 £	2015/16 30 July 2014 £	2015/16 10 Dec 2014 £	2016/17 30 July 2014 £	2016/17 10 Dec 2014 £	2017/18 30 July 2014 £	2017/18 10 Dec 2014 £
<b>Expenditure</b>								
<b>Original Gross Budget Requirement</b>	624,689,073	624,689,073	572,138,661	561,250,666	572,125,394	566,795,632	578,678,441	573,357,029
<b>Current Year Monitoring Issues with ongoing implications</b>								
- One off savings in 2013/14	4,686,190	4,686,190						
- Monitoring issues around Unachievable Savings	4,018,880	4,018,880						
- Services Pressures - Adult Services	9,300,000	9,300,000						
- Service Pressures - Children's Services	2,800,000	2,800,000						
- Carbon Management Review	372,000	372,000						
- Recharges Review	525,000	525,000						
- Building Design Base Budget adjustment	163,000	163,000						
- Asset Sales - Removal of income stream	37,000	37,000	50,000	50,000	50,000	50,000	0	
- Further unachievable Budget savings and shortfall of income	922,030	922,030						
- As identified as at P3- no growth included as at P3			0		0		0	
<b>2014/15 - New Budget Growth</b>								
<b>Inflation</b>								
- Prices	2,758,931	2,758,931	2,796,947	2,796,947	2,921,147	2,921,147	3,058,689	3,058,689
- Pay 1% award	955,196	955,196	710,957	710,957	723,654	723,654	734,834	734,834
- Pay Increment	896,688	896,688	637,769	637,769	480,607	480,607	332,950	332,950
- Pension Costs	0	0	0	0	3,500,000	3,500,000	0	0
- Auto Enrolment (impacts 2017/18)-ESTIMATE	0	0					TBC	0
<b>Committed Growth</b>								
- Debt Charges (Reduced as part of Savings)	924,000	924,000	1,000,000	1,000,000	1,000,000	1,000,000	0	0
<b>New Growth</b>								
- Demography: Adults	1,867,000	1,867,000	1,758,000	1,758,000	1,500,000	1,500,000	0	0
- Demography: Childrens services	772,000	772,000	1,183,000	1,183,000	1,183,000	1,183,000	0	0
- Contribution to Balances (remove base budget for 2014/15 onwards)	(5,000,000)	(5,000,000)						
- Elections (2013/14 only)	(700,000)	(700,000)						
- Increments (2013/14 only, future years shown above)								
- Surplus/(Shortfall) increments								
- Transformation(2012/13 only)								
<b>New Service Pressures</b>								
New Investment funding- One year only	2,000,000	2,000,000	(2,000,000)	(2,000,000)				
Repaying for borrowing for Redundancies					2,000,000	2,000,000	0	0
Care Act implications							TBC	
Change in Ctax Tax base				1,669,933		8,350		8392
<b>Changes to Expenditure Reflected in Resources</b>								
Specific Grant Changes from Previous Year Including New Responsibilities	1,485,405	1,485,405	(4,083,850)	(195,550)	(1,317,000)	(1,317,000)	(321,980)	(321,980)
Income Changes	20,810	20,810						
Benefits (assume at same level as reduction in Resources)	(197,936)	(197,936)						
<b>Business Rates Retention</b>								
- Provision for Losses on Appeal								
- Provision for business rate decline (before safety net)	0							
- Surplus/(Shortfall) Available for Provision								
- shortfall in LACSEG/under 2s met one off in 2013/14 from spare								
<b>Budget Adjustments for surpluses and deficits</b>								
- remove "surplus" available in 2013/14 only	(736,046)	(736,046)						
- build growth to cover net loss in grants (make from surplus in 2013/14)	810,834	810,834						
<b>Offsetting Budget Adjustments</b>								
Use of NHB Smoothing	(1,106,000)	(1,106,000)	(1,609,000)	(1,609,000)	(1,909,000)	(1,909,000)	0	
Reallocation of Business Rates Appeals Base Budget			(2,277,816)	(2,277,816)				
Additional Contribution to offset Delay in Savings Achievement			2,277,816	2,277,816				
Contributions to Savings for changes in Projections								
- Net Growth Change	3,807,970	3,807,970	2,167,600	2,167,600	(3,749,700)	(3,749,700)		
- Net Resources Change-14/15 one year only	2,454,351	2,454,351	(2,454,351)	(2,454,351)				
- Net Resources Change-15/16 one year only			(170,339)	(170,339)	170,339	170,339		
<b>Gross Budget Requirement (Including Internal Recharges) Before Savings</b>	658,526,376	658,526,376	572,125,394	566,795,632	578,678,441	573,357,029	582,482,934	577,169,914
Review of Internal Market and Income budget after Savings	(16,490,980)	(16,490,980)						
Removal of Grossing up associated with Internal Market costs	(28,365,950)	(28,365,950)						
Savings in 2014/15		(41,530,785)						
Changes in Gross in 2014/15		(10,887,995)						
<b>Gross Budget Requirement (Excluding Internal Market)</b>	613,669,446	561,250,666	572,125,394	566,795,632	578,678,441	573,357,029	582,482,934	577,169,914
				(5,328,762)		(5,321,412)		(5,313,020)

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