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Shropshire Council

Shropshire Council
Legal and Democratic Services
Shirehall
Abbey Foregate
Shrewsbury
SY2 6ND

Date: Tuesday, 24 November 2015

**Committee:**
**Performance Management Scrutiny Committee**

**Date:** **Wednesday, 2 December 2015**
**Time:** **2.00 pm**
**Venue:** **Shrewsbury/Oswestry Room, Shirehall, Abbey Foregate, Shrewsbury, Shropshire, SY2 6ND**

You are requested to attend the above meeting.
The Agenda is attached

Claire Porter
Head of Legal and Democratic Services (Monitoring Officer)

**Members of Performance Management Scrutiny Committee**

| | |
|---|---|
| David Minnery (Chairman) | Roger Evans |
| Steve Davenport (Vice Chairman) | Vince Hunt |
| David Lloyd | Miles Kenny |
| Joyce Barrow | Alan Mosley |
| Gerald Dakin | Dave Tremellen |

Your Committee Officer is:

**Julie Fildes** Scrutiny Committee Officer
Tel: 01743 257723
Email: julie.fildes@shropshire.gov.uk

# AGENDA

**1 Apologies for Absence and Substitutions**

**2 Disclosable Pecuniary Interests**

Members are reminded that they must not participate in the discussion or voting on any matter in which they have a Disclosable Pecuniary Interest and should leave the room prior to the commencement of the debate.

**3 Minutes of the meeting held on 21st October 2015** (Pages 1 - 6)

To consider the Minutes of the Performance Management Scrutiny Committee meeting held on 21st October 2015.

**4 Public Question Time**

To receive any questions, statements or petitions from the public of which members of the public have given notice. Deadline for notification for this meeting is Friday 27th November 2015.

**5 Member Question Time**

To receive any questions of which members of the Council have given notice. Deadline for notification for this meeting is Friday 27th November 2015.

**6 Consideration of the Financial Strategy** (Pages 7 - 62)

To consider the Financial Strategy (Report made to Cabinet 28 October 2015 attached) to gain an understanding of the challenges it addresses, the content and framework for the next five years, and identify how the Committee can take part in and enable engagement with how the Council evolves.

This item will also include receiving the feedback from the other Scrutiny Committees on their consideration of the Financial Strategy.

**7 Council Budget 2015/16**

To consider the draft terms of reference [to follow] for scrutiny of the Council Budget 2015/16 and to consider whether a Task and Finish Group should be established to undertake this work.

## 8 Date/Time of next meeting of the Committee

The Committee is scheduled to next meet at 2.00pm on Wednesday 27th January 2016.

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# SHOPSHIRE COUNCIL

## PERFORMANCE MANAGEMENT SCRUTINY COMMITTEE

**Minutes of the meeting held on 21 October 2015**
**2.30 pm - 4.30 pm in the Shrewsbury/Oswestry Room, Shirehall, Abbey Foregate, Shrewsbury, Shropshire, SY2 6ND**

**Responsible Officer**: Julie Fildes
Email: julie.fildes@shropshire.gov.uk Tel: 01743 257723

**Present**
Councillor David Minnery (Chairman)
Councillors Steve Davenport (Vice Chairman), Joyce Barrow, Roger Evans, Vince Hunt, Alan Mosley and Dave Tremellen

15 **Apologies for Absence and Substitutions**

Apologies for absence were received from Councillors D Lloyd, G Dakin and Councillor M Kenny for whom Councillor H Fraser attended as substitute.

16 **Disclosable Pecuniary Interests**

None were declared.

17 **Minutes of the meeting held on 15 June 2015**

**RESOLVED:**

That the Minutes of the meeting of the Performance Management Scrutiny Committee held on 15th June 2015 be approved as a correct record.

It was noted that the final report of the Discretionary Housing Payments [DHP] Task and Finish Group had not been circulated to Members nor considered by the Performance Management Scrutiny Committee prior to its consideration by Cabinet.

18 **Public Question Time**

No public questions were received.

19 **Member Question Time**

There were no questions from Members.

20 **Additional Information for Quarter 1 Performance Report 2014/15**

The Performance Manager presented the report detailing additional information for Quarter 1. He observed that generally the direction of travel was positive although there were some exceptions. Referring to Q1 Performance slides [copy attached to signed copy of the minutes] he commented that this additional information gave the opportunity to look at information unavailable when the committee previously considered the Q1 performance.

Referring to slide 1, Job Seekers Allowance Claimant Count, the Performance Manager drew Members' attention to the steady reduction in the Long Term Claimant count but it was noted that this remained twice the level of December 2008.

Members noted that Slide 2 showed that the gap between the number of Shropshire Schools rated as outstanding and the National average was closing rapidly. In response to a Member's query about changes in practice, the Performance Manager confirmed that the Officer responsible for schools ensured that early intervention took place where schools were observed to be encountering difficulties and support was provided. Members noted that only schools within the Council's control were included in the figures.

The Performance Manager drew Members' attention to the two red dots on Slide 3 which showed a sharp drop in performance for keeping Shropshire's streets clean. In response to a Member's question, the Director for Commissioning stated that the fall in standards was due to the contractor redirecting litter picking teams to road resurfacing work following a period of poor winter weather and this information had not been communicated to the Council at the time.

A Member stated that the Contractor had failed to undertake a substantial amount of work specified in its contract with the Council, the Director for Commissioning agreed to look into the matter and provide information outside the meeting.

Members considered slide 4 which showed the numbers of visitors to theatres, museums, libraries and leisure facilities over a rolling 12 month period. It was noted that libraries continued to see a reduction in visitors whilst visitor numbers to leisure facilities were increasing. A Member commented that a recent survey undertaken in schools showed that a substantial number of families did not have access to the internet at home and queried the impact of the withdrawal of internet access within the library service on this group.

The Director of Commissioning explained that the Environment and Services Scrutiny Committee had recently scrutinised the library service in the County and as part of this work an Equalities Impact Assessment had been undertaken. He continued that the Council was intending to operate libraries in a different way. In response to a Member's query he confirmed that where library services were transferred to other service providers, staff who had not been directly employed by the Council were offered a detailed training programme to ensure that they had the necessary skills to provide the requisite level of service.

The Performance Manager stated that the latest data for waste recycling was at 41.5% compared to a target of 51%. The National average was 41%. The Director for Commissioning added that Veolia were spending £6,000 over 12 months to promote recycling following concerns over a drop in the volume of waste being recycled. He confirmed that this was being fully funded by Veolia.

Members considered slide 5 which showed a comparison between 2014/15 and 2015/16 for referrals to Children's Social Care, showing a drop in referrals when compared to the same period the previous year. It was noted that this was due in part to new working practices through a redesigned 'Front Door' approach, improved inter-agency working and earlier intervention through the Early Help Programme.

Members noted the numbers of Looked after Children and the Numbers of Children with Child Protection Plans shown on slide 6. In response to a Member's query the Performance Manager explained that children with Child Protection Plans were those deemed to be at risk from significant harm. It was suggested that the Young People's Scrutiny Committee may wish to consider why Shropshire had a higher number of children with Child Protection Plans than similar authorities.

The final slide showed an increase in delays in transfer in care from hospital from the same period of the previous year. Work with partners to improve matters was ongoing. The Director for Adult Social Care confirmed that the Council was responsible for only 15 to 20% of delays. He continued that those predominantly affected were older people who had more complex needs than the general population. This group of people were often required to make significant decisions regarding their future on leaving hospital which could not always be made quickly. The Director for Adult Social Care confirmed that delays were not caused by lack of funding for support packages and the over spend of his department's budget was not relevant or a contributing factor to the delays.

Referring to the dashboards appended to the report distributed with the Agenda the Performance Manger drew Members' attention to final dashboard, 'I want to live a long, enjoyable and health life', chart 7 which showed that a higher number of Shropshire residents considered they had control over their daily lives compared to the figures for the West Midlands area; the Shropshire figure had improved considerably whilst the National figures had remained static. The perceived quality of life had also slightly improved.

**RESOLVED:**
That the Additional Information for Quarter 1 Performance Report 2014/15 be noted.

21 **Revenue Monitoring Report Quarter 2 2015/2016**

The Head of Finance, Governance and Assurance introduced the Revenue Monitoring Report for Quarter 2, which had previously been considered by Cabinet at its meeting on 14th October 2015. He explained that the Quarter 2 position indicated that of the £28.4m planned savings, £7.6m were categorised as red which meant that further work was required within service areas to ensure they were achieved. He continued that the projected outturn would be an overspend of £4.1m. Members noted that the projected over spend would impact on the Council reserves, reducing the General Fund Balance at 31st March 2016 to £11.4m.

Members noted that work was ongoing to reduce the projected level of overspend and the Financial Strategy proposed a new approach to savings delivery.

Members discussed the level of one-off savings and their impact on potential savings in future years.

A Member requested information on predicted additional spending on the IT infrastructure which had been identified in a report which went to the Audit Committee for consideration in July. The Head of Finance, Governance and Assurance confirmed that the Audit

Committee had been looking into this matter and issues with the Council's IT system had been identified. He continued that the Council had employed the services of an IT Consultant to assess the situation and he was expected to report his findings to a meeting of Cabinet in November. The Portfolio Holder for Finance, Resources and Support and IT confirmed that the issue was receiving immediate attention. A Member suggested that as the identified problems with IT had a possible impact on the performance and delivery of Council Services that this area should receive further scrutiny from the Committee through the establishment of a Task and Finish Group.

Members discussed the predicted overspend for Adult Services. The Director of Adult Services confirmed that service redesign had led to the Authority having the lowest expenditure on Adult Services of any of the West Midlands' councils whilst still providing an excellent service.

**RESOLVED:**

i. That an IT Task and Finish Group be established once Cabinet had considered the Consultant's report; and
ii. That the Revenue Monitoring Report Q2 be noted.

## 22 Capital Monitoring Report Quarter 2 2015/2016

The Head of Finance, Governance and Assurance drew Members' attention to the Capital Monitoring Report Quarter 2 2015/16 which had also been considered by Cabinet on 14th October 2015. He reported that the re-profiled 2015/16 capital budget was £62m of which £14.4m had been spent at approximately half way through the year. He explained that this was following the pattern of previous years.

Members noted that the current capital programme was heavily reliant on the Council generating capital receipts to finance the capital programme. Members consider Table 5 in the report which set out the projected capital receipts programme which now had a RAG rating with red rated items being at high risk of slippage and unlikely to be completed before the end of the financial year.

The Head of Finance, Governance and Assurance commented that delays in capital programme expenditure could result in higher costs, although where possible price protection was built into contracts.

In response to a Member's question regarding the BDUK broadband provision contract, the Commissioning Director agreed to provide further information to Members after the meeting on the recent Health Check undertaken on the provision.

**RESOLVED:**
That the Capital Monitoring Report Quarter 2 2015/2016 be noted.

## 23 Financial Strategy and Budget 2016/17

The Head of Finance, Governance and Assurance advised Members that a report outlining the Council's Financial Strategy for the next 5 years would be considered by Cabinet on the 28th October 2015. The report would set out the implications of changes in Council funding over the next 5 years, with the aim of the Council becoming self-sustaining. The Chairman suggested that Task and Finish Groups would be an appropriate method to consider any issues emerging from the Financial Strategy and Budget 2016/17.

In response to a Member's question the Head of Finance, Governance and Assurance confirmed that the Government had announced that Councils would be permitted to retain all the business rates they collected but no further details had yet been announced. He continued that he understood that Councils would have authority to reduce local business rate levels but not increase them beyond the nationally set multiplier unless the authority was part of one of the proposed devolved areas. He continued that it was expected that the Revenue Support Grant would be completely phased out by 2020. He suggested the financial situation was likely to worsen as a result of losing the Revenue Support Grant and other grants currently received despite the retention of business rates. He commented that the Government's Autumn Statement was due to be published on the 25th November 2015 and he hoped that this would provide more information. He added that the Government would confirm details of the 2016/17 Settlement on the 14th December 2015.

Members discussed and confirmed that the relevant parts of the Financial Strategy should be considered by the appropriate Scrutiny Committee.

**RESOLVED:**

i. That each Scrutiny Committee reviews the aspects of the Financial Statement within their respective remit and provide comments to the Performance Management Committee at its meeting on 2nd December 2015.
ii. That these comments would be put forward to Cabinet for consideration at its meeting on 9th December 2015.

24 **Future Work Programme for the Performance Management Scrutiny Committee**

Members considered a request to add planning performance to the Committee's work programme. It was noted that planning performance had been considered by the recent Planning Committee Task and Finish Group under the remit of the Enterprise and Growth Scrutiny Committee. A Member commented that although the subject matter came within the scope of either Scrutiny Committee as it had already been considered by the Enterprise and Growth Scrutiny Committee the responsibility to take the matter forward should remain with that Committee. It was suggested that a joint approach could be adopted with the establishment of a joint task and finish group.

**RESOLVED:**

That planning performance be added to the Committee's work programme with a view to establishing a joint Task and Finish Group with the Enterprise and Growth Scrutiny Committee.

The Performance Manager advised that he had received a request to add a further two items to the Committee's work programme:

- The ShropNet system used by some Town and Parish Councils as a platform for their IT provision;
- The evolution of Local Joint Committees to be considered at an appropriate time.

Members commented that following the introduction of Windows 10 and its apparent incompatibility with the ShropNet Platform many Town and Parish Councils were dissatisfied with the service provided.

**RESOLVED:**

i. That the remit of the proposed IT Task and Finish Group be expanded to include consideration of the ShropNet system;
ii. That the evolution of Local Joint Committees be added to the Committee's work programme for consideration at the appropriate time.

25 **Date/Time of next meeting of the Committee**

**RESOLVED:**
That all future meetings of the Committee start half an hour earlier at 2.00pm.

It was noted that the next meeting of the Committee was scheduled to be held at 2.00pm on Wednesday 2nd December 2015.

Signed ………………………………………………………… (Chairman)

Date: …………………………………………………………

| Committee and Date | Item |
|---|---|
| Performance Management Scrutiny Committee<br><br>2nd December 2015<br><br>Cabinet<br>28th October 2015 | **6**<br><br>Public |

## FINANCIAL STRATEGY 2015/16 - 2020/21

**Responsible Officer** James Walton
e-mail: james.walton@shropshire.gov.uk Tel: 01743 255011

## 1. Summary

This report presents the next stage in developing a sustainable financial strategy for the Council. It models the funding anticipated to be available to the Council over the next five years as far as this is known and shows how our expenditure will be contained within these limits.

Since 2009 the Council has removed £146 million from its budget by delivering in new and efficient ways, removing waste and bureaucracy from our processes. Overall satisfaction with the Council has increased. For some of our activities the costs have increased, particularly in looking after our most vulnerable residents be they older people, children in care or people with disabilities. This is because older people are a growing proportion of our population. We will continue to prioritise looking after people by working with them and our partners to achieve the best outcomes possible for them.

Over the next five years, due to a combination of inflationary increases in costs and further cuts in government grants, we plan to save over £77 million, but more importantly, to put the Council's finances onto a sustainable footing. We are doing this because we need to respond to the changing financial landscape for local authorities. Because we are protecting budgets for the vulnerable we will need to save money in other areas and many of these budgets will reduce to zero.

The funding of local authorities is rapidly changing as the government devolves power, resources and responsibility to Councils, encouraging them to be self sufficient. Shropshire has already shown itself to be agile and capable of maximising such opportunities; in every way we are a self sufficient and resilient community in our outlook and our ability to evolve and adapt.

Recent announcements from the Chancellor of the Exchequer point to new opportunities such as increased retention and control over local business rates which will enable the Council to make decisions such as whether to reduce charges to businesses and how these funds can be used to continue to grow and strengthen further our already high performing economy.

We know that there are unique opportunities for businesses in Shropshire with a fantastic environment, high quality schools, low cost and high quality housing, land and capital. Our partnership with the University of Chester to deliver a new University in Shropshire demonstrates our confidence, ambition and forward thinking in attracting, educating and retaining highly skilled young people that high added value businesses need. This will not only boost existing businesses but will attract the new businesses we need to increase pay levels.

Our investment of over £20 million pounds into superfast broadband will provide the infrastructure that new businesses need and will ensure that all our communities can benefit from the modern global economy that we operate in.

The Council, along with many local authorities, is becoming more commercial, driving efficiencies and looking for new income where we can also bring social benefit. All our key services are low cost, high quality by comparison and are distinguished by positive feedback from our customers. We have a number of nationally recognised exemplars such as our Adult Social Care, which represents a significant proportion of our budget, and is both the lowest cost and highest quality as determined by external bodies.

We are exploiting opportunities to raise new income. For example, we are currently looking to develop a partnership with the private sector which will offer lower cost energy to Shropshire residents, generate potential income for the Council, reduce wastage of energy, reduce fuel poverty and enable renewable energy generation.

Our wholly owned company, ip&e, is now trading delivering £16 million of business contracted to Shropshire Council and is winning significant external contracts that will generate profit to support the Council and Shropshire communities.

Shropshire Communities are already stepping forward to provide many services that they value which were once paid for by the Council but can no longer be sustained without significant increases in Council Tax. This is building community resilience, citizenship and maximising the resourceful characteristics of Shropshire people. We have the lowest Council Tax of statistically comparable authorities and have frozen Council Tax over the last six years.

Our Town and Parish Councils are invaluable partners. They are demonstrating local democratic leadership and accountability, playing a crucial role in providing solutions where Shropshire Council cannot continue to fund local activity. They are proving that locally run services are much more adaptable, lower cost and responsive to local need.

Shropshire has perhaps the most developed Voluntary and Community Sector and we benefit from significantly higher levels of volunteering in our communities compared to the UK average. The Voluntary and Community Sector are an efficient and effective way of delivering a wide variety of services and outcomes and will continue to be valued as an essential delivery partner to the Council and an important voice for our communities.

Whilst we remain optimistic over the future and our ability to manage a massively reducing budget we are at a point where we cannot sustain further government cuts. We will join other local authorities the Rural Services Network and the Local Government Association in lobbying government to adequately fund vital services.

This report looks forward from this strong position and explores the options within Shropshire for creating a sustainable plan for the future. In summary the following headlines are considered:

- The Council is moving from the final year of the current Medium Term Financial Plan (2016/17) to a new long term strategy to develop a self-sustaining council.
- The Chancellor's recent announcement that Councils will retain 100% of Business Rates raised locally presents new opportunities for the Council. It is possible that the changes could significantly benefit Shropshire under certain circumstances and it is essential that central government is lobbied to deliver these opportunities.
- There are challenges and risks associated with this proposed change to business rates that are yet to be fully understood, and therefore within this report the impact on Shropshire Council is assumed to be financially neutral at this point.
- Revenue Support Grant, currently worth £44m to Shropshire Council, is modelled to disappear by 2020/21.
- Since becoming a Unitary Council, Council Tax has been frozen and this is planned to continue for as long as possible (currently until 2018/19).
- Long term growth in Council Tax and Business Rate tax base is currently modelled to exceed levels seen in recent years.
- We are due to launch a 'Big Conversation' with the public, to help explain the changes we need to make to the Council, and to allow people to have an input to this process.
- We have identified 9 services across the Council that we are looking to prioritise and protect. In addition, we will then put all remaining resources to best use, to focus on delivering what matters most to the people of Shropshire.

The previous report to Cabinet in July identified the progress made in moving from the refreshed Council Business Plan and Financial Strategy 2014/15 to 2016/17 agreed by Full Council on 26 February 2015 towards a Sustainable Business Model built over a longer planning window of five years. To this end the Council is undertaking three key pieces of linked work over the autumn:

- Transition to a Commissioning Council
- Transition to a Sustainable Business Model
- Development of the Shropshire Economy

To help explain this, the Council is beginning a Big Conversation with the public, focussing on the creation of a new Council, fit for purpose in the future, ahead of formal consultation on the 2016/17 Budget in the New Year. This work will result in a revised Business Plan and Financial Strategy for the Council which will be presented to Council for approval.

This report also provides an update on progress to date in achieving the current year savings proposals and the implications for future years. There is still significant work to do to bring the 2016/17 budget into balance. The report then begins the transition from the current 2016/17 budget proposals towards a new longer term financial strategy built around a Sustainable Business Model.

## 2. Recommendations

It is recommended that members:

A. Note the current financial position and the substantial work necessary to deliver a balanced 2016/17 budget and in future years as set out in Section 7.

B. Note the work being undertaken to develop a Sustainable Business Model for the Council, in particular

   a. Resources and Expenditure projections from 2016/17 to 2020/21 as set out in Section 6
   b. The categorisation of services into "Protected Services" which form the core of services to be delivered by the Council under a Sustainable Business Model as set out in Section 8.
   c. The potential impact on other services which would need to be delivered to a level contained within the Council's remaining resources (Sections 8 and 9).

C. Note the options available to Council to manage and maximise resources as set out in Section 8 (8.26 onwards) which will need to be formally agreed in February 2016.

D. Note the impact of the Chancellors Announcement on 100% Local Business Rate Retention as set out in Section 10

E. Note the launch of the 'Big Conversation' to engage with stakeholders and the general public over the coming months as set out in Section 11.

## REPORT

## 3. Risk Assessment and Opportunities Appraisal

3.1. The development and delivery of the Council's Business Plan and Financial Strategy is the key process in managing many of the Council's strategic risks. The opportunities and risks arising are assessed each time the document is refreshed for Cabinet consideration. The Council's Strategic Risks are reported separately, but the 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 funding settlement announced in February 2015 provided the 2015/16 financial settlement information only. No financial information for local authorities beyond

2015/16 has been confirmed. Indications are that spending cuts in the region of 12% per year will continue. There is ongoing uncertainty around the funding of new government policies and legislative changes, for example the Care Act and the announcement on 8 July of the introduction of a minimum living wage of £7.20 per hour which could impact on services delivered directly by the Council, but also those commissioned. The uncertainty will continue over the coming months with the Spending Review Announcement on 25th November, followed by the Autumn Statement and the Local Government finance settlement not expected until the middle of December.

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. In addition any appeals against valuations can significantly affect the Council's resources over a number of years and require adequate provisions to be established. Recent cases around the Business Rates for medical centres have resulted in the need for the Council to review the level of its provision for appeals.

3.5. Variations from budgeted revenues for both Business Rates and Council Tax are dealt with through their respective collection fund accounts. The accounting requirements and availability of final figures means that adjustments required (i.e. deficits or surpluses on the collection fund) cannot be built into the underlying budget process until 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. It is important to note that fluctuations in Business Rate income are difficult to project and that rating valuations are determined by the Valuation Office not the Council.

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 from introduction i.e. by 2020/21.

3.7. By creating a Financial Strategy and developing a Sustainable Business Model, built around the concept of a self-sustaining Council no longer reliant of central government funding, the Council is in a stronger position to approach future challenges proactively, rather than reactively.

3.8. 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.

3.9. The Council will need to keep 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.

3.10. The Chancellor's Budget Statement on 8 July provided a general update on public spending proposals but did not provide clarification of the impact on Local Government. Instead we will await further detail within the Comprehensive Spending Review due on 25 November 2015, the Autumn Budget Statement due early December and the Local Government funding Settlement due mid-December. Information relating to the capping of public sector salaries to 1% is in line with our existing assumptions. The impact on Public Health Funding is still unconfirmed, but the consultation document published in July identified a reduction in Public Health Grant of £702,000.

3.11. On 5th October the Chancellor announced initial proposals for local government to retain 100% of locally raised Business Rates. Details of the implications of this change are not currently available but are linked to the phasing out of the Revenue Support Grant (RSG) and the transfer of powers and burdens to local government as a result. There is a risk that RSG is phased out before any transfer and that increased burdens may outweigh any retained Business Rates. The risks referred to above are also relevant for this proposed policy change, given that the Council will suffer 100% of any losses in Business Rate reductions in the area. The change does, however, also represent an opportunity for increased growth in business rate income to the Council and an incentive to drive economic growth locally where feasible.

**Other Risks and Opportunities**

3.12. 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.

3.13. 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 clearer about financial expectations and take account of any opportunities and risks associated with the company, its growth strategy and how this will impact on the Council's budget.

3.14. 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. The Existing 3 year Financial Strategy, 2014-2017

4.1. In February 2014, Council agreed a 3 year Financial Strategy which identified a funding shortfall over the 3 year period 2014-17 of £80m and savings proposals to meet the shortfall. The monitoring of achievement of savings proposals and RAG categorisation of savings has been undertaken throughout 2014/15 and continues in 2015/16. To achieve all the savings required in the existing 2014-17 Strategy , the Council must deliver savings of £28.3m in 2015/16 and in 2016/17 make additional savings of £16.868m from base budget, find alternative savings of £7.466m to replace savings met by one off resources in 2015/16 and deliver £1.207m of delayed 2015/16 savings. Delivering all of these will meet the Council's £80m 2014-17 savings target and cover service pressure growth added in 2015/16 of £7.644m.

4.2. In the final year of the existing Financial Strategy 2016/17, £25.540m of savings were identified as required in the Financial Strategy agreed by Council in February. This figure was also noted in the Financial Strategy reported to Cabinet in July as shown below.

**Table 1: 2016/17 Savings Target – Existing 2014-17 Financial Strategy**

| | 2016/17<br><br>£'000 |
|---|---|

| | |
|---|---|
| Original Savings target | 16,868 |
| 2015/16 Slipped savings | 1,207 |
| Savings/ pressures met on a one off basis in 2015/16 that need to be dealt with in 2016/17. | 7,465 |
| Total Savings Required | 25,540 |

4.3. It was noted in previous reports that any non-achievement of 2015/16 savings or new service pressures will add to the 2016/17 savings target identified. During the summer an exercise was undertaken to re-examine all 2015/16 and 2016/17 savings and understand further the RED savings. The RED savings were further categorised to

- RED - Not Possible
- RED - Needs management action and additional resources
- RED - Possible in future years

4.4. From this exercise a total of £4.028m of 2015/16 savings were identified as unachievable. It has therefore been necessary to increase the 2016/17 savings target by a further £4.028m, giving £29.568m. Based upon this target level, the current RAG rating for the 2016/17 Savings is as follows:

**Table 2: RAG Rating for 2016/17 Savings**

| | **£'000** |
|---|---|
| GREEN - Achieved by 01.04.16. | 4,499 |
| AMBER - Plans in place to be achieved in 16/17 | 3,297 |
| RED - Unachievable, delayed or no plan yet approved | 9,072 |
| Original savings Target – subtotal (from Table 1) | 16,868 |
| AMBER – Slipped from 2015/16 | 891 |
| RED - Savings Slipped from 2015/16 | 316 |
| 2015/16 slipped savings – subtotal (from Table 1) | 1,201 |
| RED - Savings met from Corporate one-off Resources in 2015/16 and not reallocated (from Table 1) | 7,465 |

| | |
|---|---|
| RED- 2015/16 Unachievable Savings identified during the summer 2015 (from paragraphs 4.3 and 4.4). | 4,028 |
| Total savings required | 29,568 |

4.5. From Table 2 above, it can be seen that a total of £20.881m of 2016/17 savings are currently categorised as RED as at Quarter 2 monitoring.

4.6. The current 2014-17 Financial Strategy was agreed by Council in February 2014. The projection of a funding gap of £80m over the 3 year period was based on the best available information at the time. Over the last 18 months, resource and expenditure projections have been revised to take account of new and updated information. Any changes have been reported as part of updated financial strategy reports and to date the original savings envelope of £80m has been maintained.

4.7. As we move towards the final year of the 2014-17 financial strategy it is evident from monitoring of both expenditure and the achievement of savings that the existing expenditure projections and allocation of savings targets need reconsidering. This is evidenced by revenue monitoring reports which consistently identify significant overspends in Adults Services and in the RAG reporting of savings achievement. To date these variations have been managed on a one off basis by management action such as spending freezes and the use of one-off funds.

4.8. The Sustainable Business Model (SBM), described in more detail below, provides a more sustainable financial basis for the Council over the medium to long term.

## 5. The Current Financial Year 2015-16

5.1. The budget for 2015/16 was agreed by Council on 26 February 2015.

5.2. As the 2015/16 financial year progresses, revenue monitoring reports continue to monitor the achievement of 2015/16 savings and highlight any financial issues for the current year budget and also any ongoing implications. These ongoing implications will be included in the Financial Strategy.

5.3. As at Quarter 2, the revenue monitoring report to Cabinet identified a projected overspend for 2015/16 of £4.135m. Of this projected overspend, £7.409m relates to RED 2015/16 savings pressures which together with other 2015/16 pressures are offset to give the projected overspend of £4.135m. As noted above, the RED 2015/16 savings noted as unachievable of £4.028m have been added to the 2016/17 savings requirement.

5.4. The ongoing financial implication of new service pressures is currently estimated at £5.535m. Work is currently being undertaken to ensure this pressure, and corresponding solutions, are built into our assumptions for 2016/17. Alternative, ongoing savings proposals will need to be identified before 1 April 2016 to ensure this does not leave future budgets in an unbalanced position.

## 6. 2016/17 to 2020/21 Projections of Resources and Expenditure

6.1. As detailed above the current savings targets are based on resource and expenditure projections agreed in February 2014 as part of the 2014-17 Financial Strategy.

6.2. For 2016/17 the current strategy identifies a gap of £18.333m with savings required of £16.868m. The savings required are lower than the gap as the strategy identified a small over achievement of savings in 2015/16 to carry forward. Table 3 below shows the resource and expenditure projections as reported to July Cabinet:

**Table 3: 2014-17 Financial Strategy, 2016/17 Funding Gap Identified**

| | 2016/17<br>£'000 |
|---|---|
| Resources | 553,475 |
| Expenditure | 571,808 |
| Gap identified for 2016/17 as part of 2014-17 3 year strategy<br>Note Savings required in year are £16.868 due to the planned overachievement in previous year. | 18,333 |

6.3. As part of the Sustainable Business Model work undertaken over the summer, the resource and expenditure projections have been revisited.

6.4. For resources, the assumptions on government funding have remained unchanged but for Council Tax Taxbase and Business Rates our assumptions have been revised. Also when considering the gross resources available, specific grants have been updated and income from fees and charges has been reviewed. The assumptions used in both the 2014-17 strategy and the SBM are detailed in **Appendix 3**

6.5. For expenditure, revised projections of service budgets required in future years have been prepared based on current spending patterns, estimated pay and prices and projected demographic and other service changes. The assumptions used in both the 2014-17 strategy and the SBM are detailed in **Appendix 3**

6.6. The table below summarises the SBM projections and for 2016/17 compares it with the existing projections.

**Table 4: SBM Projections compared to existing 2016/17 Projections**

| | 2016/17 FS 29/07/2015 | 2016/17 SBM | 2017/18 SBM | 20018/19 SBM | 2019/20 SBM | 2021/22 SBM |
|---|---|---|---|---|---|---|
| Resources | 553,475,225 | 560,219,070 | 557,732,326 | 557,203,117 | 557,641,618 | 559,315,419 |
| Expenditure | 571,808,081 | 581,381,655 | 593,823,408 | 608,505,667 | 620,435,490 | 633,145,833 |
| Funding Gap | -18,332,856 | -21,162,586 | -36,091,082 | -51,302,550 | -62,793,872 | **-73,830,414** |
| Year on Year Savings | | -21,162,586 | -14,928,497 | -15,211,468 | -11,491,322 | -11,036,541 |

6.7. It can be seen from Table 4 that the SBM approach increases the funding gap in 2016/17 by £2.830m (from £18.333m to £21.163m) which in part represents an adjustment for pressures identified through 2015/16 monitoring. Before the final budget for 2016/17 can be set, it will be necessary to revisit the implications of the current overspend projected for 2015/16. This could result in the need to reset the starting position for 2016/17 above the assumed starting position built into the SBM earlier in the year. To be prudent, it has been estimated that this could increase the funding gap by a further £2m. Overall, the funding Gap would, therefore, increase to £34.4m, as shown below:

**Table 5: 2016/17 Actual Funding Gap**

| | £m |
|---|---|
| Savings Gap Identified by SBM (Table 4) | 21.163 |
| Less overachievement on Target in first 2 years (£18.333m-16.868m, paragraph 6.2) | -1.465 |
| Add potential for further Adults Growth | 2.000 |
| Add 2015/16 Slipped/Unachievable Savings identified in February 2015 | 8.672 |
| Add RED unachievable Savings identified over the Summer 2015/16 | 4.028 |
| Total Savings Required in 2016/17 | 34.398 |

6.8. Table 2 has identified that only £4.5m is currently RAG rated as green, leaving almost £30m of savings proposals still to be developed before 1 April 2016.

6.9. An interim solution is required to provide a transition from the current MTFP to the new SBM, at the same time delivering a balanced 2016/17 budget. This is considered in more detail in Section 7 below.

6.10. The revised resource and expenditure projections are provided in more detail in Appendices 1 and 2.

6.11. The key points to note around the resource projections are:

Net Resources

- Significant reductions in Revenue Support Grant (RSG) with the 2015/16 amount of £43.76m projected to reduce to zero by 2020/21.
- Assumptions around Business Rate and Council Tax tax base growth of 0.8% in the long term.
- Council tax increases of 1.99% assumed for planning purposes from 2018/19 onwards.
- No impact of the Chancellor's announcement that Councils will retain 100% of Business Rates in the future.

Gross Resources

- Significant adjustments to fees and charges which are partly as a result of an assumed increase in expenditure, for example, where Adult Services growth estimated an increase in income equivalent to circa 25% is assumed to partially offset this.

6.12. The key points to note around expenditure projections are:

- Gross expenditure increases over the 5 year period by £67m, offset by income increases to give net growth over 2016-2021 of £50m.
- The gross increase is made up as follows:
    - Pay (capped to 1% increases) and increments £8.0m
    - Prices inflation on contracts £20.5m (excluding possible living wage impact)
    - Demography – gross cost offset by income £36m
    - Base budget adjustment for Adults in 2016/17 £2.5m
- The gross increase is offset by an income increase assumed of £17m

6.13. It is important to note that our assumptions around specific grants are that if the grant reduces, then there will be commensurate reductions in expenditure. As grants roll into base line funding they are no longer ring-fenced and, unless specifically excluded when DCLG calculate reductions in Settlement Funding Assessments, are subject to the same percentage reductions as all other services funded from the net budget. This may be particularly relevant if all specific grants are rolled into the Council's net budget as part of the introduction of 100% Business Rates Retention (see Section 10 below) and it remains to be seen if any rolled in funding is in some way protected.

6.14. An underlying principle in the development of a Sustainable Business Model is to understand how expenditure projections in the short term grow in the future and considering the options as to how this growth will be funded. The choices for funding growth in services (assuming they are not, or cannot, be decommissioned) are to create additional resources to offset the growth, or to reallocate existing resources from somewhere else.

## 7. An interim solution to provide a balanced 2016/17 Budget

7.1. The following information in Table 6 shows the net and gross resources for 2016/17 as identified in Appendix 1 and also for comparison show 2015/16 resources.

**Table 6: Resources 2015/16 and 2016/17**

| | 2016/17<br>£'000 | 2015/16 Budget<br>£'000 |
|---|---|---|
| Net Resources | 201,592 | 215,843<br>(projected outturn as at Qtr 2 £219,977) |
| Gross Resources | 560,219 | 576,379 |

7.2. There is a requirement to reduce expenditure down from 2015/16 resource levels to 2016/17 resource level and also manage all growth requirements.

7.3. As detailed above, the existing financial strategy identifies the need to implement £34.4m savings in 2016/17 to reduce from 2015/16 to 2016/17 base budget and to deal with previous years unachievable savings.

7.4. The SBM takes a new approach to setting the budget going forward identifying the resources available and providing target budgets for each Directorate for 2016/17.

7.5. As we set the budget for 2016/17 it is important to ensure that any budget shortfalls from the existing financial strategy are taken into account in the SBM.

7.6. For 2016/17, Directorates have been given net budget targets to work to from the SBM workings. The following table identifies target budgets and the current spending projections for each Directorate.

**Table 7: 2016/17 Target Budgets and Current Projections**

| | 2015/16 Net<br><br>£'000 | 2016/17 Target Budget<br><br>£'000 | 2016/17 Projected Budget<br><br>£'000 | Variation<br><br>£'000 |
|---|---|---|---|---|
| Adults | 69,082 | 72,261 | 76,674 | 4,413 |
| Children's- Learning & Skills | 18,048 | 15,877 | 17,818 | 1,941 |
| Children's – Safeguarding | 27,805 | 25,061 | 25,601 | 540 |
| Commissioning | 64,002 | 57,141 | 63,782 | 6,641 |
| Public Health | 1,835 | 1,367 | 1,382 | 15 |
| Resources and Support | 35,071 | 31,979 | 32,829 | 850 |
| Corporate- achieved on one off basis in 2015/16 and not reallocated | | | 7,466 (8,673 less 1207 reallocated to services) | **7,466** |
| Council Net | 215,843 | 203,686 | 218,086 | **21,866** |

7.7. The target budget identified above (£203.686m) exceeds the resources projections by £2.094m due to an assumed one off deficit in the collection fund included in the resource projections.

7.8. The projected variation of £22m identified in Table 7 above can be reconciled to the existing MTFP forecast shown in Table 5 by taking into account savings, which are assumed to be achievable in 2016/17, when identifying projected budgets. The savings assumed as deliverable within the SBM total £12m and the gap, before savings, would therefore increase from the £22m identified above to £34m, which reconciles at a high level to the figure quoted in Table 5.

7.9. It can be seen that even after identifying £11.751m of savings in 2016/17 there is still a considerable way to go to balance 2016/17 budget. Prior to Cabinet in December, Directors will be finalising an interim strategy to ensure the 2016/17 budget can be balanced.

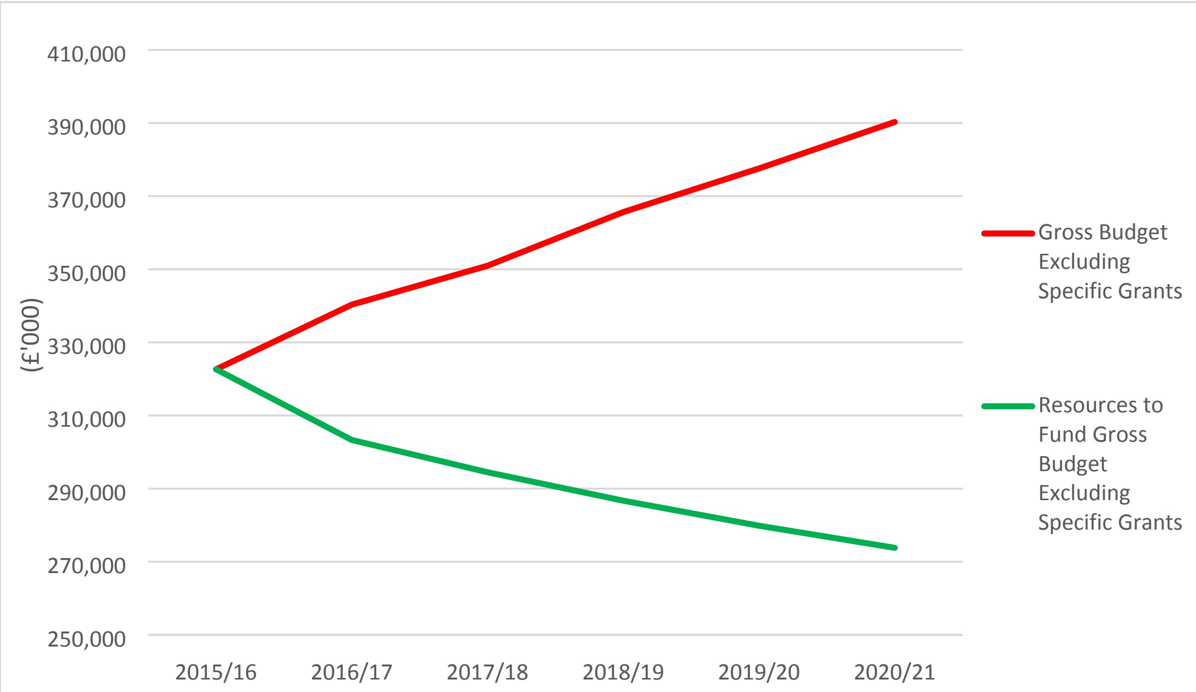
## 8. Developing a Sustainable Business Model

### Review of Existing Model

8.1. Following the report presented to Cabinet in July, further work has been undertaken to refine the Sustainable Business Model, to review and identify options for progress, update the underlying information, and to begin consideration of the implications. This work is key to providing the context for the Big Conversation, due to launch over the autumn.

8.2. The base information and future projections, identified and refined to date, can be used to form the basis for developing a Sustainable Business Model for the Council. Putting the current assumptions on spend and resources into a single chart, an ever widening gap is clearly evident (Chart 1 below). This will need to be addressed, and re-addressed every three years as part of the MTFP process.

**Chart 1: An Ever Widening Funding Gap**




8.3. Historically, when agreeing the Financial Strategy, the Council has adjusted expenditure down to available resource levels as required, usually over a three year period. Although the Council works hard to control growth in expenditure, an underlying increase prevails despite ongoing savings implementations.

8.4. To create a Sustainable Business Model officers have been trying to gain a deeper and more detailed understanding of what drives growth in expenditure. Where it has been possible to redesign services to minimise that growth or, at the very least, understand the drivers for the growth, zero based budget principles can be applied, enabling a reasonably informed assessment of the future delivery of a particular service. With an understanding of growth in costs, it is then possible to consider whether services are deliverable on a sustainable basis over a longer period of time. This is done by considering the Council's available resources.

8.5. In the same way that expenditure growth has been modelled, it is possible to model potential income growth (whether under the control of services or Council-wide such as Council Tax or Local Business Rates).

8.6. On 5th October 2015 the Chancellor announced a change to the treatment of Business Rates and further details of this are set out in Section 10 of this report. At this stage, it is too early (no details are currently available) to identify the impact of this change either nationally or to Shropshire. Within this report a broad assumption has been made, however, that projected national reductions in public sector finance have not changed. Therefore, while the mechanism may have changed (i.e. retaining 100% of business rates rather than 49% currently) the overall financial position will not change significantly, as logically for the financial position to have improved it would mean that assumptions around local government finance at a national level would also need to have improved. And this would be to the detriment to either other government departments or to reductions in public sector finances generally.

8.7. The Chancellor also announced the potential for changes in local government powers and responsibilities which could see councils becoming almost wholly reliant on the funds raised locally. Such a scenario would see the end to specific or ring-fenced grants funded, currently, through other government departments. Under this scenario should any funds be identified as additional to the current reductions in Revenue Support Grant, they may well be committed to funding additional responsibilities or existing responsibilities currently funded from elsewhere.

8.8. Local Retention of all *growth* in business rates could have some positive impact on council finances, although this needs to be considered against the two key risks of 100% of appeals liability falling against the Council's Collection Fund and any pressure to locally reduce the Business Rate multiplier.

8.9. Consequently, in the absence of information to the contrary, it is safer to continue to develop the SBM based on what we know rather than what we might speculate. Therefore, to start from a sustainable footing, it is first necessary to assume that, not only will RSG be removed entirely from Council budgets at some time in the future but that in the meantime it can only be relied upon as *interim* funding. In other words, the sooner the Council stops relying on reducing RSG to sustain services, the sooner a sustainable budget can be set. Clearly, the Council must expect significantly lower funding levels and plan for this much sooner than originally anticipated, and that these plans will impact directly on potential service delivery.

8.10. By expressing the information in this way, examination can be focused only on the resources which are (to differing levels) under the Council's control (sustainable resources). It is then possible to begin modelling the various impacts on resource growth.

8.11. This approach has required existing information and assumptions to be viewed in a slightly different way. To turn it into a Sustainable Business Model requires two further steps. Step 1 is to reduce the level of expenditure within the Council down to a level that can be funded by sustainable levels of resource. The reduction would then need to be modelled forward to assess the implications on future growth in expenditure. Once that is completed, Step 2 would look at resource generation to identify ways in which sustainable resources can be turned more positively to nearer match the expenditure line. Only if the spend and income are matched, at the beginning and into the future, can a Sustainable Business Model be created for the Council.

8.12. This approach is a model and does not reflect an actual basis for decision making at this stage. Furthermore, it is not yet known whether RSG will be completely removed by 2020/21 or earlier or later and what the impact of 100% business rates retention may have on this. It is likely that further detail will be available as part of the Autumn Statement and Spending Review due later in the year. The model does, however, allow the Council to plan for the eventuality of losing all RSG with no benefit from business rate changes, and will hold firm should the timescales for this be brought forward (whether leading to a positive or negative financial impact).

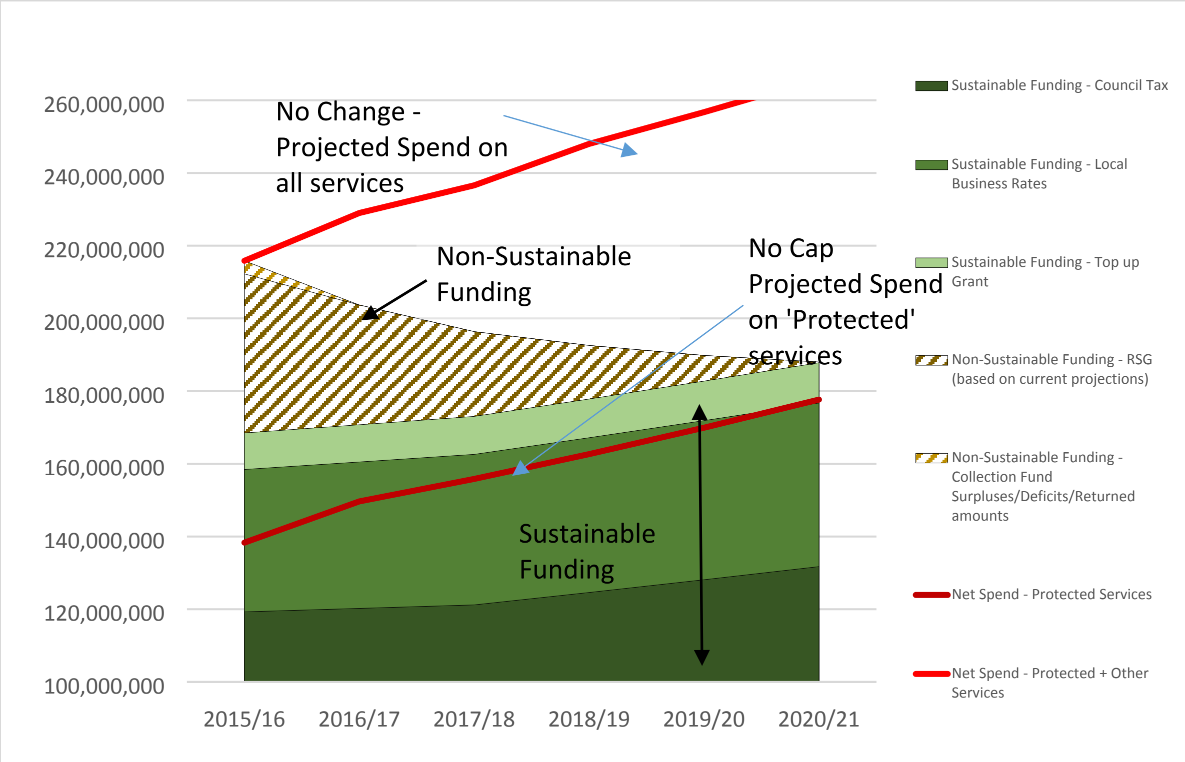
8.13. A further benefit of working towards putting a Sustainable Business Model in place *now* is that any residual RSG retained over the next three to five years will effectively be additional money which can be utilised as one-off funding to help smooth the transition to the Sustainable Business Model.

**Update of the model the from Previous Cabinet Report**

8.14. Over the summer the underlying data has been developed and used to build the model. This has resulted in the model expanding into a slightly more complex arrangement to more closely match revised spend and resource projections.

8.15. The transition to an implemented Sustainable Business Model necessitates separating out sustainable funding from non-sustainable funding and comparing it to expected spending. As a first attempt at this, services were categorised as 'Protected' or 'Other' and plotted against the various types of resource, as shown in Chart 2 below. This identified that those high priority 'Protected Services' could initially be contained within sustainable resources, but at the current rate of growth would eventually breach the level of sustainable funding at some point in the future (i.e. beyond 5 years). Spend on protected services is shown as the lower (red) line on Chart 2, which will eventually (beyond 2020/21) exceed the (green block) sustainable funding.

**Chart 2: Spending and Sustainable and Non-Sustainable Funding**




8.16. In the above chart, 'protected' are those services that would ordinarily be considered the highest priority within any local government setting. These include, for example, key elements of Adult Social Care, Child Protection and Waste collection and disposal. There are many other services we are mandated to deliver and we will need to review these services to ensure we meet our statutory responsibilities. It will not be possible, however, within the current financial envelope modelled to deliver these other mandated services at their current levels.

8.17. Sustainable Funding has been identified as Council Tax, Non-Domestic Rates (the current 49% of Business Rates retained locally) and Top-Up Grant (which may change under a new approach to national redistribution of business rates). RSG and Collection Fund surpluses are considered non-sustainable.

8.18. A key finding from the work undertaken is that the ability for resources to match expenditure levels into the future, on a sustainable basis, cannot be achieved without further intervention. That is to say, while it may be possible to bring expenditure and sustainable resources into line at a given point in time by reducing spend and delivering only protected and some other services, the resources from which the Council will be starting is too low to enable the rate of growth in expenditure to be matched by growth in sustainable resources into the future.

8.19. In arriving at this conclusion, the growth in available resources is based upon a number of assumptions including an increasing Non Domestic Rate and Council Tax Taxbase, increases in the NDR tariff of 2% per year from April 2016 (currently set nationally) and 1.99% increases in Council Tax, at the latest, from April 2018. To match the projected growth in spend, an equivalent increase in Council Tax of circa 5%-6% per annum would be necessary from April 2016 and this would be in excess of the government imposed referendum limit. Some of this growth could be offset by retention of 100% of business rate growth, although given the increased risk associated with retention of 100% of business rates and any pressure to reduce the multiplier locally, it will be necessary (once more detail is available) to revisit growth potential on this basis.

8.20. The model has therefore been further developed to try to accommodate this latest and more robust information. Firstly, protected services would retain all growth in resources identified in the future to, as far as possible, match their growth in costs. While this still may not enable protected services to be fully funded into the future, it would at least focus all growth in resources onto the services the Council considers to be its highest priority. By introducing a ‘Cap’ on any *budget growth*, it would be possible to match growth in spend to available resources. This cap may equate to a 2% to 3% efficiency saving on protected services and thus as a planning objective may be achievable. Alternatively, should this become unachievable, for whatever reason, the option would remain to increase the Council Tax above existing assumed increases to fill any resulting gap (albeit potentially subject to a referendum).

8.21. Secondly, protected services could be supplemented by a smaller amount of ‘Maintained’ Services. This second sub-set of retained services would continue to be funded from sustainable resources (i.e. Council Tax, NDR and Top-Up Grant) but as all future growth would be targeted at protected services (under the current model), maintained services would become cash limited. That is to say, aside from any income generation via fees and charges to supplement growth in costs, these services would have to reduce costs each year to take account of cost increases as a result of pay and prices inflation, for example, which could not be compensated for any other way. While this is clearly not ideal, it does at least allow for some services, beyond those identified as protected, to be retained in some form from available, sustainable resources.

8.22. To provide a trail from the Council’s existing budget to the new Sustainable Business Model budget requires the remaining service budgets within the Council to be broken down into two further blocks; ‘Temporary’ Services and ‘Decommissioned’ Services.

8.23. Effectively, temporary services would be services delivered from non-sustainable resources, primarily RSG, for as long as those resources exist. Early identification of these services would enable the Council and local communities to plan for their eventual removal.

8.24. Finally ‘Decommissioned’ Services would reflect those services that would, as the title suggests, be decommissioned and would no longer be supported by the Council.

8.25. While the revised model attempts to take account of the likely financial position of the Council into the medium to long term, it cannot make the reality of this financial position any more palatable.

**Options Appraisal**

8.26. While the above describes the Council’s likely situation in broad terms, it is necessary to identify the assumptions made in arriving at this situation and identify other potential options that could be considered.

8.27. Option A – This is the current option as described above and makes the following assumptions as described in Table 8 below. It is worth noting that these are long term underlying assumptions and would be subject to variation on a year by year basis and would need revisiting in relation to business rates, once more details around the Chancellor’s announcement are forthcoming. Any potential in year variation would need to be reflected in the assessment of general reserve balances held by the authority each year.

**Table 8: Option A Assumptions**

| | | |
|---|---|---|
| NDR Taxbase (based on the number of businesses located in the County and retention of 49% locally) | 0.8% increase | Year on year |
| NDR Multiplier (currently set by Central Government but subject to change) | 2% increase from 1 April 2016 | Year on year |
| Council Tax Taxbase (based on the number of Band D properties in Shropshire) | 0.8% increase | Year on year |
| Council Tax Inflationary Increase (set locally by Council) | 1.99% increase from 1 April 2018 | Year on year thereafter |
| Top-Up Grant (calculated nationally, based on redistribution of NDR but subject to change) | 2% Increase from 1 April 2016 | Year on year |
| Council Fees and Charges and other income generation (where these can be set locally) | Growth in charging base of 5% from 1 April 2016 and inflationary increases in line with underlying RPI indices | Year on year |

8.28. Option B – This is similar to Option A, but instead a Council Tax increase is modelled from 1 April 2016, rather than 1 April 2018. An increase in Council Tax across the whole of Shropshire is not an option that has been considered previously by the Council since it become a unitary authority. This option which needs to be considered against the loss of any Council Tax Freeze Grant in the short term, but nevertheless would have a longer term benefit to the Council's resources. The impact of a Council Tax increase from 1 April 2016 is that additional funding would be available for 'Maintained' services sustained into the future, with the added benefit of a marginal reduction in the cap on ‘Protected’ services due to the increased resource base from April 2018 compared to projections for Option A.

8.29. Option C – This is similar to Option A, but instead a Council Tax increase is delayed further and modelled from 1 April 2019 rather than 1 April 2018. The impact of this is that reduced funding would be available for maintained services which may in itself be feasible. However, the impact on protected services and the applicable cap push the model to the edge of sustainability. It is not considered a robust model to assume residual RSG can be relied on that far into the future and that modelled growth can be contained and on this basis this option has not been pursued. This option could potentially be reconsidered once details of business rate changes and retention of 100% growth locally have been made available.

8.30. Option D – This is similar to Option B, but includes an inflationary increase in Council Tax to keep pace with growing costs in protected services from the start. This option could be phased in from April 2016 or later and would provide additional funding for maintained services and remove the cap from protected services, but at circa 5% would exceed the Council Tax increase threshold of 2% and therefore would require a referendum. It is unreasonable to accept that a sustainable model can be built upon an assumption that a referendum would return an increase in Council Tax, year on year, of 5%, and on this basis, this option has not been pursued.

8.31. Option E – While it is not feasible to retain all services within the Council within the current affordability envelope, one option could be to attach a high level cap on expenditure growth and apply this to all services. This would result in a number of services being decommissioned and all those retained, reviewed each year compared to available resources. This would take effect as a year on year reduction in funding of all retained functions (regardless of their status as protected or maintained). The feasibility of this approach will depend on the number of services decommissioned and thus the size of the year-on-year reduction applied to everything else that is retained. However, even if a 10% (circa £20m to £25m) reduction in net spend each year was deemed achievable, spending could only be balanced by a corresponding increase in Council Tax of between 6% and 8% each year. The lower the year on year reduction, the higher the pressure on Council Tax increases. On this basis this option, which is often referred to as “salami slicing”, is not considered sustainable and has not been pursued.

**Options A and B Implications**

8.32. Options A and B, described above, have been further pursued as they provide potential long term solutions to the Council’s likely financial position and do not rely heavily on decisions beyond the Council’s control (for example, changes in legislation, increases in central government funding or Council Tax increases beyond referendum levels).

8.33. Option A and B are very similar, the only difference being that Option B assumes an earlier increase in Council Tax (from April 2016); otherwise the assumptions for both are set out in Table 8 above. An increase from April 2017 could also be modelled, but as the implications are similar to Option B, and would still represent a change from the Council's current policy of no increases in Council Tax, this has not been included within the report, but could be pursued as necessary.

8.34. Council Services and functions, for the purposes of drawing a model under either Option A or B, are split into the following four categories as detailed in Table 9 below.

**Table 9: Categories for Council Services and Functions**

| Category | Description | Implications |
|---|---|---|
| Protected | Highest priority, essential services of the Council, expected to grow in the future but subject to a cap. Spend over and above the cap may involve elements of services and functions moving into the 'Decommissioned' category. | These services are assumed to grow in cost in the future as a result of demographic or other pressures. While much of this growth will be funded, without Council Tax increases beyond the referendum limit a cap on increases will be required and would need to be revisited each year. |
| Maintained | High priority services that will be funded from sustainable sources, but subject to a cash limit. If this cash limit cannot be maintained, elements of services and functions may drop into the 'Decommissioned' category over time. | These services and functions will be maintained into the long term future of the Council, providing they can survive within a cash limited budget level. The ability to generate additional fees and charges may help to offset this cash limit. Delivery by ip&e may be an option. |
| Temporary | Lower priority services that will be funded from non-sustainable sources | These services and functions will be supported on a reducing basis utilising all |

| | | |
|---|---|---|
| | (e.g. RSG) for as long as those sources exist. As resources reduce, these services will effectively drop into the decommissioned category. | available resources from non-sustainable sources. This will be predominantly RSG and the lifespan of these functions will be dictated directly by government funding decisions. There is the potential for ip&e to take over or continue the running of these services providing it is possible to put them on a commercial footing within the timescales reducing government funding will allow. |
| Decommissioned | Lowest priority services and functions that cannot be supported beyond the very short term. This category will grow over time as unfunded elements from the above categories drop into the 'Decommissioned' category | These will include existing savings identified for 2016/17, but will also include additional savings to replace unachieved savings proposals already reported and new savings to deliver a balanced budget in the short, medium and long term. There is the potential for ip&e to take over or continue the running of these services providing it is possible to put them on a commercial footing before funding is removed. |

8.35. To put the above options and categorisation into context, the following tables and charts describe the impact on the Council's finances and functions (Tables 10 and 11, Charts 3 and 4).

**Table 10: Funding by Category 2015/16 to 2020/21, Option A**

| Spending: | 2015/16 (£) | 2016/17 (£) | 2017/18 (£) | 2018/19 (£) | 2019/20 (£) | 2020/21 (£) |
|---|---|---|---|---|---|---|
| Total - Protected Services | 138,319,861 | 145,920,728 | 148,149,662 | 152,937,304 | 157,858,063 | 162,915,649 |

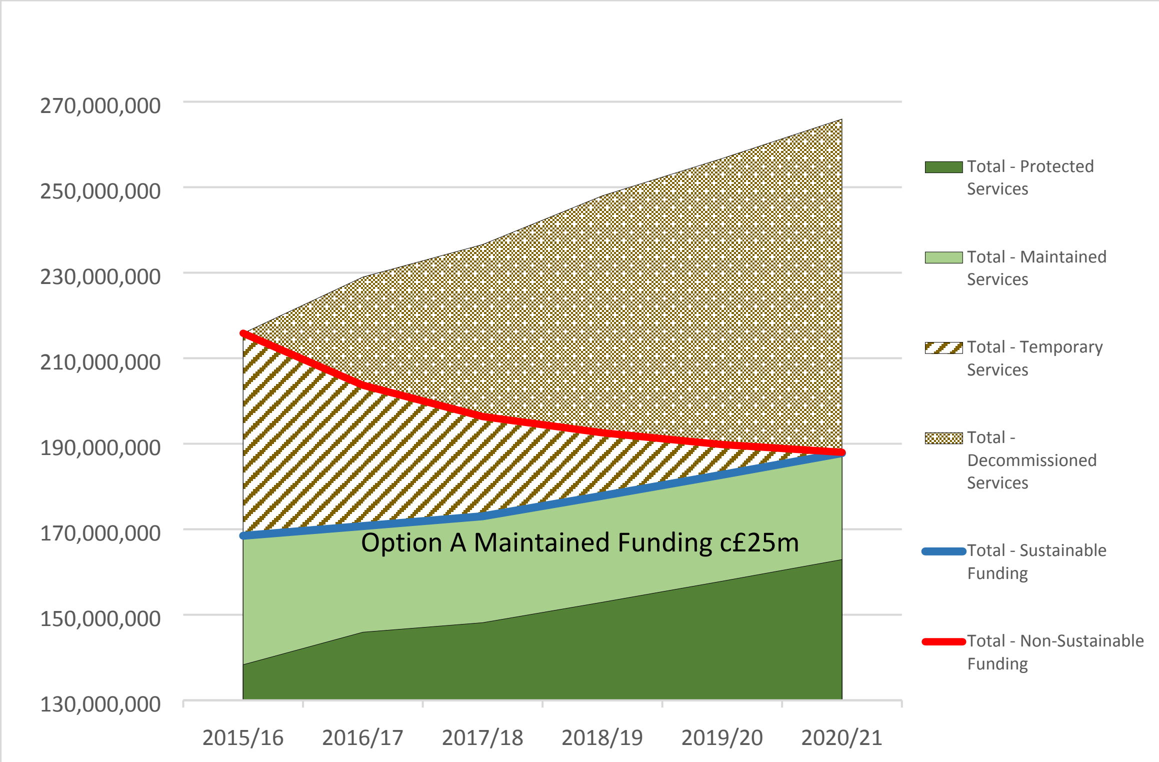
| | | | | | | |
|---|---|---|---|---|---|---|
| Total - Maintained Services | 30,163,200 | 24,820,224 | 24,891,881 | 24,891,881 | 24,891,881 | 24,891,881 |
| Total - Temporary Services | 47,359,499 | 32,945,604 | 23,317,528 | 14,731,330 | 7,059,713 | 190,613 |
| Total - Decommissioned Services | 0 | 25,304,903 | 40,243,070 | 55,442,323 | 66,920,744 | 77,943,672 |
| Total (including Decommissioned Services) | 215,842,560 | 228,991,459 | 236,602,142 | 248,002,838 | 256,730,401 | 265,941,815 |
| Funding: | | | | | | |
| Total - Sustainable Funding | 168,483,061 | 170,740,952 | 173,041,543 | 177,829,185 | 182,749,944 | 187,807,529 |
| Total - Non-Sustainable Funding | 47,359,499 | 32,945,604 | 23,317,528 | 14,731,330 | 7,059,713 | 190,613 |
| Total Funding | 215,842,560 | 203,686,556 | 196,359,071 | 192,560,515 | 189,809,657 | 187,998,143 |

**Table 11: Funding by Category 2015/16 to 2020/21, Option B**

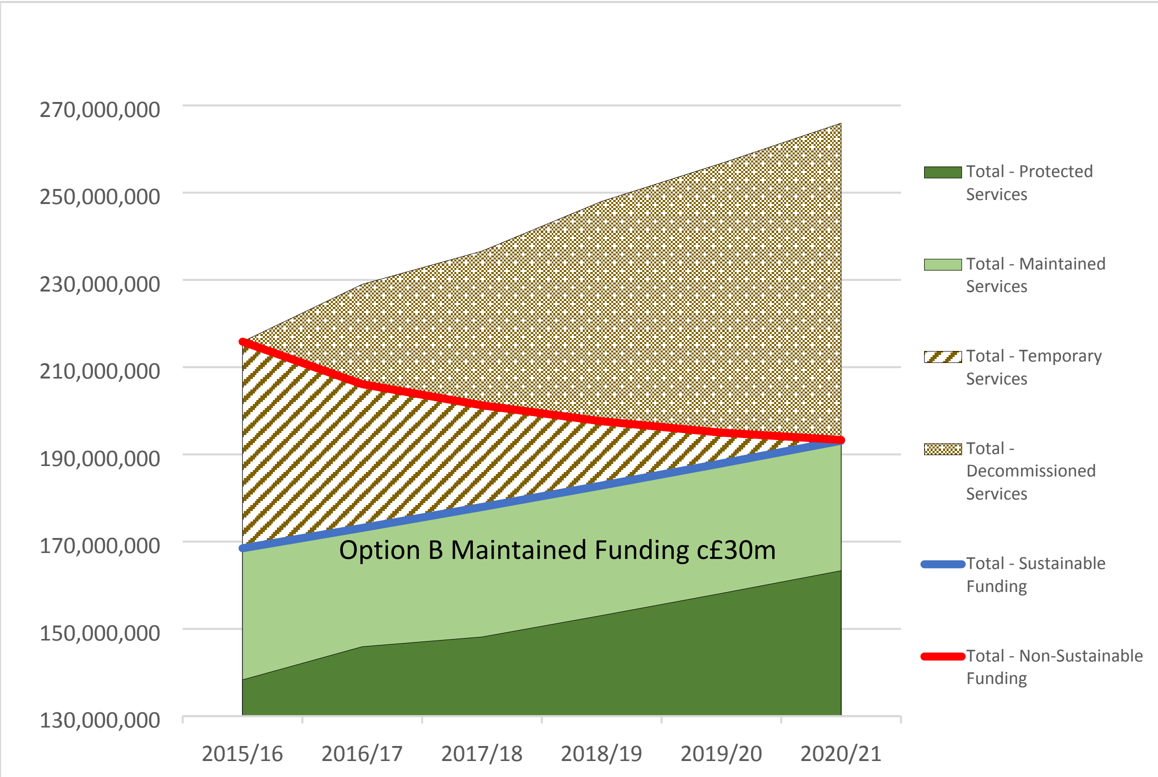
| Spending: | 2015/16 (£) | 2016/17 (£) | 2017/18 (£) | 2018/19 (£) | 2019/20 (£) | 2020/21 (£) |
|---|---|---|---|---|---|---|
| Total - Protected Services | 138,319,861 | 145,920,728 | 148,149,662 | 153,075,186 | 158,137,708 | 163,341,050 |
| Total - Maintained Services | 30,163,200 | 27,224,919 | 29,788,225 | 29,788,225 | 29,788,225 | 29,788,225 |
| Total - Temporary Services | 47,359,499 | 32,945,604 | 23,317,528 | 14,731,330 | 7,059,713 | 190,613 |
| Total – Decommissioned Services | 0 | 22,900,208 | 35,346,726 | 50,408,097 | 61,744,755 | 72,621,927 |
| Total (including Decommissioned Services) | 215,842,560 | 228,991,459 | 236,602,142 | 248,002,838 | 256,730,401 | 265,941,815 |
| Funding: | | | | | | |
| Total - Sustainable Funding | 168,483,061 | 173,145,647 | 177,937,887 | 182,863,411 | 187,925,933 | 193,129,274 |
| Total - Non-Sustainable Funding | 47,359,499 | 32,945,604 | 23,317,528 | 14,731,330 | 7,059,713 | 190,613 |
| Total Funding | 215,842,560 | 206,091,251 | 201,255,415 | 197,594,741 | 194,985,646 | 193,319,888 |

8.36. The key difference between the tables above, and thus Options A and B, is that the value of the 'Maintained' category is retained at a figure £4.9m greater under Option B. There is also a marginal impact on protected services, due to the increase in the underlying resource level build up over 2 years in Option B. This results in a slightly reduced cap for protected services and by 2020/21 an additional £0.425m of funding for these services. This is also shown graphically below.

### Chart 3: Option A, Funding by Category 2015/16 to 2020/21




### Chart 4: Option B, Funding by Category 2015/16 to 2020/21



8.37. As demonstrated in the Table and Charts above, if the Council were able to continue to deliver services at their current levels, the costs of these services would grow into the future as a result of pay and contract inflation, demographic growth and other pressures. The result on the Council's net budget would be to increase it from the current £215m to almost £266m by 2020/21. This is set out on a directorate basis in Table 12 below.

**Table 12: Growth in Directorate Budgets with no financial constraints. This is unsustainable.**

| Net Budget (no Cap) - Split of Directorates | 2015/16 (£) | 2016/17 (£) | 2017/18 (£) | 2018/19 (£) | 2019/20 (£) | 2020/21 (£) |
|---|---|---|---|---|---|---|
| Net no Cap Budget - Adults | 69,081,951 | 76,674,263 | 81,557,446 | 86,807,733 | 92,433,680 | 98,463,858 |
| Net no Cap Budget – Children's L&S | 18,048,400 | 18,855,741 | 19,213,932 | 19,578,420 | 19,949,321 | 20,322,195 |
| Net no Cap Budget – Children's Safeguarding | 27,804,600 | 28,546,271 | 28,916,767 | 29,342,436 | 29,772,826 | 30,209,052 |
| Net no Cap Budget - Commissioning | 64,001,910 | 67,705,218 | 69,331,931 | 74,316,363 | 76,237,110 | 78,225,870 |
| Net no Cap Budget - Public Health | 1,834,560 | 1,852,906 | 1,871,435 | 1,890,149 | 1,909,050 | 1,928,141 |
| Net no Cap Budget - Resources & Support | 35,071,139 | 35,357,060 | 35,710,630 | 36,067,737 | 36,428,414 | 36,792,698 |
| **Total** | **215,842,560** | **228,991,459** | **236,602,142** | **248,002,838** | **256,730,401** | **265,941,815** |

8.38. It is only when these budgets are revised under Options A or B of the Sustainable Business Model and recalculated that the impact at a directorate level can be seen. This is show in Table 13 below and aligns with the figures shown in tables 10 and 11 in section 8.35. By 2020/21 the gap, with no action taken, would grow to over £77m.

**Table 13: Growth in Directorate budgets constrained to resources defined under Option A of the SBM**

| Net Budgets (Option A, Capped) - Split by Directorates | 2015/16 (£) | 2016/17 (£) | 2017/18 (£) | 2018/19 (£) | 2019/20 (£) | 2020/21 (£) |
|---|---|---|---|---|---|---|
| Net Capped Budget - Adults | 69,081,951 | 72,260,655 | 73,834,357 | 76,698,881 | 79,852,016 | 83,284,349 |
| Net Capped Budget – Children's L&S | 18,048,400 | 15,876,992 | 14,952,293 | 14,269,070 | 13,665,936 | 13,131,800 |
| Net Capped Budget – Children's Safeguarding | 27,804,600 | 25,061,203 | 23,355,906 | 22,072,708 | 20,912,931 | 19,859,662 |
| Net Capped Budget - Commissioning | 64,001,910 | 57,140,977 | 52,777,712 | 49,492,123 | 46,637,202 | 44,159,721 |

| | | | | | | |
|---|---|---|---|---|---|---|
| Net Capped Budget - Public Health | 1,834,560 | 1,367,017 | 1,140,867 | 937,676 | 756,128 | 593,572 |
| Net Capped Budget - Resources & Support | 35,071,139 | 31,979,712 | 30,297,938 | 29,090,058 | 27,985,444 | 26,969,038 |
| **Total** | **215,842,560** | **203,686,556** | **196,359,071** | **192,560,515** | **189,809,657** | **187,998,143** |

8.39. The broad areas defined as protected services are set out in Table 14 below for consideration. Should these be accepted, these would be the only services delivered by the Council that would be supported at something like their current level and allowed to grow in a controlled way to meet managed demand. All other Council functions would be reviewed and either scaled down to a level that funding would allow, or would need to be decommissioned altogether.

**Table 14: Protected Services**

| **Draft Protected Services** | **Budget 2015/16 (£)** |
|---|---|
| Adult Social Care Commissioned Support | 48,134,451 |
| Adult Safeguarding | 945,936 |
| Adult Services Directly Provided Support | 4,459,280 |
| Adult Services Staffing | 5,882,234 |
| School Transport | 10,564,450 |
| Child Protection Team | 16,118,350 |
| Waste Collection and Disposal | 24,674,790 |
| Concessionary Fares | 3,067,780 |
| Treasury Management | 24,472,590 |
| **Total** | **138,319,861** |

8.40. The protected services identified amount to a cost of over £138m out of a net budget of £216m. By 2020/21, however, protected service costs are estimated to have grown to £163m, while the net budget could fall to £188m. On this basis, the funding for all other services will have fallen over this time period from £78m to £25m (with costs of delivery having grown at the same time).

8.41. The impact of these options on the Council, and its services and functions, is complex and while a financial model can be constructed using this methodology, the wider implications for traditional council services and changes to the way they are currently delivered could, in many circumstances, be profound. Appendix 4 starts to set the context for these options. Each service directorate of the Council is set out separately, with its major functions described and placed into the categories identified earlier in the report.

## 9. Impacts on Service Delivery of the Sustainable Business Model

9.1. A timetable is attached at Appendix 5 setting out the timescales for the development of the Sustainable Business Model over the remainder of the financial year, through to Council approval of the budget in February 2016.

9.2. An initial assessment of the impacts on services of the introduction of the SBM is provided below.

**Adult Services**

9.3. Adult Services includes the following major functional areas; Adult Safeguarding, Commissioned Support, Directly Provided Services, Staffing Support, Housing Options and Housing Initiatives.

9.4. Adult Services provides a range of services and support for vulnerable people aged 18 and over, including older adults and adults with disabilities, to help them lead independent lives in their own communities. The majority of services currently provided are statutory.

9.5. We will continue to provide tailored services. This model seeks to maximise the unfunded support or ‘asset’ that individuals have and where absolutely necessary will provide funded support to the individual’s needs and preferences ensuring both a proportionate and equitable response to requests for support based on a person’s level of need. We will continue to do this through our Operating Model and reduced reliance upon paid support through the use of peer support and localised community contact clinics

9.6. Whilst we will simplify and streamline internal processes and assessments to ensure effective planning and quicker processes resulting in a better end service there will also be changes in the way that we deliver in - house services which will include increasing the use of community buildings and sharing facilities to improve the socialising opportunities we can offer and reduce reliance on traditional day centres. We will continue to maximise the resources that already exist within communities to best effect.

9.7. Information will be made more accessible to enable customers to exercise personal choice about their future care provisions to promote self-help and self-reliance. This will include the promotion of assistive technology to help encourage independence.

9.8. We will continue to develop supported living and alternative models of accommodation that enable people to remain independent for the longest possible time. We will ensure there is a broad choice of accommodation and will continue to work to reduce hospital admissions and admissions to residential care homes.

9.9. The Better Care Fund provides the opportunity to develop longer term plans through the development of different integrated models of support including the pooling and sharing of budgets with Shropshire CCG to ensure resources are commissioned and provided effectively and efficiently for the Citizens of Shropshire.

**Children's Services**

9.10. Children's Services consists of 2 areas, Children's Social Care & Safeguarding and Learning & Skills. The main functional areas of Children's Safeguarding are the Child Protection Team including all Residential and Fostering Placements, Adoption Team, Early Help, Children's Centres and Children with Disabilities. Learning and Skills includes School Transport, Education Improvement Service, Information, Advice and Guidance and Special Educational Needs, Admissions, Place Planning, Education Welfare, Schools Funding.

9.11. Children's Services recognise that ensuring the welfare, protection and safeguarding of all children and young people is a key priority. Children's Services will ensure services safeguard and promote the welfare of children, as this is the statutory duty of the LA. This includes services that support and challenge providers and partners to identify and manage risk and provide targeted early help at a lower level, preventing risk and needs from escalating into the need for social work assessment and child protection.

9.12. We will realign the Early Help provision across all service areas and, with our partner agencies, move forward in our commissioning of local early help. Whilst some commissioned services will be reduced we will identify efficiencies in the way services are delivered as a priority approach to achieving savings in this area.

9.13. Our responsibilities to our children in care and children including those with disabilities will be protected, in line with our duties as corporate parents to ensure that, as vulnerable children in need, they can have the best life they can.

9.14. We will seek to maintain other statutory services – particularly in terms of the promotion of high standards of achievement through education support and challenge to schools and settings - by carefully balancing retained and commissioned functions while seeking to secure continued efficiencies in the way they are delivered.

9.15. Whilst there will inevitably be some scaling back and removal of provision, we will seek to maximise other potential (and protected) funding streams, and maximise income through any residual trading opportunities.

**Commissioning Services**

9.16. Commissioning Services includes the following major functional areas; Activities for Young People, Community Support, Culture and Leisure, Economic Development and Business Growth and Infrastructure Support.

9.17. A number of areas across the Commissioning Directorate are mandatory and already commissioned such as Waste, Highways and Environmental Maintenance, Passenger Transport and Regulatory Services. Whilst the Waste contract will incur an increase in costs reflecting the payment mechanism linked to the ERF, other areas have been and will continue to make further efficiency savings over the next few years reflecting the redesign activity that has taken place.

9.18. Local commissioning has been an on-going approach for the last 2 years and will continue to be a key part of how a number of functional areas continue to be delivered into the future with diminishing resources. For example good progress has been made across joint use leisure sites with an expectation that by April 2016 all will be commissioned locally. Similarly mandatory areas such as youth activities and libraries are already commissioned locally and in terms of libraries, this model will continue as more libraries are delivered at a local level.

9.19. Economic growth across the county is a key priority for Shropshire Council and the recently re-designed Economic Growth team will drive this agenda forward. Planning our economy infrastructure for the future, through strategic planning is another key area and a review of this function is currently underway, so that in time we will have an ‘end to end’ offer for economic development that is efficient and fit for purpose.

9.20. As more and more of the functional areas across the commissioning directorate are commissioned (alongside those in other parts of the council), it will present opportunities to review our commissioners, so they are clustered around outcomes as opposed to functional areas. Whilst inevitably there will still need to be a range of specialist commissioners, by focussing on outcomes it will ensure a more holistic approach to commissioning in the future.

**Public Health**

Public Health Grant Funded Work streams

9.21. Local Authorities are required by the Health and Social Care Act 2012 to commission a wide range of public health programmes on behalf of the Department of Health ranging from screening and health promotion programmes to treatment services such as Genito-Urinary Medicine to Substance Misuse Detoxification. These services cross all sections of the population from Health Visiting support to parents of new born babies to interventions supporting individuals undergoing treatment for cancer. Whilst the Government requires Local Authorities to commission these services through the Public Health Grant Shropshire Council will continue to support them.

Other Public Health Work Streams

9.22. Prior to the reforms of NHS public health services, Shropshire Council commissioned a number of programmes with strong public health links including emergency planning, community safety and crime prevention programmes, coronial and registrar services, air quality monitoring and other aspects of environmental health. Whilst these have continued following the implementation of the Health and Social Care Act 2012, the ability of the local authorities to sustain these services at their current levels in future years will be reduced.

**Resources and Support Services**

9.23. Resources and Support functions fall into two main categories; those that support the delivery of front line functions such as Legal Services, Finance, Property and Human Resources, and those that are the resultant costs of being in business and form an irreducible core such as debt repayment costs and the corporate and democratic core. In all figures quoted throughout this report the cost of support functions is included within the overall service costs. For example, the costs shown for Child Protection Team include the costs of Legal, Finance etc. In total these costs equate to £24m across the council and it is assumed and built into the model that these costs will have to be reduced more severely than front line services, reducing by almost 50% or around £12m by 2020/21.

9.24. As Shropshire Council transforms from being a major provider of services to the public to an organisation that commissions these services on behalf of local people some of the support services that it currently needs will become the responsibility of the new service providers. In addition it is envisaged that a smaller commissioning body will need a less complex support structure to enable it to carry out its commissioning and democratic functions.

9.25. The Council inherited a number of properties from predecessor councils that it will no longer need to meet its public roles. Such properties can be sold to reduce the revenue burden on the council. With the roll out of broadband across Shropshire and the increasing use of "on line" services, there is a reducing need for building based services for the public to communicate or transact business with council departments. Such changes will enable the council to reduce its estate in the coming years. Cooperation with our statutory sector partners through the new opportunities that will appear through the government's devolution agenda will also enable greater sharing of resources. The council will begin to adopt a “Digital by

Default" approach to service delivery, where this is appropriate, to reduce costs and increase efficiencies wherever possible.

9.26. Likewise, with greater reliance on ICT and self-service arrangements, other support functions such as Finance, HR and Legal Services will be designed around the needs of those frontline functions retained by the Council.

9.27. The Council's wholly owned company ip&e limited will continue to be the principal vehicle for the Council's commercial activities. The company is currently commissioned to deliver five contracts for the Council being communications, business transformation and programme management, schools trading services (Inspire to Learn), public health services (Health to Change) and Business Support and Regulatory Services.

9.28. The company business and commercial strategy involves taking on delivery of services from the Council as it commissions and de commissions them from direct delivery and, where there is a strong business case to do so, deliver and develop these services along more commercial lines. In this way the company can safeguard and create new employment opportunities, continue to embed a commercial culture amongst its workforce, reduce overheads, improve outcomes for customers and invest in service delivery rather than cutting or ceasing services.

9.29. The company's annual business plan, which is being refreshed and developed alongside the Council's Finance Strategy, will set out the plans and targets for growth and investment along with projected forecasts for the next three financial years. This will be presented to Shropshire Council in line with the timescales of the Financial Strategy.

## 10. Impact of Chancellors Announcement on 100% Business Rates Retention for Local Councils

10.1. On 5 October 2015 the Chancellor announced that by the end of this parliament local authorities will retain 100% of business rates.

10.2. The key headlines from the announcement are:

- By 2020 councils will **retain 100% of business rates**.
- There will still be some **redistribution** between authorities at the start of the scheme
- Once established, local authorities will keep the real growth in revenues
- There will still be **protection** from "shocks", i.e. appeals/sharp falls in rates
- Revenue Support Grant will be phased out.
- The new funding arrangements will involve **new responsibilities** for councils

- It is expected that as many specific funding streams as possible, i.e. existing specific grants and potential funding for new responsibilities, will be rolled into fully retained business rates.
- There are still lots of the **details to be worked through**

10.3. Shropshire has estimated Business Rate income of £79.931m for 2015/16. Under the current system, the Council receives £39.166m (49%), the Fire Service receives £0.799m and £39.966m is paid to Central Government.

10.4. In addition to keeping 49% of the Business Rates income, the Council also receives top up grant from the Government of £10.036m.

10.5. The Council receives £255m in specific grants. Excluding grant passported to schools and/or ring-fenced for services to schools this leaves circa £100m. The majority of this is related to Housing Benefit payments (£72m), with the balance being Public Health Grant (initially £9.8m), New Homes Bonus Grant (£7.5m), PFI grants (£4.7m), Business Rate Grants (£2.2m), 2015/16 Council Tax Freeze Grant and other smaller grants totalling £3.8m A number of specific grants currently received could potentially be rolled into the Business Rates funding such as New Home Bonus. In addition, new responsibilities could pass to the Council with funding expected to be found from within the Business Rates Retention. An example may be the Care Act responsibilities. It could be considered that what may appear to be £40m additional funding could actually be offset by losses in other funding streams and funding constraints from new responsibilities.

10.6. The Chancellor has been clear that Local Government will still be expected to contribute to the Governments wider deficit reduction plan indicating there will be no additional cash for local government from this change in methodology and shift of resources at the outset.

10.7. There are opportunities around any growth in Business Rates being retained 100% by local authorities but there are also risks in terms of significant drops which fall outside any "protection levels"

10.8. Until more detail is received from DCLG, however, it is difficult to analyse the implications of the changes to Business Rates Retention on the overall Resources available to the Council to meet existing and future requirements

10.9. In terms of impact on the SBM, there is now certainty that Revenue Support Grant will disappear. The uncertainty that remains is whether any of the additional Business Rates retained locally will be available to fund services which are currently identified in the existing model as temporary or whether all additional, locally retained funds will be committed to replace lost specific grants and new responsibilities.

10.10. It is estimated that the change in funding will start to be phased in from 2018/19. Our current modelling identifies, at that stage, a funding gap to 2017/18 of £36m.

10.11. In 2018/19, the modelling assumes £14.73m RSG and £10.65m top up. If these 2 funding sources were removed and replaced by locally retained Business Rates, this would immediately reduce any benefit to circa £15m. If at this stage, Public Health Grant and New Homes Bonus were rolled in and a more prudent assessment of growth factored into the model, the Council would be £6m worse than currently modelled in that year.

10.12. As previously stated, it is too early to be able to make realistic predictions of the impact of these changes. Therefore, it may be a significantly more optimistic assessment of these changes could deliver additional resources and greater flexibility for Council's to attract and support new businesses while generating the income needed to maintain and grow essential services.

10.13. To this end, it is essential that Local Government lobbies Central Government to ensure that changes are implemented rapidly and to the benefit of local service provision. Retention of some grants, careful use of new powers, sympathetic transfer of responsibilities and formation of new opportunities could create a more financially palatable sustainable business model, rather than the one this report is currently built around.

10.14. Work will continue over the autumn to model in greater detail the opportunities and threats provided by the proposed changes in localised business rates and the SBM adjusted and modified as necessary to reflect greater certainty in the proposals.

## 11. The Big Conversation

11.1. The Council along with all our public sector partners recognise the need to engage and consult with communities, not just the usual suspects, but a statistically representative body of the population. We believe that you have the answer to many of the problems we are working to solve. The more we work together the better the solutions will be. The Big Conversation is a branding under which public sector organisations will engage and consult the public in partnership.

11.2. With the reduction in resources and spending pressures described earlier in this report, by 2020/21 it is clear the Council will not be able to continue to provide and deliver the same services. The Council will need to prioritise how it spends money.

11.3. To prioritise the Council needs to understand what services are most valued and needed by the public and what the public feels the Council should be providing and commissioning as well as those services that can be delivered within and by communities themselves.

11.4. A “Big Conversation” will ask the residents of Shropshire the questions on the following themes:

“What services do you think Shropshire Council should provide?”

and

“How can outcomes be achieved with no or low levels of funding, building community resilience?”

and

“What are the levels that the Council should set Council Tax and other income that funds outcomes?”

11.5. The key objective will be to understand what people want the council to do during 2016/17 through the budget conversation and through a longer term engagement that runs alongside the Financial Strategy and beyond.

11.6. In order to develop a robust and sustainable engagement framework and provide the structure for the Big Conversation the Council has sought external expertise for a short period of time to help achieve this, and to embed the skills and knowledge across council staff and Members to continue the conversation into the coming years.

11.7. The project plan is being developed with the external partner to put in place the foundations to carry out the Big Conversation including skills and knowledge development. Whilst the Big Conversation has already started the planned engagement is scheduled to start in November with postal and online surveys and a high level survey finding report will be produced in December, followed by more detailed quantitative and qualitative analysis of the survey data. Focus groups will be used to look at specific points in more detail, and there will also be workshops with partners. A final report will be presented in March 2016, and the Big Conversation will continue to apply the engagement framework over the coming years.

11.8. A variety of engagement methods will be utilised to collect the thoughts and views from all areas of the community. It will not be restricted to a small group of staff carrying out engagement, but instead will seek to take capture and use all contacts between those representing and working on behalf of the Council and communities and members of the public. The approaches that will be applied will be varied and appropriate to those engaging in the Big Conversation. These will include, but are not restricted to

- Facilitated public meetings.
- Webinars.
- An online survey.
- Face to face surveys
- Social media (Twitter / Facebook).
- Discussions by Council Staff and Members with individual and communities
- Non-facilitated group meetings (information packs to be available via Big Conversation 2015 web pages).
- Facilitated focus groups

11.9. All responses will be collected and analysed and the information will be used to inform decision making around which services are most valued by the public.

| |
|---|
| **List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)**<br>N/A |
| **Cabinet Member (Portfolio Holder)**<br>Keith Barrow – Leader |
| **Local Member**<br>All |
| **Appendices**<br>Appendix 1 – Resource Projections<br>Appendix 2 – Expenditure Projections<br>Appendix 3 – Assumptions used in Resource and Expenditure Projections<br>Appendix 4 – (a to f) Budget Projections for the next 5 years, By Directorate<br>Appendix 5 – Timetable for Financial Strategy |

# Appendix 1

**SHROPSHIRE COUNCIL - NET AND GROSS RESOURCES PROJECTIONS SUMMARY 2016/17 to 2020/21**

| | 2015/16 Final £ *Council 26 February 2015* | 2016/17 Revised £ *Cabinet 29 July 2015* | 2016/17 Revised £ *Cabinet 14 Ocober 2015* | 2015/16 & Beyond Notes & Assumptions | 2017/18 Revised £ *Cabinet 29 July 2015* | 2017/18 Revised £ *Cabinet 14 October 2015* | 2018/19 £ *Cabinet 14 October 2015* | 2019/20 £ *Cabinet 14 October 2015* | 2020/21 £ *Cabinet 14 October 2015* |
|---|---|---|---|---|---|---|---|---|---|
| **RSG** | 43,760,146 | 32,945,604 | 32,945,604 | 2015/16 Final Settlement as announced by Government on 3 February 2015. Projections for future years based on estimated reductions of 12% on Assumed Funding Assessment which translates to 26% reduction in RSG in 2016/17 if the transfer of Ctax Freeze Grant is excluded. | 23,317,528 | 23,317,528 | 14,731,330 | 7,059,713 | 190,613 |
| **Business Rates Retention Allocation:** | | | | | | | | | |
| NNDR (as raised and then retained locally)includeing appeals provision | 39,166,165 | 39,166,165 | 40,269,084 | NNDR1 2015-16 figure. Growth going forward of 0.8% and Multiplier increase of 2% | 39,166,165 | 41,403,062 | 42,568,972 | 43,767,714 | 45,000,213 |
| Top Up | 10,036,372 | 10,237,099 | 10,237,099 | Figure as per CLG 2015/16 Final Local Government Finance Settlement. Assume 2% RPI increase | 10,441,841 | 10,441,841 | 10,650,678 | 10,863,692 | 11,080,966 |
| Safety Net Payments | | | | | | | | | |
| Prior year adjustments (e.g. correction to safety net payments) | | | | | | | | | |
| **TOTAL START UP FUNDING RECEIPT:** | **92,962,683** | **82,348,868** | **83,451,788** | | **72,925,535** | **75,162,431** | **67,950,980** | **61,691,119** | **56,271,792** |
| Return of amounts topsliced from RSG/BRRA Allocation | | | | | | | | | |
| Share of £2bn unused New Homes Bonus topslice | 394,940 | 0 | 0 | Final Local Government Finance Settlement | | | | | |
| Share of returned damping (unused safety net held back) | | | | This may be an in year bonus. More information required | | | | | |
| **TOTAL FUNDING FROM CENTRAL/LOCAL SHARE** | **93,357,623** | **82,348,868** | **83,451,788** | | **72,925,535** | **75,162,431** | **67,950,980** | **61,691,119** | **56,271,792** |
| *Movement on previous year's funding* | | | | | | | | | |
| Taxbase | 102,411 | 102,923 | 103,231 | 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 0.8% | 103,438 | 104,056 | 104,889 | 105,728 | 106,574 |
| **Council Tax Income** | **119,280,524** | **119,876,927** | **120,234,768** | Council tax freeze to 2017/18, then 1.99% increase assumed | **120,476,312** | **121,196,647** | 124,597,328 | 128,093,429 | 131,687,628 |
| **Collection Fund Surplus- Council Tax** | **4,138,464** | **500,000** | **500,000** | Based on Previous years | **500,000** | **500,000** | **500,000** | **500,000** | **500,000** |
| Business Rates Collection fund | **(934,051)** | **(2,594,000)** | **(2,594,000)** | Based on previous years | (500,000) | (500,000) | (500,000) | (500,000) | (500,000) |
| **TOTAL NET RESOURCES -2014-15 onwards** | **215,842,560** | **200,131,795** | **201,592,556** | | **193,401,846** | **196,359,078** | **192,548,307** | **189,784,548** | **187,959,420** |
| Difference from last Strategy | | | 1,460,761 | | | **2,957,232** | | | |
| Difference from SBM | | | (2,094,000) | | | **7** | (12,208) | (25,109) | (38,723) |

| | 2015/16 Revised *Council 26 February 2015* | 2016/17 Revised £ *Calnet 29 July 2015* | 2016/17 Revised £ *Cabinet 14 Ocober 2015* | 2014/15 Notes & Assumptions | 2017/18 Revised £ *Cabinet 29 July 2015* | 2017/18 Revised £ *Cabinet 14 October 2015* | 2018/19 £ *Cabinet 14 October 2015* | 2019/20 £ *Cabinet 14 October 2015* | 2020/21 £ *Cabinet 14 October 2015* |
|---|---|---|---|---|---|---|---|---|---|
| **GOVERNMENT GRANTS** | **253,747,100** | **252,268,690** | **253,005,810** | Latest Information on Specific Grants | **251,989,600** | **252,726,720** | **252,726,720** | **252,726,720** | **252,726,720** |
| **OTHER GRANTS & CONTRIBUTIONS** | **32,225,880** | **26,511,470** | **26,511,470** | Revised in line with Growth projections | **26,511,470** | **26,511,470** | 26,511,470 | 26,511,470 | 26,511,470 |
| **FEES & CHARGES** | **56,100,805** | **56,100,805** | **60,646,769** | Revised for 2015/16 then left unchanged | **56,100,805** | **63,672,593** | 66,954,155 | 70,156,415 | 73,655,345 |
| **INTERNAL MARKET & INTERNAL RECHARGES** | | | | | | | | | |
| **Internal Recharges only** | **18,462,465** | **18,462,465** | **18,462,465** | Revised for 2015/16 then left unchanged | **18,462,465** | **18,462,465** | 18,462,465 | 18,462,465 | 18,462,465 |
| Total Income outside of Net | 360,536,250 | 353,343,430 | 358,626,514 | | 353,064,340 | 361,373,248 | 364,654,810 | 367,857,070 | 371,356,000 |
| **TOTAL GROSS RESOURCES - 2013-14 onwards, after income Savings** | **576,378,810** | **553,475,225** | **560,219,070** | | **546,466,186** | **557,732,326** | **557,203,117** | **557,641,618** | **559,315,419** |

## Appendix 2

**SHROPSHIRE COUNCIL - FINANCIAL SUMMARY 2015/16 to 2017/18**

| | 2015/16<br>26 Feb 2015<br>£ | 2016/17<br>26 Feb 2015<br>£ | 2016/17<br>29 July 2015<br>£ | 2016/17<br>14 October 2015<br>£ | 2017/18<br>29 July 2015<br>£ | 2017/18<br>14 October 2015<br>£ | 2018/19<br>14 October 2015<br>£ | 2019/20<br>14 October 2015<br>£ | 2020/21<br>14 October 2015<br>£ |
|---|---|---|---|---|---|---|---|---|---|
| **Expenditure** | | | | | | | | | |
| ***Original Gross Budget Requirement*** | 561,250,666 | *576,378,810* | 576,378,810 | 576,378,810 | 571,808,081 | 581,381,655 | 593,823,408 | 608,505,667 | 620,435,490 |
| **Monitoring Issues identified in 2014/15 with ongoing implications** | | | | | | | | | |
| - Asset Sales - Removal of income stream | 50,000 | *50,000* | 50,000 | | | | | | |
| **Monitoring Issues identified in 2015/16 with ongoing implications** | | | | | | | | | |
| ***Inflation - Estimated*** | | | | | | | | | |
| - Prices | 2,796,947 | *2,921,147* | 2,921,147 | 5,006,995 | 3,058,689 | 2,806,350 | 6,344,415 | 3,109,939 | 3,362,903 |
| - Pay 1% award | 710,957 | *723,654* | 723,654 | 1,991,292 | 734,834 | 1,597,392 | 1,613,332 | 1,367,738 | 1,488,652 |
| - Pay Increment | 872,769 | *480,607* | 480,607 | included above | 332,950 | | | | |
| - Pension Costs - see NHB below and Savings | | *3,500,000* | 0 | | 0 | | | | |
| - Auto Enrolment (impacts 2017/18)-To Be Estimated | | | | | | | | | |
| ***Committed Growth*** | | | | | | | | | |
| - Debt Charges (Reduced as part of Savings) | 1,000,000 | *1,000,000* | 1,000,000 | 1,000,000 | 0 | | | | |
| ***New Growth*** | | | | | | | | | |
| - Demography for Adults and Children | | | | 10,696,575 | | 6,232,765 | 6,724,512 | 7,452,146 | 7,858,788 |
| - Demography: Adults | 1,758,000 | *1,500,000* | 1,500,000 | | 0 | | | | |
| - Demography: Childrens services | 1,183,000 | *1,183,000* | 1,183,000 | | 0 | | | | |
| New Service Pressures | | | | | | | | | |
| New Investment funding- One year only | (2,000,000) | | | | | | | | |
| Repaying for borrowing for Redundancies | | *2,000,000* | 2,000,000 | | 0 | | | | |
| Care Act implications | | | | | | | | | |
| ***Changes to Expenditure Reflected in Resources*** | | | | | | | | | |
| Specific Grant Changes from Previous Year Including New Responsibilities | 6,277,870 | *18,430* | (7,192,820) | (6,455,700) | (279,090) | (279,090) | | | |
| Income Changes | | | | | | | | | |
| Benefits (assume at same level as reduction in Resources) | | | | | | | | | |
| Change in Ctax Tax base and NNDR allocated to demographic growth | 3,194,709 | *8,350* | 8,350 | 8,350 | 8,392 | 8,392 | | | |
| Council tax freeze Grant rolled in to base funding (see Above change in specific grants) | 1,307,360 | *-1,307,360* | -1,307,360 | -1,307,360 | | | | | |
| Use of NHB Smoothing - see Pension Costs above | (1,609,000) | *(1,909,000)* | 715,000 | 715,000 | | | | | |
| Spare Pension budget used to offset unachievable savings | | | 876,000 | 876,000 | | | | | |
| Reallocation of Business Rates Appeals Base Budget | (2,277,816) | | | | | | | | |
| Additional Contribution to offset Delay in Savings Achievement | 2,277,816 | | | | | | | | |
| The adjustmenst below allow one off Resources to be included in the base in one year and removed in the following year. Use of one off resources in 2015/16 was detailed in the 26 February 2015 Council Report. | | | | | | | | | |
| Contributions to Savings for changes in Projections | | | | | | | | | |
| - Net Growth Change | 2,167,600 | *(3,749,700)* | (3,749,700) | (3,749,700) | | | | | |
| - Net Resources Change-14/15 one year only | (2,454,351) | | | | | | | | |
| - Net Resources Change-15/16 one year only | (170,339) | *170,339* | 170,339 | 170,339 | | | | | |
| Surplus Settlement funding - one off | 1,000,841 | *(1,086,048)* | (1,086,048) | (1,086,048) | (1,704) | (1,704) | | | |
| Surplus Collection fund - One off, allocation below | 3,204,413 | *(3,204,413)* | (3,204,413) | (3,204,413) | | | | | |
| Allocate to keep gap at £80m | (478,928) | *284,425* | 284,425 | 284,425 | 194,503 | 194,503 | | | |
| Adjustment to Resource Projection - RSG, 2015/16 only | | | 2,151,090 | 2,151,090 | (210,855) | (210,855) | | | |
| Adjustement to Business rates Collection Fund | | | (2,094,000) | (2,094,000) | 2,094,000 | 2,094,000 | | | |
| **Gross Budget Requirement (Including Internal Recharges) Before Savings** | 580,062,514 | 578,962,241 | 571,808,081 | 581,381,655 | 577,739,800 | 593,823,408 | 608,505,667 | 620,435,490 | 633,145,833 |
| Changes in Gross in 2014/15 | 16,452,665 | | | | | | | | |
| 2015/16 Savings from Base Budget | -20,136,369 | | | | | | | | |
| **Gross Budget Requirement (Excluding Internal Market )** | 576,378,810 | 578,962,241 | 571,808,081 | 581,381,655 | 577,739,800 | 593,823,408 | 608,505,667 | 620,435,490 | 633,145,833 |

**Appendix 3**

Assumptions Used in Resource and expenditure Projections (changed assumptions in **Bold)**

| **Resource Projections** | 2014-17 Financial Strategy | SBM |
|---|---|---|
| Revenue Support Grant (RSG) | 12% per annum reduction in Settlement Funding Assessment (SFA). As SFA made up of RSG, Top up and Assumed Locally Retained Business Rates and the later two are inflated each year, in practice all the reduction is taken from RSG. | Unchanged from 2014-17 FS, extended to 2020/21 resulting in projection of RSG reducing to zero by 2021. |
| Top Up | Inflated annually by 2% | Unchanged from 2014-17 FS |
| Locally Retained Business Rates – Taxbase | Level of BRs frozen at 2015/16 level with the assumption that any growth is offset by reductions from appeals/ reliefs | **BR base assumed to grow by 0.8%** |
| Locally Retained Business Rates - multiplier | Level of BRs frozen at 2015/16 amount with the assumption that growth in the multiplier will be offset by other reductions, based on previous volatility of Business rates income. | **Assumed 2% increase in Business Rates Multiplier** |
| Council Tax Taxbase (based on the number of houses in Shropshire) | 0.5% increase | **0.8% increase year on year** |
| Council Tax Inflationary Increase (set locally by Council) | Frozen | **1.99% increase from April 2018 and year on year.** |
| Specific Grants | Reflecting the latest information with changes assumed to be offset exactly by expenditure changes | Reflecting the latest information with changes assumed to be offset exactly by expenditure changes |
| Fees and Charges | Fixed at 2015/16 levels | Amended in line with Gross Expenditure projections – Gross Expenditure grows by £67m and net by £50m, **Income projected to grow by £17m over the period 2016-2021** |
| **Expenditure Projections** | | |
| Pay | 1 % per annum | 1% per annum on latest salary structures |

| | | |
|---|---|---|
| Increments | Calculated based on Staff Structures | Updated to reflect latest staff structures and average annual increments. |
| Prices | Specific to individual contracts | Latest information on individual contracts |
| Pensions | No increase in employer contributions or deficit repayment | No increase in employer contributions or deficit repayment. Actuarial valuation due 2016, 2019. |
| Demography | Based on relevant population projections and estimated unit costs. | As in original assumption updated to reflect latest information. |
| Other Base Budget Changes | Adjustments required to remove one offs included in Base Budget in earlier financial years | As in 2014-17 to ensure Base budget adjusted accordingly for one offs in earlier years1 |

**Appendix 4a**

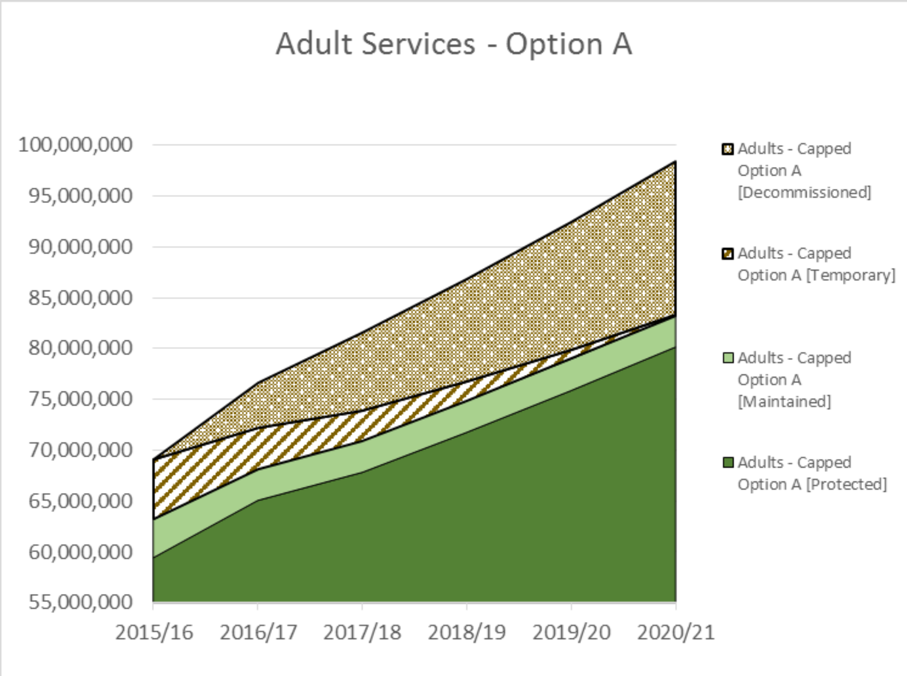
Budget Projections for the next 5 years: Adult Services

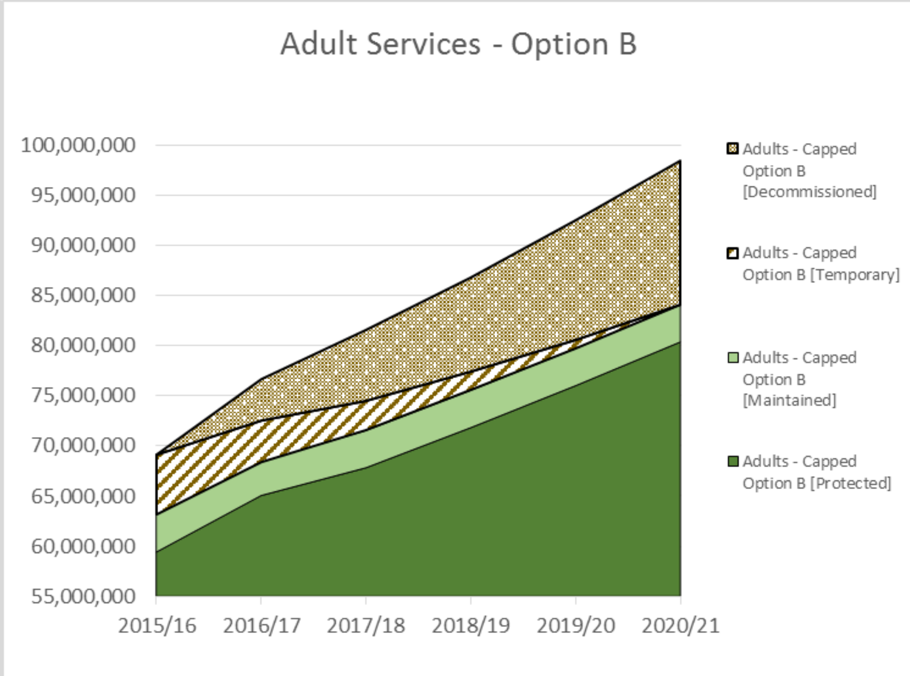
| Table 1: Budget Projections with no Cap (Unaffordable) | 2015/16 | 2016/17 | 2017/18 | 2018/19 | 2019/20 | 2020/21 |
|---|---|---|---|---|---|---|
| Adults - no Cap [Protected] | 59,421,901 | 66,730,764 | 71,349,918 | 76,327,749 | 81,673,573 | 87,415,698 |
| Adults - no Cap [Maintained] | 9,660,050 | 9,943,499 | 10,207,528 | 10,479,984 | 10,760,107 | 11,048,160 |
| Adults - no Cap [Temporary] | 0 | 0 | 0 | 0 | 0 | 0 |
| Adults - no Cap [Decommissioned] | 0 | 0 | 0 | 0 | 0 | 0 |
| **Revised Budget Projections based on current Service Delivery** | **69,081,951** | **76,674,263** | **81,557,446** | **86,807,733** | **92,433,680** | **98,463,858** |

| Table 2: Budget Projections with Cap, Option A (1.99% CT from 1.4.18) | 2015/16 | 2016/17 | 2017/18 | 2018/19 | 2019/20 | 2020/21 |
|---|---|---|---|---|---|---|
| Adults - Capped Option A [Protected] | 59,421,901 | 65,062,495 | 67,827,016 | 71,761,460 | 75,870,550 | 80,158,837 |
| Adults - Capped Option A [Maintained] | 3,758,616 | 3,092,831 | 3,101,760 | 3,101,760 | 3,101,760 | 3,101,760 |
| Adults - Capped Option A [Temporary] | 5,901,434 | 4,105,329 | 2,905,581 | 1,835,661 | 879,706 | 23,752 |
| Adults - Capped Option A [Decommissioned] | 0 | 4,413,608 | 7,723,089 | 10,108,852 | 12,581,664 | 15,179,509 |
| **Option A - Capped Budget** | **69,081,951** | **76,674,263** | **81,557,446** | **86,807,733** | **92,433,680** | **98,463,858** |

| Table 3: Budget Projections with Cap, Option B (1.99% CT from 1.4.16) | 2015/16 | 2016/17 | 2017/18 | 2018/19 | 2019/20 | 2020/21 |
|---|---|---|---|---|---|---|
| Adults - Capped Option B [Protected] | 59,421,901 | 65,062,495 | 67,827,016 | 71,826,157 | 76,004,954 | 80,368,145 |
| Adults - Capped Option B [Maintained] | 3,758,616 | 3,392,478 | 3,711,890 | 3,711,890 | 3,711,890 | 3,711,890 |
| Adults - Capped Option B [Temporary] | 5,901,434 | 4,105,329 | 2,905,581 | 1,835,661 | 879,706 | 23,752 |
| Adults - Capped Option B [Decommissioned] | 0 | 4,113,961 | 7,112,959 | 9,434,025 | 11,837,129 | 14,360,070 |
| **Option B - Capped Budget** | **69,081,951** | **76,674,263** | **81,557,446** | **86,807,733** | **92,433,680** | **98,463,858** |

Table 1 above shows an initial analysis of Adult Service functions and demonstrates modelled growth that nevertheless is unaffordable under a Sustainable Business Model. Tables 2 and 3 place a cap on growth of protected services (equivalent to a circa 2% efficiency saving each year) to ensure they stay within available, growing resources. Tables 2 and 3 also split services originally identified as maintained between maintained, temporary and decommissioned. Table 2 and Table 3 are based on Options A and B respectively. Maintained service budgets vary between 2015/16 and 2017/18, but from 2017/18 onwards are held at a cash-limited but sustainable level. By 2020/21 Council services defined as temporary will have been decommissioned, but no further service reductions will then be required beyond efficiency savings.




Protected Services: Adult Social Care Commissioned Support, Adult Safeguarding, Adult Services Directly Provided Support, Adult Services Staffing
Other Services: Other Adult Services, Housing Initiatives, Housing Options, Management and Support

**Appendix 4b**

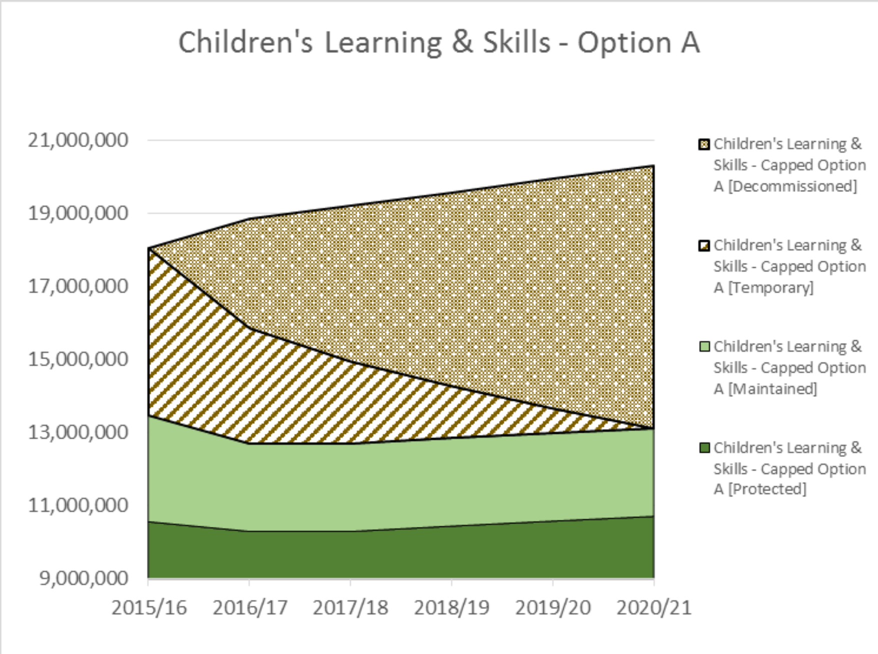
Budget Projections for the next 5 years: Children's Services - Learning & Skills

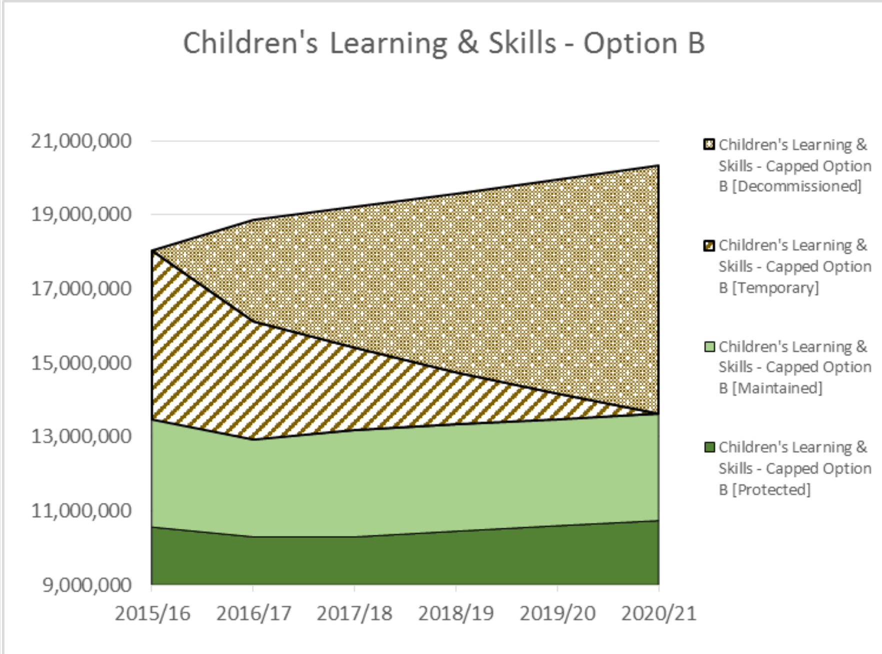
| Table 1: Budget Projections with no Cap (Unaffordable) | 2015/16 | 2016/17 | 2017/18 | 2018/19 | 2019/20 | 2020/21 |
|---|---|---|---|---|---|---|
| Children's Learning & Skills - no Cap [Protected] | 10,564,450 | 10,564,458 | 10,833,097 | 11,108,452 | 11,390,691 | 11,679,986 |
| Children's Learning & Skills - no Cap [Maintained] | 7,221,190 | 8,028,323 | 8,116,635 | 8,205,915 | 8,296,155 | 8,382,797 |
| Children's Learning & Skills - no Cap [Temporary] | 0 | 0 | 0 | 0 | 0 | 0 |
| Children's Learning & Skills - no Cap [Decommissioned] | 262,760 | 262,960 | 264,199 | 264,053 | 262,475 | 259,412 |
| **Revised Budget Projections based on current Service Delivery** | **18,048,400** | **18,855,741** | **19,213,932** | **19,578,420** | **19,949,321** | **20,322,195** |

| Table 2: Budget Projections with Cap, Option A (1.99% CT from 1.4.18) | 2015/16 | 2016/17 | 2017/18 | 2018/19 | 2019/20 | 2020/21 |
|---|---|---|---|---|---|---|
| Children's Learning & Skills - Capped Option A [Protected] | 10,564,450 | 10,300,347 | 10,298,213 | 10,443,892 | 10,581,366 | 10,710,365 |
| Children's Learning & Skills - Capped Option A [Maintained] | 2,911,920 | 2,396,115 | 2,403,033 | 2,403,033 | 2,403,033 | 2,403,033 |
| Children's Learning & Skills - Capped Option A [Temporary] | 4,572,030 | 3,180,530 | 2,251,047 | 1,422,145 | 681,536 | 18,402 |
| Children's Learning & Skills - Capped Option A [Decommissioned] | 0 | 2,978,749 | 4,261,639 | 5,309,350 | 6,283,385 | 7,190,395 |
| **Option A - Capped Budget** | **18,048,400** | **18,855,741** | **19,213,932** | **19,578,420** | **19,949,321** | **20,322,195** |

| Table 3: Budget Projections with Cap, Option B (1.99% CT from 1.4.16) | 2015/16 | 2016/17 | 2017/18 | 2018/19 | 2019/20 | 2020/21 |
|---|---|---|---|---|---|---|
| Children's Learning & Skills - Capped Option B [Protected] | 10,564,450 | 10,300,347 | 10,298,213 | 10,453,308 | 10,600,111 | 10,738,332 |
| Children's Learning & Skills - Capped Option B [Maintained] | 2,911,920 | 2,628,262 | 2,875,720 | 2,875,720 | 2,875,720 | 2,875,720 |
| Children's Learning & Skills - Capped Option B [Temporary] | 4,572,030 | 3,180,530 | 2,251,047 | 1,422,145 | 681,536 | 18,402 |
| Children's Learning & Skills - Capped Option B [Decommissioned] | 0 | 2,746,603 | 3,788,952 | 4,827,247 | 5,791,953 | 6,689,741 |
| **Option B - Capped Budget** | **18,048,400** | **18,855,741** | **19,213,932** | **19,578,420** | **19,949,321** | **20,322,195** |

Table 1 above shows an initial analysis of Children's Service – Learning and Skills functions and demonstrates modelled growth that nevertheless is unaffordable under a Sustainable Business Model. Tables 2 and 3 place a cap on growth of protected services (equivalent to a circa 2% efficiency saving each year) to ensure they stay within available, growing resources. Tables 2 and 3 also split services originally identified as maintained between maintained, temporary and decommissioned. Table 2 and Table 3 are based on Options A and B respectively. Maintained service budgets vary between 2015/16 and 2017/18, but from 2017/18 onwards are held at a cash-limited but sustainable level. By 2020/21 Council services defined as temporary will have been decommissioned, but no further service reductions will then be required beyond efficiency savings.

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| | |
|---|---|
| Protected Services: | Home to School Transport, Admissions, SEN/Disability, Quality Assurance/Educational Outcomes |
| Other Services: | School Funding Team, Information Advice and Guidance, Education Welfare/Social Inclusion, Education Improvement Support |

**Appendix 4c**

## Budget Projections for the next 5 years: Children's Services - Safeguarding

| **Table 1: Budget Projections with no Cap (Unaffordable)** | **2015/16** | **2016/17** | **2017/18** | **2018/19** | **2019/20** | **2020/21** |
|---|---|---|---|---|---|---|
| Children's Safeguarding - no Cap [Protected] | 16,009,930 | 16,689,679 | 16,853,226 | 17,065,165 | 17,279,389 | 17,495,926 |
| Children's Safeguarding - no Cap [Maintained] | 11,446,820 | 11,504,581 | 11,706,339 | 11,914,462 | 12,125,637 | 12,339,918 |
| Children's Safeguarding - no Cap [Temporary] | 347,850 | 352,011 | 357,202 | 362,809 | 367,799 | 373,208 |
| Children's Safeguarding - no Cap [Decommissioned] | 0 | 0 | 0 | 0 | 0 | 0 |
| **Revised Budget Projections based on current Service Delivery** | **27,804,600** | **28,546,271** | **28,916,767** | **29,342,436** | **29,772,826** | **30,209,052** |

| **Table 2: Budget Projections with Cap, Option A (1.99% CT from 1.4.18)** | **2015/16** | **2016/17** | **2017/18** | **2018/19** | **2019/20** | **2020/21** |
|---|---|---|---|---|---|---|
| Children's Safeguarding - Capped Option A [Protected] | 16,009,930 | 16,272,437 | 16,021,098 | 16,044,245 | 16,051,664 | 16,043,493 |
| Children's Safeguarding - Capped Option A [Maintained] | 4,589,172 | 3,776,266 | 3,787,168 | 3,787,168 | 3,787,168 | 3,787,168 |
| Children's Safeguarding - Capped Option A [Temporary] | 7,205,498 | 5,012,500 | 3,547,639 | 2,241,294 | 1,074,098 | 29,001 |
| Children's Safeguarding - Capped Option A [Decommissioned] | 0 | 3,485,068 | 5,560,862 | 7,269,728 | 8,859,895 | 10,349,391 |
| **Option A - Capped Budget** | **27,804,600** | **28,546,271** | **28,916,767** | **29,342,436** | **29,772,826** | **30,209,052** |

| **Table 3: Budget Projections with Cap, Option B (1.99% CT from 1.4.16)** | **2015/16** | **2016/17** | **2017/18** | **2018/19** | **2019/20** | **2020/21** |
|---|---|---|---|---|---|---|
| Children's Safeguarding - Capped Option B [Protected] | 16,009,930 | 16,272,437 | 16,021,098 | 16,058,710 | 16,080,099 | 16,085,385 |
| Children's Safeguarding - Capped Option B [Maintained] | 4,589,172 | 4,142,128 | 4,532,121 | 4,532,121 | 4,532,121 | 4,532,121 |
| Children's Safeguarding - Capped Option B [Temporary] | 7,205,498 | 5,012,500 | 3,547,639 | 2,241,294 | 1,074,098 | 29,001 |
| Children's Safeguarding - Capped Option B [Decommissioned] | 0 | 3,119,207 | 4,815,909 | 6,510,310 | 8,086,507 | 9,562,545 |
| **Option B - Capped Budget** | **27,804,600** | **28,546,271** | **28,916,767** | **29,342,436** | **29,772,826** | **30,209,052** |

Table 1 above shows an initial analysis of Children's Service - Safeguarding functions and demonstrates modelled growth that nevertheless is unaffordable under a Sustainable Business Model. Tables 2 and 3 place a cap on growth of protected services (equivalent to a circa 2% efficiency saving each year) to ensure they stay within available, growing resources. Tables 2 and 3 also split services originally identified as maintained between maintained, temporary and decommissioned. Table 2 and Table 3 are based on Options A and B respectively. Maintained service budgets vary between 2015/16 and 2017/18, but from 2017/18 onwards are held at a cash-limited but sustainable level. By 2020/21 Council services defined as temporary will have been decommissioned, but no further service reductions will then be required beyond efficiency savings.

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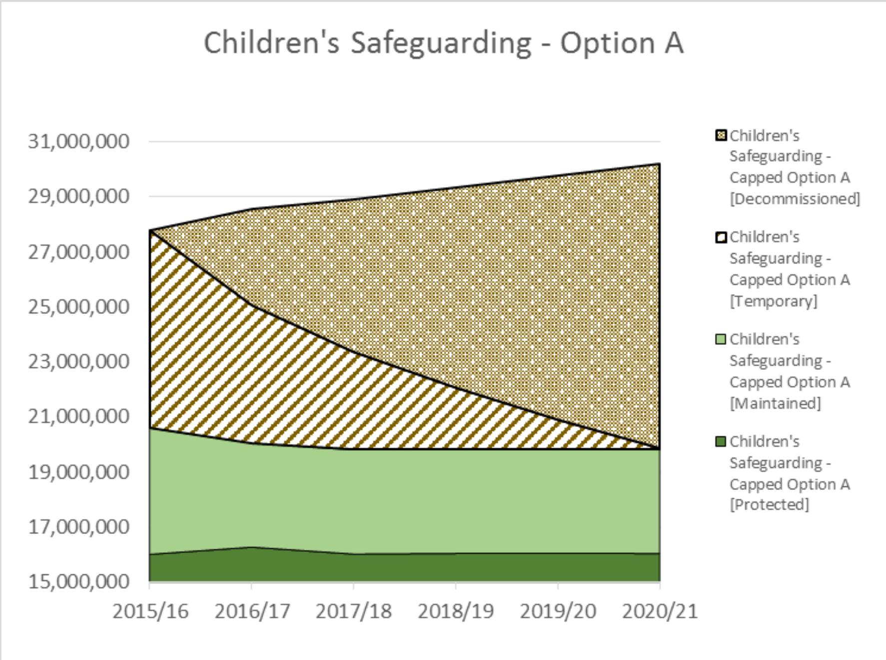
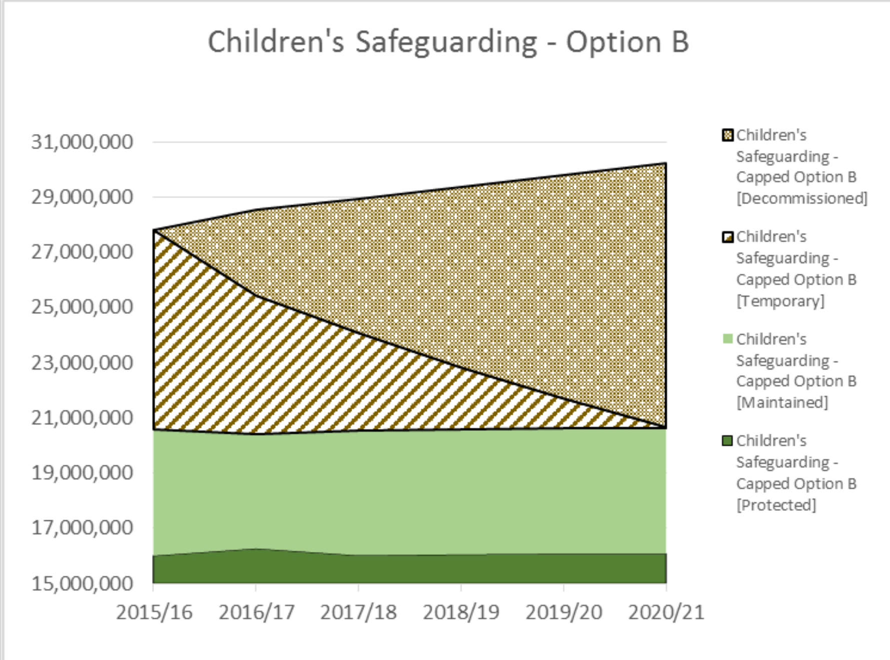



| | |
|---|---|
| Protected Services: | Child Protection, Safeguarding, Fostering and Adoption Services, Children with Disabilities |
| Other Services: | Residential placements, Early Help, Parenting Support |

**Appendix 4d**

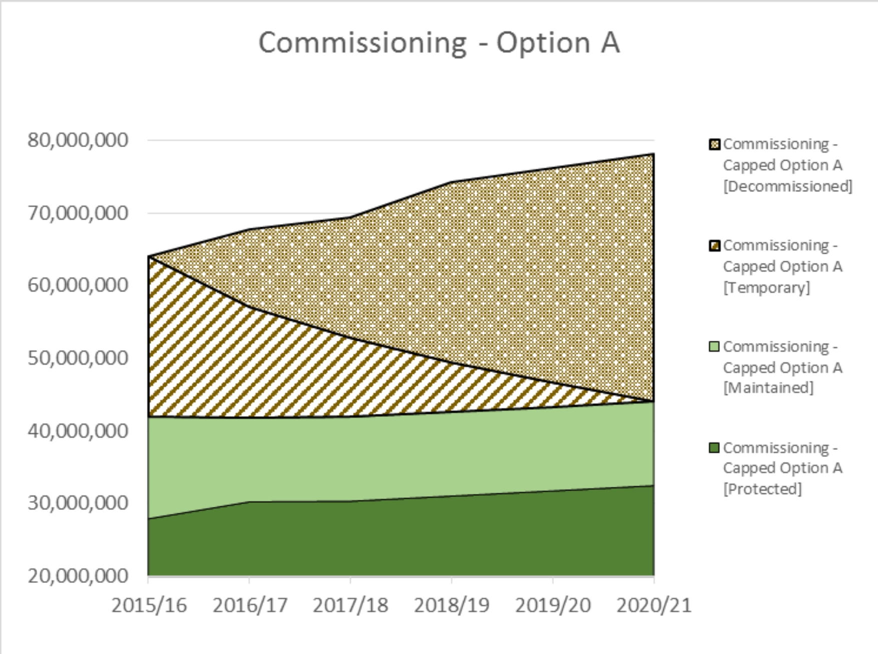
Budget Projections for the next 5 years: Commissioning Services

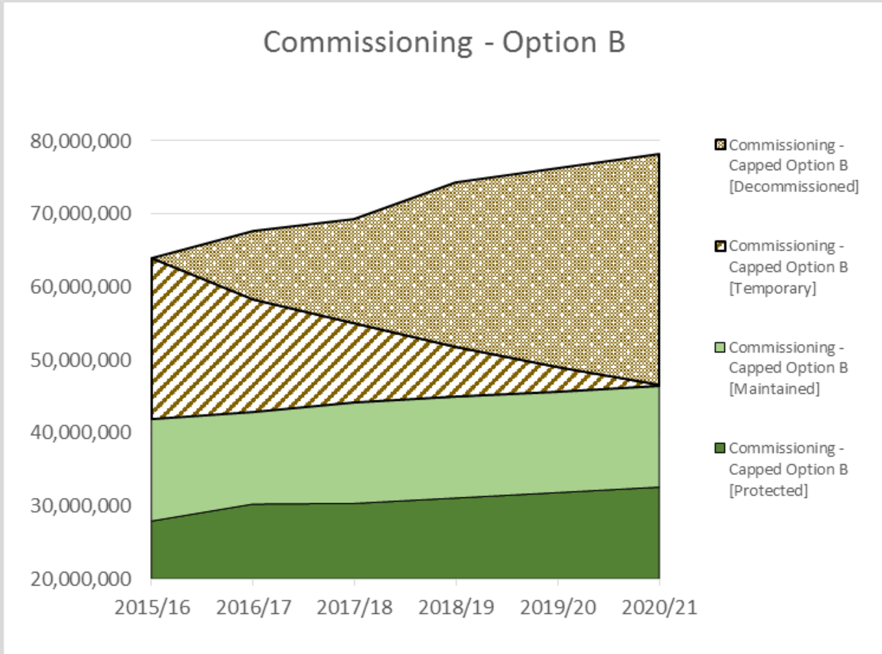
| **Table 1: Budget Projections with no Cap (Unaffordable)** | **2015/16** | **2016/17** | **2017/18** | **2018/19** | **2019/20** | **2020/21** |
|---|---|---|---|---|---|---|
| Commissioning - no Cap [Protected] | 27,922,570 | 31,032,364 | 31,916,772 | 33,027,182 | 34,196,528 | 35,427,252 |
| Commissioning - no Cap [Maintained] | 29,347,220 | 30,096,538 | 30,624,053 | 34,391,714 | 35,025,534 | 35,670,495 |
| Commissioning - no Cap [Temporary] | 6,577,910 | 6,441,210 | 6,653,352 | 6,757,021 | 6,871,868 | 6,982,164 |
| Commissioning - no Cap [Decommissioned] | 154,210 | 135,106 | 137,754 | 140,445 | 143,180 | 145,959 |
| **Revised Budget Projections based on current Service Delivery** | **64,001,910** | **67,705,218** | **69,331,931** | **74,316,363** | **76,237,110** | **78,225,870** |

| **Table 2: Budget Projections with Cap, Option A (1.99% CT from 1.4.18)** | **2015/16** | **2016/17** | **2017/18** | **2018/19** | **2019/20** | **2020/21** |
|---|---|---|---|---|---|---|
| Commissioning - Capped Option A [Protected] | 27,922,570 | 30,256,555 | 30,340,881 | 31,051,339 | 31,766,817 | 32,486,239 |
| Commissioning - Capped Option A [Maintained] | 14,038,061 | 11,551,420 | 11,584,770 | 11,584,770 | 11,584,770 | 11,584,770 |
| Commissioning - Capped Option A [Temporary] | 22,041,279 | 15,333,001 | 10,852,061 | 6,856,013 | 3,285,616 | 88,712 |
| Commissioning - Capped Option A [Decommissioned] | 0 | 10,564,241 | 16,554,219 | 24,824,241 | 29,599,908 | 34,066,149 |
| **Option A - Capped Budget** | **64,001,910** | **67,705,218** | **69,331,931** | **74,316,363** | **76,237,110** | **78,225,870** |

| **Table 3: Budget Projections with Cap, Option B (1.99% CT from 1.4.16)** | **2015/16** | **2016/17** | **2017/18** | **2018/19** | **2019/20** | **2020/21** |
|---|---|---|---|---|---|---|
| Commissioning - Capped Option B [Protected] | 27,922,570 | 30,256,555 | 30,340,881 | 31,079,334 | 31,823,091 | 32,571,067 |
| Commissioning - Capped Option B [Maintained] | 14,038,061 | 12,670,574 | 13,863,546 | 13,863,546 | 13,863,546 | 13,863,546 |
| Commissioning - Capped Option B [Temporary] | 22,041,279 | 15,333,001 | 10,852,061 | 6,856,013 | 3,285,616 | 88,712 |
| Commissioning - Capped Option B [Decommissioned] | 0 | 9,445,088 | 14,275,443 | 22,517,470 | 27,264,857 | 31,702,546 |
| **Option B - Capped Budget** | **64,001,910** | **67,705,218** | **69,331,931** | **74,316,363** | **76,237,110** | **78,225,870** |

Table 1 above shows an initial analysis of Commissioning Service functions and demonstrates modelled growth that nevertheless is unaffordable under a Sustainable Business Model. Tables 2 and 3 place a cap on growth of protected services (equivalent to a circa 2% efficiency saving each year) to ensure they stay within available, growing resources. Tables 2 and 3 also split services originally identified as maintained between maintained, temporary and decommissioned. Table 2 and Table 3 are based on Options A and B respectively. Maintained service budgets vary between 2015/16 and 2017/18, but from 2017/18 onwards are held at a cash-limited but sustainable level. By 2020/21 Council services defined as temporary will have been decommissioned, but no further service reductions will then be required beyond efficiency savings.






Protected Services: Waste Collection and Disposal, Concessionary Fares, Flood Defence Levies

Other Services: Highways and Environmental Maintenance, Regulatory and Business Support Services, Passenger Transport, Car Parking, Strategic Planning, Economic Growth, Culture and Leisure (including Libraries, Outdoor Recreation, Theatre Severn and Old Market Hall, Museums, Arts, Leisure, Sports Development, Shropshire Archives), Youth Activities, Community Enabling, Commissioning Support Unit, Connecting Shropshire.

**Appendix 4e**

Budget Projections for the next 5 years: Resources and Support – Non-Distributable Costs

| **Table 1: Budget Projections with no Cap (Unaffordable)** | **2015/16** | **2016/17** | **2017/18** | **2018/19** | **2019/20** | **2020/21** |
|---|---|---|---|---|---|---|
| Resources & Support - no Cap [Protected] | 24,401,010 | 24,645,020 | 24,891,470 | 25,140,385 | 25,391,789 | 25,645,707 |
| Resources & Support - no Cap [Maintained] | 10,125,990 | 10,227,250 | 10,329,522 | 10,432,818 | 10,537,146 | 10,642,517 |
| Resources & Support - no Cap [Temporary] | 22,610 | 22,836 | 23,064 | 23,295 | 23,528 | 23,763 |
| Resources & Support - no Cap [Decommissioned] | 521,529 | 461,954 | 466,573 | 471,239 | 475,951 | 480,711 |
| **Revised Budget Projections based on current Service Delivery** | **35,071,139** | **35,357,060** | **35,710,630** | **36,067,737** | **36,428,414** | **36,792,698** |

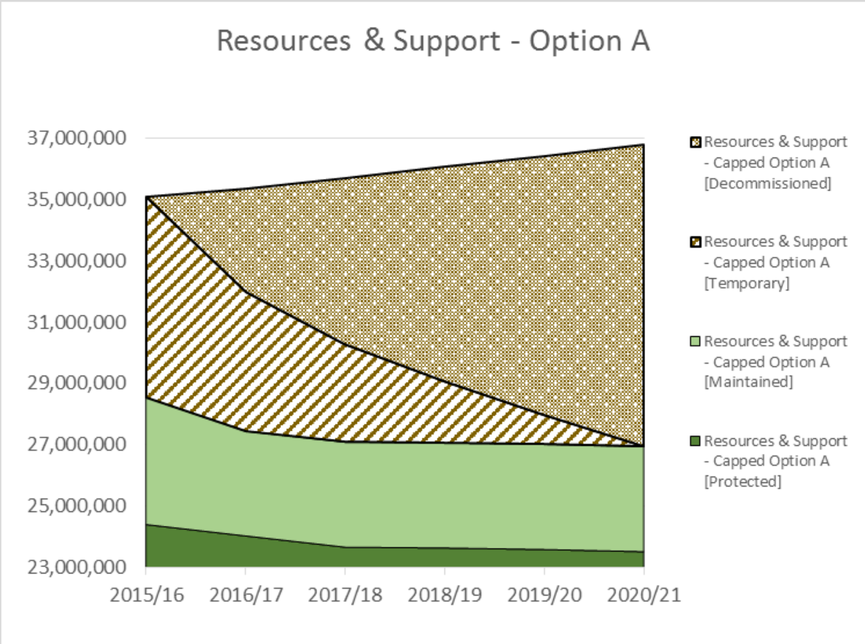
| **Table 2: Budget Projections with Cap, Option A (1.99% CT from 1.4.18)** | **2015/16** | **2016/17** | **2017/18** | **2018/19** | **2019/20** | **2020/21** |
|---|---|---|---|---|---|---|
| Resources & Support - Capped Option A [Protected] | 24,401,010 | 24,028,895 | 23,662,454 | 23,636,368 | 23,587,666 | 23,516,715 |
| Resources & Support - Capped Option A [Maintained] | 4,151,626 | 3,416,225 | 3,426,088 | 3,426,088 | 3,426,088 | 3,426,088 |
| Resources & Support - Capped Option A [Temporary] | 6,518,503 | 4,534,592 | 3,209,396 | 2,027,602 | 971,690 | 26,236 |
| Resources & Support - Capped Option A [Decommissioned] | 0 | 3,377,348 | 5,412,693 | 6,977,679 | 8,442,970 | 9,823,660 |
| **Option A - Capped Budget** | **35,071,139** | **35,357,060** | **35,710,630** | **36,067,737** | **36,428,414** | **36,792,698** |

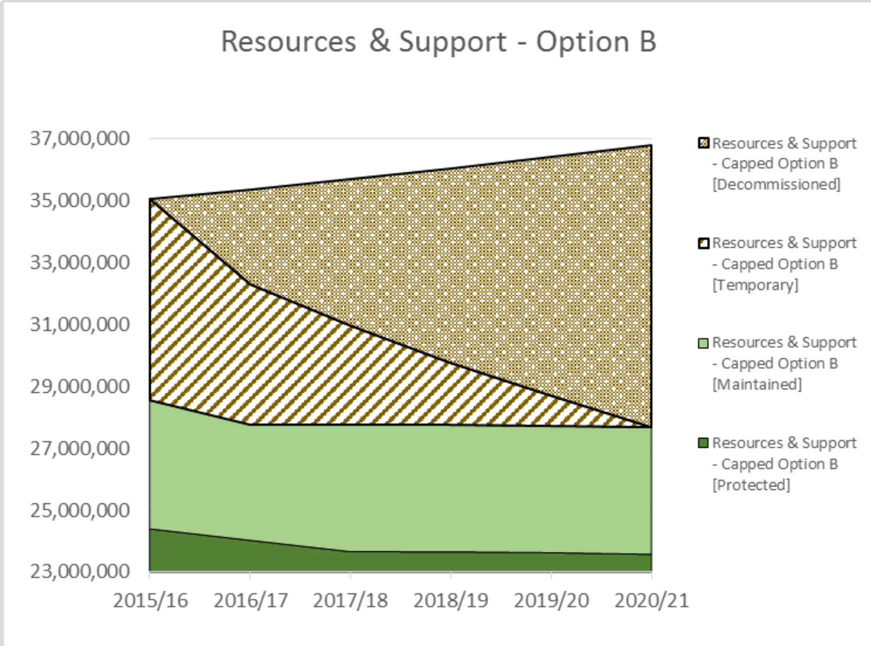
| **Table 3: Budget Projections with Cap, Option B (1.99% CT from 1.4.16)** | **2015/16** | **2016/17** | **2017/18** | **2018/19** | **2019/20** | **2020/21** |
|---|---|---|---|---|---|---|
| Resources & Support - Capped Option B [Protected] | 24,401,010 | 24,028,895 | 23,662,454 | 23,657,677 | 23,629,452 | 23,578,121 |
| Resources & Support - Capped Option B [Maintained] | 4,151,626 | 3,747,204 | 4,100,015 | 4,100,015 | 4,100,015 | 4,100,015 |
| Resources & Support - Capped Option B [Temporary] | 6,518,503 | 4,534,592 | 3,209,396 | 2,027,602 | 971,690 | 26,236 |
| Resources & Support - Capped Option B [Decommissioned] | 0 | 3,046,369 | 4,738,766 | 6,282,443 | 7,727,258 | 9,088,327 |
| **Option B - Capped Budget** | **35,071,139** | **35,357,060** | **35,710,630** | **36,067,737** | **36,428,414** | **36,792,698** |

The areas included in these tables do not reflect support costs for "front line" services – those support costs are included within the figures quoted fro directorates on previous pages. Resources and Support non Distributable costs include such areas as debt repayment costs (circa £24m), added years pension costs and corporate and democratic costs.

Table 1 above shows an initial analysis of Resources and Support Service functions and demonstrates modelled growth that nevertheless is unaffordable under a Sustainable Business Model. Tables 2 and 3 place a cap on growth of protected services (equivalent to a circa 2% efficiency saving each year) to ensure they stay within available, growing resources. Tables 2 and 3 also split services originally identified as maintained between maintained, temporary and decommissioned. Table 2 and Table 3 are based on Options A and B respectively. Maintained service budgets vary between 2015/16 and 2017/18, but from

2017/18 onwards are held at a cash-limited but sustainable level. By 2020/21 Council services defined as temporary will have been decommissioned, but no further service reductions will then be required beyond efficiency savings.




Protected Services: Treasury Management
Other Services: Legal, HR, Finance, Property, ICT, Customer Services, Business Design, Communications, Shire Services

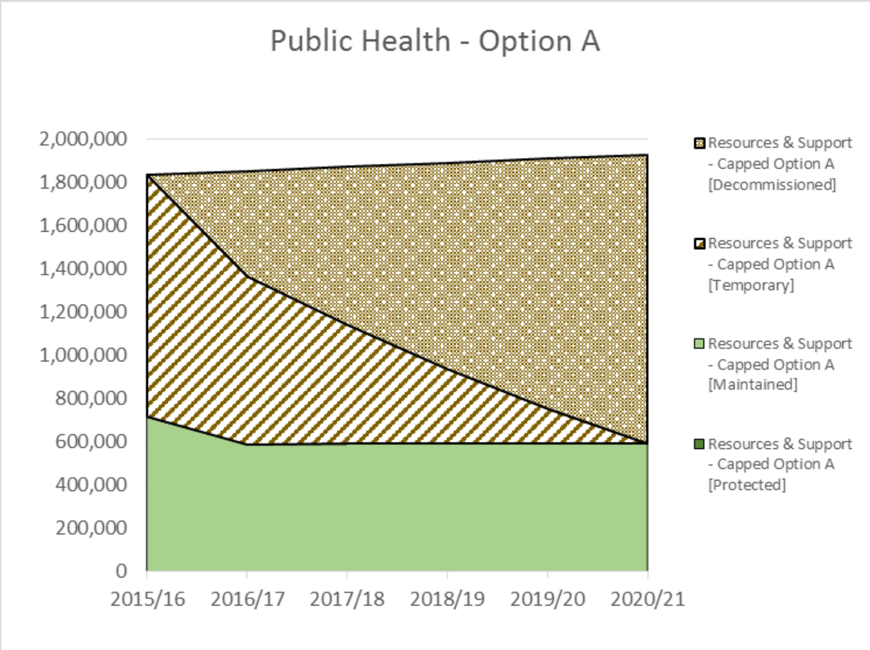
**Appendix 4f**

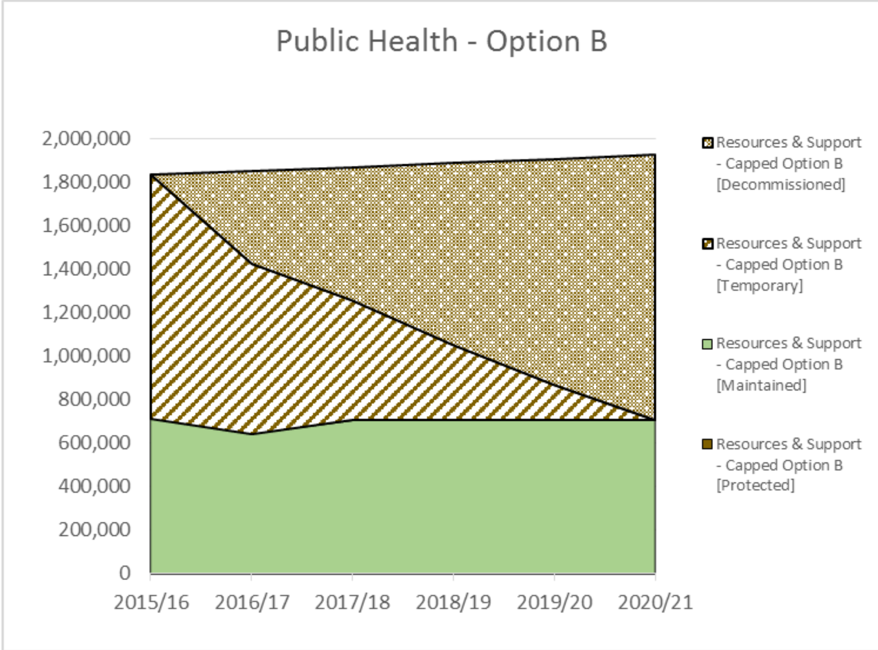
Budget Projections for the next 5 years: Public Health

| | 2015/16 | 2016/17 | 2017/18 | 2018/19 | 2019/20 | 2020/21 |
|---|---|---|---|---|---|---|
| Current Budget Projections | | | | | | |
| **Public Health** | | | | | | |
| **Table 1: Budget Projections with no Cap (Unaffordable)** | **2015/16** | **2016/17** | **2017/18** | **2018/19** | **2019/20** | **2020/21** |
| Resources & Support - no Cap [Protected] | 0 | 0 | 0 | 0 | 0 | 0 |
| Resources & Support - no Cap [Maintained] | 1,834,560 | 1,852,906 | 1,871,435 | 1,890,149 | 1,909,050 | 1,928,141 |
| Resources & Support - no Cap [Temporary] | 0 | 0 | 0 | 0 | 0 | 0 |
| Resources & Support - no Cap [Decommissioned | 0 | 0 | 0 | 0 | 0 | 0 |
| **Revised Budget Projections based on current Service Delivery** | **1,834,560** | **1,852,906** | **1,871,435** | **1,890,149** | **1,909,050** | **1,928,141** |

| Table 2: Budget Projections with Cap, Option A (2% CT from 1.4.18) | 2015/16 | 2016/17 | 2017/18 | 2018/19 | 2019/20 | 2020/21 |
|---|---|---|---|---|---|---|
| Resources & Support - Capped Option A [Protected] | 0 | 0 | 0 | 0 | 0 | 0 |
| Resources & Support - Capped Option A [Maintained] | 713,806 | 587,366 | 589,062 | 589,062 | 589,062 | 589,062 |
| Resources & Support - Capped Option A [Temporary] | 1,120,754 | 779,651 | 551,805 | 348,614 | 167,067 | 4,511 |
| Resources & Support - Capped Option A [Decommissioned] | 0 | 485,888 | 730,568 | 952,473 | 1,152,922 | 1,334,569 |
| **Option A - Capped Budget** | **1,834,560** | **1,852,906** | **1,871,435** | **1,890,149** | **1,909,050** | **1,928,141** |

Table 1 above shows an initial analysis of Public Health Service functions and demonstrates modelled growth that nevertheless is unaffordable under a Sustainable Business Model. Tables 2 and 3 place a cap on growth of protected services (equivalent to a circa 2% efficiency saving each year) to ensure they stay within available, growing resources. Tables 2 and 3 also split services originally identified as maintained between maintained, temporary and decommissioned. Table 2 and Table 3 are based on Options A and B respectively. Maintained service budgets vary between 2015/16 and 2017/18, but from 2017/18 onwards are held at a cash-limited but sustainable level. By 2020/21 Council services defined as temporary will have been decommissioned, but no further service reductions will then be required beyond efficiency savings.




Protected Services: None

Other Services: Emergency Planning, Registrars and Coroners, Community Safety Partnership, Domestic Violence Prevention, Targeted, Mental Health Promotion for School Age Children, Teenage Pregnancy Prevention, Air Quality Monitoring, Health Visiting, School Nursing, Sexual Health ,Alcohol and Drug Misuse Treatment, Smoking Cessation, Obesity Prevention, National Childhood Measurement Programme, Health Checks, Mental Health Promotion, Physical Activity Health Promotion, Infection Prevention and Control, Dental Health Promotion, Prevention of Chronic Disease, Health Intelligence and Surveillance

**Appendix 5**

## Timetable

| Date | Committee | Detail |
|---|---|---|
| 21st October 2015 | Performance Management & Scrutiny (PMSC) | Share timetable and seek agreement for Task and Finish Groups to consider the draft Financial Strategy– focus to be set following 28th October 2015 Cabinet. |
| 28th October 2015 | Cabinet | Receive latest Financial Strategy report 2015/16 – 2020/21. |
| 28th October 2015 | | Big Conversation formally launched. |
| Based on decisions taken at Cabinet 28th October 2015 | Cabinet/Directors | Detailed proposals identified to meet financial envelope over next 5 years. |
| | Scrutiny | Confirmation of task and finish groups' focus<br>Complete task and finish investigations<br>Office support and reports |
| 25th November 2015 | | Comprehensive Spending Review due |
| Early December | | Autumn Statement due |
| 2nd December 2015 | PMSC | Receive task and finish reports.<br>Receive presentation and update from Section 151 Officer.<br>Agree Budget Task and Finish group. |
| 9th December 2015 | Cabinet | Receive latest Financial Strategy Report<br>Receive reports back from Scrutiny/Task and Finish Groups<br>Receive initial feedback from Big Conversation<br>Identify proposals to deliver legal budget for 16/17<br>Identify implications for Council over next 5 years<br>Receive update on Autumn Statement<br>Identify next steps e.g. report to Council in December 2015<br>Launch consultation on 2016/17 budget<br>Receive Setting the Council Tax Taxbase 2016/17 report |
| 9th December 2015 – January 2016 | | Consultation on budget proposals. |
| w/c 14th December 2015 | | Local Government Finance Settlement due. |

| Date | Committee | Detail |
|---|---|---|
| December 2015 to January 2016 (based on decisions taken at Cabinet on 9th December and for/or Council 17th December) | | Budget Task and Finish Group meet and review budget, seek additional information, and formulate conclusions and recommendations.<br>Officer support and reports. |
| 17th December 2015 | Council | Receive Financial Strategy report – tbc<br>Receive Setting the Council Tax Taxbase 2016/17 report |
| 27th January 2016 | PMSC | Consider report and recommendations of Budget Task and Finish group and recommendations to Cabinet 10th February 2016. |
| 10th February 2016 | Cabinet | Receive Council Business Plan and Financial Strategy 2016/17 to 2020/21<br>Receive Scrutiny recommendations.<br>Approve budget for 2016/17 to be recommended to Council<br>Receive ip&e Annual Business Plan<br>Receive Statement of Chief Financial Officer on Robustness of Estimates and Adequacy of Reserves<br>Receive Estimated Collection Fund Outturn 2015/16<br>Receive Income Review of Fees and Charges for 2016/17<br>Receive Revenue Monitoring Report Quarter 3 2015/16<br>Receive Capital Monitoring Report Quarter 3 2015/16<br>Receive Council Business Plan and Financial Strategy 2016/17 to 2020/21. |
| 25th February 2016 | Council | Approve Budget for 2016/17<br>Approval Council Tax Resolution 2016/17<br>Receive Statement of Chief Financial Officer on Robustness of Estimates and Adequacy of Reserves<br>Receive Income Review of Fees and Charges for 2016/17<br>Receive Council Business Plan and Financial Strategy 2016/17 to 2020/21. |