



Committee and Date

Cabinet

10 January 2018

## FINANCIAL STRATEGY 2018/19 – 2022/23

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### 1. Summary

This report sets a financial strategy for the Council, enabling a balanced budget to be set for the years 2018/19 to 2019/20 and the potential to set a sustainable and balanced budget in the years beyond.

This is the second financial strategy report considered by Cabinet this financial year and provides information and recommendations on the Council's proposals to manage its financial position over the next five years and to meet its statutory obligations to set a legal budget for 2018/19.

Following extensive growth modelling over the summer and a review of available resources the first financial strategy of the financial year, approved by Cabinet on 18 October 2017, set out the projected funding gap over the current parliamentary period. This funding gap is £36m in 2018/19, growing to £59m in 2022/23 and is shown in Table 1 below.

**Table 1: Projected Funding Gap**

Year	2018/19 (£)	2019/20 (£)	2020/21 (£)	2021/22 (£)	2022/23 (£)
Funding Gap	36,467,901	43,962,531	48,558,987	53,668,794	59,270,364

This report focuses on the work completed to date to close this funding gap. As outlined in October, the approach to address the funding gap was built on four key pillars; innovate, raise income, cut services and use reserves to smooth delivery.

This approach has generated a large number of proposals front loaded, where possible, to 2018/19 and 2019/20. It is projected that these proposals, in total, will deliver over £42m of savings in base-budget by 2022/23. Details of the individual proposals are provided in Appendix 4.

The Provisional Local Government Settlement was released on 19 December 2017 and a summary of the implications for Shropshire is included in Section 7. After application of the savings proposals in this report, alongside use of government one-off funds and changes following the

provisional settlement, the budget can be brought into balance by 2019/20. Reserves of approximately £9.2m, from the £25m currently available, are estimated to be needed to smooth delivery of savings proposals over the next two years. This approach is acceptable as it will enable a balanced budget to be set in both financial years and, with the delivery of all savings proposals, a balanced budget without the need to rely on reserves can be set in year 2.

## **2. Recommendations**

It is recommended that Members:

- A. Approve the savings proposals which will deliver a balanced budget as outlined in Appendix 4, enabling the Leader of the Council to take his proposed budget to consultation before taking to Council on 22<sup>nd</sup> February 2018.

## **REPORT**

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

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

### **4. Financial Uncertainty**

- 4.1. Information on the Government's Fair Funding Proposals have not as yet been forthcoming and, in fact, implementation has been delayed by at least twelve months to 2020/21. It is not possible, therefore, to calculate the impact of these changes on Shropshire Council. The option to create a definitive long-term financial strategy is consequently not available. The Council can, however, develop a plan for a sustainable budget based on the information currently available. With a focus on innovation and raising income, the need to cut services beyond the levels already proposed to deliver a balanced budget remains an unquantifiable risk. Furthermore, a

focus on income generation, for example, brings with it further risks such as security and longevity of income streams, whereas service cuts, by their very nature, represent a highly secure approach to reducing costs.

- 4.2. The Council's financial position will impact on service delivery, both statutory and non-statutory, in future years. This report identifies a number of saving proposals for service reductions which are necessary to contribute towards delivering a balanced budget over the medium term. The proposals have been and will continue to be given detailed consideration to ensure the Council is not placed at risk of being unable to deliver statutory functions to an appropriate quality.
- 4.3. The Final Local Government Finance Settlement from February 2016 provided details for the financial years 2016/17 to 2019/20. In addition, Central Government offered to provide all local authorities with a confirmed multi-year offer (to 2019/20) where any Council was prepared to provide details of its efficiency statement before the deadline of 14 October 2016. Shropshire Council agreed to accept this offer and as a result the following allocations provided in the final settlement are now expected to be honoured:
- Revenue Support Grant (RSG)
  - Rural Services Delivery Grant (RSDG)
  - Transition Grant (2016/17 and 2017/18 only)
  - Business Rates Top-Up Grant

Whilst the offer does not cover the following key grants (meaning they cannot be guaranteed) they do appear in the Local Government Settlement so they have been built in to 2019/20. Whether these will continue beyond this point is uncertain.

- New Homes Bonus (NHB)
  - Improved Better Care Fund (IBCF)
  - Additional Better Care Fund (ABC)
- 4.4. There is further uncertainty in the short term as IBCF and ABC are being reviewed again by central government. A number of local authorities are being targeted and details of their spending proposals are being challenged which could result in changes to the funding mechanism.
- 4.5. To help mitigate risks all core grants identified in the two lists above have been considered as one-off funding. Reliance on these funds, however, has still been assumed over the medium term.
- 4.6. It should be noted that in the Provisional Local Government Settlement released on 19 December 2017, all authorities, regardless of whether they

had signed up for the multi-year settlement or not, did not see any variance between their planned and their provisional allocation for 2018/19.

## 5. The Funding Gap – Background Information

- 5.1. This iteration of the strategy does not revisit the funding gap established in the 18 October 2017 report. The gap remains as shown in Table 1 on page 1.
- 5.2. To establish the gap extensive work was undertaken over the summer to revise expenditure and resource projections. Significant changes as a result of this work included identifying:
- Additional pressures as a result of growing demand and demographic changes particularly in Children’s services, alongside known growth in Adult Services;
  - The cumulative impact of changes and loss in funding that are, nevertheless, tied to the statutory delivery of services
  - Increased inflation requirements for major contracts;
  - Savings proposals that have previously been drawn up by officers, but have not been achieved or approved for delivery due a number of contributory factors;
  - Continued Government funding reductions.
- 5.3. As described in the 18 October 2017 Financial Strategy, the Council’s financial position can be summarised as growth in Adult Social Care, growth in Children’s services and the costs of other statutory responsibilities that are not affordable under the current funding and expenditure model. The use of one-off funds in the 2016/17 and 2017/18 financial year has been a reasoned and reasonable approach to tackling the financial uncertainty surrounding all local authorities in the lead up to a fundamental change in national funding formulae which we believed to be imminent at that time. The use of one-off funds is, however, masking and not solving the Council’s underlying financial position where expenditure continues to outstrip resources. Decisive action in the short term is now critical to bring this worsening situation under control.
- 5.4. The Financial Strategy is based upon delivery of a balanced budget over the Medium Term. Each year the delivery of services and savings proposals is monitored and reported to Cabinet on a quarterly basis. The impact of significant additional pressures (for example, demographic pressures in Adult Services) and the non-achievement of savings proposals impact not only on the relevant financial year, but also in future years of the Strategy. In previous years there has been an ability to freeze spending elsewhere in the budget to compensate for these pressures. In the future, there is a significant risk that there will be insufficient controllable budgets left in the

Council to mitigate pressures appearing elsewhere. This may mean that reserves held for emergencies instead become relied upon to cover known pressures. If reserves are depleted in this way, the Council's funding position will quickly become unsustainable.

- 5.5. Current indications from the 2017/18 in-year financial monitor suggest that Adult Social Care and Children's Services demand driven growth may now exceed forecast expectations. Work is now focussed on understanding the reasons behind these increases and a spending freeze has been put in place for the remainder of the 2017/18 Financial Year. Where possible, greater resilience against this risk should be planned for in 2018/19, for example by minimising the planned reliance on reserves to deliver a balanced budget.

## 6. Closing the Gap

- 6.1. The council is using one-off funding from core government grants to help close the Council's funding gap but this is unsustainable (as Central Government has only guaranteed some of this funding to 2019/20), and also significantly short of the funding required. The Provisional Local Government Settlement has recently indicated that additional funds from Rural Services Delivery Grant and flexibility for an additional 1% rise in Council tax will help partially close the funding gap in 2018/19.
- 6.2. This report also proposes to make changes to the Adult Social Care Precept. Funding announcements prior to the 2017/18 financial year gave local government the option to increase the Adult Social Care Precept that can be raised through Council Tax from 2% per annum for three years to 3% in the next two years. This change was intended to give local authorities more funding in 2017/18 towards the cost pressures for Adult Social Care but was still limited to the same total 6% increase over three years.
- 6.3. At the time it was agreed to keep the precept at a rate of 2% in each of the years 2017/18 through to 2019/20. This report proposes a change to raise 3% in 2018/19 and 1% in 2019/20 which remains within the 6% limit across the three year period but by raising the tax earlier realises a net benefit of £1.366m in 2018/19, helping to reduce the reliance on reserves in that year.
- 6.4. Over the autumn, Cabinet and officers have been reviewing the options for delivery of a sustainable budget by focusing on the following four key pillars, in priority order:

Innovate	Focus on the highest priority areas and those most likely to provide greatest reward including Children's Services, Digital Transformation and Health and Adult Services
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Raise Income	Focus on investment and commercial activity
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- Cut Services Reconsider the core services the Council will continue to provide and focus resources on that core offer only. Once decided, make these decisions as quickly as possible.
- Use Reserves In a strategic manner to enable and smooth the delivery of the above.

6.5. The net total of proposals brought forward for approval is shown in Appendix 4 and the following paragraphs describe those falling into each delivery pillar.

### **Innovate**

- 6.6. By focusing on innovation, we have been able to identify a number of proposals that can deliver up to £21.2m of savings by 2022/23. Details of these proposals are included in Appendix 4.
- 6.7. An important element of closing the funding gap is the contribution of the Council's Commercial Strategy and Economic Growth Strategy as well as high profile projects such as digital transformation. It is crucial that such strategies and projects deliver savings through investment and transformational change. These strategies are key in supporting delivery of savings from innovation. As a result services will be delivered in different ways in the future; through a reduced physical estate, through more efficient back office systems and via a push to greater digital access from the public.
- 6.8. Key innovation savings brought forward in this report include:
- £3.0m from making efficiencies to our administrative buildings, using a smaller number of buildings and making those we do use more energy efficient and delivered on a more commercial basis.
  - £10m from the Digital Transformation Programme which will revolutionise the way systems and processes are managed within the Council and to the public, of which £1m is proposed to be delivered in 2018/19. Appendix 5 provides an update as to the current status of the programme.
- 6.9. The total of proposals put forward under this key pillar is shown in Table 2 below:

**Table 2: Innovation Savings**

£'000	2018/19	2019/20	2020/21	2021/22	2022/23	Total
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<b>Savings from Innovation</b>	-2,838,920	-11,969,740	-2,306,510	-1,850,000	-2,250,000	-21,215,170
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## Raise Income

6.10. By focusing on income generation, we have been able to identify a series of proposals that together could deliver up to £17.1m of savings to the Council by 2022/23. Details of these proposals are all included within the figures in Appendix 4.

6.11. A new strategic approach for the Council is to become more commercial and look to ways to replace government funding through the generation of income from local sources. The council's Commercial and Economic Growth Strategies provide a huge impetus for the delivery of savings in this area. Key savings identified include:

- £10.7m from investment in assets including Shrewsbury Shopping Centre and other property within Shropshire.
- £1.6m from making changes to the local Council Tax and Business Rates schemes to increase council resources.

The total of proposals put forward under this key pillar is shown in Table 3 below:

**Table 3: Proposals to Raise Income**

£'000	2018/19	2019/20	2020/21	2021/22	2022/23	Total
<b>Savings from Raising Income</b>	-5,450,000	-5,123,000	-2,550,000	-2,000,000	-2,027,000	-17,150,000

## Cut Services

6.12. It is inevitable, given the projected financial position facing the Council, that reductions in services, or removal of some services altogether, is necessary in the short to medium term. The focus on innovation and income generation has reduced some of the necessity for service cuts, but nevertheless £4.1m of proposals have necessarily been identified for delivery by 2022/23. Details of these savings are also included in Appendix 4.

6.13. The Council's Corporate Plan has provided a focus for the core services that we need to protect into the future. Other services that do not meet essential criteria may not be financially viable in their current state under the Council's future funding regime. Some examples include:-

- £0.6m from revisions to transport provision.
- £0.8m from a review of community based facilities and working
- £0.6m from reviewing support services costs.

6.14. The total of proposals put forward under this key pillar is shown in Table 4 below:

**Table 4: Proposals to Cut Services**

£'000	2018/19	2019/20	2020/21	2021/22	2022/23	Total
<b>Savings from Cutting Services</b>	-1,660,180	-1,698,530	-502,240	0	-191,930	-4,052,880

6.15. Two proposals have been put forward that will generate significant savings from a reduction in discretionary spend in Highways Maintenance and Adult Services preventative spend. Inclusion of these proposals as savings for 2018/19 and 2019/20 delivers a total of £11m across the two years and enables the budget to be balanced by 2019/20. These proposals, delivered on a permanent basis and alongside an extension of government one-off funds, could deliver a balanced budget in the longer term, through to 2022/23. These proposals are included in Appendix 4 and are shown in Table 5 below.

**Table 5: Permanent Savings that may be reversible <sup>1</sup>**

£'000	2018/19	2019/20	2020/21	2021/22	2022/23	Total
<b>Highways Maintenance</b>	-5,000,000	0	5,000,000	0	0	0
<b>ASC Preventative Spend</b>	-500,000	0	500,000	0	0	0

6.16. In reality the highways maintenance saving has already been reduced to reflect an estimated contribution from car park income as a result of the successful implementation of the new Car Parking Strategy. This has been factored into the overall savings totals that can be achieved, but this saving is separately identified and it is important that this contribution is

<sup>1</sup> These savings will be made on a permanent basis, but will be reviewed in 2020/21. At that point in time, if sufficient alternative proposals are in place (for example, if Business Rate Reduction and Fairer Funding provide a sustainable funding base for the Council) then they may be reversed. This reversal is currently illustrated in Table 5.

recognised. Without this investment from car parking income, highways maintenance spend would be lower in future years than is currently estimated.

### **Use of reserves**

- 6.17. Appendix 3 shows the various one-off funding sources which are currently being applied to begin to close the Council's funding gap. Government one-off funding includes use of the New Homes Bonus, Rural Services Delivery Grant and Improved Better Care Funding. There is no guarantee that these will continue into the future, and certainly not beyond 2019/20 (as this is the extent of the multi-year settlement offered by Central Government). It has been assumed, however, that New Homes Bonus will continue as a four (rather than six) year cumulative grant for the long term.
- 6.18. One-off Council funding is comprised of freed up reserves, collection fund adjustments and conditionally released reserves. The conditionally released reserves are released on the assumption that they are replaced by Capital Receipts in future years. Any threat to the generation of capital receipts would compromise the ability to release this one-off funding.
- 6.19. It is a high risk strategy to apply all available reserves in full and early in the budget plan. It is preferable to use the available reserves to smooth the delivery of savings (some of which may take longer than others to achieve) and manage the Council's financial position over a five year planning horizon. This means, however, achieving a higher level of savings in the early years.

### **Cost of funding investment**

- 6.20. A number of the proposals contained within this report, particularly in terms of innovation and income generation, will require borrowing to be undertaken to finance initial investment. The authority is able to borrow at relatively low rates through the Public Works Loan Board to finance investment in assets and economic growth. This cost of financing, including interest and repayment, has been estimated and shown as a total value in each year to net off against the total savings identified for that year.

### **Impact on the Council's Funding Gap**

- 6.21. Table 6 below shows the impact on the funding gap if all of the proposals contained within this report (with details of all these savings proposals shown in Appendix 4) are approved. The financial position after application of all available one-off government funds, savings already approved in October 2017, savings proposals identified in this report, implications from the provisional settlement and the application of available reserves, is

shown in Table 6 below. In summary, based on the work undertaken to date a balanced budget can be achieved for 2018/19 and 2019/20.

**Table 6: Impact on the Council's Funding Gap**

	2018/19 (£)	2019/20 (£)	2020/21 (£)	2021/22 (£)	2022/23 (£)
Funding Gap (18.10.17 in each year)	36,467,901	43,962,531	48,558,987	53,668,794	59,270,364
Government One-Off Funding available in each year	-10,504,416	-14,005,939	-21,050	21,940	-118,840
Additional 1% Council Tax (see paragraphs 6.1 and 7.2)	-1,366,228	-1,393,810	-1,422,998	-1,453,838	-1,486,380
Reprofile ASC Precept from 2%, 2%, 2% to 2%, 3%, 1% (see paragraphs 6.2 and 6.3)	-1,366,228	51,491	22,304	-7,394	-39,937
Reserves	-10,439,849	1,240,677	-15,619,080	0	0
<b>Funding Gap Remaining in each year (As Per Appendix 3)</b>	<b>12,791,179</b>	<b>29,854,950</b>	<b>31,518,163</b>	<b>52,229,502</b>	<b>57,625,207</b>
Savings Approved (Cabinet 18.10.17, cumulative)	-92,080	-507,380	-661,810	-661,810	-661,810
<b>Savings Proposals (This Report, cumulative)</b>	<b>-15,449,100</b>	<b>-34,240,370</b>	<b>-34,099,120</b>	<b>-37,949,120</b>	<b>-42,418,050</b>
Cost of Investment (cumulative) <sup>2</sup>	2,750,000	4,892,800	6,377,800	7,642,800	9,402,800
<b>Funding Gap Remaining (10.01.18 in each year)</b>	<b>0</b>	<b>0</b>	<b>3,135,033</b>	<b>21,261,372</b>	<b>23,948,147</b>

## 7. Assumptions and Next steps

7.1. With the approval of the £42.418m proposed, gross, savings in this report (and subsequent delivery at these estimated levels) a balanced budget can be achieved for 2018/19 and 2019/10. This position is based on assumptions and actions set out in the following paragraphs.

<sup>2</sup> Cost of investment is an estimate of borrowing and repayment costs as a result of certain savings proposals

7.2. The Provisional Local Government Settlement was received on 19 December 2017 and has the following implications for Shropshire Council:

- The level of Revenue Support Grant (RSG) and other Core Grants were confirmed at the levels set out in the multi-year settlement (on which the Financial Strategy has been based) with the exception on Rural services Delivery Grant. This grant has been increased (for 2018/19 only) by £1.225m for Shropshire Council.
- The ability to increase the core Council Tax by an additional 1%, in line with inflation, without holding a local referendum has been granted. This means the potential for a core increase of 2.99% in Council Tax. In Shropshire a core council tax increase of 1% would raise an additional £1.366m compared to our planning assumptions. Alongside a further increase of 3% Social Care Precept, this enables a maximum increase of 5.99% in 2018/19. In total these adjustments add £2.732m to resources in 2018/19.
- Capital Receipts flexibility has been extended for a further 3 years, which is welcomed but not expected to provide any additional material impact on Shropshire Council's plans.
- A new Fairer Funding Formula is due to be implemented from 2020/21 alongside 75% retention of business rates (rather than 100% retention in 2019/20 as originally published). Retention of 75% business rates would be offset by the removal of RSG and Public Health Grant as a minimum, and the result would be financially neutral to the Council.
- The Final Settlement is due in early February 2018 and it will not be possible to confirm the 2018/19 budget until that has been received.

7.3. A number of the proposals for investment included within this report have been included based on early assumptions and/or outline business cases, ahead of detailed due diligence work being completed and a full business case produced. An officer-led Capital Investment Board considers all capital investment proposals and these are taken forward providing they meet return on investment and yield criteria set within the Commercial Strategy. For the purposes of the Financial Strategy, assumptions on the value and type of investment to be carried out by the Council, to realise the returns included in the savings proposals within this report, have been used to produce a cost of investment to net off against any gross saving. The cost of investment value will be refined and, as with the investment return, is likely to change from the initial assumptions included in this report. Such variations will have to be managed by close monitoring of the budget, and the application of reserves.

7.4. The Council has retained a redundancy reserve which will enable the delivery of a number of the savings proposals identified in this report where staffing reductions will be necessary. The value of this reserve is conditional upon the generation of capital receipts, and it is currently assumed to be approximately

£3.6m. Should this reserve be depleted, however, it will be necessary to net-off any additional redundancy costs against savings proposals which would potentially delay delivery of the saving.

- 7.5. The savings proposals set out in the report have been allocated to financial years on the basis of a review of lead time and implementation. It is acknowledged that certain factors critical to the successful delivery of some of these proposals may not be within the direct control of the Council, and allowance has been made for this, up to a point. There is no scope within the financial plan to delay the delivery of any of the proposals.
- 7.6. Cabinet is due to consider a report setting out fees and charges proposals across the Council on 14 February 2018. Where possible, the impact of any assumed increases has been taken into account in the growth model and savings proposals already included within this report.
- 7.7. Following approval of the savings proposals included in this report a period of consultation will commence before Council is recommended to approve the budget on 22 February 2018. It is proposed that Cabinet will meet on 14 February to consider the budget proposals and consultation completed to that point. Consultation will continue following Cabinet on 14 February, right up to Council on 22 February and the Leader will verbally update Council should any significant implications from consultation be identified that cannot be included in the report to Cabinet on 14 February.
- 7.8. If these proposals are not approved the only other option to achieve a balanced budget would be to put Council Tax increases to a local referendum as an alternative option. This would allow the authority to generate Council Tax income over and above the proposed limit of 5.99%. If set at the correct level this extra income would negate the need to make some of the savings.
- 7.9. As announced in the Provisional Settlement on 19 December 2017, a fairer funding formula is expected to be applied to local government funding from 2020/21 and will coincide with the proposed 75% local retention of business rates. For this reason it is important that a balanced budget can be set for the Council in the preceding years 2018/19 and 2019/20. The impact of Fairer Funding may not be known, however, until the provisional local government settlement for 2020/21 which would be released in December 2020. This provides minimal time to set the budget given the potential for significant change from the current modelled figures. As a result, the Council is proposing to put in place a number of actions to mitigate against the risk that a fairer funding deal does not materially improve the Council's financial position. These mitigations include:

- Ensuring that savings proposals are in place and the maximum level of reserves are retained to ensure the Council does not encounter a cliff edge in its financial position ahead of fairer funding.
- Ensuring that the General Fund Balance is risk assessed and set at an appropriate level ahead of the 2020/21 financial year.
- Delivering a number of permanent savings that may be reversible. That is to say, savings in Highways and Adult Services that would only be reversed if the Council's financial position is improved, for example as a result of fairer funding.

7.10. The current Multi-year settlement provides some certainty for Shropshire Council funding for the years 2018/19 and 2019/20. This includes funding for two main core grants RSG and Rural services Delivery Grant (RSDG). In addition, but not included in the multi-year settlement (nor in the provisional settlement), central government have indicated that Improved Better Care Funding (iBCF) allocations will continue to 2019/20 also. In 2019/20 these grants (excluding RSG which is considered separately) are estimated to total approximately £14m. While these grants are unlikely to continue following the adoption of a fairer funding approach, it is conceivable that, contrary to our planning assumptions, a national formula could take account of this level of funding within any calculation.

7.11. It is possible, taking the above into account, to construct a scenario that delivers an approximation of a longer-term sustainable budget. While this is based on a number of assumptions (at the time of writing and under the current funding model), with the delivery of all £42m savings shown within this report, plus extension of iBCF and RSDG into later years, plus permanent delivery of the savings in Highways and Adult Services (para 7.9 above), plus extension of the 1% Council Tax increase into later years, it would be possible to deliver a balanced budget (with the use of some reserves) through to 2022/23. While this is a highly caveated suggestion, it does, nevertheless, identify a financially aspirational target for a sustainable budget that the Council can use as one of a number of planning assumptions over the life of the current parliament. This suggestion is exemplified by taking Table 6 above and amending it, as in Table 7 below, to include the points raised above (amendments highlighted):

**Table 7: Aspirational Proposal to deliver a Sustainable Budget**

	2018/19 (£)	2019/20 (£)	2020/21 (£)	2021/22 (£)	2022/23 (£)
Funding Gap (18.10.17 in each year)	36,467,901	43,962,531	48,558,987	53,668,794	59,270,364
Government One-Off Funding available in each year if extended	-10,504,416	-14,005,939	-14,005,939	-14,005,939	-14,005,939
Additional 1% Council Tax (see paragraphs 6.1 and 7.2, if extended)	-1,366,228	-2,853,454	-4,471,108	-6,229,009	-8,140,870
Reprofile ASC Precept from 2%, 2%, 2% to 2%, 3%, 1% (see paragraphs 6.2 and 6.3)	-1,366,228	51,491	22,304	-7,394	-39,937
Savings Approved (Cabinet 18.10.17, cumulative)	-92,080	-507,380	-661,810	-661,810	-661,810
<b>Savings Proposals (This Report, cumulative with permanent delivery of reversible savings)</b>	<b>-15,449,100</b>	<b>-34,240,370</b>	<b>-39,599,120</b>	<b>-43,449,120</b>	<b>-47,918,050</b>
Cost of Investment (cumulative)	2,750,000	4,892,800	6,377,800	7,642,800	9,402,800
Reserves	-10,439,849	2,700,321	3,778,886	3,041,678	2,093,441
<b>Funding Gap Remaining (Aspirational Target)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

## 8. Business Rates Pooling

8.1. The Department for Communities and Local Government recently sought applications from authorities to pilot 100% Business Rates Retention in 2018/19 and to pilot new pooling models. Shropshire council submitted an application with Telford and Wrekin and Herefordshire councils on a 'no detriment' basis meaning that none of the authorities involved would be adversely impacted as a result of having entered into the piloted arrangement.

8.2. By becoming a pilot area for business rates, Shropshire Council would be better placed to understand some of the complex issues involved in local business rates retention. The provisional Settlement listed the successful bids which did not include the Shropshire bid.

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

Financial Strategy 201819 to 202223: Cabinet 18 October 2017

**Cabinet Member (Portfolio Holder)**

Councillor Peter Nutting – Leader of the Council, Councillor David Minnery – Portfolio Holder for Finance

**Local Member**

All

**Appendices**

Appendix 1 – Resource Projections

Appendix 2 – Expenditure Projections

Appendix 3 – Funding Gap

Appendix 4 – New savings proposals

Appendix 5 – Digital Transformation Update

**Appendix 1 - Resource Projections**

	2018/19	2019/20	2020/21	2021/22	2022/23
	£	£	£	£	£
<b>Council Tax</b>	142,018,325	150,269,406	158,999,285	168,237,685	178,012,238
<b>Business Rates:</b>					
Business Rates Collected	42,373,597	43,139,711	43,919,677	44,713,745	45,522,170
Estimated Reduction in Business Rates (s31 see below)	-2,690,070	-2,690,070	-2,690,070	-2,690,070	-2,690,070
Top Up Grant	9,786,471	10,134,578	10,134,578	10,134,578	10,134,578
<b>RSG</b>	13,301,166	6,119,050	4,079,333	2,039,667	0
<b>Collection Fund:</b>					
Council Tax	500,000	500,000	500,000	500,000	500,000
Business Rates	-500,000	-500,000	-500,000	-500,000	-500,000
<b>NET BUDGET</b>	<b>204,789,488</b>	<b>206,972,675</b>	<b>214,442,804</b>	<b>222,435,606</b>	<b>230,978,916</b>
<b>Grants included in Core Funding:</b>					
Improved Better Care Fund i	4,328,800	8,153,520	0	0	0
New Homes Bonus	5,872,869	5,634,949	5,021,050	4,978,060	5,118,840
Rural Services Delivery Grant	4,082,797	5,307,636	0	0	0
Transition Grant	0	0	0	0	0
Adult Social Care Support Grant	0	0	0	0	0
s31 Business Rates Grants	2,690,070	2,690,070	2,690,070	2,690,070	2,690,070
<b>CORE FUNDING</b>	<b>221,764,025</b>	<b>228,758,851</b>	<b>222,153,924</b>	<b>230,103,736</b>	<b>238,787,826</b>
<b>Local Income</b>					
Fees and charges	75,399,365	77,053,206	78,716,632	80,516,374	82,445,059
Other Grants and contributions	24,476,890	24,476,890	24,476,890	24,476,890	24,476,890
Specific Grants (excluding Core Funding Grants above)	224,969,245	222,125,093	218,319,810	218,005,220	217,603,010
Specific Grants Changes between Feb. & Sept. 2017					
Internal Recharges	8,877,020	8,877,020	8,877,020	8,877,020	8,877,020
Other Income	-784,043	-102,085	-2,064	-2,043	-2,023
<b>TOTAL FUNDING</b>	<b>554,702,502</b>	<b>561,188,975</b>	<b>552,542,212</b>	<b>561,977,196</b>	<b>572,187,782</b>

**Appendix 2 – Expenditure Projections**

	2018/19	2019/20	2020/21	2021/22	2022/23
	£	£	£	£	£
<b>Original Gross Budget Requirement</b>	<b>576,847,806</b>	<b>591,170,403</b>	<b>605,151,506</b>	<b>601,101,199</b>	<b>615,645,990</b>
<b>Inflationary Growth :</b>					
Pay	1,736,400	1,771,400	1,806,800	1,843,040	1,879,700
Prices	3,297,385	2,661,433	2,908,430	3,147,842	3,179,325
Pensions	3,555	14,575			
<b>Demography &amp; Demand</b>	<b>10,207,019</b>	<b>7,885,625</b>	<b>9,104,995</b>	<b>9,901,259</b>	<b>11,003,912</b>
<b>Service Specific Pressures</b>	<b>4,434,972</b>	<b>-7,503</b>	<b>9,810</b>	<b>10,230</b>	<b>10,650</b>
<b>Local Generated Pressures :</b>					
Elections	-700,000				
Specific Grants Changes between years	-4,673,935	1,967,488	-17,880,343	-357,580	-261,430
Changes in specific grants Feb to sep					
ASC Care Grant removed					
All other changes in 2016/17					
Adjustment to Gross budget offset by Income changes					
Adjust for Reduction to offset income reduction	-320,242				
<b>Savings:</b>					
Deduct ongoing Savings - 2017/18					
Deduct ongoing Savings - 2018/19 (green and ambers)	-583,477				
Deduct ongoing Savings - 2019/20 (green and ambers)		-311,916			
Deduct ongoing Savings - 2020/21					
Deduct ongoing Savings - 2021/22					
2016/17 and 2017/18 Savings not achievable	920,920				
<b>TOTAL EXPENDITURE</b>	<b>591,170,403</b>	<b>605,151,506</b>	<b>601,101,199</b>	<b>615,645,990</b>	<b>631,458,147</b>

**Appendix 3 – Funding Gap**

	2018/19 £	2019/20 £	2020/21 £	2021/22 £	2022/23 £
Resources	554,702,502	561,188,975	552,542,212	561,977,196	572,187,782
Expenditure	591,170,403	605,151,506	601,101,199	615,645,990	631,458,147
<b>Gap in year</b>	<b>36,467,901</b>	<b>43,962,531</b>	<b>48,558,987</b>	<b>53,668,794</b>	<b>59,270,364</b>
<b>One Off Funding to be used:</b>					
Additional 1% Council tax in 18/19 (Provisional)	1,366,228	1,393,810	1,422,998	1,453,838	1,486,380
Reprofile ASC precept from 2%, 2%, 2% to 2%, 3%, 1%	1,366,228	-51,491	-22,304	7,394	39,937
Rural Services Delivery grant	5,307,640	5,307,640	0	0	0
New Homes Bonus - One Off	867,971	544,780	21,050	-21,940	118,840
Improved Better Care Funding	4,328,805	8,153,519			
Savings from Cabinet 18.10.2017	92,080	507,380	661,810	661,810	661,810
Proposed Savings 10.01.2018	15,449,100	34,240,370	34,099,120	37,949,120	42,418,050
Estimated Cost of Investment	-2,750,000	-4,892,800	-6,377,800	-7,642,800	-9,402,800
Savings BF	8,851				
Adult Services Contingency	3,000,000				
Collection Fund Adjustments			2,100,000		
Earmarked Reserves - Freed up	5,008,494		1,366,228		
Freed up Conditional Release Reserves	340,968	-1,240,677	12,152,852		
Freed up Conditional Reserves - Pensions	2,081,536				
<b>TOTAL ONE OFF FUNDING</b>	<b>36,467,901</b>	<b>43,962,531</b>	<b>45,423,954</b>	<b>32,407,422</b>	<b>35,322,217</b>
<b>Remaining Gap to be Funded</b>	<b>0</b>	<b>0</b>	<b>3,135,033</b>	<b>21,261,372</b>	<b>23,948,148</b>

## Appendix 4 - New Savings proposals for approval

New Savings Proposals for Approval - Adult Services								
			<b>Total value of proposals</b>	<b>-902,290</b>	<b>-1,707,640</b>	<b>-1,862,510</b>	<b>-950,000</b>	<b>-250,000</b>
Ref	Directorate	Portfolio Holder	Description	2018/19	2019/20	2020/21	2021/22	2022/23
A05	Adult Services	Lee Chapman	Use of capital funding to reduce the cost of high cost placements	-50,000	-100,000	-50,000	0	0
A06	Adult Services	Lee Chapman	Review of contracts within Housing	-43,790	0	0	0	0
A07	Adult Services	Lee Chapman	Review of vacant properties and housing benefit	-25,000	-25,000	0	0	0
A08	Adult Services	Lee Chapman	Review of grants	-22,000	0	0	0	0
A09	Adult Services	Lee Chapman	Increase in supported living accommodation	0	0	-117,670	0	0
A10	Adult Services	Lee Chapman	Review of Housing services	-51,500	-100,000	0	0	0
A13	Adult Services	Lee Chapman	Review of Minimum Income Guarantee	-200,000	0	0	0	0
A14	Adult Services	Lee Chapman	Review of supporting people contracts	0	0	-206,000	0	0
A15	Adult Services	Lee Chapman	Invest in digital health technologies	0	-250,000	-250,000	-250,000	-250,000
A16	Adult Services	Lee Chapman	Telecare/Telehealth developments	0	-400,000	-400,000	-200,000	0
A17	Adult Services	Lee Chapman	Explore joint housing and social care opportunities with partners	0	-300,000	-500,000	0	0
A18	Adult Services	Lee Chapman	Provider market stewardship and micro-commissioning	0	-200,000	-300,000	0	0
A19	Adult Services	Lee Chapman	Increased use of social prescribing	0	0	-300,000	-500,000	0
A21	Adult Services	Lee Chapman	Review of client property	0	-15,040	0	0	0
A22	Adult Services	Lee Chapman	Reduce the cost of care packages by investing in technology	-10,000	-50,000	-40,000	0	0
A23	Adult Services	Lee Chapman	Increased shared lives placements	0	-43,900	-52,140	0	0
A24	Adult Services	Lee Chapman	Efficiencies and additional income generation within Joint Training	0	-77,000	0	0	0
A25	Adult Services	Lee Chapman	Innovate to generate new income	0	-50,000	-50,000	0	0
A26	Adult Services	Lee Chapman	Review of day centres	0	-96,700	-96,700	0	0
A27	Adult Services	Lee Chapman	ASC Reduction in Preventative Spend - Permanent Saving that may be reversible from 2020/21	-500,000	0	500,000	0	0

New Savings Proposals for Approval - Children's Services								
			<b>Total value of proposals</b>	<b>-1,577,900</b>	<b>-794,000</b>	<b>200,000</b>	<b>0</b>	<b>0</b>
Ref	Directorate	Portfolio Holder	Description	2018/19	2019/20	2020/21	2021/22	2022/23
C02	Children's Services	Nick Bardsley	Budget re-alignment of All-in Short Break Contracts	-40,000	0	0	0	0
C03	Children's Services	Nick Bardsley	Efficiencies in Nursery Education Support	-31,770	0	0	0	0
C04 & C07	Children's Services	Nick Bardsley	Efficiencies in Home to School Transport	-556,500	0	0	0	0
C05	Children's Services	Nick Bardsley	Further promotion of independent travel training and SEN personal budgets	-164,630	0	0	0	0
C06 & C13	Children's Services	Nick Bardsley	Reductions to external placement costs within children's safeguarding	-430,000	-500,000	0	0	0
C11	Children's Services	Nick Bardsley	Creation on a supply teacher service	0	-200,000	0	0	0
C14	Children's Services	Nick Bardsley	Expand the use of Troubled Families grant income for two years.	-200,000	0	200,000	0	0
C16	Children's Services	Nick Bardsley	Review of specialist youth provision	-39,000	0	0	0	0
C17	Children's Services	Nick Bardsley	Review of business support functions within Learning and Skills	-116,000	-94,000	0	0	0

New Savings Proposals for Approval - Place and Enterprise								
Total value of proposals				-9,110,260	-6,151,630	2,032,240	-2,900,000	-4,218,930
Ref	Directorate	Portfolio Holder	Description	2018/19	2019/20	2020/21	2021/22	2022/23
P04	Place and Enterprise	Robert Macey	Review of waste collection and recycling services	0	-1,500,000	0	0	0
P05	Place and Enterprise	Steve Charmley	Review of car parking at administrative sites	0	-96,000	0	0	0
P10	Place and Enterprise	Joyce Barrow	Review of community working	0	-648,480	0	0	0
P11	Place and Enterprise	Lezley Picton	Review of library provision	0	0	-73,950	0	-191,930
P13	Place and Enterprise	Nic Laurens	Review of workshops and economic development land	0	-81,050	0	0	0
P15	Place and Enterprise	Lezley Picton	Review of community assets	0	0	-73,810	0	0
P16	Place and Enterprise	Steve Charmley	Reduction in facilities management costs	0	-55,000	0	0	0
P23	Place and Enterprise	Lezley Picton	Review of community leisure facilities	-129,260	0	0	0	0
P26	Place and Enterprise	Steve Davenport	Review of local environmental maintenance services	-110,000	0	0	0	0
P28	Place and Enterprise	Steve Charmley	Increased installation and use of solar panels	0	-100,000	0	0	0
P29	Place and Enterprise	Steve Davenport	Review of concessionary travel	0	-50,000	0	0	0
P30	Place and Enterprise	Lezley Picton	Development of cultural assets to raise additional income	0	0	-200,000	0	0
P33	Place and Enterprise	Steve Charmley	Raise additional income from new development	0	0	0	0	-27,000
P34	Place and Enterprise	Steve Charmley	Creation of a Shropshire lottery	0	-50,000	0	0	0
P35	Place and Enterprise	Steve Charmley	Efficiencies within administrative buildings	-500,000	0	0	-500,000	-2,000,000
P36	Place and Enterprise	Nic Laurens	Generate income from investment in assets	-2,700,000	0	0	0	0
P39	Place and Enterprise	Steve Charmley	Raise income from investment in assets	0	-2,000,000	-2,000,000	-2,000,000	-2,000,000
P41	Place and Enterprise	Steve Charmley	Negotiate contract savings upon renewal, through better contract management	0	-300,000	-300,000	-400,000	0
P59	Place and Enterprise	Steve Davenport	Increased income generation within Highways and Transport	-500,000	-400,000	0	0	0
P62	Place and Enterprise	Steve Davenport	Redesign within Transport and Fleet services	0	-60,000	0	0	0
P64	Place and Enterprise	Steve Davenport	Review of bus subsidies	0	-405,000	0	0	0
P65	Place and Enterprise	Nic Laurens	Income generation from investment in assets	0	-280,000	-320,000	0	0
P66	Place and Enterprise	Steve Charmley	Innovation and efficiencies within Shire Services	-171,000	-126,100	0	0	0
P67	Place and Enterprise	Steve Davenport	Highways Maintenance - Permanent Saving that may be reversible from 2020/21	-5,000,000	0	5,000,000	0	0

New Savings Proposals for Approval - Public Health								
			<b>Total value of proposals</b>	<b>-556,850</b>	<b>-288,000</b>	<b>-228,480</b>	<b>0</b>	<b>0</b>
Ref	Directorate	Portfolio Holder	Description	2018/19	2019/20	2020/21	2021/22	2022/23
H01	Public Health	Lee Chapman	Review of the Links and Healthwatch services	-68,180	0	0	0	0
H02	Public Health	Lee Chapman	Review of maintenance of closed churchyards	-47,120	0	0	0	0
H04	Public Health	Lee Chapman	Efficiencies and additional income generation within Registrars	0	-40,000	0	0	0
H05	Public Health	Robert Macey	Additional income generation within Regulatory Services	-40,000	0	0	0	0
H06	Public Health	Robert Macey	Operating efficiencies within Regulatory Services	-30,000	0	0	0	0
H07	Public Health	Lee Chapman	Review of Community Safety	0	0	-116,270	0	0
H08	Public Health	Lee Chapman	Review of Shropshire Partnership	0	0	-32,210	0	0
H11	Public Health	Lee Chapman	Review of the Stop Smoking service	-46,000	0	0	0	0
H12	Public Health	Lee Chapman	Additional income generation within Help2Change	-80,000	-20,000	-30,000	0	0
H13	Public Health	Lee Chapman	Innovation within Help2Change	-63,000	-63,000	-50,000	0	0
H14	Public Health	Lee Chapman	Review of Nicotine Replacement Therapy service	-50,000	-65,000	0	0	0
H15	Public Health	Robert Macey	Redesign within Regulatory Services	-93,480	0	0	0	0
H16	Public Health	Robert Macey	Review of parking enforcement	0	-100,000	0	0	0
H19	Public Health	Lee Chapman	Review of child health programmes	-39,070	0	0	0	0

New Savings Proposals for Approval - Resources & Support								
			<b>Total value of proposals</b>	<b>-3,301,800</b>	<b>-9,850,000</b>	<b>0</b>	<b>0</b>	<b>0</b>
Ref	Directorate	Portfolio Holder	Description	2018/19	2019/20	2020/21	2021/22	2022/23
R01	Resources and Support	Steve Charmley	Review of Democratic Services budgets	-27,000	0	0	0	0
R02	Resources and Support	David Minnery	Review of council tax support scheme	-600,000	-200,000	0	0	0
R03	Resources and Support	Steve Charmley	Contract review within Customer Involvement	0	-50,000	0	0	0
R04	Resources and Support	Steve Charmley	Income generation within Legal and Democratic Services	-10,000	0	0	0	0
R06	Resources and Support	Steve Charmley	Development of a communications offer to other organisations	-50,000	0	0	0	0
R07	Resources and Support	Steve Charmley	Provision of telecoms support to other organisations	-100,000	0	0	0	0
R08	Resources and Support	Steve Charmley	Provision of web and printing services to other organisations	-50,000	0	0	0	0
R09	Resources and Support	David Minnery	Review of empty property relief	-500,000	0	0	0	0
R11	Resources and Support	Steve Charmley	Creation of an apprenticeship levy framework offer to other organisations	-20,000	0	0	0	0
R13	Resources and Support	Steve Charmley	Redesign following digital transformation and business process transformation	0	-9,000,000	0	0	0
R15	Resources and Support	David Minnery	Review Treasury Management approach and investment income	-500,000	0	0	0	0
R16	Resources and Support	David Minnery	Service reconfiguration within Finance, Governance and Assurance	-100,000	-300,000	0	0	0
R17	Resources and Support	David Minnery	Additional income generation within Finance, Governance and Assurance	0	-100,000	0	0	0
R18	Resources and Support	Steve Charmley	Review of elected councillor costs	-44,800	0	0	0	0
R19	Resources and Support	David Minnery	Review collection of business rates processes	-100,000	0	0	0	0
R20	Resources and Support	Steve Charmley	Redesign within Legal and Democratic Services	-100,000	0	0	0	0
R21	Resources and Support	Steve Charmley	Redesign of the Council's single front door	-500,000	0	0	0	0
R22	Resources and Support	David Minnery	Review Council Tax collection costs and approaches	-100,000	0	0	0	0
R23	Resources and Support	David Minnery	Additional Premium for Empty Homes	0	-200,000	0	0	0
R24	Resources and Support	Steve Charmley	Limited Voluntary Redundancy Programme	-500,000	0	0	0	0

## Appendix 5

### ICT DIGITAL TRANSFORMATION – UPDATE

#### 1. Background

1.1. This appendix provides an update on Digital Transformation and is reported via the Financial Strategy given the level of financial investment and expectation of savings deliver built into the programme.

1.2. The Council aspires to deliver services to the highest quality and lowest cost compared to other authorities in everything that it does. The Economic Growth and Commercialism strategies rely upon the delivery of the Digital Transformation Programme, which in itself covers the following individual projects:

- ERP (Enterprise Resource Planning for Finance, HR and Payroll systems),
- Customer Experience including a Contact Centre solution and a CRM (Customer Relationship Management solution)
- Social Care (including both Adults and Children’s integrated solutions),
- Infrastructure & Architecture, this Project has a number of work streams including supporting the hosting and integration of new solutions and implementing initiatives such as Wi-Fi to technologically facilitate mobile working in key Council buildings,

#### 2. Project Progress

2.1. The four distinct project elements of ERP, Customer Experience, Social Care and Infrastructure & Architecture sit clearly within a framework comprising project assurance, project support, overarching programme management and project delivery.

2.2. Once the tender has been awarded and contract signature is achieved each project will go through the three stages of Design, Build and Implementation. The paragraphs which follow provide an update on each project element.

##### **Enterprise Resource Planner (ERP):**

2.2.1. The ERP contract has been awarded to Methods Business & Digital Technology Ltd. who are a delivery partner of Unit4 supplying their market leading solution Business World On!. The project is currently in the first stage i.e. Design. The Design stage is in three phases which will see involvement from both the business project team and wider business stakeholders. Firstly the project teams will run through the Value Accelerator

(the name given to the public sector template version of the system) and then spend time aligning this to the Council's requirements, documenting any differences. The second phase will then work through any differences in further detail and the final design phase will wrap up any remaining issues. Working closely with the supplier, workshops involving key Council staff are continuing, whilst addressing challenges associated with maintaining BAU (Business As Usual) activities.

- 2.2.2. Once the proposed solution is approved and signed off the project will move into the Build stage. Most of the work in this stage will be carried out by the supplier. Finally the project will move to Implementation stage when testing, data migration and training will take place. Again key Council staff will be heavily involved in this testing phase which is an iterative process resulting in a robust, fully tested and documented system ready for use.
  - 2.2.3. A number of Council staff have been identified as Business Champions and work has commenced to guide these staff to be able to promote engagement with the proposed new ways of working.
  - 2.2.4. Directors were recently engaged in a presentation to consider the key cultural changes which will be brought about by the ERP. These changes include directing greater control of budgets and recruitment processes to those best placed to do so, i.e. the relevant budget holder and also introducing a 'no purchase order, no pay' approach to provide better oversight and control of procurement activity. These cultural changes were approved by Directors, resulting in greater control exercised at decision points and more work undertaken within the system.
- Infrastructure and Architecture (I&A):**
- 2.2.5. The I&A stream of work had its overarching project definition document and Terms of Reference (ToR) agreed by main programme board in late July. This element of the digital transformation programme is primarily being managed and delivered by the in house IT team and a Project Manager has been appointed. Since agreeing the ToR, the I&A project group has commissioned a specific piece of work to support the data and business intelligence needs of the organisation. A corporate approach to change management and reporting has also been documented and agreed.
  - 2.2.6. In terms of changes to the Council's IT Infrastructure. The WiFi tenders have been evaluated and the contract awarded to Pinacl Solutions UK Ltd, with the aim of delivering phase one (Shirehall) by the end of 2017. The next elements of the I&A stream to be worked on will focus on programme wide communications and support, the overall infrastructure and integrations, the single logon and "MyAccount" features.

**The Customer Experience Project:**

2.2.7. This element of the programme will deliver a new Customer Relationship Management system (CRM) and a new Contact Centre solution. The contract for the new contact centre solution was awarded to 4Net utilising software by Enghouse and Teleopti. Following a phased delivery approach phase 1, the IT Helpdesk and ICT Applications teams are scheduled to Go-Live in December 2017, with Theatre Severn following in January 2018, followed by Revenues and Benefits in early February 2018 and Customer Services in early March 2018. This will facilitate the decommissioning of the current BT NGCC contract.

2.2.8. The CRM (Customer Relationship Management) solution encountered a number of issues during the procurement phase which resulted in the preferred supplier withdrawing from the tender process. Following this a further review was undertaken and alternative options considered. This resulted in a decision to upgrade the Council's current MS Dynamics platform to a cloud hosted solution through the Council's existing Enterprise Licence Agreement with Microsoft. An implementation partner is currently being sought to deliver the initial configuration and following this will train an in-house team to further develop other work streams.

#### **The Social Care Project**

2.2.9. Design work on the Liquidlogic solution has progressed to the sign off stage for the new Social Care Adults solution. Design work on the new children's system is progressing well and plans for the testing and implementation activities for both are being finalised with Liquidlogic to establish go live dates and more detailed project steps.

2.2.10. The Business Champions workshop held recently was well received, with around 40 champions now engaged with the project team. "As is" and "To be" business process workshops are nearing completion and service manager walkthroughs have been arranged prior to full service sign off. The preparation of test systems has been progressing and Liquidlogic will be releasing an initial set of system environments imminently.

2.3. Each of the projects listed above are either in stages of contract award or in design phases. As a result it is not possible to quantify the final overall cost of delivering the solutions as additional work may be required or additional modules purchased in order tailor the solutions to meet Shropshire's needs. This has an impact on how the financial position of the project is presented and the level of assumptions that are required to be made.

### **3. Financial Position**

3.1. The detailed financial position will be shown in future reports. The total approved budget for the programme, which has not been changed since last reported, is £26.2m and has been allocated across the projects as shown in Table 1.0. below. The budget is a mix of both capital and revenue funding. Following progress in

respect of procurement and contract award, some indicative outturn projections can start to be seen but with the caveat that not all potential project costs have been identified and so these may be subject to change.

Table 1.0

Project Stream	Approved Budget £m	Projected Outturn £m
ERP	£6.894	£4.497
Social Care	£4.908	£4.522
Customer Experience	£5.579	£2.009
Infrastructure & Architecture	£3.819	£3.119
Overall Programme Management	£5.032	£4.210
<b>Total</b>	<b>£26.232</b>	<b>£18.357</b>
<b>Potential Reduction in Borrowing Requirement</b>		<b>£7.875</b>

NB: The programme management element comprises costs arising from the pre-procurement engagement activities, implementation and final sign off. Elements include costs for matters such as Programme Discovery and Business Case Augmentation, Data and Enterprise Augmentation, Data Migration Scope Definition and Roadmap, Infrastructure Migration Project, Programme Manager and Support, costs associated with Change Management and a Programme Contingency.

- 3.2. Initial project costs were based on assumptions prior to the procurement phase and after detailed pre-market engagement. As the project elements achieve contract award and contract signature and then move through the project phases it is possible to start to firm up cost and savings estimations.
- 3.3. Early projections suggest that costs will outturn well below the approved budget. This will reduce the borrowing requirement for the project overall and may result in a small additional saving within revenue.
- 3.4. Within the December financial strategy a revenue saving of £10m is attributed to the Digital Transformation Programme. The detail of this proposal is in development but will likely include targeted voluntary and compulsory redundancies, savings arising from efficient working practices and income generation.

#### 4. Go Live dates

- 4.1. As the elements of the project have progressed through the procurement and design phases the launch dates for the various deliverable modules are being firmed up. The following potential launch dates are being planned for the key individual projects. Factors taken into account when determining these dates include the inter-dependencies between the Projects and timing considerations.
  - Contact Centre phased from December 2017
  - Infrastructure & Architecture - Varying dates according to Project streams
  - Adult Social Care August 2018

- ERP October 2018
- Children's Social Care November 2018
- CRM not finalised yet

4.2. These key dates are kept under constant review and will be refined as the Programme progresses to ensure the best products are delivered in the most timely fashion and under budget.