



Committee and Date

Council

22 February 2018

## **FINANCIAL STRATEGY 2018/19 to 2022/23**

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### **1. Summary**

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

This Financial Strategy report takes into account previous reports considered by Cabinet over the current financial year; most recently on February 14<sup>th</sup>, 2018. The report 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 an extensive exercise to model growth in costs over the summer period, and a review of available resources, the first financial strategy report of the financial year was approved by Cabinet on 18 October 2017 and set out the projected funding gap over the current parliamentary period.

The Financial Strategy approved by Cabinet on 10<sup>th</sup> January 2018 proposed a combination of approaches to close this funding gap. These included raising more Council Tax as a result of new freedoms, putting forward further and extensive savings plans and the continued use of one off grants and reserves. These proposals for savings and council tax income have now been rolled into the projected expenditure and resources position. This has the effect of changing the presentation of the funding gap when compared to the earlier reports considered by Cabinet.

In addition, changes to the value of the funding gap arise as a result of improved information including establishing final taxbase figures and collection fund outturns as well as changes brought about by the Provisional Local Government Settlement announced in December 2017 and the Final Settlement which was announced on 6<sup>th</sup> February 2018.

Table 1 below summarises the movement between the funding gap announced in October and the current position, and where these changes are presentational or as a result of fundamental change. This results in the remaining structural funding gap for the Council, which needs to be resolved.

**Table 1: Projected Funding Gap Movement - Summary**

	2018/19 (£)	2019/20 (£)	2020/21 (£)	2021/22 (£)	2022/23 (£)
<b>Funding Gap as reported through to Jan 10<sup>th</sup> 2018</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>
Presentational Changes (impact of proposals approved on 10 January 2018)	-14,323,636	-29,997,269	-25,583,824	-31,229,362	-34,003,377
Revised Values (impact of changes since 10 January 2018)	-1,942,933	-46,857	673,337	2,015,117	1,960,531
<b>Remaining Funding Gap as at Feb 14<sup>th</sup> 2018 (Structural Gap)</b>	<b>20,201,332</b>	<b>13,918,405</b>	<b>20,648,500</b>	<b>24,454,549</b>	<b>27,227,518</b>

This report summarises the work completed to date to close the original 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 £43m of savings in base-budget by 2022/23. Details of the individual proposals are provided in Appendix 4.

After application of the savings proposals in Appendix 4, adjustments as a result of the provisional and final settlement, finalised taxbase and collection fund figures; one-off government funds can be applied and the budget can be brought into balance by 2019/20 by applying reserves to the remaining gap. Reserves of approximately £6.0m, 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 2018/19 budget of £582.151m outlined in the Budget Book at Appendix 7, including the savings proposals outlined in Appendix 4.
- B. Note the changes required to the 2018/19 budget as a result of the Final Local Government Settlement and revised business rates and collection fund estimates.
- C. Note the changes required to future years budgets as a result of the Local Government Settlement.

- D. Note the revised funding gap for the years 2019/20 to 2022/23.
- E. Approve the revised Capital Programme as set out in the report and detailed at section 8 and Appendix 8.
- F. Note the continued use of the Policy for Flexibility around the use of Capital Receipts.
- G. Agree the Statement of Chief Financial Officer on the Robustness of the Estimates and Adequacy of Reserves 2017-23 as set out in Appendix 9, noting the Council's general fund balance over this period.
- H. Agree the Pay and Rewards Policy for all Council staff for 2018/19 as set out in Appendix 10.

## 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 are listed below:

- ICT Provision
- ICT Digital Transformation
- 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 (ESIIA) 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 includes a number of saving proposals for service reductions which are necessary to contribute towards delivering a balanced budget over the medium term. These proposals were recommended for approval by Cabinet on 10<sup>th</sup> January 2018. 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. 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 where we have received some form of notification.

## **5. The Funding Gap – Background Information**

- 5.1. To establish the initial funding gap in October 2017 extensive work was undertaken 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.

5.2. 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.

5.3. 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.

## **6. Changes to the Funding Gap since October 2017 and January 2018**

6.1. The funding gap presented to Cabinet in October 2017 and also in January 2018, has been revised in this report due to a number of factors. There have not been any changes to base assumptions of growth pressures but instead changes of a presentational nature as well as value changes resulting from finalisation of the taxbase, collection fund outturn and changes arising as a result of settlement announcements have been made. These are described below.

6.2. Changes of a presentational nature include:

- The January 10<sup>th</sup> Cabinet report put forward proposals for closing the funding gap which included increasing the core council tax from the previously assumed 1.99% to 2.99% as a result of freedoms announced in the Chancellor's November budget. This was previously shown as a way of closing the funding gap but is now shown correctly in this report as an increase in Resources.
- The January 10<sup>th</sup> Cabinet report put forward proposals for closing the funding gap which included reprofiling the ASC precept from 2% in 2018/19 to 3% in 2018/19 (dropping to 1% in 2019/20 and remaining within the 6% limit between 17/18 and 19/20). This additional ASC Precept income was previously shown as a way of closing the funding gap but is now shown correctly in this report as an increase in Resources.
- The January 10<sup>th</sup> Cabinet report included new savings proposals put before Cabinet in both October 2017 and January 2018 totalling £43.079m. These proposals cover a range of initiatives including innovation, raising income and cuts to services. These were shown as a way of closing the funding gap in the October and January reports. These proposals are now shown in the Expenditure build up as well as the Resources build up where relevant. This enables the correct budget to be reflected and the correct control totals to be produced.

### 6.3. Changes in funding include the following items:

- The taxbase for 2018/19 was confirmed in a report to Council on December 14<sup>th</sup> 2017. It has increased by 2.37% compared to last year's estimates. The additional resource that this generates is shown within Resources. This change impacts on previous assumptions for both core Council Tax and Social Care precept.
- The collection fund outturn for 2017/18 has also now been estimated and shows an overall deficit of £0.130m. This is reflected in the revised Resources position.
- Recent Business Rates estimates show that estimated business rates income will increase. This is mainly as a result of changes to the business rate multiplier set by the government. This is now reflected in resources and helps reduce the previous funding gap.
- There are some changes to both specific and core grants which are now reflected in resources. Most notably these changes include an increase in the assumptions for New Homes Bonus and a reinstatement of the cut to the Rural Services Delivery Grant (RSDG) expected in 2018/19. Both of these changes were announced in the provisional settlement in December and reflected in revised figures. A further increase in RSDG of £1.306m was announced in the Final Settlement and this has been included for 2018/19 as additional resources.

- Additional Adult Social Care Support Grant was allocated to Shropshire Council in the Final Settlement amounting to £0.871m and this has also been included for 2018/19 as additional resources.
- Other changes include an estimated increase in salary costs as a result of the National Employers final pay offer and adjustments to fees and charges.

6.4. These changes are summarised in Table 2 below:

**Table 2: Projected Funding Gap Movement – Detail**

	2018/19 £	2019/20 £	2020/21 £	2021/22 £	2022/23 £
<b>Gap at January 10 Cabinet</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>Presentational Changes:</b>					
Move extra Core Council Tax increase into resources	- 1,366,228	- 1,393,810	- 1,422,998	- 1,453,838	- 1,486,380
Move ASC precept reprofiling into resources	- 1,366,228	51,491	22,304	7,394	39,937
investment and savings relating to taxbase	- 11,591,180	- 28,654,950	- 27,183,130	- 29,768,130	- 32,477,060
<b>TOTAL PRESENTATION CHANGES</b>	<b>- 14,323,636</b>	<b>- 29,997,269</b>	<b>- 28,583,824</b>	<b>- 31,229,362</b>	<b>- 34,003,377</b>
<b>Gap at February 14th after presentational changes</b>	<b>22,144,265</b>	<b>13,965,262</b>	<b>19,975,163</b>	<b>22,439,431</b>	<b>25,266,987</b>
<b>Value Changes:</b>					
Collection Fund Deficit	130,111	-	-	-	-
Taxbase Changes	- 887,482	- 1,006,494	- 1,085,327	- 1,167,625	- 1,255,894
Business Rates	- 489,136	- 317,731	- 279,743	- 241,068	- 201,694
RSG	-	-	34	16	-
Specific Grants	907,530	50,160	322,090	694,340	187,410
Core Grants (RSDG and NHB)	- 2,473,943	- 1,516,251	- 1,888,500	- 2,260,750	- 1,379,000
Additional future election cost	-	-	-	700,000	-
Pay Award	870,000	1,755,000	2,660,000	3,585,000	4,525,000
Other Fees & Charges and Adjustments to gross	13	1,088,779	944,851	705,236	459,530
<b>TOTAL VALUE CHANGES</b>	<b>- 1,942,933</b>	<b>- 46,857</b>	<b>673,337</b>	<b>2,015,117</b>	<b>1,960,531</b>
<b>Revised Gap at February 14 Cabinet</b>	<b>20,201,332</b>	<b>13,918,405</b>	<b>20,648,500</b>	<b>24,454,548</b>	<b>27,227,518</b>

6.5. Current indications from the 2017/18 in-year financial monitor suggest that Adult Social Care and Children's Services demand driven growth will 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. These pressures can be managed in year through the use of one off grant funding but will impact the funding gap adversely if the growth continues in future years.

## 7. Closing the Gap

7.1. This strategy relies on a total council tax increase of 5.99% in 2018/19. This takes advantage of the recently announced 1% increase to the cap for Core council tax and also takes the opportunity to reprofile the Social Care precept to raise 3% in 2018/19, reducing to 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 £1.375m in 2018/19, helping to reduce the reliance on reserves in that year.

7.2. There is also a reliance on reductions in expenditure arising due to an extensive £43m programme of savings over the next four years. These savings strategies were approved at Cabinet in October 2017, January 2018 and February 2018.

7.3. In relation to the savings programme, Cabinet and officers have reviewed 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
Raise Income	Focus on investment and commercial activity
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.

7.4. The net total of proposals brought put forward to Cabinet is shown in Appendix 4 and the following paragraphs describe those falling into each delivery pillar.

### **Innovate**

7.5. By focusing on innovation, we have been able to identify a number of proposals that can deliver up to £21.4m of savings by 2022/23. Details of these proposals are included in Appendix 4.

7.6. 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.

7.7. 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.

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

**Table 3: Innovation Savings**

£'000	2018/19	2019/20	2020/21	2021/22	2022/23	Total
<b>Savings from Innovation</b>	-2,838,920	-12,066,440	-2,403,210	-1,850,000	-2,250,000	-21,215,170

### Raise Income

7.9. By focusing on income generation, we have been able to identify a series of proposals that together could deliver up to £17.3m of savings to the Council by 2022/23. Details of these proposals are all included within the figures in Appendix 4.

7.10. 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 4 below:

**Table 4: 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	-5,250,000	-2,600,000	-2,000,000	-2,027,000	-17,327,000

### Cut Services

7.11. 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 £4.3m of proposals have necessarily been identified for delivery by 2022/23. Details of these savings are included in Appendix 4.

7.12. 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.

7.13. The total of proposals put forward under this key pillar is shown in Table 5 below:

**Table 5: Proposals to Cut Services**

£'000	2018/19	2019/20	2020/21	2021/22	2022/23	Total
<b>Savings from Cutting Services</b>	-1,752,260	-1,890,130	-509,970	0	-191,930	-4,344,290

7.14. 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 6 below.

**Table 6: 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

7.15. In reality the highways 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 recognised.

<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 100% Business Rate Reduction and Fairer Funding provide a sustainable funding base for the Council) then they may be reversed. This reversal is illustrated in Table 5.

Without this investment from car parking income, highways spend will be lower in future years.

### **Cost of funding investment**

- 7.16. A number of the proposals shown in Appendix 4, 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.
- 7.17. These strategies enable a restatement of expenditure and resources assumptions which helps to close the gap to a certain degree but a gap still remains.
- 7.18. After the application of one of government grants such as Rural Services Delivery Grant, New Home Bonus and the Improved Better Care Fund, the Council has approximately £25m of reserves which can be applied to the remaining gap. In doing so it is possible to balance the budget until 2020/21 when an unfunded gap of £0.19m remains. This unfunded gap rises to £26m in 2022/23. It is anticipated that the Government will announce the Fairer Funding proposals which will be required to stabilise the future position otherwise further cuts will be required.

### **Use of one off funding and reserves**

- 7.19. Appendix 3 shows the 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.
- 7.20. The final settlement, received on February 6<sup>th</sup> announced an increase of £1.306m to the Rural Services Delivery Grant and a further allocation of Adult Support Grant of £0.871m. These are assumed for 2018/19 and are applied as one-off funding to close the funding gap.
- 7.21. One-off Council funding is comprised of £25m of reserves. These are shown in table 7 below and described in the paragraphs which follow.

**Table 7: Reserves**

	<i>Total £</i>	<b>Application of Reserves</b>		
		<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>
		<b>£</b>	<b>£</b>	<b>£</b>
1. Reserves created from savings achieved early in previous years	8,851	8,851		
2. Adult Services Contingency	3,000,000	3,000,000		
3. Collection Fund Adjustments - Additional S.31 Grant	1,837,851	1,837,851		
4. Earmarked Reserves Freed Up	6,374,722	196,564		6,178,158
5. Conditional Reserves Freed Up	13,334,679	2,089,995	-1,149,172	12,393,856
<b>Total Reserves available from 2018/19 onwards</b>	<b>24,556,104</b>	<b>7,133,261</b>	<b>-1,149,172</b>	<b>18,572,014</b>

- 7.22. There is a £0.008m available from the early achievement of savings in prior years which can be applied to the funding gap in future years.
- 7.23. There is also an amount of £3.000m which was set aside in 2016/17. In 2016/17 the adult services growth model was introduced to forecast purchasing pressures and an amount of growth was held back in contingency in case the model assumptions were flawed and it was required to bring purchasing into balance. The balance was not required in that year and can now be applied to the funding gap in future years.
- 7.24. Following completion of the collection fund outturn estimates £1.838m of additional S.31 grant has been confirmed which will be received in 2017/18 but requires applying in 2018/19. This will be carried forward through reserves and applied appropriately next financial year.
- 7.25. During 2016/17 a review of all of the Council's reserves took place to identify balances which were no longer required. £10.409m of funds were identified from 42 different balances. These were transferred to the financial strategy reserve at the end of 2016/17. A total of £4.034m will be applied against the funding gap in 2017/18 and the remainder is available to apply in future years as shown in Table 7 above.
- 7.26. During 2016/17 balances held for redundancy and IT were identified as available to put towards the funding gap on the basis that they will be replaced by Capital Receipts in future years. This takes advantage of the greater flexibilities around the use of capital receipts which allows the council to utilise capital receipts generated to fund the revenue costs of service reform. It does, however, deplete the amount of capital receipts that can be applied for other purposes. Any threat to the generation of capital receipts would compromise the ability to release this one-off funding. A total of £13.342m was identified and moved to the financial strategy reserve at the end of 2016/17. A small amount will be used in 2017/18 and the remainder is available to close the funding gap from 2018/19 onwards. Part of the increase in costs within the strategy arises as a result of the increase in pension contribution costs from 13.5% to 14.8% during 2017/18. The

strategy shows conditional release reserves being applied against this cost in the first instance but this is merely for presentational purposes.

- 7.27. 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.

### Impact on the Council's Funding Gap

- 7.28. Table 8 below shows the revised funding gap (as shown in Table 1 above) which includes the savings proposed at Appendix 4. The table then shows the revised financial position after application of all available one-off government funds and the application of available reserves. In summary, based on the work undertaken to date a balanced budget can be achieved for 2018/19 and 2019/20.

**Table 8: Impact on the Council's Funding Gap**

	2018/19 (£)	2019/20 (£)	2020/21 (£)	2021/22 (£)	2022/23 (£)
<b>Revised Funding Gap as at Feb 14<sup>th</sup> 2018</b>	<b>20,201,332</b>	<b>13,918,405</b>	<b>20,648,500</b>	<b>24,454,549</b>	<b>27,227,518</b>
Government One-Off Funding available in each year	13,068,070	15,067,578	1,888,502	2,260,750	1,379,000
Reserves	7,133,261	-1,149,172	18,572,014	0	0
<b>Funding Gap Remaining in each year (As Per Appendix 3)</b>	<b>0</b>	<b>0</b>	<b>187,984</b>	<b>22,193,799</b>	<b>25,848,518</b>

## 8. Capital

- 8.1. This section of the report updates the Capital Programme for the period 2018/19 to 2020/21. This update is a holding position of the previous programme, updated to reflect new confirmed funding and the delivery schedule for schemes.
- 8.2. The Council is developing business cases for a number of proposed large schemes, although at this stage the business cases are not finalised. As a result these schemes cannot be considered at this point for inclusion in the capital programme and reports will come forward as necessary at future dates.

### Capital Allocations 2018/19 to 2020/21

- 8.3. The capital programme report 2017/18 to 2019/20, approved Council 23 February 2017, contained details of confirmed and indicative capital grants allocations. Where the Council has received updated confirmed allocations, these have been built into the updated capital programme. Any changes to

capital allocations have been passported through to the service area, as will any allocations still to be confirmed. The following section details these allocations.

- 8.4. **Department of Education – Schools Programme.** The Department of Education has previously confirmed Basic Need allocations through to 2018/19 and indicative allocations of Condition grant for 2017/18. The Condition allocation is revised annually to reflect schools moving responsible body, opening or closing, and final confirmation of the 2018/19 allocation is awaited, a provisional figure of £2.5m has been assumed for budget setting purposes. The same confirmation is required for the 2018/19 Devolved Formula Capital grant allocation. Once confirmed these will be built in the capital programme and reported through the quarterly Capital Monitoring report. There are currently no future indicative allocations published for 2018/19 onwards.
- 8.5. In addition to the new funding allocations expected for 2018/19 there is significant funding that has been brought forward from previous year's capital programmes. The table below summarises the funding currently available in the 2018/19 Learning & Skills Capital Programme.
- 8.6. This funding has been allocated by programme areas and individual schemes as detailed in the Capital Programme (see Appendix 8). This is a combination of schemes slipped from 2017/18, multi-year schemes and allocations by programme area, which will be allocated to specific schemes based on school priorities. Learning & Skills have developed a programme to utilise all the above funding and expected funding that will be available to them in 2018/19, with Condition works being the largest area of the programme and this has been fully allocated against individual school schemes to be delivered in 2018/19. Further consideration will be made to the deliverability of a programme consisting of the brought forward funding and the 2018/19 funding of Basic Need grant in the financial year, once the full programme of schemes is approved.

**Table 9: Learning & Skills Capital Funding**

Funding	2018/19 Funding		
	B/F Funding £	New Allocation £	Total £
Basic Need	1,354,815	0	1,354,815
Condition ( <i>provisional</i> )	0	2,500,000	2,500,000
DFC ( <i>pending for 18/19</i> )	700,000	0	700,000
Special Provision Allocation	0	166,667	166,667
Capital Receipts	4,474,392	0	4,474,392
Revenue Contributions	14,293	0	14,293
<b>Total</b>	<b>6,543,500</b>	<b>2,666,667</b>	<b>9,210,167</b>

- 8.7. In addition to the above funding, £1.625m is currently projected to be generated in future years from the disposal of surplus former school sites, following Department of Education approval to dispose of the sites. These receipts are ring fenced for investment in Learning & Skills capital schemes as previously agreed by Council as part of the amalgamation programme.
- 8.8. **Department of Transport** - Local Transport Plan (LTP). The Department of Transport previously announced allocations of funding for Highways confirmed through to 2017/18 and indicative allocations for 2018/19 to 2020/21. The Shropshire allocations are detailed in Table 10 below.
- 8.9. In addition to the LTP allocations further funding is expected for Pothole repairs which will be allocated nationally by formula shared by local highway authorities based on the road length for which each authority is responsible. The funding announcement for 2018/19 is yet to be confirmed and will be reported through the first available quarterly monitoring report.
- 8.10. There is a further £578 million that will be allocated nationally based on incentivising good asset management and efficiencies. Shropshire Council has submitted the required self-assessment exercise to Department for Transport for 2018/19 and is awaiting confirmation of the additional funding to be received for 2018/19. It is expected that Shropshire Council will be accredited with a Level 3 award (the top level).

**Table 10: Department for Transport LTP allocations**

<b>Funding</b>	<b>2018/19 Indicative Allocation £</b>	<b>2019/20 Indicative Allocation £</b>	<b>2020/21 Indicative Allocation £</b>
Highways Maintenance	13,275,000	13,275,000	13,275,000
Integrated Transport	1,626,000	1,626,000	1,626,000
Pothole Fund	0	0	0
Incentive/Efficiency Element Funding	0	0	0
<b>Total</b>	<b>14,901,000</b>	<b>14,901,000</b>	<b>14,901,000</b>

- 8.11. Within the Department for Transport Roads Funding 2017/18 announcement Shropshire was identified as one of the Local Highways Authorities which was deemed to have one of the most dangerous local roads in the West Midlands area where the risk of fatal and serious collisions is highest, based on analysis by the Road Safety Foundation. Two sections of road on the A529 in the North East area of the County have been identified and Shropshire Council has been invited to submit proposals to improve safety on this road. If confirmed as successful Shropshire Council could receive additional funding of circa £3.8m for works scheduled over a 2 to 3 year period.

8.12. A summary of how the Department for Transport funding has been allocated across service areas within Highways and Transport is provided in Table 11 below:

**Table 11: Highways Capital Programme & Financing 2018/19**

<b>Funding</b>	<b>Maintenance Block £</b>	<b>Integrated Transport £</b>	<b>Total £</b>
Structural Maintenance of Bridges	1,500,000		1,500,000
Structural Maintenance of Roads	5,601,000		5,601,000
National Productivity Fund – to be confirmed			
Street Lighting	800,000		800,000
<b>Total Highways</b>	<b>7,901,000</b>	<b>0</b>	<b>7,901,000</b>
<b>Integrated Transport</b>			
Integrated Transport		1,000,000	1,000,000
Contribution to Shrewsbury Integrated Transport Package		1,000,000	1,000,000
<b>Total</b>	<b>7,901,000</b>	<b>2,000,000</b>	<b>9,901,000</b>

8.13. The Financial Strategy has identified the requirement to reduce the Highways Maintenance Programme by £5m per annum in 2018/19 and 2019/20 in order to achieve approved revenue savings targets. This requirement is reflected in the 2018/19 budget shown in the above table.

8.14. The highways capital maintenance programme is developed based on an Asset Management approach. With funding allocations based on using network intelligence gained from routine condition surveys as well as other sources of information; investment will be prioritised where it will achieve the greatest returns.

8.15. Integrated transport schemes are prioritised based on the contributions to key objectives such as safety, network efficiency, environmental benefits and levels of local support. For the next few years an element of the funding will be used to support the Shrewsbury Integrated Transport Package scheme.

8.16. **NHS – Better Care Fund.** The Better Care Fund includes capital grant allocations for Disabilities Facilities Grant (DFG). Allocations for 2018/19 are yet to be confirmed, but expected to be broadly in line with the 2017/18 allocation of £2.7m

8.17. Additional funding was secured in 2016/17 from the Department for Health Housing and Technology Fund after a successful bid was submitted by Shropshire Council for the sum of £2,415,000 profiled over both 2016/17 and 2017/18 financial years. The award is part of a £25m national programme to deliver sustainable housing solutions for people with learning

disabilities in conjunction with community partners. £1.5m of this fund has been re-profiled to 2018/19 which is permissible under the Grant conditions as this is committed to assisting in a further 23 cases of housing purchases.

- 8.18. **Housing Revenue Account (HRA).** During 2016/17 the Council has undertaken the transition from using the baseline Major Repairs Allowance (MRA) figure in the HRA self-financing determination for Shropshire as the basis for the amount allocated for capital investment. There was a five year transitional period to implement component-based depreciation for the HRA to use for determination of the level of capital investment required in the housing stock.
- 8.19. The HRA has agreed a major repairs programme of £3.911m 2018/19, plus £1.098m slippage from 2017/18. During 2017/18 £0.145m is also included for completion of the New Build Phase 4 programme, financed from ring-fenced capital receipts generated from HRA property disposals and HCA funding.
- 8.20. **Local Enterprise Partnership (LEP).** The Council has been awarded Local Enterprise Partnership (LEP) funding for three projects after submission of business cases in 2015/16, these projects continue until 2020/21
- 8.21. The Council received confirmation of £6m (across 2015/16 to 2018/19) in LEP funding for the Shrewsbury Integrated Transport Package. The scheme will include a number of measures aimed at alleviating congestion and improving town centre pedestrian areas. The scheme will be supplemented by funding from the annual Integrated Transport allocation and developers' contributions through Community Infrastructure Levy and Section 106 contributions.
- 8.22. Following submission of the business case for the Oxon Link Road scheme in 2015/16 the Council was awarded £4.2m (across 2015/16 to 2019/20) towards the total cost of the £12.934m project. The scheme will be supplemented by funding from developer contributions through Section 106 agreements.
- 8.23. Funding from the Local Enterprise Partnership has also been awarded towards the Broadband delivery project. This funding of £5,022,000 (across 2015/16 – 2020/21) has been used in conjunction with funding from BDUK and Shropshire Council to facilitate the upgrade of Broadband provision to premises within Shropshire.

### **Corporately Financed Capital Schemes**

- 8.24. The previous Capital Strategies have reduced the number of corporately financed schemes to align the programme to available resources and avoid the unaffordable ongoing revenue costs of borrowing to finance the programme. The finance strategy has identified the requirement to reduce the Highways Maintenance Programme by £5m per annum in 2018/19 and 2019/20 in order to achieve approved revenue savings targets.

8.25. CIPFA published a revised Prudential Code in December 2017 which requires that all Local Authorities produce a detailed Capital Strategy for 2019/20 onwards. The Capital Strategy needs to be tailored to the authority's individual circumstances and is intended to provide the following:

- A high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services.
- An overview of how the associated risk is managed.
- The implications for future financial sustainability.

A revised Capital Strategy will be produced in order to meet this legislative requirement from 2019/20.

### Capital Programme 2018/19 to 2020/21

8.26. The revised capital programme, following the grant changes and the review of the capital programme is detailed in Appendix 8 and a summary of the programme and the financing is provided in Table 12 below.

**Table 12: Capital Programme 2018/19 to 2020/21**

Service Area	2018/19 Budget £	2019/20 Budget £	2020/22 Budget £
<b>General Fund</b>			
Place & Enterprise	31,151,398	17,221,323	15,401,000
Adult Services	1,509,968	0	0
Children's Services	9,210,167	166,667	166,667
Public Health	300,000	0	0
Resources & Support	6,060,200	0	0
<b>Total General Fund</b>	<b>48,231,733</b>	<b>17,387,990</b>	<b>15,567,667</b>
Housing Revenue Account	5,166,075	3,760,950	0
<b>Total</b>	<b>53,397,808</b>	<b>21,148,940</b>	<b>15,567,667</b>
Self-Financed Prudential Borrowing	8,197,000	0	0
Government Grants	28,969,300	20,272,359	15,453,379
Other Grants	2,541	0	0
Other Contributions	207,699	0	0
Revenue Contributions to Capital	0	0	0
Major Repairs Allowance	4,526,210	3,760,950	0
Corporate Resources (Capital Receipts/Prudential Borrowing)	11,495,058	2,115,631	114,288
<b>Total Financing</b>	<b>53,397,808</b>	<b>26,148,940</b>	<b>15,567,667</b>

## **Proposed Future Schemes**

- 8.27. The Council is currently undergoing a review of its capital investment priorities and undertaking the production of a Capital Strategy which will support investment decisions going forward and will provide links to support other key strategies. The purpose of the Capital Strategy will be to ensure that all capital investments are consistent with the Council's priorities and service delivery strategies, consider associated risks, recognise financial constraints over the long term and represent value for money. In addition, any capital investments should comply with the Prudential Code for local authority capital investment introduced through the Local Government Act 2003. The key objectives of the Code are to ensure that capital investment plans are affordable, prudent and sustainable.
- 8.28. It has been recognised that the Council's capital investment decisions are no longer solely to support the achievement of social goals, and whilst this remains the focus, there is also the requirement to invest in opportunities that will generate a return on investment for the Council and provide greater resilience going forward. The Capital Investment Strategy will be designed to guide the Council to make appropriate investment decisions within the following areas:
- own fit for purpose, well maintained and appropriate assets for the work of the Council and delivery of its services.
  - ensure that assets contribute to income generation wherever possible.
  - address the maintenance requirements of its current assets.
  - invest in income generating and cost saving capital programmes.
- 8.29. Alongside the Capital Investment Strategy the Council is developing business cases for a number of proposed large schemes. At this stage the business cases are not finalised or are awaiting confirmation of external funding. As a result, these schemes cannot be considered at this point for inclusion in the capital programme. Reports will come forward to consider these once the business cases have been finalised. These reports will also consider the financial implications of the Council financing these schemes and the effect on revenue budgets in the long term.

## **Capital Receipts**

- 8.30. Capital receipt projections are based on current projections of assets to be disposed, the estimated capital receipt they will generate from disposal and the financial year in which the disposal will be completed. There is a high level of risk in these projections as they are subject to changes in property and land receipts and the revised allocated capital receipts; Table 13 shows the capital receipts position across the years of the capital programme.

**Table 13: Capital Receipts Projections 2018/19 to 2020/21**

<b>Service Area</b>	<b>2018/19 Budget £</b>	<b>2019/20 Budget £</b>	<b>2020/21 Budget £</b>
Corporate Resources Allocated in Capital Programme	13,544,831	2,115,631	114,288
To be allocated from Ring Fenced Receipts	11,271,870	2,914,688	0
<b>Total Commitments</b>	<b>24,816,701</b>	<b>5,030,319</b>	<b>114,288</b>
<b>Capital Receipts in hand/projected:</b>			
Estimated carry forward	18,413,578	0	0
Projected - Green	1,500,000	0	0
<b>Total in hand/projected</b>	<b>19,913,578</b>	<b>0</b>	<b>0</b>
In year Shortfall/(Surplus) to be financed from additional capital receipts/Prudential Borrowing	4,903,122	5,030,319	114,288
Further Assets Being Considered for Disposal	15,306,844	520,000	0

- 8.31. The above capital receipt projections for 2018/19 to 2020/21 are based on current scheduled disposals that are profiled for each year. A number of proposed disposals are, however, subject to business case approval against the Council's disposal protocol. Those listed as Green are where it is rated as 'highly likely' that the disposals will be completed in year. In addition to these there are a number of further assets that have been identified for potential disposal in future years. These receipts hold significant risk against delivery and therefore until the plans for disposal against these assets are formally agreed, these will not be included when considering the programmes affordability. The current programme has a shortfall in total of £10,047,729, between 2018/19 and 2020/21, against low risk capital receipts. Identified medium to high risk disposals of £15,826,844 over the same period provide a potential solution. Further work is required on the deliverability of the list of assets being considered for disposal to address this shortfall going forward.
- 8.32. If the Council cannot generate the required level of capital receipts there will be a requirement to further reduce or re-profile the capital programme or undertake prudential borrowing, which will incur revenue costs that are not budgeted in the revenue financial strategy.

#### **Policy for Flexibility around the use of Capital Receipts**

- 8.33. The council will continue to take advantage of the greater flexibilities around the use of capital receipts offered in the financial years 2016 to 2019 which allow the Council to utilise capital receipts generated in this period to fund the revenue costs of service reform. Any qualifying expenditure under this flexibility must be on any project that is designed to generate ongoing

revenue savings in the delivery of public services and/or transform service delivery to reduce costs or demand for services in future years.

## 9. Budget Consultation

- 9.1 The Budget Consultation was launched on 10<sup>th</sup> January 2018. It has been advertised in the Shropshire Council newsroom and via a number of social media channels. A series of infographics have been released via these channels over the duration of the consultation periodically drawing attention to the opportunity to comment. A total of 54 responses have been received to date.
- 9.2 The consultation has drawn responses from a broad cross section of the community. Of the 54 respondents 50% are male and 39% female with the remainder preferring not to say. 28% are between the ages of 65-74 and 22% under the age of 35. Responses have come predominantly from local residents but also those representing a local business or commercial organisation, representatives of local Towns, Parish and Rural Parish Councils, Members of local faith groups or churches as well as local interest or community groups.
- 9.3 The consultation consists of five questions inviting a free text response. By taking this approach we are able to capture the range of opinion rather than a simple positive or negative response.
- 9.4 Question 1 asked the public about council services that they currently receive and whether they would be prepared to pay directly for them or pay more for them rather than see them cut. A number of people perceived that they did not use many council services in the first instance and leisure and library services were listed high on those that the public may consider paying for rather than losing whilst a number said there would be no services that they would consider paying for directly.
- 9.5 Question 2 asked the public whether they thought there were any services that Shropshire Council should consider finding alternative delivery arrangement for rather than them being delivered by the Council. A large number of responses to this question said that services should not be outsourced citing cost, poor quality and lack of accountability as the reasons why. However, a number of respondents listed arts, festivals, music services, museums and visitor attractions in this category as potential services appropriate for alternative delivery arrangements.
- 9.6 Question 3 asked the public for their suggestions as to how the council might raise income or make further savings. A number of respondents used this question to put forward their concern over the shopping centre investment. There were a variety of other responses put forward, including increasing council tax, lobbying government for more money, reviewing the number of councillors and their allowances, making better use of buildings and charging staff to park at work.

- 9.7 Question 4 asked the public to comment specifically on the list of £43m savings put forward in the 10<sup>th</sup> January Cabinet report. 6 respondents, commenting on behalf of local Town, Parish or Rural Parish Councils, specifically raised concerns over cuts to the Environmental Services Grants. Others are concerned about how the council tax increases will impact on households with low incomes, whether increased parking charges might drive people out of town and whether the shopping centre acquisition will be profitable.
- 9.8 Finally, Question 5 invited the public to make general comments on the budget proposals overall. Half of the respondents chose to make further comment. Again, the responses were varied. In terms of primary themes seven people commented that they did not support the shopping centre purchase. Four said that the authority and local MPs should be protesting against Government austerity measures. Four commented that in their opinion the Council should not be investing in Shirehall and three others stated that they did not have confidence in the council overall
- 9.9 In summary, the range of comments showed that a number of respondents had concerns over some of the proposals put forward in the budget but others also commented that the proposals were good and the opportunity to feedback was welcomed. Generally the overall feedback, while limited in number, was varied and constructive.
- 9.10 The associated infographics and a more detailed summary of responses are shown at Appendix 6.

## 10 Assumptions and Next steps

- 10.1 With the approval of the £43.079m proposed, gross, savings in this report (and subsequent delivery at these estimated levels) a balanced budget can be achieved for 2018/19 and 2019/20. This position is based on assumptions and actions set out in the following paragraphs.
- 10.2 The Final Local Government Settlement was received on 6 February 2018, making a small number of alterations to the Provisional Settlement released on 19 December 2017. In summary, these had 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 in the Provisional Settlement and then by a further £1.306m in the Final Settlement (£2.531m in total).
  - 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 Shropshire the core council tax raise of 1% is expected to raise an additional £1.375m compared to our planning assumptions. Alongside a further increase

of 3% Social Care Precept, enables a maximum increase of 5.99% in 2018/19. In total these additional adjustments add £2.75m 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 included an additional Adult Social Care Support Grant for 2018/19 only. As in previous years this has been allocated via the Relative Needs formula, resulting in an allocation for Shropshire Council of £0.871m from the national pot of £150m.

10.3 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.

10.4 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.

10.5 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.

10.6 Council is due to consider a report setting out fees and charges proposals for the 2018/19 Financial Year. 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.

- 10.7 Following approval of the savings proposals on 10 January 2018 by Cabinet, a consultation period commenced which concludes before Council approves the final budget. The Leader of the Council will verbally update Full Council should any significant implications from consultation be identified that cannot be included in this report.
- 10.8 If the proposals set out in this report are not approved an alternative option to achieve a balanced budget would be to put Council Tax increases to a local referendum. This would potentially allow the authority to generate Council Tax income over and above the proposed referendum limit of 6%. If set at the correct level this extra resource could negate the need to make some of the savings included in this report.
- 10.9 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 as a result of fairer funding.
- 10.10 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.
- 10.11 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 £43m 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 7.14 above), plus extension of the 1% Council Tax increase, 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 assumptions earlier in this report and amending, as in Table 14 below, to include the points raised above (amendments highlighted):

**Table 14: Aspirational Proposal to deliver a Sustainable Budget**

	2018/19 (£)	2019/20 (£)	2020/21 (£)	2021/22 (£)	2022/23 (£)
<b>Revised Funding Gap as at Feb 14<sup>th</sup> 2018</b>	<b>20,201,332</b>	<b>13,918,405</b>	<b>20,648,500</b>	<b>24,454,549</b>	<b>27,227,518</b>
Government One-Off Funding available in each year <b>if extended</b>	13,068,070	15,067,578	15,067,578	15,067,578	15,067,578
Additional 1% Council Tax (see paragraph 7.2, <b>if extended</b> )		1,374,605	2,828,767	4,337,744	5,919,097
Savings Proposals – <b>With permanent delivery of reversible savings.</b>			5,500,000	5,500,000	5,500,000
Reserves	7,133,262	-2,523,778	-2,747,845	-450,773	740,843
<b>Funding Gap Remaining in each year (As Per Appendix 3)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

**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  
 Financial Strategy 201819 to 202223: Cabinet 10 January 2018  
 Financial Strategy 201819 to 202223: Cabinet 14 February 2018

**Cabinet Member (Portfolio Holder)**

David Minnery

**Local Member**

All

**Appendices**

Appendix 1 – Resource Projections  
 Appendix 2 – Expenditure Projections

- Appendix 3 – Funding Gap
- Appendix 4 – Gross savings proposals
- Appendix 5 – Digital Transformation Update
- Appendix 6 – Budget Consultation Feedback
- Appendix 7 – Budget Book (to follow)
- Appendix 8 – Capital Programme
- Appendix 9 – Statement of Chief Financial Officer on the Robustness of the  
Estimates and Adequacy of Reserves 2016-20 – Cabinet Report 14<sup>th</sup>  
February 2018.
- Appendix 9 – Pay and Reward Policy

**Appendix 1 - Resource Projections**

	2018/19 £	2019/20 £	2020/21 £	2021/22 £	2022/23 £
<b>Council Tax</b>	145,638,262	152,618,219	161,485,306	170,866,542	180,794,449
<b>Business Rates:</b>					
Business Rates Collected	40,309,824	41,038,625	41,780,603	42,535,997	43,305,048
Top Up Grant	9,649,310	9,863,325			
			9,863,325	9,863,325	9,863,325
<b>RSG</b>	13,301,166	6,119,050			
			4,079,367	2,039,683	0
<b>Collection Fund:</b>					
Council Tax	2,292,668	500,000	500,000	500,000	500,000
Business Rates	-2,422,779	-500,000	-500,000	-500,000	-500,000
<b>NET BUDGET</b>	<b>208,768,451</b>	<b>209,639,219</b>	<b>217,208,601</b>	<b>225,305,548</b>	<b>233,962,822</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	7,121,970	7,151,200	6,909,550	7,238,810	6,497,840
Rural Services Delivery Grant	6,614,131	5,307,640	0	0	0
Adult Social Care Support Grant	871,140	0	0	0	0
<b>CORE FUNDING</b>	<b>227,704,492</b>	<b>230,251,579</b>	<b>224,118,151</b>	<b>232,544,358</b>	<b>240,460,662</b>
<b>Local Income</b>					
Fees and charges (including income savings deliverable from prior years)	72,336,910	73,895,828	75,803,208	77,842,584	80,016,997
Other Grants and contributions	23,061,550	23,061,550	23,061,550	23,061,550	23,061,550
Specific Grants (excluding Core Funding Grants above)	230,566,240	227,526,083	223,449,900	223,040,550	222,752,260
Specific Grants Changes between Feb. & Sept. 2017					
Internal Recharges	8,280,870	8,280,870	8,280,870	8,280,870	8,280,870
<b>TOTAL FUNDING</b>	<b>561,950,062</b>	<b>563,015,910</b>	<b>554,713,679</b>	<b>564,769,912</b>	<b>574,572,338</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>582,151,393</b>	<b>576,934,316</b>	<b>575,362,179</b>	<b>589,224,460</b>
<b>Inflationary Growth :</b>					
Pay	2,606,400	2,656,400	2,711,800	2,768,040	2,819,700
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			700,000	-700,000
Specific Grants Changes between years	1,318,151	-1,363,838	-17,778,993	-80,090	-1,029,260
All other changes in 2016/17	-829,640.00				
Adjustment to Gross budget offset by Income changes	-4,100,760.00				
<b>Savings</b>					
Deliverable Savings from prior years- 2018/19 - Approved	-263,235				
2016/17 and 2017/18 Savings not achievable - Approved	920,920				
<i>Savings from Cabinet 18.10.2017 - For Council Approval</i>	-92,080	-415,300	-154,430	0	
<i>Savings from Cabinet 10.01.2018 (those not moved to resources) - For Council Approval</i>	-14,249,100	-18,791,270	141,250	-3,850,000	-4,468,930
<i>Estimated Cost of Investment - For Council Approval</i>	2,750,000	2,142,800	1484999.98	1,265,000	1,760,000
<b>TOTAL EXPENDITURE</b>	<b>582,151,393</b>	<b>576,934,316</b>	<b>575,362,179</b>	<b>589,224,460</b>	<b>601,799,857</b>

### Appendix 3 – Funding Gap

	2018/19 £	2019/20 £	2020/21 £	2021/22 £	2022/23 £
Resources	561,950,062	563,015,910	554,713,679	564,769,912	574,572,338
Expenditure	582,151,393	576,934,316	575,362,179	589,224,460	601,799,857
<b>Gap in year</b>	<b>20,201,332</b>	<b>13,918,405</b>	<b>20,648,500</b>	<b>24,454,549</b>	<b>27,227,518</b>
<b>One Off Funding to be used:</b>					
<b><u>One off Grants:</u></b>					
Rural Services Delivery grant	6,614,131	5,307,640	0	0	0
New Homes Bonus - One Off	1,253,999	1,606,418	1,888,502	2,260,750	1,379,000
Adult Social Care Support Grant - One Off	871,140				
Improved Better Care Funding	4,328,800	8,153,520	0	0	0
<b><u>Use of Reserves:</u></b>					
Savings Achieved early and put into reserves	8,851				
Adult Services Contingency 16/17	3,000,000				
Collection Fund Adjustments -Additional S.31 17/18	1,837,851				
Earmarked Reserves - Freed up	196,564		6,178,158		
Freed up Conditional Release Reserves	8,459	-3,245,284	12,393,856		
Freed up Conditional Reserves - Pensions	2,081,536	2,096,112			
<b>TOTAL ONE OFF FUNDING</b>	<b>20,201,331</b>	<b>13,918,406</b>	<b>20,460,516</b>	<b>2,260,750</b>	<b>1,379,000</b>
<b>Remaining Gap to be Funded</b>	<b>0</b>	<b>0</b>	<b>187,984</b>	<b>22,193,799</b>	<b>25,848,518</b>

## Appendix 4 – Gross Savings proposals

Adult Services									
			Total value of proposals	-902,290	-1,975,240	-2,009,210	-950,000	-250,000	
Ref	Directorate	Portfolio Holder	Description	2018/19	2019/20	2020/21	2021/22	2022/23	Status
A01	Adults Services	Lee Chapman	Day Services - The outsourcing of Aquamira, Albert Road, Greenacres and Avalon.	0	-96,700	-96,700	0	0	Approved at Cabinet 18/10/2017
A02	Adults Services	Lee Chapman	Joint Training (part 1) - Reduction of costs and increases to course fees	0	-77,000	0	0	0	Approved at Cabinet 18/10/2017
A03	Adults Services	Lee Chapman	Enable - Secure further income from external contracts	0	-50,000	-50,000	0	0	Approved at Cabinet 18/10/2017
A04	Adults Services	Lee Chapman	Positive Steps - Contract review.	0	-43,900	0	0	0	Approved at Cabinet 18/10/2017
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	Approved at Cabinet 10/01/2018
A06	Adult Services	Lee Chapman	Review of contracts within Housing	-43,790	0	0	0	0	Approved at Cabinet 10/01/2018
A07	Adult Services	Lee Chapman	Review of vacant properties and housing benefit	-25,000	-25,000	0	0	0	Approved at Cabinet 10/01/2018
A08	Adult Services	Lee Chapman	Review of grants	-22,000	0	0	0	0	Approved at Cabinet 10/01/2018
A09	Adult Services	Lee Chapman	Increase in supported living accommodation	0	0	-117,670	0	0	Approved at Cabinet 10/01/2018
A10	Adult Services	Lee Chapman	Review of Housing services	-51,500	-100,000	0	0	0	Approved at Cabinet 10/01/2018
A13	Adult Services	Lee Chapman	Review of Minimum Income Guarantee	-200,000	0	0	0	0	Approved at Cabinet 10/01/2018
A14	Adult Services	Lee Chapman	Review of supporting people contracts	0	0	-206,000	0	0	Approved at Cabinet 10/01/2018
A15	Adult Services	Lee Chapman	Invest in digital health technologies	0	-250,000	-250,000	-250,000	-250,000	Approved at Cabinet 10/01/2018
A16	Adult Services	Lee Chapman	Telecare/Telehealth developments	0	-400,000	-400,000	-200,000	0	Approved at Cabinet 10/01/2018
A17	Adult Services	Lee Chapman	Explore joint housing and social care opportunities with partners	0	-300,000	-500,000	0	0	Approved at Cabinet 10/01/2018
A18	Adult Services	Lee Chapman	Provider market stewardship and micro-commissioning	0	-200,000	-300,000	0	0	Approved at Cabinet 10/01/2018
A19	Adult Services	Lee Chapman	Increased use of social prescribing	0	0	-300,000	-500,000	0	Approved at Cabinet 10/01/2018
A21	Adult Services	Lee Chapman	Review of client property	0	-15,040	0	0	0	Approved at Cabinet 10/01/2018
A22	Adult Services	Lee Chapman	Reduce the cost of care packages by investing in technology	-10,000	-50,000	-40,000	0	0	Approved at Cabinet 10/01/2018
A23	Adult Services	Lee Chapman	Increased shared lives placements	0	-43,900	-52,140	0	0	Approved at Cabinet 10/01/2018
A24	Adult Services	Lee Chapman	Efficiencies and additional income generation within Joint Training	0	-77,000	0	0	0	Approved at Cabinet 10/01/2018
A25	Adult Services	Lee Chapman	Innovate to generate new income	0	-50,000	-50,000	0	0	Approved at Cabinet 10/01/2018
A26	Adult Services	Lee Chapman	Review of day centres	0	-96,700	-96,700	0	0	Approved at Cabinet 10/01/2018
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	Approved at Cabinet 10/01/2018

Children's Services									
Total value of proposals				-1,643,200	-794,000	200,000	0	0	
Ref	Directorate	Portfolio Holder	Description	2018/19	2019/20	2020/21	2021/22	2022/23	Status
C01	Children's Services	Nick Bardsley	Education Improvement Service - A restructure of Education Improvement Service to deliver core statutory duties only.	-65,300	0	0	0	0	Approved at Cabinet 18/10/2017
C02	Children's Services	Nick Bardsley	Budget re-alignment of All-in Short Break Contracts	-40,000	0	0	0	0	Approved at Cabinet 10/01/2018
C03	Children's Services	Nick Bardsley	Efficiencies in Nursery Education Support	-31,770	0	0	0	0	Approved at Cabinet 10/01/2018
C04 & C07	Children's Services	Nick Bardsley	Efficiencies in Home to School Transport	-556,500	0	0	0	0	Approved at Cabinet 10/01/2018
C05	Children's Services	Nick Bardsley	Further promotion of independent travel training and SEN personal budgets	-164,630	0	0	0	0	Approved at Cabinet 10/01/2018
C06 & C13	Children's Services	Nick Bardsley	Reductions to external placement costs within children's safeguarding	-430,000	-500,000	0	0	0	Approved at Cabinet 10/01/2018
C11	Children's Services	Nick Bardsley	Creation on a supply teacher service	0	-200,000	0	0	0	Approved at Cabinet 10/01/2018
C14	Children's Services	Nick Bardsley	Expand the use of Troubled Families grant income for two years.	-200,000	0	200,000	0	0	Approved at Cabinet 10/01/2018
C16	Children's Services	Nick Bardsley	Review of specialist youth provision	-39,000	0	0	0	0	Approved at Cabinet 10/01/2018
C17	Children's Services	Nick Bardsley	Review of business support functions within Learning and Skills	-116,000	-94,000	0	0	0	Approved at Cabinet 10/01/2018

Place and Enterprise			Total value of proposals	-9,137,040	-6,299,330	2,024,510	-2,900,000	-4,218,930	
Ref	Directorate	Portfolio Holder	Description	2018/19	2019/20	2020/21	2021/22	2022/23	Status
P01	Place & Enterprise / Ste	Steve Davenport	Public Conveniences - Closure of public conveniences at Newport Road, Prees Heath, and Brownlow Street, Whitchurch.	-24,780	0	0	0	0	Approved at Cabinet 18/10/2017
P02	Place & Enterprise / Joy	Joyce Barrow	Rockspring - End agreement with Rockspring Community Centre	-2,000	-2,000	-7,730	0	0	Approved at Cabinet 18/10/2017
P03	Place & Enterprise / Ste	Steve Charmley	Repairs & Maintenance - 15% reduction in R&M and office moves budget	0	-145,700	0	0	0	Approved at Cabinet 18/10/2017
P04	Place and Enterprise	Robert Macey	Review of waste collection and recycling services	0	-1,500,000	0	0	0	Approved at Cabinet 10/01/2018
P05	Place and Enterprise	Steve Charmley	Review of car parking at administrative sites	0	-96,000	0	0	0	Approved at Cabinet 10/01/2018
P10	Place and Enterprise	Joyce Barrow	Review of community working	0	-648,480	0	0	0	Approved at Cabinet 10/01/2018
P11	Place and Enterprise	Lezley Picton	Review of library provision	0	0	-73,950	0	-191,930	Approved at Cabinet 10/01/2018
P13	Place and Enterprise	Nic Laurens	Review of workshops and economic development land	0	-81,050	0	0	0	Approved at Cabinet 10/01/2018
P15	Place and Enterprise	Lezley Picton	Review of community assets	0	0	-73,810	0	0	Approved at Cabinet 10/01/2018
P16	Place and Enterprise	Steve Charmley	Reduction in facilities management costs	0	-55,000	0	0	0	Approved at Cabinet 10/01/2018
P23	Place and Enterprise	Lezley Picton	Review of community leisure facilities	-129,260	0	0	0	0	Approved at Cabinet 10/01/2018
P26	Place and Enterprise	Steve Davenport	Review of local environmental maintenance services	-110,000	0	0	0	0	Approved at Cabinet 10/01/2018
P28	Place and Enterprise	Steve Charmley	Increased installation and use of solar panels	0	-100,000	0	0	0	Approved at Cabinet 10/01/2018
P29	Place and Enterprise	Steve Davenport	Review of concessionary travel	0	-50,000	0	0	0	Approved at Cabinet 10/01/2018
P30	Place and Enterprise	Lezley Picton	Development of cultural assets to raise additional income	0	0	-200,000	0	0	Approved at Cabinet 10/01/2018
P33	Place and Enterprise	Steve Charmley	Raise additional income from new development	0	0	0	0	-27,000	Approved at Cabinet 10/01/2018
P34	Place and Enterprise	Steve Charmley	Creation of a Shropshire lottery	0	-50,000	0	0	0	Approved at Cabinet 10/01/2018
P35	Place and Enterprise	Steve Charmley	Efficiencies within administrative buildings	-500,000	0	0	-500,000	-2,000,000	Approved at Cabinet 10/01/2018
P36	Place and Enterprise	Nic Laurens	Generate income from investment in assets	-2,700,000	0	0	0	0	Approved at Cabinet 10/01/2018
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	Approved at Cabinet 10/01/2018
P41	Place and Enterprise	Steve Charmley	Negotiate contract savings upon renewal, through better contract management	0	-300,000	-300,000	-400,000	0	Approved at Cabinet 10/01/2018
P59	Place and Enterprise	Steve Davenport	Increased income generation within Highways and Transport	-500,000	-400,000	0	0	0	Approved at Cabinet 10/01/2018

Place and Enterprise										
				Total value of proposals		-9,137,040	-6,299,330	2,024,510	-2,900,000	-4,218,930
Ref	Directorate	Portfolio Holder	Description	2018/19	2019/20	2020/21	2021/22	2022/23	Status	
P62	Place and Enterprise	Steve Davenport	Redesign within Transport and Fleet services	0	-60,000	0	0	0	Approved at Cabinet 10/01/2018	
P64	Place and Enterprise	Steve Davenport	Review of bus subsidies	0	-405,000	0	0	0	Approved at Cabinet 10/01/2018	
P65	Place and Enterprise	Nic Laurens	Income generation from investment in assets	0	-280,000	-320,000	0	0	Approved at Cabinet 10/01/2018	
P66	Place and Enterprise	Steve Charmley	Innovation and efficiencies within Shire Services	-171,000	-126,100	0	0	0	Approved at Cabinet 10/01/2018	
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	Approved at Cabinet 10/01/2018	

Public Health										
				Total value of proposals		-556,850	-288,000	-228,480	0	0
Ref	Directorate	Portfolio Holder	Description	2018/19	2019/20	2020/21	2021/22	2022/23	Status	
H01	Public Health	Lee Chapman	Review of the Links and Healthwatch services	-68,180	0	0	0	0	Approved at Cabinet 10/01/2018	
H02	Public Health	Lee Chapman	Review of maintenance of closed churchyards	-47,120	0	0	0	0	Approved at Cabinet 10/01/2018	
H04	Public Health	Lee Chapman	Efficiencies and additional income generation within Registrars	0	-40,000	0	0	0	Approved at Cabinet 10/01/2018	
H05	Public Health	Robert Macey	Additional income generation within Regulatory Services	-40,000	0	0	0	0	Approved at Cabinet 10/01/2018	
H06	Public Health	Robert Macey	Operating efficiencies within Regulatory Services	-30,000	0	0	0	0	Approved at Cabinet 10/01/2018	
H07	Public Health	Lee Chapman	Review of Community Safety	0	0	-116,270	0	0	Approved at Cabinet 10/01/2018	
H08	Public Health	Lee Chapman	Review of Shropshire Partnership	0	0	-32,210	0	0	Approved at Cabinet 10/01/2018	
H11	Public Health	Lee Chapman	Review of the Stop Smoking service	-46,000	0	0	0	0	Approved at Cabinet 10/01/2018	
H12	Public Health	Lee Chapman	Additional income generation within Help2Change	-80,000	-20,000	-30,000	0	0	Approved at Cabinet 10/01/2018	
H13	Public Health	Lee Chapman	Innovation within Help2Change	-63,000	-63,000	-50,000	0	0	Approved at Cabinet 10/01/2018	
H14	Public Health	Lee Chapman	Review of Nicotine Replacement Therapy service	-50,000	-65,000	0	0	0	Approved at Cabinet 10/01/2018	
H15	Public Health	Robert Macey	Redesign within Regulatory Services	-93,480	0	0	0	0	Approved at Cabinet 10/01/2018	
H16	Public Health	Robert Macey	Review of parking enforcement	0	-100,000	0	0	0	Approved at Cabinet 10/01/2018	
H19	Public Health	Lee Chapman	Review of child health programmes	-39,070	0	0	0	0	Approved at Cabinet 10/01/2018	

Resources & Support			Total value of proposals	-3,301,800	-9,850,000	0	0	0	
Ref	Directorate	Portfolio Holder	Description	2018/19	2019/20	2020/21	2021/22	2022/23	Status
R01	Resources and Support	Steve Charmley	Review of Democratic Services budgets	-27,000	0	0	0	0	Approved at Cabinet 10/01/2018
P46	Place and Enterprise	Steve Charmley	Review of council tax support scheme	0	-200,000	0	0	0	Approved at Cabinet 10/01/2018
R03	Resources and Support	Steve Charmley	Contract review within Customer Involvement	0	-50,000	0	0	0	Approved at Cabinet 10/01/2018
R04	Resources and Support	Steve Charmley	Income generation within Legal and Democratic Services	-10,000	0	0	0	0	Approved at Cabinet 10/01/2018
R06	Resources and Support	Steve Charmley	Development of a communications offer to other organisations	-50,000	0	0	0	0	Approved at Cabinet 10/01/2018
R07	Resources and Support	Steve Charmley	Provision of telecoms support to other organisations	-100,000	0	0	0	0	Approved at Cabinet 10/01/2018
R08	Resources and Support	Steve Charmley	Provision of web and printing services to other organisations	-50,000	0	0	0	0	Approved at Cabinet 10/01/2018
R11	Resources and Support	Steve Charmley	Creation of an apprenticeship levy framework offer to other organisations	-20,000	0	0	0	0	Approved at Cabinet 10/01/2018
R13	Resources and Support	Steve Charmley	Redesign following digital transformation and business process transformation	0	-9,000,000	0	0	0	Approved at Cabinet 10/01/2018
R15	Resources and Support	David Minnery	Review Treasury Management approach and investment income	-500,000	0	0	0	0	Approved at Cabinet 10/01/2018
R16	Resources and Support	David Minnery	Service reconfiguration within Finance, Governance and Assurance	-100,000	-300,000	0	0	0	Approved at Cabinet 10/01/2018
R17	Resources and Support	David Minnery	Additional income generation within Finance, Governance and Assurance	0	-100,000	0	0	0	Approved at Cabinet 10/01/2018
R18	Resources and Support	Steve Charmley	Review of elected councillor costs	-44,800	0	0	0	0	Approved at Cabinet 10/01/2018
R20	Resources and Support	Steve Charmley	Redesign within Legal and Democratic Services	-100,000	0	0	0	0	Approved at Cabinet 10/01/2018
R21	Resources and Support	Steve Charmley	Redesign of the Council's single front door	-500,000	0	0	0	0	Approved at Cabinet 10/01/2018
R22	Resources and Support	David Minnery	Review Council Tax collection costs and approaches	-100,000	0	0	0	0	Approved at Cabinet 10/01/2018
R23	Resources and Support	David Minnery	Additional Premium for Empty Homes	0	-200,000	0	0	0	Approved at Cabinet 10/01/2018
R24	Resources and Support	Steve Charmley	Limited Voluntary Redundancy Programme	-500,000	0	0	0	0	Approved at Cabinet 10/01/2018
R02	Resources and Support	David Minnery	Review of council tax support scheme*	-600,000	0	0	0	0	Approved at Cabinet 10/01/2018
R09	Resources and Support	David Minnery	Review of empty property relief*	-500,000	0	0	0	0	Approved at Cabinet 10/01/2018
R19	Resources and Support	David Minnery	Review collection of business rates processes*	-100,000	0	0	0	0	Approved at Cabinet 10/01/2018

*\*Savings now showing in taxbase and CF estimates*

## 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 at 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 integration of new solutions, consolidating the applications estate, providing a data strategy and facilitating the single view of the customer, and implementing initiatives such as Wi-Fi to technologically facilitate mobile working in key Council buildings,

1.3. A corporate approach to organisational development (culture change) has been documented and will run alongside the technological implementations of the programme.

#### 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 nearing the end of the first stage which is Design. This is a 3 stage approach based on a Local Government Value Accelerator (LGVA) template. In short this means the software already comes with a standard public sector solution based on best practice. Stage 1 is to review the template, stage 2 is to make tweaks to the template based on Shropshire's specific requirements and the final stage is to sign off the documented design. The Design Gateway was signed off in February 2018.

- 2.2.2. Once the proposed solution is approved and signed off the project will move into the Build stage. The supplier will create build plans and build the approved solution, whilst the business resource will be creating the process maps for the new solution, engaging with stakeholders about the changes, preparing and cleansing data ready for migration and starting to create test scripts ready for User Acceptance Testing. Finally the project will move to the Testing and Cut Over stages when the business will thoroughly test that the design as signed off, has been built and raise defects to be rectified where it hasn't. Also during this phase, data migration will continue, end user training will commence and finally cut over from the current systems to the ERP ready for Go-Live. Key Council staff will be heavily involved in each of the phases to ensure they can approve the design and confirm the solution is fit for purpose. The challenge of resource for the Project and Business As Usual is being managed proactively.
- 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.

**Infrastructure and Architecture (I&A):**

- 2.2.4. 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 the new Project Manager commenced late November 2017. 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 new approach to change management has also been introduced and a new service management tool has been implemented.
- 2.2.5. 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, It is hoped that delivering phase one (Shirehall) and most other identified sites early in the 2018. The next elements of the I&A stream to be worked on will focus on integrations, single sign on, EDRMS, and consolidation of our applications estate.

**The Customer Experience Project:**

- 2.2.6. 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 went live mid-January 2018, with Theatre Severn later 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.
- 2.2.7. 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 has been selected to deliver the initial configuration and following this will train an in-house team to further develop other work streams. Contract negotiations are underway and should be completed early February 2018. The CRM will be developed in an agile way, with new developments and functionality released in 3 month cycles.
- 2.2.8. The MyShropshire Account, the self service portal on the Council's website, will be developed in parallel with the CRM system. The implementation partner for CRM is also providing support and guidance to the Council's Digital Services Team who will be developing the portal. The aim is to have a MyShropshire Account with functionality for customers to view Revenues and Benefits information, raise and track complaints, raise and track Highways issues and find out information about waste collections by October 2018. There is also an option to build a MyShropshire Business Account, should the Council choose to do so.

**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. Testing of both the initial system configuration and the first rounds of

migrated data have been completed. Further rounds of testing are scheduled over the coming months to ensure the system has been fully prepared and will be ready to go into service on the agreed date.

2.3. 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 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 are subject to change.

Table 1.0

<b>Project Stream</b>	<b>Approved Budget £m</b>	<b>Projected Outturn £m</b>
ERP	£6.894	£4.370
Social Care	£4.908	£4.332
Customer Experience	£5.640	£2.050
Infrastructure & Architecture	£3.758	£3.147
Overall Programme Management	£5.032	£4.210
<b>Total</b>	<b>£26.232</b>	<b>£18.109</b>
<b>Reduced Funding Requirement</b>		<b>£8.123</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 costings 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 main body of the February 2018 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 January 2018
- Infrastructure & Architecture - Varying dates according to Project streams
- Adult Social Care August 2018
- ERP October 2018
- Children's Social Care 5<sup>th</sup> November 2018
- CRM phased from June 2018.

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.

## Appendix 6- Budget Consultation 2018/19 – 2022/23

Feedback as at: 12/02/2018

Responses Received to date: 54

### 1. Profile of Respondents:

Chart 1.0

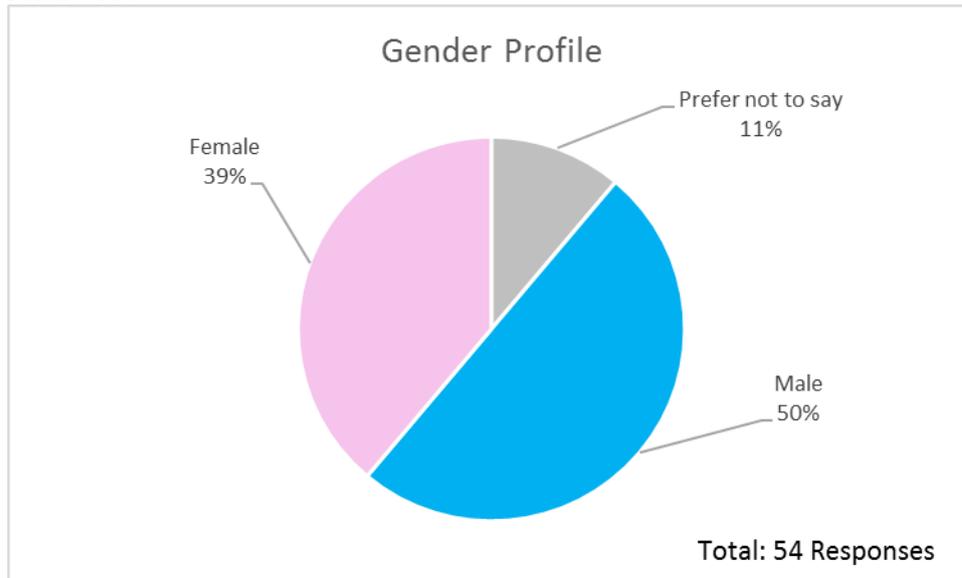
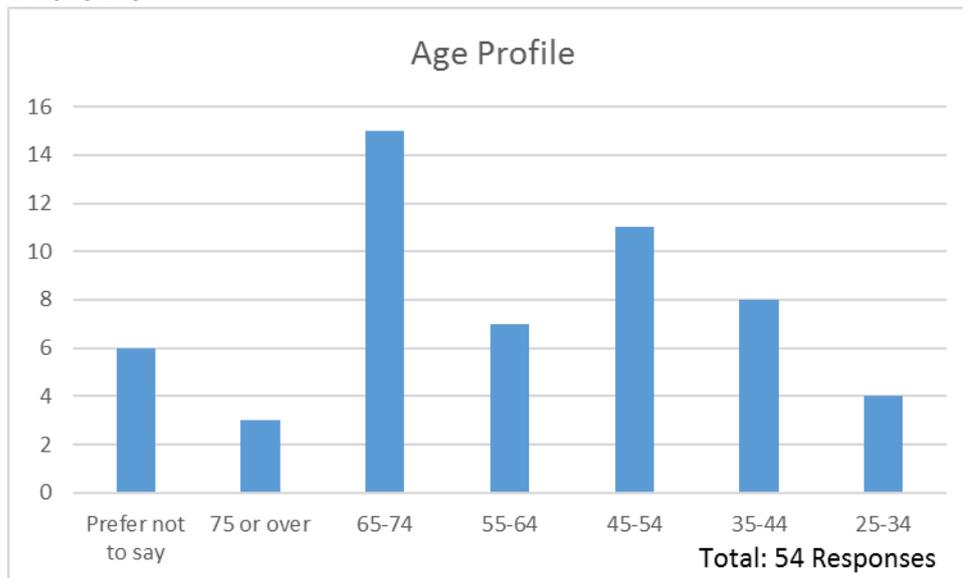


Chart 2.0



## 2. Detailed Summary of Responses

### 2.1. Question 1

<b>Council services you currently receive that you would be prepared to pay directly for, or pay more for than you currently do, rather than lose it in potential service cuts?</b>	<b>Mentions</b>
None - already pay enough	5
None - don't use any/many Council Services	5
Leisure facilities (noted services paid for need to improve)	3
Libraries	3
None	2
None - not fair on those on lower incomes	2
None - on low income / cant afford to pay	2
None - services should be universal and cost shared according to people's ability to pay.	2
Community Transport	1
Connecting Shropshire (so as to be more effective)	1
Early Help Childrens Centres	1
Enforcement	1
Environmental Maintenance	1
Green waste collection	1
Land maintenance	1
Local police presence	1
None - pay out more than I receive	1
none - would need to means test people on low incomes=inefficient	1
Rural bus services.	1
School Transport	1
Social Care (all ages)	1

### 2.2. Question 2

<b>Are there any services that Shropshire Council should consider finding alternative delivery arrangements for rather than delivering directly ourselves?</b>	<b>Mentions</b>
Services should be inhouse not outsourced (cheaper, quality, accountable)	12
Arts, festivals & music	3
Museums and Visitor attractions (eg Acton Scott)	2
No	2
Road maintenance	2
All services should be tendered	1
Choose the most efficient or cost-effective means of delivering a service.	1
Estates and Assets	1
Give grants for community led services:	1
Youth groups	
Toddler groups	
Golf Courses	1
Guided tours of Shrewsbury	1
Purchase of local shopping centres	1
Roman Road Sports Centre should be run by Meole School	1
Safety advice	1
Shire Services	1
Use volunteer schemes more - see Telford & Wrekin Council Street Champion Scheme - for:	1
Litter picking	
Dog muck	
Libraries	
Work with voluntary sector	1

## 2.3. Question 3

Other suggestions about how the Council can raise income or make further savings?:	Mentions
Stop - plans to invest in shopping centres - too high risk	7
Lobby government - more money	6
Council Tax - Increase Shropshire Council precept	5
Reduce - number of Councillors	5
Reduce - Councillor allowances	4
Make better use of buildings - rationalise and sell, rent or share space with other orgs.	3
Charge staff to park at work	2
Contracts - Bring back inhouse - cheaper and a better quality service (roads, ASC)	2
Increase car parking charges (further)	2
Maximise tourism potential	2
Sell Shirehall	2
Additional levy on build and sale of infill houses built in gardens	1
Additional rate charge on second homes	1
Charge for activities that are free (Shropshire Way footpath, playgrounds, other natural	1
Contracts - Use penalty clauses (IT contract)	1
Council Tax - Adequate band and surcharges for new builds	1
Council Tax - ensure all homes in correct Band	1
Council Tax - introduce additional levy on top 3 bands	1
Create - Local authority lottery scheme	1
Create - Utility bill switch service	1
Cut - council funded subsidies for traded services, and make them operate as a business.	1
Cut - mobile library vans (encourage the community to deliver, or take them to a library)	1
Cut - subsidies to Arriva	1
Cut back - funding for tourism	1
Cut funding - Armed forces should pay for community covenant	1
Cut funding - Arts and festivals to be self funding	1
Don't give money to minority interest groups. They should make the effort to raise money from all sources themselves.	1
Environmental enforcement (FPNs) for littering, dog fouling ,fly tipping, Commercial	1
Freeze staff salaries	1
Fund - minibus instead of taxis (school children with special needs)	1
Improve efficiency of Council operation (eg printing, admin, recruitment costs)	1
Introduce a 'verge' project	1
Lobby Government - fund public transport system	1
Look at - how do other Councils generate income?	1
Look at - what services do other Councils charge for that SC is not?	1
Make better use of buildings - multi-org'n.	1
New build developments to ensure provision of council housing, schools, GP practises etc	1
Offer sponsor opportunities on roundabouts for local business	1
Recycle equipment within ASC and Childrens	1
Reduce - Chief Executive salary	1
Reduce - cleaning contract at Shirehall -staff could empty bins	1
Reduce - procurement costs	1
Reduce - salaries over £75k	1
Reduce - school transport bill	1

Reduce - Staff and councillors to reduce travel and food expenditure	1
Reduce - staff numbers	1
Restore bus service from Market Drayton to Telford	1
Revisit the rebate system.	1
Save money through process improvement rather than increasing charges	1
Sell of AONB & SSI	1
Sell off golf courses	1
Sell off Museums	1
Stop - funding cinema and theatre	1
Stop - giving incompetent staff pay rises.	1
Stop - guided tours of Shrewsbury.	1
Stop - business support	1
Stop - centralizing. It costs money and given previous experience, you'll only move	1
Stop - extras for Shirehall staff, like special health days where they get paid and get head massages.	1
Stop - Make sure get out of anything PFI	1
Stop - plans to refurbish Shirehall	1
Stop - schemes to build new roads	1
Stop wasting money on consultations.	1
Support bus use	1
Switch off street lighting	1
Think longer term - Focus more on preventative services before cutting services eg cutting leisure services now may lead to higher health costs later	1
Think longer term - attract businesses to Shropshire so can collect Business rates	1
Think longer term - develop a coherent economic development strategy	1
Think longer term - take advantage of key road links such as M6 and M54 and also the HS2 when it comes along in planning.	1
Work better with other departments	1

#### 2.4. Question 4

Any further comments on the savings we are proposing?:	Mentions
Maintain the environmental grant	6
Think longer term - cutting highways budget may increase potholes and accidents	3
Will the shopping centres be profitable?	3
Council tax - maintain support for low income households	2
Increase of council tax is going to cause hardship for households on low income	2
Proposals are good	2
Purchasing shopping centres. Upgrading IT services, refurbishment of shirehall. These don't appear to be directing funds in the most needed places and look like expensive white elephants.	2
Think longer term - increasing parking charges may drive shoppers to other towns	2
Better monitoring of the Highways contractor (Ringway were poor)	1
Concentrate on providing appropriate services	1
Cuts are to small services which: -will not achieve the required savings -will may render the those small services defunct Should be tackling the large cost services	1
Cuts will impact on those on lowest incomes	1

Defer the removal of the Environmental Grant until 2019/20 - parishes may not of accounted for its removal in this years precept	1
Digital transformation programme is a disaster	1
Proposed cuts to environmental services is excessive.	1
Proposed service cuts are vital to localities	1
Parish Councils cannot pick up services	1
Services have been cut enough	1
Shropshire is a rural county and services should reflect that	1
Think longer term - reducing Early Help will increase the demand on social services in the future	1
Use money more wisely	1

## 2.5. Question 5

General comments:	Mentions
Do not support the shopping centre purchase	7
The authority (and MPs) should be protesting against Government austerity measures	4
Do not have confidence in the council	3
Insensitive time to spend £18 on Shirehall refurbishment	2
Should not be investing in Shirehall	2
The Council neglects the rural parts of the county	2
Think longer term - invest in preventative services	2
Will the IT programme deliver?	2
Adult social care should be funded through general taxation so that everyone pays.	1
Appreciate the opportunity to give feedback	1
Contracts - Better monitoring to ensure VFM	1
Digital transformation programme needs to be written in plain english	1
Do not get the same level of service as other parishes.	1
Encourage the take up of direct payments and stimulating the personal assistant market.	1
Have council meetings round county	1
Keep the street lights on	1
Look at matching older people with a spare bedroom requiring low level care to match up with students needing accommodation. Students receive cheaper accommodation in return for keeping older person company and preparing light meals and snacks.	1
Make decisions	1
More generally trying to think more like a commercial business rather than a local	1
Not enough financial detail in the proposals - need previous and current year budget and actual/forecast figures	1
Review staff levels and VFM	1
The proposals will not secure services	1
Think longer term - sports centres and libraries increase peoples wellbeing physically, mentally and socially -reduce demand on ASC services	1
Use the money for new premises to plug gap in public health and social care provision.	1
Where is the £18m for the Shirehall redevelopment within the Capital Programme?	1
Will the council hold a public meeting to listen to the voters and will they conduct a referendum to bring in the money which is actually needed?	1

## 3. Infographics

3.1. The following four infographics have been released via social media over the course of the consultation. They highlight in pictures the funding challenges the authority is facing.



## **Appendix 7 – Budget Book [TO FOLLOW]**

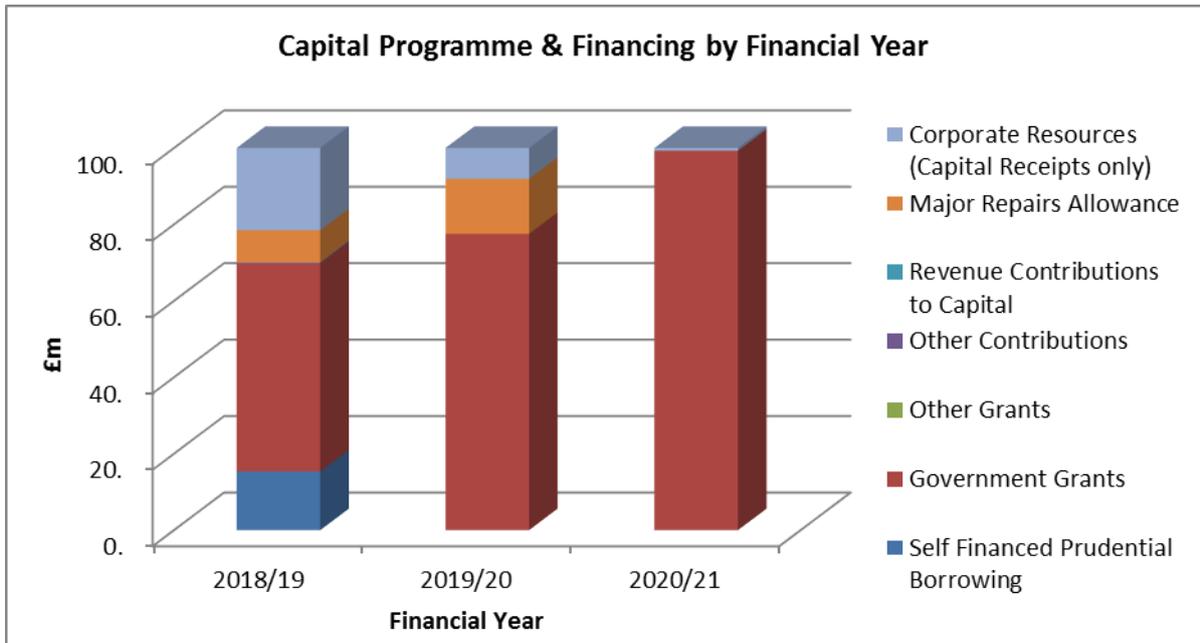
## Appendix 8 – Capital Programme

Scheme Description	Code	Project Manager	2018/19 Budget £	2019/20 Budget £	2020/21 Budget £	Further Details
<b>Place &amp; Enterprise</b>						
<b>Infrastructure &amp; Communities</b>						
<b>Waste Services</b>						
In Vessel Composting Facility	K6WMO	P Beard	325,000	0	0	
<b>Total</b>			<b>325,000</b>	<b>0</b>	<b>0</b>	
<b>Highways and Transport - LTP</b>						
Structural Maintenance of Bridges & Structures	KBG%	T Sneddon	1,500,000	0	0	
Structural Maintenance of Roads		S Brown	5,601,000	8,275,000	13,275,000	Awaiting Pothole Action Fund & Incentivisation 18/19
Street Lighting		J Hughes	800,000	0	0	
Local Transport Plan - Integrated Transport Plan		V Merrill	1,000,000	1,126,000	1,442,761	
<b>Total</b>			<b>8,901,000</b>	<b>9,401,000</b>	<b>14,717,761</b>	
<b>LEP Schemes</b>						
LEP Oxon Relief Road Project	KOX01	M Johnson	690,000	2,742,323	0	
LEP Shrewsbury Integrated Transport Package	KIT01	M Johnson	1,679,079	500,000	183,239	
<b>Total</b>			<b>2,369,079</b>	<b>3,242,323</b>	<b>183,239</b>	
<b>Flood Defences &amp; Water Management</b>						
Much Wenlock - Flood & Water Management	K6FW1	T Sneddon	135,000	0	0	
Shifnal - Flood & Water Management	K6FW4	T Sneddon	422,000	0	0	
Shropshire Slow the Flow Project	KEF01	T Sneddon	70,000	70,000	0	
<b>Total</b>			<b>627,000</b>	<b>70,000</b>	<b>0</b>	
<b>Environmental Maintenance - Depots</b>						
Depot Redevelopment	K6H03	S Brown	234,000	0	0	
<b>Total</b>			<b>234,000</b>	<b>0</b>	<b>0</b>	
<b>Environmental Maintenance - Car Parks</b>						
Parking Strategy - Car Park Machines	KEC03	z Mortimer	1,197,000	0	0	
<b>Total</b>			<b>1,197,000</b>	<b>0</b>	<b>0</b>	
<b>Visitor Economy</b>						
Music Hall Rfurbishment	KSHA9	S Law	25,650	0	0	
<b>Total</b>			<b>25,650</b>	<b>0</b>	<b>0</b>	
<b>Outdoor Partnerships</b>						
Nags Head Engine House	KBR08	J Howells	2,541	0	0	
<b>Total</b>			<b>2,541</b>	<b>0</b>	<b>0</b>	
<b>Total Infrastructure &amp; Communities</b>			<b>13,681,270</b>	<b>12,713,323</b>	<b>14,901,000</b>	
<b>Economic Development</b>						
<b>Physical Regeneration</b>						
Food Enterprise Centre	KER38	G Davies	28,489	0	0	
Flaxmill Project - Implementation	K6FM1	G Davies	0	1,000,000	0	
<b>Total</b>			<b>28,489</b>	<b>1,000,000</b>	<b>0</b>	
<b>Natural &amp; Historical Environment</b>						
Historic Environment Grants	K6HE1	A Cooper	33,682	0	0	
Old Rectory, Whitchurch Section 106	KBN01	A Cooper	207,699	0	0	
<b>Total</b>			<b>241,381</b>	<b>0</b>	<b>0</b>	
<b>Planning Policy - Affordable Housing</b>						
Affordable Housing - Rolling Fund	K6AHG	N Wood	200,346	0	0	
Shrewsbury Self Build Scheme	K6AHT	N Wood	266,898	0	0	
<b>Total</b>			<b>467,244</b>	<b>0</b>	<b>0</b>	
<b>Broadband Project</b>						
Broadband Project - Milestone 1	KB001	C Taylor	1,800,000	0	0	
Broadband Project - Phase 2 - Milestone 2	KB006	C Taylor	1,142,104	0	0	
Broadband Project - Phase 2 - Milestone 3	KB007	C Taylor	236,261	0	0	
Broadband Project - Phase 2b - Lot 1	KB008	C Taylor	4,367,000	3,508,000	500,000	
Broadband Project - Phase 2b - Lot 2	KB009	C Taylor	1,856,791	0	0	
<b>Total</b>			<b>9,402,156</b>	<b>3,508,000</b>	<b>500,000</b>	
<b>Total Economic Development</b>			<b>10,139,270</b>	<b>4,508,000</b>	<b>500,000</b>	
<b>Business Enterprise &amp; Commercial Services</b>						
<b>Corporate Landlord</b>						
The Tanney Development	KRP06	S Law	7,000,000	0	0	
<b>Total</b>			<b>7,000,000</b>	<b>0</b>	<b>0</b>	
<b>Small holdings</b>						
The Clamp - Smallholding refurbishment	KCS03	S Law	130,000	0	0	
<b>Total</b>			<b>130,000</b>	<b>0</b>	<b>0</b>	
<b>Gypsy Sites</b>						
Travellers Sites Unallocated Grant (Phase 1&2 HCA)	K6T00	J Taylor	55,858	0	0	
Boars Den Gypsy Transit Site	K6T06	J Taylor	145,000	0	0	
<b>Total</b>			<b>200,858</b>	<b>0</b>	<b>0</b>	
<b>Total Business Enterprise &amp; Commercial Services</b>			<b>7,330,858</b>	<b>0</b>	<b>0</b>	
<b>Total Place &amp; Enterprise</b>			<b>31,151,398</b>	<b>17,221,323</b>	<b>15,401,000</b>	

<b>Adult Services</b>						
<b>Social Care</b>						
Community Capacity Grant	KA000	A Begley	0	0	0	New Grant Allocation awaited
Four Rivers Bed Replacement & Fire Safety	KA034	A Begley	9,968	0	0	
<b>Total</b>			<b>9,968</b>	<b>0</b>	<b>0</b>	
<b>Housing Health &amp; Wellbeing</b>						
Disabled Facilities Grants	K5P03	L Fisher	0	0	0	New Grant Allocation awaited
HOLD Project	K5P04	L Fisher	1,500,000	0	0	
<b>Total</b>			<b>1,500,000</b>	<b>0</b>	<b>0</b>	
<b>Total Adult Services</b>			<b>1,509,968</b>	<b>0</b>	<b>0</b>	
<b>Public Health</b>						
<b>Private Sector Housing</b>						
Shropshire County Empty Property Incentive Grant	KPS01	K Collier	300,000	0	0	
<b>Total</b>			<b>300,000</b>	<b>0</b>	<b>0</b>	
<b>Total Public Health</b>			<b>300,000</b>	<b>0</b>	<b>0</b>	
<b>Resources &amp; Support</b>						
<b>Customer Involvement</b>						
ICT Digital Transformation - Unallocated	KIC00	M Leith	4,400,000	5,000,000	0	
ICT Digital Transformation - Social Care Project	KIC04	M Leith	500,000	0	0	
ICT Digital Transformation - Contact Centre Unified Comms	KIC05	M Leith	150,000	0	0	
ICT Digital Transformation - ERP	KIC06	M Leith	1,010,200	0	0	
<b>Total</b>			<b>6,060,200</b>	<b>5,000,000</b>	<b>0</b>	
<b>Total Resources &amp; Support</b>			<b>6,060,200</b>	<b>5,000,000</b>	<b>0</b>	
<b>Childrens Services</b>						
<b>Learning &amp; Skills</b>						
<b>Early Years</b>						
Early Years Unallocated	KLE00	N Ward	59,042	0	0	
<b>Total</b>			<b>59,042</b>	<b>0</b>	<b>0</b>	
<b>Basic Need</b>						
Basic Need Unallocated	KLB00	P Wilson	3,999,353	0	0	
Market Drayton Infant/Junior - Ste TBC	KLB05	P Wilson	350,000	0	0	
Sundorne Infants/Harlescott Junior - Site TBC	KLB07	P Wilson	350,000	0	0	
Market Drayton Primary	KLB08	P Wilson	350,000	0	0	
<b>Total</b>			<b>5,049,353</b>	<b>0</b>	<b>0</b>	
<b>Business Enterprise &amp; Commercial Services</b>						
<b>Corporate Landlord</b>						
The Tanney Development	KRP07	S Law	7,000,000	0	0	
<b>Total</b>			<b>7,000,000</b>	<b>0</b>	<b>0</b>	
<b>Small holdings</b>						
The Clamp - Smallholding refurbishment	KCS04	S Law	130,000	0	0	
<b>Total</b>			<b>130,000</b>	<b>0</b>	<b>0</b>	
<b>Gypsy Sites</b>						
Travellers Sites Unallocated Grant (Phase 1&2 HCA)	K6T12	J Taylor	234,142	0	0	
Boars Den Gypsy Transit Site	K6T18	J Taylor	323,284	0	0	
<b>Total</b>			<b>557,426</b>	<b>0</b>	<b>0</b>	
<b>Total Business Enterprise &amp; Commercial Services</b>			<b>7,687,426</b>	<b>0</b>	<b>0</b>	
<b>Total Place &amp; Enterprise</b>			<b>8,037,426</b>	<b>0</b>	<b>0</b>	
<b>Adult Services</b>						
<b>Social Care</b>						
Community Capacity Grant	KA068	A Begley	19,936	0	0	New Grant Allocation awaited
Four Rivers Bed Replacement & Fire Safety	KA102	A Begley	29,904	0	0	
<b>Total</b>			<b>49,840</b>	<b>0</b>	<b>0</b>	
<b>Housing Health &amp; Wellbeing</b>						
Disabled Facilities Grants	K5P05	L Fisher	300,000	0	0	New Grant Allocation awaited
HOLD Project	K5P06	L Fisher	4,500,000	0	0	
<b>Total</b>			<b>4,500,000</b>	<b>0</b>	<b>0</b>	
<b>Total Adult Services</b>			<b>4,549,840</b>	<b>0</b>	<b>0</b>	
<b>Public Health</b>						
<b>Private Sector Housing</b>						
Shropshire County Empty Property Incentive Grant	KPS02	K Collier	300,000	0	0	
<b>Total</b>			<b>300,000</b>	<b>0</b>	<b>0</b>	
<b>Total Public Health</b>			<b>300,000</b>	<b>0</b>	<b>0</b>	
<b>Resources &amp; Support</b>						
<b>Customer Involvement</b>						
ICT Digital Transformation - Unallocated	KIC00	M Leith	4,400,000	-2,500,000	0	
ICT Digital Transformation - Social Care Project	KIC04	M Leith	1,063,600	-4,000,000	0	
ICT Digital Transformation - Contact Centre Unified Comms	KIC05	M Leith	1,318,700	-5,500,000	0	
ICT Digital Transformation - ERP	KIC06	M Leith	1,573,800	-7,000,000	0	
<b>Total</b>			<b>8,356,100</b>	<b>-2,500,000</b>	<b>0</b>	
<b>Total Resources &amp; Support</b>			<b>8,356,100</b>	<b>-2,500,000</b>	<b>0</b>	

<b>Childrens Services</b>						
<b>Learning &amp; Skills</b>						
<b>Early Years</b>						
Early Years Unallocated	KLE01	N Ward	59,042	0	0	
<b>Total</b>			<b>59,042</b>	<b>0</b>	<b>0</b>	
<b>Fire Safety</b>						
Bomere Heath - New Fire Alarm	KLF31	P Wilson	27,250	0	0	
<b>Total</b>			<b>27,250</b>	<b>0</b>	<b>0</b>	
<b>Energy Efficiency</b>						
Bomere Heath - Boiler Replacement	KLG09	P Wilson	98,100	0	0	
Greenacres - Boiler & Controls	KLG10	P Wilson	70,850	0	0	
Lower Heath - Boiler & Controls	KLG11	P Wilson	21,800	0	0	
Meole Primary - Boiler & Controls	KLG12	P Wilson	32,700	0	0	
Bicton - Replace Boiler	KLG13	P Wilson	109,000	0	0	
St Laurence Ludlow - Boiler & Controls	KLG14	P Wilson	81,750	0	0	
Woodfield - Repipe Heating Phase 1	KLG15	P Wilson	54,500	0	0	
Woodlands Boiler & Controls	KLG16	P Wilson	98,100	0	0	
<b>Total</b>			<b>566,800</b>	<b>0</b>	<b>0</b>	
<b>Suitability</b>						
Norbury Primary- PPA Space	KLS12	P Wilson	76,300	0	0	
Hodnet - Secure Access	KLS14	P Wilson	155,205	0	0	
<b>Total</b>			<b>231,505</b>	<b>0</b>	<b>0</b>	
<b>Special Education Needs</b>						
Schools Access Initiative Unallocated	KLD00	P Wilson	49,050	0	0	
Special Provision Funds Allocation	KLD06	P Wilson	166,667	166,667	166,667	
<b>Total</b>			<b>215,717</b>	<b>166,667</b>	<b>166,667</b>	
<b>Devolved Formula Capital</b>						
			700,000	0	0	
<b>Total Learning &amp; Skills</b>						
			<b>13,849,667</b>	<b>166,667</b>	<b>166,667</b>	
<b>Total Children's Services</b>						
			<b>13,849,667</b>	<b>166,667</b>	<b>166,667</b>	
<b>Total General Fund Capital Programme</b>						
			<b>52,871,233</b>	<b>22,387,990</b>	<b>15,567,667</b>	
<b>Housing Revenue Account</b>						
<b>Major Repairs Programme</b>						
Housing Major Repairs Programme - Unallocated	KSP01	A Begley	4,888,800	3,760,950	0	
STaR Roofing	KSR05	A Begley	120,000	0	0	
<b>Total</b>			<b>5,008,800</b>	<b>3,760,950</b>	<b>0</b>	
<b>New Build Programme</b>						
Housing New Build Programme - Phase 3	KSNB3	A Begley	11,375	0	0	
Housing New Build Programme - Phase 4	KSNB4	A Begley	145,900	0	0	
<b>Total</b>			<b>157,275</b>	<b>0</b>	<b>0</b>	
<b>Total Housing Revenue Account</b>						
			<b>5,166,075</b>	<b>3,760,950</b>	<b>0</b>	
<b>Total Capital Programme</b>						
			<b>58,037,308</b>	<b>26,148,940</b>	<b>15,567,667</b>	
<b>Financing</b>						
<b>Self Financed Prudential Borrowing</b>						
			8,197,000	0	0	
<b>Government Grants</b>						
Department for Transport			14,901,000	14,901,000	14,901,000	
Department for Health - Better Care Fund			0	0	0	0 New Grant Allocation awaited
Department for Health - HOLD Grant			1,500,000	0	0	
Department for Education						
- Condition Capital Grant			2,500,000	0	0	Forecast Grant Offer
- Basic Need Capital Grant			1,354,815	0	0	
- Devolved Formula Capital			700,000	0	0	
- Special Provision Funds			166,667	166,667	166,667	
HCA - Travellers			55,858	0	0	
HCA - New Build			70,000	0	0	
BDUK - Broadband			5,091,201	1,892,605	269756	
Environment Agency			627,000	70,000	0	
Local Enterprise Partnership (LEP) Fund			2,002,759	3,242,087	115,956	
			<b>28,969,300</b>	<b>20,272,359</b>	<b>15,453,379</b>	
<b>Other Grants</b>						
Other Grants			2,541	0	0	
			<b>2,541</b>	<b>0</b>	<b>0</b>	
<b>Other Contributions</b>						
Section 106			207,699	0	0	
Community Infrastructure Levy (CIL)			0	0	0	
Other Contributions			0	0	0	
			<b>207,699</b>	<b>0</b>	<b>0</b>	
<b>Revenue Contributions to Capital</b>						
			0	0	0	
<b>Major Repairs Allowance</b>						
			4,526,210	3760950	0	
<b>Corporate Resources (expectation - Capital Receipts only)</b>						
			11,495,058	2,115,631	114,288	
<b>Total Confirmed Funding</b>						
			<b>53,397,808</b>	<b>26,148,940</b>	<b>15,567,667</b>	

<b>Capital Programme 2018/19 - 2020/21</b>			
<b>Capital Budgets 2018/19 to 2020/21</b>			
<b>Service Area</b>	<b>2018/19 Budget £</b>	<b>2019/20 Budget £</b>	<b>2020/21 Budget £</b>
<b>General Fund</b>			
Adult Services	1,509,968	0	0
Childrens's Services	13,849,667	166,667	166,667
Place & Enterprise	31,151,398	17,221,323	15,401,000
Resources & Support	6,060,200	5,000,000	0
Public Health	300,000	0	0
<b>Total General Fund</b>	<b>52,871,233</b>	<b>22,387,990</b>	<b>15,567,667</b>
<b>Housing Revenue Account</b>	<b>5,166,075</b>	<b>3,760,950</b>	<b>0</b>
<b>Total Approved Budget</b>	<b>58,037,308</b>	<b>26,148,940</b>	<b>15,567,667</b>
<b>Capital Financing 2018/19 to 2020/21</b>			
<b>Service Area</b>	<b>2018/19 Budget £</b>	<b>2019/20 Budget £</b>	<b>2020/21 Budget £</b>
Self Financed Prudential Borrowing	8,197,000	0	0
Government Grants	28,969,300	20,272,359	15,453,379
Other Grants	2,541	0	0
Other Contributions	207,699	0	0
Revenue Contributions to Capital	0	0	0
Major Repairs Allowance	4,526,210	3,760,950	0
Corporate Resources (Capital Receipts only)	11,495,058	2,115,631	114,288
<b>Total Confirmed Funding</b>	<b>53,397,808</b>	<b>26,148,940</b>	<b>15,567,667</b>
<b>Service Area</b>	<b>2018/19 Budget £</b>	<b>2019/20 Budget £</b>	<b>2020/21 Budget £</b>
<b>Self Financed Prudential Borrowing</b>	<b>15.35</b>	<b>0.00</b>	<b>0.00</b>
<b>Government Grants</b>	<b>54.25</b>	<b>77.52</b>	<b>99.26</b>
<b>Other Grants</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>Other Contributions</b>	<b>0.39</b>	<b>0.00</b>	<b>0.00</b>
<b>Revenue Contributions to Capital</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>Major Repairs Allowance</b>	<b>8.47</b>	<b>14.38</b>	<b>0.00</b>
<b>Corporate Resources (Capital Receipts only)</b>	<b>21.53</b>	<b>8.09</b>	<b>0.73</b>
<b>Total Confirmed Funding</b>	<b>100</b>	<b>100</b>	<b>100</b>



## APPENDIX 9



<u>Committee and Date</u>	<u>Item</u>
Cabinet 14 February 2018	<u>Public</u>

### **ROBUSTNESS OF ESTIMATES AND ADEQUACY OF RESERVES 2017-23**

**Responsible Officer** James Walton

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Telephone: (01743) 255011

#### **1. Summary**

- 1.1. Under Section 25 of the Local Government Act 2003, the Authority's Chief Financial Officer is required to report on the robustness of the estimates made for the purposes of the budget calculations and the adequacy of the proposed reserves.

#### **2. Recommendations**

Members are asked to:

- A Approve the recommended level of general balances to support the 2018/19 revenue budget at £17.081m, noting that the projected balance will be below this for 2018/19;
- B Note the projected recommended level of general reserves for the following four years at £18.830m in 2019/20, £18.879m in 2020/21, £31.518m in 2021/22 and £40.037m in 2022/23.
- C Note that further consideration will be made of the implications of figures contained within this report and should there be any material change required, this will be reported to Council on 22 February 2018.

#### **3. Background**

- 3.1. Each year council considers a Statement of the Robustness of Estimates. Budget estimates are estimates of spending and income made at a point in time. This statement about the robustness of estimates cannot give a guaranteed assurance about the budget, but in an objective and systematic manner gives members reasonable assurances that the budget has been based on the best available information and assumptions.
- 3.2. In order to meet the requirements for the robustness of estimates a number of key processes were put into place, including:

- Review of expenditure and resources for the entire council for next five years to identify the underlying viability of the council's resource envelope when compared to cost.
  - Review of existing budgets and focus on key risk areas as part of the budget setting and budget monitoring process. For example, our key risk area in terms of budget size and volatility is Adult Services. During 2016/17, key personnel developed a growth model looking at the cost drivers for this service area. As a result we have a better understanding of the pressures in this area and have used this in the modelling of future costs. This has been successful for some time however, pressures in the 2017/18 monitoring are evident as growth starts to breach original assumptions. Breaches of a small percentage have a significant impact in terms of value. The model requires review to rebase assumptions.
  - Identification of the in-year and the full year impact of any variations compared to budget. This ensures that the underlying budget and any pressure can always be separately identified and arrangements to manage pressures (for example by the use of one-off resources) is undertaken in an open and transparent mechanism, approved by Cabinet.
  - The Financial Strategy and Budget Monitoring Reports are updated and reported to Cabinet on a quarterly basis. In this period of unprecedented uncertainty in terms of Local Government funding and spending pressures, the latest position is always reported transparently even though this position can change significantly from one reporting period to the next.
  - Separation of roles within the Finance Team in setting budget control totals, identifying budget requirement and inputting into the Finance System which is subject to review by Internal Audit as part of the Council's Internal Audit Plan.
  - Review by Finance Staff with Service Managers to understand the achievability, deliverability and timescales for all proposed service redesign.
  - Notwithstanding these arrangements, which are designed to test the budget throughout its various stages of development, considerable reliance is placed on Senior Managers having proper arrangements in place to identify issues, project demand data, performance information and to consider value for money and efficiency.
- 3.3. On an annual basis the Council also considers the level of reserves held, including the General Fund Balance, to assess whether they are adequate. There are two main approaches for deciding the optimum level of the general balances. One method is to set an arbitrary percentage of expenditure, however this generally has little reflection of the potential contingencies that the Council may need to draw on. An alternative, preferable, method is an approach based on a risk assessment of the budget.
- 3.4. This paper sets out the framework for a risk assessment approach. The issues the framework considers include strategic, operational and financial risks that the authority is facing. This includes, for example, changes in external funding or the council's ability to deliver savings; the effectiveness of budget monitoring to identify variances from spending plans and trigger timely remedial action; the availability of other funds to cover costs – for example, from an insurance policy, or from the government under

the Bellwin Scheme for emergency financial assistance; and the extent to which contingency is built into individual departmental budgets and the council's overall budget.

#### **4. Risk Assessment**

- 4.1. On an annual basis the Council will undertake a formal review of risks associated with the budget and Financial Strategy and identify balances at appropriate level compared to the risks. The development and introduction of this risk assessment is not intended to replace the Council's existing Risk Registers, rather that they should inform any revision of these Risk Registers.
- 4.2. The Risk Assessment is intended to form part of the onward budgetary control framework and used at budgetary control meetings with service area personnel and reviewed annually by the authority.
- 4.3. Throughout the budget process Members are able to challenge and assess the robustness of budgets and the achievability of savings, income and budget reductions. The key financial risks that remain are:
  - Changes to staffing arrangements through redundancy, restructure or remodelling of services or the overall Council Structure;
  - The delivery of service redesign proposals, savings and income targets and efficiency measures within the required timeframe;
  - Improvements in budgeting and/or associated IT systems, the implementation of which may throw up funding challenges;
  - The impact of changes on a national or regional basis that do not fall within the existing budget process; and
  - Lack of clarity from Central Government on the future funding levels and changes to Local Government powers and financing, plus increased uncertainty re: local resources, which inhibits the ability to calculate future budgets.
  - Inability to set a sustainable budget with the resources available, resulting in services not being delivered or a legal budget not being set from 2018/19 and beyond.
- 4.4. These assumptions and potential changing circumstances will require the forecasts for future years to be reviewed in each financial year leading to more detailed budgets being prepared for the next financial year and for the Financial Strategy. Impacts within year are reported to Members within the existing monitoring reports for both revenue and capital.

## 5. Robustness of Revenue Estimates

- 5.1. The 2018/19 budget process continues progress in improving the Council's budget preparation, most notably in the creation of a detailed growth model and the process of medium term forecasting due to information and trend data drawn from the monitoring of the budget and associated systems, reported as a minimum to Cabinet on a quarterly basis.
- 5.2. As part of developing the 2018/19 budget, Council Members have had the opportunity to review the available options, implications and impact on outcomes, and these are reflected in the proposed budget.
- 5.3. The development of the 5 year financial strategy is based on the assumption that services need to be delivered and funded through an appropriate level of resources over the next five years and this is demonstrated in the resources and expenditure projections given in Table 1 below. This includes assumptions around savings to be delivered as part of the Financial Strategy.

**Table 1: Gross Resources and Expenditure Projections**

	2018/19	2019/20	2020/21	2021/22	2022/23
	£'000	£'000	£'000	£'000	£'000
Projected Resources	561,950	563,016	554,714	564,770	574,572
Current Projected Expenditure	582,151	576,934	575,362	589,224	601,800
Funding Gap	20,201	13,918	20,648	24,455	27,228
Year on Year Gap		-6,283	6,730	3,806	2,773

- 5.4. Savings proposals have been identified for 2018/19 through to 2022/23. These have been based on raising income, innovation and cutting services. Some of the savings values, whilst achievable, are ambitious and so progress against these proposals will be monitored carefully to consider the impact on the budget strategy. Appendix 1 shows the factors taken into account in developing the draft budget.

## 6. Capital Budget

- 6.1. The agreed programme is fully funded within a 3 year timescale however this is heavily dependent on the Council generating significant levels of capital receipts. Projects have been costed at current year prices but may be subject to tender processes after inclusion in the programme which may lead to a variance in the final cost. In some areas, the design brief may not be finalised, again giving rise to potential price variance.

6.2. The risk of the Council being unable to fund variations outside of the programme is minimal mainly due to the phasing of projects. If necessary the Council can choose to freeze parts of the programme throughout the year to ensure spend is kept within the agreed budget.

6.3. There are two main risks associated with the Capital Programme.

- Firstly, the ability to deliver the capital programme within the agreed timescales. Slippage from 2017/18 is fully funded over the Financial Strategy period but this in itself will increase pressure on the Council to deliver the anticipated 2018/19 programme.
- Secondly, the draft three year programme includes projects funded from anticipated capital receipts. In the current climate these receipts may be lower than anticipated or may not materialise in the expected timeframe which will have to be managed through a robust monitoring process.

6.4 The capital programme will be actively managed and reprofiled during the course of the financial year to reflect scheme delivery timescales and revisions to funding agreements for projects. At the end of the year, however, slippage within the programme normally occurs which had not previously been anticipated. This will be due to delays in delivery of schemes and the net of underspends and overspends against specific projects. As shown in Table 2 below, in 2016/17 there was slippage of £9.288m which represents 17% of the revised capital programme. Action has already been taken during the course of 2017/18 to reprofile budgets to future years to reflect latest data on project delivery.

**Table 2: Three Year Capital position (£000's)**

	2016/17	2017/18	2018/19
Capital Programme	+55,868	+66,058	+53,398
Reprofile Budgets	-1,436	+2,291	-
Revised Capital Programme	+54,432	+68,349	+53,398
Slippage	-9.288	-10,073	-
Actual Capital Programme	45.144	+58,276	+53,398

6.5 The capital programme includes a target for capital receipts to be delivered to ensure the programme is fully funded and removing the necessity for prudential borrowing to be undertaken to meet a funding gap. This target generally decreases during the course of the year to reflect the reprofiled budget, however the full capital receipt target will still be required to fully fund the capital programme.

6.6 Over the last 2 years (2016/17 and 2017/18) the level of capital receipts have been sufficient for a balance of capital receipts to be carried forward to offset any requirement for funding in the next financial year. This has been managed by natural slippage in the programme which has enabled other sources of funding to be used initially. In 2018/19 the level of capital receipts required is £19.3m and a shortfall of

£4.9m currently exists within receipt projections. There are currently £15.3m of further assets being considered for disposal which could address this shortfall. Whilst every effort will be made to bring this level of resources in to the Council, should there be a delay in the delivery schedule of capital receipts it is anticipated that this will again be controlled through natural and potentially managed slippage in the capital programme.

## **7. The Framework for the General Balance**

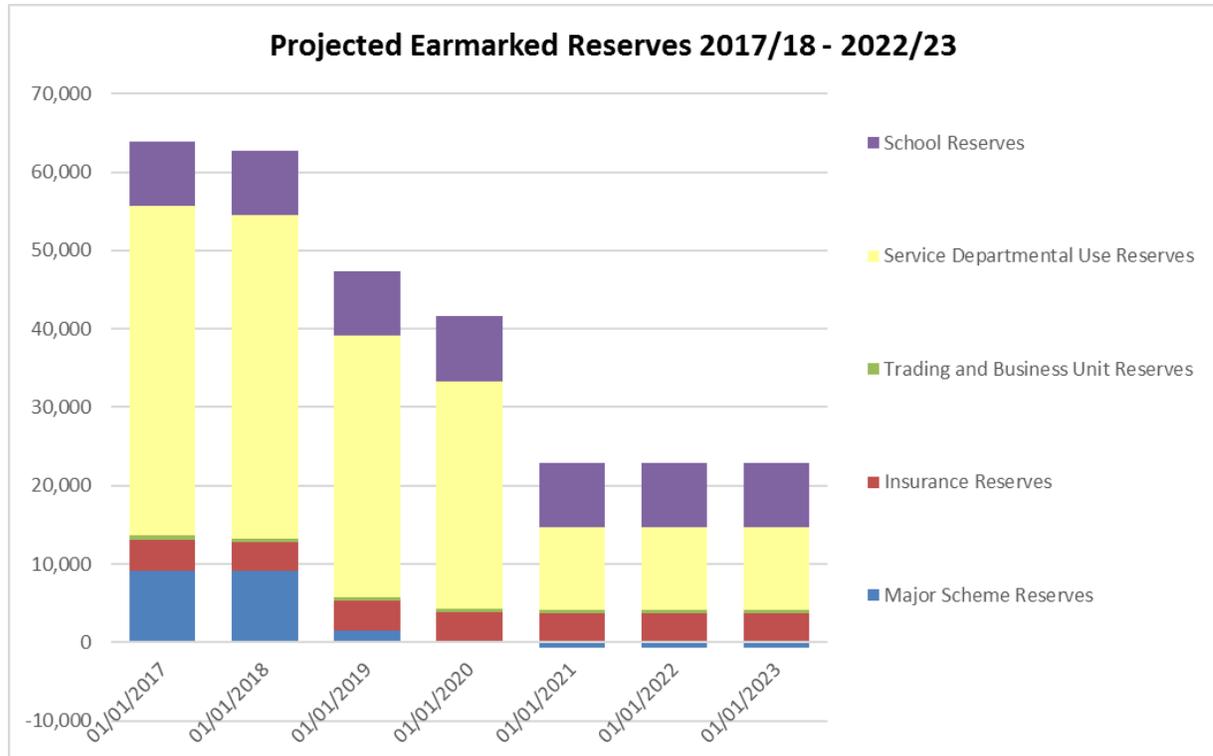
- 7.1 A Framework has been developed to identify areas of risk with an appropriate budget amount, an assessed level of risk (high, medium and low) and a percentage factor which will vary according to the level of risk. This process produces a value from which a risk assessed optimum level of general balance can be created.
- 7.2 There are six main areas that the General Fund Balance is required to cover and the individual risks within these areas have been considered. These risks are detailed, with explanatory text, in Appendix 1, while Appendix 2 provides a summary of the calculation for the general balance.
- 7.3 The risk based assessment of the General Fund Balance was examined in detail by a Task and Finish Group of the Performance Management Scrutiny Committee in 2016, to confirm that the method for calculating the indicative risk based General Fund Balance was a sound basis. It was agreed that this method does cover and appropriately measures the potential financial risks that the Council needs to provide for and so should continue to be used in future years.

## **8. Review of Earmarked Reserves and Provisions**

- 8.1 A review of the earmarked balances held by the Council has also been performed to establish the purpose of the reserves and the likely timescale that these reserves will be utilised.
- 8.2 Earmarked reserves are created to meet known or predicted requirements in the future. There are 5 main categories of earmarked reserves that the Council holds:
  - Sums set aside for major schemes, such as capital developments, or to fund major reorganisations
  - Insurance Reserves
  - Reserves of trading and business units
  - Reserves retained for service departmental use
  - School Balances
- 8.3 The Council held balances of £63.859m in earmarked reserves at 31 March 2017 which includes schools budget balances of £8.213m. During the course of 2017/18 it is anticipated that a net £1.119m will be drawn down from earmarked reserves to fund commitments during the year. Balances taken forwards include contributions of £24.556m to fund the known funding gap in 2018/19 and future years as agreed in the Financial Strategy paper to Cabinet in December 2016. A full breakdown of the

earmarked reserves is attached at Appendix 3 with details of the purpose of each reserve.

8.4 A projection has been made on the level of earmarked reserves that will be held over the next 5 years of the financial strategy based on likely timescales of when these balances will be used to fund known commitments, investment in service redesign and help to smooth the impact of savings proposals. Overall a reduction of 64% is anticipated in the earmarked reserves held with the most significant reduction coming within the Financial Strategy Reserve in the next three years, and this is shown in the graph below.



## 9. General Fund Balance

9.1 It is essential in setting a balanced budget that the Council has money available in the event of unexpected spending pressures. The “balances” need to reflect spending experience and risks to which the Council is exposed.

9.2 The revenue monitoring reports have provided members with an updated projection on the General Fund and the projected General Fund Balance is provided below:

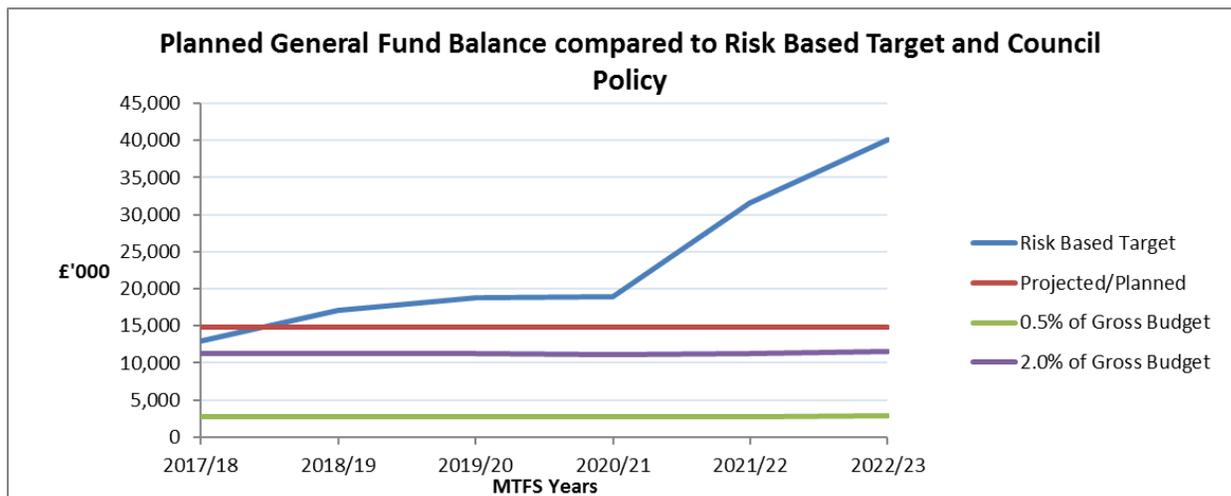
	<b>£'000</b>
General Fund balance as at 31 March 2017	14,827
Projected outturn (underspend)	59
<b>Projected balance as at 31 March 2018</b>	<b>14,886</b>

9.3 The Financial Strategy previously recognised that balances needed to be increased to the risk assessed level and additional base budget contributions were made over the previous 4 years to increase the balance to its current level. The budget no longer includes any base budget contribution and so the projected level as per the Financial Strategy is now expected to remain at £14.886m. The risk based calculation for the General Fund Balance is significantly higher than this value over the course of the 5 year Financial Strategy as shown below:

**Table 3: Comparison of Risk Based Calculation to Projected General Fund**

	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000
Risk assessed level of General Fund Balance	17,081	18,830	18,879	31,518	40,037
Projected level of General Fund Balance as per Financial Strategy	14,886	14,886	14,886	14,886	14,886

9.4 The general reserve balance is below the risk assessed balance in 2018/19 and remains so in 2019/20 and beyond. The gap grows significantly in 2021/22 and again in 2022/23. This is reflective of the remaining funding gap in these years as set out in the Financial Strategy. Furthermore, there are a number of funding sources that have not yet been confirmed as part of the multi-year settlement that the Council has signed up to. Whilst it is anticipated that the Council will pursue savings and efficiencies or even increase council tax to help reduce this gap, there is a risk that a significant funding gap will still remain that may fall on the General Fund Balance. It should be noted that 2020/21 is the year that a new fair funding formula will be implemented. It is not known at this point whether this will be favourable or present the Council with a further funding pressure. In light of this combined additional risk the Council should consider planning for future contributions to the General Fund Balance in order to bring the balance in line with the risk based assessment.



9.5 It can be seen from the graph above that the projected and risk assessed balance is anticipated to be greater than the balance required as per the Council's current policy of holding between 0.5% and 2% of the Gross Revenue Budget. This policy was adopted by the Council in order to provide a sufficient balance that would cover any potential liabilities, however as the financial position of local authorities has been affected by the uncertainty around Government funding reductions, this has led to the need to hold significantly higher balances than this policy provides for. It therefore seems appropriate that the Council's policy for holding the General Fund Balance is reviewed and amended accordingly to reflect the more uncertain financial environment that the Council is faced with.

<b>List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)</b>
<b>Cabinet Member (Portfolio Holder)</b> Peter Nutting - Leader
<b>Local Member</b> All
<b>Appendices</b> Appendix 1: Analysis of Budget Assumptions and Financial Risks, including the Council's Financial Management Arrangements and Appropriate Mitigation Appendix 2: Risk Based Calculation of General Fund Balances Appendix 3: Earmarked Reserves

## Analysis of Budget Assumptions and Financial Risks, including the Council's Financial Management Arrangements and Appropriate Mitigation

Budget Assumption	Explanation of Risk	Financial Standing and Management and Mitigating Action
1. The treatment of inflation	<p>There are two key issues in relation to inflation.</p> <ul style="list-style-type: none"> <li>• There may be some items of expenditure – fuel or energy costs for example - where any estimate of inflation is a ‘best guess’. The risk assessment puts a figure to the higher level of inflation that would seem to be unreasonable to include in a budget, but might come to pass.</li> <li>• Information is less accurate for years 2 onwards; the risk assessment covers the higher range.</li> </ul> <p>It is difficult to predict the direction that the wider economy will take and thus the level of inflation required.</p>	<p>Pay – 2% has been provided in the 2018/19 budget to reflect the pay award (pending) for staff with 1% thereafter. Funding has also been provided for increments due to be awarded for 2018/19 based on existing staffing levels.</p> <p>Pension contribution rates are at the increased rate of 14.8% introduced in 2017/18</p> <p>Price inflation has been provided on contractually or quasi-contractually committed budgets at the rate stated in the relevant agreement.</p>
2. Interest rates on borrowing and investment	<p>This issue here are similar to those in 1 above, but for a specific area.</p> <p>The Council’s policy of generating capital receipts to prevent new borrowing, and allowing existing borrowing to mature has resulted in a reduction in available cash balances to invest. The level of interest rates on investments has also dropped to record lows resulting in reduced returns on cash balances. In the past it was possible for the Council to lend money and get a better interest rate than it was paying for borrowed money.</p> <p>The Council’s borrowing has been undertaken at fixed rates of interest and so the level of interest payable is not considered as a risk to variable rates. However if borrowing should be required, there is a potential risk that any new borrowing may not be secured at similar interest rates to those currently budgeted for.</p>	<p><b>a.</b> Interest receivable budgets have been set based on 0.6% interest receivable. These range from investments for 12 months gaining 0.61% to short term call accounts which gain between 0.05% and 0.4%.</p> <p><b>b.</b></p> <p><b>c.</b> The average interest rate of the total debt portfolio (excl. HRA) is calculated at 5.1% for 2018/19 and this is used for all borrowing costs.</p> <p><b>d.</b></p>
3. Estimates of the level and timing of capital receipts.	<p>The Council has developed an asset management strategy and has a policy of reducing borrowing costs around the capital programme where possible. Therefore the capital programme is dependent on the delivery of capital receipts. The planned receipts estimated to the Council are made more difficult due to reducing market values and problems for potential procurers in obtaining finance.</p>	<p>Capital receipts are monitored monthly in the capital monitoring report and are RAG rated in terms of their anticipated delivery against target.</p>

## Appendix 1

Budget Assumption	Explanation of Risk	Financial Standing and Management and Mitigating Action
<p>4. The treatment of demand led pressures</p>	<p>There are long standing areas of risk due to volatility, where we budget for demographic changes in future years, but might find the actual is at the higher end resulting in a shortfall, particularly in the short term.</p> <p>Two areas specifically affected by demography are adult social care and children's social care, where we have seen significant budget pressures due to increasing numbers of clients receiving care packages.</p>	<p>Managers review their base budgets including demand led pressures. Services are expected to put forward management and policy actions to manage the additional demand within the relevant legislation either within the relevant budget or reprioritising within their Service budgets. If this is not possible and under-spending management action or policy actions in other Services are not sufficient to cover the additional demand, then reserves may have to be used to address the additional expenditure temporarily.</p> <p>Such an eventuality has been considered in future years' budgets and it is assumed that general fund reserves are restored to an appropriate prudent level over the course of the Financial Strategy.</p> <p>The 2018/19 budget has been based upon specific demand levels identified during budget monitoring in 2016/17 and early 2017/18 and projections made by Heads of Service of demand levels in future years. In adults the growth model is relied upon.</p>
<p>5. The treatment of efficiency savings</p>	<p>The budget includes improvement programmes that will deliver savings; the risk is that they may be delivered at a slower rate.</p> <p>This includes total savings targets of £43m over the next five years projected in the Financial Strategy which will have risks involved in terms of delivery, and also from delays in delivery. It should also be noted that from year three of the Financial Strategy the Council has a funding gap of £0.2m which rises to £25.8m will require compensatory savings to be identified. The savings whilst achievable are ambitious and this should be reflected in the risk factor applied.</p>	<p>All Managers have a responsibility to ensure the efficient delivery of services and when efficiency savings are proposed that those savings are both realistic in terms of the level of savings and timing.</p> <p>Should the level and timing of such savings vary due to unforeseen events and under-spending, management action or policy actions within the relevant Service Area and corporately will be implemented where appropriate. Alternatively the General Fund Balance will be utilised as a temporary funding mechanism until the full savings are achieved.</p> <p>If the funding gap remains unresolved by future savings plans the council will need to consider making further efficiencies and/or potentially increasing council tax.</p>

## Appendix 1

Budget Assumption	Explanation of Risk	Financial Standing and Management and Mitigating Action
<p>6. The financial risks inherent in any significant new funding partnerships, major outsourcing deals or major capital developments</p>	<p>The Council may decide to establish separate delivery vehicles in order to improve service delivery in the future. Full business cases are required for any services being considered for transfer to an alternative service vehicle.</p>	<p>The sharing of risk is in accordance with the principle of the risks being borne by the party best placed to manage that risk. Inherent risks include any guarantee or variation of service throughput (service volumes). If risks materialise the expectation is that such an eventuality will be considered in future years' budgets.</p> <p>Business cases for any new delivery vehicles will fully investigate any financial risks that the Council may face in the future and the Financial Strategy updated accordingly.</p>
<p>7. The availability of other funds to deal with major contingencies</p>	<p>Were a disaster to occur, we have to have a reserve in place to pick up costs that will fall to the Council.</p> <p>The impact of flooding within the Council area based on present experience is that it is limited to localised pockets.</p> <p>The geographical area covered by the Council has resulted in budget pressures in some years due to extreme weather conditions and additional costs such as snow clearance. Changes to the base budget provision has been made in previous years to help mitigate this, but overspends in previous years have, at times, been in excess of this growth level. In more recent years it has not been necessary to utilise all available funding, but a risk remains.</p> <p>Other disasters such as those relating to ICT could occur on a one off basis.</p>	<p>The level of reserves assumes that management and policy actions will be taken to address major contingencies. Should these be insufficient, the general fund balance may have to be used.</p> <p>An earmarked reserve has been established for Severe Weather however any pressure not covered by this reserve would need to be funded from the general fund balance. A risk based approach in calculating the general fund balance takes into consideration the types of incidents and costs associated and this is reviewed annually.</p> <p>The Council's insurance arrangements are a balance between external insurance premiums and internal funds to "self-insure" some areas. Premiums and self-funds are reactive to external perceptions of the risks faced by the Council which includes both risks that are generic to all organisations and those specific to the authority. Therefore the values of Insurance Reserves are reviewed each year to ensure that the optimum balance is held based on the level of outstanding liabilities.</p> <p>Any major incident or emergency may result in significant costs to the Council. Depending on the incident concerned, the Council may be able to recover such costs through the Bellwin Scheme however the Council would need to cover any expenditure up to the agreed threshold level. This level is fully included within the Council's general fund balance.</p>
<p>8. Impact on council funding of announcements of national changes</p>	<p>Council funding is always subject to change, especially in the current economic climate. However the Financial Strategy takes account of projected changes in the Revenue Support Grant and specific</p>	<p>The major risk factor included is in relation to the Housing Benefits grants which the Council receives. Changes are planned for welfare benefits which may increase the Council's exposure to costs over and above</p>

## Appendix 1

Budget Assumption	Explanation of Risk	Financial Standing and Management and Mitigating Action																					
	government grants.	the grant that is received. This has been factored into the General Fund risk based calculation.																					
9. The overall financial standing of the authority (level of, debt outstanding, council tax collection rates etc.)	<p>Changes may mean doing things in a way for which we have no ready evidence and any assumptions made may be wrong. Additionally, the areas of change will alter over time.</p> <p>An allowance for budget pressures has been built in to accommodate any corrective action that needs to be taken if the assumptions about changes in service delivery should change.</p> <p>In the current economic downturn the risk of collecting all income due to the Council is enhanced, which includes all sundry debt, and charges relating to Council Tax and Business Rates. Any such pressure identified should be evaluated and provided for.</p> <p>Income from fees and charges is also vulnerable to change based on the current economic climate. This is likely to continue and is adjusted for within the Financial Strategy, but is subject to short term negative variations from year to year.</p>	<p>The level of aged debt within the sundry debtors figure is monitored reported to management regularly so that the appropriate action may be taken. Bad debt provisions are maintained to protect the budget against any such pressures, but should these not be sufficient, the general fund would be used.</p> <p>The assumed Council Tax collection rate for 2018/19 onwards is 97.8% and is judged to be achievable based on previous experience. Legislation states that any Collection Fund surplus/deficit be corrected through the Council Tax in the next year. The surplus is distributed in 2018/19.</p> <p>An income review is produced for Cabinet covering income from fees and charges. This review considers the level of income as monitored in the quarterly revenue monitors to Cabinet, and considers the impact of increases in charges, or the freezing of charges on the 2018/19 budget.</p>																					
10. The authority's track record in budget and financial management.	<p>Any overspend realised in a financial year would result in the use of the general fund balance. The Council has identified that general fund balances need to be in place in order to protect the Council against specific financial risks, and so any general overspend due to weaknesses in budget management, undermine any planned action being taken on the General Fund Balance.</p> <p>Financial management needs to be considered across all service areas of the Council. If a particular service area is unable to manage a particular overspend pressure, this may present a need to use general fund balance in the current financial year. Also this may have implications on future level of balances if no action is taken to reduce the spending pressure for the service area in future years or offset by compensating savings.</p>	<p>The Council's recent track record in budget and financial management 2012 to 2018 shows potential variations from a £0.3m overspend to a £2.8m underspend (a range of £3m).</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th style="text-align: center;">Financial Year</th> <th style="text-align: center;">(£'000)</th> <th style="text-align: center;">Underspend/ Overspend</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">2012/13</td> <td style="text-align: center;">284</td> <td style="text-align: center;">Over</td> </tr> <tr> <td style="text-align: center;">2013/14</td> <td style="text-align: center;">(390)</td> <td style="text-align: center;">Under</td> </tr> <tr> <td style="text-align: center;">2014/15</td> <td style="text-align: center;">(300)</td> <td style="text-align: center;">Under</td> </tr> <tr> <td style="text-align: center;">2015/16</td> <td style="text-align: center;">(2,816)</td> <td style="text-align: center;">Under</td> </tr> <tr> <td style="text-align: center;">2016/17</td> <td style="text-align: center;">(894)</td> <td style="text-align: center;">Under</td> </tr> <tr> <td style="text-align: center;">2017/18*</td> <td style="text-align: center;">(59)</td> <td style="text-align: center;">Under</td> </tr> </tbody> </table> <p>* As projected at Quarter 3 monitoring</p> <p>This has been achieved by careful management and policy actions to ensure spending is in line with the budget each year.</p> <p>Ultimately, financial performance relies on all budget holders actively managing their</p>	Financial Year	(£'000)	Underspend/ Overspend	2012/13	284	Over	2013/14	(390)	Under	2014/15	(300)	Under	2015/16	(2,816)	Under	2016/17	(894)	Under	2017/18*	(59)	Under
Financial Year	(£'000)	Underspend/ Overspend																					
2012/13	284	Over																					
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## Appendix 1

Budget Assumption	Explanation of Risk	Financial Standing and Management and Mitigating Action
		<p>budgets and complying with financial rules, including not committing expenditure if there is no budget provision available.</p> <p>The most recent three years outturn (estimated outturn for 2017/18) position suggests that variances are underspends.</p> <p>The authority needs to continually improve its ability to manage in-year budget pressures. The following steps are already in place:</p> <ul style="list-style-type: none"> <li>• Accuracy of projections has improved over the year, but further work is required, particularly in light of redesign work being undertaken.</li> <li>• The monitoring system continues to be improved in terms of accuracy, the frequency of reporting and the challenge process.</li> </ul> <p>Collaborative Planning budget monitoring tool is now used within the Council to improve the financial information provided and the consistency of financial reports produced.</p> <p>The Council's virement and carry forward rules are clear and detailed in the Constitution.</p>

Risk Based Calculation of General Fund Balances

Calculation of Risk Assessed General Fund Balance																			
2017/18					2018/19			2019/20			2020/21			2021/22			2022/23		
Budget/ Value £000	Risk Level	Risk Assessed General Fund £000	Budget Assumption	Area of Risk	Budget/ Value £000	Risk Level	Risk Assessed General Fund £000												
<b>Treatment of inflation and interest rates</b>																			
98,095	0.25%	245	Inflation	Salaries	95,677	0.25%	239	92,811	0.25%	232	92,809	0.25%	232	92,807	0.25%	232	92,805	0.25%	232
23,870	2.00%	477		Premises	23,281	2.00%	466	22,584	2.00%	452	22,583	2.00%	452	22,583	2.00%	452	22,582	2.00%	452
29,584	1.00%	296		Transport	28,855	1.00%	289	27,990	1.00%	280	27,990	1.00%	280	27,989	1.00%	280	27,989	1.00%	280
69,165	0.25%	173		Supplies & Services	67,461	0.25%	169	65,440	0.25%	164	65,438	0.25%	164	65,437	0.25%	164	65,436	0.25%	164
165,998	0.25%	415		Third Party Payments	161,906	0.25%	405	157,056	0.25%	393	157,053	0.25%	393	157,050	0.25%	393	157,047	0.25%	393
71,746	0.25%	179		Transfer Payments	69,978	0.25%	175	67,881	0.25%	170	67,880	0.25%	170	67,879	0.25%	170	67,877	0.25%	170
<b>1,786</b>			<b>Total Inflation</b>		<b>1,742</b>			<b>1,690</b>			<b>1,690</b>			<b>1,689</b>			<b>1,689</b>		
268,397	0.00%	0	Interest rates	Existing Borrowing	262,397	0.00%	0	258,397	0.00%	0	254,397	0.00%	0	242,397	0.00%	0	242,397	0.00%	0
0	0.00%	0		New Borrowing	0	0.00%	0	0	3.10%	0	0	3.10%	0	0	3.10%	0	0	3.10%	0
6,400	1.00%	64		PWLB	6,000	1.00%	60	4,000	1.00%	40	4,000	1.00%	40	12,000	1.00%	120	0	1.00%	0
152,233	0.50%	761		Investment	152,233	0.50%	761	152,233	0.50%	761	152,233	0.50%	761	152,233	0.50%	761	152,233	0.50%	761
<b>825</b>			<b>Total Interest Rates</b>		<b>821</b>			<b>801</b>			<b>801</b>			<b>881</b>			<b>761</b>		
<b>Level and timing of capital receipts</b>																			
-18,414	0.00%	0		Land Sales	4,903	0.00%	0	5,030	5.00%	252	114	5.00%	6	0	5.00%	0	0	5.00%	0
13,342	0.00%	0		Required for new Powers to use for Revenue	13,342	0.00%	0	13,342	3.10%	414	13,342	3.10%	414	13,342	3.10%	414	13,342	3.10%	414
<b>0</b>			<b>Total Capital Receipts</b>		<b>0</b>			<b>665</b>			<b>419</b>			<b>414</b>			<b>414</b>		
<b>Treatment of demand led pressures</b>																			
135,219	0.00%	0	Demand Led	Adult Social Care	136,450	1.00%	1,364	137,692	1.00%	1,377	138,945	1.00%	1,389	140,209	1.00%	1,402	141,485	1.00%	1,415
15,478	5.00%	774	Pressures	Childrens Social Care	15,958	2.00%	319	16,452	2.00%	329	16,961	2.00%	339	17,486	2.00%	350	18,028	2.00%	361
<b>774</b>			<b>Total Demand Led Pressures</b>		<b>1,684</b>			<b>1,706</b>			<b>1,729</b>			<b>1,752</b>			<b>1,775</b>		
<b>Treatment of planned efficiency savings/productivity gains</b>																			
15,026	15.72%	2,363	Efficiency Savings	17/18 non achievement of savings	15,026	0.00%	0	15,026	0.00%	0	15,026	0.00%	0	15,026	0.00%	0	15,026	0.00%	0
15,026	1.67%	251		17/18 slippage of savings	15,026	0.00%	0	15,026	0.00%	0	15,026	0.00%	0	15,026	0.00%	0	15,026	0.00%	0
				18/19 non achievement of savings	15,804	25.00%	3,951	15,804	0.00%	0	15,804	0.00%	0	15,804	0.00%	0	15,804	0.00%	0
				18/19 slippage of savings	15,804	5.00%	790	15,804	0.00%	0	15,804	0.00%	0	15,804	0.00%	0	15,804	0.00%	0
				19/20 non achievement of savings				19,207	25.00%	4,802	19,207	0.00%	0	19,207	0.00%	0	19,207	0.00%	0
				19/20 slippage of savings				19,207	5.00%	960	19,207	0.00%	0	19,207	0.00%	0	19,207	0.00%	0
				20/21 non achievement of savings				0	0.00%	0	0	0.00%	0	0	0.00%	0	0	0.00%	0
				20/21 slippage of savings				0	0.00%	0	0	0.00%	0	0	0.00%	0	0	0.00%	0
				20/21 funding gap requiring savings				188	50.00%	94	188	0.00%	0	188	0.00%	0	188	0.00%	0
				21/22 non achievement of savings							3,850	25.00%	963	3,850	25.00%	963	3,850	0.00%	0
				21/22 slippage of savings							3,850	5.00%	193	3,850	0.00%	0	3,850	0.00%	0
				21/22 funding gap requiring savings							22,194	50.00%	11,097	22,194	0.00%	0	22,194	0.00%	0
				22/23 non achievement of savings										4,469	25.00%	1,117	4,469	5.00%	223
				22/23 slippage of savings										4,469	5.00%	223	4,469	5.00%	223
				21223 funding gap requiring savings										25,849	50.00%	12,924	25,849	50.00%	12,924
<b>2,614</b>			<b>Total Efficiency Savings</b>		<b>4,741</b>			<b>5,762</b>			<b>94</b>			<b>12,252</b>			<b>14,265</b>		

Continued...

...Continued

<b>Availability of reserves, government grants and other funds to deal with major contingencies and the adequacy of provisions</b>																
3,547	24.00%	851	Insurance and	Provision	3,547	24.00%	851	3,547	24.00%	851	3,547	24.00%	851	3,547	24.00%	851
3,901	24.00%	936	Emergency	Reserve	3,901	24.00%	936	3,901	24.00%	936	3,901	24.00%	936	3,901	24.00%	936
500	Quantum	500	Planning	ICT Disaster	500	Quantum	500									
500	Quantum	500		Other Incident	500	Quantum	500									
433	Quantum	433		Bellwin	433	Quantum	433									
1,923	20.00%	385		Severe Weather	1,923	20.00%	385	1,923	20.00%	385	1,923	20.00%	385	1,923	20.00%	385
		<b>3,605</b>		<b>Total Insurance and Emergency Planning</b>			<b>3,605</b>			<b>3,605</b>			<b>3,605</b>			<b>3,605</b>
14,717	0.00%	0		Other Government Settlement Changes	18,936	5.00%	947	20,612	5.00%	1,031	6,910	100.00%	6,910	7,239	100.00%	7,239
67,258	0.25%	168		Housing Benefits	67,100	0.25%	168	67,100	0.25%	168	67,100	0.25%	168	67,100	0.25%	168
761	50.00%	380		Academy School transfer leaving deficit budget	761	50.00%	380	761	50.00%	380	761	50.00%	380	761	50.00%	380
		<b>548</b>		<b>Total Funding Changes</b>			<b>1,495</b>			<b>1,579</b>			<b>7,458</b>			<b>14,332</b>
<b>General Financial Climate</b>																
1,485	5.00%	74	General Financial	Debt Collection	1,485	10.00%	148	1,485	10.00%	148	1,485	10.00%	148	1,485	10.00%	148
134,221	0.50%	671	Climate	Council Tax	145,638	0.50%	728	152,618	0.50%	763	161,485	0.50%	807	170,867	0.50%	854
41,621	1.00%	416		Business Rates	40,310	1.00%	403	41,039	1.00%	410	41,781	1.00%	418	42,536	1.00%	425
34,045	2.00%	681		Discretionary Income	34,159	2.00%	683	34,159	2.00%	683	34,159	2.00%	683	34,159	2.00%	683
		<b>1,842</b>		<b>Total General Financial Climate</b>			<b>1,963</b>			<b>2,005</b>			<b>2,057</b>			<b>2,111</b>
204,527	0.50%	<b>1,023</b>		<b>Additional Budget Pressures</b>	206,073	0.50%	<b>1,030</b>	203,377	0.50%	<b>1,017</b>	205,289	0.50%	<b>1,026</b>	205,289	0.50%	<b>1,026</b>
		<b>13,017</b>		<b>TOTAL RISK ASSESSED GENERAL FUND</b>			<b>17,081</b>			<b>18,830</b>			<b>18,879</b>			<b>31,518</b>

## APPENDIX 3

### Earmarked Reserves

Reserves	2017/18		Balance Carried Forward (£'000)
	Balance Brought Forward (£'000)	Anticipated Movement (£'000)	
<b>Sums set aside for major schemes, such as capital developments, or to fund major reorganisations</b>			
Redundancy	0	0	0
Revenue Commitments for Future Capital Expenditure	3,889	169	4,058
Development Reserve	1,740	-248	1,492
Invest to save Reserve	3,342	-6	3,336
University	197	0	197
	<b>9,168</b>	<b>-85</b>	<b>9,083</b>
<b>Insurance Reserves</b>			
Fire Liability	2,786	0	2,786
Motor Insurance	1,064	-143	922
	<b>3,850</b>	<b>-143</b>	<b>3,707</b>
<b>Reserves of trading and business units</b>			
Shire Catering and Cleaning Efficiency	635	-148	486
	<b>635</b>	<b>-148</b>	<b>486</b>
<b>Reserves retained for service departmental use</b>			
Building Control	76	-76	0
Care Act Reserve	284	-20	265
Economic Development Workshops Major Maintenance	160	20	180
External Fund Reserve	489	17	506
Financial Strategy Reserve	28,601	1,067	29,668
Highways Development & Innovation Fund	517	-473	44
Major Planning Inquiries	0	0	0
New Homes Bonus	4,788	-222	4,566
Planning Reserve	0	0	0
Public Health Reserve	1,073	74	1,147
Repairs & Maintenance Reserve	1,461	-614	847
Resources Efficiency	740	-14	726
Revenue Commitments from Unringfenced Revenue Grants	1,348	-265	1,082
Severe Weather	2,155	-170	1,985
Shropshire Waste Partnership (Smoothing)	0	0	0
Theatre Severn R&M	0	0	0
TMO Vehicle Replacement	300	-66	234
	<b>41,917</b>	<b>-667</b>	<b>41,250</b>
<b>School Balances</b>			
Balances held by schools under a scheme of delegation	6,280	0	6,280
Education – Staff Sickness Insurance	0	0	0
Education – Theft Insurance	68	0	68
Schools Building Maintenance Insurance	1,866	0	1,866
	<b>8,213</b>	<b>0</b>	<b>8,213</b>
<b>Total Reserves</b>	<b>63,859</b>	<b>-1,119</b>	<b>62,740</b>

# Pay and Reward Policy Statement For All Council Staff 2018-2019

## Contents

1. Introduction
2. Legal Framework
3. Definitions
4. Principles
5. Notice Periods
6. Pensions
7. Senior Pay
8. Accountability and Decision Making on Remuneration and Reward
9. Review of Policy

## Appendices

- i) **Appendix A – Shropshire Council Pay Scales (NJC Staff)**
- ii) **Appendix B – Pensions and Retirement Policy**
- iii) **Appendix C – Redundancy and Compensation Policy**

## Summary

Shropshire Council recognises the importance of managing pay fairly and in a way that motivates staff to make a positive contribution and support the delivery of the Council's objectives. The pay policy details our approach to managing pay and reward in a way which supports the aims and objectives of the organisation.

This policy applies to all council staff, excluding schools where a separate policy exists.

### 1.0 Introduction

- 1.1 Shropshire Council has a clear written policy on wages and salaries for all staff employed at the Council to ensure that all staff are rewarded fairly, without discrimination, for all the work they do.
- 1.2 When reviewing the pay policy, Trade Union Representatives will be consulted as appropriate and their views taken into account when deciding the respective elements of the pay policy.
- 1.3 Shropshire Council recognises that pay is not the only means of rewarding and supporting staff, and the Council endeavours to ensure that all staff have good working conditions, regular access to appropriate development and training opportunities, and other forms of financial and non-financial reward.
- 1.4 This policy aims to reflect:-

- pay and grading underpinned by job evaluation (where a scheme exists)
- fairness and equality of opportunity
- the need to encourage and enable people to perform to the best of their ability
- the need to recruit and retain skilled, experienced, and qualified staff in a competitive market

1.5 Shropshire Council's employment offer includes a wider range of benefits alongside pay

- access to learning and development
- access to local government pension scheme
- flexible working where this fits business needs
- Performance management which incorporates smart objectives and behaviours
- access to a range of benefits offered through 'Shropshire Rewards'
- carrying out work which is of public value and contributes to making Shropshire a great place to live and work.

1.6 To make these principles work, Shropshire Council needs remuneration arrangements which:-

- Are based on a clear and rational process for setting and reviewing the pay of employees;
- Provide a pay framework and levels of remuneration which are sufficiently flexible and reasonably competitive, taking account of relevant benchmarking, and market related pay data at local and national level;
- Enable the Council to recruit and retain employees with the required skills, knowledge and experience; and
- which are affordable by the Council and support the provision of good quality public services.

1.7 Shropshire Council will make this policy and any related procedures available to all staff, ensuring that any concerns, complaints or formal appeals about its application are managed promptly, fairly and objectively.

1.8 Shropshire Council wishes to ensure that development and promotion opportunities, where possible, are available to all employees.

1.9 Shropshire Council will not promote staff through the grading system nor use other pay mechanisms in order to assist in securing an employee's improved pension entitlement on retirement.

## **2.0 Legal Framework**

2.1 The primary legislation governing equal pay is the Equalities Act 2010 and subsequent amendments. This requires employers to ensure that men and women in the same employment, carrying out equivalent work (as defined below), receive the same level of pay. The following terms are contained in Equal Pay Legislation:

- 'Like work' is defined as work which is the same or broadly similar
- 'Work rated as equivalent' is defined as work which has achieved the same or similar number of points under a job evaluation scheme.

- 'Work of equal value' is defined as work which is broadly equal in value when compared under headings such as effort, skill and decision making responsibility.

- 2.2 In addition, indirect discrimination has been incorporated into equal pay as a result of case law in the UK and Europe. Indirect discrimination may arise when the pay policy has a disproportionate impact on one particular sex.
- 2.3 Differences in pay may be justified where it is established that the difference is for a genuine and material reason which is not related to gender.
- 2.4 From April 2018 all employers with more than 250 employees will be required to report on the Gender Pay Gap. This information will be published on Shropshire Council's website.

### **3.0 Definitions**

- 3.1 For the purposes of this policy and in line with legislation, pay is defined by Article 141 of the Treaty of Rome as:  
*The ordinary basic or minimum wage or salary and any other consideration, whether in cash or kind, which the worker receives, directly or indirectly, in respect of his (or her) employment from his (or her) employer.*
- 3.2 Pay therefore includes allowances, pensions, discretionary bonuses, annual leave and sick pay, as well as other non-financial benefits such as vocational training.
- 3.3 Chief Officer means the Head of Paid Service - Chief Executive, Director of Children's Services, Director of Adult Services, Director of Public Health, Director of Place & Enterprise, Monitoring Officer, Section 151 Officer, and Heads of Service. For further details of the Council's delegations to officers including delegations to Chief Officers, see Part 8 of the Council's Constitution or follow the link below:

<http://shropshire.gov.uk/committee-services/ecSDDisplay.aspx?NAME=Part%208%20Delegations%20to%20Officers&ID=372&RPID=0&sch=doc&cat=13331&path=13331>

## **4.0 Principles**

### **4.1 Pay Structures**

- 4.1.1. Shropshire Council's pay structure is currently split across three sectors, described below. The pay range for a large proportion of staff will be based on the NJC framework for Local Government Services. (The Green Book). The national pay spine will apply for posts on Grades 1 to PO 22 / Band 15. Salaries in Shropshire Council have been reduced, as part of changes by the Council to staff terms and conditions of employment, except for those employees on the lowest pay levels, in two stages October 2011 and again in October 2012. In the latter there was a pay increase and a pay reduction wrapped into the change.

Current arrangements for these grades provide for individuals to receive annual incremental progression within the grade.

(NB. Incremental progression was frozen from 1 April 2011 until 31<sup>st</sup> March 2013 and reinstated from 1 April 2013.)

- 4.1.2. All other pay related allowances are the subject of either nationally or locally negotiated rates, having been determined from time to time in accordance with collective bargaining machinery and/or as determined by Council Policy. In determining its grading structure and setting remuneration levels for all posts, the Council takes account of the need to ensure value for money in respect of the use of public expenditure, balanced against the need to recruit and retain employees who are able to meet the requirements of commissioning or providing high quality services to the community, delivered effectively and efficiently and at the times at which those services are required.
- 4.1.3. Equal Opportunity Considerations – pay and conditions will apply equally to employees working full-time and part-time in accordance with the Part-time Employment (Prevention of Less Favourable Treatment) Regulations 2000.

See Appendix A for current pay scales for Grade1 to PO22 / Band 15.

### **4.2 Pay Range – Grades 1 to 10**

- 4.2.1. For the majority of its staff, Shropshire Council operates a Grade 1 to 10 pay structure, ranging from spinal column point (SCP) 8 to SCP 34. The Shropshire grading structure has been developed through the local application of the National Joint Council (NJC) Job Evaluation Scheme. The NJC Scheme is designed for application within local authorities and provides a mechanism for reviewing the duties and responsibilities of the posts to determine the appropriate grade.
- 4.2.2. Salary on recruitment in all pay ranges should be set at a level within the range consistent with attracting and securing the appointment of good calibre people. Flexibility exists to pay a higher incremental point or a higher salary within the range for both recruitment and retention purposes. Such practice must be made within budgetary arrangements and taking account of equality implications.
- 4.2.3. The lowest remuneration for Council employees is Grade 1, SCP 8 £15,084 p.a. These are, in essence, the council's "lowest paid employees", by the fact that this grouping comprises the lowest paid workers in the council. These jobs have been objectively

evaluated against their job content in the course of the implementation of Job Evaluation in Shropshire Council. (The Council also employs apprentices who are not included within the definition of 'lowest paid' as they are temporary training posts).

- 4.2.4 Following national negotiations between the NJC and three trade unions (Unison, GMB and Unite), agreement was reached for a pay award for 2016-2018. The agreement covers employees on spinal column points scp 6 to 60. Negotiations are currently ongoing nationally in respect of a pay award for 2018/19 and 2019/20.
- 4.2.5 On 1 April 2016 the National Living Wage (NLW) for employees aged 25 or over came into effect. This started at £7.20 per hour and will rise annually to £9.00 by 2020.
- 4.2.6 Shropshire Council's pay structure was amended in agreement with the Trade Unions on 1 April 2016 to take account of the NLW. The pay structure starts at scp 8 and the values for 8, 9 and 10 are shown below:

Grade	Scp	Hourly Rate £
1	8	7.8189
2	9	7.8883
3	10	7.9391

### 4.3 Pay Ranges – Principal Officer (PO)

- 4.3.1. Shropshire Council has operated a PO pay scale, ranging from SCP 33 to SCP 57, across 22 grades. This means that each grade overlaps with the pay scale of the grade above and below. These cover posts requiring a high level of technical/ professional competence or have management responsibilities.
- 4.3.2. Work has been ongoing to implement a new pay structure for PO graded posts based on a 5 band, 5 increment pay structure with each band abutting (rather than overlapping) each other. This pay structure uses existing spinal column points and has been developed by carrying out a benchmarking job evaluation exercise on approximately 100 jobs using the Monks JE Scheme. Implementation of the new bands is being carried out as part of restructuring activities. All PO graded posts are in the process of being moved to the new banded pay structure.
- 4.3.4 As previously mentioned in 4.2.4 the NJC agreed a pay award made up of a % increase to salary which was implemented in April 2016 for all grades covering scp 8 to scp 60.

### 4.4 Pay Ranges – Senior Pay Band

- 4.4.1 The Senior Manager Pay bands were revised in December 2010. The bands were determined following an assessment of median base pay for Public Sector Managers carried out by Price Waterhouse Coopers in September 2010. The rates were reduced by 2.7% with effect from 1 January 2012, and were further reduced in October 2012 by 1.7%.
- 4.4.2 The Joint National Council (JNC) for Chief Officers agreed a pay award for the period 1<sup>st</sup> April 2016 to 31<sup>st</sup> March 2018. The award was 1% increase for all Chief Officers paid on 1<sup>st</sup> April 2016 and 1<sup>st</sup> April 2017. Negotiations are currently ongoing nationally in relation to a pay award for 2018/19 and 2019/20.

4.4.3 The current grades are shown below and take account of the positions detailed in 4.4.2 and 4.8.2

<b>Grade</b>	<b>Pay Range</b>	<b>Job Title</b>
SP 1	£103,010	Chief Executive
SP 2	£100,928	Director
SP 3	£88,443 to £93,645	Head of Service
SPB 4	£76,516 to £84,503	
SPB 5	£54,678 to £64,620	Service Manager

## 4.5 Other Pay Schemes

4.5.1 Shropshire Council has a small number of employees on other nationally determined pay scales and conditions, including:

- Soulbury (teaching staff now in Education Improvement Roles)
- NJC for Youth Workers
- NHS (TUPE staff only)

4.5.2 These pay schemes are used to give greater flexibility to meet particular service needs and assist in recruitment and retention of appropriately qualified and experienced staff within the respective sectors.

## 4.6 Salary Progression

### Grade 1 to PO22/PO Band 15 (scp 8 to scp 59)

- 4.6.1. Incremental progression within the evaluated grade is due on the 1<sup>st</sup> April each year based on performance at work, or 6 months after appointment if less than 6 months in the new grade by 1<sup>st</sup> April, i.e. an increment is paid after 6 months if the employee is appointed between 1<sup>st</sup> October and 31<sup>st</sup> March.
- 4.6.2. Posts are usually advertised within salary bands which contain several annual increments, and where the top of the salary band advertised represents the maximum incremental point within that pay range. Appointments are normally made at the minimum of the pay range, unless there is an objectively justifiable reason e.g. the candidate's previous experience or difficulties in recruiting at the lowest pay point. However, the advice of Human Resources must be sought in these cases, to ensure equality issues have been considered.
- 4.6.3. Incremental progression (for posts on NJC for Local Government Services terms and conditions) up to Band 14 within the pay range for the job takes place until the maximum SCP of the job is achieved.
- 4.6.4. For Band 15, individuals are appointed to one of three spinal column points (55, 57 or 59). There is no automatic incremental progression within this grade.
- 4.6.5. **Accelerated Increments** -The salary of an employee may be accelerated within the grade on the grounds of special merit or ability, by up to two increments, provided that the maximum of the grade is not exceeded. The additional benefit of increments granted in this way is not carried over on the regrading of the post or on the employee's promotion to a higher graded post.
- 4.6.6. **Additional Increments**
  - 4.6.6.1. Up to two additional increments may be granted to employees (graded on an NJC grade) beyond the normal maximum of the grade of the post to which they are appointed.
  - 4.6.6.2. The award of up to two additional increments may only be made to employees who have consistently achieved a high level of performance and who have made a significant contribution to the Council's work.
  - 4.6.6.3. All employees who have completed 35 years of service will be considered, but not automatically accepted for the additions.
  - 4.6.6.4. At any one time, the number of employees receiving additional increments shall not exceed 3% of the number of full time employees employed under the conditions of service to which the scheme applies.

#### **4.6.7. Honoraria**

- 4.6.7.1. An employee, who for any reason other than the annual leave of another employee is called upon at the request of their Directorate to undertake the full duties and responsibilities of a higher graded post for a continuous period of at least four weeks, is entitled to be paid in accordance with the grading of the post temporarily occupied. The salary to be paid in such circumstances is the salary that would apply if the employee were promoted to the higher graded post. Once the qualifying period of four weeks has been satisfied the higher salary will be paid with effect from the first day on which the employee was required to undertake the full duties and responsibilities of the higher post.
- 4.6.7.2. In any case where there is no automatic entitlement to a higher salary the Council may consider granting an honorarium (of an amount dependent upon the circumstances of each case) to an employee who performs duties outside the scope of his post over an extended period or where the additional duties and responsibilities involved are exceptionally onerous.

#### **4.6.8. Ex Gratia Payments**

- 4.6.8.1. The principal purpose of the ex-gratia payments scheme is to maintain the goodwill of staff who have suffered personal loss during the course of their duties and where no provision exists for the claim to be referred to the council's Insurers.

### **4.7 Senior Pay Band**

- 4.7.1 New appointments will normally commence on the bottom of the salary band or on an 'entry salary' within the bottom 10% of the salary band. However, this may be adjusted to take account of previous experience and remuneration.
- 4.7.2. Any additional payment within the Senior Pay Band will be based on performance in relation to the achievement of objectives and on meeting the behavioural competences set.
- 4.7.3 Progression within Senior Pay Band was frozen for 2 years until 1 April 2013, pending the implementation of a Performance Related Pay Scheme. Decisions have been made not to proceed with implementing such a scheme given the amount of change and service redesign that is taking place across the organisation. In April 2013, an Increment was created and applied to those on SPB5 in recognition of performance and in the absence of a formal Performance Related Pay Scheme. The increment was equivalent to 2.4% of current pay with n the grade and the value did not exceed the top of the pay band. No further pay progression within SPB5 has occurred since.
- 4.7.4 Given that the SPB grades for Senior Managers have been in place since 2010, it is intended to undertake a review of these grades during the year to ensure they are still fit for purpose.
- 4.7.5 **Senior Pay SP1 – Chief Executive Pay**
- 4.7.5.1 From national data produced for Local Government Employers, we have identified that the pay of the Chief Executive is circa 60% lower than the median salary when compared to other similar local authorities. There is significant risk to this local authority that the Chief Executive will leave for a higher paid post, or that if he should move on there is a real risk that at the current remuneration level we would not be able to recruit a suitable successor. In addition the low level of remuneration of the Chief Executive has a negative impact on the reputation of the Council.
- 4.7.5.2 A performance related pay element specifically for SP1 was established on 1 April 2016 which is a non-consolidated payment of up to £25,000 per annum. A performance related pay scheme with a mutually agreed set of objectives has been introduced to measure the performance of the Chief Executive.

## **4.8 Pay Review**

- 4.8.1. Grades 1 to PO22/PO Band 15 are reviewed in line with the National Pay Award for Local Government staff, as described in 4.2.4.
- 4.8.2. Shropshire Council's Senior Pay Bands are locally determined and not subject to national pay negotiations by the JNC for Chief Executives and Chief Officers in Local Authorities. There are no automatic cost of living increases any adjustments to the pay band range are based on affordability and market forces. In the absence of any other locally agreed method for pay determination for this group for 2016-18 the pay review reflected the nationally agreed award detailed in 4.4.2

## **4.9 Market Supplement**

- 4.9.1. Basic pay may be supplemented by a market supplement which reflects the current national or regional rate for the nature of the post, as long as market evidence on demand for these skills supports it. This market supplement will apply to a relatively small number of people, and will be subject to review, e.g. Children's Safeguarding Social Workers.
- 4.9.2. Any Market Supplements are reviewed annually and can be adjusted or removed in line with market changes.

## **4.10. Recruitment and Retention Payments**

4.10.1 The Head of Workforce & Transformation has delegated powers under Shropshire Council's Constitution to introduce and maintain employee benefits, other than the provision of cars, where these are likely to assist with recruitment and retention and where the costs can be found within existing budgets.

## **4.11 Pay Data**

4.11.1. Shropshire Council will obtain up to date local, regional and, if appropriate, national pay data to inform decision making on local pay awards and market levels, alongside, other relative factors e.g. labour turnover rates.

## **4.12 Allowances**

- **Sick pay**  
During 1st year of service 1 month's full pay  
During 2nd year of service 2 months' full pay  
During 3rd year of service 4 months' full pay  
During 4th and 5th years of service 5 months' full pay  
After 5 years of service 6 months' full pay
- **Overtime**  
Additional hours / overtime, which are not eligible for an enhancement (for night, weekend or public holiday work), will be paid at plain time.
- **Subsistence**  
Subsistence payments for reimbursement of the cost of breakfast and evening meal are made when an employee is required to stay away from their home overnight on Council business, on production of appropriate receipted evidence of such expenditure.
- **Annual Leave**  
All staff are eligible to receive 25 days annual leave plus bank holidays per year, with 5 days extra awarded to those staff with 5 years local government service, giving a maximum entitlement of 30 days a year.
- **Office Hours / Annualised Hours**  
The public opening hours for Shropshire Council are 7am to 7pm, Monday to Friday and 8am to 1pm on a Saturday. All staff are subject to Annualised Hours, i.e. they are contracted to work a set number of hours over a year, not a fixed working week, with working patterns being made in line with the Flexible Working Hours policy.
- **Callout/Standby**  
Payments are made to reflect the unsociability of working in particular circumstances, where an employee is recalled to work at short notice. These are locally agreed.
- **Relocation**  
Shropshire Council may provide relocation assistance to new recruits as part of the employment package; this is offered on an exceptional basis to attract candidates too hard to fill roles. The Council does not make payments to employees to reflect the costs of increased travel to work if the employee's work location changes. Approval of relocation assistance is delegated to the Head of Human Resources.

- **Salary Protection**

Shropshire Council operates salary protection arrangements in a range of circumstances including:

- where an employee has been at risk of redundancy and is successfully redeployed to another post at a lower salary (within 15%)
- Where an employee has been redeployed to another lower graded post due to a disability or health related issue
- Where as a result of a restructuring or grading review/ job evaluation process the grade of the post is reduced

In these circumstances the employee will receive pay protection (based on the level of pay but not hours of work). Protection normally applies for a period of up to 12 months.

- **Car Allowances**

Employees using their cars, motor cycles or cycles for the efficient performance of their duties, which have been agreed by their line manager, will be eligible to receive an allowance in line with HMRC Approved Mileage rates as follows

**Cars** Up to 10,000 miles (in each financial year April to March) – 45p per mile

Over 10,000 miles (in each financial year April to March) – 25p per mile

**Motor Cycle** 24p per mile

**Cycles** 45p per miles for the first 10,000 miles (for cycles, reimbursement above 20p per mile is liable for income tax)

#### 4.13 Termination of Employment

4.13.1. In relation to the termination of employment, the Council will have due regard to making any appropriate payments where it is in the Council's best interests. Any such payments will be in accordance with contractual or statutory requirements and take into account the potential risks and liabilities to the Council, including any legal costs, disruption to services, impact on employee relations and management time. This is consistent with the risk management practices of well governed organisations in private, public and voluntary/charitable sectors.

4.13.2 Where a severance package (not including employee statutory entitlements) exceeds £100,000, the decision to award such a package will be made by full Council.

4.13.3. Shropshire Council has adopted a policy preventing any employee who has retired early from being re-employed or re-engaged by the authority other than in exceptional circumstances.

#### 5.0 Notice Periods

5.1 The contractual period of notice required to be given to an employee to terminate their employment, and that required of them on resignation, will be clearly stated in the terms of their appointment. The following local scheme on contractual notice periods has been adopted for NJC employees:-

Those graded up to and including Grade 8	1 month
Those graded Grades 9 and 10 (scp 29-34) inclusive	2 months'
Those graded Band 11 (scp 35-39)	2 months'
Those graded Band 12 (scp 40-44)	3 months'
Those graded Band 13 (scp 45-49)	3 months'

Those graded Band 14 (scp 50-54)	3 months'
Those graded Band 15 (scp 55, 57, 59)	3 months'

5.2 The contractual notice period for Chief Officers is 3 months.

5.3. The statutory provisions relating to minimum periods of notice to be given by the employer to any employee are as contained in the Employment Rights Act 1996

**Period of continuous employment - Minimum notice**

One month or more but less than 2 years	Not less than 1 week
Two years or more but less than 12 years	1 week for each year of continuous service
12 years or more	Not less than 12 weeks

5.4 The employer's obligation to the employee under the contractual notice agreed must always be read against any additional notice required to be given to the employee under the statutory grade. Therefore an employee with one month's contractual notice entitlement, with 5 years' service, will be entitled to five weeks statutory notice on the termination of their employment by the Council and an additional week's notice for each additional year's service up to a maximum of 12 weeks' notice.

**6.0 Pensions**

6.1 All Council employees are entitled to join the Local Government Pension scheme (LGPS) which is offered by Local Government Employers. If staff are eligible for membership of the LGPS, they will automatically become a member of the "scheme" in accordance with the Auto Enrolment Regulations. Employees have the right to decide to opt out of the "scheme" by following the required process. The benefits and contributions payable under the Fund are set out in the Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2013. Appendix B provides details of Shropshire Council's Pensions and Retirement Policy and Appendix C details of the Council's Redundancy and Compensation Policy.

6.2 The current level of contribution to the scheme by employees effective from 1 April 2017 is as follows, based on actual pensionable pay:

Band	Full-time equivalent salary	Contribution rate – main scheme	Contribution rate – 50/50 scheme
1	£0 - £13,700	5.5%	2.75%
2	>£13,701 - £21,400	5.8%	2.90%
3	>£21,401 - £34,700	6.5%	3.25%
4	>£34,701 - £43,900	6.8%	3.40%
5	>£43,901 - £61,300	8.5%	4.25%
6	>£61,301 - £86,800	9.9%	4.95%
7	>£86,801 - £102,200	10.5%	5.25%
8	>£101,201 - £153,300	11.4%	5.70%
9	More than £153,300	12.5%	6.25%

The contribution band will be assessed using the actual pensionable pay plus any pensionable extra payments.

## 7.0 Senior Pay

7.1. The salary levels of Chief Officers on appointment is set by elected members, at the relevant committee of the council. The salary details for Chief Officers are published at: <https://shropshire.gov.uk/open-data/datasets/senior-salary-information/>

This information has been published since October 2010 in the interests of openness and transparency, and shows levels of remuneration for Chief Officers for the previous financial year. The definition of Chief Officer is contained in paragraph 3.3 above.

7.2 Under Regulation 4 of the Accounts and Audit (Amendment No2) (England) Regulations 2009 [SI 2009 No.3322] the Council has a legal requirement to report the remuneration of senior employees as part of its published salaries information. This requirement has now been reinforced under section 38 (1) of the Localism Act 2011, which requires the Council to produce a pay policy statement on an annual basis.

7.3 The relationship between the rate of pay for the lowest paid Council employees and the chief officers' is determined by the processes used for determining pay and grading structures as set out earlier in this policy statement. The statutory guidance under the Localism Act recommends the use of pay multiples as a means of measuring the relationship between pay rates across the workforce and that of senior managers, as included within the Hutton review 'Review of Fair Pay in the Public Sector' 2010. The Government supports the case for a fixed limit on dispersion of pay, through a requirement that no public sector manager can earn more than 20 times the lowest paid person in the organisation. The Hutton report concluded that the relationship to median earnings was a more relevant measure and the Government's Code of Recommended Practice on Data Transparency recommends the publication of the ratio between the highest paid salary and the median average salary of the authority's workforce.

7.4 The remuneration of the most senior manager within Shropshire Council, the Chief Executive is £103,010. The median basic remuneration for a full time equivalent employee of Shropshire Council is £19,544 per annum. The mean basic pay, based on 3,540 posts ranging in pay from the Chief Executive remuneration to Grade 1 (SCP 8 - £15,084), is £23,021. The current pay multiple from top to bottom of the organisation is 1:7. The ratio from the median pay to the Chief Executive pay is 1:5, which is well within the limits outlined in the Hutton Review.

- 7.5 Chief Officers do not receive bonuses.
- 7.6 The Section 151 Officer (Head of Governance and Assurance) and The Monitoring Officer (Head of Legal and Democratic Services) receive a responsibility allowance of £15,000 per annum.
- 7.7 All Chief Officers are eligible for the same Car Allowance as outlined for all employees in section 4.12 above
- 7.8 Chief Officers are currently entitled to 30 days annual leave.
- 7.9 The Council will have regard to the specific legal requirements which apply to the termination of employment of the Head of Paid Service, the Section 151 Officer and the Monitoring Officer as its Statutory Officers.

## **8.0 Accountability and Decision Making on Remuneration and Reward**

- 8.1 The Council's Cabinet has powers delegated to it in accordance with Section 3 of the Constitution, to make decisions on major policy matters affecting the council as a whole and to make decisions which have significant service or resource implications across the Council as a whole This includes significant locally determined changes to staff terms and conditions and remuneration.
- 8.2 The Employees' Joint Consultative Committee which consists of Trade union representatives and Members is constituted to agree changes to employee terms and conditions, such as changes to allowances, mileage, and annual leave, subject to ratification by Cabinet and, where the decision has significant financial implications, by full Council.
- 8.3 In accordance with the Council's constitution the Head of Paid Service (Chief Executive) has delegated powers to approve the grading and regrading of posts (covered by NJC for Local Government Service, Soulbury and Youth and Community Worker Conditions of Service) where the grade maximum is PO17/Band 15 or above (or equivalent). Chief Officers have authority to approve changes to the grading of posts (covered by NJC for Local Government Service, Soulbury and Youth and Community Worker Conditions of Service), taking account of job evaluation outcomes for posts covered by these schemes and subject to financial provision for the current and future years being available, and the proposed maximum of the grade being below PO 17/Band 15 (or equivalent).
- 8.4 New appointments that are made which have a remuneration package with a value of over £100,000 will be subject to approval of full Council.

## **9.0 Review of the Policy**

- 9.1 This policy will be subject to annual review and amendment, taking account of legislation, external best practise, internal data on recruitment and retention and external pay data etc.

Appendix A

Salary Scales		<i>As at 01/04/2017</i>		
Grade		Scp	Annual Salary	Hourly Pay Rate
Grade 1 = 8		08	£15,084.00	£7.8189
Grade 2 = 9		09	£15,218.00	£7.8883
Grade 3 = 10		10	£15,316.00	£7.9391
Grade 4 = 11-13		11	£15,381.00	£7.9728
		12	£15,699.00	£8.1377
		13	£16,059.00	£8.3243
Grade 5 = 14-17		14	£16,151.00	£8.3720
		15	£16,356.00	£8.4782
		16	£16,612.00	£8.6109
		17	£16,852.00	£8.7353
Grade 6 = 18-21		18	£17,095.00	£8.8613
		19	£17,732.00	£9.1915
		20	£18,381.00	£9.5279
		21	£19,051.00	£9.8752
Grade 7 = 22-25		22	£19,544.00	£10.1307
		23	£20,119.00	£10.4288
		24	£20,776.00	£10.7693
		25	£21,435.00	£11.1109
Grade 8 = 26-28		26	£22,134.00	£11.4733
		27	£22,869.00	£11.8543
		28	£23,615.00	£12.2410
Grade 9 = 29-31		29	£24,550.00	£12.7256
		30	£25,372.00	£13.1517
		31	£26,174.00	£13.5674
Grade 10 = 32-34		32	£26,947.00	£13.9681

PO1 = 33-36		33	£27,741.00	£14.3797
PO2 = 34-37		34	£28,525.00	£14.7861
PO3 = 35-38	Band 11	35	£29,123.00	£15.0961
PO4 = 36-39	Band 11	36	£29,894.00	£15.4957
PO5 = 37-40	Band 11	37	£30,731.00	£15.9296
PO6 = 38-41	Band 11	38	£31,630.00	£16.3956
PO7 = 39-42	Band 11	39	£32,672.00	£16.9357
PO8 = 40-43	Band 12	40	£33,531.00	£17.3810
PO9 = 41-44	Band 12	41	£34,414.00	£17.8387
PO10 = 42-45	Band 12	42	£35,292.00	£18.2938
PO11 = 43-46	Band 12	43	£36,172.00	£18.7499
PO12 = 44-47	Band 12	44	£37,061.00	£19.2108
PO13 = 45-48	Band 13	45	£37,895.00	£19.6431
PO14 = 46-49	Band 13	46	£38,810.00	£20.1174
PO15 = 47-50	Band 13	47	£39,700.00	£20.5787
PO16 = 48-51	Band 13	48	£40,582.00	£21.0359
PO17 = 49-52	Band 13	49	£41,454.00	£21.4879
PO18 = 50-53	Band 14	50	£42,347.00	£21.9508
PO19 = 51-54	Band 14	51	£43,234.00	£22.4106
PO20 = 52-55	Band 14	52	£44,391.00	£23.0103
PO21 = 53-56	Band 14	53	£44,962.00	£23.3063
PO22 = 54-57	Band 14	54	£45,838.00	£23.7604
Band 15* = 55-59	Band 15	55	£46,729.00	£24.2222
	Band 15	56	£47,616.00	£24.6820
	Band 15	57	£48,469.00	£25.1241
	Band 15	58	£49,366.00	£25.5891
	Band 15	59	£50,249.00	£26.0468



## **Pensions and Retirement Policy**

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**Appendix 1 – Flexible Retirement Process Flow**

**Appendix 2 – Flexible Retirement Request Manager Report**

### **1.0 Statement of Purpose/Objective**

In supporting one of our core values of promoting diversity, Shropshire Council no longer applies compulsory retirement at age 65. An early and flexible retirement age is provided as part of enhancing of the employment policies. This is to ensure that Shropshire Council's retirement policy meets the requirements of the Equalities Act 2010.

### **2.0 Scope**

This policy is effective from April 2014, as a result of the changes in LGPS Regulation.

This policy applies to all Shropshire Council employees, other than those employed by schools, for which a separate policy will apply.

## **3.0 Roles and Responsibilities**

### **3.1 The Responsibilities of Managers**

3.1.1 Managers have a statutory duty to ensure that all employees approaching retirement age are informed of Shropshire Council's retirement policy, 6 to 12 months prior to an employee reaching the age of 65. They are also required to be aware of the flexible retirement provisions.

### **3.2 The Responsibilities of Employees**

3.2.1 Employees are responsible for deciding whether or not they wish to be a member of the pension scheme and for taking the necessary actions to request the transfer in of any other scheme membership as outlined in this policy. They are also responsible for following the relevant processes outlined below in respect of pension transfers, early retirement or flexible retirement.

## **4.0 Pensions**

### **4.1 Pension Auto-enrolment**

The government has introduced new regulations to encourage more people in the UK to save for their retirement and require employers (both private and public sector) to automatically enrol employees' into a 'qualifying pension scheme'. The Shropshire Pension Scheme is classified as a 'qualifying scheme'.

Employees who have previously opted out of the Pension Scheme, and who are eligible (please see below) for auto enrolment on 1 February 2013, will not be auto enrolled until 1 October 2017 due to a transitional delay.

#### **4.1.2 Eligibility criteria for auto enrolment?**

Criteria set by the government means that you will be eligible for auto enrolment if you:-

- are aged 22 or over, and are below state pension age, and
- are paid more than Pension Regulator threshold, which is subject to change each year in line with inflation.

#### **4.1.3 How does this affect you?**

Under the Pension Regulations, employees can join the scheme at any time.

If you are currently a member of the Pension Scheme, you will still receive correspondents (for each of your posts) regarding auto-enrolment as the Authority is required by legislation to keep you informed about how this affect you or the Scheme.

If you are not currently a member of the Scheme, and you meet the eligibility criteria on 1<sup>st</sup> February 2013, you will be automatically enrolled into the LGPS on 1 October 2017. You will receive correspondence from Pensions Services advising you of this. You will have the right to opt out if you wish

You may also be auto enrolled in the following circumstances: -

- a) If you change your role or take on an additional role.
- b) If you become eligible for auto enrolment after 1 February 2013. You will be auto enrolled into the Scheme from the date you become eligible.

So, for example, if your 22<sup>nd</sup> birthday falls after 1 February 2013, and you are paid more than Pension Regulator threshold you will be auto enrolled from your 22<sup>nd</sup> birthday.

Likewise, if you are paid more than the Pension Regulator threshold and you meet the age criteria, you will be auto enrolled from the first of the month that your pay increases over that threshold.

If you are auto enrolled, Pension Services will write and advise you of this. You do have the option to opt out of the Scheme if you wish. Forms for this purpose are available on the County Pension Scheme Website.

## **4.2 Joining the Pension Scheme and Contribution Rates**

4.2.1 Employees will automatically become a member of the pension scheme, unless one of the following applies: -

- Unless in a post in which the employee is required to join another public sector scheme, e.g. teachers
- Employed as a casual worker, in which case, if you have worked for us for three consecutive months or more, you are not already in the LGPS and you meet the eligibility criteria detailed in section 4.1.2, you will be written to advising you that we will be applying the transitional delay. If you have worked on a casual basis for less than three consecutive months, you'll be written to advising you that we'll postpone auto enrolment until you have worked for three months, but that you have the right to opt into the LGPS at any time.
- Whereby the offer of employment, and subsequent contract does not exceed three months – You'll be written to advising you that auto enrolment will be postponed for three months, but that you have the right to opt into the LGPS at any time. If your contract is then extended beyond three months, you will be auto enrolled into the LGPS if you are not already a member and you meet the eligibility criteria detailed in section 4.1.2.
- Where the employee has written to Shropshire Pension Fund to confirm they do not want to be a member of the pension scheme. This can only be done once employment with the organisation has commenced.
- Employees aged 75 or over.

4.2.2 Bandings

Effective from 1<sup>st</sup> April 2017, employees' pension contribution rate will be based on their actual pensionable pay according to the following table:

<b>Band</b>	<b>Full-time equivalent salary</b>	<b>Contribution rate</b>
1	Up to £13,700	5.5%
2	>£13,700 -£21,400	5.8%
3	>£21,401 - £34,700	6.5%
4	>£34,701 - £43,900	6.8%
5	>£43,901 - £61,300	8.5%
6	>£61,301 - £86,800	9.9%
7	>£86,801 - £102,200	10.5%
8	£102,201 - £153,300	11.4%
9	More than £153,301	12.5%

For those employees who elect to pay reduced contributions, (the 50:50 option), contribution rates will be half of the amount detailed in the table above.

The contribution band will be assessed using the actual pensionable salary plus any pensionable extra payments.

For term time staff, the actual pensionable salary will be based on the actual pensionable salary across the term time week's only, plus any pensionable extras.

Any fee earning staff will be assessed on the previous year's earnings to 31<sup>st</sup> March or part year if the individual is not employed for the whole year.

The salary figures detailed in the table above will increase on 1<sup>st</sup> April each year by the rise in the Consumer Price Index.

#### 4.2.3 –Reassessment of Banding

The Council will re-assess bandings for all employees every April, with the exception of the following:

- Promotion or permanent/long term honoraria payments
- Down-grading or demotion
- A re-grading exercise

All of the above will prompt an immediate reassessment.

4.2.4 The Council will not re-assess pension contribution bandings after a back dated pay award.

4.2.5 Individual Pension contribution banding can be found on your payslip accessed through [MyView](#)

4.2.6 Any appeal against a decision regarding an employees pension contribution banding, or any other decision relating to an employees rights or liabilities under the scheme, will be as detailed in paragraph 9.1 below.

4.2.7 All payments in respect of the job carried out by the employee are pensionable, save for the following exclusions:

- Any sum which has not had income tax liability determined on it
- Any expenses incurred in carrying out the duties of the role
- Any payment made in consideration of loss of holidays
- Any payment in lieu of notice to terminate the contract of employment
- Any retention payment made in order not to terminate the contract
- Any amount paid in relation to the provision of a motor vehicle or any amount in lieu of
- Any payment in consideration of loss of future pensionable payment or benefits
- Any award of compensation for the purposes of achieving equal pay in relation to other employees
- Any payment made by the Authority to a member of staff on reserve forces service leave
- Returning Officer (or acting) fees other than those paid in respect of local government elections, elections for the National Assembly of Wales, Parliamentary Elections or European Parliamentary Elections.

4.2.8 In addition to pensionable contributions, an employee is able to pay additional pension contributions (APC). There is no minimal payment, although the maximum is £6,675 (figure at April 2015) per annum. Advice on this is available from the Pensions team (see paragraph 11.1 below).

4.3 Those scheme members wishing to voluntarily draw benefits on or after 55 and before 60, the 85 year rule will not be applied by the Authority in this circumstance, except in circumstances where the Council considers it is in its financial or operational interests to do so. For those employees would have to meet any strain on fund cost via an actuarial reduction applied to their pension.

85 year rule is a very complex area and individuals considering retirement should contact Shropshire County Pension Fund for clarification as to whether, and if so how, protections apply to their pension benefits.

#### **4.4 50:50 Option**

4.4.1 This option allows employees to contribute half the normal contribution rates to the pension scheme, yet still provides the full death in service benefit.

4.4.2 The intention is that this option allows those who wish to join the scheme, but can't afford to pay the full contribution rates, as a "stepping stone" into the scheme.

4.4.3 Should you wish to remain in this option longer term, you will be required to opt out of the full contribution rate scheme every three years and re-join the 50:50 option

4.4.4 The employer will pay the same contribution rates as members paying the full contribution rates.

4.4.5 For new employees to the Council who wish to join the 50:50 option, you must elect to pay reduced contributions as a 50:50 member. You are only allowed to do this once you have started your employment with the Council.

4.4.5 Should you elect to join the 50:50 option, please refer to the Shropshire County Pension Scheme website where you are able to find the application form.

4.4.6 The switch to the 50:50 option will only take effect from the next available pay period and not the date that the application form has been completed.

4.4.7 The Pension Scheme will provide you with information regarding how joining the 50:50 option will impact on your benefits.

#### **4.5 Transferring Pension into the Shropshire Pension Fund**

4.5.1 Employees may choose to transfer other pension rights into the Shropshire Pension Scheme. Advice on this is available from the Pensions Team (see paragraph 11.1 below).

4.5.2 Transfers between Local Government Pensions Funds will happen automatically, unless the employee requests for this not to happen.

4.5.2 The request to transfer pension rights as per section 4.4.1, or in the event of 4.4.2 the employee then decides to transfer other Local Government Pension Fund benefits, should normally be made within 12 months of the employee starting employment with Shropshire Council.

4.5.3 In exceptional circumstances, where an employee can demonstrate good cause, they may seek an extension to the first twelve months by up to a further 12 months before making a decision on making an application to transfer their pension rights subject to confirmation from their Director that they are not likely to retire, or be subject to ill-health retirement in the near future. Please note that this provision is **discretionary** and in **all instances**, the employee should write to the Head of Human Resources requesting an extension to the twelve months, detailing any extenuating circumstances. The Head of Human Resources will be the first stage approval, with the Pension Fund having to also agree to the transfer.

4.5.4 Any appeal against a decision not to allow an employee to transfer pension rights, or any other decision relating to an employee's rights or liabilities under the scheme, will be as detailed in paragraph 9.1 below.

4.5.5 Relevant employees (those who have AVC contracts taken out prior to 13<sup>th</sup> November 2001) at retirement may request to transfer in AVCs (Additional Voluntary Contributions). Requests should be made within 1 month of retiring; however this may be extended to 3 months to allow for administrative procedures.

#### **4.6 Awarding extra Annual Pension**

4.6.1 As a result of the changes to the Local Government Pension Scheme Regulations 2014, Augmentation (also known as "Added Years") will no longer be permitted as part of the Scheme. The option for the employer to grant extra annual pension of up to £6,675 (figure at April 2015) to an active member of the scheme, or within 6 months of leaving to a member whose employment was terminated on the grounds of redundancy or business efficiency (APC) will only be in exceptional circumstances and is not an automatic entitlement.

4.6.2 The Head of Human Resources, in consultation with the Head of Finance, has discretion to approve an award after taking into account all the financial implications, including sharing the cost with the employee (Shared Cost Additional Pension Contributions – SCAPC). It should be noted that any extra annual pension granted would be subject to an actuarial reduction if the pension is drawn early, other than if on the grounds of Ill Health.

4.6.3 Shropshire Council will only voluntarily contribute towards the cost of purchasing extra pension via a SCAPC if a member has a period of authorised unpaid leave of absence and

elects within 30 days of return to work to pay a SCAPC to cover the amount of pension 'lost' during that period of absence. The Council will contribute 2/3rds of this cost to a SCAPC.

- 4.6.4 Granting extra pension will also be permitted in accordance with the Council's Redundancy and Compensation Policy

## 5.0 Retirement

*For information on all aspects of retirement please refer to the "Shropshire Fund Pension Scheme Booklet – a guide to your pension" available from the Pensions Team (01743 – 252130) or look on their website <http://shropshirecountypensionfund.co.uk/>*

### 5.1 Early Retirement on Compassionate or Exceptional Grounds

- 5.1.1 With effect from 1<sup>st</sup> April 2014, the opportunity to apply for early release of benefits on compassionate or exceptional grounds will no longer be available and will only be considered in exceptional circumstances only.

Employees that left prior to 01 April 2014, the provision for compassionate grounds remains **discretionary** and in **all instances**, the employees should write to the Head of Human Resources detailing the exceptional circumstances and any associated evidence to support their request. The case will then be considered on the basis of the submission and any associated costs that the Council may have to meet.

### 5.2 Early Retirement on the Grounds of Ill Health

- 5.2.1 With effect from 1<sup>st</sup> April 2008, a three tiered ill health retirement scheme will apply (amended under the 2013 regulations). Extra membership on the grounds of ill health retirement will be awarded on the following basis:

- The first condition is that the member is, as a result of ill-health or infirmity of mind or body, permanently incapable (that the member will, more likely than not, be incapable until at the earliest, the member's normal pension age) of discharging efficiently the duties of the employment the member was engaged in.
- The second condition is that the member, as a result of ill-health or infirmity of mind or body, is not immediately capable of undertaking any gainful employment (in this instance, "gainful" is defined as "paid employment for not less than 30 hours per week for a period of not less than 12 months")

- 5.2.2 The process for ill health retirements can be found within the Council's policy on "Caring about Sickness", Section 9.

### 5.3 Flexible Retirement

- 5.3.1 Under the flexible retirement arrangements, employees who are members of the Local Government Pension Scheme, may request a reduction in their hours or move to a lower graded post and also draw their pension whilst continuing to work, under regulation 30(6) of the LGPS Regulation 2013 of the pension scheme regulations. This will be subject to management consent and will only be considered where there is a justifiable business case and the cost, if any, of early release of pension is managed within the section's budget.

**It should be noted that as this provision needs to be cost effective, cases will be considered on an individual basis and a reduction in hours needs to equate to a minimum requirement equivalent to one working day (pro-rotta) if already part-time.**

5.3.2 To be considered for this, employees must:

- be aged 55 or over
- not work in a post or area of work where there are difficulties in recruiting; there are skill shortages or work of a particular nature which requires their skills;
- get authorisation for early release of their pension.

5.3.3 Employees who request a reduction in their hours or in the grade of their post should use the procedure outlined in the Flexible and Agile Working Policy and submit a Flexible and Agile Working Request Form to their Manager. The manager will then complete a Flexible Retirement Request Manager Report, outlining the business case. See Appendix 1 Flexible Retirement Process Flow and Appendix 2 for manager report template.

5.3.3 Early release of pension before age 65 may mean pension benefits are reduced (please refer to Section 5.3.5). Employees should therefore obtain information on their pensionable benefits, which would apply in these circumstances before submitting a request. This is available from the Pensions team (see paragraph 11.1 below).

5.3.4 The decision to permit an employee to receive immediate payment of their pension under flexible retirement will be authorised by their Director, in discussion with the Head of Human Resources.

5.3.5 When making the decision to permit Flexible Retirement, all benefits pre 1st April 2008 will be released. A cost analysis of benefits accrued between the 1st April 2008 and 31st March 2014, and 1st April 2014 onwards will determine whether all, part or none of the benefits are released and whether actuarial reduction, in whole or in part, will be waived to benefits taken before Normal Pension Age (NPA).

5.3.6 Once the Manager has received approval from their Director and Head of Human Resources, they should complete the Flexible and Agile Working Acceptance Form and submit a Contract Amendment e-Form through MyView (refer to Appendix 1 for process).

**Please note that in order to be accepted for Flexible Retirement, approval is required from the Head of Human Resources and the appropriate Director. Merely accepting the reduction in hours does not automatically release the pension benefits of the employee**

## **6.0 Working beyond the age of 65**

### **6.1 Job applicants over the age of 65**

There will be no upper age restriction for job applicants to the Council. Where a job applicant aged 65 or over is appointed, they will receive the standard contractual terms which apply to the post.

### **6.2 Existing employees working beyond age 65**

6.2.1 The Employment Equality (Age) Regulations 2006 state that employees have the right to request not to be retired. As Shropshire Council does not apply a compulsory retirement age, an employee can continue in their post beyond the age of 65 if they wish to do so.

6.2.2 Performance of all employees will continue to be reviewed through the normal annual performance appraisal mechanisms. When being appraised, no employee should be treated differently because of their age.

### **6.3 Implications for employees in the Local Government Pension Scheme (LGPS) who work beyond age 65**

#### **6.3.1 Employees in the LGPS who continue to work beyond 65**

Employees over the age of 65 can remain in the scheme to the eve of their 75<sup>th</sup> birthday and their LGPS benefits earned up to their Normal Pension Age will be increased to compensate for their late payment. Benefits must be paid from age 75, even if employment continues beyond that age.

#### **6.3.2 Employees formerly in the LGPS who after a break in service are re-employed at 65 or above**

Employees under the age of 75 can re-join and remain in the scheme up to that age and benefits must be paid from age 75, even if employment continues beyond that age. Any LGPS pension already in payment will not be affected, but any part of that pension resulting from added years given in early retirement cases may be subject to adjustment. Details are available from the pension section in individual cases.

#### **6.3.3 Employees appointed at 65 or above with no previous reckonable service**

Employees under the age of 75 can join and remain in the scheme up to that age and benefits must be paid from age 75, even if employment continues beyond that age.

## **7.0 Pre-retirement Courses**

7.1 Employees who have indicated that they wish to retire will have the opportunity of attending a Pre-Retirement Course, to better prepare them for that change.

7.2 Further details of the Planning a Positive Retirement course are available on SC Intranet: <http://staff.shropshire.gov.uk/training-and-development/staff/planning-a-positive-retirement/>

## **8.0 Links to Other Policies**

8.1 This policy links to Shropshire Council's Flexible Working Framework and to the Council's Redundancy and Compensation Policy, Absence Management Policy with relation to ill health.

## **9.0 Pensions Appeals**

- 9.1 In accordance with Regulation 73 of the Local Government Pension Scheme (Administration) Regulations 2013, the Council is required to draw all employees' attention to the fact that, if they are dissatisfied with any decision in relation to their rights or liabilities under the Scheme, they may make an application to the Head of Treasury and Pensions, as the person appointed for resolving first stage disputes. An appeal must be made within six months of the event. Standard forms and guidelines are available from the Pension Team for this purpose.

If employees remain dissatisfied, they may apply for a reconsideration of the decision to the Head of Legal and Democratic Services. The final level of appeal would be to the Pensions Ombudsman.

In all instances, all initial concerns, or matters whereby an employee is not in agreement, should be referred to the individual who made the original decision. The Pension Scheme will also be available to advise you of your rights under the Scheme.

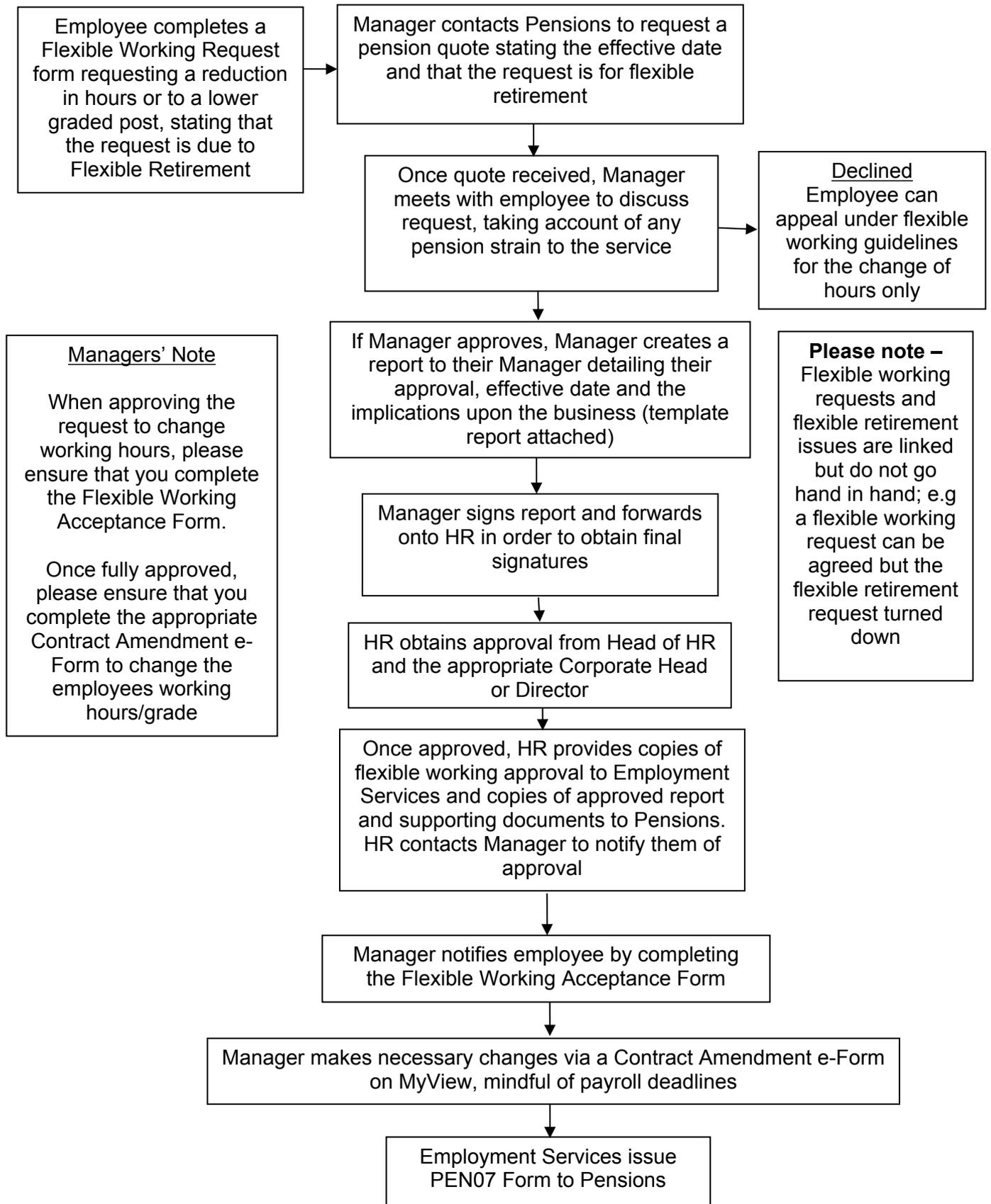
## **10.0 Monitoring and Review**

- 10.1 Human Resources will work with Managers to monitor the application of this policy. Shropshire Council may review any aspect of the procedure in the light of changing circumstances at any time, in consultation with the trade unions.
- 10.2 The policy will be reviewed at regular intervals, in conjunction with changes to legislation, and any changes to the regulations as informed by the LGPS that may impact upon it. .

## **11.0 Further Advice on Pensions**

- 11.1 Advice and information on the Local Government Pension Scheme (LGPS) is available from the Pensions team who can be contacted on 01743 252130 or at [pensions@shropshire.gov.uk](mailto:pensions@shropshire.gov.uk). Further useful information can also be found at <http://shropshirecountypensionfund.co.uk/>

## Appendix 1 - Flexible Working Process Flow



**Flexible Retirement Request Manager Report**

Employee Name:

Employee number:

**Background**

**Include the following in your business case:**

- *Current employment details – include current post, hours worked and current SCP details*
- *Effective date of change and what that change will be*
- *How the approval of the request will benefit the team*
- *Details regarding the strain (if any) on the pension fund, and the cost implications in relation to the team budget (if any)*

I agree to this request for flexible retirement and that pension payments commence with effect from (date).

**Direct Line Manager**

.....Date.....  
(Name and sign)

**Post:** .....

**Next Level of Line Management**

.....Date.....  
(Name and sign)

**Post:** .....

**Head of Human Resources & Development**

.....Date.....  
(Name and sign)

**Director of Group or Service Area**

.....Date.....  
(Name and sign)

Attached supporting paperwork:  
Flexible Working Request Form  
Flexible Working Approval Form

## Redundancy Policy

### Contents

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  12. Payment of Pension
  13. Assistance to Seek New Employment
  14. Review of Policy
- Appendix A Redundancy Selection Criteria  
Appendix B Redundancy Appeals Procedure

### 1. Introduction

- 1.1 Shropshire Council aspires to be a fair and equitable employer committed to the principle of maintaining the highest possible level of job security for its employees. However, it is recognised that there may be certain circumstances e.g. in times of severe budgetary constraints when staffing reductions are necessary.
- 1.2 In the event of a potential redundancy situation being identified Shropshire Council will endeavour to address this by limiting external recruitment, redeploying employees where possible, considering requests for voluntary redundancy and other reasonably practicable measures in order to avoid a compulsory redundancy situation. However, should compulsory redundancy become necessary Shropshire Council will strive to ensure a consistent and fair method of selection is applied.
- 1.3 The Redundancy Policy sets out how potential redundancy situations and, if necessary, compulsory redundancies will be managed within Shropshire Council.
- 1.4 The policy applies to all Council employees, except those employed directly by schools who have a specific policy available on the Schools Learning Gateway.

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### 2. Exclusions to the Policy

- 2.1 The Redundancy Policy will not apply in the following circumstances:
  - Termination during, or at the end of a probationary period of service in accordance with the Probationary Performance Policy, whether or not the probationary period was extended beyond its originally specified duration.
  - Resignation by an employee, or other termination, by mutual consent.
  - To agency staff, contractors or external consultants.
  - Apprentices who do not secure permanent employment after their training.
  - Employees on a fixed term contract with less than 2 years' service in the affected post.

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### **3. Objectives**

3.1 The objectives of the Redundancy Policy are to:

- Ensure the Council complies with its legislative requirements in relation to redundancy situations;
- Provide clear advice when handling potential redundancy situations;
- Outline measures that may be available to seek to minimise or avoid compulsory redundancy;
- Set out a clear framework for the management of compulsory redundancy situations including the application of a Redundancy Selection Criteria;
- Ensure that where compulsory redundancy is necessary employees leave the Council feeling that they have been treated in a fair and equitable manner.

### **4. Potential Redundancy Situation**

4.1 A potential redundancy situation arises when:

- An employer has ceased, or intends to cease, to carry on the business in the place where an employee was so employed; or
- Where the requirements of the business for employees to carry out work of a particular kind have ceased or diminished or are expected to cease or diminish; or
- Where the requirements of the business for employees to carry out work of a particular kind, in the place where they are so employed, have ceased or diminished or are expected to cease or diminish.

4.2 As soon as it becomes evident that a potential redundancy situation could exist then the Service Manager, in conjunction with HR Business Partner will identify those likely to be affected, both directly and indirectly.

4.3 In some instances the employee(s) to be made redundant will comprise all those undertaking a particular job. In these circumstances, however, care must be taken to check whether a wider group of employees could potentially be affected as a consequence of them having similar or common contracts of employment. In this situation it may be appropriate to ring fence those employees highlighted and follow the process as detailed in Appendix A.

### **5. Alternatives to Compulsory Redundancy**

5.1 In order to avoid or reduce the need for compulsory redundancy alternative measures will be considered. These will include the following:

- Natural wastage through normal staff turnover;
- Suspending relevant external recruitment;
- Reducing overtime;
- Reducing the number of hours worked;
- Voluntary redundancy;
- Redeployment within the Council.

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### **6. The Consultation Process**

- 6.1 Consultation must be carried out “in good time” i.e. as soon as redundancies are proposed. Where 20 or more redundancies are proposed there is a statutory duty to consult with the Trade Unions. The Chief Executive or Director with the support of HR will be responsible for issuing a Section 188 notice to the relevant Trade Unions and submitting a HR1 form to the Secretary of State.
- 6.2 When consulting staff, it is important to consult those who are sick, on maternity, paternity or adoption leave. Failure to consult an employee on maternity leave may lead to a successful sex discrimination claim at tribunal, with unlimited compensation.
- 6.3 Where the Council is proposing to make redundancies consultation must begin at the earliest opportunity and no less than follows:

<b>Number of employees</b>	<b>Period of Consultation</b>
between 20 and 99 employees at one establishment within a period of 90 days or less,	at least 30 days before the first of the dismissals takes effect.
Over 100 employees at one establishment within a period of 90 days or less,	a period of at least 45 days consultation will apply.
fewer than 20 in one establishment	the Council will endeavour to observe a consultation period of at least 30 days

- 6.4 Fixed term contracts that have reached their termination date or will terminate during the consultation time are excluded from the requirement to consult collectively.
- 6.5 An employee(s) and, where appropriate, his/her representative(s) will be provided with the following information as part of the genuine and meaningful consultation process:
- The reason(s) for the proposal(s);
  - The number(s) and description of employees proposed to be dismissed as redundant;
  - The total number of employees of that description employed at the establishment in question;
  - The timeline of the planned consultation period;
  - The proposed structure;
  - The proposed method of selecting the employees who may be dismissed;
  - The proposed method of carrying out the dismissals, including the period over which the dismissals are to take effect; and
  - The proposed method of calculating the amount of any redundancy payments – other than statutory payments – to be made to the employees who are dismissed.

Consultation will also include ways of:

- Avoiding or reducing the number of dismissals i.e. considering other options instead of dismissal; e.g. suspending recruitment or reviewing the options for redeployment; and
- Mitigating the consequences of dismissal, e.g. outplacement support

During the consultation process all employees have the option to have individual consultations with management and HR to discuss their options or to put forward evidenced counter proposals to the planned restructure or redundancy.

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- **7. Application of the Compulsory Redundancy Selection Criteria**

- 7.1 If, despite consideration of alternative measures, the need for compulsory redundancy is unavoidable, then the 'Redundancy Selection Criteria', attached at Appendix A to the Policy, will be used to determine which employee(s) will ultimately be declared redundant unless it is evident that all employees will be made redundant. In the event of a restructure or job re-design the selection method may be through interviews. It should be noted that the Council reserves the right to amend the redundancy selection criteria/weighting where circumstances suggest that this would be reasonable.
- 7.2 All employees involved in the redundancy selection process will be provided with a copy of the 'Redundancy Selection Criteria', together with an explanation as to how this will be applied, prior to the redundancy selection taking place.

## **8. Redeployment**

- 8.1 The Council will make every reasonable effort to find alternative work within the organisation for any employee who is selected for redundancy. Such employees will be added to the redeployment register for any available vacancies at the time of their redundancy selection and during their notice period.
- 8.2 Where either an employee or management have identified a post as being potentially suitable alternative employment the employee will need to participate in a selection process in order to establish whether or not the position is suitable for the employee taking into account his/her skills, knowledge, experience, level of seniority as well as the terms and conditions of the post.
- 8.3 Employees who are on Maternity, (or Adoption), leave are legally entitled to be offered any suitable alternative job before any other employee Failure to do so will result in the dismissal being automatically unfair.
- 8.4 Where an alternative post offered is substantially the same with regards to:
- Existing Grade
  - Work location;
  - Duties of the post;
  - Working hours

the post will be considered Suitable Alternative Employment (SAE).

If the employee accepts the offer of redeployment they will be entitled to a 28 day trial period. The purpose of the trial period is to enable both the Council and an employee to assess the suitability of the post.

- 8.5 Should the Council deem an employee to be unsuitable for the post, or the employee themselves has concerns about their new role during the 28 day trial period, appropriate action will be taken in consultation with the employee, which may include seeking further redeployment opportunities, but may also include an employee finishing work in line with notice previously issued.

The determination of what is suitable and, indeed, what constitutes an unreasonable refusal is not statutorily defined and hence each case will need to be determined on merit and in consultation with HR

Should an employee unreasonably refuse an offer of SAE, the employee will lose his/her right to any redundancy payment that may be due.

For more information please refer to the [Redeployment Procedure](#).

## 9. Issuing Notice of Redundancy

- 9.1 Notice of redundancy will not be issued until the agreed consultation period has elapsed.
- 9.2 The Council's obligation to the employee must always be read against any additional notice required so the notice period will be whichever is greater; statutory or contractual. Therefore an employee in a Grade 7 post with a contractual notice period of 1 month who has 6 years' service will be given 6 weeks statutory notice. For more information on notice periods please see the [Periods of Notice Policy](#).
- 9.3 Payment in lieu of notice is not justifiable in cases where the timetable for redundancy is known sufficiently well in advance to give normal notice, and there is nothing else preventing this.
- 9.4 If you have been made aware through consultation that you are at risk of redundancy the employee and manager need to work together to ensure that all pro rata annual leave and credit/debit hours are taken wherever possible. Payment of annual leave is not justifiable in cases where employees have known sufficiently well in advance of their termination date. Annual leave needs to be pro rata to their termination date and used prior to leaving. In the event that an individual has exceeded their annual leave entitlement, action will be taken to recover the amount from pay.

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- **10. Appeals against Redundancy**

- 10.1 Notice of redundancy will contain details of the right of appeal against Selection for Redundancy to the Redundancy Appeals Panel. Any appeal must be submitted in writing to the Head of HR within **10** working days of receipt of the redundancy notification and provide all details of the reason for the appeal. For the full appeal process see Appendix B.
- 10.2 While an appeal is in progress, the contractual period of notice will continue to run from the original date of notification of redundancy.

## 11. Redundancy Payments

- 11.1 All eligible employees (see paragraph 2.1) who are made redundant either following a call for volunteers, or through a compulsory redundancy and have a minimum of two years continuous service with local government or a Redundancy [Modification Order](#) body are entitled to a redundancy payment. Redundancy payments are calculated dependent of the length of continuous service in the affected post. The maximum length of service counted for statutory redundancy pay is 20 years.
- 11.2 Employees will receive the following entitlement:

Service	Entitlement
For service between ages 16 – 21	½ weeks' pay for each completed year of service multiplied by 1.5
For service between ages 22 – 40	1 weeks' pay for each completed year of service multiplied by 1.5
For service from age 41 and above.	1 ½ weeks' pay for each completed year of service multiplied by 1.5

- 11.3 A weeks' pay is defined as the amount to which an employee is entitled under his or her contract of employment when he/she works a normal week. If an employee's working hours vary, or where additional payments are made, pay is averaged over the previous 12 weeks from the date of your termination letter.

- 11.4 If an employee holds more than one post they will only be made redundant from the affected post and will remain in any other posts. Redundancy pay will be calculated on the continuous start date of the post from which they are being made redundant and all other continuous start dates will remain.

For Example:

Post 1: Admin post started 01/01/1990

Post 2: Assistant Social Worker post started 01/01/2005

If you were made redundant from your Admin post then the continuous start date used for redundancy calculations would be 01/01/1990 and your start date would remain as 01/01/2005 for the other post.

If you were made redundant from your Assistant Social Worker post then the continuous start date used for your redundancy pay would be 01/01/2005.

- 11.5 The additional compensatory payment (1.5 multiplier) is calculated taking account of any local government service, and service covered by the Redundancy Payments Modification Order up to a maximum of 20 years in total.

For example:

Current Continuous Service: 4 years from age 41 = 6 weeks' pay (4 x ½ week's pay)

Previous Service: 10 years from age 20 = 9 weeks' pay (2 years at ½ week's pay + 8 years at 1 weeks' pay)

Total: 6 + 9 = 15 week's pay x 1.5 multiplier

- 11.6 Final redundancy payments will be made once the employee has completed their notice period and all final salary payments have been made. The redundancy payment will then be calculated and paid on the next available pay run.
- 11.7 Redundancy payments are expressly exempt from income tax. They will, however, be taken into account in determining whether or not the total compensation paid to an employee exceeds the £30,000 tax-free limit.
- 11.8 Any offer of employment made by any local authority (or specified body covered by the Modification Order) accepted whilst under notice of redundancy and commencing within four weeks of the date of redundancy would disqualify an employee from receiving a redundancy payment.
- 11.9 In the event of being re-employed in another local authority post (or with a related employer) after termination and having received a redundancy payment, continuity of service for purposes of any future redundancy pay rights will start afresh.
- 11.10 All employees are responsible for checking their redundancy calculations to ensure any errors are highlighted as soon as possible.

## 12. **Payment of Pension**

- 12.1 Any employee who is subject to these redundancy provisions, who is aged 55 and over at the date of termination and is a member of the pension scheme, will be eligible to receive immediate payment of their pension. In these cases, the employing service will meet any additional strain on pension fund.

## 12.2 Purchasing Additional Pension Benefits

If the employee is a member of the Local Government Pension scheme, there will be an option for the council to purchase additional pension benefits under regulation 13 of the Local Government Pension Scheme Regulations 2013 as an **alternative**, but not as well as additional compensation under section 11.1. The award of additional pension cannot exceed £6,500 from 1<sup>st</sup> April 2015 and that figure is increased on 1<sup>st</sup> April each year. Additional pension benefits can be purchased by the notional additional compensation i.e. the excess over the statutory payment calculated in accordance with paragraph 11.1. This will be at no extra cost to the Council and the calculation will take into account any additional pension costs met by the Council resulting from the early payment of pension benefits. The employee must be an active member of the LGPS and any decision to opt for this alternative must be made before their employment is terminated.

- **13. Assistance to Seek New Employment**

13.1 An employee with at least two years continuous service at the dismissal date has a statutory entitlement to reasonable time off with pay during his/her notice period to look for new employment or to make arrangements to undertake training for future employment. The Employment Rights Act 1996 does not specify what is deemed to be a reasonable amount of time off, However, employers do not have to pay more than two-fifths of a week's pay regardless of the length of time off allowed. For example, if an employee works five days a week and they take four days off in total during the whole notice period, Shropshire Council is only obliged to pay employees for two days. Employees are required to provide reasonable notice of their interview, including proof of the interview date, time and location to their Manager

13.2 The council also provides a number of courses for employees facing redundancy to give them the skills and knowledge to apply for alternative employment. Further information is available [here](#).

## 14. Review of Policy

- 14.1 This policy will be reviewed by HR and Development, in consultation with unions.

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**1.0 Introduction**

- 1.1 It is essential that during a redundancy process the Council ensures that fair and transparent criteria for selection for redundancy are identified and applied consistently.
- 1.2 As a preliminary stage to selection, volunteers for redundancy may be invited to express an interest and be considered by management. However the Council is under no obligation to accept these volunteers. Care must be exercised when selecting from a list of volunteers to ensure that a balanced workforce remains in order to meet the demands of the service.
- 1.3 The handling of compulsory redundancies where selection is involved requires a systematic approach, if any dismissals are to be judged as fair. There is also an expectation amongst Trade Unions that in the event of compulsory redundancies being necessary, the Council will adopt reasonable selection criteria. These guidelines are to be used in the event of compulsory redundancies affecting National Joint Council for Local Government Services, Soulbury, Youth Service employees, other than those whose posts form part of the establishment of a school. The guidelines aim to ensure that good industrial relations practice is maintained in dealing with difficulties of this kind. There may be occasions where different selection criteria is used and in this case employees will be made aware of this at the beginning of the consultation period.
- 1.4 Any team or service faced with the problem of achieving employee reductions by selection for compulsory redundancy will have the principal objective of maintaining a balanced workforce after the redundancies are carried out, measured against the anticipated needs of the Authority. On this basis the approach to selection will be as follows:-

**2.0 Unit of Selection**

- 2.1 The "unit of selection" should be clearly defined - that is the area of work (based on geography, function and/or level) where reductions are necessary. The relevant Trade Unions and employees concerned will be made aware of the unit of selection by the consultative stages required by the Redundancy Policy.

**3.0 Selection Procedure**

- 3.1 Wherever possible two senior managers and a HR Business Partner together, with responsibility and/or knowledge of staff in the unit of selection will then apply selection criteria in the following way:-

Stage 1

Completion of the Selection Criteria Matrix. The application of the redundancy matrix will effectively score or rank the individuals within the pool and identify those employees who are likely to be 'at risk' of redundancy, depending on the number of redundancies needed in the particular service area. Once agreed, for a specific situation, matrices and weighting cannot be changed to influence the results.

<b>Relevant Qualification and skills</b>	<b>Score</b>
Has all the relevant qualifications and skills required	5
Is working towards a relevant qualification and has the skills required	4
Either has the relevant qualification but does not have all the skills required OR has the skills required but does not have the relevant qualification	3
Does not have the relevant qualification or skills	1

<b>Relevant Experience</b>	<b>Score</b>
Has the relevant experience to be able to be effective in the role with immediate effect, or with minimal development	5
Has relevant experience but would require some structured development	3
Has insufficient experience	1

<b>Work Performance</b>	<b>Score</b>
Regularly exceeds target performance in a number of different and additional tasks	5
Regularly achieves target performance in usual tasks	3
Usually performs below target performance	1

<b>Ability to learn new tasks</b>	<b>Score</b>
Learns new tasks faster than the majority of employees at the same level	5
Learns new tasks as quickly as the majority of employees at the same level	3
Needs longer than the majority of other employees at the same level to learn new tasks	1

<b>Attitude towards others</b>	<b>Score</b>
Is always co-operative with colleagues and managers and demonstrates a positive attitude	5
Usually co-operative with colleagues and managers and normally demonstrates a positive attitude	3
Can sometimes be negative and does not always co-operate fully with colleagues or managers.	1

<b>Continuous Employment</b>	<b>Score</b>
Over 15 years' service	5
Between 10 and 15 years' service	4
Between 5 and 10 years' service	3
Between 2 and 5 years' service	2
Up to 2 years' service	1

### Weighting

#### Compulsory Redundancy

To achieve the total score for an employee, each criterion is weighted by a factor of 1-3 to reflect its relative importance. The weightings take into account the service's requirements to meet its future service needs and targets as well as the need to maintain a balanced workforce. The weighting will be as follows:

- Qualifications & Skills (x3)
- Experience (x3)
- Work performance (x3)
- Ability to learn new tasks (x2)
- Attitudes towards other (x2)
- Continuous Service (x1)

Having weighted the scores, a total is calculated for each employee. For example, where necessary to reduce the headcount in a service area from 20 to 15 a selection matrix is

completed for all 20 employees. The 5 with the lowest scores will be provisionally selected for redundancy.

#### Voluntary Redundancy

- Qualifications & Skills (x1)
- Experience (x1)
- Work Performance (x3)
- Ability to learn new tasks (x1)
- Attitudes towards others (x1)
- Continuous Service (x3)

#### Stage 2

Where a tie-break situation arises and more than 1 employee has a similar score, the following criteria will be taken into consideration. This criteria is to be used only in such a situation.

Disciplinary Record	Score
No disciplinary record	5
Informal disciplinary discussion / letter of concern	4
Verbal warning	3
Written Warning	2
Final written warning	1

*Only current warnings on file where the disciplinary process has been completed at the date of the selection exercise should apply. Do not take into consideration any current or outstanding disciplinary investigations.*

#### Stage 3

If selection is still necessary, timekeeping records will be considered from the previous 12 months. The frequency of and reasons for poor timekeeping will be taken into account.

#### Stage 4

If it has not been possible to select by Stage 3 then an interview or assessment will be carried out.

- 3.2 The personal circumstances of employees at risk of redundancy must not be taken into account at any stage of the selection process. At all stages the employees concerned should be given details of any records to be used.
- 3.3 Where selection criteria have been applied those selected must be notified as soon as possible and in a sensitive manner which fully recognises the difficulties faced by the employee. Those not selected should also be told of the decision as soon as possible.
- 3.4 Where someone has been selected for compulsory redundancy, they must be given the reasons for their selection in writing and notifying them of their right to appeal (refer to section 11).

**1 Process to be followed prior to the Appeal**

- 1.1 The Appeal will be heard by the Chief Executive, or a delegated Director, and the Head of HR will appoint a Clerk to the Appeal.
- 1.2 The Clerk to the Appeal will write to the employee informing of them of the date and time of the appeal hearing which will usually be held within three weeks of receipt of the notification of appeal. However, if this will not be possible the employee will be notified of the likely timescale. Acknowledgement of receipt will be required from the employee and the employee must also provide any written evidence they intend to use in the hearing to the clerk of the Appeal at least seven days in advance of the hearing.
- 1.4 Seven days prior to the Appeal, the manager who made the redundancy decision will prepare a statement of case and send it to the Clerk of the Appeal. The statement of case will need to explain the following:
- The papers (often including committee reports) which provide information on the need for the redundancy
  - The selection criteria used (where applicable)
  - Details of the employees in all posts included in the pool for redundancy selection broken down by gender, age, start date, ethnic origin, disability and length of service in current post.
  - Any measures taken to try and avoid compulsory redundancy
  - Details of consultation arrangements
  - The reasons provided by the employee appealing against redundancy.
- 1.5 Although the employee is likely to have seen the documentation contained within the statement a copy should be sent to the employee seven days before the hearing by the Clerk of the Appeal.

**2 Process to be followed at the Appeal**

- 2.1 An employee has the right to be accompanied, at the Appeal, by a Trade Union representative or work colleague.
- 2.2 At the Appeal it will be the responsibility of the manager who made the redundancy decision to demonstrate to the Redundancy Selection Appeals Panel that the redundancy selection criteria have been applied fairly. It will be for the employee or his/her Trade Union representative, or work colleague, to demonstrate to the Redundancy Selection Appeals Panel that the redundancy selection criteria have been applied inappropriately and/or the information considered had been incorrect resulting in the employee being selected wrongly for redundancy.
- 2.3 The Chief Executive, having considered submissions from both parties, can determine that the redundancy selection criteria had:
- Been applied correctly and dismiss the appeal;
  - Not been applied correctly and/or the information upon which it was based was incorrect but that the resultant amendments would have made no difference to the outcome of the redundancy selection and on these grounds dismiss the appeal;
  - Not been applied correctly and/or the information upon which it was based was incorrect but it was unclear what impact this would have on the redundancy selection and so refer the matter back to the Redundancy Selection Panel for reassessment;

- Been applied incorrectly and/or the information upon which it was based was incorrect with the result that the employee had been selected wrongly for redundancy and so uphold the appeal;
- Not been applied to the correct group of employees and so refer the matter back to the Redundancy Selection Panel for re-assessment.

### **3. Process to be followed after the Appeal**

- 3.1 The decision of the Chief Executive will be final.
- 3.2 The Chief Executive will give the outcome to the appeal in writing as soon as reasonably practicable and normally within 14 working days.
- 3.3 Where the appeal is unsuccessful and a redundancy decision is confirmed, employment will terminate on the date specified in the original written notification of redundancy.
- 2.5 In the event that an appeal against redundancy selection is allowed this may mean that another employee will have to be selected for redundancy, provided that the alternatives to redundancy have been considered in respect of the selected employee and the employee has subsequently been afforded the right of appeal. In these circumstances the employee concerned should be advised as soon as is practicable and the opportunity to appeal afforded.