



Committee and Date

Council

13 December 2018

FINANCIAL STRATEGY 2019/20 – 2021/22

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1. Summary

This report provides information and recommendations on the financial position approved by Council on 22 February 2018, given the increase in expenditure resulting from the approval of an amendment to the Pay and Reward Policy.

This report provides an update on the delivery of compensatory savings to fund the part year costs of the increase in pay from 1 October 2018 within the Financial Year 2018/19, and the remaining full year effect of the increase in 2019/20.

Savings proposals were initially identified up to a value of £2.087m from a number of approaches in the short term, with the potential to fund the part year cost of £2.071m in 2018/19. However, it was identified that there was significant risk around the delivery of some of these savings which has since resulted in the level of savings that may be achievable being reduced to £2.020m. In addition, some of these savings are one-off in nature.

For 2019/20, the achievable savings identified have been revised to savings of £0.790m against the £3.208m cost identified. These savings proposals will be subject to consultation as part of the process for setting the budget for 2019/20. Further savings will be required to close the funding gap and this will be progressed through the wider 2019/20 Financial Strategy to be considered by Council in February 2019.

If the savings identified in Appendix 1 are delivered for 2018/19, a cost pressure of £0.051m will remain for the 2018/19 financial year. This impact has already been factored into the Financial Monitoring Report Quarter 2 – 2018/19 and it is anticipated that this can be dealt with alongside the management action taken to deliver a balanced budget for 2018/19.

2. Recommendations

It is recommended that members:

- A. Note the financial implications identified in 2018/19 and 2019/20 from the implementation of the amended Pay and Reward Policy.
- B. Approve the 2018/19 savings proposals which will contribute towards the cost of introducing the amended Pay and Reward Policy as outlined in Appendix 1.

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).
- 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. Revised Pay and Reward Policy

- 4.1. Full Council approved a revision to the Pay and Reward Policy on 17 May 2018. The financial impact of this amendment is a part year additional cost of £2.07m in 2018/19, and £5.28m for 2019/20.
- 4.2. It was agreed that the following savings proposals would be progressed to fund the additional costs relating to the pay and reward policy:
 - Review of Adult Social Care/Children's Social Care joint commissioning with the CCG.
 - Public Health commissioned outcomes review.
 - Review of external funding, corporate assumptions and contingencies.
- 4.3. The saving relating to joint commissioning with the CCG has not progressed in terms of delivery as the focus to date has been on recovering outstanding debts already in place with the CCG. This saving is therefore categorised as red given the status of plans for delivery. The initial saving target of £1m was identified, however given the delay in delivery it is not considered that

this full saving would be achievable in 2019/20 and so this has been reduced to £0.465m.

- 4.4 A detailed review of Public Health outcomes has been considered over the last month and base budget savings proposals to a value of £1.615m were initially identified in the Council's net budget. Of this value £0.588m was identified for 2018/19 and £1.027m in 2019/20 and more information on these savings proposals is shown in Appendix 1. In considering these savings proposals, the delivery has been RAG rated as shown below in Table 1.

Table 1: RAG Rating of Public Health Outcomes Review

	2018/19 £000	2019/20 £000	Total £000
Green	277	6	283
Amber	311	291	602
Red	0	730	730
Total	588	1,027	1,615

- 4.5 Following further analysis of the savings proposals identified for Public Health, it has been confirmed that a proportion of the amber and red savings cannot now be delivered for a number of reasons. This has resulted in the 2018/19 Public Health savings being reduced to £0.521m and the 2019/20 Public Health savings reducing to £0.325m.
- 4.5 A review of corporate budgets has identified additional savings of £0.700m in 2018/19 relating to inflationary growth which is no longer required. This is considered as a green rated saving.
- 4.6 In addition, a review of earmarked reserves has identified that a further £0.799m can be released from a number of reserves to part fund these costs on a one-off basis in 2018/19.
- 4.7 A further external review of Adult Services, Children's Services and Public Health outcomes is in the process of being commissioned. The scale of savings to be delivered is not yet quantified or a timescale for delivery identified, but the current working assumption is that approximately £2m could be delivered before 2020/21 which would be sufficient, in addition to the measures identified above, to bring the Financial Strategy back to a balanced budget after the application of the Pay and Reward Policy changes. Any overachievement of savings, either in quantum or timescales, would be reflected in a corresponding reduction in the short-term reliance on one-off funding.

5. The Funding Gap

- 5.1. Given the risk around delivery of the savings identified, Table 2 demonstrates that there would be a funding gap of £3.8m remaining if only the green and amber savings currently identified are delivered. If the identified Red categorised savings are delivered, this would leave a funding gap of £1.27m to be identified from alternative future savings proposals.

Table 2: Funding Gap resulting from Amended Pay and Reward Policy for 2018/19 and 2019/20

	2018/19 £'000	2019/20 £'000	TOTAL £000
Additional Expenditure from Pay and Reward Policy	2,071	3,208	5,279
Savings (Green and Ambers):			
Joint Commissioning with CCG	0	0	0
Public Health Outcomes Review	(521)	(275)	(796)
Corporate Budgets	(700)	0	(700)
Earmarked Reserves (One Off)	(799)	799	0
Funding Gap	51	3,732	3,783
Savings (Red):			
Joint Commissioning with CCG	0	(465)	(465)
Public Health Outcomes Review	0	(50)	(50)
External Review	0	(2,000)	(2,000)
Remaining Funding Gap	51	1,217	1,268

- 5.2 As stated above, the funding gap of £0.051m for 2018/19 is considered to be manageable and can be reduced through the management actions currently being implemented to deliver a balanced budget for the financial year. This includes the implementation of a spending freeze and the use of grant funding that had previously been uncommitted.
- 5.3 The remaining funding gap for 2019/20 will be addressed through the wider financial strategy for 2019/20 and alternative savings proposals and one off funding will be considered to close this gap. These detailed plans will be built into the Financial Strategy to be considered by Council in February 2019.

7. Consultation on 2018/19 Savings Proposals

- 7.1 The Budget Consultation on the additional 2018/19 savings proposals was launched on 25th October 2018. This has been advertised on the Shropshire

Council website and included in the Consultations section of the website. A total of 7 responses have been received to date.

- 7.2 The consultation consisted of three questions requesting details of whether there was support for the savings proposals and requesting details of any alternative savings that could be considered instead of those proposed.
- 7.3 Question 1 asked the public about the extent that they agreed or disagreed with the proposed savings proposals identified within public health and corporate budgets? The responses showed a relatively even split with four people stating that they disagreed or strongly disagreed, and the remaining three responses supported the savings proposals.
- 7.4 Question 2 asked for any specific comments, and whilst some responses thought the savings in Public Health were short sighted, there was acceptance that savings were required to be made in this period of austerity.
- 7.5 Question 3 asked the public for their suggestions as to how the council might make alternative savings. A number of respondents used this question to put forward their concern over the proposed Shirehall redevelopment and investment in other projects that may be considered unnecessary.
- 7.6 Due to the low level of responses received to this consultation, it is not possible to draw any firm conclusions. Any change to this position will be tabled, as necessary, at the Council meeting.

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

Amendment to Pay and Reward Policy – Council, 17th May 2018
 Financial Strategy 2019/20 – 2021/22 – Cabinet, 4th July 2018

Cabinet Member (Portfolio Holder)

David Minnery

Local Member

All

Appendices

Appendix 1 – New Savings Proposals

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Ref	Directorate	Portfolio Holder	Description	2018/19 Saving	Removal of Red Saving	2018/19 Revised Saving	2019/20 Saving	Removal of Red Saving	2019/20 Revised Saving	RAG Rating	Status
A28	Adult Services	Lee Chapman	Joint Commissioning with CCG	0		0	1,000,000	-535,000	465,000	Red	Recommended for approval at Council 13/12/18
H20	Public Health	Lee Chapman	Senior management salary saving	30,000		30,000	6,000		6,000	Green	Recommended for approval at Council 13/12/18
H21	Public Health	Lee Chapman	Vision screening allocation	23,180		23,180	0		0	Green	Recommended for approval at Council 13/12/18
H22	Public Health	Lee Chapman	LAC funding	23,000		23,000	0		0	Green	Recommended for approval at Council 13/12/18
C18	Children's Services	Nick Bardsley	0-25 PHNS to take over management of one EH Hub	0		0	75,000		75,000	Amber	Recommended for approval at Council 13/12/18
H23	Public Health	Lee Chapman	Health Visitor services in Wales	40,000		40,000	0		0	Green	Recommended for approval at Council 13/12/18
C19	Children's Services	Nick Bardsley	Remove non-mandated activity from current 0-25 PHNS contract	0		0	380,000	-380,000	0	Red	Recommended for approval at Council 13/12/18
H24	Public Health	Lee Chapman	Integrated Sexual Health Services - Pharmacies/School Nurses	0		0	50,000	-50,000	0	Red	Recommended for approval at Council 13/12/18
H25	Public Health	Lee Chapman	Integrated Sexual Health Services - recharge for Welsh residents	67,500	-67,500	0	22,500	-22,500	0	Amber	Recommended for approval at Council 13/12/18
H26	Public Health	Lee Chapman	Pathology tests	0		0	30,000		30,000	Red	Recommended for approval at Council 13/12/18
H27	Public Health	Lee Chapman	Library Contract	5,000		5,000	0		0	Green	Recommended for approval at Council 13/12/18
A29	Adult Services	Lee Chapman	Improved service integration - NHS Health checks, Help to Quit	69,250		69,250	0		0	Green	Recommended for approval at Council 13/12/18
A30	Adult Services	Lee Chapman	Staffing restructure -Help to Change	36,630		36,630	38,960		38,960	Amber	Recommended for approval at Council 13/12/18
A31	Adult Services	Lee Chapman	Contract review	21,500		21,500	64,500		64,500	Amber	Recommended for approval at Council 13/12/18
A32	Adult Services	Lee Chapman	Roll out of social prescribing with Adults Services Lets Talk Local hubs	135,000		135,000	0		0	Amber	Recommended for approval at Council 13/12/18
H28	Public Health	Lee Chapman	Infection Prevention Control	30,000		30,000	0		0	Amber	Recommended for approval at Council 13/12/18
H29	Public Health	Lee Chapman	Mental Health Promotion	20,000		20,000	0		0	Green	Recommended for approval at Council 13/12/18
H30	Public Health	Lee Chapman	Specialist Advice	0		0	12,040		12,040	Amber	Recommended for approval at Council 13/12/18
H31	Public Health/Adult Services	Lee Chapman	Community Training	26,960		26,960	0		0	Green	Recommended for approval at Council 13/12/18
H31	Public Health/Adult Services	Lee Chapman	Community Training	0		0	28,000		28,000	Amber	Recommended for approval at Council 13/12/18
H32	Public Health	Lee Chapman	Inpatient retender	20,000		20,000	10,000		10,000	Amber	Recommended for approval at Council 13/12/18
H33	Public Health	Lee Chapman	Community Drug and Alcohol Service	0		0	250,000	-250,000	0	Red	Recommended for approval at Council 13/12/18
H34	Public Health	Lee Chapman	Prescribing budget	40,000		40,000	0		0	Green	Recommended for approval at Council 13/12/18
H34	Public Health	Lee Chapman	Prescribing budget	0		0	40,000		40,000	Amber	Recommended for approval at Council 13/12/18
H35	Public Health	Lee Chapman	Pharmacy supervision	0		0	20,000		20,000	Red	Recommended for approval at Council 13/12/18
R25	Resources and Support	David Minnery	Removal of inflationary growth	700,000		700,000	0		0	Green	Recommended for approval at Council 13/12/18
Total value of proposals				1,288,020	-67,500	1,220,520	2,027,000	-1,237,500	789,500		