



<u>Committee and Date</u>
Performance Management Scrutiny Committee
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Report of the Financial Strategy and Innovation and Income Task and Finish Group

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Summary

This report presents Performance Management Scrutiny Committee with the report of the Financial Strategy and Innovation and Income Task and Finish group. The report sets out the observations and recommendations arising from the work of the group.

Recommendations

- A. That the Performance Management Scrutiny Committee consider the issues set out within the report and identifies topics to be included in its work programme and put forward for the other Overview and Scrutiny Committees.
- B. A Financial Strategy Task and Finish Group should be in place for 2019/20 for the development of the Financial Strategy 2020-2023.

Opportunity Risk Assessment

The delivery of the Financial Strategy is key to the Council having a balanced budget whilst meeting the highest priority needs and protecting and supporting vulnerable people.

The Task and Finish group provides the opportunity to identify any immediate questions with the proposed 2019/20 Budget and the Financial Strategy, and identify areas of focus for a longer term overview of the plans and progress to innovate and raise income, as well as understand the impact of any proposed service cuts and the use of reserves to smooth savings over a period of time

Financial Assessment

Although there are no direct financial impacts from this report and the work of the Task and Finish Group, their recommendations will be made to Cabinet and if accepted, could inform the Financial Strategy and the Budget 2019/20.

Report

1. Following work to consider the draft Financial Strategy (2018/19 to 2022/23) and the Budget 2018/19, the 2017/18 Task and Finish Group recommended that a new Task and Finish group was established. This new group should work alongside the development of the Budget for 2019/20, and would also take account of the whole Financial Strategy (2018/19 to 2022/23), but also have particular view on innovation and income generation.

2. Objectives of the Task and Finish Group
 - To understand the process and activity stages for developing the Financial Strategy 2018/19 to 2022/23 and how these translate into the Council's annual budgets.
 - To consider and scrutinise the proposals and emerging plans for the whole Financial Strategy and 2019/20 Budget, including how they align to the four pillars. This will be through their development and their implementation, in particular for innovation and raising income.
 - To consider the alignment of the Financial Strategy and the new Corporate Plan being developed autumn 2018.
 - To consider the recommendations and areas for action identified in the Corporate Peer Challenge report relating to the Financial Strategy, and how they are being addressed.
 - To consider the direct and indirect impacts, including risks, of 2019/20 Budget proposals on current services and customers.
 - To complete specific pieces of work to identify and work up alternatives to emerging plans, including the feasibility of any alternative proposals
 - Make evidence based recommendations in relation to plans and approaches for innovation and income generation, and alternative proposals for future budget setting.

3. Who the Task and Finish group heard from
 - James Walton – Head Of Finance Governance and Assurance
 - Rod Thomson – Director of Public Health
 - Michele Leith – Head of Workforce and Transformation
 - Tim Smith – Head of Business Enterprise and Commercial Services
 - Mark Barrow – Director of Place
 - Gemma Davies – Head of Economic Growth
 - Karen Bradshaw – Director of Children's Services
 - Colleen Male – Head of Children's Social Care and Safeguarding
 - Phil Wilson – Service Delivery Manager Learning and Skills
 - Cllr Lezley Pitcon – Portfolio Holder for Culture and Leisure
 - Cllr Nick Bardsley – Portfolio Holder for Children and Young People

- Cllr Steve Charmley – Portfolio Holder for Corporate and Commercial Support
- Cllr Lee Chapman – Portfolio Holder for Adult Services, Health and Social Housing

4. What the Task and Finish Group have looked in more detail at:

- Learning from the Northamptonshire County Council Best Value Inspection and how this compares to Shropshire Council
- The Government's Fair Funding Review and what this could mean for Shropshire Council
- Chartered Instituted Public Finance and Accountancy (CIPFA) Financial Resilience Index
- Financial Strategy (report to Cabinet 4 July 2018) and RAG rated savings
- Financial Strategy (report to Cabinet 12 December 2018)
- Quarter 1 and Quarter 2 2018/19 Financial Monitoring Report
- The delivery of the Digital Transformation Programme and the need to see this as a component of Transforming the Council
- The Council's approach to investment, including investment risk
- The Council's plans for investment
- Pressures on Children's Social Care budgets and the initiatives and developments to help manage the situation for future years
- Savings proposed for Children's Services
- Savings identified for Public Health

5. Key topic areas

5.1 National context

5.1.1 To inform their planning and consideration of the particular issues the Task and Finish Group were also brought up to date on the Government's Fairer Funding review, the CIPFA Financial Resilience Index, and the Northamptonshire County Council Best Value Inspection. They recognised that there was a clear contrast between the way that Shropshire Council approaches this work and the way that Northamptonshire County Council operated.

5.1.2 These updates were used by the Task and Finish group to inform their consideration of the Financial Strategy and the particular issues they focused their work on.

5.2 Financial Strategy and the delivery of savings.

5.2.1 The Task and Finish Group reviewed the Financial Strategy Paper to Cabinet on the 4 July 2018 and identified that their focus would be on the larger savings for 2019/20, including the new savings set out in appendix 1 of the report. They were reminded that the RAG ratings for the new savings are used to help Members to

understand the art of the possible when it comes to proposed savings.

- 5.2.2 The Task and Finish group noted the impact on planned savings cause by the delay to nationally driven programmes outside of the control of the council such as the delayed roll-out of Universal Credit across the whole of Shropshire which links to the inability to deliver almost £400,000.
- 5.2.3 Members also considered looking at how the 2019/20 budget can be brought into balance, including how the 2018/19 projected overspends (including unachieved savings for 2018/19 and service pressures) can be reduced. They also heard that there has been additional funding from Government for 2018/19 on pot holes and Adult Social Care.
- 5.2.4 The Task and Finish group considered the use of one off funding for 2019/20 and how it enables more confidence in setting a legal budget, although it is recognised that this is not ideal.

5.3 Investment

- 5.3.1 The Task and Finish group were updated on progress with investments and the commercial strategy, being informed about the work establishing the evaluation approach. This included the identification of investment risks built around the proposed purpose for the investment. Members also explored how ideas for investment would be evaluated, taking account of criteria including yield, net present value, payback, revenue implications, available funding, housing created, jobs created and strategic fit.
- 5.3.2 The group followed up on this with a focus on the plans for investment, in particular the links to delivering economic growth across Shropshire including affordable and key worker housing, and housing that can contribute to reducing demand on the Council's services and associated budgets such as Adult Social Care and Children's Social Care.
- 5.3.3 The establishment of a Local Housing Company is a key feature of the Council's approach and the Task and Finish Group were informed of the social, environmental, and economic value that would be a significant component. The preferred approach would be to manage development sites as a portfolio where they can be brought forward when an appropriate development is required.
- 5.3.4 The Council is developing a Rural Strategy which will look across all aspects including economic growth, jobs, housing, and health.

Members believed that getting the rural economy and jobs in place should be followed by getting housing right.

5.3.5 Local economic growth strategies based around the six key market towns are also being developed. Members heard that there is a lot of energy and enthusiasm amongst local businesses, and there is an opportunity to engage small and medium sized enterprises in this work. The group expressed concern that this approach could impact on the wider rural areas.

5.3.6 The Task and Finish group made the following observations:

- Strategies at all levels must be joined up and pull together. As finances get tighter, and the Council invests in projects and developments the maximum benefits and impact need to be realised, and any risks should be identified at an early stage and be mitigated against.
- Communication about what the Council is doing is essential. Good examples of successful projects should be used to let people know about them and to promote opportunities.
- Members are keen that the Local Housing Company looks to use local building firms, and help keep the Shropshire pound in the Shropshire economy.
- The Local Housing Company and other investments by the Council need to be used tactically. How can they help to address some of the challenges that the Council is facing e.g. how developments could help address increasing costs and demand for Adult Social Care and Children's Social Care? Equally, there may be opportunities to help manage or reduce demand for the services of other public sector bodies e.g. health services.
- Whilst the Task and Finish group recognise and support the need to get things right, they are also mindful of the important of ensuring that the pace of the work is right. The Council must to avoid the risk of falling behind in their plans and in the delivery income which can be added to the Council's revenue budget.

5.4 Transformation

5.4.1 The Task and Finish group considered the progress with the four Digital Transformation Programme (DTP) work streams, understanding how the delivery of the new systems was progressing, exploring any issues in terms of quality, the impact of

any slippage, and whether delivery of the individual programmes and the overall programme were within budget.

- 5.4.2 Through discussion with the Director of Workforce and Transformation, who is also the Senior Responsible Officer for the DTP, Members recognised that just putting in place new systems would not realise the financial and non-financial benefits. The focus should be on transformation of the Council.
- 5.4.3 Behaviour change will be a significant factor in the success of the Council's transformation. This will require changes to the operating model of the Council, changes in the way that staff work, and changes in the way that people access and use Council services.
- 5.4.4 The approach that the Council is taking with its digital transformation is being recognised by Hitachi, who are partnering with the Council to deliver the new Customer Relationship Management System and some other innovative use of technology, and Microsoft who are the Council's Enterprise Partner. Both are using the Council as a reference site for the work being done and Microsoft want to use the Council as a case study.
- 5.4.5 The development of MyShropshire provides the opportunity for the Council to communicate with residents using a digital channel. Opportunities to communicate to residents. The Task and Finish group suggested that the Council could consider asking the Parish Clerks to reach into their Parish Councils and communities.
- 5.4.6 Members were interested in how the Council would support people to develop their skills and confidence to use MyShropshire and change how they contact and hear from the Council. They heard that the Council is investigating how it can best do this, building on previous work on Digital Exclusion, to take the technology out into communities and facilitate sessions being provided.
- 5.4.7 The Task and Finish group asked about the identification and realisation of cashable and non-cashable benefits from transformation. They considered the balance and noted that more of the benefits were expected to be non-cashable i.e. they would take the form of efficiencies and increased productivity rather than directly releasing money. In many cases the non-cashable savings include those where functions are part of someone's role, such as the payment of invoices and recruitment.
- 5.4.8 The Task and Finish group were told that setting out a longer term position is very difficult. Once the implementation of the new systems has been completed the benefits realisation plan will need to be updated. Members recognised that the identification and realisation of benefits will be iterative, and that the coming 6 months will be essential. This would include the roll out of systems, but the

biggest challenge and greatest benefits will come from cultural change with staff, partners and the public which will take more time.

5.4.9 The Task and Finish group made the following observations:

- The Council is heading in the right direction, but there is some concern about the impact of delays in the programme. They understand that it is a dynamic process where some things advance more easily and quickly than others.
- The Task and Finish group would like more information on the benefits and impacts. This should be an ongoing focus for the Performance Management Scrutiny Committee, once the new systems have been implemented.
- A good job is being done to deliver the DTP. Members believe that additional benefits will be achieved by working with staff, partners and customers to change behaviours. Improvements in productivity will be positive and they look forward to learning more about them and the benefits to the Council and customers.
- The use of technology in Adult Social Care to help people remain independent is very positive. The Task and Finish group believe that there are opportunities arising from 'Smart City' developments that could benefit the Council by not only providing useful data to help plan and manage services, but also allowing people to get information and advice in a different way.
- The savings from the DTP that had previously been identified to be delivered in 2019/20 were no longer in the budget for that year. Members were informed that these savings will be included in subsequent years.

5.5 Children and Young People

5.5.1 Members were told that over the past 3 to 4 years the Council have been trying to manage the demand on Childrens Social Care. It is now at a point where demand is outstripping resources and in order to address the pressure it requires a system wide response. Members were also informed that this was a challenge being faced by other rural councils.

5.5.2 The Task and Finish group explored the impact of County Lines on the demand for social care support, learning that it is having an impact in Shropshire, and it was also on other services including Learning and Skills, particularly in relation to fixed term exclusions.

5.5.3 There were 369 Children in care at the time of the meeting, an increase of over 31% from 280 over the past 18 months. This is not just down to the impact of County Lines. Poverty is having an impact. Families are accessing food banks and are also turning to crime, drink or drugs and it is these latter two are having an impact.

5.5.4 The Task and Finish group enquired about how the Council are working with Health, particularly around mental health. They learned that mental health is an issue and that the commissioned service included self-serve through on line tools, and a drop-in session had been introduced in Shrewsbury. It was acknowledged that for children's mental health there have been some problems with the new provider, but whilst it was still early days it was improving.

5.5.5 The Task and Finish group were informed of two key areas of demand in Shropshire:

- 0-4 age range. Neglect caused by wider social issues e.g. poverty, parental drug misuse, mental health and domestic violence. Children would usually be placed back with their family, adopted or a court order placing them with another family.
- 14+ age range. Where children are being affected by or gravitating to county lines/behavioural concerns. These would be the cases where the care is the most expensive for the Council. Needs are becoming more complex and costs are going up.

5.5.6 Members were informed that costs are spiralling and that councils cannot afford private providers. Shropshire has the 2nd greatest number of private residential care providers in the country and the Council works with them well, but it's a national care market and the providers can choose to go with the highest payers.

5.5.7 They were also informed that in response to the challenges, the Council is taking the following steps:

- The Council is aiming recruit more of its own foster carers, which should deliver high quality care at a price that is more competitive than agencies.
- The Council is progressing 2x 2 bedroom units. This will help to bring care costs down. The benefits are that this will be more cost effective than current high cost placement (£6,000pw and above), council services are better quality, and there are sometimes children and young people cannot be placed with providers. As much as £100,000 per child in care costs could be saved each year. Concern was expressed that this was taking too much time and should be progressed immediately.

- The Council is working as one of the local authorities in the West Midlands to develop a specialist secure unit in the region.
- Prevention work to keep 14+ children in their home is having an impact and we are seeing the numbers coming into care reducing. However, those children have the highest needs and highest and increasing costs.

5.5.8 Another area of cost is agency social worker costs. Each one is nearly twice the cost of a council social worker. There are also issues around retention. Bringing pay up has made the Council more competitive, but other councils are paying more and providing incentives such as lower caseloads and key worker housing.

5.5.9 The Task and Finish group considered the saving of £717,000 related to Transport identified in the Financial Strategy to be delivered in 2019/20. They sought confirmation of what was included, how it would be delivered and any possible impact of the service delivered. They were informed that in the region of £400,000 would come from efficiencies and that there would also be some further phased savings over the coming years.

5.5.10 The Task and Finish group made the following observations:

- Reducing demand on Children's Social Care needs to be achieved through a system wide approach, identifying and pursuing opportunities for prevention.
- Communities Overview Committee should include County Lines in its work programme and consider opportunities to prevent the situation as well as understanding how the Police prioritise and allocate resources across the force area.
- The Council needs to continue to manage the residential care market as much as it can, but whilst this will help reduce costs it will not realise savings.
- The Council, with other local authorities, should lobby the government on state of the residential care market. There is an imminent and significant need for a market framework to be introduced.
- The Council should examine incentivising social worker roles to help retain council social workers and reduce the need for agency staff.
- The 2 new care homes offer benefits to young people and their families and to the Council. Proposals for these homes were agreed some time ago and they need to be delivered a matter of urgency.

- Availability of foster families, in part due to their choosing to retire from the role, is rising as an issue for the Council. This would benefit from being looked at in more detail.
- There appear to be opportunities for intergenerational support. For example, how can communities help to ensure that families know how to cook their food?
- The delivery of public health outcomes through work by operational frontline teams needs to be identified and agreed. What is the level of service required, which teams will be delivering it and how will it be evidenced?

5.6 Public Health

- 5.6.1 The Task and Finish group were informed that the level of Public Health Grant per head received by Shropshire Council is below the national average, and substantially lower than most local authorities. They also heard that the Government's austerity measures have included year on year reductions in the grant of around 2.5%. The Public Health Grant is ring fenced and must be spent on programmes that address the 32 public health outcomes identified by the Department of Health. The proposals in the Financial Strategy identify £2m of savings from Public Health, in addition to the £2m savings for 2018/19.
- 5.6.2 Members were informed about the pressures on the Council's from the growth in demand for Adult Social Care (ASC) and a 30% increase in Children's Social Care demand in the past 18 months.
- 5.6.3 Whilst there are some elements of Public Health services which are statutory mandatory there are also areas of spend that are discretionary. Due to some of these being externally funded, such as spend on Substance Misuse and on Sexual Health, the majority of the savings would need to come from Help2Change (H2C).
- 5.6.4 The Task and Finish group asked about the Council's priority to promote the responsibilities of individuals to make the right lifestyle choices to help prevent ill health or disability. Members were concerned about whether there would be services available to support people to do this, services that could pick up the slack during the transition period as the Public Health services change. They enquired whether services could be provided through the NHS or by Voluntary Community and Social Enterprise organisations, recognising that these services would need to be funded.

- 5.6.5 They also raised whether there could be any service provided through the Sustainability and Transformation Partnership (STP) including approaches to reduce demand by helping people to use the services that were most appropriate to their needs.
- 5.6.6 A particular concern was raised by the Task and Finish Group about the impact of removing the smoking cessation service. Shropshire does not perform well compared to other areas for smoking in pregnancy and the Members were concerned that removing the services could have long-lasting impacts on the health of mothers and their babies. They were informed that if the service was to only focus on smoking in pregnancy the budget could be reduced by two thirds. However, the current service is provided by people who can advise and support across a range of matters including obesity and exercise.
- 5.6.7 The Task and Finish group heard directorates were making best estimates on how the Public Health outcomes could be delivered. One example was the roll-out of social prescribing which has been progressed at a steady rate based on resources in the Council, working with partners and communities. The Adult Social Care Lets Talk Local Hubs offered an option to do this building on their established approach where staff work in a similar way to Social Prescribing Practitioners. Work is also underway to identify services that the Council provides that deliver Public Health outcomes, but which are not currently funded by the Public Health grant.
- 5.6.8 Members learned that Public Health role with mental health and suicide prevention work is about enabling organisations to work together, and raise the profile of depression and bi-polar disorder. Under the savings proposals the current support and materials would be no longer be provided.
- 5.6.9 The Task and Finish group made the following observations:
- Despite the lack of clarity from the Government about the future of the Public Health grant, the Council should continue to raise the inequality in funding and pursue a better level more in line with other local authorities.
 - Taking this into account, it is very concerning that the Council has been placed in the position where it is having to consider reducing funding for services aimed at preventing ill health and disability.
 - Funding should be sought from other commissioning organisations who are using Public Health services, but to date have not been contributing to the costs.

- It is essential that the Council continues to follow its commitment to prevention, and in doing so identify all services which contribute to this goal, ensuring that their contribution can be captured, quantified and communicated.
- All proposals to change funding would benefit from impact assessments to help understand the potential for unintended consequences and options to help avoid them from occurring.
- It is vital that for Public Health Services, but also Adult Social Care and Children's Social Care that services are able to understand the impact of budget decisions by NHS organisations, especially those taken by Shropshire CCG.
- It is also important to communicate to partners about the services that the Council will fund or provide in the future so that they can take this into account in service planning and budget setting. Could this be carried out through the Health and Wellbeing Board?

6. Conclusions of the group

- 6.1 The Group felt that the impact of the reducing funding for councils was becoming increasingly clear. Shropshire has the added pressure of the cost of delivery in a large rural county, and inequalities in funding from government when compared to some other local authorities.
- 6.2 The Task and Finish group heard and considered evidence of the Council having to make increasingly hard decisions; prioritising statutory mandatory services over discretionary services.
- 6.3 They have very real concerns that some of these decisions that are having to be taken to deliver legal budgets in the short to medium term risk unintended consequences that could see poorer outcomes for people and communities, and demand and costs for the Council and other public sector organisations increasing at a faster rate in the future.

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

- Financial Strategy 2018/19 to 2021/22,
- Financial Strategy Cabinet Report July 2018,
- Financial Strategy Cabinet Report December 2018
- Q1 2018/19 Financial Monitoring Report,
- Q2 2018/19 Financial Monitoring Report
- Corporate Peer Challenge report,
- Northamptonshire County Council Best Value Inspection Report
- CIPFA Financial Resilience Index
- Public Health Budget and Service Provision – Report to Health and Adult Social Care Overview and Scrutiny Committee 24.9.2018
- Public Health Outcomes for Shropshire

Cabinet Member (Portfolio Holder)

Cllr David Minnery

Local Member

All

Appendices