



<u>Committee and Date</u>	<u>Item</u>
Council	
28 February 2019	<u>Public</u>

FINANCIAL STRATEGY 2019/20 – 2023/24

Responsible Officer James Walton

e-mail: james.walton@shropshire.gov.uk Tel: 01743 258915

1. Summary

- 1.1 The Financial Strategy report sets out the financial plans for Shropshire Council for the planning period 2019/20 through to 2023/24. The key focus of this document, however, is the setting of the 2019/20 budget. This Financial Strategy report takes into account previous reports considered by Cabinet over the current financial year; most recently on February 13th, 2019. The report provides information and recommendations on the Council's proposals to manage its financial position in 2019/20.
- 1.2 The 2019/20 Financial Year represents the final year of the four year settlement designed by government to provide some financial certainty for local government from 2016/17 through to 2019/20. While this was, to some degree, welcomed by local government the decision to not extend beyond this period has now created a potential financial cliff-edge for 2020/21. There is considerable uncertainty surrounding the 2020/21 Financial Year, and beyond, due to the following changes in local government finance currently timetabled for introduction from 1 April 2020:
 - 1.2.1 Fair Funding implementation – a fundamental re-evaluation of local government finance resulting in a redistribution of government and locally raised funding across local authorities based on needs and demand.
 - 1.2.2 Business Rates Retention – an expected shift from 50% local retention of business rates to 75% retention, with an equivalent reduction in grant funding and as yet unknown responsibility changes
 - 1.2.3 Full Business Rates reset – establishing a new baseline for business rates retention, reallocating growth since the previous reset in 2013.
 - 1.2.4 Comprehensive Spending Review – a process undertaken by HM Treasury to set expenditure limits across government departments and the wider public sector. The impact of this process has the potential to outweigh all other proposed changes.
 - 1.2.5 A potential further review or removal of the New Homes Bonus system, a mechanism that has helped deliver additional, albeit time-limited, funding for the Council to help offset the additional costs associated with housing growth across the county.
- 1.3 A key tactic within the Financial Strategy is to deliver a balanced budget in 2019/20, stabilising growth and maximising reserves. Such an approach will

provide maximum flexibility in the build up to the 2020/21 Financial Year. It is currently expected that initial exemplifications of the 2020/21 Budget will not be available from Central Government (in the form of a provisional settlement) until the autumn of 2019, leaving only a short number of months before the budget needs to be set by Full Council at its meeting in February 2020. Furthermore, it is likely that transitional arrangements will be implemented creating as yet unknown financial implications.

- 1.4 Council Tax in Shropshire is below the national average and a 3.99% increase is recommended for 2019/20. This increase is made up of a 2.99% general increase and 1% Social Care precept and will deliver additional funds for the Council of approximately £6.5m, helping to offset the growth in social care costs (in Children's and Adults Services) which alone amount to £12m in a single year.
- 1.5 Shropshire Council Core Spending Power for 2019/20 (the government's measure of funding available to every local authority in England), when expressed as funding per dwelling in Shropshire is significantly below the England average. If changes, resulting from the new Fair Funding mechanism, increased Shropshire's Core Spending Power to the England Average, this would result in an additional £32m funding every year.
- 1.6 The financial implications of the changes to the 2020/21 financial year significantly increases the risks around long term planning and decision making for service delivery.

2. Recommendations

2.1 It is recommended that members:

- A. Approve the 2019/20 budget of £593.080m outlined in the Budget Book at Appendix 7, including the savings proposals outlined at Appendix 4.
- B. Note the changes required to the 2019/20 budget as a result of the Provisional and Final Local Government Settlement and revised business rates and collection fund estimates.
- C. Note the revised funding gap for the years 2020/21 to 2023/34.
- D. Note the continued use of the Policy for Flexibility around the use of Capital Receipts.
- E. Agree the Statement of Chief Financial Officer on the Robustness of the Estimates and Adequacy of Reserves 2018-24 as set out in Appendix 9, noting the Council's general fund balance over this period.
- F. Agree the Pay and Rewards Policy for all Council staff for 2019/20 as set out in Appendix 11.

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. Development of Financial Strategy

- 4.1. It was agreed by Cabinet that there would be a three stage approach to the developing the Financial Strategy this year, as summarised below:

Stage I – Resolve the 2018/19 overspend to prevent any carry forward to 2019/20

Stage II – Revise spending and savings proposals and develop an appropriate plan for bringing the 2019/20 budget back into short-term balance

Stage III – Consider plans for addressing the funding gaps in years 2-5 of the financial strategy (2020 – 2024) on a more sustainable basis

- 4.3 This Financial Strategy Report therefore focusses on Stage II of the budget setting process and considers the changes to resources and expenditure that have increased the funding gap in 2019/20.
- 4.4 It is intended that the long-term financial strategy considered in Stage III will be discussed in more detail from April 2019, when it is anticipated that further clarity on future funding levels will be established.
- 4.5 The 2019/20 Financial Year represents the final year of the four-year settlement designed by government to provide some financial certainty for local government from 2016/17 through to 2019/20. While this was, to some degree, welcomed by local government the decision to not extend beyond this period has now created a financial cliff-edge for 2020/21. Over the multi-year settlement period, core spending power (the government's own measure of funding for all local authorities in England) in Shropshire has ostensibly risen by around £20m. This increase has been funded by a £36m increase in Council Tax raised locally, offsetting a net £20m reduction in government funding. Furthermore, much of this offsetting government funding is one-off in nature and cannot be assumed will continue into 2020/21.

- 4.6. Over the multi-year settlement period the net cost of Adult Social Care, after the application of government funding initiatives such as Improved Better Care Funding and Adult Social Care Support Grant, and after taking account of the additional funding raised locally through the Adult Social Care Precept has been over £53m more than the resources available. Put another way, in 2019/20 the cost of delivering Adult Social Care is almost £36m per year more than the equivalent cost in 2015/16. This is demonstrated in the table below.

	Adult Social Care	2016/17	2017/18	2018/19	2019/20
4.7	Growth in Spend (annual)	15,077,000	6,020,170	5,435,990	8,849,730
	Improved Better Care Funding	0	216,820	4,328,800	8,153,520
	Adult Social Care Support Grant	0	1,400,051	871,140	0
	Social Care Funds (£3.775m share of £410m announced in Autumn Statement)	0	0	0	3,298,950
	Social Care Precept (annual)	2,443,412	2,662,026	4,122,723	1,481,914
	Cumulative Growth	15,077,000	21,297,170	26,733,160	35,582,890
	Cumulative Funding	2,443,412	6,641,309	14,347,101	22,081,545
	Shortfall (annual)	-12,633,588	-14,655,861	-12,386,059	-13,501,345
	Cumulative Shortfall	-12,633,588	-27,289,449	-39,675,508	-53,176,854

A similar picture is evolving in Children's Services. Here, net growth in costs over the last two financial years has been in the order of £5.8m, with only a share of one-off funding (£0.5m) provided by the government to offset this cost in 2019/20.

- 4.8. The shortfall currently being managed within the 2019/20 financial year will continue to increase. The cost of Children's and Adults Social Care Services is expected to grow in 2020/21 by between £10m and £15m.

5. The Funding Gap – Background Information

- 5.1. To establish the initial funding gap in December 2018 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;
- Full cost impact of the amended pay and reward policy for 2018/19.
- The cumulative impact of changes and loss in funding that are, nevertheless, tied to the statutory delivery of services
- Increased income from Council tax due to a growth in the Council taxbase and an increase in the proposed Band D Council tax for 2019/20.
- 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;
 - New savings proposals required to close the funding gap focussed under four principles of Innovation; Income Generation; Service Cuts and Transformation
- 5.2. As described in the 12 December 2018 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 2017/18 and 2018/19 financial years 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 will take place in 2020/21. 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 critical to address this increasing funding gap.
- 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 and in 2018/19 there has been an ability to freeze spending elsewhere in the budget to compensate for these pressures. In the future, there is a significant risk that there will be insufficient controllable budgets left in the Council to mitigate pressures appearing elsewhere. This may mean that reserves held for emergencies instead become relied upon to cover known pressures. If reserves are depleted in this way, the Council's funding position will quickly become unsustainable.
- 5.4. The context for the financial position of the Council over the last 5 years and the steps that the Council has taken to deliver a balanced budget each year is explained in further detail at Appendix 10.

6. Changes to the Funding Gap since December 2018

- 6.1 Since the Financial Strategy was agreed at Cabinet on 12th December 2018, the government announced the Provisional Local Government Finance Settlement on the 13th December 2018. Within the Provisional Financial Settlement, the Government confirmed that the Revenue Support Grant would be in line with the multi-year settlement that Shropshire Council had agreed to and confirmed no amendments to core funding such as Improved Better Care Fund and the new Social Care Grant announced in the Budget. The settlement did however provide the Council with an additional £1.306m in Rural Services Delivery Grant, an increased allocation of New Homes Bonus by £0.603m and a marginal change to the Business Rate Top up grant that we receive of £0.007m. It was also announced that the Council would receive a proportion of the Business Rate Levy Account that the Government hold to fund safety net payments, as a

surplus had arisen in the account for 2018/19. This funding amounted to £0.771m. These additional resources have been used to close the funding gap and release the uncommitted Digital Transformation Funding so that this can be earmarked for potential further transformational activities within the Council.

- 6.2 The Final Local Government Financial Settlement was announced on 29th January 2019 and confirmed the funding announced in the Provisional Local Government Finance Settlement outlined above. The only new area of funding provided to the Council was for Brexit preparations, where the Council will receive £105,000 in 2018/19 and 2019/20 to fund the cost implications for Brexit. The financial risks associated with Brexit are included within the calculation of the risk assessed General Fund Balance that is reported in the Robustness of Estimates and Adequacy of Reserves paper, being considered on this Cabinet's agenda. Therefore it has been agreed that this funding will be contributed towards the General Fund Balance and any costs arising from the transition will be funded from the General Fund Balance.
- 6.3 The collection fund outturn for 2018/19 has also now been estimated and is also considered on this Cabinet's agenda. This estimate provides the Council with an overall surplus of £3.367m and therefore has been incorporated into the revised Resources position detailed in Appendix 1.
- 6.4 Recent Business Rates estimates show that estimated business rates income will decrease from that projected. This is mainly due to additional reliefs and discounts being provided. Although the value of business rates collected has reduced, the value of the section 31 grant that the government provides to reimburse the Council for reliefs and discounts provided has increased and so overall this has no short term impact on the Council's financial position.
- 6.5 There have been some other minor amendments to service budgets as these have been built up which have resulted in net changes to the funding gap of £0.302m.
- 6.6 Further work has been undertaken on confirming delivery of savings proposals as outlined in Appendix 4. Much of this work has focussed on Public Health savings of which there are two elements: the implications of not spending the Public Health Grant in the way it is currently being spend, and secondly the implications of applying the grant elsewhere to ensure that all funding is spent appropriately and public health outcomes are still achieved. Examples of service areas delivering public health outcomes where grant can be applied to maintain or enhance services include mental health and wellbeing services within targeted youth support and early help work; parenting support to promote healthy lifestyles and good mental health; homelessness and housing support including supporting people initiatives.

- 6.7 The net effect of the changes outlined in paragraphs 5.1 – 5.5 on the Funding Gap for 2019/20 is a reduction of £2.089m as demonstrated in Table 1 below. Full details of income and expenditure included within the Financial Strategy are shown in Appendices 1 and 2.

Table 1: Changes to Funding Gap since 12th December Cabinet

	2019/20	2020/21	2021/22	2022/23	2023/24
	£	£	£	£	£
Gap at December 12 Cabinet	26,679,562	34,073,348	42,156,400	49,623,410	57,947,810
Changes:					
Core Grants (RSDG and NHB)	-1,916,214	-1,212,474	-1,815,154	-2,417,834	-4,042,294
Business Rates	983,701	1,001,486	1,019,593	1,038,028	1,056,795
Collection Fund Surplus	-3,367,497	0	0	0	0
Specific Grants (including increased s31 grant)	1,909,100	1,205,360	1,808,040	2,410,720	2,410,720
Other Fees & Charges and Adjustments to gross budget	301,740	175,080	46,009	-85,091	-216,192
TOTAL VALUE CHANGES	-2,089,170	1,169,452	1,058,488	945,823	-790,971
Revised Gap at February 13 Cabinet	24,590,392	35,242,800	43,214,888	50,569,233	57,156,839

7. Closing the Gap

- 7.1 This strategy relies on a total council tax increase of 3.99% in 2019/20. This takes advantage of the 1% increase to the cap for Core council tax and also takes the opportunity to reprofile the Social Care precept to raise 1% in 2019/20 which remains within the 6% limit across the three year.
- 7.2 There is also a reliance on reductions in expenditure arising due to savings proposals of £18.5m in 2019/20. These savings strategies were approved at Cabinet in December 2018 and February 2019 and are attached at Appendix 4.
- 7.3 As outlined above, the additional funding announced in the Provisional Local Government Settlement will now be used to close the funding gap. The Council had previously indicated that it would use any underspend arising from the Digital Transformation Programme (DTP) towards the funding gap rather than use this for a second phase of Transformational activities to deliver further revenue savings. However, the Council plans to use the changes to resources highlighted above instead and so can reallocate the DTP underspend to be used for its original purpose.
- 7.4 It has also been agreed that any further resources available, over and above reimbursing the DTP will be used as a contribution towards the Financial Strategy Reserve. Given the significant funding gap that develops over the next four years, the Council is anticipating that it will need to utilise Earmarked Reserves in the interim to deal with the funding changes arising from the Fair Funding Review and to plan any further service savings that are required. Therefore, it is considered important that any one off funding not allocated to closing the gap, is instead committed to funding future year's funding gaps. This results in a £2.313m contribution to the Financial Strategy Reserve for 2019/20,

and this along with the existing balance held in the Financial Strategy Reserve will be fully released to close the funding gap in 2020/21.

- 7.5 Table 2 below shows that the 2019/20 funding gap has now been closed by utilising the one-off funds referred to above, and the full schedule is shown at Appendix 3.

Table 2: One Off Funding Used to Close 2019/20 Funding Gap

	12-Dec-18 £	Changes £	13-Feb-19 £
Revised 2019/20 Funding Gap	26,679,562	-2,089,170	24,590,392
One Off Funding to be used:			
One off Grants:			
Rural Services Delivery grant	-5,307,640	-1,306,490	-6,614,130
New Homes Bonus - One Off	-1,606,418	-1,147,450	-2,753,868
Improved Better Care Funding	-8,153,520	0	-8,153,520
Social Care Funding - One Off	-3,775,000	60	-3,774,940
Levy Surplus Distribution	0	-771,090	-771,090
Use of Reserves:			
Earmarked Reserves - Freed up	-1,553,211	0	-1,553,211
One off Savings Identified in 2018/19 - C/f in Reserve	-1,139,774	0	-1,139,774
One off use of Cost of Investment Budget	-2,142,800	0	-2,142,800
One off DTP Underspend - c/f in Reserve	-3,001,199	3,001,199	0
Cont to Financial Strategy Reserve	0	2,312,941	2,312,941
Remaining Gap to be Funded	0	0	0

- 7.6 Table 3 below shows the proposed net revenue budget for Shropshire Council broken down by Service Directorate for 2019/20.

Table 3: Net Revenue Budget by Service Directorate

	2019/20 £
Adult Services	103,140,310
Children's Services	49,643,180
Corporate	-3,893,890
Finance, Governance & Assurance	2,087,250
Legal & Democratic Services	497,840
Place & Enterprise	57,860,330
Public Health	4,513,430
Strategic Management Board	280
Workforce & Transformation	-9,970
TOTAL NET BUDGET	213,838,760

8. Policy for Flexibility around the use of Capital Receipts

- 8.1 The council will continue to take advantage of the greater flexibilities around the use of capital receipts offered in the financial years 2016 to 2022 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. Details of the policy and previous year's utilisation of the powers are reported in Appendix 6.

9. Budget Consultation

- 9.1 The Budget Consultation was launched on 8th January 2019. 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. In response to previous requests, the Council has provided more detail within the consultation documents in a bid to attract more respondents. A total of 299 responses have been received, which is more than received in the preceding years, but still a low proportion of the population of Shropshire.
- 9.2 The consultation has drawn responses from a broad cross section of the community. Of the 299 respondents 38% are male and 52% female with the remainder preferring not to say. 36% are between the ages of 45-59, 25% between the ages of 60-84 and 20% between the ages of 30-44. Responses have come predominantly from local residents but also those representing a local interest or community group.
- 9.3 The first question was addressing the Council's plans to raise Council Tax by 3.99% in 2019/20. 58% of those responding believed that Council Tax should be lower, 36% were in agreement with the level proposed and 6% thought that the Council should raise Council Tax further if they were able to.
- 9.4 The next sections of questions looked at the individual savings proposals and allowed respondents to say whether they agreed, disagreed or had no opinion on each saving proposal. There has been general agreement across the board for the majority of the savings proposals. There have only been four savings proposals where over 50% disagreed with the proposal and one of these has since been removed (C19). The three remaining savings (references A01, P59 and H29 respectively) are listed below:

Review of Day Centres	£96,700	54.24% disagreed
Increased income from car parks	£400,000	54.79% disagreed
Mental Health Promotion	£20,000	57.48% disagreed

- 9.5 Specific comments regarding the savings proposals were also received with the most comments (51) being received on public health savings, with the main theme being that savings in this area were short sighted and the impact that these cuts would have on the health of Shropshire residents and the resulting costs elsewhere in the system. Other recurring comments related to the Place & Enterprise savings where people were concerned about charging for green waste collection and the impact this may have on fly tipping, several comments suggesting that concessionary travel should be reviewed or means tested for the elderly, further comments about car park charges putting people off from visiting Shropshire centres, and concerns were raised over reducing bus subsidies when the youth and older generation are dependent on them. There was also concern about further cuts hitting Adults and Children's Services when these services are already struggling to manage their budgets given the demand for the services.
- 9.6 Respondents were also asked if they wished to highlight any alternative savings proposals. 56 comments were received with varied responses, however key themes surrounded the cost of senior manager salaries, reducing number of councillors and members allowances, greater lobbying of central government on the funding position, reducing unnecessary council buildings spend, and selling the shopping centres to use the money elsewhere.
- 9.7 Finally, Question 19 (See Figure 7) invited the public to consider if after reading and commenting on the proposals, their opinion on the approach to close the funding gap taken by the Council. 51% of those that answered this question either disagreed or strongly disagreed with the approach taken and 29% agreed or strongly agreed with the approach.
- 9.8 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 balanced and constructive.
- 9.9 The associated infographics and a more detailed summary of responses are shown at Appendix 7.

10 Next Steps on the Financial Strategy for Years 2020/21 – 2023/24

- 10.1 This report provides a template for the Council's financial position over the next five financial years. Using this template, it is possible to identify a series of actions based on a number of planning assumptions in later years. Over the coming months work will continue to identify options for the future and to model these. This may include assumptions around one-off funding continuing into future years, assumptions around Business Rates Retention and responsibility changes, and the current base case refined following the 2018/19 outturn position. Any information made available by central government will also be included in our planning assumptions.

- 10.2 This work will enable the Council to deliver Stage III of the Financial Strategy process, in good time to be considered against the provisional local government settlement expected in the autumn of 2019. In the meantime, the focus for the Council needs to be on cost reduction and income generation to provide maximum financial resilience for the uncertainty of 2020/21 and beyond.
- 10.3 The focus needs to be on delivering a longer-term sustainable budget and closing the funding gap. The major uncertainty lies with the Fair Funding Formula and understanding the impact on Core Government funding previously distributed to Local Authorities. Shropshire Council currently receives Rural Services Delivery Grant of £6.6m and Improved Better Care Fund of £8.1m which it treats as one off funding. The Financial Strategy assumptions for future years removes this funding from 2020/21 in order to prepare for the potential impact of the Fair Funding Review. However, if this funding was to continue this would be a significant contribution to closing the funding gap arising in that year.
- 10.4 The Financial Strategy assumptions in future years also anticipate that the council tax referendum level will reduce back to 2% in 2020/21, however on the basis that the 3% referendum level has been extended for a further year into 2019/20, there is the potential that council tax generated could increase by £1.57m which is the equivalent of a further 1% on Council Tax.
- 10.5 These amendments along with the permanent delivery of the savings in Highways (£5m) and Adult Services (£0.5m) that were removed in 2018/19 for a two year period, show that it would be possible to deliver a balanced budget (with the use of some reserves) in 2020/21. 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 is demonstrated in Table 4 below, to include the points raised above:

Table 4: Aspirational Proposal to Deliver a Sustainable Budget in 2020/21.

	2020/21 £
Revised Funding Gap as at 13th Feb 2019	35,242,800
Government One off Funding Available in each year (if extended)	-14,767,650
Additional 1% Council Tax (if extended)	-1,571,033
Savings Proposals - permanent delivery of reversible savings	-5,500,000
Reserves	-13,404,117
Funding Gap remaining	0

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 – 2022/23 – Council, 22nd February 2018
Financial Strategy 2019/20 – 2021/22 – Cabinet, 4th July 2018
Financial Strategy 2019/20 – 2022/23 – Cabinet, 12th December 2018
Financial Strategy 2019/20 to 2021/22 – Council, 13th December 2018
Financial Strategy 2019/20 – 2023/24 – Cabinet, 13th February 2018
Financial Monitoring Report Quarter 3 – 2018/19 – Cabinet, 13th February 2019
Estimated Collection Fund Outturn 2018/19 – Cabinet, 13th February 2019
Robustness of Estimates and Adequacy of Reserves 2018-24 – Cabinet, 13th February 2019

Cabinet Member (Portfolio Holder)

David Minnery

Local Member

All

Appendices

Appendix 1 – Resource Projections
Appendix 2 – Expenditure Projections
Appendix 3 – Funding Gap
Appendix 4 – Savings Proposals
Appendix 5 – 2018/19 Red Savings Unachievable
Appendix 6 – Policy for Flexibility around the use of Capital Receipts
Appendix 7 – Budget Consultation Feedback
Appendix 8 – 2019/20 Draft Budget Book
Appendix 9 – Statement of Chief Financial Officer on the Robustness of the
Estimates and Adequacy of Reserves 2018-24 – Cabinet Report 13th
February 2019
Appendix 10 – Financial Strategy - Context
Appendix 11 – Pay and Reward Policy

Appendix 1 – Resource Projections

	2019/20	2020/21	2021/22	2022/23	2023/24
	£	£	£	£	£
Council Tax	154,426,844	163,398,728	172,891,859	182,935,553	193,563,989
Business Rates:					
Business Rates Collected	40,054,924	40,779,117	41,516,404	42,267,020	43,031,208
Top Up Grant	9,870,440	9,870,440	9,870,440	9,870,440	9,870,440
RSG	6,119,050	4,079,367	2,039,683	0	0
Collection Fund:					
Council Tax	3,031,492	500,000	500,000	500,000	500,000
Business Rates	336,005	-500,000	-500,000	-500,000	-500,000
NET BUDGET	213,838,755	218,127,652	226,318,386	235,073,013	246,465,636
Grants included in Core Funding:					
Improved Better Care Fund	8,153,520	0	0	0	0
New Homes Bonus	7,753,870	8,114,910	9,046,850	8,908,560	8,908,560
Rural Services Delivery Grant	6,614,130	0	0	0	0
Social Care Grant	3,774,940	0	0	0	0
CORE FUNDING	240,135,215	226,242,562	235,365,236	243,981,573	255,374,196
Local Income					
Fees and charges (including income savings deliverable from prior years)	79,243,760	81,067,801	83,025,590	85,119,926	85,119,926
Other Grants and contributions	22,522,390	22,522,390	22,522,390	22,522,390	22,522,390
Specific Grants (excluding Core Funding Grants above)	218,875,030	213,789,620	202,019,300	201,966,950	201,919,830
Internal Recharges	7,712,950	7,712,950	7,712,950	7,712,950	7,712,950
TOTAL FUNDING	568,489,345	551,335,323	550,645,466	561,303,789	572,649,293

Appendix 2 – Expenditure Projections

	2019/20	2020/21	2021/22	2022/23	2023/24
	£	£	£	£	£
Original Gross Budget Requirement	582,151,393	593,079,737	586,578,123	593,860,353	611,873,021
Inflationary Growth :					
Pay	7,850,896	2,628,461	2,686,452	2,739,625	
Prices	2,536,576	2,781,770	3,018,772	3,048,223	3,048,226
Pensions	14,575				
Demography & Demand	13,915,537	12,757,784	14,290,156	15,813,740	14,920,933
Service Specific Pressures	298,497	9,810	10,230	10,650	11,070
Local Generated Pressures:					
Elections			700,000	-700,000	
Specific Grants Changes between years	-4,330,791	-23,266,960	-10,838,380	-190,640	-47,120
Estimated Cost of Investment - <i>Approved</i>	2,142,800	1,485,000	1,265,000	1,760,000	
Adjustment to Gross budget offset by Income changes	4,446,953				
Savings					
<i>Savings from prior years- 2018/19 - Approved</i>	-19,206,570	-13,180	-3,850,000	-4,468,930	
<i>Pay Award Savings Proposals</i>	-5,315,020				
<i>Remove 2018/19 Red Savings Unachievable</i>	2,542,910				
<i>Remove 2019/20 Red Savings Unachievable</i>	14,294,300	-2,884,300			
<i>New Savings - Innovation</i>	-4,520,010				
<i>New Savings - Income Generation</i>	-1,025,000				
<i>New Savings - Service Cuts</i>	-770,000				
<i>New Savings - Transformation</i>	-1,947,310				
TOTAL EXPENDITURE	593,079,737	586,578,123	593,860,353	611,873,021	629,806,130

Appendix 3 – Funding Gap

	2019/20	2020/21	2021/22	2022/23	2023/24
	£	£	£	£	£
Resources	568,489,345	551,335,323	550,645,466	561,303,789	572,649,293
Expenditure	593,079,737	586,578,123	593,860,353	611,873,021	629,806,130
Gap in year	24,590,392	35,242,800	43,214,886	50,569,231	57,156,838
One Off Funding to be used:					
One off Grants:					
Rural Services Delivery grant	6,614,130	0	0	0	
New Homes Bonus - One Off	2,753,868	3,093,858	4,068,786	3,789,719	
Improved Better Care Funding	8,153,520	0	0	0	
Social Care Funding - One Off	3,774,940				
Levy Surplus Distribution	771,090				
Use of Reserves:					
Earmarked Reserves - Freed up	1,553,211				
One off Savings Identified in 2018/19 - C/f in Reserve	1,139,774				
One off use of Cost of Investment Budget	2,142,800				
One off DTP Underspend - c/f in Reserve	0				
Financial Strategy Reserve	-2,312,941	19,715,782			
TOTAL ONE OFF FUNDING	24,590,392	22,809,640	4,068,786	3,789,719	0
Remaining Gap to be Funded	0	12,433,160	39,146,100	46,779,512	57,156,838

Appendix 4 – Savings Proposals

	2019/20 Savings			New Savings - Innovation	New Savings			TOTAL
	Previously Agreed	Pay Award Savings	Remove 2019/20 Red Savings		Income Generation	New Savings - Service Cuts	New Savings - Transformation	
	£	£	£		£	£	£	
Adult Services	1,975,240	1,000,000	-802,600	0	0	0	0	2,172,640
Children's Services	794,000	0	-700,000	717,000	0	0	50,980	861,980
Place & Enterprise	5,999,330	0	-2,521,700	400,000	1,025,000	625,000	723,680	6,251,310
Public Health	288,000	3,615,020	-870,000	0	0	0	59,260	3,092,280
Corporate	0	700,000	0	3,403,010	0	0	0	4,103,010
Finance, Governance & Assurance	1,100,000	0	-400,000	0	0	80,000	81,200	861,200
Legal & Democratic Services	0	0	0	0	0	65,000	0	65,000
Workforce & Transformation	9,050,000	0	-9,000,000	0	0	0	1,032,190	1,082,190
Total	19,206,570	5,315,020	-14,294,300	4,520,010	1,025,000	770,000	1,947,310	18,489,610

Adult Services

Ref	Directorate	Portfolio Holder	Description	2019/20 Saving	Removal of 2019/20 Red Savings	Amended 2019/20 Savings
2019/20 Savings Previously Agreed						
A01	Adults Services	Lee Chapman	Review of day centres	96,700		96,700
A02	Adults Services	Lee Chapman	Efficiencies and additional income generation within Joint Training	77,000		77,000
A03	Adults Services	Lee Chapman	Micro-commissioning includes reduction in level of top-ups	50,000		50,000
A04	Adults Services	Lee Chapman	Review and re-commission of Positive Steps contract and the increase of shared lives provision	43,900		43,900
A05	Adult Services	Lee Chapman	Use of HOLD (capital) funding to reduce the cost of high cost placements	100,000		100,000
A06	Adult Services	Lee Chapman	Utilise vacant properties and maximise housing benefit	25,000		25,000
A07	Adult Services	Lee Chapman	Handy Person & HIA - Review of Housing services	100,000		100,000
A09	Adult Services	Lee Chapman	Review of Grant to SPIC for Workforce Care Development	29,000		29,000
A10	Adult Services	Lee Chapman	Growing the START service to reduce external reablement spend	200,000		200,000
A11	Adult Services	Lee Chapman	Review of CM2000 system	430,000		430,000
A12	Adult Services	Lee Chapman	Housing Initiatives - Occupational Therapy Works	20,000		20,000
A13	Adult Services	Lee Chapman	Housing Initiatives - Private Works	10,000		10,000
A14	Adult Services	Lee Chapman	Housing Initiatives - Temporary Accommodation	140,000		140,000
A15	Adult Services	Lee Chapman	Housing Initiatives - DFG Fees	41,000		41,000
A16	Adult Services	Lee Chapman	Provider market stewardship	200,000		200,000
A21	Adult Services	Lee Chapman	Review of client property	15,040		15,040
A22	Adult Services	Lee Chapman	Single Handed Care - Reduce the cost of care packages by investing in technology	130,000		130,000
A23	Adult Services	Lee Chapman	Increased number of Shared Lives placements and Positive Steps contract review	43,900	-43,900	0
A24	Adult Services	Lee Chapman	Efficiencies and additional income within Joint Training	77,000	-77,000	0
A25	Adult Services	Lee Chapman	New income generation within Enable	50,000	-50,000	0
A26	Adult Services	Lee Chapman	Review of day centres	96,700	-96,700	0
				1,975,240	-267,600	1,707,640
Pay Award						
A28	Adult Services	Lee Chapman	Joint commissioning of adult social care placements with Shropshire CCG	1,000,000	-535,000	465,000
Total Adult Services Savings				2,975,240	-802,600	2,172,640

Children's Services

Ref	Directorate	Portfolio Holder	Description	2019/20 Saving	Removal of 2019/20 Red Savings	Amended 2019/20 Savings
2019/20 Savings Previously Agreed						
C06 & C13	Children's Services	Nick Bardsley	Reductions to external placement costs within Children's Safeguarding	500,000	-500,000	0
C11	Children's Services	Nick Bardsley	Creation of supply teacher service	200,000	-200,000	0
C17	Children's Services	Nick Bardsley	Restructure of business support functions within Learning and Skills	94,000	0	94,000
				794,000	-700,000	94,000
New Savings - Innovation						
C18	Children's Services	Nick Bardsley	Passenger Transport Commissioning Savings in Learning and Skills	717,000	0	717,000
New Savings - Transformation						
C19	Children's Services	Nick Bardsley	Transformation – first phase savings identified	50,980	0	50,980
Total Children's Services Savings				1,561,980	-700,000	861,980

Place & Enterprise

Ref	Directorate	Portfolio Holder	Description	2019/20 Saving	Removal of 2019/20 Red Savings	Amended 2019/20 Savings
2019/20 Savings Previously Agreed						
P02	Place	Joyce Barrow	End agreement with Rockspring Community Centre	2,000	0	2,000
P03	Place	Steve Charmley	15% reduction in repairs and maintenance and office moves budgets	145,700	-145,700	0
P04	Place	Joyce Barrow	Review of waste collection and recycling services	1,500,000	0	1,500,000
P05	Place	Steve Charmley	Review of car parking at administrative sites	96,000	-96,000	0
P10	Place	Joyce Barrow	Review of Community Enablement Team	648,480	0	648,480
P13	Place	Steve Charmley	Review of workshops and economic development land	81,050	0	81,050
P16	Place	Steve Charmley	Reduction in facilities management costs	55,000	0	55,000
P28	Place	Steve Charmley	Increased installation and use of solar panels	100,000	0	100,000
P29	Place	Steve Davenport	Review of concessionary travel	50,000	0	50,000
P36 & P65	Place	Steve Charmley	Purchase Shrewsbury shopping centres	280,000	-280,000	0
P34 & P39	Place	Steve Charmley	Land acquisition, development and investment	2,050,000	-2,000,000	50,000
P59	Place	Steve Davenport	Increase income generated from car parks	400,000	0	400,000
P62	Place	Steve Davenport	Reduction in agency staff within transport and fleet services	60,000	0	60,000
P64	Place	Steve Davenport	Review of bus subsidies	405,000	0	405,000
P66	Place	Steve Charmley	Innovation and efficiencies within Shire Services	126,100	0	126,100
				5,999,330	-2,521,700	3,477,630
New Saving - Innovation						
P68	Place	Steve Charmley	Stretch income target in Shire Servies	300,000	-	300,000
P69	Place	Steve Charmley	Infrastructure related to new development	100,000	-	100,000
				400,000	-	400,000
New Saving - Income Generation						
P72	Place	Steve Charmley	New Development Dividend	1,025,000	-	1,025,000
New Saving - Service Cuts						
P71	Place	Steve Charmley	Reduced R&M Spend by capitalisation	250,000	-	250,000
P74	Place	Rob Macey	Planning Services - Savings/Commercial activity	140,000	-	140,000
P75	Place	Lezley Picton	Rights of Way - risk based approach	50,000	-	50,000
P76	Place	Lezley Picton	Libraries Review commercial review	98,000	-	98,000
P77	Place	Steve Charmley	Economic Growth - savings/commercial activity	35,000	-	35,000
P78	Place	Steve Davenport	Additional income Fleet Management	52,000	-	52,000
				625,000	-	625,000
New Saving - Transformation						
P79	Place	Lezley Picton	Theatre - New operating model	50,000	-	50,000
P80	Place	Steve Charmley	Heritage Buildings - New operating model	100,000	-	100,000
P70	Place	Steve Charmley	Reduction in Admin Buildings spendng	100,000	-	100,000
P73	Place	Steve Charmley	Transformation – first phase savings identified	473,680	-	473,680
				723,680	-	723,680
Total Place & Enterprise Savings				8,773,010	-2,521,700	6,251,310

Public Health

Ref	Directorate	Portfolio Holder	Description	2019/20 Saving	Removal of 2019/20 Red Savings	Amended 2019/20 Savings
2019/20 Savings Previously Agreed						
H04	Public Health	Lee Chapman	Efficiencies and additional income generation within Registrars	40,000	0	40,000
H12	Public Health	Lee Chapman	Additional income generation within Help2Change - Offer the health check service to other orga	20,000	0	20,000
H13	Public Health	Lee Chapman	Innovation within Help2Change - Introduction of 'health TVs' and sale of advertising space	63,000	0	63,000
H14	Public Health	Lee Chapman	Reduction in posts within Help2Change and review of Nicotine Therapy Service	65,000	0	65,000
H16	Public Health	Joyce Barrow	Review of parking enforcement (employ more officers to generate more income)	100,000	-100,000	0
				288,000	-100,000	188,000
Pay Award - Savings in Public Health Grant will be redirected to fund other Public health related expenditure in other Council service areas, thereby generating savings in Council funded budgets						
A29	Public Health	Lee Chapman	Improved service integration - NHS Health checks, Help to Quit	69,250	0	69,250 *
A30	Public Health	Lee Chapman	Staffing restructure - Help to Change	75,590	0	75,590 *
A31	Public Health	Lee Chapman	Contract review	86,000	0	86,000 *
A32	Public Health	Lee Chapman	Roll out of social prescribing with Adults Services Lets Talk Local hubs	135,000	0	135,000 *
C18	Public Health	Lee Chapman	0-25 PHNS to take over management of one EH hub	75,000	0	75,000
C19	Public Health	Lee Chapman	Remove non-mandated activity from current 0-25 PHNS contract	380,000	-380,000	0
H20	Public Health	Lee Chapman	Senior management salary saving	36,000	0	36,000 *
H21	Public Health	Lee Chapman	Vision screening allocation	23,180	0	23,180 *
H22	Public Health	Lee Chapman	LAC funding	23,000	0	23,000 *
H23	Public Health	Lee Chapman	Health Visitor services in Wales	40,000	0	40,000 *
H24	Public Health	Lee Chapman	Redesign of integrated sexual health services	50,000	-50,000	0
H25	Public Health	Lee Chapman	Integrated sexual health services - Recharge for Welsh residents	90,000	-90,000	0 *
H26	Public Health	Lee Chapman	Pathology tests to be contracted to single provider	30,000	0	30,000
H27	Public Health	Lee Chapman	Library Contract	5,000	0	5,000 *
H28	Public Health	Lee Chapman	Infection Prevention Control	30,000	0	30,000 *
H29	Public Health	Lee Chapman	Mental Health Promotion	20,000	0	20,000 *
H30	Public Health	Lee Chapman	Remove budget for specialist advice	12,040	0	12,040
H31	Public Health	Lee Chapman	Reduction in community training	54,960	0	54,960 *
H32	Public Health	Lee Chapman	Retender of inpatient detox contract	30,000	0	30,000 *
H33	Public Health	Lee Chapman	Retender substance misuse service	250,000	-250,000	0
H34	Public Health	Lee Chapman	Review prescribing budget	80,000	0	80,000 *
H35	Public Health	Lee Chapman	Reduce supervised pharmacy consumption	20,000	0	20,000
H36	Public Health	Lee Chapman	Recommissioning across Adults, Children's and Public Health	2,000,000	0	2,000,000
				3,615,020	-770,000	2,845,020
New Saving - Transformation						
H37	Public Health	Lee Chapman	Transformation – first phase savings identified	59,260	0	59,260
Total Public Health Saving				3,962,280	-870,000	3,092,280

* Includes 2018/19 savings currently being consulted on to fund part year Pay Award in 2018/19

Corporate

Ref	Directorate	Portfolio Holder	Description	2019/20 Saving	Removal of 2019/20 Red Savings	Amended 2019/20 Savings
Pay Award						
R25	Corporate Budgets	David Minnery	Removal of inflationary growth	700,000	-	700,000 *
New Saving - Innovation						
R36	Corporate Budgets	David Minnery	Removal of Apprenticeship Levy and Minimum Wage Growth	1,553,010	-	1,553,010
R37	Corporate Budgets	David Minnery	Minimum Revenue Provision	1,850,000	-	1,850,000
				3,403,010	-	3,403,010
Total Corporate Savings				4,103,010	-	4,103,010

* Includes 2018/19 savings currently being consulted on to fund part year Pay Award in 2018/19

Finance Governance & Assurance

Ref	Directorate	Portfolio Holder	Description	2019/20 Saving	Removal of 2019/20 Red Savings	Amended 2019/20 Savings
2019/20 Savings Previously Agreed						
P41	Finance, Governance and Assurance	Steve Charmley	Negotiate contract savings upon renewal, through better contract management	300,000	0	300,000
R02	Finance, Governance and Assurance	David Minnery	Revision of council tax support scheme	200,000	-200,000	0 #
R16	Finance, Governance and Assurance	David Minnery	Service reconfiguration within Finance, Governance and Assurance	300,000	0	300,000
R17	Finance, Governance and Assurance	David Minnery	Additional income generation within Finance, Governance and Assurance	100,000	0	100,000
R23	Finance, Governance and Assurance	David Minnery	Additional premium for empty homes	200,000	-200,000	0 #
				1,100,000	-400,000	700,000
New Saving - Service Cuts						
R28	Finance, Governance and Assurance	David Minnery	Reduction in service costs (not linked to DTP)	80,000	0	80,000
New Saving - Transformation						
R29	Finance, Governance and Assurance	David Minnery	Transformation – first phase savings identified	81,200	0	81,200
Total Finance, Governance & Assurance Savings				1,261,200	-400,000	861,200

Removed from savings as now included within Resources

Legal & Democratic

Ref	Directorate	Portfolio Holder	Description	2019/20 Saving	Removal of 2019/20 Red Savings	Amended 2019/20 Savings
New Saving - Service Cuts						
R30	Legal and Democratic Services	Steve Charmley	Elections reductions	20,000	-	20,000
R33	Legal and Democratic Services	Steve Charmley	Review of Committee and Member budgets	45,000	-	45,000
Total Legal & Democratic Savings				65,000	-	65,000

Workforce & Transformation

Ref	Directorate	Portfolio Holder	Description	2019/20 Saving	Removal of 2019/20 Red Savings	Amended 2019/20 Savings
2019/20 Savings Previously Agreed						
R03	Workforce and Transformation	Steve Charmley	Contract review within Customer Involvement	50,000	0	50,000
R13	Workforce and Transformation	Steve Charmley	Redesign following digital transformation	9,000,000	-9,000,000	0
				9,050,000	-9,000,000	50,000
New Saving - Transformation						
R34	Workforce and Transformation	Steve Charmley	Digital Transformation	990,430	0	990,430
R35	Workforce and Transformation	Steve Charmley	Transformation – first phase savings identified	41,760	0	41,760
				1,032,190	0	1,032,190
Total Workforce & Transformation Saving				10,082,190	-9,000,000	1,082,190

Appendix 5 – 2018/19 Red Savings Unachievable

Ref	Directorate	Portfolio Holder	Description	2018/19 Saving Unachievable £
C04 & C07	Children's Services	Nick Bardsley	Home to school transport - Stop nursery SEN and post 16 SEN provision	556,500
C05	Children's Services	Nick Bardsley	Further promotion of independent travel training and SEN personal budgets	164,630
C06 & C13	Children's Services	Nick Bardsley	Reductions to external placement costs within Children's Safeguarding	430,000
P35	Place & Enterprise	Steve Charmley	Efficiencies within administrative buildings, including ending use of Mount McKinley	500,000
P36 & P65	Place & Enterprise	Steve Charmley	Generate income from investment in assets	520,000
H02	Public Health	Lee Chapman	Review of maintenance of closed churchyards	47,120
H15	Public Health	Robert Macey	Reduction in posts within Regulatory Services	93,480
R24	Workforce and Transformation	Steve Charmley	Limited voluntary redundancy programme	231,180
Total				2,542,910

Appendix 6 - Policy for Flexibility around the use of Capital Receipts

1. The greater flexibilities around the use of capital receipts offered in the financial years 2016 to 2022 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.
2. Over 2019/20, Shropshire proposes to use the flexibility to help fund the following:
 - £3m to fund redundancy costs. This is in line with an average annual cost of redundancy of approximately £3m over the last 3 years and will allow the council to manage service redesign and restructure changes.
3. In 2017/18 and 2018/19, this flexibility has been used to fund redundancy costs and contributed towards the costs of the Digital Transformation Programme.
4. The reduction in staffing numbers enabled through the redundancy programme, has allowed the Council to deliver revenue savings as highlighted in previous years Financial Strategies. The first stage of the Digital Transformation Programme is coming to an end in 2018/29 and the new processes and systems will need to be embedded over the course of the next financial year so that savings, both cash and efficiency savings can be realised.

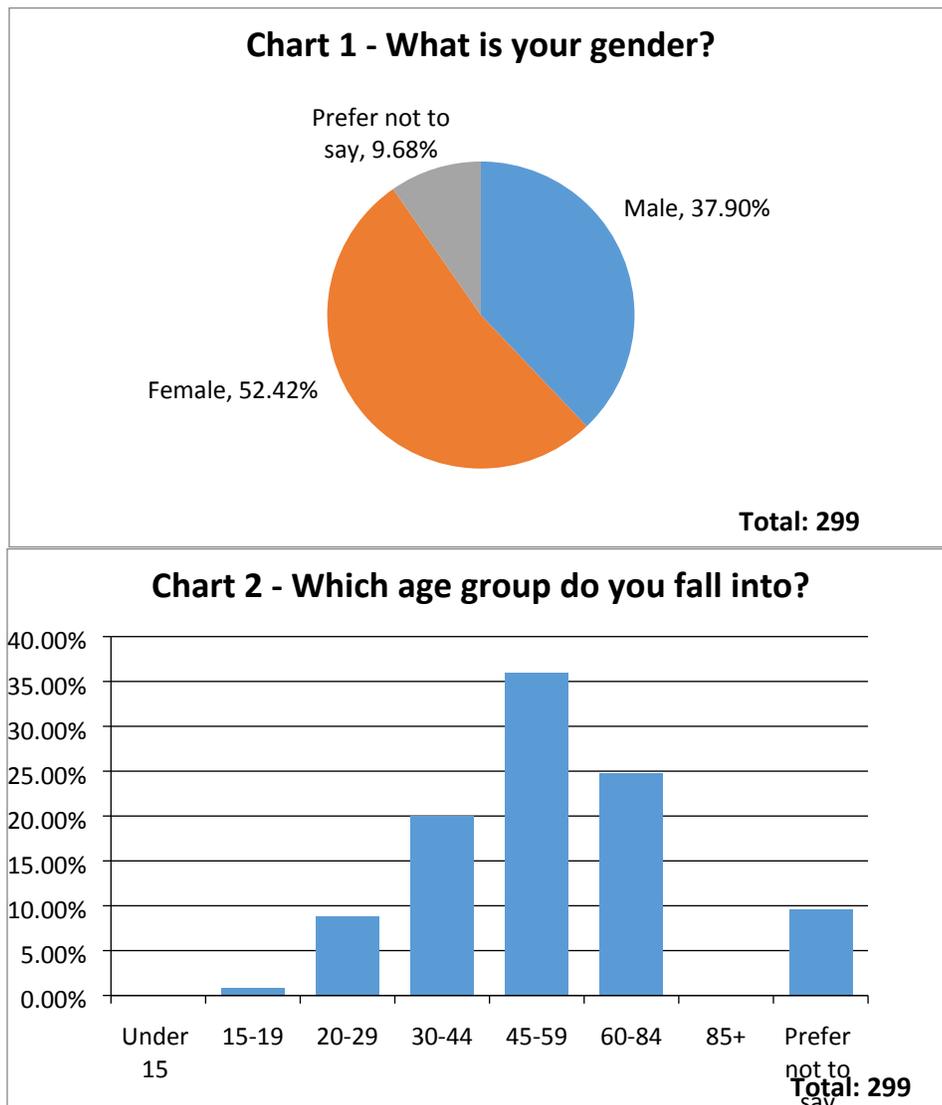
Appendix 7 – Budget Consultation Feedback

Responses Received: 299

1. Budget Consultation

1.1. The Budget Consultation was launched on 8th January 2019 and closed at 5pm on 18th February 2019. It was 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. In response to previous requests, the Council has provided more detail within the consultation documents in a bid to attract more respondents. A total of 299 responses were received.

1.2. As shown in Charts 1 and 2 below the consultation has drawn responses from a broad cross section of the community. Of the 299 respondents 38% were male and 52% female with the remainder preferring not to say. 25% were between the ages of 65-74 and 22% under the age of 35.

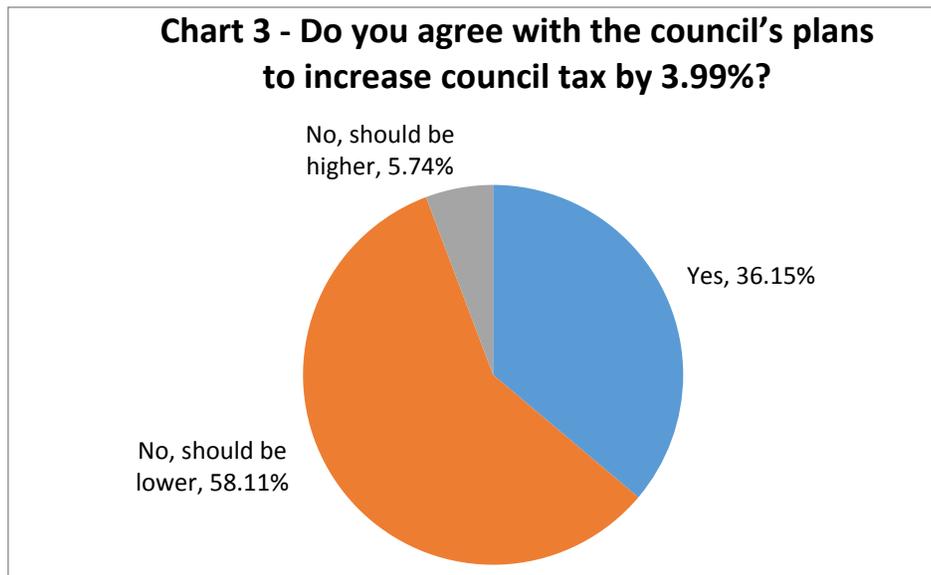


1.3. As shown in Figure 1 Responses have come predominantly from local residents but also those representing a local business or commercial organisation, representatives of local Towns, Parish and Rural Parish Councils, local interest or community groups and some Council employees.

Figure 1



1.4 The first question focussed on the Council’s plans to raise Council Tax by 3.99% in 2019/20. 57% of those responding believed that Council Tax should be lower, 37% were in agreement with the level proposed and 6% thought that the Council should raise Council Tax further if they were able to.



1.5 The next sections of questions looked at the individual savings proposals and allowed respondents to say whether they agreed, disagreed or had no opinion on each saving proposal.

Chart 4 - Saving Plans of £2,172,640 in Adult Services.

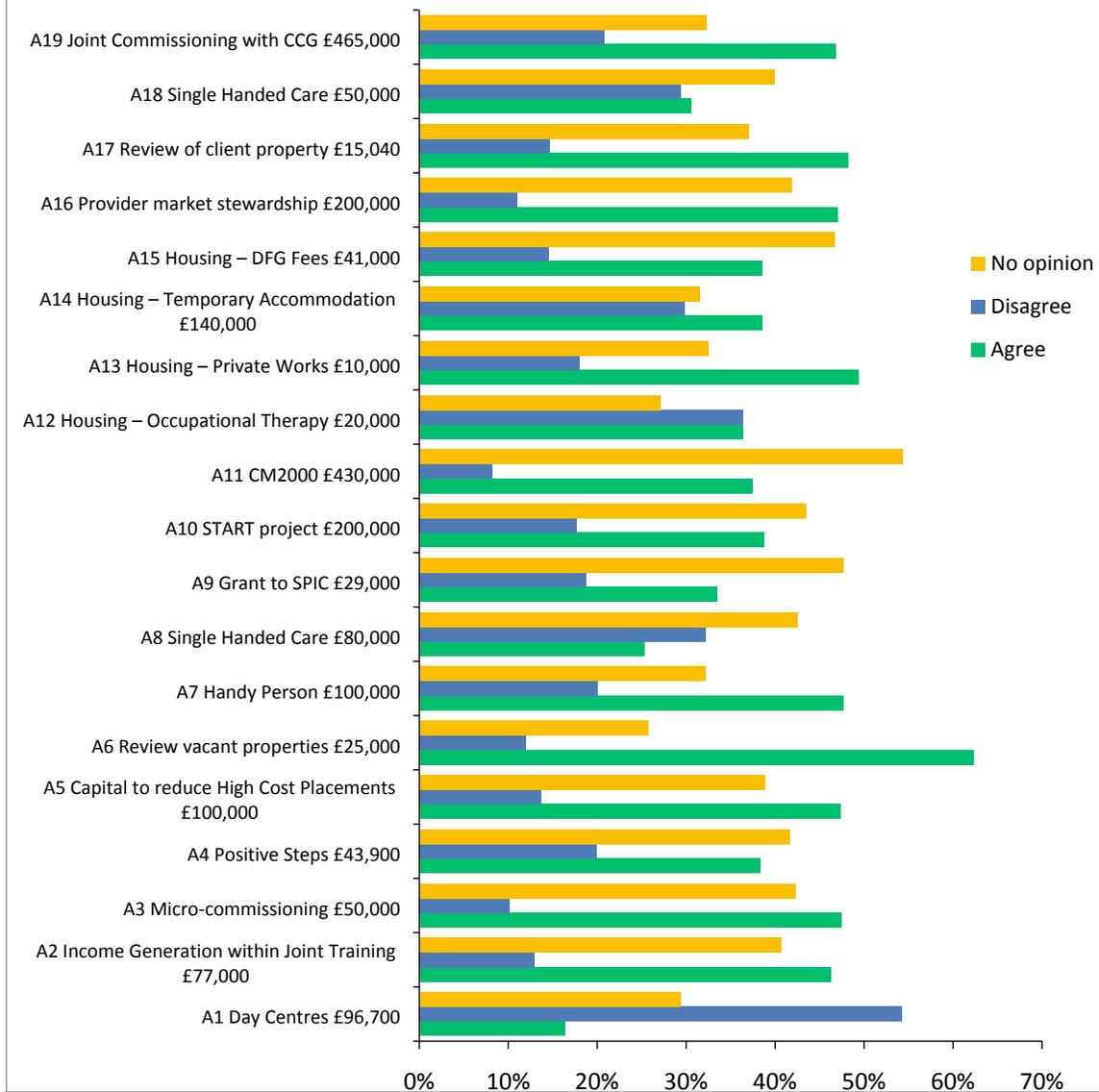


Chart 5 - Saving Plans of £861,980 in Children’s Services

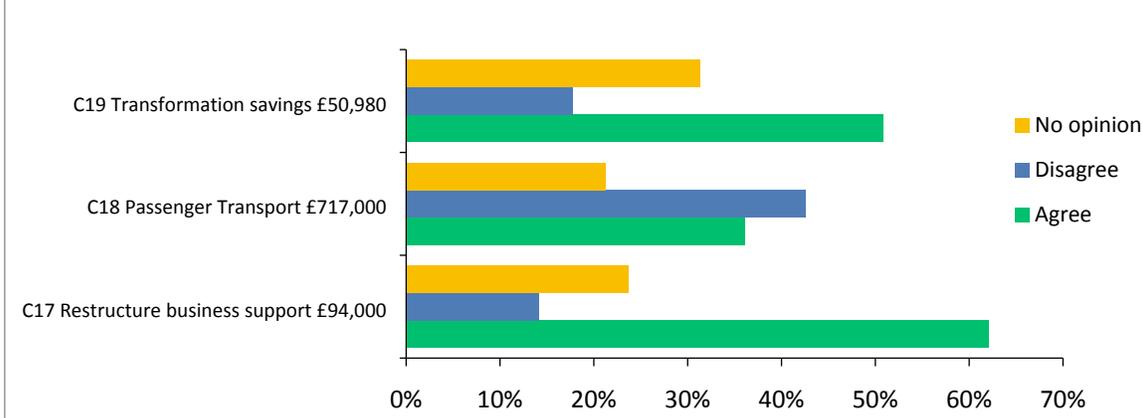


Chart 6 - Saving Plans of £6,251,310 in Place & Enterprise

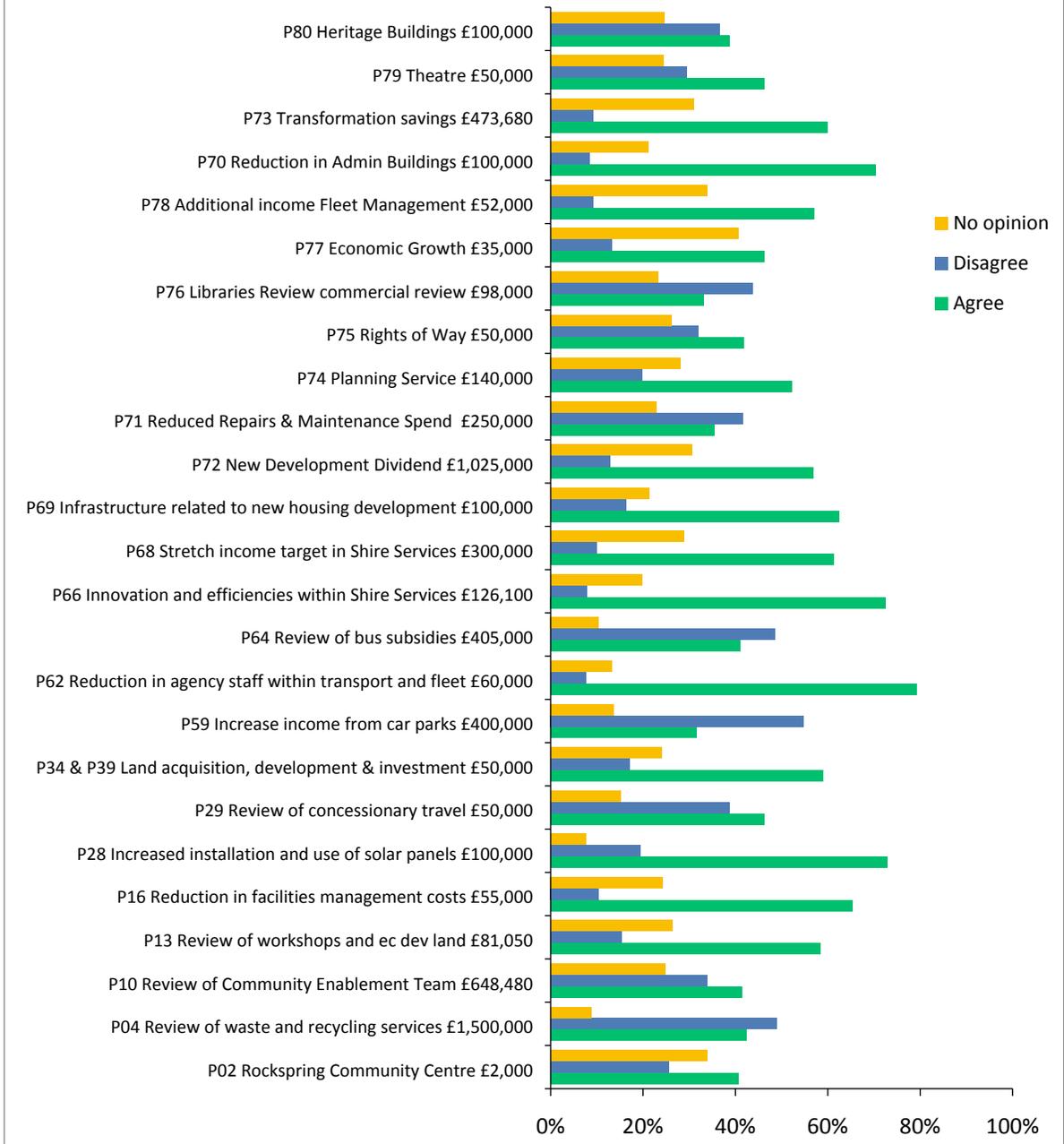


Chart 7 - Saving plans of £3,092,280 in Public Health

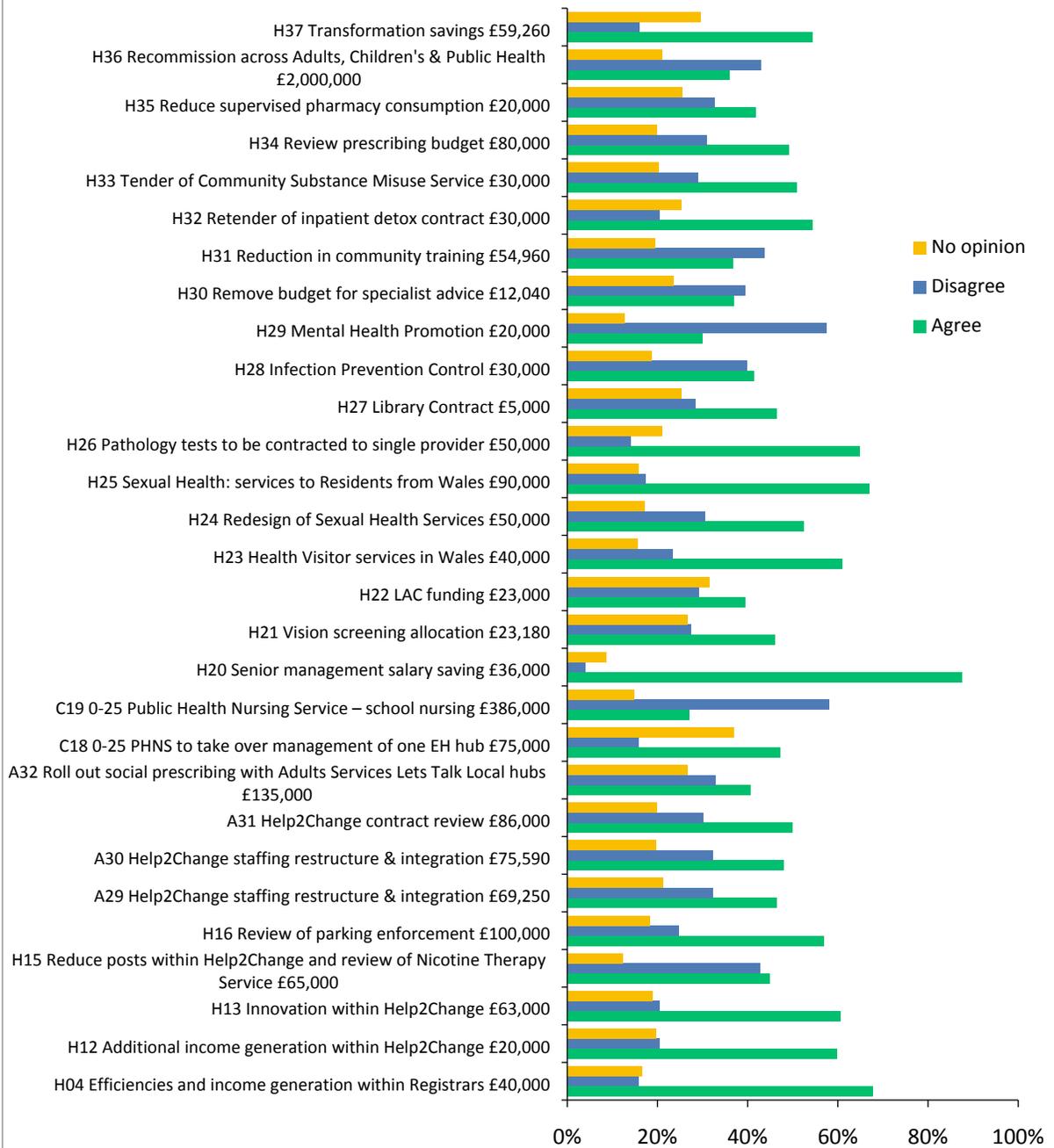


Chart 8 - Saving plans of £4,103,010 in Corporate Budgets

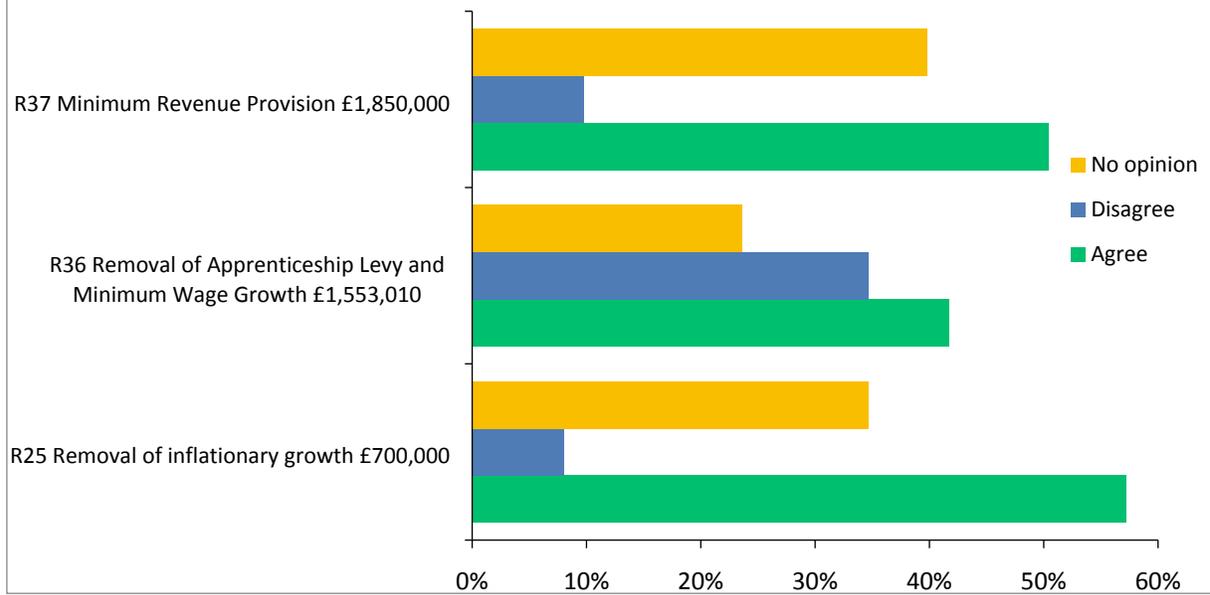
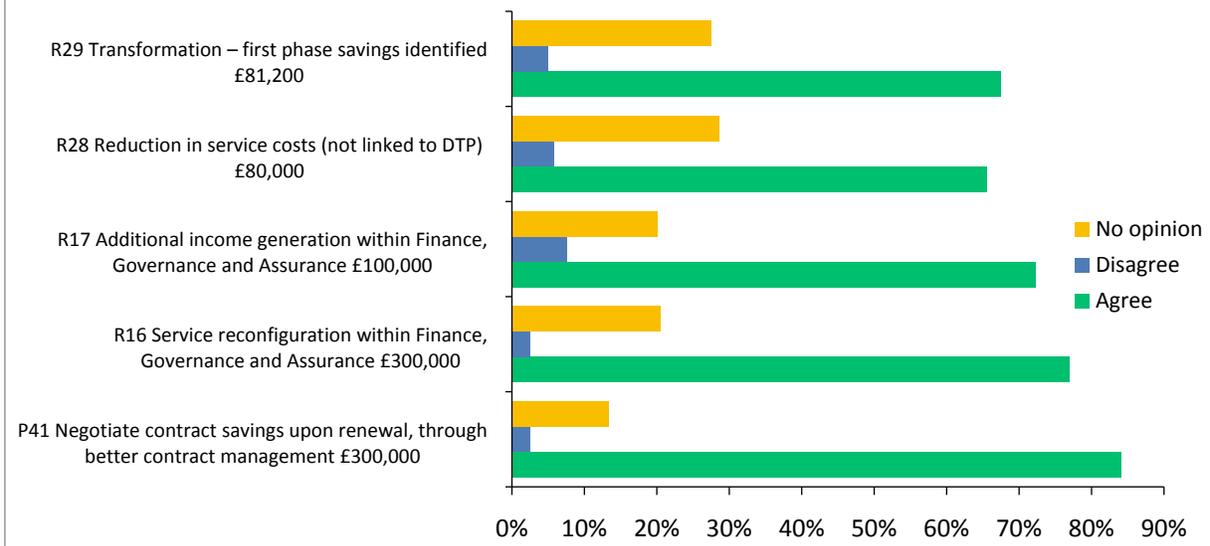
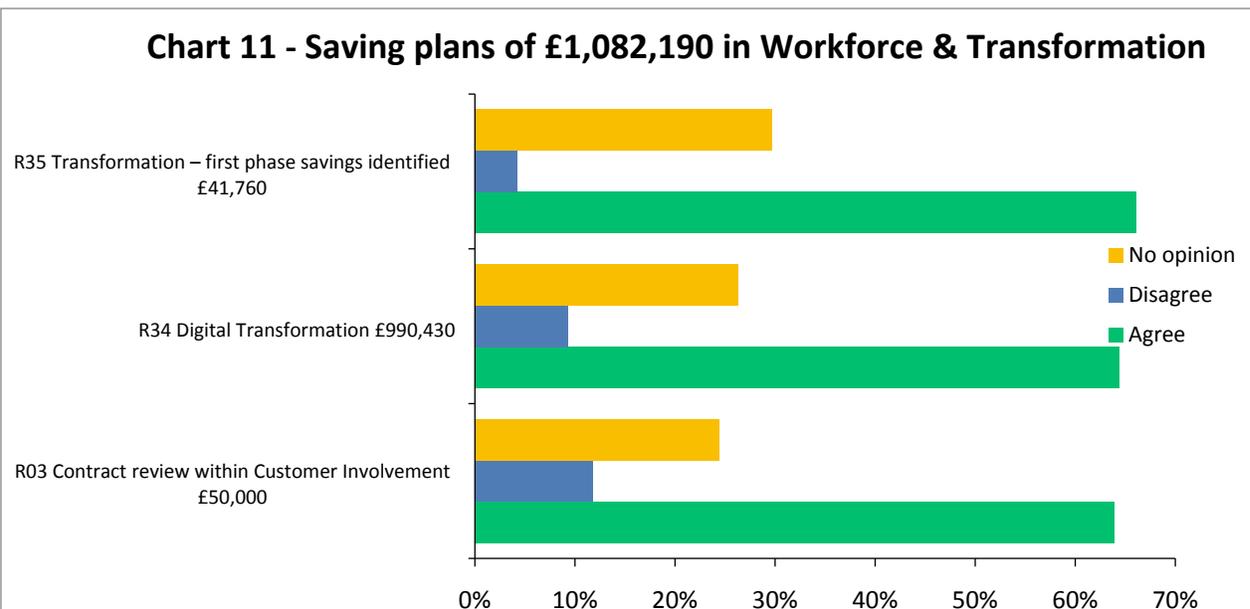
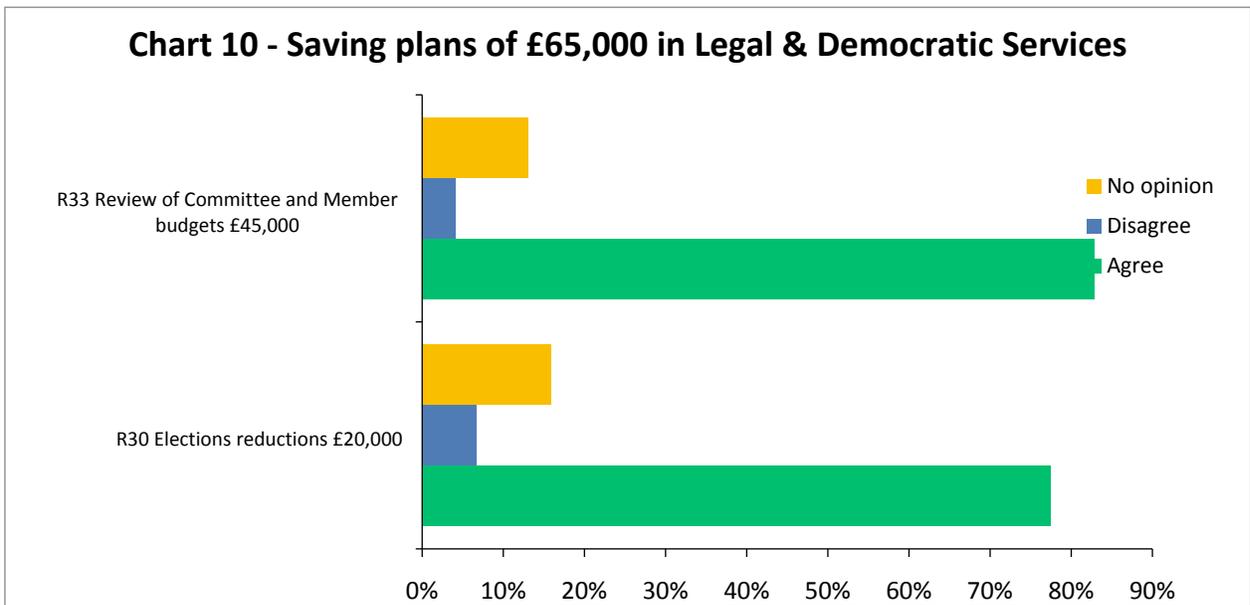


Chart 9 - Saving plans of £861,200 in Finance, Governance & Assurance





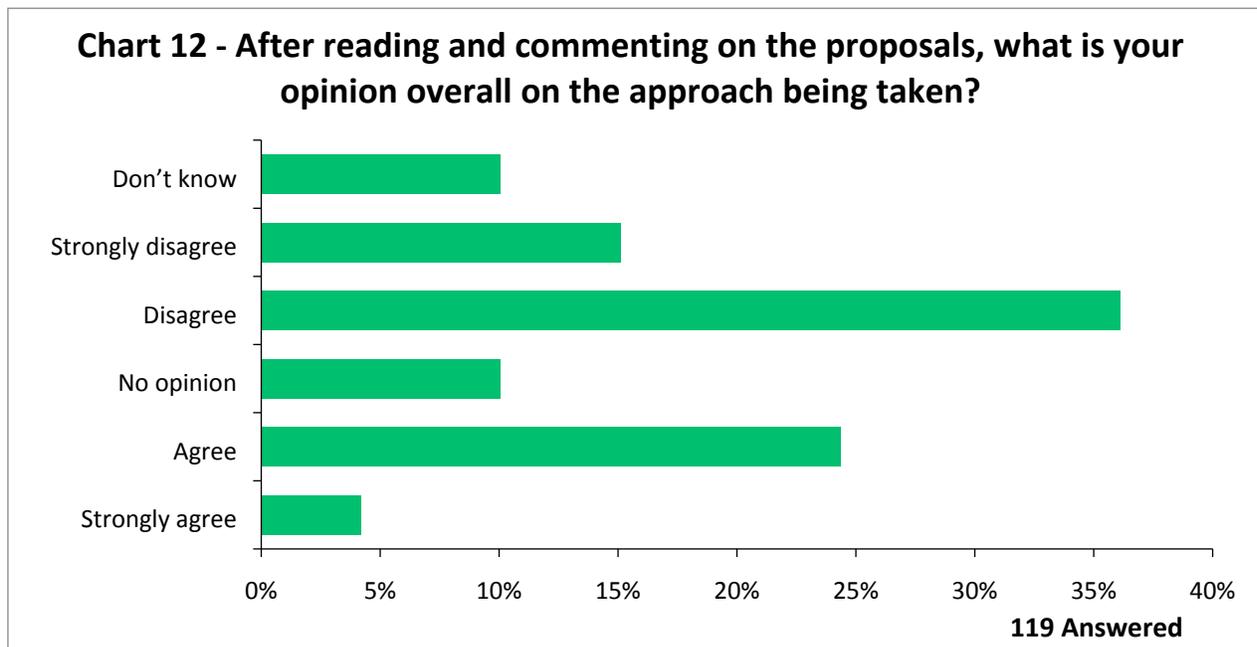
1.7 As Charts 4-11 show, there has been general agreement across the board for the majority of the savings proposals. There have only been four savings proposals where over 50% disagreed with the proposal and one of these has since been removed as not achievable (C19). The three remaining savings (references A01, P59 and H29 respectively) are listed below:

Review of Day Centres	£96,700	54.24% disagreed
Increased income from car parks	£400,000	54.79% disagreed
Mental Health Promotion	£20,000	57.48% disagreed

1.8 Specific comments regarding the savings proposals were also received with the most comments (51) being received on public health savings, with the main theme being that savings in this area were short sighted and the impact that these cuts

would have on the health of Shropshire residents and the resulting costs elsewhere in the system. Other recurring comments related to the Place & Enterprise savings where people were concerned about charging for green waste collection and the impact this may have on fly tipping, several comments suggesting that concessionary travel should be reviewed or means tested for the elderly, further comments about car park charges putting people off from visiting Shropshire centres, and concerns were raised over reducing bus subsidies when the youth and older generation are dependent on them. There was also concern about further cuts hitting Adults and Children’s Services when these services are already struggling to manage their budgets given the demand for the services.

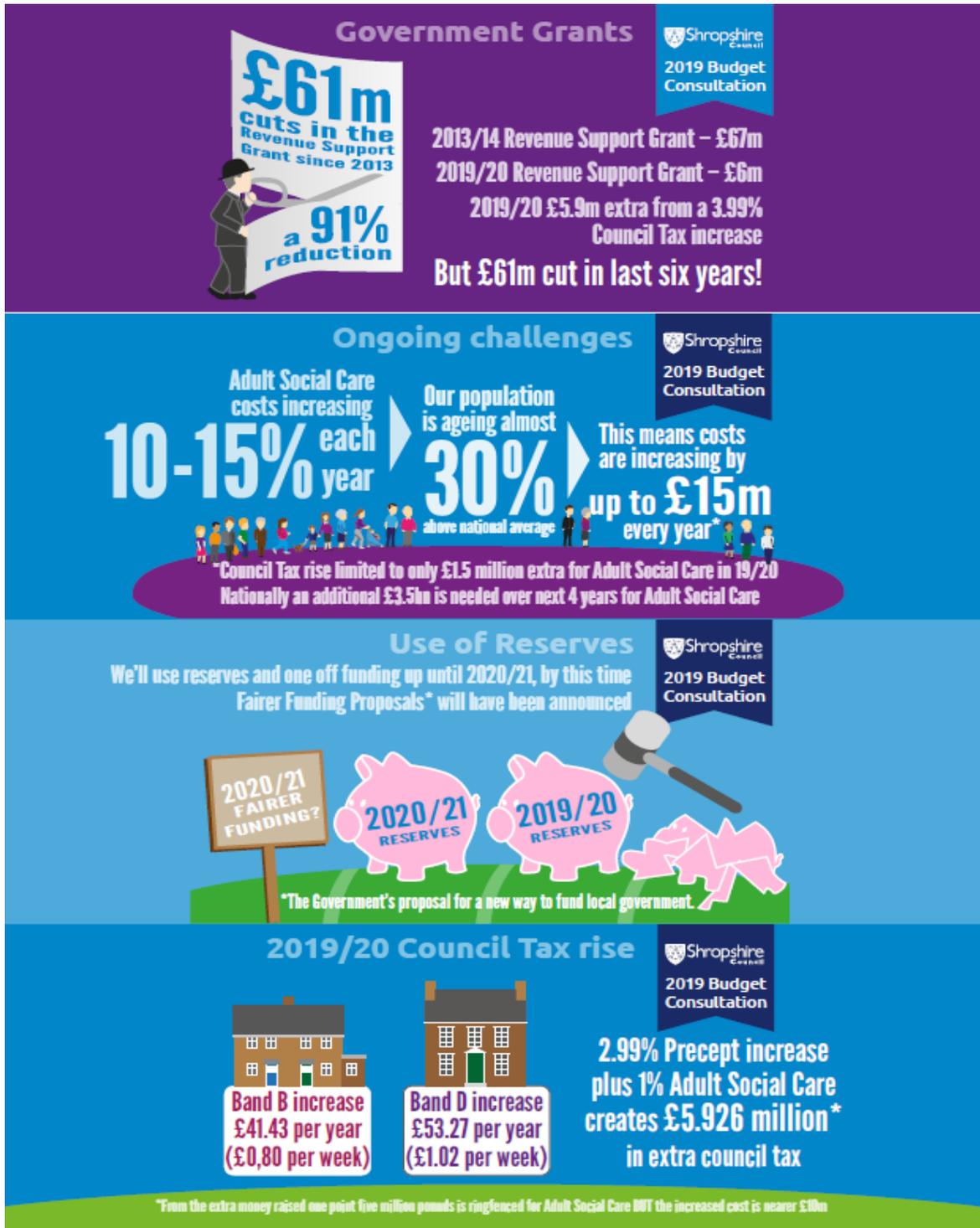
- 1.9 Respondents were also asked if they wished to highlight any alternative savings proposals. 56 comments were received with varied responses, however key themes surrounded the cost of senior manager salaries, reducing number of councillors and members allowances, greater lobbying of central government on the funding position, reducing unnecessary council buildings spend, and selling the shopping centres to use the money elsewhere.
- 1.10 Finally, Question 19 (See Figure 7) invited the public to consider if after reading and commenting on the proposals, their opinion on the approach to close the funding gap taken by the Council. 51% of those that answered this question either disagreed or strongly disagreed with the approach taken and 29% agreed or strongly agreed with the approach.



- 1.11 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.

2. Infographics

- 2.1 The following four infographics were released via social media over the course of the consultation. They highlight in pictures the funding challenges the authority is facing.



Appendix 8 – Budget Book 2019/20 – Sent in Separate Document

Appendix 9



<u>Committee and Date</u>	<u>Item</u>
Cabinet	
13 February 2019	<u>Public</u>

ROBUSTNESS OF ESTIMATES AND ADEQUACY OF RESERVES 2018-24

Responsible Officer James Walton

Email: james.walton@shropshire.gov.uk

Telephone: (01743) 258915

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 2019/20 revenue budget at £20.400m, noting that the projected balance will be below this for 2019/20;
- B Note the projected recommended level of general reserves for the following four years at £26.017m in 2020/21, £32.604m in 2021/22, £34.312m in 2022/23 and £34.700m in 2023/24.
- 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 28 February 2019.

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 areas in terms of budget size and volatility is Adult Services and Children's Safeguarding. In order to review this, growth models for both service areas have been developed which look at the cost drivers for these service areas. 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 2018/19 monitoring are evident as growth starts to breach original assumptions. Breaches of a small percentage have a significant impact in terms of value.
 - 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 including the impact of Brexit;
 - 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; and
 - Inability to set a sustainable budget with the resources available, resulting in services not being delivered or a legal budget not being set from 2019/20 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 2019/20 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 2019/20 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

	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000
Projected Resources	566,073	549,024	548,334	558,992	570,338
Current Projected Expenditure	590,357	583,960	591,243	609,255	627,188
Funding Gap	24,284	34,937	42,909	50,263	56,851
Year on Year Gap		10,652	7,972	7,354	6,588

- 5.4. Savings proposals have been identified for 2019/20 through to 2022/23, however the Council is awaiting further clarity on the Fair Funding Review before formalising savings plans from 2020/21 onwards. The savings identified 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 2018/19 is fully funded over the Financial Strategy period but this in itself will increase pressure on the Council to deliver the anticipated 2019/20 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 2017/18 there was slippage of £10.140m which represents 17% of the revised capital programme. Action has already been taken during the course of 2018/19 to reprofile budgets to future years to reflect latest data on project delivery.

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

	2017/18	2018/19	2019/20
Capital Programme	+66,058	+53,398	+68,336
Reprofile Budgets	+2,978	+25,598	-
Revised Capital Programme	+69,036	+78,996	+68,336
Slippage	-9,288	-10,140	-
Actual Capital Programme	+59,748	+68,856	+68,336

- 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 (2017/18 and 2018/19) the level of capital receipts has 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 2019/20 the level of capital receipts required is £22.8m and a shortfall of £6.7m currently exists within receipt projections. There are currently £3.1m of further assets being considered for disposal which partially 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.
- 7.4 The risk calculation used to estimate the required General Fund Balance has been expanded this year to take into account risks associated with Brexit. The impact is unknown at the present time, but there is the potential to see an economic slowdown, impacting on capital receipts generation, construction and a reduction in business rates; increased unemployment and homelessness could reduce discretionary income generation, Council Tax collection and impact on Council Tax Support; across the wider economy general inflation could be impacted and supply chain implications could affect contract prices. The financial impact on the Council is difficult to estimate and to untangle for impacts across the wider economy, but has been estimated where possible.

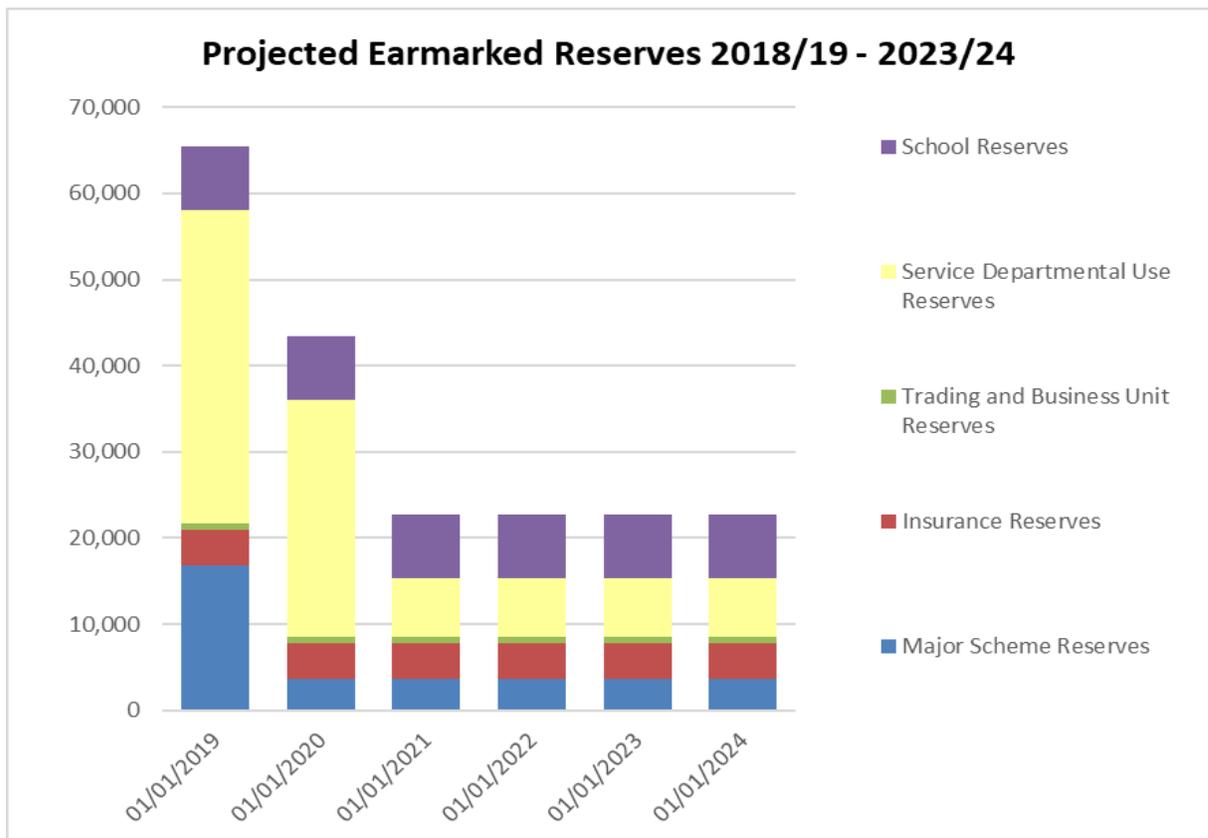
8. Review of Earmarked Reserves and Provisions

- 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 £69.839m in earmarked reserves at 31 March 2018 which includes schools budget balances of £7.372m. During the course of 2018/19 it is anticipated that a net £4.236m will be drawn down from earmarked reserves to fund commitments during the year. Balances taken forwards include contributions of £20.096m to fund the known funding gap in 2019/20 and future years as agreed in the Financial Strategy paper to Cabinet in December 2018. 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 65% is anticipated in the earmarked reserves held with the most significant reduction coming within the Financial Strategy Reserve in the next two 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:

	£'000
General Fund Balance as at 31 March 2018	15,311
Brexit Funding	105
This Report – Projected Outturn Under/(Over)spend	(72)
Projected Balance at 31 March 2019	15,344

- 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 however the Government has recently advised that they are providing £105,000 in 2018/19 and 2019/20 and as the Brexit risks are considered within the General Fund Balance, this funding will be contributed to the General Fund Balance in the two years. 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:

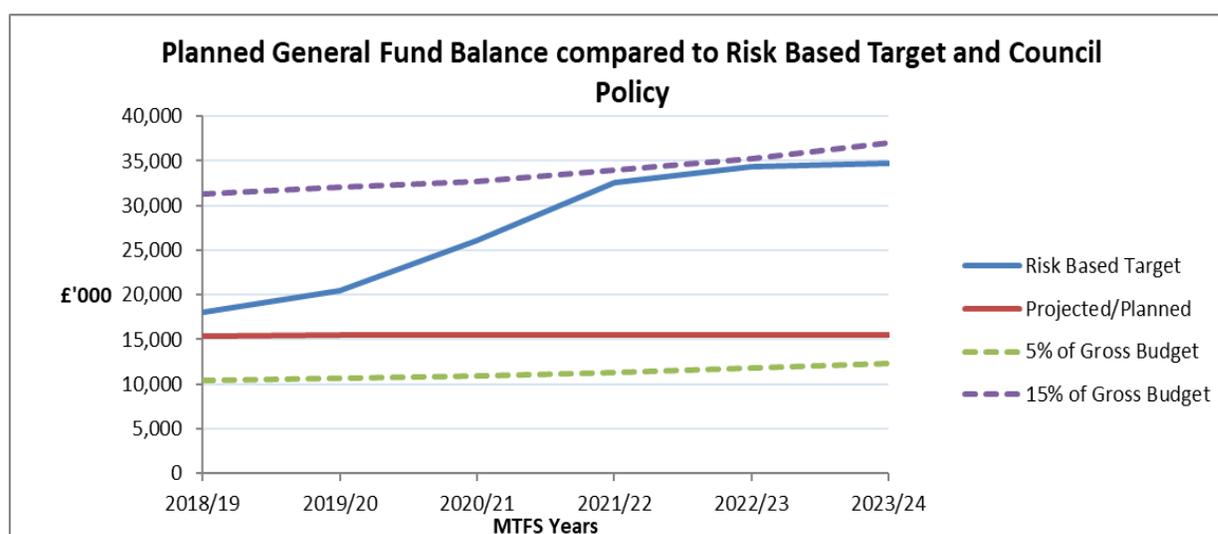
Table 3: Comparison of Risk Based Calculation to Projected General Fund

	2019/20	2020/21	2021/22	2022/23	2023/24
	£000	£000	£000	£000	£000
Risk assessed level of General Fund Balance	20,400	26,017	32,604	34,312	34,700
Projected level of General Fund Balance as per Financial Strategy	15,344	15,449	15,449	15,449	15,449

- 9.4 The anticipated General Fund Balance for 2019/20 is below the risk assessed level for that financial year. A significant proportion of this shortfall, however, relates to the financial exemplification of Brexit risks arising from a no-deal exit from the EU. While this remains a material risk, it is very difficult to assess whether the financial estimates identified in the calculation are accurate and realistic, and consequently it is unwise to use this element of the calculation as a robust basis for taking action that could have unnecessary and significant financial implications on the wider Council. It is, of course, anticipated that the UK position in relation to Brexit will be clarified before the end of the Financial Year. Considering the authority as a whole, given this timescale and the potential to decommit earmarked reserves in the short term under an emergency

situation, it is acceptable, in this scenario, for the General Fund Balance to remain below the risk assessed level.

- 9.5 The gap between the general fund balance and the risk assessed level grows significantly in 2020/21 and increases further in future years. 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 Research undertaken by CIPFA show that generally upper tier councils hold a general fund balance of approximately 10% of the net revenue budget. Shropshire Council is currently holding a balance which represents 7% of the Net Revenue Budget. Using the CIPFA research as a basis for agreeing a benchmark to evaluate the level of General Fund Balance held, it is considered appropriate that the balance held should be somewhere between 5% and 15% of their net revenue budget. If this benchmark was implemented, it would be necessary for the General Fund Balance to be between £10.438m and £31.315m in 2019/20. This can be seen as a blunt tool for calculating an appropriate balance to hold, but does give a standard to compare to when considering if the risk calculated approach used by this Council is appropriate. As the graph above shows, in 2018/19 and 2019/20, when funding is stable and earmarked reserves have been established to address funding gaps, the risk assessed level is nearer the lower end of the spectrum with values of around 8% of the Council's net budget. However, as the funding position becomes more uncertain and earmarked reserves such as the Financial Strategy Reserve are no longer available, the risk

assessed balance moves to around 14% of the Council's net budget. This would suggest that the current methodology used to calculate an appropriate general fund balance to hold is appropriate.

List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)
Cabinet Member (Portfolio Holder) Peter Nutting - Leader
Local Member All
Appendices 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"> 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 considers the average level of inflation experienced over a 5 year period and so reflects the higher levels of inflation that may seem to be unreasonable to include in a budget, but might come to pass. Information is less accurate for years 2 onwards; the risk assessment covers the higher range. <p>It is difficult to predict the direction that the wider economy will take and thus the level of inflation required.</p> <p>The risk on inflation resulting from Brexit has been included based on government projections off a Brexit deal and a no deal Brexit.</p>	<p>Pay – 2% has been provided in the 2019/20 budget to reflect the pay award (pending) for staff with 2% thereafter. Funding has also been provided for increments due to be awarded for 2019/20 based on existing staffing levels.</p> <p>Pension contribution rates are at the increased rate of 14.8% introduced in 2018/19</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>	<ul style="list-style-type: none"> Interest receivable budgets have been set based on 0.75% interest receivable. These range from investments for 12 months gaining 1% to short term call accounts which gain between 0.53% and money market funds achieving rates of 0.7% The average interest rate of the total debt portfolio (excl. HRA) is calculated at 5.1% for 2019/20 and this is used for all borrowing costs.
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</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>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. The risk around an economic downturn in relation to Brexit has also been factored in.</p>	
<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 2019/20 budget has been based upon specific demand levels identified during budget monitoring in 2017/18 and six months of 2018/19 and projections made by Heads of Service of demand levels in future years. A growth model for both Children's social care and Adults social care is relied upon for setting these budgets.</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 £27m 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 two of the Financial Strategy the Council has a funding gap of £13.7m which rises to £54.2m 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.</p> <p>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>

Appendix 1

Budget Assumption	Explanation of Risk	Financial Standing and Management and Mitigating Action						
8. Impact on council funding of announcements of national changes	<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 government grants.</p> <p>In recent years the Dedicated Schools Grant allocation to the Council has come under pressure, in relation to the costs of supporting High Needs Pupils and the centrally retained share due to the academisation process.</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 the grant that is received. This has been factored into the General Fund risk based calculation.</p> <p>The risk around a shortfall in the Dedicated Support Grant arising from High Needs costs and academisation programme has been quantified as any overspend in this area would need to be picked up within the General Fund Balance.</p>						
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 impact of Brexit and a further economic downturn also needs to be factored in as a key risk to income collected by the Council.</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 2019/20 onwards is 98% 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 2019/20.</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 2019/20 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>The Council's recent track record in budget and financial management 2013 to 2019 shows potential variations from a £0.1m overspend to a £2.8m underspend (a range of £2.9m).</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;">2013/14</td> <td style="text-align: center;">(390)</td> <td style="text-align: center;">Under</td> </tr> </tbody> </table>	Financial Year	(£'000)	Underspend/ Overspend	2013/14	(390)	Under
Financial Year	(£'000)	Underspend/ Overspend						
2013/14	(390)	Under						

Appendix 1

Budget Assumption	Explanation of Risk	Financial Standing and Management and Mitigating Action		
	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.	2014/15	(300)	Under
		2015/16	(2,816)	Under
		2016/17	(894)	Under
		2017/18	(613)	Under
		2018/19*	72	Over
		Total 2013 to 2019		Under
			<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 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 2018/19) position suggests that variances are underspends or a minor overspend.</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"> • Accuracy of projections has improved over the year, but further work is required. • The monitoring system continues to be improved in terms of accuracy, the frequency of reporting and the challenge process. <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. For future years this will be managed within the ERP system</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																			
2018/19					2019/20			2020/21			2021/22			2022/23			2023/24		
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												
Treatment of inflation and interest rates																			
102,900	0.10%	103	Inflation	Salaries	100,054	0.10%	100	97,215	0.10%	97	96,714	0.10%	97	96,215	0.10%	96	95,719	0.10%	96
24,968	0.56%	140		Premises	24,278	0.56%	136	23,589	0.56%	132	23,467	0.56%	131	23,346	0.56%	131	23,226	0.56%	130
29,241	2.94%	860		Transport	28,432	2.94%	836	27,626	2.94%	813	27,483	2.94%	809	27,341	2.94%	804	27,201	2.94%	800
60,370	0.10%	60		Supplies & Services	58,700	0.10%	59	57,034	0.10%	57	56,740	0.10%	57	56,448	0.10%	56	56,157	0.10%	56
172,940	0.10%	173		Third Party Payments	168,157	0.10%	168	163,385	0.10%	163	162,542	0.10%	163	161,704	0.10%	162	160,871	0.10%	161
68,644	0.10%	69		Transfer Payments	66,745	0.10%	67	64,851	0.10%	65	64,517	0.10%	65	64,184	0.10%	64	63,853	0.10%	64
459,063	0.00%	0		Brexit effect on inflation	446,367	0.30%	1,339	433,700	0.30%	1,301	431,464	0.30%	1,294	429,239	0.30%	1,288	427,026	0.30%	1,281
83,841	0.00%	0		Pension triennial valuation unaffordable	83,841	0.00%	0	83,841	1.00%	838	83,841	1.00%		83,841	1.00%		83,841	1.00%	838
1,405			Total Inflation		2,705			3,467			2,615			2,601			3,426		
258,368	0.00%	0	Interest rates	Existing Borrowing	254,368	0.00%	0	242,368	0.00%	0	237,368	0.00%	0	237,368	0.00%	0	231,868	0.00%	0
0	0.00%	0		New Borrowing	0	0.00%	0	0	0.00%	0	0	0.00%	0	0	0.00%	0	0	0.00%	0
4,000	1.00%	40		PWLB	4,000	0.50%	20	12,000	0.50%	60	5,000	0.50%	25	0	0.50%	0	5,500	0.50%	28
100,526	0.50%	503		Investment	100,526	0.50%	503	100,526	0.50%	503	100,526	0.50%	503	100,526	0.50%	503	100,526	0.50%	503
543			Total Interest Rates		523			563			528			503			530		
Level and timing of capital receipts																			
-11,499	1.38%	-159	Capital Receipts	Land Sales	6,721	1.38%	93	8,928	1.38%	123	0	1.38%	0	0	1.38%	0	0	1.38%	0
13,342	1.38%	184		Required for new Powers to use for Revenue	13,342	1.38%	184	13,342	1.38%	184	13,342	1.38%	184	13,342	1.38%	184	13,342	1.38%	184
0	0.00%	0		Economic slowdown resulting from Brexit	6,721	1.00%	67	8,928	1.00%	89	0	1.00%	0	0	1.00%	0	0	1.00%	0
25			Total Capital Receipts		344			397			184			184			184		
Treatment of demand led pressures																			
136,738	1.68%	2,293	Demand Led	Adult Social Care	136,450	1.68%	2,288	137,692	1.68%	2,309	138,945	1.68%	2,330	140,209	1.68%	2,351	141,485	1.68%	2,373
19,617	15.68%	3,076	Pressures	Childrens Social Care	15,958	15.68%	2,502	16,452	15.68%	2,579	16,961	15.68%	2,659	17,486	15.68%	2,741	18,028	15.68%	2,826
5,369			Total Demand Led Pressures		4,790			4,888			4,989			5,093			5,199		
Treatment of planned efficiency savings/productivity gains																			
15,541	16.36%	2,543	Efficiency Savings	18/19 non achievement of savings															
15,541	2.75%	428		18/19 slippage of savings															
				19/20 non achievement of savings	15,947	8.18%	1,305												
				19/20 slippage of savings	15,947	1.38%	220												
				20/21 non achievement of savings				2,897	25.00%	724									
				20/21 slippage of savings				2,897	25.00%	724									
				20/21 funding gap requiring savings				12,433	25.00%	3,108									
				21/22 non achievement of savings							3,850	25.00%	963						
				21/22 slippage of savings							3,850	25.00%	963						
				21/22 funding gap requiring savings							39,146	25.00%	9,787						
				22/23 non achievement of savings										4,469	25.00%	1,117			
				22/23 slippage of savings										4,469	25.00%	1,117			
				22/23 funding gap requiring savings										46,780	25.00%	11,695			
				23/24 slippage of savings													0	25.00%	0
				23/24 funding gap requiring savings													0	25.00%	0
				23/24 funding gap requiring savings													57,157	25.00%	14,289
2,971			Total Efficiency Savings		1,524			4,557			11,712			13,929			14,289		

Continued...

...Continued

Availability of reserves, government grants and other funds to deal with major contingencies and the adequacy of provisions																
3,824	5.00%	191	Insurance and	Provision	3,824	5.00%	191	3,824	5.00%	191	3,824	5.00%	191	3,824	5.00%	191
4,165	5.00%	208	Emergency	Reserve	4,165	5.00%	208	4,165	5.00%	208	4,165	5.00%	208	4,165	5.00%	208
500	Quantum	500	Planning	ICT Disaster	500	Quantum	500	500	Quantum	500	500	Quantum	500	500	Quantum	500
500	Quantum	500		Other Incident	500	Quantum	500	500	Quantum	500	500	Quantum	500	500	Quantum	500
433	Quantum	433		Bellwin	433	Quantum	433	433	Quantum	433	433	Quantum	433	433	Quantum	433
1,070	10.00%	107		Severe Weather	1,099	10.00%	110	1,128	10.00%	113	1,159	10.00%	116	1,190	10.00%	119
		1,940		Total Insurance and Emergency Planning		1,942		1,945		1,949		1,952		1,955		1,955
18,936	5.00%	947		Other Government Settlement Changes	26,297	5.00%	1,315	8,115	25.00%	2,029	9,047	25.00%	2,262	8,909	25.00%	2,227
60,874	1.00%	609		Housing Benefits	60,874	1.00%	609	60,874	1.00%	609	60,874	1.00%	609	60,874	1.00%	609
25,205	5.00%	1,260		DSG pressures - High Needs	25,205	5.00%	1,260	25,205	5.00%	1,260	25,205	5.00%	1,260	25,205	5.00%	1,260
3,160	5.00%	158		DSG pressures - Academisation	3,160	5.00%	158	3,160	5.00%	158	3,160	5.00%	158	3,160	5.00%	158
488	25.00%	122		Academy School transfer leaving deficit budget	488	25.00%	122	488	25.00%	122	488	25.00%	122	488	25.00%	122
		3,096		Total Funding Changes		3,464		4,178		4,411		4,376		4,376		4,376
General Financial Climate																
11,181	5.00%	559	General Financial	Debt Collection	11,181	5.00%	559	11,181	5.00%	559	11,181	5.00%	559	11,181	5.00%	559
145,638	0.50%	728	Climate	Council Tax - General risk	154,427	0.50%	772	163,399	0.50%	817	172,892	0.50%	864	182,936	0.50%	915
145,638	0.00%	0		Council Tax - Brexit risk	154,427	1.00%	1,544	163,399	1.00%	1,634	172,892	1.00%	1,729	182,936	1.00%	1,829
40,310	0.50%	202		Business Rates - General risk	40,055	0.50%	200	40,779	0.50%	204	41,516	0.50%	208	42,267	0.50%	211
40,310	0.00%	0		Business Rates - Brexit risk	40,055	1.00%	401	40,779	1.00%	408	41,516	1.00%	415	42,267	1.00%	423
36,541	0.50%	183		Discretionary Income	37,445	0.50%	187	37,445	2.50%	936	37,445	2.50%	936	37,445	0.50%	187
36,541	0.00%	0		Discretionary Income - Brexit risk	37,445	1.00%	374	37,445	1.00%	374	37,445	1.00%	374	37,445	1.00%	374
		1,671		Total General Financial Climate		4,038		4,932		5,086		4,499		3,508		3,508
208,768	0.50%	1,044		Additional Budget Pressures	213,839	0.50%	1,069	218,128	0.50%	1,091	226,318	0.50%	1,132	235,073	0.50%	1,175
		18,063		TOTAL RISK ASSESSED GENERAL FUND		20,400		26,017		32,604		34,312		34,700		34,700

Earmarked Reserves

Reserves	Balance Brought Forward (£'000)	2018/19 Anticipated Movement (£'000)	Balance Carried Forward (£'000)
Sums set aside for major schemes, such as capital developments, or to fund major reorganisations			
Redundancy	0		0
Revenue Commitments for Future Capital Expenditure	7,191	-19	7,171
Development Reserve	1,703	4,335	6,038
Invest to save Reserve	3,553		3,553
University	197	-197	0
	12,644	4,119	16,763
Insurance Reserves			
Fire Liability	3,072	19	3,092
Motor Insurance	1,093	12	1,105
	4,165	31	4,196
Reserves of trading and business units			
Shire Catering and Cleaning Efficiency	701		701
	701	0	701
Reserves retained for service departmental use			
Building Control	165		165
Care Act Reserve	4,168	-1,388	2,780
Economic Development Workshops Major Maintenance	180		180
External Fund Reserve	556	1,418	1,973
Financial Strategy Reserve	24,556	-4,460	20,096
Highways Development & Innovation Fund	14	92	106
Highways Savings Management	5,625		5,625
New Homes Bonus	3,922	-952	2,970
Planning Reserve	0		0
Public Health Reserve	927	-531	396
Repairs & Maintenance Reserve	1,116	-747	369
Resources Efficiency	422	-225	198
Revenue Commitments from Unringfenced Revenue Grants	1,510	-455	1,055
Severe Weather	1,496	-1,100	396
TMO Vehicle Replacement	300	-38	262
	44,792	-8,386	36,406
School Balances			
Balances held by schools under a scheme of delegation	5,375	0	5,375
Education – Staff Sickness Insurance	2	0	2
Education – Theft Insurance	68	0	68
Schools Building Maintenance Insurance	1,927	0	1,927
	7,372	0	7,372
Total Reserves	69,839	-4,236	65,604

Appendix 10 - Financial Strategy Context

Sustainable Funding

Shropshire Council became a unitary Council in 2009/10. Since that date government funding has reduced year on year, while costs have continued to grow and a shift to locally raised funding has been seen. In 2013/14 local government funding was amended and at that time Revenue Support Grant was introduced, delivering £67m in government funding. In 2019/20 that funding will have reduced to just £6m, a 91% reduction.

In 2016/17 the government introduced the multi-year settlement, ostensibly providing financial certainty to local government through guaranteed funding streams for the following four years (through to 2019/20).

Council funding is now defined by the government definition of 'Core Spending Power' which takes into account a number of new grants (many of which are not included in the multi-year settlement 'guarantee') that have been introduced since 2011/12. Many of these grants are one-off in nature and extended for one or more years, but none are guaranteed beyond 2019/20.

The latest Core Spending Power calculation is shown in the table below. Over the multi-year settlement period, Shropshire Council funding has risen by £20m or 9.1%. This increase, however, has been funded by an increase in locally raised Council Tax (an assumption the government made at the beginning of the settlement period). This means that the £36m increase in Council Tax over the period has masked the £16m reduction in overall government funding, leaving a net £20m increase. Furthermore, only Council Tax is guaranteed to continue beyond 2019/20, meaning that over £85m of funding that the Council does receive in 2019/20 is not guaranteed to be there in 2020/21. The government has stated that Local Government will be notified of the funding available in 2020/21 as a result of a new 'Fair Funding' formula in the autumn of 2019. This means the current uncertainty about a proportion of the £85m referred to above will not be clarified until a few months before the Council has to set its budget for 2020/21 in February 2020.

CORE SPENDING POWER					
Shropshire					
Illustrative Core Spending Power of Local Government;					
	2015-16 £ millions	2016-17 £ millions	2017-18 £ millions	2018-19 £ millions	2019-20 £ millions
Settlement Funding Assessment	92.135819	78.313311	68.149286	62.436042	56.379933
Compensation for under-indexing the business rates multiplier	0.676098	0.676098	0.716550	1.126008	1.637829
Council Tax of which; <i>Council Tax Requirement excluding parish precepts (including base and levels growth)</i>	119.280524	127.068971	134.220817	145.638262	154.612879
<i>additional revenue from referendum principle for social care</i>	0.000000	2.443412	5.112330	9.512902	11.488586
<i>Potential additional Council Tax from £5 referendum principle for all Districts</i>	0.000000	0.000000	0.000000	0.000000	0.000000
Improved Better Care Fund	0.000000	0.000000	6.193580	8.288253	10.120779
New Homes Bonus	7.353179	9.219285	7.694354	7.121966	7.753873
New Homes Bonus returned funding	0.151448	0.108313	0.114878	0.000000	0.000000
Rural Services Delivery Grant	1.265667	6.573303	5.307636	6.614131	6.614131
Transition Grant	0.000000	0.575652	0.585686	0.000000	0.000000
The Adult Social Care Support Grant	0.000000	0.000000	1.400051	0.871140	0.000000
Winter pressures Grant	0.000000	0.000000	0.000000	1.393823	1.393823
Social Care Support Grant	0.000000	0.000000	0.000000	0.000000	2.381115
Core Spending Power	220.862736	222.534933	224.382837	233.489623	240.894363
Change over the Spending Review period (£ millions)					20
Change over the Spending Review period (% change)					9.1

Since Unitary Status was gained in 2009/10 Shropshire Council made ongoing annual savings of over £227m. These savings have helped to offset government funding cuts and also have been switched to other services within the Council to fund unprecedented growth in the costs of Adult Services and more recently Children's Services. Savings per year are

detailed in the table below and together are equivalent to a reduction in Council Tax of approximately £2,040 per household per annum.

Financial Year	Council Tax increase	Savings Made in Year (£m)	Tax Base	Tax Base Increase
2009/10	0.00%	10.280	106,997.04	
2010/11	1.20%	7.540	107,939.04	0.88%
2011/12	0.00% ¹	28.440	109,369.99	0.93%
2012/13	0.00% ¹	23.890	109,997.75	0.57%
2013/14	-1.24% ¹	23.880	99,279.65 ²	-9.74% ¹
2014/15	0.00% ¹	39.890	100,475.19	1.20%
2015/16	0.00% ¹	26.440	102,411.33	1.93%
2016/17	3.99% ³	22.726	104,912.48	2.44%
2017/18	3.99% ⁴	14.105	106,565.90	1.58%
2018/19	5.99% ⁵	11.798	109,095.60	2.37%
2019/20	3.99% ⁶	18.490	111,240.10	1.97%
Total		227.479		

Staffing, assets, corporate services and procurement

Unitary status was gained by Shropshire Council in 2009 through the combination of the former County Council and five district and borough councils. This provided an opportunity to reduce headcount across all service areas, and in particular in senior management – reducing from six Chief Executives to one, for example. Following this once in a generation change to the face of local government in Shropshire staffing reductions and efficiency savings have continued to be made. Between 2011 and 2018 our headcount (excluding schools) has reduced from 4,140 FTE to 2,508 FTE, representing almost a 40% reduction in staffing over the last seven years.

¹ One-off Council Tax Freeze Grant available over this period and taken by Shropshire Council.

² Taxbase reduced following requirement to express the local Council Tax Support scheme in terms of a reduction in the Council Tax taxbase

³ Includes Social Care Precept of 2%

⁴ Includes Social Care Precept of 2% (Year one of a three year 6% overall cap)

⁵ Includes Social Care Precept of 3% (Year two of a three year 6% overall cap)

⁶ Includes Social Care Precept of 1% (Year three of a three year 6% overall cap)

This general reduction in staff was predicated by a restructure of senior managers across Shropshire Council. In 2010, the year following significant reductions delivered through the Unitary process, there were 95 senior managers in post. By 2018 that number had reduced to 46.

Since 2009 back-office costs have been reduced by approximately 30%, saving £15m every year. This reduction has been achieved through efficiency measures including the establishment of central teams, more effective working practices and through investing in key back office systems and technologies.

Since 2009 there has been an opportunity to rationalise contractual spend as contracts from legacy authorities have matured. New procurement processes and commissioning approaches, combining services and service outcomes and drawing up new service specifications have all delivered efficiency savings for the authority. This has continued through to the present time, with £1m procurement savings built into the Financial strategy for 2019/20 through to 2021/22. In 2018/19, £0.457m of savings and cost reduction was delivered by commissioning and procurement activity. Our processes still ensure that 72% of the council's contractor expenditure is with local contractors: this ranks first of the 14 West Midlands higher tier authorities.

We have generated over £19.8m in capital receipts the last three years by disposing of council owned land and property in the county. The refurbishment of the Shirehall in Shrewsbury as a base to co locate with public and private sector partners is forecast to deliver £1.5m revenue savings and £1.7m additional income whilst supporting a public sector workforce enabled by digital technology to work in a more mobile and agile way around the county. This in turn will reduce time and cost in terms of travel.

The One Public Estate programme continues to provide the platform to enable innovative service redesign and co location of public service staff in Shrewsbury and our market towns. The reduction in poorly utilised buildings which are costly to operate and maintain will save money and generate income where the council is the landlord.

A planned review of council depots will lead to a more efficient configuration of sites used by staff and contractors and the potential to generate income from new tenants and from plans to operate a tar recycling facility.

Innovation, transformation and income generation

The Shropshire Economic Growth Strategy 2017- 2021 sets out our commitment and ambition to grow the economy of the county. The three key objectives are to support and grow new and existing businesses, attract inward investment in key sectors, and develop and retain talent and skills. We expect to generate an extra £8.2m through growth in business rates and council tax in the next 2 years. We will receive around £7.7m in 2019/20 from New homes Bonus paid by Government to reward councils for increasing housing supply.

In 2018 we purchased the Shrewsbury shopping centres for £52m to support the economic growth and regeneration of the town centre. This has generated an income stream of

approximately £2.4m in 2018/19, which will help support the Council in the long term delivery of services within a challenging financial environment.

We will bring forward land owned and acquired by the council to build more affordable homes and those adapted for older and vulnerable people. We are proposing to set up a housing development company to accelerate housing growth to address unmet housing need. The company will work closely with national and regional development and funding agencies and other partners to achieve this. It is anticipated that the housing company will generate £1m income per annum for the council.

We will continue to invest in housing, health and care hubs in local communities such as the Paul's Moss scheme in Whitchurch to improve outcomes for local people, reduce demand and pressure on health and care services, reduce costs and generate income. This work is driven by a successful and well established one public estate approach which has been awarded up to £0.5m of revenue funding to progress these schemes. We have plans to build two new medical practices with services designed and integrated into hubs which will deliver £0.55m of revenue. We have plans to extend this approach and investment into other market towns by working in collaboration with our health partners.

New affordable homes that will be developed by the council's housing company for sale and private and affordable rent and will provide a valuable source of new commercial income for the county.

We will develop and adapt more homes for looked after children to reduce costs associated with contracts with external providers and also for adults requiring social and residential care. These have the potential to provide an additional income stream for the council.

We have recently completed the second phase of University Centre of Shrewsbury (UCS) student accommodation at the Tannery in Shrewsbury which, along with Mardol House, provides 140 beds for rent paying students. This includes international students and apprentices working in the public and private sector.

We continue to grow the turnover and income generated from council teams who provide services for schools, other public authorities, housing providers and private businesses. Our Shire Services team has a turnover of £14m with over 50% of business now provided outside of the county.

We shall continue to develop and use consumer technology to equip people to live independently for longer in their local communities. This can be implemented at low cost and supplied to other local authorities as a source of income. We shall use data analytics to help reduce demand associated with people who are deemed to be vulnerable and likely to require a lot of public sector intervention. The innovative design and use of data and technology will also provide a valuable source of income when marketing and selling our approach and services to others.

Digital Transformation of the Council's ICT resources and transformation of Council Services began in 2017 and Phase One of this programme is nearing completion. To date work has included investment in new corporate software solutions for Finance, HR, Payroll, Adults and Children's Social Care, Customer Experience and Infrastructure changes. This investment, totalling over £20m, is expected to deliver savings year on year of up to £10m, covering the cost of investment and enabling our limited funding to be channelled to other areas of the Council seeing growth in demand such as Adult Social Care.

The next phase of this work will see changes to public facing service delivery to channel shift customers, where appropriate, to lower cost delivery models such as online and self service delivery. In dealing with enquiries, we are seeing phone calls reduce and corresponding web usage increase

Pay and Reward Policy Statement For All Council Staff 2019-2020

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 to ensure that all staff employed at the Council are rewarded fairly, without discrimination, for 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 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 improve an employee's pension entitlement.

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 are required to report on the Gender Pay Gap. This information is 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, Executive Director of Children's Services, Executive Director of Adult Services, Executive Director of Place, Directors (including Monitoring Officer and Section 151 Officer) and Assistant Directors,. 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 is based on the NJC framework for Local Government Services (the Green Book). The national pay spine applies for posts on Grades 1 to PO 22 / Band 15.
- 4.1.2 Salaries in Shropshire Council were reduced, as part of changes by the Council to staff terms and conditions of employment in two stages, October 2011 and again in October 2012. Incremental progression was frozen from 1 April 2011 until 31st March 2013 and reinstated from 1 April 2013.
- 4.1.3. 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 mechanism and/or as determined by Council Policy.
- 4.1.4 Following national negotiations between the NJC and three trade unions (Unison, GMB and Unite), agreement was reached for a pay award for 2018-2020. The agreement involves changes to the national pay spine. The agreement covers employees on spinal column points scp 6 to (new) scp 54.
- 4.1.5 The pay award consisted of a % increase on salaries from 2018 equating to a 2% increase overall, but with higher percentage increases for the lower spinal column points to allow headroom from the National Living Wage. From 1 April 2019 the structure significantly changes and has the lowest scp value starting at £9.00 per hour. The value of subsequent points is then determined by 2% increases on the previous spinal column point up to scp 28 (new scp 22). From scp 29 (new scp 23) there is an increase of 2% on 2018 values.
- 4.1.6 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 provide high quality services to the community, delivered effectively and efficiently and at the times at which those services are required.
- 4.1.7 The Council faces significant challenges in attracting, recruiting and retaining talent. The use of market supplements, additional payments and agency staff has increased over the years to compensate for the pay cuts in 2011 and 2012 which reduced the salaries of staff.
- 4.1.8 The Council, at its meeting on 17th May 2018 approved the implementation of the % pay award from 1 April 2018 and a return to the NJC rates of pay with effect from 1 October 2018.

- 4.1.9 A review of the pay and grading structure for 2019, including market supplements and additional payments, has been undertaken in consultation with the trade unions and changes agreed are reflected in this pay policy.
- 4.1.10. 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) 7 to scp 28 (formerly 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 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 take account of equality implications.
- 4.2.3. The lowest remuneration for Council employees is Grade 1, scp 7 (new scp 1) £17,364 p.a at 1 April 2019. In essence the council's "lowest paid employees", these jobs have been evaluated objectively using the NJC job evaluation scheme. (The Council also employs apprentices who are not included within the definition of 'lowest paid' as they are temporary training posts).

4.3 Pay Ranges – Principal Officer (PO)/Banded Posts

- 4.3.1. From new scp 29 Shropshire Council has a Principal Officer grading structure in place. Originally 22 overlapping PO grades, these posts require a high level of technical competence or have significant management responsibility.
- 4.3.2. The overlapping structure is being replaced with five abutting bands (Band 11 to Band 15). Each band contains five spinal column points. The structure was developed by means of benchmarking existing job/roles using the Monks Job Evaluation Scheme, as agreed with the trade unions. All PO grades will transfer to the banded structure.
- 4.3.4 As previously mentioned in 4.1.4 the NJC agreed a pay award, effective from 1 April 2018, for 2018-2020 for all grades covering existing scp 6 to scp 60.

4.4 Pay Ranges – Senior Pay Grades

4.4.1 The Senior Manager Pay 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 A review by the Local Government Association (LGA) was undertaken in March 2018 and recommended an increase in salaries for the Executive Directors (from £100,928 p.a. to £120,000 - £130,000 p.a.) and the Chief Executive (from £103,010 p.a. to £150,000 p.a.). All posts in the Senior Manager Pay Bands were job evaluated using the LGA Scheme for Chief Officers in the summer of 2018.

4.4.3 As outlined in 4.1.8, the Council at its meeting on 17th May 2018 agreed to restore NJC rates of pay from 1 October 2018. This also applies to Senior Manager Pay bands.

4.4.4 The revised grades from 1 October 2018 are shown below and take account of the positions detailed in 4.4.2 and 4.8.2.

Grade	Pay Range 1 October 2018	Pay Range 1 April 2019 (2% pay award applied)	Job Title
C1	£150,000	£153,000	Chief Executive
C2	£120,000 to £130,000	£122,400 – £132,600	Executive Director
C3	£105,000 to £110,000	£107,100 – £112,200	Director
C4	£90,000 to £95,000	£91,800 – £96,900	Assistant Director
C5	£80,000 to £85,000	£81,600 – £86,700	Head of Service
C6	£65,000 to £75,000	£66,300 – £76,500	Service Manager

4.4.5 The Joint National Council (JNC) for Chief Officers agreed a two year pay award covering the period 1 April 2018 to 31 March 2020 (2% applied on 1 April 2018 and 1 April 2019).

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 6 to scp 60)

- 4.6.1. Any incremental progression within an evaluated grade is due on the 1st April each year, or 6 months after appointment if the employee was appointed between 1st October and 31st March. Progression is subject to work performance.
- 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 and Senior Pay Grades (C Grade), progression through the grade will be dependent upon individuals meeting objectives set through review at annual appraisals. There is no automatic incremental progression.
- 4.6.5. **Accelerated Increments**
- 4.6.5.1 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 Grade

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 Grade will be based on performance in relation to the achievement of objectives and on meeting the behavioural competences set.

4.8 Pay Review

4.8.1. Grades 1 to PO22/Band 15 are reviewed in line with the National Pay Award for Local Government staff, as described in 4.1.4.

4.8.2 Shropshire Council's Senior Pay Grades 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 and any adjustments to the pay band range are based on affordability and market forces. As detailed in 4.4.5 above, the nationally agreed pay award for Chief Officers for 2018-2020 has been agreed and adopted by Shropshire Council.

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, provided this can be supported by researched market evidence.

4.9.2. Any Market Supplements are reviewed annually and can be adjusted or removed in line with market changes. As mentioned in 4.1.9 a review of pay and grading structures has taken place and market supplements has been included in this.

4.10. Recruitment and Retention Payments

4.10.1 The Director 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. Pro rata for part time staff.

An additional 2 days annual leave are given to staff per year which is to be used at Christmas when council buildings are closed between Christmas and New Year. Where a service operates at this time, the 2 days are added to leave entitlement to be used during the 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 designed in line with the Council's 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 to 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 Director of Workforce & Transformation.

- **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. Staff eligible for membership of the LGPS 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 - £14,100	5.5%	2.75%
2	>£14,101 -£22,000	5.8%	2.90%
3	>£22,001 - £35,700	6.5%	3.25%
4	>£35,701 - £45,200	6.8%	3.40%
5	>£45,201 - £63,100	8.5%	4.25%
6	>£63,101 - £89,400	9.9%	4.95%
7	>£89,401 - £105,200	10.5%	5.25%
8	>£105,201 - £157,800	11.4%	5.70%
9	More than £157,800	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 (to 3rd tier) 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 £153,000 (at 1 April 2019). The median basic remuneration for a full time equivalent employee of Shropshire Council is £22,462 per annum. The mean basic pay, based on 3,393 posts ranging in pay from the Chief Executive remuneration to Grade 1 (scp 7 - £17,364), is £26,086. The current pay multiple from top to bottom of the organisation is 1:9. The ratio from the median pay to the Chief Executive pay is 1:7, which is well within the limits outlined in the Hutton Review.
- 7.5 Chief Officers do not receive bonuses.
- 7.6 All Chief Officers are eligible for the same Car Allowance as outlined for all employees in section 4.12 above
- 7.7 Chief Officers are currently entitled to 30 days annual leave (plus 2 days to be used at Christmas).
- 7.8 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 to Pay Policy

1 April 2019 Rates of Pay			
Grade	scp	Hrly Rate £	Annual Salary £
Grade 1	1	9.00	17,364
Grade 2	2	9.18	17,711
Grade 3	3	9.36	18,065
Grade 4	4	9.55	18,426
Grade 5	5	9.74	18,795
	6	9.94	19,171
Grade 6	7	10.14	19,554
	8	10.34	19,945
	9	10.54	20,344
	10		
	11	10.97	21,166
Grade 7	12	11.19	21,589
	13		
	14	11.64	22,462
	15	11.88	22,911
	16		
	17	12.35	23,836
Grade 8	18		
	19	12.85	24,799
	20	13.11	25,295
	21		
	22	13.64	26,317
Grade 9	23	13.99	26,999
	24	14.46	27,905
	25	14.92	28,785
Grade 10	26	15.36	29,636
	27	15.81	30,507
	28	16.26	31,371
Band 11	29	16.60	32,029
	30	17.04	32,878
	31	17.52	33,799
	32	18.03	34,788
	33	18.63	35,934
Band 12	34	19.11	36,876
	35	19.62	37,849
	36	20.12	38,813
	37	20.62	39,782
	38	21.13	40,760

1 April 2019**Rates of Pay**

Band 13	39	21.60	41,675
	40	22.12	42,683
	41	22.63	43,662
	42	23.13	44,632
	43	23.63	45,591
Band 14	44	24.14	46,572
	45	24.64	47,547
	46	25.31	48,821
	47	25.63	49,449
	48	26.13	50,414
Band 15	49	26.64	51,392
	50	27.13	52,348
	51	27.63	53,305
	52	28.14	54,284
	53	28.64	55,263



Pensions and Retirement Policy

Contents:

- 1.0 Statement of Purpose/Objective**
- 2.0 Scope**
- 3.0 Roles and Responsibilities**
 - 3.1 The Responsibilities of Managers
 - 3.2 The Responsibilities of Employees
- 4.0 Pension**
 - 4.1 Auto-Enrolment
 - 4.2 Joining the Pension Scheme and Contribution Rates
 - 4.3 85 year rule
 - 4.4 50:50 Option
 - 4.5 Transferring pension into the Shropshire Pension Fund
 - 4.6 Awarding Extra Pension
- 5.0 Retirement**
 - 5.1 Early Retirement on Compassionate or Exceptional Grounds
 - 5.2 Early Retirement on the Grounds of Ill Health
 - 5.3 Flexible Retirement
- 6.0 Working beyond the age of 65**
 - 6.1 Applicants over the age of 65
 - 6.2 Existing employees working beyond age 65
 - 6.3 Implications for employees in Local Government Pension scheme
- 7.0 Pre-retirement courses**
- 8.0 Links to other policies**
- 9.0 Pensions Appeals**
- 10.0 Monitoring and Review**
- 11.0 Further Advice on Pensions**

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.

APPENDIX B

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.

APPENDIX B

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 1st 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 22nd birthday falls after 1 February 2013, and you are paid more than Pension Regulator threshold you will be auto enrolled from your 22nd 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.

APPENDIX B

- 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 1st April 2018, employees' pension contribution rate will be based on their actual pensionable pay according to the following table:

Band	Full-time equivalent salary	Contribution rate – main scheme	Contribution rate – 50/50 scheme
1	£0 - £14,100	5.5%	2.75%
2	>£14,101 -£22,000	5.8%	2.90%
3	>£22,001 - £35,700	6.5%	3.25%
4	>£35,701 - £45,200	6.8%	3.40%
5	>£45,201 - £63,100	8.5%	4.25%
6	>£63,101 - £89,400	9.9%	4.95%
7	>£89,401 - £105,200	10.5%	5.25%
8	>£105,201 - £157,800	11.4%	5.70%
9	More than £157,800	12.5%	6.25%

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 31st 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 1st 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

APPENDIX B

- 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.

APPENDIX B

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

APPENDIX B

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 13th 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/>

APPENDIX B

5.1 Early Retirement on Compassionate or Exceptional Grounds

- 5.1.1 With effect from 1st 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 1st 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.

APPENDIX B

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.

APPENDIX B

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 75th 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/>

APPENDIX B

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

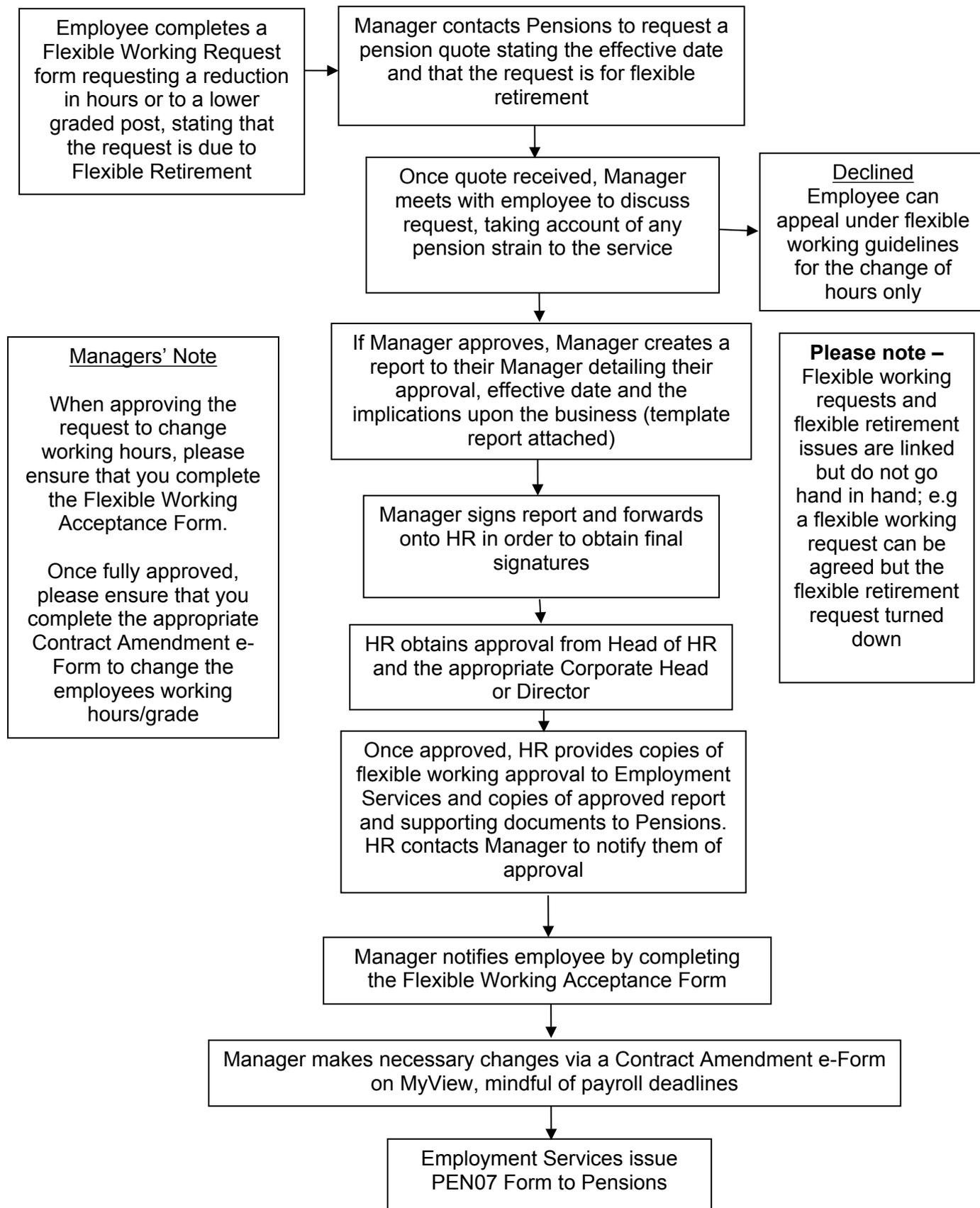
- 10.1 Human Resources will work with Managers to monitor the application of this policy. Shropshire Council may review any aspect of the procedure in the light of changing circumstances at any time, in consultation with the trade unions.
- 10.2 The policy will be reviewed at regular intervals, in conjunction 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. Further useful information can also be found at <http://shropshirecountypensionfund.co.uk/>

APPENDIX B

Appendix 1 - Flexible Working Process Flow



APPENDIX B

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

1. Introduction
 2. Exclusions to the Policy
 3. Objectives
 4. Potential Redundancy Situation
 5. Alternatives to Compulsory redundancy
 6. The Consultation Process
 7. Application of the Compulsory Redundancy Criteria
 8. Redeployment
 9. Issuing Notice of Redundancy
 10. Appeals Against redundancy
 11. Redundancy Payments
 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.

A.

B. 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.

C.

D. **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.**

E. 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:

Number of employees	Period of Consultation
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.

F.

G. 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.

H.

I. 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 1st April 2015 and that figure is increased on 1st 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.

J. 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

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

i..1.1

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.

Relevant Qualification and skills	Score
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

Relevant Experience	Score
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

Work Performance	Score
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

Ability to learn new tasks	Score
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

Attitude towards others	Score
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

Continuous Employment	Score
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.
- 3.4 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.