



Committee and Date

Transformation & Improvement Scrutiny

2nd December 2024

Cabinet
4th December 2024

Item

Public



Collaborative Budget

Responsible Officer:	James Walton		
email:	james.walton@shropshire.gov.uk	Tel:	01743 258915
Cabinet Member (Portfolio Holder):	Cllr Gwilym Butler, Finance & Corporate Support		

1. Synopsis

This report of the cross-party Collaborative Budget task and finish group briefly sets out the work done and broad themes identified as contributions to the 2025/26 budget setting process.

2. Executive Summary

- 2.1. One of the priorities of the Council under The Shropshire Plan is to be a ‘Healthy Organisation’ which includes strategic objectives around good communication, strong Councillors and aligned resources. The Collaborative Budget process is an example of how these objectives can be put into practice, providing timely and transparent information to Members representing all political groups in a way that was efficient and helpful to officers; with the ultimate aim of enabling the Council to align our resources to set a legal and balanced budget for 2025/26. An added benefit of the approach, in the context of Shropshire’s particular financial challenges, is that developing the budget in an inclusive way is helpful to the long-term sustainability of the council.
- 2.2. The convening of a cross-party task and finish group to consider pressures, growth and savings options was agreed at Council on the 26 September 2024. The approach was put forward by the Leader of the Council as a way to enable

members from across the groups to hear from officers and each other to inform the development of the budget for 2025/26.

- 2.3. The approach has helped to make best use of officer time, whilst they work to meet the financial challenges of the current year, as well as providing a forum for open and transparent discussions, where members from all parties had access to the same information and answers to the questions asked and points raised.
- 2.4. Initially meetings were planned to be held every two weeks, but it soon became clear that meeting weekly (face to face, hybrid and virtual) would allow adequate Member time to consider, question and challenge the information provided to them.
- 2.5. Over eight meetings the group took into account the current position of the Council's finances and performance, and considered in greater detail the pressures, forecast growth requirements, broad areas for savings, and the capital strategy. This also included work underway and planned looking at Third Party Spend, and the implications from the Government's Autumn Statement.
- 2.5 Having considered the information available the group identified several broad areas of focus for savings in 2025/26 that included demand mitigation (mainly adults and children's), having a focus on outcomes (linked to rightsizing within a developing operating model), increasing efficiency (linked to digital design within the operating model), and increasing income (full cost recovery and durability).
- 2.6 In addition to these themes, the group also identified the following as points they would like to raise in relation to the budget for 2025/26:
 - Capital Strategy – development of proposals around Children's Care Homes
 - Focus on Third Party Spend – initially looking at the top 10 to 15 contracts
 - More consideration of opportunities for waste minimisation and the benefits to the delivery of the climate change agenda
 - Opportunities to increase enforcement [to address issues of concern raised by communities]
 - Taking the opportunity to engage communities and consult proactively on options to change the way outcomes are delivered [and funded].

3. Recommendations

Transformation & Improvement Scrutiny Members are asked to:

- 3.1. Following consideration, put forward to Cabinet the themes identified by the cross-party task and finish group to be taken into account in the development of the council budget for 2025/26.
- 3.2. Provide feedback to Cabinet on learning from the collaborative budget process and how it compares to the previous alternative budget arrangements.
- 3.3. Consider and confirm whether the Collaborative Budget approach should be adopted in future years.

Cabinet Members are asked to:

- 3.4. Accept the themes identified by the cross-party task and finish group and take them into account in the development of the council budget for 2025/26.
- 3.5. Accept the feedback from the Transformation & Improvement Scrutiny on learning from the collaborative budget process and how it compares to the previous alternative budget arrangements.
- 3.6. Consider and confirm whether the Collaborative Budget approach should be adopted in future years.

Report

4. Risk Assessment and Opportunities Appraisal

<i>Risk</i>	<i>Mitigation</i>
There is a risk that opportunities are advanced by opposition group members which are not taken forward by Cabinet, leading to a loss of confidence in the process.	<p>The Collaborative budget process has taken place alongside the development of the Council budget, and so engagement opportunities created across political groups are genuine.</p> <p>The support and participation of the Executive Leader has helped develop trust and confidence in the process.</p>

5. Financial Implications

5.1. Shropshire Council is currently managing an unprecedented financial position as budgeted for within the Medium Term Financial Strategy approved by Council on 29 February 2024 and detailed in our monitoring position presented to Cabinet on a monthly basis. This demonstrates that significant management action is required over the remainder of the financial year to ensure the Council's financial survival. While all Cabinet Reports provide the financial implications of decisions being taken, this may change as officers review the overall financial situation and make decisions aligned to financial survivability. Where non-essential spend is identified within the Council, this will be reduced. This may involve

- scaling down initiatives,
- changing the scope,
- delaying implementation, or
- extending delivery timescales.

5.2. There are no direct financial implications arising from this paper. Budget proposals advanced by the Collaborative Budget Working Group will be considered by

Cabinet and a separate paper (the Financial Strategy) will be produced for approval of the budget by Cabinet for public consultation. Post consultation consideration will be undertaken before the Council Budget is presented to Full Council for approval in February.

6. Climate Change Appraisal

- 6.1. The discussions of the task and finish group identified broad areas of focus for savings. As part of this work there was the recognition that some changes to the way that outcomes were achieved and service delivered could make positive contributions to climate change.
- 6.2. Changes to services could result in reduced trips and transport requirements, thereby reducing energy and fuel consumption, as could looking at contract requirements and seeking a change in the vehicles used. Equally, enabling and encouraging more people to use public transport options such as Park and Ride, could help reduce car journeys into town centres.
- 6.3. Members also considered the move from the Shirehall to the Guildhall, asking and learning about the level of difference between the buildings in terms of energy and heating requirements, and what this could mean financially, and environmentally.

7. Background

- 7.1 The establishment of a cross-party task and finish group to look at options and opportunities for the Budget 2025/26 was approved at Council on the 26 September. This included agreement to suspend the Alternative Budget procedure, as set out in the Financial Rules.
- 7.2 The group membership consisted of the Leader and Deputy Leader of each political group, the Portfolio Holder for Finance, Corporate Resources and Communities, and was chaired by the Chair of the Transformation and Improvement Overview and Scrutiny Committee.
- 7.3 The objectives of the group were confirmed as:
 - To review projections for the Council's budget over the medium term
 - To agree the extent of, and approach to managing, any resulting financial gap between projected expenditure and income
 - To consider proposals from officers to close the funding gap in 2025/26, as a minimum
 - To consider and challenge the implications of any proposals put forward by officers
 - To reach agreement on proposals to be put forward for public consultation on the 2025/26 Budget
- 7.4 This report will be considered by the Transformation and Improvement Overview and Scrutiny Committee on 2 December and Cabinet on 4 December. There will be an opportunity for the Chair of the Task and Finish Group to make oral representations from the Committee to Cabinet on 4 December.

- 7.5 The timing of the Financial Strategy report to Cabinet is planned to enable the normal consultation process to take place under existing governance arrangements, before the final budget is approved by Council in February 2025.

8. Additional Information

Work done

- 8.1. In completing their work, the task and finish group has met 8 times since the 30 September, considering in detail the pressures, current and potential savings, the capital strategy, the Target Operating Model and resizing and right sizing the Council, and the wider public sector financial context including the implications of the 30 October Autumn Budget Statement. The information from the slides shared is available in the Member Portal.
- 8.2. They have heard from the Executive Director of People, Executive Director of Place, The Executive Director of Resources, and the Executive Director of Health, and from the Chief Executive, as well as from the Assistant Director Finance and Technology and other Assistant Directors from across the Council.

Meeting date	Focus
30 September	<ul style="list-style-type: none"> Kick-off meeting, confirmation of topics MTFS Background and Analysis.
14 October	<ul style="list-style-type: none"> People Directorate growth pressures
21 October	<ul style="list-style-type: none"> Follow-up on the 14 October meeting outputs
28 October	<ul style="list-style-type: none"> Place Directorate pressures and revenue savings Third Party Spend (Part 1) Capital Strategy Cornovii Developments Ltd CIL and S.106 in the context of the MTFS and Budget
4 November	<ul style="list-style-type: none"> Responses to questions from the 28 October meeting Officer views on the Autumn Budget Statement and the implications and opportunities for the Council.
11 November	<ul style="list-style-type: none"> Growth pressures and savings for the Health and Wellbeing Directorate Third Party Spend (Part 2)
18 November	<ul style="list-style-type: none"> Spend Control/Third Party Spend - Top 10-15 Contracts Update on the revised funding gap and summary position around savings Review and discussion of the final position of the group [on pressures, growth, areas for savings, and the capital strategy]
25 November	<ul style="list-style-type: none"> To confirm the final position and report of the group

Key learning

- 8.3. This year has been the first time that a collaborative and inclusive approach to setting the budget has been used at the Council. It was suggested by the Leader of the Council as a way for all political groups to be involved together in understanding pressures, and growth requirements and savings, with the potential to reach a shared view for budget setting for the coming year.
- 8.4. The approach has seen Members from across all political groups be presented with the same information and ask questions and hear the answers in the same meetings.
- 8.5. This transparency has been combined with positive, consistent and constructive engagement across the different political groups in the meetings, focused on shared understanding and identifying and discussing challenges, concerns and potential options for the future.
- 8.6. The group have worked through how the budget setting relates to the Medium-Term Financial Strategy and developing a common view of how government financial decision making translates and relates to local government funding. Members reflected on demand-led services that might be for vulnerable people such as Social Care, where legal requirements (e.g. the Care Act) impact on the ability to restrict them, and cash-limited services that can be restricted such as addressing potholes and libraries.
- 8.7. Discussions also took account of the 30 October 2024 Autumn Statement by the Government and what this might mean for the Council. A key feature of this was consideration of the benefit for the Council of multi-year settlements rather than one year funding settlements. Members recognised that this would help plan budgets and services for longer than 12 month periods.
- 8.8. Having heard from the Executive Directors about their directorates and services, Members asked about pressures and growth and savings, and how these were going to be addressed and balanced in the coming year. A significant point they focused on was how directorates/service areas would work to mitigate the amount of growth required and would then need to find the money for any remaining growth from within their areas in the first instance. They also highlighted opportunities to ensure that the Capital Strategy included the development of children's care homes, in recognition of the higher cost of out of county placements, demand, and where safe and appropriate, the benefit of children being able to live closer to their community.
- 8.9. Members were particularly keen to explore the progress in delivering efficiencies from Third Party Spend (TPS) during 2024/25, progress made with the input of the Council's delivery partner, PWC, and plans that would contribute to delivering cost reductions going forwards. They considered the introduction of spend control boards and how their impact had been evaluated and learned about the shift to looking at the top 10 to 15 contracts to focus tactically and strategically on maximising the potential to deliver cashable savings.
- 8.10. They also followed up on the current and expected impact of resizing the council and the move to right-sizing the council through the delivery of the future operating model, which Executive Directors are developing This included harnessing the

potential that technology, and automation through the adoption of AI can bring to changing the way that people contact the council, access services, and how officers work.

8.11. The group heard about the level of savings initially identified as needed for 2025/26 and the development of the MTFs based on the estimated resources, estimated spending, and therefore the savings required. They were informed that targeted savings were expected to be in the region of £20m, marking a lower level than in previous years. Delivery planning and management would be critical to their realisation.

8.12. Broad areas of focus for savings in 2025/26 were discussed by the group and the following encompasses areas that are being considered:

- Main themes
 - Managing demand (mainly adults and children's including increasing foster care numbers)
 - Simplifying the Council (focus on outcomes, linked to rightsizing within the Council's operating model and asset review)
 - Making Council Tax work better (changing the way the Council works and interacts with our customers within the Council's operating model)
 - Increasing income (full cost recovery for services including Social Care)
- Considering the level of ongoing support for schools provided directly by the Council and reviewing cost recovery from Dedicated Schools Grant related to the high needs pupils.
- Sharing services and working closer with other organisations such as Town and Parish Councils.
- Reviewing traffic management related costs and income (e.g. car parking, park and ride, residents parking and street lighting)
- Assessing options for waste minimisation
- Considering civil enforcement options including dog fouling, litter, parking and waste disposal
- Maximising council tax receipts and securing benefit by enhancing debt recovery

8.13. These areas will be discussed and expanded to provide more detail, enabling public consultation on the budget proposals to be launched in the first half of December for six weeks.

9. Conclusions

9.1 The Collaborative Budget approach has been successful in providing the mechanism for cross-party consideration of the key issues and information to set the 2025/26 budget; providing those involved with the opportunity to ask questions and hear answers. The engagement of the Members on the working group has directly contributed to its effectiveness and the ability to reach shared understanding and broad outcomes. Should there be interest in using this approach in the future, capturing the learning will be very helpful in shaping and informing how it develops and is deployed.

9.2 In addition to the themes identified in paragraph 8.12, the group have identified the following as points they would like to raise in relation to the budget for 2025/26:

- Capital Strategy – development of proposals around Children’s Care Homes
- Focus on Third Party Spend – progress with the work with PWC initially looking at the top 10 to 15 contracts
- More consideration of opportunities for waste minimisation and options for waste management arrangements, as well as the benefits to the delivery of the climate change agenda
- Opportunities to increase enforcement [to address issues of concern raised by communities]
- Taking the opportunity to engage communities and consult proactively on options for changes to the way that outcomes are delivered [and funded] in the coming year to help develop and move forward with changes efficiently.

9.3 Proposals for Consultation: The group identified that there was not always a clear understanding amongst residents of the range of services that the Council provided, and as such what services might stop or be reduced as a result of the Council delivering a balanced budget. They highlighted that this needed to be made clear in order to help provide clarity about the financial position of the Council and the implications of delivering a balanced budget.

9.4 In terms of communication and any consultation on the budget, they felt that it was important that issues related to budget proposals and decisions were made real and relevant to communities. This needed to set out what the savings mean in terms of what people would see stopping or reducing, or where they may be asked to pay (more). The consultation should aim to seek responses based on people being informed and understanding the potential impact and implications. This included making it accessible to as many people as possible who want to respond.

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

Local Member: All

Appendices

None