



<u>Committee and Date</u>	<u>Item</u>
Council	13
14 May 2015	
10am	
	<u>Public</u>

FINANCIAL STRATEGY 2015/16-2016/17

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1. Summary

The Council Business Plan and Financial Strategy 2014/15 to 2016/17 was agreed by Full Council on 26 February 2015. The Financial Strategy is a rolling plan which is revised throughout each financial year, usually quarterly, as more information becomes available about the level of resources, service pressures and service delivery changes. The projections on Resources and Expenditure and the progress in achieving savings in 2015/16 will be detailed in the financial strategy to be considered by Cabinet in July which will reflect the provisional 2014/15 outturn position and 2015/16 Quarter 1 monitoring. This report seeks approval to changes in the 2015/16 budget required as a result of proposals to transfer services to ip&e. The report also provides details of New Homes Bonus funding, current commitments against this funding and proposals for further commitments.

2. Recommendations

It is recommended that members:

- A. Note financial implications of the proposed Inspire to Learn service transfers to ip&e which will be considered by Cabinet on 20 May 2015.
- B. Note the current budget for services which have been identified for future consideration for transfer to ip&e subject to Cabinet approval.

REPORT

3. Risk Assessment and Opportunities Appraisal

- 3.1. The development and delivery of the Council's Business Plan and Financial Strategy for the next three years 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 Business Plan and Financial Strategy makes specific reference to the significant financial uncertainty across Local Government in the Medium Term.

Financial Uncertainty

- 3.2. The funding settlement announced in February 2015 provided the 2015/16 financial settlement information only. No financial information beyond 2015/16 has been confirmed. There is increased uncertainty around funding levels beyond the current parliamentary term. This increases uncertainty both in 2015/16 and future years as previously incoming governments have made in year as well as future year changes to local government departmental expenditure limits.
- 3.3. As government funding reduces, the Council becomes more reliant on locally retained business rates. As detailed in previous reports, a reduction in business rate income in any year would have to be around 10% before a safety net payment would be invoked. This drop is higher than the 7.5% indicated in the funding mechanism as the Council's budgeted business rate income is higher than the baseline level that the 7.5% drop would be measured against.
- 3.4. Locally retained business rates introduce uncertainty to the Council's in year available resources; previously the Council was informed of the amount of redistributed business rates it would receive before the start of the financial year, under the new system the resources the Council actually receives will only be estimated in advance and could vary significantly.
- 3.5. Variations from budgeted revenues for both Business Rates and Council Tax are dealt with through the relative collection fund account. The timing of the availability of the final figures means that adjustments required, i.e. deficits or surpluses on the collection fund, fall 2 years after the year in which they relate. To mitigate the risk of large variations in estimated Business Rates, monitoring of Business Rates income will be further

developed and reported regularly, reducing risk as the level and quality of data is increased.

- 3.6. The funding mechanism does not reflect any service needs changes from year to year. It is proposed that the system will not be reset for 7 years i.e. until 2020/21.
- 3.7. By creating a Financial Strategy that continues to look beyond the next three years at the longer-term and is regularly updated to reflect new information, the Council is in a stronger position to approach future challenges proactively, rather than reactively.
- 3.8. While the Financial Strategy represents our approach to the mitigation of the financial uncertainty we are faced with, the tight and uncertain financial climate over the medium to long term still presents a high risk to the authority. In addition to the known uncertainties we have planned for, there remains potential for further, as yet unrecognised, risks. For this reason, a prudent approach to the level of reserves held by the Council remains sensible and necessary. As the new Business Rates Retention system becomes embedded this will mean the revision of newly introduced provisions for rating appeals and other fluctuations.
- 3.9. The Council will need to keep a reasonable level of general reserve to help mitigate against the risk of delay in implementation of the significant savings proposals. It is essential that this is kept under review both in the current year and with a view to future years and balancing the budget.

Other Risks and Opportunities

- 3.10. The Business Plan and Financial Strategy sets the resource parameters within which the Council can commission services to meet its priority outcomes. All risks and opportunities which have a material monetary value are considered within the strategy.
- 3.11. The Council's Business Plan and Financial Strategy recognises that there are risks and opportunities associated with ip&e as it is a wholly owned company of the Council. The development of the Council's future financial strategy will be clear about the financial expectations of ip&e and how this will impact on the Council's budget.
- 3.12. 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 Equalities Impact Needs Assessments and any necessary service user consultation.

4. Services transferring to ip&e

- 4.1. In February Council noted the financial implications of the transfer of the Fulcrum and Help2Change services which had been identified for transfer to ip&e in 2015/16.
- 4.2. Since February a considerable amount of work has been undertaken to agree service contract values and mechanisms for paying the Service Provider. These mechanisms recognise the requirement for the majority of income currently received for these services to continue to be received by the Authority and that staff within services transferring to ip&e will be seconded to work for ip&e in the first instance.
- 4.3. Since February, further services have been identified for consideration for transfer to ip&e within the 2015/16 financial year. Any transfer will be subject to agreement by Cabinet and the financial implications will then need to be reflected in the 2015/16 Budget.
- 4.4. Cabinet are due to consider the potential transfer of Inspire to Learn Services at their meeting on 20 May 2015 with the first phase of this transfer planned for 1 June 2015. The following tables identify the Gross and Net Budget identified for these services.

Table 1: I2L Proposed Phase 1 Services identified for Transfer on 1 June 2015

Service Area	Gross Budget £'000	Income from SLAs with schools £'000	Income from Other sources £'000	Net Council Budget £'000
Music Service	1,288	-913	-375	0
School Library Service	282	-282	0	0
School's IT Services (SIMS)	131	-131	0	0
School's Financial Services	309	-309	0	0
Total	2,010	-1,635	-375	0

The total gross budget identified above of £2.010m includes support costs of £0.132m which are currently only estimates but which are not expected to vary significantly. As can be seen there is a net nil budget for the Council with the services either being funded directly by schools or by an external grant.

- 4.5. For the second phase of transfers to ip&e Ltd the budgets are identified below. These services are partially traded services and are not planned for transfer until 1 September 2015:

Table 2: I2L Phase 2 Services identified for Transfer 1 September 2015

Service Area	Gross Budget £'000	Income from SLAs with schools £'000	Income from Other sources £'000	Net Council Budget £'000
Information, Advice & Guidance	951	-161	-112	678
Education Access & Equality	492	-169	0	323
Technical Support Services - Governor Services	260	-248	0	12
Education Improvement	1,699	-843	-367	489
Total	3,402	-1,421	-479	1,502

- 4.6. For this second phase, a substantial amount of the gross budget is funded from Education Services Grant (ESG) currently received by the Council. As this grant reduces to maintain the same level of gross spend, the services will need to secure alternative funding.
- 4.7. Other services which are currently in the early stages of consideration for potential transfer to ip&e are noted below with the net and gross budget including support services for 2015/16.

Table 3: Services for Potential transfer to ip&e during 2015/16- Gross and Net Budget

	Gross Budget £'000	Income from SLAs with Schools £'000	Income from Internal Market	Other income £'000	Net Budget £'000
Customer Service Centre	4,034		-3,787	-247	0
Shire Services	15,186	-13,336	-1,034	0	816
Employment Services	1,335	-328	-865	-142	0
HR Advice	1,646	-222	-1,271	-79	74

- 4.8. The Customer Service Centre Budgets identified above include Digital and Customer Service Quality Teams.
- 4.9. As the Business Cases for transfer of services are developed the budgets identified above will be refined to reflect the services being commissioned and the buyback of any support services. Any transfer of services is subject to the approval of a Business Plan by Cabinet.
- 4.10. As other services are considered for transfer to ip&e, the financial implications will be included in future Financial Strategies.

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

N/A

Cabinet Member (Portfolio Holder)

Keith Barrow – Leader

Local Member

All

Appendices

N/A