



Committee and Date

Audit Committee

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Item

Public

## INCOME REPORT

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### 1. Summary

This report sets out the budgeted gross income position for the Council for 2018/19. For each income type the report considers key information, reporting and governance arrangements and risks. Detailed information is included in Appendix 1, enabling Members to consider the overall risks and assurances associated with over £0.6bn of income and resources received by the Council in the financial year. The information also allows Members to consider areas for direct questioning and further consideration by the Audit Committee should this be considered necessary.

### 2. Recommendations

The Committee is asked to note the contents of this report.

## REPORT

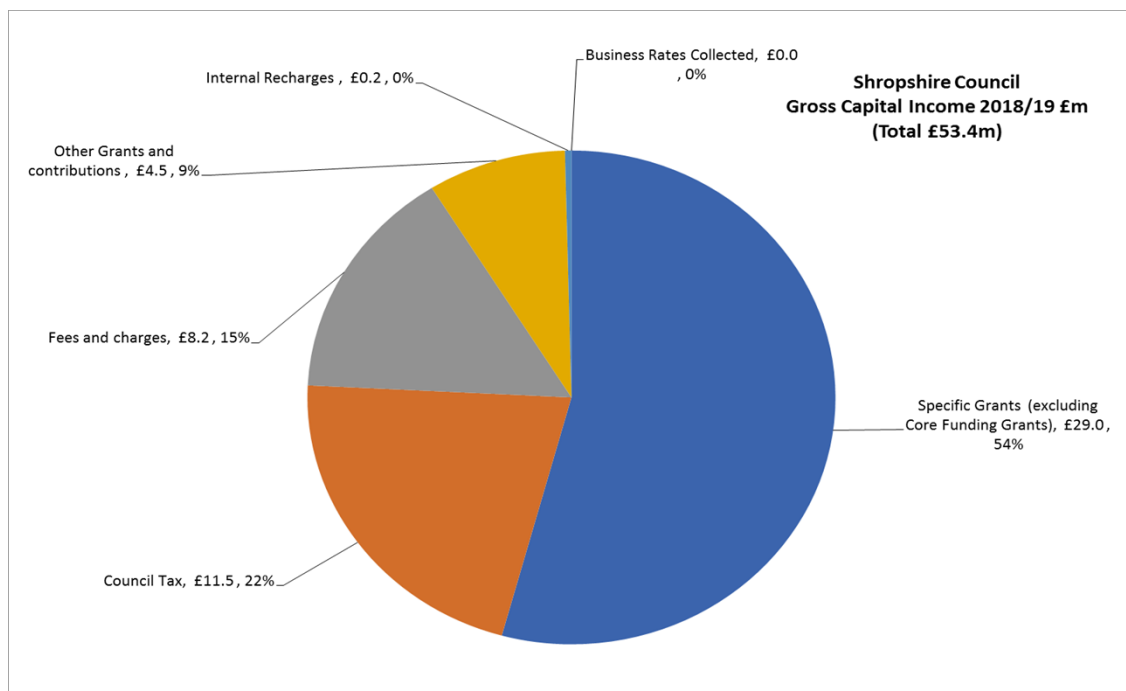
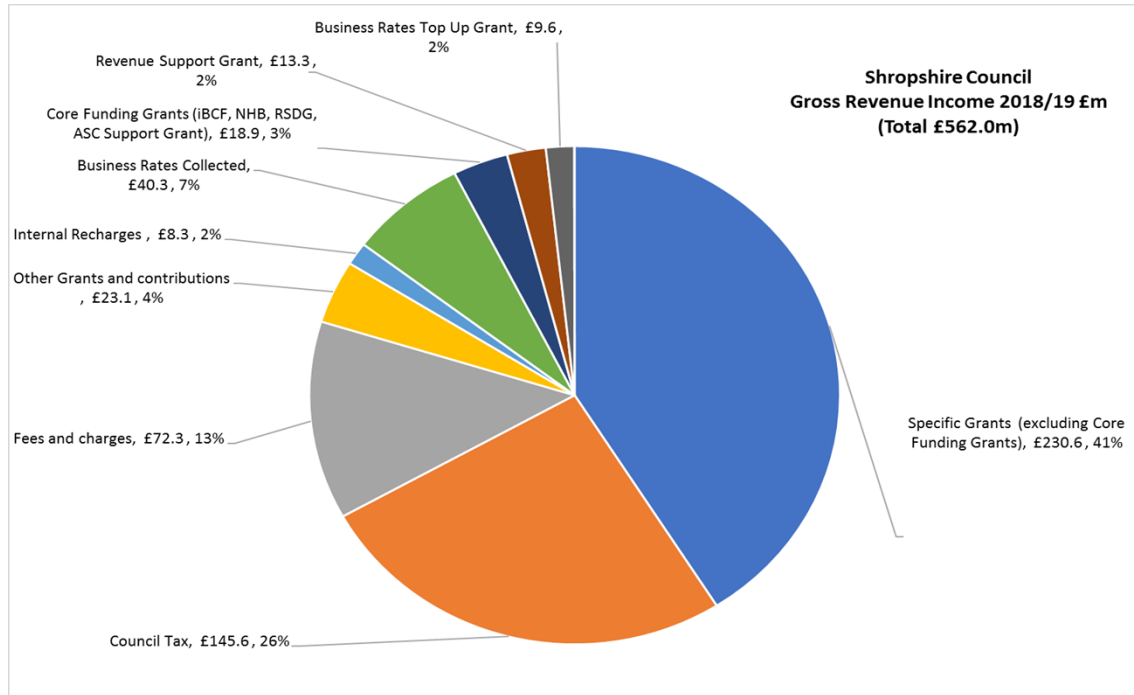
### 3. Gross Income Analysis

- 3.1. Income is a key part of the Council's financial strategy. For 2018/19 the council is budgeting to receive a total of £562.0m in revenue income and £53.4m in capital income. Charts 1 and 2 show the primary sources of this income.
- 3.2. The table at Appendix 1 considers each income type and sets out the value, key information, reporting and governance arrangements and key risks relating to it. Some of the key information is discussed in the paragraphs that follow.

### 4. Governance

- 4.1. A number of the council's income sources have related committee reports which are presented to Cabinet and Council on a regular basis. In particular for Council Tax, Business Rates and collection fund surpluses. Other income sources are addressed in the Financial Strategy which is reported to Cabinet periodically, usually quarterly throughout the year, and Council annually. Appendix 1 provides greater detail.
- 4.2. A number of the income sources must be reported on via statutory returns to Central Government such as the Revenue Outturn (RO) report and (RA) and many are subject to annual declarations from the S.151 officer. Appendix 1 provides greater detail.

**Chart 1: Total Gross Revenue Income 2018/19**



## Chart 2: Total Gross Capital Income 2018/19

### 5. Risks and Issues

- 5.1. Appendix 1 details the risks and issues surrounding each different income type. Some of the most problematic issues include late notification of funding values, volatility of income streams, exposure to bad debt, having to rely on estimated values and grant allocation methodologies which don't address local need. All of these make financial planning challenging.

### 6. Aspirations

- 6.1. The identification of additional income across the Council provides opportunities to reduce reliance on other forms of funding, some of which are outside of the Council's control. The key risks associated with income generation relate to the potential for under-recovery as a result of a number of factors such as elasticity of demand, changing economic circumstances and emergence of competition. Growth in the reliance of income from fees and charges heightens this risk.
- 6.2. The key focus for the current Financial Strategy reflects the Council's move towards becoming a more commercial organisation, with savings proposals built around innovation and raising income. Some proposals identified within the Financial Strategy include a combination of increased efficiency and increased income generation.
- 6.3. The Financial Strategy details projected funding for the Council over the next 5 years, which will not be sufficient to enable it to deliver a balanced budget. To enable services to continue to be delivered in the medium to long term both alternative delivery mechanisms and revised charging strategies will need to be explored.
- 6.4. Services within the Council are reviewing whether they can sell their existing services to external clients and identify new services they can provide. Examples of these within Place & Enterprise include the introduction of direct debits in Leisure Services which will make paying for swimming lessons easier for customers and an exciting new initiative within Libraries Services, Fab Reads. A simplified charge for the time of staff within the Building Control Team and search and copy fees have been introduced, also the Natural Environment Team have reviewed fees for Tree Preservation Orders. Within Highways & Transport there is a new fee structure in place for Section 184 vehicular access charges due to a review in demand for services. The development of a new car parking strategy has seen the introduction of new bands of charges across the county for parking which will have a phased implementation in 2018/19. Occupational Health Services have expanded their service offer to include the provision of Physiotherapy services, NOSS, and Skin Assessments following the identification of service demand. Charges for delivery of the Hepatitis B vaccine service have been reviewed, and an appropriate charge put in place to ensure all costs are recovered.
- 6.5. The Council's commercial strategy, approved by Cabinet in March 2017, states the intention to invest in schemes and projects which can deliver £10m to £15m of new revenue income over a period of five to ten years with returns of investment exceeding 10%. Furthermore to deliver £5m of new revenue income by the 31<sup>st</sup> March 2020. The Council's financial strategy reflects this by including £8m of net income to be achieved over a period of four years from 2019/20 to 2023/24.

- 6.6. The Council has purchased the Shrewsbury shopping centres which delivers £2.7m of net income in 2018/19 with a further £0.6m of rental income to be achieved subject to the approval of a new lettings strategy. The Council will approve an investment programme, as part of its capital strategy, which will set out how these investment shall be made. The investment portfolio will focus on a range of projects which include:
- Phase 2 development in the Shrewsbury shopping centres
  - Redevelopment of the Shirehall as a public sector hub
  - Development of commercial housing for sale and private rent
  - Development of health centres and community hubs
  - Development and acquisition of commercial property in strategic economic growth areas and sectors
- 6.7. Officers have established governance and project management protocols and processes to assess, manage and monitor the performance of investment projects. Governance is applied via a capital investment board which shall use a project prioritisation process to test and evaluate investment propositions via the use of a range of financial, economic and commercial criteria.
- 6.8. Project boards and teams are formed at the first gateway process with business cases (outline then full) presented to the capital investment board to consider. Those which are approved will be presented to Cabinet and, where the investment value exceeds £1m, to Council for a key decision to be made. Each project is subject to a thorough assessment of opportunity and risk along with financial due diligence.
- 6.9. Establishing an investment programme which forms a key part of the Council's capital strategy also allows projects to be submitted to a range of central and regional government bodies (including the Local Enterprise Partnership) when the opportunity arises. The Council has recently been awarded over £9m from the HCLG's Housing investment fund and £0.6m from the Cabinet Office one public estate programme which provides an endorsement for the council's commitment to invest in projects which support growth in housing, jobs and skills in the county.

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

None

**Cabinet Member (Portfolio Holder)**

Peter Nutting (Leader of the Council) and Peter Adams (Chairman of Audit Committee)

**Local Member:** N/A

**Appendices –**

Appendix 1 - Detailed table of gross income

Appendix 1 – Detailed table of gross income

REVENUE

| Name           | Value (2018/19 budget) | Key facts  | Reporting and Governance   | Risks   |
|----------------|------------------------|--|--|---|
| 1. Council Tax | £145,638,262           | <p>This is an amount calculated, in advance of each year, by every local authority. It is the amount of revenue to be collected from council tax, and is equivalent to an authority's Band D council tax multiplied by its council tax base.</p> <p>Shropshire collects Council tax on behalf of other precepting authorities such as Police, Fire and Town &amp; Parish Councils.</p> <p>The Council is permitted to raise a core precept amount (this is capped at a maximum of 2.99% for 2018/19) and an Adult Social Care precept amount (which is set at 3% for 2018/19).</p> <p>For Shropshire Council a 1% increase in council tax will raise £1.375m based on 2018/19 figures.</p> | <p>Each year the Council estimates the number of properties that would be subject to Council Tax (the taxbase). The taxbase for the forthcoming financial year is calculated annually in the preceding November/December.</p> <p>The methodology followed for calculating the taxbase is as follows:</p> <ul style="list-style-type: none"> <li>Ascertain the number of properties in each Council Tax band (A to H) shown in the valuation list as at 11 September 2017.</li> <li>Adjust for estimated changes in the number of properties through new build, demolitions and exemptions.</li> <li>The number of discounts and disabled relief allowances which apply as at 2 October 2017.</li> <li>Convert the number of properties in each Council Tax band to Band D equivalents by using the ratio of each band to Band D and so arrive at the total number of Band D equivalents for the Council.</li> <li>Adjust the total number of Band D equivalents by the estimated Council Tax collection rate for the year</li> </ul> <p>A report on the estimated taxbase for the forthcoming financial year is then taken to Council in December for approval.</p> <p>Following approval the precepting authorities (Local Authority, Police, Fire, Town and Parish Councils) are advised of the estimated taxbase level so that they may agree and set their council tax levels for the forthcoming year. They must do this by 31<sup>st</sup> January before the relevant financial year.</p> <p>Once all of the council tax precept values are received the Council Tax resolution report is finalised and put before Council for approval in February.</p> <p>The format of the Council Tax setting resolution that the Council must approve, has been previously agreed between the Local Government Association and Communities and Local Government. This is set out in the annual Council Tax Resolution report which goes before Council in February each year.</p> <p>The authority must make an annual declaration to the Secretary of State that the Adult Social Care precept will be solely used to fund increases in Adult Social Care budgets. This is verified by Central Government</p> | <p><u>Bad Debts and Collection Rates</u><br/>           Since Council Tax income is accounted for at the point of issuing a bill or invoice there is a risk of bad debts accruing if bills are not paid. This results in a cost to the authority later on when the debt is written off.<br/>           The collection rate for 2017/18 is estimated to be 98.4% and is estimated to be 97.8% for 2018/19. These levels are good in comparison to most authorities. Collection rates can be impacted adversely by changes in charging policy such as the recent changes to the Council Tax Reduction Scheme however this is outweighed by the total new tax generated.</p> <p><u>Fluctuations in Taxbase and reliance on estimates</u><br/>           Taxbase changes impact on council tax levels. Increases in house building in the County impact favourably by increasing the tax base however, changes to council tax policy e.g. wider discounts have the potential to adversely impact Council Tax generation.</p> <p>Since the Financial Strategy uses estimated figures there is the potential for fluctuations to arise when final values are determined. These are managed through the Collection Fund Surplus/Deficit calculations (see 5. In the table).</p> <p><u>Local Policy</u><br/>           As referred to above local policies for example: empty properties and council tax reduction schemes will impact on the levels of Council Tax collectible.</p> <p><u>Council Tax Cap</u><br/>           Central Government imposes limits on how much local authorities can raise council tax before having to take the decision to a local referendum. For 2018/19 the Government increased the cap for core council tax by 1% to 2.99%. It is thought that this will revert back to 1.99% for 2019/20 and beyond. The Adult Social Care precept is limited to a total of 6% between 2017/18 and 2020/21.</p> <p>Referendums are costly and the results sometimes difficult to predict so it is not an easy choice for a local authority to make. The caps therefore hamper the ability for local government to raise the income that it truly requires.</p> |

| Name              | Value<br>(2018/19<br>budget) | Key facts  | Reporting and Governance  | Risks   |
|-------------------|------------------------------|--|---|---|
|                   |                              |  | through analysis of the statutory Revenue Outturn (RO) returns which are submitted throughout the year.   |   |
| 2. Business Rates | £40,309,824                  | <p>This is taxation that is levied on business properties in Shropshire and collected by Shropshire Council.</p> <p>A change in regulations in 2013/14 introduced Business Rates Retention. So rather than the total business rates collected going to the Government for redistribution on a national basis a proportion (50%) is now retained and shared locally amongst relevant authorities (Shropshire and Shropshire and Wrekin Fire Authority).</p> <p>The previous government committed to implementing 100 per cent retention of business rates by local government by 2020, and began piloting elements of such a scheme in 2017/18 in six areas of the country. A further ten pilots have been agreed for 2018/19 and it is anticipated that more will be agreed. Shropshire council, along with Telford &amp; Wrekin Council and Herefordshire Council, applied for the 2018/19 pilot round but were unsuccessful.</p> | <p>Each year, by the end of January, the Council estimates the total rateable value of business rates in Shropshire for the forthcoming financial year. This is carried out using the NNDR 1 form.</p> <p>To this estimated total value assumptions are applied about growth/decline and reliefs/discounts that will be claimed as well as allowances made for the appeals provision. (An amount set aside for refunding business rate charges where successful appeals are made by businesses against the rating list values – these are managed by the Valuation Office Agency). The Government’s multiplier is then applied to the rateable value to determine the rates chargeable.</p> <p>Once the net business rates collectable has been estimated, and Shropshire Council’s share determined, the budget for the forthcoming year is built on these assumption and is put before Cabinet and Council for approval via the Financial Strategy in the February preceding the relevant financial year.</p> | <p><u>Bad Debts and Collection Rates</u><br/>Since income is accounted for at the point of issuing a bill or invoice there is a risk of bad debts accruing if bills are not paid. This results in a cost to the authority in the future when the debt is written off.</p> <p><u>Fluctuations in rateable value and reliance on estimates</u><br/>Since the Financial Strategy relies on estimated figures there is the potential for fluctuations to arise when final values are determined and this therefore impacts the funding position. These are managed through the Collection Fund Surplus/Deficit calculations (see 5. In the table).</p> <p><u>Appeals provision estimate</u><br/>A key area of risk is the Appeals provision estimate. The council must maintain a provision from which refunds of business rates can be made when a business successfully challenges its rateable value. Challenges are handled by the Valuation Office Agency and are being made regularly. Awards can be high in value.</p> <p>Business rates are revised every five years through the issue of new ratings list. Government analysis estimates that the agency receives 900,000 appeals for each revaluation. The newest list was introduced in April 2017 so the likelihood of appeals is high at the moment.</p> <p>The Council has no say in the awarding of appeals and no control over the process so it is difficult to estimate the values to be provided for. If awards exceed the provision value this results in a direct cost to the authority.</p> <p><u>Ratings lists</u><br/>Every five years the Valuation Office Agency introduces a new ratings list which sets the rateable values for businesses across England and Wales. The exercise has the potential to materially change the rateable value landscape in Shropshire and ultimately the level of business rates. The Council has no control over this.</p> <p><u>Government control of the multiplier</u><br/>The multiplier which is applied to the base rateable value is set by Central Government. This means that local government has no say in the resulting business rates levels in its areas (other than where it can apply discretionary reliefs)</p> |

| Name                           | Value (2018/19 budget) | Key facts  | Reporting and Governance   | Risks  |
|--------------------------------|------------------------|--|--|--|
|                                |                        |  |  | <p><u>Reliefs and Discounts</u><br/>National and local discounts can be applied to certain types of businesses. This directly impacts on the amount of business rates collectible.</p> <p><u>Changes to Business Rates Retention</u><br/>Although the Local Government Finance Bill introduced in January 2017 was intended to pave the way for full retention of business rates by 2020, parliament was dissolved for the General Election before it could be passed and the Queen's Speech in June did not include provision to re-introduce the bill within the next two years. The new government confirmed a commitment of 75 per cent retention of business rates for the sector by 2020/21. Such a commitment will bring with it changes to other grant funding and potentially new burdens. Until this detail of this is known the impact is difficult to assess. This lack of clarity causes uncertainty when thinking about future funding patterns.</p> <p>In the event that a 100% pilot were awarded to Shropshire, it could bring a direct financial incentive, primarily through having access to 100 per cent retained growth.</p> |
| 3. Top Up Grant                | £9,649,310             | <p>On an annual basis Government compares an Authority's Baseline Funding level (assessed need) to its Business Rates Baseline (forecast amount to be collected) and awards a top up grant where there is a shortfall or levies a tariff where there is a surplus.</p> <p>Shropshire is a top up authority as its baseline business rates do not meet need.</p> <p>This is paid in the form of a section 31 grant.</p> <p>The value is capped in line with the increase in the multiplier.</p> | The grant value is notified via the provisional (December prior to relevant financial year) and then final settlement announcements (February prior to the relevant financial year). | <p><u>Assessment of need</u><br/>The baseline funding level (assessed need) is largely based on the old 2012/13 formula grant methodology.</p> <p>Formula funding allocates funding according to estimates of local resources such as Council Tax and of the demand for each local service, through formulae based on population and other local data. This is not always reflective of need, especially in a sparse rural county like Shropshire.</p> <p><u>Late notification of values</u><br/>The final settlement is not announced until February, just weeks before the commencement of the financial year which relies on this information for budget setting purposes.</p> <p>The announcement is subject to delays and changes between the provisional and final settlement.</p>   |
| 4. Revenue Support Grant (RSG) | £13,301,166            | <p>Revenue Support Grant is a central government grant given to local authorities which can be used to finance revenue expenditure on any service.</p> <p>The amount of Revenue Support Grant to be provided to authorities is established through the local government finance settlement and distributed according to assessed need.</p>   | The grant value is notified via the provisional (December prior to relevant financial year) and then final settlement announcements (February prior to the relevant financial year). | <p><u>Assessment of need</u><br/>Assessed need is largely based on the old 2012/13 formula grant methodology.</p> <p>Formula funding allocates funding according to estimates of local resources such as Council Tax and of the demand for each local service, through formulae based on population and other local data. This is not always reflective of need, especially in a sparse rural county like Shropshire.</p>  |

| Name   | Value<br>(2018/19<br>budget) | Key facts   | Reporting and Governance   | Risks   |
|--|------------------------------|---|--|---|
|  |                              |   |  | <p><u>Potential for late notification of values</u><br/>The final settlement is not announced until February, just weeks before the commencement of the financial year which relies on this information for budget setting purposes.</p> <p>The announcement is subject to delays and changes between the provisional and final settlement.</p> <p><u>Reducing Values</u><br/>As a result of austerity plans Local Authorities have seen a continued reduction in Revenue Support Grant which in 2013/14 stood at over £67m and by 2018/19 will have fallen to £13m</p> |
| 5. Collection Fund Surplus/(Deficit)         | (£130,111)                   | A surplus of council tax and business rate income collected over the level assumed for budget purposes. Any such surplus or deficit is a one-off amount and is shared between the billing authority and its major precepting authorities (police and fire).   | <p>The surplus or deficit on the 2017/18 financial year will impact on the budget available for the following financial year i.e. 2018/19.</p> <p>As described in 1. and 2. above Council tax and Business Rates income estimates are made in the February prior to the forthcoming financial year. They are therefore necessarily based on estimates.</p> <p>The collection fund estimate is calculated in January each year using data from the Revenues &amp; Benefits system Northgate. The Council must notify the major precepting authorities of their share by the end of January each year.</p> <p>The Estimated Collection Fund Outturn Report goes to Cabinet and Council in February each year.</p> <p>The actual collection fund surplus or deficit arising is not calculated until April/May via the NNDR3 form as part of the financial closedown process. The actual outturn is not reported to Cabinet but instead informs the transactions for the closure of the accounts and feeds into the estimated position for the following financial year.</p> | <p><u>Use of estimates</u><br/>The collection fund outturn position relies on estimates based on part year data so there is the risk of swings in the assumptions or exceptional events occurring which may alter the estimated values materially. Due to the cycle of estimates and actual calculations the final outturn impact of one year will not be felt for more than 12 months after the end of that year.</p>  |
| 6. Core Grant – Improved Better Care Funding | £4,328,800                   | The Better Care Fund (BCF) is the national programme, through which local areas agree how to spend a local pooled budget in accordance with the programme's national requirements. The pooled budget is made up of health (Clinical Commissioning Group (CCG)) funding as well as local government grants, of which one is the Improved Better Care Fund (iBCF).<br>The iBCF was first announced in the 2015 Spending | <p>The grant values were announced in Spring 2017 and are confirmed via the provisional and final settlements.</p> <p>According to the grant determination, the funding can be spent on three purposes:</p> <ul style="list-style-type: none"> <li>• Meeting adult social care needs</li> <li>• Reducing pressures on the NHS, including supporting more people to be discharged from</li> </ul>   | <p><u>Potential for late notification of values</u><br/>The final settlement is not announced until February, just weeks before the commencement of the financial year which relies on this information for budget setting purposes.</p> <p><u>Conditions</u><br/>There are conditions on how the grant can be spent so the funding application is limited to these. The expenditure plans</p>  |



| Name   | Value (2018/19 budget) | Key facts   | Reporting and Governance   | Risks  |             |            |             |            |             |            |              |                   |  |   |
|--|------------------------|---|--|--|-------------|------------|-------------|------------|-------------|------------|--------------|-------------------|--|---|
|  |                        | <p>Review, and is a paid as a direct grant to local government, with a condition that it is pooled into the local BCF plan. The IBCF grant allocations were increased in the 2017 Spring Budget. According to the grant determination, the funding can be spent on three purposes:</p> <ul style="list-style-type: none"> <li>• Meeting adult social care needs</li> <li>• Reducing pressures on the NHS, including supporting more people to be discharged from hospital when they are ready</li> <li>• Ensuring that the local social care provider market is supported</li> </ul>  | <p>hospital when they are ready</p> <ul style="list-style-type: none"> <li>• Ensuring that the local social care provider market is supported</li> </ul> <p>NHS England are providing guidance on how this is to be reported to them and whether the grant can be carried forward.</p> | <p>are subject to scrutiny and agreement from the CCG via the Better Care Fund governance processes.</p> <p><u>Ongoing nature</u><br/>                     Allocations have been notified up to 2019/20. Beyond this there is no suggestion that the funding will continue. This means that it cannot be assumed that allocations towards the Council's funding gap will be available.</p>   |             |            |             |            |             |            |              |                   |  |   |
| <p>7. Core Grant – New Homes Bonus</p>               | <p>£7,121,970</p>      | <p>The New Homes Bonus is a grant paid by central government to local councils to reflect and incentivise housing growth in their areas.</p> <p>It is based on the amount of extra Council Tax revenue raised for new-build homes, conversions and long-term empty homes brought back into use. There is also an extra payment for providing affordable homes.</p> <p>Having previously been paid each year for 6 years. In 2017/18 it was reduced to a five year payment and in 2018/19 it is paid for a four year period. The 2018/19 allocation is made up as follows:</p> <table border="0" data-bbox="742 1234 1412 1430"> <tr> <td>2015/16 NHB</td> <td>£1,595,230</td> </tr> <tr> <td>2016/17 NHB</td> <td>£1,866,110</td> </tr> <tr> <td>2017/18 NHB</td> <td>£1,295,200</td> </tr> <tr> <td>2018/19 NHB</td> <td>£2,365,430</td> </tr> <tr> <td><b>Total</b></td> <td><b>£7,121,970</b></td> </tr> </table> <p>The rationale for the reduction from 6 years to 4 was based on top slicing funding for the Adult Social Care Support Grant and the Improved Better Care Fund as well as raising the threshold for growth before which the grant would be paid in order to sharpen the incentive for growth.</p> | 2015/16 NHB  | £1,595,230   | 2016/17 NHB | £1,866,110 | 2017/18 NHB | £1,295,200 | 2018/19 NHB | £2,365,430 | <b>Total</b> | <b>£7,121,970</b> | <p>The grant values are confirmed via the provisional and final settlements.</p> <p>There are no conditions on what the funding can be spent on and no reporting requirements.</p> <p>It is planned to use the total of this grant to help close the funding gap year on year. (£5m through a regular base budget contribution to the financial strategy reserve year on year and, at the moment, any surplus over this amount to be applied to funding the gap as shown in the core grant funding section of the Financial Strategy).</p> | <p><u>Potential for late notification of values</u><br/>                     The final settlement is not announced until February, just weeks before the commencement of the financial year which relies on this information for budget setting purposes.</p> <p>A case in point is that the New Homes Bonus values announced in the provisional settlement were £1.25m higher for 20218/19 than previous assumptions. Whilst this change has now been built into budget setting assumptions it is still not yet known why this increase was so great. The matter is being looked into.</p> <p><u>Ongoing nature</u><br/>                     Allocations have been notified up to 2019/20. Beyond this there is no suggestion that the funding will continue.</p> <p><u>Targets</u><br/>                     Latterly the New Homes Bonus grant is only awarded for growth over and above 0.4% so the expectation is that growth continues to exceed this target. Any changes to this will directly impact on future grant levels.</p> |
| 2015/16 NHB  | £1,595,230             |   |  |  |             |            |             |            |             |            |              |                   |  |   |
| 2016/17 NHB  | £1,866,110             |   |  |  |             |            |             |            |             |            |              |                   |  |   |
| 2017/18 NHB  | £1,295,200             |   |  |  |             |            |             |            |             |            |              |                   |  |   |
| 2018/19 NHB  | £2,365,430             |   |  |  |             |            |             |            |             |            |              |                   |  |   |
| <b>Total</b>   | <b>£7,121,970</b>      |   |  |  |             |            |             |            |             |            |              |                   |  |   |
| <p>8. Core Grant – Rural Services Delivery Grant</p> | <p>£6,614,131</p>      | <p>Rural grant was introduced in 2014-15. Funding was provided in recognition of the possible additional costs of delivering services in sparsely populated areas. The grant is allocated on the basis of population super sparsity. Super sparsity measures the proportion of an authority's population that resides in output areas with fewer than 0.5 persons per hectare.8 Authorities in the top quartile receive funding.</p>  | <p>Paid as un-ringfenced section 31 grant.</p>   | <p><u>Potential for late notification of values</u><br/>                     The final settlement is not announced until February, just weeks before the commencement of the financial year which relies on this information for budget setting purposes.</p> <p>In the final settlement the RSDG amount was £1.22m higher for 20218/19 than previous assumptions as the Government attempted to recognise the need for increased funding in</p> |             |            |             |            |             |            |              |                   |  |   |

| Name   | Value (2018/19 budget) | Key facts   | Reporting and Governance   | Risks  |
|--|------------------------|---|--|--|
|  |                        |   |  | <p>rural areas. The increase is welcome but the last minute nature of the announcement makes planning difficult</p> <p><u>Ongoing nature</u><br/>                     Allocations have been notified up to 2019/20. Beyond this there is no suggestion that the funding will continue.</p>   |
| <p>9. Core Grant – Adult Social Care Support Grant</p> | <p>£871,140</p>        | <p>When New Homes Bonus was top sliced in 2017/18 one of the purposes was to introduce the Adult Social Care Support Grant.</p>   | <p>The grant values are confirmed via the provisional and final settlements.</p>   | <p><u>Potential for late notification of values</u><br/>                     The final settlement is not announced until February, just weeks before the commencement of the financial year which relies on this information for budget setting purposes.</p> <p>Up until the final settlement announcement in 2018 it was assumed that there would be no further allocation of the ASC grant. However, last minute changes to the final settlement saw the introduction of a further allocation.</p> <p><u>Allocation methodology</u><br/>                     The Adult Social Care Support Grant was allocated to relevant authorities based on the 2013-14 Relative Needs Formula (RNF). The RNF methodology employed focusses predominantly on deprivation rather than the age profile of residents within local government areas. As a result, in 2017/18 the allocation for Shropshire has been calculated at £1.400m, which was £0.185m less than the balance of funding removed under the New Homes Bonus changes.</p> <p>The new 2018/19 allocation is again distributed using the old methodology and so nationally it can be seen that some Local Authorities are benefitting from the funding when it is not actually required, It is not getting to where it is needed the most.</p> |
| <p>10. Fees &amp; charges</p>                          | <p>£72,336,910</p>     | <p>The Council is able to raise income from a number of sources reducing reliance on other forms of income.</p> <p>The total Fees &amp; Charges income can be further categorised into income arising from fees and charges for the provision of services which can be set at the discretion of the Council (discretionary) and income where the levels are set by statute or restricted by regulations or guidance.</p> <p><u>Non-Discretionary Income 2018/19 - £38.178m</u><br/>                     Non-discretionary income includes e.g. planning fees, which are set at a statutory level and other fees the level of which must follow statutory guidance (for example charges for residential accommodation which are governed by CRAG (Charges for Residential Accommodation Guide)).</p> | <p>The Authority prepares an annual Fees &amp; Charges report in February of each year which is presented alongside the budget for the forthcoming year. This report recommends the level of fees and charges to be applied in the new financial year and contains a full schedule of discretionary charges.</p> <p>The Fees &amp; Charges report concentrates on charging for discretionary services where the authority has a choice about fee levels.</p> | <p><u>Powers to charge</u><br/>                     Local Authorities must operate within their powers to charge which impose some restrictions.</p> <p>The Council has the power to charge for some services under various legislation dating back many years e.g. 1949 Prevention of Damage by Pests Act. The Local Government Act 2003 provides clarity over charging powers and is clear that a local authority can charge for discretionary services on the basis of recovering the full costs of providing the service but that it should not make a profit year on year. The same Act also covers local authority's power to trade whereby a profit/surplus can be made as long as trading is carried out through a company. A key point is that charges should be set at the right level to balance the subsidy between service user and taxpayer.</p>   |

| Name   | Value (2018/19 budget) | Key facts   | Reporting and Governance   | Risks  |
|--|------------------------|---|--|--|
|  |                        | <p><u>Discretionary Income 2018/19 - £34.159m</u><br/>                     The Council generates discretionary income from contracts for the provision of specific services e.g. payroll services. The main areas where the Council has discretion to agree fees and charges outside of any contract or service level agreement are:</p> <ul style="list-style-type: none"> <li>• Car parking</li> <li>• New road and street works</li> <li>• Theatre</li> <li>• Leisure and Visitor Economy</li> <li>• Music and Arts Services</li> <li>• Registrars</li> </ul>  |  | <p><u>Volatility</u><br/>                     Discretionary income can vary significantly and requires careful management and monitoring throughout the year. Variations in income can significantly affect the Council's financial position. By detailed consideration, via the Fees &amp; Charges report, of income streams and factors which affect the levels of income the Council receives, the risk of significant budget variations caused by a shortfall in income levels will be reduced.</p>  |
| 11. Other Grants and Contributions           | £23,061,550            | <p>This category captures income from a number of sources.</p> <p><u>Health Income</u><br/>                     60% of income in this category comes from health partners in the form of Continuing Healthcare contributions towards complex adult care packages, jointly funded children's placements and funding from the Better Care Pooled Fund to support delivery of services with a health outcome.</p> <p><u>Other Authorities and Organisations</u><br/>                     A further 25% of income comes from other local authorities or other organisations towards delivery of services which they may use. For example the Joint Adoption Agency or the Safeguarding Board. Or grants from non-government agencies such as the Arts Council.</p> <p><u>Other</u><br/>                     The remaining 15% covers varied income streams for example S106 related income.</p> | <p>Values of income in this category are reported in the annual Fees &amp; Charges report which goes to Cabinet and Council in February.</p> <p>Income in this category in the main is subject to individual contractual arrangements and partnership agreements.</p>  | <p><u>Volatility</u><br/>                     Other Grants income can vary significantly and requires careful management and monitoring throughout the year. Due to the nature of the category it would usually be possible to reduce expenditure in line with any reductions in income as long as this can be planned for appropriately.</p>  |
| 12. Specific Grants – Dedicated School Grant | £124,703,010           | <p>The Dedicated Schools Grant (DSG) is the main source of revenue funding for Local Authority maintained schools, paid to the Council by the Department for Education.</p> <p>Allocations to Local Authorities are set annually and paid to the Council monthly.</p> <p>In 2018/19, the DSG will comprise 4 distinct funding blocks; schools block, central school services block, high needs block and the early years block.</p> <p>2018/19 allocations were published in December 2017. On 14 September, the Secretary of State for</p>   | <p>Committee reports are produced for Schools Forum on DSG.</p> <p>Schools Forum acts in a consultative role for any changes to the local funding formula or any proposed changes to funding nationally as was the case with the introduction of new national funding formula.</p> <p>Schools Forum is a decision making body on how much funding may be retained centrally by the Local Authority, any proposed carry forwards of deficits and proposals to de-delegate funding from schools e.g for Maternity Pay.</p> | <p><u>Formula Changes</u><br/>                     Until 2018/19, the allocation of DSG to schools was determined locally through a local funding formula. The formula could be flexed to account for local factors.</p> <p>From 2018/19, the National Funding Formula (NFF) will be phased in by the Government over the next two years, 2018-19 and 2019-20, by the inclusion of a funding floor and gains cap. Shropshire Schools Forum agreed to recommend to Shropshire schools, through the consultation process, the distribution of funding to schools from April 2018 in line with the transitional NFF allocations. It was concluded that other options would result in winners and losers, could not deliver the guaranteed uplift in per pupil funding for all schools and would not provide a smooth transition to the NFF when fully</p> |

| Name   | Value (2018/19 budget) | Key facts   | Reporting and Governance   | Risks   |
|--|------------------------|---|--|---|
|  |                        | <p>Education announced a new national funding formula for schools and high needs from April 2018 with an additional £1.3bn funding nationally over the next 2 years. This follows the introduction of a national funding formula for early years in April 2017.</p>   | <p>Schools Forum meets approx. 8 times a year depending on what issues are at hand. A regular DSG Budget Monitoring report is presented to Schools Forum, more frequently than not for information only to report on any projected over or underspends on the centrally retained DSG.</p> <p>Within the published Statement of Accounts there is a section on DSG within the "Notes to the core financial statements" section which sets out the agreed distribution of the Council's DSG and any carry forward at the year-end.</p>   | <p>implemented.</p> <p>There has been no announcement over the levels of funding provided through the NFF beyond 2019-20 as 2020-21 is within the next Comprehensive Spending Review Period. There is a risk that the national funding for schools and high needs could be reduced from 2020-21.</p> <p>There are a number of issues raised with the new national funding formula:</p> <ul style="list-style-type: none"> <li>• A general point is that schools feel that they will still be worse off in real terms as a 1% increase is below inflation.</li> <li>• Also the new national funding formula is excessively weighted towards deprivation and English as an additional language factors at the expense of the basic pupil entitlement for all pupils.</li> </ul> <p>With the national funding formula for High Needs, some issues were;</p> <ul style="list-style-type: none"> <li>• Shropshire is one of the poorest funded counties for High Needs Block nationally.</li> <li>• While Shropshire believes that the national funding formula system represents a stable system this stability is at the expense of fairness due to a large historic spend factor. A baselining exercise founded on historic spend could lock unfairness into the system going forward.</li> <li>• The overall increase in High Needs funding nationally is insufficient to meet increase in demand for services particularly placement costs and Post 16</li> </ul> |
| <p>13. Specific Grants – Housing Subsidies</p> | <p>£67,099,590</p>     | <p>There are three main housing benefit subsidy grants:</p> <p><u>Rent Allowance Subsidy (£56.0m) and Rent Rebate Subsidy (£10.5m):</u><br/>                     These total the maximum qualifying expenditure for which the authority can claim Housing Benefit subsidy. Rent rebate is Housing Benefit paid in respect of rent for Council Tenants or Housing Associations and Rent Allowance is housing benefit paid in respect of anyone else. The authority is not able to claim for all expenditure, for example it cannot claim the full amount for claimants lodged in temporary accommodation, certain private rental tenancies and war pension disregards.</p> <p><u>Housing Benefit Admin Subsidy (£0.6m)</u><br/>                     The amount of money paid to the LA by DWP towards the cost of administration</p> | <p>There are four certified claim forms submitted in the year, around which payments are made</p> <ul style="list-style-type: none"> <li>• FEBRUARY – Initial Estimate for forthcoming financial year</li> <li>• AUGUST – midyear estimate for financial year</li> <li>• APRIL – Final Claim form for financial year</li> <li>• NOVEMBER – Final audited claim form for financial year</li> </ul> <p>Payments are made every month, split between Rent Allowance and Rent Rebate. The payments for May are adjusted for any amount owed to DWP or owed to the Council. The payments are amended later in the year (October) to take account of the revised mid-year estimate</p> | <p><u>Penalties</u><br/>                     The amount of subsidy an authority receives in a year depends on its combined amount of authority error and administrative delay overpayments compared with its total payment of Housing Benefit.</p> <p>If in a year the percentage of authority error and administrative delay overpayments (as compared with the correct payments) is:</p> <ul style="list-style-type: none"> <li>○ Up to 0.48% the authority gets 100% subsidy on all such overpayments;</li> <li>○ Above 0.48% and up to 0.54% the authority gets 40% subsidy on all such overpayments;</li> <li>○ Above 0.54% the authority gets 0% subsidy on all such overpayments.</li> </ul> <p>It follows that there is a large financial incentive for an authority to:</p>  |

| Name  | Value (2018/19 budget) | Key facts   | Reporting and Governance  | Risks  |
|---|------------------------|---|---|--|
|   |                        |   |   | <ul style="list-style-type: none"> <li>○ Ensure claims are assessed accurately</li> <li>○ Ensure claims are assessed quickly</li> </ul>  |
| 14. Specific Grants – Public Health Grant (including 0-5yrs allocation) | £12,000,000            | <p>This is a ring-fenced grant paid to Local Authorities by Central Government. The national allocation is £3.215bn. The money is to be used to improve the health of the local population. There are specific responsibilities for Health Visiting, School Nursing, Substance Misuse and Sexual Health Prevention.</p>   | <p>Local Authorities have to forecast and report expenditure against the sub-categories in the Revenue Account (RA) and Revenue Outturn (RO). These are returns for the Ministry of Housing Communities and Local Government (MHCLG) who will share the data with Public Health England (PHE). The S151 Officer and Director of Public Health must also return an annual declaration confirming that the grant has been spent in accordance with the conditions.</p>  | <p><u>Year on year cuts</u><br/>The grant is subject to yearly cuts of approximately 2.6% per annum.</p> <p><u>Future of the ring fence</u><br/>The ring-fence restriction is currently only proposed until 2019-20.</p> <p><u>Underfunding</u><br/>Shropshire is currently an underfunded authority with allocation per head in 2018-19 being £38 with the England average being £57.</p>   |
| 15. Specific Grants – Pupil Premium Grant                               | £5,496,420             | <p>The Pupil Premium Grant (PPG) is a source of revenue funding for Local Authority maintained schools, paid to the Council by the Department for Education.</p> <p>The purpose of the funding is to raise attainment of disadvantaged pupils.</p> <p>Allocations to Local Authorities are set annually and paid to the Council quarterly.</p> <p>Pupil Premium allocations to schools are determined by pupil numbers recorded in the January census data on numbers of pupils eligible for free school meals in the last 6 years, children adopted from care and service children.</p> <p>The per pupil rates for 2018/19 financial year have been published.</p> <ul style="list-style-type: none"> <li>• The rates for Primary and Secondary Ever 6 FSM pupils have remained at the same levels as 2017/18.</li> <li>• The Looked-after children (LAC) defined in the Children Act 1989 as one who is in the care of, or provided with accommodation by, an English local authority = £2,300 in 2018/19 which is an increase from £1,900 per pupil in 2017/18.</li> </ul> | <p>There are no routine reports for this funding however, any fundamental change to the grant would be reported to Schools Forum.</p> <p>Schools are written to bi-annually to confirm their provisional and actual allocations once the Council has been informed of the allocations by the Department for Education.</p> <p>An annual return has to be sent to the Education Funding Agency, authorised by Chief Finance Officer to certify that the conditions of grant for Pupil Premium Grant have been met for that financial year.</p> | <p><u>Allocation methodology</u><br/>Allocation are based on a census count on one particular day which may not be reflective of actual pupil numbers.</p> <p>Allocation relies on pupils eligible for Free School Meals actually registering for Free School Meals.</p> <p><u>Future Cuts</u><br/>Although PPG per-pupil funding has been frozen in real terms between 2017/18 and 2019/20, further cuts to funding elsewhere in the schools funding system may impact on the future success of the pupil premium as schools are increasingly using the PPG grant funding to cover day-to-day costs for all pupils, diluting its impact for disadvantaged pupils.</p> |
| 16. Business Rates Retention Scheme – Section 31 Grants                 | £5,788,200             | <p>These are a collection of grants which are distributed at a national level to support local authorities with the costs of national reliefs and discounts in relation to business rates charges.</p> <p>Elements include compensation for the Small</p>   | <p>The grant values are confirmed via the provisional and final settlements.</p>  | <p><u>Potential for late notification of values</u><br/>The final settlement is not announced until February, just weeks before the commencement of the financial year which relies on this information for budget setting purposes.</p>   |

| Name  | Value<br>(2018/19<br>budget) | Key facts  | Reporting and Governance   | Risks   |
|---|------------------------------|--|--|---|
|   |                              | Business Rate Relief Scheme (£4.3m) and the Business Rates Compensation Grant (£0.8m).   |  |   |
| 17. Specific Grants – Private Finance Initiatives | £4,708,260                   | <p>The authority has commissioned a number of services via Private Finance Initiative arrangements. This means the relevant facilities are built and provided by a contractor to whom the Council pays an annual fee (Unitary Charge). As part of the arrangement the Government provides the Council with a specific grants towards this annual fee.</p> <p>The Council is deemed to control the services provided under these two PFI schemes and, as ownership of property, plant and equipment will pass to the Council at the end of the contracts for no additional charge, the Council carries the operational assets used under the contracts on its balance sheet as part of Property, Plant and Equipment.</p> <p>Details of the Authority's PFI Contracts and related grants:</p> <p><u>Waste PFI £3.186m Grant</u><br/>On 29 September 2007, the former Shropshire County Council, in its capacity as Contracting Authority for the former Shropshire Waste Partnership, entered into a 27 year waste contract with Veolia ES Shropshire Limited. Services under the contract commenced on 1 October 2007. On 20 October 2008 Shrewsbury &amp; Atcham Borough Council joined the Partnership and the contract with Veolia for the remaining 26 years.</p> <p><u>Quality in Community Services PFI £1.523m Grant</u><br/>On 21 May 2005 the Council entered into a 30 year contract with Integrated Care Solutions (ICS) to supply and maintain six buildings:</p> <ul style="list-style-type: none"> <li>• Three Resource Centres</li> <li>• A Nursing Home</li> <li>• A Joint Service Centre</li> <li>• An Intermediate Care Hub</li> </ul> | The grant values are constant and not subject to change unless any material changes are made the relevant contract.  | <p><u>Long Term</u><br/>PFI contracts are long term and grant values determined at the outset for the period of the contract which, in terms of financial planning, is a benefit.</p>   |
| 18. Specific Grants – Additional Better Care Fund | £3,959,450                   | After the Council's budget for 2017/18 was set, local authorities received the announcement within the Spring Budget Statement that they were to receive additional Better Care Funding over the next three financial years.   | <p>There are conditions attached to this funding,</p> <ul style="list-style-type: none"> <li>• the grant must be spent on services not already budgeted for.</li> <li>• the additional funding is subject to a series of strict targets and measures that restrict its use.</li> </ul> | <p><u>Potential for late notification of values</u><br/>The final settlement is not announced until February, just weeks before the commencement of the financial year which relies on this information for budget setting purposes.</p> <p><u>Conditions</u></p> |

| Name   | Value (2018/19 budget) | Key facts   | Reporting and Governance  | Risks   |
|--|------------------------|---|---|---|
|  |                        | <p>The Better Care Fund (BCF) is the national programme, through which local areas agree how to spend a local pooled budget in accordance with the programme's national requirements. The pooled budget is made up of health (Clinical Commissioning Group (CCG)) funding as well as local government funding.</p>              | <ul style="list-style-type: none"> <li>The funding is explicitly focused on reducing pressures on the NHS, particularly delayed hospital discharges.</li> </ul> <p>This, and the condition of additionally of expenditure as above, has meant that a list of new schemes and pilots has been created in order to make use of the grant, focusing on ways that NHS related outcomes can be improved in this financial year.</p> <p>The grant must be pooled into the Better Care Fund, and therefore there is a requirement that the Council's plans for grant expenditure are jointly agreed with Shropshire CCG and approved by Shropshire's Health and Wellbeing Board.</p> <p>NHS England are providing guidance on how this is to be reported to them and whether the grant can be carried forward.</p> | <p>There are conditions on how the grant can be spent so the funding application is limited to these. The expenditure plans are subject to scrutiny and agreement from the CCG via the Better Care Fund governance processes.</p> <p><u>Ongoing nature</u><br/>Allocations have been notified up to 2019/20. Beyond this there is no suggestion that the funding will continue. This means that it cannot be assumed that allocations towards the Council's funding gap will be available.</p>  |
| <p>19. Specific Grants – Education Funding Agency (School Sixth Forms)</p> | <p>£1,660,710</p>      | <p>Colleges, providers, schools and academies receive annual funding allocations from Education and Skills Funding Agency (ESFA) for the provision of 16 to 19 education.</p> <p>The Council passes on allocations to those maintained schools with sixth-form provision.</p>   | <p>There are no routine reports for this funding, however any fundamental change to the grant would be reported to Schools Forum.</p> <p>An annual return has to be sent to the Education Funding Agency, authorised by Chief Finance Officer to certify that the conditions of grant for Post 16 Grant have been met for that financial year.</p>  | <p><u>Future Cuts</u><br/>There is a risk that the national funding for schools could be reduced from 2020-21. i.e. within the next Comprehensive Spending Review</p>   |
| <p>20. Specific Grants – Independent Living Fund</p>                       | <p>£1,559,310</p>      | <p>This is a grant from MHCLG to provide support to Local Authorities towards the cost of expenditure incurred providing funded support for disabled people living an independent life and transferring to local authority support on closure of the Independent Living Fund on 30<sup>th</sup> June 2015.</p>                  | <p>There are no specific reporting requirements – The Secretary of State determines the authorities to which the grant will be paid and the amounts payable.</p> <p>Internally - a list of clients that transferred with the initial grant allocation is known and Finance can monitor current costs against the initial list and grant amount received. The ILF scheme is closed to new applications.</p>  | <p><u>Year on year reductions</u><br/>An annual reduction to the grant of circa 3.5% is applied which should represent the reducing cost of funded support due to death but this may not occur in reality.</p>  |
| <p>21. Specific Grants – Other (under £500,000)</p>                        | <p>£3,591,290</p>      | <p>There are 27 further Specific Grants which the Council is expecting to receive in 2018/19.</p> <p>In general these grants are given conditionally to support a certain type of expenditure. For example cost relating to supporting Unaccompanied Asylum Seeking Children (£338k) or Homelessness Support Grant (£337k).</p> | <p>Usually specific grants come with conditions and sometimes with reporting requirements.</p>  | <p><u>Potential for late notification of values</u><br/>Some of these grants may be notified alongside the final settlement which is not announced until February just weeks before the commencement of the financial year which relies on this information for budget setting purposes. Other grants are notified via a range of sources, usually directly from the department involved at a timing of their choosing. This can be a challenge for planning and can make confirming values and conditions a time consuming exercise.</p> |
| <p>22. Internal Recharges</p>  | <p>£8,280,870</p>      | <p>This includes the costs of support services such as IT, HR, Finance, Legal and Property Services. These services provide support functions to the frontline</p>  | <p>Values of income in this category are reported in the annual Fees &amp; Charges report which goes to Cabinet and Council in February.</p>  | <p><u>Volatility</u><br/>Internal recharge income can vary significantly and requires careful management and monitoring throughout the year.</p>  |

| Name                               | Value<br>(2018/19<br>budget) | Key facts   | Reporting and Governance  | Risks   |
|------------------------------------|------------------------------|---|---|---|
|                                    |                              | <p>services in their service delivery.</p> <p>This element represents additional charges over and above the internal market recharges (which are eliminated for this exercise). These additional charges are reached by agreement between the parties concerned.</p> <p>Examples include:</p> <ul style="list-style-type: none"> <li>• Surveyors budgeting for income from the capital programme to cover the costs of their work on capital projects.</li> <li>• Printing Services budgeting for income from other Council departments who use their services.</li> <li>• Passenger Transport budgeting for income from other council Departments who use their services.</li> </ul> | <p>Income in this category is subject to internal agreements.</p> | <p>Due to the nature of the category it would usually be possible to reduce expenditure in line with any reductions in income as long as this can be planned for appropriately.</p> |
| <b>Total Gross Revenue Income:</b> | <b>£561,950,062</b>          |   |   |   |

**CAPITAL**

| Name                 | Value<br>(2018/19<br>budget) | Details   | Reporting and Governance  | Risks  |
|----------------------|------------------------------|---|---|--|
| 1. Government Grants | £28,969,300                  | <p>Department of Transport Allocations £14,901,000<br/>Local Transport Plan indicative funding of £13,275,000.<br/>Integrated Transport funding of £1,626,000.</p> <p><u>Learning &amp; Skills Capital Funding £4,721,482</u><br/>Condition grant provisional funding of £2,500,000.<br/>Basic Need funding of £1,354,815 brought forward from previous years and fully allocated against individual school schemes to be delivered in 2018/19.<br/>Devolved Formula Capital funding of £700,000<br/>Special Provision Allocation of £166,667.<br/>These grants facilitate vital school improvement schemes.</p> <p><u>BDUK Broadband £5,091,201</u><br/>Shropshire's Broadband Project is ongoing and continues to deliver improved connectivity to Shropshire businesses and residents.</p> <p><u>Local Enterprise Partnership (LEP) £2,002,759</u><br/>The Council has been awarded LEP funding for three projects after submission of business cases in</p> | <p>The financial strategy for the forthcoming year and future years sets out the Capital programme in which government grant levels and risks are considered.</p> <p>The financial strategy for the forthcoming year and beyond is presented to both Cabinet, Council and the Performance Management and Scrutiny Committee in the February prior to the year commencing.</p> <p>The strategy is then developed through a series of reports to Cabinet (and Performance Management and Scrutiny committee) during the year. Usually four updates on a quarterly basis.</p> <p>Each grant will have its own reporting requirement.</p> | <p>There are no specific risks to raise with regard to government grants other than the potential for changes to be made to allocations at a point in time late in the day. Capital projects are usually able to adapt to such last minute changes in funding.</p> |



|                                       |             |   |   |  |
|---------------------------------------|-------------|---|---|--|
|                                       |             | <p>2015/16 and these projects continue until 2020/21.</p> <p><u>Department for Health HOLD Grant £1,500,000</u><br/>The HOLD (Home Ownership for Clients with Long Term Disabilities) Project enables individuals with enduring physical and / or learning disabilities to buy a home of their own.</p>   |   |  |
| 2. Capital Receipts                   | £11,495,058 | <p>These are the proceeds from the sale of fixed assets such as land and buildings. These sums can be used to finance new capital expenditure. More recently the Government introduced flexibilities which allow Local Authorities 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 projects that are 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. For Shropshire, this includes redundancies and the Digital Transformation Programme.</p> <p>In 2018/19 further assets totalling £15,306,844 are being considered for disposal. These assets include the small holding estate (£6,950,000), Economic Development assets (£987,644), Bridgnorth Westgate (£900,000) and former school sites (£1,350,000).</p> | <p>The financial strategy for the forthcoming year and future year's sets out the Capital programme in which capital receipts levels and risks are considered.</p> <p>The financial strategy for the forthcoming year and beyond is presented to both Cabinet, Council and the Performance Management and Scrutiny Committee in the February prior to the year commencing.</p> <p>The strategy is then developed through a series of reports to Cabinet (and Performance Management and Scrutiny committee) during the year. Usually four updates on a quarterly basis.</p> | <p><u>Restrictions</u><br/>There are certain restrictions on how the income generated from a capital receipt can be utilised. In 2017/18 flexibilities were introduced 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 projects that are 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</p> <p><u>Inability to sell</u><br/>The financial strategy relies on the delivery of capital receipts which in turn relies on sales being completed according to plan. Changes in market conditions or local policies have the potential to derail forecast sales plans and ultimately upset the funding of the capital programme (or even the revenue budget where flexibilities are being relied upon).</p> |
| 3. Self-Financed Prudential Borrowing | £8,197,000  | <p>Borrowing which is self-financed by the authority. i.e. the funded projects pay the borrowing costs.</p>   | <p>Borrowing arrangements and borrowing levels are monitored and reported via the Treasury Management Team.</p> <p>The Treasury Strategy is reported to Cabinet, Council and Audit Committee in February each year. A mid year review of the Treasury Strategy is presented to the same committees between November and December each year.</p> <p>A Treasury management update is reported to Cabinet quarterly.</p>   | <p><u>Interest Rates</u><br/>Ability to borrow at affordable levels depends on prevailing interest rates which are subject to fluctuation.</p> <p><u>Penalty Charges</u><br/>Early repayment of debt can be subject to prohibitive penalties.</p>  |
| 4. Major Repairs Allowance            | £4,526,210  | <p>The Major Repairs Allowance (MRA) represents the estimated long-term average amount of capital spending required to maintain housing stock in its current condition. It is calculated according to the profile of the housing stock by archetype and anticipates a depreciation period of 30 years.</p>  | <p>The financial strategy for the forthcoming year and future year's sets out the Capital programme in which the MRA level and associated risks are considered.</p> <p>The financial strategy for the forthcoming year and beyond is presented to Cabinet, Council and the Performance Management and Scrutiny Committee in the February prior to the year commencing.</p> <p>The strategy is then developed through a series of reports to Cabinet (and Performance Management and Scrutiny committee) during the year. Usually four updates on a quarterly basis.</p>     |  |

|                                    |                    |  |  |  |
|------------------------------------|--------------------|--|--|--|
| 5. Other Contributions             | £207,699           | <p>The Community Infrastructure Levy is a planning charge, introduced by the Planning Act 2008 as a tool for local authorities in England and Wales to help deliver infrastructure to support the development of their area. It came into force on 6 April 2010 through the Community Infrastructure Levy Regulations 2010.</p> <p>The levy may be payable on development which creates net additional floor space, where the gross internal area of new build exceeds 100 square meters. That limit does not apply to new houses or flats, and a charge can be levied on a single house or flat of any size, unless it is built by a 'self builder'.</p> <p>The Council will allocate the CIL to be spent on various infrastructure requirements. Often allocations are made to Local Town and Parish Councils.</p> | The financial strategy for the forthcoming year and future years sets out assumptions for CIL. |  |
| 6. Other Grants                    | £2,541             | Historic England monies funding preservation work at Nags Head Engine House at Pontesford.   |  |  |
| <b>Total Gross Capital Income:</b> | <b>£53,397,808</b> |  |  |  |