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| Council 27 February 2020 |

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| <u>Public</u> |

FINANCIAL STRATEGY 2020/21 - 2024/25

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1. Summary

- 1.1 The Financial Strategy report sets out the financial plans for Shropshire Council for the planning period 2020/21 through to 2024/25. The key focus of this document, however, is the setting of the 2020/21 budget. The Government decided to delay the implementation of the Fair Funding Review and a four year Spending Round for a further year so that it would take place in 2021/22. As a result, the bulk of Government funding has remained at consistent levels to that provided in 2019/20. This funding settlement has not bridged the gap in funding arising year on year due to the increase in social care costs and the need to continually reduce other service budgets to ensure that this statutory service can be provided.
- 1.2 There is considerable uncertainty surrounding the 2020/21 Financial Year, and beyond, due to the following changes in local government finance previously timetabled for introduction from 1 April 2020:
 - 1.2.1 Fair Funding implementation – a fundamental re-evaluation of local government finance resulting in a redistribution of government and locally raised funding across local authorities based on needs and demand.
 - 1.2.2 Business Rates Retention – an expected shift from 50% local retention of business rates to 75% retention, with an equivalent reduction in grant funding and as yet unknown responsibility changes
 - 1.2.3 Full Business Rates reset – establishing a new baseline for business rates retention, reallocating growth since the previous reset in 2013.
 - 1.2.4 Comprehensive Spending Review – a process undertaken by HM Treasury to set expenditure limits across government departments and the wider public sector. The impact of this process has the potential to outweigh all other proposed changes.
 - 1.2.5 A potential further review or removal of the New Homes Bonus system, a mechanism that has helped deliver additional, albeit time-limited, funding for the Council to help offset the additional costs associated with housing growth across the county.

The latest update on the items raised in 1.2.1 to 1.2.5 is provided in section 2.2 of the Medium Term Financial Strategy.

2. Recommendations

2.1 It is recommended that members:

- A. Approve the 2020/21 budget of £575.462m outlined in the Budget Book at Appendix 2, including the savings proposals outlined in section 4.5 of the Medium Term Financial Strategy (MTFS) at Appendix 1.
- B. Note the changes required to the 2020/21 budget as a result of the Provisional and Final Local Government Finance Settlement and revised business rates and collection fund estimates.
- C. Note the revised funding gap for the years 2021/22 to 2024/25.
- D. Note the Statement of Chief Financial Officer on the Robustness of Estimates and Adequacy of Reserves as set out in sections 6.1 – 6.3 of the MTFS at Appendix 1, noting the Council's general fund balance over this period.
- E. Note the continued use of the Policy for Flexibility around the use of Capital Receipts as detailed in section 8.1 of the MTFS.
- F. Agree the Pay and Rewards Policy for all Council staff for 2020/21 as set out in Appendix 3.

REPORT

3. Risk Assessment and Opportunities Appraisal

- 3.1. The development and delivery of the Council's Financial Strategy is the key process in managing many of the Council's strategic risks. The opportunities and risks arising are assessed each time the document is refreshed for Cabinet consideration. The Council's Strategic Risks are reported separately, but the Financial Strategy makes specific reference to the Council's ability to set a sustainable budget (the highest of the Council's key strategic risks).
- 3.2. Setting the Financial Strategy and agreeing the detailed changes necessary to deliver the agreed budget for the next financial year, will take into account the requirements of the Human Rights Act, any necessary environmental appraisals and the need for Equality and Social Inclusion Impact Assessments (ESIIA) and any necessary service user consultation.

4. Climate Change Appraisal

- 4.1 The Council's Financial Strategy includes proposals to deliver a reduced carbon footprint for the Council, including the impact of moving to LED street lighting, the continued rollout of digital solutions to enable officers to work in agile way and reduce travel across the county and increased support for Park and Ride

schemes to reduce car emissions within the town centres. The impact of these measures will be considered alongside work to measure and monitor the Council's carbon footprint.

- 4.2 The Council receives a share of profits from the jointly owned West Mercia Energy (WME) joint arrangement. The electricity supplied to Shropshire Council is now supplied from 100% renewal sources. Furthermore, profit share received from WME is ringfenced to support climate change initiatives in Shropshire such as the LED street lighting programme.
- 4.3 All business rates collected from renewable energy projects in Shropshire, such as solar and wind farms and anaerobic digesters, is retained by Shropshire Council (i.e. there is no 50% allocation to Central Government or 1% allocation to the Fire Service). From 2020/21 onwards, all business rates from renewable energy projects will be ringfenced to support climate change initiatives in Shropshire such as the LED street lighting programme.

5. Background

- 5.1 Cabinet considered the first Financial Strategy for 2020/21 on 16th December 2019. Since this date the Council has received details of the Provisional and Final Local Government Finance Settlement for 2020/21 from the Government and the grant allocations provided within this settlement have now been reflected within the Finance Strategy.
- 5.2 The collection fund outturn for 2019/20 has also now been estimated and provides the Council with an overall one-off surplus of £3.648m. Therefore this has been incorporated into the revised Resources position detailed within the MTFS at Appendix 1
- 5.3 From a Value for Money perspective it is essential that any additional and/or one-off funds received within the Local Government Finance Settlement and the collection fund surplus are used strategically. Investment in preventative works, invest to save funds and capacity to deliver transformative savings proposals, rather than to delay decision making will help to ensure that the Council becomes more financially sustainable and delivers the savings set out in section 4.5 of the MTFS at Appendix 1 in the short and medium term.
- 5.4 The MTFS at Appendix 1 also considers the Council's robustness of estimates and adequacy of reserves that the Council holds. This includes reviewing the General Fund Balance that the Council holds and any other earmarked reserves. The risk assessed level of General Fund Balance for 2020/21 is calculated as £19.242m which is above the projected level. Given the potential to decommit earmarked reserves in the short term under an emergency situation, it is considered acceptable, in this scenario, for the General Fund Balance to remain below the risk assessed level.

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

Financial Strategy 2020/21 - 2024/25 - Cabinet, 16th December 2019
Financial Strategy 2020/21 – 2024/25 – Cabinet, 12th February 2020

Cabinet Member (Portfolio Holder)

David Minnery: Portfolio Holder - Finance & Corporate Support

Local Member

All

Appendices

Appendix 1 – Medium Term Financial Strategy 2020/21 To 2024/25

Appendix 2 – Budget Book for 2020/21

Appendix 3 – Pay and Reward Policy