



<u>Committee and Date</u>	<u>Item</u>
Cabinet	
30 th July 2014 12:30pm	7
	<u>Public</u>

FINANCIAL STRATEGY 2015/16 – 2017/18

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1. Summary

This overview includes the latest estimates of the Council's revenue resources and expenditure. It is set in the context of the Council's other key strategic documents, in particular, the Treasury Management Strategy and the Capital Strategy which is now incorporated within the Business Plan.

The Council Business Plan and Financial Strategy 2014/15 to 2016/17 was agreed by Full Council on 27 February 2014. The Plan identified a funding gap of £80m over the 3 years 2014/15 to 2016/17 and sets out the Council's approach to redesigning services and delivering the required savings by making the best use of resources available. 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. This report is the first Financial Strategy in 2014/15. The report will consider the information from current year monitoring reports and any implications of this for future year's budgets. It will also consider revised information for years 2 and 3, 2015/16 and 2016/17 of the current financial plan and outline initial projections for 2017/18.

2. Recommendations

It is recommended that members:

- A. Note that the funding gap of £80m for the period 2014-17 identified in the Council Business Plan and Financial Strategy agreed by Council in February 2014 is retained for planning purposes.
- B. Note the initial funding gap identified for 2017/18, which will be refined before being built into the Council's next Medium Term Financial Plan

- C. Note that a further, updated report, is due to be presented to Council in September to reflect the financial implications of the planned university and Annual Business Plan for ip&e.

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 2014/15 funding settlement gave illustrative figures for 2015/16 only. There is a risk that these figures are further reduced when the provisional 2015/16 settlement is announced in December 2014. Also 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 has started the financial year 2014/15 with 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. The Current Year Budget, 2014/15

- 4.1. In February, Council agreed a savings target of £41.531m for 2014/15 and savings identified against this target of £39.892m. It was recognised that there was a shortfall on savings target of £1.639m in 2014/15 which would need to be identified from within 2014/15 budget.
- 4.2. The proposals put forward for 2014/15 were reviewed to consider risks associated with delivery within available timescales as follows:

Green – Saving identified, quantified and confirmed and achieved

Amber – Saving identified, quantified and confirmed but not yet achieved

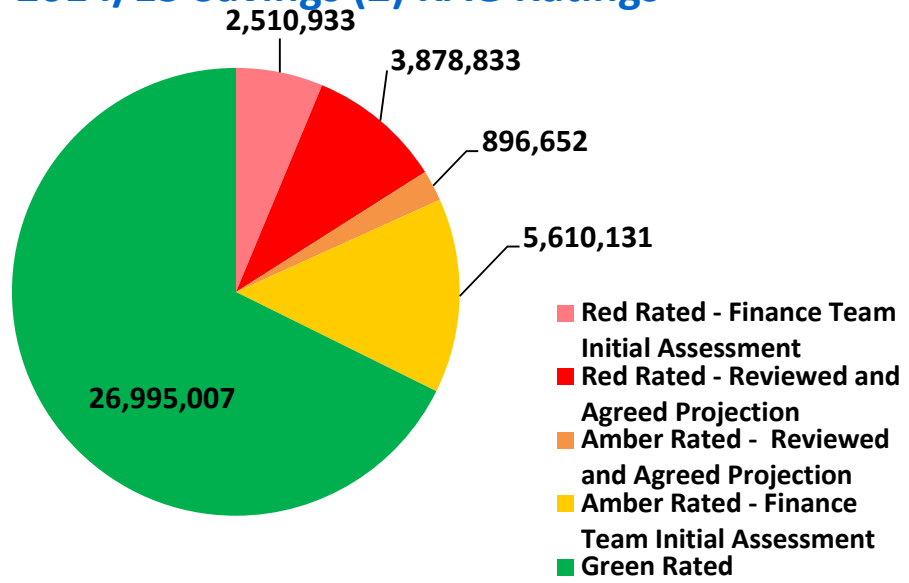
Red, either – Saving identified but not quantified and confirmed or achieved, or – Saving unachievable
- 4.3. The report recognised that revision and re-phasing of growth proposals reflected an increase in, and addition to, the resources available to offset savings of £6.262m in 2014/15 on a one off basis. The first call on this is the shortfall on savings identified in 2014/15 of £1.639m. The remaining balance is available to address financial issues within 2014/15.
- 4.4. Following Council in February, work has been undertaken to review the RAG categorisation of savings, extend the categorisation to all 3 years of the financial strategy and identify any areas where the achievement of saving and/or redesign of service is at risk of being significantly delayed or unachievable. These areas have been referred to as Key Areas of Concern and have been the subject of heightened management action by Directors and Cabinet Members from 11 June 2014.
- 4.5. Table 1 below identifies the RAG rating for all 2014/15 proposals based on:
 - An initial assessment;
 - Review by the Finance Team based on financial evidence available; and finally
 - Overlay by Directors and Portfolioholders based on delivery of milestones and action being undertaken on the ground (in the absence of financial data to justify projections).

Table 1: Update on Delivery of 2014/15 Savings Proposals

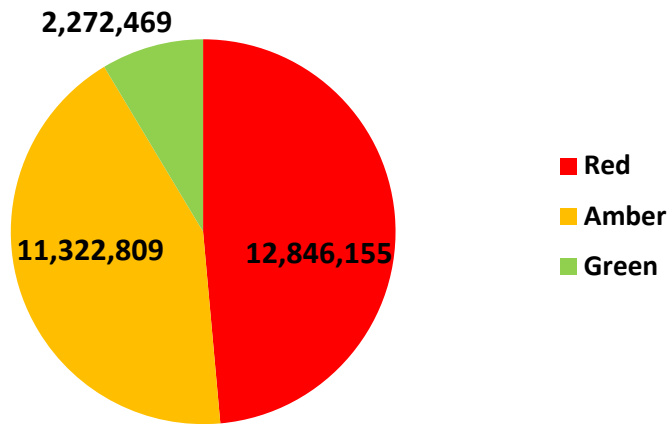
Service Area	Position as at 11 th June 2014 £'000	Finance Team Initial Assessment as at Period 3 £'000	Reviewed and Agreed Projection for Period 3 £'000
Red Savings			
Adult Services	1,304	2,511	0
Children's Services	2,922	1,908	1,908
Commissioning	1,287	1,287	1,287
Public Health	0	0	0
Resources & Support	684	684	684
Corporate	0	0	0
	6,197	6,390	3,879
Amber Savings			
Adult Services	5,781	4,812	0
Children's Services	999	569	0
Commissioning	774	774	774
Public Health	0	0	0
Resources & Support	352	352	123
Corporate	0	0	0
	7,906	6,507	897
Green Savings			
Adult Services	3,148	2,910	10,233
Children's Services	3,291	4,735	5,304
Commissioning	6,144	6,144	6,144
Public Health	55	55	55
Resources & Support	6,351	6,351	6,580
Corporate	6,800	6,800	6,800
	25,789	26,995	35,116
TOTAL SAVINGS	39,892	39,892	39,892

- 4.6. The most recent categorisation, as at Period 3, is shown in the pie charts below with detail by service area and change since the last reported position detailed in Appendix 1.

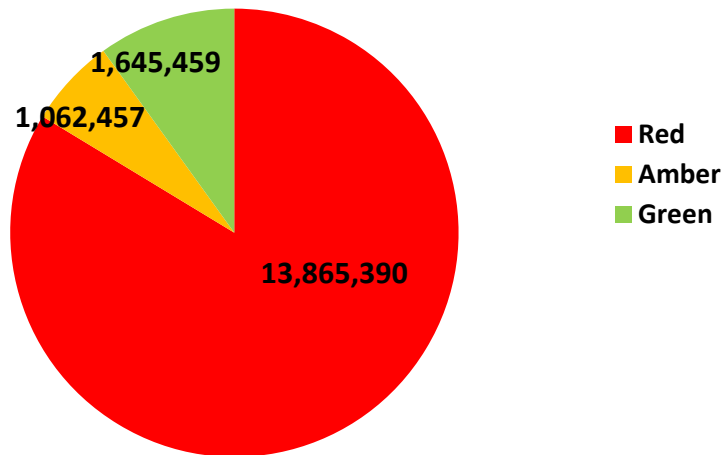
2014/15 Savings (£) RAG Ratings



2015/16 Savings (£) RAG Ratings



2016/17 Savings (£) RAG Ratings



4.7. The key areas of concern around achievement of savings and service redesign identified to date are:-

- Adults services – Contracts, Direct Payments, Purchasing and Transition
- Children's Services – Looked After Children, Learning and Skills (savings from Inspire To Learn Project)
- Commissioning Services – Environmental Maintenance, Waste Management
- Resources and Support – Property (rationalisation of assets)

4.8. Savings relating to these key areas of concern form a significant amount of red rated saving identified in 2014/15 and into future years and by identifying them as key areas early in the process, it is possible to provide greater resilience to the Medium Term Financial Plan. Where further review identifies areas where savings are delayed or not achievable in 2014/15, there is the possibility that they can be covered in 2014/15 by the use of one off savings/ grants/ reserves when the underlying saving still remains to be implemented. Where the on-going saving can be implemented, but over a longer timescale, this approach does not destabilise the Financial Strategy. Where a saving proves unachievable, for whatever reason, this will be reported back through the Financial Strategy and alternative approaches identified. This is discussed in more detail below.

- 4.9. A separate report to Cabinet on 30 July 2014 considers Period 3 Revenue Monitoring position. At this early stage in the year the projection is that the revenue budget for 2014/15 will be £3.225m overspent.
- 4.10. The monitoring report provides detail on the build up of this overspend projection, in terms of unachievable 2014/15 savings and other service pressures or funding.
- 4.11. For the Financial Strategy it is the impact of any 2014/15 monitoring issues in future years which is important. Often pressures arising within a year are dealt with on a one off basis within year and the ongoing pressure then needs to be addressed in the next financial year. This is true for both unachievable savings and new service pressures.
- 4.12. As we move into 2015/16 budget, the current assumption is that £41.531m of savings have been achieved and expenditure to be incurred in 2015/16 can be financed by the resources identified for 2015/16. Where information arising from 2014/15 monitoring makes this assumption incorrect it is important this is identified.
- 4.13. The tables below provide a summary by service area of budget issues identified in the current year monitoring projections which will impact on future years budgets

Table 2: Red and Amber rated Savings in 2014/15 which may have implications for future years

	Red Savings detailed in Projection £'000	Amber Savings detailed in Projection £'000	Total £'000
Adult Services	0	0	0
Children's Services	1,908	0	1,908
Commissioning	1,287	774	2,061
Public Health	0	0	0
Resources & Support	683	123	806
Corporate	0	0	0
TOTAL	3,878	897	4,775

Table 3: Pressures identified in 2014/15 which may have implications for future years

	Ongoing Monitoring Pressures Identified	Ongoing Savings Delivered	Ongoing Monitoring Savings Identified	Total
	£'000	£'000	£'000	£'000
Adult Services	2,846	0	-34	2,812
Children's Services	416	-3	-416	-3
Commissioning	2,542	-483	0	2,059
Public Health	0	0	0	0
Resources & Support	428	0	0	428
Corporate	0	0	0	0
TOTAL	6,232	-486	-450	5,296

- 4.14. At this stage in the financial year, the issues identified above are being actively monitored and regular meetings with Portfolio holders are being held to accelerate decision making to progress achievement of savings. It has been made clear that savings must be achieved or alternatives found. Any delay in implementation must be offset by one off savings.
- 4.15. The Period 3 Monitor identifies savings flagged as Red and Amber for which there is a degree of uncertainty over deliverability and also pressures within services that fall outside of savings proposals. The total proposals flagged Red and Amber sum to £4.775m (as shown in Table 2), although at this stage it is anticipated that these are deliverable in a longer timeframe or can be replaced by alternative proposals and as such do not destabilise the Financial Strategy. In addition, the Period 3 monitor has identified £4.727m of pressures that have arisen in-year, but have the potential to continue into future years, causing an issue that needs to be recognised and managed within the Medium Term Financial Plan. The current estimate of the net pressures requiring resolution in the longer term is £5.296m (as shown in Table 3). In the main this pressure consists of the ongoing pressure identified late in 2013/14 relating to the revenue and capital split in redesigned highways and environmental maintenance work, and growth in Adult Social Care placements currently appearing to exceed the modelled growth identified over the Medium Term Financial Plan period. These issues are not yet at a stage where financial implications can be built into the Financial Strategy, instead they are currently being flagged as issues for further investigation only.
- 4.16. The monitoring and balancing of the 2014/15 budget will continue to be reported throughout 2014/15 as part of the monitoring reports.

4.17. For 2014/15, any projected overspend would have to be financed by the general reserve which has a balance as at 1 April 2014 of £14.497m.

5. Resource and Expenditure Projections 2015/16 and 16/17

5.1. The Council Business Plan and Financial Strategy agreed by Council in February identified the expenditure and resource projections for 2015/16 and 2016/17.

5.2. The projections have been revised to reflect the latest information and also to include initial projections for 2017/18. The table below provides the information provided at Council and the updated information with further explanation of any changes detailed in the paragraphs below.

Table 3: Resource and Expenditure Projections 2015/16-2017/18

	2014/15 Feb 14 Council £'000	2015/16 Feb 14 Council £'000	2015/16 Revised £'000	2016/17 Feb 14 Council £'000	2016/17 Revised £'000	2017/18 Projection £'000
Resources		558,886	551,510	548,424	540,015	531,072
Expenditure Projections		579,022	572,125	586,893	578,678	582,483
Cumulative Savings Target				38,469	38,664	51,410
Achieved in Previous Year(s)	41,531			20,136	20,615	38,664
In Year Savings		20,136	20,615	18,333	18,048	12,746
Change (Cum)			479		194	

Resource Projections

5.3. Government funding to Shropshire includes Revenue Support Grant and, in Shropshire's case, top up grant. When the current Local Government Finance system was introduced in April 2013, approximately 50% of funding came from Revenue Support Grant and the remainder from locally retained Business Rates adjusted by top ups and tariffs. The government made

assumptions about the amount of locally retained business rates to calculate top up and tariff payments at the start of the system to ensure the new system did not inadvertently adjust any local authority's total government funding. The Assumed Locally Retained Business Rates, Top Up Payment and the Revenue Support Grant together are referred to as the Authority's Settlement Funding Assessment. The Assumed or Baseline Business Rates and Top Up figure are fixed in real terms and increased annually by RPI as part of the funding mechanism. Any change to the total government funding is therefore only implemented by a change in Revenue Support Grant as the other two funding components are fixed.

- 5.4. The Settlement Funding Assessment is important for the Authority as it is used not only to calculate % reductions going forward but also the Baseline Business Rates is used to calculate Shropshire's safety net. However, for resource projections Shropshire uses its own projections on locally retained Business Rates based on up to date local information which is also included in government returns.
- 5.5. The 2014/15 Local Government Finance Settlement in February 2014 provided illustrative figures for 2015/16. These showed a reduction in Settlement Funding Assessment of 14% and a consequence reduction in the Revenue Support Grant Element of 27.5% for 2015/16. Our current assumptions for 2016/17 assume a reduction of 11.5% in Settlement Funding Assessment and 25.5% in Revenue Support Grant. A recent survey carried out by the Society of County Treasurers Technical Team in Somerset indicates that other authorities are assuming reductions in funding between 8% and 14%.
- 5.6. In terms of Locally Retained Business Rates, projections for 2015/16 have been updated following the outturn position for 2013/14 and increased information about appeals, reliefs and adjustments between the collection and general fund. No growth has been built into Business Rates projections going forward. Although the business rates multiplier will increase by RPI each year (unless restricted), the rateable value projections are too volatile for any growth to be assumed at this stage. This assumption is in line with assumptions around future Business Rates levels made by other authorities who replied to the technical team survey referred to above.
- 5.7. Council tax income projections have been updated to increase the growth in council tax base projected from 0.2% to 0.5%. Council Tax has been frozen at 2014/15 levels going forward.
- 5.8. The Local Government Department Expenditure Limit (DEL) used in the calculation of illustrative 2015/16 funding calculations has been top sliced for several things such as new homes bonus, safety net payments and

capitalisation of transformation expenditure. The government policy on this top slicing is that any unused top sliced amounts will be returned to local authorities. The current projections include a returned amount for new homes bonus as indicated in the settlement details but no return for other items. In 2013/14, the Council received notification of £354k for return of unused capitalisation top slice on 27 March 2014. Further returns could be made in 2014/15 and future years providing an in year bonus.

- 5.9. Income from Specific Grants has been revised to reflect the latest information. Revised amounts for 2014/15 will be dealt with as part of revenue monitoring. In 2015/16 there has been a reduction from the initial projections of £6.8m. Of this, £3m, is a net adjustment for grant recoupment for academy status and additional funding for High Needs. Also within Children's services, Education Services Grant (ESG) has reduced significantly both in 2014/15 and further in 2015/16. In addition, a number of grants will cease in 2015/16 including Local Sustainable Transport Fund and Social Fund Grant. The current assumption is that reductions in specific grants will be offset by reductions in expenditure in the service areas. This assumption may need to be revisited as services continue to be reviewed throughout this year.
- 5.10. Assumptions on the payment of Council tax freeze grant are based on budget announcements and are as follows:
- 2011/12 was paid as specific grant in 2011/12 and was then rolled into the base funding
 - 2012/13 was paid for 1 year only
 - 2013/14 was paid as a grant in 2013/14 and then added to the Local Government Departmental Expenditure Limit (LG DEL) in 2014/15
 - 2014/15 will be paid as a grant in both 2014/15 and 2015/16 and will then be built into spending review baselines
 - 2015/16 will be paid as a grant in 2015/16 only
 - 2016/17 and future years – no announcement has been made regarding further grants in 2016/17 and beyond.
- 5.11. Included within specific grants are additional grants paid to the Council as a result of government policies on business rates which have reduced the Council's share of Business Rates income. Examples of these are the cap of 2% on the increase in the rateable value multiplier and the temporary extension of the doubling of small business rate relief scheme.

5.12. Income from fees and charges has been left at current levels in the projections. As savings are implemented and services are redesigned income from fees and charges will change however at this stage there is insufficient information to amend the current figures.

5.13. Detailed Resource projections are shown in Appendix 2

Expenditure Projections

5.14. The expenditure projections include growth for pay and prices, demography, use of New Homes Bonus funding and adjustments to reflect changes between years for grants.

5.15. A review of pay and prices inflation has resulted in small net adjustments in both 2015/16 and 2016/17 using the latest employee costs and contract information. It is clear that going forward there will be a change in the relative size of each of these expenditure groups. This will effect pay and prices calculations. The Council will need to ensure that as it moves to a commissioning council, it does not increase the financial risk of increased costs due to inflationary linked contracts.

5.16. Although a debt charge figure is shown in 2015/16 and 2016/17, this has been used as a saving. The current projections assume that the Council will not increase it's borrowing. A change in the capital strategy to borrow would mean that this saving could not be achieved and revenue growth for debt charges would need to be found.

5.17. The figures included for demographic growth for Adults and Children's were reviewed last Autumn. Both Adults and Children's services are monitoring the actual growth the services are encountering and further information on this will be provided in future financial strategies.

5.18. As detailed above in the Resource projections, changes in specific grants are assumed to change expenditure projections by the same amount. If reductions in specific grant funding can not be matched by a reduction in expenditure this would increase savings requirements.

5.19. There are a number of grants currently being received which the Council has no budgeted expenditure against. These include the s31 grants for Business Rates, Council Tax freeze Grant and any return of top sliced amounts. In 2013/14, growth of £2.277m was built in for a provision for business rates appeals. This figure was required on a one off basis in 2013/14 and it is anticipated that future appeals liabilities will be dealt with through the Business Rates Collection Fund.

- 5.20. The current expenditure projections do not include any new base budget commitments which may arise as the Council develops its plans towards a University for Shropshire. This is considered later in section 7.
- 5.21. At this stage the revised resource and expenditure projections change the 2015/16 position by less than £0.5m and in 2016/17 the change is reduced to less than £0.2m. On this basis the savings target within the Council Plan and Financial Strategy agreed by Council on 27 February 2014 of £80m over 3 years will not be revised. As we continually refine and update the financial strategy this target will remain under review.
- 5.22. Detailed Expenditure projections are shown in Appendix 3

6. 2017/18 Initial Projections

- 6.1. Resource projections for 2017/18 indicate a further reduction in revenue support grant of £9.5m. This reduction in resources is offset slightly by growth in Council tax base which is estimated to increase the income from Council Tax by £0.6m. In addition to this reduction in resources, current projections for inflationary growth are £4.1m. The Council is therefore facing a shortfall in resources of at least £13m in 2017/18. Services pressures including demography or increased borrowing would add to this funding shortfall.
- 6.2. Service pressures identified to date which would impact on 2017/18 budget include auto enrolment. Auto enrolment was introduced in April 2013. The scheme means that employees not currently opted into the pensions scheme would be periodically opted in and would have to physically request to be left out. It is therefore envisaged that more employees will become scheme Members. This comes at a cost to Shropshire Council by way of having to make pension contributions for those employees newly opted in. Shropshire Council has been able to defer the staging date for the scheme so that it does not commence until April 2017 therefore no extra pension cost will be incurred until the financial year 2017/18. It is difficult to estimate the financial implications of this as it will depend on the employees who decide to remain opted in. It has previously been estimated that on the basis of a worst case scenario costs could be in excess of £1m.
- 6.3. In addition a major pressure facing Adult Social Services is the introduction of the Care Act 2014. Members were provided with a briefing note on the Dilnot Report – Implications for Shropshire Council as part of the Financial Strategy report considered by Cabinet on 15 January 2014. In May 2014, the Care Bill received royal assent and the Act introduces legislative changes based on the findings and recommendations in the

Dilnot Report. Changes arising from the Act are phased with some changes around assessments coming in from 1 April 2015 the financial implications of which are currently uncertain. Changes around thresholds and the cap will be introduced from 1 April 2016 which will create additional funding pressures in 2016/17 which will increase in 2017/18 as client contributions reach the cap. The government has indicated that additional funding will be made available to local authorities to fund additional costs including implementation costs. The financial implications of the Act are currently being modelled and further information will be provided later in this financial year.

7. University of Shropshire

- 7.1. Council received a report on 17 July 2014 outlining plans for a University for Shropshire and approved a project budget of up to £1m to allow the development of plans including pre contract/construction activity and any costs associated with decanting staff from buildings. This funding is within existing budgets previously earmarked for transformation.
- 7.2. Council will receive a further report on a developed Business Case for the University at its meeting on 25 September 2014. The financial implications of any proposals will be included in an updated Council Business Plan and Financial Strategy which will be taken to the same meeting for approval.

8. The impact on the Council's budget of Transfers to the Council's wholly owned company i,p&e

- 8.1. There have been two areas of service which have transferred to ip&e to date, Media Services known as ThreeSixty Communications and the Project Management Office and the Business Design team, known at the time as 'Change for the Best'. The estimated budget available to commission these services is shown below:

Table 3: Budgets identified to commission services from ip&e

	2015/16 - Estimate	2016/17 - Estimate
	£	£
Programme Management Office	315,160	186,660 (TBC)
Business Design Team	209,160	166,260
"Change for the Best" sub total	524,320	352,920
ThreeSixty Communications	272,680	242,980

Total	797,000	595,900
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- 8.2. As reported in February to Council, the budget for “Change for the Best” for 2016/17 has still to be agreed. It can be seen that a substantial reduction has been made to the budgets available to commission services. It is envisaged that the services within ip&e will strive to generate external income to offset the reductions in council spending. Alternatively, savings will need to be found from expenditure budgets.
- 8.3. Other services which have currently been agreed for consideration to transfer to ip&e include Public Health Services – ‘Help to Change’, School Support Services - ‘Inspire to Learn’ and Regulatory and Business Support Services - ‘Fulcrum’.
- 8.4. ip&e are currently preparing it's Annual Business Plan which has been held back while the potential for the above services and implications of the University proposal are given due consideration. Once available, the ip&e Annual Business Plan will allow costings to be included In the Council’s financial Strategy over a three year period.
- 8.5. As further services are considered for transfer to ip&e, full consideration will be given to the budget available both in the current year and future years for the council to commission transferring services. Services transferring will be clear about future savings to be made by the council from the budget available to commission services from ip&e.

9. Longer Term Financial Outlook

- 9.1. The longer term financial outlook as detailed in the Council’s Business Plan and Financial Strategy agreed by Council in February 2014 is continually being updated and refined. Details of how the Council is working differently now and how this will develop over the coming years will be set out in more detail over the coming months, ahead of a refresh of the Council’s Business Plan and Financial Strategy for the next Medium Term Financial Plan 2016/17 to 2018/19.

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

Council Business Plan and Financial Strategy 2014-17 – Council 27 February 2014

Cabinet Member (Portfolio Holder)

Keith Barrow – Leader

Local Member

All

Appendices

Appendix 1 2014-17 Savings RAG Rated

Appendix 2 Resource Projections 2015/16 – 2017/18

Appendix 3 Expenditure Projections 2015/16 – 2017/18

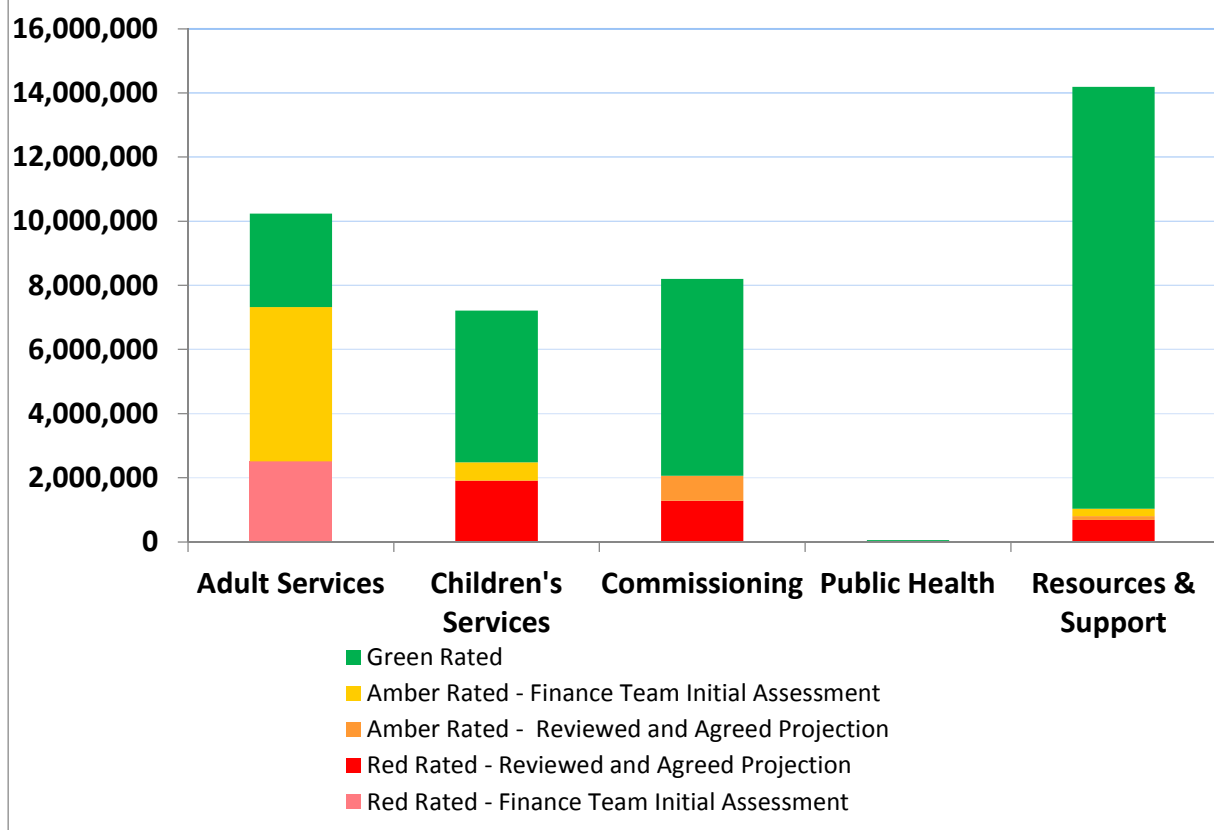
APPENDIX 1

2014/15, 2015/16 AND 2016/17 SAVINGS RAG RATED

2014/15 Savings RAG Ratings			
Red £	Amber £	Green £	Total £

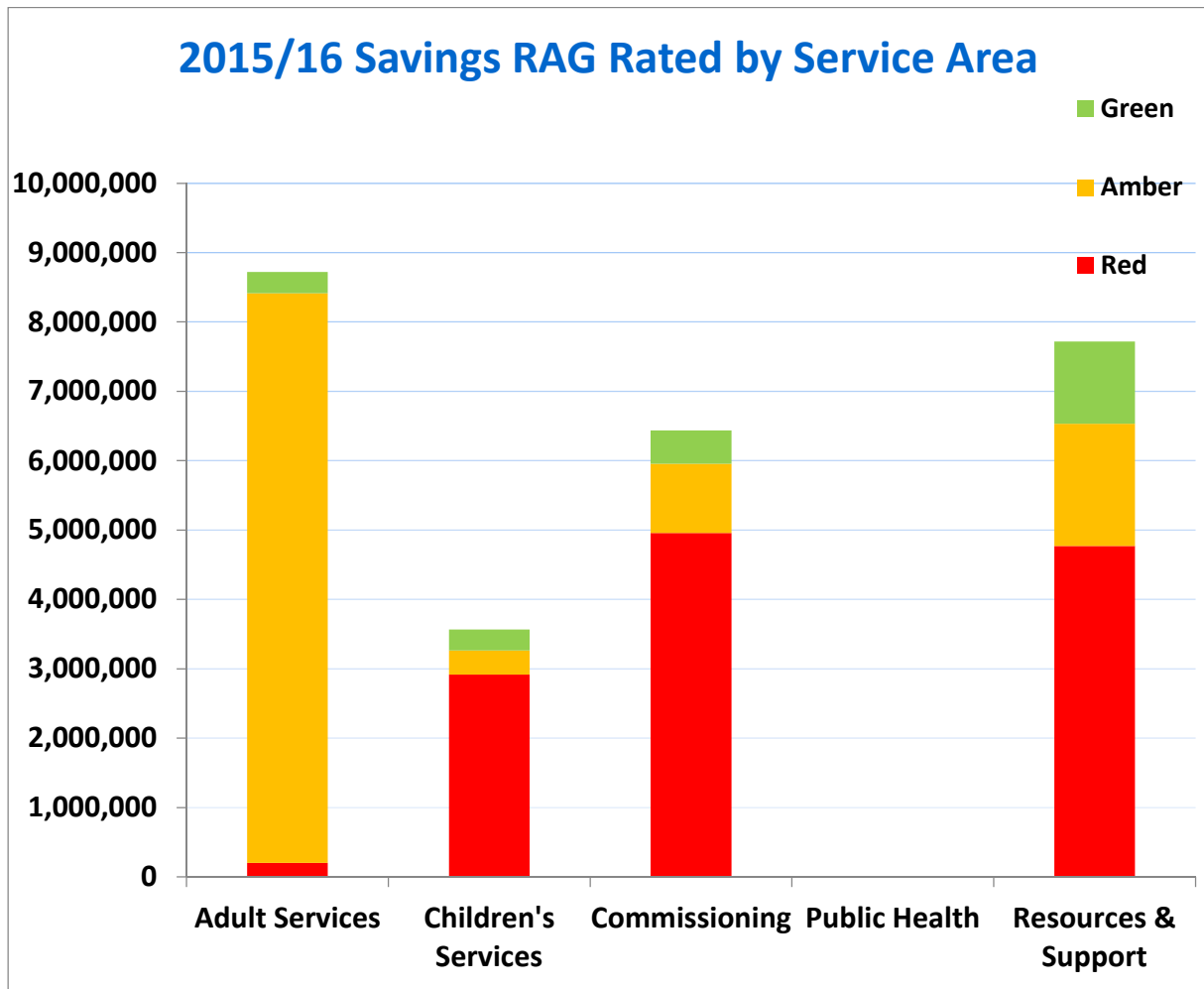
Adult Services	0	0	10,233,360	10,233,360
Children's Services	1,908,329	0	5,303,671	7,212,000
Commissioning	1,287,072	773,757	6,144,378	8,205,207
Public Health	0	0	54,727	54,727
Resources & Support	683,432	123,000	13,379,830	14,186,262
Council	3,878,833	896,757	35,115,966	39,891,556

2014/15 Savings RAG Rated by Service Area



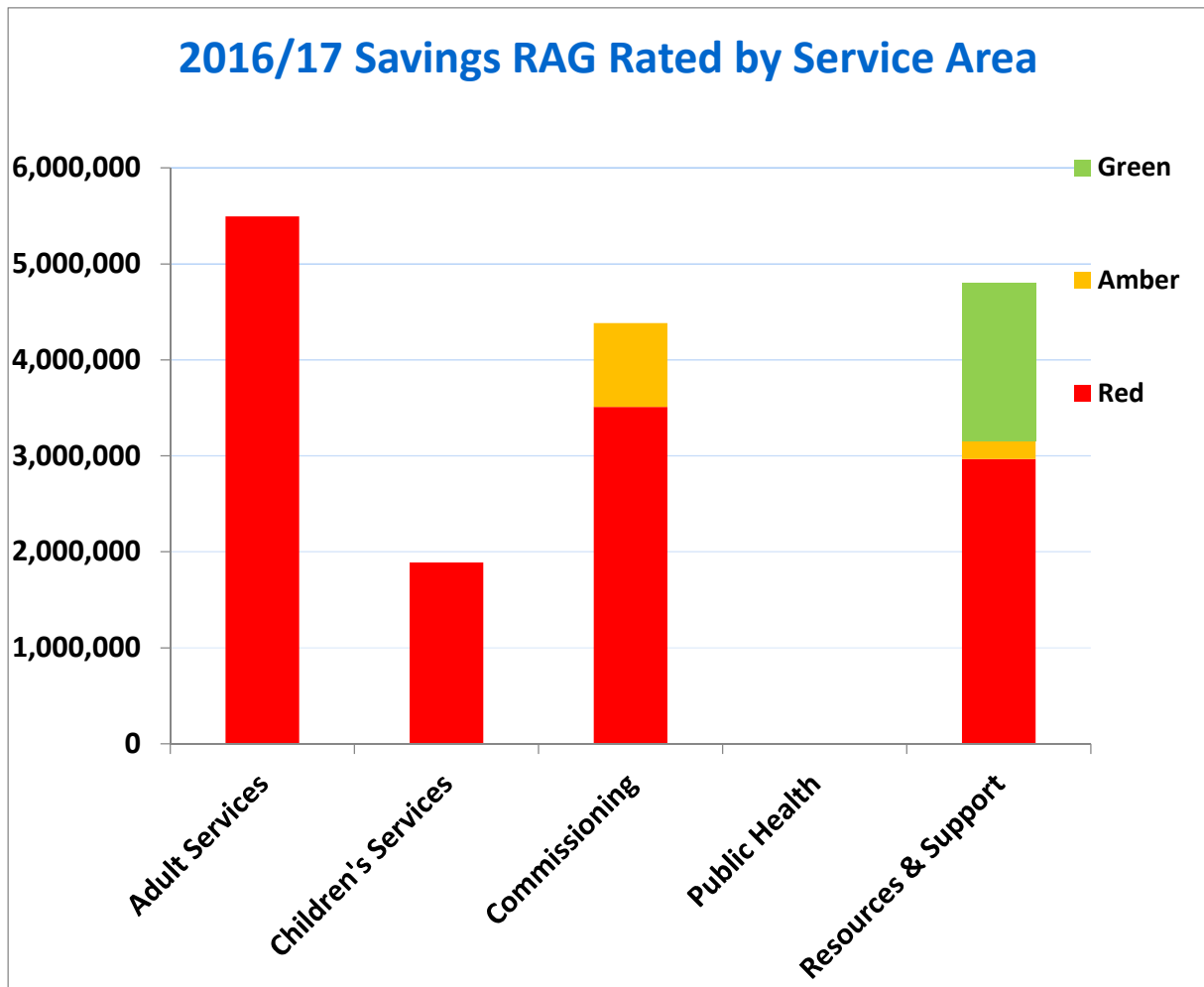
APPENDIX 1 (CONTINUED)

	2015/16 Savings RAG Ratings			
	Red £	Amber £	Green £	Total £
Adult Services	200,000	8,214,237	306,500	8,720,737
Children's Services	2,915,000	350,000	300,000	3,565,000
Commissioning	4,958,574	997,387	481,618	6,437,579
Public Health	0	0	0	0
Resources & Support	4,772,581	1,761,185	1,184,351	7,718,117
Council	12,846,155	11,322,809	2,272,469	26,441,433



APPENDIX 1 (CONTINUED)

	2016/17 Savings RAG Ratings			
	Red £	Amber £	Green £	Total £
Adult Services	5,496,246	0	0	5,496,246
Children's Services	1,890,000	0	0	1,890,000
Commissioning	3,511,238	871,609	0	4,382,847
Public Health	0	0	0	0
Resources & Support	2,967,906	190,848	1,645,459	4,804,213
Council	13,865,390	1,062,457	1,645,459	16,573,306



	Total Council Savings 2014/15 To 2016/17			
	Red	Amber	Green	Total
	£	£	£	£
Adult Services	8,207,179	13,026,408	3,216,756	24,450,343
Children's Services	5,814,329	918,960	5,933,711	12,667,000
Commissioning	10,144,459	2,255,178	6,625,996	19,025,633
Public Health	0	0	54,727	54,727
Resources & Support	8,423,919	2,303,928	15,980,745	26,708,592
Council	32,589,886	18,504,474	31,811,935	82,906,295

Cabinet – 30th July 2014 Finance Strategy including appendix 2

SHROPSHIRE COUNCIL - NET AND GROSS RESOURCES PROJECTIONS SUMMARY 2015/16 to 2017/18							Appendix 2		
	2014/15 FINAL Cabinet 12th Feb. 2014	2015/16 Original Cabinet 12th Feb. 2014	2015/16 Revised Cabinet 30 July 2014	2015/16 & Beyond Notes & Assumptions	2016/17 ORIGINAL Cabinet 19th Feb. 2014	2016/17 REVISED Cabinet 30 July 2014	2017/18 ORIGINAL Cabinet 30 July 2014		
RSG	57,058,059	41,368,409	41,368,409	Figures as published on 5 February 2014 for the Local Government Final Finance Settlement 2014/15 and Provisional 2015/16. 2016/17 estimates adjusted for Council tax freeze grant only.	31,230,562	30,794,514	21,377,294		
Business Rates Retention Allocation:									
NDR (as raised and then retained locally) including appeals provision	38,325,286	38,325,286	37,406,389	NNDR1 2014-15 figure. The deficit on the collection fund from the previous year, shown below, is netted off.	38,325,286	37,406,389	37,406,389		
Top Up	9,848,092	10,119,908	10,119,908	Figure as per CLG 2014/15 Final Local Government Finance Settlement. Assume 2% RPI increase	9,956,192	10,322,306	10,528,752		
Safety Net Payments									
NDR Surplus/Deficit on Collection Fund									
Prior year adjustments (e.g. correction to safety net payments)									
TOTAL START UP FUNDING RECEIPT:	105,231,437	89,813,603	88,894,706		79,512,040	78,523,210	69,312,435		
Return of amounts topsliced from RSG/BRRRA Allocation									
Share of £2bn unused New Homes Bonus topslice	154,558	394,940	394,940	Final Local Government Finance Settlement	0	0	0		
Share of returned damping (unused safety net held back)		0	0	This may be an in year bonus. More information	0	0	0		
TOTAL FUNDING FROM CENTRAL/LOCAL SHARE	105,385,995	90,208,543	89,289,646		79,512,040	78,523,210	69,312,435		
<i>Movement on previous year's funding</i>									
Taxbase	100,475	100,475	100,978	Actual taxbase for 2014/15 and increase in Council Tax Taxbase assumed in 2015/16 and 2016/17 increased to 0.5% from 0.2%	100,877	101,482	101,990		
Council Tax Income	117,025,463	117,259,514	117,610,591	Council tax freeze assumed	117,494,033	118,198,644	118,789,637		
Collection Fund Surplus- Council Tax	2,018,834		500,000	Based on Previous years		500,000	500,000		
Business Rates Collection fund	-985,341		-500,000	Based on previous years		-500,000	-500,000		
TOTAL NET RESOURCES - 2013-14 onwards	223,444,951	207,468,057	206,900,237		197,006,073	196,721,853	188,102,072		
			(567,821)			(284,220)	(8,619,782)		
	2014/15 REVISED Cabinet 12th Feb. 2014	2015/16 REVISED Cabinet 12th Feb. 2014	2015/16 Revised Cabinet 30 July 2014	2014/15 Notes & Assumptions	2016/17 ORIGINAL Cabinet 19th Feb. 2014	2016/17 REVISED Cabinet 30 July 2014	2017/18 ORIGINAL Cabinet 30 July 2014		
GOVERNMENT GRANTS	255,976,900	258,700,970	251,893,050	Latest Information on Specific Grants	258,700,970	250,576,050	250,254,070		
OTHER GRANTS & CONTRIBUTIONS	28,425,620	28,425,620	28,425,620	Left unchanged at this stage	28,425,620	28,425,620	28,425,620		
FEES & CHARGES	57,137,050	57,137,050	57,137,050	Left unchanged at this stage	57,137,050	57,137,050	57,137,050		
INTERNAL MARKET & INTERNAL RECHARGES									
Internal Recharges only	7,154,140	7,154,140	7,154,140	Left unchanged at this stage	7,154,140	7,154,140	7,154,140		
Total Income outside of Net	348,693,710								
TOTAL GROSS RESOURCES - 2013-14 onwards, after income Savings	572,138,661	558,885,837	551,510,097		548,423,853	540,014,713	531,072,952		

					APPENDIX 3
SHROPSHIRE COUNCIL - FINANCIAL SUMMARY 2015/16 to 2017/18					
	2015/16	2015/16	2016/17	2016/17	2017/18
	27 Feb 2014	30 July 2014	27 Feb 2014	30 July 2014	30 July 2014
	£	£	£	£	£
Expenditure					
<i>Original Gross Budget Requirement</i>	572,138,661	572,138,661	579,022,206	572,125,394	578,678,441
Current Year Monitoring Issues with ongoing implications					
- Asset Sales - Removal of income stream	50,000	50,000	50,000	50,000	0
- As identified as at P3- no growth included as at P3		0		0	0
2014/15 - New Budget Growth					
Inflation					
- Prices	2,852,381	2,796,947	3,006,053	2,921,147	3,058,689
- Pav 1% award	885,196	710,957	839,083	723,654	734,834
- Pav Increment	496,988	637,769	281,097	480,607	332,950
- Pension Costs	0	0	3,500,000	3,500,000	0
- Auto Enrolment (impacts 2017/18)-ESTIMATE	0		0		TBC
Committed Growth					
- Debt Charges (Reduced as part of Savings)	1,000,000	1,000,000	1,000,000	1,000,000	0
New Growth					
- Demography: Adults	1,758,000	1,758,000	1,500,000	1,500,000	0
- Demography: Childrens services	1,183,000	1,183,000	1,183,000	1,183,000	0
New Service Pressures					
New Investment funding- One year only	(2,000,000)	(2,000,000)			
Repaying for borrowing for Redundancies			2,000,000	2,000,000	0
Care Act implications					TBC
Changes to Expenditure Reflected in Resources					
Specific Grant Changes from Previous Year Including New Responsibilities	2,724,070	(4,083,850)	0	(1,317,000)	(321,980)
Offsetting Budget Adjustments					
Use of NHB Smoothing	(1,609,000)	(1,609,000)	(1,909,000)	(1,909,000)	0
Reallocation of Business Rates Appeals Base Budget		(2,277,816)			
Additional Contribution to offset Delay in Savings Achievement		2,277,816			
Contributions to Savings for changes in Projections					
- Net Growth Change	2,167,600	2,167,600	(3,749,700)	(3,749,700)	
- Net Resources Change-14/15 one year only	-2,454,351	-2,454,351			
- Net Resources Change-15/16 one year only	(170,339)	(170,339)	170,339	170,339	
Gross Budget Requirement (Excluding Internal Market)	579,022,206	572,125,394	586,893,078	578,678,441	582,482,934