



<u>Committee and Date</u>	<u>Item</u>
Cabinet	7
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FINANCIAL STRATEGY 2015/16 - 2016/17

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1. Summary

The refreshed Council Business Plan and Financial Strategy 2014/15 to 2016/17 was agreed by Full Council on 26 February 2015. The report to Council detailed the progress on implementing the Council's Savings target of £80m over the 3 year period 2014-17 and in particular agreed the 2015/16 budget after making adjustments for unachievable or delayed savings. The report also identified the savings required in 2016/17, the final year of the 3 year plan. As we move forward, it is becoming evident that austerity measures will continue into the future and with a spending review expected in the autumn there is a need to develop a longer term approach to managing council finances, considering all areas of spend and resource generation with the aim of building a sustainable business model for the authority.

With this in mind, resource projections have been reviewed to identify the potential resources the Council will have available for the period to 2020/21 based on current information. These resource projections can then be considered against the projected costs of delivering or commissioning services the Council currently delivers in 2015/16 through to 2020/21 accounting for growth, inflationary pressures and any known changes in legislation which have a quantifiable financial implication. It is important that the Council puts in place a long term plan to both adjust service provision to meet projected resource levels and to ensure that resources are maximised and used in the most effective and efficient way.

The Financial Strategy is a rolling plan which is revised throughout each financial year, usually quarterly, as more information becomes available about the level of resources, service pressures and service delivery changes. The updates to the Financial Strategy throughout the year will use the most up to date information to develop, guide and review a new Sustainable Business Model for Shropshire Council.

There is significant work to complete to identify what the Council could look like under this new model, and how services would be shaped to deliver a long term sustainable

budget. This work will begin in the summer and progress over the autumn, reporting to Council later in the financial year.

2. Recommendations

It is recommended that members:

- A. Note the level of savings required in 2016/17 to deliver the third and final year of the 2014-17 Financial Strategy.
- B. Note the work being undertaken to develop a sustainable Business model for the Council.
- C. Note the implications of the outturn position for 2014/15 and P3 monitoring on the Financial Strategy
- D. Note the 2015/16 allocations against New Homes Bonus Funding.

REPORT

3. Risk Assessment and Opportunities Appraisal

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

Financial Uncertainty

- 3.2. The funding settlement announced in February 2015 provided the 2015/16 financial settlement information only. No financial information for local authorities beyond 2015/16 has been confirmed. Indications are that spending cuts in the region of 12% per year will continue. There is ongoing uncertainty around the funding of new government policies and legislative changes, for example the Care Act and the announcement on 8 July of the introduction of a minimum living wage of £7.20 per hour which could impact on services delivered directly by the Council, but also those commissioned.
- 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. In addition any appeals against valuations can significantly affect the Council's resources over a number of years and require adequate provisions to be established.
- 3.5. Variations from budgeted revenues for both Business Rates and Council Tax are dealt with through their respective collection fund accounts. The accounting requirements and availability of final figures means that adjustments required (i.e. deficits or surpluses on the collection fund) cannot be built into the underlying budget process until 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. It is important to note that fluctuations in Business Rate income are difficult to project and that rating valuations are determined by the Valuation Office not the Council.
- 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 from introduction i.e. by 2020/21.
- 3.7. By creating a Financial Strategy and developing a Sustainable Business Model, built around the concept of a self-sustaining Council no longer reliant of central government funding, 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.
- 3.9. The Council will need to keep a reasonable level of general reserve to help mitigate against the risk of delay in implementation of the significant savings

proposals. It is essential that this is kept under review both in the current year and with a view to future years and balancing the budget.

- 3.10. The Chancellor's Budget Statement on 8 July provided a general update on public spending proposals but did not provide clarification of the impact on Local Government. Instead we will await further detail within the Comprehensive Spending Review due on or around 25 November. Information relating to the capping of public sector salaries to 1% is in line with our existing assumptions. The impact on Public Health Funding is still unconfirmed, but we are currently planning for a reduction in Public Health Grant in the order of £750,000.

Other Risks and Opportunities

- 3.11. 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.
- 3.12. 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.
- 3.13. 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 Existing 3 year Financial Strategy, 2014-2017

- 4.1. In February 2014, Council agreed a 3 year Financial Strategy which identified a funding shortfall over the 3 year period 2014-17 of £80m and savings proposals to meet the shortfall. Throughout 2014/15 achievement of savings was RAG rated and monitored. In February 2015, the latest position on the achievement of savings was reported and a revised strategy agreed to set a balanced budget for 2015/16. The table below summaries savings proposals and achievement.

Table 1: 2014-2017 Savings Proposals and Achievement.

	2014/15 £'000	2015/16 £'000	2016/17 £'000	Total
Funding shortfall	41,531	20,136	18,333	80,000
Savings Proposals	39,892	26,441	16,868	83,201
		66,333	16,868	83,201
Savings achieved/to be achieved		58,909		58,909
Savings Outstanding		7,424	16,868	24,292
<i>Service Pressures Identified</i>		<i>7,644</i>		

- 4.2. For February 2015 Council, the 2015/16 budget was balanced by identifying corporate resources to fund both the projected shortfall in the achievement of savings of £7.424m and identified service pressures of £7.644m. It was noted at the time that of the identified corporate resources of £15.069m, £6.396m were available ongoing in base budget and £8.673m were one off and available to balance 2015/16 only. Of the £7.424m savings unachievable in 2015/16, £1.207m were identified as slipped to 2016/17.
- 4.3. The 2016/17 budget savings identified as part of the 2014-17 Financial Strategy were £16.868m. As at Council in February, it was identified that a further £7.466m of savings would be required in 2016/17 to cover unachievable savings/ service pressures which were identified in 2014/15 and solved on a one off basis in 2015/16. Monitoring in 2015/16 will update members on the achievement of savings in 2015/16, how any variations will be dealt with in 2015/16 and what further impact there may be on the level of savings required to provide a balanced budget for 2016/17.
- 4.4. The existing Financial Strategy covers 2014-17 only. Indications were given in 2014/15 that similar levels of savings would be required going forward to 2017/18 and beyond and that this would be considered in future Financial Strategies to be reported in 2015/16. This work, and looking beyond the next Medium Term Financial Plan (MTFP) over a five to ten year window forms the

basis for the development of a Sustainable Business model to replace the current MTFP process.

5. The Current Financial Year 2015-16

- 5.1. As noted above, the budget for 2015/16 was agreed by Council on 26 February 2015.
- 5.2. As the 2015/16 financial year progresses, revenue monitoring reports will continue to monitor the achievement of 2015/16 savings and highlight any financial issues on the current year budget and also any ongoing implications. Any ongoing implications will be included in the Financial Strategy going forwards.
- 5.3. As at Quarter 1, the revenue monitoring reports to Cabinet have identified an initial projected overspend for 2015/16 of £5.023m. The ongoing financial implication of new service pressures is currently estimated at £5.625m. Work is currently being undertaken to build this pressure, and corresponding solutions, into our assumptions for 2016/17. Alternative, ongoing savings proposals will need to be identified before 1 April 2016 to ensure this does not leave future budgets in an unbalanced position.

6. 2016/17 Financial Year – the last year of the existing 3 year strategy.

- 6.1. The projections for 2016/17 have been updated to reflect the latest information. The table below summaries resources and expenditure projections.

Table 2: 2016/17 Resource and Expenditure Projections

	2016/17 £'000
Resources	553,475
Expenditure	571,808
Gap originally identified for 2016/17 in 2014-17 3 year strategy	-18,333

- 6.2. More detail on Projections can be seen in Appendix 1 (Resources) and Appendix 2 (Expenditure)

- 6.3. As previously reported the year on year requirement for savings and the timing of savings proposals and implementation can vary. The 3 year plan initially assumed the achievement of savings of £66.333m by 1 April 2015 and a further £16.868m of proposals to be delivered in 2016/17 giving a total of £83.201m. This would be an overachievement of £3.201m compared to the overall funding gap of £80m. As part of setting the 2015/16 budget, the planned overachievement of savings was removed so that the savings required to be delivered by 2016/17 are £80m. In February new service pressures of £7.644m were identified and it was possible to slightly offset the impact of these by ongoing corporate resources from changes in Council Tax taxbase and Business Rates projections. The revised savings projection is shown below.

Table 3 : Target 2016/17 Revised Savings

	To 2015/16 £'000	2016/17 £'000	Total £'000
Initial Savings Proposals	66,333	16,868	83,201
Remove overachievement			-3,201
Apply ongoing resources that are/can be uncommitted from elsewhere			-3,195
Add new service pressures identified in February			7,644
Revised Savings Target			84,449
Less savings achieved			58,909
Balance to be found in 2016/17			25,540

- 6.4. As identified in Section 5 above, the 2015/16 Quarter 1 Monitoring Report has identified £5.625m of further service pressures which have an ongoing impact in 2016/17. If these monitoring issues can not be resolved in 2015/16 on an ongoing basis the savings proposals for 2016/17 will need to be increased to £31.165m. The position will be monitored over the summer and actions identified to reduce the overspend and implement alternative savings.

- 6.5. To date Savings proposals for £16.868m have been identified and RAG rated. The current RAG rating on the 2016/17 savings is as follows:

Table 4 : RAG Rating for 2016/17 Savings

	£'000
GREEN	4,449
AMBER	7,161
RED	5,259
Original savings Target	16,868
RED - Revised savings target with no proposals identified at present	8,672
Revised Savings Target	25,540

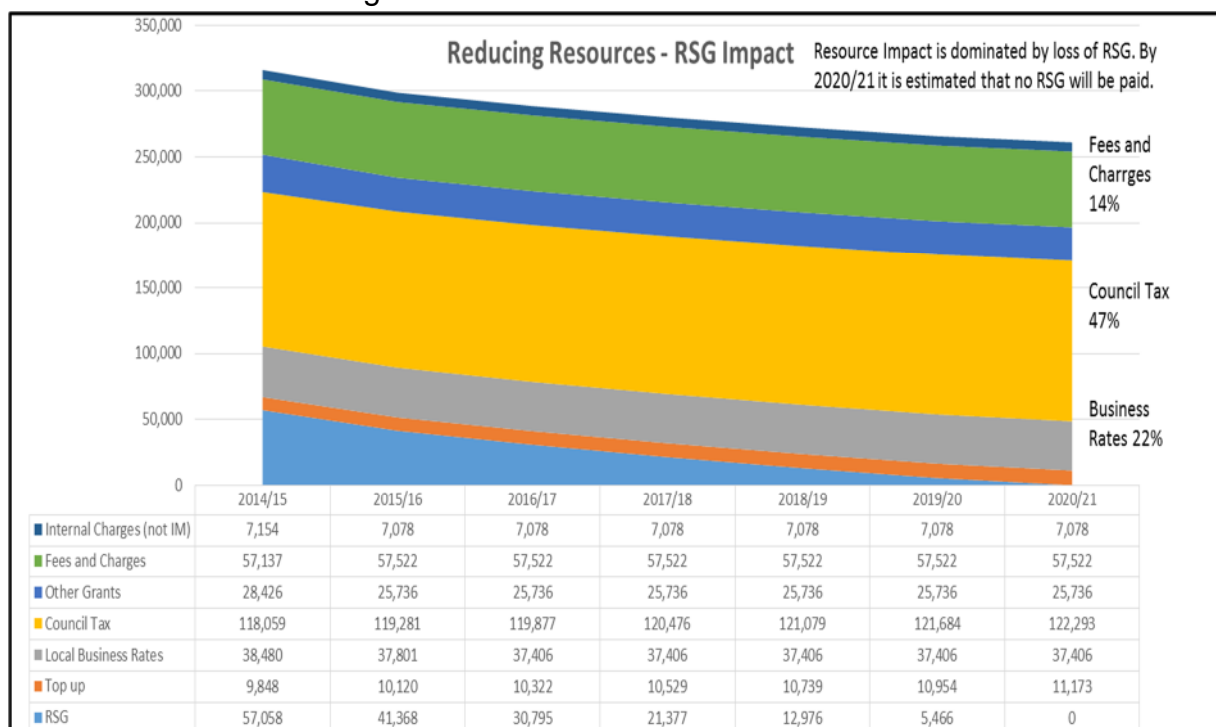
7. 2017/18 to 2020/21 Projections of Resources and Expenditure

- 7.1. Sections 4, 5 and 6 provide an update on our current strategy and identify what has been achieved to date, what is yet to be achieved and begins to outline the consequences of non-achievement in some areas. These sections have also identified the impact of in-year pressures that develop and the implications of these, both on the current financial year and future ones.
- 7.2. If we were able to take a step back from this work and look at some of the underlying principles and factors driving the budget and Financial Strategy, it may be possible to identify a more sustainable, longer term approach which we could refer to as a Sustainable Business Model. To develop a Sustainable Business model going forward, resource and expenditure projections need to be built, modelled, reconsidered and reviewed. This information then allows decisions to be taken, in the knowledge that any short term impact is understood and justified by the long term strategy.
- 7.3. The Council's budget is generally presented as either a gross or net budget. It may be more useful, however, to describe it in a slightly different way. The gross budget is basically the total amount the Council spends, funded from all available sources of funding, and for 2015/16 was approved by Council within the Budget Book at £576m. The Net budget is the amount that is funded from Revenue Support Grant (RSG – a grant from Central Government), Council Tax, Local Business Rates and Top Up Grant, and any other one off funds

relating to local collection funds or national topslices. The Net Budget for Shropshire Council for 2015/16 approved by Council in February was £216m

- 7.4. The Gross budget is helpful in that it demonstrates what the Council spends, but it also includes funds that effectively flow through the Council's books without local discretion. Examples of these are the large ringfenced grants such as Dedicated Schools Grant (DSG – grant that is passed to schools via a formula) and Rent Allowances/Rent Rebates (grants we administer on behalf of central government).
- 7.5. The net budget is helpful in understanding the impact on the taxpayer, but does not take account of income generated by services to offset their costs, nor other grants and contributions that are generated, which may not be ringfenced and over which the Council has discretion.
- 7.6. An alternative view is to consider the 'Gross Budget Excluding Specific Grants'. This shows the total amount Council services spend, but excludes the ringfenced grant areas over which Councils have little or no local control. The Resources that effectively pay for this Gross Budget Excluding Specific Grants include all areas of income under some form of control of the Council. The budget agreed by Council in February when expressed in this manner, amounts to £323m for 2015/16. This is balanced by an equivalent level of Resources as the budget set in February was balanced.
- 7.7. A review of the Council's resources has been built around the latest information on government funding for local authorities which projects a 12% reduction year on year in total spending assessments. The total spending assessment is currently made up of Revenue Support Grant (RSG), assumed Local Business Rates and Top Up Grant. As central government has direct control over only RSG, the full impact of the 12% reduction is taken from existing RSG projections, and the implication of this is that by 2020/21 it is projected that RSG will have been reduced to zero.
- 7.8. The diagram below shows the current make up of the resources that fund the Council's Gross Budget Excluding Specific Grants taken from the beginning of the current MTFP (2014/15) and applies the expected reductions in RSG through to 2020/21.

Chart 1: Reducing Council Resources



7.9. The following table summarises the Councils current projections for Resources that fund the Gross Budget Excluding Specific Grants to 2020/21. This table includes the impact of one-off resources (such as collection fund surpluses) that the Chart above does not.

Table 5 : Resource Projections 2016-2020

	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
	£'000	£'000	£'000	£'000	£'000	£'000
Resources to Fund Gross Budget	576,379	553,475	546,466	538,691	531,838	525,795
Resources to Fund Gross Budget Excluding Specific Grants	322,632	303,301	294,477	286,702	279,849	273,805

7.10. The projections in the above chart and table assume a reduction in Government funding at 12% of Total Spending Assessment, a 0.5% increase

in the Council Tax Taxbase (but no increase in the Council Tax levied) and no change to Local Business Rates or other council income including Fees and Charges. More detail can be found in Appendix 1.

- 7.11. It can be seen that with the current modelling, resources are projected to reduce by approximately £48.8m by 2020/21. This reduction is due to the reduction in RSG which is slightly offset by minimal growth in the Council Tax Taxbase. Within the current base model it is assumed there will be no increases in Local Business Rates or increased income generated by the council or its wholly owned company ip&e Ltd. These assumptions will need to change.
- 7.12. Understanding the make up of the Council's resources and the current assumptions used to project forwards can be used as a basis for modelling and to allow different scenario planning. For example, the current projections only assume a 0.5% growth in Council Tax Base, but increasing this assumption to 1% each year between 2015/16 and 2020/21 would generate an additional £3.1m by 2020/21. It is important to note that any adjustments made are based on the best information available and are realistic. Some more examples of the financial implications of changes to assumptions are modelled in the table below

Table 6: Variations in Resource Projection Assumptions

Resource	Base Assumption	Alternative Assumption	Additional Resource by 2020/21 of Alternative Assumption
Council Tax – Taxbase Growth	0.5% increase annually	1% increase annually	£3.1m
Council Tax – Level	0% increase	1% increase annually	£6.2m
Business Rates Growth	0% increase	1% increase annually	£2.0m
Fees and Charges	0% increase	1% increase annually	£2.9m

- 7.13. Resource assumptions are not completely independent from expenditure assumptions. There will be areas of council expenditure which can influence

future resources which become available, for example house building and growth in size and number of business premises. In both of these areas the Council has a potential role to play, through planning functions and its economic development role which could affect the level of Council Tax and Business Rates the Council has going forwards. It is important to bear this in mind when the Council is agreeing service budgets within very limited resources.

- 7.14. Considering expenditure projections for the services the Council currently delivers or commissions, there are a number of known growth areas which the Council traditionally budgets for including pay and prices inflation and demographic growth. As the Council becomes a Commissioning Council it will become more important not to rely entirely on historical information to project expenditure forward. Future growth under a commissioning council may, for example, be more related to price indices than pay awards (which were capped at 1% in the Chancellors recent Budget Statement).
- 7.15. Based on current service levels and existing budgets, an initial exercise to project expenditure requirements forward results in the following growth implications to 2020/21 as shown in Table 7

Table 7: Growth Projections to 2020/21

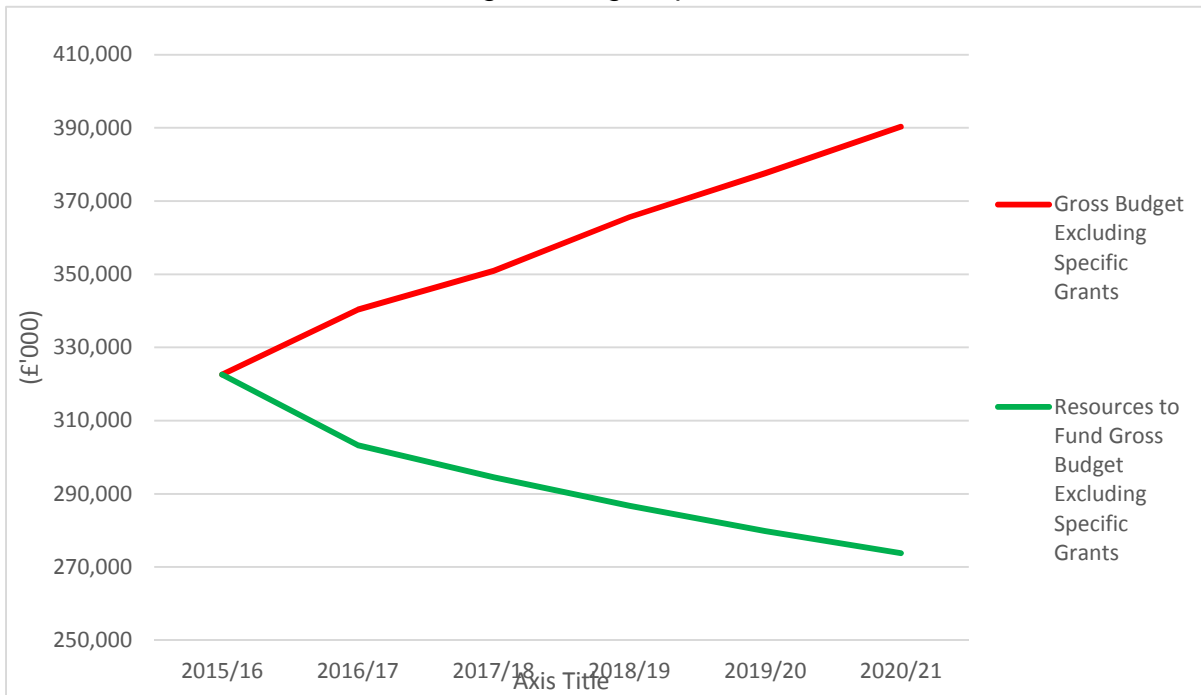
	Gross Budget Excluding Specific Grants £'000	Service Income £'000	Net Budget £'000
2015/16	322,632	-106,789	215,843
2020/21	390,286	-124,344	265,942
Increase/Growth	67,654	-17,555	50,099

- 7.16. This is an average growth of 4.26% per annum on the 2015/16 net budget. The majority (60%) of the growth within this calculation is driven by Adult Services with 28% in Commissioning, 7% in Children's and the balance in Resources and Support and Public Health (based on current service delivery).
- 7.17. To bring all of the above into a single conclusion, we can see that with a reduction in resources of £48.8m by 2020/21 and estimated growth required to deliver current services levels of £50.1m, it is projected there will be a c£100m funding gap between the resources available and expenditure required by 2020/21.

8. Developing a Sustainable Business Model

- 8.1. The base information and future projections identified in Section 7 can be used to form the basis for developing a Sustainable business Model for the Council. Putting together the current assumptions on spend and resources into a single graph the following chart is produced; an ever widening gap that needs to be addressed and readdressed every three years as part of the MTFP process.

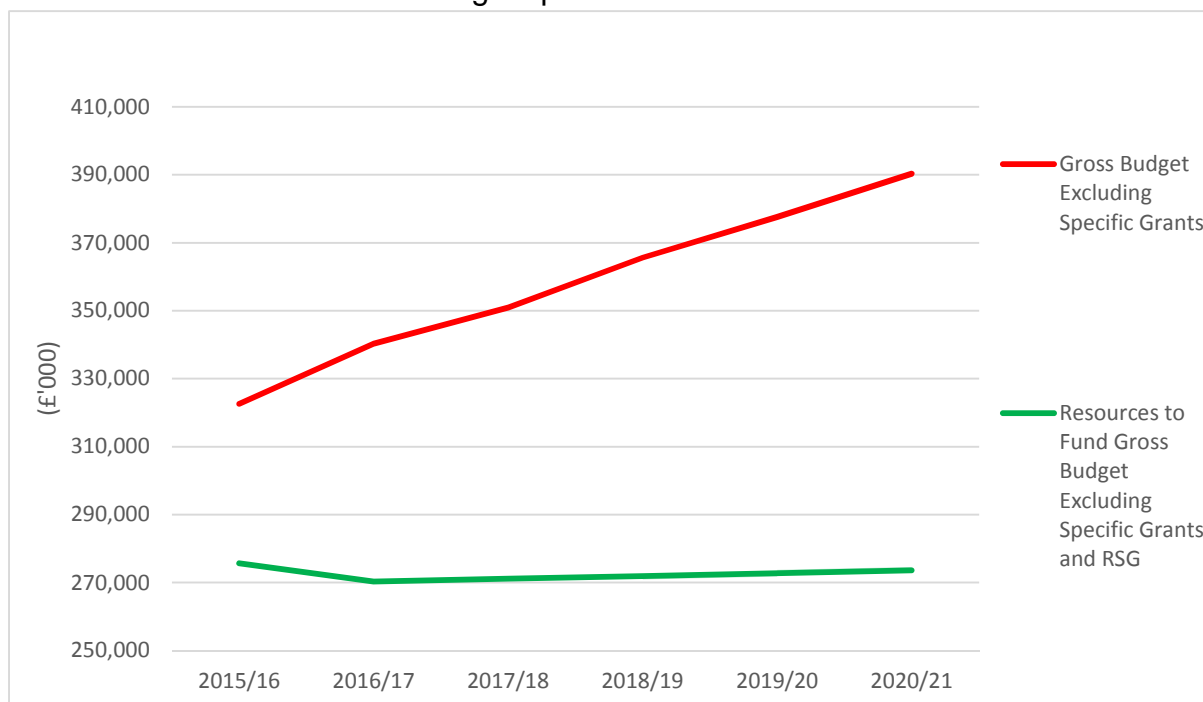
Chart 2: An Ever Widening Funding Gap



- 8.2. The approach the Council has historically taken when agreeing the Council's Financial Strategy is to periodically adjust expenditure down to available resource levels, traditionally over a 3 year period. Although the Council works hard to control growth in expenditure, historically, there has been an underlying increase which continues despite savings implementation.
- 8.3. To create a Sustainable Business Model officers have been trying to gain a deeper and more detailed understanding of what drives growth in spend. Where it has been possible to redesign services to minimise growth, or at the very least understand the drivers for growth, it is possible to apply zero based budget principles and identify a reasonable understanding of what future delivery of a particular service may look like. With an understanding of growth in costs, it then possible to consider whether services are deliverable on a sustainable basis over a longer period of time; and this is done by considering the Council's available resources.

- 8.4. In the same way that expenditure growth has been modelled, it is possible to model potential income growth (whether under the control of services or Council-wide such as Council Tax or Local Business Rates).
- 8.5. To start from a sustainable footing, it first necessary to assume that, not only will RSG be entirely removed from Council budgets, but that it is only interim funding in the meantime. In other words, the sooner we stop relying on RSG to fund Council Services, the sooner we can set a sustainable budget. The result of this consideration, clearly, is that the Council has to assume much lower funding levels much sooner, and that impacts directly on potential service delivery.
- 8.6. To demonstrate the impact of such an approach, Chart 2 has been recast in Chart 3 below, excluding resources that are not sustainable (primarily RSG). While this increases the size of the gap in early years, it does not increase the gap by 2020/21 (as RSG is assumed to have disappeared by this point anyway).

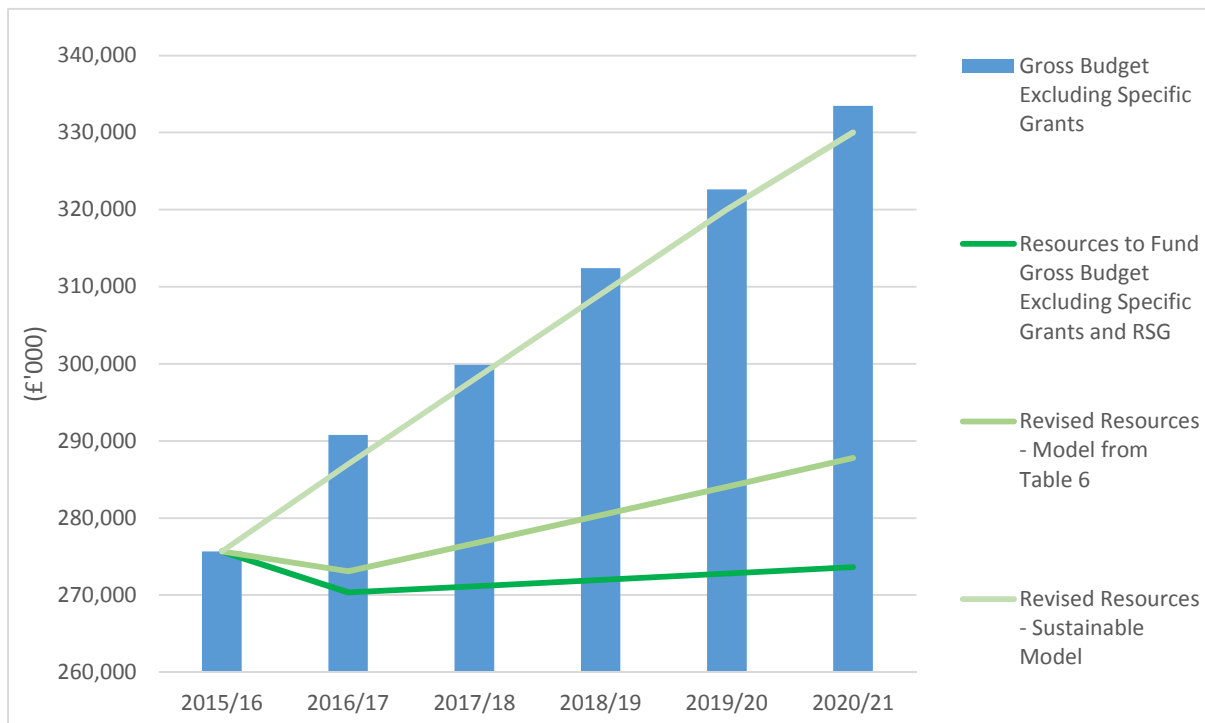
Chart 3: The True funding Gap



- 8.7. By viewing the information this way, we begin to look at the Council's resources only from the viewpoint of what is (to differing levels) under our control, and we can then begin to model the various impacts on resource growth as set out in Section 7.

- 8.8. Producing Chart 3 has involved reviewing existing information and assumptions in a slightly different way. To turn Chart 3 into a Sustainable Business Model requires two further steps. Step 1 is to reduce the level of expenditure within the Council down to a level that can be funded by existing levels of resource. This means reducing Gross Budget Excluding Specific Grants down from the current level of £323m to around £275m (or moving the red line on the graph down, so that it starts from the same point as the green). This reduction would then need to be modelled forward to identify the implications on future growth in expenditure. Once that is completed, Step 2 would then look at resource generation to identify ways in which the (green) resources line can be turned more positively to more closely match the expenditure line. Only if the spend and income are matched, at the beginning and into the future, can a Sustainable Business Model be created for the Council.
- 8.9. Chart 4 below starts to model this approach. Expenditure has been reduced to £275m and growth into the future modelled (shown in the blue bars). At the same time, resources have been increased by the 1% modelled in Table 6 (shown by the lighter green line). The third (uppermost and lightest green) line demonstrates the increase in resource levels necessary to deliver a Sustainable Business Model.

Chart 4: A Sustainable Business Model



- 8.10. The above is a model and does not reflect an actual basis for decision making at this stage. Furthermore, it is not yet known whether RSG will be completely

removed by 2020/21 or earlier or later. It is likely that further detail will be available as part of the Autumn Statement and Spending Review due later in the year. The model does, however, allow us to plan for the eventuality of losing all RSG and should the timescales for this be brought forward, the model still holds firm.

- 8.11. A further benefit of working towards putting a Sustainable Business Model in place now is that any residual RSG that is retained over the next three to five years is effectively additional funds, and can be utilised as one-off funding to help smooth the transition to the Sustainable Business Model.
- 8.12. Work is now commencing to prioritise service areas which can be delivered within the model. This prioritisation will include information and feedback from officers, members and the public (see section 9 below). The information considered will include statutory requirements, will account for planned service changes and new delivery models and will seek to maximise the income earning potential of the Council. Using the information gathered it will then be possible to implement the two steps described above to put in place a Sustainable Business Model
- 8.13. This work is being developed over the coming months and next steps will be brought back to Members for the next strategy in October.

9. The Big Conversation

- 9.1. With the reduction in resources and spending pressures described earlier in this report, by 2020/21 it is clear the Council will not be able to continue to provide and deliver the same services. The Council will need to prioritise how it spends money.
- 9.2. To prioritise the Council needs to understand what services are valued by the public and what the public feels the Council should be providing and commissioning.
- 9.3. To understand public opinion in respect of balancing the Councils reducing budget. This should consider what services they value (and don't value), how these services should be delivered (by the Council or Communities) and how the right level of funds should be raised.
- 9.4. It is envisaged that a variety of engagement methods will be utilised to ensure fair opportunity to provide views. These will include, but are not restricted to
 - Facilitated public meetings.
 - Webinars.
 - An online survey.

- Social media (Twitter / Facebook).
- Non facilitated group meetings (information packs to be available via Big Conversation 2015 web pages).
- Facilitated focus groups

9.5. All responses will be collected and analysed and the information will be used to inform decision making around which services are most valued by the public.

10. New Homes Bonus

10.1. In 2011/12, the New Homes Bonus (NHB) grant was introduced. This unringfenced grant is a payment for each additional property built or brought back into use, based on the annual growth in average Band D households between years. The payment per property is based on the average council tax payable for a Band D property, which for 2011/12 in Shropshire was £1,439 and for the 2015/16 is £1,468. From 2012/13, an additional payment of £350 per property was introduced if the new property is categorised as affordable housing. Each year's grant is payable for 6 years, equating to £8,634 per property built or brought back into use (based on 2011/12 figures).

10.2. For the period 2011/12 to 2015/16 the following funding has been received.

Table 8: New Homes Bonus Received 2011-2016

	2011/12 £'000	2012/13 £'000	2013/14 £'000	2014/15 £'000	2015/16 £'000
2011/12	1,791	1,791	1,791	1,791	1,791
2012/13		1,038	1,038	1,038	1,038
2013/14			1,374	1,374	1,374
2014/15				1,554	1,554
2015/16					1,595
Total for Year	1,791	2,829	4,203	5,757	7,352
Total to year				14,580	21,932

- 10.3. In previous Financial Strategies , commitment have been approved against New Homes Bonus Funding , both specifically to provide support to stimulate the supply of local housing, economic growth and developing community based working and also to support the Council's Financial Strategy and provide a balanced budget. As at 31 March 2015 there is a balance on the New Homes Bonus Reserve of £4.675m.
- 10.4. The funding in the reserve will be used to continue to deliver previously agreed schemes in 2015/16 as detailed in Appendix 3.
- 10.5. In 2015/16, a further £7.352m in New Homes Bonus funding will be received by the Council. The 2015/16 Budget includes £5.215m contribution from New Homes Bonus to balance which leaves £2.137m uncommitted.
- 10.6. With the uncertainty on the Council's future resources beyond 2015/16 and the monitoring position being reported at Quarter 1, any future allocation of New Homes Bonus will be based on a Business Case which identifies a clear financial benefit to the Council. There are a number of projects currently being considered that will require match fund.
- 10.7. Working to this extended forward programme and a 5 year timeframe would enable better certainty and forward planning within the Council's capital programme and secure the short to medium term future of a number of housing, economic growth and developing community based working schemes. It would also speed up the decision-making process internally and within the Marches LEP in particular regards to additional funding rounds of Local Growth Fund and the new way of working proposed for Economic Growth. This has to be considered against the uncertainty around the Council's future resources and the potential use of New Homes Bonus as an unringfenced grant.

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

N/A

Cabinet Member (Portfolio Holder)

Keith Barrow – Leader

Local Member

All

Appendices

Appendix 1 – Resource projections 2016/17 and future years

Appendix 2 – Expenditure Projections 2016/17 and 2017/18

Appendix 3 – New Homes Bonus Allocations 2015/16

Appendix 4 – Local Enterprise Partnership (Exempt)

SHROPSHIRE COUNCIL - NET AND GROSS RESOURCES PROJECTIONS SUMMARY 2015/16 to 2017/18

APPENDIX 1

	2015/16 Final Council 26 February 2015	2016/17 Original Council 26 February 2015	2016/17 Revised Cabinet 29 July 2015	2015/16 & Beyond Notes & Assumptions	2017/18 ORIGINAL Council 26 February 2015	2017/18 Revised Cabinet 29 July 2015
RSG	43,760,146	30,794,514	32,945,604	2015/16 Final Settlement as announced by Government on 3 February 2015. Projections for future years based on estimated reductions of 12% on Assumed Funding Assessment which translates to 26% reduction in RSG in 2016/17 if the transfer of Clax Freeze Grant is excluded.	21,377,294	23,317,528
Business Rates Retention Allocation:						
NNDR (as raised and then retained locally) including appeals provision	39,166,165	39,166,165	39,166,165	NNDR1 2015-16 figure.	39,166,165	39,166,165
Top Up	10,036,372	10,237,099	10,237,099	Figure as per CLG 2015/16 Final Local Government Finance Settlement. Assume 2% RPI increase	10,441,841	10,441,841
Safety Net Payments						
Prior year adjustments (e.g. correction to safety net payments)						
TOTAL START UP FUNDING RECEIPT:	92,962,683	80,197,779	82,348,868		70,985,300	72,925,535
Return of amounts topsliced from RSG/BRRRA Allocation						
Share of £2bn unused New Homes Bonus topslice	394,940	0	0	Final Local Government Finance Settlement		
Share of returned damping (unused safety net held back)				This may be an in year bonus. More information required		
TOTAL FUNDING FROM CENTRAL/LOCAL SHARE	93,357,623	80,197,779	82,348,868		70,985,300	72,925,535
<i>Movement on previous year's funding</i>						
Taxbase	102,411	102,923	102,923	Actual taxbase for 2014/15 and 2015/16. Increase in Council Tax Taxbase assumed for 2016/17 and future years increased to 0.5% from 0.2%	103,438	103,438
Council Tax Income	119,280,524	119,876,927	119,876,927	Council tax freeze assumed	120,476,312	120,476,312
Collection Fund Surplus- Council Tax	4,138,464	500,000	500,000	Based on Previous years	500,000	500,000
Business Rates Collection fund	(934,051)	(500,000)	(2,594,000)	Based on previous years	-500,000	(500,000)
TOTAL NET RESOURCES -2014-15 onwards	215,842,560	200,074,706	200,131,795		191,461,611	193,401,846

	2015/16 Revised Council 26 February 2015	2016/17 Original Council 26 February 2015	2016/17 Revised Cabinet 29 July 2015	2014/15 Notes & Assumptions	2017/18 ORIGINAL Council 26 February 2015	2017/18 Revised Cabinet 29 July 2015
GOVERNMENT GRANTS	253,747,100	253,765,530	252,268,690	Latest Information on Specific Grants	253,484,210	251,989,600
OTHER GRANTS & CONTRIBUTIONS	32,225,880	32,225,880	26,511,470	Revised for 2015/16 then left unchanged	32,225,880	26,511,470
FEES & CHARGES	56,100,805	56,100,805	56,100,805	Revised for 2015/16 then left unchanged	56,100,805	56,100,805
INTERNAL MARKET & INTERNAL RECHARGES						
Internal Recharges only	18,462,465	18,462,465	18,462,465	Revised for 2015/16 then left unchanged	18,462,465	18,462,465
Total Income outside of Net	360,536,250	360,554,680	353,343,430		360,273,360	353,064,340
TOTAL GROSS RESOURCES - 2013-14 onwards, after income Savings	576,378,810	560,629,386	553,475,225		551,734,971	546,466,186

					Appendix 2
SHROPSHIRE COUNCIL - FINANCIAL SUMMARY 2015/16 to 2017/18					
	2015/16	2016/17	2016/17	2017/18	2017/18
	26 Feb 2015	26 Feb 2015	29 July 2015	26 Feb 2015	29 July 2015
	£	£	£	£	£
Expenditure					
Original Gross Budget Requirement	561,250,666	576,378,810	576,378,810	578,962,241	571,808,081
Monitoring Issues identified in 2014/15 with ongoing implications					
- Asset Sales - Removal of income stream	50,000	50,000	50,000		
Monitoring Issues identified in 2015/16 with ongoing implications To BE IDENTIFIED					
Inflation					
- Prices	2,796,947	2,921,147	2,921,147	3,058,689	3,058,689
- Pay 1% award	710,957	723,654	723,654	734,834	734,834
- Pay Increment	872,769	480,607	480,607	332,950	332,950
- Pension Costs - see NHB below and Savings		3,500,000	0	0	0
- Auto Enrolment (impacts 2017/18)-To Be Estimated					
Committed Growth					
- Debt Charges (Reduced as part of Savings)	1,000,000	1,000,000	1,000,000	0	0
New Growth					
- Demography: Adults	1,758,000	1,500,000	1,500,000	0	0
- Demography: Childrens services	1,183,000	1,183,000	1,183,000	0	0
New Service Pressures					
New Investment funding- One year only	(2,000,000)				
Repaying for borrowing for Redundancies		2,000,000	2,000,000	0	0
Care Act implications					
Changes to Expenditure Reflected in Resources					
Specific Grant Changes from Previous Year Including New Responsibilities	6,277,870	18,430	(7,192,820)	(281,320)	(279,090)
Income Changes					
Benefits (assume at same level as reduction in Resources)					
Change in Ctax Tax base and NNDR allocated to demographic growth	3,194,709	8,350	8,350	8,392	8,392
Council tax freeze Grant rolled in to base funding (see Above change in specific grants)	1,307,360	-1,307,360	-1,307,360		
Use of NHB Smoothing - see Pension Costs above	(1,609,000)	(1,909,000)	715,000		
Spare Pension budget used to offset unachievable savings			876,000		
Reallocation of Business Rates Appeals Base Budget	(2,277,816)				
Additional Contribution to offset Delay in Savings Achievement	2,277,816				
The adjustmenst below allow one off Resources to be included in the base in one year and removed in the following year. Use of one off resources in 2015/16 was detailed in the 26 February 2015 Council Report.					
Contributions to Savings for changes in Projections					
- Net Growth Change	2,167,600	(3,749,700)	(3,749,700)		
- Net Resources Change-14/15 one year only	(2,454,351)				
- Net Resources Change-15/16 one year only	(170,339)	170,339	170,339		
Surplus Settlement funding - one off	1,000,841	(1,086,048)	(1,086,048)	(1,704)	(1,704)
Surplus Collection fund - One off, allocation below	3,204,413	(3,204,413)	(3,204,413)		
Allocate to keep gap at £80m	(478,928)	284,425	284,425	194,503	194,503
Adjustment to Resource Projection - RSG, 2015/16 only			2,151,090		(210,855)
Adjustement to Business rates Collection Fund			(2,094,000)		2,094,000
Gross Budget Requirement (Including Internal Recharges) Before Savings	580,062,514	578,962,241	571,808,081	583,008,585	577,739,800
Changes in Gross in 2014/15	16,452,665				
2015/16 Savings from Base Budget	-20,136,369				
Gross Budget Requirement (Excluding Internal Market)	576,378,810	578,962,241	571,808,081	583,008,585	577,739,800

New Homes Bonus- 2015/16 Allocations

The following Table summarises the allocations of New Homes Bonus funding in 2015/16. All allocations are made from the reserve of £4.675m as at 31 March 2015.

Table 1: Allocations in 2015/16 of New Homes Bonus

Ref	Description	Amount (£)	Capital or Revenue
1	Planning Policy Team	103,000	Rev
2	Supporting Registered Providers/ Affordable Housing	2,077,000	Cap
3	Recycling Empty Properties	521,226	Cap
4	Land supply and Promotion (2)/Custom Self Build	292,227	Cap
5	LEP Revenue post	50,000	Rev
6	Community Working	50,000	Rev
7	Affordable Housing Rolling Fund (3)	320,580	Cap
8	Regeneration Projects (LEP)	282,353	Cap
9	LEP	108,000	Rev
10	Exception Grant	75,000	Cap
11	Exacom system / software	10,000	Rev
12	Housing Supply Evidence Base	50,000	Rev
13	Fixed term contracts with PP - 2 x Gr7 + 1 x Gr8	79,572	Rev
14	Development budget	250,000	Rev
15	EU Match funding allocation	80,000	Rev
		4,348,958	

1. Continue the top-slicing to fund the Planning Policy Team which was previously funded by the predecessor to NHB, Planning Delivery Grant, at a cost of £103,000 per annum for 2015/16, 2016/17 and 2017/18.
2. Continue the flat rate payment of £10,000 (Providers Grant) made to Registered Providers (RP's) for each new affordable home completed by them after April 1st 2015 which forms part of a "Community Led" affordable housing project. Funding is sought for up to 100 eligible new properties per year for 2015/16. Continue the flat rate payment of £3,000 (Parish Grant) made to participating communities for each new affordable home completed after April 1st 2015 through a "Community Led" housing project. Funding is sought for up to 100 eligible new properties per year for 2015/16. This funding is in lieu of the Community Infrastructure Levy (CiL), which is

not payable for affordable homes, and will contribute to the communities Neighbourhood Fund.

3. Continue to fund Empty Property Grants by allocating £250,000 in 2015/16, to tackling empty properties across Shropshire with a specific allocation in 2015/16 to the Whitchurch area with the balance allocated for further targeted intervention elsewhere in Shropshire. This allocation will be added to the existing £271,226 allocated from previous year. Empty properties are integral to the NHB calculation and award because each empty home within Shropshire is deducted from the total annual new build supply when determining the NHB grant award.
4. Land Supply and Promotion previous year commitment.
5. LEP Post Continuation of £50,000 to improve capacity and provision within the Marches Local Enterprise Partnership. This forms part of a tri-party agreement with LEP Partners Telford & Wrekin and Herefordshire and is essential in ensuring a strong partnership and securing benefits to the Marches and particularly Shropshire
6. Community Action Team (now known as Community Enablement Team) to support Community Led Planning across the county.
7. Continuation of the Affordable Housing Rolling Fund, no new allocation is sought but the underspend from previous years is to be carried forward into 2015/16 and 2016/17 to help satisfy any gaps in funding for affordable housing schemes that are looking to come forward.
8. Carry forward of previous allocation in Marches LEP Local Growth Fund and Priority Projects Cabinet Exempt approved 10th December 2014 as revenue and capital allocations.
9. A new flat rate payment of £1,000 is made to communities (Exceptions Grant) for each new affordable home completed after April 1st 2015 which are delivered outside of a "Community Led" approach. Funding is sought for up to 75 eligible new properties delivered this way. This funding is in lieu of the Community Infrastructure Levy (CiL), which is not payable for affordable homes and recognises that a contribution to the communities Neighbourhood Fund is appropriate (up to £75,000 per annum. NB these grant payments do not apply to affordable homes delivered on mixed development sites as part of a developers planning policy obligation.
10. A sum of £10,000 be used in 2015/16 to develop and purchase EXACOM software that accurately maps, accounts, monitors and fully integrates s106 Developer Contributions with CiL payments. This is to ensure that we can capture to a single location, daily updates via the SAMIS system to provide an accurate point in time balance for both CiL and the Developer Contributions in relation to receipt and expenditure.
11. The Housing Supply evidence base funding requirement of £50,000 is to ensure continued delivery and analysis of evidence base for housing strategy and policy in particular focussing on the statutory requirements for Objectively Assessed Housing Need (requires critical evaluation from external expertise); 5 year housing land

supply (needs to be continuously up dated for appeals); and review of SHLAA (database of sites put forward for development) and SHMAA (contextual analysis of wider housing evidence). These evidence requirements will also support a review of the statutory Housing Strategy and be the foundation of a robust spatial strategy for the next Local Plan period up to 2036.

12. An allocation of £79,572 for 2015/16 is required to fund the continuation of two existing fixed term contracts at Grade 7. Notably in the areas of Policy & Strategy and monitoring performance and the effectiveness of STaR housing and to ensure on-going and consistent liaison with the Development Management function in IP&E. A third Grade 8 post is to assist current s106 monitoring to ensure the effective management and progression of developer contributions which in turn facilitates sustainable development within Shropshire, the value of s106 income (£4.5 million paid and £13.9 million committed). The posts will be reviewed on an annual basis.
13. Continuation of £250,000 per annum in 2015/16 for LEP Supported regeneration projects unlocking the potential for growth in Shropshire. This allocation will provide development budget and allow feasibility work to be undertaken to bring forward shovel-ready projects and enable Shropshire Council to respond and react successfully to new and existing opportunities that will provide measurable benefit and outcomes to the Shropshire economy.
14. Government has provided all LEP areas with a notional allocation of funding from the 2014-2020 EU funding programme. The Marches LEP allocation is £98million. Shropshire Council, alongside other public organisations, has an opportunity to use the European Funding to deliver projects and programmes that address local need, therefore providing the Council with excellent value-for-money either by saving the Council funding or by delivering an enhanced service. It is estimated that a budget of £80,000 per annum allocated for 2015/16, 2016/17 and 2017/18 will be sufficient to provide match funding to initiate and inform Council projects that address the Council's priorities that could be funded through European Regional Development Fund (ERDF). This funding could also provide match funding (40%) for project management costs to implement and manage the projects. At this stage £80,000 for 2015/16 is to be allocated.