



Date: Monday, 20 January 2025
Time: 2.00 pm
Venue: Shrewsbury/Oswestry Room, Shirehall, Shrewsbury, SY2 6ND
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TRANSFORMATION AND IMPROVEMENT OVERVIEW AND SCRUTINY COMMITTEE

TO FOLLOW REPORT (S)

7 Draft Financial Strategy 2025/26 - 2029/30 (Pages 1 - 24)

To receive the draft financial strategy as its being developed and provide any feedback accordingly.

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Committee and Date

Transformation & Improvement Scrutiny
20th January 2025

Item

Public



Draft Financial Strategy 2025/26 - 2029/30

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Cabinet Member (Portfolio Holder):	Cllr Gwilym Butler, Finance & Corporate Support		

1. Synopsis

Shropshire Council will need to find savings of nearly £22.8m in 2025/26. This includes additional savings of £8.029m following receipt of the indicative government funding for next year. The new funding policy has led to the council losing out on c£25m (around £80 per person).

2. Executive Summary

2.1 The Shropshire Plan includes the Strategic Objective to align our resources within the Council's Healthy Organisation priority. Following two years of extensive savings programmes (£51.4m in 2023/24 and £62.5m in 2024/45) the Council would now be facing a balanced budget position in 2025/26 had the existing Local Government funding policies been broadly retained for a further year. Instead, the headline figure from the recent financial settlement for local government is that the proposed changes have led to a reduction in Core Spending Power for Shropshire of between £24m and £28m compared to what it would otherwise have been. This, principally, has led to the need to identify further savings of £22.8m to balance next year's budget. These savings of £22.8m sit on top of the previous year's plans, of which, as at Period 8, £37.7m remain outstanding. This demonstrates the difficulty in continuing to remove costs from the Council's budget in light of significant demand pressures in Social Care and delivery of services over a large rural and sparse geography.

- 2.2 The Government published the provisional Local Government Financial Settlement (LGFS) on 18 December, as anticipated. The publication is the start of a consultation which lasts until 15 January. The Final LGFS will be published in mid-February, confirming the values to be included in council budgets.
- 2.3 For several years, the LGFS has followed a similar pattern. Successive national administrations have deferred a fundamental review of local government funding, with the result that settlements have been
- for one year only
 - broadly predictable
- 2.4 The settlement for 2025/26 breaks with that precedent and includes several key changes, as well as indicating that further changes will be made for 2026/27.
- 2.5 Several key values have not yet been determined but will be published alongside the final settlement (expected early February). These include
- 2.5.1 Actual funding for the impact of increase National Insurance Contributions for Employers.
- 2.5.2 Allocation of £121m set aside in the national Core Spending Power value (£65bn) to support the previous funding floor of 4%, which has been removed. With a funding increase of only 3.1%, Shropshire Council is only of only a handful of authorities that would have received support this year under the new funding formula. No allocation of this £121m has been published.
- 2.6 A key metric arising from financial planning is the emerging ‘gap’ value, which described the estimated gap between resources and expenditure. This is described in the table below.

Table 1 - savings requirement

	£m	£m
Overall gap for this MTFS		22.777
To be met as		
Savings included for 2025/26 within the 2024/25 budget	3.769	
New proposals in 2025/26 budget from 1 April 2025	8.029	
Demand management mitigations included in budget proposals	10.979	
Total all new savings for implementation in 2025/26		22.777
<i>To note</i>		
<i>Brought forward savings from 2024/25, not yet delivered, but with delivery plans in place for 2025/26 (as at 30.11.24)</i>		37.705
<i>Total all savings plans being delivered in 2025/26</i>		60.482

LGFS headlines

- 2.7 This report covers several quite technical aspects of local government funding, which has evolved over many years and has a specific language of its own. However – **the headline is very simple: policy decisions have been taken which leave this Council significantly worse off than would otherwise have been the case. This Council will continue to make representation to seek a better settlement for local residents.**

3. Recommendations

- 3.1 To note the revised estimates for 2025/26 expenditure and resources
- 3.2 To note the revised estimated resources for 2025/26 and the overall adverse outcome for this Council; to consider opportunities to represent this position and advocate for an improved position in the final settlement.
- 3.3 To note the uncertainty affecting estimates for 2026/27 and the period 2026-30

Report

4. Risk Assessment and Opportunities Appraisal

<i>Risk</i>	<i>Mitigation</i>
Costs of service delivery in a large, sparsely populated area are not properly represented through the new funding policy.	<p>Robust representation to government on the LGFS outcomes and resulting impacts for residents.</p> <p>Misrepresentation/misperception of the specific needs of people in large rural council areas, including the recognition of vastly different travel times, larger infrastructure to be managed, and the overlooking of small (LSOA) areas of clear deprivation when data is averaged over a large area.</p> <p>Financial impacts including a widening gap between resident 'needs' and available 'resources, impacting adversely on all aspects of our communities.</p> <p>Consideration of internal transformation projects to reduce costs where possible.</p>
Loss of key funding streams (such as RSDG)	As above.
Removal of a 'safety net' to ensure minimum levels of growth.	As above.
Increased reliance on funding from local residents through Council Tax; reduction in targeted government funding.	As above.
<i>Opportunity</i>	<i>Action</i>
Lobbying; representation through local MPs, professional bodies, open discussion with government, participation in consultations.	<p>Collation of clear evidence setting out the operational impact of meeting residents needs in large rural areas.</p> <p>Establishing a clear narrative of how the council is doing what it can with what it has, but how current national policy works to the detriment of our local population.</p>

5. Financial Implications

- 5.1 This is the subject of the report.
- 5.2 The key implications are that the provisional LGFS removes several safeguards which supported Shropshire Council in delivering services across a very large geographical area. This creates a financial detriment to the council, and this will impact on residents. For clarity Shropshire Council
- 5.2.1 Covers twice the area of the 33 London Boroughs – but has lost funding which reflects the higher unit costs incurred in doing this.
- 5.2.2 It has areas of significant deprivation which are lost when average levels of income are calculated across a large area with a sparse population.
- 5.2.2.1 This settlement does not recognize the adverse impacts on families and vulnerable residents arising from the loss of funding which we have previously used to support residents' needs in isolated locations. This is not about 'gold plated' services, but about supporting isolated families experiencing severe financial hardship and preventing this escalating to levels where more substantial interventions are required under statute.
- 5.2.3 It maintains over 3,000 miles of minor and unclassified roads.
- 5.2.3.1 These are vital to ensure that agricultural workers can get to work, that children in isolated communities can get to their local school or library, and that care workers can support adults to remain independent and in their own homes for as long as possible. With over 3,000 miles of roads, it has
- 5.2.3.1.1 more than 10 times the lengths of roads seen in any London Borough, and
- 5.2.3.1.2 more than 3 times the road lengths of either Manchester or Liverpool.
- 5.3 Nationally, £121m of funding that could be allocated to councils has not yet been allocated. The government could reinstate rural services funding (which cost £95m in the current year) from that fund, without reducing funding that it has chosen to allocate to help address deprivation in urban areas.
- 5.4 Shropshire Council is currently managing an unprecedented financial position as budgeted for within the Medium Term Financial Strategy approved by Council on 29 February 2024 and detailed in our monitoring position presented to Scrutiny and Cabinet on a monthly basis. This demonstrates that significant management action is required over the remainder of the financial year to ensure the Council's financial survival. While all Scrutiny and Cabinet Reports provide the financial implications of decisions being taken, this may change as officers review the overall financial situation and make decisions aligned to financial survivability. Where non-essential spend is identified within the Council, this will be reduced. This may involve
- 5.4.1 scaling down initiatives,
- 5.4.2 changing the scope,
- 5.4.3 delaying implementation, or
- 5.4.4 extending delivery timescales.

6. Climate Change Appraisal

- 6.1 Climate action and carbon reduction are integral to all aspects of the Shropshire Plan: **Healthy People** – Extreme weather associated with the climate crisis can adversely affect vulnerable residents and service users disproportionately. This could drive significant future growth in the demand for social care services as well as impacting on the physical and mental health and wellbeing of staff. **Healthy Economy** – The recent energy crisis illustrates potential impacts on the Shropshire economy from the climate crisis. There are, however, significant opportunities for growth and skilled employment in new technologies, renewable energy and the rural economy. **Healthy Environment** – The climate crisis has very serious implications for biodiversity and food production. As a large rural area, however, Shropshire is also in an excellent position to take positive action to help mitigate these effects. **Healthy Organisation** – Extreme weather associated with the climate crisis could disrupt delivery of Council services through damage to physical infrastructure such as roads and power infrastructure, and through impacts on staff health and wellbeing. Demand for services and service delivery costs such as highway maintenance are likely to increase.
- 6.2 In taking the steps towards financial sustainability to enable delivery of The Shropshire Plan within a reduced financial envelope, it is important that decisions consider information about future costs and risks, where possible, through an approach which explicitly considers lifetime carbon impacts and future climate vulnerability. The future costs of addressing climate change impacts are expected to exceed that of the investment needed to reduce carbon emissions and improve climate resilience, but this may not be affordable within the immediate financial envelope without external investment.
- 6.3 Some of the proposed service changes to deliver financial sustainability may also reduce carbon emissions and improve climate resilience. Moving towards a zero-carbon supply chain has the potential to reduce costs, other studies suggesting this could be in the region of 5%. Similarly, many carbon reduction and climate resilience projects and measures also have the potential to generate revenue savings and generate ‘green’ economic growth in the Shropshire economy.

7. Background and Analysis

Core Spending power

- 7.1 The main measure used to track year-to-year council finances is ‘Core Spending Power’ (CSP). The national value for all English Councils for 2025/26 is £68.9bn (this includes council tax £38.3bn). This can be considered both as a year-to-year change and as a comparison between local assumptions and actual announcements.
- 7.2 CSP is £10.4m more than the previous year. Compared to the current year core spending power (CSP), the provisional settlement for 2025/26 indicates an increase of £10.4m or +3.1%. Again, this is substantially driven by the increase in Council Tax. So, if the full 4.99% increase is agreed by Councillors, funding received from government (rather than local taxation) is reducing between this year and next.
- 7.3 CSP is £12.3m more than previously assumed. Compared to previous local assumptions for 2025/26 set out in the October MTFS update, the provisional settlement represents a £12.3m or +3.7% increase. This is largely driven by the assumed increase in council tax – i.e. government assumes that councils will use the full 4.99% increase that is allowed. So, the 3.7% increase is mainly funded by

local residents rather than government (government funding is largely comparable to previous local assumptions).

- 7.4 3rd lowest overall increase. While +3.1% appears to be a net positive position, it must be considered in the context of overall increases across local councils of +2.2% (Rutland) to +9.5% (Manchester and Liverpool City Councils). Shropshire has the 3rd lowest increase after Rutland and Herefordshire.

Other key changes in LGFS

- 7.5 The removal of the minimum increase or ‘CSP floor’ provision applied in previous years. This was in place to ensure that all authorities received a minimum uplift on the CSP applied by government, usually +4%. The uplift received by Shropshire for next year is 3.1%.
- 7.5.1 £3m effective loss. The additional uplift that would have been protected under the ‘floor’ arrangements equates to £3.06m (that is, the Council would be expecting a further £3.06m of funding had the floor increase been applied as in prior years).
- 7.5.2 Consultation responses will highlight the impact of this safety net.
- 7.6 Removal of the Rural Services Delivery Grant. This grant has been applied in prior years to offset the additional costs of service delivery arising for councils covering predominantly rural, sparsely populated areas. This was worth £9m in the current year and has been removed entirely.
- 7.7 Together, these changes (alongside the amendments to the social care funding formula detailed in the section below) leave Shropshire Council worse off by between £24m and £28m than would otherwise have been the case (i.e. had the previous funding formula been broadly maintained). This can be closely compared to the £22.8m savings target for this financial year.

Analysis of the main outcomes

- 7.8 Key headlines for 2025/26
- 7.8.1 Average national increase in ‘core spending power’ (CSP) of +6.0%; but locally +3.1% (3rd lowest of 180 councils); 5 councils more than 9.0% (vs. 2024/25)
- 7.8.2 Major reduction in social care funding compared to previous trends for Shropshire; social care support grant – the national total fund was increased to £5.7b; typically, Shropshire would receive 0.6%-0.8% of national total, but local share was reduced to 0.57%, with an effective ‘loss’ of £16m.
- 7.8.3 Removal of Rural Services Delivery Grant (RSDG) - further loss of £9m
- 7.8.4 New Homes Bonus (NHB) and Market Sustainability and Improvement Fund (a social care grant – ‘MSIF’) were included in the settlement, but were anticipated locally to be excluded; £7m local benefit
- 7.8.5 Funding for changes to food waste requirements (extended producer responsibility for packaging, or ‘EPR’) - funding of £5.5m. Sectoral concerns that this is unlikely to be sufficient.

- 7.8.6 Confirmation of continuation of various streams of homelessness funding
 - 7.8.7 Significant uplift for schools (DSG) and SEND funding (but that will not impact General Fund budgets)
 - 7.8.8 Introduction of new funding for 'recovery' (the Recovery Grant), although Shropshire is not eligible for this.
- 7.9 No clarification yet on
- 7.9.1 funding for additional employers' national insurance contributions of +1.2% (ERs NICs) funding. Narrative confirmation that funding would be provided, but no clarity on the local (Shropshire) share of that; Risk of inadequate funding for expected local pressures of £2.5m
 - 7.9.2 local share of new funding streams for children's social care
 - 7.9.3 local share of centrally held funds not yet committed into the settlement, but available to MHCLG
 - 7.9.4 anticipated further real-terms funding reductions from 2026/27.
- 7.10 Key headlines for 2026/27 and later years
- 7.10.1 Further changes and to set out a multi-year settlement linked to the wider 'spending review' in central government.
 - 7.10.2 Likely further reductions in expected growth for Shropshire and similar 'shire' areas.
- 7.11 Applying deprivation adjustments to SCSG, removing RSDG, removing the 4% CSP funding floor, and introducing the recovery grant is a package of measures that fundamentally disadvantages councils in rural areas, repeating the same policy approach numerous times without considering the cumulative impact on residents.
- 7.12 If the CSP increase afforded to Manchester (+9.5%) was applied to Shropshire, the impact would be a benefit to Shropshire residents of £22m.**

Local financial impacts

- 7.13 A draft Financial Strategy was deferred from December 2024 to await the outcome of the Provisional Settlement. Following extensive reductions in spending (£3.769m) proposed in last year's MTFs (approved by Council on 29 February 2024) and significant mitigations in demand growth (predominantly within social care £10.979m), further savings of £8.029m are required directly as a result of the provisional settlement, to deliver a balanced budget for 2025/26.
- 7.14 The most recent full update of the Shropshire Council MTFs was presented to Cabinet in October. A further update for December was also provided – but was timed ahead of the settlement details. Details were starting to emerge regarding the likely shape of the settlement at that time, which cast doubt on the validity of some key assumptions. The resulting update to Scrutiny and Cabinet in December therefore focused on one side of the MTFs only (estimated expenditure) rather than considering the overall gap, as resources could not be estimated with sufficient confidence ahead of receiving the provisional settlement.
- 7.15 This report provides an update on the results of the provisional LGFS, indicating areas where greater certainty has been provided and area where further detail is still outstanding.

7.16 The details of the provisional settlement provide a clear outlook for 2025/26. However, alongside the provisional LGFS, a consultation was also launched on the long-awaited review of local government funding, taking account of the local ability to generate resources and the needs of the local population (previously the 'fair funding' or 'needs and resources' reviews). This means that the Council should anticipate further changes to the pattern of funding for all councils for 2026/27. That settlement is also expected to be a multi-year settlement, setting out clear funding expectations for the period 2026-30. This will mean that there is a higher level of uncertainty in the expected resources for the period 2026-30, and that budgets should be prepared with this risk in mind.

7.17 The table below shows the known position for the coming year (based on latest information and the provisional LGFS) and the anticipated position for 2026/27. Estimates have been prepared to 2029/30, but these are uncertain and only included on an indicative basis.

Funding Gap	Known	Estimated	Estimated, but uncertain		
	2025/26	2026/27	2027/28	2028/29	2029/30
	£	£	£	£	£
Resources (incl savings plans)	751,386,337	747,820,325	763,848,062	780,669,632	803,839,501
Expenditure (incl savings plans)	814,309,781	831,421,281	853,997,298	883,724,538	915,726,124
Gap in year	62,923,444	83,600,956	90,149,236	103,054,906	111,886,624
ONE OFF FUNDING	-54,894,810	-48,875,204	-49,884,867	-50,924,819	-51,995,970
Remaining Gap/(Surplus) to be Funded	8,028,633	34,725,752	40,264,369	52,130,087	59,890,654
Increase in Funding Gap per Year	8,028,633	26,697,119	5,538,617	11,865,718	7,760,567

Figure a - MTFS summary 2025-30

Resources estimates – revised estimates are set out below

7.18 The table below sets out the latest position for the coming year and the following 4 years, in the usual manner. The following table identifies the key movements for 2025/26, between the October 2024 MTFS update reported to Cabinet and the current update.

7.19 It must be noted that the position from 2026/27 will be affected by the Spending Review in central government and the impact of the review of needs and resources across local government. These figures are therefore only indicative.

Transformation and Improvement Scrutiny 20th January 2025 – Draft Financial Strategy 2025/26 – 2029/30

Resources	2025/26 £	2026/27 £	2027/28 £	2028/29 £	2029/30 £
Council Tax	219,282,837	232,526,953	246,571,189	261,463,306	277,256,327
Business Rates:					
Business Rates Collected	41,194,586	48,502,796	49,351,899	50,217,921	55,490,581
Business Rates - Energy Renewable Schemes	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Top Up Grant	11,025,089	11,025,089	11,025,089	11,025,089	11,025,089
RSG	8,667,579	8,840,931	9,017,750	9,198,105	9,382,067
Collection Fund:					
Council Tax	0	0	0	0	0
Business Rates	0	0	0	0	0
NET BUDGET	281,170,092	301,895,768	316,965,927	332,904,420	354,154,064
Grants included in Core Funding:					
Improved Better Care Fund	14,635,454	14,635,454	14,635,454	14,635,454	14,635,454
New Homes Bonus	2,034,452	0	0	0	0
Rural Services Delivery Grant	0	0	0	0	1,224,839
Social Care Support Grant	32,675,158	33,655,413	34,665,076	35,705,028	36,776,179
Market Sustainability and Improvement Funding	6,097,977	0	0	0	0
Children's Social Care Prevention Grant	614,942	0	0	0	0
Domestic Abuse Safe Accommodation	751,393	751,393	751,393	751,393	751,393
Recovery Grant	0	0	0	0	0
NI funding	2,551,597	2,551,597	2,551,597	2,551,597	2,551,597
CORE FUNDING	340,531,065	353,489,626	369,569,446	386,547,892	410,093,525
Local Income					
Fees and charges (including income savings deliverable from prior years)	98,525,470	98,525,470	98,525,470	98,525,470	98,525,470
Other Grants and contributions	36,829,400	36,829,400	36,829,400	36,829,400	36,829,400
Specific Grants (excluding Core Funding Grants above)	263,926,112	247,401,539	247,349,456	247,192,581	246,816,815
Internal Recharges	11,574,290	11,574,290	11,574,290	11,574,290	11,574,290
TOTAL FUNDING	751,386,337	747,820,325	763,848,062	780,669,632	803,839,501

Figure b - Resource estimates 2025-30

Resources estimates – movement in 2025/26 estimates

7.20 Key movements include:

- Increase in net budget of £2.650m.
 - Revised estimated income from Council Tax (£1.359m)
 - Some changes to anticipated NDR income including funding from government to offset nationally decided rates rebates
 - Increase to RSG linked to the ‘rolling in’ of various grants previously held separately (£454k)
- Changes to Core Funding of £12.315m.
 - This includes £2.650m increase to net budgets described above, with a further increase of £9.665m to specific grants within core funding.
 - Rural Services Delivery Grant is shown as fully removed.
 - New Homes Bonus, Market Sustainability and Improvement Fund, and Domestic Abuse Safe Accommodation are included per the LGFS, although they were not expected to be continued.
 - Social Care Support Grant increases by £3.8m to £32.7m (however, if the grant had been allocated in line with previous distributions, the value would have been £15m-£20m more than that).
 - Funding for the ERs NICs increase is also assumed, although the detail of this is not yet confirmed.
- Increase in specific grants outside core funding of £33.834m, largely driven by the increase to Dedicated Schools Grant.

Expenditure estimates – revised estimates are set out below

7.21 The table below sets out the latest position for the coming year and the following 4 years, in the usual manner. The following table identifies the key movements for 2025/26, between the October 2024 MTFS update reported to Cabinet and the current update.

7.22 It must be noted that the position from 2026/27 will be affected by the Spending Review in central government and the impact of the review of needs and resources across local government. Some grant funded activities reflected in the expenditure estimates and also in the resources estimates will be expected to reduce or to be removed if funding is also removed. These figures are therefore only indicative.

Expenditure	2025/26 £	2026/27 £	2027/28 £	2028/29 £	2029/30 £
Original Gross Budget Requirement	761,650,104	814,309,781	831,421,281	853,997,298	883,724,538
Inflationary Growth :					
Pay	6,307,250	4,205,657	4,310,798	4,418,568	4,529,032
Apprenticeship Levy	12,440	12,750	13,070	13,400	13,730
Pensions	0	0	0	0	0
Corporate Landlord inflation	-179,575	212,174	217,478	222,915	228,488
Contract inflation	5,321,035	3,677,205	3,775,717	3,872,946	3,981,455
Demography & Demand	15,261,932	18,231,634	18,941,688	19,758,670	20,628,656
Service Specific Pressures:					
Revenue Growth arising from capital programme	1,387,990				
Ongoing Budget Pressures	2,532,000	-143,000			
Local Generated Pressures:					
Elections	700,000	-700,000			700,000
Specific Grants Changes between years	24,774,747	-17,400,167	957,579	883,077	1,920,224
Ongoing reduction in New Homes Bonus (pressure)		1,747,510			
Grants Rolled into RSG, Core Funding	512,100				
Estimated Cost of Investment - <i>Approved</i>	1,023,450	2,518,749	1,609,687	557,664	
Contribution to General Fund	-1,224,839	-19,358,962	-5,000,000		
Contribution to Development Reserve - Transformation		-1,000,000			
MTFS reserve (savings slippage/optimism bias)		0	-4,250,000		
Capital Investment/Transformation Fund		20,000,000			
Climate Change/Energy Efficiency Fund		5,000,000	2,000,000		
Savings					
<i>TOM Budget Savings</i>	<i>-1,015,000</i>				
<i>Reduce Cost Budget Savings</i>	<i>-2,274,843</i>	<i>-112,050</i>			
<i>Manage Demand Budget Savings</i>	<i>90,000</i>	<i>-110,000</i>			
<i>New Income Budget Savings</i>	<i>-122,000</i>	<i>-20,000</i>			
<i>Stop/Cease Budget Savings</i>	<i>-447,010</i>	<i>350,000</i>			
TOTAL EXPENDITURE	814,309,781	831,421,281	853,997,298	883,724,538	915,726,124

Figure c - Expenditure estimates, 2025-30

Expenditure estimates – movements in 2025/26 estimates are set out below

7.23 Key movements include:

- Increased provision for pay costs arising from NLW and ERs NICs liabilities (partly offset by the assumed £2.55m funding included in the resources estimates).
- Some reductions in assumed price inflation arising from changes to the headline CPI rates and the impact on the supply chain further to detailed officer reviews.
- Reductions in anticipated demand growth in social care arising from review of the assumptions being used and the extent of mitigations likely to arise. These include a number of measures and assumptions. The change does not reflect any reduction in service levels provided to residents. Changes include:
 - Anticipated additional income for social care services e.g. from client contributions and health (NHS) which will vary along with overall activity
 - The impact of Stepping Stones in children’s social care services, which works to support children and families and prevent entry into the care system, or to facilitate more rapid exit (step-down) from the care system into safe and suitable alternative arrangements. The impact is fundamentally ‘cost avoidance’ i.e. taking action to reduce future anticipated costs rather than a budget ‘cut’.
- Changes to the expected cost of the capital investment programme arising from latest delivery forecasts.
- Changes in specific grants are concentrated around Dedicated Schools Grant increases (increased funding that is passported to schools, increasing effective ‘expenditure’)
- Reduced contribution to the MTFs reserve (no change to the contribution to the general fund balance)

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

Local Member: All

Appendices

Areas of representation relating to the provisional LGFS and LGFS consultation

Provisional settlement 2025/26 consultation – by 15 Jan 2025[Consultation: provisional local government finance settlement 2025 to 2026 - GOV.UK](#)**KEY AREAS OF REPRESENTATION BEING MADE BY THE COUNCIL IN RESPECT OF THE PROVISIONAL LGFS****OVERVIEW**

The provisional settlement published by government sets out 4 key areas where Shropshire Council loses out. These are:

- 3.1% CSP increase year-to-year is below the 4% funding ‘floor’ applied by previous governments. This leaves the council £3.5m worse off.
- Removal of Rural Services Delivery Grant has been implemented removing £9m of Shropshire Council funding. This grant was previously paid to councils covering significant rural areas.
- Social Care Support Grant has been adjusted for the ability of councils to raise funds through the Social Care Precept. This has led to Shropshire Council effectively losing £12m by comparison with the previous allocation methodology.
- The Recovery Grant has been introduced, allocating significant sums to some councils where deprivation can be evidenced, but Shropshire Council does not benefit from this

The overall growth in CSP from the current year to next year is driven by anticipated local council tax receipts. There is no growth in government funding – this is in fact reduced.

	CSP	Ctax (local funding)	CSP excl Ctax (govt funding)
2024/25	340.2	206	134.2
2025/26	350.6	218	132.6
growth	3.1%	5.8%	-1.2%

The Core Spending Power (2025/26) analysis published by government includes a value of £121.5m set aside for the ‘funding floor’, but this has not yet been applied.

It would be possible to improve the outcome for Shropshire residents by allocating the £121m set aside for the funding floor (but not yet applied) through reinstating RSDG as well as reinstating the 4% funding floor. Both could be achieved within the set-aside amount, without changing the existing, improved funding proposals for the most deprived councils.

This would then recognise the clear pressures felt by rural councils in providing services to residents in isolated communities located in large geographies.

Further to the publication of the provisional LGFS this Council has been able to update the financial plan for the coming year.

This indicates that there are

- £11m of ‘demand management’ measures planned for the coming financial year which will reduce the anticipated cost of social care services.
- £8m of additional savings measures will need to be implemented to balance the budget
- £4m of savings previously agreed will also need to be implemented

Were the 4% floor and the RSDG reinstated, this would remove the need to implement £12m of savings. If the adjustment to SCSG was reconsidered for the likely impact on disabled residents in isolated areas this would reduce pressure on existing services and help to protect them, at least for 12 months.

The council can evidence delivery of savings to the value of £41.8m in the last financial year, and projected savings delivered in the current year to the value of £52m (£44m already identified as delivered).

The Council has a transformation programme in hand to sustainably reduce running costs beyond the recurrent savings already achieved in the coming years.

RURALITY AND SPARSITY

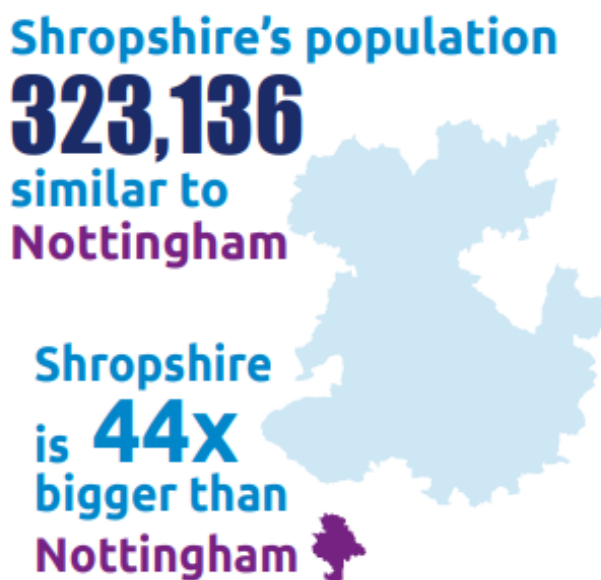
Addressing these losses is necessary in the view of the council, based on the metrics relating to the extent of the geography covered by Shropshire Council by comparison with other types of council. This is set out in more detail below.

Shropshire covers the 14th largest land area of the 320 councils in the England (4th percentile), with 320,000 hectares of land (about 1,200 square miles). This is illustrated in the chart below.

Shropshire is the 7th largest authority within the unitary authority group.

At 1,200 square miles, Shropshire Council **on its own** covers twice the area covered by the 33 London Boroughs.

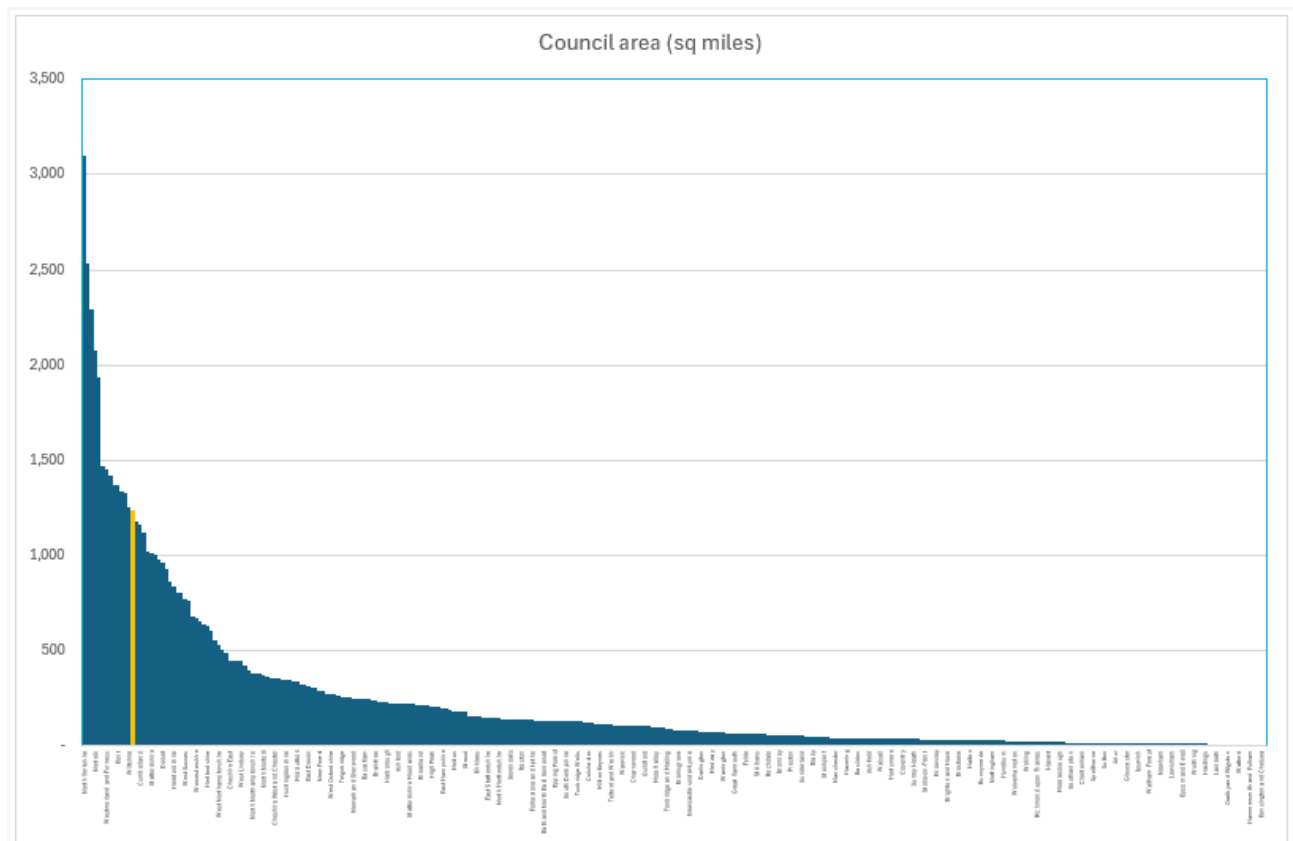
In a similar way, the graphic below demonstrates how the area covered by Shropshire is 44 times larger than Nottingham City Council but the populations covered are very similar.



<p>25% of the population are 65 or more England average 18.5%</p> 	<p>Shropshire has large employment base in low paid sectors (care, retail, hospitality)</p> <p>Gross weekly pay: West Midlands £552.50 Shropshire £532.90 Great Britain £586.70</p>	<p>Healthy Life Expectancy (age when health started to be affected eg by a long-term condition) for people living in Shropshire 2017-2019:</p> <p>Female – Shropshire 64.9 West Mids 62.6 England 63.5</p> <p>Male – Shropshire 64.6 West Mids 61.5 England 63.2</p> 
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The CSP growth proposed for Shropshire in 2025/26 based on the provisional LGFS is 3.1%, which is below the previous ‘floor’ at 4%. Manchester is proposed to receive 9.5% CSP growth. Manchester covers 45 square miles.

Shropshire is 27 times larger than Manchester.



Shropshire has the 16th longest road network. The combination of overall area to be covered and the lengths of roads being managed mean that

- The cost of home to school transport is disproportionately focused on mainstream pupils (rather than SEND)
- The cost of waste collection and disposal is higher as the distances for each property, the number of properties that can be visited in a given period of time is smaller (a collection round or a working day)
- The cost of home visits to support families is greater, as families will be spread across a larger area

- The cost of road maintenance and the number of potholes needed to be tackled is higher, and backlog maintenance increases more rapidly (and even where some minor roads are infrequently used, they are vital to support isolated communities and businesses – for example, delivery of machinery and feedstock to farms, ability to collect produce e.g. milk)
- Numbers of community buildings required (e.g. leisure centres, libraries etc) is greater to allow for longer travel times)

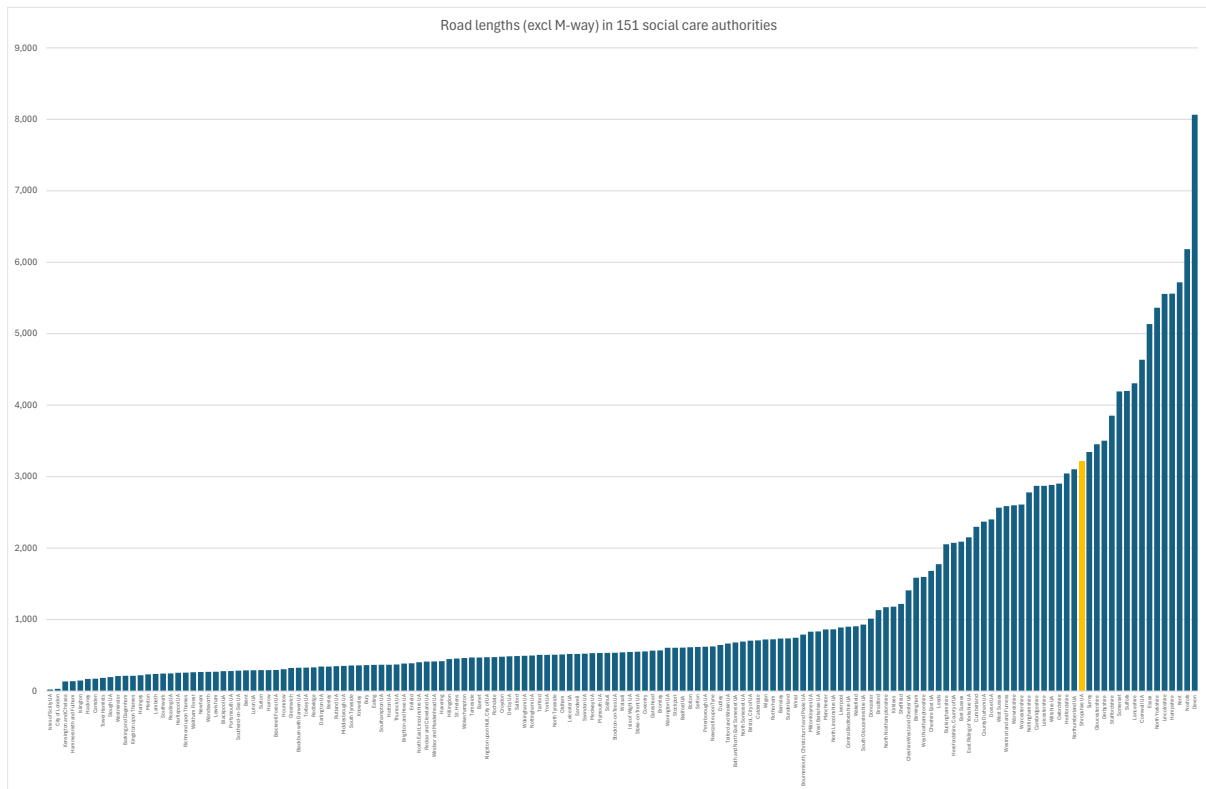
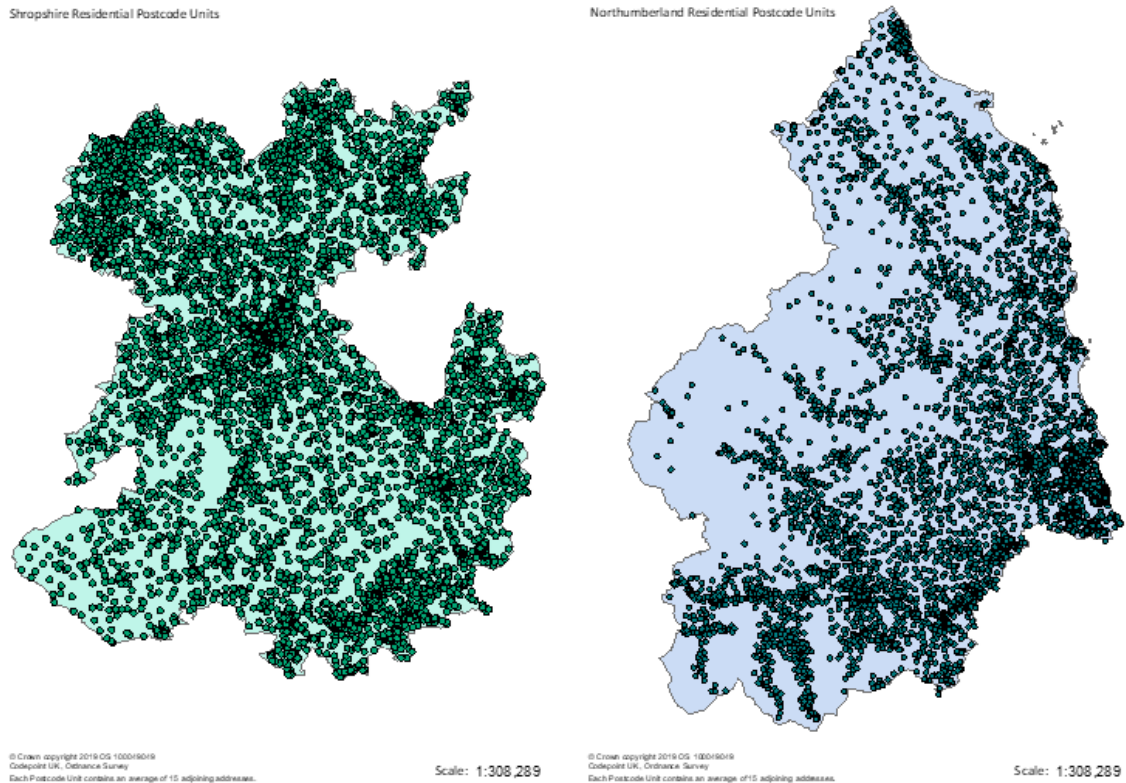


Figure d - road lengths

The maps below (to the same scale) show domestic properties by postcode units and compares Shropshire and Northumberland. Shropshire covers 1,200 square miles and Northumberland covers 1,900 square miles.

It is noticeable that Shropshire has a relatively even pattern of postcode units while Northumberland has significant population concentrations in the south east of the county and much sparser populations in north west.

This illustrates that the spending power for a rural council needs to be allocated in different ways across its geography – maintaining roads to support isolated businesses (especially farms), providing access to schools and culture and leisure opportunities, collecting and disposing of waste, undertaking social care home visits and providing domiciliary care etc.

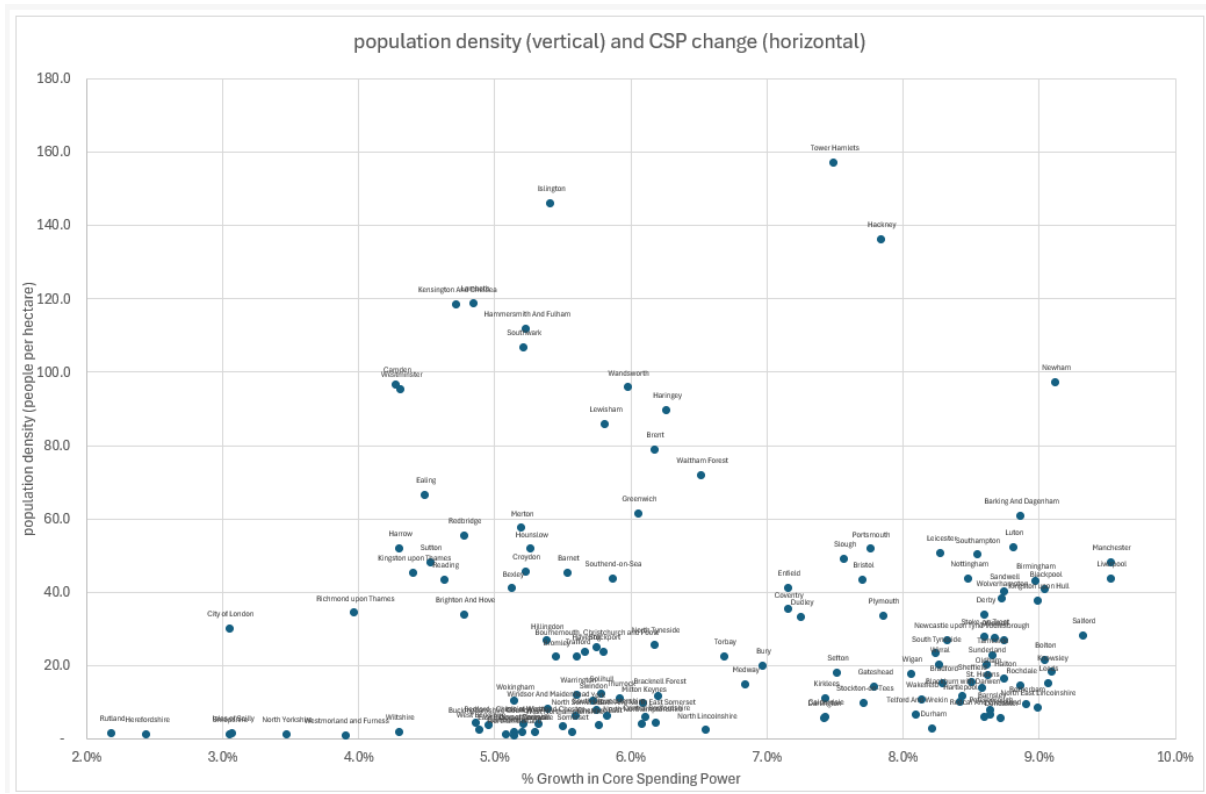


Correlation of CSP growth and population density

The chart below compares population density (vertical axis) with CSP growth in the LGFS (horizontal axis). The even scattering of councils (dots) across the lower part of the chart crosses all levels of proposed CSP growth.

This indicates that, after the removal of the 4% funding floor and the rural services delivery grant, there is no recognition in the CSP allocations of the cost pressures arising from working in a large geography.

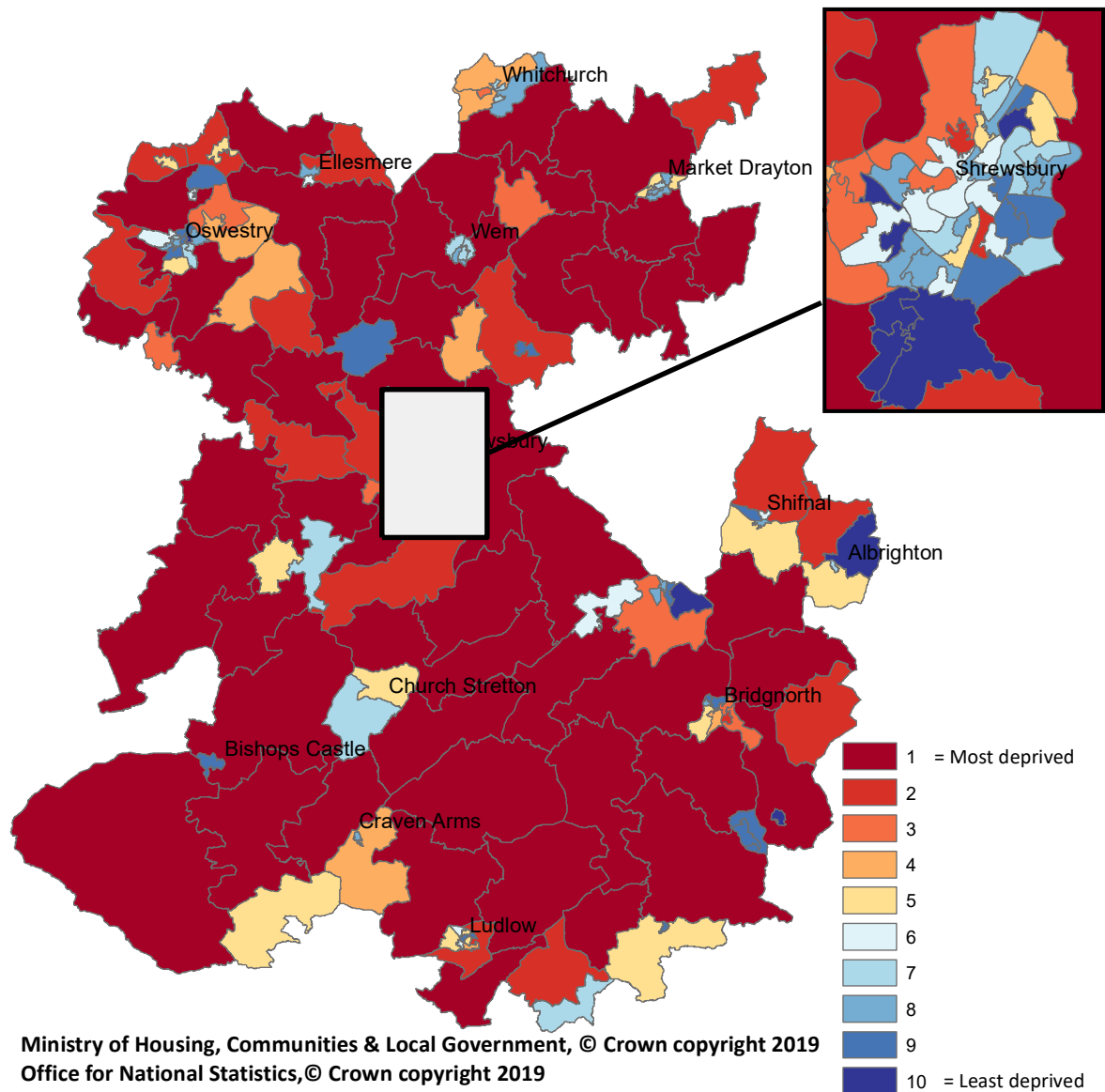
This will lead to a detriment to people with a protected characteristic, for example working age adults with learning disabilities.



Rural deprivation and the Index of Multiple Deprivation (IMD)

The IMD domain for Barriers to Housing and Services. This takes account of physical and financial access, for example to post offices, primary schools, general stores and supermarkets and GP Surgeries, as well as homelessness and affordable housing. The map below shows what this looks like for Shropshire. Forty-seven Shropshire LSOA’s are within the 10% most deprived nationally, 35 LSOAs in Shropshire are ranked within the 5% most deprived for the Barriers to Housing and Services Domain nationally.

This provides evidence that that deprivation is not just an urban issue – and tackling small pockets of rural deprivation in a sparsely populated area is a significant operational challenge for rural authorities.



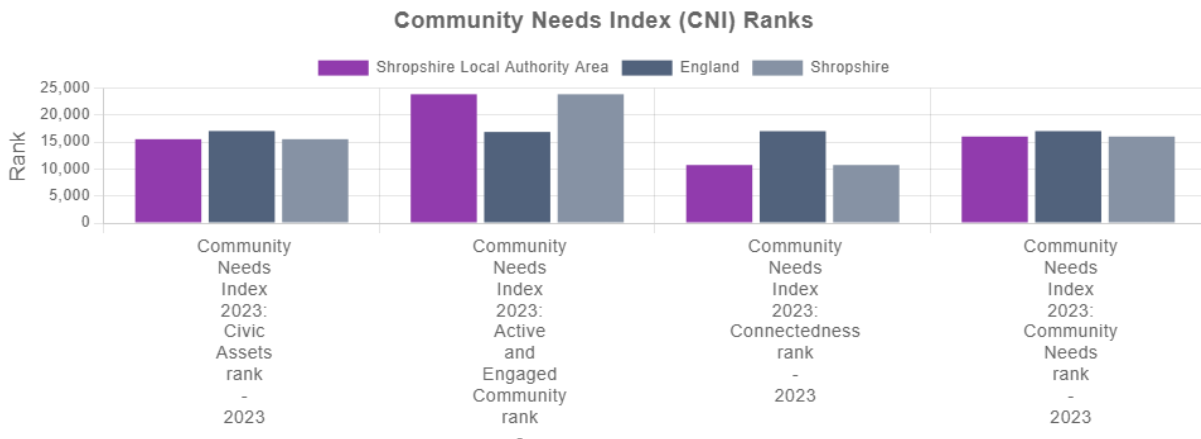
Community Needs Index

A useful measure that is relevant here is the 2023 Community Needs Index (CNI). Which was developed to identify areas experiencing poor community and civic infrastructure, relative isolation and low levels of participation in community life, created by combining a series of indicators under three domains:

- **Civic Assets:** the presence of key community, civic, educational and cultural assets in a close proximity of the area. E.g. pubs, libraries, green space, community centres, swimming pools.
- **Connectedness:** the connectivity to key services, digital infrastructure, isolation and strength of the local jobs market. E.g. Do residents have access to key services, such as health services, within a reasonable travel distance? How good is public transport and digital infrastructure? How strong is the local job market?
- **Active and Engaged Community:** the levels of third sector civic and community activity and barriers to participation and engagement. E.g. Are charities active in the area? Do people appear to be engaged in the broader civic life of their community?

Shropshire has an overall CNI rank of 16,033 which means that Shropshire has higher levels of community need than England (17,040). A lower rank indicates that an area has relatively higher levels of need.

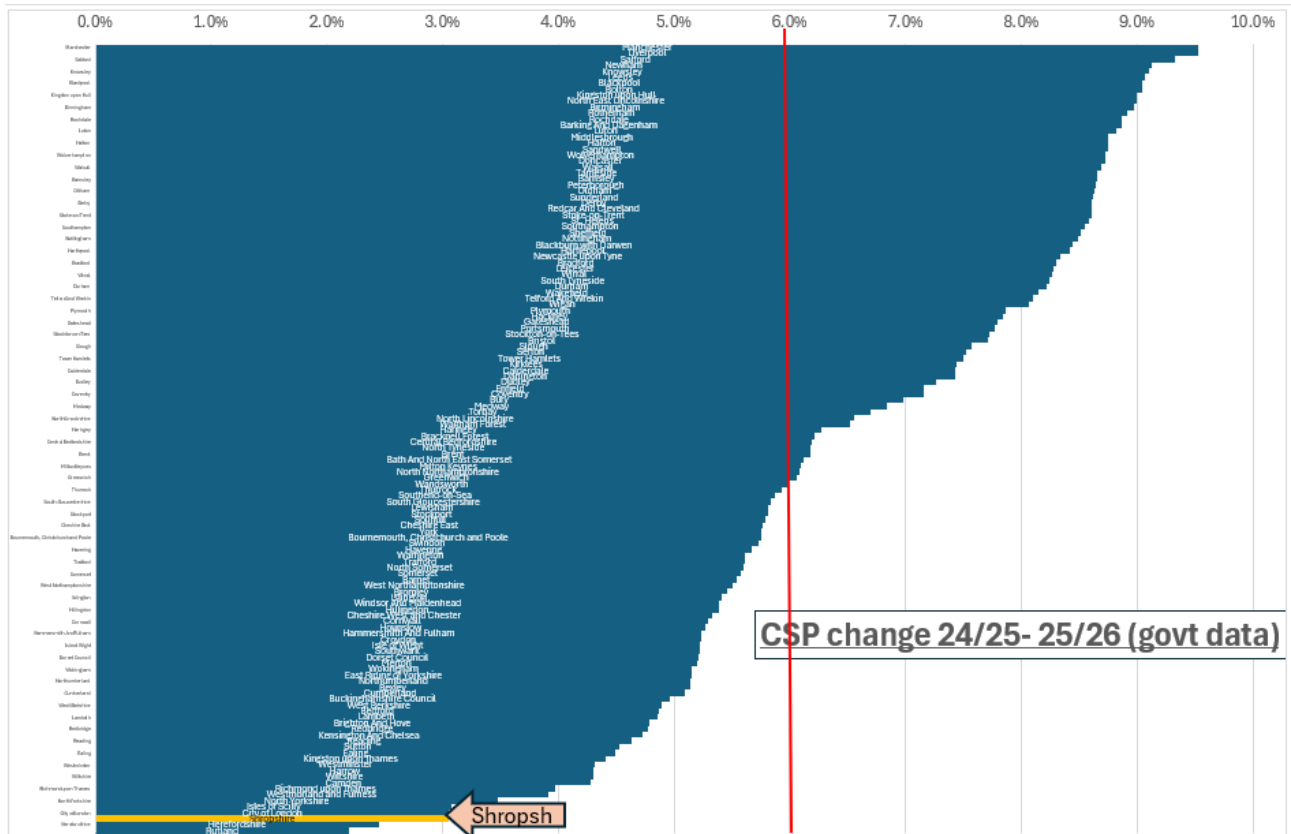
The chart below reflects Shropshire’s active and engaged communities, but significantly highlights issues with connectedness. It is not possible to properly address community needs without securing and maintaining a strong infrastructure of community assets, linked by adequately maintained roads, and supported through effective public transport.



LGFS POLICY DECISIONS BEING CHALLENGED

8. Removal of the 4% growth floor for CSP.

- This created a ‘safety net’ for all councils ensuring that no council received less growth than 4% overall. 4% equates to the approximate national impact of council tax increases of 4.99% (bearing in mind that council tax income is between 60% and 80% of income).
- Removal of this ‘floor’ has created a situation where 7 councils (including Shropshire) receive less than 4% - i.e. actual government funding is being reduced and the impact is being passed to local residents and council taxpayers.



9. Removal of Rural Services Delivery Grant

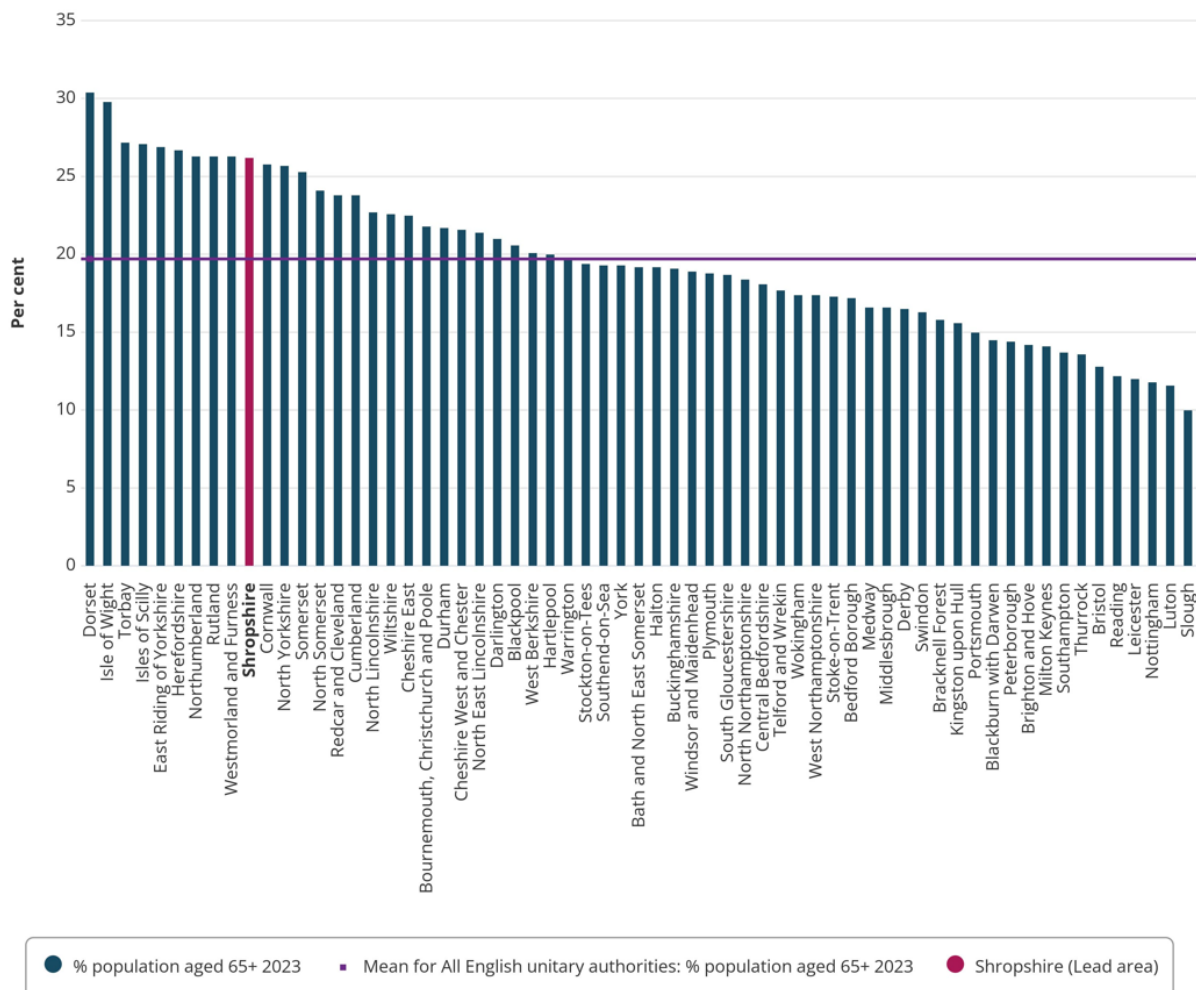
- In the current financial year, 75 Councils received a total of £95m in RSDG allocations.
- Of these, Shropshire received the 4th largest allocation.
- A sum of £121m within the £65bn national CSP is not yet allocated – government could reinstate the RSDG for 2025/26 with no impact on other aspects of the LGFS.
- The grant was established specifically to address the additional costs of service delivery in large rural areas, and the key recipients (>£1m) include:
 - North Yorkshire
 - Devon
 - Lincolnshire
 - Shropshire
 - Herefordshire
 - Westmorland and Furness
 - Norfolk
 - Cornwall
 - Wiltshire
 - Somerset
 - Cumberland
 - Dorset Council
 - Northumberland
 - Suffolk
 - East Riding of Yorkshire

10. Social Care Support Grant adjusted for deprivation

- The provisional settlement has applied an adjustment to the SCSG distribution based on the local ability to raise SCP.

- This means that sums have been deducted from ‘wealthier’ councils and moved to ‘poorer’ councils.
- While it is recognised that rural areas often benefit from a taxbase better suited to generating SCP via council tax and can therefore raise funds more quickly, it is also the case that many rural areas (such as Shropshire) have higher than average populations requiring social care support – for example, higher proportions of 85+ residents, 65+ residents, working age adults with care needs.
- Had the usual, previous distribution been applied, Shropshire would have received £13m more funding in the current year.
- A ‘floor’ to secure a minimum % increase, linked to overall relevant population numbers, would address this.

Proportion of population aged 65 and over (2023) for All English unitary authorities



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11. Introduction of a ‘recovery’ grant

- This new grant has not been applied to Shropshire.
- Manchester and Liverpool councils are key recipients of this new grant, receiving £20m each.
- Shropshire has core spending power per dwelling in the current year of £2,240 (taking the CSP of £340m and dividing it by the taxbase of 152,000).
- Manchester has CSP/dwelling of £2,607 – 16% higher than Shropshire.
- If Shropshire was allocated funding at the same level per dwelling as Manchester, we would receive an additional £56m.

12. Summary

Applying deprivation adjustments to SCSG, removing RSDG, removing the 4% CSP funding floor, and introducing the recovery grant is a package of measures that fundamentally disadvantages councils in rural areas with very low population density and highly dispersed, small pockets of localised deprivation.

The proposed approach set out in the LGFS needs to be reconsidered in terms of the cumulative impact on residents.