Public Document Pack

Shropshire Council

Shropshire Council
Legal and Democratic Services
Shirehall
Abbey Foregate
Shrewsbury
SY2 6ND

Date: Friday, 4 December 2020

Committee:
Cabinet

Date: **Monday, 14 December 2020**
Time: **1.00 pm**
Venue: **VIRTUAL MEETING -**

Members of the public will be able to listen to this meeting by clicking on this link:
www.shropshire.gov.uk/Cabinet14Dec2020

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- If using a mobile device, you will need to download the MS Teams app (free) before clicking the link
- Use the link at 1.00 pm on the day of the meeting and click on 'Join as Guest'
- You may receive an error message or a request for login details if you try to gain access before 1.00 pm

You are requested to attend the above meeting.
The Agenda is attached

Claire Porter, Director of Legal and Democratic Services (Monitoring Officer)

Members of Cabinet
Peter Nutting (Leader)
Steve Charmley (Deputy Leader)
Gwilym Butler
Dean Carroll
Lee Chapman
Steve Davenport
Robert Macey
David Minnery
Lezley Picton
Ed Potter

Committee Officer: Amanda Holyoak, 01743 257714 amanda.holyoak@shropshire.gov.uk

AGENDA

1 **Apologies for Absence**

2 **Disclosable Pecuniary Interests**

3 **Minutes**

To confirm the minutes of the meeting held on 7 December 2020, TO FOLLOW

4 **Public Question Time**

To receive any questions from members of the public, notice of which has been given in accordance with Procedure Rule 14. Deadline for notification is not later than 1.00 pm on Thursday 10 December 2020

5 **Member Question Time**

To receive any questions of which Members have given due notice, the deadline for notification for this meeting is 5.00 pm on Wednesday 9 December 2020.

6 **Scrutiny Items**

7 **Swimming Provision in Shrewsbury**

Lead Member – Councillor Lezley Picton – Portfolio Holder for Culture, Leisure, Waste and Communications

Report of Director of Place, TO FOLLOW

Contact: Mark Barrow 01743 258916

8 **Draft Climate Strategy and Action Plan** (Pages 1 - 40)

Lead Member – Councillor Dean Carroll, Portfolio Holder for Adult Social Services and Climate Change

Report of Director of Place attached

Contact: Mark Barrow 01743 258916

9 **Quarter 2 Corporate Performance Report** (Pages 41 - 52)

Lead Member – Councillor Lee Chapman – Portfolio Holder for Organisational Transformation and Digital Infrastructure

Report of Chief Executive attached

Contact: Andy Begley, 01743 258675

10 **Financial Monitoring 2020/21 Quarter 2** (Pages 53 - 94)

Lead Member – Councillor David Minnery – Portfolio Holder Finance and Corporate Support

Report of Director of Finance, Governance and Assurance attached

Contact: James Walton 01743 258915

11 **Treasury Management Update Quarter 2 2020/21** (Pages 95 - 116)

Lead Member – Councillor David Minnery – Portfolio Holder Finance and Corporate Support

Report of Director of Finance, Governance and Assurance attached

Contact: James Walton 01743 258915

12 **Setting the Council Tax Taxbase for 2021/22** (Pages 117 - 140)

Lead Member – Councillor David Minnery – Portfolio Holder Finance and Corporate Support

Report of Director of Finance, Governance and Assurance attached

Contact: James Walton 01743 258915

13 **Financial Strategy 2021/22 - 2025/26** (Pages 141 - 174)

Lead Member – Councillor David Minnery – Portfolio Holder Finance and Corporate Support

Report of Director of Finance, Governance and Assurance attached

Contact: James Walton 01743 258915

14 **Treasury Strategy 2020/21 Mid year Review** (Pages 175 - 196)

Lead Member – Councillor David Minnery – Portfolio Holder Finance and Corporate Support

Report of Director of Finance, Governance and Assurance attached

Contact: James Walton 01743 258915

15 **Land at Shrewsbury Flaxmill Compulsory Purchase Order** (Pages 197 - 226)

Lead Member – Councillor David Minnery – Portfolio Holder Finance and Corporate Support

Report of Director of Finance, Governance and Assurance attached

Contact: James Walton 01743 258915

16 **Exclusion of Press and Public**

To resolve that in accordance with the provisions of Schedule 12A of the Local Government Act 1972 and Paragraph 10.4 (3) of the Council's Access to Information Rules, the public and press be excluded from the meeting during the consideration of the following items.

17 Business Park Programme (Pages 227 - 246)

Lead Member – Councillor Steve Charmley – Deputy Leader and Portfolio Holder for Assets, Economic Growth and Regeneration attached

Report of Director of Place, attached

Contact: Mark Barrow 01743 258916

18 Preferred Providers for Free Schools In Shrewsbury (Pages 247 - 278)

Lead Member – Councillor Ed Potter – Portfolio Holder for Children's Services

Report of the Director of Children's Services attached

Contact: Karen Bradshaw 01743 254201

Committee and Date	Item
Cabinet 14 December 2020	Public

CORPORATE CLIMATE STRATEGY AND ACTION PLAN 2021

Responsible Officer Mark Barrow, Executive Director Place
e-mail: mark.barrow@shropshire.gov.uk Tel: 01743 258919

1. Summary

1.1 The mitigation of greenhouse gas emissions and adaptation measures to build resilience are now essential to prevent the worst outcomes of the climate emergency. Shropshire Council declared a climate emergency in May 2019 and adopted a Climate Strategy Framework, which established the objective of achieving net-zero carbon performance for Shropshire Council by 2030 in December 2019. An internal officer working group was established in April 2019 and the Climate Change Task Force was established to lead the Council's response in November 2019.

1.2 The early efforts of the Task Force have been directed towards embedding climate change as a key consideration in the Council's strategies and corporate governance systems. Considering the impact of our activities on the climate has been adopted as one of the eight organisation principles for the council. A range of projects and initiatives are being developed to help the Council improve its own performance and to demonstrate 'leadership by example' to help foster similar action across the wider economy and communities in Shropshire. The Task Force has strongly supported the establishment of the new community-led Shropshire Climate Action Partnership (SCAP) which is leading efforts to tackle carbon emissions across the county as a whole.

1.3 A commitment was given at Council in December 2019 to consult on a draft Climate Emergency Strategy and report the findings to Council with a final version of the Strategy. Since that commitment was given, we have revised our consultation approach to reflect changing circumstances. Preparation of the draft corporate Climate Strategy (Appendix 1) has already drawn on community engagement through the Council's quarterly Sustainability Forum and summarises the best available information about the Council's current direct and indirect carbon emissions and identifies the scale of reductions and residual offsetting which will be required to reach our objective of net-zero performance by 2030. The Action Plan element of the document reflects the findings of a community engagement workshop in February 2020 and identifies a range of potential actions and a pipeline of specific projects to help deliver progress.

1.4 However, we are facing a climate emergency and urgent action is therefore required. This is a fast-moving area of work and information about climate

change, carbon performance and management technologies is changing all the time. In these circumstances it is not proposed to hold a formal consultation process on the Strategy as originally proposed, but instead to publish the corporate Strategy as a ‘live’ document with a general invitation for public comments and suggestions for amendment which can be taken into account as part of an annual monitoring and review process. Subject to the views of Cabinet, the corporate Strategy and Action Plan will be recommended for approval by Council on 17th December.

2. Recommendations

A. That Cabinet recommend that Council approves the Corporate Climate Emergency Strategy, Action Plan and Project Pipeline 2020 (Appendices 1 and 2);

REPORT

3. Risk Assessment and Opportunities Appraisal

3.1 The climate crisis is a serious threat to civilised society and the lives of millions of people both globally nationally and locally. The mitigation of greenhouse gas emissions and adaptation measures to build resilience is now urgent and essential to prevent the worst outcomes of the climate crisis. Even if we are successful in mitigating the worst effects, we will continue to experience more pronounced and frequent episodes of extreme weather effects. Within 50 years there is a global threat to food supply chains and economic systems. The much greater frequency of extreme weather events will significantly increase insurance risks and disrupt financial markets. In addition to financial impacts, Climate Change threatens continued access to adequate energy, water, food and housing which are all essential human necessities which affect the health, wellbeing and future resilience of our communities.

3.2 The climate crisis therefore represents a significant strategic risk to Shropshire and the delivery of Council and public services. This risk is most likely to manifest itself in terms of financial impacts (e.g. operating costs, impacts on the Shropshire economy) and impacts on the health and well-being of staff and residents as service users.

3.3 Taking active steps through the adoption of a corporate Climate Strategy and Action Plan and supporting wider community efforts will allow the Council to make a demonstrable contribution to reducing the carbon footprint of the wider county, as well as ‘leading by example’ by reducing its own carbon footprint. Through its regulatory role and procurement decisions, Shropshire Council is in a position to make a strong positive contribution to help the wider Shropshire community make a positive transition to a low carbon future.

3.4 An Equality and Social Inclusion Impact Assessment (ESIIA) has been carried out on the draft documentation. This screening indicates that the corporate Climate Strategy and Action Plan are likely to have a positive effect on all groups in society and is intended to do so, given its objective of addressing Shropshire Council’s contribution to the climate emergency. The climate emergency will have significant impacts on the whole of Shropshire and all its diverse communities, from those living or working in our rural areas to those living or working in our market towns, as well as those that travel into our county and across our porous borders.

3.5 The Corporate Climate Strategy is expected to generate a positive impact in equality terms and in terms of health and well-being, for:

- Council staff and service users, and partner agency staff;
- Children and young people and vulnerable households across Shropshire including families, older people and people on low incomes who are likely to be most susceptible to adverse impacts from extreme weather events;
- People living in rural households who are off the energy grid;

3.6 It is not possible at this stage to say with certainty what the likely impacts of the new corporate strategy will be upon specific sectors of the Shropshire economy and upon groupings within the community. Council officers will continue to work with local Parish Councils and Town Councils, community groups and elected Members to communicate the rationale for actions to address the climate emergency and to help mitigate or enhance potential impacts on specific parts of the community.

3.7 Individual Council services will need to engage with their staff and service users to explore the need for, and implications of, service changes which may result from the adoption of carbon reduction measures. The Council will need to keep abreast of national good practice in order to maximise opportunities for equality and social inclusion within the overall policy context of addressing the climate emergency.

4. Financial Implications

4.1. Measures to reduce Shropshire Council's carbon footprint and adapt service delivery to address the impacts of extreme weather events will significantly reduce financial risk and potentially generate revenue savings as well as delivering on our corporate responsibilities to the environment and our communities. Improving Shropshire Council's carbon performance and resilience will however require significant capital investment in energy efficiency, low carbon technologies and renewable energy generation.

4.2. Access to the Council's Capital Programme will be pursued where projects will be appraised on an individual basis following the process detailed in the Capital Strategy. Each initiative in the climate strategy would need to be evaluated on its own merits prior to inclusion in the Capital Programme. Some projects delivered in partnership with others may lead to commercial income being generated.

4.3. However, failing to reduce the Council's carbon footprint and implement climate change adaptation measures represents a financial threat to both revenue costs and the value of the Council's capital assets. This means that there is an incentive for the Council to 'Invest to Save' to mitigate the risk of future costs.

4.4. Many measures to reduce dependence on greenhouse gasses also offer opportunities to both generate a financial return and to provide community leadership which highlights the 'clean growth' economic potential of new technologies and adaptation measures in the Shropshire context.

5. Climate Change Appraisal

5.1 **Energy and fuel consumption:** The corporate Climate Strategy and Action Plan have been developed to drive the delivery of actions to improve energy efficiency and carbon performance across Council Services;

5.2 **Renewable energy generation**: The corporate Climate Strategy and Action Plan have been developed to drive the delivery of additional generation of renewable energy from a range of technologies on Council land and buildings;

5.3 **Carbon offsetting or mitigation**: The corporate Climate Strategy and Action Plan have been developed to drive the delivery of efforts to capture and store carbon and to mitigate the effects of climate change on biodiversity through the management of Council land;

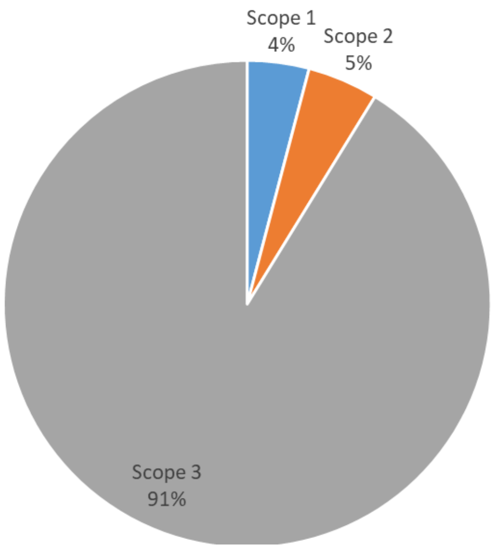
5.4 **Climate Change adaptation:** The corporate Climate Strategy and Action Plan have been developed to drive the delivery of efforts to ensure that Council services and assets are resilient in the face of the challenges of more extreme weather events.

6. Background

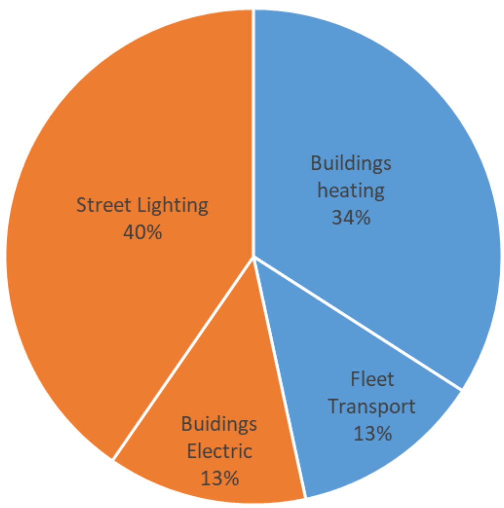
Corporate Carbon Footprint 2019

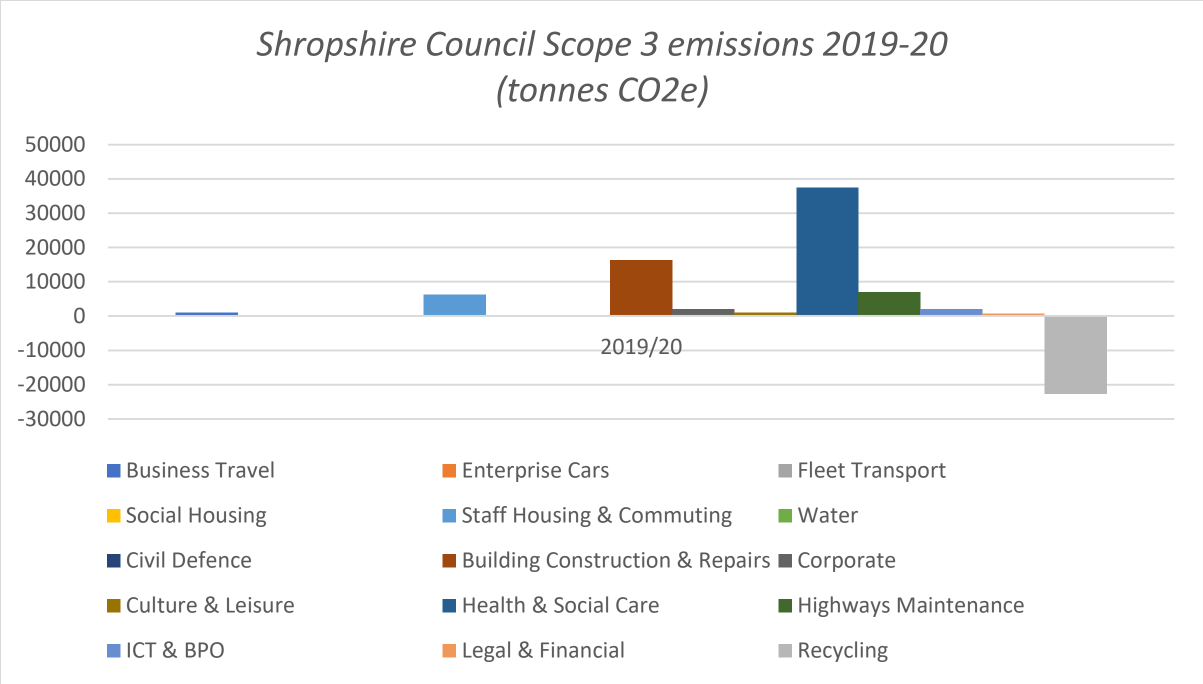
6.1 The best available data suggests that Shropshire Council's carbon footprint (Scope 1 & 2) has fallen from around 12,000 tonnes CO2e in 2017 to around 5,000 tonnes CO2e in 2019. The Council's indirect emissions (Scope 3) are assessed as being around 50,000 tonnes CO2e in 2019 (see charts below). Whilst the Council's footprint represents only around 1% of Shropshire's total carbon footprint, work is ongoing to refine performance data and establish an accurate picture to support annual monitoring.

Shropshire Council Carbon Footprint 2019-20 (tonnes CO2e)



Shropshire Council Scope 1 & 2 emissions 2019-20 (tonnes CO2e)





6.2 The graphs above show that the majority of the Council's carbon emissions are generated from indirect activity, such as services which are commissioned from commercial providers, the repair and maintenance of its buildings and from staff housing and commuting. The waste management contract operated by Veolia generates a net carbon saving of around 23,000 tonnes mainly because of the high levels of recycling in the county. The Council's current carbon footprint is already offset to some extent through carbon capture and storage on land holdings such as countryside sites, which in total currently capture and store around 2,000 tonnes CO2e per year.

6.3 Shropshire Council was already working to reduce its' carbon footprint and direct impact on the climate prior to the declaration of a climate emergency in May 2019. An internal officer working group was established in April 2019 and the Climate Change Task Force was established under the leadership of Adrian Cooper in November 2019. A Climate Strategy Framework, which established the objective of achieving net-zero carbon performance for Shropshire Council and set out the scale of the challenge, key objectives and principles and a route map for our response was approved by Council in December 2019. An update on progress was reported to Performance Management Scrutiny Committee in July 2020.

Climate Task Force - Progress to Date

6.4 The early efforts of the Task Force have been directed towards embedding and normalising climate change as a key consideration in the Council's culture, strategies and corporate governance systems. This is reflected in the fact that climate action appraisals are now an integral part of all committee reports and major development and investment projects. Key staff from across the full range of council services have been provided with carbon literacy training to equip them with the knowledge and skills they need to broaden ownership of the issue and improve our corporate performance.

6.5 Alongside these initiatives, the Task Force is supporting the development of a wide range of projects to 'power down' energy consumption for Council buildings and transport, 'power up' the generation of renewable energy on Council land and buildings and support the capture and storage of carbon on Council-managed land. The current pipeline of projects is described as part of the Action Plan attached in Appendix 2, but of particular note are:

i. Work to assess the feasibility of a 2 MW solar farm on the former landfill site at Maesbury Road, Oswestry, which could supply electricity direct to local companies in the neighbouring industrial estate;

ii. Work to assess the feasibility of the manufacture of 'green' hydrogen as a vehicle fuel for heavy commercial vehicles in both the Council's fleet and that of its contractors, using electricity from the Battlefield Energy Recovery Facility.

Future progress with these and subsequent projects will be reported as part of an annual monitoring and review process.

7. Corporate Climate Emergency Strategy and Action Plan 2021

7.1 A copy of the draft Strategy is attached as Appendix 1. Its key features are summarised in the Table below. A copy of the Action Plan and Project Pipeline is attached as Appendix 2 and identifies a range of potential actions and a pipeline of specific projects, both for the forthcoming 12 months and those that are under development for the longer term.

Summary of Corporate Strategy

Theme	2030 Objective	Planned Measures
Power Down: Buildings Energy	Reduce 2019 annual emissions by 50% to 2,360 tonnes CO2e	• Rationalise the number of buildings to only those essential for the sustainable delivery of Council Services (Corporate Asset Management Strategy); • Reduce energy demand from our buildings through a comprehensive programme of fabric and technology upgrades; • Performance monitoring and control systems, together with staff and user training; • Meet the residual energy demand from renewable energy and carbon neutral sources; • Construct new buildings to Passivhaus standard, wherever possible and viable.
Power Down: Transport and Travel Energy	Reduce 2019 annual emissions by 70% to 1,930 tonnes CO2e	• Reduce the need for staff travel through improved access to local office facilities and greater home working and normalising the use of IT and communications technology wherever possible; • Encourage the use of active modes and public transport for shorter journeys;

Theme	**2030 Objective**	**Planned Measures**
		• Progressively replace Council Fleet vehicles with those powered by Ultra-Low emission fuels such as electricity and hydrogen;
Power Down: Commissioned Services	Reduce 2019 annual emissions by 65% to 27,686 tonnes CO2e	• Update procurement policies to highlight the importance of carbon performance as a consideration in procurement; • Work with the suppliers of goods and services to reduce indirect (Scope 3) carbon emissions;
Power Down: Resource consumption and waste	Reduce annual carbon emissions from water consumption and waste generation by 70% to 9 tonnes CO2e by 2030	• Reduce water consumption through a comprehensive retrofit programme of Council buildings; • Introduce performance monitoring and control systems, together with staff and user training; • Actively promote the procurement of recycled materials and the re-use and recycling of waste materials.
Power Up: Renewable Energy Generation	Shropshire Council to become energy self-sufficient by 2030 for buildings and travel: 60 mW*	• Review Council land and building assets for renewable energy generation potential; • New-build and retrofitted buildings to maximise energy self-sufficiency; • Where energy cannot be used to power Shropshire Council services direct, work with other public sector organisations and local businesses to explore how renewable energy generation from Council land and buildings could help to meet their energy needs and generate carbon credits.
Carbon capture and storage:	Increase 2019 performance by 4,509 tonnes CO2e to 27,686 tonnes CO2e	• Work with Veolia to further increase existing positive carbon performance of commissioned municipal waste management; • Review Council owned land for opportunities to increase existing capture and storage of carbon through e.g. tree planting, wetland creation and management; • Work with farmers, landowners and land managers to develop initiatives to capture and store any residual corporate carbon footprint.

* *Estimated power production requirement; assumes 25% efficiency gain and that all buildings are converted from fossil fuel heating and all travel by electric vehicles ;*

- *Strategy relates to Shropshire Council corporate carbon emissions only;*
- *Based on best available data for 2019 performance;*
- *Based on current technologies;*
- *Separate Climate resilience and adaptation strategy will be required.*

7.2 Climate Change is a rapidly evolving area of work and the Strategy will almost certainly need to be reviewed and modified in future years to reflect technology changes and enhanced data.

Carbon Budget

7.3 Shropshire Council has agreed the principle of preparing an annual Carbon Impact Budget which will identify the greenhouse gas impacts of Council services and major projects and will report on annual performance trends in parallel with the Council's financial budget. The starting point for this budget is our current corporate footprint, and the corporate Strategy illustrates a trajectory and the indicative annual targets for future years which will be required to achieve the objective of net-zero performance by 2030. The level of annual reduction required is similar to the percentage reductions achieved in recent years (see paragraph 6.1 above).

8. Shropshire Climate Action Partnership

8.1 In addition to efforts to tackle its own carbon emissions, and as a key community leader, Shropshire Council is one of the key founders and supporters of the community-led 'Shropshire Climate Action Partnership' (SCAP) which has set the objective of achieving net-zero carbon performance across Shropshire by 2030 and an initial target of preparing a county-wide Climate Strategy and Action Plan by the end of 2020. Further information is available here: https://zerocarbonshropshire.org/ The Partnership is being supported by volunteers drawn from a wide range of business sectors and communities across Shropshire and has established a number of Technical Working Groups to develop a vision and actions for topic areas including:

- Land and biodiversity
- Energy
- Buildings
- Transport
- Consumption and resources
- Carbon tracking and reporting

9. Conclusions

9.1 Whilst the transition to net-zero performance will not be easy or quick to achieve, a positive start has been made to identifying the scale of the challenge and putting in place some of the mechanisms and actions which will be required to deliver it. Annual monitoring and review will report the Council's future progress and performance.

List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information) Shropshire Council Climate Change Strategy Framework (December 2019)
Cabinet Member (Portfolio Holder) Dean Carroll
Local Member All
Appendices 1. Shropshire Climate Change Strategy; 2. Shropshire Climate Action Plan and Project Pipeline

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Shropshire Council

Towards Net-Zero Carbon

Corporate Climate Strategy

Climate Change Task Force
November 2020

1. Introduction

1.1. This purpose of this document is to outline a strategy to reduce Shropshire Council's corporate carbon footprint and promote adaptation measures to increase the resilience of the Council's services.

1.2. Shropshire Council declared a climate emergency in May 2019 and agreed a Strategy Framework in December 2019 which established the objective of net-zero corporate carbon performance by 2030. The Strategy Framework also identified the risks posed by the climate crisis to Council services, together with information about the Council's direct carbon footprint and the actions and initiatives which were already being undertaken to reduce this. Finally, it also set out a set of key principles to guide the Council's actions.

1.3. Measures to reduce Shropshire Council's carbon footprint and adapt service delivery to address the impacts of extreme weather events will significantly reduce financial risk and generate very real savings to the public finances in the medium to long term as well as delivering on our corporate responsibilities to the environment and our communities. Placing the initial focus on our corporate performance allows the Council to 'lead by example', using its direct and indirect influence to foster a positive response to the challenge of the Climate Emergency by other public and private sector organisations.

1.5 Preparation of the Strategy has drawn on community engagement through the Council's quarterly Sustainability Forum and summarises the best available information about the Council's current direct and indirect carbon emissions and identifies the scale of reductions and residual offsetting which will be required to reach our objective of net-zero performance by 2030. The Action Plan element of the document reflects the findings of a community engagement workshop in February 2020 and identifies a range of potential actions and a pipeline of specific projects to help deliver progress.

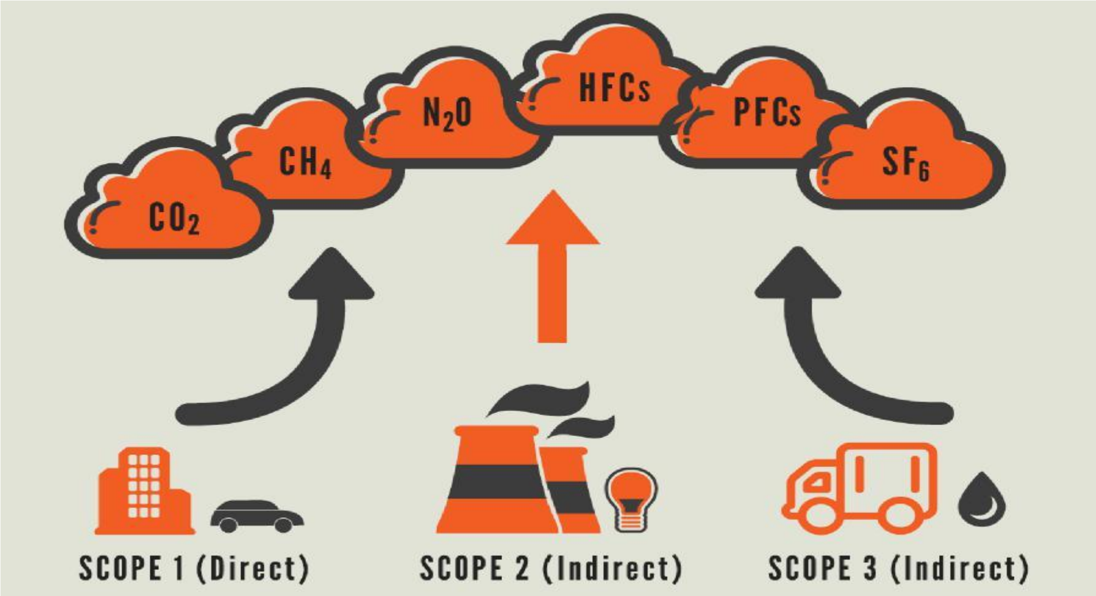
1.6 However, we are facing a climate emergency and urgent action is therefore required. This is a fast-moving area of work and information about climate change, carbon performance and management technologies are changing all the time. In these circumstances it is not proposed to hold a formal consultation process on the Strategy, but instead to treat the corporate Strategy as a 'live' document and issue a general invitation for comments and suggestions for amendment which can be taken into account as part of an annual monitoring and review process. More detailed background information available at: https://www.shropshire.gov.uk/climate-change-and-sustainability/

2. Shropshire Council's Carbon Performance

The Greenhouse Gas Protocol

2.1. Greenhouse gas emissions are categorised into three groups or 'scopes' by the most widely-used international accounting tool, the Greenhouse Gas (GHG) Protocol. As illustrated in Figure 1 and Table 1 below, Scope 1 covers direct emissions sources (e.g. gas boilers and fuel used in company vehicles), Scope 2 and 3 emissions cover indirect emissions.

Figure 1: Sources of corporate carbon emissions



2.2. A value chain carbon footprint measures both direct and indirect greenhouse gas emissions of an organisation. Emissions are categorised across an organisation's value chain, including upstream and downstream activities. These include emissions from both suppliers and consumers (**Error! Reference source not found.**). Shropshire Council's corporate climate footprint is illustrated in Figure 2 and Figure 3 below:

Figure 2: Shropshire Council Carbon Footprint 2019-20 (tonnes CO2e) by scope

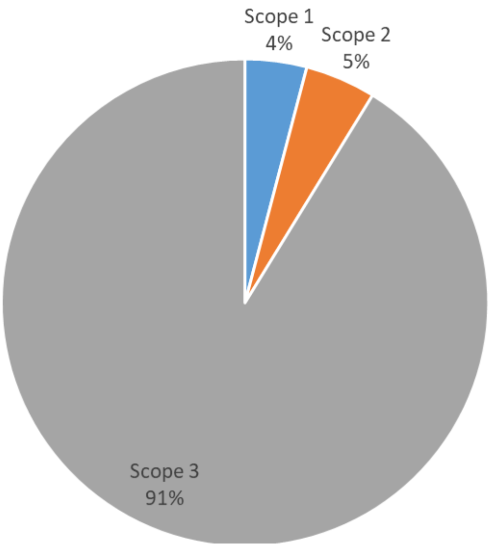


Figure 3: Scope 1 & 2 emissions 2019-20 (tonnes CO2e)

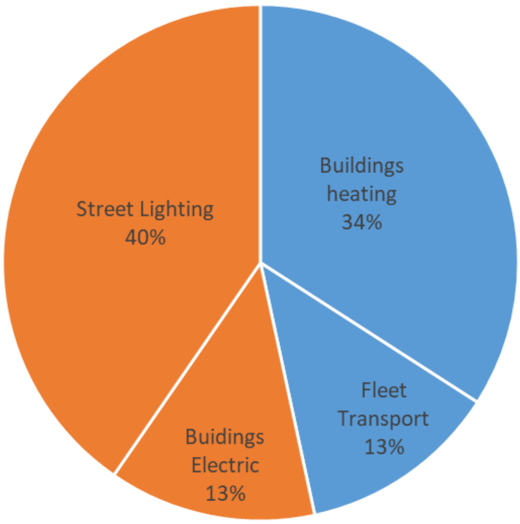
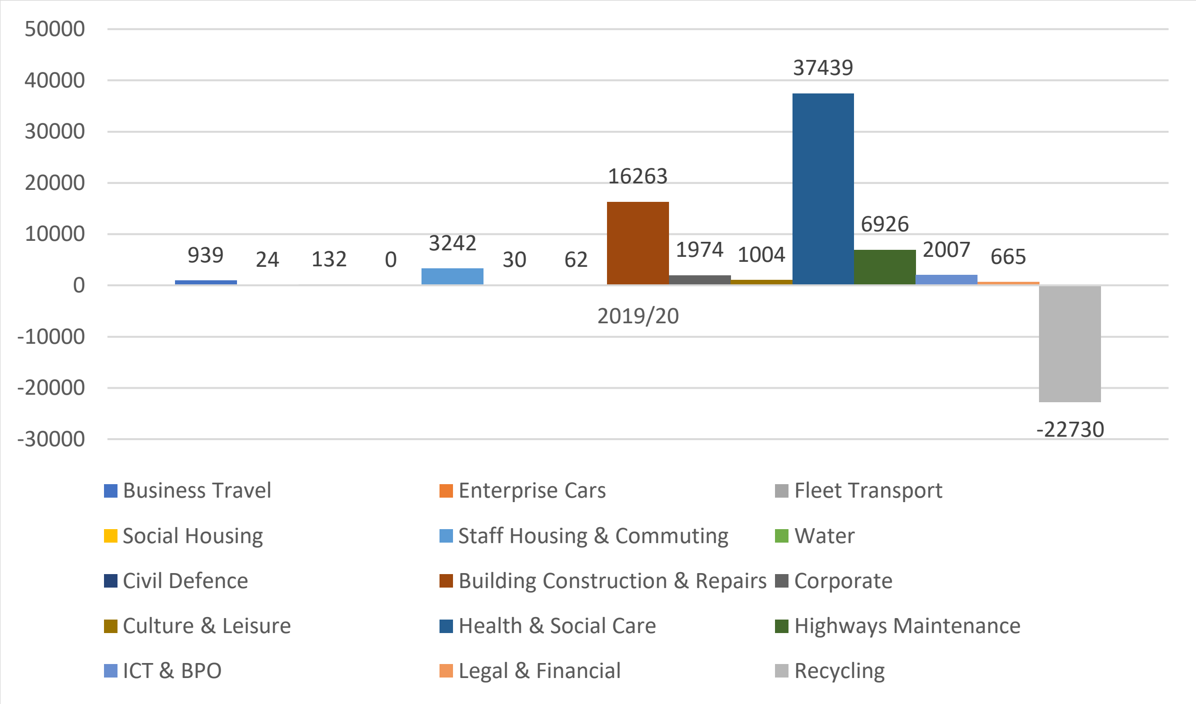


Figure 4. Shropshire Council Scope 3 (indirect) emissions for 2019 to 2020 (tCO2e)



2.3 The best available data suggests that Shropshire Council's carbon footprint (Scope 1 & 2) has fallen from around 12,000 tonnes CO2e in 2017 to around 5,000 tonnes CO2e in 2019. The Council's indirect emissions (Scope 3) are assessed as being around 50,000 tonnes CO2e in 2019 (see Figs. 2-4 above and Table 1 below). Whilst the Council's footprint represents only around 1% of Shropshire's total carbon footprint, work is ongoing to refine performance data and establish an accurate picture to support annual monitoring. The data above show that the majority of the Council's carbon emissions are generated from indirect activity, such as services which are commissioned from commercial providers, the repair and maintenance of its buildings and from staff housing and commuting.

Table 1: Sources of carbon: Shropshire Council (tonnes CO2e)

Scope	Category	Organisational Scope	2019/20
1	Buildings heating	Corporate Landlord services: • Community centres. • Libraries. • Service Area Buildings. • Staff Offices	1,688
1	Fleet Transport	• Internal combustion engine (ICE) vehicles. • Grey fleet (vans, goods) • Passenger Transport	621

Scope	Category	Organisational Scope	2019/20
2	Buildings Electric	• Emissions from National Grid purchased electricity for council buildings.	644
2	Street Lighting	• Emissions from National Grid purchased electricity for council buildings.	1,999
3	Business Travel	• Bus, train, plane etc. • Business meetings. • Leased vehicles.	939
3	Enterprise Car Club	• Business travel	24
3	Fleet Transport	• Vehicles used as part of contracted services	132
3	Social Housing*		0
3	Staff Housing & Commuting	• Home working & commuting	3,242
3	Water		30
3	Civil Defence	• Procured service*	62
3	Building Construction & Repairs	• Procured service*	16,263
3	Corporate	• Procured service*	1,974
3	Culture & Leisure	• Procured service*	1,004
3	Health & Social Care	• Procured service*	37439
3	Highways Maintenance	• Procured service*	6,926
3	ICT & BPO	• Procured service*	2007
3	Legal & Financial	• Procured service*	665
3	Misc	• Procured service*	481
Gross			**76,139**
CR	Municipal Recycling	Procured service^	-22,730
CR	Land management	Carbon capture and storage^	-2,000
TOTAL	**Corporate Carbon FP**		**51,409**

** Calculated from annual spending using a standard DEFRA co-efficient*
^CR (carbon credits) recognises that some services consume more carbon than they generate

Exclusions

2.3 The following datasets have been excluded:

1. Third party buildings: (Leisure services, school academy trusts and PFI buildings) – data availability;
2. Commercial waste generated by Shropshire Council – data availability;
3. Staff Pensions – this is the legal responsibility of the Shropshire County Pension Scheme;
4. Social housing - data from third party operators is required.

Carbon Credits

2.4 Some of the Council's commissioned services and land management activities consume more carbon than they generate (see Table 1 above). In particular, the waste management contract operated by Veolia generates a net carbon saving of around 23,000 tonnes mainly because of the high levels of recycling in the county. The Council's current carbon footprint is also offset to some extent through carbon capture and storage on land holdings such as countryside sites, which in total currently capture and store around 2,000 tonnes CO2e per year.

Transport Fleet Clarification (Scope 1)

2.5 Greenhouse gases (GHG's) are a direct consequence of ICE (internal combustion engines), a mobile source of direct emissions. As such, the Transport Fleet is a key contributor to Scope 1. As well as being a greenhouse gas, such emissions also have an adverse effect on local air quality, which affects health and wellbeing. In addition, because of road transport bias; the cost of climate change impacts should be considered in NHS costs, road maintenance due to extreme weather events, flooding, drainage and erosion costs.

Building Utilities Clarification (Scope 1 & 2)

2.6 Scope 1 includes static sources (direct emissions) as still found in some buildings (oil and gas heating). Scope 2 includes grid-sourced electricity. The level of both scope 1 and 2 emissions will be heavily influenced by the building efficiency.

Procurement Clarification (Scope 3)

2.7 Scope 3 is third party and supply chain emissions and basically everything else unaccounted for in Scope 1 and 2. This includes goods and services procured upstream and downstream to the organisation. Although this cannot currently be measured from specific performance data, DEFRA coefficients may be used to evaluate the carbon factor by service type based on the monetary value of the annual contract for downstream expenditure. This will be refined in future years as local data becomes more available.

Business Travel (Scope 3)

2.8 Staff commuting and business travel: Staff are encouraged to work from home, carry out meetings by teleconference or if meetings are necessary, to use public transport or efficient vehicles. However, public transport and air miles have not been included.

Contracted Work (Scope 3)

2.9 Decision making in design to ensure minimum embodied carbon. Procurement of contractors will have a significant impact on the Councils net GHG (CO_2e) footprint as well as associated cost for procuring services. Scope 3 emissions also include third-party contractors, supply chains, (embodied carbon in materials and equipment). Services should refer to procurement guidance when tendering goods and services. For example, the encouragement to procure efficient vehicles to reduce emissions:

- Specify efficient vehicle in terms of emissions and running costs for all services.
- Procuring local contractors (short distance to reduce scope 3 emissions).

Financial Investments (Scope 3)

2.10 Staff pensions and corporate investments depending on their sector. Services or investments monetarily connected to Shropshire Council even if legally detached. Staff pensions are directly linked to the council by virtue of its employees.

Staff Housing and Social Housing (Scope 3)

2.11 Includes staff home energy use – which is likely to become especially important from 2020 due to increased working from home directive during the Covid 19 Pandemic.

Resource Management (Scope 3)

2.12 Includes:

- Waste and Recycling Services: e.g. Contaminated and confidential waste,
- Office equipment purchase (repurposing to reduce disposal costs).
- Other utilities commodities including water.

Any other Outsourced Services (Scope 3)

2.13 This includes residential properties (staff and social housing), together with social care, leisure service operators and any other public sector services and outsourced management such as PFI buildings. Trend data for Shropshire Council's carbon performance has been affected by significant changes to the Council's assets over time. For example, what was termed Council Housing became a connected but independently managed housing operation; several public owned properties were sold and many schools have changed to become separately managed by Academy Trusts. These changes mean that Council housing and Academy schools are not shown counted within the Council's corporate carbon footprint.

3. Climate Emergency Strategy

Key Objective:

Reduce Shropshire Council's greenhouse gas (GHG) emissions to net carbon zero by 2030 (GHG Scope 1,2 & 3)

3.1. We recognise the impacts that an unstable climate is already having on our services and our duty to reduce our carbon footprint both locally and globally. Targets on emissions are not straightforward because the causes of emissions are not straightforward and there isn't yet a full understanding of the impacts that such targets would have on the economy and the health and wellbeing of our population. However, there is an urgent need to achieve significant emission reductions and the transition to a low carbon economy will also generate many economic, health & wellbeing, and environmental benefits. Taking early action on what we can directly control is likely to prove a more effective approach than expending significant effort in planning and target setting.

3.2. Our current emissions reduction trajectory, for direct emissions (scope 1 & 2), demonstrates that net zero GHG emissions by 2030 is theoretically possible for both direct and indirect emissions. In these circumstances, Shropshire Council, has adopted the objective of achieving net zero for direct and indirect GHG emissions by 2030. This is not a legally binding target and may be subject to change based on future evidence, but it is a challenging goal commensurate with our recognition of a climate emergency. The achievement of this goal will require extensive support in both financial and policy terms if it is to be delivered in practice.

Focus for Action

3.3. Shropshire Council will focus its efforts on:

1. Embedding Climate Change in Council governance;
2. Greenhouse Gas (GHG) emission reductions;
3. GHG sequestration;
4. Improving resilience and adaptation to the effects of extreme weather.

Key Principles:

3.4 Shropshire Council will adopt the following principles:

Prioritise Actions:

a. We need to stop adding to the problem whilst recognising that work on sequestration and adaptation is also critical.

b. It is already too late to 'fix' the climate crisis just by reducing emissions, so we will need to adapt by putting in place physical and operational adaptation measures to mitigate risks to our assets and services from extreme climate events.

c. 81% of Shropshire Council's direct (scope 1 & 2) GHG emissions in 2017 were generated from energy use in its buildings and a further 13% was generated by street lighting, so these will be priorities for early intervention.

Support Clean and Inclusive Growth

a. Our local economy needs to grow while our emissions shrink. The transition to a green economy can provide significant growth opportunities for businesses as well as providing a cleaner and more inclusive future;

b. We want the Shropshire economy to shift to one which is zero carbon and abides by circular economy principles, whilst enabling our communities to build and enjoy their prosperity. The choices we make now will determine whether we can deliver on our obligations, and the extent to which we can do so in a way which is also socially progressive;

c. We will support skills and training which allow our communities and businesses to benefit from Shropshire's transition to a low carbon economy.

Invest in Climate Action

a. Significant investment will be required if Shropshire Council is to achieve its goal of becoming net carbon zero by 2030. A range of potential actions and a pipeline of specific projects which target the most effective areas for investment and intervention are set out in the Action Plan which accompanies this Strategy. The capital investment required to make the transition to net-zero carbon performance is also likely to generate revenue savings from greater efficiency.

b. Once sufficient information has been assembled, the business case for individual investment projects will demonstrate their financial viability and feasibility in both the short and long terms. Shropshire Council has already invested in a range of low carbon technologies that have provided a return on investment.

c. Shropshire Council is under severe financial pressure and the Climate Action Plan will therefore prioritise interventions which generate a positive and direct return on investment. Within these investments we will try to prioritise investments that benefit those members of public of greatest need first, for example energy efficiency measures for residents on low incomes and the most vulnerable.

d. Some Climate Action investments may not generate returns that are easily quantifiable in financial terms and others are just very complicated to calculate. Some returns may be beneficial for carbon reduction but may have negative impacts in other areas, for example planting trees on habitats with high wildlife value. Measures which generate co-benefits (e.g. cost saving and improved environmental and social performance) are particularly attractive. Given the rapid pace of change, some measures will yield benefits that are not currently calculable at this time.

Work with others

a. We are on a shared journey and will need to work with others. This will allow us to learn from them and make use of external resources to help us to achieve net carbon zero and manage the effects of extreme climate events.

b. We will help establish and support a Climate Action Partnership of stakeholders and the wider community. The Council will work with the Partnership to provide advice, support and encouragement to our communities, businesses and charitable organisations to help them to mitigate their emissions and adapt to the inevitable impacts of the climate crisis.

c. The climate crisis is of particular significance for young people who will inherit the consequences of our actions. We will therefore work with schools across the county to ensure that the Climate Emergency is integrated as an issue across the curriculum and provide opportunities for schools and young people to contribute directly to the development and implementation of our Climate Emergency Strategy.

d. Throughout the development and implementation of our Climate Emergency Strategy and Action Plan we will be as open as possible in engaging the wider community and provide opportunities for them to contribute.

Influence the behaviour of others

a. In addition to direct control of our own GHG emissions, we have significant influence over emissions indirectly resulting from our policies, and through our regulatory functions.
b. Shropshire Council also has significant influence through its purchasing power. We will put in place measures to assess the carbon footprint of our procurement choices.
c. We will lead by example and seek to positively influence the purchasing power or funding allocations of others like the Marches LEP and its members to favour low carbon initiatives and products.

Assemble and publish evidence

a. Better local evidence is needed to identify the most effective targets for intervention and investment. We have significant gaps in knowledge and this includes the impacts of choosing one net zero carbon deadline over any other. Shropshire's Climate Emergency Strategy and Action Plan will highlight evidence gaps and prioritise areas of research required. It will also spell out the monitoring requirements that need to be established to fully measure our progress towards zero carbon.

4 Corporate Carbon Management Strategy

Power Down:

Theme	2030 Objective	Planned Measures
Buildings Energy	Reduce 2019 annual emissions by 50% to 2,360 tonnes CO2e	• Rationalise the number of buildings to only those essential for the sustainable delivery of Council Services (Corporate Asset Management Strategy); • Reduce energy demand from our buildings through a comprehensive programme of fabric and technology upgrades; • Enhance performance monitoring and control systems, together with staff and user training; • Meet the residual energy demand from renewable energy and carbon neutral sources; • Construct new buildings to Passivhaus standard, wherever possible.
Transport and Travel Energy	Reduce 2019 annual emissions by 70% to 1,939 tonnes CO2e	• Reduce the need for staff travel through improved access to local office facilities and greater home working and normalising the use of IT and

Theme	2030 Objective	Planned Measures
		communications technology wherever possible; • Encourage the use of active modes and public transport for shorter journeys; • Progressively replace Council Fleet vehicles with those powered by Ultra-Low emission fuels such as electricity and hydrogen; • Update procurement policies and work with the suppliers of goods and services to reduce indirect (Scope 3) carbon emissions.
Power Down: Commissioned Services	Reduce 2019 annual emissions by 65% to 27,686 tonnes CO2e	• Update procurement policies to highlight the importance of carbon performance as a consideration in procurement; • Work with the suppliers of goods and services to measure and reduce indirect (Scope 3) carbon emissions;
Resource consumption and waste	Reduce annual carbon emissions from water consumption and waste generation by 70% to 9 tonnes CO2e by 2030	• Reduce water consumption through a comprehensive retrofit programme of Council buildings; • Introduce performance monitoring and control systems, together with staff and user training; • Actively promote the procurement of recycled materials and the re-use and recycling of waste materials.

Power Up:

Theme	2030 Objective	Planned Measures
Renewable Energy Generation	Shropshire Council to become energy self-sufficient by 2030 for buildings and travel: 60 mW*	• Review Council land and building assets for renewable energy generation potential; • New-build and retrofitted buildings to maximise energy self-sufficiency; • Where energy cannot be used to power Shropshire Council services direct, work with other public sector organisations and local businesses to explore how renewable energy generation from Council land and buildings could help to meet their energy needs and generate carbon credits.

* *Estimated power production requirement; assumes 25% efficiency gain and that all buildings are converted from fossil fuel heating and all travel by electric vehicles;*

Carbon Capture & Storage:

Theme	2030 Objective	Planned Measures
Carbon capture and storage:	Capture and store carbon to achieve net self-sufficiency by 2030: 4,509 tonnes CO2e	• Review Council owned land for opportunities to increase existing capture and storage of carbon through e.g. tree planting, wetland creation and management; • Work with farmers, landowners and land managers to develop initiatives to capture and store any residual corporate carbon footprint.

- *Strategy relates to Shropshire Council corporate carbon emissions only;*
- *Based on best available data for 2019 performance;*
- *Based on current technologies;*
- *Separate Climate resilience and adaptation strategy will be required.*

5 Carbon Budget

5.1 Shropshire Council has agreed the principle of preparing an annual Carbon Impact Budget which will identify the greenhouse gas impacts of Council services and major projects. The Council will develop and refine arrangements to report on annual performance trends in parallel with the Council's financial budget. The starting point for this budget is our current corporate footprint. Indicative annual targets for each service area are set out in Table 2 below.

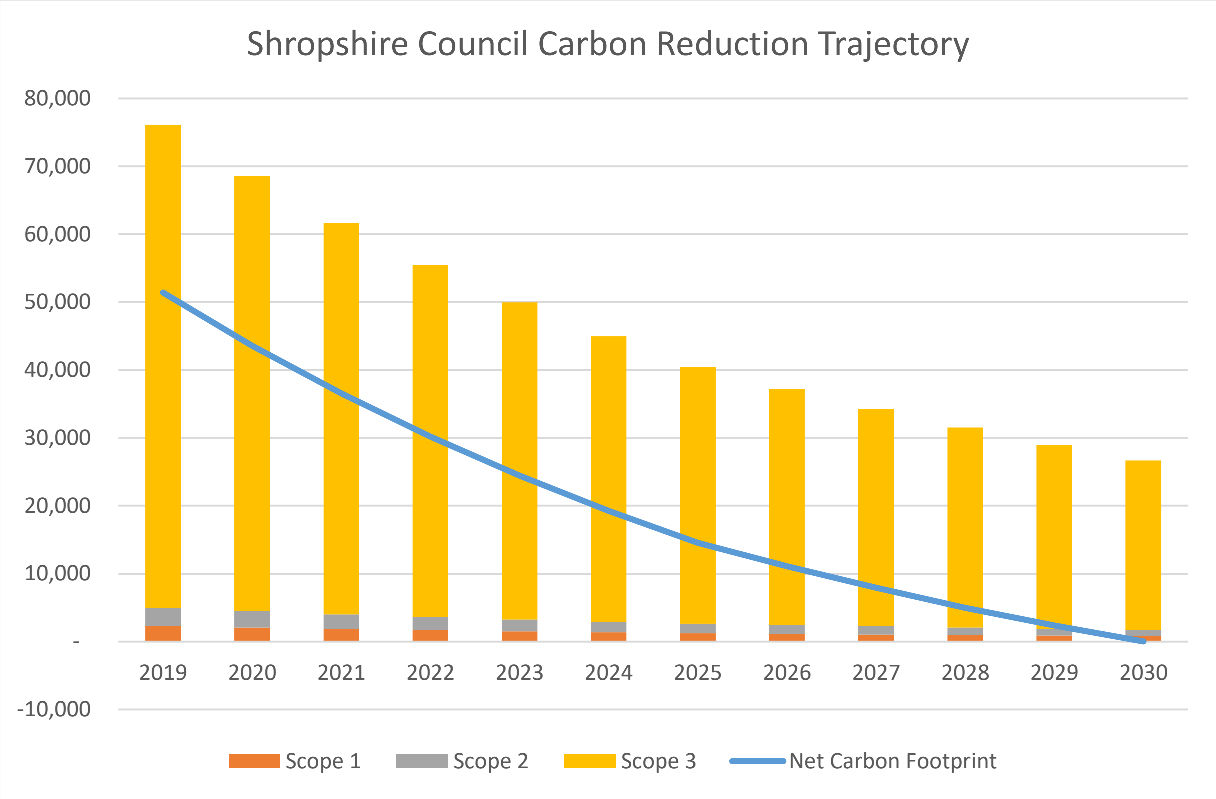
Table 2: Indicative Annual Carbon Budget 2020 – 2030 (tonnes CO2e)

Service Areas	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Adult Services	18,720	16,848	15,163	13,647	12,282	11,054	9,948	9,153	8,420	7,747	7,127	6,557
Childrens Services	18,720	16,848	15,163	13,647	12,282	11,054	9,948	9,153	8,420	7,747	7,127	6,557
Place and Enterprise	33,484	30,136	27,122	24,410	21,969	19,772	17,795	16,371	15,062	13,857	12,748	11,728
Public Health	1,621	1,459	1,313	1,182	1,063	957	861	792	729	671	617	568
Resources & Support	3,595	3,235	2,912	2,620	2,358	2,123	1,910	1,757	1,617	1,488	1,369	1,259
TOTAL	**76,139**	**68,525**	**61,673**	**55,505**	**49,955**	**44,959**	**40,463**	**37,226**	**34,248**	**31,508**	**28,988**	**26,669**
Carbon Credits	-2,000	-2,200	-2,400	-2,600	-2,800	-3,000	-3,200	-3,400	-3,600	-3,800	-3,900	-3,939
Recycling	-22,730	-22,730	-22,730	-22,730	-22,730	-22,730	-22,730	-22,730	-22,730	-22,730	-22,730	-22,730
Net Carbon Footprint	**51,409**	**43,595**	**36,543**	**30,175**	**24,425**	**19,229**	**14,533**	**11,096**	**7,918**	**4,978**	**2,358**	**0**

6 Carbon Reduction Trajectory

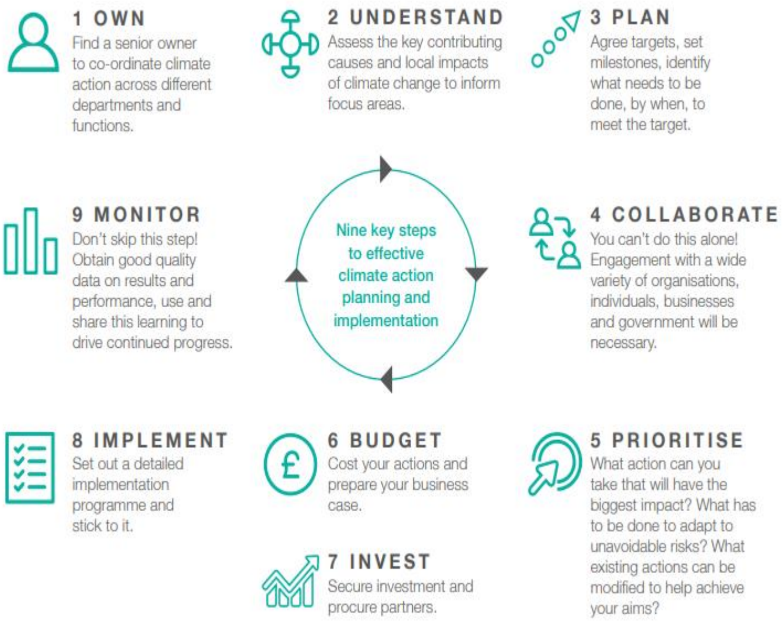
6.1 The carbon budget set out in Table 2 above recognises that early action is desirable and that emissions reductions will become more difficult over time. Reaching our objective of net-zero will require a modest increase in existing levels of carbon capture and storage. The trajectory to net-zero is illustrated in Figure 3 below:

Figure 3: Shropshire Council Carbon Reduction Trajectory 2019-2030



7. Implementation, Monitoring and Review

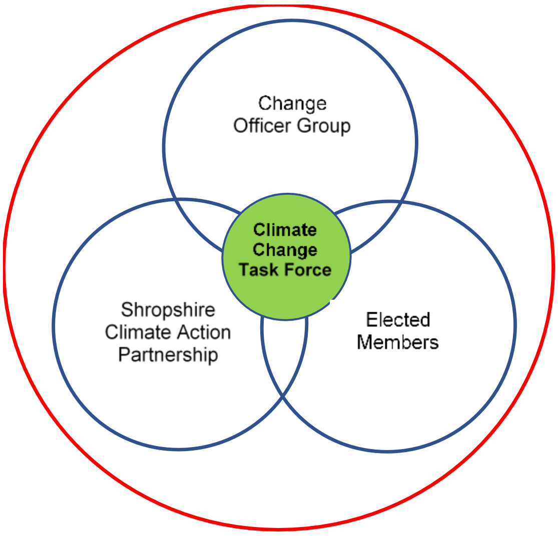
7.1 Recent guidance to Local Authorities by ARUP[1] on tackling 'climate emergency' commitments has helped to inform our corporate approach. A summary diagram of the nine suggested process stages is presented below:



[1] ARUP (2019). You've declared a Climate Emergency... what next? Guidance for local authorities.
https://www.local.gov.uk/sites/default/files/documents/ARUP-Climate-Emergency-What-Next.pdf

7.2 While the above diagram is sequential, Shropshire Council will continue to work on several aspects in parallel while using the structure to keep on track and ensure specific stages are not neglected. The ARUP document suggests a similar approach: "Don't stop acting just because you're planning". Shropshire Council has already made progress in most of the areas listed in the above diagram;

Figure 4 – Climate Change Working Structure



7.3 Responsibility for actions to address carbon performance and climate change is shared across all services and levels of management. The proposed working structure for climate change activity at Shropshire Council is illustrated in Figure 4 above.

7.4 Information about climate change, carbon performance and management technologies are changing all the time and the corporate Climate Strategy and Action Plan documents need to be agile enough to respond to these changes and their relationship to the county-wide strategy and action plan being prepared by SCAP (see Paras 9.1-9.3 below). They will therefore be treated as 'live' documents with carbon performance against the strategy budget and trajectory reported to Council at least annually. Updated information and performance monitoring are likely to prompt regular updates to the current corporate strategy.

7.5 In recognition of the urgent need to take action, no formal consultation process is proposed, but comments and suggestions for amendment on the corporate strategy and action plan are welcome and will be considered as part of the annual monitoring and review process described above. The latest 'live' version of the Strategy and Action Plan will be made available for public comment on the Council's climate change web pages here:

8 Action Plan

8.1 The corporate Climate Strategy is accompanied by a separate Action Plan and Project Pipeline which have been prepared from actions drawn from multiple sources including internal discussions with officers from across Council services and the community workshop event which was held in February 2020. The full list of actions has been edited to include only those that Shropshire Council can implement itself. It also focusses on those actions that are likely to reduce the Council's own emissions – including indirect (Scope 3) emissions. The Climate Officers Group, supplemented by occasional extra meetings with heads of service, will review this list of actions every few months and report on progress.

8.2 The Action Plan and Project Pipeline is structured into potential actions which:

a. reduce demand for energy and resources ('Power Down');
b. increase the generation of renewable energy ('Power Up');
c. help store carbon in vegetation and soils ('Sequestration');
d. increase understanding of the issues and the solutions ('Comms').

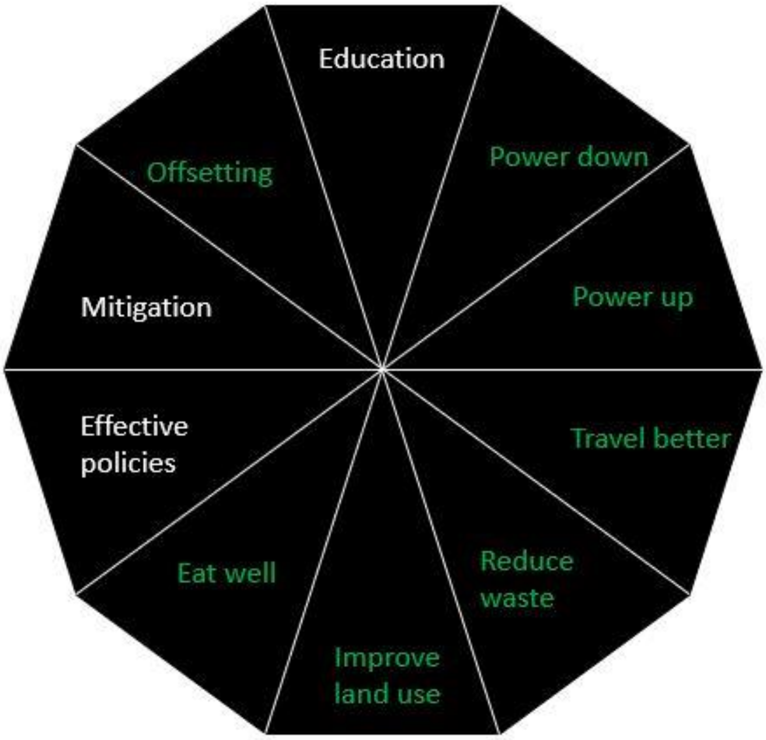
The document comprises two tables:

i. a Project Pipeline which identifies a range of active projects;

ii. an Action Plan which identifies range of potential actions which are classified (colour coded) into those which:

   a. are currently planned ('Now');
   b. are to be explored shortly ('Soon');
   c. are to be explored in future ('Later').

8.3 Actions that help reduce the emissions of Shropshire businesses or residents will form part of the strategy and action plan being prepared by the Shropshire Climate Action Partnership (see Para 9.2 below). Actions that help capture and store (sequester) carbon are included. However, the Action Plan is work in progress and will be updated regularly and progress reported annually.



8.4 In developing the list of actions, reference has been made to the 10 'dynamics' shown above and detailed on the Zero Carbon Dynamics [web](web) site[2]. A qualitative assessment can be made of all items listed while the tangible dynamics (shown in **green**) can be measured in terms of emissions and used to build a zero carbon 'balance sheet'. Future work on our list of actions will further integrate these headings with our own carbon 'balance sheet'.

9 Shropshire Climate Action Partnership

9.1 The world-renowned Tyndall Centre for Climate Change in Manchester has recently a maximum cumulative carbon dioxide emissions budget of 17.2 million tonnes (MtCO2) for Shropshire for the period of 2020 to 2100. The latest carbon footprint calculations show that at 2017 CO2 emission levels, the county would use this entire budget by 2023.

9.2 In addition to efforts to tackle its own carbon emissions, and as a key community leader, Shropshire Council is one of the key founders and supporters of the community-led 'Shropshire Climate Action Partnership' (SCAP) which has set the objective of achieving net-zero carbon performance across Shropshire by 2030 and an initial target of preparing a county-wide Climate Strategy and Action Plan by the end of 2020. Further information is available here: https://zerocarbonshropshire.org/ The Partnership is being supported by volunteers drawn from a wide range of business sectors and communities across Shropshire and has established a number of Technical Working Groups to develop a vision and actions for topic areas including:

- i. Land and biodiversity
- ii. Energy
- iii. Buildings
- iv. Transport
- v. Consumption and resources
- vi. Carbon tracking and reporting

9.3 Through its regulatory role and procurement decisions, Shropshire Council is in a position to make a strong positive contribution to help the wider Shropshire community make a positive transition to a low carbon future. For example, the draft Local Plan includes policies which help to reinforce the need for energy efficiency and carbon reduction measures within the current limits which are defined by government policy which lies outside the Council's control.

[2] Zero Carbon Dynamics web site: https://www.zerocarbondynamics.com/dynamics.html

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Climate Action Plan and Project Pipeline 2020

The following table is a selection of actions drawn from multiple sources including the public event in February 2020. The full list has been summarised to include only those that Shropshire Council are able to take on. It focusses on those actions that are likely to reduce the Council's own emissions – including indirect (Scope 3) emissions – rather than Council led actions that help reduce the emissions of Shropshire businesses or residents. Actions that help sequester carbon are included. This list is a work in progress. Formal approval under the Council's Capital Programme will be pursued where projects will be appraised on an individual basis following the process detailed in the Council's Capital Strategy. Each potential action would need to be evaluated on its own merits prior to inclusion in the Capital Programme. Some projects delivered in partnership with others may lead to commercial income being generated. Updates will be made at monthly internal Climate Officers Group meetings.

The first table lists active projects that are already underway as part of a 'Project Pipeline' and the second table identifies a range of potential actions that could be undertaken subject to satisfactory feasibility assessment.

1. Project Pipeline

Title	Lead org / Dept	Notes / work underway	More info needed?
POWER DOWN			
Current projects that reduce demand for energy and resources			
Shropshire Council is working to expand the range of staff incentives for low carbon behaviour and living, including via salary sacrifice schemes and staff rewards schemes.	Human Resources	Cycle to Work scheme is an existing example	Y
Continue and further promote Warp-it Re-use scheme	Assets and Estates	Warp-it is a way to "find, give away, or loan office furniture, equipment and other resources". It currently saves about 50 tCO2e pa. The next step is to roll the scheme out more widely to other public sector bodies in the County.	N

Title	Lead org / Dept	Notes / work underway	More info needed?
Assess the feasibility of manufacturing Hydrogen Vehicle Fuel at Battlefield, using power from the Waste to Energy plant	Climate Change Task Force	Government is now clearly backing hydrogen as a low carbon vehicle fuel. Our transport fleet and that of our key contractors (including buses) could make use of hydrogen, therefore we will undertake a feasibility study as a joint commission with Highways and Transport colleagues. Battlefield was recently identified as one of only two preferred locations identified in the Marches as part of a recent regional study commissioned by the Midlands Energy Hub for low carbon transport hubs.	Y
Green Homes Grant Local Authority Delivery Scheme	Housing Services	Shropshire Council and Herefordshire Council are working together on allocating the Governments 'Green Home Grant', the Warm Homes Fund 'Rural homes and communities Category', and other funding to households in greatest need. Total budget is £1.8m across both areas. Air Source Heat Pump's will feature highly in the measures introduced where the buildings are suitable. A larger bid for LAD2 funding across the Marches area is being prepared for Spring 2021.	N
Social Housing Decarbonisation Fund Demonstrator	Housing Services	Shropshire Council has led the submission of a bid for up to 50% grant funding (up to £30k per house) for energy and carbon performance improvements to social housing in Shropshire.	N
Install EV Charging Points in market towns across Shropshire	Highways	Shropshire Council is part of a successful 100% Government-funded project called 'Agile Streets' which is seeking suitable test locations for 25 funded EV chargers to help vehicle owners who are reliant on on-street or public parking. Application for additional Office for Low Emission Vehicles (OLEV) funding, would cover 75% of the cost of an additional 20-25 charging points.	N
Shropshire Council Buildings – Energy Efficiency Improvements (Sustainable Energy in Public Buildings)	Property Services Group	The Climate Change Task Force and Property Services Group are working to extend the current programme of ERDF-funded improvements to building efficiency through SePuBu: https://www.shropshire.gov.uk/climate-change-and-sustainability/sepubu-sustainable-energy-in-public-buildings/	Y
Shropshire Council Buildings – Energy Efficiency Improvements (Public Sector Decarbonisation Fund)	Climate Change Task Force	Shropshire Council and APSE Energy have submitted a bid to the BEIS-funded Public Sector Low Carbon Skills Fund which would pay for them to identify and develop a programme of energy efficiency and low carbon heat upgrade	Y

Title	Lead org / Dept	Notes / work underway	More info needed?
		projects for our buildings, before preparing an application for capital funding, on our behalf, to the Salix-funded £1 billion Public Sector Decarbonisation Scheme	
Replace all street lights with LED lighting by 2024	Highways	£6.8 million is being spent to replace all sodium street lamps with more efficient and longer lasting LED lighting. This will save 794.5 tCO2e - currently equivalent to about £900,000 - every year. All replacement due by March 2024.	N
Assess the potential to develop an 'Electric Forecourt' as part of the proposed Oswestry Innovation Park at Mile End, near Oswestry	Climate Change Task Force	Mile End near Oswestry is being considered as one of 100 national Electric Forecourts which can charge 24 electric vehicles at once with superchargers that can deliver up to 350kW of charging power. This enables people to charge vehicles within 20-30 minutes initially, and much faster in the future as battery technologies mature.	Y
Promote business energy efficiency in Shropshire	Economic Growth	The Business Energy Efficiency Programme (BEEP) is working across the Marches area. It's led by Worcestershire Council and utilises existing ERDF programme funds.	Y
POWER UP			
Current projects that increase generation of renewable energy			
Assess the feasibility of installing 2MWp of solar PV on the former tip in Maesbury Industrial Estate	Climate Change Task Force	Potential for a return on investment starting at 6% in 2021 and increasing to 9% by 2030. 5400 tCO2e saving by 2030. 25-year lifetime net gain of £3.1m. Ecological and Historic Environment surveys completed. Site survey work has started by Nottingham City Council Energy Services. Feasibility study to be completed by Jan 2021.	Y
Assess the potential for Renewable Energy Opportunities on Council Land	Climate Change Task Force	A report on the potential for renewable energy generation on 10 areas of council owned land is being produced by Public Power Solutions (Swindon BC). It will be available by April 2021 and will assist in the aspiration to be energy self-sufficient by 2030. This will require an estimated 60MWp per annum. Currently the figure is 1.2MWp with Maesbury projected to add another 2MWp.	Y

Title	Lead org / Dept	Notes / work underway	More info needed?
Assess the potential to establish a Virtual Power Plant (VPP)	Climate Change Task Force	Proposals have been prepared for new build and retrofit of solar and battery systems for new build housing schemes, which would operate as part of a Virtual Power Plant (VPP), together with a variation which could provide a VPP installation 'offer' for SC employees as part of an Employee Benefits Salary Sacrifice Scheme.	Y
Assess the feasibility of constructing a hydro-electric generator at Shrewsbury Weir	Climate Change Task Force	Discussion between Shropshire Council and Shrewsbury Town Council (as landowner) are on-going.	Y
Assess the feasibility of establishing a Heat Network in north Shrewsbury	Climate Change Task Force	Shropshire Council is working with the Midlands Energy Hub and the Shropshire Climate Action Partnership to prepare a bid for feasibility funding for a heat network study for Shrewsbury.	Y
Renewable Energy grants for non-domestic buildings	Economic Growth	European and Government 50% grant for the installation of eligible renewable technologies on non-domestic buildings in the Marches. MarRE is underway in SC with a dedicated project officer	Y
SEQUESTER CARBON			
Current projects that help store carbon in vegetation and soils			
By 2050 plant 345,000 trees. This is a minimum of 11,500 per year.	Planning Services	Tree scheme re-launched in October 2020 with 12,500 trees allocated in just 9 hours. An additional 20,000 trees were allocated for 2020/21 planting season with funding from a Defra funded project. These have also been allocated without advertising. Trees not funded by the council or Defra will not be included in our overall carbon budgets to avoid double counting.	Y
Defra Trees Outside Woodland (TOW) project	Planning Services	Defra project will provide £500,000 over 2 years to help investigate methods of increasing the planting of Trees Outside Woodland. Shropshire Council is one of 5 Local Authorities piloting different approaches. Shropshire is leading on the agroforestry and orchards theme. A project officer will be recruited.	Y

Title	Lead org / Dept	Notes / work underway	More info needed?
Work with others to establish, a carbon credit scheme that invests in projects that sequester carbon locally (known as 'carbon in-setting')	Climate Change Task Force	A pilot is underway with a Council highways contractor to partly offset (in-set) their carbon emissions via provision of additional trees to the Community Tree Scheme.	Y
COMMUNICATION & EDUCATION			
Current initiatives that increase understanding of the issues and the solutions			
Report annually on progress with the action plan, emission reduction, and carbon sequestration. Publish as much data (including live data) as possible online.	Climate Change Task Force	Provisional data is provided within the Climate Change Strategy. Annual energy generation from existing PV sites are presented the Shropshire Council website.	N

2. Corporate Climate Action Plan

Actions are highlighted based on their approximate period for action		
Now	Soon	Later

Title	**Lead org / Dept**	**Notes / work underway**	**More info needed?**
POWER DOWN			
Actions that reduce demand for energy and resources			
Create a strategy for staff related transport that follows the hierarchy of transportation modes	Human Resources	Initial estimate for carbon emissions due to staff commute is 2853 tCO_2e per year	N
Support staff to work from home and attend meetings virtually	Human Resources	Significant work underway in response to the Covid19 crisis.	y
Further promote national car-sharing schemes for staff and wider community	Human Resources	Initial estimate for carbon emissions due to staff commute is 2853 tCO_2e per year	N
Complete an assessment of the energy efficiency of staff homes using EPC data and ideally energy use data obtained from staff surveys	Human Resources	Work is underway linking staff addresses to national Energy Performance Certificate data	Y

Title	Lead org / Dept	Notes / work underway	More info needed?
Review Transport Policy and contracts to favour low carbon options	Highways	Does this impact Council emissions? Lessons to be learned from Cornwall total transport model. Existing work on Park and Ride developments; links with Health sector around school transport; shared vehicle assets; school runs and patient transfer, DfT work, etc	Y
Prepare a pipeline of bids in advance for active travel funding	Highways	Seek support from Sustrans	Y
Buy 5 electric cargo bikes for Council use or loan by 2025	Highways	A bid was submitted in early summer 2020 but was unsuccessful. Additional funding sources will be sought	Y
Revise Council procurement strategy to reflect carbon performance of those we purchase from	Finance, Governance & Assurance		N
Divest funding for fossil fuels from Shropshire Council pension fund by 2023	Finance, Governance & Assurance		N
Continue role out of superfast and ultra-fast broadband and rural hubs to reduce dependency on car journeys, etc, for business and access to services	Economic Growth	Estimates of carbon savings could be determined using staff distances to work. These calculations are being worked on.	Y
Seek energy bills from staff for the last 12 months to help assess the Council's Scope 3 emissions.	Climate Change Task Force	Consider linking to the mandatory training on sustainability.	N
Seek funding to retrofit energy efficiency measures into all homes that need it	Climate Change Task Force		Y

Title	Lead org / Dept	Notes / work underway	More info needed?
Working with industry, facilitate workshops and collate online resources to assist skills development of building retrofit workforce	Property Services Group		N
Use SEPuBu framework to add an assessment of energy efficiency measures to existing property condition assessment	Property Services Group		Y
By 2021 adopt good design standards for development control that incorporate natural features like shade trees, green walls and roofs, and water features that help with natural cooling and creating a healthy environment	Planning Services		Y
Provide informed advice and publish links to guidance, best practice case-studies, and appropriate technologies for energy efficiency measures in historically sensitive buildings	Planning Services	A cross departmental working group has been established to consider appropriate investment and maintenance of the Council's 'historic estate'.	Y
Include annual mandatory training on climate change issues for staff via the 'Leap Into Learning' platform	Human Resources	An existing learning programme on sustainability issues is available for staff. This requires updating and consideration of it being a mandatory requirement or not.	Y
Replace all fleet vehicles with electric or hydrogen vehicles by 2030	Highways		Y
Replace all pool vehicles with electric or hydrogen vehicles by 2030	Highways	Pool vehicles currently add approximately 24 tCO2e per annum. 8 pool cars are hybrid vehicles.	N
Consider a Workplace Parking Levy	Highways	Consider a Workplace Parking Levy to encourage sustainable travel options.	Y

Title	Lead org / Dept	Notes / work underway	More info needed?
Revise procurement guidelines to be clear that low and zero emission transport modes of suppliers is inherent to our social value scoring process	Finance, Governance & Assurance		N
Consider increasing social value weightings within procurement processes with specific reference to low carbon and with a minimum percentage scoring introduced	Finance, Governance & Assurance		N
Seek funding to retrofit Council housing stock to Passivhaus standard or equivalent with an ambition for all housing stock to reach this standard.	Property Services Group		Y
POWER UP			
Actions that increase generation of renewable energy			
Ensure any roof-top maintenance works to council buildings considers installation of solar PV to help reduce costs of installation.	Property Services Group		Y
Commission a study by the end of 2021 into the viability of water-source heat pumps in the development of the Riverside area of Shrewsbury and potentially elsewhere.	Climate Change Task Force		Y

Title	**Lead org / Dept**	**Notes / work underway**	**More info needed?**
Produce guidance for Neighbourhood plans to ensure they are aware of their ability to promote on-shore wind	Planning Services		Y
Commission research into the potential for Shropshire Council to become energy self-sufficient by 2030	Climate Change Task Force	Electricity used is already from entirely renewable sources. We currently generate over 900 MWh every year which, since 2012, has saved the authority over £700,000.	Y
SEQUESTER CARBON			
Actions that help store carbon in vegetation and soils			
Establish a network of Tree Wardens in association with the Tree Council	Planning Services	This may fall under the remit of the new project officer associated with the Trees Outside Woodland Project.	N
By 2021 adopt good design standards for development control that incorporate carbon rich materials like hempcrete, glulam, and timber, in the construction that act as a carbon store and reduce use of carbon intensive materials like steel and concrete.	Planning Services		Y
Of the SC owned land not already tree covered or built-up, plant 5% with native local provenance trees.	Planning Services	Need a better estimate of the potential for tree planting on SC land. This is a provisional guess until more accurate figures can be generated.	Y

Title	Lead org / Dept	Notes / work underway	More info needed?
COMMUNICATION & EDUCATION 			
Actions that increase understanding of the issues and the solutions			
By March 2021 publish a new Climate Crisis area of the web site that provides lists of resources and funding sources to encourage home energy saving	Communications	Keep Shropshire Warm Scheme already in place via MEA and Energy Savings Trust. New £5k funding from gov. Existing web site does have links to resources and a Climate Resources Pack.	Y
By 2021 develop a climate communications strategy to make the most of both internal and external communication channels	Communications		Y
Provide free or subsidised venues for community activities that promote resilience and adaptation to the climate crisis or results in lower carbon lifestyles.	Commercial Services		Y

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Agenda Item 9

Committee and Date	Item
Cabinet 14th December 2020	Public

Quarter 2 Performance Report 2020/21

Responsible: Andy Begley, Chief Executive

e-mail: Andy.begley@shropshire.gov.uk 01743 258675

1. Summary

1.1. This report presents Cabinet with the Council's Performance against its key Outcomes for Quarter 2 2020/21.

1.2. The Corporate Plan for 2020/21 and the High-Level Outcomes provide the shape and focus of the updated Performance Management Framework. The measures in the framework have been refined to reflect the updated strategic action plans for the year.

1.3. The framework is presented with seven key outcome areas: A Healthy Environment, A Good Place to do Business, Sustainable Places and Communities, More People with a Suitable Home, Embrace our Rurality, Care for those in Need at any Age and Your Council

1.4. The online performance portal has continued to be developed to present performance information to be used in conjunction with this report, and can be accessed here -

https://shropshireperformance.inphase.com/

1.5. This is part of improving access to performance information and that of data transparency. Member and user feedback will help to inform further developments of performance information, which will form part of the IT system developments.

1.6. The new Corporate Plan 2019/20 to 2021/22 which sets out new priorities for the Council was agreed at Council at their meeting on the 13 December 2018. A revised framework of measures and milestones is being developed to demonstrate impact and progress against these new priorities and will be reported from Quarter 1 of 2019/20. Measures and milestones will also be included as they are developed that reflect the transformation of the Council.

2. Recommendations

Members are asked to:

A. Consider the emerging issues in this report

B. Review the performance portal and identify any performance areas that they would like to consider in greater detail or refer to the Performance Management Scrutiny Committee.

3. Risk Assessment and Opportunities Appraisal

3.1. Poor performance could have implications for vulnerable people (including children) who are supported by Council services and economic growth in Shropshire. In turn, there may be significant financial, legal and reputational risk to the Council, Schools (and Academies), and partners from across the public and voluntary and independent care sectors.

3.2. Effective monitoring and follow-up against key measures of success provides the opportunity to manage risks and ensure that Children and Young People and vulnerable adults in Shropshire remain safe and achieve the desired outcomes.

4. Financial Implications

4.1. This report does not have any direct financial implications but presents service and financial information to support decision making. Accountable officers and senior managers may use the information to inform actions or interventions for improving service performance and the prioritisation and use of resources.

4.2. Full financial details are presented as part of the Financial Reports.

5. Introduction

5.1. Each of the seven outcome areas contains a number of sub-outcomes with a range of associated performance measures**.** The frequency of the availability of the data varies from monthly and quarterly updates to annual updates. All measures, regardless of frequency will be available on the performance portal to improve accessibility to information.

5.2. Quarterly reports will be used to highlight performance exceptions and changes to measures reported annually.

5.3. The Quarter 2 report is written and presented under unusual circumstances. The report covers the period from 1st June 2020 to 30th September 2020. The corporate performance measures are presented against the backdrop of the Covid 19 crisis, which resulted in an emergence from the national lockdown during this reporting period.

5 A Healthy Environment

6.1 The sub outcomes for A Healthy Environment are; The Council is Improving Energy Efficiency, Providing access to Shropshire's Great Outdoors, A Clean and Attractive Environment is maintained, Participation in Positive Activities for Health and Well being, Improving Public Health Keeping People Safe.

6.2 The annual public health measures reported as part of the reporting framework have been updated. at Q2. Shropshire performs well with its cancer screening programmes achieving higher participation rates than those for England and West Midlands. The % of eligible adults 65+ who have received the flu vaccine has shown a slight increase from 72.6% in 2019 to 73.3% in 2020. The current seasonal flu vaccination programme is in progress.

6.3 During Q2 the Theatre Severn re-opened for socially distant film screenings from 4 August 2020, with 2903 visitors attending in total during Q2. Live performances are yet to resume. The Old Market Hall cinema remained closed during Q2.

6.4 Libraries remained closed during July Q2 and re-opened through August and September. Physical visits are significantly lower due to varied reasons including; reluctance of older/vulnerable library customers to go out, reduced library services in branch, greater focus on digital services, no events or activities in libraries.

Libraries have also been creating and sharing a greater volume of online content via social media, including online story-times, poetry readings and virtual Lego clubs. A 'Libraries from Home' page was added to the library webpages signposting to various resources to help people during lockdown. There has been a great response to the libraries online service between March and August there have been 1174 new online borrowers and 166% increase in e-loans compared to 2019.

6.5 The projected Recycling and Composting rate for quarter 2 20/21 is 53.5% which is above the target of 52.5%. The long-term trend shows that recycling rates continue to improve gradually, albeit with seasonal variations. Current performance exceeds the national targets for English councils to recycle 50%

of household waste by the end of 2020. The next challenge is to meet the 65% target by the end of 2035.

7 A Good Place to do Business

7.1 The sub outcomes for A Good Place to do Business are; A Well Qualified Workforce, A Good Place to Start, Grow or Locate a Business, Employment Opportunities, Employment Conditions and Infrastructure and Conditions.

7.2 Claimant count figures to September 2020 show that the number of claimants aged 16+ stands at 9,075 an increase of 5,420 (60%) compared to September 2019 (3,655). The sharp rise reflects the severe economic downturn as a result of national lockdown during the Covid-19 pandemic. Please note**:** Under Universal Credit a broader span of claimants are required to look for work than under Jobseeker's Allowance. As the Universal Credit Service is rolled out the number of people recorded as being on the Claimant Count will increase.

Shropshire claimant rates continue to compare favourably with comparator groups September 2020:

	Shropshire	West Midlands	Great Britain
18 – 24	8.7%	10.4%	9.4%
16 - 64	4.8%	7.4%	6.5%

7.3 The economic and employment measures tracked in the corporate plan are highly likely to be impacted by the current lockdown situation. Many economic measures are reported annually, towards the end of the year, therefore it will take some time before the scale of impact and rate of recovery emerges in official statistics.

8 Sustainable Places and Communities

8.1 The sub outcome for Sustainable Places and Communities are; Community Volunteering, Communities Feel Safe and quality of life for adult social care users.

8.2 The publication of national and regional comparator data for the Adult Social Care Outcomes Framework is delayed this year due to prioritisation of resources to respond to the covid 19 pandemic. Data is now due to be published during December 2020. Comparator figures will be included in the quarter 3 report.

8.3 The Q2 rate of permanent admissions of adults for those aged 65+ into residential or nursing homes is lower (better) than the profile. (186 people per 100,000 against a target of 300.) Admissions for those aged 18 – 64 is in line with the target. (4.9 people per 100,000 against a target of 5.) The actual number of admissions of those aged 18 – 64 remains relatively low and therefore small changes in numbers shows a higher percentage variance. The service remains committed to enabling people to remain in their homes and maintain a decent quality of life for as long as possible. The service also confirms that it assesses the needs of each person to ensure that the right service is provided at the right time ensuring that residential and nursing care is provided at the most appropriate time.

8.4 The proportion of adults (aged 18-64) with learning disabilities who live in their own home or with their family has increased to 85.3%. This continues the steady improvement from 2013 when the rate was 79.8%. This measure is important in delivering positive outcomes. Appropriate accommodation for people with a learning disability has a strong impact on their safety and overall quality of life and decreases the risk of social exclusion.

8.5 Due to lockdown and social distancing the usual number of volunteer hours supporting libraries, museums and outdoor recreation service has been greatly reduced during the reporting period. The work of volunteers in supporting these services is greatly appreciated as is the tremendous work of all volunteers around the county who help improve the quality of life in so many ways.

8.6 Performance Focus – Adult Social Care

The corporate performance measures reported in the performance portal reflect the high-level position of council performance and economic conditions of the county. The introduction of a performance focus to this report aims to highlight performance and initiatives of a service area that contribute to those high-level measures and make a difference to our residents and businesses.

The first focus area is that of Adult Social Care.

Covid 19 Hospital Discharge

The service has worked to improve the discharge rate from hospital to home and reduce the waiting times for those residents who require support from social care.

Embracing a home first philosophy (person’s own home instead of community bed or residential care) there has been a 7% improvement in the number of patients who have discharged directly to home

50% fewer patients now discharge to nursing home from an acute hospital setting and our aim is for 80% of patients to return home.

Prior to the Integrated hub it took around 103 hours for patients to be discharged, post being made fit to transfer. In week 15 it took 37.4 hours showing a 64% improvement

The fastest discharge from point of referral to leaving the hospital has been 40 minutes

Carers Offer

In 2011, 34,260 people in Shropshire identified themselves as carers and this figure is now likely to be significantly higher. The positive impact of family or unpaid carers on the care and health system is recognised, highly valued and appreciated. In addition, the impact of not supporting people to remain in their caring role and avoiding carer breakdown, would be significant.

The council is running a communication campaign to raise awareness of the support available for family and unpaid carers.

The challenges during the Coronavirus pandemic have added to the pressures facing carers and made it harder to access face to face support. To address this Shropshire Council has been working with and commissioning extra support for carers. Services include; a range of free online support for carers, including a five-part email course; virtual cuppa's; 1 to 1 chat's; lockdown weekly planner, digital support and peer support.

Shropshire Council are issuing priority passes for unpaid carers to use while out on essential visits as part their caring role and require proof if they are stopped during the course of their journey. The passes advise the carer is caring for a vulnerable person in the community who relies on their support. This initiative has received positive feedback from carers.

Two Carers in a Car

Shropshire Council and partners introduced a new and innovative service to meet the needs of service users at night in July 2018. Following this successful trial, the service has been rolled out and now operates 6 contracts, one focussed on Admission avoidance. It operates 8-10 hours per night, 2 carers per car, 7 days a week.

- The service has supported over 300 people, that's over 5000 visits
- 25% of people supported were discharged from hospital or have avoided admission
- 40% of people left the service with no ongoing needs and were self-supporting
- QA surveys evidenced 100% satisfaction
- Built on relationship with the providers who helped us build the service
- 65 people no longer need care
- Saved over £2.5 Million

Care Homes

Care homes across the county have faced challenging times to keep their residents physically and mentally safe during this pandemic. We would like to thank and acknowledge care homes who are doing some lovely things to help people keep in touch with their loved ones and to keep doing the things that are important to them.

9 More People with a Suitable Home

9.1 The sub outcomes for More People with a Suitable Home are; Creating the Conditions for Housing Supply, Meeting the Demand for Suitable Housing, Prevention of Homelessness and Access to Affordable Homes.

9.2 The latest stage of consultation undertaken to inform the Local Plan Review was the Regulation 18: Pre Submission Draft of the Shropshire Local Plan. This document identified a draft vision and draft framework for the future development of Shropshire to 2038, addressing such issues as the needs and opportunities in relation to housing, the local economy, community facilities and infrastructure; and seeks to safeguard the environment, enable adaptation to climate change and helps to secure high-quality and accessible design.

Consultation on the Regulation 18: Pre Submission Draft of the Shropshire Local Plan was completed during Quarter 3. The planning policy team have received a significant number of responses which will be given due consideration before progressing to consultation on the Regulation 19: Pre-Submission Draft of the Shropshire Local Plan.

Consultation on the Regulation 19: Pre-Submission Draft of the Shropshire Local Plan will focus on issues of soundness and whether the draft Local Plan is compliant with relevant legislation. This consultation is scheduled to commence in late 2020. The planning policy team is now preparing for this consultation phase with the aim of being ready to submit the Local Plan to the Secretary of State in 2021.

9.3 Cornovii Developments Limited is Shropshire Council's wholly owned Local Housing Company, which aims to build 1,000 new homes between 2020 to

2025. The company has been formed to address unmet housing need in the county and to generate income for the Council. Planning applications have been submitted for their first three development sites in Shrewsbury, Ifton Heath and Ellesmere. The company is currently investigating expansion into the Private Rented Sector to further address unmet need in this sector.

9.4 The number of affordable homes delivered in 2019/20 is confirmed as 223. For the current financial year, the number of completions during quarter 1 was 35 and 76 for quarter 2. There has not been a reduction in completions due to covid, although some sites were shut down during the first lockdown which has led to a few delays, but all sites are now back up and running.

9.5 The Shropshire Housing Strategy 2020 - 2025 completed the consultation period during quarter 2. The final version of this key strategy is due to be presented to Cabinet on 14th December 2020.

9.6 The draft Homelessness strategy was due originally due to be presented to cabinet in December 2019. This deadline was extended in agreement with Ministry of Housing, Communities and Local Government (MHCLG). Due to resources having to be directed to work on flooding and Covid19 this has still not been finalised. The aim is to have a draft document ready for consultation towards the end of 2020.

10 Embrace our Rurality

10.1 The sub outcomes for Embrace our Rurality are; Creating the Vision for our Rural Landscape and Communities, Rural Housing, Rural Transport and Rural Infrastructure.

10.2 The number of affordable homes delivered in rural communities during the year 2019/20 was 46 out of the 223 homes. The definition of rural for this measure is communities where the population is less than 3000.

10.3 The 3-year rolling annual average for the number of people killed or seriously injured has seen a welcome reduction in numbers. The latest annual average over 3 years is 144.3 compared to 164.3 at the same period in 2019. Early indications show that accidents and casualty numbers were lower during the lockdown period. This may impact on reporting over the next 3 years as may changes to working and commuting patterns.

10.4 Shropshire is a large rural and sparsely populated county with a population estimated at 320,530 (Source: ONS mid-year estimates, 2018), this gives a density of only 1.00 persons per hectare. This presents challenges both for Shropshire communities who live and work in rural and often isolated communities and for the delivery of services to these areas.

Shropshire Council is working to develop a Community and Rural strategy which will set out the vision to develop local economies, to help communities to support one another, to optimise physical assets and to improve access for the benefit of those who live, study, work or visit the county.

An evidence base of rural and community data has been compiled and the draft strategy was opened for consultation during the quarter and closed on the 6th December. Progress will be reported in future reports.

11 Care for those in Need at any Age

11.1 The sub outcomes for Care for those in Need at any Age are; Young people receive appropriate and timely care, Young people are supported to achieve their potential and Adults receive appropriate and timely care.

11.2 At the end of quarter 2 2020/21, there were 445 Looked After Children in Shropshire. This is an increase from the 398 children looked after at the end of September 2019.

The number of children started to be looked after continues to increase. More children have started to be looked after during quarter two than during the same period last year, indicating an increase in the complexity of cases entering social care. Additionally, fewer children have been ceasing to be looked after, which in part has been a result of Covid-19 stopping or delaying court activity.

The rate of children looked after has increased during quarter 2 to 74.3 children per 10,000 Under 18s. National reports indicate that local authorities have experienced an increased rate of Looked After Children during the Covid 19 emergency.

The latest available comparator data for 2018/19 shows the Statistical Neighbour average (59) and England average (65) similar to the Shropshire rate of (66) as at March 2019.

11.3 Delayed Transfer of Care measures the number of patients who are delayed in their transfer from hospital. The aim is to reduce bed blocking to less than 3.5% of all available NHS beds.

Performance by Shropshire Adult Social Care has seen a significant improvement in rates when the target was introduced in 2017. Performance levels have been maintained with teams pro-actively working with different hospital trusts on a day-to-day basis. During the pandemic situation the national reporting of delayed transfers has been placed on hold.

The service continues to monitor delayed transfers and work with health colleagues to ensure patients can be moved to safe and suitable settings with the appropriate care packages in place. See 8.6 performance focus.

12 Your Council

12.1 The sub outcomes for Your Council are; a financially stable council, an excellent workforce, Transforming services and Compliments and Complaints.

12.2 The quarter 2 finance report is to be presented to Cabinet on 14th December, figures will be updated in the performance portal after publication of the report.

12.3 The number of Full Time Equivalent (FTE) employees as at the end of quarter 2 has remained static at 2697.

Previous end of year FTE numbers are shown in the table below.

Sept 20	2697
June 20	2697
March 2020	2649
March 2019	2609
March 2018	2547
March 2017	2474
March 2016	2661
March 2015	2876
March 2014	3089
March 2013	3552

12.4 The total number of complaint investigations for Q2 2020/21 was 260 compared to 323 in Q2 2019/20.

Period	Total Complaints	**Complaints Statutory Children's Investigations**	**Complaints Statutory Adults investigations (inc provider)**	**Corporate Complaints Investigations**
Q4 2018/19	324	14	27	283
Year - 2018/19	**1,281**	**46**	**150**	**1,085**
Q1 2019/20	314	9	25	280
Q2 2019/20	323	10	37	276
Q3 2019/20	247	9	22	216
Q4 2019/20	272	12	29	231
Year - 2019/20	**1,156**	**40**	**113**	**1,003**
Q1 2020/21	165	5	6	154
Q2 2020/21	260	12	21	243

12.5 Numbers of complaints reduced significantly during April and May and increased in June. That increase has continued with quarter 2 complaint numbers in line with previous quarter averages. Early indications suggest that numbers of complaints are likely to increase again slightly next quarter.

12.6 There were 158 compliments were received within quarter 2. This is more than average for quarters last year but not as many as the 179 compliments received in quarter 1 (many of which were generated by activity undertaken to respond to the pandemic). It is anticipated that compliments are likely to return to usual numbers in the next few quarters.

Period	Total Compliments	Total Comments
Q4 2018/19	108	175
Year - 2018/19	**460**	**522**
Q1 2019/20	73	164
Q2 2019/20	112	171
Q3 2019/20	91	152
Q4 2019/20	131	234
Year - 2019/20	**407**	**721**
Q1 2020/21	179	159
Q2 2020/21	158	263

13 Conclusion

13.1 This performance report provides an update on the results achieved and the impact on delivering the outcomes for Shropshire

13.2 Performance for Quarter 2 of 2020/21 has seen unprecedented changes to the delivery of services. Service areas who were particularly impacted by lockdown started to make tentative returns to ‘normality’ whilst others are adopting to new ways of working and delivering services.

Despite these challenges there continues to be good areas of performance

- Waste management recycling and re-use rates continue to be above target
- The number of people killed or seriously injured on our roads has seen a significant reduction in the past year
- More people with learning disabilities are living in their own home or with family
- Cornovii developments is making progress towards bringing developments forward to address unmet housing needs

There are also challenges to services including

- Children’s social care continues to receive more demand on services with higher numbers of Looked After Children

- Leisure, libraries, theatres and cultural attractions have all experienced a significant downturn in visitor numbers.

List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information) Business Plan and Financial Strategy 2018/19 – 2022/23 Corporate Plan 2019/22
Cabinet Member (Portfolio Holder) Cllr Lee Chapman
Local Member All
Appendices https://shropshireperformance.inphase.com/

Committee and Date	Item
Cabinet 14th December 2020	

FINANCIAL MONITORING REPORT – QUARTER 2 2020/21

Responsible Officer James Walton
Email: james.walton@shropshire.gov.uk Tel: (01743) 255011

1. Summary

1.1 The report sets out the projected revenue expenditure for the whole of 2020/21 as at Quarter 2 (Q2), and for capital sets out the expenditure up to the end of Q2. For capital, any budget increases and decreases and any re-profiling of budgets between 2020/21 and future years are also set out for decision making.

1.2 The revenue monitoring within this report is based on financial information held for the first six months of the year, extrapolated to year end to produce an estimated outturn position. As the year progresses and further financial information becomes available, the quality of the estimates used within this report are expected to increase.

1.3 Variances in the overall projected position for the Council do not yet reflect all management action that can be taken. Management action instigated as a result of the Q2 monitoring projections identified in this report will be reflected in the projected outturn reported within the Q3 Monitoring Report.

1.4 The report identifies the current projections on delivery of revenue savings included within the forecast. To aid reporting of savings delivery the Council uses a RAG (Red, Amber, Green) rating to identify a rating for the delivery of savings proposals (more detail is provided in the report below). As at Q2, evidence suggests that of the £18.725m of proposals to be delivered in 2020/21, £8.429m are rated as green – with a high degree of certainty of being delivered.

1.5 The Quarter 2 monitoring position suggests that £6.689m of the £18.725m savings planned are categorised as red, and further work is required within service areas to ensure that the total value of savings proposals is fully deliverable within the financial year. Furthermore, additional ongoing service pressures totalling a net value of £9.472m are being highlighted, which service areas will need to address alongside delivering their savings.

1.6 £22.410m non-ringfenced grant has been received from MHCLG to enable the Council to respond to coronavirus (Covid-19) pressures across all services. In addition to this, it is estimated that the Council may be able to claim approximately £5.184m additional un-ringfenced support from MHCLG to recompense the Council for a proportion of lost sales, fees and charges income that has not been received by the Council due to the pandemic, and also that £0.594m will be received from HMRC through the Coronavirus Job Retention Scheme. The current estimate of additional cost pressures and loss of income to the Council as a result of Covid-19 is currently estimated at £24.511 but may increase as the year progresses. It is also estimated that there will be a further £3.310m of collection fund losses (council tax and business rate losses) in future years.

1.7 The projected revenue outturn position has deteriorated between Q1 and Q2. While many service budget positions have improved since the last quarter a significant increase in the costs of homelessness provision has been identified. This has resulted in a shortfall in Housing Subsidy which has added an estimated £1.8m in costs between Q1 and Q2. Despite this pressure, the Council's overall overspend has only increased by £0.8m.

1.8 The key issues highlighted by this report are that:

- The projected revenue outturn position is an overspend of £2.771m.
- At this level, the projected General Fund balance as at 31 March 2021 would be £10.739m, which is below the recommended level.
- There is currently no budget pressure arising in year as a result of Covid-19 but we are monitoring the position closely.
- Management action across all areas of the Council is now required to attempt to bring the budget back into balance, as far as possible.
- Without management action, there is a risk that savings proposals currently rated as "Amber" may be undelivered, which would have the effect of increasing any underlying overspend by £3.607m.
- The projected capital outturn is £99.784m, in line with the current budget. This follows a net budget decrease of £28.131m in Quarter 2.
- Current capital expenditure of £19.516m, representing 20% of the budget at Quarter 2, with 50% of the year elapsed.
- One scheme is currently forecast to outturn in excess of the approved budget and delivery is significantly behind schedule.
- In 2021/22 and 2022/23 capital receipts are currently projected to be lower than those required for the programme to value of £9.701m and £14.701m respectively. Therefore, urgent action is required to progress further disposals identified in both the current and future years.

1.9 In December 2019 Shropshire Council supported a bid for the Pocket Parks programme to help communities provide new or renovated parks. The funding is issued as a Section 31 grant and requires Shropshire Council to be the Accountable Body. Details are provided in Section 13 of this report.

2. Recommendations

It is recommended that Members:

A. Note that at the end of Quarter 2 (30 September 2020), the full year revenue forecast is a potential overspend of £2.771m;

B. Consider the impact of this on the Council's General Fund balance.

C. Approve that Shropshire Council acts as Accountable Body for the Pocket Parks programme.

REPORT

3. Background

3.1 Budget monitoring reports are produced monthly for Senior Managers, and quarterly for Cabinet, reporting on the period from June (period 2) to February (period 11) of each financial year, highlighting the anticipated year end projection.

3.2 The monitoring reports track progress against agreed budget decisions, consider any budget changes (including re-profiling on Capital), forecast any significant variances to the budget, and enable corrective action to be taken to attempt to ensure a balanced budget at year end.

3.3 Revenue variances are reported on an exception basis depending on the total variance from budget, and the percentage change in projection in any one period.

Green	Variance +/- 1% (or £0.05m if budget less than £5m)
Amber	Overspend between 1%-2% (or £0.05m-£0.1m if budget less than £5m)
Red	Variance over 2% (or £0.1m if budget less than £5m)
Yellow	Underspend more than 1% (or £0.05m if budget less than £5m)

3.4 In addition, given the level of savings proposals identified for delivery in 2020/21, this report also includes a second RAG rating, specifically relating to the delivery of savings. The ratings are as follows:

Green – Saving identified, quantified and confirmed
Amber – Saving identified but not yet confirmed
Red – Saving not achieved or unachievable

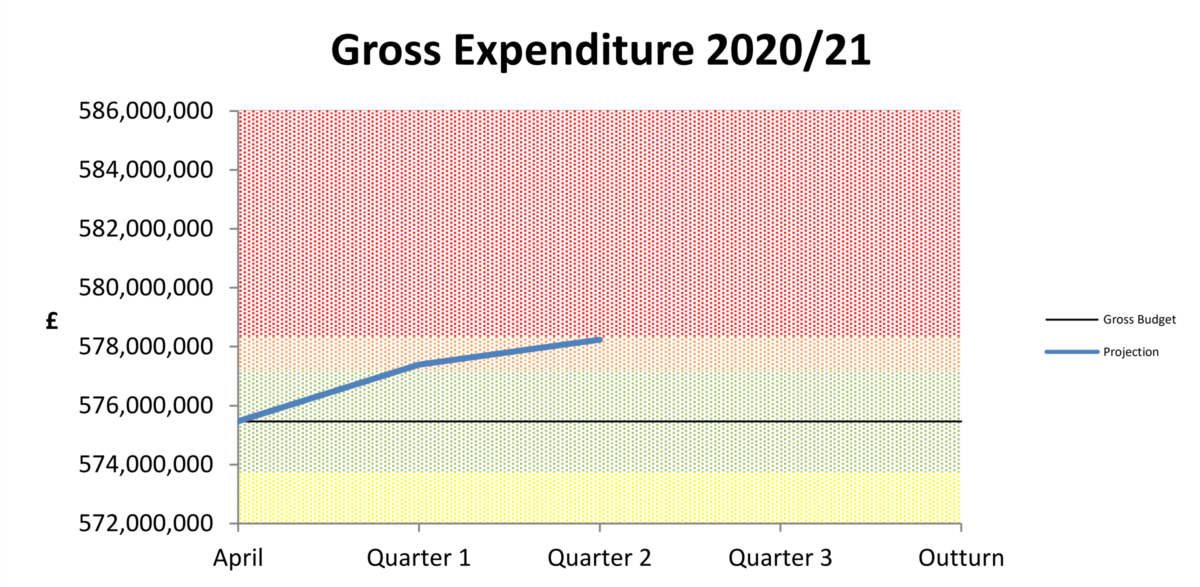
3.5 Capital schemes are also reported on an exception basis, based on being delivered within budget and the expectation of being delivered within scheme timeframe.

4. Revenue Monitoring 2020/21 Budget - Overall Position

4.1 The projected revenue forecast for the year at Quarter 2, shows a potential overspend of £2.771m (0.48%) on a gross budget of £575.462m (net £225.522m). The forecast year end position for the Council is revised each Quarter (monthly for Directors) and reported using the graph below. The area of the graph banded green shows the extent of variance from the budget that would be seen as reasonable given the size and complexity of the Council's budget. However, at Quarter 2 the projected year end overspend of £2.771m is falling within the amber (danger zone) banding as shown in Graph 1 below.

4.2 Management action is required in order to reduce the projected year end overspend. The effect of any management decisions taken will be reflected in future reports.

Graph 1: Projected Outturn Variance to Gross Budget



4.3 The projected overspend of £2.771m for 2020/21 is presented below and analysed in more detail within Appendix 1.

Table 1: 2020/21 Projected Budget Variations Analysed by Service Area

Service Area	Revised Budget £'000	Forecast Outturn £'000	(Under) / Overspend £'000	RAGY Classification
Adult Services	118,579	116,843	(1,736)	Y
Central DSG	-	-	-	G
Children's Services	53,015	59,667	6,652	R
Corporate Budgets	(6,358)	(16,262)	(9,904)	Y
Finance, Governance & Assurance	2,240	3,864	1,625	R
Legal & Democratic Services	453	514	60	A
Place	57,835	62,955	5,121	R
Strategic Management Board	4	(118)	(123)	Y
Workforce & Transformation	(246)	830	1,076	R
Total	**225,522**	**228,292**	**2,771**	**A**

4.4 The forecast impact of Covid-19 is included within the monitoring position. The latest estimate of additional costs for Covid-19 (including unachieved savings) is forecast to be £14.870m, with a further £9.641m net loss of income forecast, resulting in a total cost to the Council of £24.511m in 2020/21. Additional costs and loss of income are shown in the tables below within section 4.6.

4.5 £22.410m non-ringfenced Covid-19 grant has been received by the Council, and this grant income is included in the monitoring position within Corporate Budgets, along with the majority of additional one-off costs incurred, such as additional payments to adult social care providers, the purchasing of PPE, delivery of food parcels and the costs of temporary accommodation for rough sleepers. Lost income is shown within the appropriate service areas, to show the impact of Covid-19 on the running of ongoing Council services.

4.6 It is estimated that the Council may be able to claim approximately £5.184m additional un-ringfenced support from MHCLG to recompense the Council for a proportion of lost sales, fees and charges income that has not been received by the Council due to the pandemic, and also that the Council will receive £0.594m from MHCLG through the Coronavirus Job Retention Scheme. This further income support is also forecast within the appropriate service areas, reducing the net impact of Covid-19 on the service areas' forecast outturn position.

Covid-19 Additional Expenditure Area (Included within Corporate Budgets within Monitoring Position)	**Expenditure as at 30th September 2020 (£m)**	**Forecast Expenditure to 31st March 2021 (£m)**	**Confidence in Forecast Outturn Expenditure**
Adult Social Care	3.300	4.294	A
Housing Services	1.377	1.334	A
Public Health	0.044	0.248	A
Regulatory Services	0.000	0.000	G
Children's Social Care	0.263	2.813	A
Learning and Skills	0.037	0.241	A
Risk Management and Insurance	0.000	0.003	R
Elections	0.000	0.002	A
Highways and Transport	0.000	0.269	A
Arts	0.000	0.020	G
Leisure	0.000	1.098	A
Health and Safety	0.002	0.003	G
Communications	0.002	0.011	R
ICT Services	0.005	0.300	R
PPE	0.152	0.261	A
Delivery of Food Parcels and Essential Supplies, and Grants to Community Groups	0.128	0.163	A
Lockdown Compliance and Reopening Costs	0.023	0.158	A
Transport for Covid-19 Testing	0.047	0.059	A
Temporary Mortuary	0.000	0.014	R
Unachieved Savings*	2.839	3.580	G
Total	**8.220**	**14.870**	**A**

*included within directorate monitoring positions

Covid-19 Loss of Income **Service Area**	**2020/21 Forecast Net Loss of Income Due to Covid-19 (£m)** (Net forecast includes savings on expenditure as a result of service reduction)	**Estimated Loss of Sales Fees and Charges Income to be Claimed from MHCLG (£m)**	**Job Retention Scheme Income Expected from HMRC (Will Increase with Any Further Claims) (£m)**	**Contribution from Unringfenced Covid-19 Grant to Fund Remaining Loss (£m)**	**2020/21 Forecast Net Loss of Income Due to Covid-19, After Central Government Compensation (£m)**
Adult Services Business Support and Development	0.020		(0.025)	0.000	(0.005)
Adult Social Care Operations	0.308	(0.035)		(0.273)	0.000
Housing Services	0.119	(0.083)		(0.036)	0.000
Registrars	0.269	(0.167)		(0.102)	0.000
Trading Standards and Licensing	0.417	(0.261)		(0.156)	0.000
Learning and Skills	0.360	(0.222)		(0.138)	0.000
Corporate Budgets	0.019			(0.019)	0.000
Corporate Landlord	0.400			(0.400)	0.000
Shire Services	0.743	(0.265)	(0.423)	(0.055)	0.000
Planning Services	0.474	(0.198)		(0.276)	0.000
Shrewsbury Shopping Centres – Commercial Sites	0.455			(0.455)	0.000
Environment and Transport - Parking	3.389	(2.326)		(1.063)	0.000
Waste Management	0.160			(0.160)	0.000
Leisure	0.500	(0.342)	(0.052)	(0.106)	0.000
Libraries	0.034	(0.022)		(0.011)	0.000
Museums and Archives	0.232	(0.155)	(0.012)	(0.064)	0.000
Outdoor Partnerships	0.115	(0.082)		(0.033)	0.000
Theatre Services	1.627	(1.025)	(0.082)	(0.520)	0.000
Total	**9.641**	**(5.184)**	**(0.594)**	**(3.867)**	**(0.005)**

4.7 In addition to the non-ringfenced grant of £22.410m, the Council has also been provided with several ringfenced grants in order to respond to the pandemic in various targeted ways. Grants awarded to date are as shown in the table below. Expenditure and grant income are included within service area income and expenditure projections. Some of the grants (e.g. business grants) will be passported through to third parties so do not count towards supporting Local Authority expenditure/activities.

Covid-19 Grants	Value / Assumed Value to be Received (£)
SBG and RH&L Grants	91,670,000
Local Restrictions Support Grants (Closed (Addendum))	6,752,250
Additional Restrictions Support Grant	6,462,720
Infection Control Grant (1)	4,601,579
Discretionary Business Grants	4,583,500
Infection Control Grant (2)	4,029,458
Contain Outbreak Management Fund (Nov lockdown)	2,585,088
Test and Trace Support Grant	1,126,797
COVID Winter Grant Scheme	841,634
Supported Bus Services	472,877
Home to School Transport Grant	350,000
Contain Outbreak Management Fund (for tier 1 status)	319,189
Emergency Assistance Grant	311,900
Reopening High Streets Safely Fund	288,194
Compliance and Enforcement Grant	145,151
Next Steps Accommodation Programme	123,500
Active Travel Grant	86,000
Transport Demand Management Grant	50,000
Homelessness and Rough Sleeping Contingency Fund	12,000
Test and Trace Support Payments	TBC
Support for the Clinically Extremely Vulnerable (CEV)	TBC
Total	**124,811,136**

5. Update on Savings Delivery

5.1 The savings projections for 2020/21 have been RAG rated in order to establish the deliverability of the savings and any potential impact on the outturn projection for the 2020/21 financial year. RAG ratings have been categorised as follows:

Red – Savings are not solved on an ongoing basis, nor have they been achieved in the current financial year. These are reflected as unachieved within this monitoring report.

Amber – Savings have been identified on an ongoing basis in the current financial year, however there is no clear evidence to support the delivery as yet. The projected outturn within this report assumes these savings will be delivered.

Green – Savings have been identified on an ongoing basis in the current financial year, with evidence of delivery.

The RAG ratings are updated monthly to determine progress on delivery.

Table 2: Update on Delivery of 2020/21 Savings Proposals

Service Area	Red £'000	Amber £'000	Green £'000	Total Savings £'000
Adult Services	1,472	2,279	3,295	7,046
Central DSG	-	-	-	-
Children's Services	2,092	56	259	2,407
Corporate Budgets	51	38	524	613
Finance, Governance and Assurance	-	71	487	558
Legal and Democratic Services	135	-	265	400
Place	1,268	680	3,116	5,064
Strategic Management Board	-	-	-	-
Workforce and Transformation	1,671	482	484	2,637
Council	**6,689**	**3,607**	**8,429**	**18,725**

5.2 The figures presented above show that 36% of the 2020/21 savings required have been rated as green with a further 19% with plans in place to be delivered (rated amber). Paragraph 6.2 below provides further detail on the red savings.

5.3 Managers have provided assurance that plans are in place to deliver the savings that have been categorised as amber, however as evidence of the delivery has not yet been identified, there is still a risk that these savings could impact on the outturn position for 2020/21. As the year progresses, these amber savings should gradually turn to green as the evidence becomes available. However, if the amber rated savings are not delivered as planned, the effect on the outturn position is shown in Table 3 below.

5.4 Non-delivery of the amber rated savings would result in a projected outturn of £581.840m, and a total overspend of £6.378m which would leave the General Fund balance at an unsustainable level.

Table 3: Effect of Non-Delivery of Amber Savings in 2020/21

	Quarter 2 Projected Variance £'000	Amber Savings £'000	Potential Outturn if Amber Savings not Achieved £'000
Adult Services	(1,736)	2,279	543
Central DSG	-	-	-
Children's Services	6,652	56	6,708
Corporate Budgets	(9,904)	38	(9,866)
Finance, Governance & Assurance	1,625	71	1,696
Legal & Democratic Services	60	-	60
Place	5,121	680	5,801
Strategic Management Board	(123)	-	(123)
Workforce & Transformation	1,076	482	1,558
Total	**2,771**	**3,607**	**6,378**

6. Analysis of Outturn Projections including Delivery of Savings

6.1 The monitoring position detailed in Table 1 includes the current position on delivery of savings proposals for 2020/21 in addition to new monitoring pressures identified and one-off solutions to reduce the projected overspend. Table 4 provides further analysis of the projected overspends for each service area.

Table 4: Reconciliation of Monitoring Projections to Savings Delivery

	Quarter 2 Projection £000	Savings Pressure in 2020/21 £000	Ongoing Monitoring Pressures Identified £000	Ongoing Monitoring Savings Identified £000	One Off Monitoring Pressures Identified £000	One Off Monitoring Savings Identified £000
Adult Services Business Support & Development	(94)				159	(253)
Adult Services Management	111	200				(89)
Provider Services	(14)				212	(226)
Housing Services	464	552	164		73	(325)
Social Care Operations	(2,178)				346	(2,524)
Bereavement Services	(1)					(1)
Regulatory Services	(6)	175			50	(232)
Trading Standards and Licensing	22	325			231	(534)
Registrars and Coroners	(23)	30			257	(311)
Non Ring Fenced Public Health Services	(16)				8	(25)
Ring Fenced Public Health Services	0	190	25		314	(528)
Adult Services	**(1,736)**	**1,472**	**189**	**0**	**1,650**	**(5,047)**
Central DSG	0				184	(184)
Central DSG	**0**	**0**	**0**	**0**	**184**	**(184)**
Children’s Social Care & Safeguarding	6,419	2,050	3,062		2,327	(1,021)
Early Help, Partnerships and Commissioning	(118)				9	(127)
Children's Services Management	6	7			22	(23)
Learning and Skills	345	36	42		417	(150)
Children's Services	**6,652**	**2,092**	**3,104**	**0**	**2,775**	**(1,320)**
Corporate Budgets	(3,109)	51			766	(3,926)
Business Continuity – Covid-19	(6,795)				15,615	(22,410)
Corporate Budgets	**(9,904)**	**51**	**0**	**0**	**16,381**	**(26,336)**
Audit Services	(78)					(78)
Finance	146				181	(35)
Pension Administration Services	0					
Revenues and Benefits	1,601		1,750			(149)
Treasury Services	(0)					
Commissioning Development and Procurement	(10)					(10)
Risk Management and Insurance	(34)					(34)
Finance, Governance and Assurance	**1,625**	**0**	**1,750**	**0**	**181**	**(306)**
Democratic Services	(31)	8			2	(41)
Elections	64	77			8	(21)
Legal & Democratic Services	27	50			68	(91)
Legal and Democratic Services	**60**	**135**	**0**	**0**	**78**	**(153)**
Director of Place	132	92	64			(24)
Head of Commercial Services	100	96			4	
Corporate Landlord	(115)				373	(488)
Facilities Management	(4)					(4)
Property Services	89				96	(7)

	Quarter 2 Projection £000	Savings Pressure in 2020/21 £000	Ongoing Monitoring Pressures Identified £000	Ongoing Monitoring Savings Identified £000	One Off Monitoring Pressures Identified £000	One Off Monitoring Savings Identified £000
Strategic Asset Management	323		100		235	(12)
Commercial Investment Team	(286)				6	(292)
Climate Change	0					
Shire Services	868		426		762	(320)
Head of Economic Growth	(7)					(7)
Planning Services	225				821	(596)
Economic Growth	(0)				756	(757)
Broadband	(0)				37	(37)
Planning Policy	(3)				110	(113)
Shrewsbury Shopping Centres – Development Sites	683	320			585	(222)
Shrewsbury Shopping Centres – Commercial Sites	185				720	(535)
Head of Infrastructure	(1)				31	(33)
Highways	495	200			1,437	(1,142)
Environment and Transport	833	200	952		4,621	(4,940)
Waste Management	(149)				41	(189)
Head of Homes and Communities	482	350			132	
Housing Development and HRA	963		1,025			(62)
Head of Culture, Leisure and Tourism	111		113		60	(61)
Arts	(0)				0	
Shropshire Hills AONB	19				19	
Outdoor Partnerships	60		50		371	(361)
Leisure	125				723	(598)
Libraries	73	9	98		61	(96)
Museums and Archives	(81)				291	(371)
Theatre Services	0				4,165	(4,165)
Place	**5,121**	**1,268**	**2,828**	**0**	**16,457**	**(15,431)**
Strategic Management Board	(123)					(123)
Strategic Management Board	**(123)**	**0**	**0**	**0**	**0**	**(123)**
Customer Services	(168)					(168)
ICT Digital Transformation Project	2,782	1,181	1,601			
ICT Services	(1,320)	435			279	(2,034)
Communications	(37)				28	(65)
Information, Intelligence and Insight	(117)					(117)
Human Resources &Organisational Development	(64)	55			445	(564)
Workforce and Transformation	**1,076**	**1,671**	**1,601**	**0**	**752**	**(2,948)**
TOTAL	**2,771**	**6,689**	**9,472**	**0**	**38,458**	**(51,848)**

6.2 The 2020/21 savings projected not to be delivered within the Quarter 2 position are as follows:

Ref	Directorate	Service Area	Description	2020/21 Saving Required (£)	Value Rated Red (£)	Forecast Impact of Covid-19 on Red Savings
2A38R	Adult Services	Housing Services	Utilisation of HRA monies to fund temp accommodation properties	172,200	172,200	
2A46R	Adult Services	Regulatory Services	Regulatory Services, Trading Standards and Licensing review leading to redesign of delivery model, structures and an increased focus on income generation. Opportunities include; increased alignment to the CSC and an increased digital presence.	200,000	175,000	175,000
2A46R	Adult Services	Trading Standards and Licensing	Regulatory Services, Trading Standards and Licensing review leading to redesign of delivery model, structures and an increased focus on income generation. Opportunities include; increased alignment to the CSC and an increased digital presence.	200,000	175,000	175,000
H16	Adult Services	Trading Standards and Licensing	Increase parking enforcement functions in line with the parking strategy	100,000	100,000	100,000

H24	Adult Services	Ring Fenced Public Health Services	Reclaim of funds from out of area for sexual health services (Wales)	50,000	50,000	50,000
2A03	Adult Services	Housing Services	External income generation	100,000	50,000	
2A18	Adult Services	Housing Services	Reclaim of HRA monies	80,000	80,000	
2A20	Adult Services	Ring Fenced Public Health Services	Redesign of integrated sexual health services	100,000	100,000	100,000
2A27	Adult Services	Registrars and Coroners	Registrars and Coroners income and reserve savings	30,000	30,000	30,000
2A28	Adult Services	Ring Fenced Public Health Services	Public Health services training income	10,000	10,000	5,000
2A29	Adult Services	Ring Fenced Public Health Services	Review of NHS Health checks, Preventive Health and Health TV.	30,000	30,000	15,000
2A30	Adult Services	Trading Standards and Licensing	Increase parking enforcement functions in line with the parking strategy	50,000	50,000	50,000
2P02	Adult Services	Housing Services	New model for temporary housing	250,000	250,000	
2A15	Adult Services	Adult Services Management	PFI Contract Savings	200,000	200,000	
P41	Children's Services	Children's Services Management	Negotiate contract savings upon renewal, through better contract management	6,880	6,880	
2C03	Children's Services	Children’s Social Care and Safeguarding	North Yorks - No children in residential care model	2,000,000	2,000,000	1,000,000
2C09	Children's Services	Children’s Social Care and Safeguarding	New Residential Homes	100,000	50,000	50,000
2C06	Children's Services	Learning and Skills	Reduction to Council Central Schools Block of Dedicated Schools Grant	100,000	35,600	

2F01	Corporate Budgets	Corporate Budgets	Insurance premiums and recharges	163,000	51,000	
2LD04	Legal and Democratic Services	Legal Services	New Children's Lawyer	50,000	50,000	
2LD07	Legal and Democratic Services	Elections	JLB Bid Funding	76,690	76,690	
2LD11	Legal and Democratic Services	Democratic Services	Increased income generation	8,000	8,000	
P11	Place	Libraries	Review of library provision	73,950	9,420	9,420
P41	Place	Director of Place	Negotiate contract savings upon renewal, through better contract management	92,320	92,320	
P65	Place	Shrewsbury Shopping Centres – Development Sites	Income generation from investment in assets	320,000	320,000	320,000
P05	Place	Head of Commercial Services	Review of car parking at administrative sites	96,000	96,000	96,000
2P03	Place	Environment and Transport	Support package for Operation of Park and Ride	200,000	200,000	100,000
2P05	Place	Head of Homes and Communities	HRA cost recovery	100,000	100,000	
2P02	Place	Head of Homes and Communities	New model for temporary housing	250,000	250,000	
2P210	Place	Highways	LED Street Lighting	200,000	200,000	
2WT06	Workforce and Transformation	ICT Services	PCI, SIP trunking and Telephony	200,000	8,830	8,830
2WT12	Workforce and Transformation	Human Resources and Organisational Development	Review of First Line HR Contacts	25,000	25,000	
2WT13	Workforce and Transformation	ICT Services	Mobile Phone Contract Reduction	40,000	40,000	20,000

2WT14	Workforce and Transformation	Human Resources and Organisational Development	Re-working ICT approvals process	30,000	30,000	
2WT20	Workforce and Transformation	ICT Services	Contract reductions from IT infrastructure replacement	283,000	283,000	
2WT21	Workforce and Transformation	ICT Services	WAN contract reductions	103,000	103,000	103,000
2WT23	Workforce and Transformation	ICT Digital Transformation Project	Lean review of Shropshire Council structures and processes linked to transformation, single front door and digital enabling technologies	1,181,000	1,181,000	
			TOTAL	**7,271,040**	**6,688,940**	**2,407,250**

More detail on these is provided within the relevant service sections of Appendix 1.

6.3 A number of ongoing pressures have been identified within service areas, some of which relate to savings unachieved in previous financial years. Ongoing pressures identified at Quarter 2 are as follows:

Directorate	**Service / Description**	**Nature of Ongoing Monitoring Pressure**	**Value (£)**
Adult Services	Housing - Temporary Accommodation	Demography	164,000
Adult Services	Public Health - Out of Hours Call Service	Historic unachieved saving	24,800
Children's Services	Shrewsbury Training and Development Centre	Reduced income	42,000
Children's Services	Children's Social Care Placements	Demography and staff budget	2,427,400
Children's Services	Social Work Teams	Staff budget	291,500
Children's Services	Children's Social Care Agency Costs	Staff budget	343,400
Finance, Governance and Assurance	Housing Benefits	Housing Benefit Subsidy loss	1,750,000
Place	Shire Services	Historic unachieved saving	426,100
Place	Strategic Asset Management	Historic unachieved saving	100,000
Place	Director of Place	Historic unachieved saving	63,970

Place	Housing Development and HRA	Historic unachieved saving (now Cornovii)	1,025,000
Place	Environment and Transport	Historic unachieved saving	952,000
Place	Outdoor Partnerships	Historic unachieved saving	50,000
Place	Libraries	Historic unachieved saving	98,000
Place	Head of Culture, Leisure and Tourism	Staff budget	112,825
Workforce and Transformation	DTP - Transformation Savings	Historic unachieved saving	1,111,000
Workforce and Transformation	DTP - Single Front Door / Face to Face Review	Historic unachieved saving	490,000
TOTAL			**9,471,995**

Significant further work is required within service areas to find an ongoing basis for managing and funding these pressures so that further growth is not required within the Financial Strategy, leading to an increase in the funding gap.

7. General Fund Balance

7.1. The effect on the Council's reserves of the outturn forecast is detailed below. The Council's policy on reserve balances is to have a General Fund balance (excluding schools balances) of between 0.5% and 2% of the gross revenue budget. For 2020/21 the minimum balance required would therefore be £2.877m, although this is no longer considered to be an acceptable guide.

7.2. The more appropriate risk-based target balance for the General Fund, as calculated in the General Fund Balance section of the Medium Term Financial Strategy 2020-25, reported to Council on 27th February 2020, is £19.242m.

7.3. Based on the current monitoring position, the General Fund balance will reduce significantly at year-end, as shown in table 5 below. The projected balance will be below the required risk assessed target, but this is, in many ways, reflective of several risks being realised within the year such as unachieved savings, reductions in interest rates and an increased pay award. The 2021/22 estimate for the General Fund Balance was, as at February 2020, similar to the 2020/21 level but will need to be significantly reassessed ahead of the next Financial Year due to several key changes in assumptions following the unparalleled financial implications of the Coronavirus pandemic in 2020/21.

Table 5: Projected General Fund Balance as at 31 March 2021

	£'000
General Fund Balance as at 31 March 2020	13,510
This Report – Projected Outturn Under/(Over)spend	(2,771)
Projected Balance at 31 March 2021	**10,739**

8. Movement in Capital Programme for 2020/21

8.1 The capital budget for 2020/21 is continuously being monitored and changed to reflect the nature of capital projects which can be profiled for delivery over several years. In Quarter 2 there has been a net budget decrease of £28.131m for 2020/21, compared to the position reported at Quarter 1 2020/21. Table 6 summarises the overall movement, between that already approved, changes for Quarter 2 and the programme financing.

Table 6: Revised Capital Programme Quarter 2 2020/21

Detail	Agreed Capital Programme - Council 27/02/20 £	Slippage & Budget Changes Approved To Q1 2020/21 £	Quarter 2 Budget Changes to be Approved £	Revised 2020/21 Capital Programme Quarter 2 £
General Fund				
Adult Services	72,225,091	1,981,554	(2,988,750)	71,217,895
Childrens Services	7,537,407	967,327	(6,208,091)	2,296,643
Childrens Services	15,611,241	2,258,618	(5,296,418)	12,573,441
Workforce & Transformation	1,400,000	994,901	-	2,394,901
Total General Fund	**96,773,739**	**6,202,400**	**(14,493,259)**	**88,482,880**
Housing Revenue Account	22,255,610	2,683,069	(13,638,000)	11,300,679
Total Approved Budget	**119,029,349**	**8,885,469**	**(28,131,259)**	**99,783,559**
Financing				
Self Financed Prudential Borrowing *	43,635,000	(1,864,664)	(30,504,978)	11,265,358
Government Grants	43,722,715	(2,500,097)	10,367,133	51,589,751
Other Grants	-	1,185,437	(913,695)	271,742
Other Contributions	14,043,449	(135,294)	(2,402,212)	11,505,943
Revenue Contributions to Capital	4,179,610	1,325,395	(1,098,063)	4,406,942
Major Repairs Allowance	5,026,000	1,181,444	362,000	6,569,444
Corporate Resources (expectation - Capital Receipts only)	8,422,575	9,693,249	(3,941,444)	14,174,380
Total Confirmed Funding	**119,029,349**	**8,885,469**	**(28,131,259)**	**99,783,559**

8.2 Within the financing of the Capital Programme, £4.407m is funded from revenue contributions. The major areas of revenue contributions to capital are £0.127m approved towards essential repairs in relation to the Corporate Landlord estate and £4.215m in ringfenced HRA monies to new build schemes (£3.750m) and the major repairs programme (£0.465m).

8.3 Full details of all budget changes are provided in Appendix 3 to this report. Significant budget changes across the life of the programme in Quarter 2 are:

Budget Increases

- Grant award of £11.570m in relation to the Department for Transport (DfT) Pothole Action Fund
- New award of £5.000m Local Enterprise Partnership (LEP) funding in relation to the Oswestry HIF scheme to enable progression of the Oswestry Innovation Park.
- Indicative award of £2.765m in relation to the DfT Incentive Fund.

- New award of £2.064m LEP funding in relation to the Tannery Medical Centre scheme.
- Increase of £1.025m in revenue contributions to capital funding.
- Increase of £0.811m in CIL contributions to capital funding.
- Confirmation of additional Department for Education (DfE) School Condition grant of £0.744m.
- Notification of 2020/21 DfE Devolved Formula Capital (DFC) grant funding of £0.422m
- Additional contribution from Major Repairs Allowance of £0.362m for the HRA housing stock repair programme.
- £0.328m Homes England grant in relation to the Oswestry HIF scheme to reflect anticipated delivery of the scheme.
- Increase of £0.060m in S106 contributions to capital funding.
- Additional capital receipts funding of £0.022m due to new grant award under the Market Drayton Business Grant Scheme.
- Additional DfE Full Fibre Broadband grant of £0.015m.
- ERDF grant award of £0.012m for a new project.
- Increase of £0.002m and £0.002m in private sector contributions and public sector contributions respectively for a local heritage asset find acquisition.

Budget Decreases

- Reduction in Prudential Borrowing requirement of £1.827m in relation to the Tannery Medical Centre scheme and the Parking Strategy project as a result of additional funding and project completion respectively.
- £1.315m Highways Maintenance grant pending a reassessment of the LED Street Lighting scheme.
- Transfer of Community Housing Grant of £0.100m to revenue for Community Led Schemes.
- Reduction in DfE DFC grant of £0.036m as a result of academy conversions.
- Reduction in required capital receipts funding of £0.001m in relation to completed projects.

Budget Re-profiling

- **Adult Services**
  Reprofiling of £2.000m Department of Health (DoH) unallocated Disabled Facilities grant and £1.000m DoH HOLD grant in relation to the future programme and to reflect the anticipated expenditure profile respectively.

- **Children's Services**
  Reprofiling of £5.100m Basic Need funding in relation to the Haughmond School Amalgamation Programme to reflect anticipated programme delivery.
  Reprofiling of £0.900m capital receipts funding in relation to the Haughmond School Amalgamation Programme to reflect anticipated programme delivery.
  Re-profiling of £0.504m DFC grant to reflect anticipated expenditure profile and expected expenditure at outturn.
  Reprofiling of £0.450 SEND Special Provision Funds to reflect anticipated expenditure profile.

Reprofiling of £0.300m School Condition funding to reflect anticipated expenditure profile.
Reprofiling of £0.124m Early Years Capital Grant to reflect anticipated expenditure profile.

- **Place**
  Reprofiling of Prudential Borrowing requirements of £18.678m to reflect anticipated expenditure profiles in relation to future commercial investments (£15.000m) and Whitchurch Medical Practice project (£3.678m).
  Reprofiling of £1.000m NHS grant to reflect anticipated expenditure profile in relation to Whitchurch Medical Practice project.
  Reprofiling of £1.000m capital receipts funding in relation to Shrewsbury Self Build Scheme to reflect the anticipated expenditure profile.
  Re-profiling of £3.327m private sector contributions and £1.673m capital receipts in relation to Phase 5 of the Broadband project to reflect expected expenditure at outturn.

- **Housing Revenue Account:** re-profiling of £10.000m Prudential Borrowing, Homes & Communities Agency New Build grant of £3.000m and HRA revenue contributions of £1.000m in relation to Phase 6 of the HRA New Build programme to reflect expected expenditure at outturn.

9. Actual versus Planned Expenditure to Date

9.1. The actual capital expenditure at Quarter 2 is £19.516m, which represents 20% of the revised capital budget at Quarter 2, 50% of the year. This is slightly low in comparison to the total budget, but in line with the average expenditure percentage at this period in previous years. All budgets are fully allocated to projects and will be monitored for levels of spend throughout the remainder of the year. Based on recent years, the capital programme has outturned at around 85% of the outturn budget, which on average has been around 20% lower than the budget at this point in the year, due to further re-profiling later in the year.

9.2. The level of spend is slightly low across the programme in some areas, but equal to the level of spend in the previous year at this period. In terms of the major areas the spend position is as follows: Adult Services 16% (budget £5.516m), Children's Services 15% (budget £11.662m), Place 23% (budget £68.910m), Workforce & Transformation 19% (budget £2.395m), HRA Major Repairs & New Build Programme 8% (budget £11.301m).

10. Schemes Forecast Outturn & Delivery

10.1. Capital schemes within the capital programme are not only continually monitored in terms of current year actual expenditure against budget but also in terms of scheme forecast outturn compared to budget and, on an exceptions basis, scheme delivery against profile. This is achieved by RAG rating schemes as follows:

RAG Rating	Scheme Projected Outturn	Scheme Projected Delivery
Red	Schemes with a forecast outturn in excess of 10% of the current scheme budget.	Scheme significantly below profile at current period and not expected to deliver as original profile.
Amber	Schemes with a forecast outturn in excess of 5% of the current scheme budget.	Scheme below profile at current period and will not deliver as original profile.
Green	Schemes with a forecast outturn of less than or equal to the current scheme budget.	Scheme on profile at current period and expected to be delivered as original profile.

10.2. For most schemes, forecast outturn against budget and scheme delivery against profile at Quarter 2 are within acceptable limits, however, currently one scheme is rated red in relation to both forecast outturn and scheme delivery. This scheme is discussed in detail below.

Ludlow Assembly Rooms - Refurbishment Works

The scheme budget totals £3.475m and forecast outturn is currently £3.733m; a potential scheme over spend of £0.258m. Additionally, the scheme is also significantly behind schedule. The majority of the overspend and overrun have arisen due to unforeseen works requirements relating to the condition of the building. Of this forecast overspend £0.117m is as a direct result of the COVID-19 pandemic and relates to increased costs arising from unavoidable project time delays. This potential overspend has been reported and discussed by the Project Board. The Board has implemented a recovery plan and actions in order to bring the scheme back within the approved budget.

10.3. The position of this scheme will continue to be closely monitored and reported in subsequent monitoring reports.

11. Impact of COVID-19 Pandemic

11.1. Impact of the COVID-19 pandemic on capital schemes, in terms of both forecast outturn and delivery, in addition to new specific schemes, are routinely considered and assessed at individual project boards and during monthly monitoring.

11.2. As previously referred to in paragraph 3.2, the Ludlow Assembly Rooms project has incurred additional costs of £0.117m as a direct result of the COVID-19 pandemic.

11.3. It has been necessary to instigate two new projects, with total costs of £0.020m, to meet operational requirements in Adult Services as a result of the pandemic. These projects are:

- Avalon - Outside Toilet Facility
- Oak Farm - Lean to Shelter for Handwashing

12. Capital Receipts Position

12.1. The current capital programme is heavily reliant on the Council generating capital receipts to finance the capital programme. There is a high level of risk in these projections as they are subject to changes in property and land values, the actions of potential buyers and being granted planning permission on sites. Table 7 below, summarises the current allocated and projected capital receipt position across 2020/21 to 2023/24. A RAG analysis has been included for capital receipts projected, based on the current likelihood of generating them by the end of each financial year. Those marked as green are where they are highly likely to be completed by the end of the financial year, amber are where they are achievable but challenging and thus there is a risk of slippage, and red are highly unlikely to complete in year and thus there is a high risk of slippage. However, no receipts are guaranteed to complete in this financial year as there may be delays between exchanging contracts and completing.

Table 7: Projected capital receipts position

Detail	2020/21 £	2021/22 £	2022/23 £	2023/24 £
Corporate Resources Allocated in Capital	14,174,381	9,273,633	5,000,000	-
Capital Receipts used to finance	-	-	-	-
To be allocated from Ring Fenced Receipts	7,141,437	3,050,000	-	-
Total Commitments	**21,315,818**	**12,323,633**	**5,000,000**	**-**
Capital Receipts in hand/projected:				
Brought Forward in hand	19,619,249	2,557,313	(9,700,958)	(14,700,958)
Generated 2020/21 YTD	3,027,919	-	-	-
Projected - 'Green'	1,225,963	65,363	-	-
Total in hand/projected	**23,873,131**	**2,622,675**	**(9,700,958)**	**(14,700,958)**
Shortfall to be financed from Prudential Borrowing / (Surplus) to carry forward	**(2,557,313)**	**9,700,958**	**14,700,958**	**14,700,958**
Further Assets Being Considered for Disposal	**5,013,465**	**18,909,424**	**14,230,000**	**3,500,000**

12.2. Capital receipts of £19.619m were brought forward from 2019/20 and £3.028m has been generated to date in 2020/21. A further £1.226m is currently projected as ‘Green’ for 2020/21, which mainly relates to the sale of Westgate, Bridgnorth (£0.869m) and from the sale of HRA Right to Buy properties (£0.366m).

12.3. Based on the current programme and capital receipts in hand and projected as Green for 2020/21, the programme is affordable and there will be a balance of £2.557m to carry forward.

12.4. In 2021/22 and 2022/23 there are currently projected shortfalls of capital receipts of £9.701m and £14.701m respectively, which may need to be financed from Prudential Borrowing if they cannot be addressed by progressing the disposals programmed for future years. There is an urgent pressure to progress the disposals programmed for future years, to ensure they are realised, together with realising the revenue running cost savings from some of the properties. Considerable work is required to realise these receipts, with generally a lead in time of at least 12 to 18 months on larger disposals. In addition to the current expenditure commitments, the programme will also grow as new schemes are approved through the Capital Investment Board or if the Council further utilises the new flexibilities around the use of capital receipts for transformational revenue.

12.5. It is important that work progresses, to minimise the funding shortfall. Failure to generate the required level of capital receipts will result in the need to further reduce or re-profile the capital programme, some of which will occur naturally as part of the review of the delivery of schemes; or undertake prudential borrowing, which will incur future year revenue costs that are not budgeted for in the revenue financial strategy.

13. External Funding – Pocket Parks

13.1 Shropshire Council supported a bid in December 2019 to the Ministry of Housing, Communities and Local Government by Sport and Arts in the Community (SpArC) South West Shropshire for Pocket Parks. The Pocket Parks programme will support communities to provide new or renovated parks that can be used for local activities. The bid was for £15,000 for the development of a new park with wildlife area and outdoor climbing wall.

13.2 The application was successful and in February 2020 £15,500 was awarded for the project. This included an additional £500 to carry out an evaluation of the scheme. Match funding of £4,500 is to be provided which is being secured by SpArC.

13.3 The funding was issued to Shropshire Council as a Section 31 grant. As accountable body, the Council will enter into a grant funding agreement with SpArC, arrange the payment of the funding to SpArC and monitor progress of the programme to confirm that the funding is being used correctly.

List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information) Medium Term Financial Strategy 2020/21-2024/25 Financial Rules
Appendices 1. Service Area Pressures and Actions 2020/21 2. Amendments to Original Revenue Budget 2020/21 3. Capital Budget and Expenditure 2020/21

Appendix 1

Service Area Pressures and Actions 2020/21

Summary

	Budget	Forecast	Variance	RAGY
Adult Services	118,578,550	116,842,668	(1,735,882)	Y
Central DSG	-	-	-	G
Children's Services	53,014,990	59,667,024	6,652,034	R
Corporate Budgets	(6,357,730)	(16,261,833)	(9,904,103)	Y
Finance, Governance & Assurance	2,239,570	3,864,184	1,624,614	R
Legal & Democratic Services	453,440	513,580	60,140	A
Place	57,834,590	62,955,206	5,120,616	R
Strategic Management Board	4,290	(118,236)	(122,526)	Y
Workforce & Transformation	(246,130)	829,799	1,075,929	R
TOTAL	**225,521,570**	**228,292,390**	**2,770,820**	A

Detail

ADULT SERVICES		**Full Year**			**RAGY**
		Budget £	**Forecast £**	**Variance £**	
Total		**118,578,550**	**116,842,668**	**(1,735,882)**	Y

Adult Services Business Support and Development	**Portfolio Holder Adult Social Services and Climate Change**	3,498,220	3,404,557	(93,663)	Y
There is a projected underspend within Business Support and Development of (£0.094m) which is largely due to a number of managed vacancies across the service. The vacancies are not sustainable beyond the short-term, but will not impact service delivery in 2020/21. A summary of the major variances are as follows: • (£0.057m) underspend on Business Support. This is largely down to staffing and costs associated with the posts, due to anticipated delays in appointing to vacant posts. • (£0.037m) underspend on Joint Training and the Professional Development Unit. There is an anticipated loss of income due to Covid-19 but this is offset in full by staffing related underspends.					
Adult Services Management	**Portfolio Holder Adult Social Services and Climate Change**	1,958,710	2,070,044	111,334	R
There is a projected overspend within Adult Services Management of £0.111m. A summary of the major variances are as follows: • (£0.088m) underspend on staffing due to a Head of Service post not yet being appointed to. • £0.200m overspend as a result of an unachieved saving on PFI building contracts.					
Provider Services	**Portfolio Holder Adult Social Services and Climate Change**	2,942,600	2,928,183	(14,417)	Y
Minor variation from budget at Quarter 2.					
Housing Services	**Portfolio Holder Housing and Strategic Planning**	2,456,440	2,920,328	463,888	R

There is a projected overspend within Housing Services of £0.464m. The major variances are as follows: • (£0.223m) underspend on staffing due to anticipated in-year staff vacancies. • £0.006m net effect of under-achievement of income targets and pressures in service delivery related to projects such as assistive technology • £0.552m related to the expected non-achievement of red savings • £0.164m anticipated overspend on temporary accommodation, due to an unprecedented number of homeless cases. Savings targets have been proposed by reducing the reliance on more expensive bed and breakfast usage.					
Social Care Operations	**Portfolio Holder Adult Social Services and Climate Change**	103,596,240	101,418.071	(2,178,169)	Y
There is a projected underspend of (£2.178m) within the Social Care Operations section of Adult Services. The major variances are as follows: • (£1.489m) projected underspend within the purchasing budget. Ongoing work is taking place to review this position but at present it is anticipated, due to not seeing the level of growth in costs that was anticipated at budget setting. This could be due in part to the suppressed demand due to Covid-19, as well as an increased death rate. There is also some one-off in-year funding applied from NHSE, which is funding all hospital discharges from its Covid-19 funding. This is an extremely volatile budget and assumptions made around in-year growth are extremely difficult due to the current pandemic and the unknown future, but we are starting to see demand increasing and we have a number of young adults requiring specialist placements. As we enter wave two, adult social care colleagues continue to monitor the impact of the pandemic. • (£0.540m) underspend due to a local authority decision to fund OT equipment costs through the disabled facilities grant, which means applying capital funding and generating a revenue budget saving. This may not be sustainable in the future. • (£0.222m) underspend on operational social work staffing due to anticipated delays in appointing to a number of staff vacancies. This is not sustainable in the longer term. • £0.208m overspend within maintenance and void costs across social care operations, mainly with regards to occupational therapy equipment and supported living properties where void costs of properties are not covered by the collection of Housing Benefit of the inhabitants. • £0.138m overspend on transport costs.					
Bereavement Services	**Deputy Portfolio Holder Public Health**	(263,170)	(263,861)	(691)	Y
Minor variation from budget at Quarter 2.					
Regulatory Services	**Portfolio Holder Communities, Place Planning and Regulatory Services**	2,756,110	2,749,765	(6,345)	Y
Minor variation from budget at Quarter 2.					
Trading Standards and Licensing	**Portfolio Holder Communities, Place Planning and Regulatory Services**	667,810	689,496	21,686	R
Minor variation from budget at Quarter 2.					
Registrars and Coroners	**Deputy Portfolio Holder Public Health**	679,390	656,032	(23,358)	A
Minor variation from budget at Quarter 2.					
Non Ring Fenced Public Health Services	**Deputy Portfolio Holder Public Health**	272,430	256,283	(16,147)	Y
Minor variation from budget at Quarter 2.					
Ring Fenced Public Health Services	**Deputy Portfolio Holder Public Health**	13,770	13,770	0	G

The Ring Fenced Public Health section of Adult Services is funded by Public Health England grant and is forecast to breakeven. The major variances within the breakeven position are as follows:
• £0.190m of committed savings in relation to the redesign and procurement of sexual health services will not be achieved in 20/21 due to challenges in contract mobilisation that have arisen as a result of the Covid-19 outbreak.
• £0.025m anticipated overspend on the out of hours call monitoring contract which is unlikely to be resolved in 20/21 due to resource constraints.
• (£0.027m) underspends expected in GP and pharmacy payments for public health services.
• (£0.064m) underspends due to reduced outturn on NHS Healthcheck expenditure.
Additional grant received from Public Health England has been committed to investment in staffing resource and has resulted in the creation of a number of posts. The delay in recruiting to these new posts is anticipated to result in a one-off overall underspend within the ring fence of (£0.198m) in 20/21. This underspend is forecast to be added to the ring fenced Public Health reserve at year end.

CENTRAL DSG		Full Year			RAGY
		Budget £	Forecast £	Variance £	
Total		-	-	-	G
Central DSG	**Deputy Portfolio Holder Education**	-	-	-	G

There is a £0.184m budget pressure reported against Central Dedicated Schools Grant (DSG). A £0.150m budget pressure is reported against the Early Years Block of DSG as a direct result of the “double funding” of nursery placements due to Covid-19. There will be Early Years children who cannot access the free Early Years entitlement at the setting of their choice, either because it is still closed or because they have had to restrict places in order to operate safely within the current guidelines of Covid-19. This has led to the ‘double funding’ of the nursery places for these children. It is assumed that this cost will fall on the DSG rather than the Council's Covid-19 grant.

There is a £0.034m budget pressure on the High Needs Block of DSG. The budget pressure identified at Quarter 2 relates to Post 16 FE College placements and top-up funding to mainstream schools. The SEND team believe that there will be a longer-term impact once lockdown restrictions are eased. The costs pressures will be from a higher than "normal" proportion of children presenting with needs that require top-up funding e.g. increased anxiety, plus an increase in demand for high cost residential placements or contributions towards joint funded high cost placements resulting from an increase in demand for these type of placements.

There are a number of strategies in play to address the increasing deficit on the DSG with the aim of bring the Council's DSG account back into balance. These include;
- Building capacity of maintained and academy school SEND Hubs as a more cost effective, local provision
- Graduated Support Pathway (GSP) payments to children identified as requiring SEN support an early stage
- Close partnership working with local mainstream college providers to realise efficiencies
- Reducing reliance on Independent Special Schools through focusing on building capacity of maintained school SEND hubs and the development of a new free Special School from September 2022
- Greater co-commissioning of provision with partners e.g. Health and Social Care to meet the holistic needs of a child
- Continue to support schools to be inclusive and manage the increase in permanent exclusions

CHILDREN'S SERVICES		Full Year			RAGY
		Budget £	Forecast £	Variance £	
Total		**53,014,990**	**59,667,024**	**6,652,034**	R
Children’s Social Care and Safeguarding	**Portfolio Holder Children's Services**	32,332,950	38,752,056	6,419,106	R

The budget pressure in Children's Social Care reflects unachieved savings targets totalling £2.055m as well as ongoing budget pressures, many of which have continued from 2019/20 and mirror the national picture.

£2.000m unachieved savings relates to the Stepping Stones project which has been partially delayed by Covid-19. The Stepping Stones Project is a strategy based on the successful "No Wrong Door" model in North Yorkshire. The vision is that of a holistic approach to children in care with an individualised, wrap-around support system in place that pulls in key stakeholders to work in a multi-agency hub. This way of working will build on the strong foundations of outreach and short-breaks provision, as well as utilising residential care flexibly and creatively to help repair and prepare children and young people to step down to home or a foster family or onto independent living. The project requires investment in additional staff and property adaptations in order to deliver this £2.000m savings target so is a subject of an invest to save funding bid. Unfortunately, the project has been delayed by Covid-19 so it is forecast that no savings will be delivered in 2020/21.

The remaining £0.055m unachieved savings relate to the 2 new residential children's homes. Again, the reason for this unachieved saving is Covid-19. While the first new children's home opened in February and is forecast to deliver some savings relating to the 2 children who are accommodated there, the second children's home was due to have its Ofsted Registration inspection in April, however due to Covid-19 lockdown restrictions this has been delayed. Consequently, the opening of this children's home was delayed from April/May to October which has impacted on savings delivery.

The largest overspending area within Children's Social Care is the external residential placements budget. There is a budget pressure of £0.774m being reported. As the number of children who are Looked after by Shropshire Council increases, so does the number of residential places. As at the end of September 2020, the number of external residential placements continues to rise with a net total of 5 additional external residential placements since the start of 2020/21 financial year. Although, these types of placement are relatively small in number, they are high cost and we believe there is an increase in demand for this type of placement due to Covid-19 increasing pressure on families during lockdown leading to an increase in neglect and abuse. There has been a 57% increase in the number of children coming into the care of the Shropshire Council over the same period last year. This has not resulted in the same increase in residential placements. A commissioning and contracts manager was appointed in the 2019/20 financial year to scrutinise high cost residential placements with private providers where the Council is incurring additional costs relating to the child, which may include 1:1 or 2:1 levels of care, therapeutic intervention and education provision. By providing monitoring of these placements to provide assurance of value for money and challenge as to whether the increased levels of support often provided at a start of a placement could be reduced, this post has successfully managed to generate significant savings in 2019/20 and these savings will be considerably higher in the 2020/21 financial year when we get the full-year effect in these reduction in placement costs plus any new reductions.

As stated above, at the end of the 2018/19 financial year, the Council embarked on a strategy to develop additional in-house internal residential provision. One home opened in February 2020 and is operational while the second home opened in October 2020 once Ofsted had undertaken their inspection and assessment. This process was delayed due to Covid-19. In the meantime, there is an overspend of £0.295m across all of the Council's internal residential homes. This overspend relates to staffing pressures resulting from Covid-19 whereby existing staff have worked additional hours to provide additional support to the children accommodated at these homes during the pandemic, plus the cost of a Project Manager post to oversee the set-up of the 2 new children's homes.

There is a budget pressure of £1.328m against External Fostering placements. Shropshire has experienced a significant increase in demand for fostering placements over the last few months (in line with the increase in looked after children described above) with a net increase of 35 new External Fostering placements since the start of the financial year (as at the end of September 2020). These placements are higher cost than internal foster placements with the average weekly cost of an external fostering placement at approximately £800 per week. However it remains a much more cost effective resource than residential placements which would be the alternative, and also ensures that children can remain in a family environment. Whilst Internal fostering placements are considerably cheaper than external fostering placements, our internal fostering capacity is full. Covid-19 has prevented existing foster carers from taking any new children, while the recruitment of new foster carers which has been a strategy to address the budget pressures in placements has been negatively impacted by Covid-19 with far fewer inquiries from potential new foster carers. Pressures from the court to place children with families also impacts on the team’s capacity to undertake fostering assessments because they are undertaking family and connected persons assessments under the direction of the Court. Children’s Safeguarding are committed to increasing foster placement sufficiency so that the Council can care for more looked after children within a family environment. This is not only in the best interests of the majority of looked after children but will lead to significant financial savings. The aim is to increase the pool of foster carers and look to identify and support foster carers with the skills to look after more complex children. This will reduce demand for expensive residential provision. An ongoing monitoring pressure of £0.242m relates to increased capacity built into the Children's Placement Service to enable the recruitment of more carers and retain and support current carers. A business case was approved to permit this. This provision has demonstrated significant impact on reducing the number of fostering placements breaking down, thus preventing higher cost placements whilst ensuring greater stability for our children.

There is a budget pressure of £1.121m caused by staffing budget pressures across the rest of Children's Social Care. The majority but not all of this pressure has continued from previous years and relates to agency social workers covering social worker posts. It is necessary to ensure that children who are looked after, on a Child Protection Plan or children in need of a plan are adequately supported in line with statutory timescales and this will dictate that sickness, maternity or temporary vacancy must be covered in the interim through agency staff. WE have reduced the number of agency workers from 38 last year to 26. We have retained some agency social workers through Covid-19 to maintain our ability to deliver our statutory responsibilities. The service remains focused on recruitment and retention with a dedicated HR worker in post to support with the timely recruitment of social workers. The recruitment campaign for children's services has been continuous and we are engaged with the graduate programmes for social work Step Up. The service has appointed 8 social work apprentices in January 2020. Whilst this strategy in itself has led to a further budget pressure of £0.182m on staffing, it was a deliberate strategy to grow our own social workers, to retain them in our employment, and ultimately reduce costs over the longer term. As of October 2020, recruitment remains a real issue with a heavy reliance on agency social workers due to the number of social worker vacancies and the challenges in recruiting to vacant posts. Those staff that are responding to our recruitment campaign tend to be inexperienced ASYE social workers, so agency workers will be required to stay in post for a limited time to support these new social workers until such time that they are able to take on full caseloads. Although growth was built into the budget for a number of social workers posts, this growth has been outstripped by increasing demand caused by rising LAC numbers and as a result there are still a small number of agency social workers who are classed as extra capacity albeit fewer than in 2019/20. As with other areas of Children's Social Care, the staffing budget position has been negatively impacted by Covid-19.

There is a £0.044m budget pressure relating to Adoption Services. £0.110m relates to the Joint Adoption Service with Telford & Wrekin Council where there are 2 posts in Post Adoption Support that are over and above the budgeted number of posts and an anticipated budget pressure on intra-agency adoption placements. These 2 posts are critical as part of Shropshire Council's becoming part of a regional adoption agency called Together4Children. The offsetting forecast underspend of £0.066m relates to Special Guardianship Allowances. Growth of £0.280m was built into the budget for 2020/21 and we have continued to see an increase in Special Guardianship Orders issued which mirrors the national trend where there has been a steep increase in the number of SGOs over the past 8 years. These are less costly options than residential or fostering placements and give a child more permanence than a regular fostering arrangement.

There is a one-off pressure of £0.108m in the Disabled Children's Team. The majority of this relates to an increase in Disabled Children's Team Direct Payments and prevention and support payments. This reflects an increase in demand for these type of payments and is partly the longer term impact of the temporary closure of the Council's commissioned overnight short breaks provision in 2019.

The remaining £0.213m forecast overspend relates to one-off monitoring pressures on non-staffing budgets such as barrister fees, transport recharges and interpreting fees across several social work teams. The impact of Covid-19 remains on these budget remains unknown as yet.

Early Help, Partnerships and Commissioning	**Portfolio Holder Children's Services**	2,319,740	2,202,134	(117,606)	Y

The £0.118m one-off monitoring savings are forecast against Early Help. £0.074m is the result of in year vacancy management savings either within the Family Hubs structure or the Parenting team. A further £0.033m one-off underspend relates to premises related and staff mileage budgets for the 6 new Family Hubs. More work is required to determine if these underspends are ongoing or one-off in terms of the 2021/22 budget setting process. The remaining £0.011m forecast one-off underspend is across non-staffing budgets in either the Specific Needs Clubs, Family Information Service or NEETs team.

On 22nd January 2020, Cabinet approved to cease the current commissioning model and agree a new model of Targeted Youth Support which will be managed in-house as part of Shropshire's Early Help provision.

Children's Services Management	**Portfolio Holder Children's Services**	607,420	613,388	5,968	G
Minor variation from budget at Quarter 2					
Learning and Skills	**Deputy Portfolio Holder Education**	17,754,880	18,099,446	344,566	R

The £0.345m forecast overspend reflects projected unachieved savings of £0.036m. £0.100m savings were planned in response to the Council's 2020/21 Central School Services Block DSG allocation from Government being reduced by 20% or £0.428m. While growth of £0.328m was built into the Learning and Skills budget to reflect this, it was anticipated that a further £0.100m reduction could be dealt with through savings by withdrawal of contributions to other service areas or reductions in contracts. To date £0.064m savings have been identified while work is ongoing to identify where the remaining £0.036m saving will be achieved.

The largest projected overspend relates to home to school transport with a £0.334m budget pressure being reported. It is important to note that while the Home to School Transport service has had growth built into the budget of £1.809m to increase the net budget to a total of £12.436m, this budget was not baselined at the 2019/20 final outturn expenditure level of £12.719m. The projected outturn position reflects that while expenditure will reduce in some areas of home to school transport in line with the full-year effect of some 2019/20 savings, there are other areas of home to school transport where the service continues to see an increase in passenger numbers and costs. There is an acknowledged and demonstrable trend of increased SEN passenger numbers, while the service has also experienced an increase in the complexity of the needs of the children that are being transported which has had the effect of increasing the unit cost per passenger. The introduction of a new Post-19 policy - as approved by Cabinet - has imposed a duty on the Council to make transport arrangements for adult learners aged 19 and over attending educational institutions which has resulted in increased expenditure in this area and 2020/21 will be the first year the full-year financial effect of this increase in duties has impacted. The extent of the impact of Covid-19 on home to school transport budgets is still unknown. Initially while schools were closed for lockdown, the Council continued to pay 100% of school transport contract rates to contractors until at least 30 June 2020 for continuity and retention purposes. This was subject to strict conditions that providers were available to deliver a full service and not benefiting from the Coronavirus job retention scheme. In the Autumn Term, the Council received a £0.350m grant from the Department for Education for the first half-term to fund the additional costs of Covid-19. The projected additional costs for this period are difficult to predict.

CORPORATE BUDGETS	**Full Year**			**RAGY**
	Budget £	**Forecast £**	**Variance £**	
Total	**(6,357,730)**	**(16,261,833)**	**(9,904,103)**	Y

Corporate Budgets	**Portfolio Holder Finance and Corporate Support**	(6,357,730)	(9,467,030)	(3,109,300)	Y

A saving of (£0.693m) was identified in the 2019/20 outturn report against MRP for 2020/21. Additionally, an early review of current budget has identified a further MRP saving (£2.250m) and (£0.482m) of Section 31 grant is projected as uncommitted for 2020/21. Funds of £0.400m have been identified to be transferred to reserves, and pressures against interest receivable budget are forecast of £0.292m. This needs to be monitored as the pressure may increase later in the year. This is currently offset by reduced interest payable, currently expected to be (£0.562m). This is also offsetting savings unachieved elsewhere.

Business Continuity - Covid 19	**Portfolio Holder Finance and Corporate Support**	-	(6,794,804)	(6,794,804)	Y

The Council has received £22.410m non-ringfenced Covid-19 grant, and this is included in the monitoring position within Corporate Budgets, along with the majority of additional one-off costs incurred, such as the purchasing of PPE, delivery of food parcels and the costs of temporary accommodation for rough sleepers. Net lost income is shown within the appropriate service areas, to show the impact of Covid-19 in the running of ongoing Council services. As additional one-off costs are forecast to be less than the grant received, a proportion of the grant is forecast to be allocated to service areas across the Council, to offset net losses of income caused by the pandemic.

FINANCE, GOVERNANCE & ASSURANCE		Full Year			RAGY
		Budget £	Forecast £	Variance £	
Total		**2,239,570**	**3,864,184**	**1,624,614**	R

Audit Services	**Portfolio Holder Finance and Corporate Support**	1,000	(77,441)	(78,441)	Y
In year savings of (£0.078m) are anticipated from planned vacancy management.					
Finance	**Portfolio Holder Finance and Corporate Support**	(37,150)	108,862	146,012	R
In year savings targets are now expected to be achieved, however budget pressures of £0.116m exist in relation to additional staffing costs and £0.035m in relation to additional postage costs above those budgeted. Solutions are being investigated to offset these costs in year.					
Pension Administration Services	**Portfolio Holder Finance and Corporate Support**	35,410	35,410	0	G
No variation from budget at quarter 2.					
Revenues and Benefits	**Portfolio Holder Finance and Corporate Support**	2,005,150	3,606,541	1,601,391	R
Pressures of £1.750m are forecast from the interim subsidy return at Quarter 2, due to anticipated net Housing Benefit Subsidy loss related to an increase in homelessness. These pressures are shown against the Revenues and Benefits Team as Housing Subsidy is processed within this team, although the solution requires an organisational response to homelessness that stays within the available funding. Nevertheless, these costs have partly been offset in year by savings from vacancy management within the team of (£0.149m).					
Treasury Services	**Portfolio Holder Finance and Corporate Support**	1,670	1,294	(376)	Y
Minor variation from budget at Quarter 2.					
Commissioning Development and Procurement	**Deputy Portfolio Holder Procurement**	168,770	158,531	(10,239)	Y
Minor variation from budget at Quarter 2.					
Risk Management and Insurance	**Portfolio Holder Finance and Corporate Support**	64,720	30,987	(33,733)	Y
There are currently projected savings of (£0.034m) from expected staff vacancies.					

LEGAL AND DEMOCRATIC SERVICES		Full Year			RAGY
		Budget £	Forecast £	Variance £	
Total		**453,440**	**513,580**	**60,140**	A

Democratic Services	**Portfolio Holder Finance and Corporate Support**	1,800	(29,348)	(31,148)	Y
In year savings have been identified as a result of additional income (£0.015m), efficiencies against supplies and services budgets (£0.010m), and within elected members' services (£0.016m).					
Elections	**Portfolio Holder Finance and Corporate Support**	440,300	504,435	64,135	A

Savings of (£0.050m) relating to grant bids for IER (Individual Electoral Registration) are unlikely to be delivered as anticipated and are projected not to be achieved.					
Legal Services	**Portfolio Holder Finance and Corporate Support**	11,340	38,493	27,153	G
There are unachieved savings targets of £0.050m and expected budget pressures of £0.068m related to legal childcare costs. It is likely that there will be further overspends in this area and this will be monitored closely. Overspends have currently been offset by planned savings from vacancy management of (£0.089m).					

PLACE	**Full Year**			**RAGY**
	Budget £	**Forecast £**	**Variance £**	
Total	**57,834,590**	**64,665,205**	**6,830,615**	R

Director of Place	**Portfolio Holder Communities, Place Planning and Regulatory Services**	601,760	733,946	132,186	R
The cost centre holds the budget for the required contract savings for the directorate, totalling £0.156m. Savings have not yet been achieved, but contracts across the directorate will be reviewed to establish how the savings can be realised.					
Head of Commercial Services	**Deputy Leader and Portfolio Holder Assets, Economic Growth and Regeneration**	145,990	246,219	100,229	R
The adverse variance is due to currently unachievable savings of £0.096m required from administrative buildings. The potential for income generation at administrative buildings has been greatly reduced due to home working.					
Corporate Landlord	**Deputy Leader and Portfolio Holder Assets, Economic Growth and Regeneration**	672,390	557,342	(115,048)	G
Underspends are forecast on the costs of the administrative buildings, in particular on utility costs and on statutory provision to the financing of capital investment (MRP) costs.					
Facilities Management	**Deputy Leader and Portfolio Holder Assets, Economic Growth and Regeneration**	1,580	(2,894)	(4,474)	Y
Minor variation from budget at Quarter 2.					
Property Services Group	**Deputy Leader and Portfolio Holder Assets, Economic Growth and Regeneration**	9,270	98,515	89,245	A
There is currently an anticipated income shortfall of £0.070m, primarily due to reduced income from services provided to external organisations. There is also a projected overspend of £0.017m for consultancy services associated with quantity surveyor services that are due to be brought in house later in the year.					
Strategic Asset Management	**Deputy Leader and Portfolio Holder Assets, Economic Growth and Regeneration**	244,690	567,981	323,291	R
A required saving of £0.100m from sustainability investments has been brought forward from 2019/20. The savings have been achieved however the resulting budget saving is being used to repay the Invest to Save loan and so is not being seen as a saving in revenue figures in 20/21. The budgets anticipated a restructure that would yield £0.073m savings, but this has been delayed and the savings will not be achieved in the current year.					

There are unbudgeted staffing costs of £0.065m for One Public Estate, where funding has now ceased. The area has also £0.085m additional conveyancing and consultancy expenditure.					
Commercial Investment Team	**Deputy Leader and Portfolio Holder Assets, Economic Growth and Regeneration**	1,296,540	1,010,284	(286,256)	Y
The savings are due to a partial recruitment of this new team and the departure of one of the incumbent managers. Other savings are also being identified which it is anticipated will be used to offset other required savings in Commercial Services.					
Climate Change	**Portfolio Holder Adult Social Services and Climate Change**	400,000	400,000	-	G
No variation from budget at Quarter 2.					
Shire Services	**Deputy Leader and Portfolio Holder Assets, Economic Growth and Regeneration**	(9,010)	859,205	868,215	R
The Covid-19 crisis has had a significant impact on this service area. The variance includes £0.426m of unachieved savings from previous years which will not be achieved this year due to the impact the crisis is having on future planning. A review of this area is being undertaken, however the service does not have any reserves to draw down and is likely to need to rely on support from outside the area to reposition itself for the post Covid-19 world. £0.082m of the forecast overspend is due to the repayment of a loan from 19/20 to central funds.					
Head of Economic Growth	**Deputy Leader and Portfolio Holder Assets, Economic Growth and Regeneration**	272,830	265,915	(6,915)	Y
Minor variation from budget at Quarter 2					
Planning Services	**Portfolio Holder Communities, Place Planning and Regulatory Services**	2,146,720	2,371,702	224,982	R
Overspends in the region of £0.260m are forecast on supplies and services costs, including legal expenses and consultancy services. In addition, Highways Development Control has moved from Highways and Transport to Planning Services. There are cost pressures in HDC, currently estimated as follows:- • £0.062m relating to additional 'Part 1' claims • An anticipated reduction in inspection fees of £0.035m. These overspends are partially offset by underspends on staffing.					
Economic Growth	**Deputy Leader and Portfolio Holder Assets, Economic Growth and Regeneration**	1,115,460	1,115,017	(443)	Y
Minor variation from budget at Quarter 2.					
Broadband	**Deputy Portfolio Holder Broadband**	166,840	166,840	(0)	Y
No variation from budget at Quarter 2.					
Planning Policy	**Portfolio Holder Housing and Strategic Planning**	716,320	712,892	(3,428)	Y
Minor variation from budget at period Quarter 2.					
Shrewsbury Shopping Centres – Developmental Phase Sites	**Deputy Leader and Portfolio Holder Assets, Economic Growth and Regeneration**	(1,488,240)	(804,823)	683,417	R

Due to the changed economic landscape, primarily as a result of the Covid-19 pandemic, the proposals for the repurposing of the Pride Hill Shopping Centre, approved by Council in December 2019 are being reviewed. The enabling works to Pride Hill, which are fundamental to any future development are commencing. Since the Quarter 1 report, the Council has been awarded £5.020m LEP funding towards the redevelopment of the Pride Hill Shopping Centre. The Covid-19 pandemic has impacted on the options for the repurposing of the Pride Hill Shopping Centre and the Council has adopted an aspiration for a town centre Civic hub, in which the Pride Hill Shopping Centre may play a part. The future of the Pride Hill and Riverside Shopping Centres are an intrinsic part of the Council's vision for the town centre.
The forecast adverse variance of £0.683m reflects income targets that could not be achieved during the redevelopment phase and costs related to holding structure review resulting in an operating shortfall in the short term.

Shrewsbury Shopping Centres – Operational Sites	**Deputy Leader and Portfolio Holder Assets, Economic Growth and Regeneration**	(662,230)	(477,364)	184,866	R

As fundamental changes in the retail sector continue, the Darwin Shopping Centre has been subject to several pressures including changing lease renewal negotiations, the Covid-19 pandemic and subsequent delays in development plans. These pressures on the budget have created a reduction in the gross rental and service charge income, offset by forecast use of the unringenced Covid-19 local authority support grant, of £0.265m. There is also further risk associated with rental income as arrears have increased since last year.
Additional costs of £0.065m for support and consultancy services as a result of the current pressures and developments are partially offset by savings on rates liabilities of (£0.144m)
The centre still delivers an underlying surplus of (£0.044m). The completion of refurbishment works in the centre and the transfer of tenants from Pride Hill would indicate a more positive projection for 21/22, and in the following years a surplus in excess of £0.700m.

Head of Infrastructure	**Deputy Leader and Portfolio Holder Assets, Economic Growth and Regeneration**	314,562	313,289	(1,273)	Y

Minor variation from budget at Quarter 2.

Highways	**Portfolio Holder Highways and Car Parking**	8,255,228	8,749,914	494,686	R

Highways Operations:- There is additional Kier expenditure forecast as the programme to address gully cleaning has continued into 2020/21, estimated at £0.138m. It is also anticipated that, as a result of the delay of the LED streetlighting replacement programme, savings from energy and maintenance costs will not materialise in 2020/21. This is estimated at £0.211m. These additional costs are partially offset by vacancies within the service area.

It is anticipated that Bridges and Structures will require additional resource and contractor works in 2020/21, estimated at £0.180m.

It is anticipated that Streetworks income (net) will create a budget surplus of (£0.045m).

Highways Governance:- It is anticipated that there will be significant costs associated with insurance claims and claims handling, estimated at £0.170m, but this is partially offset by favourable staffing vacancies during the year.

Environment and Transport	**Portfolio Holder Highways and Car Parking**	5,867,930	6,700,515	832,585	R

Public Transport:- It is anticipated that Covid-19 will have a significant impact on costs associated with the provision of public transport, where reduced passenger numbers (and income from fares) will impact the subsidy to the operators. Again, this is less service demand and use of the transport service. Currently this is estimated at £0.269m (after additional Government grant for this activity). The Enterprise Car Scheme is now operational, whereby employees can use an Enterprise vehicle rather than their own personal vehicle. Currently the savings associated with this scheme will be evident (as a reduction) in other service areas' expenditure, however the savings target and costs sit within Environment and Transport. A budget virement is required to reflect this change in expenditure pattern and reimburse the transport budget. This amounts to £0.446m. Street Scene:- It is currently estimated that there will be in year staffing vacancies within Streetscene, giving a favourable variance of (£0.049m). Environment and Transport (Strategic):- Currently there is a forecast underspend associated with a reduced programme of road safety education. However, it is anticipated that there will be cost pressures relating to social distancing measures in towns. Currently the Council has been awarded grant funding for 'Reopening High Streets' for social distancing. This grant is fully committed and will be exhausted by Christmas 2020, however additional, unplanned and unbudgeted measures have been requested following advice from Public Health/Public Protection. These measures have been implemented. If there is a further increase in Covid-19 issues and further requests for closures and/or social distancing, such as outside schools, this will result in expenditure in excess of Government grant funding.					
Waste Management	**Portfolio Holder Culture, Leisure, Waste and Communications**	30,906,840	30,758,261	(148,579)	G
In-year savings are being achieved on supplies and services budgets, and a saving is being made by the volume of waste being sent to landfill being less than the budget set in accordance with the contract.					
Head of Homes and Communities	**Portfolio Holder Culture, Leisure, Waste and Communications**	(319,000)	162,792	481,792	R
The adverse variances here are made up of unachievable savings as follows:- • £0.100m savings from the HRA • £0.250m savings from review of temporary housing The costs associated with the Housing Development Manager for the year have been transferred to this area.					
Housing Development and HRA	**Portfolio Holder Housing and Strategic Planning**	(960,960)	2,530	963,490	R
The majority of the adverse variance is due to unachievable savings of £1.025m from Cornovii Ltd. The revised business plan for the Company approved by the Council earlier in the year set out that this saving would not be achievable in 20/21, but it must also be acknowledged that Covid-19 has delayed the development of this enterprise and at least part of this loss of income should be attributed to the pandemic. The staffing for this enterprise is now in place and the first planning application has been approved and good progress is being made against the revised business plan. The balance of the variance is from budgeted salaries being recharged to the company.					
Head of Culture, Leisure & Tourism	**Portfolio Holder Culture, Leisure, Waste and Communications**	176,830	288,220	111,390	R
There is an adverse variance in this area relating to staff costs. A full review of Culture, Leisure and Tourism areas has been commenced to identify potential savings and efficiencies throughout the services which it is anticipated will cover these costs on an ongoing basis.					
Arts	**Portfolio Holder Culture, Leisure, Waste and Communications**	68,390	68,331	(59)	Y
Minor variation from budget at Quarter 2.					
Shropshire Hills AONB	**Portfolio Holder Culture, Leisure, Waste and Communications**	34,750	53,487	18,737	G
Minor variation from budget at Quarter 2.					

Outdoor Partnerships	**Portfolio Holder Culture, Leisure, Waste and Communications**	1,025,190	1,085,586	60,396	A
The majority of this variance is due do an historic £0.050m savings requirement that is being reviewed within Culture, Leisure and Tourism.					
Leisure	**Portfolio Holder Culture, Leisure, Waste and Communications**	2,139,500	2,264,695	125,195	R
There are significant overspends on supplies and services budgets at the in-house leisure facilities, such as on equipment and IT software costs. For example, the service has incurred additional equipment costs when taking over control of the SpArc Centre at Bishops Castle of £0.028m.					
Libraries	**Portfolio Holder Culture, Leisure, Waste and Communications**	3,356,200	3,429,104	72,904	A
Covid-19 has delayed the review of library services, which it is anticipated will give rise to annual savings of (£0.107m). The service has reduced its annual expenditure to ensure that savings of (£0.030m) are achieved this year. The balance of the in-year savings is from reductions in casual staffing and overtime.					
Museums and Archives	**Portfolio Holder Culture, Leisure, Waste and Communications**	1,306,830	1,226,314	(80,516)	Y
The majority of the anticipated favourable variance is due to payroll savings, particularly over the lockdown period.					
Theatre Services	**Portfolio Holder Culture, Leisure, Waste and Communications**	31,390	31,390	0	R
No variation from budget at Quarter 2.					

STRATEGIC MANAGEMENT BOARD	**Full Year**			**RAGY**
	Budget £	**Forecast £**	**Variance £**	
Total	**4,290**	**(118,236)**	**(122,526)**	Y

Strategic Management Board	**Leader and Portfolio Holder Strategy**	4,290	(118,236)	(122,526)	Y
Savings of (£0.123m) are anticipated from planned vacancy management. Recruitment plans are to be confirmed and the savings may reduce later in the year.					

WORKFORCE AND TRANSFORMATION	**Full Year**			**RAGY**
	Budget £	**Forecast £**	**Variance £**	
Total	**(246,130)**	**829,799**	**1,075,929**	R

Customer Services	**Portfolio Holder Finance and Corporate Support**	599,320	431,577	(167,743)	Y
In-year savings of (£0.168m) are anticipated across Customer Services from a combination of planned vacancy management and reductions in systems costs.					
ICT Digital Transformation Project	**Portfolio Holder Organisational**	(2,141,550)	640,510	2,782,060	R

	Transformation and Digital Infrastructure				
Combined savings targets relating to the "single front door", the wider Digital Transformation Programme and potential organisational transformation of £2.787m have not yet been achieved. Work is ongoing to identify and confirm how these savings can be delivered.					
ICT Services	**Portfolio Holder Organisational Transformation and Digital Infrastructure**	1,283,300	(37,107)	(1,320,407)	Y
Savings of £0.490m have been delayed, partly due to Covid-19 preventing implementation of changes to contracts as planned. Unachieved savings have been offset by vacancy management and by planned one-off expenditure of £1.101m being funded from capital budgets rather than revenue, creating an in year revenue saving.					
Communications	**Portfolio Holder Culture, Leisure, Waste and Communications**	9,800	(27,264)	(37,064)	Y
In year savings have been achieved due to vacancy management.					
Information, Intelligence and Insight	**Portfolio Holder Organisational Transformation and Digital Infrastructure**	8,890	(107,906)	(116,796)	Y
There are anticipated in-year savings relating to vacancy management and supplies and services of (£0.117m).					
Human Resources and Organisational Development	**Portfolio Holder Finance and Corporate Support**	(5,890)	(70,010)	(64,120)	Y
Savings targets of £0.055m are being offset by one-off savings of (£0.159m) from a combination of vacancy management and additional expected income. Lost income relating to Health and Safety training has been identified of 0.040m.					

Appendix 2: Amendments to Original Revenue Budget 2020/21

£000	Total	Adult Services	Children's Services	Corporate Budgets	Finance, Governance and Assurance	Legal and Democratic Services	Place	Strategic Management Board	Workforce and Transformation
Original Budget as Agreed by Council	**225,522**	**118,755**	**52,873**	**(5,514)**	**2,245**	**439**	**57,302**	**(0)**	**(578)**
Quarter 1									
Correction of budget setting error	0	(141)		141					
Q1 Revised Budget	**225,522**	**118,615**	**52,873**	**(5,373)**	**2,245**	**439**	**57,302**	**(0)**	**(578)**
Quarter 2									
Structure change (not virement): Movement of Safer Community Co-ordination from Public Health to Customer Services	0	(254)							254
Reallocation of contract management savings (ref P41) as per Commissioning and Assurance Board	0	51	40		(55)		(28)		(7)
Transfer of non-controllable fleet transport budgets, following transfer of controllable budgets at budget setting		(4)					4		
Creation of climate change budget	0			(400)			400		
Correction of salary budgets as a result of 2.75% pay award	0	170	103	(585)	50	14	158	5	86
Q2 Revised Budget	**225,522**	**118,579**	**53,015**	**(6,358)**	**2,240**	**453**	**57,835**	**4**	**(246)**

Details of virements over £140,000 and below £500,000, reported to Cabinet for information

Quarter 1:

- A budget virement of £0.141m has taken place at Quarter 1 to correct an error that had taken place at budget setting. A budget for pay inflation had been incorrectly allocated to posts within Adult Services that are grant funded. The corresponding grant income should fund any increase in costs of the posts, rather than the Council's base budget.

Quarter 2:

- A budget virement of £0.400m has taken place at Quarter 2 to create a budget for sustainability projects and initiatives as part of the work on climate change that the Council is undertaking.

Details of virements between £500,000 and £1m, reported to Cabinet for information

Quarter 2:

- Following the announcement of the NJC 2.75% pay award for 2020/21, a virement has taken place to bring salary budgets across the Council into line with the uplifted costs. A pay award of 2% had been assumed at budget setting, and therefore the £0.585m virement represents the remaining 0.75% that had not been included within original budgets.

Appendix 3 – Capital Budget And Expenditure 2020/21

Shropshire Council - Capital Programme Capital Programme 2020/21 - 2023/24
Capital Programme Summary - Quarter 2 2020/21

	Revised Budget Q1 2020/21 £	Budget Virements Q2 £	Revised Budget Q2 2020/21 £	Actual Spend £	Spend to Budget Variance £	% Budget Spend	Outturn Projection £	Outturn Projection Variance £	2021/22 Revised Budget £	2022/23 Revised Budget £	2023/24 Revised Budget £
General Fund											
Adult Services	8,504,734	-2,988,750	5,515,984	905,789	4,610,195	16.42%	5,515,984	0	6,200,000	3,200,000	0
Children's Services	17,869,859	-6,208,091	11,661,770	1,706,591	9,955,179	14.63%	11,661,770	0	18,378,313	5,500,000	0
Place	74,206,645	-5,296,418	68,910,226	15,588,548	53,321,678	22.62%	68,910,226	0	89,552,933	76,143,274	0
Workforce & Transformation	2,394,901	0	2,394,900	446,447	1,948,453	18.64%	2,394,900	0	0	0	0
Total General Fund	**102,976,139**	**-14,493,259**	**88,482,880**	**18,647,375**	**69,835,505**	**21.07%**	**88,482,880**	**0**	**114,131,246**	**84,843,274**	**0**
Housing Revenue Account	24,938,679	-13,638,000	11,300,680	869,001	10,431,679	7.69%	11,300,680	0	18,700,000	18,700,000	14,000,000
Total Approved Budget	**127,914,818**	**-28,131,259**	**99,783,560**	**19,516,376**	**80,267,184**	**19.56%**	**99,783,560**	**0**	**132,831,246**	**103,543,274**	**14,000,000**

Portfolio Holder	Revised Budget Q1 2020/21 £	Budget Virements Q2 £	Revised Budget Q2 2020/21 £	Actual Spend £	Spend to Budget Variance £	% Budget Spend	Outturn Projection £	Outturn Projection Variance £	2021/22 Revised Budget £	2022/23 Revised Budget £	2023/24 Revised Budget £
General Fund											
Adult Social Services and Climate Change	8,237,607	-2,988,750	5,248,857	905,789	4,343,068	17.26%	5,248,857	0	6,200,000	3,200,000	0
Assets, Economic Growth and Regeneration	33,807,031	-12,176,120	21,630,911	1,886,841	19,744,070	8.72%	21,630,911	0	47,555,367	21,370,649	0
Broadband	10,646,123	-5,000,000	5,646,123	-294,859	5,940,982	-5.22%	5,646,123	0	5,000,000	0	0
Children's Services	618,462	0	618,462	104,122	514,340	16.84%	618,462	0	0	0	0
Communities, Place Planning and Regulatory Servic	300,809	35,671	336,480	65,001	271,479	19.32%	336,480	0	0	0	0
Education	17,251,399	-6,208,091	11,043,308	1,602,469	9,440,839	14.51%	11,043,308	0	18,378,313	5,500,000	0
Highways and Car Parking	26,936,263	12,795,332	39,731,595	13,757,657	25,973,938	34.63%	39,731,595	0	34,397,566	54,772,625	0
Housing and Strategic Planning (General Fund)	2,430,773	-951,301	1,479,472	156,248	1,323,224	10.56%	1,479,472	0	2,600,000	0	0
Leisure, Waste and Communications	352,772	0	352,772	17,660	335,112	5.01%	352,772	0	0	0	0
Transformation and Digital Infrastructure	2,394,900	0	2,394,900	446,447	1,948,453	18.64%	2,394,900	0	0	0	0
Total General Fund	**102,976,139**	**-14,493,259**	**88,482,880**	**18,647,375**	**69,835,505**	**21.07%**	**88,482,880**	**0**	**114,131,246**	**84,843,274**	**0**
Housing Revenue Account											
Housing and Strategic Planning (HRA)	24,938,680	-13,638,000	11,300,680	869,001	10,431,679	7.69%	11,300,680	0	18,700,000	18,700,000	14,000,000
Total Approved Budget	**127,914,819**	**-28,131,259**	**99,783,560**	**19,516,376**	**80,267,184**	**19.56%**	**99,783,560**	**0**	**132,831,246**	**103,543,274**	**14,000,000**

Shropshire Council - Capital Budget Monitoring Report Quarter 2 2020/21

	Revised Budget Q1 2020/21 £	Budget Virements Q2 £	Revised Budget Q2 2020/21 £	Actual Spend £	Spend to Budget Variance £	% Budget Spend	Outturn Projection £	Outturn Projection Variance £	2021/22 Revised Budget £	2022/23 Revised Budget £	2023/24 Revised Budget £
General Fund											
Adult Services	**8,504,734**	**(2,988,750)**	**5,515,984**	**905,789**	**4,610,195**	**0**	**5,515,984**	**0**	**6,200,000**	**3,200,000**	**0**
Contracts & Provider Capital	0	0	0	0	0	0	0	0	0	0	0
Housing Services Capital	6,843,313	(3,549,705)	3,293,608	533,464	2,760,144	0	3,293,608	0	6,200,000	3,200,000	0
Public Health Capital	0	0	0	0	0	0	0	0	0	0	0
Public Protection Capital	267,127	0	267,127	0	267,127	0	267,127	0	0	0	0
Social Care Operations Capital	1,394,294	560,955	1,955,249	372,325	1,582,924	0	1,955,249	0	0	0	0
Children's Services	**17,869,861**	**(6,208,091)**	**11,661,770**	**1,706,591**	**9,955,179**	**0**	**11,661,770**	**0**	**18,378,313**	**5,500,000**	**0**
Children's Residential Care Capital	618,462	0	618,462	104,122	514,340	0	618,462	0	0	0	0
Non Maintained Schools Capital	2,088,692	119,296	2,207,988	23,051	2,184,937	0	2,207,988	0	4,000,000	0	0
Primary School Capital	11,359,523	(4,304,389)	7,055,134	991,485	6,063,649	0	7,055,134	0	10,004,304	5,000,000	0
Secondary School Capital	1,113,980	2,003	1,115,983	28,220	1,087,763	0	1,115,983	0	2,000,000	0	0
Special Schools Capital	36,796	109,856	146,652	19,200	127,452	0	146,652	0	0	0	0
Unallocated School Capital	2,652,408	(2,134,857)	517,551	540,512	(22,961)	1	517,551	0	2,374,009	500,000	0
Place Capital - Commercial Services	**33,556,151**	**(18,188,565)**	**15,367,586**	**1,308,200**	**14,059,386**	**0**	**15,367,586**	**0**	**39,678,000**	**20,000,000**	**0**
Corporate Landlord Capital	33,556,151	(18,188,565)	15,367,586	1,308,200	14,059,386	0	15,367,586	0	39,678,000	20,000,000	0
Place Capital - Economic Growth	**13,361,458**	**96,815**	**13,458,273**	**505,031**	**12,953,242**	**0**	**13,458,273**	**0**	**15,477,367**	**1,370,649**	**0**
Broadband Capital	10,646,123	(5,000,000)	5,646,123	(294,859)	5,940,982	(0)	5,646,123	0	5,000,000	0	0
Development Management Capital	33,682	35,671	69,353	65,001	4,352	1	69,353	0	0	0	0
Economic Growth Capital	250,880	6,012,445	6,263,325	578,641	5,684,684	0	6,263,325	0	7,877,367	1,370,649	0
Planning Policy Capital	2,430,773	(951,301)	1,479,472	156,248	1,323,224	0	1,479,472	0	2,600,000	0	0
		0									
Place Capital - Homes & Communities	**27,772**	**0**	**27,772**	**17,660**	**10,112**	**1**	**27,772**	**0**	**0**	**0**	**0**
Leisure Capital	21,463	0	21,463	17,660	3,803	1	21,463	0	0	0	0
Outdoor Partnerships Capital	6,309	0	6,309	0	6,309	0	6,309	0	0	0	0
Visitor Economy Capital	0	0	0	0	0	0	0	0	0	0	0
Place Capital - Infrastructure	**27,261,263**	**12,795,332**	**40,056,595**	**13,757,657**	**26,298,938**	**0**	**40,056,595**	**0**	**34,397,566**	**54,772,625**	**0**
Environment & Transport Capital	0	0	0	0	0	0	0	0	0	0	0
Highways Capital	26,936,263	12,795,332	39,731,595	13,757,657	25,973,938	0	39,731,595	0	34,397,566	54,772,625	0
Waste Capital	325,000	0	325,000	0	325,000	0	325,000	0	0	0	0
Workforce & Transformation	**2,394,900**	**0**	**2,394,900**	**446,447**	**1,948,453**	**0**	**2,394,900**	**0**	**0**	**0**	**0**
ICT Digital Transformation - CRM Capital	456,695	0	456,695	73,350	383,345	0	456,695	0	0	0	0
ICT Digital Transformation - ERP Capital	188,854	0	188,854	336,210	(147,356)	2	188,854	0	0	0	0
ICT Digital Transformation - Infrastructure & Archit	66,012	0	66,012	2,486	63,526	0	66,012	0	0	0	0
ICT Digital Transformation - Social Care Capital	185,217	0	185,217	34,400	150,817	0	185,217	0	0	0	0
ICT Digital Transformation - Unallocated Capital	1,498,122	0	1,498,122	0	1,498,122	0	1,498,122	0	0	0	0
Total General Fund	**102,976,139**	**(14,493,259)**	**88,482,880**	**18,647,375**	**69,835,505**	**0**	**88,482,880**	**0**	**114,131,246**	**84,843,274**	**0**
Housing Revenue Account	**24,938,680**	**(13,638,000)**	**11,300,680**	**869,001**	**10,431,679**	**0**	**11,300,680**	**0**	**18,700,000**	**18,700,000**	**14,000,000**
HRA Dwellings Capital	24,938,680	(13,638,000)	11,300,680	869,001	10,431,679	0	11,300,680	0	18,700,000	18,700,000	14,000,000
Total Approved Budget	**127,914,819**	**(28,131,259)**	**99,783,560**	**19,516,376**	**80,267,184**	**0**	**99,783,560**	**0**	**132,831,246**	**103,543,274**	**14,000,000**

Shropshire Council - Capital Programme 2020/21- 2023/24

Financing	Revised Budget Q1 2020/21 £	Budget Virements Q2 £	Revised Budget Q2 2020/21 £	2021/22 Revised Budget £	2022/23 Revised Budget £	2023/24 Revised Budget £
Self Financed Prudential Borrowing	**41,770,336**	**(30,504,978)**	**11,265,358**	**49,588,000**	**30,910,000**	**10,000,000**
Government Grants						
Department for Transport	18,014,738	14,233,016	32,247,754	24,922,289	53,862,625	-
- Rapid Electric Vehicle Charging Points Grant	11,386	0	11,386	-	-	-
Ministry of Housing, Communities & Local Gov						
- Land Release Fund	280,343	-	280,343	-	-	-
- Housing Infrastructure Fund	250,880	327,912	578,792	6,405,669	1,312,187	-
Department for Health - Better Care Fund	4,703,354	(2,000,000)	2,703,354	2,000,000	-	-
Department for Health - HOLD Grant	1,971,962	(1,000,000)	971,962	4,200,000	3,200,000	-
Department for Education						
- Condition Capital Grant	1,528,620	744,029	2,272,649	-	-	-
- Basic Need Capital Grant	5,663,742	(5,099,742)	564,000	6,099,742	500,000	-
- Devolved Formula Capital	987,930	(118,517)	869,413	1,657,722	-	-
- Special Provision Funds	681,104	(450,000)	231,104	450,000	-	-
- Healthy Pupils Capital Grant	13,606	-	13,606	-	-	-
- Full Fibre Broadband	156,602	15,406	172,008	-	-	-
Department for Communities and Local Government						
- Community Housing Fund	361,296	(100,000)	261,296	-	-	-
Disabled Facilities Grant (Additional)	-	-	-	-	-	-
Education Funding Agency						
- Early Years Capital Fund	124,009	(124,009)	-	124,009	-	-
HCA - Travellers	-	-	-	31,465	-	-
HCA - New Build	3,320,000	(3,000,000)	320,000	-	-	3,000,000
BDUK - Broadband	667,633	-	667,633	3,000,000	3,000,000	-
Environment Agency	933,379	-	933,379	-	-	-
DEFRA	125,095	(125,095)	-	-	-	-
Local Enterprise Partnership (LEP) Fund	1,426,940	7,064,133	8,491,073	-	-	-
	41,222,618	**10,367,133**	**51,589,751**	**48,890,896**	**61,874,812**	**3,000,000**
Other Grants						
Historic England/English Heritage	-	-	-	-	-	-
Natural England	-	-	-	-	-	-
Other Grants	1,185,437	(913,695)	271,742	-	-	-
	1,185,437	**(913,695)**	**271,742**	**-**	**-**	**-**
Other Contributions						
Section 106	4,108,571	60,671	4,169,242	-	-	-
Community Infrastructure Levy (CIL)	6,315,986	811,026	7,127,012	12,736,975	58,462	-
Other Contributions	3,483,598	(3,273,909)	209,689	6,627,449	-	-
	13,908,155	**(2,402,212)**	**11,505,943**	**19,364,424**	**58,462**	**-**
Revenue Contributions to Capital	**5,505,005**	**(1,098,063)**	**4,406,942**	**2,014,293**	**2,000,000**	**1,000,000**
Major Repairs Allowance	**6,207,444**	**362,000**	**6,569,444**	**3,700,000**	**3,700,000**	**-**
Corporate Resources (expectation - Capital Receipts only)	**18,115,824**	**(3,941,444)**	**14,174,380**	**9,273,633**	**5,000,000**	**-**
Total Confirmed Funding	**127,914,818**	**(28,131,259)**	**99,783,560**	**132,831,246**	**103,543,274**	**14,000,000**

Funding Changes - Quarter 2

Budget Increase/Decrease	2020/21	2021/22	2022/23	2023/24	Details
Self Financed Prudential Borrowing	(1,826,978)				Reduction in Prudential Borrowing in relation to the Tannery Medical Centre (£1,500,000) and the Parking Strategy project (£325,678)
Government Grants					
Department for Transport					
- Highways Maintenance Grant	(1,315,000)	(937,000)	(937,010)		Removal of Highways Maintenance Grant pending reassessment of the LED Street Lighting scheme.
- Pothole Action Fund	11,570,000				Pothole Action Fund grant award.
- Incentive Grant	2,765,000				Incentive Fund indicative award.
Ministry of Housing, Communities & Local Gov					
- Housing Infrastructure Fund	327,912	6,405,669	1,312,187		Allocation of Homes England Housing Infrastructure Fund to reflect anticipated delivery of the Oswestry HIF scheme.
Department for Education					
- Condition Capital Grant	744,029				Confirmation of additional DfE Scholl Condition grant of £744,029
- Devolved Formula Capital	385,787				Notification of 2020/21 DFC grant funding of £421,783. Payment of DFC balances to Thomas Adams School (£21,874) and Oakmeadow Rimary School (£14,122) following academy conversion.
- Full Fibre Broadband	15,406				Additonal DfE Full Fibre Broadband grant for Woodlands School.
Department for Communities and Local Government					
- Community Housing Fund	(100,000)				Transfer of Community Housing Grant of £100,000 to revenue for Community Led Schemes.
Local Enterprise Partnership (LEP) Fund	7,064,133				New awards of LEP funding in relation to the Oswerstry HIP scheme (£5,000,000) and Tannery Medical Centre scheme (£2,064,133)
Total Government Grants	**21,457,267**	**5,468,669**	**375,177**	**-**	
Other Grants					
Other Grants	11,250				ERDF grant award of £11,250 for Greenacres Cycle Path.
Total Other Contributions	**11,250**	**0**	**0**	**0**	
Other Contributions					
Section 106	60,671				£51,918 contribution to Market Drayton Improving Open Spaces scheme. £8,753 contribution to the Whitchurch, Old Rectory scheme
Community Infrastructure Levy (CIL)	811,026	1,471,698	58,462		2020/21 £662,327 contribution to Oswestry HIF. £148,699 contribution to CIL Project Grants. 2021/22 £1,471,698 contribution to Oswestry HIF. 2022/23 £58,462 contribution to Oswestry HIF.
Other Contributions	3,500				Public and private sector contributions to for a local heritage asset find acquisition.
Total Other Contributions	**875,197**	**1,471,698**	**58,462**	**-**	
Revenue Contributions to Capital	**1,025,000**				£1,000,000 general fund revenue contribution to Corporate Landlord Programme. £25,000 school revenue contribution to DFC scheme at Pontesbury Primary.
Major Repairs Allowance	**362,000**				Additional contribution from MRA of £362,000 for the HRAhousing stock repair programme.
Corporate Resources (expectation - Capital Receipts only)	**21,318**				New grant award under the Market Drayton Business Grant Scheme funded from captial receipts. Reduction in required capital receipts funding of £888 in relation to completed projects.
	21,925,054	**6,940,367**	**433,639**	**-**	

Re-Profiling					
Adult Services					
Disabled facilities Grants	(2,000,000)	2,000,000			Reprofiling of DoH Better Care Fund Disabled Facilities grant to reflect the future programme.
HOLD Project	(1,000,000)	1,000,000			Reprofiling of DoH HOLD grant to reflect the anticipated expenditure profile.
Children's Services					
Condition Capital Grant	(300,000)	300,000			Re-profiling of Condtion capital grant to reflect expected
Devolved Formula Capital Scheme	(504,304)	504,304			Re-profiling of DFC capital grant to reflect expected expenditure.
Haughmond School Amalgamation Programme	(6,000,000)	6,000,000			Reprofiling of £5,100,000 Basic Need funding and £900,000 capital receipts to reflect the anticipated expenditure profile.
SEND Special Provision Funds	(450,000)	450,000			Reprofiling of SEND Special Provision Funds to reflect anticipated expenditure profile.
Early Years Capital Fund	(124,009)	124,009			Reprofiling of Early Years Capital Fund to reflect anticipated expenditure profile.
Place					
Broadband	(5,000,000)	**5,000,000**			Re-profiling of private sector contributions of £3,327,449 and capital receipts of £1,672,551 to reflect expected expenditure.
Commercial Investments	(15,000,000)	**15,000,000**			Reprofiling of Prudential Borrowing requirement in relation to future commercial investments to reflect anticipated expenditure profiles.
Whitchurch Medical Practice	(4,678,000)	**4,678,000**			Reprofiling of Prudential Borrowing requirement (£3,678,000) and NHS grant (£1,000,000) in relation to Whitchurch Medical Practice to reflect anticipated expenditure profiles.
Shrewsbury Self Build Scheme	(1,000,000)	**1,000,000**			Reprofiling of capital receipts in relation to Shrewsbury Self Build Scheme to reflect anticipated expenditure profile.
Housing Revenue Account					
STaR New Build Phase 5	(14,000,000)			14,000,000	Re-profiling of £10,000,000 Prudential Borrowing, £3,000,000 Homes & Communities Agency New Build grant and HRA revenue contributions of £1,000,000 to reflect expected expenditure.
	(50,056,313)	**36,056,313**	**-**	**14,000,000**	

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Committee and Date	Item
Cabinet 14 December 2020	Public

TREASURY MANAGEMENT UPDATE – QUARTER 2 2020/21

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1. Summary

1.1. The report outlines the treasury management activities of the Council in the last quarter. It highlights the economic environment in which treasury management decisions have been made and the interest rate forecasts of the Council's Treasury Advisor, Link Asset Services. It also updates Members on the internal treasury team's performance.

1.2. During the second quarter of 2020/21 the internal treasury team achieved a return of 0.40% on the Council's cash balances, outperforming the benchmark by 0.46%. This amounts to additional income of £204,090 during the quarter which is included within the Council's outturn position in the monthly revenue monitor. Following a decision by the Monetary Policy Committee in March 2020 to cut the Bank Rate to 0.1%, this resulted in the 7 Day benchmark rate for quarter 2 20/21 being a negative figure of 0.07%. This negative position continues to be the case since the start of the financial year.

2. Recommendations

2.1. Members are asked to accept the position as set out in the report.

REPORT

3. Risk Assessment and Opportunities Appraisal

3.1. The recommendations contained in this report are compatible with the provisions of the Human Rights Act 1998.

3.2. There are no direct environmental, equalities or climate change consequences arising from this report.

3.3. Compliance with the CIPFA Code of Practice on Treasury Management, the Council's Treasury Policy Statement and Treasury Management Practices and the Prudential Code for Capital Finance together with the rigorous internal controls will enable the Council to manage the risk associated with

Treasury Management activities and the potential for financial loss.

4. Financial Implications

4.1. The Council makes assumptions about the levels of borrowing and investment income over the financial year. Reduced borrowing as a result of capital receipt generation or delays in delivery of the capital programme will both have a positive impact of the council's cash position. Similarly, higher than benchmarked returns on available cash will also help the Council's financial position. For monitoring purposes, assumptions are made early in year about borrowing and returns based on the strategies agreed by Council in the preceding February. Performance outside of these assumptions results in increased or reduced income for the Council.

4.2. The Quarter 2 performance is above benchmark and has delivered additional income of £204,090 which is reflected in the Period 6 Revenue Monitor.

4.3. As at 30 September 2020 the Council held £162 million in investments as detailed in Appendix A and borrowing of £304 million at fixed interest rates.

5. Climate Change Appraisal

5.1. The Council's Financial Strategy includes proposals to deliver a reduced carbon footprint for the Council therefore the Treasury Team is working with the Council in order to achieve this. There are no climate change impacts arising from this report.

6. Background

6.1. The Council defines its treasury management activities as "the management of the authority's borrowing, investments and cash flows, its banking, money market and capital market transactions, the effective control of the risks associated with those activities, and the pursuit of optimum performance consistent with those risks". The report informs Members of the treasury activities of the Council between 1 July 2020 and 30 September 2020.

7. Economic Background

7.1. As expected, the Bank of England's Monetary Policy Committee kept Bank Rate unchanged at 0.10% during the quarter. It also kept unchanged the level of quantitative easing at £745bn. Its forecasts were optimistic in terms of three areas:

- The fall in GDP in the first half of 2020 was revised from 28% to 23% (subsequently revised to -21.8%). This is still one of the largest falls in output of any developed nation. However, it is only to be expected as the UK economy is heavily skewed towards consumer-facing services – an area which was particularly vulnerable to being damaged by lockdown
- The peak in the unemployment rate was revised down from 9% in Q2

to 7.5% by Q4 2020.

- It forecast that there would be excess demand in the economy by Q3 2022 causing CPI inflation to rise above the 2% target in Q3 2022. Nevertheless, even if the Bank were to leave policy unchanged, inflation was still projected to be above 2% in 2023.

7.2. The MPC also decided against any idea of using negative interest rates, at least in the next six months or so. The MPC suggested that while negative rates can work in some circumstances, it would be less effective as a tool to stimulate the economy at this time when banks are worried about future loan losses. It also has other instruments available, including QE and the use of forward guidance.

7.3. The MPC expected the £300bn of quantitative easing purchases announced between its March and June meetings to continue until the turn of the year. This implies that the pace of purchases will slow further to about £4bn a week, down from £14bn a week at the height of the crisis and £7bn more recently.

7.4. In conclusion, this would indicate that the Bank now expected the economy to recover better than expected. However, the MPC acknowledged that the medium-term projections were a less informative guide than usual and the minutes had multiple references to downside risks, which were judged to persist both in the short and medium term. One has only to look at the way in which second waves of the virus are now impacting many countries including the UK, to see the dangers. However, rather than a national lockdown, as in March, any spikes in virus infections are now likely to be dealt with by localised measures and this should limit the amount of economic damage caused.

7.5. In addition, Brexit uncertainties ahead of the year-end deadline are likely to be a drag on recovery. The wind down of the initial generous furlough scheme through to the end of October is another development that could cause the Bank of England (BoE) to review the need for more support for the economy later in the year. Admittedly, the Chancellor announced in late September a second six-month package from 1 November of government support for jobs whereby it will pay up to 22% of the costs of retaining an employee working a minimum of one third of their normal hours. There was further help for the self-employed, freelancers and the hospitality industry. However, this is a much less generous scheme than the furlough package and will inevitably mean there will be further job losses from the 11% of the workforce still on furlough in mid-September. However, the furlough scheme has been revisited and the decision has been made to extend it until the end of March 2021.

7.6. Overall, the pace of recovery is not expected to be in the form of a rapid V shape, but a more elongated and prolonged one after a sharp recovery in June through to August which left the economy 11.7% smaller than in February. The last three months of 2020 are now likely to show no growth as consumers will probably remain cautious in spending and uncertainty over the outcome of the UK/EU trade negotiations concluding at the end of the year will also be a headwind. If the Bank felt it did need to provide further support to recovery, then it is likely that the tool of choice would be more QE.

7.7. There will be some painful longer term adjustments as e.g. office space and travel by planes, trains and buses may not recover to their previous level of use for several years, or possibly ever. There is also likely to be a reversal of globalisation as this crisis has shown up how vulnerable long-distance supply chains are. On the other hand, digital services are one area that has already seen huge growth.

7.8. One key addition to the BoE forward guidance was a new phrase in the policy statement, namely that it does not intend to tighten monetary policy until there is clear evidence that significant progress is being made in eliminating spare capacity and achieving the 2% target sustainably. That seems designed to say, in effect, that even if inflation rises to 2% in a couple of years' time, do not expect any action from the MPC to raise Bank Rate – until they can clearly see that level of inflation is going to be persistently above target if it takes no action to raise Bank Rate.

7.9. In the US, the incoming sets of data during the first week of August were almost universally stronger than expected. With the number of new daily coronavirus infections beginning to abate, recovery from its contraction this year of 10.2% should continue over the coming months and employment growth should also pick up again. However, growth will be dampened by continuing outbreaks of the virus in some states leading to fresh localised restrictions. At its end of August meeting, the Fed tweaked its inflation target from 2% to maintaining an average of 2% over an unspecified time period i.e.following periods when inflation has been running persistently below 2%, appropriate monetary policy will likely aim to achieve inflation moderately above 2% for some time. This change is aimed to provide more stimulus for economic growth and higher levels of employment. It is to be noted that inflation has actually been under-shooting the 2% target significantly for most of the last decade so financial markets took note that higher levels of inflation are likely to be in the pipeline; long-term bond yields duly rose after the meeting.

7.10. The Fed also called on Congress to end its political disagreement over providing more support for the unemployed as there is a limit to what monetary policy can do compared to more directed central government fiscal policy. The Federal Open Market Committee's updated economic and rate projections in mid-September showed that officials expect to leave the fed funds rate at near-zero until at least end-2023 and probably for another year or two beyond that. There is now some expectation that where the Fed has led in changing its inflation target, other major central banks will follow. The increase in tension over the last year between the US and China is likely to lead to a lack of momentum in progressing the initial positive moves to agree a phase one trade deal.

7.11. The Eurozone economy was recovering well towards the end of Q2 after a sharp drop in GDP, (e.g. France 18.9%, Italy 17.6%). However, the second wave of the virus affecting some countries could cause a significant slowdown in the pace of recovery, especially in countries more dependent on tourism. The fiscal support package, eventually agreed by the EU after prolonged disagreement between various countries, is unlikely to provide significant support and quickly enough to make an appreciable difference in weaker countries. The ECB has been struggling to get inflation up to its 2% target and it is therefore expected that it will have to provide more monetary policy support through more quantitative easing purchases of bonds in the absence of sufficient fiscal support.

7.12. In China, after a concerted effort to get on top of the virus outbreak in Q1, economic recovery was strong in Q2 and has enabled it to recover all of the contraction in Q1. However, this was achieved by major central government funding of yet more infrastructure spending. After years of growth having been focused on this same area, any further spending in this area is likely to lead to increasingly weaker economic returns. This could, therefore, lead to a further misallocation of resources which will weigh on growth in future years.

8. Economic Forecast

8.1. The Council receives its treasury advice from Link Asset Services. Their latest interest rate forecasts to 31 March 2023 are shown below:

8.2. The coronavirus outbreak has done huge economic damage to the UK and to economies around the world. After the Bank of England took emergency action in March to cut Bank Rate to first 0.25%, and then to 0.10%, it left Bank Rate unchanged at its last meeting on 6th August, although some forecasters had suggested that a cut into negative territory could happen. However, the Governor of the Bank of England has made it clear that he currently thinks that such a move would do more damage than good and that more quantitative easing is the favoured tool if further action becomes necessary. As shown in the forecast table above, no increase in Bank Rate is expected within the forecast horizon ending on 31st March 2023 as economic recovery is expected to be only gradual and, therefore, prolonged.

8.3. Link's central assumption is that there will be some form of agreement on a reasonable form of Brexit trade deal but the coronavirus outbreak could affect the timing of reaching a deal.

8.4. Long term PWLB rates are expected to rise to 2.4% in September 2021 before increasing to reach 2.5% by June 2022.

9. Treasury Management Strategy

9.1. The Treasury Management Strategy (TMS) for 2020/21 was approved by Full Council on 27 February 2020. The Council's Annual Investment Strategy, which is incorporated in the TMS, outlines the Council's investment priorities as the security and liquidity of its capital.

9.2. The Council aims to achieve the optimum return on investments commensurate with the proper levels of security and liquidity. In the current economic climate it is considered appropriate to keep investments short term (up to 1 year), and only invest with highly credit rated financial institutions using Link's suggested creditworthiness approach, including sovereign credit rating and Credit Default Swap (CDS) overlay information provided by Link. The Treasury Team continue to take a prudent approach keeping investments short term and with the most highly credit rated organisations.

9.3. In the second quarter of 2020/21 the internal treasury team outperformed its benchmark by 0.46%. The investment return was 0.40% compared to the benchmark of -0.07%. This amounts to additional income of £204,090 during the quarter which is included in the Council's outturn position in the monthly revenue monitor.

9.4. A full list of investments held as at 30 September 2020, compared to Link's counterparty list, and changes to Fitch, Moody's and Standard & Poor's credit ratings are shown in Appendix A. None of the approved limits within the Annual Investment Strategy were breached during the second quarter of 2020/21. Officers continue to monitor the credit ratings of institutions on a daily basis. Delegated authority has been put in place to make any amendments to the approved lending list.

9.5. As illustrated in the economic forecast section above, investment rates available in the market for three months and longer have decreased significantly as a result of the decrease in Bank Rate in March 2020 to 0.1%. The average level of funds available for investment purposes in the second quarter of 2020/21 was £176 million.

10. Borrowing

10.1. It is a statutory duty for the Council to determine and keep under review the "Affordable Borrowing Limits". The Council's approved Treasury and Prudential Indicators (affordability limits) are included in the approved Treasury Management Strategy. A list of the approved limits is shown in Appendix B. The Prudential Indicators were not breached during the second quarter of 2020/21 and have not been previously breached. The schedule at Appendix C details the Prudential Borrowing approved and utilised to date.

10.2. Link's target rate for new long term borrowing (50 years) for the second quarter of 2020/21 was marginally increased to 2.39%. No new external borrowing has been undertaken to date in 2020/21. The low and high points during the quarter can be seen in the table below.

	1 Year	5 Year	10 Year	25 Year	50 Year
Low	1.70%	1.67%	1.91%	2.45%	2.26%
Date	18/09/2020	30/07/2020	31/07/2020	31/07/2020	08/07/2020
High	1.83%	1.84%	2.19%	2.80%	2.65%
Date	12/08/2020	28/08/2020	28/08/2020	28/08/2020	28/08/2020
Average	1.76%	1.74%	2.02%	2.57%	2.39%

List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)
Cabinet, 7 September 2020, Treasury Management Update Quarter 1 2020/21
Council, 27 February 2020, Treasury Strategy 2020/21.

Cabinet Member:
David Minnery, Portfolio Holder for Finance

Local Member
N/A

Appendices
A. Investment Report as at 30 September 2020
B. Prudential Limits
C. Prudential Borrowing Schedule

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Shropshire Council

Monthly Investment Analysis Review

September 2020

Monthly Economic Summary

General Economy

The UK Flash (i.e. provisional) Manufacturing PMI fell to 54.3 in September from August's final release of 55.2, as both output and new business growth slowed from August's recent peak. Similarly, the Flash Services PMI eased to 55.1 in September from 58.8 in August, signifying the slowest growth in the sector for three months. In turn, these releases led to the Flash Composite PMI (which incorporates both sectors), falling to 55.7 in September from 59.1 in August. Meanwhile, the construction PMI, which is released one month behind the others, fell to 54.6 in August from 58.1 in July, as a lack of new contracts to replace completed contracts acted as a brake on the speed of expansion. In spite of the recent reduction in activity levels, all sectors remained comfortably in "expansion" territory – i.e. a reading in excess of 50 – as the economy continued to recover.

The final reading of second quarter GDP confirmed that the UK contracted by 19.8% q/q and 21.5% y/y, which were both marginally lower than preliminary estimates (of 20.4% and 21.7% respectively). However, more timely monthly GDP data for July confirmed that the economy grew by 6.6% m/m compared to June, registering it's third consecutive month of growth since April's 20.4% m/m contraction. During this time the UK economy has grown by 18.6%, although it remains 11.7% smaller than in February, prior to the outbreak of the pandemic. Elsewhere, data showed that imports rose 7.5% m/m in July, outpacing a 3.5% rise in exports, causing the UK's trade surplus to narrow to £1.1 billion from a downwardly revised £3.9 billion in June.

Although the economy grew during July, the unemployment rate rose to 4.1% in the three months to July from 3.9% in the three months to June, as the number of people in work fell by 12,000. Since this data related to the period before the furlough scheme started to be unwound in August however, arguably of greater significance was the fact that the number of people claiming unemployment benefits rose by 73,700 in August, little changed from July's 69,900 rise – perhaps suggesting that the overwhelming majority of the estimated 3 million workers that have come off furlough since June have, to date, gone back to their jobs rather than into unemployment or inactivity. This may, in turn, explain July's upturn in average earnings (including bonuses), which contracted just 1% y/y in the three months to July compared to a 1.2% y/y fall in the three months to June - as many of those workers would have gone from receiving 80% of their salaries on the furlough to 100% upon returning to work.

UK inflation, as measured by the Consumer Price Index, fell to just 0.2% y/y in August compared to 1% in July, but was slightly higher than market expectations of a flat reading. This was the lowest reading since December 2015, driven largely by big price falls from restaurants and cafes due to the Eat Out to Help Out Scheme which was live throughout the month. This scheme had also had a positive impact on service sector activity in August and its conclusion can account for the last part of the fall in the PMI in September. As a result, consumer prices fell by 0.4% m/m in August, recording their biggest drop since January 2019. Similarly, the core inflation rate – which strips out the more volatile components like energy, food and alcoholic beverages – fell to 0.9% y/y in August, down from 1.8% in July, recording its lowest reading since June 2015. With inflation so far below target, it was no surprise to see the Monetary Policy Committee leave monetary policy unchanged during its September meeting - although the market did note that the Committee had been briefed on how a negative Bank Rate might be implemented effectively. As detailed in our forecast below, Link Group continues to expect Bank Rate to remain at 0.1%.

Buoyed partly by the impact of the Eat Out to Help Out scheme, retail sales rose by 0.8% m/m in August, slightly outperforming market expectations of a 0.7% rise. Retail sales are now 4% higher than their pre-pandemic level in February and up 2.8% y/y. The GfK Consumer Confidence Index, meanwhile, rose to -25 in September from -27 in August, but remains considerably lower than the -7 reading in February, prior to the pandemic. Reflecting the impact of public health measures and government policies to support the economy during the coronavirus pandemic, the UK reported a record public sector current budget deficit (excluding public sector banks) of £32.0 billion in August, compared July's £13.6 billion deficit. August's deficit compares to a deficit of just £3.1 billion a year earlier. Excluding public sector-owned banks, borrowing was a record £35.9 billion, roughly seven times more than in August 2019.

In the US, the economy added another 1.4 million jobs in August, which was slightly below both market expectations and the downwardly revised 1.7 million jobs added in July. Nevertheless, the unemployment rate fell further as a result, to 8.4% from July's 10.2% rate, and below market expectations of 9.8% rate. With prices (as measured by the Fed's preferred core Personal Consumption Expenditure deflator) having fallen by 0.8% in Q2, it was no surprise to see the Federal Reserve maintain their current monetary policy stance during September's meeting. In so doing however, they also noted that the Federal Funds Rate target range is expected to remain between 0-0.25% until labour market conditions are consistent with their assessment of maximum employment and that inflation is above 2% and on track to moderately exceed it for some time.

In Europe, the final estimate for GDP confirmed that the Eurozone economy shrank by 11.8% q/q in Q2, compared to a 3.6% contraction in the previous quarter, and slightly lower than initial estimates of a 12.1% contraction. While better than the initial estimates, two consecutive periods of contraction meant that the bloc's economy was now in recession. In addition, this figure meant that, for the second quarter in a row, the bloc has suffered its steepest ever contraction. With the final estimate of Eurozone inflation showing that prices fell by 0.2% y/y in August, the ECB decided again to leave both policy rates and its coronavirus stimulus programme unchanged during its September meeting.

Housing

Both the Halifax and Nationwide house price indices rose during August, by 1.6% m/m and 2% m/m respectively. As such, prices are now 5.2% and 3.7% higher than a year ago respectively, their recent gains partly driven by the stamp duty holiday announced by the Chancellor earlier this year.

Currency

The prospect of a no deal Brexit undermined Sterling this month, which fell against both the Dollar and the Euro.

September	Start	End	High	Low
GBP/USD	$1.1241	$1.1025	$1.1241	$1.0805
GBP/EUR	€ 1.34	€ 1.29	€ 1.34	€ 1.27

Forecast

Both Link Group and Capital Economics have maintained their interest rate forecasts amid the coronavirus outbreak. Bank Rate is forecast to remain unchanged at 0.1% throughout 2020 and 2021.

Bank Rate	Now	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23
Link Group	**0.10%**	0.10%	0.10%	0.10%	0.10%	0.10%	0.10%	0.10%	0.10%	0.10%	0.10%
Capital Economics	**0.10%**	0.10%	0.10%	0.10%	0.10%	0.10%	-	-	-	-	-

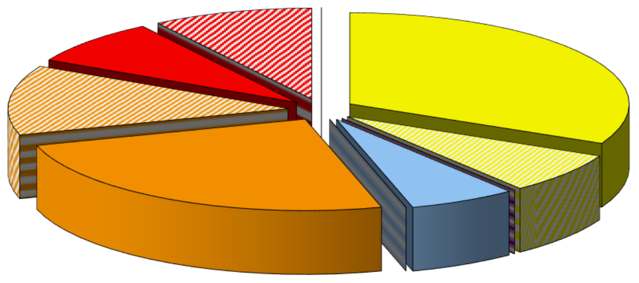
Shropshire Council

Current Investment List

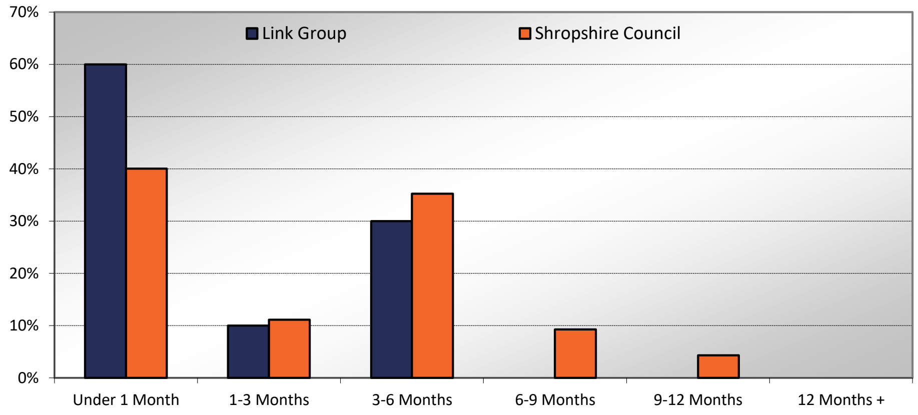
Borrower	Principal (£)	Interest Rate	Start Date	Maturity Date	Lowest Long Term Rating	Historic Risk of Default
MMF Aberdeen Standard Investments	11,800,000	0.09%		MMF	AAA	0.000%
Handelsbanken Plc	20,000,000	0.25%		Call	AA-	0.000%
Thurrock Borough Council	5,000,000	0.41%	01/07/2020	01/10/2020	AA-	0.000%
Lloyds Bank Plc (RFB)	5,000,000	0.10%	13/07/2020	13/10/2020	A+	0.002%
Plymouth City Council	5,000,000	0.97%	14/02/2020	14/10/2020	AA-	0.001%
Slough Borough Council	5,000,000	0.85%	20/04/2020	20/10/2020	AA-	0.001%
South Somerset District Council	5,000,000	0.85%	20/04/2020	20/10/2020	AA-	0.001%
Nationwide Building Society	3,000,000	0.17%	01/07/2020	30/10/2020	A	0.004%
Lloyds Bank Plc (RFB)	5,000,000	0.10%	10/07/2020	30/10/2020	A+	0.004%
Plymouth City Council	5,000,000	0.33%	26/06/2020	20/11/2020	AA-	0.003%
National Westminster Bank Plc (RFB)	5,000,000	0.14%	08/07/2020	20/11/2020	A	0.007%
North Tyneside Metropolitan Borough Council	3,000,000	0.95%	25/11/2019	23/11/2020	AA-	0.004%
Suffolk County Council	5,000,000	0.40%	09/06/2020	09/12/2020	AA-	0.005%
Santander UK Plc	15,000,000	0.45%		Call95	A	0.014%
Lloyds Bank Plc (RFB)	3,000,000	0.15%	24/07/2020	25/01/2021	A+	0.017%
HSBC UK Bank Plc (RFB)	20,000,000	0.17%	25/09/2020	29/01/2021	A+	0.017%
Surrey Heath Borough Council	4,000,000	0.18%	17/08/2020	17/02/2021	AA-	0.009%
National Westminster Bank Plc (RFB)	5,000,000	0.12%	05/08/2020	19/02/2021	A	0.021%
Barclays Bank Plc (NRFB)	10,000,000	0.26%	01/09/2020	01/03/2021	A	0.022%
Thurrock Borough Council	5,000,000	0.70%	10/07/2020	10/05/2021	AA-	0.015%
Kingston Upon Hull City Council	5,000,000	0.30%	20/08/2020	20/05/2021	AA-	0.015%
Woking Borough Council	5,000,000	0.70%	17/06/2020	09/06/2021	AA-	0.017%
Lloyds Bank Plc (RFB)	2,000,000	0.30%	07/07/2020	06/07/2021	A+	0.040%
Lloyds Bank Plc (RFB)	5,000,000	0.30%	24/07/2020	23/07/2021	A+	0.043%
Total Investments	**£161,800,000**	**0.34%**				0.010%

Shropshire Council

Portfolio Composition by Link Group's Suggested Lending Criteria



Y	Pi1	Pi2	P	B	O	R	G	N/C
1	1.25	1.5	2	3	4	5	6	7
Up to 5yrs	Up to 5yrs	Up to 5yrs	Up to 2yrs	Up to 1yr	Up to 1yr	Up to 6mths	Up to 100days	No Colour



Portfolios weighted average risk number = 2.93

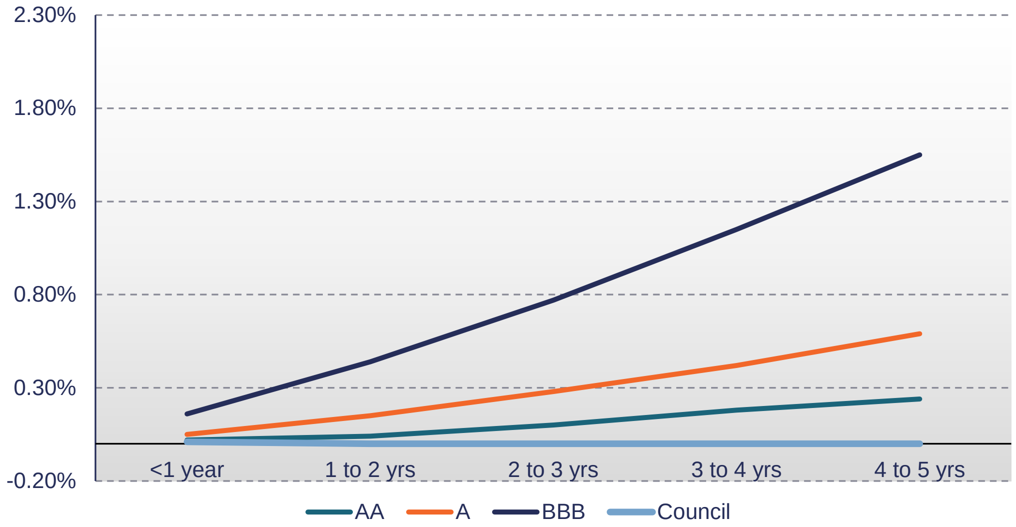
WARoR = Weighted Average Rate of Return
WAM = Weighted Average Time to Maturity

	% of Portfolio	Amount	% of Colour in Calls	Amount of Colour in Calls	% of Call in Portfolio	WARoR	WAM	WAM at Execution	Excluding Calls/MMFs/USDBFs WAM	Excluding Calls/MMFs/USDBFs WAM at Execution
Yellow	39.43%	£63,800,000	18.50%	£11,800,000	7.29%	0.50%	80	183	99	224
Pink1	0.00%	£0	0.00%	£0	0.00%	0.00%	0	0	0	0
Pink2	0.00%	£0	0.00%	£0	0.00%	0.00%	0	0	0	0
Purple	0.00%	£0	0.00%	£0	0.00%	0.00%	0	0	0	0
Blue	6.18%	£10,000,000	0.00%	£0	0.00%	0.13%	97	167	97	167
Orange	37.08%	£60,000,000	33.33%	£20,000,000	12.36%	0.20%	84	111	126	166
Red	17.31%	£28,000,000	53.57%	£15,000,000	9.27%	0.35%	108	129	124	167
Green	0.00%	£0	0.00%	£0	0.00%	0.00%	0	0	0	0
No Colour	0.00%	£0	0.00%	£0	0.00%	0.00%	0	0	0	0
	100.00%	**£161,800,000**	**28.92%**	**£46,800,000**	**28.92%**	**0.34%**	**87**	**146**	**111**	**192**

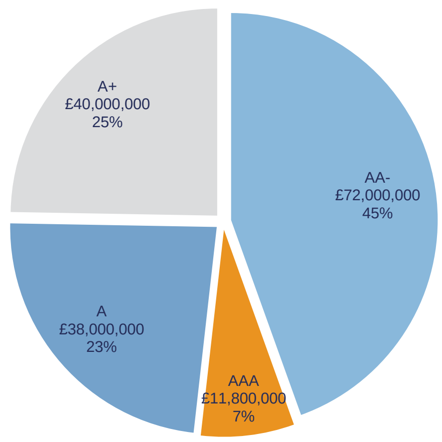
Shropshire Council

Investment Risk and Rating Exposure

Investment Risk Vs. Rating Categories



Rating Exposure



Historic Risk of Default

Rating/Years	<1 year	1 to 2 yrs	2 to 3 yrs	3 to 4 yrs	4 to 5 yrs
AA	0.02%	0.04%	0.10%	0.18%	0.24%
A	0.05%	0.15%	0.28%	0.42%	0.59%
BBB	0.16%	0.44%	0.77%	1.15%	1.55%
Council	0.010%	0.000%	0.000%	0.000%	0.000%

Historic Risk of Default
This is a proxy for the average % risk for each investment based on over 30 years of data provided by Fitch, Moody's and S&P. It simply provides a calculation of the possibility of average default against the historical default rates, adjusted for the time period within each year according to the maturity of the investment.

Chart Relative Risk
This is the authority's risk weightings compared to the average % risk of default for “AA”, “A” and “BBB” rated investments.

Rating Exposures
This pie chart provides a clear view of your investment exposures to particular ratings.

Monthly Credit Rating Changes
FITCH

Date	Update Number	Institution	Country	Rating Action
15/09/2020	1772	Cooperatieve Rabobank U.A.	Netherlands	The Long Term and Short Term ratings were downgraded to 'A+' from 'AA'- and 'F1' from 'F1+' respectively. At the same time, the Negative Watch on the Long Term, Short Term and Viability ratings were removed. The Long Term Rating was placed on Negative Outlook.
15/09/2020	1773	ABN AMRO Bank N.V.	Netherlands	The Long Term Rating was downgraded to 'A' from 'A+'.
16/09/2020	1774	ING Bank N.V.	Netherlands	The Long Term, Short Term and Viability Ratings were removed from Negative Watch. At the same time, the bank's Long Term Rating was placed on Negative Outlook.
18/09/2020	1775	Svenska Handelsbanken AB	Sweden	The Long Term and Viability Rating were removed from Negative Watch. At the same time, the Long Term Rating was placed on Negative Outlook.
18/09/2020	1776	Skandinaviska Enskilda Banken AB	Sweden	The Long Term, Short Term and Viability Ratings were removed from Negative Watch. At the same time, the bank's Long Term Rating was placed on Negative Outlook.
18/09/2020	1777	Nordea Bank Abp	Finland	The Long Term, Short Term and Viability ratings were removed from Negative Watch. At the same time, the bank's Long Term Rating was placed on Negative Outlook.
28/09/2020	1779	DBS Bank Ltd.	Singapore	The Long Term and Viability Ratings were removed from Negative Watch. At the same time, the bank's Long Term Rating was placed on Negative Outlook.
28/09/2020	1779	United Overseas Bank Ltd	Singapore	The Long Term and Viability Ratings were removed from Negative Watch. At the same time, the bank's Long Term Rating was placed on Negative Outlook.
28/09/2020	1779	Oversea-Chinese Banking Corporation Ltd	Singapore	The Long Term and Viability Ratings were removed from Negative Watch. At the same time, the bank's Long Term Rating was placed on Negative Outlook.

Shropshire Council

Monthly Credit Rating Changes
MOODY'S

Date	Update Number	Institution	Country	Rating Action
03/09/2020	1771	Wells Fargo Bank, NA	United States	The Outlook on the Long Term Rating was changed to Negative from Stable.
21/092020	1778	West Bromwich Building Society	United Kingdom	The Outlook on the Long Term Rating was changed to Negative from Stable.

Shropshire Council

Monthly Credit Rating Changes
S&P

Date	Update Number	Institution	Country	Rating Action
				No rating changes to report.

Appendix B

Prudential Indicators – Quarter 2 2020/21

Prudential Indicator	2020/21 Indicator £m	Quarter 1 – Actual £m	Quarter 2 – Actual £m	Quarter 3 – Actual £m	Quarter 4 – Actual £m
Non HRA Capital Financing Requirement (CFR)	390*	393	390		
HRA CFR	95	95	95		
Gross borrowing	304	304	304		
Investments	110	164	162		
Net borrowing	194	140	142		
Authorised limit for external debt	531	304	304		
Operational boundary for external debt	438	304	304		
Limit of fixed interest rates (borrowing)	531	304	304		
HRA debt Limit	96**	0	0		
Limit of variable interest rates (borrowing)	266	0	0		
Internal Team Principal sums invested > 364 days	50	0	0		
Maturity structure of borrowing limits	%	%	%	%	%
Under 12 months	15	0	0		
12 months to 2 years	15	4	4		
2 years to 5 years	45	2	2		
5 years to 10 years	75	4	4		
10 years to 20 years	100	36	36		
20 years to 30 years	100	25	25		
30 years to 40 years	100	13	13		
40 years to 50 years	100	7	7		
50 years and above	100	9	9		

* Based on period 3 Capital Monitoring report including Shrewsbury Shopping Centres. **removed following Budget announcement Oct 2018

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Capital Financing Summary

Prudential Borrowing Approvals	Date Approved	Amount Approved £	Applied (Spent) 2006/07 £	Applied (Spent) 2007/08 £	Applied Outturn 08/09 2008/09 £	Applied Outturn 09/10 2009/10 £	Applied Outturn 10/11 2010/11 £	Applied Outturn 11/12 2011/12 £	Applied Outturn 12/13 2012/13 £	Applied Outturn 13/14 2013/14 £	Applied Outturn 14/15 2014/15 £	Applied Outturn 15/16 2015/16 £	Applied Outturn 16/17 2016/17 £	Applied Outturn 17/18 2017/18 £	Applied Outturn 18/19 2018/19 £	Applied Outturn 19/20 2019/20 £	Budgeted 2020/21 £	Budgeted 2021/22 £	Budgeted 2022/23 £	First year MRP Charged	Asset Life	Final year MRP Charged
Monkmoor Campus	24/02/06	3,580,000																				
Capital Receipts Shortfall -Cashflow	24/02/06	5,000,000																				
Applied:																						
Monkmoor Campus			3,000,000		0															2007/08	25	2031/32
William Brooks					0		3,580,000													2011/12	25	2035/36
Tern Valley					2,000,000															2010/11	35	2044/45
		8,580,000	**3,000,000**	**0**	**2,000,000**	**0**	**3,580,000**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0.00**	**0**	**0**	**0**	**0**			
Highways	24/02/06	2,000,000	2,000,000																	2007/08	20	2026/27
Accommodation Changes	24/02/06	650,000	410,200	39,800																2007/08	6	2012/13
Accommodation Changes - Saving	31/03/07	(200,000)																				
		450,000	**410,200**	**39,800**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0.00**	**0**	**0**	**0**	**0**			
The Ptarmigan Building	05/11/09	3,744,000				3,744,000														2010/11	25	2034/35
The Mount McKinley Building	05/11/09	2,782,000				2,782,000														2011/12	25	2035/36
The Mount McKinley Building	05/11/09	0					-													2011/12	5	2015/16
Capital Strategy Schemes - Potential Capital Receipts shortfall	25/02/10	187,600					-	-	-	0	-	-	-	-	0.00	-					25	
- Desktop Virtualisation						187,600	-													2010/11	5	2014/15
Carbon Efficiency Schemes/Self Financing	25/02/10	1,512,442					115,656	1,312,810	83,976	-	-	-	-	-	0.00	-				2011/12	5	2017/18
Transformation schemes		92,635						92,635	-	-										2012/13	3	2014/15
Renewables - Biomass - Self Financing	14/09/11	92,996						82,408	98,258	(87,670)	-									2014/15	25	2038/39
Solar PV Council Buildings - Self Financing	11/05/11	56,342						1,283,959	124,584	(1,352,202)	-									2013/14	25	2038/39
Depot Redevelopment - Self Financing	23/02/12	0							-	-	-									2014/15	10	2023/24
Oswestry Leisure Centre Equipment - Self Financing	04/04/12	124,521						124,521												2012/13	5	2016/17
Leisure Services - Self Financing	01/08/12	711,197							711,197											2013/14	5	2016/17
Mardol House Acqusition	26/02/15	4,160,000									4,160,000	-								2015/16	25	2039/40
Mardol House Adaptation and Refit	26/02/15	3,340,000									167,640.84	3,172,358.86	-	-	0.00	-				2016/17	25	2041/42
Oswestry Leisure Centre Equipment - Self Financing	01/08/12	290,274												274,239		16,035				2018/19	5	2022/23
Car Parking Strategy Implementation		590,021													588,497.06	1,524	0			2020/21	5	2024/25
JPUT - Investment in Units re Shrewsbury Shopping Centres		77,563,255												52,204,603	-208,569.18	2,791,967	5,291,576	9,414,289	8,069,390	2018/19	45	2042/43
JPUT - SSC No 1 Ltd		527,319												527,319								
Children's Residental Care		2,000,000														1,381,539	618,461			2020/21	25	2044/45
Whitchurch Medical Practice (Pauls Moss Development)	26/07/18	3,778,000																3,778,000		2022/23	25	2047/48
Oswestry Castleview - Site Acquisition	19/12/19	3,256,241														3,256,241				2020/21	25	2044/45
DVSA Site Acquisiiton		1,200,000																1,200,000		2022/23	25	2045/46
Former Morrisons Site, Oswestry	19/09/19	3,364,805															3,364,805			2021/22	25	2045/46
Commercial Investment Fund	Fin Strat 19/20	60,380,954																40,380,954	20,000,000	2021/22	25	2045/46
The Tannery Development - Student Block		8,020,000													3,677,843.83	3,456,019	886,137			2019/20	25	2045/46
Previous NSDC Borrowing		955,595			821,138	134,457														2009/10	5/25	2065/66
		189,760,196	**5,410,200**	**39,800**	**2,821,138**	**6,848,057**	**3,695,656**	**2,896,333**	**1,018,015**	**(1,439,872)**	**4,327,641**	**3,172,359**	**0**	**53,006,161**	**4,057,772**	**10,903,325**	**10,160,979**	**54,773,243**	**28,069,390**			
				-	-			()	()	()	()	()	()	-	0.00	(1)		(1)	-			
£80m investment fund		80,000,000																				

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Committee and Date	Item
Cabinet 14 December 2020	Public

SETTING THE COUNCIL TAX TAXBASE 2021/22

Responsible Officer James Walton
e-mail: james.walton@shropshire.gov.uk Tel:(01743)258915

1. Summary

1.1. In order to determine the appropriate Council Tax levels for Shropshire Council, it is necessary to determine the Council Tax taxbase for the area. The budget requirements of the various precepting authorities are divided by this figure to arrive at the Band D Council Tax.

1.2. For 2021/22 the Council Tax taxbase will be 113,688.99 Band D equivalents, this is an increase of 0.12% from 2020/21.

1.3. The Council Tax taxbase has a direct impact on the Council Tax that will be levied by the Council for 2021/22.

2. Recommendations

Cabinet members are asked to agree and recommend to full Council for approval:

2.1 In accordance with the Rating (Property in Common Occupation) and Council Tax (Empty Dwellings) Act 2018 to approve the revised discretionary power to levy a Council Tax premium in relation to dwellings which have been unoccupied and substantially unfurnished for more than ten years i.e. increasing the premium to 300% in relation to dwellings which have been unoccupied and substantially unfurnished for more than ten years and the resulting inclusion of an additional 197.00 Band D equivalents in the taxbase.

2.2 To approve the publication of a notice regarding the new discretionary Council Tax discount policy awarded in respect of vacant properties within 21 days of the determination.

On the assumption that the changes to the discount policy in relation to vacant dwellings detailed in Sections 2.1 and 8.3 of this report have been approved, Cabinet members are asked to agree and recommend to full Council:

2.3 To approve, in accordance with the Local Authorities (Calculation of Tax Base) (England) Regulations 2012, the amount calculated by Shropshire Council as it's Council Tax taxbase for the year 2021/22, as detailed in Appendix A, totalling 113,688.99 Band D equivalents.

2.4 To note continuation of the Council's localised Council Tax Support (CTS) scheme in 2021/22. The scheme is attached at Appendix B.

2.5 To note the exclusion of 8,917.40 Band D equivalents from the taxbase as a result of localised Council Tax Support.

2.6 To note continuation of the discretionary Council Tax discount policy of 0% in respect of second homes (other than those that retain a 50% discount through regulation as a result of job related protection) and note the inclusion of 715.06 Band D equivalents in the Council Tax taxbase as a result of this discount policy.

2.7 To note continuation of the discretionary Council Tax discount policy to not award a discount in respect of vacant dwellings undergoing major repair, i.e. former Class A exempt properties.

2.8 To note continuation of the discretionary Council Tax discount policy in respect of vacant dwellings, i.e. former Class C exempt properties, of 100% for one month i.e. effectively reinstating the exemption and the resulting exclusion of 172.56 band D equivalents from the taxbase.

2.9 To note continuation of the "six week rule" in respect of vacant dwellings, i.e. former Class C exempt properties.

2.10 To note continuation of the discretionary Council Tax discount policy to levy a Council Tax premium of 100% in relation to dwellings which have been unoccupied and substantially unfurnished for more than two years (but less than five years) and the resulting inclusion of an additional 320.56 Band D equivalents in the taxbase.

2.11 To note continuation of the discretionary Council Tax discount policy to levy a Council Tax premium of 200% in relation to dwellings which have been unoccupied and substantially unfurnished for more than five years (but less than ten years) and the resulting inclusion of an additional 212.00 Band D equivalents in the taxbase.

2.12 To approve a collection rate for the year 2021/22 of 97.7%.

REPORT

3. Risk Assessment and Opportunities Appraisal

3.1 Expression of Council Tax Support in terms of Band D equivalents results in a higher potential for inaccuracies in the determination process as Council Tax Support is a significantly more volatile discount element.

3.2 Details of the potential risk in relation to establishing a collection rate allowance is detailed within this report in Section 10.

4. Financial Implications

4.1 The Council Tax taxbase figure impacts on the Council Tax that will be levied by the Council for 2021/22.

4.2 The implication of the Council's localised Council Tax Support scheme are detailed in Section 7.

4.3 The implications of maintaining the discount in respect of second homes at 0% are detailed in Section 8.1.

4.4 The implications of maintaining the discount in respect of vacant dwellings are detailed in Section 8.2.

4.5 The implications of maintaining the premium of 100% in respect of properties which have been unoccupied and substantially unfurnished for more than two years, maintaining the premium of 200% in respect of properties which have been unoccupied and substantially unfurnished for more than five years and increasing the premium from 200% to 300% in respect of properties which have been unoccupied and substantially unfurnished for more than ten years are detailed in Section 8.3.

4.6 The implications regarding the determined collection rate are detailed in Section 10.

5. Climate Change Appraisal

5.1 The Setting the Council Tax Taxbase 2021/22 report and recommendations have no direct effect on climate change.

6. Background

6.1 Shropshire Council has responsibility for determining the Council Tax taxbase for the Council's geographical area.

6.2 The taxbase for Council Tax must be set between 1 December 2020 and 31 January 2021 in relation to 2021/22 as prescribed by the Local Authorities (Calculation of Council Tax Base) Regulations 2012.

6.3 The Council is also required to inform the major precepting authorities, West Mercia Police & Crime Commissioner and Shropshire & Wrekin Fire Authority, of the taxbase in order to enable the calculation of Council Tax for the following year. Each town and parish council is also notified of its own Council Tax taxbase.

6.4 The purpose of this report, therefore, is to determine and approve the Council Tax taxbase for Shropshire Council for 2021/22.

7. Council Tax Support

7.1 The 2010 Spending Review announced the localisation of council tax support and The Welfare Reform Act 2012 abolished Council Tax Benefit from 31 March 2013 and required that Local Government created a localised Council Tax Support (CTS) scheme effective from 1 April 2013, accommodating a reduction in funding of 10%.

7.2 Shropshire Council's localised CTS scheme was approved in December 2018 with minor changes to the scheme taking effect from 1 April 2020. The current scheme summary is attached at Appendix B.

7.3 From 2013, therefore, council tax support has taken the form of reductions within the council tax system, replacing national council tax benefit. Making reductions as part of the council tax system reduces a billing authority's Council Tax taxbase. Billing and major precepting authorities receive funding (Council Tax Support Grant) which reduce their council tax requirement and, depending on the design of the local council tax scheme, can help offset the council tax revenue foregone through reductions.

7.4 An estimate of the effect of the local Council Tax Support Scheme on the Council Tax taxbase has been determined for Shropshire. It is estimated that the Council Tax Support Scheme will reduce the Council Tax taxbase by 8,917.40 Band D equivalents.

7.5 As Council Tax Support entitlement will vary throughout the year and this will affect the taxbase it is more likely that the amount of Council Tax collected in 2021/22 will vary from the estimate.

7.6 A link to the full scheme for 2020/21 is below.

https://www.shropshire.gov.uk/media/14979/ctrs-scheme-2020-21-final.pdf

8. Discretionary Discount Policies

8.1 *Second Homes*

8.1.1 Second homes are defined as furnished properties which are not occupied as a person's main residence and include furnished properties that are unoccupied between tenancies.

8.1.2 The Local Government Act 2003 gave councils new discretionary powers to reduce the 50% Council Tax discount previously awarded in respect of second homes to between 10% and 50% with effect from 1st April 2004. Councils retain the additional income raised by reducing the second homes Council Tax discount.

8.1.3 The Local Government Act 2012 further extended billing authorities' discretion over the second homes discount to between 0% and 50%. On 17 October 2012 Cabinet approved the reduction of the second homes Council Tax discount from 10% to 0%.

8.1.4 The figures used for the 2021/22 Council Tax taxbase incorporate a 0% Council Tax discount in respect of second homes (other than those that retain a 50% discount through regulation as a result of job-related protection). Implementation of this policy results in the inclusion of 715.06 Band D equivalents in the taxbase.

Vacant Properties

8.2 *Former Class A & Class C Exempt Properties*

8.2.1 The Local Government Act 2012 abolished both Class A and Class C exemptions and gave billing authorities' discretion to give discounts of between 0% and 100%. Class A exemptions were previously available for up to 12 months in respect of a vacant property which required, was undergoing, or had recently undergone major repair work to render it habitable, or a structural alteration. Class C exemptions were previously available for up to six months after a dwelling became vacant.

8.2.2 On 14 December 2017 Council approved the removal of a 50% Council Tax discount in respect of vacant dwellings undergoing major repair, i.e. former Class A exempt properties.

8.2.3 In respect of former Class A exempt properties the figures used for the 2021/22 Council Tax taxbase allow for the continuation of the decision previously approved by Council, i.e. to award no discount.

8.2.4 On 17 October 2012 Cabinet approved the award of a 25% Council Tax discount in respect of vacant dwellings, i.e. former Class C exempt properties.

8.2.5 Implementation of this policy resulted in a large number of low value Council Tax demands being raised primarily in relation to landlords whose properties are between tenants. A significant number of landlord complaints were received in relation to these Council Tax demands and these small amounts proved to be very difficult to collect. It was, therefore, proposed and approved that a 100% discount be awarded for one month, i.e. effectively reinstating the exemption, and then a 25% discount be awarded for the remaining five months.

8.2.6 In order to avoid fraudulent 100% claims in respect of these types of properties it was also proposed and approved that the "six week rule" be applied, i.e. if a dwelling which is unoccupied and unfurnished is either exempt or entitled to a discount, becomes occupied or substantially furnished for a period of less than six weeks, after which it falls empty again, it will only resume exemption or discount for any of the original exemption or discount period which remains.

8.2.7 On 14 December 2017 Council approved the continuation of the policy to award one month exemption when a property becomes unoccupied and substantially unfurnished (subject to the six week rule) and approved a revised policy to remove the 25% for the following five months. This means that when a property becomes unoccupied and substantially unfurnished it would attract one month exemption, then pay full charge for the following twenty three months, then attract an additional 100% council tax premium after two years.

8.2.8 In respect of former Class C exempt properties the figures used for the 2021/22 Council Tax taxbase incorporate a discount of 100% for one month. Continuation of this policy to award the one month exemption results in the exclusion of 172.56 Band D equivalents from the taxbase.

8.3 *Empty Homes Premium*

8.3.1 The Local Government Act 2012 amended the Local Government Finance Act 1992 and also gave billing authorities' discretion to levy an empty homes premium of 50% after a dwelling has been empty and substantially unfurnished for at least two years. In December 2013 Shropshire Council chose to enact this discretionary power with effect from April 2014.

8.3.2 On 1 November 2018 the Rating (Property in Common Occupation) and Council Tax (Empty Dwellings) Act 2018 was passed which further amended the Local Government Finance Act 1992. This gave billing authorities' discretion to levy an empty homes premium of 100% from 1 April 2019 after a dwelling has been unoccupied and substantially unfurnished for at least two years and a 200% premium from 1 April 2020 for properties unoccupied and substantially unfurnished for at least 5 years. The Act also allows for a 300% premium from 1 April 2021 for properties unoccupied and substantially unfurnished for at least 10 years.

8.3.3 Members are asked to approve a revised policy to levy an empty homes premium of 300% after a dwelling has been unoccupied and substantially unfurnished for at least ten years.

8.3.4 The figures used for the 2021/22 Council Tax taxbase incorporate a 100% Council Tax premium in respect of dwellings which have been unoccupied and substantially unfurnished for more than two years, a 200% Council Tax premium in respect of dwellings which have been unoccupied and substantially unfurnished for more than five years and a 300% Council Tax premium in respect of dwellings which have been unoccupied and substantially unfurnished for more than ten years. Implementation of this policy results in the inclusion of 320.56 Band D equivalents in the taxbase in relation to properties unoccupied and substantially unfurnished for more than two years, 212.00 Band D equivalents in the taxbase in relation to properties unoccupied and substantially unfurnished for more than five years and 197.00 Band D equivalents in the taxbase in relation to properties unoccupied and substantially unfurnished for more than ten years.

9. Taxbase Calculation

9.1 Based on the valuation list, the Council Tax taxbase is the number of properties in the area falling within each council tax property valuation band, modified to take account of the adjustments set out below. Taxbase is expressed as a Band D equivalent.

9.2 An analysis of Council Tax bands within Shropshire Council is detailed below:

Property Band	**House Value**	**Ratio to Band D**	**Analysis of Dwellings on the Valuation List (%)** (as at 14 September 2020)	**% Increase / (Decrease) over 2019/20**
A	Under £40,000	6/9	18.4	0.3
B	40,001 - 52,000	7/9	25.6	0.4
C	52,001 - 68,000	8/9	20.8	1.1
D	68,001 - 88,000	9/9	14.4	1.2
E	88,001 - 120,000	11/9	11.3	1.8
F	120,001 - 160,000	13/9	6.1	2.0
G	160,001 - 320,000	15/9	3.2	0.8
H	Over 320,000	18/9	0.2	1.2

9.3 There are 145,953 properties in the valuation list for the Shropshire Council area. This compares with a figure of 144,653 in the list at the same time last year. There has been an increase of 1,300 properties overall, which equates to 0.90%. The number of properties in property bands A – G has increased.

9.4 The methodology followed for calculating the taxbase is as follows:

- Ascertain the number of properties in each Council Tax band (A to H) shown in the valuation list as at 14 September 2020.
- Adjust for estimated changes in the number of properties through new build, demolitions and exemptions.
- The number of discounts and disabled relief allowances which apply as at 5 October 2020.
- Convert the number of properties in each Council Tax band to Band D equivalents by using the ratio of each band to Band D and so arrive at the total number of Band D equivalents for the Council.
- Adjust the total number of Band D equivalents by the estimated Council Tax collection rate for the year

These calculations are undertaken for each property band in each parish.

10. Collection Rate

10.1 In determining the taxbase, an allowance has to be made to provide for changes to the taxbase during the year (e.g. due to new properties, appeals against banding, additional discounts, Council Tax Support award changes, etc.) as well as losses on collection arising from non-payment. This is achieved by estimating a Council Tax collection rate for the year and must be common for the whole of Shropshire.

10.2 A collection rate of 98.3% was assumed for the 2020/21 financial year and it is recommended that a collection rate of 97.7% should be assumed for the purpose of determining the Council Tax taxbase in 2021/22.

10.3 Actual in year collection rates in 2017/18, 2018/19 and 2019/20 were 98.4%, 98.2% and 98.2% respectively. The collection rate for 2020/21 is currently projected to outturn at around 96.7%.

10.4 The reduction in the Collection Rate for 2018/19 was mainly due to the changes to the Council Tax Support scheme that were implemented in 2018/19. A reduction in the collection rate was expected as a result of these changes with a gradual improvement in subsequent years.

10.5 The reduction in the projected Collection Rate for 2020/21 is due to the impact of Covid-19. It is expected that the collection rate will improve however it is projected that Covid-19 will continue to have an impact in 2021/22.

10.6 A rate of 97.7% is considered prudent given the current level of recovery, the collection rates of the last 3 years and the continued impact of Covid-19.

10.7 If the actual rate exceeds 97.7% a surplus is generated, which is shared between the Unitary Council, West Mercia Police & Crime Commissioner and Shropshire & Wrekin Fire Authority, pro rata to their demand on the Collection Fund for the relevant year. Conversely, any shortfall in the collection rate results in a deficit, which is shared in a similar manner. The surplus or deficit is taken into account in setting the Council Tax in the following year.

11. Council Tax Base

11.1 The estimated Council Tax taxbase for the whole of the area will be used by this Council to calculate its Council Tax Levy. It will also be used by West Mercia Police & Crime Commissioner and Shropshire & Wrekin Fire Authority to calculate the levy in respect of their precepts.

11.2 The Council Tax taxbase for this purpose in 2021/22 is 113,688.99 Band D equivalents, an increase of 0.12% from 2020/21. The detailed build of this figure analysed by both parish and town council and Environment Agency region is shown in Appendix A.

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) David Minnery
Local Member N/A
Appendices Appendix A: 2021/22 Parish and Town Council Tax Taxbase Summary for Shropshire Council. Appendix B: Shropshire Council's Localised Council Tax Support Scheme

2021/22 Parish and Town Council Council Tax Taxbase Summary for Shropshire Council	**APPENDIX A**
Parish / Town Council	**Council Tax Taxbase**
	(Band D Equivalents)
Abdon & Heath	106.56
Acton Burnell, Frodesley, Pitchford, Ruckley & Langley	254.53
Acton Scott	40.71
Adderley	206.80
Alberbury with Cardeston	401.83
Albrighton	1,560.82
All Stretton, Smethcott & Woolstaston	178.37
Alveley & Romsley	853.30
Ashford Bowdler	35.67
Ashford Carbonel	183.53
Astley	206.99
Astley Abbotts	247.00
Aston Bottrell, Burwarton & Cleobury North	112.49
Atcham	226.18
Badger	57.05
Barrow	263.24
Baschurch	1,122.24
Bayston Hill	1,798.43
Beckbury	151.61
Bedstone & Bucknell	314.64
Berrington	455.26
Bettws-Y-Crwyn	91.33
Bicton	413.62
Billingsley, Deuxhill, Glazeley & Middleton Scriven	163.37
Bishops Castle Town	654.71
Bitterley	353.24
Bomere Heath & District	872.75
Boningale	140.22
Boraston	75.33
Bridgnorth Town	4,543.64
Bromfield	121.01
Broseley Town	1,523.01
Buildwas	108.28
Burford	428.83
Cardington	205.99
Caynham	528.58
Chelmarsh	223.24
Cheswardine	385.59
Chetton	158.47
Childs Ercall	294.78
Chirbury with Brompton	337.33
Church Preen, Hughley & Kenley	131.53
Church Pulverbatch	165.47
Church Stretton & Little Stretton Town	2,157.95
Claverley	872.85
Clee St. Margaret	67.83
Cleobury Mortimer	1,174.38
Clive	239.81
Clun Town with Chapel Lawn	521.30
Clunbury	245.06

2021/22 Parish and Town Council Council Tax Taxbase Summary for Shropshire Council	**APPENDIX A**
Parish / Town Council	**Council Tax Taxbase**
	(Band D Equivalents)
Clungunford	152.97
Cockshutt-cum-Petton	307.13
Condover	890.75
Coreley	135.96
Cound	210.61
Craven Arms Town	804.31
Cressage, Harley & Sheinton	407.74
Culmington	163.81
Diddlebury	272.56
Ditton Priors	336.33
Donington & Boscobel	592.42
Eardington	240.86
Easthope, Shipton & Stanton Long	198.02
Eaton-Under-Heywood & Hope Bowdler	181.29
Edgton	46.35
Ellesmere Rural	952.78
Ellesmere Town	1,482.04
Farlow	180.37
Ford	326.80
Great Hanwood	429.23
Great Ness & Little Ness	535.06
Greete	47.48
Grinshill	112.84
Hadnall	369.41
Highley	1,093.56
Hinstock	530.92
Hodnet	584.32
Hope Bagot	28.79
Hopesay	239.17
Hopton Cangeford & Stoke St. Milborough	161.10
Hopton Castle	39.53
Hopton Wafers	290.42
Hordley	102.98
Ightfield	198.26
Kemberton	114.49
Kinlet	407.25
Kinnerley	520.46
Knockin	138.49
Leebotwood & Longnor	202.85
Leighton & Eaton Constantine	206.62
Llanfairwaterdine	104.81
Llanyblodwel	258.24
Llanymynech & Pant	679.61
Longden	532.60
Loppington	282.33
Ludford	244.05
Ludlow Town	3,490.42
Lydbury North	224.38
Lydham & More	127.82
Mainstone & Colebatch	87.61

2021/22 Parish and Town Council Council Tax Taxbase Summary for Shropshire Council	**APPENDIX A**
Parish / Town Council	**Council Tax Taxbase**
	(Band D Equivalents)
Market Drayton Town	3,920.02
Melverley	52.47
Milson & Neen Sollars	122.97
Minsterley	586.84
Montford	255.81
Moreton Corbett & Lee Brockhurst	133.54
Moreton Say	203.05
Morville, Acton Round, Aston Eyre, Monkhopton & Upton Cressett	373.40
Much Wenlock Town	1,203.50
Munslow	174.89
Myddle & Broughton	632.46
Myndtown, Norbury, Ratlinghope & Wentnor	264.90
Nash	141.94
Neen Savage	159.28
Neenton	62.49
Newcastle	130.48
Norton-In-Hales	316.70
Onibury	130.74
Oswestry Rural	1,635.03
Oswestry Town	5,309.46
Pontesbury	1,307.70
Prees	1,113.67
Quatt Malvern	99.72
Richards Castle	143.78
Rushbury	271.39
Ruyton-XI-Towns	450.06
Ryton & Grindle	78.51
Selattyn & Gobowen	1,278.74
Shawbury	900.69
Sheriffhales	328.08
Shifnal Town	3,375.85
Shrewsbury Town	25,320.49
Sibdon Carwood	48.46
St. Martins	920.66
Stanton Lacy	164.39
Stanton-Upon-Hine Heath	242.49
Stockton	130.01
Stoke-Upon-Tern	474.73
Stottesdon & Sidbury	324.53
Stowe	47.63
Sutton Maddock	108.36
Sutton-Upon-Tern	399.65
Tasley	415.32
Tong	124.19
Uffington	124.01
Upton Magna	154.28
Welshampton & Lyneal	376.35
Wem Rural	673.42
Wem Town	1,975.47
West Felton	561.57

2021/22 Parish and Town Council Council Tax Taxbase Summary for Shropshire Council	**APPENDIX A**
Parish / Town Council	**Council Tax Taxbase**
	(Band D Equivalents)
Westbury	519.28
Weston Rhyn	852.97
Weston-Under-Redcastle	120.18
Wheathill	73.09
Whitchurch Rural	603.30
Whitchurch Town	3,329.59
Whittington	889.23
Whitton	71.81
Whixall	336.20
Wistanstow	333.37
Withington	103.35
Woore	597.80
Worfield & Rudge	913.64
Worthen with Shelve	795.26
Wroxeter & Uppington	160.80
Shropshire Council Total	**113,688.99**
Environment Agency - Severn Trent Region	106,828.48
Environment Agency - Welsh Region	4,371.08
Environment Agency - North West Region	2,489.43
Shropshire Council Total	**113,688.99**

APPENDIX B

SHROPSHIRE COUNCIL – BENEFITS SERVICE

COUNCIL TAX SUPPORT (CTS)

Introduction

The current Council Tax Benefit scheme is a means tested benefit that helps people with a low income to pay their Council Tax.

From April 2013 this will be abolished and all local authorities will provide a new scheme called 'Council Tax Support'. The funding that is provided for this scheme will be reduced by 10% and therefore it is likely that some people will have to pay more towards their Council Tax bill.

The changes will not affect pensioners even though they will move into the new scheme. The Government have confirmed that all pensioners will be protected and receive the same amount of benefit they do now under the current Council Tax Benefit Scheme.

Each local authority will be able to provide Council Tax support in a different way depending on local needs, funding available and how it can be administered. Each Council is expected to devise a new scheme and then put this to public consultation by the end of 2012.

Our new scheme was devised and published on the Shropshire Council website for customers, stakeholders and other agencies to comment on. Public consultation closed on the 14th December and the new scheme was formally adopted by the Council on 16th January 2013.

Anyone of working age will now be subject to the new scheme from April 2013. The differences that you will see in the new Council Tax Support Scheme are: -

- Removal of second adult rebate
- Reduction of the capital limit from £16,000 to £10,0000
- Removal of earnings disregards
- Removal of child benefit disregard
- Increase in non-dependant deductions

Please note the following amendments are for the calculation of Council Tax Support only and do not affect Housing Benefit calculations.

Removal of Second Adult Rebate

Second Adult Rebate (2AR) is awarded to a customer based on the circumstances of a second adult living in the property. Under the new scheme this has been abolished for working age claimants and will no longer be effective from 01.04.13.

Reduction of the capital limit

For working age people the capital limit will reduce to £10,000 from 01.04.13. This will mean that if a customer's savings amounts to more than £10,000 they will not be entitled to CTS. The lower capital limit of £6,000 remains the same.

Tariff income calculations remain as is i.e. from the total amount if capital £6,000 is deducted, the remainder is then dived by 250 if the result is not an exact multiple of £1 the result is rounded up to the next whole £1

All other capital rules including static savings, land and property, shares, etc remain the same.

Removal of Earnings disregards

All income disregards for working age people will cease from the 01.04.13.

Removal of Child Benefit disregards

Child benefit will no longer be disregarded from the calculation of CTS from the 01.04.03.

Increase in non-dependant earned income deductions (working age only)

From 01.04.13 non dep deductions will increase to the following: -

£5 for anyone earning under £100,
£10 for anyone earning between £100 and £150
£20 for anyone earning over £150 per week

This deduction will only be made from their earned income. It won't affect any other income they receive.

Non-dependant earned income deductions (pension age only)

Gross income less than £186.00	=	£3.65
Gross income £186.00 to £321.99	=	£7.25
Gross income £322.00 to £400.99	=	£9.15
Gross income £401.00 or above	=	£10.95

Unearned income will attract the following disregards (working age and pension age):

Others aged 18 or over incl. JSAC & ESAC = £3.65
In receipt of Pension Credit, IS, JSA (IB), ESA(IR) = nil

(This disregard will be up-rated annually in line with figures provided annually by DCLG)

A new minimum earnings threshold will be introduced with effect from 01/04/15 to reflect the current arrangements in the Housing Benefit scheme.

This minimum earnings threshold will help to determine whether a European Economic Area (EEA) national's previous or current work can be treated as genuine and effective for the purposes of deciding whether they have a right to reside in the UK as a worker or self-employed person.

The minimum earnings threshold has been set at the level at which workers start to pay National Insurance Contributions (NICs), currently £153 a week in the 2014/15 tax year. If an EEA national can prove that they have been earning at least this amount for a period of 3 months immediately before they claim CTS their work can be treated as genuine and effective and they will have a right to reside as a worker or self-employed person.

If they do not satisfy the minimum earnings threshold criteria, a further assessment will be undertaken against a broader range of criteria (such as hours worked, pattern of work, nature of employment contract etc.) to determine whether their employment is genuine and effective.

Ultimately, if an EEA national's income does not meet the minimum earnings threshold or the additional criteria to be classified as genuine and effective employment they will not be eligible for CTS.

Special Educations Needs Allowance – to be disregarded in full with effect from 01/09/14

War Pensions / Armed Forces Compensation Scheme Guaranteed Income Payments – to be disregarded in full with effect from 01/04/13 (and to be consistent with Housing Benefit)

From 01/04/15 the CTR scheme will include changes to the habitual residency test to reflect changes to the Housing Benefit (HB) regulations.

The amendments to the CTS scheme removes access to CTS for EEA jobseekers who make a new claim for CTS on or after 1 April 2015. EEA nationals who are self-employed, are workers or who are unemployed but retain their worker status have the same rights to CTS as a UK national and their situation remains unchanged.

EEA jobseekers who are entitled to CTS and JSA(IB) on 31 March 2015 will be protected until they have a break in their claim for CTS or JSA. If their JSA ends because they have started work, then as long as we can be satisfied that their employment is genuine and effective they will be able to access in-work CTS as either a worker or a self-employed person. Claimants receiving in-work CTS beyond 1 April will continue to be able to access CTS, if they become entitled to JSA(IB) on or after that date, but only if they retain their worker status. If they are a jobseeker then their CTS entitlement ends from the Monday following the cessation of work.

Changes with effect from 1 April 2018 to bring the scheme in line with Housing Benefit changes

- **2 child cap**
  The Government has announced that they will limit benefit support by only taking into account a maximum of two dependent children per family. It affects all claims where new children are born after April 2017. This will applies in Housing Benefit to families that make a new claim from April 2017

- **Loss of the family premium**
  The Government removed the family premium for new claims within the assessment of Housing Benefit with effect from May 2016

- **Bereavement Support Payments to be disregarded in full**
  This was introduced into Housing Benefit with effect from April 2017

- **Any payments from the 'We love Manchester Fund' and the 'London Emergency Trust' to be disregarded in full**

- **Maximum backdate period of 1 month**

- **Absence from home limited to 4 weeks when outside GB**
  The temporary absence rules for Housing Benefit were amended in 2015 reducing the allowable period of temporary absence outside Great Britain from 13 weeks to 4 weeks.

  The limit applies to new periods of absence only. Exceptions are when an absence is in relation to
  - Death of a partner, child or close relative
  - Receiving medical treatment
  - A person who has fled their home due to fear of violence
  - A member of Her Majesty's forces posted overseas

- **Beneficial changes in circumstances to be reported within one month of the change in order for the claim to be updated from the date of change, otherwise changes will take effect from the Monday following date notified.**

- **All working aged claimants who receive Council Tax Support (unless they are a pensioner or classed as vulnerable) will pay 20% of their council tax liability, (after appropriate discounts have been awarded)**

An example of this change is as follows:

1) Current scheme (which allows for 100% reduction)
   The customer's liability is £20.00 per week. As they are in receipt of Jobseekers Allowance they are entitled to full Council tax reduction making their council tax balance for the year £0.00
2) Proposed new scheme (20% minimum payment)
   The customer liability is £20.00. Before any calculation takes place 20% of this amount is reduced from the liability to be used. This means that any calculation will be carried out on a figure of £16.00. Again the customer is on Jobseekers Allowance and so they are entitled to a full award. This will mean their council tax balance for the year will be £208.00 (£4.00 x 52).

- **De Minimis change amount of £10.00 per week for claimants in receipt of Universal Credit**

- **Apply a minimum award of £1.50**

- **Claimant or partner who meet the specific criteria of severe disablement contained within the policy will be protected from any percentage reduction in council tax support. Claimant or partner in receipt of Employment and Support Allowance will be protected from any percentage reduction in council tax support. This will also apply to customers who meet the criteria for receiving a war compensation related benefit or pension. Specifically this includes**

<u>Criteria to be awarded for the severe disability premium:</u>

- The customer has to be in receipt of
  1) Attendance allowance or
  2) Higher or middle rate care component of disability living allowance or
  3) The daily living allowance rate of personal independence payments
- They must not have a resident non-dependant
- No person is entitled to, and in receipt of, carers allowance in respect of caring for the customer and;
- If the customer has a partner they must also meet all above criteria

<u>Criteria to be awarded the support component of employment and support allowance</u>

It is accepted that some people's difficulties or disabilities are such that not only is the person not expected to look for work but are also not expected to undertake an work related activities or plan for starting work due to the severity of their difficulties

Criteria to qualify for the war pension's exemption

The customer and/or partner has to be in receipt of either:

- War pension
- War disablement pension
- War service attributable pension
- War widows pension
- War mobility supplement

Changes with effect from 1 April 2019

Severe Disability Premium does not exist in Universal Credit. From 1 April 2019 claimants or couples that have moved into Universal Credit but meet the above criteria for the severe disablement premium will be exempt from the percentage reduction.

Employment and support allowance does not form part of Universal Credit. Instead there is a limited capability for work and limited capability for work related activity element in Universal Credit which is similar to that used for identifying the work related activity group and support group of Employment Support Allowance. From 1 April 2019 claimants or partners in receipt of the limited capability for work related activity element in Universal Credit that is the equivalent to the support element of employment and support allowance will be exempt from the percentage reduction.

Changes with effect from 1 April 2020

- We have defined a council tax reversal as an amount of Council Tax Support to which the claimant was not entitled, and we have clarified what action the Council will take depending on whether the reversal is caused by claimant error, or official error.

- We have clarified that where a reversal is due to claimant error the total sum of the reversal shall be fully chargeable and recoverable as part of the claimant's council tax liability

- We have clarified that where the reversal arose due to official error, that where the claimant or their representative could reasonably have been expected at the time to realise that the assessment had been made in error, the total sum of the reversal shall be fully chargeable and recoverable as part of the claimant's council tax liability. Otherwise, the amount of the reversal will not be chargeable and recoverable as part of the claimant's council tax liability

- In the event of a council tax reversal, the Council will consider any underlying award that the claimant should have been entitled to provided evidence is received from the claimant within 1 month of the claimant being notified of the reversal, or where an appeal against a recoverable reversal is made

- We have clarified the definition of pensioner in accordance with new benefit rules for mixed age couples and eligibility for Local Council Tax Reduction Schemes

- Any payment made by the Home Office under the Windrush Compensation Scheme or the Windrush Exceptional Payment Scheme will be disregarded as capital

SUMMARY OF CHANGES FROM 01.04.13

Current Council Tax Benefit Scheme (CTB)	Council Tax Support (CTS)
Second Adult Rebate - Awarded to the customer based on the circumstances of 'second adult'. Can be awarded due to a 'better buy' comparison	No award due for second person. On 'better buy' calculation customer will only be awarded any CTS due.
Reduction of the capital limit - Upper capital limit of £16,000. Above this limit the person would not qualify for CTB. Lower capital of £6,000. Below this figure amount is ignored. Amounts above £6,000 attract tariff income at £1 for every £250 or part of above the lower capital limit	Upper capital limit of £10,000. Above this limit the person would not qualify for CTB. Lower capital of £6,000. Below this figure amount is ignored. Amounts above £6,000 attract tariff income at £1 for every £250 or part of above the lower capital limit
Removal of earnings disregards – Permitted work - £97.50 Lone parents - £25.00 Disabled, carers or special occupations - £20.00 Couples - £10 Single £5	Permitted work - £0 Lone parents - £0 Disabled, carers or special occupations - £0 Couples - £0 Single £0
Removal of Child Benefit disregard – Child Benefit is fully disregarded for the calculation of CTB	Child benefit is fully included for the calculation of CTS
Increase in non-dependant deductions (using current figures) On pass ported benefit - £0.00 On JSA C/ESAC - £3.30 Works less than 16 hours on maternity, paternity, adoption or sick leave - £3.30 Income more than £394.00 per week – £9.90 £316.00 to £393.99 per week – £8.25 £238.00 to £315.99 per week - £6.55 £183.00 to £237.00 per week - £3.30 £124.00 to £182.99 per week – £3.30 Under £124.00 – £3.30	On pass ported benefit - £0.00 On JSA C/ESAC - £3.30 Works less than 16 hours on maternity, paternity, adoption or sick leave - £3.30 Earnings less than £100 - £5.00 Earnings between £100 and £150 - £10.00 Earnings above £150 - £20.00

APPEALS

There will be no joint HB/CTR appeals – they will be heard separately by different bodies. First Tier Tribunals will hear the Housing Benefit appeals (as now) and the Valuation Tribunals Service will hear Council Tax Support appeals.

The legislation is contained within the Local Government Finance Act. Appeals against the local Council Tax Support Scheme will be covered by Regulation 16(b).

Process:

- The customer firstly needs to write to the Council saying they disagree with the decision. There is no time limit to do this. They can request this at any time.
- If we do not alter our original decision the customer has the right to appeal to the Valuation Tribunal.
- To appeal to the Valuation Tribunal the customer will need to do this on line at www.valuationtribunal.gov.uk
- The customer must complete the on line appeal application within two months of the date of the decision notice sent by ourselves upholding the original decision

As local schemes are not legislation, but are locally defined schemes, the Valuation Tribunal will not consider an appeal against a billing authority's actual scheme, as that is beyond their jurisdiction. However, the Valuation Tribunal will advise dissatisfied claimants of their right to apply to the billing authority for a discretionary discount under section 13 (1) (c) of the Local Government Finance Act 1992. They will also hear appeals where the authority refuses to exercise this discretion.

Shropshire Council

Committee and Date	Item
Cabinet 14th December 2020	

FINANCIAL STRATEGY 2020/21 – 2021/22

Responsible Officer James Walton
Email: james.walton@shropshire.gov.uk Tel: (01743) 258915

1. Summary

1.1. On 6 July 2020 Cabinet approved a revised Financial Strategy reflecting the need to revise the existing strategy approved by Council on 27 February 2020 in response to the subsequent impact of Covid-19 on the UK.

1.2. The Country entered lockdown from 23 March 2020 and Council Services were closed, delivered remotely or moved into emergency provision. Over two and a half thousand Council staff were required to work from home and/or make themselves available for redeployment. Business continuity measures were immediately put into place across the Council. Emergency spend was sanctioned, protocols to support suppliers, contractors and local businesses were implemented and a Council Tax deferral scheme was hurriedly introduced for the months of April and May. Lockdown was relaxed over the summer months followed by a further lockdown from 5 November to 2 December 2020. It is unlikely that the impact of Covid-19 will be eradicated before the end of March 2021, meaning that the entire 2020/21 Financial Year will have been completed under unique circumstances with little clarity, certainly in relation to service delivery, on what was a result of circumstance as they existed at the time, what will ultimately 'revert back' in the future and what was a signal of lasting change.

1.3. For the Council, the longer-term implications for Council Tax collection and other vital income sources for the Council such as Business Rates, On-Street Parking and Cultural Services is unknown. The requirement to deliver essential services to vulnerable people, and the infrastructure, overheads and running costs supported by this income have not diminished and have, in many cases, grown.

1.4. The Government have announced multiple waves of funding and initiatives in response to the Covid-19 outbreak. Direct funding for the Council has included specific ringfenced grants totalling £6.7m, four tranches of unringfenced funding amounting to almost £23m, furlough payments and compensation for loss of sales, fees and charges income of £5.8m. At the time of writing both costs and income losses for the Council are estimated to be contained within the COVID funding envelope but the position changes on an almost daily basis.

1.5. A look ahead to the 2021/22 Financial Year and beyond indicates the potential for significant change on the horizon for the Council at a local level. Council elections are due in May 2021 bringing to an end the current four-year term and with it the need to set a new four-year plan. The Council has recently appointed a new, permanent Chief Executive who will be tasked with creating a new Corporate Plan to meet the expectations and direction of the new Administration. The Financial Strategy cannot be created in isolation and needs to reflect the Council's priorities, not set them.

1.6. The palpable uncertainty at a national and local level over the next 12 months necessitates the creation of a framework under which Council can approve a reasoned and robust Financial Strategy; enabling essential services to be delivered alongside a refocus around the way we work and a need to deliver a balanced budget and, ultimately, a sustainable model for the Council into the future.

2. Recommendations

It is recommended that Members:

A. Approve the savings proposals as outlined in Appendix A which will contribute towards delivery of a balanced budget in 2021/22 and the removal of £1.651m of previously approved savings now unachievable, enabling the Leader of the Council to take his proposed budget to consultation before
B. Note the revised funding gap for the years 2022/23 to 2025/26.

REPORT

3. Risk Assessment and Opportunities Appraisal

3.1 The development and delivery of the Council's Financial Strategy is the key process in managing many of the Council's strategic risks. The opportunities and risks arising are assessed each time the document is refreshed for Cabinet consideration. The Council's Strategic Risks are reported separately, but the Financial Strategy makes specific reference to the Council's ability to set a sustainable budget (the highest of the Council's key strategic risks).

3.2 Setting the Financial Strategy and agreeing the detailed changes necessary to deliver the agreed budget for the next financial year, will take into account the requirements of the Human Rights Act, any necessary environmental appraisals and the need for Equality and Social Inclusion Impact Assessments (ESIIA) and any necessary service user consultation.

4. Climate Change Appraisal

4.1. The Council's Financial Strategy supports it's strategies for Climate Change and Carbon Reduction in a number of ways. The future programme includes programmes to support a range of initiatives such as moving to LED street lighting, enabling agile and mobile working dramatically reducing travel and support for Park and Ride schemes to reduce car emissions within the town centres. The impact of these and other measures will be considered alongside work to measure and monitor the Council's carbon footprint.

4.2. The impact of Covid-19 has seen benefits in terms of energy and carbon efficiency across the Council which have the potential to provide significant opportunities going forward. Services have been delivered online with the majority of staff working from home. This, in turn, has led to reductions in printing volumes, increases in online interaction, reduced staff travel and a resulting positive impact on climate change and pollution levels. Future plans will look to lock in benefits such as these

4.3. The Council receives a share of profits from the jointly owned West Mercia Energy (WME) joint arrangement. The electricity supplied to Shropshire Council is now supplied from 100% renewal sources. Furthermore, profit share received from WME is ringfenced to support climate change initiatives in Shropshire such as the LED street lighting programme.

4.4. Shropshire is the 5th largest generator of renewable energy in the UK. Work is also underway to bring forward the development of additional renewable energy schemes such as solar farms and hydro energy from the river. Through it's wholly owned housing company (Cornovii Developments Ltd) new housing developments are aiming to build zero carbon houses wherever possible, including photo voltaic panels, outstanding levels of insulation and EV charging points.

4.5. All business rates collected from renewable energy projects in Shropshire, such as solar and wind farms and anaerobic digesters, is retained by Shropshire Council (i.e. there is no 50% allocation to Central Government or 1% allocation to the Fire Service). From 2020/21 onwards, all business rates from renewable energy projects is ringfenced to support climate change initiatives in Shropshire such as the LED street lighting programme.

4.6. The councils waste and recycling service is amongst the best nationally for recycling and the recovery of value from waste. Further developments in the service are planned to increase this performance even more. For example work is underway to explore the development of a heat network that distributes steam from the Battlefield Energy from Waste facility to surrounding business and industrial premises.

5. Financial Implications

5.1. This report sets out the financial implications for the Council over the 2020/21 and 2021/22 Financial Years. Details are contained within the Medium Term Financial Strategy attached at Appendix 1.

6. Background

6.1 Council approved the Financial Strategy 2020/21 – 2024/25 on 27 February 2020. The impact of the Covid-19 outbreak and associated actions and implications for the Council necessitated the production of an updated report which was approved by Cabinet in July 2020.

6.2 This report updates Cabinet and includes details of the latest budgetary position for the Council. The existing quarterly revenue and capital monitoring reports provide details on spending and income delivery in-year for Cabinet to consider.

6.3. The Council's Medium Term Financial Strategy is attached at Appendix 1. This Strategy attempts to provide a framework to deliver a balanced budget for 2021/22, an approach to managing the unsustainable elements of the Council's funding, our tactics for dealing with the continued uncertainty of Covid-19, Brexit and other short-term, national issues, and early thinking on our Corporate Planning approach which will ultimately set the direction of the Council and the context for the Financial Strategy.

List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information) Financial Strategy 2020/21 - 2024/25 – Council, 27 February 2020
Appendices Appendix 1 – Medium Term Financial Strategy 2020/21 To 2024/25

Medium Term Financial Strategy – July 2020

2020/21 – 2025/26

James Walton
Section 151 Officer and Interim Director of Resources
Shropshire Council
Shirehall
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SY2 6ND

FOREWORD

It was unusual, in July 2020, for the Council to publish a revised Medium Term Financial Strategy only four months after Full Council approved the Financial Strategy in February. The impact of the Coronavirus pandemic, however, necessitated this action.

As set out in previous iterations of this document, Shropshire Council's Medium Term Financial Strategy considers the local authority's financial position over the medium term taking into account national and local funding and resources, and compares this to the demand on the services the Council needs and wants to deliver, providing solutions to deliver a balanced budget as required by statute. It is not legal for a Council to set an unbalanced budget; by law our costs must be contained within our available funding, creating tensions between aspiration and reality, quality and necessity. It is, nevertheless, unwise to focus on the short-term delivery of a balanced budget at the expense of long-term outcomes, medium term sustainability or the achievement of wider strategic objectives.

In these unusual times, however, this is exactly the course of action we are being forced to take. The financial impact of Covid-19 on Shropshire Council had immediate effect from the date the country was placed into lockdown from 23 March 2020. Despite the lockdown being relaxed over the summer months, a second period of lockdown was implemented from 5 November 2020 until at 2 December 2020. Tier restrictions then followed, with Shropshire placed in Tier 2, and it is likely that restrictions in some form will continue until at least the end of March 2021, meaning that the entire 2020/21 Financial Year will have been completed under unique circumstances with little clarity, certainly in relation to service delivery, on what was a result of circumstances as they existed at the time, what will ultimately 'revert back' in the future and what was a signal of lasting change.

The 2019/20 accounts reveal that the cost to Shropshire for the eight days of lockdown falling within that financial year was around £387,000. For Shropshire this fell, almost immediately, after recovering from the impact of flooding, the official cost of which was £460,000, but when considering the impact on road and highways infrastructure was in reality, in excess of £1m, almost exclusively picked up by the local taxpayer.

At the time of writing, the direct financial impact of Covid-19 is around £24.5m for the 2020/21 financial year, based on our current understanding. At present we have received £22.4m unringfenced grant plus expected Sales, Fees and Charges reimbursements and Furlough Contributions of up to £5.8m The need for additional funding, income guarantees or other support to cover costs over the remainder of the financial year will continue to be assessed. Nevertheless, we currently expect to deliver a budget which is close to balanced for the 2020/21 Financial Year.

The approved Budget for the 2020/21 Financial Year was effectively obsolete before the year began, with plans for savings, service transformation and service delivery put on hold, to differing degrees, to deal with the unparalleled implications of Covid-19 for the local authority, the public and local businesses alike. Now, nine months on and with the future still unclear, we have at least been able to review those savings plans, revise service transformation proposals in the light of new opportunities deliverable in a post-Covid world and create a framework for the Financial Strategy.

The framework for the Financial Strategy can be described under three primary financial assumptions:

- The Performance Optimisation Assumption
- The Unsustainability Assumption
- The Covid-19 Assumption

<u>The Performance Optimisation Assumption</u>
The basic principle of the Performance Optimisation Assumption is that Shropshire Council will drive to deliver the key outcomes for Shropshire communities in the most efficient, highest quality and financially economical way possible. The ultimate outcome is to drive Council performance to its highest attainable level over the medium to long term.

<u>The Unsustainability Assumption</u>
The basic principle of the Unsustainability Assumption is that Fair Funding, or an equivalent national funding methodology, will be implemented from 2022/23 which will accurately reflect the costs and future annual growth in costs of (predominantly) delivering social care services, resolving the structural funding gap within Shropshire.

<u>The Covid-19 Assumption</u>
The basic principle of the Covid-19 Assumption is that all known direct costs resulting from measures undertaken as a result of government responses to the Coronavirus pandemic will be fully funded by external government grant or similar directives.

These three assumptions will form the basis for creating a two-stage approach as set out in this document; a short-term Budget Plan for the 2021/22 Financial Year, and a longer-term Financial Strategy covering 2021/22 through to 2025/26.

2.1 Medium Term Financial Strategy Process

The medium term financial strategy (MTFS) spans a period of five years and is formally agreed by Full Council each year in the February preceding the first financial year of the strategy.

The first year of the MTFS represents the budget strategy for the next financial year. The compilation of the budget strategy involves detailed budget development of each service area within the Council and work begins on this process from September onwards. This approach has been modified somewhat in light of the impact of the Covid-19 pandemic and single year Spending Review announced on 25 November 2020.

The overarching five years strategy runs alongside the budget strategy work and will be informed by significant service changes or demographic changes that the Council is facing, but more significantly will be informed by government announcements on the likely level of funding.

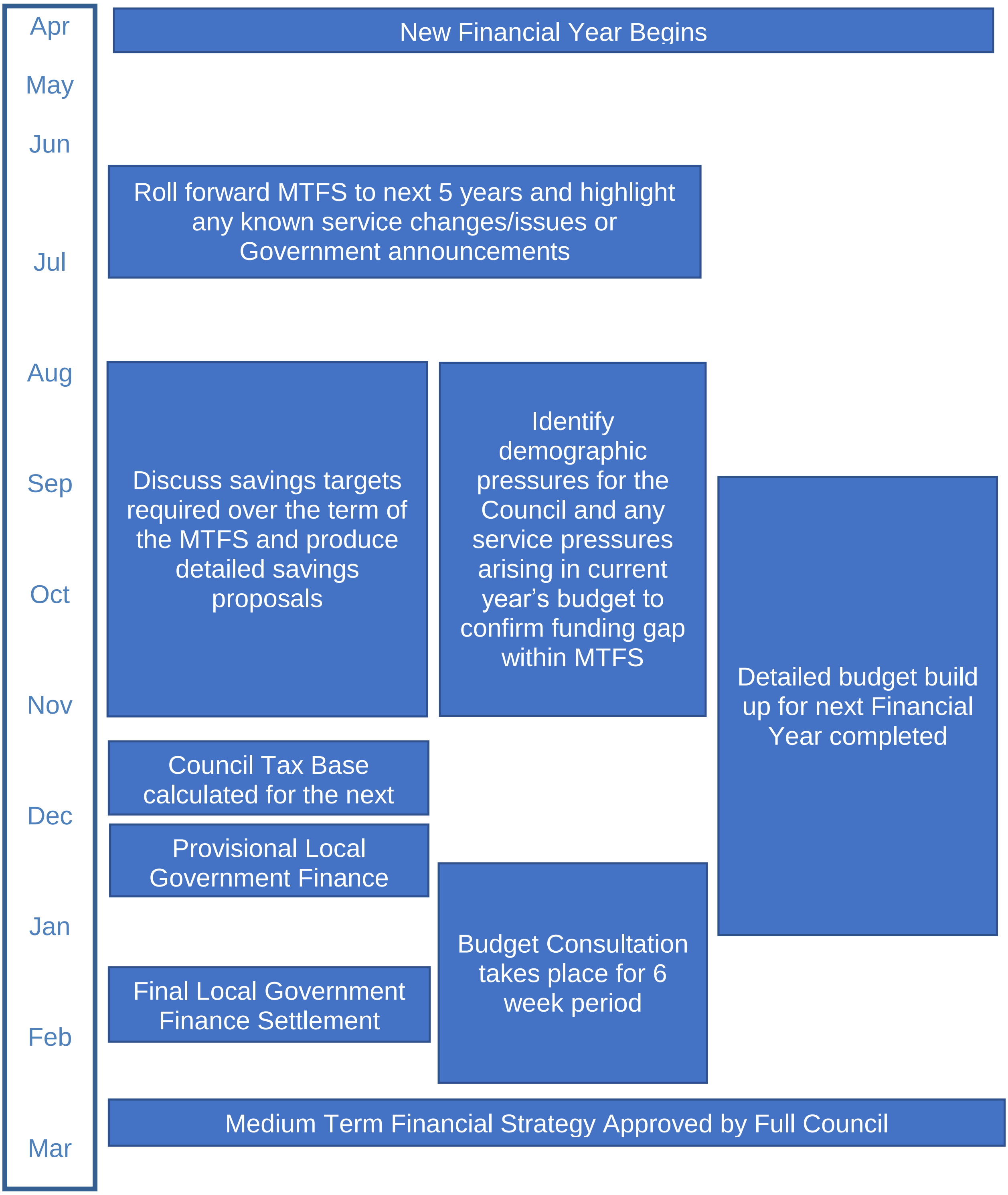
Each year the Government provides a Provisional Local Government Finance Settlement in mid-December and a Final Local Government Finance Settlement towards the end of January. This will detail all grant funding that the Council will receive in the next financial year and will also give authorities specific regulations around levels of Council Tax that can be raised. Alongside this the Council is also carrying calculations such as the Council Tax Base to determine how many properties the Council can raise Council Tax against. This information all feeds into the Resources side of the Financial Strategy and assumptions are made regarding any uplift or inflationary changes for future years within the MTFS.

In previous years the Government has provided multi year funding settlements which have given the Council the ability to predict with some accuracy, the level of grant income that it will receive from the Government. The last four year multi settlement ran from 2016/17 to 2019/20 and the Government announced a one year settlement for 2020/21 with the intention of implementing the Fair Funding Review for 2021/22. Since the COVID-19 pandemic hit the UK in the spring of 2020, the Government has announced that the Fair Funding Review will now be delayed a further year until 2022/23 and a single year Spending Review was announced in November.

During December and January, the Council will consult with the general public regarding the budget proposals for the next financial year. Feedback from this consultation will then inform the final Medium Term Financial Strategy that is agreed by Full Council in February.

Figure 1 below details a simplified timeline of the various processes for developing the medium-term financial plan each year.

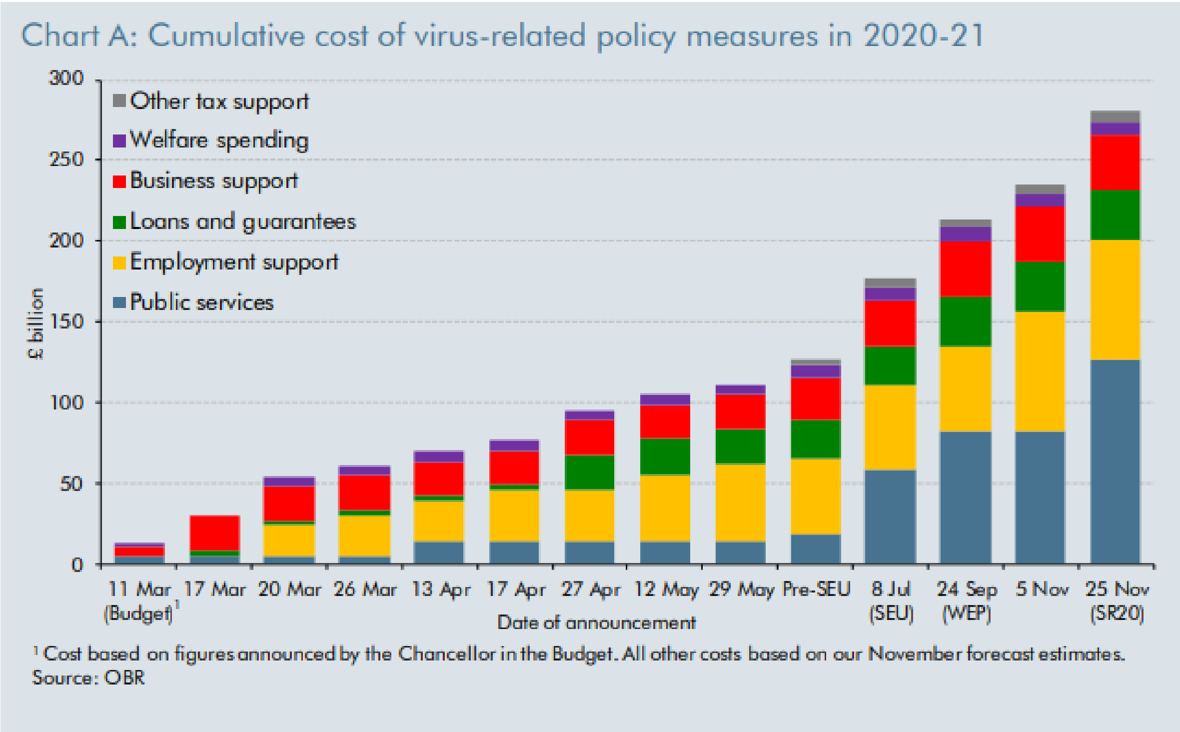
FIGURE 1 – Development of Medium Term Financial Strategy



2.2 National Context

The Covid-19 pandemic has caused exceptional hardship for individuals, families and businesses across the UK. The health emergency has been accompanied by unprecedented economic uncertainty and the deepest recession on record. The Office for Budget Responsibility's (OBR's) forecast expects GDP to shrink by 11.3 per cent in 2020 – the largest annual fall since the Great Frost of 1709.

Since the start of the crisis the government has taken extensive and unprecedented action to tackle the virus and mitigate these impacts across all areas of the UK. This action comes at significant fiscal cost. Since March, the government has spent over £280 billion on one of the largest packages of economic support in the world. The Chart below, taken from the Office of Budget Responsibility's November 2020 Economic and Fiscal Outlook report, shows how this support has developed since March.



The level of financial investment and borrowing that the Government has had to undertake to support the public and the economy is significant and is likely to impact on public finances in this country for many years in the future.

2.3 Local Context

A number of national grant schemes have been passed to Local Authorities because the Local Authority will be incurring the spend directly, or because we can passport funding to the relevant organisation that it is intended should receive the support.

Shropshire Council has received the following allocations of funding from the Government to date:

Covid-19 Grants and support	Value / Assumed Value to be Received (£)
Small Business Grants and Retail Hospitality & Leisure Grants	91,670,000
Business Rate Reliefs: Expanded retail discount	44,394,152
MHCLG: Emergency Covid-19 Local Government Grant (unringfenced)	22,409,773
Local Restrictions Support Grants	6,752,250
Additional Restrictions Support Grant	6,462,720
Infection Control Grant (1)	4,601,579
Discretionary Business Grants	4,583,500
Infection Control Grant (2)	4,029,458
Contain Outbreak Management Fund (Nov lockdown)	2,585,088
Test and Trace Support Grant	1,126,797
COVID Winter Grant Scheme	841,634
Supported Bus Services	472,877
Home to School Transport Grant	350,000
Contain Outbreak Management Fund (for tier 1 status)	319,189
Emergency Assistance Grant	311,900
Reopening High Streets Safely Fund	288,194
Business Rate Reliefs: Nursery Discount	249,551
Compliance and Enforcement Grant	145,151
Next Steps Accommodation Programme	123,500
Active Travel Grant	86,000
Transport Demand Management Grant	50,000
Homelessness and Rough Sleeping Contingency Fund	12,000
Test and Trace Support Payments	TBC
Support for the Clinically Extremely Vulnerable (CEV)	TBC
Total	**191,865,312**

In addition to the Central Government funding received, Shropshire Council secured an additional £0.737m from the Marches Investment Fund to support local businesses affected by COVID-19 that have not been eligible to obtain the Government funding provided for businesses.

3.1 2020/21 Budget Update

On 27th February 2020, Full Council approved the Financial Strategy for 2020/21 – 2024/25 which included the revenue budget for 2020/21.
A summary of the Financial Strategy for 2020/21 is detailed in Figure 2 below:

Figure 2: 2020/21 Approved Financial Strategy

	2020/21 £
Resources:	
Council Tax	-163,933,777
Business Rates	-51,720,281
RSG	-6,218,750
Collection Fund Surplus/(Deficit)	-3,648,763
Government Grants in Core Funding (IBCF, NHB, RSDG, SCG)[1]	-32,411,060
Local Income (F&C[2], Other Grants, Specific Government Grants, Internal Recharges)	-317,529,850
TOTAL FUNDING	**-575,462,481**
Expenditure:	
Gross Budget Requirement from 2019/20	593,079,737
Inflationary Growth (Pay, Prices, Pensions)	4,466,890
Demography & Demand	21,563,167
Service Specific Pressures	1,971,738
Local Generated Pressures (incl. change to specific grants and income changes)	576,055
Previous saving plans removed as unachievable	2,594,550
Savings to be achieved in 2020/21	-18,725,200
TOTAL EXPENDITURE	**605,526,937**
FUNDING GAP FOR 2020/21	**30,064,456**
Funded by:	
One off Core Government Grants	-27,411,061
One off use of Cost of Investment Budget	-2,750,000
Financial Strategy Reserve	96,605
BALANCED BUDGET FOR 2020/21	**0**

1 IBCF - Improved Better Care Fund, NHB - New Homes Bonus, RSDG - Rural Services Delivery Grant, SCG - Social Care Grant

2 F&C - Fees and Charges

Since the approval of this budget, the United Kingdom suffered the COVID-19 pandemic, which impacted on the 2020/21 budget and will continue to have implications in future years.

As the impact of Covid-19 was so significant, it was necessary to revise the 2020-21 Budget before considering the potential impact on future years of the Financial Strategy. A summary of the impact is given in the following sections.

3.2 Additional Costs of COVID-19

The COVID-19 pandemic has resulted in the Council incurring additional one off costs in supporting the communities of Shropshire. The Council established 10 workstreams surrounding the response to the COVID-19 pandemic and costs have been captured against each of these workstreams to identify where cost pressure have arisen. The difficulty in projecting the full year costs for each workstream is due to the unknown timeframe that the COVID-19 response, lockdown and Tier System requirements will be in place. The Council produces a monthly return to Government on the anticipated costs and has taken part in benchmarking workshops with other local authorities to ensure that assumptions used are reasonably consistent across the country.

The associated workstreams and anticipated costs that will be incurred over the course of 2020/21 is projected as follows:

COVID-19 Workstream	2020/21 Cost Projection £m	Type of Costs included
Adult Social Care	4.294	Temporary fee uplift for adult social care providers, increased community placements and increased staff costs
Business and Economy	0.217	Lockdown Compliance and Reopening Costs, Transport for COVID-19 Testing
Business Continuity	0.006	Risk Mangement and insurance
Children's Services	3.054	Increased children's social care placements and staff costs Home to school transport and free school meal provision
Communications	0.311	Advertising and media support re response Laptops, mobile phones, WAN and firewall costs
Emergency Expenditure	1.389	Increased subsidies to bus operators Grants to arts organisations Payments to leisure providers
Excess Deaths	0.014	Temporary Mortuary
Homelessness	1.334	Increased use of bed and breakfasts and temporary accommodation, including food and security costs

Public Health	0.509	PPE, Prevention costs and bereavement and counselling support
Vulnerable Communities	0.163	Delivery of Food Parcels and Essential Supplies, and Grants to Community Groups
Non Deliverable Savings	3.580	Savings in year impacted by COVID 19
Total	**14.870**	

3.3 Loss of Income from COVID-19

Additional costs are only one element of the financial pressure arising from COVID-19. In addition, it has been necessary to close a number of Council income earning facilities due to the lockdown and Tier System restrictions, and there have also been knock on effects to some services income projections due to a general slowdown in the economy resulting from COVID-19.

The total income shortfalls that are currently anticipated in 2020/21 as a result of COVID-19 are:

Covid-19 Loss of Income **Service Area**	**Description of main area of lost income**	**2020/21 Forecast Net Loss of Income Due to Covid-19 (£'000)***
Environment and Transport - Parking	Car parking	3,389
Theatre Services	Sales, fees and charges	1,627
Shire Services	Loss of traded catering services income	743
Leisure	Sales, fees and charges	500
Planning Services	Sales, fees and charges	474
Shrewsbury Shopping Centres	Rental income	455
Trading Standards and Licensing	Licensing income and penalty charge notices	417
Corporate Landlord	Rental income	400
Learning and Skills	Loss of traded services income from schools	360
Adult Social Care Operations	Loss of day services income and reduction in direct payment clawbacks	308
Registrars	Sales, fees and charges	269
Museums and Archives	Sales, fees and charges	232

Waste Management	Reduction in third party use of the ERF	160
Housing Services	Loss of event income and reduction in sale of advertising	119
Outdoor Partnerships	Sales, fees and charges	115
Libraries	Sales, fees and charges	34
Adult Services Business Support and Development	Enable – Loss of income from other organisations	20
Corporate Budgets	WME profit share	19
Total		**9,641**

(Net forecast includes savings on expenditure as a result of service reduction)

3.4 Impact on Savings Due to COVID-19

The Council agreed new savings of £18.725m to be delivered over the course of 2020/21. As a result of the pandemic and the prioritisation of services towards supporting the public of Shropshire through the effects of the lockdown, some of the proposals have not been able to be progressed or developed at the speed that was originally anticipated. Where savings have not been delivered within the anticipated timeframe, a review has been undertaken to understand if they remain deliverable over a longer time period. It is felt that by the end of 2020/21 a total of £7.673m will be unachievable on an ongoing basis. Section 5.1 sets out a revision to the savings strategy to address this.

3.5 Impact on Council Tax and Business Rates from COVID-19

In response to the pandemic, the Council allowed Council taxpayers to apply to defer the first two payments of Council tax due in April and May, and instead pay their Council Tax in the months June to March. The Council has had 7,134 households that have taken up this offer, which has had a short-term cash impact but would not impact on the income collected overall for the year.

It should be noted however that the general slowdown in the economy and increase in unemployment is anticipated to have an effect on the level of Council tax that will be collected in 2020/21. Income from Business Rates have similarly reduced, and whilst the Government has provided support to a number of businesses in the shape of Business Rate Reliefs and Business Grants, it is still anticipated that the impact of COVID-19 will result in a reduction in Business Rates income being collected in 2020/21. The latest estimate of the total Collection Fund Deficit arising is shown below.

Estimated Collection Fund Deficit*	£'000
Council Tax Reduction	4,210
Business Rate Reduction	900
TOTAL	**5,110**

**Before applying government support*

It is general practice that a reduction in the collection rate for the financial year is absorbed within the collection fund for the year, and then this would result in a collection fund deficit being estimated for the year. This would then bear out financially for the main preceptors in the following financial year when the amount of precept and collection fund deficit is determined in February. Therefore it would be reasonable to assume that the loss identified above would be realised in 2021/22.

The Government made three announcements in relation to Council Tax and Business Rates to help local authorities manage this reduction in their income. The benefit of these announcements will be felt in the 2021/22 Financial Year and are described in sections 4.2 and 4.3.

3.6 Government Funding

In recognising the cost pressures that local authorities would face during the COVID-19 pandemic the Government announced a series of Unringfenced grants over the 2020/21 Financial Year. To date these include:

Tranche of Funding	Date of Grant	National Funding £bn	Shropshire Council Share £m
First Tranche	March 2020	£1.600	£8.972
Second Tranche	April 2020	£1.594	£8.946
Third Tranche	July 2002	£0.494	£2.432
Fourth Tranche	October 2020	£0.919	£2.060
		£4.607	**£22.410**

In addition to this, it is estimated that the Council may be able to claim approximately £5.184m additional un-ringfenced support from MHCLG to recompense the Council for a proportion of lost sales, fees and charges income that has not been received by the Council due to the pandemic, and also that £0.594m will be received from HMRC through the Coronavirus Job Retention Scheme (furlough).

These grants are being applied to expenditure and loss of income pressures arising during the year and whilst the mid year position suggests a relatively small surplus may arise the position changes on a daily basis so the overriding assumption in relation to the pandemic is there will be nil financial impact on the Local Authority.

4.1 Core Government Funding

As outlined earlier in the MTFS, the Government has now indicated that the Fair Funding Review planned for implementation in 2021/22, will now be delayed a further year and instead implemented in 2022/23. In the MTFS that was agreed in February 2020, the Council had assumed that Revenue Support Grant and New Homes Bonus would be phased out over the next 2 years and that Core Funding Grants such as Improved Better Care Fund, Rural Services Delivery Grant and Social Care Grant would be rolled into the Fair Funding Review. However with no detail regarding how the Fair Funding Review would impact on the Council, no assumptions had been built in currently for any additional funding for the Council from 2022/23 onwards.

The Spending Review on 25 November 2020 announced that a number of grants received in 2020/21 will now be rolled forward or extended in 2021/22. The announcement included the following:

- £300m increase in Social Care Grant
- £900m New Homes Bonus Grant extended for a further year
- A freeze on public sector pay, although it is unclear as to whether this will be reflected in a reduced allocation of RSG or not (the table below assumes not)
- An option to levy a Social Care Precept at 3%, rather than 2%, with the ability to defer some or all for 12 months (see section 4.2)

Other, existing, one-off grants are assumed to continue into 2021/22, although this will not be confirmed until the Local Government Settlement is received in mid-December.

	2021/22 £	2022/23 £	2023/24 £	2024/25 £	2025/26 £
Revenue Support Grant - as at Jul 2020	6,320,073	4,213,382	2,106,691	0	0
Grants included in Core Funding - as at Jul 2020:					
Improved Better Care Fund	9,547,340	0	0	0	0
New Homes Bonus	4,592,570	2,227,140	0	0	0
Rural Services Delivery Grant	6,614,130	0	0	0	0
Social Care Grant	7,882,890	0	0	0	0
Revised Revenue Support Grant	6,320,073	4,213,382	2,106,691	0	0
Revised Grants included in Core Funding:					
Improved Better Care Fund	9,547,340	0	0	0	0
New Homes Bonus	7,080,950	2,227,140	0	0	0
Rural Services Delivery Grant	6,614,130	0	0	0	0
Social Care Grant	8,723,316	0	0	0	0
Difference	**3,328,806**	**0**	**0**	**0**	**0**

4.2 Council Tax

The pandemic is predicted to have an impact on collection rates for Council tax in 2020/21, however this it is also considered that this will have a longer term impact, whilst the economy takes time to rebuild again, and unemployment levels are reduced, thereby reducing the demand for Council Tax Support and improving collection rates. It is also likely that the impact of Covid-19 during 2020/21 will have stalled housebuilding throughout the county and so growth within the taxbase may be below the levels that have been experienced in the last few years. Therefore the initial projections for future year's council tax collection made in July were revised to allow for an initial reduction in taxbase and then a gradual increase back to previous levels of growth.

Since July, the Government made four announcements in relation to Council Tax and Business Rates to help local authorities manage this reduction in their income. The benefit of these announcements will be felt in the 2021/22 Financial Year.

Directly impacting Council Tax yield in 2021/22 is an option to levy a Social Care Precept at 3%, rather than 2%, with the ability to defer some or all for 12 months. The impact of this is shown in the table below. The other three announcements are discussed in the Section 4.4 Collection Fund.

Increase in the Social Care Precept to 3% in 2021/22 (and reducing to 1% in 2022/23)

	2021/22 £	2022/23 £	2023/24 £	2024/25 £	2025/26 £	Assumptions
Council Tax - as per Jul 20 MTFS	170,474,685	179,048,389	188,985,514	199,769,464	211,166,963	Increase in Council tax 1.99%; Increase in Social Care Precept 2%, Increase in taxbase 0% for 2021/22, 1% for 2022/23, 1.5% for 2023/24, 1.65% for 2024/25 - 2025/16
Revised Council Tax	172,114,454	179,033,479	187,152,003	195,928,335	205,116,541	Increase in Council tax 1.99%; Increase in Social Care Precept 3% 2021/22, 1% 2022/23, 2% thereafter, Increase in taxbase 0% for 2021/22, 1% for 2022/23, 1.5% for 2023/24, 1.65% for 2024/25 - 2025/16
Difference	**1,639,769**	**-14,910**	**-1,833,511**	**-3,841,129**	**-6,050,423**	

Adding a further 1% to bring the total Adult Social Care precept to 3% in 2021/22 increases Council Tax revenue in that year by £1.640m on previous assumptions.

Even though the total 3% ASC precept will generate £4.918m in 2021/22 when added to other measures to support Social Care the resources are insufficient to meet the pressures.

Social Care Pressure and Resources Analysis	2021/22 £m (net)
Demography & Demand	
Adults Social Care	5.866
Childrens Social Care	8.384
Total Social Care Demography & Demand	**14.25**
Social Care Resources	
Revenue from 3% ASC precept	4.918
Additional IBCF	0
Additional Social Care Support Grant	0.848
Growth available to fund social Care pressures	**5.766**
Shortfall in Social Care Funding	**-8.484**

4.3 Business Rates

As per the reduction in Council Tax projections for future years, in July a similar reduction was anticipated for Business Rate income whilst the economy rebuilds after the effects of the pandemic. No further change has been made to the July assumptions.

Since July, the Government announced measures that Local Authorities can use to mitigate the impact of reduced Business Rates as a result of COVID-19 and these are discussed in section 4.4 Collection Fund.

	2021/22 £	2022/23 £	2023/24 £	2024/25 £	2025/26 £	Assumptions
Revised Business Rates - As per Jul 2020 (unchanged)	40,728,547	40,962,889	41,434,577	42,078,159	42,731,738	2021/21 0% growth in multiplier and rateable value; 2022/23 0.5% increase in multiplier 0.075% increase in rateable value; 2023/24 1% growth in multiplier 0.15% growth in rateable value; 2024/25 and 2025/25 1.3% growth in multiplier 0.25% growth in rateable value

4.4 Collection Fund

Since July the Government has announced a series of measure to help Local Authorities mitigate the impact of collection fund deficits arising in 2021/22 as a result of the COVID-19 impact in 2020/21. These are set out below.

- Local Authorities can write off the Collection Fund Deficit (Council Tax) over three years, rather than the usual one.*
- A Grant equivalent to 75% of irrecoverable Council Tax in 2020/21 was announced as part of the Spending Review in November. This is expected to be allocated on the basis of returns made by each local

authority, but hinges on the yet to be disclosed definition of ‘irrecoverable’*

- A grant equivalent to the reduction in Council Tax taxbase for 2021/22 was also announced as part of the Spending Review. The allocation of this grant will be determined by central government.*

**These benefits impact the collection fund and will therefore be felt in the 2021/22 Financial Year.*

Full details of these changes were not available at the time of writing, but an initial estimate of the impact is provided in the following table

Potential impacts on the collection fund

	2021/22 £	2022/23 £	2023/24 £	2024/24 £	2025/26 £
Collection Fund Estimate as per Jul 2020:					
Council Tax	500,000	500,000	500,000	0	0
Business Rates	-500,000	-500,000	-500,000	0	0

	2021/22 £	2022/23 £	2023/24 £	2024/24 £	2025/26 £
Revised Collection Fund Estimate:					
Council Tax	-245,425	-245,425	-245,425	0	0
Business Rates	-31,238	-31,238	-31,238	0	0
Difference	-276,663	-276,663	-276,663	0	0

4.5 Total Funding for 2021/22 – 2025/26

The COVID-19 pandemic has had an impact on the future revenue resources projected for the Council over the next five years within the MTFS. The revised funding projections are shown in Figure 6 below:

Figure 6: Total Funding for 2021/22 – 2025/26

	2021/22 £	2022/23 £	2023/24 £	2024/25 £	2025/26 £
Council Tax	172,114,454	179,033,479	187,152,003	195,928,335	205,116,541
Business Rates:					
Business Rates Collected	40,728,547	40,962,889	41,434,577	42,078,159	42,731,738
Business Rates - Energy Renewable Schemes	900,000	900,000	900,000	900,000	900,000
Top Up Grant	10,031,260	10,031,260	10,031,260	10,031,260	10,031,260
RSG	6,320,073	4,213,382	2,106,691	0	0
Collection Fund:					
Council Tax	-245,425	-245,425	-245,425	500,000	500,000
Business Rates	-31,238	-31,238	-31,238	-500,000	-500,000
NET BUDGET	**229,817,672**	**234,864,348**	**241,347,867**	**248,937,754**	**258,779,539**
Grants included in Core Funding:					
Improved Better Care Fund	9,547,340	0	0	0	0
New Homes Bonus	7,080,950	2,227,140	0	0	0
Rural Services Delivery Grant	6,614,130	0	0	0	0
Social Care Grant	8,723,316	0	0	0	0
CORE FUNDING	**261,783,408**	**237,091,488**	**241,347,867**	**248,937,754**	**258,779,539**
Local Income					
Fees and charges (including income savings deliverable from prior years)	85,191,986	87,343,701	89,245,565	91,147,429	91,147,429
Other Grants and contributions	27,000,030	27,000,030	27,000,030	27,000,030	27,000,030
Specific Grants (excluding Core Funding Grants above)	183,913,000	183,858,550	183,811,430	183,771,122	183,771,122
Internal Recharges	5,963,040	5,963,040	5,963,040	5,963,040	5,963,040
TOTAL FUNDING	**563,851,464**	**541,256,809**	**547,367,932**	**556,819,375**	**566,661,160**

EXPENDITURE PRESSURES 2021/22 – 2025/26

5.1 Savings Plans for 2021/22

The MTFS, agreed in February 2018, set out a raft of new savings plans which included £3.850m of savings planned for 2021/22 and these plans have been reviewed for their deliverability in the current climate. Following review it is felt that these savings can be delivered, albeit some of them using a different strategy than originally intended. Some of the revised strategies represent a continuation of successful strategies deployed in prior years. These updated new savings for 21/22 are brought forward for approval and are shown at Appendix A.

Of the £18.725m savings target for 2020/21 it is considered that £7.673m will be unachievable on an ongoing basis at the end of 2020/21. This is primarily as a result of the pandemic and the prioritisation of services towards supporting the public of Shropshire through the effects of the lockdown.

In order that a pressure does not arise in future years as a result of non achievement of historic savings the following strategy for delivery of the £7.673m unachieved savings is proposed.

- £1.218m of savings are simply considered delayed and can be implemented under their existing proposals. These are listed at Appendix A for note.
- £4.804m of savings can no longer be delivered according to their original proposals and required to be delivered under different strategies. These are brought forward for approval at Appendix A.
- This leaves a balance of £1.651m of savings that can no longer be delivered and has therefore been added back to the expenditure build up.

5.2 Total Expenditure

During October 2020 a detailed review of expenditure and growth requirements was undertaken. This resulted in a requirement to add in a further £9.780m of growth budgets for 2021/21. This increase is summarised below:

Changes to:	Total £m	Reason
Price and Contract Inflation Assumptions	- 0.592	Changes to economic outlook resulting a revision downwards of relevant factors.
Demography/Demand (net of SFC) assumptions	4.729	£6.8m increase in Children's demographic growth assumptions following greater than expected increases during 2020/21. Offset by reductions in Adult Services demographic growth assumptions following a reduction in the increase expected during 2020/21. It is extremely difficult to predict what the long term effects of COVID-19 will be in these services.
Service Specific Pressures	5.643	Loss of income relating to the change of use of the Shopping Centres plus Staffing pressures within Children's Services.
Total increase in growth assumptions since July 2020	**9.780**	

EXPENDITURE PRESSURES 2021/22 – 2025/26

Total Expenditure for 2021/22 to 2025/26 is now as shown below

	2021/22 £	2022/23 £	2023/24 £	2024/25 £	2025/26 £
Original Gross Budget Requirement	**605,526,937**	**603,900,389**	**589,325,799**	**602,719,030**	**618,631,263**
Inflationary Growth :					
Pay	2,743,338	2,819,197	2,897,208	2,977,435	3,059,884
Prices	1,309,682	2,100,460	2,020,987	2,020,987	2,020,987
Pensions	0	0	0	0	0
Demography & Demand	15,502,496	10,327,700	10,529,916	10,736,840	10,948,590
Service Specific Pressures	5,747,406	91,224	219,379	219,379	219,379
Local Generated Pressures:					
Elections	740,000	-740,000			740,000
Specific Grants Changes between years	-20,324,030	-26,464,240	-2,274,260	-42,408	0
One off investment in IT infrastructure	-1,101,130				
Estimated Cost of Investment - *Approved*	1,265,000	1,760,000			
Invest to Save Fund for delivery of future savings	-5,250,000				
Energy Renewable Schemes	-60,000				
Savings					
Savings from prior years- 2018/19 - Approved	*-3,850,000*	*-4,468,930*			
Remove 2020/21 Unachieveable savings	*1,650,690*				
TOTAL EXPENDITURE	**603,900,389**	**589,325,799**	**602,719,030**	**618,631,263**	**635,620,103**

6.1 Budget Plan – 2021/22

The unusual circumstances under which the 2020/21 Financial Year has operated has, as far as possible, been used as a basis for setting parameters for the 2021/22 Financial Year. The expected Outturn for 2020/21 is currently assumed to fall within the Councils' Danger Zone' The safe zone would mean the impact on the General Fund Balance is less than 13% (£1.7m) and therefore containable within the risk-assessed value of the Fund but the forecast at Quarter two exceeds this.

A short-term assumption, intrinsic to delivering the Financial Strategy, is that we build on the stable foundations we already have for the Council. This means, for example, that we continue to deliver existing plans, including previously approved savings proposals, that have been delayed, predominantly, as a result of Covid-19 in 2020/21. The delivery of our 2020/21 savings proposals has been reviewed and details of proposals still to be completed are included in section 5.1. The programme sets out savings of £9.872m to be delivered in 2021/22. £3.850m of which are new savings.

For 2021/22 growth and funding expectations have been assessed, as described earlier in the report, and the following position results.

	2021/22 £	2022/23 £	2023/24 £	2024/25 £	2025/26 £
Resources	563,851,464	541,256,809	547,367,932	556,819,375	566,661,160
Expenditure	603,900,389	589,325,799	602,719,030	618,631,263	635,620,103
Gap in year	**40,048,926**	**48,068,991**	**55,351,097**	**61,811,888**	**68,958,943**
One Off Funding to be used:					
One off Grants:					
Rural Services Delivery grant	9,547,340	0			
New Homes Bonus - One Off	-407,434	-2,772,861	-5,000,000	-5,000,000	-5,000,000
Improved Better Care Funding	6,614,130	0			
Social Care Funding - One Off	7,882,890				
Use of Reserves:					
Financial Strategy Reserve	16,412,000	4,390,263			
TOTAL ONE OFF FUNDING	**40,048,926**	**1,617,402**	**-5,000,000**	**-5,000,000**	**-5,000,000**
Remaining Gap to be Funded	**0**	**46,451,589**	**60,351,097**	**66,811,888**	**73,958,943**

To provide assurance over the setting of a short-term budget plan for 2021/22 the following Seven Levels of Assurance have been developed within which to consider the Council's financial planning, as set out in the following table.

	Short-Term Budget Planning – Levels of Assurance)

Highest Level Assurance	Level 7	Sufficient funding certainty to enable a balanced budget to be produced with reliance on long-term Base Budget funding. (For example Revenue Support Grant, Council Tax and Business Rates)
	Level 6	Reliance on One-off Grants, which may be for more than a single year, but cannot be relied upon beyond the existing spending review term. (For example Rural Services Delivery Grant)
	Level 5	Use of One-off Funds which vary from year to year or within the year. Some one-off funding cannot be accurately quantified prior to the relevant financial year in question. (For example, one-off s31 Grants)
	Level 4	Requirement to utilise Council Reserves for the purposes of delivering a balanced budget (as opposed to a reserve held for a known commitment). Shropshire Council has held and used a Financial Strategy Reserve for a number of years as a contingency for delivering a balanced budget.
	Level 3	Financial position requires the use of the General Fund Balance in a manner not in-line with general financial planning (such as managing projected outturn over or underspends within agreed parameters).
Lowest Level Assurance	Level 2	A developing financial position requires the creation, and delivery, of In-Year Savings to enable a balanced budget to be achieved.
	Level 1	Emergency measures that require the Section 151 Officer to issue a S114 Notice banning all but essential spending.

In previous eras it has never been necessary for a Local Authority to consider moving beyond Level 7. The predominance of shorter-term funding mechanisms by successive governments since the Comprehensive Spending Review in 2010 has necessitated the movement to levels 6 and 5 in intervening years. As a Council we have moved down to Level 4 on occasions to provide for the timescales to implement certain savings proposals. The Budget Plan – 2021/22 assumes that we will at Assurance Level 4 or above.

Assurance Level	**Description**		**Individual Total Applied £m**	**Overall Cumulative Total £m**
	Opening Funding Gap 21/22 – Jul 2020			33.3
Level 7	*Change in Funding Gap since Jul 2020:*	*£m*		
	Growth	9.8		
	Savings added back	1.6		
	+1% ASC precept	1.6		

	Collection Fund deficit 0.3		
	Additional Grants -3.3		
	Total Net Growth, Savings, additional base budget grants since July 2020	6.7	40.0
Level 6	One off Grants	-23.6	16.4
Level 5	One-off Funds Assumptions	0	16.4
Level 4	Financial Strategy Reserve (Value £20.8m)	-16.4	0
Level 3	General Fund Balance (Value £13.5m)	0	0
Level 2	Emergency Savings	0	0
Level 1	S114 Requirement	0	0
	Expected Funding Gap 21/22		0

6.2 Financial Strategy 2021/22 to 2025/26

Although the Council plans to set a balanced budget for 2021/22, that does not mean that progress in delivering of an optimised budget position will be delayed until 2022/23. Work towards this aim is on-going and may result in in-year changes to the 2021/22 Financial Year where this is beneficial. Plans to deliver a long-term sustainable budget for Shropshire Council are built around the three assumptions referred to earlier:

- The Performance Optimisation Assumption
- The Unsustainability Assumption
- The Covid-19 Assumption

The Performance Optimisation Assumption

A look ahead to the 2021/22 Financial Year and beyond indicates the potential for significant change on the horizon for the Council at a local level. Council elections are due in May 2021 bringing to an end the current four-year term and with it the need to set a new four-year plan. The Council has recently appointed a new, permanent Chief Executive who will be tasked with creating a new Corporate Plan to meet the expectations and direction of a new Administration. The Financial Strategy cannot be created in isolation and needs to reflect the Council’s priorities, not set them.

The need to put time aside to develop a new Corporate Plan, itself within a developing environment, does not afford the Council time to delay the production of a robust Financial Strategy. What we have is a vision, an understanding of our core priorities and have recently developed a series of organisation principles for the Council to operate under. Fully embedding these design principles, developing a target operating model, revising a Corporate Plan and reaching a period of relative political stability is not deliverable in less than nine to twelve months. Nevertheless, providing we are mindful of the dynamics of this developing position, we can set out the approach the Council will ultimately need to take within its Financial Strategy now.

The direction of the Financial Strategy under these Organisational Principles focusses on the cost of investment, return on investment and delivery of cost and efficiency savings. That is to say, investment to transform the way in which the Council works, in line with these principles, will be reliant on quantifiable return on this investment and will generate cashable and non-cashable efficiencies and savings to help facilitate a sustainable and balanced Financial Strategy into the future.

The Council's controllable spending can be described across three major areas – People (including transport and commissioning), Assets (including property and other assets) and external contracts. The key to delivering a sustainable Financial Strategy is a shift away from the traditional model of delivery to an Optimal Model as summarised in the table below.

Focus	Enhance	Reduce
People	Added Value	Transactional
Assets & Property	Strategic Asset Management	Traditional
Contracts	Commissioning Outcomes	Negotiation

The Optimal Model alluded to here requires considerably more work and consideration to fit within a developing Corporate Plan, and will involve investment of time, resources and finance. The Workforce Transformation Strategy, Asset Management Strategy and Commissioning Strategy will all need to be redeveloped to identify the necessary investment and consequent return on investment to enable the Financial Strategy to be delivered.

The basic principle of the ‘Performance Optimisation Assumption’ element of the Financial Strategy is that Shropshire Council will drive to deliver the key outcomes for Shropshire communities in the most efficient, highest quality and financially economical way possible. The ultimate outcome is to drive Council performance to its highest attainable level over the medium to long term.

<u>The Unsustainability Assumption</u>

Years two to five within the Financial Strategy (2022/23 to 2025/26) assume that the Government will complete the delayed Fair Funding Review. It is difficult at this stage to predict with any accuracy what the implications will be for Shropshire Council. It is assumed, however, that one off sources of funding such as the Rural Services Delivery Grant, Improved Better Care Fund and New Homes Bonus will be removed in future years. With growth in services such as social care anticipated to continue to grow as per current demography, this results in a Funding gap of £48.1m in 2022/23 growing to £69.0m in 2025/26. At the present time the pressure on service costs, particularly the demographic impact of Adults and Children’s Social Care is unsustainable within Shropshire. The current funding mechanism, one that limits Council Tax increases to less than 2%, one that attempts to link social care growth costs and complexity to one-off grants calculated using outdated and inequitable ‘Relative Needs’ models and to a precept on the number of Band D households in the geographic area is inappropriate and unsustainable. Without the fundamental change promised by Fair Funding, Shropshire Council simply does not have the tools in the box to resolve this issue.

The basic principle of the ‘Unsustainability Assumption’ element of the Financial Strategy is that Fair Funding, or an equivalent national funding methodology, will be implemented from 2022/23 and will accurately reflect the costs and future annual growth in costs of (predominantly) delivering social care services, resolving the structural funding gap within Shropshire.

<u>The Covid-19 Assumption</u>

At the commencement of Government action to manage the Covid-19 pandemic, the UK government announced a series of measures and conditions under which the population, businesses and the public sector must operate. These requirements continue to change and develop, but remain fundamentally a decision for government. As part of this approach the Prime Minister and Chancellor of the Exchequer committed to providing funding for the impacts of Covid-19 measures on Local Authorities. In Shropshire, throughout 2020/21 it can be evidenced that that pledge has fundamentally been met so far; with the estimated direct costs of Covid-19 reasonably matched to funding made available. Put simply, it is essential that this approach continues. Shropshire Council does not have resources available to manage Covid-19 measures locally within its own resources.

The basic principle of the ‘Covid-19 Assumption’ principle of the Financial Strategy is that all known direct costs resulting from measures undertaken as a result of government responses to the Coronavirus pandemic will be fully funded by external government grant or similar directives.

7.1 General Fund Balance

During 2019/20 the General Balance held was reduced in order to fund the overspend within the revenue budget, to temporarily fund an overspend that occurred within the trading unit of Shire Services, and in order to fund the Bellwin threshold due to flooding experienced in February 2020. This resulted in the General Fund being below the risk assessed level determined within the MTFS in February 2020. The risk assessed level quantifies the level of General Fund that should be considered to protect against unforeseen expenditure or financial pressures arising each year, and the reasons for drawing down just over £2m of General Fund Balance to support the revenue budget demonstrates the need to hold a sufficient level of General Fund Balance for such emergency situations.

The Risk Assessment is undertaken annually and reported to Council in February for approval alongside the budget. The Council's Budget Plan for 2021/22, when finalised in February, will take account of the risk assessed level of General Fund Balance calculated for 2021/22 and any shortfall or adjustment considered necessary will be approved at that point.

Appendix A

Savings for delivery in 2021/22 – Total £9,872,490

2021/22 New Savings (Revised Descriptions) - For Approval

Directorate	Reference	Description	Value
Adult Services	3A40	Use of ongoing grant funding to fund technology and equipment costs	500,000
Adult Services	3A41	Purchasing review to include high cost packages and spot bed prices	450,000
Adult Services	P41	Negotiate contract savings upon renewal, through better contract management	123,560
Children's Services	P41	Negotiate contract savings upon renewal, through better contract management	9,175
Finance, Governance & Assurance	P41	Negotiate contract savings upon renewal, through better contract management	95,082
Place	P35	Efficiencies within administrative buildings	500,000
Place	P39	Raise income from investment in assets	2,000,000
Place	P41	Negotiate contract savings upon renewal, through better contract management	123,094
Workforce & Transformation	P41	Negotiate contract savings upon renewal, through better contract management	49,089
			3,850,000

Delayed 2020/21 Savings for delivery in 2021/22 (For note)

Directorate	Reference	Description	Value
Adult Services	2A03	External income generation	100,000
Adult Services	2A28	Public Health services training income	10,000
Place	P59	Increased income generation within Highways and Transport	900,000
Place	P41	Negotiate contract savings upon renewal, through better contract management	63,970
Place	P41	Negotiate contract savings upon renewal, through better contract management	92,320
Place	P78	Additional income Fleet Management	52,000
			1,218,290

Delayed 2020/21 Savings for delivery in 2021/22 under different proposals (For Approval)

Directorate	Reference	Description	Value
Adult Services	3A41	Review of block contracting arrangements	376,440
Adult Services	3A42	Additional CHC funding	450,000
Adult Services	3A43	Purchasing review to include high cost packages and spot bed prices	789,760
Adult Services	3A44	Review of ring fenced Public Health services	150,000
Corporate Budgets	3F10	MRP base budget reduction	1,943,000
Place	3P70	Increase income within Planning Services	300,000
Place	3P71	Efficiencies within administrative buildings	200,000
Place	P39*	Raise income from investment in assets	200,000
Place	3P72	Increased installation and use of solar panels	100,000
Place	P41*	Negotiate contract savings upon renewal, through better contract management	95,000
Place	3P73	Increased income for Streetworks team	100,000
Place	3P74	LED street lighting	100,000
			4,804,200

**These changes result in increases to the values of the savings targets listed in the New for 21/22 list totalling £3.850m*

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Committee and Date	Item
Audit Committee 10 December 2020 Cabinet 14 December 2020 Council 17 December 2020	 Public

TREASURY STRATEGY 2020/21 – MID YEAR REVIEW

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1. Summary

1.1 This mid year Treasury Strategy report has been prepared in compliance with CIPFA's Code of Practice on Treasury Management 2017 and covers the following:-

- An economic update for the first six months of 2020/21
- A review of the Treasury Strategy 2020/21 and Annual Investment Strategy
- A review of the Council's investment portfolio for 2020/21
- A review of the Council's borrowing strategy for 2020/21
- A review of any debt rescheduling undertaken
- A review of compliance with Treasury and Prudential limits for 2020/21

1.2 The key points to note are:-

- The internal treasury team achieved a return of 0.62% on the Council's cash balances outperforming the benchmark by 0.68%. This amounts to additional income of £603,800 for the first six months of the year which is included within the Council's projected outturn position.
- In the first six months all treasury management activities have been in accordance with the approved limits and prudential indicators set out in the Council's Treasury Strategy.
- On 11 March 2020, the Government partially reversed the additional 1% margin over gilts it set in October 2019, to all PWLB rates for certain types of borrowing e.g. Infrastructure projects.
- The Government announced that there would be a consultation with local authorities on possibly further amending these margins. The consultation ended 31 July. The Council submitted its response in line with this deadline and is awaiting a response of the outcome from Government later this year.

2. Recommendations

2.1 Members are asked to accept the position as set out in the report.

2.2 Members note that any changes required to the Treasury Strategy including the Annual Investment Strategy or prudential and treasury indicators as a result of decisions made by the Capital Investment Board will be reported to Council for approval.

REPORT

3. Risk Assessment and Opportunities Appraisal

3.1 The recommendations contained in this report are compatible with the provisions of the Human Rights Act 1998.

3.2 There are no direct environmental, equalities or climate change consequences arising from this report.

3.3 Compliance with the CIPFA Code of Practice on Treasury Management, the Council's Treasury Policy Statement and Treasury Management Practices and the Prudential Code for Capital Finance together with the rigorous internal controls will enable the Council to manage the risk associated with Treasury Management activities and the potential for financial loss.

4. Financial Implications

4.1 The Council makes assumptions about the levels of borrowing and investment income over the financial year. Reduced borrowing as a result of capital receipt generation or delays in delivery of the capital programme will both have a positive impact of the council's cash position. Similarly, higher than benchmarked returns on available cash will also help the Council's financial position. For monitoring purposes, assumptions are made early in the year about borrowing and returns based on the strategies agreed by Council in the preceding February. Performance outside of these assumptions results in increased or reduced income for the Council.

4.2 The six month performance is above benchmark and has delivered additional income of £603,800 which will be reflected in the Period 6 Revenue Monitor.

4.3 The Council currently has £162m held in investments as detailed in Appendix A and borrowing of £304m at fixed interest rates.

5. Climate Change Appraisal

5.1 The Council's Financial Strategy includes proposals to deliver a reduced carbon footprint for the Council therefore the Treasury Team is working with the Council in order to achieve this. There are no climate change impacts arising from this report.

6. Background

6.1 The Council operates a balanced budget, which broadly means cash raised during the year will meet its cash expenditure. Part of the Treasury Management operations ensure this cash flow is adequately planned, with surplus monies being invested in low risk counterparties, providing adequate liquidity initially before considering optimising investment return.

6.2 The second main function of the Treasury Management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer-term cash flow planning to ensure the Council can meet its capital spending operations. This management of longer-term cash may involve arranging long or short term loans, or using longer term cash flow surpluses, and on occasion any debt previously drawn may be restructured to meet Council risk or cost objectives.

6.3 The Council defines its treasury management activities as “the management of the authority’s borrowing, investments and cash flows, its banking, money market and capital market transactions, the effective control of the risks associated with the activities, and the pursuit of optimum performance consistent with those risks”. The report informs Members of the treasury activities of the Council for the first six months of the financial year.

6.4 In December 2017, the Chartered Institute of Public Finance and Accountancy, (CIPFA), issued revised Prudential and Treasury Management Codes. As from 2019/20, all local authorities are required to prepare a Capital Strategy which is intended to provide the following: -

- a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services
- an overview of how the associated risk is managed
- the implications for future financial sustainability

A report setting out the Council’s Capital Strategy was taken to full Council in February 2020.

6.5 This report has been written in accordance with the requirements of the Chartered Institute of Public Finance and Accountancy’s (CIPFA) Code of Practice on Treasury Management 2017.

7. Economic update

7.1 UK Economy – As expected, the Bank of England’s Monetary Policy Committee kept Bank Rate unchanged on 6th August. It also kept unchanged the level of quantitative easing at £745bn. Its forecasts were optimistic in terms of three areas:

- The fall in GDP in the first half of 2020 was revised from -28% to -23% (subsequently revised to -21.8%). This is still one of the largest falls in output of any developed nation. However, it is only to be expected as the UK economy is heavily skewed towards consumer-facing services – an area which was particularly vulnerable to being damaged by lockdown.
- The peak in the unemployment rate was revised down from 9% in Q2 to 7.5% by Q4 2020.
- It forecast that there would be excess demand in the economy by Q3 2022 causing CPI inflation to rise above the 2% target in Q3 2022. Nevertheless, even if the MPC were to leave policy unchanged, inflation was still projected to be above 2% in 2023.

7.2 The MPC also decided against any idea of using negative interest rates, at least in the next six months or so. The MPC suggested that while negative rates can work in some circumstances, it would be less effective as a tool to stimulate the economy at this time when banks are worried about future loan losses. It also has other instruments available, including QE and the use of forward guidance.

7.3 The MPC expected the £300bn of quantitative easing purchases announced between its March and June meetings to continue until the turn of the year. This implies that the pace of purchases will slow further to about £4bn a week, down from £14bn a week at the height of the crisis and £7bn more recently.

7.4 In conclusion, this would indicate that the Bank now expected the economy to recover better than expected. However, the MPC acknowledged that the medium-term projections were a less informative guide than usual and the minutes had multiple references to downside risks, which were judged to persist both in the short and medium term. One has only to look at the way in which second waves of the virus are now impacting many countries including the UK, to see the dangers. However, rather than a national lockdown, as in March, any spikes in virus infections are now likely to be dealt with by localised measures and this should limit the amount of economic damage caused.

7.5 In addition, Brexit uncertainties ahead of the year-end deadline are likely to be a drag on recovery. The wind down of the initial generous furlough scheme through to the end of October is another development that could cause the Bank of England (BoE) to review the need for more support for the economy later in the year. Admittedly, the Chancellor announced in late September a second six-month package from 1 November of government support for jobs whereby it will pay up to 22% of the costs of retaining an employee working a minimum of one third of their normal hours. There was further help for the self-employed, freelancers and the hospitality industry. However, this is a much less generous scheme than the furlough package and will inevitably mean there will be further job losses from the 11% of the workforce still on furlough in mid-September. However, the furlough scheme has been revisited and the decision has been made to extend it until the end of March 2021.

7.6 Overall, the pace of recovery is not expected to be in the form of a rapid V shape, but a more elongated and prolonged one after a sharp recovery in June through to August which left the economy 11.7% smaller than in February. The last three months of 2020 are now likely to show no growth as consumers will probably remain cautious in spending and uncertainty over the outcome of the UK/EU trade negotiations concluding at the end of the year will also be a headwind. If the Bank felt it did need to provide further support to recovery, then it is likely that the tool of choice would be more QE.

7.7 There will be some painful longer-term adjustments as e.g. office space and travel by planes, trains and buses may not recover to their previous level of use for several years, or possibly ever. There is also likely to be a reversal of globalisation as this crisis has shown up how vulnerable long-distance supply chains are. On the other hand, digital services are one area that has already seen huge growth.

7.8 One key addition to the BoE forward guidance was a new phrase in the policy statement, namely that it does not intend to tighten monetary policy until there is clear evidence that significant progress is being made in eliminating spare capacity and achieving the 2% target sustainably. That seems designed to say, in effect, that even if inflation rises to 2% in a couple of years' time, do not expect any action from the MPC to raise Bank Rate – until they can clearly see that level of inflation is going to be persistently above target if it takes no action to raise Bank Rate.

7.9 In the US, the incoming sets of data during the first week of August were almost universally stronger than expected. With the number of new daily coronavirus infections beginning to abate, recovery from its contraction this year of 10.2% should continue over the coming months and employment growth should also pick up again. However, growth will be dampened by continuing outbreaks of the virus in some states leading to fresh localised restrictions. At its end of August meeting, the Fed revised its inflation target from 2% to maintaining an average of 2% over an unspecified time period i.e.following periods when inflation has been running persistently below 2%, appropriate monetary policy will likely aim to achieve inflation moderately above 2% for some time. This change is aimed to provide more stimulus for economic growth and higher levels of employment. It is to be noted that inflation has actually been under-shooting the 2% target significantly for most of the last decade so financial markets took note that higher levels of inflation are likely to be in the pipeline; long-term bond yields duly rose after the meeting.

7.10 The Fed also called on Congress to end its political disagreement over providing more support for the unemployed as there is a limit to what monetary policy can do compared to more directed central government fiscal policy. The Federal Open Market Committee's updated economic and rate projections in mid-September showed that officials expect to leave the fed funds rate at near-zero until at least end-2023 and probably for another year or two beyond that. There is now some expectation that where the Fed has led in changing its inflation target, other major central banks will follow. The increase in tension over the last year between the US and China is likely to lead to a lack of momentum in progressing the initial positive moves to agree a phase one trade deal.

7.11 The Eurozone economy was recovering well towards the end of Q2 after a sharp drop in GDP, (e.g. France 18.9%, Italy 17.6%). However, the second wave of the virus affecting some countries could cause a significant slowdown in the pace of recovery, especially in countries more dependent on tourism. The fiscal support package, eventually agreed by the EU after prolonged disagreement between various countries, is unlikely to provide significant support and quickly enough to make an appreciable difference in weaker countries. The ECB has been struggling to get inflation up to its 2% target and it is therefore expected that it will have to provide more monetary policy support through more quantitative easing purchases of bonds in the absence of sufficient fiscal support.

7.12 In China, after a concerted effort to get on top of the virus outbreak in Q1, economic recovery was strong in Q2 and has enabled it to recover all of the contraction in Q1. However, this was achieved by major central government funding of yet more infrastructure spending. After years of growth having been focused on this same area, any further spending in this area is likely to lead to increasingly weaker economic returns. This could, therefore, lead to a further misallocation of resources which will weigh on growth in future years.

8. Economic Forecast

8.1 The Council receives its treasury advice from Link Asset Services. Their latest interest rate forecasts are shown below:

Link Group Interest Rate View 11.8.20										
	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23
Bank Rate View	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
3 month average earnings	0.05	0.05	0.05	0.05	0.05	-	-	-	-	-
6 month average earnings	0.10	0.10	0.10	0.10	0.10	-	-	-	-	-
12 month average earnings	0.15	0.15	0.15	0.15	0.15	-	-	-	-	-
5yr PWLB Rate	1.90	2.00	2.00	2.00	2.00	2.00	2.10	2.10	2.10	2.10
10yr PWLB Rate	2.10	2.10	2.10	2.10	2.20	2.20	2.20	2.30	2.30	2.30
25yr PWLB Rate	2.50	2.50	2.50	2.60	2.60	2.60	2.70	2.70	2.70	2.70
50yr PWLB Rate	2.30	2.30	2.30	2.40	2.40	2.40	2.50	2.50	2.50	2.50

8.2. The coronavirus outbreak has done huge economic damage to the UK and to economies around the world. After the Bank of England took emergency action in March to cut Bank Rate to first 0.25%, and then to 0.10%, it left Bank Rate unchanged at its last meeting on 6th August, although some forecasters had suggested that a cut into negative territory could happen. However, the Governor of the Bank of England has made it clear that he currently thinks that such a move would do more damage than good and that more quantitative easing is the favoured tool if further action becomes necessary. As shown in the forecast table above, no increase in Bank Rate is expected within the forecast horizon ending on 31st March 2023 as economic recovery is expected to be only gradual and, therefore, prolonged.

8.3. Link's central assumption is that there will be some form of agreement on a reasonable form of Brexit trade deal but the coronavirus outbreak could affect the timing of reaching a deal.

8.4. The overall balance of risks to economic growth in the UK is probably relatively even but is subject to major uncertainty due to the virus. There is relatively little UK domestic risk of increases or decreases in Bank Rate and significant changes in shorter term PWLB rates. The Bank of England has effectively ruled out the use of negative interest rates in the near term and increases in Bank Rate are likely to be some years away given the underlying economic expectations. However, it is always possible that safe haven flows, due to unexpected domestic developments and those in other major economies, could impact gilt yields, (and so PWLB rates), in the UK.

8.5. Long term PWLB rates are expected to rise to 2.4% in September 2021 before increasing to reach 2.5% by June 2022.

9. Treasury Strategy update

9.1 The Treasury Management Strategy (TMS) for 2020/21 was approved by Full Council on 27 February 2020. This Treasury Strategy does not require updating as there are no policy changes or any changes required to the prudential and treasury indicators previously approved. The details in this report update the position in the light of the updated economic position.

10. Annual Investment Strategy

10.1 The Council's Annual Investment Strategy, which is incorporated in the TMS, outlines the Council's investment priorities as the security and liquidity of its capital. As shown by forecasts in section 8.1, it is a very difficult investment market in terms of earning the level of interest rates commonly seen in previous decades as rates are very low and in line with the current 0.10% bank rate.

10.2 The continuing potential for a re-emergence of a Eurozone sovereign debt crisis, and its impact on banks, plus the ongoing issues surrounding the global pandemic, prompts a low risk and short-term strategy. Given this risk environment and the fact that increases in Bank Rate are likely to be gradual and unlikely to return to the levels seen in previous decades, investment returns are likely to remain low.

10.3 The Council aims to achieve the optimum return on investments commensurate with the proper levels of security and liquidity. In the current economic climate it is considered appropriate to keep investments short term (up to 1 year), and only invest with highly credit rated financial institutions using Link's suggested creditworthiness approach, including sovereign credit rating and Credit Default Swap (CDS) overlay information provided by Link. The Treasury Team continue to take a prudent approach keeping investments short term and with the most highly credit rated organisations.

10.3 In the first six months of 2020/21 the internal treasury team outperformed its benchmark by 0.68%. The investment return was 0.62% compared to the benchmark of -0.06%. This amounts to additional income of £603,800 during the first six months which is included within the Council's projected outturn position.

10.4 A full list of investments held as at 30 September 2020, compared to Link's counterparty list, and changes to Fitch, Moody's and Standard & Poor's credit ratings are shown in **Appendix A**. None of the approved limits within the Annual Investment Strategy were breached during the first six months of 2020/21 and have not been previously breached. Officers continue to monitor the credit ratings of institutions on a daily basis. Delegated authority has been put in place to make any amendments to the approved lending list.

10.5 As illustrated in the economic background section above, investment rates available in the market have decreased significantly due to the bank rate decrease to 0.10% in March 2020. The average level of funds available for investment purposes in the first six months of 2020/21 was £180 million.

10.6 The Council's interest receivable/payable budgets are currently projecting a surplus of £2.5 million as reported in the monthly revenue monitoring reports due to no long-term borrowing being undertaken, changes to the Minimum Revenue Provision (MRP) calculation previously approved by Council and investment returns achieved being higher than anticipated.

11. Borrowing

11.1 It is a statutory duty for the Council to determine and keep under review the "Affordable Borrowing Limits". Council's approved Prudential Indicators (affordability limits) are outlined in the TMS. A list of the approved limits is shown in **Appendix B**. The schedule at **Appendix C** details the Prudential Borrowing approved and utilised to date.

11.2 Officers can confirm that the Prudential Indicators were not breached during the first six months of 2020/21 and have not been previously breached.

11.3 No new external borrowing has currently been undertaken to date in 2020/21, although discussions are currently being held at the Capital Investment Board where outline business cases are being considered. The schemes being considered are already within the current authorised borrowing limits in place. In the event the authorised borrowing limits need to be amended, this will be reported to Council for approval. The table below illustrates the low and high points across different maturity bands for borrowing rates for the first six months of the financial year.

	1 Year	5 Year	10 Year	25 Year	50 Year
Low	1.70%	1.67%	1.91%	2.40%	2.13%
Date	18/09/2020	30/07/2020	31/07/2020	18/06/2020	24/04/2020
High	1.94%	1.99%	2.19%	2.80%	2.65%
Date	08/04/2020	08/04/2020	08/04/2020	28/08/2020	28/08/2020
Average	1.80%	1.80%	2.04%	2.54%	2.33%

11.4 HM Treasury imposed two changes of margins over gilt yields for PWLB rates in 2019-20 without any prior warning. The first took place on 9th October 2019, adding an additional 1% margin over gilts to all PWLB rates. That increase was then at least partially reversed for some forms of borrowing on 11th March 2020, but not for mainstream General Fund capital schemes, at the same time as the Government announced in the Budget a programme of increased infrastructure expenditure.

11.5 Government also announced that there would be a consultation with local authorities on possibly further amending these margins; this was to end on 4th June, but that date was subsequently put back to 31st July. The Council responded prior to the deadline and is awaiting a response from the Government. It is not clear as to whether HM Treasury will allow local authorities to borrow money from the PWLB to purchase commercial property if the aim is solely to generate an income stream (assets for yield).

12. Debt Rescheduling

12.1 Debt rescheduling opportunities have been limited in the current economic climate and consequent structure of interest rates. During the first six months of the year no debt rescheduling was undertaken.

List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information) Council, 27 February 2020, Treasury Strategy 2020/21 Council, 27 February 2020, Capital Strategy 20/21 – 24/25 Council, 20 September 2018, Revised Minimum Revenue Provision Statement 2018/19
Cabinet Member: David Minnery, Portfolio Holder for Finance
Local Member N/A
Appendices A. Investment Report as at 30th September 2020 B. Prudential Limits C. Prudential Borrowing Schedule

Shropshire Council

Monthly Investment Analysis Review

September 2020

Monthly Economic Summary

General Economy

The UK Flash (i.e. provisional) Manufacturing PMI fell to 54.3 in September from August's final release of 55.2, as both output and new business growth slowed from August's recent peak. Similarly, the Flash Services PMI eased to 55.1 in September from 58.8 in August, signifying the slowest growth in the sector for three months. In turn, these releases led to the Flash Composite PMI (which incorporates both sectors), falling to 55.7 in September from 59.1 in August. Meanwhile, the construction PMI, which is released one month behind the others, fell to 54.6 in August from 58.1 in July, as a lack of new contracts to replace completed contracts acted as a brake on the speed of expansion. In spite of the recent reduction in activity levels, all sectors remained comfortably in "expansion" territory – i.e. a reading in excess of 50 – as the economy continued to recover.

The final reading of second quarter GDP confirmed that the UK contracted by 19.8% q/q and 21.5% y/y, which were both marginally lower than preliminary estimates (of 20.4% and 21.7% respectively). However, more timely monthly GDP data for July confirmed that the economy grew by 6.6% m/m compared to June, registering it's third consecutive month of growth since April's 20.4% m/m contraction. During this time the UK economy has grown by 18.6%, although it remains 11.7% smaller than in February, prior to the outbreak of the pandemic. Elsewhere, data showed that imports rose 7.5% m/m in July, outpacing a 3.5% rise in exports, causing the UK's trade surplus to narrow to £1.1 billion from a downwardly revised £3.9 billion in June.

Although the economy grew during July, the unemployment rate rose to 4.1% in the three months to July from 3.9% in the three months to June, as the number of people in work fell by 12,000. Since this data related to the period before the furlough scheme started to be unwound in August however, arguably of greater significance was the fact that the number of people claiming unemployment benefits rose by 73,700 in August, little changed from July's 69,900 rise – perhaps suggesting that the overwhelming majority of the estimated 3 million workers that have come off furlough since June have, to date, gone back to their jobs rather than into unemployment or inactivity. This may, in turn, explain July's upturn in average earnings (including bonuses), which contracted just 1% y/y in the three months to July compared to a 1.2% y/y fall in the three months to June - as many of those workers would have gone from receiving 80% of their salaries on the furlough to 100% upon returning to work.

UK inflation, as measured by the Consumer Price Index, fell to just 0.2% y/y in August compared to 1% in July, but was slightly higher than market expectations of a flat reading. This was the lowest reading since December 2015, driven largely by big price falls from restaurants and cafes due to the Eat Out to Help Out Scheme which was live throughout the month. This scheme had also had a positive impact on service sector activity in August and its conclusion can account for the last part of the fall in the PMI in September. As a result, consumer prices fell by 0.4% m/m in August, recording their biggest drop since January 2019. Similarly, the core inflation rate – which strips out the more volatile components like energy, food and alcoholic beverages – fell to 0.9% y/y in August, down from 1.8% in July, recording its lowest reading since June 2015. With inflation so far below target, it was no surprise to see the Monetary Policy Committee leave monetary policy unchanged during its September meeting - although the market did note that the Committee had been briefed on how a negative Bank Rate might be implemented effectively. As detailed in our forecast below, Link Group continues to expect Bank Rate to remain at 0.1%.

Buoyed partly by the impact of the Eat Out to Help Out scheme, retail sales rose by 0.8% m/m in August, slightly outperforming market expectations of a 0.7% rise. Retail sales are now 4% higher than their pre-pandemic level in February and up 2.8% y/y. The GfK Consumer Confidence Index, meanwhile, rose to -25 in September from -27 in August, but remains considerably lower than the -7 reading in February, prior to the pandemic. Reflecting the impact of public health measures and government policies to support the economy during the coronavirus pandemic, the UK reported a record public sector current budget deficit (excluding public sector banks) of £32.0 billion in August, compared July's £13.6 billion deficit. August's deficit compares to a deficit of just £3.1 billion a year earlier. Excluding public sector-owned banks, borrowing was a record £35.9 billion, roughly seven times more than in August 2019.

In the US, the economy added another 1.4 million jobs in August, which was slightly below both market expectations and the downwardly revised 1.7 million jobs added in July. Nevertheless, the unemployment rate fell further as a result, to 8.4% from July's 10.2% rate, and below market expectations of 9.8% rate. With prices (as measured by the Fed's preferred core Personal Consumption Expenditure deflator) having fallen by 0.8% in Q2, it was no surprise to see the Federal Reserve maintain their current monetary policy stance during September's meeting. In so doing however, they also noted that the Federal Funds Rate target range is expected to remain between 0-0.25% until labour market conditions are consistent with their assessment of maximum employment and that inflation is above 2% and on track to moderately exceed it for some time.

In Europe, the final estimate for GDP confirmed that the Eurozone economy shrank by 11.8% q/q in Q2, compared to a 3.6% contraction in the previous quarter, and slightly lower than initial estimates of a 12.1% contraction. While better than the initial estimates, two consecutive periods of contraction meant that the bloc's economy was now in recession. In addition, this figure meant that, for the second quarter in a row, the bloc has suffered its steepest ever contraction. With the final estimate of Eurozone inflation showing that prices fell by 0.2% y/y in August, the ECB decided again to leave both policy rates and its coronavirus stimulus programme unchanged during its September meeting.

Housing

Both the Halifax and Nationwide house price indices rose during August, by 1.6% m/m and 2% m/m respectively. As such, prices are now 5.2% and 3.7% higher than a year ago respectively, their recent gains partly driven by the stamp duty holiday announced by the Chancellor earlier this year.

Currency

The prospect of a no deal Brexit undermined Sterling this month, which fell against both the Dollar and the Euro.

September	Start	End	High	Low
GBP/USD	$1.1241	$1.1025	$1.1241	$1.0805
GBP/EUR	€ 1.34	€ 1.29	€ 1.34	€ 1.27

Forecast

Both Link Group and Capital Economics have maintained their interest rate forecasts amid the coronavirus outbreak. Bank Rate is forecast to remain unchanged at 0.1% throughout 2020 and 2021.

Bank Rate	Now	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23
Link Group	**0.10%**	0.10%	0.10%	0.10%	0.10%	0.10%	0.10%	0.10%	0.10%	0.10%	0.10%
Capital Economics	**0.10%**	0.10%	0.10%	0.10%	0.10%	0.10%	-	-	-	-	-

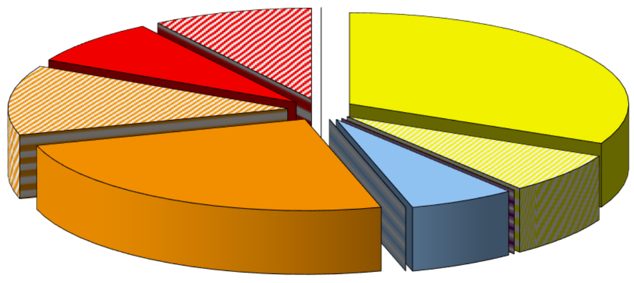
Shropshire Council

Current Investment List

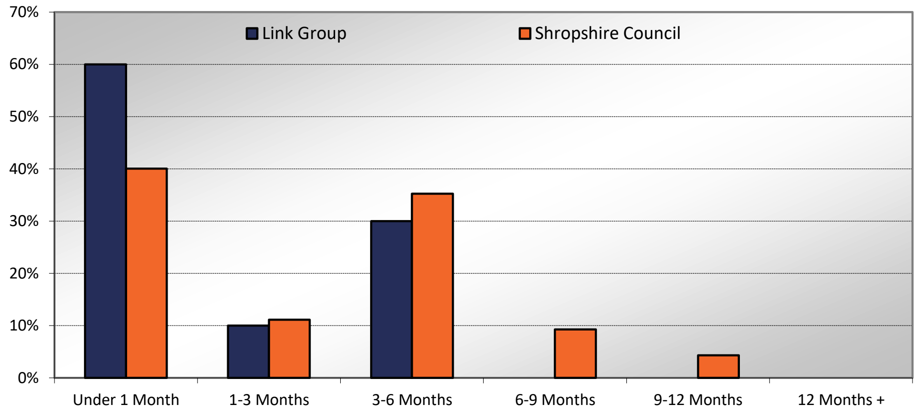
Borrower	Principal (£)	Interest Rate	Start Date	Maturity Date	Lowest Long Term Rating	Historic Risk of Default
MMF Aberdeen Standard Investments	11,800,000	0.09%		MMF	AAA	0.000%
Handelsbanken Plc	20,000,000	0.25%		Call	AA-	0.000%
Thurrock Borough Council	5,000,000	0.41%	01/07/2020	01/10/2020	AA-	0.000%
Lloyds Bank Plc (RFB)	5,000,000	0.10%	13/07/2020	13/10/2020	A+	0.002%
Plymouth City Council	5,000,000	0.97%	14/02/2020	14/10/2020	AA-	0.001%
Slough Borough Council	5,000,000	0.85%	20/04/2020	20/10/2020	AA-	0.001%
South Somerset District Council	5,000,000	0.85%	20/04/2020	20/10/2020	AA-	0.001%
Nationwide Building Society	3,000,000	0.17%	01/07/2020	30/10/2020	A	0.004%
Lloyds Bank Plc (RFB)	5,000,000	0.10%	10/07/2020	30/10/2020	A+	0.004%
Plymouth City Council	5,000,000	0.33%	26/06/2020	20/11/2020	AA-	0.003%
National Westminster Bank Plc (RFB)	5,000,000	0.14%	08/07/2020	20/11/2020	A	0.007%
North Tyneside Metropolitan Borough Council	3,000,000	0.95%	25/11/2019	23/11/2020	AA-	0.004%
Suffolk County Council	5,000,000	0.40%	09/06/2020	09/12/2020	AA-	0.005%
Santander UK Plc	15,000,000	0.45%		Call95	A	0.014%
Lloyds Bank Plc (RFB)	3,000,000	0.15%	24/07/2020	25/01/2021	A+	0.017%
HSBC UK Bank Plc (RFB)	20,000,000	0.17%	25/09/2020	29/01/2021	A+	0.017%
Surrey Heath Borough Council	4,000,000	0.18%	17/08/2020	17/02/2021	AA-	0.009%
National Westminster Bank Plc (RFB)	5,000,000	0.12%	05/08/2020	19/02/2021	A	0.021%
Barclays Bank Plc (NRFB)	10,000,000	0.26%	01/09/2020	01/03/2021	A	0.022%
Thurrock Borough Council	5,000,000	0.70%	10/07/2020	10/05/2021	AA-	0.015%
Kingston Upon Hull City Council	5,000,000	0.30%	20/08/2020	20/05/2021	AA-	0.015%
Woking Borough Council	5,000,000	0.70%	17/06/2020	09/06/2021	AA-	0.017%
Lloyds Bank Plc (RFB)	2,000,000	0.30%	07/07/2020	06/07/2021	A+	0.040%
Lloyds Bank Plc (RFB)	5,000,000	0.30%	24/07/2020	23/07/2021	A+	0.043%
Total Investments	**£161,800,000**	**0.34%**				0.010%

Shropshire Council

Portfolio Composition by Link Group's Suggested Lending Criteria



Y	Pi1	Pi2	P	B	O	R	G	N/C
1	1.25	1.5	2	3	4	5	6	7
Up to 5yrs	Up to 5yrs	Up to 5yrs	Up to 2yrs	Up to 1yr	Up to 1yr	Up to 6mths	Up to 100days	No Colour



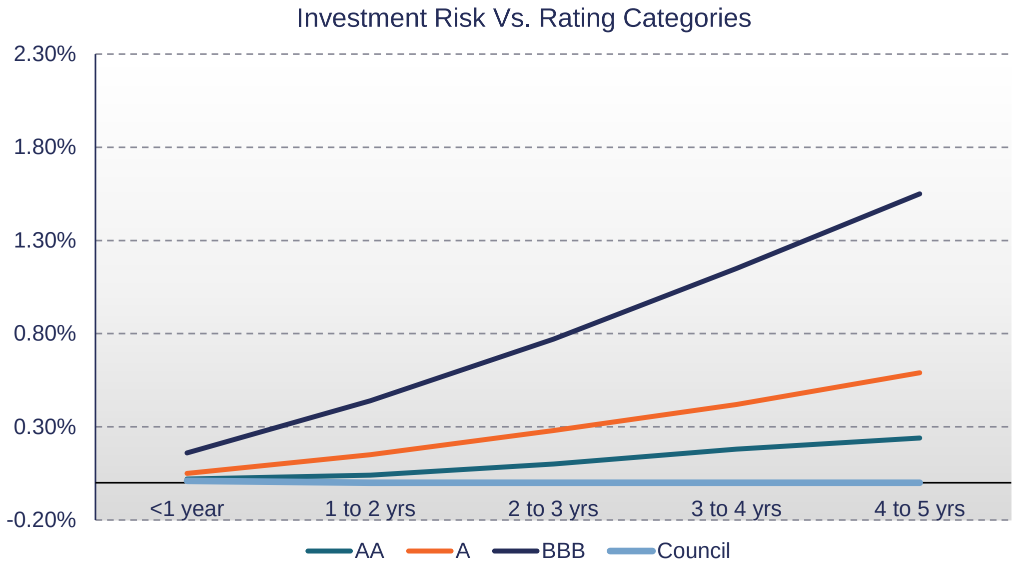
Portfolios weighted average risk number = 2.93

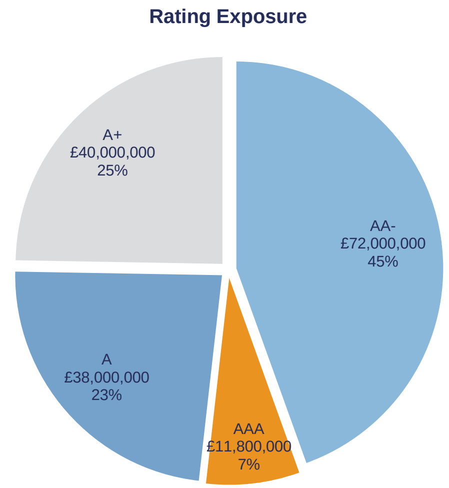
WARoR = Weighted Average Rate of Return
WAM = Weighted Average Time to Maturity

	% of Portfolio	Amount	% of Colour in Calls	Amount of Colour in Calls	% of Call in Portfolio	WARoR	WAM	WAM at Execution	Excluding Calls/MMFs/USDBFs WAM	Excluding Calls/MMFs/USDBFs WAM at Execution
Yellow	39.43%	£63,800,000	18.50%	£11,800,000	7.29%	0.50%	80	183	99	224
Pink1	0.00%	£0	0.00%	£0	0.00%	0.00%	0	0	0	0
Pink2	0.00%	£0	0.00%	£0	0.00%	0.00%	0	0	0	0
Purple	0.00%	£0	0.00%	£0	0.00%	0.00%	0	0	0	0
Blue	6.18%	£10,000,000	0.00%	£0	0.00%	0.13%	97	167	97	167
Orange	37.08%	£60,000,000	33.33%	£20,000,000	12.36%	0.20%	84	111	126	166
Red	17.31%	£28,000,000	53.57%	£15,000,000	9.27%	0.35%	108	129	124	167
Green	0.00%	£0	0.00%	£0	0.00%	0.00%	0	0	0	0
No Colour	0.00%	£0	0.00%	£0	0.00%	0.00%	0	0	0	0
	100.00%	**£161,800,000**	**28.92%**	**£46,800,000**	**28.92%**	**0.34%**	**87**	**146**	**111**	**192**

Shropshire Council

Investment Risk and Rating Exposure





Historic Risk of Default

Rating/Years	<1 year	1 to 2 yrs	2 to 3 yrs	3 to 4 yrs	4 to 5 yrs
AA	0.02%	0.04%	0.10%	0.18%	0.24%
A	0.05%	0.15%	0.28%	0.42%	0.59%
BBB	0.16%	0.44%	0.77%	1.15%	1.55%
Council	0.010%	0.000%	0.000%	0.000%	0.000%

Historic Risk of Default
This is a proxy for the average % risk for each investment based on over 30 years of data provided by Fitch, Moody's and S&P. It simply provides a calculation of the possibility of average default against the historical default rates, adjusted for the time period within each year according to the maturity of the investment.

Chart Relative Risk
This is the authority's risk weightings compared to the average % risk of default for “AA”, “A” and “BBB” rated investments.

Rating Exposures
This pie chart provides a clear view of your investment exposures to particular ratings.

Monthly Credit Rating Changes
FITCH

Date	Update Number	Institution	Country	Rating Action
15/09/2020	1772	Cooperatieve Rabobank U.A.	Netherlands	The Long Term and Short Term ratings were downgraded to 'A+' from 'AA'- and 'F1' from 'F1+' respectively. At the same time, the Negative Watch on the Long Term, Short Term and Viability ratings were removed. The Long Term Rating was placed on Negative Outlook.
15/09/2020	1773	ABN AMRO Bank N.V.	Netherlands	The Long Term Rating was downgraded to 'A' from 'A+'.
16/09/2020	1774	ING Bank N.V.	Netherlands	The Long Term, Short Term and Viability Ratings were removed from Negative Watch. At the same time, the bank’s Long Term Rating was placed on Negative Outlook.
18/09/2020	1775	Svenska Handelsbanken AB	Sweden	The Long Term and Viability Rating were removed from Negative Watch. At the same time, the Long Term Rating was placed on Negative Outlook.
18/09/2020	1776	Skandinaviska Enskilda Banken AB	Sweden	The Long Term, Short Term and Viability Ratings were removed from Negative Watch. At the same time, the bank’s Long Term Rating was placed on Negative Outlook.
18/09/2020	1777	Nordea Bank Abp	Finland	The Long Term, Short Term and Viability ratings were removed from Negative Watch. At the same time, the bank’s Long Term Rating was placed on Negative Outlook.
28/09/2020	1779	DBS Bank Ltd.	Singapore	The Long Term and Viability Ratings were removed from Negative Watch. At the same time, the bank’s Long Term Rating was placed on Negative Outlook.
28/09/2020	1779	United Overseas Bank Ltd	Singapore	The Long Term and Viability Ratings were removed from Negative Watch. At the same time, the bank’s Long Term Rating was placed on Negative Outlook.
28/09/2020	1779	Oversea-Chinese Banking Corporation Ltd	Singapore	The Long Term and Viability Ratings were removed from Negative Watch. At the same time, the bank’s Long Term Rating was placed on Negative Outlook.

Shropshire Council

Monthly Credit Rating Changes
MOODY'S

Date	Update Number	Institution	Country	Rating Action
03/09/2020	1771	Wells Fargo Bank, NA	United States	The Outlook on the Long Term Rating was changed to Negative from Stable.
21/092020	1778	West Bromwich Building Society	United Kingdom	The Outlook on the Long Term Rating was changed to Negative from Stable.

Shropshire Council

Monthly Credit Rating Changes
S&P

Date	Update Number	Institution	Country	Rating Action
				No rating changes to report.

Appendix B

Prudential Indicators – Quarter 2 2020/21

Prudential Indicator	2020/21 Indicator £m	Quarter 1 – Actual £m	Quarter 2 – Actual £m	Quarter 3 – Actual £m	Quarter 4 – Actual £m
Non HRA Capital Financing Requirement (CFR)	390*	393	390		
HRA CFR	95	95	95		
Gross borrowing	304	304	304		
Investments	110	164	162		
Net borrowing	194	140	142		
Authorised limit for external debt	531	304	304		
Operational boundary for external debt	438	304	304		
Limit of fixed interest rates (borrowing)	531	304	304		
HRA debt Limit	96**	0	0		
Limit of variable interest rates (borrowing)	266	0	0		
Internal Team Principal sums invested > 364 days	50	0	0		
Maturity structure of borrowing limits	%	%	%	%	%
Under 12 months	15	0	0		
12 months to 2 years	15	4	4		
2 years to 5 years	45	2	2		
5 years to 10 years	75	4	4		
10 years to 20 years	100	36	36		
20 years to 30 years	100	25	25		
30 years to 40 years	100	13	13		
40 years to 50 years	100	7	7		
50 years and above	100	9	9		

* Based on period 3 Capital Monitoring report including Shrewsbury Shopping Centres. **removed following Budget announcement Oct 2018

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Capital Financing Summary

Prudential Borrowing Approvals	Date Approved	Amount Approved £	Applied (Spent) 2006/07 £	Applied (Spent) 2007/08 £	Applied Outturn 08/09 2008/09 £	Applied Outturn 09/10 2009/10 £	Applied Outturn 10/11 2010/11 £	Applied Outturn 11/12 2011/12 £	Applied Outturn 12/13 2012/13 £	Applied Outturn 13/14 2013/14 £	Applied Outturn 14/15 2014/15 £	Applied Outturn 15/16 2015/16 £	Applied Outturn 16/17 2016/17 £	Applied Outturn 17/18 2017/18 £	Applied Outturn 18/19 2018/19 £	Applied Outturn 19/20 2019/20 £	Budgeted 2020/21 £	Budgeted 2021/22 £	Budgeted 2022/23 £	First year MRP Charged	Asset Life	Final year MRP Charged
Monkmoor Campus	24/02/06	3,580,000																				
Capital Receipts Shortfall -Cashflow	24/02/06	5,000,000																				
Applied:																						
Monkmoor Campus			3,000,000		0															2007/08	25	2031/32
William Brooks					0		3,580,000													2011/12	25	2035/36
Tern Valley					2,000,000															2010/11	35	2044/45
		8,580,000	**3,000,000**	**0**	**2,000,000**	**0**	**3,580,000**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0.00**	**0**	**0**	**0**	**0**			
Highways	24/02/06	2,000,000	2,000,000																	2007/08	20	2026/27
Accommodation Changes	24/02/06	650,000	410,200	39,800																2007/08	6	2012/13
Accommodation Changes - Saving	31/03/07	(200,000)																				
		450,000	**410,200**	**39,800**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0.00**	**0**	**0**	**0**	**0**			
The Ptarmigan Building	05/11/09	3,744,000				3,744,000														2010/11	25	2034/35
The Mount McKinley Building	05/11/09	2,782,000				2,782,000														2011/12	25	2035/36
The Mount McKinley Building	05/11/09	0					-													2011/12	5	2015/16
Capital Strategy Schemes - Potential Capital Receipts shortfall	25/02/10	187,600					-	-	-	0	-	-	-	-	0.00	-					25	
- Desktop Virtualisation						187,600	-													2010/11	5	2014/15
Carbon Efficiency Schemes/Self Financing	25/02/10	1,512,442					115,656	1,312,810	83,976	-	-	-	-	-	0.00	-				2011/12	5	2017/18
Transformation schemes		92,635						92,635	-	-										2012/13	3	2014/15
Renewables - Biomass - Self Financing	14/09/11	92,996						82,408	98,258	(87,670)	-									2014/15	25	2038/39
Solar PV Council Buildings - Self Financing	11/05/11	56,342						1,283,959	124,584	(1,352,202)	-									2013/14	25	2038/39
Depot Redevelopment - Self Financing	23/02/12	0							-	-	-									2014/15	10	2023/24
Oswestry Leisure Centre Equipment - Self Financing	04/04/12	124,521						124,521												2012/13	5	2016/17
Leisure Services - Self Financing	01/08/12	711,197							711,197											2013/14	5	2016/17
Mardol House Acqusition	26/02/15	4,160,000									4,160,000	-								2015/16	25	2039/40
Mardol House Adaptation and Refit	26/02/15	3,340,000									167,640.84	3,172,358.86	-	-	0.00	-				2016/17	25	2041/42
Oswestry Leisure Centre Equipment - Self Financing	01/08/12	290,274												274,239		16,035				2018/19	5	2022/23
Car Parking Strategy Implementation		590,021													588,497.06	1,524	0			2020/21	5	2024/25
JPUT - Investment in Units re Shrewsbury Shopping Centres		77,563,255												52,204,603	-208,569.18	2,791,967	5,291,576	9,414,289	8,069,390	2018/19	45	2042/43
JPUT - SSC No 1 Ltd		527,319												527,319								
Children's Residental Care		2,000,000														1,381,539	618,461			2020/21	25	2044/45
Whitchurch Medical Practice (Pauls Moss Development)	26/07/18	3,778,000																3,778,000		2022/23	25	2047/48
Oswestry Castleview - Site Acquisition	19/12/19	3,256,241														3,256,241				2020/21	25	2044/45
DVSA Site Acquisiiton		1,200,000																1,200,000		2022/23	25	2045/46
Former Morrisons Site, Oswestry	19/09/19	3,364,805															3,364,805			2021/22	25	2045/46
Commercial Investment Fund	Fin Strat 19/20	60,380,954																40,380,954	20,000,000	2021/22	25	2045/46
The Tannery Development - Student Block		8,020,000													3,677,843.83	3,456,019	886,137			2019/20	25	2045/46
Previous NSDC Borrowing		955,595			821,138	134,457														2009/10	5/25	2065/66
		189,760,196	**5,410,200**	**39,800**	**2,821,138**	**6,848,057**	**3,695,656**	**2,896,333**	**1,018,015**	**(1,439,872)**	**4,327,641**	**3,172,359**	**0**	**53,006,161**	**4,057,772**	**10,903,325**	**10,160,979**	**54,773,243**	**28,069,390**			
				-	-			()	()	()	()	()	()	-	0.00	(1)		(1)	-			
£80m investment fund		80,000,000																				

+

Committee and Date	Item
Cabinet 14th December 2020	

LAND AT SHREWSBURY FLAXMILL (ROAD FRONTAGE) COMPULSORY PURCHASE ORDER

Responsible Officer Mark Barrow
e-mail: mark.barrow@shropshire.gov.uk Tel: (01743) 258916

1. Summary

1.1 Shrewsbury Flaxmill was acquired by English Heritage (Now Historic England) in March 2005 following several failed attempts by the private sector to develop it.

1.2 A Masterplan Study (2004) identified the opportunity to greatly improve the presentation and viability of the Flaxmill by acquiring neighbouring sites and re-developing them in a sympathetic manner.

1.3 A number of sites adjacent to Spring Gardens have been acquired by Shrewsbury and Atcham Borough Council and then Shropshire Council and the successful acquisition of these additional properties is key to enabling the Masterplan to be successfully realised. This included the former Rexell Senate, Sayce's Garden Supplies and Salop Glass business premises and the Arriva Bus Depot.

1.4 The present site is approximately 2.7 hectares and contains a complex of former mill buildings dating from the 1790's and a former maltings dating from the 1890's. The buildings have been redundant since the maltings closed in 1986. The existing buildings to be retained offer a total gross internal floor area of approximately 11,000 sqm

1.5 Historic England have been successful in obtaining planning permissions and listed building consents to repair and convert the historic buildings and implementing a multi-million pound programme of repair and conversion of the internationally significant listed buildings.

1.6 The project is at an advanced stage now with the structural repairs and conversion of the main mill nearing completion. Work to other key buildings is also underway. Historic England requested that the Council use its CPO powers last year and Cabinet considered a report similar to this on 24th September 2019 with regards to the acquisition of an access track to the rear of the Flax Mill for visitor car parking. Historic England has written again (see e mail at **Appendix 1**) to request that the Council uses its CPO powers to acquire Nos 1 and 15 Haughmond Square. These are two 19th century buildings currently used as hot food takeaway premises (Chilli Spice and

Ambrosia Oriental) and are situated along the St Michaels Street road frontage. A plan showing the Order land is attached as **Appendix 2**. Originally these commercial premises framed the entrance to Haughmond Square which historic maps indicate to have been small workers cottages long since demolished

1.7 This report is seeking approval to use those CPO powers and make a Compulsory Purchase Order to acquire Nos 1 and 15 Haughmond Square to facilitate the assembly of land interests that are required to maximise the regeneration opportunity of the site and provide an enhanced "gateway" entrance to the Mill complex via the Kiln.

2. Recommendations

1 To resolve, subject to consideration of the matters set out in this report and the prior completion of the proposed CPO Indemnity Agreement (CPOIA) to make a compulsory purchase order pursuant to powers under sections 226(1)(a) of the Town and Country Planning Act 1990 as amended) and section 13 of the Local Government (Miscellaneous Provisions) Act 1976 for the acquisition of Nos 1 and 15 Haughmond Square, St Michaels Street Shrewsbury because it is considered that the acquisition is necessary to facilitate the successful wider regeneration of the Shrewsbury Flax Mill site, and the development, redevelopment or improvement is likely to contribute to the promotion or improvement of the economic, social and environmental well-being of Shrewsbury and the surrounding district

2 To authorise the Director of Legal and Democratic Services to carry out the functions set out in (a), (b) (c), (d), (e), (f), (g) and (h) below and to authorise the Executive Director of Place to carry out the functions set out in (b), (c), (d), (e) (f) and (h) below:

(a) To negotiate and enter into the CPOIA;

(b) Subject to the completion of the CPOIA and subject to the requirements of the CPOIA, to take all steps to secure the making, confirmation and implementation of the Compulsory Purchase Order ("Order") including the publication and service of all notices and the promotion of the Council's case at any public inquiry;

(c) To make any amendments, deletions or additions to the land identified on this report to be subject to the Order ("Order Land") as to include and describe all interests in land and rights required to facilitate the carrying out of the development;

(d) To identify and acquire interests and new rights required to facilitate delivery of the development at the Flax Mill either by agreement or compulsorily pursuant to the Order (including pursuant to any blight notices as appropriate) including conduct of negotiations, making provision for the payment of compensation;

(e) To negotiate, agree terms and enter into agreements with interested parties including agreements for the withdrawal of blight notices and/or the withdrawal of objections to the Order and/or undertakings not to enforce the Order on specified terms, including where appropriate removing land or rights from the Order, making provisions for the payment of compensation;

(f) In the event the Order is confirmed by the Secretary of State, to advertise and give notice of confirmation and thereafter to take all steps to implement the Order including, as applicable in accordance with the CPOIA to execute General Vesting Declarations and/or to serve Notices to treat and Notices of Entry in respect of the acquisition of interests and rights over the Order Land;

(g) To take all steps in relation to any legal proceedings relating to the Order including defending or settling claims referred to the Lands Tribunal and/or applications to the courts and any appeals; and

(h) To retain and/or appoint external professional advisers and consultants to assist in facilitating the promotion, confirmation and implementation of the Order, the settlement of compensation and any other claims or disputes.

REPORT

3. Risk Assessment and Opportunities Appraisal

3.1 Risk Management appraisal

3.1.1 The proposed redevelopment of the Shrewsbury Flaxmill site has been a long held objective for Shropshire Council, the site is important for both its historic interest incorporating a number of Grade I internationally significant buildings including the world's first Iron framed building. The regeneration of this historic site is also key to the Council's wider ambition to deliver sustainable economic growth contributing to the regeneration and economic viability of Shrewsbury.

3.1.2 If the Council is minded to resolve to make a Compulsory Purchase Order (CPO) to assist in the assembly of land interests for the scheme then that Order can be challenged by affected parties and an Inquiry would be held into the making of the Order. Furthermore, any inability to agree compensation could see a reference of specific claims to the Lands Tribunal for specific resolution.

3.1.3 The significant costs involved in the making and implementation of a CPO to include any inquiry costs, professional fees and compensation payments arising will be underwritten and incorporated in an Indemnity Agreement that will be completed with Historic England

3.2 Human Rights Act Appraisal

3.2.1 In deciding to make a Compulsory Purchase Order, the Council should be satisfied that there is sufficient justification for interfering with human rights of those with an interest in the land affected. In this respect the Human Rights Act 1998 incorporates certain provisions of the European Convention on Human Rights, namely:

3.2.2 Article 1 – the right of everyone to peaceful enjoyment of possessions. No one can be deprived of possessions except in the public interest and subject to the relevant national and international laws.

3.2.3 Article 6 provides that in determining their civil rights and obligations everyone is entitled to a fair and public hearing within a reasonable time by an independent and impartial tribunal established by law.

3.2.4 Article 8 – private and family life, home and correspondence. No public authority can interfere with these rights except if it is in accordance with the law and is necessary in the interests of national security, public safety or the economic well-being of a country.

3.2.5 Article 14 – the right to enjoy rights and freedoms in the Convention free from discrimination on any ground such as sex, race, colour, language, religion, political or other opinion, or national or social origin.

3.2.6 The CPO process provides the opportunity for representations to be made and the holding of a public inquiry in the case of objections by affected parties.

3.2.7 Those parties have an entitlement to compensation proportionate to the loss which they incur as a result of the acquisition of their interest in accordance with the statutory compensation code.

3.3 Equalities appraisal

3.3.1 Any redevelopment will take into account the provisions of the Equalities Act, Building Regulations and Codes of Practice to ensure access to the development for all. Account will need to be taken by the Developer as part of the detailed project planning of the access needs during the construction phase and any temporary works that may be undertaken.

3.4 Community and other Consultation

3.4.1 The Council has actively consulted with the community and other interested parties over the successive applications for planning permission and listed building consent to redevelop and regenerate the site. Historic England has opened the site periodically and actively engaged with the local community through a formally constituted Friends of the Flaxmill group. Comments received from the community have been taken into account when regulatory decisions have been taken through the planning process. A schedule of applications is attached as **Appendix 3**.

4. Financial Implications

4.1 The Council's costs of making the CPO and acquiring interests covered by the Compulsory Purchase Order are indemnified in the CPO indemnity agreement to be completed which would include the costs of any public inquiry or compensation payments arising.

5. Background

5.1 There have been a number of development proposal with associated planning and listed building consent applications for the Flaxmill site, these are referenced in **Appendix 3**. The regeneration and redevelopment of the site is being undertaken in accordance with a planning permission (Ref 16/02872FUL) and listed building consent (Ref 16/02873/LBC) granted on 3rd November 2016. The scheme includes work to the Grade I listed Main Mill and the attached Grade II listed Kiln which is part of the larger Flaxmill complex (a site of National and International significance) situated in Ditherington approximately one mile to the North of Shrewsbury Town Centre and within the Shrewsbury Town Centre Conservation Area.

5.2 The Main Mill building is a former textile factory that was later converted to a Maltings. Built in 1797 it is the oldest iron framed building in the world. The iron framed building has local red brick external walls with a Welsh slate roof and was extended in the form of engine houses to its north and south elevations as part of its Maltings conversion.

5.3 The Masterplan for the Flax Mill seeks to revitalise an outstanding group of historic buildings and to kick-start the wider regeneration of Ditherington and Shrewsbury. It aims to combine conservation and regeneration solutions of international importance with exemplary design standards.

5.4 The Flaxmill buildings are a landmark in themselves, although they have been inaccessible and separated from the life of the community for more than 20 years. The Masterplan is to help secure the preservation of buildings of national significance and to assist the enjoyment and interpretation of the site by everyone, in a safe and secure environment which encourages new social activities.

5.5 The Masterplan seeks to deliver on a number of levels, and, most importantly:

- To act as an exemplar heritage-led regeneration scheme of national and international significance
- To form part of an economic renaissance for the site and support growth of the local economy, offering much wider benefits and confidence
- A key aspiration of Shrewsbury's vision encapsulated in the Big Town Plan
- To promote the development of a healthy, sustainable community integrated within the broader social life of Shrewsbury.

6.0 Planning Policy and current development

6.1 The Local Plan for Shropshire consists of the Shropshire Core Strategy adopted March 2011 and the Site Allocations and Management of Development (SAMDev) Plan adopted in 2015 (**Appendix 4**). The most relevant Core Strategy and SAMDev Plan polices with regards to the proposed use (visitor centre and business use) are:

CS2: Shrewsbury Development Strategy
CS13: Economic Development, Enterprise and Employment
CS16: Tourism, Culture and Leisure
MD1: Scale and Distribution of Development
MD4: Managing Employment Development
MD9: Protecting employment areas
MD11: Tourism Facilities and Visitor Accommodation S16: Shrewsbury area settlement policy

6.2 Policy CS2 identifies that: 'The Shrewsbury Northern Corridor will be improved in accordance with the aims of the Northern Corridor Regeneration Framework, with the restoration and redevelopment of the Ditherington Flaxmill site and the enhancement of major existing commercial, employment and mixed use areas a priority'

6.3 CS16 identifies that development proposals within the Shrewsbury Northern Corridor should have regard to the priorities of (amongst others):

'*the restoration and redevelopment of the Ditherington flax mill site, including associated mixed use development'*.

6.4 The wider flax mill site is an allocated housing site (SHREW198) with the following development guidelines:

'*Mixed use development to have regard to the adopted masterplan for the re-development of the Flaxmill and adjoining land and buildings, to include approximately 120 dwellings. The redevelopment will comprise of the repair and reuse of historic buildings to create workspace and associated cultural activities, new retail/commercial office and residential development, associated access, landscaping and car parking, with demolition of non-listed buildings'*

6.5 The site is also identified and safeguarded for employment use on the Policies Map and protected for employment use under MD9. The proposal is therefore considered to accord with policy CS2 and S16.

6.6 With regards to the proposed employment use and visitor facilities it is considered that the proposal accords with the aims and of objectives of the relevant policies identified, with the site being within a sustainable location less than a mile from the centre of Shrewsbury. The proposal represents sustainable development of a brown field site and provides the opportunity for the restoration and re-use of an internationally significant grade 1 listed building, bringing social and economic benefits both for the immediate locality and Shrewsbury. The other policy considerations, key issues and the specific details of the proposal are considered below

6.7 The proposal is partially within a conservation area and affects a listed building and has the potential to impact on these heritage assets. The proposal therefore has to be considered against Shropshire Council policies MD2, MD13, CS6 and CS17 and with national policies and guidance including and section 16 of the National Planning Policy Framework (NPPF). Special regard has to be given to the desirability of preserving or enhancing the character or appearance of a Conservation area and preserving a listed building or its setting or any features of special architectural or historic interest which it possesses as required by section 66 and 72 of the Planning (Listed Buildings and Conservation Areas) Act 1990.

6.8 A full Heritage Impact assessment was submitted with the 2016 planning application as required by the NPPF to support the applications for planning permission and listed building consent. While the focus of the policy considerations is the sensitive repair and conversion of the historic buildings the masterplan and consented schemes provide for redevelopment of the site. A key component of this is the transport parking and travel arrangements for the site given the quantum of development and use profile proposed. The land the subject of the proposed CPO is prominently situated and central to the frontage of the site and the buildings are viewed in context with the Grade 1 Listed Main Mill to the rear. The CPO will enable Historic England to undertake coordinated repairs and enhancement to Nos 1 and 15 Haughmond Square to secure the comprehensive redevelopment in accordance with the masterplan and provide a gateway entrance to the historic site via the kiln building.

6.9 Similarly, the Council's Big Town Plan (2018) for Shrewsbury establishes a vision to prepare the town for sustainable growth, ensuring Shrewsbury fulfils its role as an important sub regional centre with an excellent quality of life and a growing and balanced economy with an exceptional and widely celebrated natural and historic environment. There is a desire to enhance areas in need of investment and renewal and to expand the town centre beyond the river loop to include edge of centre areas.

7.0 Compulsory Purchase Powers

7.1 The Council has the power in section 226 1(a) of the Town and Country Planning Act 1990 (as amended by the Planning and Compulsory Purchase Act 2004) to make a compulsory purchase order for any land in their area if the Council thinks that the purchase of the land will facilitate the carrying out of development, redevelopment or improvement on or in relation to the land.

7.2 The Council may not exercise the power unless it considers that the development, redevelopment or improvement is likely to contribute to the achievement of any one or more of the following objectives:

- The promotion or improvement of the economic well-being of their area

- The promotion or improvement of the social well-being of their area
- The promotion or improvement of the environmental well-being of their area

It is immaterial that the redevelopment may be carried out by a third party.

7.3 Section 13 of the Local Government (Miscellaneous) Provisions Act 1976 enables the Council to compulsorily acquire new rights where necessary

7.4 Ministry of Housing Communities and Local Government Guidance on Compulsory Purchase process and Critchel Down Rules July 2019. Paragraph 1 states: "Compulsory Purchase powers are an important tool to use as a means of assembling the land needed to help deliver social, environmental and economic change. Used properly they can contribute towards effective and efficient urban and rural regeneration, essential infrastructure, the revitalisation of communities and the promotion of businesses leading to improvements in quality of life. Paragraph 2 of the Guidance states "Acquiring authorities should use Compulsory Purchase powers where it is expedient to do so. However, a Compulsory Purchase Order should only be made where this is a compelling case in the public interest".

7.5 Further the Guidance at Paragraph 95 in relation to Section 226 1(a) Town and Country Planning Act 1990 states "This power is intended to provide a positive tool to help acquiring authorities with planning powers to assemble land where this is necessary to implement proposals in their Local Plan or where strong planning justifications for the use of the power exist. It is expressed in wide terms and can therefore be used to assemble land for regeneration and other schemes where the range of facilities or purposes proposed mean that no other single specific compulsory purchase power would be appropriate. Paragraph 97 of the Guidance sets out what the power can be used for "Section 2261(a) enables acquiring authorities with planning powers to acquire land if they think that it will facilitate the carrying out of development, redevelopment or improvement on, or in relation to, the land being acquired, and it is not certain they will be able to acquire it by agreement.

7.6 A compulsory purchase order to which there are objections will require confirmation by the Secretary of State to become effective. The Guidance provides that any decision by the Secretary of State about whether to confirm an order under Section 226 1(a) will be made on its own merit, but the factors that the Secretary of State can be expected to consider which are set out at paragraph 106 include:-

(a) whether the purpose to which the land is being acquired fits in with the adopted planning framework for the area or where no such up to date plan exists with the Draft Local Plan and the National Planning Policy Framework

(b) the extent to which the proposed purpose will contribute to the achievement of the promotion or improvement of the economic, social or environmental well-being of the area;

(c) the potential financial viability of the scheme for which the land is being acquired;

(d) whether the purpose for which the acquiring authority is proposing to acquire the land could be achieved by other means, for example any alternative proposals put forward by the owners of the land; and

7.7 The Guidance also requires the Council to have regard to the following when considering making a Compulsory Purchase Order;

(a) that the purposes for which the Order is being made sufficiently justify interfering with human rights of those with any interest in the land affected;

(b) the degree to which other bodies (including the private sector) have agreed to make financial contributions to underwrite the scheme and on what basis such contributions or underwriting is to be made;

(c) evidence relating to financial viability; and

(d) where the scheme is likely to be blocked by other impediments to implementation.

7.8 The Guidance looks to acquiring authorities to seek to acquire land by agreement wherever practicable. However, the Circular recognises that it may be sensible for acquiring authorities to start formal compulsory purchase procedures in parallel with their efforts to acquire by agreement. The Circular notes that this has the advantage of making the seriousness of the acquiring authority's intentions clear from the outset, which in turn might encourage those whose land is affected to enter more readily into meaningful negotiations.

8.0 The Case for making the Compulsory Purchase Order

8.1 The CPO includes Nos 1 and 15 Haughmond Square, two 19th century buildings situated prominently within the towns' conservation area which are currently run as an Indian and Chinese takeaways. The buildings are considered to be in poor condition and have been subject to alterations which detract from their historic and architectural interest. It is considered that these buildings now are required within the scope of the regeneration project to provide a clearly defined and attractive pedestrian gateway to the historic site and this is key to supporting the successful regeneration of the wider Flax Mill site. The buildings also affect the context of the principle northern gateway into the town and could possible affect the success of the aspirations of the Northern Corridor of the Big Town Plan. According to Historic England the current condition/appearance of these buildings could have the effect of depressing property values across the site by over 5% and would be seen as a significant risk to the delivery of the aspired high quality development by any prospective development partner.

8.2 The buildings form an intrinsic and hugely important part of the wider regeneration site development and proposed new street scape along Spring Gardens as well as forming a key gateway to the town's Northern approach as they occupy a high profile central location within the road frontage.

8.3 These properties will also affect the aspirations of the Big Town Plan to achieve wider area regeneration along the "Northern Corridor", linking this to the towns historic core. In their current condition (& current uses) the buildings are considered to add risk to the delivery of Historic England and the Council's vision for the site and wider area improvement & regeneration. The buildings are currently occupied and operate as hot food takeaway businesses, one a Chinese take-away and the other an Indian. The properties are in fair condition and have been subject to poor quality and ill-considered ad hoc repairs over the years, these include inappropriate fenestration, poor quality shop fronts, extract units, attached advertising hoardings and other repairs, not consistent with buildings within a conservation area. The rear elevation of the properties are in a semi derelict state and are over grown and now prominent in the context of the Flax Mill site.

8.4 It is considered by Historic England that the present condition and appearance of these buildings will deter future investment in the site by an external development partner. This negative effect is likely to increase as the Flax Mill regeneration project is developed through the next phases of the restoration and the marketing of the Main Mill commences.

8.5 Lambert Smith Hampton (LSH) has recently undertaken a site wide appraisal dated September 2020 on behalf of Historic England (**Appendix 5**) and advised that if Nos 1 and 15 Haughmond Square are not included in the project, values of adjacent development within the Flax Mill site could be depressed by 9%, which would undermine the viability of the project further.

8.6 Historic England did not initially consider that a CPO would be necessary to secure the site and sought unsuccessfully to purchase the properties by negotiation. A mutual agreement was not reached and so it is therefore Historic England's clear view now that in order to complete the satisfactory regeneration of the site that the Council secure the acquisition of these two buildings in an early/ timely manner. The current impasse is perceived to be a substantial barrier to the long term delivery of the entire project. The two buildings were a part of the wider Flax Mill site forming a part of former works houses and it is intended that they be restored and redeveloped as explained below:-

"*we have included these two buildings within our current plans for the wider redevelopment as pavilions forming a new pedestrian entrance into the site, as such we would restore and re-purpose them to be an intrinsic part of the site as they were historically. They are specifically included within the current 2010 outline planning approval*."

8.7 Paragraph 15 of the CPO Guidance confirms that, in addition to demonstrating that there are no funding related impediments to the delivery of the scheme underpinning a compulsory purchase order, an acquiring authority will also need to be able to show that the scheme is unlikely to be blocked by any physical or legal impediments to implementation.

8.8 In the circumstances, it is considered that there are no resource or funding impediments to the delivery of the Scheme – the requisite funding has been secured and is immediately available such that the compulsory acquisition proposed by the Order can be completed and the Scheme implemented within a reasonable timeframe, and most certainly within the statutory period following the date on which the Order becomes operative.

8.9 Any need for planning permission or other consent or licence is amongst the examples given by the CPO Guidance as to what may constitute a legal impediment. The Council is satisfied that necessary consents, including planning permission and listed building consent have either been obtained or that there are no planning policy impediments that would prevent the repair and reuse of the subject buildings, Nos 1 and 15 Haughmond Square as part of the wider regeneration project.

8.10 As regards physical impediments to scheme delivery, there are no programming or accommodation works related issues affecting implementation in this case. It is anticipated that a start on site could be made, assuming the Secretary of State for Housing, Communities and Local Government is minded to confirm the Order, within 3 months (maximum) of the Order becoming operative. This is the minimum period required for acquisition of any remaining third-party land and/or interests in the Order Land following confirmation of the Order.

8.11 Paragraph 12 of the CPO Guidance states that a compulsory purchase order should only be made where there is a compelling case in the public interest. Furthermore, the CPO Guidance directs acquiring authorities to give particular consideration to the rights protected under the European Convention on Human Rights ("the Convention") in order that they can be sure that the purposes for which a compulsory purchase order is made justify interfering with the human rights of those with an interest in the land affected.

8.12 In the absence of the Order, there is no certainty that the Council will be able to assemble the land required for Historic England to implement the Scheme, thereby jeopardising the delivery of the successful delivery of the Flaxmill's redevelopment and of the associated public benefits.

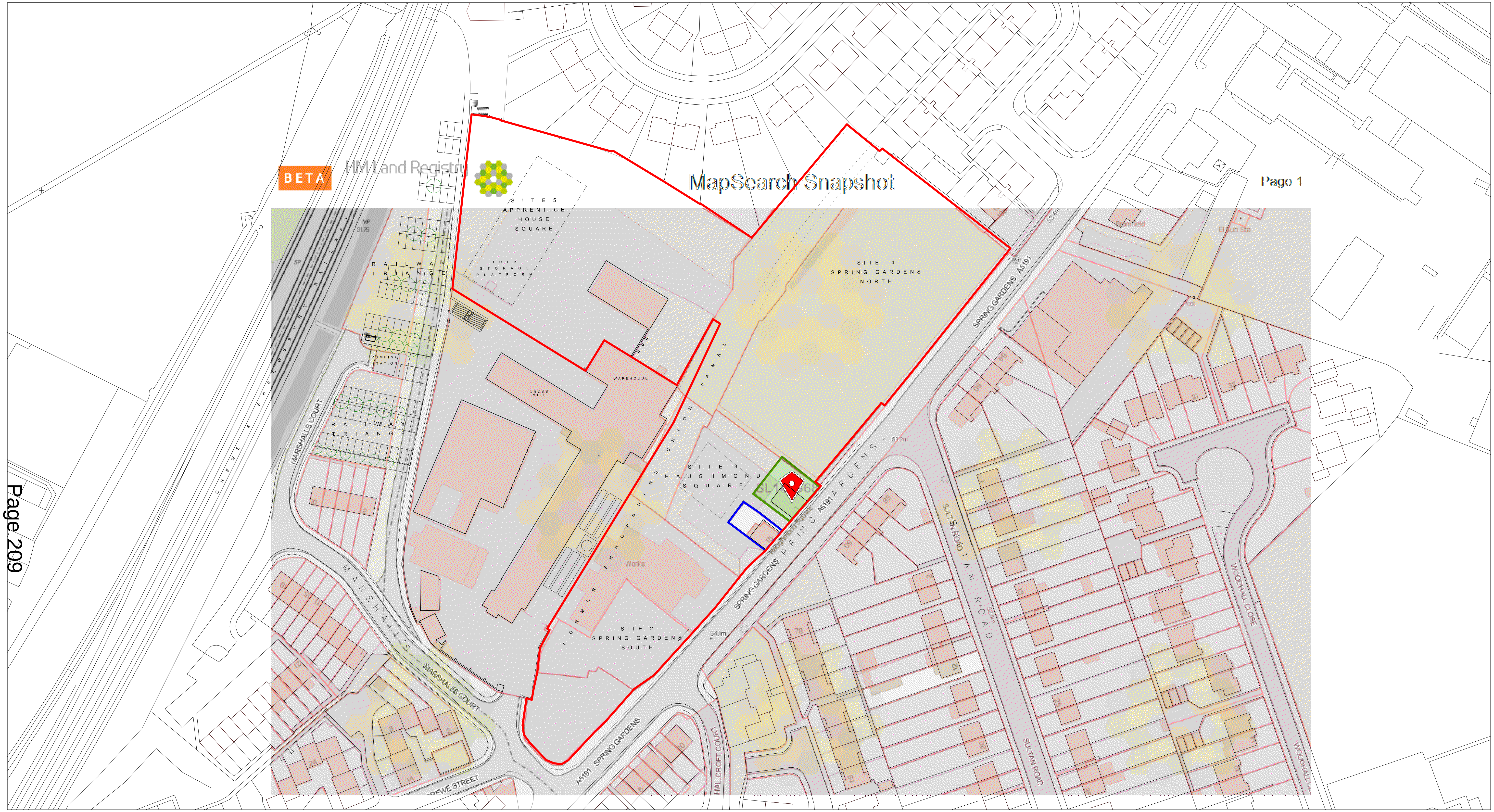
8.13 Accordingly, the Council considers there is a compelling case in the public interest for the compulsory acquisition of the Order Land and that, in making the Order, there would be no unlawful interference with the Convention rights set out above.

Conclusions

The Council's vision for the regeneration of the Shrewsbury Flaxmill is set out in the Core Strategy and the Shrewsbury Big Town Plan. This development will enable that vision to be realised. The proposals offer an opportunity to develop a high quality mixed use regeneration scheme which will make a significant contribution to the economic vitality of the town and create new jobs and provide an enhanced environment.

Without the use of compulsory purchase powers the Scheme will not be delivered and without the CPO the Council will not be able to secure the wider public benefits that the Scheme will bring. In light of the facts and considerations set out above it is therefore concluded that there is a compelling case in the public interest for the exercise by the Council of its compulsory purchase powers.

List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information) Shropshire Core Strategy and SAMDev Plan Shrewsbury Big Town Plan 2018 Reports to Central Area Planning Committee
Cabinet Member (Portfolio Holder) Gwilym Butler, Portfolio Holder for Communities , Place Planning and Regulatory Services
Local Member Councillor Alan Moseley
Appendices Appendix 1 – Request from Historic England for the council to use its CPO powers Appendix 2 – Plan Showing the CPO land Appendix 3 – Planning History Appendix 4 - Planning Policy Schedule Appendix 5 - Lambert Smith Hampton Site Appraisal



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0 5 10 15 20 25 30 35 40 50m

Map scale 1:1250

Data last updated 10:00pm 03 NOVEMBER, 2017

KEY

1. The wider Outline planning area
2. No 1 Haughmond Square
3. No 15 Haughmond Square

0m 10 25 50 100

NOTES: INDICATIVE PLAN BASED ON OS DATA PROVIDED BY HISTORIC ENGLAND 15/10/20

INDICATIVE PLAN

SHREWSBURY FLAX MILL MALTINGS SHREWSBURY	Job/Drawing No SK/201019/01 Amendment
INDICATIVE BOUNDARIES OF WIDER OUTLINE PLANNING AREA No 1 & No 15 HAUGHMOND SQUARE	Scale 1:1250 @ A3 Date Drawn
Do not scale	All dimensions to be checked on site

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Appendix 4 Planning History

Planning Applications

Repair and re-use of the Main Mill, Warehouse, Malt Kiln and Cross Mill for Business Use (B1) and Non-Residential Institutions (D1), landscaping of areas around the Mill, provision of a temporary car park, demolition of north silo and demolition of all non-listed buildings on the Spring Gardens sites (excluding existing takeaways)

Ref. No: 10/03230/FUL | Status: Permission Granted

Listed Building application for the repair and alterations of the Main Mill, Warehouse, Malt Kiln and Cross Mill to facilitate their proposed re-use for Business Use (B1) and Non-Residential Institutions (D1) affecting a Grade I Listed Building

Ref. No: 10/03233/LBC | Status: Permission Granted

Outline application for the mixed use re-development of Ditherington Flaxmill comprising repair and re-use of historic buildings to create workspace and associated cultural activities, new retail/commercial office and residential development, associated access, landscaping and car parking and demolition of non-listed buildings

Ref. No: 10/03237/OUT | Status: Permission Granted

Works to facilitate removal of the mezzanine floor; roof sections and floor sections in the Dye House; insertion of suspended floor structure; repairs to roof structure affecting a Grade II* Listed Building

Ref. No: 11/04899/LBC | Status: Permission Granted

Demolition of the North Silo

Ref. No: 12/04197/LBC | Status: Permission Granted

Repair and conservation of the Dye and Stove House, office and stables to provide mixed use development (use classes A1-A3, B1-B2, B8 and D1-D2); new landscaping

Ref. No: 12/04435/FUL | Status: Permission Granted

Works to faciliate repair and conservation of the Dye and Stove House, office and stables to provide mixed use development (use classes A1-A3, B1-B2, B8 and D1-D2); new landscaping

Ref. No: 12/04436/LBC | Status: Permission Granted

To erect and display 3 non-illuminated banner signs and one non-illuminated fascia sign

Ref. No: 13/00113/ADV | Status: Permission Granted

Demolition of existing south silo structure affecting a Grade I Listed Building

Ref. No: 13/02383/LBC | Status: Permission Granted

Discharge of Conditions for Application ref 12/04436/LBC

Ref. No: 13/04599/DIS | Status: Discharge Conditions Part Approved

Discharge of conditions no 3 (Schedule of Works) no. 4 (Materials and Finishes) attached to planning permission 12/04436/LBC Works to faciliate repair and conservation of the Dye and Stove House, office and stables to provide mixed use development (use classes A1-A3, B1-B2, B8 and D1-D2); new landscaping

Ref. No: 15/00120/DIS | Status: Discharge Conditions Part Approved

External Signage for Interpretation and Orientation

Ref. No: 15/03997/LBC | Status: Permission Granted

Repair and restoration of the Main Mill and Kiln; installation of structural strengthening solution; re-opening of windows to all floors; formation of visitor interpretation centre, learning space and cafe; restoration of upper floors for commercial use; landscaping and formation of car parking area (98 spaces) with improved accessibility across the site

Ref. No: 16/02872/FUL | Status: Permission Granted

Works for the repair and restoration of the Main Mill and Kiln, installation of structural strengthening solution; re-opening of windows to all floors; installation of services and utilities

Ref. No: 16/02873/LBC | Status: Permission Granted

Discharge of condition 3 (Schedule of Works) 4 (Materials and Finishes) 5 (Repointing and Pointing) 6 (Architectural Features) 7 (Replacement Features) 8 (External Finishes) attached to planning permission 12/04436/LBC Works to faciliate repair and conservation of the Dye and Stove House, office and stables to provide mixed use development (use classes A1-A3, B1-B2, B8 and D1-D2); new landscaping

Ref. No: 17/00596/DIS **|** Status: Discharge Conditions Approved

Discharge of condition 3 (Foul and Surface Water) 4 (Archaeological Programme) 5 (Swifts Nesting) 6 (Wildlife Protection Plan) 8 (Landscaping Works) 9 (Lighting Plan) 10 (Bird, Bat and Habitat Management) 11 (Bat Monitoring) 12 (Travel Plan) attached to planning permission 12/04435/FUL Repair and conservation of the Dye and Stove House, office and stables to provide mixed use development (use classes A1-A3, B1-B2, B8 and D1-D2); new landscaping

Ref. No: 17/00624/DIS **|** Status: Discharge Conditions Part Approved

Discharge of condition 4 (WSI) 5 (EPS Licence and MS) 19 (Artificial Nests) attached to planning permission 16/02872/FUL Repair and restoration of the Main Mill and Kiln; installation of structural strengthening solution; re-opening of windows to all floors; formation of visitor interpretation centre, learning space and cafe; restoration of upper floors for commercial use; landscaping and formation of car parking area (98 spaces) with improved accessibility across the site

Ref. No: 17/02153/DIS **|** Status: Discharge Conditions Approved

Discharge of condition 3 (CMS) attached to planning permission 16/02872/FUL Repair and restoration of the Main Mill and Kiln; installation of structural strengthening solution; re-opening of windows to all floors; formation of visitor interpretation centre, learning space and cafe; restoration of upper floors for commercial use; landscaping and formation of car parking area (98 spaces) with improved accessibility across the site

Ref. No: 17/02601/DIS **|** Status: Discharge Conditions Approved

Discharge of Conditions 3 (Archaeology), 4 (Method statement and EPS Licence), 6 (Schedule of Features), 8 (Artificial Nests For Swifts), 10 (Services Internal & External), 11 (Roofing) and 12 (pointing and re-pointing) on Listed Building Consent 16/02873/LBC for the works for the repair and restoration of the Main Mill and Kiln, installation of structural strengthening solution; re-opening of windows to all floors; installation of services and utilities

Ref. No: 17/03535/DIS **|** Status: Discharge Conditions Part Approved

Amendments to Planning Permission 12/04435/FUL for the repair and conservation of the Dye and Stove House, office and stables to provide mixed use development (use classes A1-A3, B1-B2, B8 and D1-D2); new landscaping

Ref. No: 17/04866/AMP | Status: Permission Granted

Partial Discharge of Conditions 12 (Brickwork Pointing), 13 (Joinery) and 16 (Decorative Finishes) in relation to the Phase 1 works approved under Listed Building consent 16/02873/LBC for the works for the repair and restoration of the Main Mill and Kiln, installation of structural strengthening solution; re-opening of windows to all floors, installation of services and utilities

Ref. No: 18/04243/DIS | Status: Discharge Conditions Part Approved

Alterations to previously approved 16/02873/LBC to include new steps and raised sections of the west boundary wall; demolition of a section of the east boundary wall and replacement with new railings; a timber clad bin store adjacent to the Apprentice House; demolition of the Warehouse elevator tower and Kiln masonry partitions and plant; repair of Dye House, Warehouse, Cross Mill fenestration and RWGs; installation of high quality partitions to the Main Mill first and second floors.

Ref. No: 18/05157/LBC | Status: Pending Consideration

Amendments to Planning Permission 16/02872/FUL for the repair and restoration of the Main Mill and Kiln; installation of structural strengthening solution; re-opening of windows to all floors; formation of visitor interpretation centre, learning space and cafe; restoration of upper floors for commercial use; landscaping and formation of car parking area (98 spaces) with improved accessibility across the site

Ref. No: 18/05177/AMP | Status: Pending Consideration

Off site improvements to road junctions and new pedestrian / cycle crossings and entrances into the development site. On site new access road, pavements and pedestrian / cycle routes and external lighting to detail

Ref. No: 19/02769/FUL | Status: Pending Consideration

Change of use of Block A to offices.

Ref. No: SA/87/1200 | Status: PERCON

Change of use to leisure, research and development and alterations to building.

Ref. No: SA/88/0496 | Status: PERCON

Erection of two circular grain silos including elevators and ducts.

Ref. No: SA/76/0913 | Status: PERCON

Demolition and removal of materials of an existing laboratory.

Ref. No: SA/81/0973 | Status: PERCON

Change of use of vacant grain silo to an archival type depository storage unit.

Ref. No: SA/89/0803 | Status: PERCON

Block B - Change of use to offices, light industrial, high-tech industrial and workshop. Block G - Change of use to in house catering and leisure uses. Block K - Change of use to leisure, industrial museum, in house conference and catering.

Ref. No: SA/87/1202 | Status: PERCON

Demolition and clearance of 2 modern concrete silo buildings.

Ref. No: SA/98/0556 | Status: PERCON

External and internal alterations to the Flaxmill, Kiln and Cross Mill, including the erection of two external glazed stairways, in connection with changes of use to mill shopping, offices, and Visual Arts Trust uses (or offices or pub/restaurant uses). (Amended description).

Ref. No: SA/98/0421 | Status: PERCON

Change of use from former maltings to :- mill shopping (3490m2); offices (B1) (5,229m2) and/or visual arts trust in warehouse ; visual arts trust (1,104m2) (galleries, lecture room, studios, restaurant, kitchen, associated offices) or offices (B1) or pub/restaurant(A3) ; caretakers dwelling (133m2) (conversion of office); change of use from garden centre to landscaped entrance, including reinstatement of former canal; formation of car parking and associated landscaping; associated external alterations to the buildings including the erection of two external glazed stairways ; after demolition of 2 No. silo buildings (amended description).

Ref. No: SA/97/0795 | Status: PERCON

Renewal of listed building consent reference 98/0555/LB2/128/75 granted on the 8th February 2000 for external and internal alterations to the Warehouse, Apprentice House, Dye House, Stable and Office in connection with changes of use to mill shopping, offices and/or Visual Arts Trust and caretakers dwelling

Ref. No: SA/05/0185/REW **|** Status: Application Withdrawn

Renewal of planning permission reference 97/0795/128/75 granted on the 8th February 2000 for change of use from former maltings to :- mill shopping (3490m2); offices (B1) (5,229m2) and/or visual arts trust in warehouse ; visual arts trust (1,104m2) (galleries, lecture room, studios, restaurant, kitchen, associated offices) or offices (B1) or pub/restaurant(A3) ; caretakers dwelling (133m2) (conversion of office); change of use from garden centre to landscaped entrance, including reinstatement of former canal; formation of car parking and associated landscaping; associated external alterations to the buildings including the erection of two external glazed stairways ; after demolition of 2 No. silo buildings

Ref. No: SA/05/0184/REW **|** Status: Application Withdrawn

Renewal of Listed Building Consent 98/0421/LB1/128/75 granted on the 08-02-2000 for external and internal alterations to the Flax Mill, Kiln and Cross Mill, including the erection of two external glazed stairways in connection with the changes of use to mill shopping, offices and visual arts trust uses (or office or pub restaurant uses)

Ref. No: SA/05/0153/REW **|** Status: Application Withdrawn

Appendix 5

Planning Policy Document Schedule.

Section 38(6) of the Planning and Compulsory Purchase Act 2004 Act requires the local planning authority to determine planning applications in accordance with the development plan, unless there are material circumstances which 'indicate otherwise'.

The Development Plan for Shropshire consists of the Core Strategy 2011 and the Site Allocations and Management of Development Plan (SAMDev Plan).

Shropshire Council Core Strategy Adopted February 2011

https://shropshire.gov.uk/planning-policy/local-planning/core-strategy/

Relevant Core Strategy Policies

CS2: Shrewsbury Development Strategy

CS13: Economic Development, Enterprise and Employment

CS16: Tourism, Culture and Leisure

Site Allocations and management of Development (SAMDev) Plan adopted December 2015

https://shropshire.gov.uk/planning-policy/local-planning/samdev-plan-2006-2026/the-plan/

Relevant SAMDev Plan Policies

MD1: Scale and Distribution of Development

MD4: Managing Employment Development

MD9: Protecting employment areas

MD11: Tourism Facilities and Visitor Accommodation

S16: Shrewsbury area settlement policy

National Planning Policy Framework 2019

https://www.gov.uk/government/publications/national-planning-policy-framework

Planning Practice Guidance

https://www.gov.uk/government/collections/planning-practice-guidance

Shrewsbury Big Town Plan

https://shropshire.gov.uk/committee-services/documents/s19381/Shrewsbury%20Big%20Town%20Plan_Appendix%201.pdf

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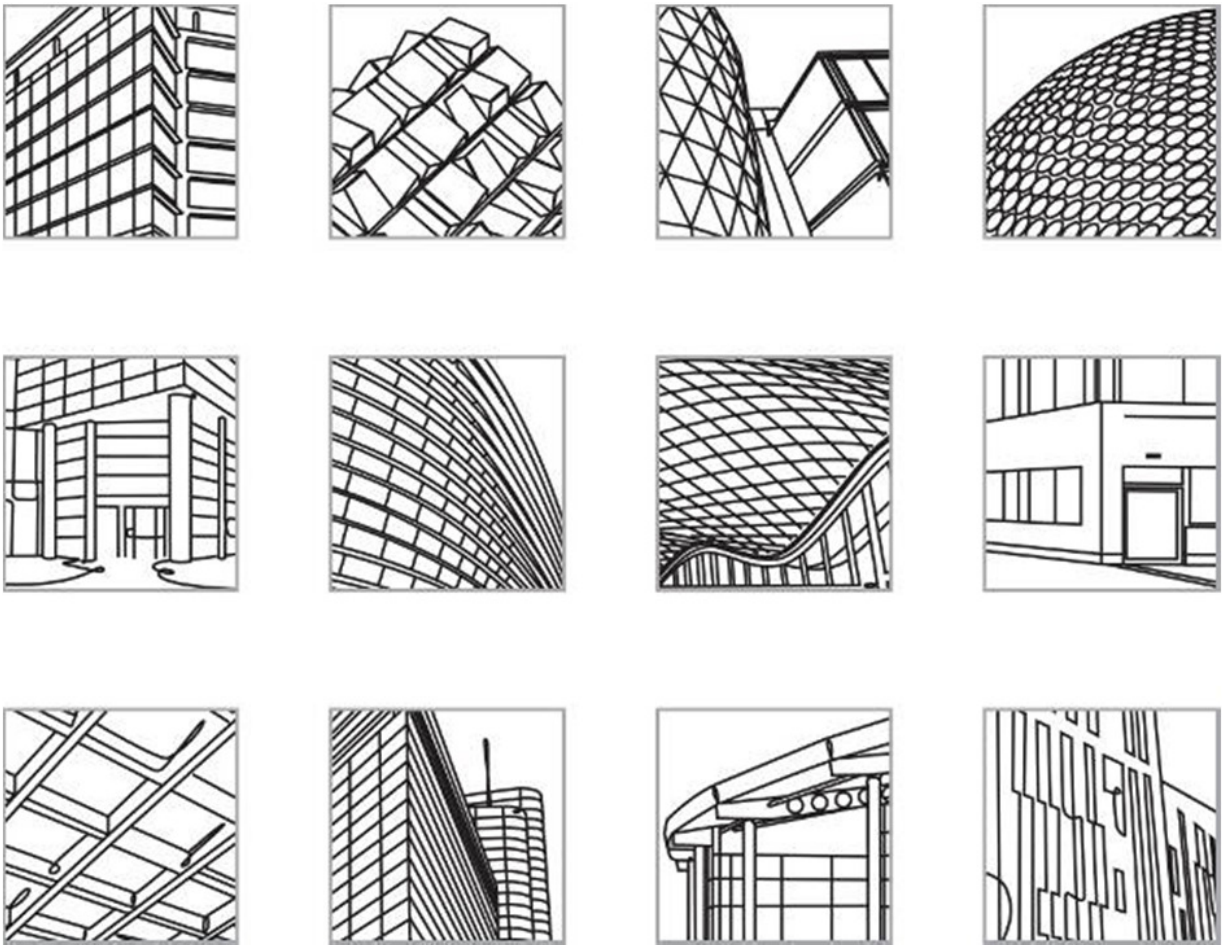
Historic England

Shrewsbury Flax Mill
Development Advice

Lambert Smith Hampton



September 2020

Confidential Report & Advice

Historic England

Purpose of Advice

Historic England (HE) instructed Lambert Smith Hampton (LSH) to provide development advice in relation to the new build potential at Shrewsbury Flax Mill (SFM) and the financial impact of excluding the takeaways.

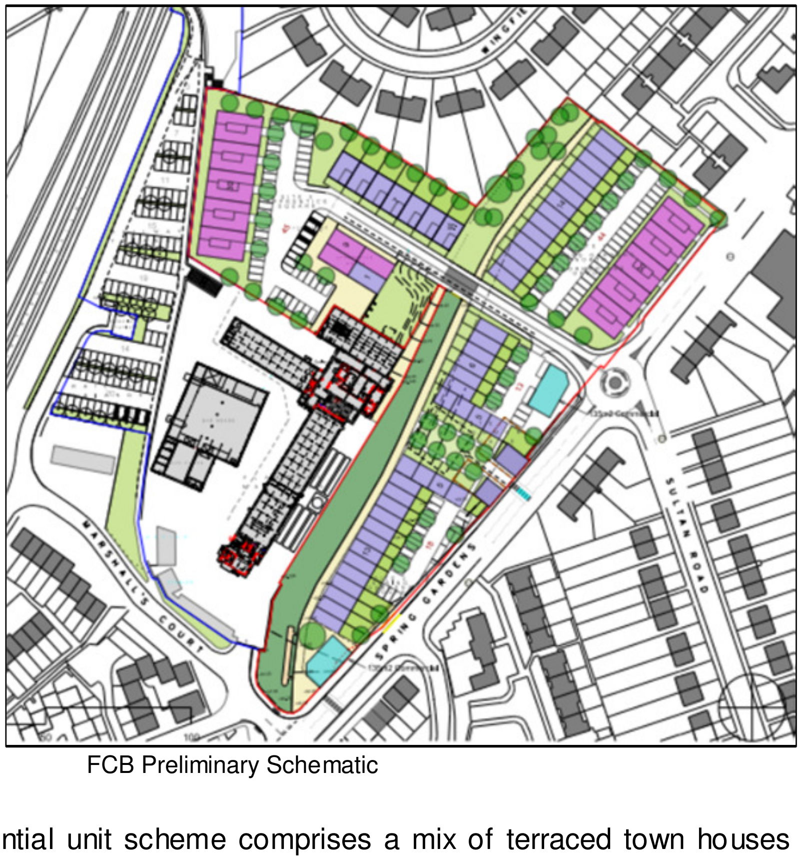
The purpose of the advice is to provide opinion as to the financial advantages of including the takeaway premises. This will then enable HE and partners to make a more informed decision in terms of their acquisition strategy and cost benefits claim in doing so.

This advice provides a non-red book opinion of market value of the masterplan scheme. It above does not constitute a valuation and cannot be relied on.

This advice considers the benefits of acquiring the takeaways from a financial perspective only. Other, potentially more important considerations need also to be included notably the historic setting, aesthetics generally and environmental issues.

The Scheme

The proposed scheme is more particularly shown below.



FCB Preliminary Schematic

The 120 residential unit scheme comprises a mix of terraced town houses and flats either side of the new vehicular access into the site. Sites 2 and 3 comprise a mix of townhouses terraced and mews housing totalling 29 units with two retail/commercial units.

Key features of the scheme include the route of the canal between Main Mill building and the town houses, main entrance into the historic buildings via the takeaways to Haughmond Square, and the square to the rear featuring the converted Apprentice House.

Review of the current sub regional market

Location

The site located approximately 1.5km north of the town centre towards the principle employment area at Battlefield and the main routes to Whitchurch, Chester and Stoke-on-Trent.

The immediate area is predominantly residential with a relatively new Persimmon Homes development opposite. Local services are provided for approximately 600m to the north.

New housing has and continues to be developed off St Michaels Street between the site and town centre.

Immediately to the north of the site is an area of predominantly social housing which is the subject of major investment.

It is recognised this might detract from the site and therefore there are proposed mitigation measures to minimise this concern.

Market Influences

The economy as a whole is undergoing one of the most impactful events resulting from the coronavirus pandemic. All sectors of the economy have affected some positively but the vast majority have been negative. The effects were immediate and although a 'bounce-back' was envisaged the reality is likely to be a much slower recovery with some sectors permanently scarred.

The residential market witnessed a short term shut down with sales values dipping but actual sales almost grinding to a halt. More recently with covid restrictions partially lifting the market has witnessed significant recovery to almost pre-pandemic levels in values. The medium and longer term outlook is less certain with on-going economic difficulties, impact on employment and banks reacting in limiting credit.
Accordingly, it is very difficult to predict what might happen and therefore we can only consider matters on the basis of normal market conditions pre-covid.

Our advice comes with with a strong caveat that our reported values and underlying appraisal assumptions may well be very different when seeking offers for the site.

Notwithstanding, our advice is to consider the financial impact of the takeaway premises situated to the front and centre of the site. This assessment is essentially a comparison only of the achievable values with or without the inclusion of the takeaways, therefore, the actual values themselves are less material.

Property Market - Residential Values

In assessing the potential residential sales values it is necessary to take account of the respective locations of the evidence in comparison with the subject site. This is potentially an iconic scheme that is capable of commanding premium values. However, it is also necessary to recognise the immediate area does not command the highest values and therefore those that apply to this scheme need to be moderated.

We have assumed a market facing mix of accommodation and sizes with high standards that attracts aspirational purchasers without prejudicing the wider market needs.

We have assumed the new build zones will be delivered by a quality developer following a competitive process where delivering value is only one determinant alongside quality, delivery and 'partnership' working amongst others. Accordingly, the final scheme might differ in unit mix and sizes whilst delivering a similar quantum of development.

We are of the opinion that a quality scheme with appropriate marketing might achieve market leading values in the immediate area. It is on this assumption that we have based our opinion of potential sales values as shown in the table below.

Unit Type	Including Takeaways	Excluding Takeaways	Discount sum
Terraced and Town Houses	£350,000	£320,000	£30,000
Mews Housing	£250,000	£225,000	£25,000

The Haughmond Square units once converted are valued at £250,000 and £320,000.

Basis of Assessment

In reviewing the scheme we have focused on sites 2 and 3 being those most impacted by the retention of the takeaways. We advise later that the effects will not be limited to these sites only with wider and potentially more significant ramifications.

Our assessment is based on two scenarios:

1. The status quo option assumes the takeaways continue to operate and there is no significant change to their condition
2. This acquisition option assumes the takeaways are acquired and converted to residential use.

Status Quo Option.

These two detached buildings comprise takeaway restaurants believed to benefit from residential accommodation above.

Google Aerial view of Takeaways overgrown and rubbish strewn including rear yards

Google Street View showing extracts to the rear.

We have not inspected the properties but believe they are in poor condition. Over time they have been converted and refurbished unsympathetically to their setting. The yards to the rear are generally untidy/unkempt being overgrown and/or containing rubbish.

Retaining the status quo of these as takeaways will impact on the scheme in the following ways.

a. The yard areas impact directly on at least two of the new houses reducing the quantum of development accordingly.

Takeaway units with yard area edged dashed red

b. The unsightly nature of the properties will impact the closest new units and those generally within sites 2 and 3.
c. Similarly, the noise, smells, fumes, etc will impact the same units.
d. As the scheme is likely to be sold as one opportunity the impact on these sites will also affect the remainder.
e. Their retention might be seen as so deleterious that developers will be put off from bidding thereby jeopardising the delivery of this residential led new build scheme.
f. Additionally, the letting of the historic buildings will be adversely impacted affecting their sustainability and long term future.
g. Irrespective of the impact on the residential new build there will be a negative impact on these internationally important historic buildings benefitting from substantial public investment.

Having regard to the above we have reduced the quantum of development in site 2 and 3 by one unit each plus the opportunity to convert the two takeaways.

We have reduced the anticipated sales values in site 2 and 3 by approximately 9% to reflect the issues identified in a) to c) above.

<u>Acquisition Option</u>
Under this scenario we have applied the full values deemed appropriate for the scheme in this location.

The benefits to the acquisition of the takeaways are effectively the opposite to the impacts outlined above.

We have included budget estimates to acquire and convert the takeaways to alternative uses.

We have retained the units otherwise directly affected by the takeaways.

We have applied a discount in the sales values to the converted units due to:

i) their proximity to the road,
ii) the new thoroughfare between them and,
iii) in the case of one, because it is too large in the circumstances.

Appraisal Outputs
We have undertaken appraisals covering both sites 2 and 3 on the basis of development with and without the takeaways.

The resulting residual values are rounded to:

Status Quo development	(£115,000)
Takeaways acquired	£280,000

This assessment indicates there is a positive financial benefit in acquiring the takeaways in the sum of almost £400,000 even having regard to the cost of acquisition.

In addition to this financial benefit to sites 2 and 3 there are similar benefits to the other sites and the indirect benefits referred to d) to g) above. These matters are fundamental to the overall project and cannot readily be 'valued' in the traditional sense.

Conclusions
Having regard to the above we are of the opinion the acquisition of the takeaway properties is essential to the viability of the project. More fundamentally, they are critical to the deliverability of the new build scheme and the overall success of the Flax Mill project.

John Rockminster,
Director, Lambert Smith Hampton
4th September 2020

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