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

Date: Tuesday, 22 November 2022

Committee:
Performance Management Scrutiny Committee

Date: **Wednesday, 30 November 2022**
Time: **2.00 pm**
Venue: **Shrewsbury/Oswestry Room, Shirehall, Abbey Foregate, Shrewsbury, Shropshire, SY2 6ND**

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

There will be some access to the meeting room for members of the press and public, but this will be limited. If you wish to attend the meeting please email democracy@shropshire.gov.uk to check that a seat will be available for you.

Please click here to view the livestream of the meeting on the date and time stated on the agenda

The recording of the event will also be made available shortly after the meeting on the Shropshire Council Youtube Channel Here

Tim Collard
Assistant Director - Legal and Governance

Members of Performance Management Scrutiny Committee

Claire Wild (Chairman)
Joyce Barrow (Vice Chairman)
Julia Buckley
Steve Charmley
Roger Evans
Robert Macey
Alan Mosley
Peggy Mullock
David Vasmer
Chris Schofield

Your Committee Officer is:

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

AGENDA

1 Apologies for Absence and Substitutions

2 Disclosable Pecuniary Interests

Members are reminded that they must declare their disclosable pecuniary interests and other registrable or non-registrable interests in any matter being considered at the meeting as set out in Appendix B of the Members' Code of Conduct and consider if they should leave the room prior to the item being considered. Further advice can be sought from the Monitoring Officer in advance of the meeting.

3 Minutes of the meetings held on 13 July 2022 and 14 September 2022 (Pages 1 - 4)

To consider the Minutes of the Performance Management Scrutiny Committee meetings held on 13 July 2022 and 14 September 2022, attached

4 Public Question Time

To receive any questions from the public, notice of which has been given in accordance with Procedure Rule 14. Deadline for notification is no later than 5.00 pm on Thursday 24 November 2022.

5 Member Question Time

To receive any questions from members of the Council. Deadline for notification is not later than 5.00 pm on Thursday 24 November 2022.

6 ICT & Digital Strategy Green Paper

Report to follow

7 Review of Charging Policy for Second Homes and Empty Properties Green Paper (Pages 5 - 12)

Report attached

8 **Financial Monitoring 2022/23 Quarter 2**

Report to follow

9 **Financial Strategy Mid Year Review** (Pages 13 - 40)

Report attached

10 **Date/Time of next meeting of the Committee**

The Committee is scheduled to next meet Wednesday 11 January 2023 at 10.00 am

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SHOPSHIRE COUNCIL

PERFORMANCE MANAGEMENT SCRUTINY COMMITTEE

Minutes of the meeting held on 14 September 2022
2.00 - 3.40 pm in the Shrewsbury/Oswestry Room, Shirehall, Abbey Foregate, Shrewsbury, Shropshire, SY2 6ND

Responsible Officer: Amanda Holyoak
Email: amanda.holyoak@shropshire.gov.uk Tel: 01743 257714

Present
Councillor Claire Wild (Chairman), Joyce Barrow (Vice Chairman), Roger Evans, Robert Macey, Alan Mosley, Peggy Mullock, Roy Aldcroft (Substitute) (substitute for Steve Charmley) and Ted Clarke (Substitute) (substitute for Julia Buckley)

1 **Apologies for Absence and Substitutions**

Apologies for absence were received from Councillors Julia Buckley (substitute Cllr Ted Clarke), Steve Charmley (substitute Cllr Roy Aldcroft) and David Vasmer

2 **Disclosable Interests**

There no declarations made.

3 **Minutes of Last Meeting**

The Chair explained that due to pressure of other work, particularly the immense amount of additional work in connection with the death of HM Queen Elizabeth, the minutes of the last meeting had not been finalised and would be brought to the next meeting.

4 **Public Question Time**

There were no questions from members of the public.

5 **Member Question Time**

There were no questions from Members.

6 **Financial Monitoring Report Quarter 1 2022/23**

Members received the report of the Executive Director of Resources which estimates the Council's year end position based on information over the period 1st April 2022 to 31st July 2022.

The Assistant Director, Finance and Technology took members through the report and drew their attention to the following points: -

- This is the 1st report of year which brings out issues which will be addressed through the year

- The Council faces significant uncertainty around the budget
- The budget was set in February and significant national and international events subsequent to this have created some of the pressures being seen, and there were ongoing pressures in some areas caused by the cessation of some covid grants
- The current best estimate was an overspend of £9.373 million overspend with the worst case showing an overspend of £17.506 million and the best case an overspend of £4.138 million, and that officers were working though mitigations to achieve this.
- Changes in the labour market had led to difficulties in recruiting staff and work was being done to ensure that the Council's employment offer was attractive to potential employees.
- 77% of projected savings had been rated green or amber with the majority of the red rated savings arising in the Place Directorate.
- The 2022/23 budget strategy included an increase in general reserves to £15,55 million and if the current overspend was not mitigated it would lead to a reduction in reserves to unsustainable levels.

In response to a question the Assistant Director, Finance and Technology confirmed that energy was sourced through a fixed price contract with West Mercia Energy and warned that there may be a potential budgetary pressure arising at the end of the contract.

In response to a question the Assistant Director, Finance and Technology confirmed that currently the number of council tax accounts in arrears was not rising but that this was being monitored.

In response to a question regarding figures previously announced in July the Assistant Director, Finance and Technology confirmed that overspends previously announced which were around inflationary and salary pressures were incorporated in the current figures, but that work had already been carried out to reduce the impact of such pressures.

In response to a question around the timetable for the North West Relief Road, the Scrutiny Officer confirmed that it was anticipated that the planning application would come forward in the autumn but that it would not be in September as stated in the report. The Portfolio Holder commented that the delay in bringing this forward was due to delays from external organisations.

In response to a question around potential additional funding from central government especially for social care, the Assistant Director, Finance and Technology stated that the situation was currently unclear. The Portfolio Holder for Finance and Corporate Resources commented that the Council was working with providers to understand and help alleviate the current problems and was using the information gathered to lobby central government for additional funding.

RESOLVED:

That Members:

A. Note that at the end of Quarter 1 (31st July 2021), the full year revenue forecast is a potential overspend of between £4.138m and £17.506m, with best estimates indicating an overall overspend of £9.373m.

B. Consider the detrimental impact of this on the Council's General Fund balance and mitigating actions urgently required to avoid this.

7 **Performance Monitoring Report Quarter 1**

Members received the report of the Executive Director of Resources which set out performance against the outcomes set out in the Shropshire Plan.

The Performance and Research Manager took members through the report and highlighted the following: -

- First report setting performance against the outcomes set out in the Shropshire Plan, there will be more measures added as time goes on, with specific targets.
- Main area of concern is the delay in the Homelessness Strategy, caused by pressures of dealing with the pandemic and settling of people from the Ukraine, but this was now moving forward, and the Temporary Accommodation Strategy, which would feed into the overall strategy would be published shortly.
- Another key pressure was the number of Looked After Children and whilst the rate of increase in numbers had slowed, this may increase again with an increased number of unaccompanied asylum seeker children.

In response to a query the Executive Director for Resources stated that the relevant performance indicators on the Shropshire Plan would be developed over the next 6 months and should all be in place by the start of the next financial year. Members that a session be set up to meet with relevant officers and portfolio holders to look at what KPIs were required.

A Member commented that the report showed an overly "rosy" view.

RESOLVED:

That the report be noted.

That a session be set up for councillors to meet with relevant officers and portfolio holders to look at what KPIs were required.

8 **Financial Strategy Task and Finish Group terms of reference**

Members received the report of the Overview and Scrutiny Officer which set out a draft term of reference for the Financial Strategy Task and Finish Group.

A Member asked whether it would be possible to receive the monthly reports that Officers receive. The Executive Director of Resources stated that the monthly reports were not in a suitable format for Members to consider, but that Officers could update the group on significant changes in figures.

RESOLVED:

That the terms of reference be agreed.

9 **Work Programme**

The Overview and Scrutiny Officer advised that in addition to the standard financial reports the following items would be brought to the next meeting: -

- Digital Strategy
- Annual Complaints Report.

Signed .... (Chairman)

Date: ....

Committee and Date	Item
Performance Management Scrutiny Committee 30 November 2022	 Public

Review of Charging Policy for Second Homes and Empty Properties

Responsible Officer: James Walton, Executive Director of Resources (Section 151 Officer)

E-mail: james.walton@shropshire.gov.uk Tel: 01743 258915

1. Synopsis

The Council has power to increase council tax on second homes and long term empty property. The Levelling Up and Regeneration Bill, subject to the Bill receiving Royal Assent prior to 31 March 2023, will provide further charging options for the Council in relation to second homes and empty property premium. There is therefore an opportunity to consider these options alongside current charging policy with effect from 1 April 2024.

2. Executive Summary

2.1 In council tax law empty property is either classed as a second home, or long term empty property. A second home is a furnished dwelling that is no one's main home. A long term empty property is a property that is unoccupied and substantially unfurnished for more than six months.

2.2 The Council has discretion to award a discount of between 50% and zero on second homes. Current policy is to award zero discount meaning second homes attract full council tax.

2.3 Holiday homes that are available for let for more than 140 days in the year pay business rates, and not council tax, and are therefore not impacted by this policy.

2.4 Long term empty property that has been unoccupied and substantially unfurnished for more than two years attracts a council tax premium. The level of the premium is determined by how long the property has been unoccupied and substantially unfurnished as set out below.

- Unoccupied and substantially unfurnished for more than two years but less than five years - 100% premium
- Unoccupied and substantially unfurnished for more than five years but less than ten years - 200% premium
- Unoccupied and substantially unfurnished for more than ten years – 300% premium

2.5 The Levelling Up and Regeneration Bill will further enhance charging options with effect from 1 April 2024. Through the Bill it is the Government's intention to enables billing authorities to:

- reduce the minimum period for the implementation of the council tax premium for long term empty premises from two years to one year; and

- allow billing authorities to introduce a council tax premium of up to 100% in respect of second homes

2.6 In its current form the Bill requires billing authorities to make a resolution confirming their intentions on the application of the premiums at least twelve months prior to the start of the financial year in which the changes would come into effect, meaning that the Bill will require Royal Assent to be obtained prior to 31 March 2023 in order for billing authorities to be given the powers to make a resolution and adopt the changes for the year commencing 1 April 2024.

2.7 The Council taxbase reflects the Council's empty property charging policy, and this has already been prepared and built into budget planning for 2023-24 and will be voted on by Council on 15 December 2022. Any changes to the current policy recommended by this committee would not therefore be able to take place until 1 April 2024.

3. Recommendations

3.1 Members are asked to consider, challenge and comment as appropriate on the contents of the green paper to provide a steer before the Charging Policy for Second Homes and Empty Properties is taken through the next stages of the Council's decision making process.

REPORT

4. Risk Assessment and Opportunities Appraisal

4.1 Any decision to move away from the current empty property charging policy would increase the financial risk to the Council and reduce income via Council Tax. The current maximum amounts levied as a result of the existing charging policy is set out at point 5.1 below.

4.2 There is an opportunity to increase income collection from empty property charges with effect from 2024-25 by implementing the changes in the Levelling Up and Regeneration Bill, and applying a 100% premium for second homes, and levying the council tax premium after a property has been unoccupied and substantially unfurnished for one year, rather than two. The potential maximum amounts that could be levied as a result of the agreeing this charging policy is estimated at point 5.2 below.

4.3 Any decision to increase empty property charges will lead to an increase of requests for discretionary discounts.

5. Financial Implications

5.1 Financial impact of current empty property charging policy based on information as of 3 October 2022.

Current charging policy	dwellings as at 3 October 2022	Council tax band D equivalent	Total income based on 2022-23 average council tax £	Shropshire Council Precept (78.07%) £
Second Homes - zero discount	1548	712.32	1,424,355.07	1,111,994.00
Premium 100%	340	293.89	587,662.44	458,788.07
Premium 200%	118	203.77	407,458.49	318,102.84
Premium 300%	74	183.00	365,926.80	285,679.05

5.2 Financial impact of introducing second homes premium and charging 100% premium for unoccupied and substantially unfurnished property after twelve months with effect from 1 April 2024 based on information as of 3 October 2022.

Current charging	dwellings as at 3 October 2022	Council tax band D equivalent	Total income based on 2022-23 average council tax £	Shropshire Council Precept (78.07%) £
Second Homes premium	1548	1,424.68	2,848,790.13	2,224,050.45
Premium 100% after 12 months	468	417.12	834,073.15	651,160.91

5.3 Based on figures held as of 3 October 2022 implementing the second homes premium would mean additional income to Shropshire Council of £2.2mil, and levying the premium after one year empty, rather than two, would mean additional income for Shropshire Council of £0.6mil. This income would be realised with effect from 2024/25 financial years.

6. Climate Change Appraisal

6.1 There are no direct implications for climate change as a result of this report and full implications and considerations of climate change as a result of any changes to the scheme will be reviewed at that time.

7. Background

7.1 Current policy on empty property charging has been in place for a number of years. Properties are identified as either second homes or vacant properties either through notification from taxpayers, property inspector monitoring, or property review. The property status is then recorded in the council tax system.

7.2 Second Homes

7.3 Current policy to offer no discount in respect of second homes has been in place for a number of years. The regulations on second homes do overlap with business rates where owners of second homes that are available for let as holiday lets for more than 140 days in the year have their property assessed for business rates rather than for council tax. Very often, where second homes are classed as holiday lets and fall into business rates the owner pays no rates because they can qualify for small business rate relief. The only evidence needed to support that the property is available for let as a holiday home is evidence of an advertisement for the property being available for let for more than 140 days.

7.4 From April 2023 these criteria will still apply, but additionally Government have said that it must be demonstrated that the property was available for let for more than 20 weeks in the previous year, and proof must be provided that the property was actually let for short periods totalling at least 70 days. The Valuation Office will be responsible for determining whether a property should be assessed for business rates or council tax under this system.

7.5 Council Tax Premium

7.6 Since 2013 the Government have enabled Billing Authorities to levy a Council Tax premium in relation to any dwelling that, for a continuous two year period, has been unoccupied or substantially unfurnished.

7.7 Up until 2019 the premium was levied at 50% and since 1 April 2019 the Government have enabled Billing Authorities to increase the level of premium charge incrementally. Current charging policy is as set out below.

- 1 April 2019 the premium can be charged at 100% for properties unoccupied and substantially unfurnished for more than two years;

- 1 April 2020 the premium can be charged at 200% in relation to dwellings unoccupied and substantially unfurnished for more than five years, and

- From 1 April 2021 the premium can be charged at 300% for properties unoccupied and substantially unfurnished for more than ten years.

7.8 The regulations are clear that the decision to levy the premium is based on the condition of the dwelling, and this means that any changes in ownership which would change liability for council tax, have no impact on levying the premium, which must be charged once the Council has agreed the charging policy for the year. The regulations provide for the Government to prescribe classes of dwelling where the premium will not apply. They do not enable billing authorities to make their own determinations for exceptions to their policy to levy the premium. As a result, each year the Council decides whether to levy the premium, or not. It doesn't have the power to introduce classes of dwelling that would be exempt from the premium.

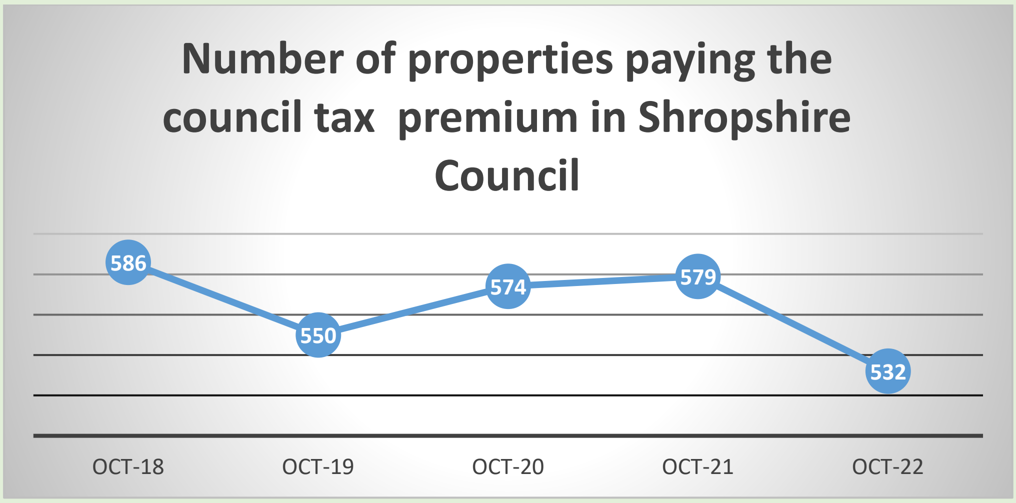
7.9 A fundamental principle in Council Tax regulations is the 'six weeks' rule. This stipulates that initial discount that can be awarded when a property first becomes unoccupied and unfurnished cannot be awarded again in respect of a property unless it has been either occupied, or substantially furnished, for a continuous six week period. That means that unless a property subject to the premium is occupied or substantially furnished for a continuous six week period then the premium will continue to apply even where there is a change of owner.

7.10 This means that when someone purchases a property that is already subject to the premium, they are charged the premium from the date of purchase, unless they occupy or furnish the dwelling for more than six weeks. This has created some complaint from taxpayers that claim that this is unfair because they have only just become responsible for the property. However, it is within the taxpayers or their representatives power to check the tax position prior to purchase of the property, and often the property will be purchased at a reduced rate due to the previous owner wanting a quick sale (due to the imposition of the premium).

7.11 The Councils charging policy for unoccupied and substantially unfurnished property is set out at appendix A.

7.12 Shropshire Council did not levy the premium until 1 April 2014 and have increased the level of premium charged incrementally as allowed by subsequent legislation. The decision to levy the premium is agreed by full Council each December when the Council agrees the taxbase for the forthcoming financial year. The six week rule is explained as part of this determination.

7.13 Over the previous five years the number of properties paying a council tax premium has reduced overall from 586 to 532.



7.14 A number of appeals from other Billing Authorities against the Council Tax Premium were heard by the Valuation Tribunal in 2014 after the premium had been introduced. The then president of the Tribunal Service, Professor Zellick, concluded in 2014 that there were only three avenues open to taxpayers that wished to appeal against the imposition of the premium. They were: -

i. Apply for judicial review in High Court
ii. Apply to the billing authority for discretionary relief (Section 13A (1)(c)) Local Government Finance Act 1992 (LGFA 1992)
iii. Complain to the Local Government Ombudsman (although recent ombudsman cases have concluded they have no jurisdiction in this matter)

7.15 As a result, when taxpayers wish to appeal against the premium, they are considered for discretionary council tax discount under S 13A (1) (c) of the LGFA 1992. The Council has an approved policy for considering these requests. In doing so, they are asked to provide evidence that their circumstances are exceptional enough that the agreed Council policy should not apply. The Council does have power under Section 13A (1)(c) to determine a class of dwellings that could receive a council tax discount. The full cost of any discount awarded under Section 13A (1) (c) is picked up by Shropshire Council, and not shared with precepting authorities.

Therefore the cost of any discount awarded under Section 13A (1) (c) must be picked up the by wider council taxpayer.

7.16 **Additional charging options - Levelling Up and Regeneration Bill**

7.17 The Levelling Up and Regeneration Bill contains proposals aimed at further addressing empty properties via council tax charging and would enable the Council to levy the premium on unoccupied and substantially unfurnished dwellings after 12 months and levy a premium in respect of second homes. Assuming the bill receives Royal Assent, the Council will be required to make a resolution confirming the intention on the application of the premiums at least 12 months prior to the financial year in which the changes would come into effect, so prior to 31 March 2023 in order for the changes to be implemented for the 2024-25 financial year. Assuming the Levelling Up and Regeneration Bill become legislation, this resolution will form part of the council tax setting report to be considered by Council on 2 March 2023.

7.18 If Council agrees to these changes the Revenues Team would notify all impacted residents of the impending changes well in advance of the implementation date 1 April 2024.

List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)
Cabinet Member (Portfolio Holder) Gwilym Butler, Portfolio Holder for Finance and Corporate Resources
Local Member All
Appendices **Appendix A Shropshire Council, empty property charging policy**

Appendix A Shropshire Council, empty property charging policy

'The only way to get the council tax charge back to the bottom of the ladder is for the ***property*** *to be occupied or substantially furnished for a continuous six week period'*

'Remember, a new owner will have to pay the council tax depending on how long the ***property*** *has been vacant, from date of purchase. So if a new owner buys a property that has already been vacant for more than two years, they will pay the 100% premium immediately '*

Amount due based on average council tax 2022-23 £1999.60
Step five • **Over ten years vacant** • 300% premium • £7,998.40
Step four • **Five to ten years vacant** • 200% premium • £5,998.80
Step three • **Two to five years vacant** • 100% premium • 3,999.20
Step two • **one month to two years vacant** • full charge • £1,999.60
Step one • **Up to one month vacant** • Property exempt • £0

Committee and Date	Item
Performance Management Scrutiny Committee 30th November 2022	 Public

Financial Strategy Mid-Year Review

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

1. Synopsis

This report updates Shropshire Council's financial outlook previously reported to Cabinet in July, setting out the current view of the next 5 years and the steps in place to secure financial sustainability.

2. Executive Summary

2.1. This report provides an update on the Council's financial outlook. It follows the update provided in July.

2.2. In setting the budget for 2022/23 at its meeting in February 2022, the Council also approved a medium-term financial plan. This estimated a gap of £33.9m based on the information known.

2.3. The July update to the MTFS recognised the impact of price inflation arising since February. However, the Council had taken early action to mitigate this and the estimated gap in 2023/24 was reported as £27.4m. based on the updated information then available.

2.4. This report identifies a revised forecast budget gap for the coming year of £37.8m using more detailed estimates for likely contract costs (including for the care sector) in 2023/24.

2.5. This is a significant budget challenge for the Council. Securing a balanced budget for 2023/24 is likely to require some challenging decisions. However, once this is achieved, the Council will have made significant progress towards securing a sustainable budget throughout the medium term.

2.6. The appendix to the report provides further analysis on the changes that have occurred and the plans in place to address them.

3. Recommendations

3.1. That Cabinet notes the factors affecting the estimated funding gap in 2023/24 and the steps proposed to close that gap and thereby set a balanced budget for next year.

REPORT

4. Risk Assessment and Opportunities Appraisal

4.1. Not required for this report; further risk assessments and equalities impact assessments will be undertaken as part of the wider budget setting process.

5. Financial Implications

5.1. None directly arising from this report.

6. Climate Change Appraisal

6.1. The Council's financial planning includes assessment of climate change impacts and where these may be mitigated.

7. Background

7.1. Previous Cabinet and Council meetings papers including the budget report for 2022/23 (February 2022) and the MTFS update (July 2022).

List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)
Cabinet Member (Portfolio Holder) Gwilym Butler
Local Member
Appendices Appendix 1 – MTFS update; October 2022

Shropshire Council

Medium Term Financial Strategy 2023/24 – 2027/28

October 2022

Foreword

Following engagement with the public, our partners, and local businesses, Shropshire Council agreed 'The Shropshire Plan' at its meeting in May 2022. This plan sets out the Council's vision, purpose and priorities, grouped into 4 themes:

- healthy people,
- healthy economy,
- healthy environment, and
- a healthy organisation.

This update to the Council's financial strategy sets out the resources available to the Council in its pursuit of these thematic objectives and begins to frame how those resources will be allocated to different activities.

A clear strategy helps us all to stay ahead of issues and to be agile in our response to new challenges. It helps us to plan ahead in a consistent and coherent way. This strategy will help us to do that, by connecting our overall objectives as set out in The Shropshire Plan to how we allocate financial resources to our many different activities.

As the introduction to The Shropshire Plan concludes: *"The challenges and experiences we have shared over recent years puts us in a strong position to step up and move forwards together and adapt our plans to meet the changing situations we face."*

This financial strategy is part of that 'stepping up' to meet the challenges of the future.

Lezley Picton
Leader of the Council

Andy Begley
Chief Executive

Introduction

This financial strategy begins the process of ensuring that the Council's finances are aligned to the delivery of The Shropshire Plan, as agreed by Councillors in May 2022.

It also builds upon the engagement of the Council with the Local Government Association (LGA) through it's 'peer review' process: We invited colleagues from other councils to spend time with us reviewing our financial affairs – including our financial strategy, our budget approach, and our wider financial management across the whole Council.

The LGA review was unequivocal in its conclusions; the technical and professional resources the Council has at its disposal are of a high standard and provide a sound foundation from which to meet the coming challenges.

The review also emphasised that the approaches we have used in recent years were unlikely to secure the efficiency and effectiveness we know we need to meet our future challenges. It highlighted that we could make changes in several areas, including

- Confidence in our ability to deliver Member and resident aspirations.
- Clarity over the financial outlook in the short-, medium-, and long-term.
- A move from minimising to managing risk.
- A transparent approach to how we will secure sustainable finances, and the consequences of failing to do so.

Lastly, despite the pressures of the pandemic, it is clear that the wider economic outlook continues to be uncertain. The invasion of Ukraine and subsequent price inflation was not anticipated in our previous plans at the current levels. We are now adjusting our plans accordingly and taking the steps needed. This is the purpose of the financial strategy – setting out clearly how our resources will be deployed to deliver our corporate objectives (as set out in The Shropshire Plan) and providing a way to navigate the uncertainty we are facing in a consistent and coherent way.

This update to the Council's Financial Strategy has been prepared with all those observations in mind and sets out our current view of the overall financial outlook for the Council. It sets the context for the work needed to prepare the detailed budget for 2023/24.

Gwilym Butler
Cabinet Member
for Finance

James Walton
Executive Director
of Resources

Shropshire Council

Medium Term Financial Strategy Summary; Outlook and forward planning

Medium Term Financial Strategy Summary (at October 2022)

The MTFS agreed in February 2022 by Council. An update was presented and agreed in July 2022. Since that date, a number of factors have continued to affect the financial outlook for the Council.

Internally, the Council has agreed 'The Shropshire Plan' and this is being launched formally and more widely over the coming weeks. This plan sets out the vision and key priorities for the coming years. This will help to navigate the financial pressures by helping to prioritise activities and removing or reducing work where this does not directly support the objectives of the plan.

Externally, the war in the Ukraine continues to have an impact on the wider economy, which is also impacted by the changed leadership of the national government and the new direction anticipated in the coming months.

Accordingly, the Council has begun to identify and address in detail the pressures impacting on 2023/24 and later years, and further progressed activity which clarifies our overall shape and key activity in the future – described as our 'target operating model'.

These factors are all included in this update.

Financial Outlook

The overview of the financial position is set out in the table below. This shows the three recent reporting points and the financial outlook across next year and the coming three years.

The key issue highlighted in this table is that, across the period, estimated expenditure is higher than estimated resources. In-year estimates differ, but there is a consistent £15m - £40m gap (with a larger gap in the earlier years).

The good news from this is that finding on-going and sustainable savings measures in the earlier years will lead to the later years coming into overall balance. The bad news is that the challenge in the earlier years is significant, at just over 5% of overall expenditure (13% of net budgets).

Previously, the impact of COVID on both resources and spending have made clarity on this outlook harder to ascertain, and some years have seen short term measure being applied to secure a balanced budget. That is no longer the case – the outlook is clear, and sufficient short term resources (e.g. reserves) are not available to help balance the budget. All options will need to focus on longer term, sustainable savings options – which are likely to impact on service delivery.

	2023/24 £	2024/25 £	2025/26 £	2026/27 £
at February 2022				
Estimated Resources	585,407,314	594,149,668	608,600,766	621,839,624
Estimated Expenditure (incl savings plans)	619,313,227	629,406,493	640,779,762	646,878,170
Financial gap arising	33,905,913	35,256,825	32,178,996	25,038,546
at July 2022				
Estimated Resources	620,056,203	632,023,759	646,474,857	659,713,715
Estimated Expenditure (incl savings plans)	647,509,794	654,662,217	666,585,840	672,691,420
Financial gap arising	27,453,591	22,638,459	20,110,984	12,977,705
Current - at October 2022				
Estimated Resources	623,127,830	634,016,727	635,799,956	650,678,520
Estimated Expenditure (incl savings plans)	658,878,879	667,802,916	671,232,831	677,043,321
Financial gap arising	35,751,049	33,786,190	35,432,876	26,364,801

Resources

The table above shows that the Council receives resources each year which average £640m across the period.

Overall resources are largely stable throughout the period. These are driven by Council tax receipts and retained business rates under the rates retention mechanism, and supplemented by government grants for specific services.

- Council tax – this is currently estimated to increase each year by c £11m due to an estimated 1.5% per year growth in the number of chargeable properties (the tax base), an assumed 1.99% national limit on the increase in the charge (included for each year), and a further charge of 2% per year for the social care precept. Overall levels of Council Tax are expected to grow from £191m in 2023/24 to £239m by 2027/28.

  It is important to note that the upper limit on council tax rises is determined annually by the secretary of state. It is not yet known if the threshold will be held at 1.99% (as in recent years) or may be relaxed, for example to 2.99% or 3.99%. Similarly, it is not yet known if the social care precept will be repeated in future years. (NB – each 1% on council tax yields c £1.8m additional resource for the council.)

- Business rates - The ‘rates retention’ mechanism, including the ‘topup’ and ‘tariff’ arrangements, indicate that resources from retained business rates average £55m per year, rising from £52m to £60m across the period as the NDR multiplier is increased each year. (These figures include Revenue Support Grant of £6.5m per year.)

- Other important resources include ringfenced and targeted government grants. The application of these is usually restricted, and the Council needs to ensure that the planned use is appropriate and sustainably contained within the available funding. These include, for example (using current year values):
  - £105m Dedicated Schools Grant
  - £38m Mandatory Rent Allowances
  - £17m business rate reliefs compensation grant (s31)
  - £12.4m Public Health Grant

Expenditure

Estimated expenditure averages £670m per year, with estimated spending in 2023/24 of nearly £660m. Inflationary pressures and the pressure from local population growth is usually around £20m per year – but this has more than doubled as a result of the current level of inflation.

Inflation affects the council's budgets in a number of ways, including simple price inflation on fuel and utilities, but, more importantly, it also impacts on our budgets via pay increases in our supply chain, including increases to the national minimum waqe, and inflationary pressures arising for social care suppliers which are then passed on to the council through increased contract costs, as well as for other significant contracts such as for waste disposal (Veolia) and highways maintenance (Kier).

Current year impacts

As at February 2022, it was anticipated that there would be growth of c£19m in retained Council tax (£10m) and business rates receipts (£9m), which could then be used to fund estimated growth of approximately the same amount (£19m).

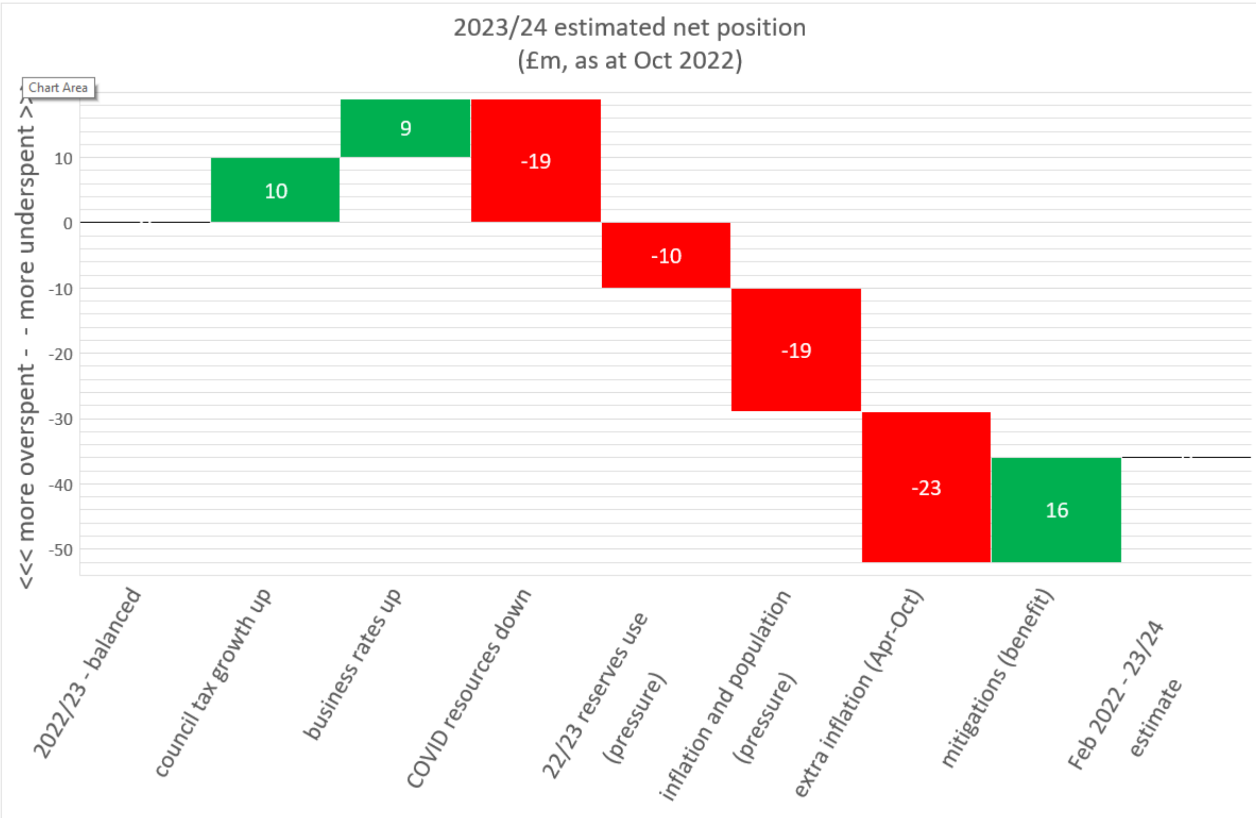
However, previous estimates indicated loss of one-off grants received as part of the COVID response of £19m in 2022/23 but no longer anticipated in 2023/24, and also the decision to use £10m of reserves in the budget for 2022/23 (partly to support service delivery, and partly to supplement existing reserves and maintain them at more prudent levels). These factors would then drive a gap of c £30m.

More recently, and as noted in previous updates, we have seen significant in-year impacts arising from wider economic uncertainty, generating pay and price inflation in all sectors. Current inflation estimates for next financial year have more than doubled to almost £45m, a further £23m pressure on spending. This has been offset through some benefits identified as part of the 'tactical budget' work amounting to £16m and some further benefits in anticipated spending reductions as some time-limited work ceases.

Taken together, these factors meant that the current estimated gap for next financial years is £36m, largely driven by increased inflation, loss of one-off funding, and the use of reserves (which cannot be repeated).

It is clear that government are currently minded to remain within the Spending Review 2021 parameters (including 3.1% inflation funding). While this may change, it is also clear that changes to government funding alone will not be sufficient to tackle the financial challenge faced by the council. As such, the council will need to address these challenges directly and secure its own future, and not rely on changes in funding.

Securing recurrent savings at that level is a significant challenge but will be supported by emerging work on the delivery of a target operating model. This is discussed in further detail later in the strategy. These actions will help move the council towards a greater level of financial sustainability. It is clear that recurrent savings at this level will also require the council to reposition itself – potentially reducing activity in some areas, while also developing new activities (for example, around the wider use of the internet to support transactions with residents, and the use of remote or digital technologies to supplement care provision across Shropshire – opportunities that will mean that future council services look very different to how they are today).



The clear strategic opportunity is to maximise recurrent savings as soon as possible. At its greatest extent, this might offer the opportunity to close the gap in later years, enabling the council to consider service investment opportunities or alternatives to the expected annual increase in the council tax charge.

Financial Strategy – Short, Medium and Long-Term Objectives

The table above includes the estimated impact of the actions being put into place in the short term to address inflationary pressures and ensure we maintain a balanced budget. The actions being put into place include both short term measures (that is, actions in this year and next year), and actions expected to yield benefit in future years as well. A large number of these actions require either separate decisions to enable them or rely on collaboration with bodies outside the council to be achieved. There remains therefore a clear risk in the delivery of these proposals, which needs to be undertaken at pace. However, this council is aware of this risk and is actively managing it.

Not yet included in the figures above are the proposals to improve the overall efficiency and effectiveness of the Council in line with the proposals set out in The Shropshire Plan by defining our ‘target operating model’. These actions are anticipated to yield further benefits in the medium term (that is, the third and fourth year of the plan).

Overall, the longer-term strategy of the council is to ensure that, as set out in the Shropshire Plan, we are ‘living the best life’. In financial terms, this requires some rebalancing of our budgets so that less is spent on urgent social care, and more is spent on maintaining good health and independence and preventing poor health. In a similar way, we aim to provide more resources to support the growth in our local sources of income – building more homes to accommodate a growing population, but in doing so, being able to increase council tax receipts.

This will help us plan sustainably, generating income from local taxation and fees and charges levied, which, together with the ‘core spending’ funding received from government will balance the cost of the services we provide.

Preparing the budget for 2023/24

The strategic approach must be to:

- seek recurrent savings from service areas in order to address the significant budget gap identified for 2023/24 in a sustainable way

- remove use of reserves to bridge the budget gap, and if possible, make contributions in order to replenish them, and

- identify savings needed (which may be unpalatable) to secure longer term balance in the Council's finances.

In terms of the tactics that could be adopted, a number of different approaches can be taken to planning service delivery costs. Options include various corporately led approaches, such as allocation of the estimated gap in line with budget shares (gross or net) or requesting savings options to be offered up by all areas, or, alternatively, a more service led approach can be adopted, through which services are tasked with reviewing their own budgets in detail and then providing clear estimates of the expected level of cost pressures and the savings options that would be needed to balance those.

The risks and benefits of these relate to the relationship between services and the 'centre'. Corporately led approaches create a sense that the responsibility for financial balance sits 'somewhere else' – usually with the CFO and Chief Executive – but also set up a very clear set of targets to be achieved; these approaches are robust, but do not always promote cohesion across the Council. Service led approaches, by contrast, seek to empower services to deliver as they see fit within a resource limit and promote the idea that financial balance is part of everyone's corporate responsibility; these approaches are more inclusive and can build a greater level of corporate cohesion – but do require an organisationally mature approach at all levels.

Under both types of approach, the overall timetable will be the same – broadly set out below and in more detail in the attachment to this strategy.

- **Summertime –** prepare the first draft of pressures
- **September to November –** identification of savings options and repeated iterations of the overall budget position to secure financial balance for the coming year
- **December to January –** finalisation of the budget plan for the new year bringing together the expected pressures estimates, proposed savings (or income generation) plans, and the government's planned level of overall financial support, and, in parallel, the consultation with local people and businesses on the proposals being brought forward.
- **February –** consideration by Council of the budget proposals; finalisation of the plan and the consequent decision on the level of the Council Tax for the new year.

Shropshire Council

Impact on the current year

Impact on the current year

Changes since February and the Impact on the 2022/23 Budget

Outturn Position for 2021/22

The Council ended the last financial year well. The final outturn was an overspend of £2.5m. This was at the lower limit of the 'control corridor' (which showed that the worst case outturn could have been an overspend of £9m). Key pressures arising in the year and likely to persist into future years were encountered in children's social care.

Directorate	Net Budget £	2021/22 Controllable Outturn £	Controllable Variation £
Corporate Budgets	(51,562,440)	(53,552,463)	(1,990,023)
Health and Wellbeing	2,177,434	1,755,680	(421,754)
People	186,868,390	190,592,099	3,723,709
Place	69,764,926	70,029,647	264,721
Resources	1,397,330	2,373,650	976,320
Strategic Management Board	1,170	(46,955)	(48,125)
TOTAL	208,646,810	211,151,659	2,504,849

Within this overall position, further contributions were made to specific reserves, enabling provision to be made against known future costs and reducing pressure on revenue budgets.

Inflationary Pressures

The budget for 2022/23 was set with provision made for increases in price inflation. At the time of preparing the budget, the average pressure anticipated for the year was expected to be +3% per year.

Since February 2022, the war in the Ukraine has led to inflationary increases (notably around food, fuel, and utility prices) which is affecting the economy generally.

It is now anticipated that the provision for inflation within the budget for 2022/23 will need to increase to accommodate contract costs linked to the inflation rate, and the likely national increase to the staff pay award being negotiated for 2022/23.

A breakdown of the difference in inflation assumptions between the MTFS approved by Council in February and the updated figures is provided below.

This shows that the February assumptions for 2022/23 on inflation were for 1.75% on pay, 4% on fuel, and up to 24% on utilities. These assumptions were increased to 5.5%, 5.7% and 60% respectively for the previous update.

It should be noted that the latest increases reflect our understanding of the likely impact on council budgets. They remain estimates and subject to change, and, as such, will remain under review for the immediate future. The level of pay increase at 5.5% is largely driven by the near 6.6% increase in the National Living Wage, coupled with the disproportionate impact of that increase on the lower grades in the council pay structure (it does not reflect an assumption of an overall increase of 5.5% across all grades – rather, some of the lower grades will see higher levels of increase, while some of the higher grades may see little or no increase).

Significant contract inflation has now been identified across the care sector contracts (adults and children's social care) and also the contracts for waste disposal and highways maintenance, now expected to be higher than previously estimated (in-year estimates of cost pressures made in March 2022 have proven largely accurate – but the estimated pressure for next year arising from RPI and CPI increases affecting Council contracts have been superseded by more recent information).

Schemes within the capital programme are also anticipated to experience inflationary pressures. The majority of these will be managed through reprogramming schemes to manage within existing resources, however it is possible that additional funding will need to be identified for some schemes that will require a scheme budget increase. This will be monitored during the course of the financial year.

This increased provision will be held under review to ensure it provides a reasonable balance of necessary provision against increased costs while at the same time limiting the long-term increase and its duration, where possible.

Interest Rate Increases

In response to the impact on the economy that the inflationary pressures is causing, the Bank of England has increased the base rate from 0.1% in December 2021 to the current rate of 2.25%.

Any increase in the base rate will translate into increasing costs of borrowing should the Council need to borrow for the Capital Programme. Accordingly, this is likely to have a corresponding impact on the revenue budget and the business cases for capital schemes. This will be carefully monitored during the course of the Medium Term Financial Strategy.

Adult Social Care Reform

The Government published outline reforms to adult social care funding late in 2021. There remain a number of key issues to be resolved, but it is likely that (based on current information) there will be a net cost to councils delivering social care. These costs are not yet factored into the later years of the Council's MTFS as their likely level is not known with confidence.

The LGA briefing on the potential impact of adult social care reform on councils is available here:
Not enough money for adult social care reforms, say 98 per cent of councils in LGA survey | Local Government Association

Local Government Pressures

There have been a number of 'public interest reports' made by external auditors in recent months. These have highlighted how the current financial pressures are affecting the financial standing of different councils. The consistent message is that securing robust technical management of the accounts together with a transparent culture of honest and open engagement between officers and Members, and with clarity on the current financial position and the likely financial outlook, is critical.

Recent Public Interest Reports are summarised below.

Authority	Issues raised
Nottingham City Council	Treatment of HRA appropriations
LB Croydon	Contracts for housing work; Fairfield Halls improvement works
Wirral Council	Need for strategic (multi-year) approach to savings plans
Slough	Incorrect accounting including reserves and MRP calculations
Warrington Council	Credit rating reduction

Northamptonshire	Inaccurate financial reporting leading to inappropriate decisions; inappropriate use of capital receipts

Internal Reviews and Developments

On 12th May 2022, the Council approved the Shropshire Plan which sets out its vision and key priorities for the coming years. This document will now help shape where the Council prioritises its activities and remove or reduce work where this does not directly support the objectives of the plan. Therefore the Financial Strategy will be closely aligned to the Shropshire Plan to ensure that the Council resources are deployed to only those areas of priority.

In order to ensure that the Council's Financial standing and processes are as robust as possible, it was agreed with the Local Government Association that a Finance Peer Review would be undertaken in June 2022. This exercise was far reaching across the Council and not only examined the financial strategy and budget approach of the organisation, but also looked at the wider financial management approaches across the organisation.

The results from the Peer Review were positive and stated that they believe that the Council should be confident in its ability to meet the challenges for the future. They believe that the actions taken by the Council to address recently identified inflationary pressures and the planned implementation of the Target Operating Model to align the activities of the Council to the Shropshire Plan, will put the Council in a good position to address the funding position. There were a number of recommendations made out of the Peer Review that will help to refine the Council's approach going forward, and the Council will be working over the next few months to ensure that it has considered and, where appropriate, implemented changes to improve our approach in the future.

The peer review report has now been finalised and will be published shortly, along with an action plan setting out how the Council is responding to the report.

In-year Budget Savings Identification

Following the early identification of inflationary pressures likely to impact on the 2022/23 financial year, the Council agreed to undertake a tactical budget review which would try to identify new areas of savings not previously considered, or to bring forward savings proposals planned for future years.

This important piece of work began in April and regular updates have been presented to Cabinet to keep them informed of progress to date and also to confirm decisions to progress where appropriate.

Potential savings currently being considered for 2022/23 total £8.5m. If any of those proposals are not progressed, alternatives will need to be found to the same value.

Target Operating Model Proposals

Emerging from the 'response' period of the pandemic, the Council identified the need to embed the key benefits secured during the pandemic response, but also to reinstate some activities which were not needed during the pandemic but remain important to the good management of the Council. These initiatives and reinstatements were collectively grouped as a 'refocus' programme of work.

Subsequent activity has led to the scope of the refocus work being expanded to a wider consideration of the 'operating model' of the Council. The intention is to ensure that the Council does what is needs to do (and <u>only</u> what it needs to do) in the best way possible – that we are efficient, effective, and work together as part of one Council. This work has led to development of a 'target operating model' (TOM).

The benefit of the TOM proposals have now been estimated as £35m, and it has been calculated that potential benefits will arise in later years of which £25m is cashable (e.g. reductions in normal council operating costs) and a further £10m is 'non-cashable' (e.g. future demand reduction, so avoiding the full extent of future cost increases). These projects will form a key part of the future financial strategy and the budget strategy for next year – either by delivering cash savings, or by enabling greater efficiency and so the capacity to do more with our available resources. At this scale, benefits will significantly address the current budget challenge, but will need time and (one off) resources to be put into place.

Despite the anticipated need for some time-limited investment to help implement these changes, the overall aim is to make the council more efficient and effective in its operations. This will help us to do still more from within the resources we have.

To do so will require a rigorous approach to planning and realising the benefits arising from this programme of innovation and development, providing new opportunities for how we deliver services, and asking our staff – who proved their agility and capacity to adapt so clearly during the pandemic – to continue to adapt as new opportunities and plans come forward and to move confidently into these new ways of working. This robust framework is being put into place along with appropriate resource plans.

Shropshire Council

Impact on Medium Term Financial Strategy

2023/24 – 2027/28

Inflationary Pressures

The inflationary pressures identified in 2022/23 will have a cumulative effect across the MTFS period. It is anticipated that levels of inflation will not reduce significantly by the end of 2022/23 and therefore there is likely to be ongoing pressure during 2023/34 as well.

As a result, pay inflation anticipated for 2023/24 has been increased from 2% to 3.5% and in the remaining years of the MTFS, pay inflation has been increased from 2% to 2.5%. The impact of this is that a further £1.5m has been built into the 2023/24 financial year, and around £0.3m over the remaining period of the MTFS.

Revised MTFS Summary and Funding Gap

The impact of the inflationary pressures and mitigating savings activity outlined above has affected the funding gap over the period of the MTFS. The revised gap is outlined below, detailing the changes that have occurred since February 2022. The details of impacts identified on resources and spending estimates are set out in the 3 tables below.

Funding Gap	*2021/22 £*	*2022/23 £*	2023/24 £	2024/25 £	2025/26 £	2026/27 £	2027/28 £
Resources (incl savings plans)	554,317,935	597,559,628	592,936,915	603,069,289	604,073,300	618,149,269	632,959,106
Expenditure (incl savings plans)	615,491,946	656,496,475	658,878,879	667,802,916	671,232,831	677,043,321	689,159,388
Gap in year	***61,174,011***	***58,936,847***	**65,941,964**	**64,733,627**	**67,159,532**	**58,894,052**	**56,200,282**
One off Grants & Reserves:							
Improved Better Care Funding	*9,547,340*	*11,863,403*	10,252,045	10,618,624	10,996,201	11,385,105	11,785,676
New Homes Bonus - One Off	*942,766*		0	0	0	0	
Rural Services Delivery grant	*6,940,755*	*6,940,755*	6,940,755	6,940,755	6,940,755	6,940,755	6,940,755
Social Care Grant - One Off	*9,111,921*	*12,619,529*	12,998,115	13,388,058	13,789,700	14,203,391	14,629,493
		3,521,312					
		397,338					
		940,831					
S.31 Business Rates Additional Relief Grants for COVID	*21,110,783*	*12,760,890*					
Review of Earmarked Reserves		*6,878,140*					
Financial Strategy Reserve	*13,520,446*	*7,042,754*					
Contribution to General Fund Balance		*-4,028,104*					
TOTAL ONE OFF FUNDING	***61,174,011***	***58,936,847***	**30,190,915**	**30,947,438**	**31,726,656**	**32,529,251**	**33,355,924**
Remaining Gap/(Surplus) to be Funded	***0***	***0***	**35,751,049**	**33,786,190**	**35,432,876**	**26,364,801**	**22,844,359**

Funding Estimate	2021/22 £	2022/23 £	2023/24 £	2024/25 £	2025/26 £	2026/27 £	2027/28 £
Council Tax	***170,672,186***	***180,285,304***	191,268,680	202,182,919	213,718,117	225,913,060	238,803,201
Council Tax Collection Fund Surplus/(Deficit)	***-542,268***	***2,393,399***	-93,463	500,000	500,000	500,000	500,000
Business Rates:							
Business Rates Collected	*42,037,503*	*35,698,519*	35,752,067	42,424,766	43,083,729	43,752,927	44,432,519
Business Rates - Energy Renewable Schemes	*1,035,710*	*1,145,182*	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Top Up Grant	*10,031,260*	*10,031,260*	10,031,260	10,031,260	10,031,260	10,031,260	10,031,260
Business Rate Collection Fund Surplus/(Deficit)	*-20,840,717*	*-11,387,762*	-168,114	-500,000	-500,000	-500,000	-500,000
RSG	***6,253,139***	***6,450,404***	6,450,404	6,450,404	6,450,404	6,450,404	6,450,404
NET BUDGET	***208,646,812***	***224,616,305***	**244,240,833**	**262,089,349**	**274,283,510**	**287,147,651**	**300,717,384**
Grants included in Core Funding:							
Improved Better Care Fund	*9,547,340*	*11,863,403*	10,252,045	10,618,624	10,996,201	11,385,105	11,785,676
New Homes Bonus	*5,942,770*	*4,651,465*	2,424,326	0	0	0	0
Rural Services Delivery Grant	*6,940,755*	*6,940,755*	6,940,755	6,940,755	6,940,755	6,940,755	6,940,755
Social Care Support Grant	*9,111,921*	*12,619,529*	12,998,115	13,388,058	13,789,700	14,203,391	14,629,493
Services Grant		*3,521,312*					
Lower Tier Services Grant		*397,338*					
Market Sustainability and Fair Cost Fund		*940,831*					
CORE FUNDING	***240,189,598***	***265,550,937***	**276,856,074**	**293,036,787**	**306,010,166**	**319,676,902**	**334,073,308**
Local Income							
Fees and charges (including income savings deliverable from prior years)	*79,242,220*	*82,293,304*	82,718,167	83,151,596	83,593,807	84,045,021	84,496,235
Other Grants and contributions	*27,794,890*	*30,785,140*	30,785,140	30,785,140	30,785,140	30,785,140	30,785,140
Specific Grants (excluding Core Funding Grants above)	*196,885,397*	*209,825,807*	193,473,094	186,991,326	174,579,747	174,537,766	174,499,983
Internal Recharges	*10,205,830*	*9,104,440*	9,104,440	9,104,440	9,104,440	9,104,440	9,104,440
TOTAL FUNDING	***554,317,935***	***597,559,628***	**592,936,915**	**603,069,289**	**604,073,300**	**618,149,269**	**632,959,106**

Expenditure Estimate	2021/22 £	2022/23 £	2023/24 £	2024/25 £	2025/26 £	2026/27 £	2027/28 £
Original Gross Budget Requirement	***605,526,937***	***615,491,946***	**656,496,475**	**658,878,879**	**667,802,916**	**671,232,831**	**677,043,321**
Inflationary Growth :							
Pay	*2,743,338*	*2,841,967*	11,336,970	3,968,420	4,087,470	4,210,090	4,336,370
NI Social Care Uplift		*777,760*					
Apprenticeship Levy		*114,200*	21,970	14,110	14,530	14,970	15,420
Pensions	*0*	*0*	0	0	0	0	0
Prices	*1,309,682*	*3,213,423*					
Corporate Landlord inflation			1,380,955	185,447	190,084	194,836	199,707
Contract inflation			25,091,492	6,058,239	6,223,096	6,379,157	6,538,130
Demography & Demand	***15,502,496***	***12,575,656***	963,830	289,455	299,535	306,085	237,550
Service Specific Pressures	***5,747,406***	***5,914,099***	400,000	168,000	-400,000	-500,000	
Local Generated Pressures:							
Elections	*740,000*	*-740,000*			400,000 -	400,000	
Specific Grants Changes between years	*-4,656,067*	*16,142,601*	-28,437,694	674,701	-11,632,361	760,614	788,890
One off investment in IT infrastructure	*-1,101,130*						
Ongoing reduction in New Homes Bonus (pressure)		*348,535*	2,227,139	2,424,326			
Ongoing Pressures		*8,196,113*					
Estimated Cost of Investment - *Approved*	*-2,035,000*	*521,000*	895,415	1,774,815	1,371,229	1,382,878	
Additional Staff for Capital Programme		*500,000*	-500,000				
Invest to Save Fund for delivery of future savings	*-5,250,000*	*103,000*	-97,000	-20,000	-39,000	-30,000	
Energy Renewable Schemes	*75,710*	*-35,710*					
Adjustment to Gross budget offset by Income changes	*-912,116*	*2,187,159*	400,000				
Contribution to General Fund					7,000,000		
Savings							
Savings from prior years- 2018/19 - Approved	*-3,850,000*	*-4,468,930*					
Remove 2020/21 Unachieveable savings	*1,650,690*	*0*					
One off saving - Morrissons Lease and Buyout		*-1,415,065*	*1,415,065*				
Application of retained business rates to climate change		*-1,000,000*					
New Savings		*-4,771,279*	*-3,680,737*	*-3,029,476*	*-4,015,667*	*-5,878,139*	
Tactical Budget Savings			*-9,035,000*	*-3,584,000*	*-69,000*	*-630,000*	
TOTAL EXPENDITURE	***615,491,946***	***656,496,475***	**658,878,879**	**667,802,916**	**671,232,831**	**677,043,321**	**689,159,388**

Process for Closing the Funding Gap

In the short term, the work on the tactical budget savings will continue to be pursued to close the funding gap remaining in 2023/24 and to provide any additional resilience against any further budget pressures in 2022/23. The tactical budget work has already identified further efficiency areas for review and these will be explored in more detail to confirm whether a cashable saving can be delivered.

In the medium term the work of the TOM will help to drive out efficiencies across the Council and ensure that services provided are those as detailed in the priorities outlined in the Shropshire Plan. By delivering savings to close the gap in 2023/24 – 2025/26, the Council will be able to deliver a sustainable budget.

The Council can then continue to develop its longer term strategic plans to encourage economic growth, improved resource position through growth within the taxbase, and manage growth pressure through early intervention and prevention strategies.

Shropshire Council

Financial Stability;
Reserves and balances

General Fund Balance

The General Fund balance held as at 1 April 2022 is £11.5m. This is significantly below the risk assessed level for 2022/23 which is £18.7m. This leaves the Council vulnerable to any unexpected spending pressures that may arise during the course of the year. Whilst one off savings will be sought wherever possible to mitigate against unforeseen pressures that may arise, the General Fund does need to be at a sufficient level in case this is any shortfall.

In 2022/23 a one off contribution of £4m has been budgeted bring the General Fund Balance to £15.5m (dependent on delivery of a balanced budget in 2022/23) which is considered to be acceptable, albeit below the target level.

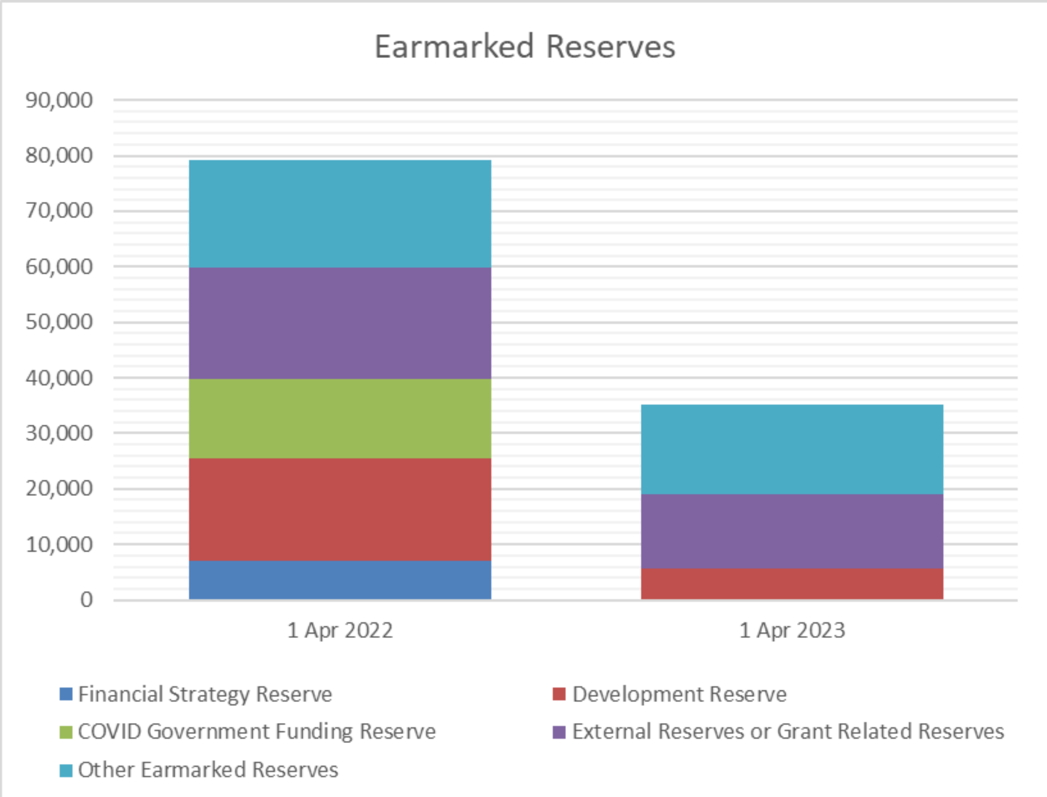
In the medium to long term financial strategy, contributions to the General Fund balance have been factored into assumptions to ensure that the authority is resilient to any future risks.

Earmarked Reserves

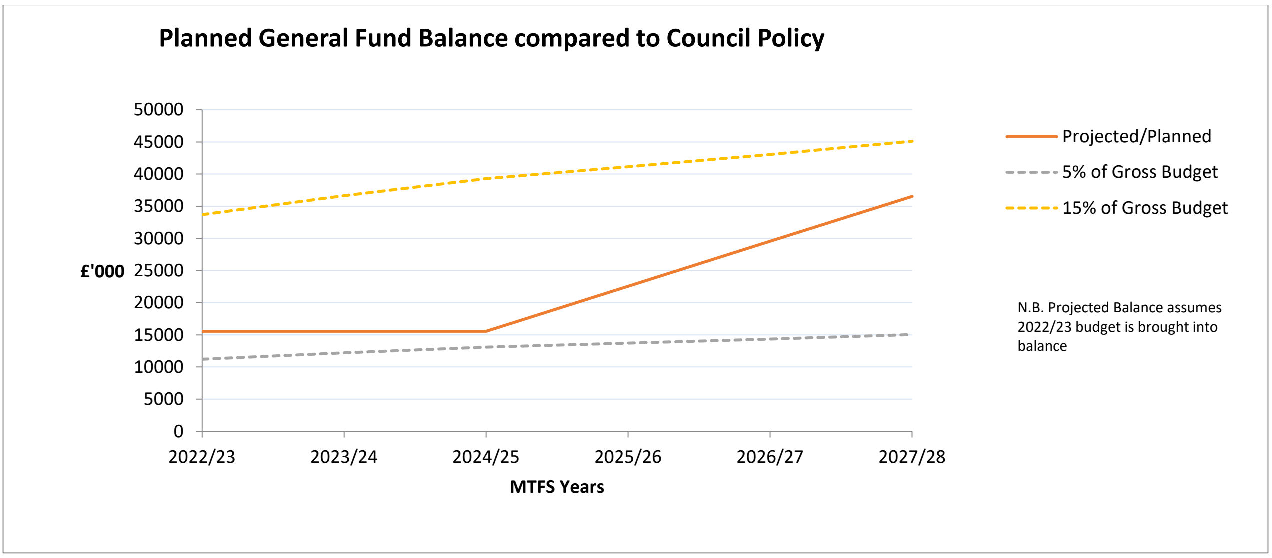
The Council has assumed in previous financial strategies that it would use earmarked reserves, particularly the Financial Strategy Reserve, to help balance the budget. The Financial Strategy Reserve will be fully applied in 2022/23 and therefore this can no longer be considered for future financial years.

The total value in Earmarked Reserves as at 1 April 2022 is £79.2m (excluding schools related reserves). It should be noted that a significant proportion of these reserves have been assumed to be utilised in 2022/23 or are committed in line with grant conditions.

The chart below demonstrates the planned reduction in earmarked reserves in the 2022/23 financial year, with a total reduction of £47.6m anticipated to be drawn down by the end of the year, leaving a balance of £31.6m remaining. A significant proportion of the reduction relates to the use of COVID funding. Anticipated use of the Development Reserve is based on initial estimates or requirements for transformation/TOM projects (discussed above). The level and timing of funding required for this purpose is under review. The Financial Strategy reserve is anticipated to be fully utilised in delivery of the current year budget (as set out in the agreed budget plans for 2022/23).



The Council's financial strategy will also seek to minimise use of reserves in the medium term, and then to replenish them. This will afford the Council the resources to be able to deal with unexpected challenges, or to invest in further transformation and improvement of its services. This is illustrated below.



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