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

Date: Tuesday, 30 May 2023

Committee:
Cabinet

Date: **Wednesday, 7 June 2023**
Time: **10.30 am**
Venue: **Council Chamber, Shirehall, Abbey Foregate, Shrewsbury, 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 Cabinet

Lezley Picton (Leader)
Ian Nellins (Deputy Leader)
Gwilym Butler
Dean Carroll
Kirstie Hurst-Knight
Richard Marshall
Robert Macey
Cecilia Motley

Your Committee Officer is:

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

AGENDA

1 **Apologies for Absence**

2 **Disclosable 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** (Pages 1 - 6)

To confirm the minutes of the meeting held on 19 April 2023

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 5.00 pm on Thursday 1 June 2023

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 1 June 2023

6 **Scrutiny Items - New Housing Developments Task and Finish Group** (Pages 7 - 30)

The Chair of the Economy and Environment Overview and Scrutiny Committee will present the report of the Place Overview Committee's 'New Housing Developments Task and Finish Group'.

7 **Treasury Management Update Quarter 4 2022/23** (Pages 31 - 40)

Lead Member – Councillor Gwilym Butler - Portfolio Holder for Finance and Corporate Resources

Report of James Walton, Executive Director of Resources

8 **Climate Strategy & Action Plan Monitoring Report 2022** (Pages 41 - 70)

Lead Member – Councillor Ian Nellins – Deputy Leader, Portfolio Holder for Climate Change, Environment and Transport

Report of Mark Barrow, Executive Director of Place

9 **Performance Monitoring Report Quarter 4 2022/23** (Pages 71 - 86)

Lead Member – Councillor Rob Macey – Portfolio Holder for Culture and Digital

Report of James Walton, Executive Director of Resources

10 **Financial Outturn 2022/23** (Pages 87 - 132)

Lead Member – Councillor Gwilym Butler - Portfolio Holder for Finance and Corporate Resources

Report of James Walton, Executive Director of Resources

11 **Department for Levelling Up, Housing & Communities Technical Consultation on the Proposed Infrastructure Levy - Shropshire Council Response** (Pages 133 - 168)

Lead Member – Councillor Richard Marshall - Portfolio Holder for Highways and Regulatory Services

Report of Mark Barrow, Executive Director of Place

12 **River Severn Partnership Demonstrator Projects** (Pages 169 - 178)

Lead Member – Councillor Ian Nellins – Deputy Leader, Portfolio Holder for Climate Change, Environment and Transport

Report of Mark Barrow, Executive Director of Place

13 **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 consideration of the following items

14 **Exempt Minutes** (Pages 179 - 182)

To confirm the exempt minutes of the meeting held on 19 April 2023

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Shropshire Council

Committee and Date

Cabinet

7th June 2023

CABINET

Minutes of the meeting held on 19 April 2023
In the Shrewsbury Room, Shirehall, Abbey Foregate, Shrewsbury, Shropshire, SY2 6ND

Responsible Officer: Ashley Kendrick
Email: ashley.kendrick@shropshire.gov.uk Tel: 01743 257714

Present
Councillor Lezley Picton (Chairman)
Councillors Cecilia Motley, Ian Nellins, Dean Carroll, Kirstie Hurst-Knight and Richard Marshall

178 **Apologies for Absence**

Apologies were received from Councillors Gwilym Butler and Rob Gittins, Chief Executive, Executive Director of Place and Executive Director of Resources.

179 **Disclosable Interests**

Councillor Lezley Picton declared an interest in item 7 – Shrewsbury Business Improvement District (BID) Renewal Term 3 and item 9 - Levelling Up Fund Award for Shrewsbury and would leave the meeting. Therefore it was confirmed that items 7 and 9 would be discussed after item 6 – Scrutiny items.

Councillor Roger Evans declared an interest in item 8 – Application by Longden Parish Council for Longden Parish to be considered a Neighbourhood Area. He advised that he would make a statement and then sit in the audience during this item.

180 **Minutes**

RESOLVED

That the minutes of the meeting held on 22 March 2023 be confirmed as a correct record.

181 **Public Question Time**

There were no public questions.

182 **Member Question Time**

Members questions had been received from the following:

Councillor Alex Wagner in relation to Shrewsbury Bus Station. In response to a supplementary question asking if bus operators had been given the opportunity to provide feedback on a proposed relocation, the Portfolio Holder confirmed that a response would be provided after the meeting; however he asked that should any bus operators feel they have not been consulted, he would welcome their feedback.

Councillor Andy Boddington in relation to roadside litter. In response to a supplementary question, the Portfolio Holder advised that he was keen to look at enabling communities to take care of their own areas and would be looking to push “womble schemes” countywide.

The full questions and responses provided by the Portfolio Holders are attached to the webpage for the meeting: [230419 Cabinet - Member Questions.pdf (shropshire.gov.uk)]

183 **Scrutiny Items**

The Chairman of the People Overview Committee requested the support of Cabinet following their recommendation regarding the Local Authority SEND Ofsted Inspection Report made at their meeting on 29th March as follows:

RECOMMENDED:

That the People Overview Committee:

- *Voice their concerns regarding the Health sector’s ability to commission and deliver the Accelerated Progress Plan to Cabinet; and that Cabinet may wish to write to the Department for Education or Department of Health to express these concerns.*

The Leader confirmed Cabinet’s support and advised that she would write to the DfE and Department of Health, together with the Chair of the ICS to raise concerns regarding fulfilment of the action plan. A draft of this letter would be shared prior to it being sent.

184 **Shrewsbury Business Improvement District (BID) Renewal - Term 3**

After declaring an interest, the Leader left the meeting room and the Deputy Leader took the Chair.

The Portfolio Holder for Growth, Regeneration and Housing presented the report which outlined the background and outcomes of the last four years of Shrewsbury BID following its successful re-ballot for a second term in 2019, and the benefits and impacts to Shropshire Council of supporting the renewal process for the period from 2024-2029. Members attention was drawn to the updated report which contained an updated figure in para 7.7 for the BID Levy of 1.58% and not 1.75% as previously stated.

Members welcomed the report but asked that the Board considers appointing a work force representative to enable their voices to be heard.

A suggestion was also received to support the Cycle Hub with regards to the use of cargo bikes.

A query was raised regarding the Council’s 24 properties within the BID area which will be subject to the levy and it was confirmed that a list would be provided after the meeting.

RESOLVED:

- That Cabinet noted that Shrewsbury BID has served notice of their intention to seek a renewal ballot to the Secretary of State and Shropshire Council.

- That Cabinet endorsed the draft Shrewsbury BID 2024-2029 business plan and renewal proposal (attached as Appendix 1), noting that the Business Plan is subject to securing a majority vote through its re-ballot.

- That Cabinet approved its support of Shrewsbury BID's continuation in respect of the Council's voting rights for the Council owned premises in the renewal ballot and delegates authority to exercise votes for each Shropshire Council owned property to the Assistant Director Commercial Services.

185 **Levelling Up Fund Award for Shrewsbury**

The Portfolio Holder for Growth, Regeneration and Housing presented the report which sought Cabinet support to recommend to Council to accept the successful bid award from DLUHC Levelling Up Fund Round 2 to accelerate enabling and infrastructure works for the Smithfield Riverside Redevelopment Programme and deliver the Transforming Movement and Public Spaces project in Shrewsbury.

Members welcomed the investment and congratulated officers for being successful with the bid award; however concern was raised regarding the impact on the revenue budget should match funding be sourced through PWLB borrowing.

It was suggested that this item be taken to scrutiny before being agreed by Council.

Investment in active travel was welcomed; however it was acknowledged that the Movement Strategy was still awaited. Concern was raised regarding the cycle and pedestrian routes, particularly in the area of Castle Street and the Welsh bridge.

With regards to the Riverside development, it was felt that better consideration of the "meanwhile uses" must be taken into account to ensure these benefit the people of Shrewsbury.

RESOLVED:

That Cabinet agreed to recommend to Council to:

3.1. Approve the acceptance of the Levelling Up Fund Grant award from the Department for Levelling Up, Housing and Communities (DLUHC), and instruct officers to progress the associated projects.

3.2. Approve financing of the Council's cash match funding requirement of £3.793m from borrowing with an associated annual revenue impact of £0.269m

3.3. Approve the inclusion of enabling and infrastructure works associated to the Levelling Up Fund Award, within the planning application(s) for the demolition of the Riverside Shopping Centre and the former Riverside medical practice, as recommendation 3.2 approved in the Council report titled ‘Shrewsbury Town Centre Redevelopment Phase One’ 16 February 2022.

3.4. Delegate to the Executive Director of Place in consultation with the Section 151 officer and the Portfolio Holder for Economic Growth, Regeneration and Planning to:

3.4.1. Proceed with compiling the full financial details and business case for the scheme for inclusion in a further report for consideration by Council.

3.4.2. Progress a procurement and delivery strategy for the projects summarised in items 2.2 above.

186 Application by Longden Parish Council for Longden Parish to be considered as a Neighbourhood Area

The Leader returned to the meeting and took the Chair.

The Portfolio Holder for Highways and Regulatory Services introduced the report which sought approval for the application by Longden Parish Council for the Parish area of Longden to be considered as a Neighbourhood Area for the purposes of preparing a Neighbourhood Development Plan.

RESOLVED:

That Cabinet agreed the designation of the proposed Neighbourhood Area identified on the map in Appendix 2, covering the Parish of Longden as an appropriate basis for the development of a Neighbourhood Development Plan and notifies Longden Parish Council accordingly.

187 Exclusion of Press and Public

RESOLVED:

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 consideration of the following items.

188 Highways Term Maintenance Contract Options

RESOLVED:

That the recommendations contained in the report be approved.

189 Redevelopment of Fairfields Close, Gobowen

RESOLVED:

That the recommendations contained in the report be approved.

Signed .... (Chairman)

Date: ....

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Committee and Date	Item
Cabinet	
	Public

New Housing Developments Task and Finish Group Final Report

Responsible Officer:	Tracy Darke		
email:	Tracy.darke@shropshire.gov.uk	Tel:	07458 074829
Cabinet Member (Portfolio Holder):	Richard Marshall		

1. Synopsis

1.1 This report provides Cabinet with the recommendations of the Place Overview Committee's new housing developments task and finish group. The group reviewed a range of issues relating to housing development and the quality of new homes and their surroundings.

2. Executive Summary

2.1. The Task and Finish group evolved from a Place Scrutiny committee discussion regarding the quality of housing development in Shropshire. Concern was raised primarily regarding poor internal finishings, lack of good quality open space provision and the lack of timely adoption of access roads to the properties. Members wanted to explore with officers where responsibility for these issues sat and what influence they may have over improving the lives for occupiers of new homes in Shropshire.

2.2. The areas covered included a review of legal responsibilities, particularly regarding the adoption of open space and access roads, but also helped members understand how Building Control functions and the fact that the customer has a choice whether to use the Councils service. Also, it was explained that the Council does not always have control over the quality of the workmanship or who carries out the development.

2.3. The review of this area fits well into the strategic priority in the Shropshire Plan regarding a healthy economy, which includes quality housing and open space areas within developments.

2.4. The group have provided several recommendations and if approved, will form the basis of an action plan for officers to develop and deliver on the objectives.

2.5. The report content meets the priorities in the Shropshire Plan relating to a healthy economy and healthy environment, by virtue of striving to provide better quality homes and surroundings for residents in Shropshire.

3. Recommendations

3.1 That Cabinet agree with the following recommendations of the Task and Finish group, including revisiting progress and impact within 12 months following the approval of the action plan to include expected progress milestones and/or changes in service level/quality/activity etc.

- always encourage the local authority to use its own building control service for its own developments or those of its ALMO.
- request its building control and communications services to collaborate to develop a plan to increase awareness of building control, the New Homes Quality Board and the Housing Ombudsman, to would-be homeowners in Shropshire.
- To include building control in the programme of induction training provided to elected members following all-council elections in 2025.
- support Cornovii and STAR Housing's work in creating their own open space management company.
- proceed to recruit a dedicated officer with a specific remit of ensuring well-designed, high-quality, coherent, biodiverse open space on new developments.
- review its Section 38/278 process to create a greater focus on securing legal agreements early in the planning process.

Report

4. Risk Assessment and Opportunities Appraisal

4.1. Requesting the relevant officers to respond to the group's recommendations has provided the opportunity to increase members and the public's understanding of the role of building control. This includes the areas it is involved with regarding Building Regulations, but moreover, that Shropshire Council's Building Control service is in direct competition with the private sector.

4.2. It provides an opportunity to strengthen the role of planning services in ensuring new residential developments feature well-designed open spaces which improves the appearance of the developments, but also enhances the health and well-being of residents living in these areas.

4.3. There are no human rights or equalities implications as a result of this report.

5. Financial Implications

5.1 There are no direct financial implications arising from the recommendation of the task and finish group's recommendations.

6. Climate Change Appraisal

6.1. There are no specific climate change implications arising from the recommendation. However, when providing their action plan, officers should also set out whether there are any impacts on climate change because of their suggested course of action. In particular, there is the opportunity through the improved communications for Building Control to share the requirements for developments to produce significantly less CO2 emissions to meet the governments targets on net zero, which is an important step for the industry ahead of the Future Homes and Buildings Standard in 2025. It is better to build in the efficiencies within the initial design rather than retrofit later.

7. Background

7.1 This task and finish group resulted from a question submitted to the Place Overview Committee by a councillor representing a division in Shrewsbury who had experienced a considerable amount of housing development in recent years. The councillor provided the committee with numerous complaints from new homeowners, particularly from homeowners of newly completed development, including:

- poor workmanship in their homes, eg. ill-fitting internal doors;
- construction plant equipment and other building materials left on site for
- months after completion of the properties;
- raised ironworks and other hazards resulting from unfinished highway and access roads; and
- incomplete or poor-quality landscaping, including a failure to provide agreed mitigation for wildlife.

The committee discussed more widely the issue of housing development completions and it soon became apparent that many of the committee members had encountered similar issues with developments in their divisions. The group therefore, agreed to create a task and finish group to explore these issues and to identify ways the local authority could prevent or mitigate such issues happening elsewhere.

7.2 The task and finish group visited a few developments in Shropshire with officers to review the quality of the developments to help to inform the discussion regarding the issues highlighted above. The group then had an all-day session, with various officers participating to provide their professional knowledge and experience of the issues raised. In addition, members invited the Director of the Council's own housing company to share his experience from schemes developed through that vehicle, together with a local private housing developer, who helpfully shared his experience from a developer's perspective.

7.3 The focus on Building Control was very well received by officers, particularly in light of the changes in Building Control nationally following the Grenfell disaster. There is a requirement for officers to reach a level of competency when carrying out their duties. In addition, it was clear that there was a lack of awareness that the Council's Building Control service is in direct competition with the private sector and cannot therefore, get involved in disputes when they are not the provider, unless there is a safety concern. We also discussed with members that, in our view, there should be an opportunity for the Council's building control service to tender for all work that the Council carries out, including developments by its wholly owned company. There was also a recommendation that communication needs to be better for Building Control and for the service to explore how we can advise and inform members of the public better about our services, as well as providing advice on ensuring buildings are built safely. There was a further recommendation to include more information in members induction about Building Control.

7.4 A recommendation evolved around the opportunity for Cornovii and STaR housing to consider whether they may want to set up a service that manages and administers open space on developments. Officer representation at the meeting demonstrated how this has been done elsewhere and that this may help to drive up the quality of open space and maintenance thereafter, which was a key concern of members on the site visit. Better design and connectivity, as well as the longer term maintenance of spaces where of significant concern. This is to be developed into one of the actions. There may also be the opportunity to consider setting up a group where management companies have been set up by the occupiers of the estate to help and support them with the management and administration associated with running a management company. The practicalities of this need further consideration.

7.5 The design of good quality open spaces was a major concern. Unfortunately, SC does not have the landscape design skills in-house to assess the schemes as the resource was part of previous staff reductions many years ago. This presented itself in some locations where the quality of the open space viewed by members was seen as poor. More recently and ahead of the Task and Finish group, officers were working up a job description and funding to create a post to provide this skill in-house. The work crosses over service areas. Members were wholeheartedly behind the need to provide this post as they recognised the significant benefits it would bring.

7.6 Adoption of access roads were discussed at the task and finish group at length. Officers were very open about the lack of resources in progressing Section 278 and Section 38 agreements, but also some developers may be able to do more to assist. SC has a backlog of adoptions to deal with and extra resource has recently been brought in to help work through the backlog.

8. Conclusions

8.1. Members and officers used the Task and Finish group to gain a better understanding of the issues raised at Scrutiny committee. The recommendations listed below provide the opportunity for officers to explore different ways of working as well as communicating better with the public and customers so that they are more informed when they are trying to tackle issues with their new homes. An action plan will be developed and then reported back to Scrutiny committee in 12 months from the plan being agreed.

8.2. The report therefore recommends that Shropshire Council:

- should always encourage the local authority to use its own building control service for its own developments or those of its ALMO.
- requests its building control and communications services collaborate to develop a plan to increase awareness of building control, the New Homes Quality Board and the Housing Ombudsman, to would-be homeowners in Shropshire.
- includes building control in the programme of induction training provided to elected members following all-council elections in 2025.
- supports Cornovii and STAR Housing's work in creating their own open space management company.
- proceeds to recruit a dedicated officer with a specific remit of ensuring well-designed, high-quality, coherent, biodiverse open space on new developments.
- reviews its Section 38/278 process to create a greater focus on securing legal agreements early in the planning process.

List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)
Report of the Housing Development Completion Task and Finish Group Feb 2023 (see below)
Local Member:
Richard Marshall
Appendices
Appendix 1 – Report of the Housing Development Completion Task and Finish Group

Appendix 1

Shropshire Council

Place Overview Committee

Report of the Housing Development Completions Task and Finish Group

February 2023

Acknowledgments

The group would like to thank Cornovii Developments, Connexus and Schingler Homes for sharing their expertise. They would also like to thank the officers of Shropshire Council who arranged site visits, wrote briefs, and supported the group during their deliberations.

Members of the Task and Finish Group

- Joyce Barrow (Chair)
- Roy Aldcroft
- Thomas Biggins
- Julian Dean
- Geoff Elner
- Peggy Mullock
- Tony Parsons
- David Vasmer

Introduction

This review came about following a question submitted to the Place Overview Committee by a councillor representing a division in Shrewsbury that has experienced considerable housing development in recent years. The councillor provided the committee with numerous complaints from new homeowners about the largely completed development, including;

- poor workmanship in their homes, including ill-fitting doors;
- construction plant equipment and other building materials left on site for months after completion of the properties;
- raised ironworks and other hazards resulting from unfinished highways; and
- incomplete or poor-quality landscaping, including a failure to provide agreed mitigation for wildlife.

The committee discussed more widely the issue of housing development completions and it soon became apparent that many of the committee members had encountered similar issues with developments in their divisions. Although the committee quickly dismissed the issue of poor workmanship as outside the responsibility of the council, it concluded that other matters such as incomplete roads were area that merited further investigation. The group therefore agreed to create a task and finish group to explore these issues and to identify ways the local authority could prevent or mitigate such issues happening elsewhere.

Scope and focus of the work

The task and finish group sought to**:**

- Understand the specific issues that residents and builders of a newly completed housing development might face, and where responsibility for those issues sits.
- Examine the policy and legislative framework that results in these challenges for residents, housing developers, and the local authority.
- Research the extent to which these issues may exist with Shropshire and
- Make policy recommendations that will ensure that housing developments are completed fully and at pace.

What has the task and finish group done?

To conduct this review the group:

- Carried out an initial scope of the issues that it wanted to investigate and to determine the evidence that it would need to conduct the review.
- Visited long-established, recently completed and under construction developments throughout Shrewsbury, including those in Cherry Orchard, Radbrook and Bowbrook.
- Received briefings from officers on housing completions, building control, and developing highways on housing estates.
- Considered accounts from groups of Shropshire residents, detailing problems encountered when buying homes on recently completed developments
- Met with housing developers to understand how they work with planning and building control to build and then manage new developments.

Findings

The committee decided to break down their work into three distinct areas: building control, open spaces in developments, and completing the highways through developments.

Building control

Throughout the United Kingdom, building regulations control certain types of building work, principally the erection and extension of buildings, as well as certain alterations and changes of use. The current approach was established with the Building Act 1984, a consolidation of earlier building and public health legislation. At the same time the nature of building regulations changed. They no longer prescribed solutions but instead became broad performance-based "functional" requirements, the theory being that these would allow designers and builders to find the most appropriate and cost-effective solutions.

Current building regulations set minimum performance standards that the building work must meet, principally in terms of health and safety, accessibility, and sustainability. Compliance with building regulations is the responsibility of the person carrying out the work.

Building control may be carried out either by

- local authorities inspecting building work located within their geographical boundaries; or

- Approved Inspectors, most of whom are currently private sector bodies although a few local authority trading companies act as Approved Inspectors outside their area, under powers conferred on them by the Localism Act 2011.

There are over 300 local authority building control bodies in England and 91 Approved Inspectors, between them checking around 0.5m jobs a year.

Contravening building regulations
Building regulations can be contravened by carrying out building work which does not comply with the technical requirements contained in the Building Regulations. This will come to light during the inspections carried out by the building control service (local authority or approved inspector).

Where an approved inspector is providing the building control service, the responsibility for checking that the regulations are complied with will lie with that inspector. They will mainly do this by advising you, however, they do not have enforcement powers. In a situation where they consider your building work does not comply with the regulations, they will not issue you with a final certificate and will cancel the initial notice by notifying your local authority.

If no other approved inspector takes on the work, the building control service will automatically be taken on by your local authority. From this point on your local authority will also have enforcement powers to require you to alter your work if they consider this necessary.

If a person carrying out building work contravenes the building regulations, the local authority or another person may decide to take them to the magistrates' court where they could be fined for the contravention, and a further daily fine for each day the contravention continues after conviction.

This action (under section 35 of the Building Act 1984) will usually be taken against the builder or main contractor and proceedings should be taken within six months of the offence. Alternatively, or in addition, the local authority may (under section 36 of the Act) serve an enforcement notice on the owner requiring them to alter or remove work which contravenes the regulations. If the owner does not comply with the notice the local authority has the power to undertake the work itself and recover the costs from the owner.

However, if the Approved Inspector has issued the final certificate, the local authority cannot take enforcement action. It will then be up to the homeowner to take legal action against the developer or the approved inspector.

Shropshire Council building control

The group heard that Shropshire Council carried out approximately 63% of building control jobs in the local authority area, and that this percentage had increased in recent years. There were approximately 15 private approved inspectors operating in Shropshire, with the largest competitor having approximately 10% of the market. The group heard that there was a competitive market in Shropshire for both business and to recruit qualified staff. Although wages were higher at approved inspectors, the council offered greater stability and a better work life balance. The group heard that the council had in place workforce planning in order to develop our own teams.

The committee agreed with the local authority strategy of developing its own workforce. A similar approach in other council services had successfully mitigated staff shortages as well as inculcating staff loyalty by providing employment stability and professional development.

The developers that participated in the group told its members that they were happy with the service they provided. They felt that competition between providers drove up standards and had caused the local authority to take a more customer-focused approach. However they preferred to spread their business control work across several providers, depending on the nature of the project. Although these developers prioritised quality of service over price, the group heard from council officers that other developers would prioritise other factors, such as price or a longstanding working relationship with a particular approved inspector.

Planning permission and building control

The fact that building control is not entirely a local authority competency is important. It is largely assumed by the public that their local authority is responsible not only for managing planning applications, but for also ensuring that all developments are completed according to building regulations as well as to the plans approved by the local authority. The group discovered that this assumption was often at the heart of complaints the council received about problems with new developments.

Publicity surrounding the launch of this review resulted in a number of residents of newly-built properties to contact the group. These residents told us about serious defects with their properties, and their struggles to have the developer correct the defects.

One homeowner told us:

Nearly 3 years later, large lumps of mortar [are] dropping out of roof joints, the garden still floods every time it rains, locks don't work properly, doors don't close properly etc. The list is endless. The cul-de-sac still has incomplete landscaping. The wall either side of the gates to the development were made from old pallets! The builder says the landscaping is "just to make the site look pretty on drawings submitted". We still have no street signage, making it difficult to locate us … heaven forbid we ever need emergency services here, they will never find us.

Another faced numerous problems with their home:

We have had many issues here at a development of 6 properties. Some of the issues faced:

- *Drainage (Foul and Surface water). Not laid to plan, not built to building regulation and blocking.*
- *Unfinished Estate road*
- *Lack of roof insulation*
- *House not built to agreed specifications*
- *Water logged garden owing to over compaction of the ground (compressed builders rubble).*
- *Snagging – who ensures a builder carries out snagging (if he has a mind to be difficult and not do it).*

The group looked in detail at these two cases and noted that both developments has been overseen by an approved inspector rather than a local authority building control officer. As the approved inspector had already issued the final certificate approving the works, the council was no longer in a position to take enforcement action. This meant that the homeowners would have to seek redress through the courts at their own expense. The group heard that some instances, building companies facing court action had liquidated rather than face court, only to reincorporate under a different company later.

A failure to appreciate the risk that came with using an approved inspector had resulted in considerable frustration, distress, inconvenience, and expense for the homeowners. We heard from Shropshire Council officers that although they were sympathetic to the situation the homeowners found themselves in, there was little – if anything – the local authority could do.

New Homes Quality Board

The government has long recognised the need to better protect new homeowners. In 2022 it created the New Homes Quality Board, to provide additional protection against poor quality buildings.

The board is an independent not-for-profit body which was established for the purposes of developing a new framework to oversee reforms in the build quality of new homes and the customer service provided by developers.

The framework will be introduced during 2022 and will deliver a step change in developer behaviour, a consistently high standard of new home quality and service, and strengthened redress for the purchasers of new-build homes where these high standards are not achieved. The NHQB was formally constituted as a legal entity in January 2021 and the board members appointed with representatives from across the sector including consumer bodies, developers, providers of new home warranties, the lending industry, Homes England, and independent members to tackle these issues.

Since then, significant progress has been made to put in place a New Homes Ombudsman Service and develop a new industry code of practice – the New Homes Quality Code.

The NHQB has an essential role to play at the centre of the new framework. It will;

- Appoint and oversee the performance of the independent New Homes Ombudsman Service.
- Provide support and information to consumers and industry.
- Hold the register of developers of new build homes.
- Collect an annual registration fee from developers to fund the new arrangements.
- Discipline and sanction poorly performing developers.
- Report and publish details on industry performance.

The group accepts that many of the frustrations borne by homeowners who have lost out due to the weaknesses of the current system are not the responsibility of the local authority. However the group also concludes that if Shropshire Council wishes to fulfil its corporate priority to facilitate housing growth, it should seek to point out these risk to potential homeowners.

Although the council cannot compel private developers to use local authority building control, it can ensure that its own developments, and those of Shropshire Towns and Rural Housing (the council's arm's length management organisation for its housing stock) do so. Although this would account for only a small percentage of developments, it would ensure that the fees generated from building control would be kept by the local authority. It would also ensure that any developments funded by the local authority or its ALMO were protected by warranty.

The group recommends that Shropshire Council should always use its own building control service for its own developments or those of its ALMO.

The group also discussed how it could increase awareness of how building control works, so that would-be homeowners were alert to the risks of unwarranted building control services. The group made some suggestions of ways to do this, but determined that any communications was probably best planned by the council's building control and communications services. This plan should be both long-term and sustainable, so ideally would be cost-free, highly-targeted, and should not distract from the core work of the building control team.

The group recommends that Shropshire Council's building control and communications services collaborate to develop a plan to increase awareness of building control to would-be homeowners in Shropshire.

Finally, some members of the group noted that until they had participated in this group, they had not appreciated the distinction between planning approval, planning enforcement and building control. Similarly, the building control officers supporting the group remarked that they had never participated in scrutiny before.

The group therefore recommends that building control be included in the programme of induction provided to elected members following all-council elections in 2025.

Open Space

The original question to the Place Overview Committee that resulted in this review contained complaints about open space on the development that had not been landscaped according to plan. Issues included open space left unmaintained, trees planted to replace felled mature trees left to die and not replaced, and agreed wildlife mitigation not put into place.

Unmaintained space on a development in Shrewsbury

On its visits to developments in Shrewsbury, members of the group identified issues of concern to them, including:

- Small pockets of open space that appeared abandoned, belonging neither to a property or included as part of grounds maintenance that has clearly taken place.
- Confusion over which spaces were open space and which belonged to homeowners, resulting in a proliferation of homemade signs defending private space.
- Emerging desire lines cutting informal paths through open space, crossing barriers that would act as trip hazards.

The group was keen to learn more about how open space on new developments was managed, and wanted to explore ways by which the open space could be managed better.

Managing open space on new developments

The group heard that local authorities in England no longer generally adopted the open space on new housing developments. They lacked sufficient resources to manage the adoption process, could not afford to buy the land, and were reluctant to incur the long-term cost of managing additional open space in perpetuity.

Most housing developers therefore hand over their open space from their completed developments to a management company for grounds maintenance. Larger developers often operate their own management trust, placing their open space directly into the trust. Smaller developers who are too small to operate their own trust instead use third-party management companies. Whatever the arrangement, the cost of maintaining the space is borne by the homeowners within the development, who are obligated to pay maintenance charges to the management company, either under the terms of a leasehold or through a deed of covenant. This practice has been the topic of complaints nationally for decades, with existing legislation offering few protections from poor quality work, inflated costs or the inability of some households to extricate themselves from onerous contracts.

Leaseholders have some statutory rights defined in the Landlord and Tenant Act 1985. For example, leaseholders have the right to see all invoices and receipts for work which the management company has undertaken and recharged to the leaseholders. They may also challenge the reasonableness of charges through the courts.

Freeholders, however, are not covered by the service charge provisions in the Landlord and Tenant Act 1985 and have no statutory rights to see any evidence relating to the service charge or to challenge the reasonableness of the service charge. Because the agreements are imposed by covenants in their deeds, they are not covered by consumer law and in many cases the management company is named in their deeds so there is no option to use a different company for maintenance. Their only recourse is to make or defend a claim in court. However because freeholders have no rights to see any invoices or other documentary evidence, it can be extremely hard to build a case against the company. If the management company fails, and the management clauses in the deeds do not provide a remedy, then homeowners on the estate face a number of time consuming and potentially costly options in order to assure that open space is maintained, including creating their own management company or negotiating a contract with a management company.

Although the use of management companies creates a risk for new homeowners that they would be subject to an exploitative company, the developers who participated in the group were keen to stress that the companies that they used provided what they believed to be a good service to householders. Cornovii, Shropshire Council's housing developer, for example, uses a management company for its own developments. Cornovii pays the management company a dowry for the first three years of the contract, before householder become liable for the service charges. Crucially, householders are able to buy out of the contract and form their own management company should they wish to do so. In future, Cornovii planned to bring their estate grounds maintenance in-house, and were exploring ways to develop their own management company. This report discusses this opportunity later in this section.

The group was keen to explore ways by which the local authority or housing developers could provide better options for homeowners. A proposal to recommend that the local authority form its own management company was dismissed as creating an unequal system within the local authority for different homeowners, with some households paying a council management company for grounds maintenance and other household receiving the same service included in their council tax.

Members were also keen to explore ways to offer open space on new developments to town and parish councils. The members of the group who were also town or parish councillors were keen on this suggestion as many councils already manage open space in their towns. Shrewsbury Town Council currently manages nearly fifty open spaces throughout the town, Ludlow, Whitchurch and Bridgnorth town councils manage approximately a dozen apiece. Oswestry and Wem town council each manage a handful of sites, with other smaller town or parish councils managing pieces of open space in their areas.

Such transfers of land presented challenges that the group discussed. Shrewsbury Town Council, as the fifth-largest parish council in England, has in place not only grounds maintenance staff and equipment to manage open space but allied resources such as its own nurseries. This would allow Shrewsbury Town Council to take on additional areas of open space relatively easily. Other larger market towns might find expanding their capacity to take on extra open space was limited, and smaller parish councils probably lack the resources to manage spaces themselves. Additionally, it would require additional work to determine whether town and parish council had the funds or the appetite to buy open space from developers had been completed. Finally, it was not clear to the group the mechanism by which a developer might negotiate with town and parish councils to sell or transfer the land concerned. In any event, such arrangements were probably not of direct concern to Shropshire Council. The group therefore makes no recommendations on this approach to open space management.

The group were also interested in exploring further Cornovii's idea of a management company or trust, operated by Cornovii or STAR Housing, Shropshire Council's ALMO. This would allow Cornovii and STAR Housing to set reasonable prices, align themselves more closely with local authority priorities such as improving biodiversity. Such a trust would also be able to manage open space for private developers outside of Shropshire, potentially generating income to support further housing growth. Although the local authority could not insist that a developer use any particular housing management company, a locally-controlled option could be of interest to smaller developers that were required to provide open space on their developments, but who lacked their own in-house trust to manage the space after completing the development. Such a body would not necessarily be restricted to managing open space but could also manage larger open spaces such as parks and other green space.

Case study – Milton Keynes Parks Trust

Established as an independent charity in 1992, The Parks Trust manages over 6,000 acres of green space in Milton Keynes including parks, ancient woodlands, lakes, river valleys and 80 miles of landscaped areas along the city's grid roads.

In most towns and cities, parkland is owned by the local authority, but Milton Keynes chose to manage their space through charity that was separate from local government.

The Parks Trust was set up in 1992. The new charity was given a 999-year lease on a total of 4,500 acres of Milton Keynes, an endowment of £20m and a portfolio of commercial property. Returns on these carefully managed investments generate the primary source of income required to fund the charity's wide-ranging work today and forever.

Over 80 staff and 200 volunteers deliver the essential work of The Parks Trust. In addition to landscaping and maintenance tasks, that also includes providing valuable recreation and leisure facilities, connecting communities at over 500 outdoor events each year and advancing public education around the wildlife, biodiversity and the environment.

Each year, the charity takes on new green spaces and endowments from developers to cover costs in perpetuity.

The group therefore recommends that Shropshire Council support Cornovii and STAR Housing's proposals to create their own open space management company.

Unintended desire lines and ambiguous ownership of land

During its site visits, the group saw the development that had been the subject of the initial questions from a Shropshire Council councillor. Since then, many of the issues that had been raised had been addressed. The development's roads had been surfaced and much of the landscaping had been completed. The group however noticed three issues that concerned them.

Example of impromptu signs protecting private space. Note to the right development of an unplanned desire line.

- Unplanned desire lines – as there was no paved access to the open space alongside (but outside of) the development, people walking to the open space were cutting a path of now bare earth while accessing the site. To use the desire line required stepping over a small wooden barrier, which remained in place.
- Pockets of unmaintained land that appeared to not belong to a property nor to constitute open space.
- Unclear boundaries between properties and public space.

The group heard that issues such as these could have been resolved at the planning stage, and a more careful review of plans by a planning officer would have highlighted these issues. The development in question had been approved at a time when there was no local plan to enforce, resulting in a small boom in new developments. The council had lacked the staff resources at the time within planning to be able to identify all of these issues. It had also lacked the capacity to co-ordinate across services such as the Great Outdoors service, to plan access between developments and nearby open space. The group heard that regrettably, once plans had been approved and the development had been completed, the council lacked any formal means to enforce changes to open space. Instead it could rely only on persuasion, which was difficult if it concerned a developer with no future development interests in the local authority area.

A sustainable solution?

The group asked Shropshire Council officers how they could strengthen their processes to avoid problems such as these arising in future. They suggested that Shropshire Council could become more prescriptive in the standard of landscaping required for a development. This would allow the council to insist on higher standards for outdoor space, eliminate parcels of unmaintained land, and reduce confusion over public and private space. To facilitate this, Shropshire Council has explored recruiting an additional officer with a specific remit of negotiating high-quality open spaces from the very beginning of the planning process for a new development. This officer would work in conjunction with environmental services and the Great Outdoors service, ensuring that open spaces were accessible, well-designed and maximised biodiversity. This would provide the capacity to bring greater rigour to the planning process, to minimise issues such as this arising in the future. The group endorsed this approach.

The group recommends that Shropshire Council proceed to recruit a dedicated officer with a specific remit of ensuring high-quality, coherent, biodiverse open space on new developments.

Developing Highways

Fundamental to a new housing development, particularly development larger than a few houses, are the roads and path (highways) through the development that connect to the highways network. As well as building highways to be used once the development is completed, developers often have to build new highways or alter the existing highway to facilitate building the new development.

Supporting development

Housing developments, even relatively small ones, usually require new roads to be built or existing highways to be altered in some way before work can begin. To regularise this process, section 278 of the Highways Act 1980 allows developers to enter into a legal agreement with a highway authority, in this case Shropshire Council, to make permanent alterations or improvements to a public highway, as part of a planning approval.

Examples of work covered by a section 278 agreement include:

- new or changed access into a development site (for example a bell mouth junction, roundabout, signalised junction, right turn lane or a simple priority junction)

- new signalised crossings or junctions close to the development site.

Work affecting the highway can only begin when both:

- the section 278 agreement is signed by the developer and the highways authority (with any performance bond agreed) and
- all pre-commencement requirements listed in the section 278 agreement have been met and approved by the council.

Some highways authorities use section 278 agreements to allow developers to employ a road works contractor and for that contractor to work on the existing public highway in the same way as if the highway authority were carrying out works. The developer is responsible for all aspects of the works on the public highway, from the design through to supervising construction and ensuring that the works are completed to the highway authority's satisfaction.

Highways development and adoption as public highway

A section 38 agreement (or S38) is a section of the Highways Act 1980 that can be used when a developer proposes to construct a new estate road for residential, industrial or general purpose traffic that may be offered to the highway authority for adoption as a public highway.

The highway authority (in this case Shropshire Council) has no power to insist that a developer enter into an S38 agreement. A developer may also complete the construction of a road then offer it to the highway authority under Section 37 of the Highways Act 1980, However, many developers see a S38 agreement as a more suitable option, as the adoption process can be lengthy, and if it takes place after a road is completed then the developer will be responsible for all maintenance until adoption takes place. However, if an S38 agreement is made before construction starts, the council can ensure that it is built to the agreed standard, is appropriately lit and drains correctly.

Once a S38 agreement is made, the developer will have to operate within a set of conditions, terms and timescales in building the highways. It is supported by a bond or cash deposit calculated by the highway authority and based on the works proposed. This bond or cash deposit can be called upon if the developer goes into liquidation or otherwise defaults on their responsibilities.

The Shropshire Council process

There is an eight-stage process to securing highways through a development that has been adopted by Shropshire Council.

- **Planning and development**

  Shropshire Council as Highway Authority are normally a consultee on all major planning applications. At the time of the application the applicant/developer states on the application form if it is their intention to put the development forward for future adoption (Section 38). During the planning process it is determined whether works on the existing highway (Section 278) are required to make the development acceptable. This works will be subject to a planning condition or Section 106 legal agreement.

- **Section 38/278 application**

  The developer should submit their proposed S38/278 design with a completed application form to Shropshire Highways at the earliest opportunity following 'outline' or 'full' planning consent.

- **Technical assessment**

  When an appropriate submission has been received and accepted by Shropshire Highways, a technical review of the proposed scheme is undertaken. This technical assessment is currently undertaken by WSP on Shropshire Council's behalf.

- **Drafting of legal agreement**

  The drafting of the Section 38 legal agreement starts before technical approval is granted, and often continues whilst the site is under construction and on occasion post-completion of the site. Section 278 agreements need to be in place prior to commencement on site to give the developer authority to complete the works. It should be noted that this part of the process can become protracted and can take a significant time to complete, particularly if the information supplied changes and/or is legally challenged. Legal fees are charged on an hourly basis and paid prior to completion of all agreements. Shropshire Council charges a checking and inspection fee which is 10% of the bond value. **Each Section 38 and Section 278 is accompanied by a bond which is 100% of the works cost on signing.**

- **Start of works onsite**

  Before works start onsite the developer needs to ensure they discharge all the relevant planning conditions. The developer is also required to liaise with Shropshire Council's Streetworks team to ensure that they have obtained all the necessary permission to carry out works on or adjacent the highway. This might include Section 50 (utility connections), Traffic Management and road closures, and Section 184, to form a new access into the site if the Section 38 agreement has not been signed.

- **Construction phase and inspections**

  The council's representative or inspector will undertake periodic inspections. All inspections are currently undertaken by WSP on Shropshire Council's behalf.

WSP liaise directly with the developer and the site manager and produce site inspection reports following every visit.

- **Works completion**

  Within the Section 38 and Section 278 agreement there are stages where the developer can apply to the Council to get confirmation that works have been completed and ask for the bond to be reduced.

- **Final adoption**

  Final inspection is undertaken of all works and any remedial works identified are completed. Bond is fully discharge. Development is added to the 'List of Streets' and becomes Highway Maintainable at the public expense. Shropshire Council Highway Information officers notify Highways Manager and relevant departments such as Street lighting and drainage.

The group's main concern with the process was the time it sometimes took to complete the highways on a development, as well as the time taken to adopt the highways post-completion. It heard that there were currently 275 active sites throughout Shropshire, but of these only about 60 are currently under development. The remaining sites, over 200 of them, were currently awaiting adoption.

Although the process of highways building and adoption could be complex, the fundamental issue behind the backlog was a lack of staff to oversee the adoptions. The council had a small team to manage the process, was understaffed due to staff leaving the council, and had struggled to recruit suitably trained staff – an issue common to local authorities nationally.

The issue was not financial, as the service was self-funding, if not income generating because of 10% of bond charge made to manage the process. Additional staff would allow a more rapid turnover of work and generate more income to pay staff. The group heard too that following a successful focus on clearing the recent backlog of planning applications, the service would now focus on clearing the backlog of highways adoptions. However, the speed at which it could do this would depend on the service's ability to recruit a new staff member. The group supports this decision to recruit a new staff member, and notes that this would be in addition to the proposed new planning officer post discussed earlier in this report.

The group recommends that the Place Overview Committee, in following-up the recommendations of this report, monitor progress in recruiting the required additional staff.

The other issue identified by the group was the challenge of securing the necessary legal agreements to secure adoption by the local authority. Although the lack of a legal agreement prevent adoption, it did not prevent the developer from starting work once they had planning permission and the required bond in place.

The group agreed that securing legal agreements with developers could be complex and time-consuming, and that it was difficult to get developers to focus on this aspect of the process once they had started work on site. Both the officers supporting the group and the group members agreed that greater focus from the local authority before work started would probably result in both faster adoptions and less work later on in chasing agreements. However, for the local authority to be able to do this it would first need to clear its current work.

The group therefore recommends that Shropshire Council reviews its Section 38/278 process to create a greater focus on securing legal agreements early in the planning process. However, the group recognises that the council's priority should be to first reduce its backlog of existing work.

Recommendations

The group therefore recommends that Shropshire Council:

- should always use its own building control service for its own developments or those of its ALMO.
- requests its building control and communications services collaborate to develop a plan to increase awareness of building control to would-be homeowners in Shropshire.
- includes building control in the programme of induction training provided to elected members following all-council elections in 2025.
- supports Cornovii and STAR Housing's work in creating their own open space management company.
- proceeds to recruit a dedicated planning to officer with a specific remit of ensuring high-quality, coherent, biodiverse open space on new developments.
- reviews its Section 38/278 process to create a greater focus on securing legal agreements early in the planning process.

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Committee and Date

Cabinet – 7th June 2023

Item

Public

Treasury Management Report Quarter 4 2023/23

Responsible Officer:	James Walton		
email:	james.walton@shropshire.gov.uk	Tel:	01743 258915
Cabinet Member (Portfolio Holder):	Cllr Gwilym Butler, Finance & Corporate Support		

1. Synopsis

Despite a challenging economic environment, the Council continues to manage its finances effectively with £84m invested (short term) and £292m borrowing. No additional borrowing was required this year and all activity complies with necessary guidance and all agreed parameters.

2. Executive Summary

2.1 The report outlines the treasury management activities of the Council in the fourth quarter of 2022/23. It highlights the economic environment in which treasury management decisions have been made. It also provides an update on the performance of the treasury management function.

2.2 During Quarter 4 the internal treasury team achieved a return of 3.31% on the Council's cash balances, outperforming the benchmark by 0.14%. This amounts to additional income of £42,400 during the quarter which is included within the the Council's outturn position in the financial outturn report.

3. Recommendations

3.1. Members are asked to note that the Council remains fully compliant with the agreed prudential indicators and the treasury management strategy.

Report

4. Risk Assessment and Opportunities Appraisal

4.1 The assessment and management of risk are key considerations for any Treasury Management approach. 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.

4.2 This area has great risk associated with the value and complexity of money markets. This risk is substantially mitigated by engaging with specialist consultants – Link Group Asset Management.

4.3 The Council's Audit Committee is the committee responsible for ensuring effective consideration of the Council's Treasury Management Strategy and policies.

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

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

5. Financial Implications

5.1 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.

5.2 The Quarter 4 performance is above benchmark and has delivered additional income of £42,400.

5.3 As at 31 March 2023 the Council held £84million in investments as detailed in Appendix A and borrowing of £292million at fixed interest rates. The level of investments has fallen by £80m in the last 12 months, as reserves (notably earmarked reserves as planned for in the 2022/23 budget strategy) has been applied to ongoing operations. The level of external borrowing remains the same as 12 months ago - i.e. no further external borrowing has been undertaken in the last 12 months.

6. Climate Change Appraisal

6.1. 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 direct climate change impacts arising from this report. Shropshire Council's investment portfolio has no level 1, 2 or 3 emissions. It comprises of straightforward cash deposits with financial institutions and other Local Authorities.

7. Background

7.1. 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 January 2023 and 31 March 2023.

7.2 For wider context and consideration of the global financial outlook, an economic and borrowing update for the third quarter is considered in Appendix D.

8. Additional Information

8.1 The Council receives its treasury advice from Link Asset Services. Their latest interest rate forecasts to 31 March 2026 are shown below. Bank Rate was increased in February 2023 to 4.25% and is forecast to increase to 4.50% at quarter 1 2023/24.

Link Group Interest Rate View	27.03.23											
	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26
BANK RATE	4.50	4.50	4.25	4.00	3.50	3.25	3.00	2.75	2.75	2.50	2.50	2.50
3 month ave earnings	4.50	4.50	4.30	4.00	3.50	3.30	3.00	2.80	2.80	2.50	2.50	2.50
6 month ave earnings	4.50	4.40	4.20	3.90	3.40	3.20	2.90	2.80	2.80	2.60	2.60	2.60
12 month ave earnings	4.50	4.40	4.20	3.80	3.30	3.10	2.70	2.70	2.70	2.70	2.70	2.70
5 yr PWLB	4.10	4.10	3.90	3.80	3.70	3.60	3.50	3.40	3.30	3.20	3.20	3.10
10 yr PWLB	4.20	4.20	4.00	3.90	3.80	3.70	3.50	3.50	3.40	3.30	3.30	3.20
25 yr PWLB	4.60	4.50	4.40	4.20	4.10	4.00	3.80	3.70	3.60	3.50	3.50	3.40
50 yr PWLB	4.30	4.20	4.10	3.90	3.80	3.70	3.50	3.50	3.30	3.20	3.20	3.10

8.2 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),
- 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.

8.3 In the fourth quarter of 2022/23 the internal treasury team outperformed its benchmark by 0.14%. The investment return was 3.31% compared to the benchmark of 3.17%. This amounts to additional income of £42,400 during the quarter which is included in the Council's outturn position in the financial outturn position.

8.4 A full list of investments held as at 31 March 2023, compared to Link's counterparty list, and changes to Fitch, Moody's and Standard & Poor's credit ratings are shown within Link's Monthly Investment Analysis Review at Appendix 1. None of the approved limits within the Annual Investment Strategy were breached during the fourth quarter of 2022/23. 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.

8.5 As illustrated above, investment rates available in the market for three months are unlikely to increase significantly given that the Bank Rate is unlikely to increase further than 4.5%. The average level of funds available for investment purposes in the fourth quarter of 2022/23 was £99.5 million.

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

Local Member:	**All**

Appendices

1. Shropshire Council Monthly Investment Analysis as at 31 March 2023 (provided by Link Group)
2. Prudential Indicators for Quarter 4
3. Prudential Borrowing Schedule
4. Economic Background and Borrowing Update

APPENDIX 1: SHROPSHIRE COUNCIL MONTHLY INVESTMENT ANALYSIS AS AT 31 MARCH 2023 (PROVIDED BY LINK GROUP)

Current Investment List

Borrower	Principal (£)	Interest Rate	Start Date	Maturity Date	Lowest LT / Fund Rating	Historic Risk of Default	Expected Credit Loss (£)
MMF Aberdeen Standard Investments	11,400,000	3.95%		MMF	AAAm		
MMF Insight	15,000,000	3.97%		MMF	AAAm		
Nationwide Building Society	5,000,000	3.49%	05/01/2023	06/04/2023	A	0.001%	37
HSBC UK Bank Plc (RFB)	1,500,000	1.61%	24/05/2022	23/05/2023	A+	0.007%	98
National Westminster Bank Plc (RFB)	5,000,000	2.00%	31/05/2022	31/05/2023	A	0.008%	377
HSBC UK Bank Plc (RFB)	1,500,000	2.18%	14/06/2022	14/06/2023	A+	0.009%	139
Goldman Sachs International Bank	5,000,000	4.30%	03/01/2023	03/07/2023	A+	0.012%	581
HSBC UK Bank Plc (RFB)	5,000,000	3.58%	03/01/2023	03/07/2023	A+	0.012%	581
Santander UK PLC	15,000,000	3.94%		Call95	A	0.012%	1763
Barclays Bank UK PLC (RFB)	3,000,000	4.14%	31/01/2023	31/07/2023	A	0.015%	453
Barclays Bank UK PLC (RFB)	3,000,000	4.12%	06/02/2023	04/08/2023	A	0.016%	468
National Westminster Bank Plc (RFB)	5,000,000	3.05%	23/08/2022	18/08/2023	A	0.017%	866
National Westminster Bank Plc (RFB)	2,000,000	3.80%	20/09/2022	15/09/2023	A	0.021%	416
National Westminster Bank Plc (RFB)	5,000,000	4.45%	25/01/2023	24/01/2024	A	0.037%	1849
National Westminster Bank Plc (RFB)	2,000,000	4.50%	01/02/2023	31/01/2024	A	0.038%	757
Total Investments	£84,400,000	3.73%				0.014%	£8,385

Note: An historic risk of default and expected credit loss are only provided if a counterparty has a counterparty credit rating and are not provided for an MMF or USDBF, for which the rating agencies provide a fund rating. The portfolio's historic risk of default and expected credit loss therefore measure the historic risk of default and expected credit loss attached only to those investments for which a counterparty has a counterparty credit rating and also do not include investments which are not rated.
The Historic Risk of Default column is based on the lowest long term rating. If clients are using this % for their Expected Credit Loss calculation under IFRS 9, please be aware that the Code does not recognise a loss allowance where the counterparty is central government or a local authority since relevant statutory provisions prevent default. For these instruments, the Expected Credit Loss will be nil. Please note that we are currently using Historic Default Rates from 1990-2022 for Fitch, 1983-2022 for Moody's and 1981-2022 for S&P.
Where Link Group have provided a return for a property fund, that return covers the 12 months to December 2022, which are the latest returns currently available.

APPENDIX 2: PRUDENTIAL INDICATORS FOR QUARTER 4

Prudential Indicator	2022/23 Indicator £m	Quarter 1 – Actual £m	Quarter 2 – Actual £m	Quarter 3 – Actual £m	Quarter 4 – Actual £m
Non HRA Capital Financing Requirement (CFR)	431*	366	392	396	391
HRA CFR	95	95	95	95	95
Gross borrowing	348	292	292	292	292
Investments	150	129	143	115	84
Net borrowing	198	163	149	177	208
Authorised limit for external debt	528	292	292	292	292
Operational boundary for external debt	460	292	292	292	292
Limit of fixed interest rates (borrowing)	528	292	292	292	292
Limit of variable interest rates (borrowing)	264	0	0	0	0
Internal Team Principal sums invested > 364 days	70	0	0	0	0
Maturity structure of borrowing limits	%	%	%	%	%
Under 12 months	15	2	2	2	2
12 months to 2 years	15	0	0	0	0
2 years to 5 years	45	1	1	1	1
5 years to 10 years	75	16	16	17	20
10 years to 20 years	100	31	31	30	30
20 years to 30 years	100	22	22	26	24
30 years to 40 years	100	17	17	13	12
40 years to 50 years	100	2	2	2	2
50 years and above	100	9	9	9	9

APPENDIX 3 PRUDENTIAL BORROWING SCHEDULE

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 £	Applied Outturn 20/21 2020/21 £	Applied Outturn 21/22 2021/22 £	Applied Outturn 22/23 2022/23 £	Budgeted 2023/24 £	Budgeted 2024/25 £	Budgeted 2025/26 £	Budgeted 2026/27 £	First year MRP Charged	Asset Life	Final year MRP Charged
Monkmoor Campus	24/02/2006	3,580,000																								
Capital Receipts Shortfall -Cashflow	24/02/2006	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**	**0.00**	**0**	**0**	**0**	**0**			
Highways	24/02/2006	2,000,000	2,000,000																					2007/08	20	2026/27
Accommodation Changes	24/02/2006	650,000	410,200	39,800																				2007/08	6	2012/13
Accommodation Changes - Saving	31/03/2007	(200,000)																								
		450,000	**410,200**	**39,800**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0.00**	**0**	**0**	**0**	**0.00**	**0**	**0**	**0**	**0**			
Waste Management Site - Oswestry	29/06/2007	712,500																								
Waste Management Site - Oswestry	20/06/2008	(712,500)																								
		0	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**			
William Brooks	18/07/2008	0					-																	2011/12	25	2035/36
Primary School Capital Programme	19/12/2008	0					-	-																2012/13	25	2036/37
The Ptarmigan Building	05/11/2009	3,744,000				3,744,000																		2010/11	25	2034/35
The Mount McKinley Building	05/11/2009	2,782,000				2,782,000																		2011/12	25	2035/36
The Mount McKinley Building	05/11/2009	0					-																	2011/12	5	2015/16
Capital Strategy Schemes - Potential Capital Receipts shortfall	25/02/2010	187,600					-	-	-	0	-	-	-	-	0.00	-									25	
- Desktop Virtualisation						187,600	-																	2010/11	5	2014/15
Carbon Efficiency Schemes/Self Financing	25/02/2010	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
New School Amalgamations - Self Financing	25/02/2010	0							-	-	-	-	-	-	0.00	-								2013/14	25	2037/38
Solar PV Council Buildings - Self Financing	11/05/2011	56,342						1,283,959	124,584	(1,352,202)	-													2013/14	25	2038/39
Renewables - Biomass - Self Financing	14/09/2011	92,996						82,408	98,258	(87,670)	-													2014/15	25	2038/39
Depot Redevelopment - Self Financing	23/02/2012	0							-	-	-													2014/15	10	2023/24
Street Lighting - part night lighting - Self Financing	04/04/2012	0							-	-	-													2013/14	10	2022/23
Oswestry Leisure Centre Equipment - Self Financing	04/04/2012	124,521						124,521																2012/13	5	2016/17
Oswestry Leisure Centre Equipment - Self Financing	01/08/2012	290,274												274,239		16,035								2018/19	5	2022/23
Leisure Services - Self Financing	01/08/2012	711,197							711,197															2013/14	5	2016/17
Mardol House Acqusition	26/02/2015	4,160,000									4,160,000	-												2015/16	25	2039/40
Mardol House Adaptation and Refit	26/02/2015	3,340,000									167,640.84	##########	-	-	0.00	-								2016/17	25	2041/42
JPUT - Investment in Units re Shrewsbury Shopping Centres	13/12/2017	55,299,533												52,204,603	-208,569.18	2,791,967	320,079.38	191,453						2018/19	45	2042/43
JPUT - SSC No 1 Ltd	13/12/2017	527,319												527,319												
Car Parking Strategy Implementation	17/01/2018	590,021													588,497.06	1,524								2020/21	5	2024/25
Whitchurch Medical Practice (Pauls Moss Development)	26/07/2018	3,778,228																	171,509.07	3,606,719				2023/24	25	2047/48
CDL Shareholding	28/02/2019	1															1							2021/22		
Children's Residental Care	28/02/2019	2,000,000														1,381,539	230,765	38,486.70	316,209.69	33,000				2020/21	25	2044/45
Commercial Investment Fund	Fin Strat 19/20	5,479,704																			5,479,704			2021/22	25	2044/45
Bishops Castle Business Park	19/09/2019	3,111,899															2,900	1,545,647	1,271,102.21	292,250				2023/24	25	2044/45
Former Morrisons Site, Oswestry	19/09/2019	3,390,145															3,390,145							2021/22	25	2045/46
Pride Hill Shopping Centre Reconfiguration - LEP Match	19/12/2019	1,928,978															434,027	842,293	652,658.49					AUC	45	
Oswestry Castleview - Site Acquisition	19/12/2019	3,256,241														3,256,241								2020/21	25	2044/45
Greenacres Supported Living Development	24/09/2020	3,125,000																34,317	41,687.50	2,048,995	1,000,000			2023/24	25	2046/47
Pride Hill Shopping Centre Reconfiguration - Feb 22 approval	01/02/2022	197,614																	197,614.21					AUC	45	
Oswestry Property Acquisition	12/05/2022	3,332,304																	3,332,303.71					2023/24	25	2047/48
Whitchurch Swimming & Leisure Facility	22/09/2022	13,100,282																	390,953.68	4,651,527	5,357,237	2,067,303	633,261	2026/27	45	2046/47
Highways Investment Programme	apital Strategy Feb 2	31,565,001																3,983,412	###########	3,545,000	3,695,000	2,330,000		2022/23	25	2046/47
Meole Brace Pitch & Putt		5,399,999																11,927	136,348.64	4,748,309	503,415			AUC	25	
Maesbury Solar Farm		2,041,173																	19,681.65	2,021,491				AUC	25	
The Tannery Development Block A - Land Acqusition		660,253																62,500	594,752.50	3,000				2022/23	25	2045/46
The Tannery Development Block A		6,353,605																		1,353,605	5,000,000			AUC		
The Tannery Development - Block B & C		7,467,802													3,677,843.83	3,456,019	311,325	16,614	3,846.79	2,153				2019/20	25	2045/46
Shrewsbury Property Acquisition		3,837,012																	3,837,011.50					2023/24	25	2047/48
Recycling Bin Roll Out Programme		2,029,778																4,395	2,025,383.79					2022/23	10	2032//33
Previous NSDC Borrowing		955,595			821,138	134,457																		2009/10	5/25	2065/66
		187,551,491	**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**	**4,689,242.81**	**6,731,043.78**	**###########**	**22,306,049**	**21,035,356**	**4,397,303**	**633,261**	(1)		

APPENDIX 4 – ECONOMIC UPDATE (FROM LINK GROUP)

GENERAL ECONOMY

The UK manufacturing PMI fell to 48 in March 2023 from 49.3 in February this pointed to an eighth straight month of falling factory activity. In addition, the UK services PMI fell to 52.8 in March 2023 from 53.5 in February, below market expectations of 53 new orders growth accelerated due to improved client confidence, resilient demand for consumer services and a boost to spending from falling inflationary pressures. Overall, while still comfortably in "territory (i.e. a reading above 50 the UK composite PMI fell to 52.2 in March 2023 from the 8 month high of 53.1 in February. Elsewhere, UK construction PMI rose to 54.6 in February 2023 from 48.4 in January, easily beating market expectations of 49 1. The latest reading pointed to the fastest pace of expansion in the construction sector since last May, as commercial construction increased the most in nine months and civil engineering works returned to growth.

The UK economy expanded by 0.1% on quarter in the final three months of 2022 revised from a first estimate of no growth and following a 0.1% contraction in the previous period household consumption grew by 0.2% driven by higher spending on net tourism, transport, and housing and despite the stubbornly high inflation and rising borrowing costs. There was also higher investment spending and higher government consumption, which was partially offset by businesses de stocking their levels of inventories and a decline in the volume of net trade.

The UK trade deficit narrowed to £5.86 billion in January 2023 down from £7.15 billion in the previous month, as imports tumbled 6.3% and exports fell at a softer 5.1% goods imports were down 8.7% as purchases from the EU fell by 8.8% and those from non-EU countries declined by 8.7% the decrease in imports from the EU was mainly the result of falling purchases of machinery and transport equipment, chemicals, and fuels.

UK employment rose by 65k in the three months to January 2023 above market forecasts of a 52k rise and following a 74k growth in the previous period. The unemployment rate in the UK came in at 3.7% in November 2022 to January 2023 largely unchanged compared with the previous three-month period and slightly below market consensus of 3.8%. The number of unemployed people rose by 5k to 1250k, while employment levels increased by 65k to 32840k, driven by part time employees and self-employed workers. UK average weekly earnings, including bonuses, rose 5.7% y/y to £630 in the three months to January, the smallest increase since July, following an upwardly revised 6% rise in the last three months of 2022. In addition, regular pay which excludes bonus payment, went up 6.5% to £589 with the pace of growth slowing for the first time since late 2021. Adjusted for inflation, total pay declined 3.2% the most since 2009 and regular pay was down 2.4% as inflation continues to squeeze UK living standards. Meanwhile, retail sales in the UK unexpectedly rose 1.2% m/m in February, following an upwardly revised 0.9% rise in January it is the biggest increase in four months.

The annual consumer inflation rate in the UK unexpectedly rose to 10.4% in February from 10.1% in January, the first increase in four months and compared to forecasts of a decline to 9.9%. The biggest upward pressure came from cost of food and non-alcoholic beverages on the other hand, a slowdown was seen in prices for transport, particularly motor fuels furniture housing and utilities and recreation and culture elsewhere, the GfK Consumer Confidence indicator rose to -36 in March 2023 from -38 in February, pointing to the highest reading in a year amid better economic forecasts.

The public sector net borrowing (PSNB ex) in February 2023 was £16.7 billion, £9.7 billion more than February 2022 and the highest February borrowing since monthly records began in 1993, largely because of substantial spending on energy support schemes. The Bank of England raised Bank Rate by 25 bps to 4.25% during the March meeting, in line with expectations, and pushing borrowing costs to fresh 2008-highs, aiming to bring inflation back to the 2% target.

In the US the unemployment rate edged up to 3.6% in February up from a 50 year low of 3.4% seen in January. The number of unemployed people increased by 242k to 5940k, and employment levels rose by 177k to 160320k. The US economy expanded an annualised 2.6% on quarter in the last three months of 2022, slightly less than initial estimate of 2.7%. The annual inflation rate in the US slowed to 6% in February, the lowest since September 2021, in line with market forecasts. The Fed raised the Fed Funds Rate by 25bps to 4.75%-5% in March, matching the February increase, and pushing borrowing costs to new highs since 2007.

The Eurozone economies failed to grow in the final quarter of 2022, compared with preliminary estimates of 0.1% growth and an upwardly revised 0.4% expansion in the previous three-month period. GDP grew in the Netherlands, Spain, and France, but contracted in Germany and Italy. The annual inflation rate in the Euro area eased to 6.9% year-on-year in March, its lowest level since February 2022 and slightly below market consensus of 7.1%. The European Central Bank raised interest rates by another 50 bps to 3.5% at its March meeting, as previously promised, further pushing borrowing costs to the highest level since late 2008, to help temper the region's stubbornly high inflation.

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Committee and Date	Item
	Public

Healthy People

Healthy Economy

Healthy Environment

Healthy Organisation

Corporate Carbon Performance Monitoring Report 2022

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Cabinet Member (Portfolio Holder):	Ian Nellins		

1. Synopsis

The Council's Climate Strategy and Action Plan committed to annual reporting. This report details the Council's carbon emissions for financial year 2021/22, describes performance against its net-zero objective and sets out recommendations to be implemented.

2. Executive Summary

2.1. The Shropshire Plan 2022-2025 set out delivering the council's Corporate Climate Change Strategy and Action Plan as a strategic objective, through promoting the means to tackle climate change and reduce our carbon footprint, including the adoption of low-carbon energy for our assets and for communities.

2.2. Shropshire Council declared a climate emergency in May 2019 and in December 2020 adopted a Climate Strategy and Action Plan, which establishes the objective of achieving net-zero carbon performance for Shropshire Council by 2030 and aims for an annual carbon reduction of 10% per year. The Climate Change Task Force was established to lead the Council's response to the climate emergency in November 2019, the task force is made up of Shropshire Council officers. A Climate Change and Carbon Reduction Advisory Board was established in September 2022 to act as a 'critical friend' and to assist the implementation and review of the Council's Climate Strategy.

2.3. Climate action and carbon reduction are integral to all aspects of the Shropshire Plan. For example, in the context of the 'Healthy People' priority, extreme weather associated with the climate crisis will adversely affect vulnerable residents and service users disproportionately. This is likely to drive significant future growth in the demand for social care services as well as generating significant impacts on the physical and mental health and wellbeing of staff. Taking active steps through the implementation 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. To ensure that the risk which extreme weather associated with climate change presents to Council services is better recognised and to ensure that our assets and services are resilient in the face of the challenges of more extreme climate events, it is recommended that a Climate Adaptation Strategy is prepared during 2023.

2.4. During 2021-22, the efforts of the Task Force have been directed towards continuing to embed climate change as a key consideration in the Council's corporate governance systems and to widen ownership of the issue through accredited carbon literacy training. A range of projects and initiatives continue to be developed and implemented to help the Council improve its own performance and to help foster similar action across the wider economy and communities in Shropshire (see Section 8 below), although most will take more time to yield carbon savings.

2.5. Accurate data and monitoring and reporting systems for carbon performance are still being developed, and all the data collected to date has been distorted by the significant impact of the Covid pandemic on service delivery. Unfortunately, pre-pandemic carbon performance data is not available to act as a benchmark for our latest corporate performance. The best available data suggests that:

i. Shropshire Council's direct carbon emissions (Scopes 1 & 2) fell significantly during Financial Year (FY) 2021, due primarily to the adoption of a 100% renewable power supply through West Mercia Energy and the effect of the pandemic on service delivery. However, in FY 2022, there has been a significant increase (+28%) from FY 2021 in Shropshire Council's direct carbon emissions (Scopes 1 & 2) from 1,900 tonnes to around 2,400 tonnes, this is primarily due to an increase in activities due to Covid restrictions lifting and returning to business as usual. Direct emissions were around 5% higher in FY2022 than the base year (FY2020).

ii. In FY 2022, the Council's indirect emissions (Scope 3) have decreased slightly to 31,390 tonnes CO2e (see table below). Indirect emissions were around 3.5% higher in FY2022 than the base year (FY2020). However, there remains uncertainty around the exact quantity of the Council's indirect emissions, as they are complex and difficult to accurately quantify. As such, we have commissioned a detailed modelling to provide a more accurate assessment of these emissions.

iii. Overall, gross carbon emissions have decreased by around 1% from 34,000 tonnes to around 33,800 tonnes.

iv. The past three years of our carbon monitoring have been influenced significantly by the Covid pandemic, and in the absence of pre-pandemic data against which to benchmark, it is difficult to identify meaningful trends at this time.

v. High levels of municipal waste recycling and the management of Council-owned land generate carbon savings have helped to offset our gross carbon emissions. However, this activity has reduced by approximately 1,000 tonnes from around minus 37,000 tonnes CO2e in 2019 to around minus 36,000 tonnes CO2e in 2020.

vi. Net carbon emissions have therefore increased compared to FY 2021 from a net-negative performance of minus 4,296 tonnes back to a net-negative performance of approximately minus 330 tonnes CO2e.

2.6. The data above shows that there has been an increase in direct emissions and a decrease in indirect emissions. Overall, there has been a 1% decrease in gross emissions against a target of a 10% reduction each year. Whilst this is disappointing, it reflects the impact of increased spending on commissioned services across several service areas where carbon emissions are still being estimated using spend, rather than actual measurement.

2.7. The Council's indirect emissions (Scope 3) account for around 93% of the Council's corporate carbon footprint, it is therefore important to explore how the Council's procurement policies can be updated to help accurately quantify and help suppliers to reduce indirect carbon emissions.

2.8. Widening the understanding and ownership of the need for urgent climate action and carbon reduction across Shropshire Council service areas is required to reduce council carbon emissions. Existing staff members in key service areas could be designated and trained as climate change champions to represent their service area.

2.9. It is important to note that both carbon performance monitoring and carbon reduction projects are still in their infancy and the accuracy of monitoring and the effectiveness of mitigation actions are expected to improve significantly as momentum builds behind the climate action agenda. A number of current projects and initiatives which will help to reduce corporate carbon emissions are still being developed and have yet to deliver planned savings.

2.10. The Council's corporate footprint represents only around 1% of Shropshire's total carbon footprint, but the Council is able to influence as much as 33% of emissions through its regulatory and support functions. The Council is already supporting a wide range of projects and initiatives designed to support local businesses and communities to reduce their carbon emissions.

2.11. The effectiveness of the projects and initiatives being developed by the Climate Task Force are limited by its capacity. To make faster progress towards our objective of net-zero corporate carbon performance by 2030, it is essential that greater understanding and ownership of the challenge of the Climate Crisis is achieved throughout the organisation and its suppliers.

3. Recommendations

3.1. That Cabinet approves the draft Corporate Carbon Performance Monitoring report 2021-22 (Appendix 1) for publication;

3.2. That Cabinet supports:

i. Efforts to widen understanding and ownership of the need for urgent climate action and carbon reduction through training and the identification of a staff ‘climate change’ champion in each service.
ii. An Officer report being prepared to explore how the Council’s procurement policies can be updated to help accurately quantify and help suppliers to reduce indirect carbon emissions, which now account for around 93% of the Council’s corporate carbon footprint.
iii. Work to prepare a corporate ‘Climate Change Adaptation’ strategy during 2023 to identify key climate risks, their potential impact on the delivery of council services, staff and service users and to set out actions and measures to moderate these risks.

Report

4. Risk Assessment and Opportunities Appraisal

4.1. The climate crisis is a serious threat to 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. Even if we are successful in mitigating the worst effects, we will continue to experience more pronounced and frequent episodes of extreme weather effects. The much greater frequency of extreme weather events will significantly increase insurance risks and threaten the health, wellbeing and future resilience of our communities.

4.2. The climate crisis is therefore already recognised as 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.

4.3. Climate action and carbon reduction are integral to all aspects of the Shropshire Plan:

i. **Healthy People** – Extreme weather associated with the climate crisis will adversely affect vulnerable residents and service users disproportionately. This is likely to drive significant future growth in the demand for social care services as well as generating significant impacts on the physical and mental health and wellbeing of staff.

ii. **Healthy Economy** – The recent energy crisis illustrates potential impacts on the Shropshire economy from the climate crisis. However, there are also significant opportunities for growth and skilled employment in new technologies, renewable energy and the rural economy.

iii. **Healthy Environment** – The climate crisis has very serious implications for biodiversity and food production. However, as a large rural area, Shropshire is also in an excellent position to take positive action to help mitigate these effects.

iv. **Healthy Organisation** – Extreme weather associated with the climate crisis may significantly disrupt the delivery of Council services through damage to physical infrastructure such as roads and power infrastructure, and through impacts on staff health and wellbeing. Demand for services and service delivery costs such as highway maintenance are likely to increase significantly.

4.4. Taking active steps through the implementation 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.

4.5. An Equality and Social Inclusion Impact Assessment (ESIIA) has previously been carried out which indicated that the corporate Climate Strategy and Action Plan are likely to have a positive effect on all groups in society. 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.

4.6. Individual Council services identified as being responsible for appreciable carbon emissions will each need to identify a climate change champion as recommended in 3.2(i) above, 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 adopt an agile approach 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.

5. Financial Implications

5.1. Climate change represents a significant financial risk to the Council, as described in 4.3(iv) above. Action to update procurement policies to help accurately quantify and reduce indirect carbon emissions in recommendation 3.2(ii) above are likely to fall within the changes already planned to address social value. However, in the longer term this may increase supplier costs as they implement measures to decarbonise their goods and services. However adapting service delivery to address the impacts of extreme weather events will help reduce far more significant future financial risks.

5.2. An annual revenue budget of £0.5m has been established to provide for staff resources in the Climate Change team and to support bids for Government grant funding and work to develop and implement the wide range of projects associated with the key themes of the Council's adopted Climate Strategy as illustrated in Table 3 below. This budget will also cover the costs of commissioning the preparation of a Climate Adaptation Strategy as recommended in 3.2(iii). To date, the Climate Change Task Force has worked with colleagues across the Council to secure capital grants totalling over £3.8m and revenue funding of over £0.5m to support decarbonisation projects.

5.3. Early action to reduce Shropshire Council's carbon footprint and adapt service delivery to address the impacts of extreme weather events will help reduce future financial risk. Improving Shropshire Council's carbon performance and resilience may require significant capital investment in energy efficiency measures, low carbon technologies and renewable energy generation. 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. Some projects delivered in partnership with others may lead to commercial income being generated.

6. Climate Change Appraisal

6.1. *Energy and fuel consumption:* A range of projects and initiatives are being developed which will contribute positively to the reduction of carbon emissions in future years by facilitating improved energy efficiency and carbon performance across Council Services;

6.2. *Renewable energy generation:* A number of projects in the Climate Action Plan are being developed to drive the delivery of additional generation of renewable energy from a range of technologies on Council land and buildings;

6.3. *Carbon offsetting or mitigation:* The management of Council land and our commissioned waste management service make a key positive contribution to our carbon performance, but it is crucial that we do not rely on these and instead focus first on reducing emissions wherever possible. A range of additional projects and initiatives are being developed to drive the capture and storage of carbon and to mitigate the effects of climate change on biodiversity;

6.4. *Climate Change adaptation:* It is recommended that a Climate Adaptation Strategy is prepared during 2023 to ensure that the risk which extreme weather associated with climate change presents to Council services is better recognised and to ensure that our assets and services are resilient in the face of the challenges of more extreme weather events.

7. Background

Shropshire Council's Current Carbon Footprint

7.1. The gross emissions for Shropshire Council's operations are 33,814 tCO2e, a 1% reduction compared to our previous years reporting. However, our direct carbon emissions have increased compared to the previous financial year, this is due to an increase in activity following the Covid pandemic. Our indirect carbon emissions have decreased compared to the previous financial year. Outsourced and additional Scope 3 emissions continue to make up the majority of our current carbon footprint and are outlined in additional detail below.

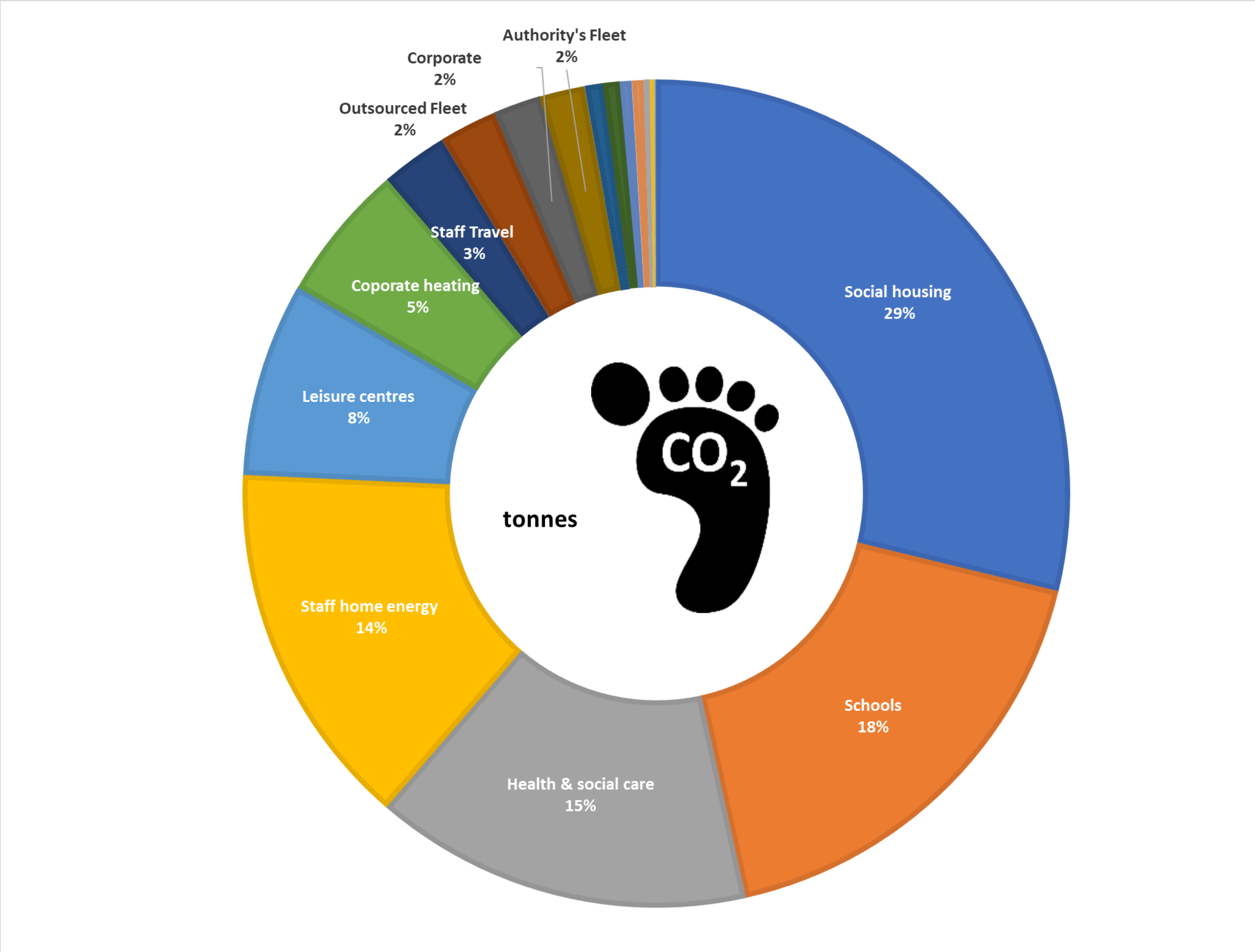
Table 1: Shropshire Council Carbon Emission 2021-22

Scope	Emissions Type	Emissions (tCO2e)	Percentage of gross
Scope 1	Corporate heating	1,832	5%
	Transport fleet	592	2%

Scope	Emissions Type	Emissions (tCO2e)	Percentage of gross
Scope 2	Electricity	0	0%
Scope 3	Social housing	9,737*	29%
	Health & social care	5,005	15%
	Schools	6,075	18%
	Staff home energy	4,867	14%
	Maintenance fleet	766	2%
	Leisure centres	2,563	8%
	Staff travel	879	3%
	Corporate	634	2%
	Transmission losses	241	1%
	PFI	155	0%
	Legal & financial	225	1%
	ICT & BPO	81	0%
	Pending categorisation	66	0%
	Culture & arts	152	0%
	Water	15	0%
	Civil Defence	4	0%
Gross emissions		***36,169***	***100%***

We have used data for FY20/21 in the absence of data for FY21/22

Figure 1: Corporate Carbon Emissions (Scopes 1, 2 & 3)- Annual Change in performance 2020-21 to 2021-22



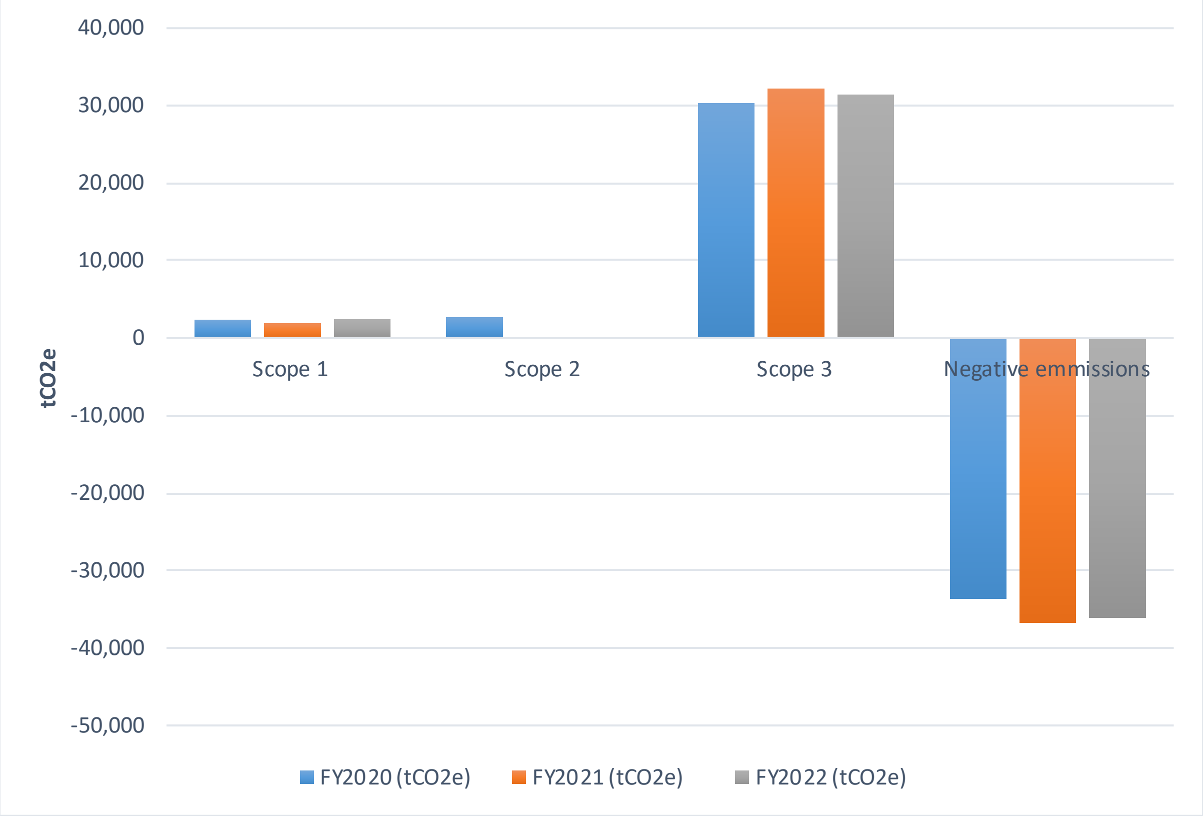
7.2 Table 2 displays the change in CO2 emissions from financial year 2021 to financial year 2022:

Table 2: Change from Financial year 2021 to 2022

Scope	FY2021 (tCO2e)	FY2022 (tCO2e)	Difference (up or down)	% change
Scope 1	1,894	2,424	+530	+28%
Scope 2	0	0	-	-
Scope 3	32,204	31,390	-814	-3%
Gross	**34,098**	**33,814**	-284	-1%

Scope	FY2021 (tCO2e)	FY2022 (tCO2e)	Difference (up or down)	% change
Negative emissions	-36,729	-36,109	620	+2%

Figure 2: Change in Shropshire Council Carbon Footprint 2020-21 to 2021-22



7.2. Scope 1 emissions have increased in FY2022 by 0.5 ktCO2e due to an increase in corporate heating and transport fleet emissions. This is most likely due to a return to business as usual following the Covid pandemic.

7.3. Scope 2 emissions reduced to zero in FY 2021 due to the adoption of a zero-carbon electricity tariff and we have made efficiency savings on several buildings as part of our ongoing Carbon Reduction Programme for buildings.

7.4. There has been a 3% decrease in outsourced scope 3 emissions in FY2022. However, an improved reporting method is expected to improve the accuracy of the carbon reporting for commissioned services and will provide a will provide a more consistent framework to help service areas to improve their performance in future. The Climate Team is working closely with procurement and ICT to develop and implement improved reporting.

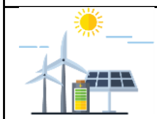
7.5. Carbon offsetting and capture activities have decreased by 2%, partly due to lower levels of domestic waste recycling under the contract operated by Veolia and the capture and storage of carbon on Council owned and managed land.

Commissioned Services

7.6. The pandemic has continued to have an impact on the delivery of council services, including outsourced services last year. Overall, schools maintained by the council had the highest emissions with 6.1 ktCO2e, then leisure centres account for 2.6 ktCO2e. The carbon emissions of several of Shropshire Council's commissioned service areas are currently based on the overall spending on each of the services, the majority of which has seen an increase in spending and subsequently reported carbon emissions in FY21/22.

8. Climate Action Plan: Themes and Example Projects

8.1. Shropshire Council's adopted Climate Change Strategy and Action Plan has three key themes, sub-divided into sub-themes:

	1. **Power Down** (Carbon Footprint Reduction) i. Low Carbon Transport ii. Buildings - Energy Efficiency improvements iii. Corporate governance iv. Supporting the transition to a low carbon economy
	2. **Power Up** (Renewable Energy Generation and Storage) i. Renewable Power ii. Low Carbon Heat
	3. **Biodiversity, Carbon Capture and Storage** i. Tree Planting ii. Land Management iii. Carbon Removal Technologies

8.2. A wide range of actions, projects and initiatives have been completed, are currently in progress or are planned for future years and these are summarised in Appendix 1. Some of these projects and initiatives are designed to improve Shropshire Council's corporate carbon performance, whilst others are designed to help Shropshire businesses and communities make the transition to a low carbon approach. Table 3 below provides some examples for each sub-theme:

Table 3: Example Carbon & Climate Projects (see Appendix 1 for full list)

Example Projects	**Budget**	**Carbon Saving**	**Corporate /County-wide focus**	**Latest position**
Power Down: Low Carbon Transport:				
EV Charging infrastructure	£2m	TBC	County-wide	• Current installation of 50 chargers and another 270 chargers planned during 2023 • EV Charging Infrastructure Strategy commissioned to support further installations
Power Down: Buildings - Energy Efficiency improvements				
Retrofit of SC building assets	£1m	108t CO2e/yr	Corporate	• Energy efficient lighting and heating and renewable energy improvements to 5 buildings • Work to prepare to identify and prioritise further improvements to around 90 Shropshire Council buildings
Power Down: Corporate governance				

Staff and member Carbon Literacy training	TBC	n/a	Corporate	• Carbon Literacy Trust accredited training for Cabinet and Executive Directors completed. • Continued roll out to other key staff during 2023
Power Down: Supporting the transition to a low carbon economy				
Business carbon advice service	£11k	TBC	County-wide	• Grant support to Shropshire Climate Action to fund a free service to help Shropshire businesses to improve their Carbon Footprint
Power Up: Renewable Power				
Maesbury Road Solar Farm	£2.1m	TBC	Corporate	• SC is developing a 2MW solar farm on a former landfill site to supply power direct power direct to local businesses
Power Up: Low Carbon Heat				
North Shrewsbury Heat network	£75k	TBC	Both	• Government funding for a detailed feasibility study into piping waste heat from the Battlefield ERF to heat businesses or public buildings.
Biodiversity, Carbon Capture and storage: Tree Planting				
Community Tree Scheme	£32k	TBC	County-wide	• Since 2010 around 96,000 individual trees have been planted and 70,000 trees for hedges have been planted.
Biodiversity, Carbon Capture and storage: Land Management				
Biochar Demonstrator Project	TBC	TBC	Both	• Development of a pyrolysis plant to process wood from Council owned land to create biochar and energy

Key: oCompleted; o In Progress; oPlanned

9. Conclusions

9.1. The data presented in this report shows that there have been increases in both direct and indirect emissions. Overall, there has been a 1% decrease in gross emissions against a target of a 10% reduction each year. Whilst this is disappointing, it reflects the impact of increased spending on commissioned services across several service areas where carbon emissions are still being estimated using spend, rather than actual measurement. It is worth noting that Shropshire Council is currently one of only a few Councils to report the full extent of its carbon emissions, including indirect emissions. A number of projects and initiatives which will help to reduce corporate carbon emissions are still being developed and have yet to deliver planned savings.

9.2. This year's carbon reporting indicates that carbon savings generated from recycling and land management activities continue to mean that the Council's footprint is technically net-zero.

9.3. The Council's corporate footprint represents only around 1% of Shropshire's total carbon footprint, but the Council is able to influence as much as 33% of emissions through its regulatory and support functions. The Council is already supporting a wide range of projects and initiatives designed to support local businesses and communities to reduce their carbon emissions.

List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information) Council 17th December 2020: Draft Climate Strategy and Action Plan: http://shropshire.gov.uk/committee-services/ieListDocuments.aspx?CId=125&MId=4137&Ver=4
Cabinet Member (Portfolio Holder) Ian Nellins, Portfolio Holder for Climate Change, Natural Assets & the Green Economy
Local Member All
Appendices Appendix 1: Climate Strategy 2022 Progress Report

1

Shropshire Council

Climate Strategy

Progress Report 2022

In Partnership with:

1. Introduction

1.1 Shropshire Council began monitoring its carbon footprint in 2020 (baseline year). This progress report updates the councils carbon footprint highlighting any changes from the baseline and previous year's monitoring. The report addresses the following questions:

1. What is the latest corporate carbon footprint?
2. How has this changed from that reported in our baseline year (2020)?
3. How has this changed from that reported in 2021?
4. What have the projects and initiatives which we've supported contributed to the change?
5. What other factors have had an influence?
6. Are we 'on track' as a trajectory towards our corporate target for 2030?
7. What co-benefits are there: revenue cost savings, public health, air quality and biodiversity?
8. What have Shropshire Council contributed to wider activity to decarbonise Shropshire?
9. What additional activities such as training, support for community climate action, changes to procurement, are planned.

1.2 As well as reporting carbon performance, the report provides a summary of live and proposed projects necessary to tackle the "carbon gap". Crucially that follows an evidence led approach is taken to target the areas identified with the biggest caron footprint.

1.3 Our adopted Climate Strategy aims for an annual reduction of 10% per year. With UK commitments made in COP26, decarbonisation needs to be continuous and progressive towards our net zero goal of zero carbon by 2030.

2. Carbon reporting method

2.1 Shropshire Council is reporting its performance for the financial year 2021/22 using the national LGA Greenhouse Gas Accounting Tool. Performance monitoring will be refined as more data becomes available. The Greenhouse Gas Accounting Tool and its FAQs define the scopes:

Table 1 Scopes as defined in LGA Carbon Accounting Tool (FY 2021/22)

Emissions Scope	Category	Detail
Scope 1	Corporate Landlord Buildings (kWh gas and oil) Passenger transport fleet	Corporate administrative and public buildings, (Litres of diesel/petrol)
Scope 2	Corporate Landlord Buildings and streetlighting (electric)	Factors green tariff and conversion to LEDs, and traffic controls.
Scope 3	Veolia commercial recycling Warp It re-use platform Water supply and treatment	"Resources" recycling, reuse, and water for the delivery of services (but not domestic - below).
	Veolia domestic recycling Staff travel Leisure services PFI buildings Schools (maintained only) Highway's vehicles contracts	Municipal waste contract Staff travel: Enterprise cars, commute. Leisure centre operators Private Finance Initiative Highways: Kier, WSP
(Uncategorised LGA model)	Service Providers Social housing Staff carbon footprint: Staff home energy	Contracts and suppliers spend STAR housing Shropshire domestic (average)

3. 2021/22 Corporate Carbon Footprint

3.1 Last year's footprint has been updated using the same methodology as this year to make a direct comparison between the two:

Table 2: Change from 2020/21 financial year

Scope	FY2020 (tCO2e)	FY2021 (tCO2e)	FY2022 (tCO2e)	Difference 21/22 (up or down)	% change
Scope 1	2,309	1,894	2,424	**530**	**28%**
Scope 2	2,643	0	0	**0**	**0%**
Scope 3	30,317	32,204	31,390	**-814**	**-3%**
Gross	**35,269**	**34,098**	**33,814**	**-284**	**-1%**
Negative emissions	-33,605	-36,729	-36,109	**620**	**2%**
Net total	**1,665**	**-2,631**	**-2,294**	**337**	**13%**

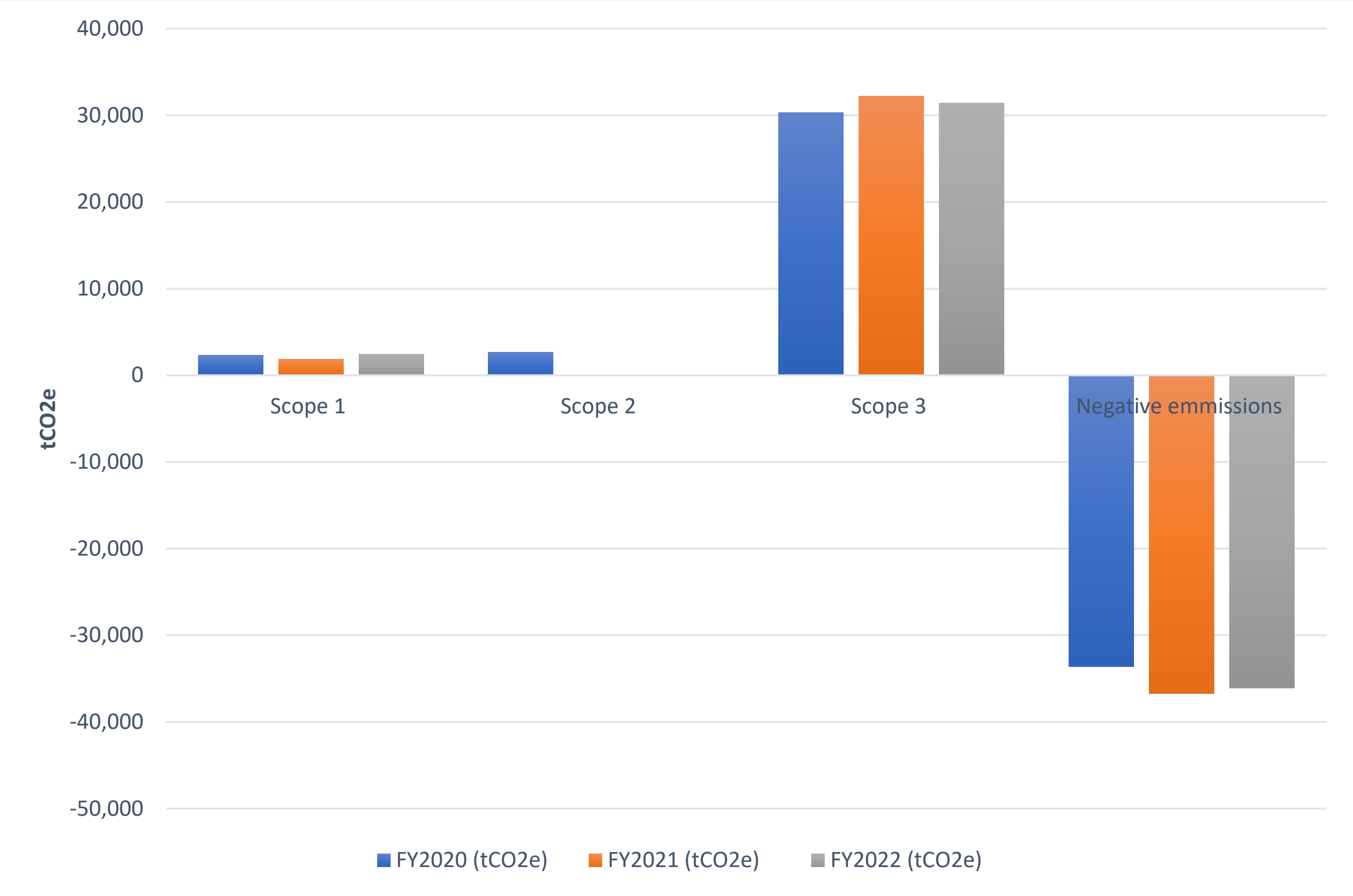
Annual Change in performance 2020-21 to 2021-22

3.2 The net decrease in gross emissions is due to the following:

- Scope 1: (28% increase from FY21). Increased service delivery compared to FY21, which was impacted due to the pandemic.
- Scope 2: (100% reduction from baseline). The WME green tariff has contributed to the zero-carbon electricity, this is REGO accredited.
- Scope 3: (3% reduction from FY21):
  - Decreased spend across several service areas (estimate based on spend).
  - Amended carbon dioxide emissions intensity factors provided by the Office for National Statistics have resulted in a decrease in emissions, despite in some instances the spend increasing.

3.3 The increase in net total emissions (2% increase from FY21) is due to an increase in negative emissions which is due to lower levels of domestic waste recycling compared to FY21.

Figure 1: Authority emissions (3-year comparison)



3.4 An increase in Scope 1 emissions is being reported compared to the previous reporting period (FY21), this is primarily due to an increased service delivery due to a return business as usual following the Covid pandemic. Shropshire Councils offices and buildings are being used more compared to the previous year, and a higher level of services are being offered by the council.

3.5 Scope 2 emissions became zero in FY2021 due to a switch to a zero-carbon electric tariff. However, we recognise that reducing our energy consumption is still important and we are continuing to make efficiency savings on buildings as part of our ongoing Carbon Reduction Programme.

3.6 A slight decrease in Scope 3 emissions is primarily due to amended carbon dioxide emissions intensity factors provided by the Office for National Statistics (ONS). The current method that has been used to calculate Shropshire Councils Scope 3 emissions is based on the spend of each service area and ONS carbon intensity factors, unfortunately this may not be an exact reflection of emissions. Shropshire Council have commissioned an advanced reporting method to improve the accuracy of our carbon reporting for commissioned services and Scope 3 emissions, this will provide a more accurate representation of our Scope 3 emissions and a consistent framework to help service areas to improve their performance in future.

3.7 Carbon offsetting and capture activities have decreased by 2%, reflecting lower levels of domestic waste recycling under the contract operated by Veolia.

Are we 'on track' towards our corporate target for 2030?

3.8 The Climate Strategy 2021 Progress Report[2] reported a net decrease of 258% of our net CO_2 emissions compared to the baseline year (1,665 tCO_2e to -2,631 tCO_2e). For our 2022 report, due to only a 1% decrease in our gross emissions and a 2% increase in our negative emissions we are reporting a net total emission reduction of -2,294 tCO_2e, which although 13% less than was reported in FY2021, is still a net negative total. However, we should be mindful that gross emissions have only reduced by 1% in FY22, and we do not want to rely on our favourable negative emission sets to reach our corporate target.

3.9 Our carbon performance monitoring has been significantly influenced by the Covid pandemic, as such establishing a baseline and identifying meaningful trends is difficult at this stage. Our current trends are comparable to those being reported in National Statistics[3].

3.10 Although we have not seen significant reductions in our gross corporate emissions, we should recognise that the majority of the measures and interventions that we are implementing and working on now do not lead to immediate reductions in carbon emissions.

3.11 There is plenty more we have planned in the pipeline across buildings, renewable energy transport and carbon capture and storage that will achieve our goal of net zero by 2030.

[2] https://www.shropshire.gov.uk/media/22365/appendix-1-climate-strategy-2021-progress-report.pdf
[3] UK local authority greenhouse gas emissions estimates 2020 – 30 June 2022 National Statistics

4 Carbon footprint – in more detail

4.1 The gross emissions for authority operations are 34ktCO_2e. Scope 1 (direct emissions) comprise of heating public and administrative buildings (1.8ktCO_2) and transport fleet (592tCO_2). Collectively transport accounts for 2.2kt so it is important to decarbonise this sector. Scope 3 makes up most of the emissions; ranked highest to lowest below. Social housing, health and social care, schools then staff's home energy use (whilst working) are the councils' highest sources of GHG emissions.

Table 3: Corporate Carbon Emissions by Scope

Scope	Emissions Type	Emissions (tCO_2e)	Percentage of gross
Scope 1	Corporate heating	1,832	5%
	Transport fleet	592	2%
Scope 2	Electricity	0	0%
Scope 3	Social housing	9,737	29%
	Health & social care	5,005	15%
	Schools	5,998	18%
	Staff home energy	4,867	14%
	Maintenance fleet	766	2%
	Leisure centres	2,563	8%
	Staff travel	879	3%
	Corporate	634	2%
	Transmission losses	241	1%
	PFI	155	0%
	Legal & financial	225	1%
	ICT & BPO	81	0%
	Pending categorisation	66	0%
	Culture & arts	152	0%
	Water	15	0%
	Civil Defence	4	0%
Gross emissions		33,814	100%

Figure 2: Direct Corporate Carbon Emissions

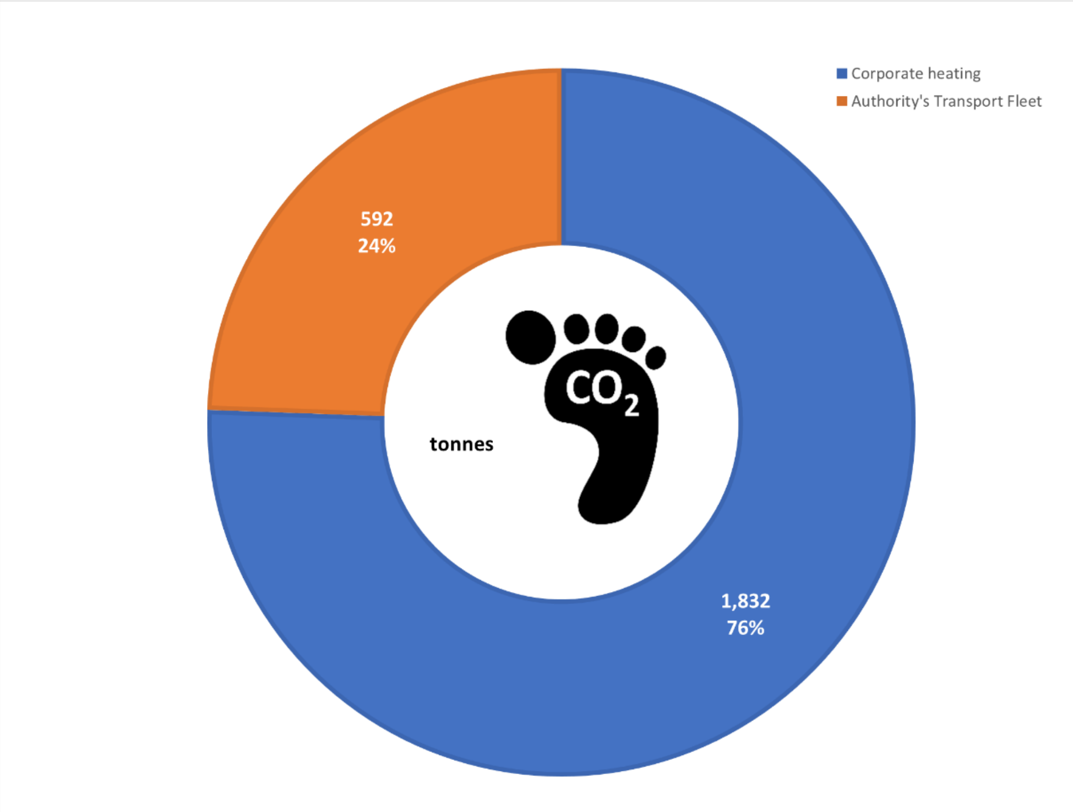
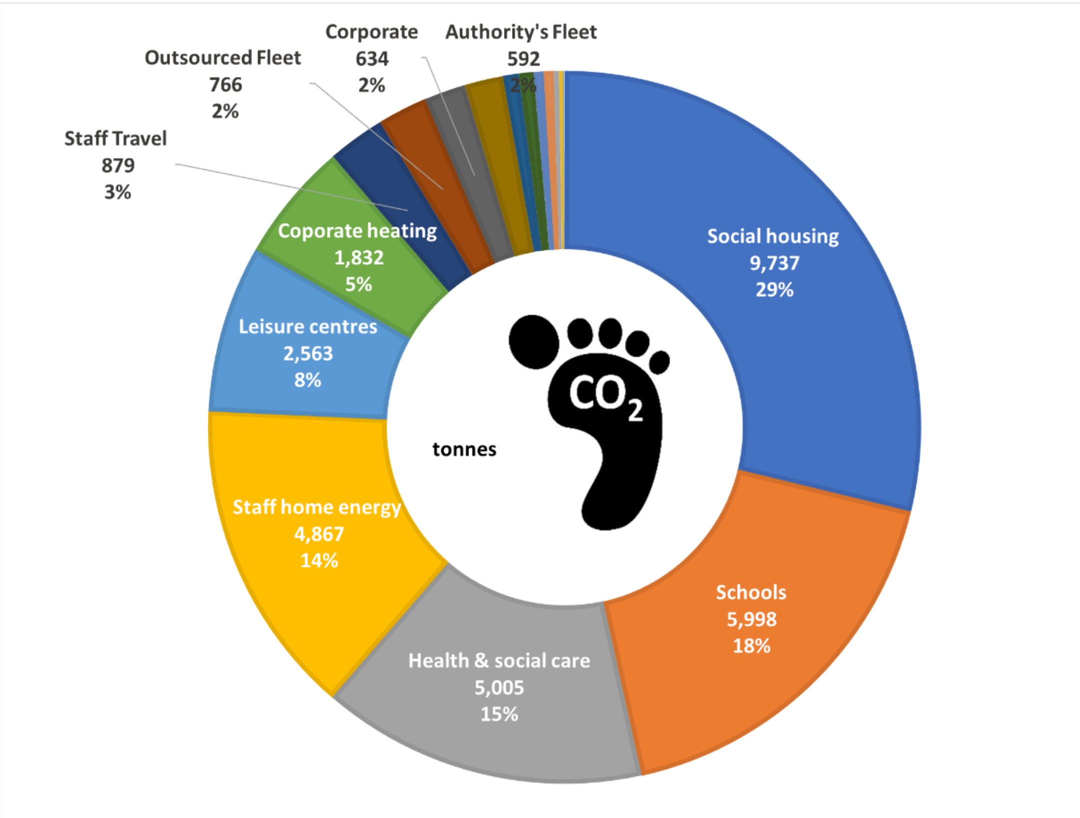


Figure 3: Indirect Corporate Carbon Emissions



Negative emission set (or insetting)

4.2 The methodology for calculating how much carbon is released, or captured and stored through the management of land is set out in: Mapping Carbon Emissions & Removals for the Land Use, Land-Use Change & Forestry Sector. The latest dataset available is from 2019. For the whole of Shropshire (3,197.3km^2) the summary position is as follows:

4.3 So, for the whole county (3,197.3km^2) the summary is as follows:

Table 4 - Carbon Emissions from land uses in Shropshire

LULUCF Net Emissions (2019):	Emissions (kt CO_2/yr.)
Forest land	-156.3
Cropland	151.6
Grassland	-83.9
Wetlands	1.2
Settlements	64.8
TOTAL	**-22.6**

4.4 For council managed land and projects, an estimated -6,676 tCO_2e is sequestered per year by natural carbon sinks. This is across an estimated 2,500m^2 as follows:

Table 5 – Carbon Emissions from Shropshire Council Land

Land usage / site category	Area (m^2)	tCO_2e/yr.	Notes / reference
Countryside sites	479	-2894	
Other freehold	1810	-3179	Approximate figures as habitats for all our land holdings aren't known.
Leasehold	206	-355	
Free Tree Scheme	Varied (unknown)	-227	Not including hedgerow plantings. Includes trees planted since 2010
Trees outside woodland	Varied (unknown)	-22	No trees planted for the period
TOTAL	2494m2 (+ unknown)	**-6,676**	

4.5 We know that in Shropshire we have around 15% tree cover. 9% is estimated as younger woodland and the remaining 6% as 100 years old or more. The remainder is assumed to be primarily either built up or permanent grassland and therefore have negligible emissions or sequestration. Only large sites that aren't Countryside Sites like the Old Riverbeds have been calculated separately. Change in carbon storage for hedgerows or individual trees hasn't been calculated and all figures are approximations for habitat areas on our land holdings. Wide variation exists even for those habitats that are known; For example, different tree types store carbon quicker than other types and other factors like soil type and land management also have a significant impact. There is not accurately recorded data prior to 2019 on carbon sequestration for council owned land.

Circular economy

4.6 As well as carbon which is captured and stored through land-use, waste management services and projects also generate carbon savings, largely through recycling materials which offset the carbon impact of manufacturing goods from newly extracted materials.

Table 6 – Carbon Savings from Sustainable Waste Management

Recycling and reuse	tCO_2e/yr.	Reference
Veolia domestic recycling	-29,534	A WRATE assessment of the Veolia Contract with Shropshire Council: 2021
Veolia commercial recycling contract	-1.1*	Shropshire Council Commercial Movement Analysis Report 2020 - 2021
Warp It (reuse)	-53	Shropshire Council performance metrics https://www.warp-it.co.uk/company/shropshirecouncil

*This data has not been updated from the Climate Strategy 2021 Progress Report

Negative emission set summary

Table 7 – Shropshire Council Carbon Reduction

Negative emission set 2020/21	tCO_2	Percent
Material reuse	-53	0.1%
Commercial waste contract	-1	0%
Domestic waste contract	-29,534	82%
Natural carbon sinks	-6,520	18%
Negative emissions total	**-36,109**	**100%**

Shared resources

4.7 Carbon budgeting and setting targets between service areas needs to fairly represent the impact of both controllable and fixed activities associated service delivery. Whilst the wider impacts of service delivery by the council (i.e., the county emissions may not be the direct responsibility of the council it is fair to say the council is the significant stakeholder in terms of influence due to the public services it delivers. This footprint is distributed across the service areas, given that further refinement may be necessary.

4.8 The shared carbon footprint associated with council service delivery is as follows:

Table 8 Carbon Impact of Shared Council Service

Category	tCO_2e/yr.
Staff home energy	4,867
Office use	1,832
Corporate	634
ICT & BPO	81
Pending Categorisation	66
TOTAL	**7,481**

Service area carbon budgets

4.9 Whilst Shropshire Council's corporate emissions represent less than 1% of the total for Shropshire, council services can contribute significantly to the objective of decarbonising county-wide emissions from domestic property, industry & commerce and transport.

4.10 Some service areas can have an impact on the whole county. Table 9 below shows the corporate carbon footprint associated with delivery individual services, together with Government data for the emissions which that service could influence and the target annual reduction (based on 10% saving per year) for the emissions in each category. They are ranked highest to lowest emissions for each sector.

Table 9 Carbon Impact by Council Service Area*

Service area responsibility	Council ($ktCO_2$)	County sector ($ktCO_2$)	Countywide target reduction/yr.
Transport & highways	2	730	73
Place - Economic growth	1	511	51
Social care & housing	25	493	49
Resource's governance & assurance	2	172**	17
Culture & leisure	5	n/a	1
Public health/Outdoor Partnerships ***	1	-23	-2

*This data has not been updated from the Climate Strategy 2021 Progress Report
**The 172ktCO_2e is entirely related to the Shropshire Council pension fund.

**It is understood that public health has some responsibility for land use and therefore will impact on countywide negative emission sets. This would also apply to the AONB, countryside and outdoor partnerships teams.

4.11 The monitoring process for these emissions is likely to evolve and will need further refinement in future years to fairly identify the influence of each service area.

5 Reporting and data issues

Exclusions (due to insufficient data)

5.1 It has been necessary to exclude the following datasets from the monitoring process until more data becomes available:

1. Fugitive emissions (such as F-gases, refrigerants).
2. Academy trusts and independent schools.
3. Temporary accommodation.
4. ICT data services (outsourced servers).
5. Commercial or residential leases – with own utilities arrangements.
6. Building construction & repairs (embodied carbon and delivery footprint).
7. Public transport – trains and buses by external operators.
8. Staff pension (for legal reasons this is reported separately).

Shropshire County Pension Fund

5.2 It was highlighted at COP26 that there is an urgent need to decarbonise global financial assets and equity. The global financial industry has started the process to leverage $103 trillion assets globally from the 6 largest investor alliances and developed countries to commit to mobilise $100bn annually.

5.3 In July 2020, Shropshire Council resolved to ask the Pension Committee to follow best practice by:

i. Adding a statement to their strategy that climate change constitutes financial risks to the fund.

ii. Setting a 3-year timescale for the reinvestment of funds currently invested in fossil fuel dependant assets.

iii. Developing an investment strategy consistent with sustainable development goals and developing a local sustainable economy. The Council also recognised that fossil fuel investments constitute part of its 'carbon footprint' and resolved that this element should be reported on within our annual carbon reporting.

5.4 Assuming that the annual contribution to the fund from staff salaries for FY2021-22 is £69,457,000 then the carbon footprint for this annual contribution is around 11,500 tCO_2e. The carbon footprint of the total current equity investments in the fund is estimated at 193,400 tCO2e.

5.5 The carbon footprint associated with the staff pension scheme was reported as part of the Shropshire County Pension Fund Climate-Related Disclosures (TCFD), although Shropshire Council is only responsible for a proportion of the reported performance since a large number of other organisations also contribute to the scheme. The total staff salary contribution for period 2020/21 is set out in the Annual Report 2020/21.

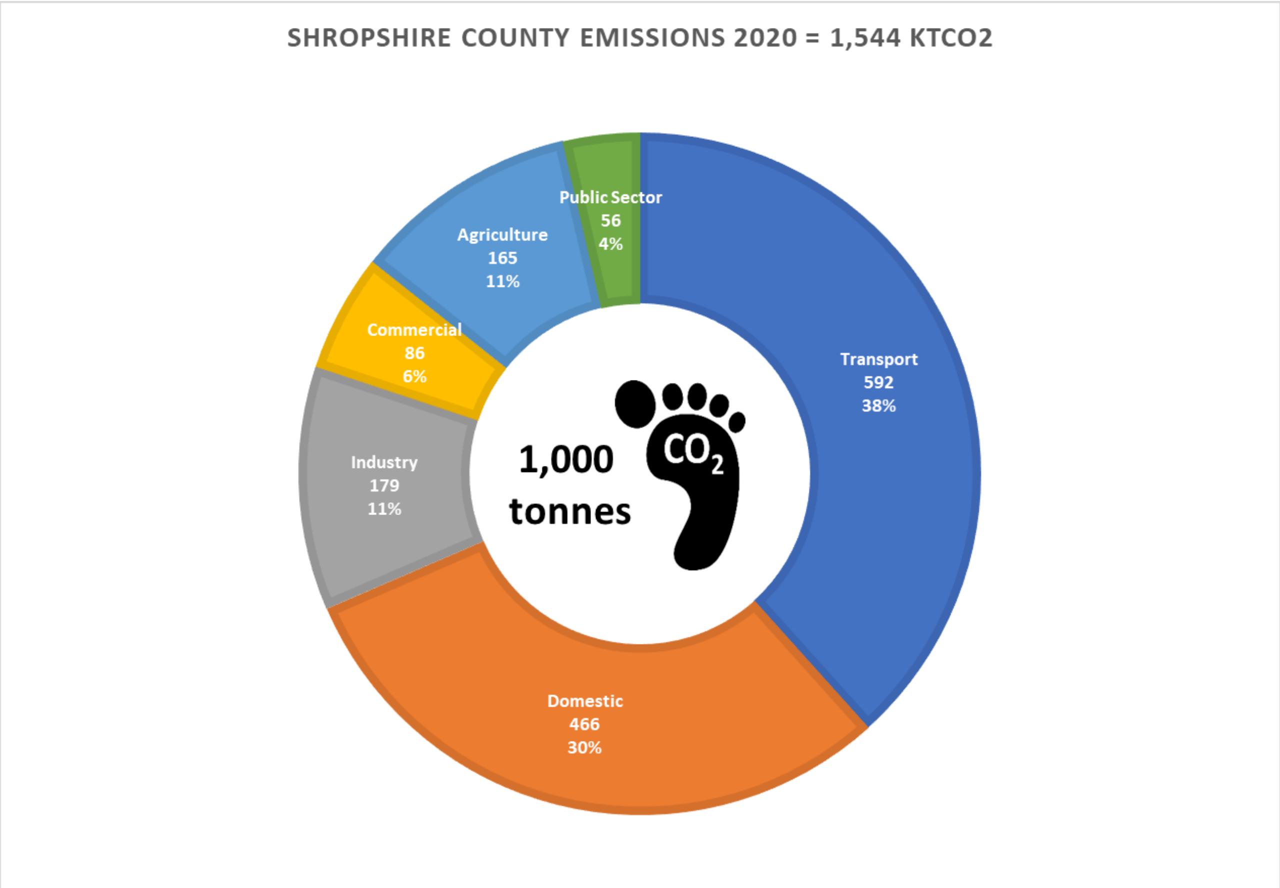
6 Shropshire County emissions

6.1 As noted above, Shropshire Council's corporate emissions represent less than 1% of the total for Shropshire, but council services can contribute significantly to the objective of decarbonising county-wide emissions from domestic property, industry & commerce and transport. Latest information about county-wide emissions are set out below.

Table 11 Shropshire Carbon Emissions Ranked by Sector:

Shropshire County 2020 (ktCO_2)	1,544	% of total
Transport	592	38%
Domestic	466	30%
Industry	179	12%
Commercial	86	6%
Agriculture	165	11%
Public Sector	56	4%

Figure 6 – Shropshire Carbon Emissions by Sector 2020



Household emissions

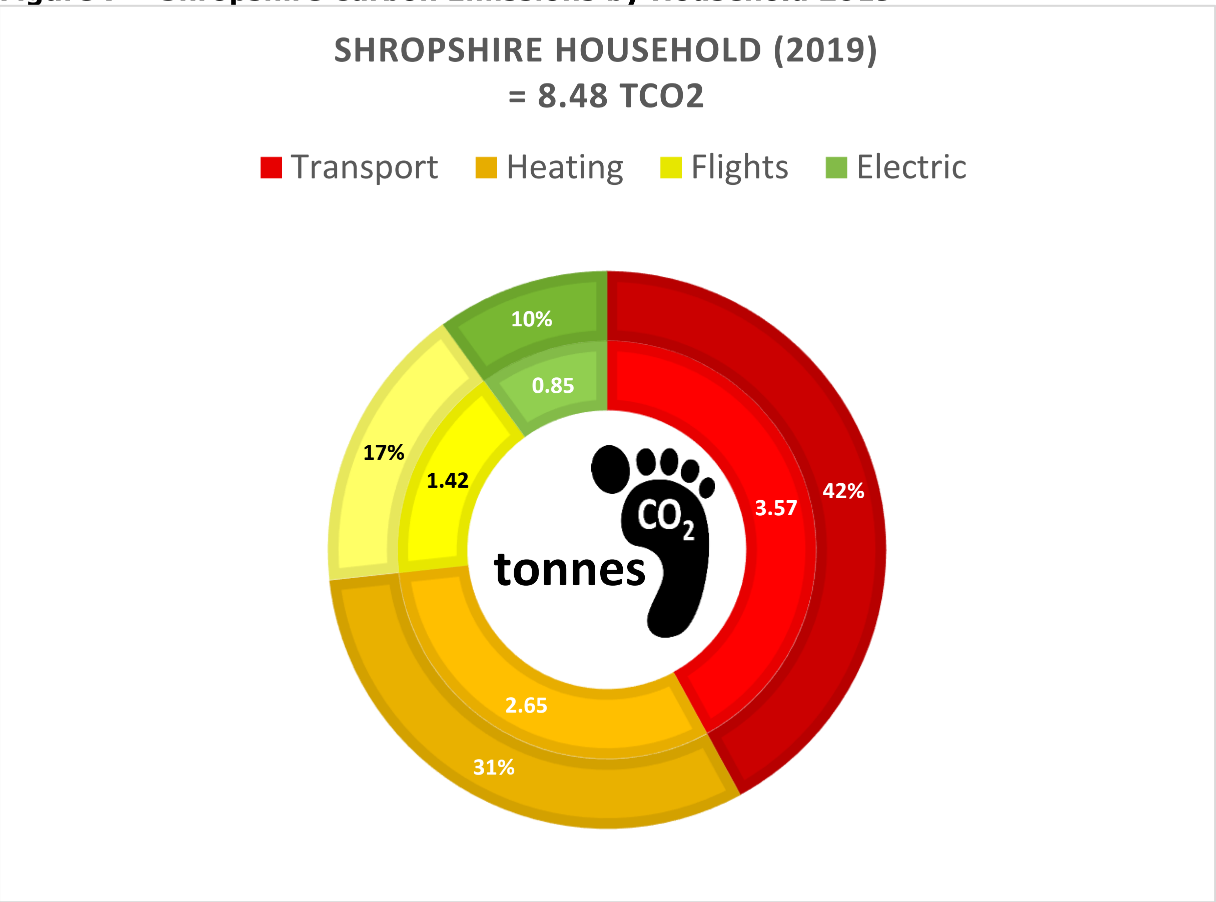
6.1 Approximately 40% of UK emissions comes from households. Based on the Shropshire population of 323,600 and 139,675 active households in 2021. The carbon footprint as a proportion of the county total is 11.1t CO_2 per household or 4.8 tCO_2 per person. However, this is not necessarily a fair representation since approximately 30% is non-domestic activities. So therefore, a fairer way to represent just domestic activities is apportioned in the table below.

Table 12 Carbon Emissions per Person and per Household 2019*

	Per person (tCO_2)	Per household (tCO_2)	As a %
Transport	1.6	3.57	42%
Heating	1.2	2.65	31%
Flights	0.6	1.42	17%
Electric	0.4	0.85	10%
TOTAL	**3.68**	**8.48**	**100%**

*This data has not been updated from the Climate Strategy 2021 Progress Report

Figure 7 – Shropshire Carbon Emissions by Household 2019*



Note: this excludes goods or services bought/consumed from within the UK or overseas.
*This data has not been updated from the Climate Strategy 2021 Progress Report

Project summary

Live Projects

Project	Summary	Strategy Theme	Benefits (CO_2, £ savings)	Corporate or countywide?
Maesbury Solar Farm	2MW solar farm on former landfill, power supply by private wire to adjacent business	Power Up - Low Carbon Energy	600t CO_2/yr £	Corporate
Biochar demonstrator plant	Business case for the construction of an automated biochar plant	Carbon Capture / Power Up - Low carbon materials & energy	CO_2, £, ABI	Both
Procurement strategy / Supply Chain CO_2 Emissions	CO2A commissioned to model Shropshire Council Supply Chain Scope 3 emissions.	Power Down - Corporate governance	CO_2, £	Corporate
Carbon literacy training strategy	Roll out accredited in-house CLT training to key target cohorts and develop wider web-based introductory training material	Power Down - Corporate governance	CO_2, £	Corporate
Shropshire Council roof mounted Solar PV	Comprehensive assessment of suitable buildings	Power up - Renewable energy - solar PV	c. 1,215t CO_2 p.a. £	Corporate
Corporate Construction Policy update	Update current policy, initially for new build, to reflect changes in good practice	Power Down - Corporate governance	CO_2, £	Corporate
Climate Challenge	Improve building energy & carbon performance by encouraging zero cost behavioural change by staff	Power Down - Building efficiency	CO_2, £	Corporate
Big Solar Co-op	Grant funding for local node co-ordinator (Sharenergy) to provide free advice to business on funded solutions for roof-mounted solar	Power Up - Low Carbon Energy	CO_2, £	Countywide
Cool Shropshire & Telford	Grant funding for free business carbon and energy efficiency advice	Power Down - Low Carbon Energy	CO_2, £	Countywide

Planned Projects

Project	Summary	Strategy Theme	Benefits (CO2, £ savings)	Corporate or countywide?
Boars Den Solar / Hydrogen	Feasibility study for a ground-mounted solar array, battery storage and a hydrogen electrolyser	Power Up - Low Carbon Energy / Transport	CO2, £	Both
Public Rapid Chargers	Feasibility study for the installation of a network of Council-owned 'rapid chargers'	Power Down - Low Carbon Transport	CO2, £	Countywide
Public EV Charging Infrastructure Planning	Take forward Amey Strategy with funding from Govt. LEVI funding	Power Down - Low Carbon Transport	CO2, £	Both
Heat Network study / river source heat pump, Sundorne Shrewsbury	Feasibility study for the installation of a water source heat pump to provide heat to community buildings in Sundorne	Power Up - Low Carbon Energy	CO2, £	Both
Climate Strategy Review	Review 2020 Climate Strategy in light of latest performance monitoring and for consistent with national and corporate policy and good practice as required.	Power Down - Corporate governance	CO2	Corporate
Climate Resilience and Adaptation Plan	Commission the preparation of a resilience and adaptation plan to identify potential impacts on Council services, staff and service users	Power Down - Corporate governance	CO2, £	Both
Team skills Training / site visits	Develop staff capability and professional development	Power Down - Corporate governance	CO2, £	Corporate
Waste minimisation	Work with waste management colleagues to reduce waste and promote the circular economy	Power Down – resource efficiency	CO2, £	Both
Staff New Deal - home energy efficiency and low carbon heating	Explore the potential to improve access to home energy efficiency and decarbonisation measures and technology, working with Lendology	Power Down - Low Carbon Energy	CO2, £	Corporate

Project	Summary	Strategy Theme	Benefits (CO2, £ savings)	Corporate or countywide?
Shirehall / Theatre Severn battery storage / Virtual Power Plant	Work with power companies and technology suppliers to explore the potential to store energy at these sites for back-up and grid balancing	Power Down - Low Carbon Energy	CO2, £	Corporate
Area-Based Insetting (ABI) – Phase II	Consultant-led work with multiple Local Authorities on establishing a national framework to support local investment in carbon capture (or emission reductions) in supply chain within a LA area.	Carbon capture / Power Down carbon reductions	CO2, £	Both

Shropshire Council	**Committee and Date** Cabinet 7th June 2023	Item Public

Healthy People | Healthy Economy | Healthy Environment | Healthy Organisation

Performance Monitoring Report Quarter 4 2022/23

Responsible Officer:	James Walton		
email:	james.walton@shropshire.gov.uk	Tel:	01743 258915
Cabinet Member (Portfolio Holder):	Cllr Robert Macey, Culture & Digital		

1. Synopsis

The Q4 performance report, shows progress against the Shropshire Plan outcomes: Healthy People, Healthy Economy, Healthy Environment and a Healthy Council.

2. Executive Summary

Appendix 1 reports those measures where new data are available.

The performance portal provides performance comments and trend information - https://shropshireperformance.inphase.com/

20 measures and 5 deliverables have been updated this quarter.

2 measures show an improvement in performance.

9 measures remain at the same level

3 measure show a decline.

6 measures are not appropriate to report direction of travel – e.g. seasonal variance or cumulative.

4 deliverables remain on course for delivery

3. Recommendations

3.1. Consider and endorse, with appropriate comment, the corporate performance report.

3.2. Consider the emerging issues in this report as set out in paragraph 9.

3.3. Review both the appendix and performance portal to identify any performance areas that they would like to consider in greater detail at future performance scrutiny meetings.

Report.

4. Risk Assessment and Opportunities Appraisal

4.1. Poor performance could have implications for the county, potentially harming the environment, infrastructure, businesses or people who are supported by Council services. 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.

4.2. Effective monitoring and follow-up against key measures of success provides the opportunity to manage risks and ensure that desirable outcomes are achieved.

4.3. The development of the corporate plan (Shropshire plan) will include an emerging range of deliverables, measures and targets to further manage potential risks and exploit new opportunities.

5. Financial Implications

5.1. This report does not have any direct financial implications. It presents performance information from which financial risks may occur. These risks are managed by accountable officers and senior managers within the relevant service area and reported in the quarterly financial reports. Information in this report should be used to support decision making and to inform actions or interventions for improving service performance and managing financial risks.

6. Climate Change Appraisal

6.1. This report does not have any direct climate change implications and instead presents information from which climate and environmental considerations can be made. These risks are managed by accountable officers and senior managers within the relevant service area. Some direct measures, for example solar energy generation and carbon savings by the Council, are reported within the performance portal.

6.2. The Shropshire Plan and associated Performance Management Framework is currently in development. This emerging plan will contain new measures to more effectively reflect the ambitions of the climate action plan.

6.3. Information in this report should be used to support decision making and to inform actions or interventions for improving service performance and managing climate risks.

7. Background

7.1. This quarterly corporate report continues the transition to new styles of performance reporting. The development of the Shropshire Plan and associated service delivery plans will see the reporting and progress of more key deliverables, which in turn should impact on the key measures and targets.

7.2. Appendix 1 begins to report key deliverables. The development of new service plans during this financial year will inform the future structure of the corporate performance framework.

7.3. When fully developed the framework will be reported via an interactive reporting tool (PowerBi). This will enable members and the public to access the relevant performance data, benchmarking information and commentary.

8. Additional Information

Homelessness Strategy

8.1. The development of the Homelessness and Rough Sleepers Strategy has seen a number of delays. These delays are due to a lack of resources to respond to increased demand on services. Initially for floods then for the pandemic and more recently to handle the emergency re-settlement of people fleeing the conflict in Ukraine and asylum dispersal. As part of the Homelessness and Rough Sleepers Strategy there is a statutory requirement to conduct a homeless/housing review – this has now been procured and will be carried out by Homeless Link. Initial meetings have been set up with information requests currently being gathered.

8.2. There has been the development of a Homelessness Countywide forum which met for the first time in November 2022. These meetings are now in the diary quarterly with an independent chair appointed. Further to this, ongoing work continues in regard to reducing the demand for temporary accommodation, increasing the temporary accommodation options within the Local authority as well as the upgrade of the new HomePoint system and introduction of nominations as part of the new allocations policy.

Highways

8.3. Shropshire Council has taken part in the National Highways and Transport Survey for 13 years. Each year a random sample of residents are sent a questionnaire to provide feedback on highways and transport services in their area.

8.4. For the 2022 survey, 3,300 questionnaires were distributed, and 1,044 responses received. The response rate of 31.6% is higher than the national response rate of 22.8%.

High level results show:

- People are most satisfied with Street Lighting and least satisfied with the condition of roads.
- In the past few years satisfaction with Cycle Routes are the most improved whilst satisfaction with road conditions has reduced.
- 92% of people would like to increase the spend on roads.

8.5. Scores for 2022 in Shropshire show a slight improvement with the overall levels of satisfaction increasing from 44% to 45%. This remains below the national average.

8.6. Satisfaction with highways maintenance improved by 3%. This improvement may be an indication of the concerted efforts by the highways teams to tackle potholes and surface conditions. During the past two years more than 53,000 pothole repairs have taken place. Last year 45 roads were resurfaced and 159 surface dressed. The latest round of resurfacing and dressing programmes have been announced. Details can be found by using the following link - Roads and highways | Shropshire Council.

8.7. Results for the 2022 road survey show that for the road conditions - percentage of non-principal classified roads where maintenance should be considered improved slightly from 14% in 2020 to 13% in 2022. The road conditions - percentage of principal classified roads where maintenance should be considered remained at 9%. The next full survey is due 2024.

Children's Social Care

8.8 Numbers of Looked After Children have increased during the financial year, albeit at a slower rate than in previous years. During the latter part of the year, numbers have stabilised. This has been achieved in part through a steady increase in the rate of children supported to move on from looked after placements, with 158 children ceasing to be looked after compared with 140 in the previous year.

Our Unaccompanied Asylum Seeker Children (UASC) numbers have increased by 14 in the year to 45 at the end of 2022-23. The total number of children starting to be looked after was 206 of which 46 were UASC.

The Stepping Stones project was developed to help address the rising numbers of looked after children, providing targeted family support services where previously we had no dedicated resource to do this. Initial targets for the programme in 2022/23 have all been exceeded.

- 14 children helped to step down from residential, 3 step down from residential to foster care,
- 29 children prevented from becoming looked after
- £4,247,000 of savings achieved against a Target of £2.328Million

Currently working with 76 Children on the edge of care, 43 children with plans to return home, 8 children avoiding becoming looked after in residential care, 3 children planned to step down to foster care and 2 children being supported into independence.

The Stepping Stones project is now working with additional children and families to help more children step down their levels of care needs and achieve better outcomes. The service is also working with partners to achieve earlier identification of any children at risk. This will enable Early Help interventions and support to be put in place to help prevent the escalation of need.

9. Conclusions

9.1. There are some indications that the efforts of the Highways team has started to show positive improvements. The percentage of roads that need to be considered in the maintenance programme has stabilised and seen a slight improvement for principal roads. Resident satisfaction has also seen an improvement although it is recognised further improvement is required.

9.2. The Stepping Stones project was introduced to support children and prevent their escalation of care needs and to help children step down their levels of care. The first phase of the project has exceeded expectations and has helped 17 children step down their care needs, prevent 29 children becoming looked after and delivered over £4m of savings.

9.3. The appointment of Homeless Link to conduct the homeless review will support the delivery of the much-delayed homelessness strategy.

9.4. The number of out -of-work benefit claimants has seen an increase. Under Universal Credit a broader span of claimants are required to look for work than under the Jobseeker's Allowance. As Universal Credit Full Service is rolled out in particular areas, the number of people recorded as being on the Claimant Count is therefore likely to rise.

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

Local Member:	
Appendices Appendix 1 – Corporate Performance Report	

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Corporate Performance Report

Appendix 1 – Cabinet 15th May 2023

Executive summary

Q4 2023/24 Corporate Performance Report

Performance Measures – direction of travel

Q4 2023/24 Corporate Performance Report

This report should be used in conjunction with the performance portal where trend information and additional commentary can be found

https://shropshireperformance.inphase.com/

- **20 measures and 5 deliverables have been updated this quarter.**
- **2 measures show an improvement in performance**
- **9 measures remain at the same level**
- **3 measures show a decline**
- **6 measures are not appropriate to report direction of travel – e.g. seasonal variance or cumulative**
- **4 deliverables remain on course for delivery**

The performance summary tables below report on those measures where updates are available since the last quarter. For performance comments please visit the public performance portal https://shropshireperformance.inphase.com/

Key: Direction of travel

Positive direction of travel of more than 2%

Performance broadly similar, within +/- 2%

Negative direction of travel of more than 2%

Direction of travel may be shown as either up or down depending on the type of measure. For some measures, bigger is better, for example, more employment. In other measures, smaller is better, for example, less unemployment.

Against Target

On or better than target

0.1% to 2% lower than target

2% or more lower than target

Milestones

Complete or on track

Requires some improvement

Delays or withdrawn

Healthy People

•Tackle inequalities
• Partnerships
• Early intervention
• Self responsibility

Key Deliverables	**Service Area**
Develop Carers Strategy	Adult Social Care

Develop All Age Carers Strategy	
The strategy will recognise the diverse needs of carers of all ages and will provide a framework for support to enable a balance between carers own needs and of their caring responsibilities	
Due: April 2023	**Current Status :**
Q4 – The All Age Carer Strategy was approved by Cabinet on 22 March 2023. The action plan was co-produced as we developed the strategy and we are currently dividing the overarching plan into smaller plans for a particular cohort of carers e.g. parent carers; young and young adult carers; working carers. This is so that the most appropriate organisation can take the lead on the priorities for that area and report back to the Shropshire Carer Partnership board.	

Homelessness Strategy	
The Homelessness Strategy for Shropshire will provide a framework indicating how the Council intends to support the homeless and those at risk of homelessness	
Due: Revised Autumn 23	**Current Status :**
Q4 - The development of the Homelessness and Rough Sleepers Strategy has seen a number of delays. These delays are due to a lack of resources to respond to increased demand on services. Initially for floods then for the pandemic and more recently to handle the emergency re-settlement of people fleeing the conflict in Ukraine and asylum dispersal. As part of the Homelessness and Rough Sleepers Strategy there is a statutory requirement to conduct a homeless/housing review – this has been procured and will be carried out by Homeless Link. Initial meetings have been set up with information requests currently being gathered. There has been the development of a Homelessness Countywide forum which met for the first time in November 2022. These meetings are now in the diary quarterly with an independent chair appointed. Further to this, ongoing work continues in regard to reducing the demand for temporary accommodation, increasing the temporary accommodation options within the Local authority as well as the upgrade of the new HomePoint system and introduction of nominations as part of the new allocations policy.	

Measure	Previous Performance	Latest Performance	Direction of Travel	Target
Number of children Stepping Stones Project prevented becoming Looked After	26 (Dec 22)	29 (Mar 23) 24 full 5 partial	cumulative	5 (Mar 23) Achieved
Number of children Stepping Stones Project have helped step down in their care need	12 (Dec 22)	17 (Mar 23)	cumulative	5 (Mar 23) Achieved
Savings achieved by Stepping Stones Project	£4,247,000 (Dec 22)	£4,247,000 (Mar 23)	cumulative	£2,328,000 (Mar 23) Achieved
Number of looked After Children	669 (Dec 22)	656 (Mar 23)	→	n/a
% of people in receipt of long term services living independently at home	65.9% (Dec 22)	65.4% (Mar 23)	→	68% (Mar 23) Requires improvement
Rate of admissions (aged 65+) to nursing/ residential care per 100,000 people	400 (Dec 22)	347.2 (Mar 23)	cumulative	500 (Mar 23) Achieved
% of inspections rated at 3, 4 or 5 stars in the food hygiene rating scheme	98.7% (Dec 22)	99.1% (Mar 23)	→	
Rolling 3 year average for the number of people killed or seriously injured (KSI) on Shropshire roads.	122 (Dec 22)	129.7 (Mar 23)	↓	

Healthy Environment

•Climate change strategy and actions
• Natural environment
• Safe communities

Key Deliverables	**Service Area**
Delivery of new crematorium for Shrewsbury	Bereavement
Roll out of new recycling bins	Waste Management

New Crematorium for Shrewsbury	
Additional crematorium capacity is required to meet future needs for the people of Shrewsbury and the surrounds The initial phase of the deliverable is to identify a suitable site and obtain the necessary planning permissions.	
Due: December 2025	**Current Status :**
Q4 Continue to work with Estates Team on site search and selection. A consultant has been procured to undertake monitoring/analysis work – this work will commence in May.	

Roll Out of Recycling Bins	
As part of the plans to improve and simplify household recycling services the new recycling bin scheme is being implemented. This should also reduce accidental littering from the existing boxes during windy weather.	
Due: Dec 2022	**Current Status :**
Q4 – We have completed the mass roll out and we have now delivered nearly 100K bins. Since January Veolia have been delivering the containers through our business as usual practices we are currently unable to offer this online due to changes that need to be made the to the system to enable it. These are now being delivered within 10 working days of request.	

Measure	Previous Performance	Latest Performance	Direction of Travel	Target
% of household waste collections recycle, reused, composted	52.9% (Dec 22)	52.07% (Feb 23)		52.6% (Mar 23) On track

The estimated annual recycling rate based on Feb 23 data is 52.07%. This is slightly below the 52.6% target due to a significant reduction in composting tonnages compared to previous years. That is a result of the high temperature and low rainfall for large parts of the summer growing season leading to a reduction in garden waste.

Healthy Economy

- Skills and employment
- Connectivity and infrastructure
- Safe, strong, and vibrant destination
- Housing

Key Deliverables	Service Area
New economic growth strategy	Economic Growth

Publish the Economic Growth Strategy	
The new economic growth strategy for Shropshire will set out the vision to support businesses within Shropshire, provide infrastructure to encourage business investment and encourage the connectivity, housing and employment opportunities for our communities.	
Due: December 2022	**Current Status :**
Q4 – Economic Growth Strategy is now complete and published on the Invest in Shropshire website.	

Measure	Previous Performance	Latest Performance	Direction of Travel	Target
Number of premises on Council Tax Register	149,509 (Dec 22)	149,939 (Mar 23)	→	
Claimant count 16+	4,485 (Dec 22)	4,675 (Mar 23)	↑	
Claimant count – aged 18 - 24	730 (Dec 22)	780 (Mar 23)	↑	
% of superfast and fibre coverage	98.6% (Dec 22)	98.6% (Mar 23) Broadband Coverage and Speed Test Statistics for Shropshire (thinkbroadband.com)	→	98.8 Mar 23 99.4 Mar 24 100 Mar 25
Road conditions - % of principal classified roads where maintenance should be considered	14 Dec 20	13 Dec 22	→	
Road conditions - % of non principal classified roads where maintenance should be considered	9 Dec 20	9 Dec 22	→	

We survey all roads every four years and main roads every two years (all Principal roads and a number of Non-principal Classified roads).

Healthy Organisation

- Best workforce
- Communicate well
- Absorb, Adapt, Anticipate
- Align our resources
- Strong councillors

Measure	Previous Performance	Latest Performance	Direction of Travel	Target
Number of complaints	287 Dec 22	255 Mar 23	↓	
Number of compliments	107 Dec 22	130 Mar 23	↑	
% of Council tax collected	89.3% Dec 22	98.59% Mar 23	Cumulative	March 23 98.2% Achieved
% of Business rates collected	83.40% Dec 22	99.6% Mar 23	Cumulative	March 23 97% Achieved
Number of FTE Staff	2778 Dec 22	2794 Mar 23	→	

	Committee and Date Cabinet - 7th June 2023 Audit Committee - 22nd June 2023 Council - 6th July 2023	Item Public

Financial Outturn 2022/23

Responsible Officer:	James Walton		
email:	james.walton@shropshire.gov.uk	Tel:	01743 258915
Cabinet Member (Portfolio Holder):	Cllr Gwilym Butler, Finance & Corporate Support		

1. Synopsis

Shropshire Council ended a very challenging financial year better than expected, with an overspend of £8.5m, better by £1.5m than previous estimates and 3.8% of the net budget. Many of the causes of the overspend have been resolved in the budget for the new financial year.

2. Executive Summary

2.1. This report provides headlines and details of Shropshire Council 2022/23 financial performance for revenue and capital.

2.2. Operationally and financially, 2022/23 was a very challenging year. Challenges included
- a) the invasion of Ukraine and the resulting global inflation pressures,
- b) the energy price increases and the cost of living crisis,
- c) ongoing service pressures,
- d) the removal of Government funding for the impacts of COVID (despite some of these continuing), and
- e) an unusually challenging budget position for 2023/24 to be resolved.

2.3. The Council responded proactively to these challenges and continued to deliver much needed services to local people and businesses. Highlights of the Council's financial management achievements through the year include:

a) the tactical budget (in response to the emerging inflationary pressures),
b) repositioning Council activity within the 'Shropshire Plan' (TSP), launched in May for Members and Staff, and setting out a clear sense of the priorities that the Council would be led by, and how the Council can act to shape the lives of Shropshire residents through its partnerships with public and other agencies
c) the LGA finance peer challenge, and similar reviews of our performance in scrutiny, communications, adults and children's services
d) a resulting repositioning of the Medium Term Financial Strategy as a key part of the delivery mechanisms for the TSP,
e) setting up the 'Getting it Right' initiative which gave a clear sense of vision, values, and behaviours for all Council staff, and 'Getting Leadership Right' – a ground-breaking leadership programme specifically designed for the Council, and including the 250 top managers (up to and including the Chief Executive)
f) preparation of a clear financial plan for 2023/24, presented to and approved by Full Council on 2 March 2023.

2.4. In terms of the LGA finance peer challenge, the team recently returned to consider our progress since the first visit. Overall, they continue to be complimentary about the progress made, but also stark in their assessment of our position. The first report noted that our finances 'while precarious, are not catastrophic'. The follow up review notes, in a similar way, that

> *"The council has very little remaining in its general reserves to cushion the impact of under-delivery, and will require the delivery of at least 95% of these [2023/24] savings in order for it to avoid depleting its reserves to a level which seriously jeopardises its financial solvency. This is a position which leaves no room for under-delivery."*

2.5. The MTFS and budget for 2023/24, agreed by Council in March 2023, includes plans to improve the reserves position, although – as set out above – there is no room for under-delivery in spending reduction plans.

2.6. A key challenge faced by the Council through the last 12 months, has been increases in the inflation rates through the course of the year. At the point of setting the budget, our expectation was for inflation to be around 3% for most of the year. In practice, it has consistently been higher than that. Despite the resulting pressure, the majority of the overspending has been driven by wider demand pressures – the principal impact of the economic changes was to the viability of the commercial property savings planned for the year (and now addressed in the new budget). It is significant, and positive, that the overall position has not been more significantly impacted by those inflationary pressures.

2.7. The overall result for the Council in the context of the challenges and responses set out above can be seen in table 1.

2.8. The key issues for the Council's financial performance in 2022/23 highlighted by this report are:
a) The Council's revenue outturn position for 2022/23 is an overspend of £8.499m (an improvement of £1.451m when compared with projections made at Quarter 3), which represents a variance of 1.4% on the gross budget (3.8% of net budget).
b) Consistent forecasting of an overspend of the magnitude during the year, highlighting robust forecasting processes – work is now in hand to ensure that effective interventions to correct overspending are in place across the Council.

c) A resulting year end position for the General Fund Balance of £7.1m – a3pprox.. 50% of the recommended minimum level, but with plans to improve this position for 2023/24.

d) The Council's capital programme was reprofiled over the year, to align with realistic delivery expectations, to £111.112m. Outturn capital expenditure for 2022/23 is £100.365m, representing 90.3% of the re-profiled budget. All £10.747m of the underspend has been carried forward to the 2023/24 programme.

Table 1: 2022/23 Budget Variations by Service Area (£'000)

Directorate	Revised Budget (£'000)	Controllable Outturn (£'000)	(Under) / Overspend (£'000)	*(Under) / Overspend (%)*	RAGY Classification
People	195,734	209,655	13,921		R
Place	70,157	75,263	5,106		R
Strategic Management	33	0	(33)		Y
Health and Wellbeing	2,332	2,025	(307)		Y
Resources	6,622	4,639	(1,983)		Y
Service delivery budgets	**274,878**	**291,582**	**16,704**	*6.1%*	
Corporate Budgets	(50,262)	(58,467)	(8,205)		Y
Total	**224,616**	**233,115**	**8,499**	*3.8%*	R

2.9. Three key factors affected the year end position for overall service delivery, which are:

- Activity in Children's Services being higher than anticipated when setting the budget;
- Activity in Adults' services being at a similar level to previous years, but with both working age and older adult clients having more complex – and so more costly care needs, coupled with difficulty moving away from the COVID-era hospital discharge arrangements (so incurring unanticipated costs);
- The inflationary pressures experienced during the year meant that increased income targets, especially in Commercial Services, were no longer viable.

2.10. Corporate budgets (including pensions costs, cost of finance, and other non-operational costs) returned an £8.2m surplus, which reduced the overall outturn to £8.5m overspent (3.8%). This was driven by 2 factors:

- slippage in the delivery of capital programme schemes which reduced the cost of financing incurred during the year (reducing spending below budgeted levels);
- bank interest rates being higher than anticipated (increasing investment returns above budgeted levels).

2.8 The outturn for Council Tax and Business Rates collection was reported to Cabinet in February and were embedded in the values set out in the MTFS approved by Council in March. The Collection Fund outturn was £4.3m surplus. Elsewhere, the overall collection rate for Council Tax achieved the target level of 98.2% (this level of delivery has increased year on year, from 97.7% in 2020/21. This funding supports the delivery of the vital services provided by the Council in support of our objectives, which are set out in The Shropshire Plan.

2.9 Further details are provided in Appendix 1.The movement from the forecast outturn position at Quarter 3 is summarised in Appendix 2.

3. Recommendations

3.1 It is recommended that Cabinet:

In respect of the revenue budget:

a) Note that the outturn is an overspend of £8.499m.
b) Note the consequent level of the General Fund balance is £7.093m.
c) Note the service-related use of £33.192m of Earmarked Reserves & Provisions.
d) Note that the combination of earmarked and un-earmarked (General) reserves is below a level that would be regarded as safe, taking into account local circumstances. The MTFS sets out an agreed plan to restore these balances to safer levels.

Relating to ringfenced funding:

e) Note the performance of the Housing Revenue Account (HRA) – £0.768m (4%) surplus outturn for 2022/23 on £19m turnover, and the resulting level of the HRA reserve of £12.359m. The level of the accumulated surpluses held as a reserve should be reviewed and an appropriate action plan brought forward.
f) Note that the level of school balances has increased by £2.296m, from £8.191m in 2021/22 to £10.487m. The level of accumulated net surpluses in schools' balances is considerable, and schools should identify the rationale for holding balances at those levels.

In respect of the capital programme:

g) Approve net budget variations of -£4.007m to the 2022/23 capital programme (in Appendix 11) and the re-profiled 2022/23 capital budget of £111.112m.
h) Approve the re-profiled capital budgets of £26.575m for 2023/234, including slippage of £10.747m from 2022/23, £110.787m for 2024/25 and £56.264m for 2025/26 as detailed in Appendix 15.
i) Accept the outturn expenditure set out in Appendices 12 and 13 of £100.365m, representing 90.3% of the revised capital budget for 2022/23.
j) Approve retaining a balance of capital receipts set aside of £17.465m as at 31st March 2023 to generate a one-off Minimum Revenue Provision saving of £0.572m in 2023/24.

4. Risk Assessment and Opportunities Appraisal

4.1 The management of the Council's Budget is a key process in ensuring the strategic risks are mitigated and the Council can carry out the business as intended and planned for within the Financial Strategy.

4.2 When the Council set the Financial Strategy in February 2022, which underpins this report, it took into account the requirements of the relevant legislation and any necessary service user consultation.

4.3 The financial results for 2022/23 are better than anticipated, but remain significantly adverse. This highlights an ongoing risk that effective action to address and improve the forecast was not able to be delivered within the year.

4.4 In terms of the recommendations in section 3, risks are as follows:

a) Revenue budget risks; the issues underlying the outturn position have been substantially mitigated through the budget set for the new financial year. However, overspending in the new year will impact (again) on the General Fund Balance (unallocated reserves), jeopardising the ability of the Council to sustain unanticipated shocks.
b) Ringfenced budgets: the HRA should hold a level of reserves proportionate to assessed risks. With a further increase in the carried forward surplus, a plan to deploy the HRA accumulated surplus should be prepared. The accumulated surpluses held by schools should be considered by those schools and the Schools Forum should ensure that appropriate plans are in place to deploy them.
c) Capital programme: budgetary risks arising from the capital programme primarily arise in two ways – inflationary pressures as the construction sector in particular is often highly exposed to price increases, and programme slippages as schemes are delivered slower (or faster) than anticipated. Both of these are reviewed quarterly by those managing the capital investment programme, and the outputs of those reviews are included in updates and revisions to the capital programme. An additional, more detailed review is planned for the summer of 2023, to accommodate the latest information on all capital schemes and proposals.

4.5 The financial position of the Council will be significantly challenged through the new year, 2023/24, as the Council must reduce planned spending from c£695m to c £645m in order to remain within available resources. This £50m spending reduction is the largest efficiency programme the Council has ever undertaken, but it will ensure that the Council is in good financial health across the coming years. To ensure financial sustainability in future years, an overspend on the scale seen in 2022/23 cannot be accommodated.

4.6 Several measures are therefore being undertaken to ensure that the Council has the best chance of success in facing the challenge and to learn from performance in 2022/23, including (for the new year):

a) More frequent reporting to Chief Officers
b) Reporting the financial position from the very start of the year
c) Clear processes for identifying budget variations and appropriate corrective actions
d) Ensure that budget delivery is part of The Shropshire Plan, and not an obstacle to it
e) Greater visibility of financial results and projections for budget managers and Directors
f) Update training in financial management

5. Financial Implications

5.1 This is the subject of the report. Failure to constrain spending within budgets leads to overspending, which must then be funded from un-earmarked reserves. The Council should carry un-earmarked reserves at a level of 5%-15% of turnover – or, £15m-£30m. (This is general advice to Councils provided by Grant Thornton LLP.) The

Council's MTFS, approved by Full Council in March 2023, includes provision to increase the general fund balance (our un-earmarked reserves) to these levels, provided that all spending for the year is constrained within the budgeted levels.

6. Climate Change Appraisal

6.1. The Council's Financial Strategy supports its 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 (including a move to hybrid working at the Council with officers predominantly working from home which has also helped to reduce officer travel); and support for Park and Ride schemes to reduce car emissions within the town centres. A specific climate change revenue budget has been established in 2022/23 and further details about spend in this area is included in Appendix 1 to this report. Several areas of spend in the climate change budget are invest-to-save or future income generating schemes such as energy generation with solar PV or building energy efficiency measures. The climate change schemes involving the Council's assets or infrastructure are included within the capital programme of which further detail can be found within Appendix 16.

7. Background

7.1. Budget monitoring reports are produced regularly for Executive Directors, and quarterly for Cabinet, highlighting the anticipated year end projection. The outturn report confirms the actual year end position compared to those earlier projections.

7.2. 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 ensure a balanced budget at year end. Capital schemes are similarly reported on an exception basis.

8. Additional Information

8.1 The Council approved a gross budget of £597.560m (net £224.616m) on 24th February 2022. This included savings of £10.655m. The final outturn for 2022/23 shows controllable net revenue expenditure of £223.115m and an overspend of £8.499m.

9. Update on Savings Delivery

9.1 69% of the 2022/23 savings required have been delivered. £6.566m savings have not been achieved, and £1.965m of those will be carried forward into 2023/24 to be delivered as soon as possible. The savings outturn in 2022/23 are presented in Appendix 3. The impact on the outturn position of the savings that have not been delivered can be seen in Appendix 5.

10. Analysis of Outturn Projections including Ongoing Budget Pressures

10.1 The outturn position of £8.499m overspend (see paragraph 8.2 above) includes ongoing and new budget pressures identified. Appendix 4 lists the ongoing budget pressures that the Council is facing and Appendix 5 reconciles the monitoring position to savings delivery.

11. General Fund Balance

11.1 A breakdown of transactions impacting on the General Fund in 2022/23 are detailed in Appendix 6 and this shows a reduction in the balance held of £4.429m to £7.093m. The MTFS approved in March 2023 includes provision to increase this to safe levels, provided that spending is held within budgeted levels in the new financial year.

12 Housing Revenue Account

12.1 The Housing Revenue Account (HRA) outturn for 2022/23 shows a surplus of £0.768m against a budgeted deficit of £0.803m, giving a £1.570m variance against the approved budget. This was mainly due to delays in the capital programme resulting in the budgeted revenue contributions to capital (£1.693m) not being required in year. As at 31 March 2023 the HRA reserve stood at £12.359m. A breakdown of the HRA is provided at Appendix 8. Clear plans should be set out for the application of the HRA reserve.

13 Dedicated Schools Grant

13.1 There is a (£1.979m) in year surplus reported against the Central Dedicated Schools Grant (DSG), leaving a cumulative DSG surplus of £2.695m at the end of the financial year. This in year-surplus was largely due to an in-year underspend reported on the High Needs Block of DSG totalling (£1.177m). There was also an underspend of (£0.083m) against the Council's Schools Growth funding allocation of £0.366m, as well as an underspend of (£0.036m) against the Council's Early Years Block DSG allocation of £17.367m. With the Early Years Block DSG allocation it is important to note that the final Early Years Block DSG allocation is not published until well in to the 2023/24 financial year, so the underspend of (£0.036m) remains a provisional figure until that point.

13.2 For context, significant growth was allocated for 2022-23 by the Government; the High Needs Block DSG allocation was significantly increased by £3.946m from £31.797m in 2021-22 to £35.743m in 2022-23. In December 2021, Schools Forum approved a transfer of 0.5% from the Schools Block to the High Needs Block to support growth pressures on the High Needs Block. In 2022-23, the Council has been able to fully fund schools in this way, while transferring across the full 0.5% of the Schools Block budget to the High Needs Block budget which has increased the High Needs Block budget in year by £0.949m from the published allocation of £35.743m to a budget of £36.692m. While the expenditure continues to increase year on year in most areas of the budget, the level of spend has not increased by as much as the increase in High Needs Block DSG allocation.

13.3 While carrying a surplus of £2.695m forward reflects a healthy financial position for the Council's DSG, it is important to note that a small proportion of high-cost, low incident cases can disproportionally impact the High Needs Block DSG financial position. We know that many young people have been adversely impacted over the past 3 years and this is no different for SEND children, and may well be even more pronounced. The impact over this period has the potential to see the number of vulnerable children and young people presenting with complex mental health and behavioural needs requiring provision increasing and this will have a knock on effect on the High Needs Block DSG as we meet the needs of this cohort. A 3 year-forecasting exercise was undertaken for the High Needs Block DSG and presented to Schools Forum in January 2023. This concluded that while the current DSG financial position is healthy, less anticipated growth in the High Needs Block DSG allocation for 2024-25 financial year indicates that the Council could move from a forecasted surplus as at the end of 2023/24 financial year to a forecasted deficit at the end of 2024/25 financial year if demand growth assumptions are accurate.

14 Reserves and Provisions

14.1 The overall position for reserves and provisions is set out in the Statement of Accounts 2022/23, however a detailed breakdown of the balances is contained at Appendix 9 and shows an overall reduction of £33.192m in reserves and provision (excl. delegated schools balances).

15. Original & Final Capital Programme for 2022/23

15.1 The capital budget for 2022/23 was subject to a review of all projects at Quarter 3 and re-profiling where required into future years with no further re-profiling into future years being anticipated during Quarter 4. However, in Quarter 4 it has been necessary to undertake further re-profiling of £1.017m. Additionally, in Quarter 4 there has been a net budget decrease of £2.990m for 2022/23. In total, during Quarter 4 there has been a net budget decrease of £4.007m compared to the position reported at Quarter 3 2022/23. Appendix 10 summarises the overall movement, between that already approved and changes for Quarter 4 that require approval.

16. Capital Outturn Position

16.1 Total capital expenditure for 2022/23 was £100.365m, which equated to 90.3% of the re-profiled capital programme of £111.112m. Appendix 11 summarises the outturn position for 2022/23 with Appendix 13 detailing the capital financing of the programme. A summary of significant variances by directorate and service area are provided In Appendix 12.

17. Projected Future Capital Programme

17.1 The updated capital programme and the financing of the programme is summarised by year in Appendix 14.

18. Capital Receipts Position

18.1 Appendix 15 summarises the current allocated and projected capital receipt position across 2022/23 to 2025/26.

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

Financial Strategy 2022/23 – 2026/27

Financial Rules

Financial Monitoring Report – Quarter 1 2022/23

Financial Monitoring Report – Quarter 2 2022/23

Financial Monitoring Report – Quarter 3 2022/23

Appendices

Appendix 1 – 2022/23 Budget Variations by Service

Appendix 2 – Movement in Projections Between Q3 and Outturn

Appendix 3 – Update on Delivery of 2022/23 Savings Proposals

Appendix 4 – Ongoing Budget Pressures

Appendix 5 – Reconciliation of Monitoring Projections to Savings Delivery

Appendix 6 – General Fund Balance

Appendix 7 – Amendments to Original Budget

Appendix 8 – Housing Revenue Account

Appendix 9 – Reserves and Provision 2022/23

Appendix 10 – Revised Capital Programme

Appendix 11 – Capital Programme Outturn Position by Directorate 2022/23

Appendix 12 – Summary of Significant Variances Between Revised Outturn Budget & Outturn Expenditure by Directorate and Service Area For 2022-23

Appendix 13 – Revised Capital Programme Financing 2022/23

Appendix 14 – Capital Programme 2023/24 To 2025/26

Appendix 15 – Projected Capital Receipts Position

Appendix 16 – Capital Programme Summary Outturn 2022/23

APPENDIX 1

2022/23 BUDGET VARIATIONS BY SERVICE

1.1 Summary

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)

	Full Year			RAGY	FOR INFORMATION ONLY		
Directorate	Net Budget £	Controllable Outturn £	Controllable Variation £		Outturn (inc. Non Controllable Items) £	Non Controllable Variation £	Total Variation £
Corporate Budgets	(50,262,450)	(58,467,653)	(8,205,203)	Y	(58,472,603)	(4,950)	(8,210,153)
Health and Wellbeing	2,332,610	2,025,360	(307,250)	Y	2,026,320	960	(306,290)
People	195,734,500	209,654,960	13,920,460	R	209,667,696	12,736	13,933,196
Place	70,157,150	75,263,459	5,106,309	R	75,209,025	(54,434)	5,051,875
Resources	6,621,680	4,638,962	(1,982,718)	Y	4,649,932	10,970	(1,971,748)
Strategic Management Board	32,810	345	(32,465)	Y	835	490	(31,975)
TOTAL	**224,616,300**	**233,115,433**	**8,499,133**	**R**	**233,081,205**	**(34,228)**	**8,464,905**

*The non-controllable items included in the table above include items such as depreciation, impairment of assets, other capital charges and IAS19 (pension costs) that are not included within service projections throughout the year. These charges are produced at the year-end as they are calculated as part of the closedown procedures. The budgets for the year are set in the February of the preceding financial year, and rather than reallocate these budgets at the year end to match where the accounting entries are processed, we allow variations from budget to be reported instead. With the exception of insurance costs, the net effect of these variations across the Council will always be nil, as any overspends within non-controllable budgets for service areas will be offset by a Corporate underspend which reflects the statutory requirement that any variations in these budgets should not impact on the Council Tax payer and ultimately the Council Tax that we charge.

1.2 Detail of Controllable Outturn and Variations by Service Area

PEOPLE		Full Year			RAGY
		Budget £	Controllable Outturn £	Controllable Variance £	
Total – People Directorate		**195,734,500**	**209,654,960**	**13,920,460**	R
Children's Social Care and Safeguarding	**Children & Education**	48,473,260	56,876,658	8,403,398	R

£5.935m overspending for Looked After Children due to higher than budgeted levels of children entering the care system. This includes:
• £2.152m overspend on residential and fostering placement costs, notably external residential spot placements which has seen an increase of 16 placements (from 36 to 52) during the financial year.
• £2.143m overspend on staffing due to agency social workers (34.4FTE as at the end of March 2023) covering staff vacancies, sickness leave and maternity leave
• £1.640m overspend relating to other costs such as transport recharges and taxi costs, legal/barrister fees, medical assessments, and interpreting fees. These costs have increased in line with the increase in demand.

£1.236m overspend in the Disabled Children's Team.
• £0.691m of this overspend relates to bespoke, short term care packages of support for disabled children. This is an area which has seen a significant increase in demand.
• £0.292m relates to direct payments for disabled children related to an increase in complexity of their needs.
• £0.253m relates to the commissioning of additional overnight and community short breaks capacity during the year in line with increasing demand.

£0.515m overspend in the Leaving Care Team.
• £0.440m of this overspend relates to accommodation costs for care leavers and allowances paid to care leavers, reflecting an increase in the number of children staying in relatively high cost supported accommodation placements beyond their 18th birthday.

£0.360m overspend on the Council's internal residential children's homes. The majority of this overspend is due to increased complexity and higher levels of staff support being required for some children, delivered through existing staff working additional hours & overtime. There has also been increased demand for crisis provision and outreach work.

£0.358m overspend in Adoption Services. £0.151m relates to Adoption Allowances, where there has been an increase in 2022/23.

Adult Social Care Operations	**Adult Social Care, Public Health and Communities**	110,338,330	115,357,792	5,019,462	R

Purchasing Care: £5.440m:
•**£1.839m overspend on spot purchasing costs**. Despite overall reduction in client numbers there has been an increase in the complexity of client needs (both in the community and after the discharge from hospital). In addition, care market costs have significantly increased compared to pre pandemic levels and continue to remain high. Work is in hand to manage the increased costs of care. Further cost pressures arose from hospital discharge process and short-term care provision. Overall costs mitigated by application of one-off funding (reserves) of £0.702m.

•**£1.820m overspend on new/increased supported living packages**. This is driven by the complexity of service users' needs. Work is underway to remodel the service, to better meet those needs and reduce costs.

•**£0.865 bad debt provision increased.** Due to the increased level of debt across the service.

•£0.757m shortfall in client contributions to care costs. Actual increases in contributions have been smaller than was assumed in the budget.

•£0.597m overspend on reablement (net). (NB Gross costs of £10.274m offset by NHS/ICB funding of £9.256m) and ASC Support Grant £0.382m). Up until 31st March 2022 national guidance dictated that hospital discharge arrangements would be covered by Covid monies via Health partners. Following the withdrawal of that funding, a number of different initiatives have been taken, both locally and nationally. Latest information is that we are seeing fewer people go into short term beds and more people returning home, with a resulting increase in the rate of hospital discharges.

•(£0.431m) overachievement of part funded continuing healthcare income. This offsets some of the increased expenditure above and again highlights the complex nature of service users we are supporting.

Other variations below of £0.429m, including £0.96m staffing underspending due to recruitment delays.

Housing Services	**Growth, Regeneration and Housing**	4,447,830	5,052,166	604,336	R

Housing have an overspend of £0.604m. This is solely down to the continued increase on Temporary accommodation, to include B&B costs, offset by some vacancies.

Learning and Skills	**Children & Education**	17,852,790	18,347,422	494,632	R

• **£0.951m overspend on home to school transport** against a budget of £13.067m. This was largely caused by increased fuel costs.

• **£0.295m underspend against schools staff related budgets** (former teacher's pension compensation payments and schools redundancies).

• **£0.143m underspend within Learning & Skills Business Support** relating to the use of one-off external funding, temporary vacancy management savings e.g. Schools Funding and NEETs data tracking teams and underspends on supplies and services e.g. postage and software/licenses.

Adult Social Care Business Support and Development	**Adult Social Care, Public Health and Communities**	3,733,680	3,498,354	(235,326)	Y

(£0.235m) underspend within Adult Social Care Business Support, mostly due to vacancies

Adult Social Care Management	**Adult Social Care, Public Health and Communities**	1,046,130	921,992	(124,138)	Y

(£0.124m) Underspend due to staff vacancies, with posts now having been filled.

Adult Social Care Provider Services	**Adult Social Care, Public Health and Communities**	3,682,330	3,586,827	(95,503)	Y

Overall Provider Services have an underspend of (£0.096m), arising from a combination of overspending (due to contract price pressures and agency costs to cover vacancies) and underspending (START and day services, both due to vacancies).

Children's Early Help, Partnerships and Commissioning	**Children & Education**	3,134,410	2,843,378	(291,032)	Y

The majority of the underspend is due to delays in recruiting staff to new posts.

Central DSG	**Children & Education**	0	0	0	G
There is a (£1.979m) in year surplus reported against the Central Dedicated Schools Grant (DSG), leaving a cumulative DSG surplus of £2.695m at the end of the financial year. This in year-surplus was largely due to an in-year underspend reported on the High Needs Block of DSG totalling (£1.177m). There was also an underspend of (£0.083m) against the Council's Schools Growth funding allocation of £0.366m, as well as an underspend of (£0.036m) against the Council's Early Years Block DSG allocation of £17.367m. With the Early Years Block DSG allocation it is important to note that the final Early Years Block DSG allocation is not published until well in to the 2023/24 financial year, so the underspend of (£0.036m) remains a provisional figure until that point. While carrying a surplus of £2.695m forward reflects a healthy financial position for the Council's DSG, it is important to note that a small proportion of high-cost, low incident cases can disproportionally impact the High Needs Block DSG financial position.					
People Directorate Management	**Adult Social Care, Public Health and Communities**	3,025,740	3,170,371	144,631	R
·There was a £0.067m overspend within the Adult Services Director cost centre that relates to a one-off legal cost. · A further £0.021m of overspend relates to additional management capacity paid for at the start of the financial year and the remaining £0.057m of overspend relates to Unison staffing recharges not budgeted for and an overspend on the directorate's Apprenticeship Levy budget.					

PLACE		Full Year Budget £	Full Year Controllable Outturn £	Full Year Controllable Variance £	RAGY
Total – Place Directorate		**70,157,150**	**75,263,459**	**5,106,309**	R

Corporate Landlord, Property and Development	**Growth, Regeneration and Housing**	(3,481,710)	632,326	4,114,036	R
• **£1.391m due to delay in achievement of planned efficiencies within administrative buildings**, arising from the re-purposing of Shirehall and Mount McKinley, also rent charges to the University of Chester for the use of the Guildhall. The new plans are reflected in the budget for the new year, notably to achieve full savings but by 2026-27 when Council moves to new Multi-Agency Hub in Shrewsbury town centre. • **£1.442m delay in achievement of Commercial Savings for 2022/23 but which remain achievable in future years**. • **£2.021m Unachievable commercial savings**. OF which £0.934m pressure arising from inflationary pressures outside those provided for in the budget across utilities & Maintenance offset by one off (£0.313m) use of reserves. • £0.092m additional valuation costs have been incurred as required by accounts auditors. • (£0.816m) savings secured through releasing unused MRP budget, an underspend on enabling budgets (£0.163m) and providing conditions surveys in house (£0.060m); generating one off income across the estate of (£0.315m) and delays between vacant posts being appointed to due to market issues results in a projected (£0.025m) salary underspend. Also Bad Debt provision released (£0.071m). Balanced by other smaller variances across the estate.					
Shire Services	**Growth, Regeneration and Housing**	(398,260)	295,330	693,590	R
• £0.410m due to savings target not achieved. • £0.220m relates to the salary overspend due to the increased pay award. • £0.246m in additional income in the form of increased food rebates due to the current increase in food prices.					
Leisure	**Culture and Digital**	1,938,500	2,649,623	711,123	R
Overspending as - £0.269m pressure on Council operated Leisure centres. £0.193m Increased cost of renegotiated SERCO contract. £0.236m new equipment as part of SERCO contract. £0.223m Compensation payments to SERCO for Quarry closure. £0.091m utilities provision for Serco Managed centres. £0.140m Support for Bridgnorth, Highley and Ludlow leisure centres. £0.045m Legal and consultant fees. £0.077m repairs & maintenance of outsourced leisure facilities. Offset by underspending, as - (£0.416m) use of provisions and reserves. (£0.142m) Funding from Public Health to support delivery of PH/Leisure SLA.					
Bereavement Services	**Highways and Regulatory Services**	(216,140)	(217,894)	(1,754)	Y
Minor variance from budget at Period 13					
Trading Standards and Licensing	**Highways and Regulatory Services**	1,955,290	1,807,288	(148,002)	Y
The year end underspend is as a result of savings on employee costs due to recruitment difficulties and additional income achieved in Licencing partly offset by the contribution of funds to a provision for Home Loss Payments.					
Registrars and Coroners	**Highways and Regulatory Services**	571,580	583,595	12,015	G

Minor variance from budget at Period 13					
Assistant Director Commercial Services	**Growth, Regeneration and Housing**	161,450	169,134	7,684	G
Minor variance from budget at Period 13					
Director of Place	**Growth, Regeneration and Housing**	693,370	754,663	61,293	A
£0.032m cost of unison support in excess of £0.005m available budget, £0.036m pressure on annual subscriptions.					
Assistant Director Economy & Place	**Growth, Regeneration and Housing**	315,500	315,807	307	G
Minor variance from budget at Period 13					
Planning Services	**Highways and Regulatory Services**	1,593,420	1,405,281	(188,139)	Y
Street Naming & Numbering and Land Charges:- A variance of £0.050m resulting from a reduction in net income (mainly Land Charges property search income). **Building Control:-** Slightly under budget at -£0.039m mainly resulting from a reduction in the bad debt provision following pursuit of payments for Works in Default. **Natural and Historic Environment:-** A variance of £0.044m associated with external income generated. **Development Management:**- Under budget by -£0.138m resulting from significant Planning Application receipts in February and March. **Highways Development Control:**- a net saving of £0.105m mainly through a reduction in external professional/engineering support.					
Economic Growth	**Growth, Regeneration and Housing**	1,215,380	1,215,351	(29)	Y
Minor variance from budget at Period 13					
Broadband	**Culture and Digital**	161,140	161,140	0	G
No variance from budget.					
Planning Policy	**Highways and Regulatory Services**	975,220	976,489	1,269	G
Minor variance from budget at Period 13					
Shrewsbury Shopping Centres (Commercial)	**Growth, Regeneration and Housing**	(129,140)	(197,495)	(68,355)	Y
Saving on Shopping Centre Management as a result of on-shoring shopping centres and no longer incurring fees for Unit Trusts.					
Arts	**Culture and Digital**	66,670	54,731	(11,939)	Y
Minor variance from budget at Period 13					
Highways	**Highways and Regulatory Services**	12,861,290	13,082,353	221,063	A
Highways (Operations) - Additional network maintenance costs of £1.110m together with an energy saving of £0.190m, resulting from the LED streetlights already installed (a saving of 5% compared to the 2022/23 budget). **Highways (Bridges, Structures and Drainage) -** A budget saving of £0.145m resulting from a reduction in revenue works completed. **Highways (Streetworks)** - This service area seeks to minimise disruption to the highways network and will penalise organisations that fail to complete their interventions in accordance with their permit to operate. Net income for this service area is anticipated to be £1.023m greater than budget. **Highways (Governance) -** Additional agency costs of £0.131m, contractor costs of £0.204m and insurance (claims settlement) of £0.146m.					
Shropshire Hills AONB	**Culture and Digital**	29,430	29,429	(1)	Y
Minor variance from budget at Period 13					
Outdoor Partnerships	**Culture and Digital**	1,302,290	1,315,373	13,083	G

Minor variance from budget at Period 13					
Libraries	**Culture and Digital**	3,448,410	3,497,968	49,558	G
The Overspend on Libraries is due to the cumulative small overspends on Salaries due to the use of additional hours.					
Museums and Archives	**Culture and Digital**	1,420,200	1,557,588	137,388	R
The Overspend on Museums is almost entirely due to shortfall on income at Acton Scott, which is closed. Further overspends are due to a shortfall in income for Museum Learning & Shropshire Archives.					
Theatre Services	**Culture and Digital**	(129,750)	(51,606)	78,144	A
Whilst there has been good post-pandemic admissions at the Theatre and Old Market Hall there continues to be significant challenges both from the costs of operating and the cost of living crisis. The overall impact on the service has been a net variance of £0.078m.					
Waste Management	**Deputy Leader, Climate Change, Environment and Transport**	33,565,900	33,266,504	(299,396)	Y
There has been an unprecedented level of landfill waste in 22/23 which has been much lower than anticipated and lead to underspends against the budget. There has also been more trade waste going to the Energy Recovery Facility (ERF) than budgeted for and improved ERF performance in general has lead to further underspends.					
Assistant Director Infrastructure	**Deputy Leader, Climate Change, Environment and Transport**	262,610	219,679	(42,931)	Y
A vacant post resulting in an underspend of £0.043m.					
Commercial Services Business Development	**Growth, Regeneration and Housing**	20,030	156,224	136,194	R
£0.022 Unachieved income to cover salary costs. £0.026 unachieved commercial income savings. £0.085 of savings targeted to be achieved in 23-24. Balanced by other small variances					
Head of Culture, Leisure & Tourism	**Culture and Digital**	525,150	527,621	2,471	G
Minor variance from budget at Period 13					
Climate Change	**Deputy Leader, Climate Change, Environment and Transport**	533,120	481,100	(52,020)	Y
One off underspend as a result of maximising capital funds to cover previously budgeted for revenue costs. Balanced by other small variances.					
Environment and Transport	**Deputy Leader, Climate Change, Environment and Transport**	10,166,100	10,362,408	196,308	A
Public Transport:- A net reduction in the costs of supported bus services, amounting to £0.145m. **Street Cleansing and Grounds Maintenance:-** A service variance of -£0.056m resulting from the release of a provision. **Parking:-** Net parking income lower than budget, £0.230m. **Strategic:-** This service area is £0.177m over budget mainly connected to Traffic Engineering works and assessments					
Assistant Director Homes and Communities	**Growth, Regeneration and Housing**	144,970	348,817	203,847	R
The Shropshire Local initiative is projected to incur unbudgeted costs of £0.119m from the centre located in the Darwin shopping centre. £0.061m pressure as unable to recharge management salary costs to Cornovii - budget amended for 23-24. Balanced by other small variances					
Housing Development and HRA	**Growth, Regeneration and Housing**	35,390	(583,660)	(619,050)	Y
Receipt of one off overage payment from Cornovii of (£0.587m) from a Housing Development.					

Shrewsbury Shopping Centres (Development)	**Growth, Regeneration and Housing**	549,740	448,294	(101,446)	Y
Underspend as a result of savings on insurance as centres are now empty, rates and service charge expenditure.					

CORPORATE BUDGETS	**Full Year**			**RAGY**
	Budget £	**Controllable Outturn £**	**Controllable Variance £**	
Total	**(50,262,450)**	**(58,467,653)**	**(8,205,203)**	Y

Corporate Budgets	**Finance and Corporate Resources**	(50,262,450)	(58,467,653)	(8,205,203)	Y

Following a review of earmarked reserves, it was agreed that (£1.95m) could be released from the Development Reserve, COVID Funding Reserve and Insurance Fund as there were no longer any commitments identified against these balances. In addition the Council received an unbudgeted distribution of (£0.430m) from the Government from the levy account which was notified to the Council in March. Also as result of paying 2022/23 employer contributions to the pension fund in April in full, the Council achieved a (£0.368m) discount which was calculated in the year end reconciliation.

The interest receivable budget delivered net additional income of (£2.146m) due to changes in the Bank of England base rate, increased from 0.75% to 4.25%. This was based on the value of investment balances held throughout the year.

The MRP budget delivered the expected one-off in year savings of (£1.300m). Of this, (£1.000m) was the result of releasing budget held for potential additional MRP costs from new projects. (£0.300m) was as a result of changes in actual borrowing requirements identified during the 2021-22 closedown.

Savings of (£1.064m) were delivered interest payable budgets, however recent Bank of England base rate increases will have an impact on borrowing rates going forward; i.e. it will be more expensive to borrow. The interest payable budget includes the current fixed term debt charges only.

Additional income of (£0.249m) was received in relation to the profit share from WME, alongside savings totalling (£0.698m) across corporate subscriptions, Non-Distributable costs, QICS PFI, and additional revenue grants and income received in year.

RESOURCES		Full Year Budget £	Controllable Outturn £	Controllable Variance £	RAGY
Total Resources Directorate		**6,621,680**	**4,638,962**	**(1,982,718)**	Y

Finance	**Finance and Corporate Resources**	2,594,770	1,919,000	(675,770)	Y
There were net savings identified across the Revenues and Benefits teams in relation to vacancies and staffing recharges due to issues with recruiting staff to the vacant positions, and in relation to recharging staff to externally funded grant projects. There have been workforce pressures in relation to additional responsibilities within the team for administering new grants such as Test and Trace Support grants, and energy rebates. This had resulted in the need for existing staff to work additional hours and to bring in additional resources from agencies to support the team to deliver business critical activities, although this additional cost was funded by administration elements of the grant funding and from savings on vacant posts. There has been a successful recruitment activity focused on filling apprenticeship posts within the teams, this will help to create a pool of experienced staff for the future to fill future vacancies and to aid with succession planning. Additional one off savings were identified across grant income and a review of supplies and services budgets. There was a net underspend within the Finance Team, due to staffing savings and additional income generation.					
Organisation Performance Management	**Culture and Digital**	0	0	0	G
No variation from budget.					
Automation and Technology	**Culture and Digital**	260,880	11,573	(249,307)	Y
Savings have been identified on ICT system budgets.					
Communications & Engagement	**Leader, Policy and Strategy, Improvement and Communications**	752,830	355,591	(397,239)	Y
Net savings were delivered across Customer Services and Communications as a result of several posts held vacant. A proportion of the staff budget savings were reallocated to support the creation of a 24/7 out of hours support service within the Safer Communities Coordination Team.					
Business Improvement: Data, Analysis and Intelligence	**Culture and Digital**	232,240	171,227	(61,013)	Y
Net savings were delivered as a result of vacancy management throughout the year.					
Human Resources and Organisational Development	**Finance and Corporate Resources**	413,760	123,963	(289,797)	Y
Human Resources Advice Team lost income from SLAs relating to maintained schools and unachieved income targets to increase external income generation. Income targets were difficult to meet due to loss of resources within the team, however most of the resulting budget pressures have been offset by one off underspends on staffing. The team has recently been subject to restructure of the service and all posts will be filled moving forwards. There were further underspends from a combination of additional income generation and vacancy management across Health & Safety and Occupational Health Teams, and Payroll Services (as a result of vacancy management).					
Treasury and Pensions	**Finance and Corporate Resources**	11,790	12,854	1,064	G
Minor Variance from budget as at period 13					
Commissioning Development and Procurement	**Finance and Corporate Resources**	123,350	(2,344)	(125,694)	Y

Additional income was received above initial forecasts in relation to the Matrix contract rebates linked to the use of agency staffing across the organisation, savings were also realised from vacancy management across the team.					
Risk Management and Insurance	**Finance and Corporate Resources**	(25,410)	(18,408)	7,002	G
Minor variance from budget at Period 13.					
Democratic Services	**Finance and Corporate Resources**	89,030	75,289	(13,741)	Y
Minor variance from budget at Period 13					
Elections	**Finance and Corporate Resources**	533,270	477,459	(55,811)	Y
Savings were delivered across the Elections team from vacancy management and reduced costs above those expected for Individual Electoral Registration.					
Legal Services	**Finance and Corporate Resources**	209,950	210,718	768	G
Minor variance from budget at Period 13					
Audit and Information Governance	**Finance and Corporate Resources**	30,340	(151,387)	(181,727)	Y
Due to staff turnover within the Audit team, there were underspends due to vacancy management within the team. This was partly offset by additional expenditure on agency staff to support the team. The current level of vacancies is not sustainable and recruitment activity is in progress.					
Resources Management Team	**Finance and Corporate Resources**	(112,290)	(81,085)	31,205	G
Additional costs were charged to the Resources Management Team above those expected at year end in relation to recharges for Union costs.					
Housing Benefits	**Finance and Corporate Resources**	1,513,700	1,513,700	0	G
No variation from budget as at period 13.					
Scrutiny	**Finance and Corporate Resources**	(6,530)	20,811	27,341	G
Additional staffing costs were incurred above those anticipated due to increased support for scrutiny.					

HEALTH AND WELLBEING		Full Year			RAGY
		Budget £	Controllable Outturn £	Controllable Variance £	
Total		2,332,610	2,025,360	**(307,250)**	Y

Regulatory Services	**Highways and Regulatory Services**	2,043,830	1,816,825	(227,005)	Y
The underspend is due to vacant posts within the Health Protection Team and a significant review and redesign of the service to optimise capacity, resilience and performance. The new structure has now been developed with recruitment to all posts, providing confidence internally and externally (to the Food Standards Agency), that the service has an appropriate establishment for meeting statutory Official Food Control targets moving forward. Underspends occurred due to delays in filling vacant posts. In the interim, and to assist with meeting existing food inspection targets, EHO Food Safety Consultants were appointed, funded from that underspend. In addition, resources have been diverted to activities associated with Contain Outbreak Management.					
Non Ring Fenced Public Health Services	**Adult Social Care, Public Health and Communities**	288,780	208,535	(80,245)	Y
The favourable variance is due to the application of Contain Outbreak Management Funding, where resources have been diverted to this initiative.					
Ring Fenced Public Health Services	**Adult Social Care, Public Health and Communities**	0	0	0	Y
No variation from budget.					

STRATEGIC MANAGEMENT BOARD		Full Year			RAGY
		Budget £	Controllable Outturn £	Controllable Variance £	
Total		**32,810**	**345**	**(32,465)**	Y

Chief Executive & PAs	**Leader, Policy and Strategy, Improvement and Communications**	21,870	(12,236)	(34,106)	Y
There were net savings within the PA's Team as a result of a number of posts held vacant that have now filled.					
Programme Management	**Leader, Policy and Strategy, Improvement and Communications**	10,940	12,581	1,641	G
Minor variance from budget at Period 13					

1.3 2022/23 Revenue Outturn By Portfolio Holder

Portfolio Holder	Revised Budget* £'000	Controllable Outturn £'000	Controllable Variance £'000
Portfolio Holder Children and Education	68,814	77,421	8,607
Portfolio Holder Adult Social Care, Public Health and Communities	121,197	125,826	4,629
Portfolio Holder Growth, Regeneration and Housing	3,273	8,305	5,032
Deputy Leader and Portfolio Holder Climate Change, Environment and Transport	44,579	44,381	(198)
Portfolio Holder Culture and Digital	8,903	9,573	670
Leader and Portfolio Holder Policy and Strategy, Improvement and Communications	633	203	(430)
Portfolio Holder Highways and Regulatory Services	19,475	19,144	(331)
Portfolio Holder Finance and Corporate Resources	(42,257)	(51,737)	(9,480)
Total	**224,616**	**233,115**	**8,499**

APPENDIX 2

MOVEMENT IN PROJECTIONS BETWEEN Q3 AND OUTTURN

Directorate	Q3 Controllable Variance (£'000)	Outturn Controllable Variance (£'000)	Movement (£'000)	Key Reasons for Movement
Corporate Budgets	(3,947)	(8,205)	(4,258)	Release of reserves and allocation of grants. Reduction in MRP requirement following lower than anticipated delivery of new projects.
Health and Wellbeing	(265)	(307)	(42)	Minor variations between Q3 and outturn position.
People	12,987	13,920	933	Home to school transport pressures due to increase in numbers and inflation and further pressures linked to agency spend on Childrens social workers.
Place	5,018	5,106	89	Additional costs against Highways service for safety maintenance, engineering support, safety repairs, drain clearing and agency staff offset in the main against landfill waste amounts being less than anticipated at year end and increase in planning fee income.
Resources	(1,647)	(1,983)	(336)	Savings against vacancy management, agency staff and additional grant funding not anticipated.
Strategic Management Board	(32)	(32)	0	No variation between Q3 and outturn position.
Total				

APPENDIX 3

UPDATE ON DELIVERY OF 2022/23 SAVINGS PROPOSALS

3.1 Summary

Throughout 2022/23, savings have been RAG rated in order to establish the deliverability of the savings and any potential impact on the outturn position for the 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.

The table below summarises the outturn position.

Service Area	**Red £'000**	**Amber £'000**	**Green £'000**	**Total Savings £'000**
Corporate Budgets	0	0	50	50
Health and Wellbeing	0	0	209	209
People	501	0	2,530	3,030
Place	5,247	0	3,466	8,713
Resources	50	0	634	684
Strategic Management Board	0	0	9	9
Tactical Budget Savings	768	0	7,712	8,480
Council	**6,566**	**0**	**14,610**	**21,175**
	31%	0%	69%	

The total tactical budget savings identified in the updated Financial Strategy and delivery against the savings plans are included in the table above alongside those approved at Council in February 2022.

The position above also includes unachievable savings which have been provided budget growth within the 2023/24 budget of £4.599m. These are detailed in the table below.
The figures presented above show that 69% of the 2022/23 savings required have been delivered. Savings that have not been delivered are presented below.

3.2 Breakdown of Red Savings

Ref	Directorate	Service Area	Description	Financial Year Saving Originally Required (£'000)	Total Saving Rated Red (£'000)	Value Rated Red (£,000)	Value Unachievable - Budget Growth Allocated within 2023/24 Budget (£'000)
AS6	People	Adult Social Care Operations	Adult Social Care - Review of double handed care	2022/23	192		192
CW2	People	Adult Social Care Provider Services	Increase to fees and charges income	2022/23	6		6
AS12	People	Adult Social Care Operations	Adult Social Care - Review care provider contract arrangements	2022/23	119		119
AS15c	People	Adult Social Care Operations	Review pre-placement framework	2022/23	70		70
2A37R	People	Housing Services	Increased Housing income	2020/21	114	15	99
PS4	Place	Planning Services	Building Control - Use of reserve	2022/23	37	37	
PS5	Place	Planning Services	Enhanced income through commercial activity in Natural & Historic Environment teams	2022/23	40		40
CW2	Place	Leisure	Increase to fees and charges income	2022/23	22		22
CW2	Place	Theatre Services	Increase to fees and charges income	2022/23	162		162
PS12	Place	Environment and Transport	Review of parking charges	2022/23	350		350
P33	Place	Corporate Landlord, Property and Development	Raise additional income from new development	2022/23	27		27
P35	Place	Corporate Landlord, Property and Development	Efficiencies within administrative buildings	2022/23	1,205	309	896
P39	Place	Corporate Landlord, Property and Development	Raise income from investment in assets	2022/23	2,000		2,000
P39	Place	Corporate Landlord, Property and Development	Raise income from investment in assets	2021/22	1,259	732	527

H16	Place	Trading Standards and Licensing	Increase parking enforcement functions in line with the parking strategy	2020/21	40		40
P11	Place	Libraries	Review of library provision	2022/23	104	104	
RS9	Resources	Human Resources and Organisational Development	Increase Human Resources and Development income generated from commercial activities	2022/23	50		50
Tactical Budget Savings				2022/23	768	768	
					6,565	**1,965**	**4,600**

3.3 Unachieved Savings Carried Forward to 2023/24

As per 3.2, £6.565m savings remain unachieved at outturn, some of which have been offset in part by one-off savings in year. However, when setting the Council's budget for 2023/24, £4.600m growth funding has been applied in order to remove the 2022/23 red savings that have been determined to be undeliverable. Following the application of growth funding during the budget setting process, £1.965m of the red savings still remain within the Council's budget and are still required to be delivered, as the delivery of these savings targets was considered to be delayed rather than undeliverable. Delivery of these savings will be scrutinised monthly with Directors throughout 2023/24. The £1.965m of unachieved savings carried forward into 2023/24 are shown in the penultimate column of 3.2 above

APPENDIX 4

ONGOING BUDGET PRESSURES

Directorate	Service	Nature of Pressure	Value (£'000)
People	Children's Social Care	Disabled Children's Team	292
People	Children's Social Care	Public law outline support packages (medical assessments and legal costs)	257
People	Children's Social Care	Increase in expenditure relating to operating the Council's children's residential homes	260
People	Children's Social Care	External Residential placements	6,045
People	Adults Social Care	Purchasing Costs increase in short term packages and rates	5,060
People	Housing	Temporary Accommodation and B&B numbers high	1,638
Place	Leisure	Pressure on Council Managed Leisure Centres	247
Place	Leisure	Serco Leisure Contract extension	193
Place	Leisure	Repairs & Maintenance	77
Place	Leisure	Leisure Contract utility unit cost increases	92
Place	Assistant Director, Homes and Communities	Shropshire Local	119
Place	Waste Management	Veolia contract price	450
Place	Shire Services	Ongoing pressures on Catering provision	694
Place	Corporate Landlord	Utility (electricity, water and gas) costs	231
Place	Corporate Landlord	Rates (Across Corporate Landlord estate)	266
Place	Corporate Landlord	Building Rental Contracts on ASC Housing	69
Place	Corporate Landlord	IT Hardware/Software	56
Place	Corporate Landlord	Repairs & Maintenance (across Corporate Landlord estate) & Grounds Maintenance	416
TOTAL			**16,462**

APPENDIX 5

RECONCILIATION OF MONITORING PROJECTIONS TO SAVINGS DELIVERY

	Outturn Variance (Controllable) £000	Savings Pressure in 2022/23 £000	Ongoing Monitoring Pressures Identified £000	Ongoing Monitoring Savings Identified £000	One Off Monitoring Pressures Identified £000	One Off Monitoring Savings Identified £000
Corporate Budgets	(8,205)	0	0	0	0	(8,205)
Corporate Budgets	**(8,205)**	**0**	**0**	**0**	**0**	**(8.205)**
Regulatory Services	(227)	0	0	0	24	(251)
Non Ring Fenced Public Health Services	(80)	0	0	0	214	(295)
Ring Fenced Public Health Services	0	0	0	0	3,965	(3,965)
Health and Wellbeing	**(307)**	**0**	**0**	**0**	**4,203**	**(4,510)**
People Directorate Management	145	0	0	0	169	(23)
Adult Social Care Business Support and Development	(235)	0	0	0	15	(250)
Adult Social Care Management	(124)	0	0	0	0	(124)
Adult Social Care Provider Services	(95)	6	0	0	290	(391)
Adult Social Care Operations	5,020	381	5,060	0	539	(960)
Housing Services	604	114	1,637	0	32	(1,179)
Children's Social Care & Safeguarding	8,404	0	6,854	0	8,075	(6,525)
Children's Early Help, Partnerships and Commissioning	(291)	0	0	0	56	(347)
Learning and Skills	494	0	0	0	971	(476)
Central DSG	0	0	0	0	1,999	(1,999)
People	**13,922**	**501**	**13,551**	**0**	**12,145**	**(12,274)**
Director of Place	61	0	0	0	61	0
Assistant Director, Commercial Services	8	0	0	0	8	0
Corporate Landlord & Property and Development	4,114	4,380	1,038	0	850	(2,154)
Commercial Services Business Development	136	111	0	0	25	0
Climate Change	(52)	0	0	0	0	(52)
Shire Services	694	0	694	0	0	0
Assistant Director, Economy and Place	0	0	0	0	0	0
Planning Services	(189)	77	0	0	0	(266)
Economic Growth	0	0	0	0	0	0
Broadband	0	0	0	0	0	0
Planning Policy	1	0	0	0	1	0
Shrewsbury Shopping Centres – Development Sites	(101)	0	0	0	0	(101)
Shrewsbury Shopping Centres – Commercial Sites	(68)	0	0	0	0	(68)
Assistant Director, Infrastructure	(43)	0	0	0	0	(43)
Environment and Transport	196	350	0	0	0	(154)
Highways	221	0	0	0	221	0
Waste Management	(299)	0	450	0	12	(761)
Assistant Director, Homes and Communities	204	0	119	0	85	0
Housing Development and HRA	(619)	0	0	0	0	(619)
Bereavement Services	(2)	0	0	0	0	(2)
Registrars and Coroners	12	0	0	0	12	0
Trading Standards and Licensing	(148)	40	0	0	0	(188)
Head of Culture, Leisure and Tourism	2	0	0	0	2	0
Arts	(12)	0	0	0	0	(12)
Shropshire Hills AONB	0	0	0	0	0	0
Outdoor Partnerships	13	0	0	0	13	0
Leisure	711	22	609	0	667	(587)
Libraries	49	104	0	0	0	(55)
Museums and Archives	137	0	0	0	186	(49)
Theatre Services	78	162	0	0	0	(84)
Place	**5,105**	**5,247**	**2,910**	**0**	**2,143**	**(5,195)**
Resources Directorate Management	31	0	0	0	31	0
Automation and Technology	(249)	0	0	0	259	(508)
Finance	(676)	0	0	0	47	(723)

	Outturn Variance (Controllable) £000	Savings Pressure in 2022/23 £000	Ongoing Monitoring Pressures Identified £000	Ongoing Monitoring Savings Identified £000	One Off Monitoring Pressures Identified £000	One Off Monitoring Savings Identified £000
Housing Benefits	0	0	0	0	0	0
Business Improvement: Data, Analysis and Intelligence	(61)	0	0	0	7	(68)
Human Resources & Organisational Development	(290)	50	0	0	72	(412)
Risk Management and Insurance	7	0	0	0	77	(70)
Scrutiny	27	0	0	0	27	0
Commissioning Development and Procurement	(126)	0	0	0	0	(126)
Legal Services	1	0	0	0	133	(132)
Democratic Services	(14)	0	0	0	54	(68)
Elections	(56)	0	0	0	0	(56)
Audit and Information Governance	(182)	0	0	0	0	(182)
Treasury and Pensions	1	0	0	0	7	(6)
Communications and Engagement	(397)	0	0	0	33	(430)
Resources	**(1,984)**	**50**	**0**	**0**	**747**	**(2,781)**
Chief Executive and PAs	(34)	0	0	0	0	(34)
Programme Management	2	0	0	0	2	0
Strategic Management Board	**(32)**	**0**	**0**	**0**	**2**	**(34)**
TOTAL	8,499	5,797	16,461	0	19,240	(33,000)

APPENDIX 6

GENERAL FUND BALANCE

7.1 In 2019/20, 2020/21 and 2021/22, the General Fund was used to offset Shire Services' deficit outturn position, as the Shire Services' earmarked reserve had been fully utilised in 2019/20. This use of the General Fund effectively represents a loan to Shire Services which must be repaid. The General Fund has been used again in 2022/23 to offset Shire Services' unfunded deficit (£0.694m), following a further year in which the service has been unable to repay the General Fund contribution made in the last 3 years. Therefore, the total loan now stands at £1.350m, and this must be repaid within a reasonable time frame.

	£'000
Balance at 1st April 2023	11,522
Budgeted Contribution to GF	4,028
Outturn Controllable Overspend (all services excluding Shire Services)	(7,797)
Use of Fund to Offset Shire Services' Deficit Position – to be repaid	(694)
Net Outturn Controllable Overspend (all services)	
Outturn Non-Controllable Insurance Underspend	34
Balance at 31 March 2023	**7,093**

APPENDIX 7

AMENDMENTS TO ORIGINAL BUDGET 2022/23

£'000	Total	Corporate Budgets	Health and Wellbeing	People	Place	Resources	Strategic Management Board
Original Budget as Agreed by Council	**224,616**	**(54,919)**	**3,449**	**198,809**	**70,934**	**6,328**	**15**
Quarter 1							
Structure Changes	0	0	(1,266)	1	1,292	(28)	0
Virements	0	521	276	99	(797)	(99)	0
Quarter 2							
Virements	0	(284)	(1)	32	217	36	0
Quarter 3							
Virements	0	(3,185)	49	1,505	885	730	16
Quarter 4 Virements	**0**	**(167)**	**7**	**70**	**45**	**38**	**7**
Q4 Revised Budget	**224,616**	**(58,034)**	**2,514**	**200,516**	**72,576**	**7,005**	**38**

APPENDIX 8

HOUSING REVENUE ACCOUNT 2022/23

As at 31 March 2023	Original Budget £	Outturn £	Variance Adverse/ (Favourable) £
Income			
Dwellings Rent	(18,101,280)	(17,965,084)	136,196
Garage Rent	(104,900)	(102,978)	1,922
Other Rent	(17,000)	(6,290)	10,710
Charges for Services	(686,820)	(916,143)	(229,323)
Total Income	**(18,910,000)**	**(18,990,494)**	**(80,494)**
Expenditure			
ALMO Management Fee	9,021,410	9,021,409	(1)
Supplies and Services	640,370	591,997	(48,373)
Capital Charges - Dwelling Depreciation	4,047,050	4,471,690	424,640
Capital Charges - Depreciation Other	196,250	203,130	6,880
Interest Paid	2,988,250	3,196,356	208,106
Repairs charged to revenue	600,000	542,718	(57,282)
Revenue Financing Capital Expenditure	1,693,450	0	(1,693,450)
New Development Feasibility	200,000	100,718	(99,282)
Increase in Bad Debt Provision	50,000	50,000	0
Corporate & Democratic Core	335,910	340,886	4,976
Total Expenditure	**19,772,690**	**18,518,904**	**(1,253,786)**
Net Cost of Services	**862,690**	**(471,590)**	**(1,334,280)**
Interest Received	(60,000)	(295,956)	(235,956)
Net Operating Expenditure	**802,690**	**(767,547)**	**(1,570,237)**
Net Cost of Service/(Surplus) for Year	**802,690**	**(767,547)**	**(1,570,237)**
HRA Reserve			
B/fwd 1 April	11,055,680	11,591,766	
Surplus/(Deficit) for year	(802,690)	767,547	
Carried Forward 31 March	10,252,990	12,359,313	

APPENDIX 9

EARMARKED RESERVES

9.1 The change in revenue reserves and provisions are detailed in the table below and shows a reduction in the overall reserves and provisions held.

Movement in Reserves and Provisions 2022/23

	Reserves	Provisions	Bad Debt Provisions	Total Reserves & Provisions
	£000	£000	£000	£000
As at 31 March 2022	89,638	8,549	18,572	116,759
As at 31 March 2023	52,579	12,240	21,044	85,863
Increase/(Decrease)	**(37,059)**	**3,691**	**2,472**	**(31,697)**
Delegated School Balances Movement	2,296	0	0	2,296
Increase/(Decrease) (excluding Delegated School Balances)	**(39,355)**	**3,691**	**2,472**	**(33,192)**

	Purpose of Balance	Balance Brought Forward (£'000)	Transfer Balance Between Reserves (£'000)	Expenditure in 2022/23 (£'000)	Income in 2022/23 (£'000)	Balance Carried Forward (£'000)
Reserves						
Sums set aside for major schemes, such as capital developments, or to fund major reorganisation						
Redundancy	Required to meet one-off costs arising from approved staffing reductions, allowing the full approved savings in salaries or wages to reach the revenue account.	0	0	0	0	0
Revenue Commitments for Future Capital Expenditure	Comprises of underspends against budgeted revenue contributions available for capital schemes. The underspends have arisen due to slippage in capital schemes or because other funding streams were utilised during the year so as to maximise time limited grants.	4,079	0	-994	731	3,815
Development Reserve	Required to fund development projects or training that will deliver efficiency savings.	18,389	-190	-13,813	4,476	8,862
Invest to save Reserve	Required to fund invest to save projects in order to deliver the service transformation programme.	2,964	0	-1,022	128	2,070
		25,431	**-190**	**-15,829**	**5,335**	**14,747**
Insurance Reserves						
Fire Liability	Required to meet the cost of excesses on all council properties.	2,412	0	-501	305	2,216
Motor Insurance	An internally operated self-insurance reserve to meet costs not covered by the Council's Motor Insurance Policy.	1,341	0	-46	124	1,420
		3,754	**0**	**-547**	**429**	**3,636**
Reserves of trading and business units						
Shire Catering and Cleaning Efficiency	Built up from trading surpluses to invest in new initiatives, to meet exceptional unbudgeted costs or cover any trading deficits.	0	0	-8	8	0
		0	**0**	**-8**	**8**	**0**
Reserves retained for service departmental use						
Building Control	Required to manage the position regarding building control charges.	487	0	-63	0	424
Care Act & IBCF Reserve	Required to fund the costs of implementing the Care Act requirements within the Council. This will be committed to the costs of one off posts required to implement the changes and training costs for staff within Adult Services. Plus unspent IBCF monies required to fund the IBCF programme in future years.	4,137	0	-2,477	308	1,968
Economic Development Workshops Major Maintenance	Established to meet the costs of major maintenance of Economic Development Workshops.	149	0	0	0	149
External Fund Reserve	Reserves held where the Council is the administering body for trust funds or partnership working.	2,838	0	-520	380	2,698
Financial Strategy Reserve	Established specifically to provide one off funding for savings proposals in the Financial Strategy	7,043	0	-7,043	0	0
COVID Government Funding Reserve	Established to hold funds advanced by Government to respond to the COVID 19 pandemic which require to be applied in future years	14,415	0	-14,024	0	391

	Purpose of Balance	Balance Brought Forward (£'000)	Transfer Balance Between Reserves (£'000)	Expenditure in 2022/23 (£'000)	Income in 2022/23 (£'000)	Balance Carried Forward (£'000)
Savings Management - Highways	Established specifically to provide one off funding for highways savings proposals in the Financial Strategy	409	0	-1,609	1,200	0
Highways Development & Innovation Fund	Set aside funds for pump priming the Development and Innovation programme.	1,200	0	0	300	1,500
New Homes Bonus	Established from unapplied New Homes Bonus Grant balances.	1,633	0	-5,108	4,652	1,177
Public Health Reserve	This reserve includes balances committed to specific public health projects.	3,750	0	-158	732	4,323
Repairs & Maintenance Reserve	Set aside for known repairs and maintenance required to Council owned properties.	685	0	-351	0	333
Resources Efficiency	Established for investment in new developments, particularly information technology, that service area would not be expected to meet from their internal service level agreements for support services.	987	0	-237	466	1,217
Revenue Commitments from Unringfenced Revenue Grants	Established from unapplied unringfenced Grant balances. Commitments have been made against these balances in 2023/24	9,381	0	-5,481	428	4,328
Severe Weather	Required to meet unbudgeted costs arising from the damage caused by severe weather. The policy of the Council is to budget for an average year's expenditure in the revenue accounts and transfer any underspend to the reserve or fund any overspend from the reserve.	2,809	190	-787	797	3,009
TMO Vehicle Replacement	Set up to meet the costs of replacement vehicles by the Integrated Transport Unit.	80	0	-13	0	67
		50,001	**190**	**-37,870**	**9,263**	**21,583**
School Balances						
Balances held by schools under a scheme of delegation	Schools' balances have to be ringfenced for use by schools and schools have the right to spend those balances at their discretion.	8,191	0	-7,154	9,450	10,487
Schools Building Maintenance Insurance	The schools building maintenance insurance scheme is a service provided by Property Services for schools. In return for an annual sum all structural repairs and maintenance responsibilities previously identified as the "authority's responsibility" are carried out at no additional charge to the school.	2,261	0	-313	177	2,126
		10,452	**0**	**-7,467**	**9,627**	**12,612**

Total Reserves		**89,638**	**0**	**-61,721**	**24,662**	**52,579**

Provisions						
Provisions - Short Term						
Accumulated Absences Account	Provision to cover potential future payments of employee benefits not taken as at the end of the year. This is required under IFRS accounting regulations.	3,013	0	3,055	-3,013	3,055

	Purpose of Balance	Balance Brought Forward (£'000)	Transfer Balance Between Reserves (£'000)	Expenditure in 2022/23 (£'000)	Income in 2022/23 (£'000)	Balance Carried Forward (£'000)
Other Provisions - Short Term	Includes a number of small provisions including Environmental Maintenance contract commitments and Shopping Centre rental payments	705	0	303	-300	708
Provisions - Long Term						
Other Provisions - Long Term	Includes a number of small provisions including S106 Accrued Interest, profit share agreements and Shopping Centre rental payments.	73	0	0	0	73
Tenancy Deposit Claw backs	This represents deposits held for the economic development workshops that may be repaid at some point in the future.	216	0	38	-20	234
Liability Insurance	Provision to meet the estimated actuarial valuation of claims for public liability and employers' liability	3,706	0	868	-479	4,096
NDR Appeals	Represents the Council's share of the provision held for successful appeals against business rates.	835	0	6,572	-3,332	4,074
Council Tax Bad Debt	Held for potential write offs of Council tax debtor balances.	8,993	0	1,724	0	10,717
NNDR Bad Debt	Held for potential write offs of NNDR debtor balances.	2,020	0	499	0	2,520
General Fund Bad Debts	Held for potential write offs of debtor balances for General Fund Services including Housing Benefits.	7,168	0	1,057	-813	7,412
HRA Bad Debts	Held for potential write offs of debtor balances for Housing Revenue Account rents and other debtor balances.	391	0	50	-45	395
Total Provisions		**27,121**	**0**	**14,165**	**-8,002**	**33,284**

	Balance Brought Forward (£'000)	Transfer Balance Between Reserves (£'000)	Expenditure in 2022/23 (£'000)	Income in 2022/23 (£'000)	Balance Carried Forward (£'000)
Total Reserves & Provisions	**116,759**	**0**	**-47,555**	**16,659**	**85,863**

HRA Earmarked Reserves						
Major Repairs Reserve	Required to meet the costs of major repairs to be undertaken on the Council's housing stock.	6,919	0	4,675	-4,194	7,400
		6,919	**0**	**4,675**	**-4,194**	**7,400**

Delegated School Balances

9.2 The movement in delegated schools' balances are detailed in the table below.

Movement in delegated schools' balances 2022/23

	2021/22 £'000	2022/23 £'000	Increase/ (Decrease) £'000
Schools:			
- Revenue Balances	6,215	6,486	271
- Invested Balances	400	382	(18)
- Extended Schools Activities Balance	1,002	923	(79)
Sub Total within Schools	**7,617**	**7,791**	**174**
Purchasing IT equipment	(9)	0	9
DSG (Deficit) / Surplus	582	2,695	2,113
Total Delegated School Balances	**8,190**	**10,486**	**2,296**

9.3 Schools' balances have to be ringfenced for use by schools and schools have the right to spend those balances at their discretion. Of the 85 schools with balances, 5 have deficit balances.

9.54 The Extended Schools activities allocations for schools were paid over during 2022/23, these balances have been ringfenced to each individual school within School Balances.

9.65 In 2020, new reporting requirements were introduced to establish a new reserve for Dedicated Schools Grant balances. For those local authorities with a schools budget surplus, the requirement is that the surplus is held in a earmarked useable reserve. As at the end of 2022/23 financial year, Shropshire Council has a £2.695m DSG surplus which is required to be held in a statutorily ring-fenced unusable reserve called the DSG Adjustment Account.

APPENDIX 10

REVISED CAPITAL PROGRAMME

Detail	Agreed Capital Programme - Council 24/02/22 £m	Slippage & Budget Changes Approved To Quarter 3 20221/23	Quarter 4 Budget Changes to be Approved £m	Revised 2022/23 Capital Programme Quarter 4 £m
General Fund				
Adult Services	-	-	-	-
Childrens Services	17.795	7.430	(8.950)	16.275
Place	90.657	(19.1950)	5.038	76.500
Workforce & Transformation	0.351	0.135	0.000	0.486
Total General Fund	**108.803**	**(11.630)**	**(3.9122)**	**93.261**
Housing Revenue Account	16.511	1.435	(0.095)	17.851
Total Approved Budget	**125.314**	**(10.195)**	**(4.007)**	**111.112**

APPENDIX 11

CAPITAL PROGRAMME OUTTURN POSITION BY DIRECTORATE 2022/23

Detail	Revised Capital Programme - Outturn 2022/23 £m	Actual Expenditure 31/03/2023 £m	Variance £m	Spend To Budget %
General Fund				
Health & Wellbeing	-	-	-	-
People	16.275	19.175	(2.899)	117.8%
Place	76.500	67.289	9.211	88.0%
Workforce & Transformation	0.486	0.443	0.042	91.3%
Total General Fund	**93.261**	**86.907**	**6.354**	**93.2%**
Housing Revenue Account	17.851	13.458	4.393	75.4%
Total Approved Budget	**111.112**	**100.365**	**10.747**	**90.3%**

APPENDIX 12

SUMMARY OF SIGNIFICANT VARIANCES BETWEEN REVISED OUTTURN BUDGET & OUTTURN EXPENDITURE BY DIRECTORATE AND SERVICE AREA FOR 2022-23

People - Total overspend against People capital programme was £2.900m.

- 0.265m overspend against Adult Social Care for OT Equipment purchases across county. This has been carried forward for financing from the 2023-24 Disabled Facilities Grant allocation. This is mainly as a result of inflationary pressures on equipment costs. Work is under way to review the purchasing process and how savings can be achieved in this area through more bulk purchasing in future. This overspend was forecast earlier in year and reported.
- £2.654m overspend against Learning and Skills. This is mainly in relation to cashflow timing of payments rather than a budget pressure on the Schools Future Place Planning Programme for the new Bowbrook Primary School. The overspend will be carried forward into 2023-24 for allocation against the budget set in 2023-24. The overall programme is still within budget allocation.

Place – Total underspend against the Place capital programme was £9.211m, which was comprised of the following areas of main underspends and overspends:

- £0.738m overspend against budget on the NWRR. The current budget in the capital programme is only representative of the DfT large local majors grant award. The spend in 2022-23 was above the allocation and has been funded from the capital receipt projections.
- £0.410 on the Shrewsbury SITP programme due to delays in the final instalment of the VMS signage and agreement on locations.
- £1.563m underspend on various LTP projects, including Schools 20mph Scheme and Shifnal Network Improvements, these are expected to continue into 2023-24.
- £0.981m underspend against expected profile on various Highways CIL and Section 106 projects which will continue into 2023-24.
- £1.933m underspend against Corporate Landlord capital maintenance programme due to delays in the deliverability of some schemes. These schemes are expected to complete in early 2023-24.
- £0.444m underspend against budget profile on the Oswestry Mile End pedestrian overbridge scheme due to delays in revising the procurement options to ensure savings on construction where possible.
- £1.484m underspend against forecast on the On Street Residential Charging Point Scheme due to an extension of the programme until June 2023.
- £1.103m underspend against the Whitchurch Medical Practice project which is as a result in payment drawdowns behind expected profile.
- 0.484m underspend on the Meole Brace Pitch and Putt project against expected profile due to planning requirements.

Resources - Total underspend against the Resources capital programme was £0.043m. This is in relation to the allocation of funding towards the cost of IT Kit Replacement Programme which will continue into 2023-24.

Housing Revenue Account - Total underspend against the HRA programme was £4.393m, of which £0.817m was on the Major Repairs Programme against an overall budget allocation of £5.055m so significant expenditure has been invested with just a slight underspend. £2.588m was on the New Build Programme which was mainly due to profiling of contractor payments and costs which will continue into 2023-24, with the overall programme still on schedule. £0.938m was on the Temporary Accommodation Programme against an overall budget allocation of £1.871m, careful consideration of suitable properties and locations has resulted in a slight delay on completions against profile, but considerable progress has been made in securing properties.

APPENDIX 13

REVISED CAPITAL PROGRAMME FINANCING 2022/23

Within the financing of the Capital Programme £5.656m is funded from revenue contributions. The major areas of revenue contributions to capital are in ringfenced HRA monies to undertake major housing stock repairs (£1.052m) and new build schemes (£2.364m), essential repairs in relation to the Corporate Landlord estate (£1.456m), the Community Led Affordable Housing Contributions Grant Scheme (£0.379m) and Schools revenue contributions to various capital schemes (0.243m).

Detail	Agreed Capital Programme - Council 24/02/22 £m	Slippage & Budget Changes Approved To Quarter 3 2022/23 £m	Quarter 4 Budget Changes to be Approved £m	Revised 2022/23 Capital Programme Quarter 4 £m
Financing				
Self Financed Prudential Borrowing *	22.176	12.454	3.869	38.499
SALIX Loan	1.790	(1.003)	-	0.787
Government Grants	69.413	(28.398)	(4.805)	36.210
Other Grants	0.138	6.377	(4.999)	1.515
Other Contributions	14.468	0.599	0.244	15.311
Revenue Contributions to Capital	3.428	1.767	0.461	5.656
Major Repairs Allowance	3.780	0.310	(0.267)	3.823
Corporate Resources (expectation - Capital Receipts only)	10.121	(2.300)	1.490	9.310
Total Confirmed Funding	**125.314**	**(10.195)**	**(4.007)**	**111.112**

APPENDIX 14

CAPITAL PROGRAMME 2023/24 to 2025/26

Detail	2023/24 £m	2024/25 £m	2025/26 £m
General Fund			
Health & Wellbeing	-	-	-
People	28.272	17.577	7.399
Place & Enterprise	76.828	78.088	35.552
Resources	1.000	-	-
Total General Fund	**106.100**	**95.665**	**42.951**
Housing Revenue Account	20.475	15.122	13.313
Total Approved Budget	**126.575**	**110.787**	**56.264**
Financing			
Self Financed Prudential Borrowing *	41.654	30.734	12.342
SALIX Loan	1.910	0.000	-
Government Grants	55.010	58.801	30.481
Other Grants	2.188	0.061	0.020
Other Contributions	7.855	5.951	2.100
Revenue Contributions to Capital	1.049	0.000	0.369
Major Repairs Allowance	4.828	4.828	5.000
Corporate Resources (expectation - Capital Receipts only)	12.080	10.412	5.952
Total Confirmed Funding	**126.575**	**110.787**	**56.264**

***** Borrowing for which on-going revenue costs are financed by the Service, usually from revenue savings generated from the schemes.

The Corporate Resources financing line is the element of internal resources through capital receipts and corporately financed prudential borrowing required to finance the programme. Current expectation is these will all be through capital receipts. The Council continues to consider proposals for new schemes for the Council to invest in, with an emphasis on invest to save schemes and schemes that create either revenue savings or revenue generation.

APPENDIX 15

PROJECTED CAPITAL RECEIPTS POSITION

15.1 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. The table below summarises the current allocated and projected capital receipt position across 2022-23 to 2025-26. A RAG analysis has been applied for capital receipts projected, based on the current likelihood of generating them by the end of each financial year. Those marked as green are highly likely to be completed by the end of the financial year, amber 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.

Detail	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m
Corporate Resources Allocated in Capital Programme	7.888	12.080	11.039	6.952
Capital Receipts used to finance redundancy costs	0.944	1.044	-	-
To be allocated from Ring Fenced Receipts	-	20.835	4.000	17.932
Total Commitments	**8.832**	**33.958**	**15.039**	**24.884**
Capital Receipts in hand/projected:				
Brought Forward in hand	18.273	18.273	**(9.581)**	**(24.620)**
Generated 2020/21 YTD	8.832	-	-	-
Projected - 'Green'	-	6.104	-	0.495
Total in hand/projected	**27.105**	**24.377**	**(9.581)**	**(24.125)**
Shortfall to be financed from Prudential Borrowing / (Surplus) to carry forward	**(18.273)**	**9.581**	**24.620**	**49.009**
Further Assets Being Considered for Disposal	**-**	**23.677**	**15.147**	**2.000**

15.2 Capital receipts of £18.273m were brought forward from 2021/22 and £8.832m was generated in 2022/23. As previously reported, following the re-profiling in the capital programme and mid-year review of the programme, enough receipts have been generated to finance this year's capital programme without any corporate prudential borrowing. Of the receipts generated in year, £0.944m has been used to finance redundancy costs under the flexibilities around the use of Capital Receipts for transformation revenue purposes.

15.3 Following the underspend position for the capital programme for 2022/23 and the Council policy of applying un-ringfenced capital grants in place of capital receipts where they are not required in full due to scheme underspends, the Council has £17.465m in capital receipts in hand at 31/03/23. These will be set-aside, enabling the Council to achieve an additional MRP saving of £0.542m in 2023/24. These capital receipts are required to finance schemes they are allocated to in the future years' capital programme.

15.4 Based on the current approved position, across the life of the programme the are significant shortfalls in capital receipt projections of £9.581m, £24.620m and £49.009m in 2023/24, 2024/25 and 2025/26 respectively based on receipts rated green in the RAG analysis to fund the required budget in the capital programme. There is, therefore, the requirement to progress the disposals rated amber and red, which over the period 2023-24 to 2026-27 total £52.092m, 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 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.

15.5 It is important that work progresses, to avoid funding shortfalls in 2023/24, 2024/25 and 2025/26 and minimise any shortfall in future years. 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's revenue costs that are not budgeted in the revenue financial strategy.

15.6 The projected shortfall in capital receipts is purely based on the currently approved capital programme for the period 2023/24 to 2025/26. The current Capital Strategy 2023/24 to 2027/28, approved by Council in March 2023, identifies potential future priority capital schemes with estimated costs of £301.823m. It is prudent for schemes which are not anticipated to generate additional income to be funded from capital receipts. This will further increase the future pressure on capital receipts generation.

Shropshire Council - Capital Programme 2022/23 - 2025/26

Appendix 16

Capital Programme Summary Outturn 2022/23

Directorate	Revised Budget Q3 2022/23 £	Budget Virements Q4	Revised Budget Q4 2022/23 £	Actual Spend £	Spend to Budget Variance £	% Budget Spend	Outturn Projection £	2023/24 Revised Budget £	2024/25 Revised Budget £	2025/26 Revised Budget £
General Fund										
Health & Wellbeing	0	0	0	0	0	0.00%	0	0	0	0
People	25,225,543	-8,950,442	16,275,101	19,174,601	-2,899,500	117.82%	16,275,101	28,545,946	17,577,384	7,399,000
Place	71,462,173	5,038,284	76,500,457	67,289,238	9,211,219	87.96%	76,500,457	76,554,008	78,088,032	35,552,041
Resources	485,549	0	485,549	443,188	42,361	91.28%	485,549	1,000,000	0	0
Total General Fund	**97,173,265**	**-3,912,158**	**93,261,107**	**86,907,026**	**6,354,081**	**93.19%**	**93,261,107**	**106,099,954**	**95,665,416**	**42,951,041**
Housing Revenue Account	17,945,870	-95,223	17,850,647	13,457,857	4,392,790	75.39%	17,850,647	20,475,256	15,121,612	13,312,819
Total Approved Budget	**115,119,135**	**-4,007,381**	**111,111,754**	**100,364,883**	**10,746,871**	**90.33%**	**111,111,754**	**126,575,210**	**110,787,028**	**56,263,860**

Shropshire Council - Capital Programme Portfolio Holder Summary Outturn 2022/23

Portfolio Holder	Initial Budget 2022/23 £	Budget Virements £	Revised Budget 2022/23 £	Actual Spend £	Spend to Budget Variance £	% Budget Spend	Outturn Projection £	2023/24 Revised Budget £	2024/25 Revised Budget £	2025/26 Revised Budget £
General Fund										
Portfolio Holder Adult Social Care and Public Health	6,612,500	-2,006,597	4,605,903	4,944,997	-339,094	107.36%	4,605,903	6,854,000	5,349,000	4,149,000
Portfolio Growth and Regeneration	35,350,074	5,640,899	40,990,973	31,947,630	9,043,343	77.94%	40,990,973	50,827,827	34,522,251	14,305,612
Deputy Leader and Portfolio Holder Climate Change, Environment and Transport	325,000	1,700,384	2,025,384	2,025,384	0	100.00%	2,025,384	0	325,000	0
Portfolio Holder Children and Education	11,182,552	-739,006	10,443,546	13,007,581	-2,564,035	124.55%	10,443,546	14,773,996	12,228,384	3,250,000
Portfolio Holder Finance and Corporate Resources	0	0	0	0	0	0.00%	0	0	0	0
Portfolio Holder Culture and Digital	5,360,711	-3,031,547	2,329,164	1,923,464	405,700	82.58%	2,329,164	9,361,088	7,130,393	2,147,248
Portfolio Holder Highways and Regulatory Services	49,972,130	-17,105,993	32,866,137	33,057,971	-191,834	100.58%	32,866,137	24,283,043	36,110,388	19,099,181
Leader and Portfolio Holder Strategy	0	0	0	0	0	0.00%	0	0	0	0
Total General Fund	**108,802,967**	**-15,541,860**	**93,261,107**	**86,907,026**	**6,354,081**	**93.19%**	**93,261,107**	**106,099,954**	**95,665,416**	**42,951,041**
Housing Revenue Account										
Portfolio Holder Physical Infrastructure (Highways, Built Housing, Assets) (HRA)	16,510,712	1,339,935	17,850,647	13,457,857	4,392,790	75.39%	17,850,647	20,475,256	15,121,612	13,312,819
Total Approved Budget	**125,313,679**	**-14,201,925**	**111,111,754**	**100,364,883**	**10,746,871**	**90.33%**	**111,111,754**	**126,575,210**	**110,787,028**	**56,263,860**

Shropshire Council - Capital Programme Budget Outturn Report 2022/23

Appendix 16

Directorate Service Area	Initial Budget 2022/23 £	Budget Virements £	Revised Budget 2022/23 £	Actual Spend £	Spend to Budget Variance £	% Budget Spend	Outturn Projection £	2023/24 Revised Budget £	2024/25 Revised Budget £	2025/26 Revised Budget £
General Fund										
Health & Wellbeing	**0**	**0**	**0**	**0**	**0**	**0.00%**	**0**	**0**	**0**	**0**
Public Health Capital	0	0	0	0	0	0.00%	0	0	0	0
Regulatory Services Capital	0	0	0	0	0	0.00%	0	0	0	0
People	**17,795,052**	**-1,519,951**	**16,275,101**	**19,174,601**	**-2,899,500**	**117.82%**	**16,275,101**	**28,271,680**	**17,577,384**	**7,399,000**
Adult Social Care Contracts & Provider Capital	0	0	0	0	0	0.00%	0	0	0	0
Adult Social Care Operations Capital	3,332,500	-1,812,089	1,520,411	1,601,220	-80,809	105.31%	1,520,411	2,405,000	1,200,000	0
Children's Residential Care Capital	300,000	854,828	1,154,828	827,314	327,514	71.64%	1,154,828	65,612	0	0
Housing Services Capital	3,280,000	1,031,144	4,311,144	4,565,800	-254,656	105.91%	4,311,144	11,092,684	4,149,000	4,149,000
Non Maintained Schools Capital	3,055,855	451,988	3,507,843	8,257,475	-4,749,632	235.40%	3,507,843	2,504,877	3,000,000	0
Primary School Capital	4,967,048	797,241	5,764,289	3,792,592	1,971,697	65.79%	5,764,289	2,380,038	1,000,000	0
Secondary School Capital	250,000	267,049	517,049	71,864	445,185	13.90%	517,049	46,439	0	0
Special Schools Capital	0	73,070	73,070	58,336	14,734	79.84%	73,070	30,888	0	0
Unallocated School Capital	2,609,649	-3,183,182	-573,533	0	-573,533	0.00%	-573,533	9,746,142	8,228,384	3,250,000
Place Capital - Commercial Services	**14,714,402**	**608,064**	**15,322,466**	**11,598,429**	**3,724,037**	**75.70%**	**15,322,466**	**14,365,056**	**12,783,119**	**1,701,000**
Corporate Landlord Capital	14,714,402	608,064	15,322,466	11,598,429	3,724,037	75.70%	15,322,466	14,365,056	12,783,119	1,701,000
Place Capital - Economic Growth	**9,104,905**	**-1,517,561**	**7,587,344**	**6,558,018**	**1,029,326**	**86.43%**	**7,587,344**	**13,018,262**	**8,190,676**	**4,371,738**
Broadband Capital	4,979,945	-3,984,809	995,136	884,047	111,089	88.84%	995,136	3,674,431	1,573,156	79,945
Development Management Capital	758,248	-28,493	729,755	442,196	287,559	60.60%	729,755	236,069	121,500	40,500
Economic Growth Capital	2,940,753	1,680,909	4,621,662	4,400,983	220,679	95.23%	4,621,662	8,558,803	6,496,020	4,251,293
Planning Policy Capital	425,959	814,832	1,240,791	830,791	410,000	66.96%	1,240,791	548,959	0	0
Place Capital - Homes & Communities	**30,000**	**818,479**	**848,479**	**596,229**	**252,250**	**70.27%**	**848,479**	**4,686,657**	**5,557,237**	**2,067,303**
Leisure Capital	30,000	695,663	725,663	494,331	231,332	68.12%	725,663	4,454,657	5,357,237	2,067,303
Outdoor Partnerships Capital	0	122,816	122,816	78,998	43,818	64.32%	122,816	232,000	200,000	0
Visitor Economy Capital	0	0	0	22,900	-22,900	0.00%	0	0	0	0
Place Capital - Infrastructure	**66,807,842**	**-14,065,674**	**52,742,168**	**48,536,561**	**4,205,607**	**92.03%**	**52,742,168**	**44,758,299**	**51,557,000**	**27,412,000**
Environment & Transport Capital	0	0	0	0	0	0.00%	0	0	0	0
Highways Capital	66,482,842	-15,766,058	50,716,784	46,511,178	4,205,606	91.71%	50,716,784	44,758,299	51,232,000	27,412,000
Waste Capital	325,000	1,700,384	2,025,384	2,025,384	0	100.00%	2,025,384	0	325,000	0
Resources	**350,766**	**134,783**	**485,549**	**443,188**	**42,361**	**91.28%**	**485,549**	**1,000,000**	**0**	**0**
ICT Digital Transformation - CRM Capital	0	364,179	364,179	364,178	1	100.00%	364,179	0	0	0
ICT Digital Transformation - ERP Capital	0	0	0	0	0	0.00%	0	0	0	0
ICT Digital Transformation - Infrastructure & Architecture Capital	0	0	0	0	0	0.00%	0	0	0	0
ICT Digital Transformation - Social Care Capital	0	79,010	79,010	79,010	0	100.00%	79,010	0	0	0
ICT Digital Transformation - Unallocated Capital	350,766	-308,406	42,360	0	42,360	0.00%	42,360	1,000,000	0	0
Total General Fund	**108,802,967**	**-15,541,860**	**93,261,107**	**86,907,026**	**6,354,081**	**93.19%**	**93,261,107**	**106,099,954**	**95,665,416**	**42,951,041**
Housing Revenue Account	**16,510,712**	**1,339,935**	**17,850,647**	**13,457,857**	**4,392,790**	**75.39%**	**17,850,647**	**20,475,256**	**15,121,612**	**13,312,819**
HRA Dwellings Capital	16,510,712	1,339,935	17,850,647	13,457,857	4,392,790	75.39%	17,850,647	20,475,256	15,121,612	13,312,819
Total Approved Budget	**125,313,679**	**-14,201,925**	**111,111,754**	**100,364,883**	**10,746,871**	**90.33%**	**111,111,754**	**126,575,210**	**110,787,028**	**56,263,860**

Committee and Date	Item
Cabinet **7th June 2023**	Public

Healthy People | Healthy Economy | Healthy Environment | Healthy Organisation

Technical Consultation on the Proposed Infrastructure Levy – Shropshire Council Response

Responsible Officer:	Mark Barrow		
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Cabinet Member (Portfolio Holder):	Richard Marshall, Portfolio Holder for Highways and Regulatory Services		

1. Synopsis

1.1. Government is currently undertaking a technical consultation on a proposed Infrastructure Levy running until the 9th June 2023. This report summarises the key aspects of this technical consultation and outlines the proposed Council response.

2. Executive Summary

2.1. The Shropshire Plan recognises the importance of providing infrastructure and affordable housing in order to achieve a Healthy Economy. Indeed, the strategic objectives for a Health Economy include *'connectivity and infrastructure'* and *'housing'*.

2.2. The Shropshire Plan explains that to achieve a Healthy Economy - *"We will deliver excellent connectivity and infrastructure, increasing access to social contact, employment, education, services and leisure opportunities."* It also states that "*Developer contributions will be used to enhance local facilities, to provide more access to greenspace and to deliver improvements to footpaths, cycleways, and highways."*

2.3. Provision of infrastructure and affordable housing is also recognised as being critical in achieving the Healthy People and Healthy Environment objectives of the Shropshire Plan.

2.4. Currently developer contributions to infrastructure and affordable housing are primarily secured through planning conditions (where the infrastructure is to be provided by the developer and is necessary to make the development suitable in planning terms), Section 106 Legal Agreements and the Community Infrastructure Levy (CIL). Council's should seek to prioritise CIL funding to address the strategic and cumulative impacts of development for an area. To support the delivery of the Council's emerging Local Plan and wider Council strategies, it is anticipated the Council will undertake review of its CIL in 2024 to further ensure necessary infrastructure is delivered in a timely manner. This review will take into account any emerging outcomes from this consultation.

2.5. Government is currently undertaking a technical consultation on a proposed new Infrastructure Levy. This Infrastructure Levy would largely replace CIL and Section 106 Legal Agreements as a key mechanism for securing developer contributions towards infrastructure and affordable housing. It would operate alongside planning conditions.

2.6. The purpose of the Government's consultation is to seek views on technical aspects of the design of this proposed Infrastructure Levy. It includes 45 questions across a range of subjects, including the fundamental design of the Infrastructure Levy; identifying the rates and minimum thresholds for the Infrastructure Levy; charging and paying the Infrastructure Levy; and delivering infrastructure; delivering affordable housing. The consultation also covers matters such as the neighbourhood share, administrative fees, exemptions and levy reductions, enforcement and the role of digital transformation; and the transition process which would introduce the Infrastructure Levy.

2.7. Further information on the proposed Infrastructure Levy and the technical consultation is available here: https://www.gov.uk/government/consultations/technical-consultation-on-the-infrastructure-levy/technical-consultation-on-the-infrastructure-levy

2.8. Responses to this technical consultation will inform the preparation and content of draft Regulations, which will themselves be consulted on - should Parliament grant the necessary powers set out in the Levelling Up and Regeneration Bill (the Bill).

2.9. The proposed Infrastructure Levy is of direct relevance to Shropshire Council. It would change the way in which developer contributions towards infrastructure and affordable housing are secured in the future, although it is important to note the proposed Infrastructure Levy includes a phased test-and-learn approach over the course of approximately a decade.

2.10. The proposed changes to the way in which developer contributions towards infrastructure and affordable housing are collected have the potential to impact on the achievement of the Shropshire Plan, particularly the aforementioned objectives to achieve a Healthy Economy.

2.11. They also have implications for the implementation of the emerging Local Plan for Shropshire which plans for the period to 2038, and future iterations of the Local Plan beyond 2038.

2.12. Appendix 1 to this report sets out the proposed response to Government's technical consultation on the Infrastructure Levy. It is structured around the 45 questions asked by Government, with responses provided to each specific question, where it is considered necessary and appropriate.

2.13. In drafting the proposed responses set out in Appendix 1, officers have reflected upon the implications for Shropshire, especially considering the characteristics of the County, the aspirations and objectives set out in the Shropshire Plan, and the vision and framework of the draft Shropshire Local Plan.

2.14. Officers have also engaged Shropshire Council Members. Firstly, a concise summary of the Infrastructure Levy technical consultation proposals and officer's initial views on the key components of this proposal was circulated to all Members, with a request for comments to inform the preparation of the proposed response. Secondly, there was a meeting of the cross-party Local Plan Member Group to discuss and refine the proposed response.

2.15. In summary, the proposed response to this technical consultation (Appendix 1 of this report) seeks to provide constructive feedback to both the principle and detail (where known) of the proposed Infrastructure Levy.

2.16. It acknowledges the stated intention of the Infrastructure Levy is to create a more efficient developer contribution system which increases the amount of land value uplift captured from development in order to facilitate infrastructure and affordable housing provision without undermining development viability.

2.17. It also welcomes a number of the detailed aspects of the proposal, including the proposed 'test and learn' approach to the introduction of the Infrastructure Levy; the ability to establish local rates; the ability to have differing rates for different types of development, geographical locations and land typologies (greenfield/brownfield); the provision of a clear distinction between site-specific integral infrastructure and levy-funded infrastructure; continuation of a neighbourhood share provided to Town and Parish Councils (this would be an update to the current CIL Neighbourhood Fund); continued prioritisation of affordable housing; and recognition of the need for enforcement measures.

2.18. However, there are significant concerns about a number of aspects of the proposed Infrastructure Levy. In particular the technical nature of the Levy calculation and payment process which has potentially significant resource implications and has the potential outcome of the Council needing to return Levy receipts and/or agree reduced payments late in the development process, and potentially following the commitment of delivery of specific infrastructure items. This is a particular concern as it would appear that there would be increased financial risk exposure to the Council from the proposals.

2.19. It is considered there could also be potential delays to infrastructure delivery; added potential costs associated with Council borrowing to deliver infrastructure in advance of Levy receipts; potential reduced flexibility to plan for infrastructure needs due to a requirement to examine Infrastructure Delivery Strategies; potential risk to infrastructure delivery if significant Levy funds are applied to non-infrastructure matters; potential risk of blurring funding / undermining delivery of either infrastructure and/or affordable housing by combining the funding pots; continuation of self-build relief which is a concern under the current regime (due to the infrastructure implications of self-build development); concern about the potential for further offsets for brownfield land; and concern about how the enforcement measure restricting occupation would work in practice.

2.20. Another very significant concern in a Shropshire context, is the proposed approach to reductions of Levy payments for small sites. Such development represents a significant proportion of total development in Shropshire and does impact on infrastructure. Given these identified issues, there is concern that the proposed Infrastructure Levy would not represent an improvement of the current developer contribution mechanisms (CIL and Section 106 Legal Agreements).

2.21. Furthermore, whilst the stated objectives of the Infrastructure Levy are acknowledged, provided CIL and affordable housing contributions are 'set' at the correct rate, existing mechanisms are considered equally able to ensure that the amount of the land value uplift as a result of a Planning Permission captured to facilitate infrastructure and affordable housing provision without undermining development viability is maximised.

2.22. The proposed response therefore identifies a number of potential amendments in order to maximise the benefits of any new Infrastructure Levy. This includes simplifying the liability calculation process, establishing the first calculation of the levy as a cautious minimum thereby removing risk of repayment, allowing payment instalment policies to distribute levy payments over the build period easing developer cashflow issues and providing earlier funding for infrastructure investment, removing the need to examine updates of the Infrastructure Delivery Strategy to provide greater flexibility to respond to emerging needs and opportunities, separating affordable housing funding out of the levy and instead considering it as part of the baseline, and removing small site and self-build reductions with rates instead determined by viability.

2.23. In view of the urgent need to submit the Council's consultation response on 9th June 2023, to meet the deadline for responses, the Call in and Urgency Mechanism in paragraph 17 of the Overview and Scrutiny Procedure Rules will need to be applied to ensure that the response can be submitted within the required timescale i.e. by the 9th June 2023. The consequence of this, is that this decision will not be able to be "called in" in accordance with the Overview and Scrutiny Procedure Rules.

3. Recommendations

3.1. To approve the response to Government's Technical Consultation on the Proposed Infrastructure Levy as set out in Appendix 1 to this report.

3.2. That authority be given to the Executive Director of Place to agree, in consultation with the Portfolio Holder for Highways and Regulatory Services, any additional minor changes to the Council's response to this consultation ahead of its submission to the Government by the 9th June 2023.

Report

4. Risk Assessment and Opportunities Appraisal

4.1. Government's technical consultation on the Infrastructure Levy provides Shropshire Council with the opportunity to seek to positively influence Government's deliberations on how to progress with the future mechanisms for securing developer contributions towards infrastructure, particularly with regard to the proposed Infrastructure Levy. Failing to respond to this consultation would mean that this opportunity is missed.

4.2. As with the current approach to securing developer contributions, there is a significant risk to the Council of not following nationally prescribed processes. It is for this reason that it is important for the Council to understand and respond appropriately to this technical consultation and to future consultations on wider aspects of the reform to the approach for securing developer contributions.

4.3. Importantly, the technical consultation on the proposed Infrastructure Levy outlines a proposed 'test and learn' approach to the introduction of the Infrastructure Levy which provides opportunities to learn before wider 'roll-out'. As this test and learn period is intended to occur over the course of approximately a decade, and it is up to Local Planning Authorities to express interest in participating in the test and learn period, this approach also minimises the immediate as well as the longer term risk to Local Planning Authorities of moving to a new system for securing developer contributions.

4.4. With regard to Government's proposed Infrastructure Levy, it is considered that the main potential risks and opportunities are financial. In particular the technical nature of the Levy calculation and payment process has potentially significant resource implications, could potentially result in the Council needing to return Levy receipts and/or agree reduced payments late in the development process, and may require borrowing (at a cost) to deliver infrastructure earlier in the development process. These are addressed further in Section 5 of this report.

4.5. The proposed Infrastructure Levy could also reduce flexibility to respond to new infrastructure needs due to a requirement to examine Infrastructure Delivery Strategies, delay delivery of infrastructure as a result of uncertainty about availability of funding / payment timescales, and risk infrastructure delivery if significant Levy funds are applied to non-infrastructure matters. There are also concerns about the potential blurring / undermining delivery of either infrastructure and/or affordable housing and the forms of relief / reductions proposed, particularly that relating to small scale development, which has the potential to reduce levy receipts in Shropshire.

5. Financial Implications

5.1. It is considered the Government's consultation poses potentially significant financial implications on the Council in the manner it which it delivers and funds necessary infrastructure resulting from new development.

5.2. Government's proposed Infrastructure Levy addressed within this report would largely replace the Community Infrastructure Levy (CIL) and Section 106 Legal Agreements as a key mechanism for securing developer contributions towards infrastructure and affordable housing.

5.3. In terms of direct financial implications, the Infrastructure Levy proposal involves a three-step process for calculating the Infrastructure Levy. The technical nature of these steps have the potential to represent significant administrative and resource burdens for Local Planning Authorities, above that associated with CIL and Section 106 Legal Agreements. Particularly in relation to viability assessment and in circumstances where there is a dispute about the viability of a scheme.

5.4. It is acknowledged that Government's stated intention for the Infrastructure Levy is to increase the amount of the land value uplift as a result of a planningpermission captured to facilitate infrastructure and affordable housing provision, without undermining development viability. However, it is considered that provided CIL and affordable housing contributions are 'set' at the correct rate, existing mechanisms are equally able to ensure land value uplift as a result of a Planning Permission captured to facilitate infrastructure and affordable housing provision without undermining development viability is maximised.

5.5. It is understood that the key distinction between the Infrastructure Levy and current arrangements is the fact that receipts can change at the completion of the project in circumstances where evidence shows the value of the completed development has changed. This of course can go both ways, and therefore there is a clear potential for developers to argue for reduced infrastructure levy contributions than previously agreed upon completion, especially if market conditions have changed negatively. This poses a clear additional financial risk burden on to Councils.

5.6. It would also create significant uncertainty about the amount of infrastructure funding that is actually available and therefore has the very real potential to impact on the Council's ability to confidently implement infrastructure projects.

5.7. Within the Infrastructure Levy technical consultation, Government is also proposing that in order to facilitate up-front delivery of infrastructure, Local Planning Authorities can borrow against future receipts of the Infrastructure Levy. Such borrowing of course comes at a cost. Furthermore, in circumstances where there is potential that Infrastructure Levy receipts could reduce during the course of the project, there is a risk that the amount borrowed is greater than the eventual receipt from the relevant development.

6. Climate Change Appraisal

6.1. Funds secured through the Infrastructure Levy could be utilised to deliver all forms of infrastructure, including those associated with adapting to and mitigating the effects of our changing climate. However, the application of funds secured through the Infrastructure Levy is ultimately a decision for Shropshire Council (and assuming the continuation of the Neighbourhood proportion - relevant Town and Parish Councils).

6.2. Furthermore, it is important to note that this same principle applies to existing mechanisms available for securing financial contributions towards infrastructure provision, particularly the Community Infrastructure Levy (CIL).

6.3. As such, it is not considered that the Infrastructure Levy in and of itself will influence the extent to which funding is applied to such forms of infrastructure – perhaps with the exception of Government's expectation that it will result in addition funding being available, therefore potentially increasing the likelihood that this occurs.

7. Background

The Technical Consultation

7.1. On the 17th March 2023, the Department of Levelling Up, Housing and Communities (DHLUC - Government) launched a 12 week technical consultation to the 9th June 2023 on a proposed new Infrastructure Levy.

7.2. Within this technical consultation, Government is seeking views on technical aspects of the design of the proposed new Infrastructure Levy which would largely replace CIL and Section 106 Legal Agreements as a key mechanism for securing developer contributions towards infrastructure and affordable housing. It would operate alongside planning conditions (for infrastructure to be provided by the developer and which is necessary to make the development suitable in planning terms).

7.3. The technical consultation includes 45 questions across a range of subjects, including the fundamental design of the Infrastructure Levy; identifying the rates and minimum thresholds for the Infrastructure Levy; charging and paying the Infrastructure Levy; delivering infrastructure; delivering affordable housing; other matters such as the neighbourhood share, administrative fees, exemptions and levy reductions, enforcement and the role of digital transformation; and introducing the Infrastructure Levy.

7.4. Responses to this technical consultation will inform the preparation and content of draft Regulations, which will themselves be consulted on - should Parliament grant the necessary powers set out in the Levelling Up and Regeneration Bill (the Bill).

7.5. This technical consultation on the proposed Infrastructure Levy is of direct relevance to Shropshire Council, as the Infrastructure Levy would change the way in which developer contributions towards infrastructure and affordable housing are secured in the future (although the proposed Infrastructure Levy includes a phased test-and-learn approach over the course of approximately a decade, which would mean that it does not have any immediate implications for the Council).

Shropshire Council Proposed Response

7.6. The proposed Shropshire Council response is at Appendix 1 of this report. It is recommended that Cabinet supports the proposed response as set out, which seeks to provide constructive feedback to both the principle and detail (where known) of the proposed Infrastructure Levy.

7.7. In so doing it acknowledges that the stated intention of the Infrastructure Levy is to increase the amount of the land value uplift as a result of a Planning Permission captured to facilitate infrastructure and affordable housing provision, without undermining development viability and welcomes a number of the detailed aspects of the proposal. However, it also identifies significant concerns about a number of aspects of the proposed Infrastructure Levy.

7.8. In drafting this response, the implications for Shropshire, especially considering the characteristics of the County, the aspirations and objectives set out in the Shropshire Plan, and the vision and framework of the draft Shropshire Local Plan have been reflected upon.

7.9. In drafting this response, officers have also engaged Shropshire Council members. Firstly, a concise summary of the Infrastructure Levy technical consultation proposals and officer's initial views on the key components of this proposal was circulated to all members, with a request for comments to inform the preparation of the proposed response. Secondly, there was a meeting of the cross party Local Plan Member Group to discuss and refine the proposed response.

The Shropshire Plan

7.10. The Shropshire Plan recognises the importance of providing infrastructure and affordable housing in order to achieve a Healthy Economy. Indeed, the strategic objectives for a Healthy Economy include *'connectivity and infrastructure'* and *'housing'*.

7.11. The Shropshire Plan explains that in order to achieve a Healthy Economy - *"We will deliver excellent connectivity and infrastructure, increasing access to social contact, employment, education, services and leisure opportunities."* Is also explains that - *"We will ensure an appropriate mix of housing in the right areas of the county when supporting people with disabilities and to attract the right workforce for the employment needs and opportunities located there; reducing distances travelled to work."*

7.12. Provision of infrastructure and affordable housing is also recognised as being critical in order to achieve the Healthy People and Healthy Environment objectives of the Shropshire Plan.

7.13. Changes to the way in which developer contributions towards infrastructure and affordable housing are collected have the potential to impact on the achievement of the Shropshire Plan, particularly the aforementioned objectives to achieve a Healthy Economy.

The draft Shropshire Local Plan

7.14. The draft Shropshire Local Plan identifies the draft vision and framework for the long-term sustainable development of Shropshire. Addressing such issues as 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 help to secure high-quality and accessible design.

7.15. Changes to the way in which developer contributions towards infrastructure and affordable housing are collected have the potential to impact on the achievement of the draft Shropshire Local Plan, as the delivery of appropriate supporting infrastructure is essential in order to achieve long-term sustainable development.

Pertinent Aspects of the Technical Consultation

7.16. The following sections summarise the most pertinent aspects of the technical consultation on the proposed Infrastructure Levy as they relate to Shropshire.

Fundamental Design of the Infrastructure Levy

7.17. This section of the technical consultation addresses the basic principles and scope of the Infrastructure Levy and seeks views on several aspects of Governments proposals, which covers such issues as:

a. The definition of development potentially liable for the Infrastructure Levy.
b. The type of infrastructure Infrastructure Levy funds can deliver, including affordable housing.
c. The distinction between infrastructure that is integral to a development and should be provided by a developer and the wider infrastructure that should be funded by Infrastructure Levy funds.
d. Whether Infrastructure Levy funds should be available for spending on items other than infrastructure.
e. The routeways for determining the extent of a Infrastructure Levy liability and collecting Infrastructure Levy funds.

7.18. Dependent on the type of development, Government is proposing three ‘routeways’ for securing Infrastructure Levy funds, summarised in the table below. Views are being sought on what thresholds to apply to determine the applicable routeway, however Government envisages that the majority of development would follow the Core Levy routeway (with a threshold of 10,000 dwellings proposed for the Infrastructure in Kind routeway and the Section 106 routeway applying only to development that is not subject to the Levy).

Policy approach / routeway	Integral Infrastructure	Levy-funded Infrastructure	Delivery of Affordable Homes
1. Core Levy routeway	Planning conditions and Delivery Agreements (which are a streamlined version of current S106 agreements)	Cash payment of Levy liabilities	In-kind payment of Levy liabilities (where residential development is proposed)
2. Infrastructure In-Kind routeway	Planning conditions or s106 agreements where needed	In-kind payment of Levy liabilities secured through s106 agreements	In-kind payment of Levy liabilities (where residential development is proposed)
3. Section 106 only routeway	The distinction between integral and Levy-funded infrastructure does not apply. s106 agreements used as now	The distinction between integral and Levy-funded infrastructure does not apply. s106 agreements used as now	No affordable housing sought

Identifying Rates and Minimum Thresholds for the Infrastructure Levy

7.19. This section of the technical consultation addresses and seeks views on proposals for how Infrastructure Levy rates and minimum thresholds (based on the Gross Development Value (GDV) of a development per m2 – below this no payments would be required) could be determined.

7.20. Government proposes that charging rates and minimum thresholds would be set by a charging schedule, similar to the existing CIL framework. The charging schedule would be prepared by the Council and rates and thresholds can be set on different development types, land typologies (such as greenfield or brownfield) and geographies. The charging schedule would be independently examined to maintain development viability.

7.21. The consultation also proposes to include separate thresholds for schemes carried out under permitted development rights, and that this would be set nationally in regulations.

Charging and Paying the Infrastructure Levy

7.22. This section of the technical consultation addresses and seeks views on proposals for charging and paying the Infrastructure Levy. Specifically, Government is proposing a three-step process for the calculation and payment of the Infrastructure Levy (summarised below).

Step	Payment Process	Planning Stage
Step 1	Indicative liability calculation	Submitted with the planning application.
Step 2	Provisional liability calculation and payment	Post-decision, before the development is occupied.
Step 3	Final adjustment payment	Post-completion or once the development is sold.

7.23. Infrastructure Levy liabilities will be based on anticipated and final sale values. Valuations of the GDV may be required at a number of stages in this process. The Government would expect the Council to secure its own valuation or to require the developer to provide an independent valuation.

Delivering Infrastructure

7.24. This section of the technical consultation addresses and seeks views on the delivery of infrastructure. Government proposes that Councils would prepare Infrastructure Delivery Strategies which would support consideration of infrastructure requirements arising from planned development and set out how Infrastructure Levy receipts would be directed to affordable housing and infrastructure to support this development.

7.25. The Infrastructure Delivery Strategy would contain the Council's approach to the baseline of infrastructure provision and to funding infrastructure. It would also include the Council's strategic spending plan, including information on 'integral' infrastructure, prioritisation of 'levy-funded' infrastructure, affordable housing, proportion of a neighbourhood share, proportion of an administration share, spending on non-infrastructure items and the extent of borrowing against future receipts.

7.26. Drafting an Infrastructure Delivery Strategy would be a consultative process with infrastructure providers and also the local community. The spending plan part of the document would be subject to examination.

7.27. Borrowing against future Infrastructure Levy receipts would be allowed. It is proposed Local Planning Authorities could make use of the Public Works Loan Board. Should a Council do this, it must service the interest cost and make minimum revenue provision (a charge to revenue) with respect to debt.

Delivering Affordable Housing

7.28. This section of the technical consultation addresses and seeks views on the delivery of affordable housing. It proposes the introduction of a 'right to require', through which a proportion of the levy (set by the Local Planning Authority) must be delivered as in-kind on-site affordable housing, which developers are obliged to provide. This proportion would be set as a percentage and would be equal to a monetary amount.

7.29. Local Planning Authorities would also be able to secure affordable housing in addition to that provided in-kind through the ‘right to require’ using a ‘grant pot’ model. Here, the Local Planning Authority can choose to use Infrastructure Levy receipts to top up the price a registered provider is prepared to pay for affordable housing units.

7.30. Schemes composed entirely of affordable housing will not be charged under the Infrastructure Levy, similar to how CIL operates in Shropshire.

Other Matters

7.31. This section of the technical consultation addresses and seeks views on a range of other technical issues, including: the neighbourhood share, administrative fees, exemptions and levy reductions, enforcement and the role of digital transformation.

Introducing the Infrastructure Levy

7.32. Government is proposing and seeking views on a phased ‘test and learn’ approach to roll out the Infrastructure Levy. Specifically, it would be introduced to a representative minority of Local Planning Authorities to trial the system. Participating in the test and learn phase would be voluntary.

7.33. Sites permitted before the introduction of the Infrastructure Levy would be subject to the existing system of CIL and Section 106 agreements. CIL would still be charged on existing development granted planning permission prior to the deadline when the Infrastructure Levy is adopted. A charging schedule and Infrastructure Delivery Strategy will need to be introduced together when transitioning to the Infrastructure Levy.

Pertinent Aspects of the Proposed Response

7.34. In broad summary the proposed response to this technical consultation (Appendix 1 of this report) seeks to provide constructive feedback to both the principle and detail (where known) of the proposed Infrastructure Levy.

7.35. It acknowledges that the stated intention of the Infrastructure Levy is to increase the amount of the land value uplift as a result of a Planning Permission captured to facilitate infrastructure and affordable housing provision, without undermining development viability.

7.36. It also welcomes a number of the detailed aspects of the proposal, including:

a. The proposed ‘test and learn’ approach to the introduction of the Infrastructure Levy which provides opportunities to learn before wider ‘roll-out’.
b. The ability to establish local rates responsive to local viability.
c. The ability to establish differing rates for different types, geographical locations and land typologies (greenfield or brownfield) of development.
d. The intention to provide clear distinctions between integral infrastructure (necessary to make the development suitable in planning terms) and levy-funded infrastructure. However, it is important that this definition is responsive to local circumstances.

e. Continuation of a neighbourhood share, allowing Town and Parish Councils to address their infrastructure priorities.
f. Continued prioritisation of affordable housing and flexibility to use Infrastructure Levy funds to secure more affordable housing.
g. Recognition of the need for enforcement measures to ensure payment is made.

7.37. However, there are significant concerns about a number of aspects of the proposed Infrastructure Levy. In particular:

a. Introduction of a three-step process for calculating the Infrastructure Levy and the technical nature of these steps would represent administrative and resource burdens for Local Planning Authorities, above that associated with CIL and Section 106 Legal Agreements.
b. The three-step process for calculating the Infrastructure Levy introduces significant risk to Local Planning Authorities. Any reductions to the 'Infrastructure Liability' between steps 2 and 3 would require Local Planning Authorities to return payments / affordable housing receipts. However, these receipts could already be spent / utilised to justify borrowing in order to allow the timely delivery of infrastructure. This is in effect transferring risk from developers to Local Planning Authorities.
c. Linked to the above concern, there is a real risk that infrastructure delivery will be delayed, due to risk associated with the potential need to return received funds.
d. Whilst preparation of infrastructure delivery strategies is sensible (and generally aligns with the Place Plans and Strategic Infrastructure and Investment Plan already prepared by the Council), the requirement for examination could reduce the ability to proactively respond to new infrastructure requirements and opportunities.
e. There is potential for the Infrastructure Levy to be applied to non-infrastructure matters, which presents significant risk to infrastructure delivery if receipts are directed elsewhere.
f. Whilst an opportunity exists to borrow against Infrastructure Levy receipts, borrowing does of course have a cost. The preference would be to ensure timely receipt of Infrastructure Levy payments with certainty about level of receipt (minimum level of receipt) from the outset.
g. The 'blurring' of funding for infrastructure and affordable housing increases the level of uncertainty about the funding for each. This 'blurring' may also increase the risk to affordable housing delivery, as in circumstances where Infrastructure Levy receipts need to be repaid (see above) funds for affordable housing delivery are potentially more easily returned than those committed to infrastructure projects.
h. The approach to reductions for small sites is a particular concern in Shropshire, where such development represents a significant proportion of total development.
i. The approach to self-build relief is consistent to that within the CIL regulations. Officers have always had concerns with this mechanism, as the cumulative impacts of self-build housing is no different to that of any other individual dwelling.

j. The potential for additional offsets for brownfield land beyond those already identified. These offsets could fail to respond to the impact of such development on infrastructure and also create an unintended 'loophole'.

k. Whilst the enforcement measures are generally welcome, most are comparable to those available for CIL. The significant new measure is the ability to restrict occupancy of a dwelling until payment is received, however there are concerns this penalises the wrong party – the purchaser rather than developer (particularly as the land charge is removed before any adjustment payment).

7.38. The proposed response therefore identifies a number of potential amendments in order to maximise the benefits of any new Infrastructure Levy. This includes:

a. Simplifying the liability calculation process, so that it entails two steps rather than three. These being an initial cautious minimum levy calculation (the backstop) and then the adjustment calculation at the end of the development. This provides greater certainty about the minimum liability to all parties, whilst also providing opportunities for Gross Development Value to inform a final uplift to the liability, reflecting the principle of maximising funding for infrastructure.

b. Introducing the ability to establish payment instalment policies (similar to CIL) to allow the payment of the levy liability over the build period. This effectively balances concerns regarding developer cashflow with the earlier delivery of infrastructure. This can be complemented by borrowing for strategic infrastructure,

c. Allowing for the examination of the initial Infrastructure Delivery Strategy but removing the need to examine subsequent updates. This provides certainty about the suitability of core principles within the document, but provides greater flexibility to respond to emerging needs and opportunities.

d. Assess affordable housing when establishing the baseline for the levy so it can remain a separate dedicated fund. Specific contributions and the affordability in perpetuity can be secured within Delivery Agreements (that largely replace S106 Legal Agreements).

e. Removing small site and self-build reductions with rates instead determined by viability.

8. Additional Information

8.1. Further information on the proposed Infrastructure Levy and the technical consultation is available here: https://www.gov.uk/government/consultations/technical-consultation-on-the-infrastructure-levy/technical-consultation-on-the-infrastructure-levy

9. Conclusions

9.1. The proposed Shropshire Council response to this technical consultation is at Appendix 1 of this report. It is recommended that Cabinet supports the proposed response as set out, which seeks to provide constructive feedback to both the principle and detail (where known) of the proposed Infrastructure Levy.

9.2. In so doing it acknowledges that the stated intention of the Infrastructure Levy is to increase the amount of the land value uplift as a result of a Planning Permission captured to facilitate infrastructure and affordable housing provision, without undermining development viability and welcomes a number of the detailed aspects of the proposal. However, it also identifies significant concerns about a number of aspects of the proposed Infrastructure Levy.

Local Member:	***All members***
Appendices:	
Appendix 1 - Shropshire Council Response: Technical Consultation on the Proposed Infrastructure Levy	

Shropshire Council Response: Governments Consultation on the Proposed Infrastructure Levy

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Chapter 1 – Fundamental design choices

Question 1: Do you agree that the existing CIL definition of 'development' should be maintained under the Infrastructure Levy, with the following excluded from the definition:

- developments of less than 100 square metres (unless this consists of one or more dwellings and does not meet the self-build criteria) – Yes/No/Unsure
- Buildings which people do not normally go into - Yes/No/Unsure
- Buildings into which peoples go only intermittently for the purpose of inspecting or maintaining fixed plant or machinery - Yes/No/Unsure
- Structures which are not buildings, such as pylons and wind turbines. Yes/No/Unsure

Please provide a free text response to explain your answer where necessary.

Shropshire Council Response: Agree – yes to all of the above.

The existing definition works well in the current CIL system, ensuring that monies are collected from developments which have an impact on local infrastructure. It is suggested that any regulations for the Infrastructure Levy provide a definition for a building. The CIL Regulations do not currently have such a definition which has led to numerous appeals regarding what proposed floorspace and existing floorspace to include in the calculation of CIL. Including such a definition whilst maintaining the CIL definition of development would provide clarity for all parties and should reduce the amount of appeals on chargeable amounts.

Question 2: Do you agree that developers should continue to provide certain kinds of infrastructure, including infrastructure that is incorporated into the design of the site, outside of the Infrastructure Levy? [Yes/No/Unsure]. Please provide a free text response to explain your answer where necessary.

Shropshire Council Response: Yes.

In particular, it is agreed developers should continue to provide the infrastructure which is considered necessary to make the development suitable in planning terms which is currently secured by planning conditions or Section 106 agreements. Any infrastructure requirements triggered by the cumulative growth of the area should be covered by the Infrastructure Levy. This would reflect the current system with regard to the use of planning conditions/Section 106 agreements and CIL.

Question 3: What should be the approach for setting the distinction between 'integral' and 'Levy-funded' infrastructure? [see para 1.28 for options a), b), or c) or a combination of these]. Please provide a free text response to explain your answer, using case study examples if possible.

Shropshire Council Response: A combination of Options A and C – A set of principles is established in regulations or policy, providing guidance as to how to set the distinction on a local level and a site by site basis.

The importance of distinguishing between 'integral' and 'Levy-funded' infrastructure is considered crucial by Shropshire Council. It would be helpful for a set of broad principles to be established at the national level, providing high-level guidance, structure and principles on what constitutes integral and 'levy funded' infrastructure. This would then be complemented by more detailed definitions, responsive to local factors, at a local level. This local input is important as infrastructure needs can vary between sites and also between local authority areas. Shropshire Council would suggest therefore that the ultimate decision on this distinction is made at the local level. However, providing principles at the national level would ensure a level of consistency, provide structure for local consideration and reduce the potential for dispute about categorisation of infrastructure requirements.

This would then directly inform the evidence prepared to inform the establishment of the minimum threshold and provide clarity to developers regarding what specific infrastructure they will be expected to deliver on site and what infrastructure will be delivered using Infrastructure Levy proceeds.

Question 4: Do you agree that local authorities should have the flexibility to use some of their Levy funding for non-infrastructure items such as service provision? [Yes/No/Unsure] Please provide a free text response to explain your answer where necessary.

Shropshire Council Response: Yes.

Shropshire Council would expect Infrastructure Levy funding to be prioritised for the delivery of affordable housing and infrastructure, however providing flexibility regarding a small proportion of levy funding in circumstances where all 'critical' infrastructure priorities (including affordable housing) is addressed may be appropriate – although it is considered unlikely that this situation would often arise.

It is important to note that providing too much flexibility for local authorities to use this funding on non-infrastructure items could hamper affordable housing and infrastructure delivery. One of the most common type of objections to development encountered by Shropshire Council is the perceived lack of infrastructure to support new development and the cumulative growth of the area and this could increase this perception. For a local authority to use too much of the Infrastructure Levy funding for non-infrastructure items would also be counter-productive, since this funding is generated directly from development and should be used to fund affordable housing and infrastructure to mitigate the cumulative impact of development on a local authority's area.

However, even in circumstances where all 'critical' infrastructure priorities have been addressed, there should remain flexibility for local authorities to retain funds to meet future infrastructure and affordable housing needs which have not yet been identified in the Infrastructure Delivery Strategy.

Question 5: Should local authorities be expected to prioritise infrastructure and affordable housing needs before using the Levy to pay for non-infrastructure items such as local services? [Yes/No/Unsure]. Should expectations be set through regulations or policy? Please provide a free text response to explain your answer where necessary.

Shropshire Council Response: Yes

Please see the response to Question 4. This also applies here and explains why local authorities should be expected to prioritise Infrastructure Levy funding for infrastructure and affordable housing before non-infrastructure items. Regulations should be used to confirm that infrastructure and affordable housing must be prioritised before non-infrastructure items, whilst allowing appropriate flexibility to spend a proportion of receipts on non-infrastructure items once all 'critical' infrastructure needs are met.

The Infrastructure Delivery Strategy would be able to identify if there is potential for all 'critical' infrastructure and affordable housing needs to be met and so confirm if it is possible for any remaining funds to be spent on non-infrastructure items.

Question 6: Are there other non-infrastructure items not mentioned in this document that this element of the Levy funds could be spent on? [Yes/No/Unsure] Please provide a free text response to explain your answer where necessary.

Shropshire Council Response: Unsure.

Question 7: Do you have a favoured approach for setting the ‘infrastructure in-kind’ threshold? [high threshold/medium threshold/low threshold/local authority discretion/none of the above]. Please provide a free text response to explain your answer, using case study examples if possible.

Shropshire Council Response: High threshold

Shropshire Council supports the proposed high threshold for the ‘infrastructure in-kind' routeway. As recognised, this would ensure that almost all development would then fall under the Core Levy routeway, somewhat simplifying the application of the Levy for most local authorities including Shropshire Council compared to an approach with multiple routeways. It also removes the ability for in-kind payments (this can become complex and take up significant local authority resourcing, but equally it is appreciated that this approach has been used effectively in some instances).

However, it should be noted that there is an apparent contradiction within the proposals for Delivery Agreements under the core levy routeway. Specifically, paragraph 1.39 of the consultation material suggests that these agreements *“can be used to secure a timely minimum payment towards off-site mitigation that is needed to make the development acceptable”*, but paragraph 1.40 states that *“Delivery Agreements will not be a means to request additional contributions from developers towards ‘Levy-funded’ infrastructure.”* The Delivery Agreements would have to allow for potential additional levy payments towards levy-funded infrastructure if they are to ensure that a minimum amount of funding is secured.

Shropshire Council is somewhat concerned that a Delivery Agreement would likely be required for the vast majority of schemes considered through the core routeway in order to provide certainty about the funding available for infrastructure that is required to support the cumulative impact of a development. This would significantly increase the complexity of the administration of the Infrastructure Levy.

Shropshire Council is also somewhat concerned that under the infrastructure in kind routeway there would be an expectation that the infrastructure necessary to support the development would be identified within the Local Plan, so that it can be factored into the evidence informing charging schedules. Whilst this may be the case for much of the infrastructure, needs can emerge during the planning application process that were not identified at the Local Plan stage and there needs to be sufficient flexibility to reflect this.

Question 8: Is there anything else you feel the government should consider in defining the use of s106 within the three routeways, including the role of delivery agreements to secure matters that cannot be secured via a planning condition? Please provide a free text response to explain your answer.

Shropshire Council Response: There is a need for recognition of the potential significant use of Delivery Agreements to provide certainty that sufficient funding is available to deliver the infrastructure required to address the cumulative impact of development, consistent with paragraph 1.39 of the consultation material. Indeed, this may be required by many statutory consultees and infrastructure providers during the planning application consultation process.

Chapter 2 – Levy rates and minimum thresholds

Question 9: Do you agree that the Levy should capture value uplift associated with permitted development rights that create new dwellings? [Yes/No/Unsure]. Are there some types of permitted development where no Levy should be charged? [Yes/No/Unsure]. Please provide a free text response to explain your answer where necessary.

Shropshire Council Response: Yes – Shropshire Council agrees the Levy should capture value uplift from schemes that create new dwellings under permitted development rights.

These developments contribute to the cumulative impact on infrastructure in much the same way as dwellings approved via planning permissions. Shropshire Council proposes to maintain the current system for permitted development rights schemes in CIL, which is to apply the Levy to these schemes in the same way as it would be applied to schemes granted planning permission.

No – Shropshire Council considers that this should be a matter for each local authority, informed by the viability evidence available to them.

This approach allows local authorities to decide what types of development (whether through permitted development or granted through planning permission), would be charged the Levy and the rate of this charge. It is considered this approach would be more beneficial in ensuring development is subject to an appropriate Levy.

Question 10: Do you have views on the proposal to bring schemes brought forward through permitted development rights within scope of the Levy? Do you have views on an appropriate value threshold for qualifying permitted development? Do you have views on an appropriate Levy rate 'ceiling' for such sites, and how that might be decided?

Shropshire Council Response: Shropshire Council is of the view there should be no separate threshold for qualifying permitted development, or a Levy rate ceiling for such developments. There are a large number of permitted development schemes in Shropshire, particularly for the change of use from agriculture to residential. Applying such measures would reduce Levy revenue in areas with large numbers of permitted development schemes, which would slow down infrastructure and affordable housing delivery. Instead, these rates should be identified in a manner consistent to that of other mechanisms for securing permission for development.

Question 11: Is there is a case for additional offsets from the Levy, beyond those identified in the paragraphs above to facilitate marginal brownfield development coming forward? [Yes/No/Unsure]. Please provide a free text response to explain your answer where necessary, using case studies if possible.

Shropshire Council Response: No.

As explained in response to questions 9 and 10, these developments contribute to the cumulative impact of development on infrastructure and so should be making an appropriate contribution to infrastructure provision through the Levy.

However, Shropshire Council would support retaining the offset for existing 'in-use' buildings which is available through CIL (in lawful use for a continuous period of 6 months within the 3 years prior to the development being approved). This would assist brownfield developments where buildings are currently 'in-use' and so would likely have a lower contribution to the cumulative impact of development on infrastructure.

Brownfield developments with no ‘in-use’ buildings likely have a higher contribution to the cumulative impact on infrastructure and so should be making a larger contribution through the Levy.

This is an important distinction and one which does not seem to be recognised within the consultation material. If the offset/zero rate proposed for existing buildings is applied to all existing buildings whether in use or not, this has the potential to significantly reduce levy receipts.

Furthermore, failing to include this distinction also opens up the potential for significant avoidance of the levy – construct a form of development that is not liable for the levy and then demolish it and replace it with a form of development that is liable, but this is offset/zero rated due to the existing floorspace.

Ultimately, the proposed approach to ‘in-use’ buildings and permitted development has the potential to reduce rather than increase the forms of development in-scope. It also has the potential to significantly reduced receipts from the forms of development ‘in-scope’.

Question 12: The government wants the Infrastructure Levy to collect more than the existing system, whilst minimising the impact on viability. How strongly do you agree that the following components of Levy design will help achieve these aims?

Shropshire Council Response:

- Charging the Levy on final sale GDV of a scheme: **Neutral**
- The use of different Levy rates and minimum thresholds on different development uses and typologies: **Neutral**
- Ability for local authorities to set ‘stepped’ Levy rates: **Neutral**
- Separate Levy rates for thresholds for existing floorspace that is subject to change of use, and floorspace that is demolished and replaced: **Strongly Disagree**

Question 13: Please provide a free text response to explain your answers above where necessary.

Shropshire Council Response: Shropshire Council does not necessarily agree charging the Levy on the final sale GDV would increase the amount collected. This is ultimately dependent on the minimum thresholds and percentage of the GDV above these thresholds established within the relevant charging schedule. It is acknowledged that it provides the potential to secure additional funds in circumstances where GDV improves during the life of the project, however the Council is concerned that this is offset by the greater uncertainty and risk about levy funds to be secured at both the decision making stage and likely at the time funds are being utilised to deliver infrastructure.

The Council is also concerned that there is a risk that the minimum thresholds will be aligned with the highest potential build costs and land values for each type of development (particularly given reference to the need for buffers within the consultation material) and higher levels of developer profit resulting in a lower percentage of the GDV, particularly through the examination process. This would result in the new levy securing a lower amount of income than the current system which is more responsive to individual sites viability. It is appreciated that the consultation material indicates that it is intended that this will be avoided, but there is no clarity on how this will be achieved.

Comparatively, Shropshire Council has a small number of brownfield developments. Whilst the study published alongside the consultation suggests the Levy is likely to perform best on less complicated greenfield sites, Shropshire Council would note the current system also has this benefit.

The setting of different rates is similar to the current CIL system, albeit the proposed Levy appears to allow for greater levels of distinction. Since the current system already allows for local planning authorities to set rates in response to local conditions to help maintain viability, it is hard to say whether the proposed Levy would increase the amount collected and reduce the impact on viability.

The ability to introduce ‘stepped’ rates would be useful to help maintain development viability after the introduction of the Levy, however it cannot be determined at this time as to whether stepped rates would lead to an increase in the amount of Levy collected. There is also a need for clarity about what evidence would be required to justify stepped rates, as viability changes over time for numerous known and unknown factors which are impossible to predict.

However, the Council is concerned that the approach to permitted development and existing floorspace may have the opposite intention and reduce funds secured from these forms of development and fail to respond to the cumulative impact of such development on infrastructure – particularly the approach to existing floorspace.

Whilst it is noted setting separate lower rates for developments involving existing floorspace would potentially assist with the viability of brownfield developments, this would reduce the amount of Levy collected. The current CIL system allows for local planning authorities to determine whether an existing building has been in lawful use within specified timescales. Any sites involving buildings which have been vacant for a significant period of time would not be deducted and the full amount of CIL would be payable. This means that buildings which are in use and are already contributing to the cumulative impact of development on infrastructure, would be offset leading to a lower CIL amount. It is implied to introduce lower rates for all developments involving existing buildings, regardless of whether they have been in use. Shropshire Council would propose maintaining the discretion for local planning authorities to be able to determine if an existing building has been in use so it can be determined if a lower liability can apply.

Chapter 3 – Charging and paying the Levy

Question 14: Do you agree that the process outlined in Table 3 is an effective way of calculating and paying the Levy? [Yes/No/Unsure] Please provide a free text response to explain your answer where necessary.

Shropshire Council Response: No.

Shropshire Council has significant concerns about this proposed process. It is considered to be far more complex and resource intensive than the current CIL / Section 106 system. Furthermore, at each of the 3 steps, there is the possibility the liability can change significantly, and this could require payments to be refunded, creating greater uncertainty and likely delaying the delivery of infrastructure. The delay to infrastructure delivery would also be exacerbated by the fact that payment is due later in the process than is currently the case. Whilst the risk of delayed infrastructure delivery is somewhat offset by the ability to ‘borrow’ there is likely to be significant reticence to do so when the eventual receipts could be less than anticipated and therefore realised funds may not cover the amount borrowed. Furthermore, borrowing funds inevitably comes at a cost.

The potential for funds to be reduced at two stages following the grant of planning permission means that there is much less certainty about whether the infrastructure required to offset any cumulative impacts of a development can be delivered. This increased uncertainty will either result in the use of Delivery Agreements for the majority of sites or could in the worst case scenario lead to refusal of planning permission if the decision taker is not convinced that necessary infrastructure can be delivered.

It is also less clear for other parties (such as communities) how much in the way of infrastructure contributions are being provided by a development.

There is also concern that whilst the intention is for affordable housing delivery to increase, that it could in actuality be reduced as it would be the ‘easiest’ component of the Levy to return if overpayments have been made.

As such, Shropshire Council would strongly suggest that the initial liability calculation is established as a precautionary minimum (backstop), below which the liability cannot fall, thereby increasing certainty and reducing risk. In this way, the planning application decision maker and those planning for infrastructure provision have confidence about the minimum funding available for infrastructure, the risk of reduced affordable housing provision is removed and the applicant/developer has confidence about minimum levy requirements. This would also allow the reduction of steps in the process from 3 to 2, initial calculation of the backstop liability (payable by way of instalments triggered by commencement) and adjustment calculation.

Question 15: Is there an alternative payment mechanism that would be more suitable for the Infrastructure Levy? [Yes/No/Unsure] Please provide a free text response to explain your answer where necessary.

Shropshire Council Response: Yes.

Shropshire Council would strongly endorse the retention of the instalment policy mechanism available within the current CIL system.

The instalment policy available under the CIL regulations, allows for local authorities to adopt payment regimes that balance issues of developer cashflows with the need to secure funding at appropriate points to allows for infrastructure delivery. This is important as larger housing schemes will have dwellings sold and occupied whilst the development of the wider site continues to be built out. This “lag,” between the completion (and selling) of the first plot to the completion and sale of the final plot will undoubtably create a strain on existing infrastructure, due to the nature of an increase in population in the immediate setting. Therefore, it is considered that expected funds from such a development should be available earlier than the completion of the whole site, to allow local authorities to implement the necessary infrastructure to support the new/ongoing development(s). This complements the ability to borrow to fund the delivery of larger infrastructure projects.

This approach is also beneficial to developers, aiding cash-flow and removing the need to hold infrastructure funds for payment at the end of the process.

Shropshire Council would also strongly suggest that the initial liability calculation is established as a precautionary minimum (backstop), below which the liability cannot fall, thereby increasing certainty and reducing risk. In this way, the planning application decision maker and those planning for infrastructure provision have confidence about the minimum funding available for infrastructure, the risk of reduced affordable housing provision is removed and the applicant/developer has confidence about minimum levy requirements. This would also allow the reduction of steps in the process from 3 to 2, initial calculation of the backstop liability (payable by way of instalments triggered by commencement) and adjustment calculation.

Question 16: Do you agree with the proposed application of a land charge at commencement of development and removal of a local land charge once the provisional Levy payment is made? [Yes/No/Unsure] Please provide a free text response to explain your answer where necessary

Shropshire Council Response: No.

It is proposed that the current system under CIL of registering a land charge as soon as possible after planning permission has been granted is retained. If the 3 step process is adopted, this would mean the indicative liability can be recorded as a land charge. The benefit of this approach is that where the land is sold with planning permission prior to the commencement of development, potential buyers are fully aware from the outset of the potential Levy liability. Registering the land charge at commencement of development would mean parties who have acquired the land before this but after planning permission was granted may not be aware of the potential liability.

Furthermore, removing the land charge once the final adjustment payment has been made, rather than after initial payment would be more appropriate. This approach ensures that potential buyers of properties on a site are fully aware of the calculated liability and that there remains a potential for a further liability. Shropshire Council would suggest that legal advice may be required to establish whether the land charge can actually be removed following initial payment if there remains the potential for an adjustment payment – which purchasers of properties on the site would have no knowledge of without the land charge. Furthermore, removing the land charge at the earlier stage removes one means of securing the final adjustment payment in circumstances where a developer is unwilling to make payment.

Question 17: Will removal of the local land charge at the point the provisional Levy liability is paid prevent avoidance of Infrastructure Levy payments? [Strongly Agree/Agree/Neutral/Disagree/ Strongly Disagree/Unsure] Please provide a free text response to explain your answer where necessary.

Shropshire Council Response: Neutral

In Shropshire Council's experience, the land charge is not the primary tool which prevents avoidance of paying developer contributions. It is acknowledged the maintenance of land charges may well delay sales and encourage developers to make payment. However, enforcement measures available through the CIL system such as late payment surcharges, interest, stop notices and legal action are more effective in recovering any overdue liabilities.

This of course has implications for any final adjustment payment, which would need to be secured in the absence of a land charge.

However, enforcement measures available through the CIL system such as late payment surcharges, interest, stop notices and legal action are more effective in recovering any overdue liabilities.

Question 18: To what extent do you agree that a local authority should be able to require that payment of the Levy (or a proportion of the Levy liability) is made prior to site completion? [Strongly Agree/Agree/Neutral/Disagree/Strongly Disagree/Unsure]. Please explain your answer.

Shropshire Council Response: Strongly agree

Leading on from Shropshire Council's response to question 15, an approach which builds on the instalment policy mechanism in the current CIL system would be supported. This would apply to all liabilities. Dependent on the speed at which a development is completed, this would mean the majority or even all of the liability would be paid prior to the completion of development. This would allow local authorities to facilitate infrastructure provision and affordable housing using cash already received, rather than borrowing against future receipts.

The one concern to this approach is the potential for paying back levy receipts. As per the response to question 15, this could be offset by establishing a minimum levy contribution at the outset which can increase if GDV improves but cannot fall below a set amount.

Question 19: Are there circumstances when a local authority should be able to require an early payment of the Levy or a proportion of the Levy? Please provide a free text response to explain your where necessary.

Shropshire Council Response: Yes

Shropshire Council considers that a local authority should be able to require early payment of at least a proportion of the Levy in all cases. This is proposed to be through the instalment policy mechanism currently available in the CIL system. This is considered to be essential in ensuring local authorities have the necessary funding available to facilitate infrastructure delivery as soon as possible.

Question 20: Do you agree that the proposed role for valuations of GDV is proportionate and necessary in the context of creating a Levy that is responsive to market conditions [Yes/No/Unsure]. Please provide a free text response to explain your answer where necessary.

Shropshire Council Response: Unsure

Whilst the role of valuations of GDV seems proportionate and necessary given the 3-step process proposed, the Council would suggest that a simplified process would allow for this to be reduced, perhaps by index linking liabilities in a way similar to CIL levy rates rather than requiring repeated valuations of GDV?

Irrespective of this, Shropshire Council would strongly suggest that the initial liability calculation is established as a precautionary minimum (backstop), below which the liability cannot fall, thereby increasing certainty and reducing risk. In this way, the planning application decision maker and those planning for infrastructure provision have confidence about the minimum funding available for infrastructure, the risk of reduced affordable housing provision is removed and the applicant/developer has confidence about minimum levy requirements. This would also allow the reduction of steps in the process from 3 to 2, initial calculation of the backstop liability (payable by way of instalments triggered by commencement) and adjustment calculation.

Chapter 4 – Delivering infrastructure

Question 21: To what extent do you agree that the borrowing against Infrastructure Levy proceeds will be sufficient to ensure the timely delivery of infrastructure? [Strongly Agree/Agree/Neutral/ Disagree/Strongly Disagree/Unsure]. Please provide a free text response to explain your answer where necessary.

Shropshire Council Response: Disagree

Given the levels of uncertainty and risk to local authorities due to the potential for levy funds to reduce between the first, second and third steps of the levy calculation process, it is considered that borrowing will be unlikely to occur except for high-profile and strategic infrastructure. As such, the delivery of all other forms of infrastructure would likely be delayed.

As such, Shropshire Council would strongly suggest that the initial liability calculation is established as a precautionary minimum (backstop), below which the liability cannot fall, thereby increasing certainty and reducing risk. In this way, the planning application decision maker and those planning for infrastructure provision have confidence about the minimum funding available for infrastructure, the risk of reduced affordable housing provision is removed and the applicant/developer has confidence about minimum levy requirements.

The Council would also advocate the continuation of instalment policies available within the CIL regime, which would allow earlier payment of liabilities to fund infrastructure earlier in the process (whilst balancing the need to maintain developer cash flow). This would complement the use of borrowing against later receipts within the instalment policy for larger strategic infrastructure projects.

Question 22: To what extent do you agree that the government should look to go further, and enable specified upfront payments for items of infrastructure to be a condition for the granting of planning permission? [Strongly Agree/Agree/Neutral/Disagree/Strongly Disagree/Unsure] Please provide a free text response to explain your answer where necessary.

Shropshire Council Response: Agree

This would seem a sensible mechanism – Shropshire Council would advocate the use of an instalment policy as per the CIL regime.

However, it does have the potential to increase the risk regarding the need to return levy funds if GDV decreases. As such, Shropshire Council would strongly suggest that the initial liability calculation is established as a precautionary minimum (backstop), below which the liability cannot fall, thereby increasing certainty and reducing risk. In this way, the planning application decision maker and those planning for infrastructure provision have confidence about the minimum funding available for infrastructure, the risk of reduced affordable housing provision is removed and the applicant/developer has confidence about minimum levy requirements. This would also allow the reduction of steps in the process from 3 to 2, initial calculation of the backstop liability (payable by way of instalments triggered by commencement) and adjustment calculation.

Question 23: Are there other mechanisms for ensuring infrastructure is delivered in a timely fashion that the government should consider for the new Infrastructure Levy? [Yes/No/Unsure] Please provide free text response to explain your answer where necessary.

Shropshire Council Response: Yes

Shropshire Council would strongly advocate the use of an instalment policy as per the CIL regime.

Alternatively, Delivery Agreements offer the potential to agree timescales for delivery of key infrastructure (whether integral or levy funded). This would provide greater certainty to the decision maker for the planning application, infrastructure providers, local communities and the developer.

Question 24: To what extent do you agree that the strategic spending plan included in the Infrastructure Delivery Strategy will provide transparency and certainty on how the Levy will be spent? [Strongly Agree/Agree/Neutral/Disagree/Strongly Disagree] Please provide a free text response to explain your answer where necessary.

Shropshire Council Response: Agree

Shropshire Council agrees that the provision of a breakdown of infrastructure priorities within the Infrastructure Delivery Strategy will provide greater transparency and certainty on how the levy will be spent. However, the Council is concerned that the proposed approach will result in a rigid process for the identification and prioritisation of infrastructure.

The requirement for examination of an Infrastructure Delivery Strategy means that the document cannot be agile or responsive to new infrastructure requirements emerge through further work by infrastructure providers or as a result of development (whether planned or windfall). Similarly, it cannot be responsive to new approaches to meeting infrastructure requirements, which could achieve better outcomes or reduce costs.

Shropshire Council would strongly suggest that the initial Infrastructure Delivery Strategy is subject to examination alongside the Infrastructure Levy Charging Schedule, but that flexibility is provided for subsequent updates without the need for examination.

Question 25: In the context of a streamlined document, what information do you consider is required for a local authority to identify infrastructure needs?

Shropshire Council Response: The most important information will be:

Development proposals within a Local Plan and the infrastructure needs and requirements associated with these proposals.

Information from infrastructure providers on the infrastructure needs and requirements in the area (particularly in the context of the Local Plan growth proposals). The suggested right to require assistance from these bodies within paragraph 4.29 of the consultation material is welcome. However, there must be very clear minimum expectations in terms of the scope and quality of information to be provided. This must expressly include all infrastructure needed to support existing and future development (informed by adopted/emerging Local Plans), the severity of the need, delivery mechanisms and timescales (where known), known/potential funding sources (where known) and any funding gaps.

This right to require assistance should also be extended to address the timely provision of infrastructure to support development proposals.

However, the Council is concerned that the proposed approach will result in to rigid a process for the identification and prioritisation of infrastructure which does not accurately align with how infrastructure planning works in practice.

Shropshire Council would strongly suggest that the initial Infrastructure Delivery Strategy is subject to examination alongside the Infrastructure Levy Charging Schedule, but that flexibility is provided for subsequent updates without the need for examination.

Question 26: Do you agree that views of the local community should be integrated into the drafting of an Infrastructure Delivery Strategy? [Yes/No/Unsure] Please provide a free text response to explain your answer where necessary.

Shropshire Council Response: Yes. However, in so doing it will be important to distinguish between actual infrastructure requirements and perceived infrastructure requirements.

Shropshire Council would suggest that proactive engagement with communities should be undertaken at an early stage of compiling the evidence to inform the Infrastructure Delivery Strategy, this can then inform discussions with infrastructure providers and the subsequent drafting of the Infrastructure Delivery Strategy. This information can also help local communities to prioritise use of the neighbourhood portion which is often the most appropriate funding mechanism for local priorities.

It will however be important to emphasise the fact that it is ultimately the local authority that is responsible for identifying and prioritising infrastructure needs and requirements.

The Council is concerned that the proposed approach will result in a rigid process for the identification and prioritisation of infrastructure which does not accurately align with how infrastructure planning works in practice.

Shropshire Council would therefore strongly suggest that the initial Infrastructure Delivery Strategy is subject to examination alongside the Infrastructure Levy Charging Schedule, but that flexibility is provided for subsequent updates without the need for examination.

Question 27: Do you agree that a spending plan in the Infrastructure Delivery Strategy should include:

- Identification of general ‘integral’ infrastructure requirements
- Identification of infrastructure/types of infrastructure that are to be funded by the Levy
- Prioritisation of infrastructure and how the Levy will be spent
- Approach to affordable housing including right to require proportion and tenure mix
- Approach to any discretionary elements for the neighbourhood share
- Proportion for administration
- The anticipated borrowing that will be required to deliver infrastructure
- Other – please explain your answer
- All of the above

Shropshire Council Response: All of the above.

Shropshire Council would also suggest that the Infrastructure Delivery Strategy and the associated infrastructure assessment and prioritisation process provides an opportunity to consider the implications for and opportunities to positively respond to our changing climate.

However, the Council is concerned that the proposed approach will result in a rigid process for the identification and prioritisation of infrastructure which does not accurately align with how infrastructure planning works in practice.

Shropshire Council would strongly suggest that the initial Infrastructure Delivery Strategy is subject to examination alongside the Infrastructure Levy Charging Schedule, but that flexibility is provided for subsequent updates without the need for examination.

Question 28: How can we make sure that infrastructure providers such as county councils can effectively influence the identification of Levy priorities?

- Guidance to local authorities on which infrastructure providers need to be consulted, how to engage and when
- Support to county councils on working collaboratively with the local authority as to what can be funded through the Levy
- Use of other evidence documents when preparing the Infrastructure Delivery Strategy, such as Local Transport Plans and Local Education Strategies
- Guidance to local authorities on prioritisation of funding
- Implementation of statutory timescales for infrastructure providers to respond to local authority requests
- Other – please explain your answer

Shropshire Council Response:

Shropshire Council supports the principle of providing clear guidance on the factors that should inform the preparation of Infrastructure Delivery Strategies. However, this guidance needs to be sufficiently flexible to respond to differing circumstances and reflect the principle that inevitably there will be more infrastructure requirements that funding available and as such it is the responsibility of the local authority to prioritise infrastructure.

The Council would also support provision of guidance for parish and town councils regarding use of the neighbourhood portion and the relationship to wider infrastructure priorities.

Question 29: To what extent do you agree that it is possible to identify infrastructure requirements at the local plan stage? [Strongly Agree/Agree/Neutral/Disagree/Strongly Disagree/Unsure] Please provide a free text response to explain your answer where necessary.

Shropshire Council Response: Agree

Shropshire Council considers that overarching infrastructure requirements can be effectively identified at the Local Plan stage.

However, the refinement of these strategic infrastructure requirements, detailed infrastructure requirements and the most effective means of achieving infrastructure requirements will inevitably emerge during the implementation of the plan and as more detailed information becomes available at the planning application stage for specific development proposals.

It is for this reason that the Council is concerned that the proposed approach will result in a rigid process for the identification and prioritisation of infrastructure which does not accurately align with how infrastructure planning works in practice.

Shropshire Council would strongly suggest that the initial Infrastructure Delivery Strategy is subject to examination alongside the Infrastructure Levy Charging Schedule, but that flexibility is provided for subsequent updates without the need for examination.

Chapter 5 – Delivering affordable housing

Question 30: To what extent do you agree that the 'right to require' will reduce the risk that affordable housing contributions are negotiated down on viability grounds? [Strongly Agree/Agree/Neutral/Disagree/Strongly Disagree/Unsure] Please provide a free text response to explain your answer where necessary.

Shropshire Council Response: Disagree

Shropshire Council acknowledges that having a 'right to require' affordable housing based on a set percentage of the total infrastructure levy receipts which is non-negotiable reduces the risk that affordable housing contributions will be negotiated downwards in the planning application process. However, although in theory the proposed 'right to require' provides a simple approach to seeking to maximise on-site provision of affordable housing, it fails to recognise the various sensitivities surrounding the provision of affordable housing and how these do not purely relate to tenure and size, but instead can provide opportunities to deliver specialist and bespoke units of accommodation which the current Section 106 approach facilitates.

It should also be acknowledged that this generally only occurs where development viability is more marginal. If such sites are to come forward in the future under the new proposed Infrastructure Levy, there is a real risk of the minimum threshold being based on the schemes with the lowest viability from the outset to ensure that all development subject to the levy is viable, this in turn would actually reduce affordable housing overall.

Furthermore, by combining the affordable housing fund with the infrastructure fund (which can also be applied to non-infrastructure) there is increased pressure / competition for funds which presents a significant risk to infrastructure and affordable housing delivery.

Shropshire Council is also very concerned that where the final step (final adjustment for GDV) in the liability process results in a reduction of the liability, it would very likely impact negatively on affordable housing, as wider infrastructure funding may have already been spent/applied to infrastructure requirements and as such affordable housing is perhaps one of the easiest obligations to forego.

It should be noted that the current system provides a high degree of certainty in terms of affordable housing delivery. Also, the delivery and transfer of affordable housing provides a degree of 'cash flow' certainty to the developer, given that affordable dwellings are delivered in the early stages of the development process.

Shropshire Council would therefore advocate affordable housing contributions forming part of the baseline information considered when establishing minimum thresholds. They will then be non-negotiable, benefit from a separate funding stream and can be secured through Delivery Agreements (which also provides security that such units will remain affordable in perpetuity).

Question 31: To what extent do you agree that local authorities should charge a highly discounted/zero-rated Infrastructure Levy rate on high percentage/100% affordable housing schemes? [Strongly Agree/Agree/Neutral/Disagree/Strongly Disagree/Unsure] Please provide a free text response to explain your answer where necessary

Shropshire Council Response: Strongly Agree

Affordable housing schemes should be zero rated – otherwise and understandably the numbers and potential quality of affordable housing is likely to be compromised. 100% affordable housing schemes are already reliant on Government funding from Homes England and commuted sums from the local authority to enable such schemes. Zero rated

Infrastructure Levy is one mechanism to encourage enhanced delivery of affordable housing provision. Shropshire Council would note that this approach has been applied to the current CIL regime in Shropshire and works effectively, providing confidence amongst registered providers, certainty for developers and removes the unnecessarily bureaucratic process associated with the exemption mechanism used nationally.

Question 32: How much infrastructure is normally delivered alongside registered provider-led schemes in the existing system? Please provide examples.

Shropshire Council Response: Affordable housing development is generally delivered as a planning policy requirement on market schemes or through small scale exception sites. The wholly affordable housing developments do not generally deliver major off site infrastructure given the size of the schemes in Shropshire.

As such, the proposed approach to integral infrastructure is likely to be sufficient to ensure that affordable housing schemes provide a similar level of infrastructure to the current system and ensure that the infrastructure necessary to support these forms of development are secured.

Question 33: As per paragraph 5.13, do you think that an upper limit of where the 'right to require' could be set should be introduced by the government? [Yes/No/unsure] Alternatively, do you think where the 'right to require' is set should be left to the discretion of the local authority? [Yes/No/unsure]. Please provide a free text response to explain your answer where necessary.

Shropshire Council Response: No – Government shouldn't need to set an upper limit for the 'right to require'.

Shropshire Council Response: Yes – where the 'right to require' is set should be left to the discretion of the local authority.

Shropshire Council considers that local authorities are best placed to establish the proportion of the infrastructure levy that is applied to affordable housing, informed by wider infrastructure needs and priorities. Whilst the concern regarding the potential for 100% of the liability to be applied to affordable housing is noted, this is highly unlikely given the wider infrastructure needs and priorities of an area. Such an approach would also likely be subject to challenge at the examination of the Infrastructure Delivery Strategy.

The types of affordable housing that are to be provided under the right to require should also be established at a local level. It is important to recognise that the types of affordable housing required do not purely relate to tenure and size, but also adaptations to meet specialist and bespoke requirements of households within local communities.

Chapter 6 – Other areas

Question 34: Are you content that the Neighbourhood Share should be retained under the Infrastructure Levy? [Yes/No/Unsure?]

Shropshire Council Response: Yes.

Shropshire Council is supportive of the principle of the retention of a Neighbourhood Share which can be utilised by town and parish council's to deliver community infrastructure priorities. However, the specific percentage will require very careful consideration. This is because the Infrastructure Levy will of course apply to a larger proportion of developer contributions from a development than the current CIL neighbourhood fund portion, as it also includes funding secured through affordable housing contributions and S106 contributions. The neighbourhood share is an important principle but must not undermine the ability to deliver affordable housing and local authority identified infrastructure priorities required to address the cumulative impact of development.

As such, further clarity on what percentage of the Infrastructure Levy would be designated for the Neighbourhood Share is needed.

Question 35: In calculating the value of the Neighbourhood Share, do you think this should A) reflect the amount secured under CIL in parished areas (noting this will be a smaller proportion of total revenues), B) be higher than this equivalent amount C) be lower than this equivalent amount D) Other (please specify) or E) unsure. Please provide a free text response to explain your answer where necessary

Shropshire Council Response: Option A – reflect the amount secured under CIL in parished areas. Shropshire Council's experience is that the neighbourhood fund portion of CIL provides considerable funding to town and parish council's to deliver community infrastructure priorities without significantly undermining the delivery of local authority identified infrastructure priorities required to address the cumulative impact of development. A similar principle would also apply to affordable housing under this option.

Question 36: The government is interested in views on arrangements for spending the neighbourhood share in unparished areas. What other bodies do you think could be in receipt of a Neighbourhood Share in such areas?

Shropshire Council Response: Shropshire Council is fortunate in that there are town and parish council's for the majority of the local authority administrative area. However, it would seem sensible to continue the approach to unparished areas that exists within the CIL regime.

Question 37: Should the administrative portion for the new Levy A) reflect the 5% level which exists under CIL B) be higher than this equivalent amount, C) be lower than this equivalent amount D) Other (please specify) or E) unsure. Please provide a free text response to explain your answer where necessary.

Shropshire Council Response: The administrative burden associated with the proposed Infrastructure Levy appears to be significantly higher than that associated with CIL/S106 Legal Agreements. As such, it would seem sensible for the administrative portion to be higher than the equivalent amount at present, particularly in the first years of the Infrastructure Levy's implementation in an area, reflecting the costs of its implementation and the greater administrative burden associated with a new mechanism, where all are learning the system (local authorities, developers and communities).

Question 38: Applicants can apply for mandatory or discretionary relief for social housing under CIL. Question 31 seeks views on exempting affordable housing from the Levy. This question seeks views on retaining other countrywide exemptions. How strongly do you agree the following should be retained:

- residential annexes and extensions; [Strongly Agree/Agree/ Neutral/Disagree/Strongly Disagree]

- self-build housing; [Strongly Agree/Agree/Neutral/Disagree/Strongly Disagree]

If you strongly agree/agree, should there be any further criteria that are applied to these exemptions, for example in relation to the size of the development?

Shropshire Council Response:

Residential extensions – Agree. Shropshire Council is supportive of maintaining exemptions for residential extensions (and the requirements for achieving this exemption that currently exists in the CIL regime), as these schemes generally have a lower impact on infrastructure than other forms of residential development and also experience a lower uplift to land values. This exemption would of course apply for developments for extensions of over 100m^2 since any development under this would be excluded under the definition of development in any event.

Residential annexes – Neutral. These types of development have a larger contribution to the cumulative impact on infrastructure than residential extensions and experience suggests they are often 'segregated' from the main dwelling in the future. However, it is acknowledged that they generally have a lower impact on infrastructure than forms of residential development which result in new dwellings (immediately) and also experience a lower uplift to land values than such dwellings.

Self-build housing – Strongly Disagree. Shropshire Council was significantly opposed to the introduction of self-build relief under the CIL regime. This is in no way predicated on development viability and ignores the cumulative impact that such development has on infrastructure. It also ignores the principle that the proposed new infrastructure levy will be applied to a wider range of development and will secure more affordable housing and infrastructure funding.

A significant way in which the infrastructure levy could increase infrastructure funds secured is the removal of this relief. In Shropshire, self-build development represents a significant amount of the total development that is undertaken. Shropshire Council has been administering CIL for over 11 years and it have been very evident how the self-build exemption mechanism introduced in 2014 negatively impacted on potential and actual revenues achieved under this regime.

Additionally, the self-build exemption process is extremely onerous and often confusing for individuals. Officers have spent significant time since 2014 in advising applicants on how this mechanism works, which ultimately leads to no revenue (including admin).

Should the self-build exemption remain, Shropshire Council recommends that the mechanism raises the minimum threshold for smaller scale self-build homes rather than simply removing the entirety of the liability. In this way it encourages self-build undertaken in circumstances where it is the only means of accessing the housing market and meeting a need. Larger self-build properties (which are often much larger than the average dwelling size) should be required to pay the full liability of an equivalent non-self-build dwelling.

Question 39: Do you consider there are other circumstances where relief from the Levy or reduced Levy rates should apply, such as for the provision of sustainable technologies? [Yes/No/Unsure]. Please provide a free text response to explain your answer where necessary.

Shropshire Council Response: No. The provision of sustainable technologies is strongly encouraged by Shropshire Council but does not remove the need for the provision of infrastructure to address the cumulative impact of such development. Furthermore, the consultation material specifically states that such provision should be considered integral rather than levy funded infrastructure, so such an approach would result in double counting of this provision.

Question 40: To what extent do you agree with our proposed approach to small sites? [Strongly Agree/Agree/Neutral/Disagree/Strongly Disagree/Unsure] Please provide a free text response to explain your answer where necessary.

Shropshire Council Response: Strongly disagree

Shropshire Council was very strongly opposed to the introduction of the affordable housing exemption for smaller sites within the written ministerial statement and subsequent amendment to the National Planning Policy Framework (NPPF). This exemption was in no way predicated on development viability, disregards the fact that such development does of course cumulatively impact on infrastructure and resulted in a significant reduction to affordable housing delivery in Shropshire and in many other parts of the Country.

If the proposed Infrastructure Levy is to achieve the stated objectives of being applicable to a wider range of development and securing more affordable housing and infrastructure funding, removing an unnecessary reduction to affordable housing provision from small sites is an obvious way of doing so and one which would in no way impact on development viability, as the rates set for this form of development would be informed by viability evidence consistent with that for other forms of development.

This proposal also ignores the fact that as the current approach to affordable housing on small sites improves development viability, such sites can provide more S106 contributions if required to do so, which would not be achievable under the new system. The proposed approach would therefore reduce infrastructure contributions secured from such development.

The perceived (or real) extension of small sites exemption from affordable housing provision to also include infrastructure is not justified by evidence or responsive to the impact of such development on infrastructure and sends completely the wrong message about development contributing to the infrastructure needs that it generates. It must be remembered that in smaller communities, such development represents the majority or all of the development that occurs.

The other very real concern is that there is no clarity on what level of reduction is proposed. This could therefore be much higher than that which currently exists in some parts of the Country.

Question 41: What risks will this approach pose, if any, to SME housebuilders, or to the delivery of affordable housing in rural areas? Please provide a free text response using case study examples where appropriate.

Shropshire Council Response: As documented in the response to Question 40, the existing exemption from affordable housing contributions is in no way predicated by viability. Requiring infrastructure levy contributions from small sites will in no way impact on development viability, as the rates set for this form of development would be informed by viability evidence consistent with that for other forms of development.

Question 42: Are there any other forms of infrastructure that should be exempted from the Levy through regulations?

Shropshire Council Response: Shropshire Council is of the view that local authorities should be able to set differential rates for particular types of development through their charging schedule. Local authorities would then have the discretion to exempt infrastructure from the Levy, dependent on local circumstances.

Question 43: Do you agree that these enforcement mechanisms will be sufficient to secure Levy payments? [Strongly Agree/Agree/Neutral/Disagree/Strongly Disagree/Unsure] Please provide a free text response to explain your answer where necessary.

Shropshire Council Response: Unsure

Shropshire Council notes the consultation document does not provide specific details in regard to the enforcement of unpaid liabilities, since this will be provided in regulations. Based on the information provided however, Shropshire Council considers the proposed enforcement measures to be limited.

As with CIL, the local land charge can help to encourage payment but this does not always work and it is unclear how this would relate to an adjustment payment given that the local land charge would have already been removed by this point. This may also have legal implications as potential purchasers of homes would not be aware of the potential for a further Levy payment through a local land charge.

Issuing a Stop Notice to prevent commencement when a developer has not assumed liability is supported. It is noted however that there is no mention of issuing a Stop Notice to prevent further development in the event of non-payment. From experience, Shropshire Council would comment the Stop Notice available in the CIL system is the most effective and efficient measure a local authority can take. Were the timing of payments adjusted to earlier in the development process, Shropshire Council would strongly support the introduction of a Stop Notice should payment not be received.

Restricting occupation until the provisional liability is paid would represent a new enforcement mechanism, but Shropshire Council is unsure how this would work in practice and whether this would disproportionately impact on households purchasing houses on the site rather than the developer.

Shropshire Council generally agrees with the need to continue to have financial penalties, similar to the existing CIL system.

Ultimately, due to the lack of detail at this stage, Shropshire Council cannot determine if these mechanisms would be sufficient to secure payment.

Chapter 7 – Introducing the Levy

Question 44: Do you agree that the proposed 'test and learn' approach to transitioning to the new Infrastructure Levy will help deliver an effective system? [Strongly Agree/Agree/Neutral/Disagree/Strongly Disagree/Unsure] Please provide a free text response to explain your answer where necessary

Shropshire Council Response: Strongly agree.

Shropshire Council is supportive of the proposed transition period to the new Levy. The test and learn approach allows for the refinement of the Levy before it is rolled out to all English Local Planning Authorities. It is hoped this would avoid the situation where there were a number of amendments once operation is ongoing by a large number of local authorities, as occurred within the CIL Regulations which of course made administering CIL more difficult in the first few years following its introduction.

The continuation of CIL and Section 106 agreements for all Planning Permissions granted prior to the introduction of a new Infrastructure Levy charging schedule for the area also seems sensible and ensures that there is not a ‘gap’ in securing funds for infrastructure provision.

Question 45: Do you have any views on the potential impact of the proposals raised in this consultation on people with protected characteristics as defined in section 149 of the Equality Act 2010? [Yes/No/Unsure]. Please provide a free text response to explain your answer where necessary.

Shropshire Council Response: Yes.

Although in theory the proposed ‘right to require’ affordable housing provides a simple approach to seeking to maximise on-site provision of affordable housing, it fails to recognise the various sensitivities surrounding the provision of affordable housing and how these do not purely relate to tenure and size, but instead can provide opportunities to deliver specialist and bespoke units of accommodation to meet the needs of particular households within our communities. Meeting such needs is facilitated by the current Section 106 approach which allows for more detailed stipulations regarding the type, tenure and design of affordable housing and Shropshire Council is concerned that this will not be the case under the proposed ‘right to require’.

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Agenda Item 12

Committee and Date	Item
	Public

Healthy People

Healthy Economy

Healthy Environment

Healthy Organisation

River Severn Partnership Demonstrator Programme

Responsible Officer:	Mark Barrow		
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Cabinet Member (Portfolio Holder):	Cllr Ian Nellins		

1. Synopsis

This report seeks approval for the Council, in its capacity as Lead Local Flood Risk Management Authority (LLFA), to support the Environment Agency in overseeing a programme of demonstrator projects through the River Severn Partnership.

2. Executive Summary

2.1 The Shropshire Plan's Healthy Environment priority highlights the importance of investment and joint working to tackle climate change and maintain, protect and enhance our outstanding natural environment.

2.2 Further to recommendations approved in the report to Cabinet on 18th November 2019 entitled 'River Severn Partnership', officers have been working with the Environment Agency, through the River Severn Partnership, to identify a joint approach to climate resilience and the best application for £4.5million demonstrator monies which were awarded via the River Severn Partnership to the Environment Agency through ministerial direction in 2020.

2.3 The Partnership was successful in securing the ministerial investment to deliver a pipeline set of 'demonstrator' projects which support early thinking and work by the Environment Agency on the Severn Valley Water Management proposal, to:

- test innovative solutions to long term resilience in the upper Severn catchment
- use natural flood management techniques (floodplain reconnection, wetland creation, woody debris dams and woodland planting) to 'slow the flow' of water
- accelerate delivery between 2021 and 2027.

2.4 The first project under the demonstrator programme commenced in Spring 2022. Led by the Severn Rivers Trust with partners from Powys County Council, Shropshire Council and the Environment Agency, the Guilsfield Brook Project is the first joint delivery between England and Wales within the River Severn Partnership.

2.5 Following detailed partner development and engagement, the Partnership is now ready to progress two further projects under the demonstrator programme, involving work on the Rea Brook and River Perry.

3. Recommendations

Cabinet agree to:

3.1. Approve the Council's role in managing and delivering the Shropshire based demonstrator programme, under the River Severn Partnership, utilising the Council's formal statutory role as Lead Local Flood Risk Management Authority (LLFA).

3.2 Approve the Council signing two grant funding agreements for the River Perry and Rea Brook, which exceed £500,000 in grant contribution, thereby enabling transfer of the Defra funds to Shropshire based delivery partners

3.3 Delegate to the Executive Director of Place, Section 151 officer and the Portfolio Holder for Climate Change, Environment and Transport to:

3.3.1 proceed with setting arrangements for the delivery and monitoring of benefits associated with the demonstrator programme, in partnership with the Environment Agency.

Report

4. Risk Assessment and Opportunities Appraisal

4.1. Significant opportunity is provided by the £4.5million Defra monies to pilot the collective approach of the River Severn Partnership, which takes a strategic view of flood, water resource, water quality and environmental management to respond to the challenges of climate change.

4.2. As the funding for the demonstrators is being delivered as Flood Defence Grant in Aid (FDGiA), strategic oversight will be provided by the English Seven and Wye Regional Flood and Costal Committee (RFCC) which is facilitated by the Environment Agency. As with any other FDGiA project, delivery and expenditure of the demonstrator projects will be monitored by the Environment Agency. The Environment Agency will therefore maintain strategic oversight and has responsibility for meeting the ministerial requirements associated with the use of the funds.

4.3. In line with the formal statutory role of Shropshire Council, as the LLFA the budget management responsibility for the projects will sit with the Council. This will happen once the projects are formally recognised as Shropshire schemes on the Flood and Coastal Risk Management (FCRM) investment programme.

4.4. The Environment Agency has led the identification of the demonstrator programme of measures and identified the appropriate delivery partners. Agreement for use of the £4.5million has been agreed with Defra via the Environment Agency. Shropshire Council and the Environment Agency are now preparing a business case to allocate the monies onto the FCRM programme.

4.5. Discussions have taken place between the Environment Agency and Shropshire Council's Legal Services and Procurement teams to understand how the ministerial funding award needs to be treated and delivered under the Environment Agency's strategic oversight. It has been agreed that this is grant funding as it has been allocated from ministerial direction via Defra to the Environment Agency for specific demonstration projects under the River Severn Partnership. Under this Defra agreement, the monies can only be used for specific purposes within Shropshire. The projects have been established to trial and test key Partnership deliverables around nature based solutions, socio economic benefits, green finance, innovation and skill development by using measures to address flood risk and climate change within the upper catchment of the Severn. The Environment Agency must use these projects to share wider learning with Defra around how you reduce flood risk and use water management to safeguard jobs or unlock new jobs.

4.6. Given the ministerial delivery requirements, only Shropshire Wildlife Trust and Severn Rivers Trust have been identified as realistic suppliers that can deliver the services in line with the partner and funding requirements. The grant funding agreements will therefore be between Shropshire Council, as the LLFA, and Shropshire Wildlife Trust and Severn Rivers Trust.

4.7. The funding is being overseen by the Environment Agency as part of the six year FCRM programme. There are established processes and procedures in place for both the Environment Agency and Shropshire Council regarding the governance, application and reporting of projects and delivery under the six year FCRM programme.

4.8. The Environment Agency has agreed a defined scope for each project with the delivery leads and allocated expenditure for each activity. The Council is therefore not at risk of any increased project costs since delivery partners will only be able to deliver within the scope and agreed budget. Managing the projects as an overarching programme also reduces risks, with flexibility built in to manage the delivery of outcomes and outputs at a programme level rather than project by project. Monies will be drawn down to delivery partners on an agreed basis from the Environment Agency, with monthly and quarterly reporting undertaken by delivery leads and shared with the Environment Agency and Shropshire Council as part of the funding agreement requirements to monitor progress and learning.

4.9. The risks and opportunities relating to this report are predominately focused around Shropshire Council's agreed role as Joint Chair of the River Severn Partnership and ambition to take a more integrated and transformative approach to water management. As 'demonstrators' the programme of project delivery offers significant opportunity for shaping and learning to understand benefits and to enable opportunity for wider scaling up across the wider catchment. It will support development of a strategic response to the challenges of climate change and nature recovery.

4.10. Whilst the Flood and Water Management Act 2010 defines both the Environment Agency and Shropshire Council as RMA's, the funding has been allocated to the Severn Valley Water Management demonstrator programme. As Shropshire led projects, Shropshire Council is the LLFA and under Department for Levelling Up, Housing and Communities (DLHUC) rules the funding cannot be paid directly by the Environment Agency to a delivery partner. It must first be allocated to Shropshire as the LLFA to allocate to chosen delivery partners.

4.11. The risks of not using our role as LLFA means the Environment Agency cannot pass the allocated grant funding directly to the agreed Shropshire based delivery partners. The Council would therefore limit the ability to deliver the agreed interventions and would not support the Environment Agency in meeting the ministerial requirements. This would undermine the collaborative approach of the River Severn Partnership and provide reputational risks to Shropshire Council in its capacity as Joint Chair of the Partnership.

5. Financial Implications

5.1 The £4.5million investment programme to enable delivery of the Partnership's demonstrator programme across the upper catchment has already been secured from Defra. The funding has been agreed and will be drawn down by Shropshire Council from the Environment Agency as part of the FCRM programme delivery.

5.2 The Guilsfield Brook Project was the first project under the demonstrator programme and commenced in Spring 2022. There is now a need to progress two further projects within the programme; the Rea Brook and River Perry, as set out in this report.

5.3 The Environment Agency's assurance process has agreed application of the investment for these two projects which comprises £900,000 for the Rea Brook project and £800,000 for the River Perry project. As these two projects exceed £500,000 in value, Cabinet approval is needed for Shropshire Council to progress the grant funding agreements.

5.4 Further work is also underway, led by the Environment Agency, to progress the remaining set of projects within the demonstrator programme and apply the remaining funding as agreed by Defra ministers. The remaining projects will not exceed £500,000 and will therefore not require Cabinet approval to progress the grant funding agreements. These will instead be progressed under the delegated approval of the Council's Section 151 officer.

5.5 The financial implications for Shropshire Council as LLFA are therefore associated with resourcing management and delivery of the projects. This is addressed through application of a project management fee. This will enable the Council to use some of the grant funding to resource the project management, support services and additional administrative requirements of supporting the Environment Agency. Agreement is already sought within the Environment Agency business case to cover the costs of this project management which Shropshire Council will source from the local authority's framework consultants, WSP.

6. Climate Change Appraisal

6.1. The River Severn Partnership is aimed at providing a strategic and integrated response to the challenges of climate change across the River Severn catchment area.

6.2. The Partnership's demonstrator programme seeks to pilot and test how an integrated approach to water management unlocks opportunities for growth and improved wellbeing. Focused initially on the upper Severn catchment area, the project programme involves a suite of nature based measures to address climate change and its impacts, working with Wildlife Trusts, Severn Rivers Trust, the National Trust, landowners and others.

6.3. As joint Chairs of the River Severn Partnership, the Council and the Environment Agency are committed to exploring the opportunities that the £4.5million demonstrator investment secured from Defra provides. It will enable testing and learning as a showcase for a new approach to climate resilience.

6.4. In addition to the demonstrator programme delivery, the Partnership is one of four national pilots identified by Defra to develop, deliver and test an 'adaptive planning' approach. This new thinking by Defra is aimed at ensuring a more resilient and adaptive approach to the challenges faced as a result of climate change.

6.5. Adaptive planning offers the ability to respond to new information as it becomes available, such as relating to rising water levels and more frequent flood events. The approach identifies and evaluates different climate scenarios and subsequently identifies potential adaptation actions that can be implemented over time, to directly respond to climate changes; such actions may include increasing or reducing floor levels, utilising public open space for water storage or investment in flood management projects. Adaptive planning provides the flexibility to 'adapt' actions based on what the climate is actually doing and therefore enables the most effective and resilient response.

6.6. An adaptive planning approach allows for a long-term plan to be developed, providing a range of options for which the Council can respond accordingly, implementing the most appropriate and effective actions at the right time and in the right way. It also avoids unnecessary over investment or unsuitable design parameters, thereby enabling better decision making and use of money at all stages of a project's delivery. The approach creates a clear plan to manage flood risk, providing confidence for investors.

6.7. Although at an initial stage, the wider adaptive planning thinking and approach will help inform the demonstrator programme, where possible, supporting thinking and learning. It will help embed climate resilience thinking and learning in our future ways of working and is already shaping other work within the Council, such as the Riverside redevelopment.

6.8. As part of a drive towards integrated infrastructure delivery, the demonstrator programme and adaptive planning approach will include consideration of multiple benefits. The aim is to understand and assess how future flood risk management provides co-benefits for carbon capture and storage, biodiversity, health and wellbeing and economic growth.

6.9. Both the demonstrator programme and adaptive thinking are key to informing the development and delivery of the Severn Valley Water Management Scheme as a strategic scale initiative, with potential to scale up multiple benefits across the upper Severn catchment.

7. Background

7.1. The Partnership's transformative ambition to look at the future water and environmental management needs of the River Severn catchment as a whole gained significant ministerial support and investment in July 2020. Ministers announced the Partnership as one of four national pilots identified by Defra to develop, deliver and test an 'adaptive planning' approach. This new thinking by Defra is aimed at ensuring a more resilient and adaptive approach to the challenges faced as a result of climate change. At the same time, ministers announced significant additional investment for the Environment Agency to drive forward the Partnership's work, including £30million to accelerate both the Severn Valley Water Management Scheme and work at Tenbury Wells alongside £5.4million to undertake carbon offsetting of the next 6 year Flood Defence Grant in Aid programme.

7.2. The £30million announcement for the Severn Valley Water Management Scheme enabled some small scale early investment to be used to test the potential for combining flood risk management work with the development of Shrewsbury's North West Relief Road. The aim was to assess the opportunity for providing a single integrated infrastructure solution. The approach was set out in a Cabinet paper entitled River Severn Partnership- Shropshire Flood Prevention dated 27th September 2020. Cabinet agreed to explore the potential for development of water management measures north of Shrewsbury as a holistic approach with the North West Relief Road and creation of a water based tourism, leisure and natural environment resource. The feasibility work undertaken by the Environment Agency with support of Shropshire Council concluded that assessment should be firstly made of the potential to deliver flood risk management benefits through delivery of nature based solutions across the upper catchment, to better understand the need for more hard engineered solutions. Agreement was therefore sought by the Environment Agency with Ministers to redefine the scope of the investment. This included agreement to reshape the Severn Valley Water Management Scheme as a hybrid programme of measures combining nature based solutions, large scale landscape management change and formal engineered solutions, alongside use of £4.5million to accelerate smaller projects within the Severn Valley to pilot and test delivery of natural flood management.

7.3. The acceleration of smaller projects under the £4.5million is currently led by the Partnership under its demonstrator programme, overseen by the Environment Agency. The aim is to test delivery of an integrated approach to water management and the role this can have in unlocking opportunities for growth and improved wellbeing by reinstating natural connections with the floodplain.

7.4. The Partnership and Environment Agency have been working with partner organisations including those representing Welsh, environmental, local authority and community and landowner interests to identify the best application for the £4.5million demonstrator monies. A pipeline set of projects has emerged that is driven by partners but which also meets the ministerial requirement to test innovative solutions to long term resilience in the upper Severn catchment using natural flood management techniques (floodplain reconnection, wetland creation, woody debris dams and woodland planting to 'slow the flow' of water) and to accelerate delivery between 2021 and 2027.

7.5. The following Table provides an overview of the demonstrator programme:

Project Name	Lead Delivery Partner	Project Aim	Project Outcomes
Guilsfield Brook	Severn Rivers Trust	Natural Flood Management and Farm Hydrology Model	Leaky dams, woodland and hedgerow creation, attenuation features and development of a farm hydrology model to appraise the economic benefits of improved water management as a result of soil husbandry and rainwater harvesting.
Rea Brook	Severn Rivers Trust	Nature based solutions and green finance	Leaky dams, woodland and hedgerow creation, attenuation features and farm-based rainwater harvesting
Perry Peat	Shropshire Wildlife Trust	Rewetting of peatland and demonstration linked to sustainable crop production	Rewetting of peatland, native woodlands, wetland, peatland conference at Harper Adams University with North Shropshire Farmers Group.
Projects in development and subject to change:			
Morda DePave to investigate permeable alternatives and a Community Interest Company			
Feasibility study for the development of a centre of excellence for climate change, focusing on links to skill development and a water management based academic offer			
Use of drone technology in catchment management to help identify opportunities and monitor benefits.			
An enhanced network of farm cluster groups to enable landowner liaison and engagement			
Water management feasibility study on National Trust land to improve visitor experiences.			

7.6. The first project under the demonstrator programme commenced in spring 2022. The Guilsfield Brook project is the first joint delivery between England and Wales within the River Severn Partnership. Led by the Severn Rivers Trust with partners from Powys County Council, Shropshire Council, the National Flood Forum and the Environment Agency, the project is using natural flood management to reduce flood risk to a number of homes as well as the B4392 and A490 roads. It will also provide information on the economic benefits of soil and water management on rural land. Working with landowners, the hope is that it provides helpful learning and information on the potential value of future environmental management within farm businesses.

7.7. Following detailed partner development and engagement, there is now a need to progress two further projects under the demonstrator programme. These two projects are for £900,000 to be used for work on the Rea Brook and £800,000 for work on the River Perry.

Rea Brook Project

7.8. The Rea Brook flows northwards from Marton Pool down to its confluence with the River Severn in the centre of Shrewsbury.

7.9. There are 8 waterbodies within the Rea Brook catchment, none of which meet the required Good Ecological Status under the Water Framework Directive and four that show signs of deterioration, mainly due to diffuse pollution from agricultural sources and from old mine water discharges.

7.10. Communities along the Rea Brook catchment from Worthen at the top to Pontesbury, Minsterley, Brockton and Westbury in the middle and Shrewsbury at the bottom have all suffered from flooding in recent years, with record floods recorded in 2020 and 2021.

7.11. Working through the River Severn Partnership, the Environment Agency has secured a partnership project to be delivered by the Severn Rivers Trust. The Rea Brook project will involve the construction of 200 leaky dams, 4ha of woodland creation, 1.5km planting of new mix hedgerows across slopes, creation of at least 35 water storage features such as ponds, scrapes and swales to provide additional offline water storage during storm events and installation of on-farm rainwater harvesting systems where maximum benefit can be achieved such as on large roofs.

7.12. In providing a 'demonstrator' for the delivery of nature based solutions, the work will create a wide range of benefits including; an estimated 35ha of new wetland habitat to facilitate the development of a more natural hydrology, provide valuable habitat for wading birds and amphibians, improve water quality and reduce the need for fertiliser through soil biodiversity improvements, support farm businesses through water efficiency savings and provide native woodland for a range of priority species and for the sequestration of around 2,500 tonnes of carbon dioxide.

7.13. The project will also provide a key demonstration for the development and application of green finance solutions. In particular, developing an integrated nature-based funding strategy to monetise nature-based outcomes such as carbon sequestration, biodiversity gain, soil & water quality enhancement, aligned to River Severn Partnership and Environment Agency strategic priorities within the catchment. Development of an integrated nature-based financing strategy will include the following activities:

- Establishing a series of options around integrated (i.e. not only carbon) nature-based outcome funding models/investment structures.
- Establishing options around an appropriate delivery vehicle for the funding models/investment structures, recognising the interests of stakeholder needs incl. River Severn Partnership and the Environment Agency
- Testing funding models/investment structures with a group of experienced investor/buyers of nature-based investment products
- Supporting the selection of an optimal nature-based outcome funding solution to replicate across the wider catchment in line with wider programme timescales

River Perry Project

7.14. The River Perry flows southwards from Hengoed down to its confluence with the River Severn, 2 kms downstream from Montford Bridge.There are 7 waterbodies within the River Perry catchment, none of which meet the required Good Ecological Status under the Water Framework Directive.

7.15. The Perry has one of the highest densities of unprotected lowland peat under farmland as identified by Natural England's Peat for the Planet project. This is peatland that has been generally drained and is in a state of deterioration.

7.16. Working through the River Severn Partnership, the Environment Agency has secured a partnership project to be led by Shropshire Wildlife Trust in partnership with Harper Adams University. The River Perry project will involve the rewetting of 11ha of peatland, the creation of 3ha of new, native woodland, at least 5 water storage features and 9ha of Paludiculture (demonstration of rewetting peat for the purpose of growing sustainable crops) alongside two peatland conferences at Harper Adams University, to enable engagement and support for the North Shropshire Farmers Group.

7.17. In providing a 'demonstrator' for peatland restoration, the project will seek to identify the multitude of benefits that could be achieved, creating examples of peat rewetting to a more natural state as well as rewetting for Paludiculture purposes. The project will quantify the opportunity to hold water within peat and work with local landowners to identify opportunities as part of farm businesses.

8. Additional Information

8.1. As demonstrator projects, flexibility has deliberately been built into the projects to allow for further innovation during the development and delivery phase. This is aimed at supporting the achievement of greater and multiple outcomes. The projects therefore allow for evolution and refocus as part of the learning process and specific deliverables and outcomes may therefore change in response as the projects are continually reshaped.

8.2. Learning from the development and delivery of the projects will be gathered by Shropshire Council from Severn Rivers Trust and Shropshire Wildlife Trust via the requirements of the grant funding agreement. This will be shared with the Environment Agency to inform Defra ministers as well as with the wider River Severn Partnership, in the Council's role as Joint Chair, to support wider scale up of delivery across the Severn catchment.

9. Conclusions

9.1. Delivery of the Shropshire based demonstrator projects for the River Severn Partnership will accelerate testing and learning around nature based responses to climate resilience and adaptation. It will help establish the River Severn Partnership as the UKs first strategic rural partnership, harnessing the natural and cultural value of the UKs longest river system to provide the catalyst for community resilience and economic prosperity in the face of climate change and a nature emergency.

9.2. Delivery of the demonstrator programme will utilise Shropshire Council's unique position as Joint Chair of the River Severn Partnership to influence thinking by Defra. The local project examples will demonstrate collaborative delivery and enable learning to be shared on the application of new policy requirements under the Environment Act.

9.3. The programme will help provide a strategic framework for supporting landowning communities to understand the value of environmental management within farm businesses and enable testing of new financial mechanisms for delivery.

9.4. The Shropshire Plan recognises the climate change challenge and need for urgent action both by the Council and working with external partners such as Defra. Developing and delivering a range of collaborative projects will improve the natural environment for future generations and secure economic and community resilience in the face of climate uncertainty.

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

Cabinet report title ‘River Severn Partnership’ dated 18th November 2019

Cabinet report title ‘River Severn Partnership- Shropshire Flood Prevention’ dated 27th September 2020

Local Member: *Rea Brook Project*

Cllrs: Heather Kidd, Ed Potter, Nick Hignett, Roger Evans, John Clarke, Bernie Bentick, Kate Halliday, John Clarke and Mary Davies

River Perry Project

Cllrs: Robert Macy, Brian Williams, Steve Charmley, Nick Bardsley, Geoff Elner, Ed Potter and Lezley Picton.

Appendices [Please list the titles of Appendices]

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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