



Medium Term Financial Strategy

2021/22 – 2025/26

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FOREWORD FROM SECTION 151 OFFICER

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

Government funding for Shropshire Council has fallen year on year. This is a fact that cannot be disputed or avoided. The taxpayers of Shropshire are required to fund a greater and greater amount and proportion of the resources the Council needs to operate every year. In 2015/16 the Council set a net budget of £216m of which 55% (£119m) was funded by local Council Tax. Between 2015/16 and 2020/21 the amount raised by Council tax rose by over £44m raising £164m in 2020/21. The Council's net budget, however, has risen by just £10m over this time and stands at £226m in 2020/21. As a result, Council Tax increases have not increased the amount the Council can spend in real terms; instead a marginally increased net budget is now funded at almost 73% by the local taxpayer. The figures in this Medium Term Financial Strategy show that this trend continues.

At the same time, the cost of delivering services increases each year; partly due to inflationary pressures on staff costs and contractual obligations, but also from increased demand on services and changes in our demographic make-up that increase complexity of delivery and therefore cost. It is well documented that Adult Social Care costs (and increasingly Children's Social Care costs) in Shropshire are growing at an unsustainable rate. With reduced funding from government other service areas can only be cut to fund this growth. In 2020, with the need to manage the Coronavirus pandemic, the impact on Children's Safeguarding has been profound, and associated costs have risen at a faster rate than ever seen before. In 2020/21 64% of the Council's net budget is allocated to Social Care. This compares to just 43% in 2015/16.

As previously documented, despite the financial and welfare implications of social care across Shropshire, the number of actual service users remains below 10,000. A simple comparison to the 320,000 population of Shropshire suggests that almost 97% are not accessing social care services. They are, however, accessing other services of the Council such as highways, transport, public protection, leisure, parks and open countryside. Some of these facilities have been havens over the lockdown periods of 2020. These areas, acutely visible to us all, are the very areas that see their funding pressed, to enable limited resources to be diverted to social care. To almost 97% of local taxpayers there remains a simple and unfortunate outcome: they pay more money to the local authority in Council Tax, fees and charges yet receive reduced services.

Central Government has, for the second year running, provided a single year Spending Round announcement for 2021/22 with no indication, at the time of writing, as to what the future will look like beyond the next twelve months. This makes planning for a long term sustainable financial position more difficult and means we must make broad estimates and assumptions about what this may look like.

We are lobbying government for a funding settlement that is fairer for all local authorities. We believe that more funding, particularly in the areas of Social Care, is necessary on a national scale. Furthermore, we believe that a fairer distribution of these increased resources will enable funds to be targeted to the areas of greatest need. The current funding formula disadvantages Shropshire due to our sparsity, our rurality, our demography and our ability to raise resources locally, from Council Tax and Business Rates. This needs to be addressed.

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We know, by benchmarking our services against other local authorities, that we deliver good outcomes at average or below average costs in the majority of cases. Where our costs are above average, such as our spend on highways per head of population, we know this is because we have a relatively low population compared to the length of our roads. Our spend per head on roads looks high compared to others, but our spend per kilometre of road is very low. With the increasing pressure on social care and less funding from government, this spend can only be expected to reduce in the future. We can, and are, looking at ways to be more efficient in delivery and this is described below as our Performance Optimisation Approach.

Shropshire Council's Financial Strategy sets out our plans for 2021/22 through to 2025/26. This includes over £9m of savings proposals across all areas of the Council. Many of these savings, however, are a continuation of plans stalled in 2020 due to the Covid-19 outbreak. With an allocation from the Financial Strategy Reserve, this will produce a balanced budget for 2021/22.

At the time of writing, the direct financial impact of Covid-19 is around £24.9m for the 2020/21 financial year, based on our current understanding. At present we have received £22.4m unringfenced grant plus expected Sales, Fees and Charges reimbursements of up to £5.1m. The need for additional funding, income guarantees or other support to cover costs over the remainder of the financial year will continue to be assessed. Nevertheless, we currently expect to deliver a budget which is close to balanced for the 2020/21 Financial Year.

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

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

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

The Performance Optimisation Assumption

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

The Unsustainability Assumption

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

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The Covid-19 Assumption

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

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

2.1 Medium Term Financial Strategy Process

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

The first year set out in the MTFS represents the budget strategy for the next financial year. The compilation of the budget strategy involves detailed budget development of each service area within the Council and work begins on this process from September onwards.

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

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

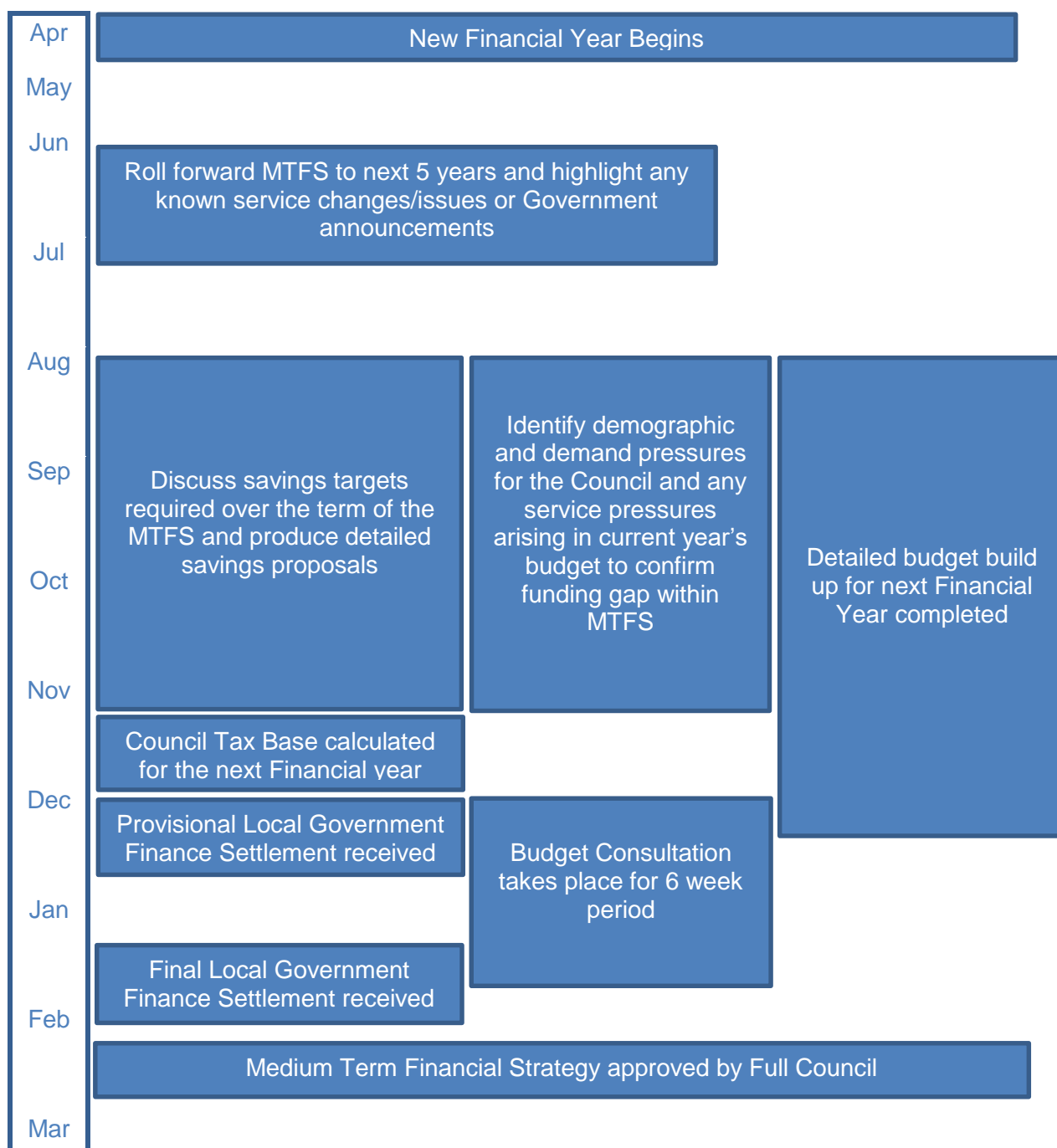
In previous years the Government have provided multi-year funding settlements which have given the Council the ability to predict with some accuracy, the level of grant income that it will receive from the Government. The last four year multi settlement ran from 2016/17 to 2019/20 and the Government has announced that as with 2020/21, 2021/22 will also be a one year settlement building up to the implementation of the Fair Funding Review which is now anticipated for 2021/22. The further delay to the Fair Funding Review is as a result of the COVID-19 pandemic.

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

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

MEDIUM TERM FINANCIAL STRATEGY INTRODUCTION

Figure 1 – Development of Medium Term Financial Strategy



2.2 National Context

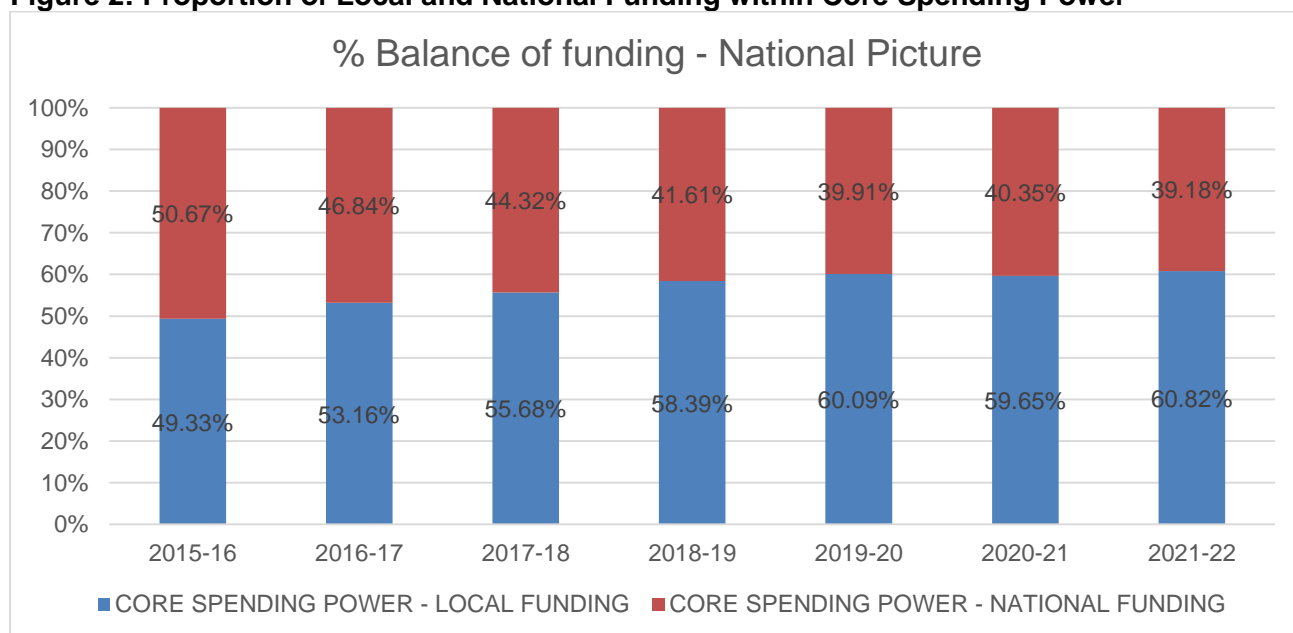
The austerity programme was initiated by the Government in 2010 and remains in place. Over this period departmental budgets within the Government have continually been reduced in order to reduce the national debt and bring the budget deficit down.

For Local Government the last decade has seen a major change in how it is funded. Cuts to central government funding has resulted in local government as a sector, reducing spend in local public services by 17%¹ or 23% per person. The sector has become increasingly reliant on local taxes for revenue. Council tax makes up almost half of all revenues compared to just over a third in 2009/10. It should be noted that in the early part of the last decade, authorities were encouraged to freeze council tax and this has placed further pressures on this element of funding now that council tax freeze grants are no longer paid. When central government has provided additional funding to Local Government for areas of pressure such as social care, this has been in the form of one off grants. In terms of expenditure, local government now spends approximately 57% of all service budgets on social care and the costs and demand for services are continually increasing, and other service budgets such as transport, cultural and leisure services and planning have reduced.

Of the £2.2 billion (4.5%) increase in core funding projected for next year, less than £0.3 billion is from the government. The other £1.9 billion is from increases in council tax bills of up to 5%, and assumes councils make full use of the allowable increases².

Figure 2 below demonstrates that the proportion of national funding within the Core Spending Power has decreased from 51% to 39% over a six year period with increased reliance now on local authorities to raise funding locally instead by raising council tax. This balance remains unchanged with the roll forward of funding into 2021/22.

Figure 2: Proportion of Local and National Funding within Core Spending Power



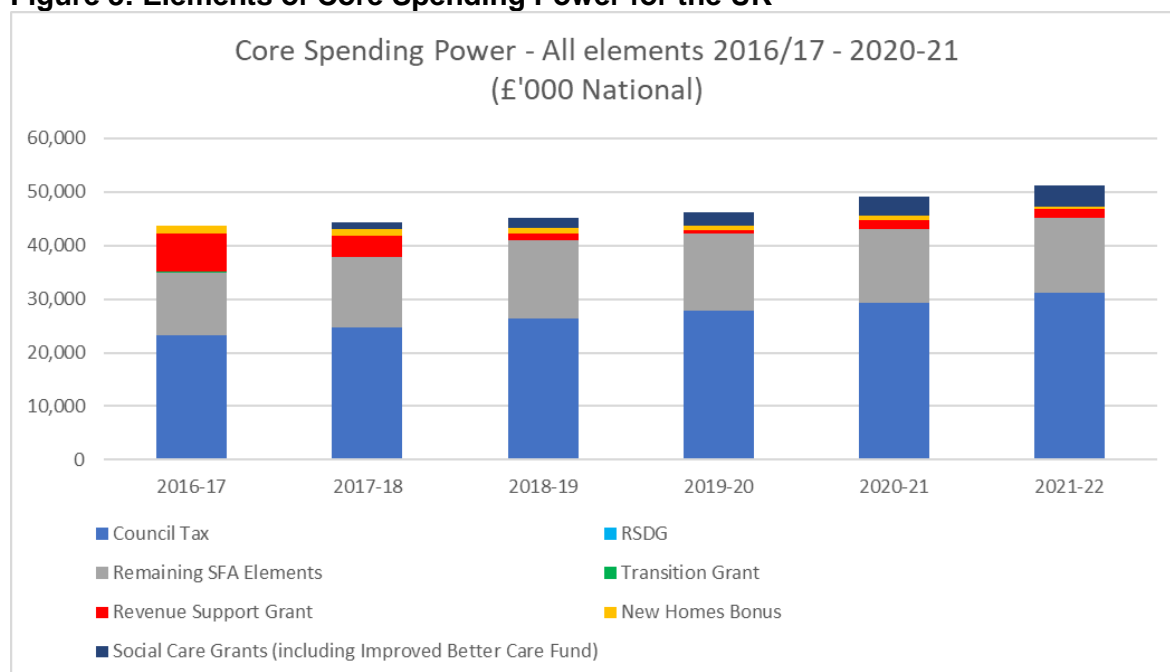
¹ Institute for Fiscal Studies – English Local Government Funding: Trends and Challenges in 2019 and beyond

² <https://www.ifs.org.uk/publications/15236>

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The detailed analysis of funding within Core Spending Power is detailed in Figure 3 below which shows that the Revenue Support Grant has reduced significantly. It also demonstrates the introduction of social care funding by the government over the last five years, but this in no way compensates for the loss in Revenue Support Grant that has been experienced. Instead local authorities have increased council tax in an attempt to bridge the funding gap.

Figure 3: Elements of Core Spending Power for the UK



English local government finance is part way through a series of major changes that will see its focus shift from being based on redistribution according to spending needs, towards more emphasis on providing financial incentives to tackle needs and increase local revenue-raising capacity. In this context, the government is undertaking a 'Fair Funding Review' which is intended to reconsider how funding is allocated and redistributed between local authorities. The review is expected to use three main "cost drivers" being population, deprivation and sparsity, together with additional cost drivers related to specific local authority service.

Alongside the Fair Funding Review, the Government have also been working on a Business Rate Retention Scheme with the intention that this is rolled out to all local authorities. This scheme will involve the amendment of business rate baselines and future changes to council's business rate income will impact directly on the local authority's funding in order to encourage councils to try and increase rate revenues rather than being dependant on Government funding for service provision.

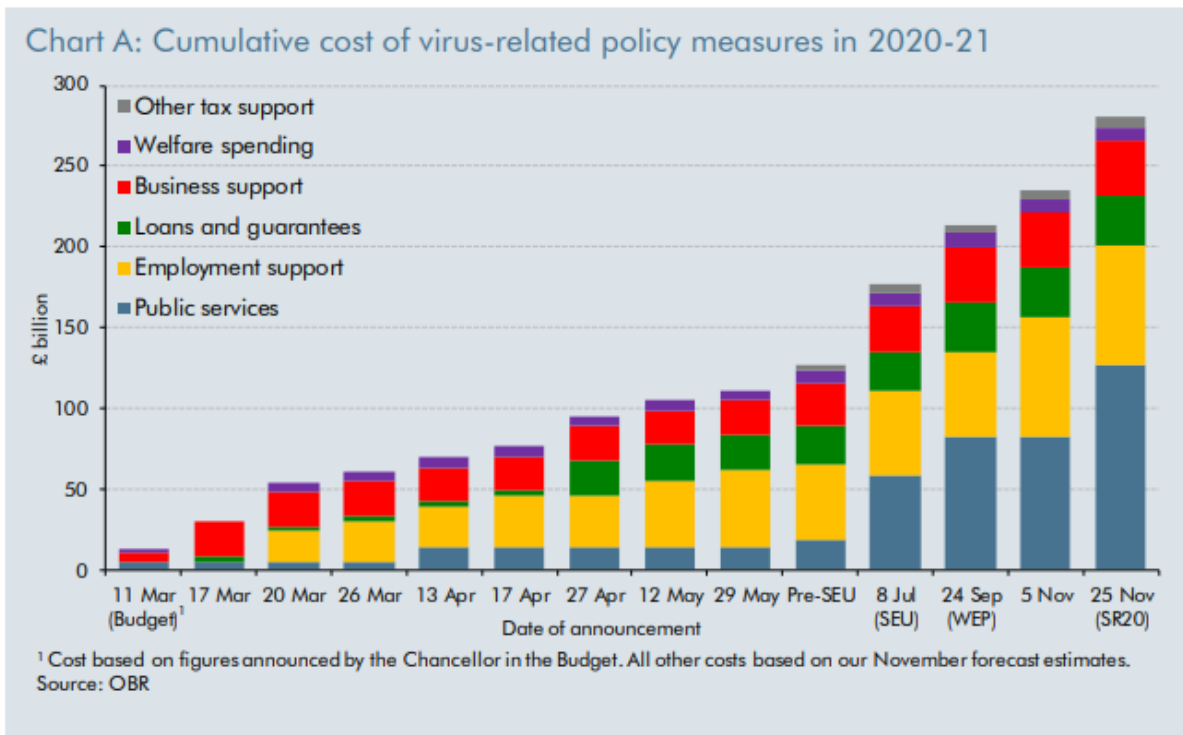
The work on these reviews started in 2016, with an intended implementation date of the 2020/21 financial year. Having already been delayed until 2021/22 the onset of the COVID-19 pandemic has further delayed implementation until at least 2022/23.

The Provisional Local Government Finance Settlement was announced on 17th December 2020, and was based on the Spending Round 2020. The Final Local Government Finance Settlement is expected early in February 2022. It is anticipated that multi-year settlements will resume following the expected Comprehensive Spending Review in 2021.

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

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



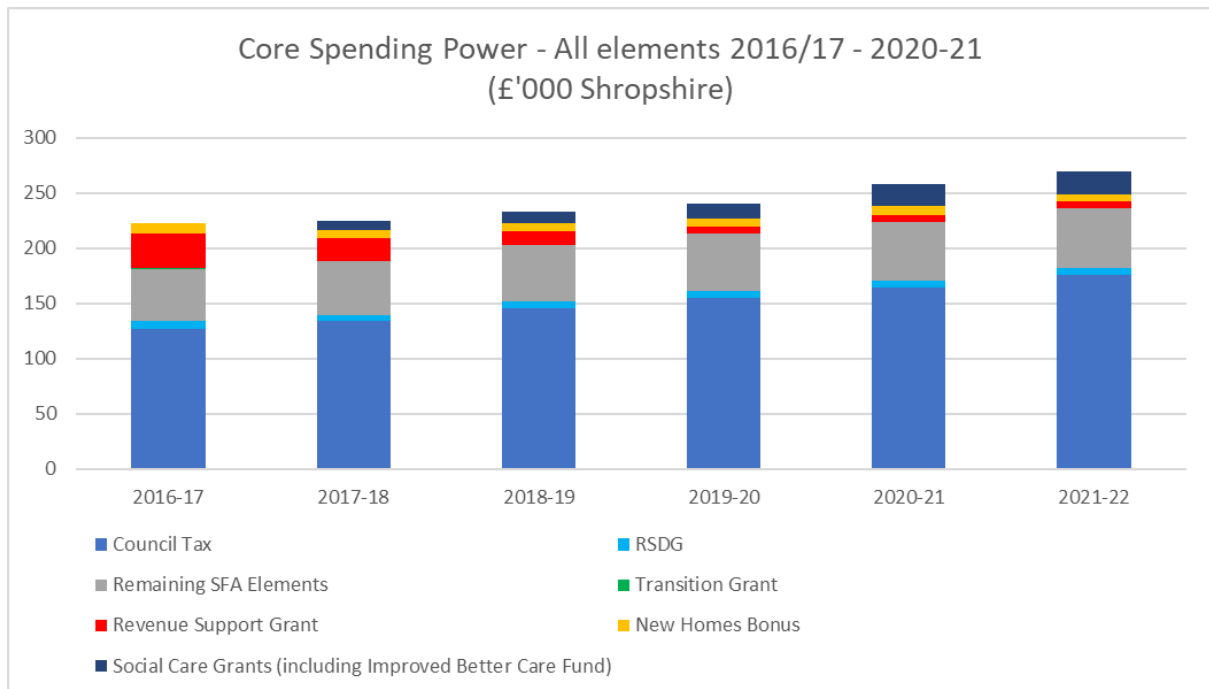
The next update to the OBRs report is expected in March and will show a continuation to the support package well into the beginning of the 2021 calendar year. The level of financial investment and borrowing that the Government has had to undertake, and continues to undertake, to support the public and the economy is significant and is likely to impact on public finances in this country for many years in the future.

2.3 Local Context for Shropshire

Over the last six years, Shropshire Council's core spending power has changed from £222.5m to £269.4m.

As shown in Figure 4 below, core spending power has increased marginally by just under 4% per year over the six year period and the constitution of the funding for the Council has altered significantly with over this period. Revenue Support Grant has reduced by 80% over the five year period and removed £25.3m from the Council's resources. This has been partially replaced by the introduction of social care grants, but this only accounts for a £21m increase in funding by 2020/21 and considering this is against cumulative growth of £47m over an equivalent period, this demonstrates that the Council has had to raise council tax in order to bridge some of this gap in funding.

Figure 4: Elements of Core Spending Power for Shropshire



As the graphs below demonstrate, Shropshire Council has had to increase the proportion of local funding compared to national funding provided by the government which has decreased gradually from 46% to 35%. The national picture shows that Shropshire has always had a lower proportion of national funding to the overall national average, and as a result, in 2021/22 we are still having to place a greater reliance on generating resources locally than the national average.

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Figure 5 & 6: Proportion of Local and National Funding within Core Spending Power (Shropshire and National)

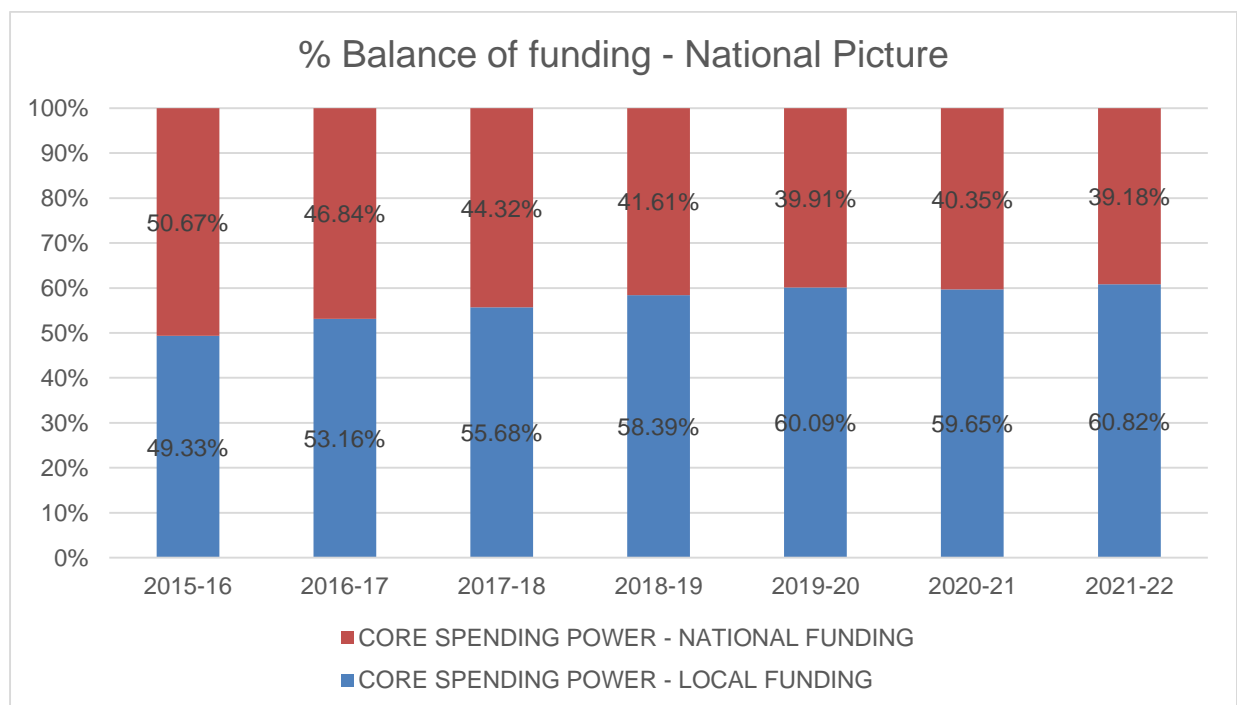
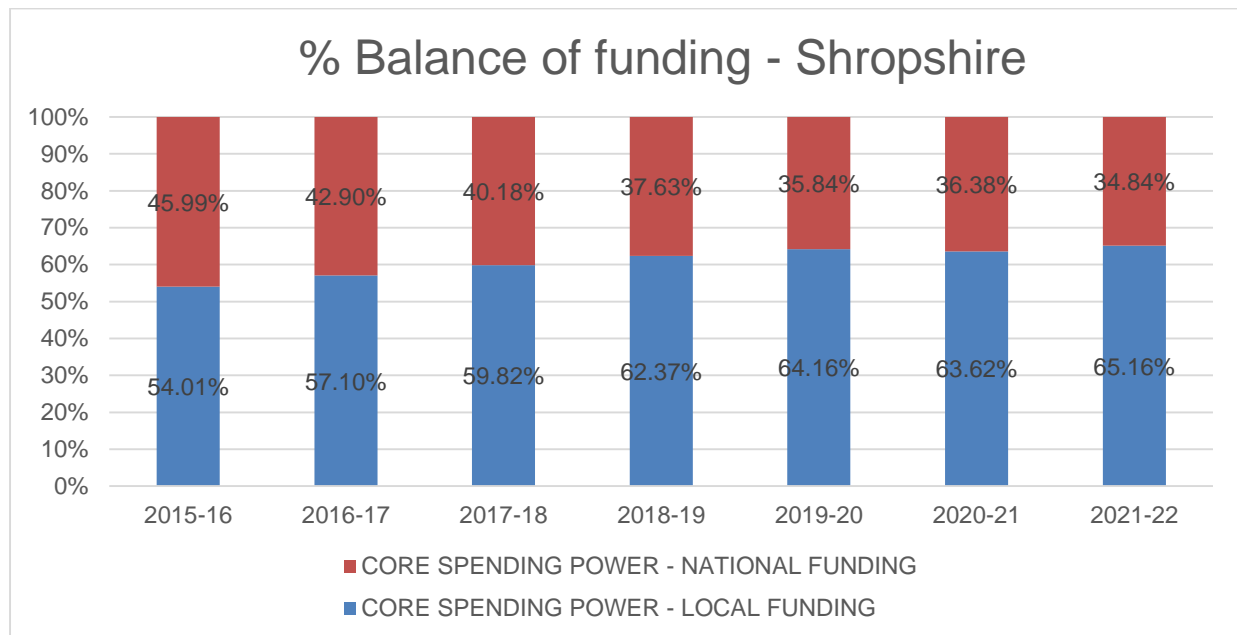
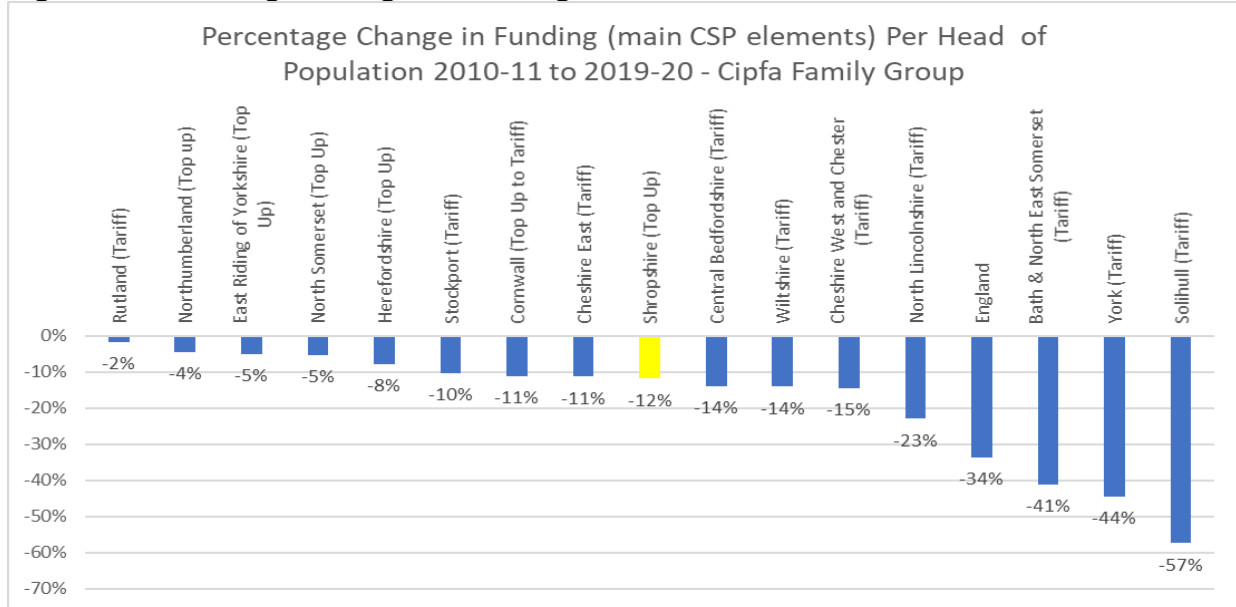


Figure 7 below looks at changes in funding per head of population between 2010- 11 and 2019-20.

Shropshire's funding per head of population over the period decreased by 12%. This is an average decrease compared to our family group.

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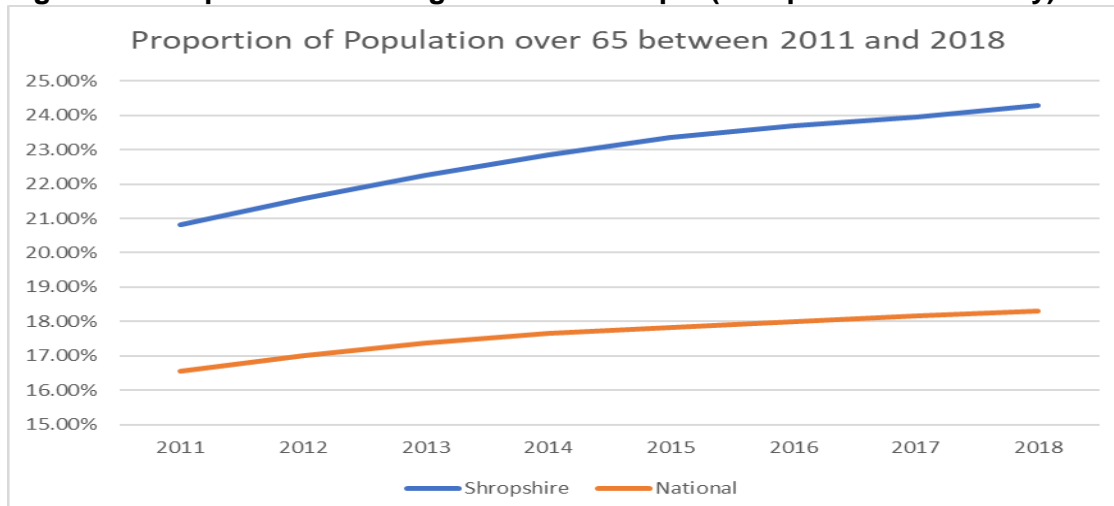
Figure 7: Percentage Change in Funding



The Government encouraged local authorities to freeze Council Tax from 2011 to 2016 by agreeing to pay local authorities a Council Tax Freeze grant to recompense them for the lost Council tax. Shropshire Council agreed to freeze Council Tax in 2011/12 in order to receive the grant and did so for the following three years. Whilst this kept Council tax low for the residents of Shropshire, and the Council received Government grants to the value of just over £18.7m to compensate for this, the fact that the base council tax income was not increasing over this period resulted in the Council having reduced funding of £6.5m over this period and has since reduced the baseline of Council tax that could have been achieved in future years. Had Council Tax been increased by 2% per annum, rather than frozen, between 2009/10 and 2015/16, the Council would have an additional £20.8m resources every year.

Shropshire Council has always had a greater proportion of older people than the national average, but as shown in Figure 8 below, that whilst the proportion of people over 65 is steadily increasing nationally, the increase in Shropshire is increasing by a larger proportion. As a result of this increase in population numbers, the Council is experiencing growth in Adult Social Care Costs of £8m - £10m each financial year.

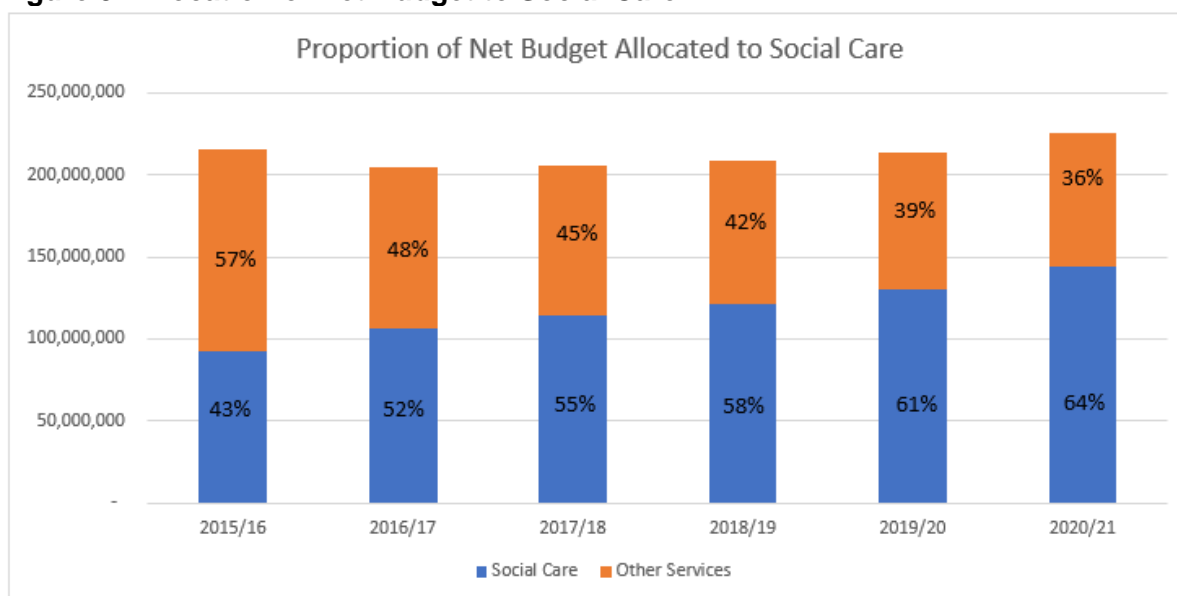
Figure 8: Comparison of Changes in Older People (Shropshire v Nationally)



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In recent years, the Council is now to experience budgetary pressures within Children's Social Care too, which is again a common picture being experienced by upper tier local authorities. The pressure that the growth in social care costs places on the Council's budget is demonstrated in Figure 9 below. This shows that based on a relatively stable net budget over the period of 6 years, the proportion of social care budgets increases from 43% to 64% of the Council's net budget, an additional £52m. The net budget itself was £216m in 2015/16 of which 55% was funded by Council Tax, in 2020/21 the net budget has increased slightly to £226m (an increase lower than the rate of inflation over this period) and is now 73% funded by Council Tax demonstrating a significant removal of government funding from local authorities. This also demonstrates that the budgets for other services across the Council have had to contract accordingly to enable the Council to remain within its funding envelope.

Figure 9: Allocation of Net Budget to Social Care



Over the last five years the net cost of Social Care, after the application of government funding initiatives such as Improved Better Care Funding and Adult Social Care Support Grant, and after taking account of the additional funding raised locally through the Adult Social Care Precept has been just under £46m more than the resources available. This is demonstrated in the table 1 below.

Table 1: Comparison of Growth in Social Care Spend to Funding Received

Social Care (Adults & Children) £'000	2016/17	2017/18	2018/19	2019/20	2020/21
Growth in Spend (annual)	14,293	5,285	8,546	9,696	13,005
Improved Better Care Funding	-	217	4,329	8,154	9,547
Adult Social Care Support Grant	-	1,400	871	-	-
Social Care Funds	-	-	-	3,775	7,883
Social Care Precept	2,443	2,662	4,123	1,482	3,152
Cumulative Growth	14,293	19,578	28,124	37,820	50,826
Cumulative Funding	2,443	6,722	16,045	29,455	50,038
Shortfall (annual)	- 11,850	- 12,856	- 12,079	- 8,365	- 788
Cumulative Shortfall	- 11,850	- 24,705	- 36,784	- 45,149	- 45,937

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The current growth model for social care has been updated for both adult social care and children's safeguarding to reflect recent increases in growth. This shows a further increase in net budget required in social care of £11.0m for 2021/22, offset by £5.1m of additional income. The Government has provided the following information regarding the allocations of funding for social care pressures:

Table 2: Comparison of Growth in Social Care Spend to Funding Received in 2020/21

Social Care (Adults & Children) £'000	2021/22
Growth in Spend (annual)	11,268
Increased in Improved Better Care Funding	-
Increase in Social Care Funds	1,229
Social Care Precept	4,924
<i>In year deficit of funding</i>	<i>5,115</i>

In light of this increase in Social Care costs locally and the inadequate funding of the pressure alongside the austerity measures by the Government by reducing funding to Local Government, Shropshire Council has been faced with delivering significant financial savings year on year in order to balance the budget. Since 2009/10 the Council has delivered savings of over £220m. The Council has also utilised one off sources of funding including the use of one off Government funding or reviewing and releasing earmarked reserves in order to help balance the books each year. Fundamentally the Council has been consistently managing with an underlying funding deficit for the costs of the services it provides and whilst this has been managed on a temporary basis, it is fundamental that the Council can now start to move forward to address the funding shortfall and move to a sustainable budget. Planning for this can only be achieved once the outcome of the Fair Funding Review and Business Rate Retention Scheme is announced so that the Council can evaluate the true scale of the problem that needs to be addressed in the future.

3.1 Core Government Funding

The Government provides a number of Core Funding grants which form part of the Council's Local Government Funding Settlement each year. It should be noted that a number of these core grants cannot be considered as an ongoing grant, as the Council will need to await confirmation from the Government of the Fair Funding Review to determine which of these grants will continue in their current format or which will be subsumed into the new calculation of funding based on the Fair Funding formula.

For 2021/22 the following core grants will be received:

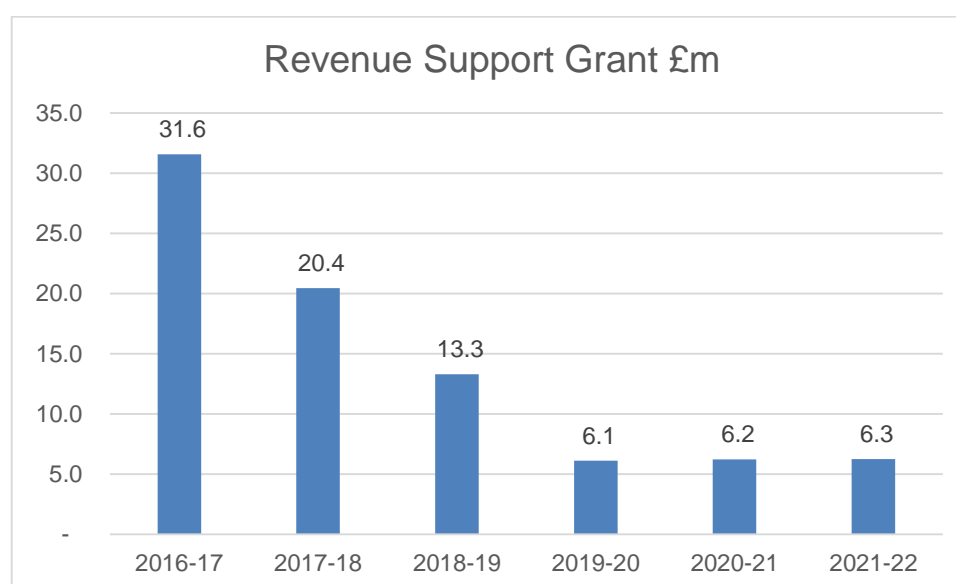
Core Grants:	£
Revenue Support Grant	6,253,139
Improved Better Care Fund	9,547,340
New Homes Bonus	5,942,770
Rural Services Delivery Grant	6,940,755
Social Care Grant	9,111,921
TOTAL CORE FUNDING	37,795,925

Revenue Support Grant

The Provisional Local Government Finance Settlement for 2021-22 saw a roll forward of the main funding streams as the government deferred the introduction of Fairer Funding with the aim of maintaining stability during the ongoing pandemic. The level of Revenue Support Grant received therefore has increased marginally from the level received in 2020/21 (0.55%).

As can be demonstrated from Figure 10 below, the level of Revenue Support grant received over the last six years has reduced significantly from £31.6m to £6.3m, a reduction of 80%.

Figure 10: Revenue Support Grant Levels



FUTURE REVENUE RESOURCES

Improved Better Care Fund

The Improved Better Care Fund was introduced in the 2015 Spending Review and can be spent on 3 purposes:

- Meeting adult social care needs
- Reducing pressures on the NHS, including supporting more people to be discharged from hospital when they are ready
- Ensuring that the local social care provider market is supported.

The Government announced that for 2021/22, allocations of Improved Better Care Fund would again be cash flat from the levels paid in the previous year.

New Homes Bonus

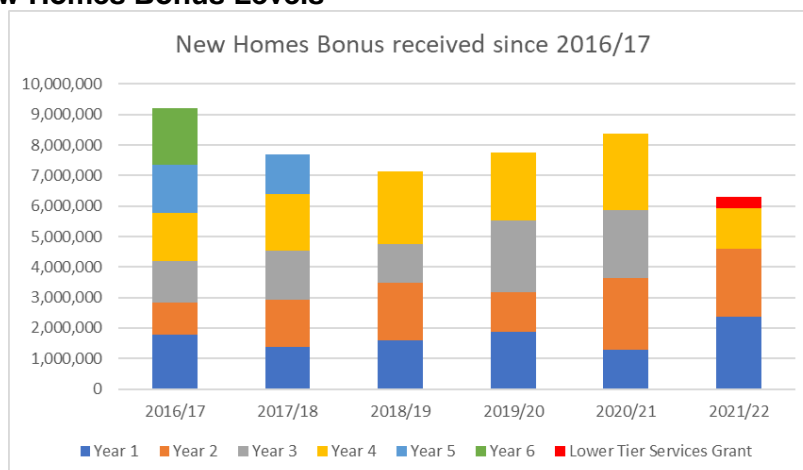
The New Homes Bonus was introduced by the Coalition Government with the aim of encouraging local authorities to grant planning permissions for the building of new houses in return for additional revenue. Under the scheme, the Government initially matched the Council Tax raised on each new home built or long term empty homes brought back into use for a period of 6 years. In 2017/18 the Government reduced this funding to 5 years, and then subsequently to 4 years from 2018/19 to 2020/21

New homes bonus payments have reduced by £285m nationally in 2021-22 in what the government has said will be the scheme's "final" year, but district and unitary councils have benefitted from a new £111m lower tier services grant. For Shropshire this new grant does not compensate for the reduction in NHB.

The New Homes bonus scheme was due to cease with the planned introduction of the fair funding review in April 2020, but it has been extended twice as the fair funding review has been postponed.

Shropshire Council has generally received good levels of New Homes Bonus due to the levels of housing development in Shropshire over a number of years and as demonstrated from the graph below, the level paid each year has increased due to the volume of new houses being built in the area. A contribution of £5m of the total New Homes Bonus is assumed within the Council's base budget, therefore if this funding is removed in future years, there will be an immediate need to find compensatory savings for this amount.

Figure 11: New Homes Bonus Levels



Rural Services Delivery Grant

The Rural Services Delivery Grant had previously been incorporated within the Revenue Support Grant in order to recognise the additional costs of delivering services in sparsely populated areas. In 2016/17 this funding was presented as a standalone grant in order that any proposed uplifts in the funding would not be affected by the new allocation model for revenue support grant. The grant is allocated based on sparsity rather than other measures of rurality and Shropshire Council has received an allocation of grant ever since this was introduced.

For 2021/22, the Government has slightly increased the Rural Services Delivery Grant compared to the level paid in 2020/21.

It is anticipated that this grant will no longer be paid in its current form in future years as the Fair Funding Review aims to include sparsity as one of the main cost drivers to determine how funding is distributed.

Social Care Grant

In the Spending Round for 2020, the Government announced once again that the Government would provide an additional £1billion towards the costs of adult and children's social care. This funding would then be in addition to existing social care grants that have been paid in 2020/21 and in addition to the Adult Social Care Precept of 3%.

Allocations of this funding have been determined predominantly according to the adult social care Relative Needs Assessment, and the Government have not prescribed how much should be used towards Adult Social Care or Children's Social Care.

Shropshire Council have therefore received £1.2m of new funding in addition to £7.9m of 2020/21 Social Care Support Grant.

3.2 Council Tax

The Council collects the Council Tax for Shropshire Council, Shropshire & Wrekin Fire Authority, West Mercia Police and Crime Commissioner and for the Parish and Town Councils in Shropshire. Therefore the Council Tax Resolution that Full Council are required to approve in February of each year will detail all of these elements in agreeing the Council Tax Band levels to be charged in each Parish or Town Council area.

In December 2020, the Council approved the Council Tax Taxbase for 2021/22 which calculates the number of Band D equivalent properties by which to levy Council tax on. For 2021/22, the Council Tax Taxbase is 113,668.99 Band D equivalents which was an increase of 0.12% from the 2020/21 level.

The Council is responsible for determining the level of Council Tax to be precepted each year, however the Government does state that there are specific referendum principles that will apply to local authorities in order to try and deter Council's from raising Council tax levels significantly. The threshold for local authorities is 2% for 2021/22 which means that if any Council declares an increase in Council Tax of 2% or more, the authority are required to hold a referendum in their local area to determine whether the taxpayers believe the increase to be excessive.

For 2021/22 Shropshire Council is proposing a 1.99% increase to Council Tax. This generates an additional £3.3m for the Council.

Since 2016/17, the Government has allowed councils that provide social care to increase their share of Council tax by charging an additional adult social care precept to help fund growing pressures within this essential service area. The Government stipulate that budgets for Adult Social Care must increase by at least the amount that the Adult Social Care Precept generates, allowing for levels of efficiency savings which could be expected within such service areas.

The Government stipulates as part of the Local Government Finance Settlement the percentage increase that is permitted for the Adult Social Care Precept before a referendum of the local electorate is required. For 2021/22 the permitted maximum percentage increase as prescribed by the Government is 3% as the government have allowed 1% of the 22/23 permitted amount to be brought forward. Shropshire Council's budget assumptions include a 3% increase to the precept for this purpose.

The total proposed increase in Council tax is therefore 4.99% for 2021/22 (1.99% for Council Tax, 3% for Adult Social Care Precept) and this generates the following Council tax precept for a Band D:

2020/21 Band D	£1,443.62
Core Council Tax Increase (1.99%)	£28.73
Adult Social Care Precept (3%)	£43.31
2021/21 Band D	£1,515.66

FUTURE REVENUE RESOURCES

When this Band D figure is used against the Council Tax taxbase, this generates total council tax of £172,313,855 which represents 30% of the Council's total gross budgeted funding for 2021/22.

In future years, assumptions have been made that Council tax increases will remain at 1.99% and that the Social Care Precept will drop to 1% in 22/23 rising back to 2% thereafter.

As the Council collects Council tax from taxpayers, it is required by statute to administer Council Tax within a separate account which is known as the Collection Fund. Each year the Council will pay into the Collection Fund all council tax receipts it receives from taxpayers less any discounts or exemptions that are due, and then receives the budgeted precept from the Collection Fund. When setting the Council Tax taxbase the Council assumes a percentage collection rate for Council tax as it is not always possible to collect 100% of income for a number of reasons. For 2021/22, Shropshire Council has assumed a 97.7% collection rate which is based on previous actual collection rates achieved. If the Council manages to overachieve this collection rate, or new houses are built over and above the budgeted increase in the taxbase, then the Collection Fund generates a surplus in the year. Clearly, there is an opposite effect if Council Tax is overestimated.

Each year a calculation is performed to establish what the anticipated Collection Fund surplus or deficit is and this is then distributed to the main precepting bodies in the following financial year i.e. Shropshire Council, Shropshire & Wrekin Fire Authority and West Mercia Police and Crime Commissioner.

The collection rate only assumes the collection of current year debts, but action can be taken by the Council to recover any uncollected debts from previous years which would deliver a surplus in the collection fund. To demonstrate the action taken to recover old debts, in 2019/20 the outstanding debt at the year end was £13.776m however 9 months later the equivalent debt stood at £11.362m, thereby delivering a further £2.4m into the collection fund.

For 2020/21, the estimated Council Tax collection fund deficit is £0.886m as calculated at 15th January 2021. This is comprised of an in year estimated deficit of £0.341m and a deficit of £0.545m from the previous year's actual Council Tax Collection Fund. The estimated deficit on the Council Tax Collection Fund is due to the impact of Covid-19.

As a result of the impact of Covid-19 on the Collection Fund Central Government announced that authorities would be allowed to spread the in year estimated deficit on the 2020/21 Collection Fund over three years, 2021/22 to 2023/24. Therefore, the in year estimated deficit of £0.341m will be phased giving an estimated deficit of £0.114m to be accounted for each year. After accounting for the phasing of the deficit over three years the adjusted estimated Collection Fund deficit for Council Tax is £0.659m.

The year end estimated surplus is distributed to the major precepting authorities in proportion to the current year demands and precepts on the Collection Fund. The percentages are likely to change each year due to different inflationary adjustments being applied by the major precepting authorities.

3.3 Business Rates

Business rates are collected from local businesses by Shropshire Council and are distributed to the parties detailed below in the following proportions:

Shropshire Council	49%
Shropshire & Wrekin Fire Authority	1%
Central Government	50%

The rateable value of business properties is established by the Valuation Office and this determines the level of business rates to be paid.

The forecast of the Non-Domestic Rates Collection Fund Balance for the year ending 31st March 2021 shows a forecast deficit of £43.606m based on figures as at 31st January 2021. This is comprised of an in year estimated deficit of £43.978m and a surplus of £0.372m due to a difference in the previous year's estimated surplus to the actual surplus.

The forecast deficit on the Non-Domestic Rates Collection Fund is attributable to the additional reliefs awarded to businesses in response to the coronavirus pandemic. Central Government will provide s31 grant funding to billing and precepting authorities to compensate for this reduction in funding.

As a result of the impact of Covid-19 on the Collection Fund Central Government announced that authorities would be allowed to spread the in year estimated deficit on the 2020/21 Collection Fund over three years, 2021/22 to 2023/24. For Business Rates the amount which can be spread is adjusted by the amount that is due to be received as s31 grants to compensate for the additional reliefs awarded. This gives a revised in year estimated deficit of £1.030m to be spread over 3 years giving an estimated deficit of £0.343m to be accounted for each year. After accounting for the phasing of the deficit over three years the adjusted estimated Collection Fund deficit for Business Rates is £42.920m.

The Council also benefits from the collection of business rates from renewable energy projects such as solar and wind farms and anaerobic digesters in Shropshire. The rates collected from these are allowed to be retained fully by Shropshire Council and therefore are not distributed via the percentage listed above for standard business rates.

In 2019/20 and 2020/21 income from Renewable Energy Schemes (RES) was £0.910m and £1.095m respectively. The 2020/21 Business Rates Collection Fund estimate includes a total of £0.373m to be retained in full by Shropshire Council as the billing authority. This is comprised of an in year estimated surplus of £0.135m and a surplus of £0.238m due to a difference in the previous year's estimated surplus to the actual surplus.

The Government also pays over a top up grant to the Council in respect of Business Rates. This represents the difference between the Council's business rates baseline (which is the amount that is expected to be collected through the local share of business rates) and its baseline funding level (which the government determines through its funding formulae for Local Government). The total of top up grants is neutral across the whole of the sector and some authorities have to pay a tariff rather than receive a top up grant. For 2021/22 Shropshire Council is receiving a top up grant of £10.03m.

FUTURE REVENUE RESOURCES

As the Council collects Business Rates from local businesses, it is required by statute to administer Business Rates within a separate account which is known as the Collection Fund. Each year the Council will pay into the Collection Fund all business rate receipts it receives from taxpayers less any valuation appeals that reduce the level of income due, and then receives the budgeted precept from the Collection Fund. The Council will again benefit in year from any new businesses coming into the county during the course of the year and changes to rateable values that may take place and so in this situation may generate a surplus in the Collection Fund. Alternatively, if businesses leave during the year, then or we have to write off more bad debts than anticipated, we may have a deficit for the year.

Each year a calculation is performed to establish what the anticipated Collection Fund surplus or deficit will be and this is then distributed to the main precepting bodies in the following financial year i.e. Shropshire Council, Shropshire & Wrekin Fire Authority and Central Government.

3.4 Non – Core Government Funding

The Government provides a number of non-core government grants towards the costs of services. These are generally in relation to specific services and so will have specific conditions attached to them, however there may be some grants paid over that are without specific ringfences against them.

The most significant examples of non-core government grants are :

- Dedicated Schools Grant
- PFI Credits
- Public Health Grant
- Pupil Premium Grant
- Rent Allowance Subsidy for Housing Benefits
- Rent Rebates
- Business Rate Retention Scheme (Section 31 grant to compensate for various reliefs given to businesses)

The value paid in these grants is determined each individual year therefore it is not possible to predict with any accuracy the future grant levels for these. The Council sets ringfenced expenditure budgets to match these non-core government grants, therefore any reduction in funding experienced will be matched by an equivalent reduction in the expenditure that the grant relates to. Significant assumptions are the continuation of the ILF and Public Health Grant funding into 2021/22. If these are not forthcoming for 2021/22 it will be not be possible to stop all expenditure quickly enough or at all to meet the cost of the cessation of the grant.

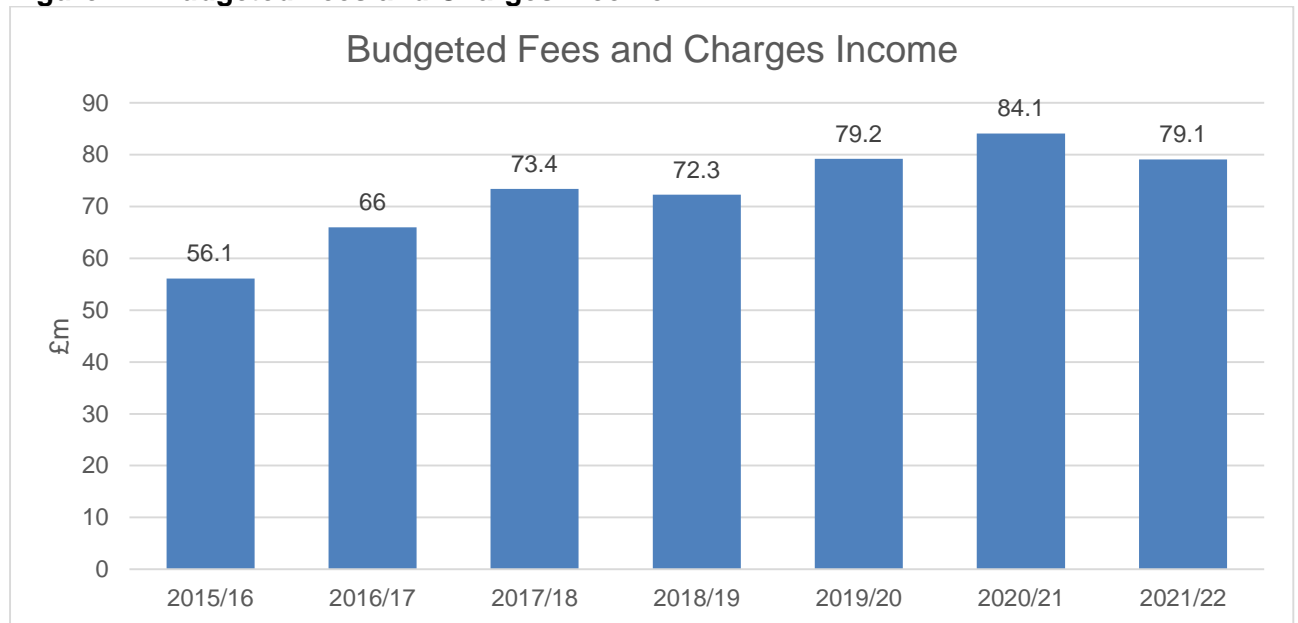
The total budgeted non-core government grants for 2021/22 is £196.934m.

In 2020/21 the Council has received in excess of £200m of grant funding in relation to COVID-19. Some of this is to passport through to third parties such as businesses and the care sector. A small proportion of this funding will be available to carry forward to apply to expenditure beyond the 31st March 2021. This is a developing situation and the Quarterly revenue monitor will provide in year updates in this area as necessary.

3.5 Fees and Charges

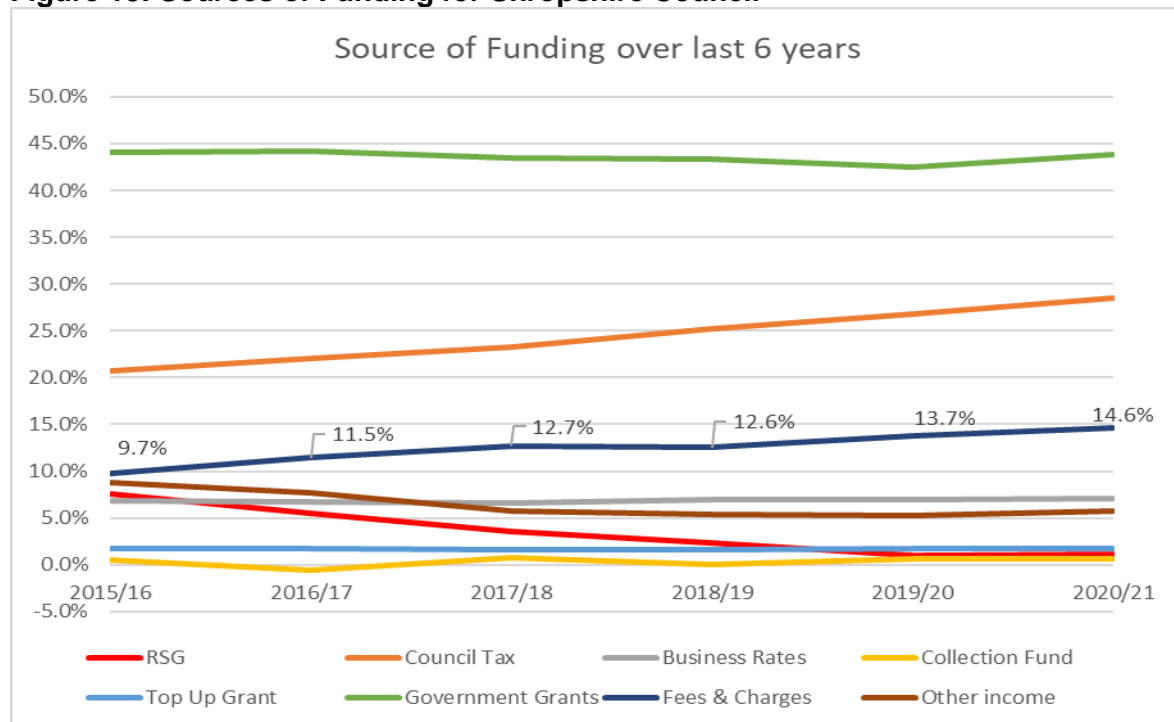
The Council also generates income to fund services by charging for services that it provides. This has increased over the last six years and has become an important and an increased proportion of the council's total income as demonstrated in the charts below. This has been necessary due to the reduction in Revenue Support Grant by the Government over the same period.

Figure 12: Budgeted Fees and Charges Income



**NB: c£4m Shire Services Shropshire Schools income recategorised as internal income rather than Fees & Charges for 2021/22*

Figure 13: Sources of Funding for Shropshire Council



FUTURE REVENUE RESOURCES

The Council has the power to charge for some services under various legislation. The Local Government Act 2003 provides clarity over charging powers and is clear that a local authority can charge for discretionary services on the basis of recovering the full costs of providing the service but that it should not make a profit year on year. The same Act also covers local authority's power to trade whereby a profit/surplus can be made as long as trading is carried out through a company.

A significant proportion of the total income achieved through fees and charges is based on statutory income, where the Government prescribe the level of fees to be charged. The remainder is achieved through discretionary fees and other income and Full Council approve the fees and charges to be applied for the coming financial year each February.

For 2021/22 the total budgeted income from fees and charges is £79.1m.

FUTURE REVENUE RESOURCES

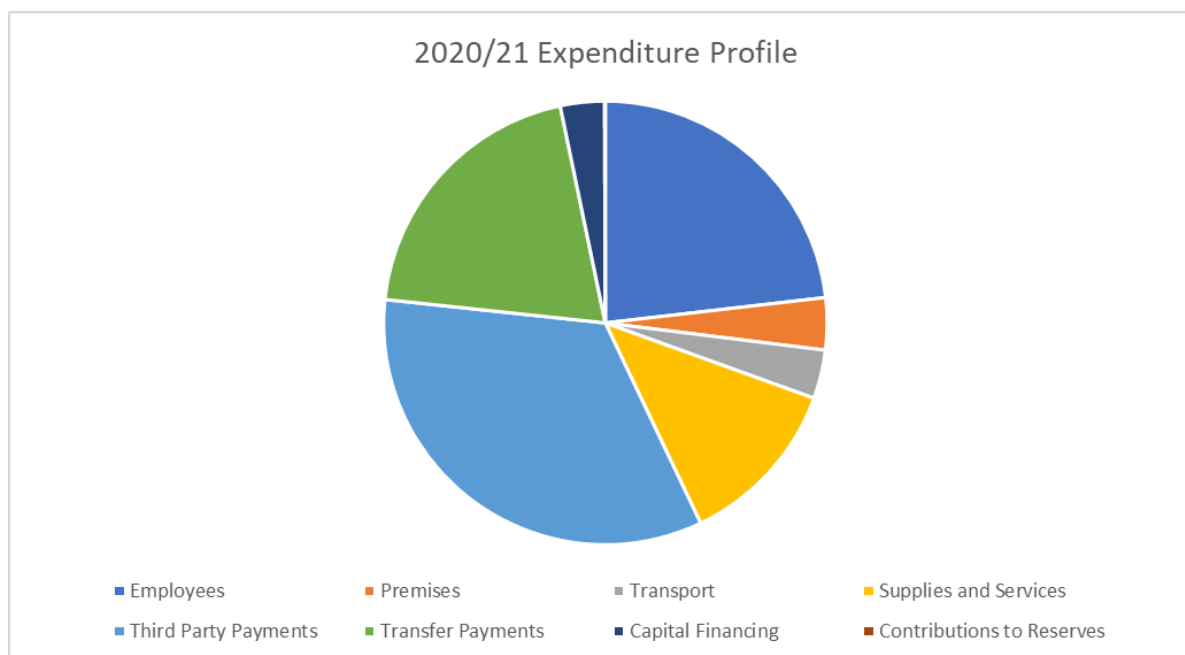
3.6 Total Funding

	2021/22 £	2022/23 £	2023/24 £	2024/25 £	2025/26 £
Council Tax	172,313,855	179,240,902	187,368,826	196,155,334	205,354,199
Business Rates:					
Business Rates Collected	42,037,503	42,279,377	42,766,224	43,430,490	44,105,074
Business Rates - Energy Renewable Schemes	1,035,710	1,000,000	1,000,000	1,000,000	1,000,000
Top Up Grant	10,031,260	10,031,260	10,031,260	10,031,260	10,031,260
RSG	6,253,139	4,168,759	2,084,380	0	0
Collection Fund:					
Council Tax	-542,268	-93,463	-93,463	500,000	500,000
Business Rates	-20,840,717	-168,114	-168,114	-500,000	-500,000
NET BUDGET	210,288,481	236,458,721	242,989,113	250,617,084	260,490,533
Grants included in Core Funding:					
Improved Better Care Fund	9,547,340	0	0	0	0
New Homes Bonus	5,942,770	2,227,140	0	0	0
Rural Services Delivery Grant	6,940,755	0	0	0	0
Social Care Support Grant	9,111,921	0	0	0	0
CORE FUNDING	241,831,267	238,685,861	242,989,113	250,617,084	260,490,533
Local Income					
Fees and charges (including income savings deliverable from prior years)	79,242,220	81,393,935	83,295,799	85,197,663	85,197,663
Other Grants and contributions	27,794,890	27,794,890	27,794,890	27,794,890	27,794,890
Specific Grants (excluding Core Funding Grants above)	196,885,397	178,977,111	178,929,991	183,544,133	183,511,873
Internal Recharges	10,205,830	10,205,830	10,205,830	10,205,830	10,205,830
TOTAL FUNDING	555,959,604	537,057,627	543,215,623	557,359,600	567,200,789

EXPENDITURE PRESSURES

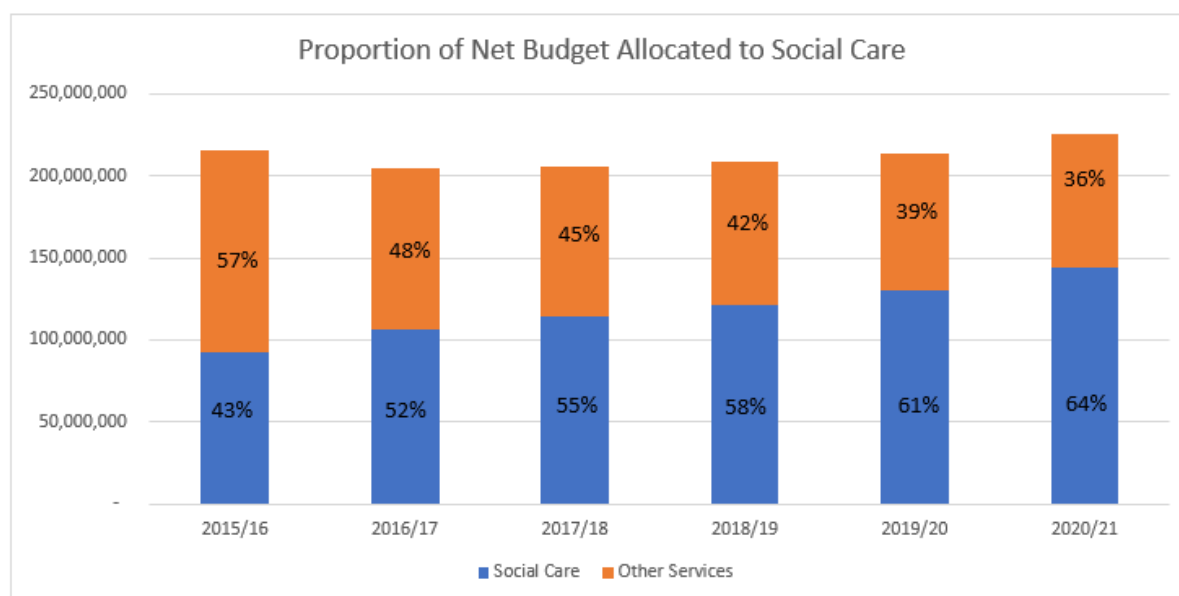
4.1 Profile of Council's Expenditure

The Council's net revenue budget in 2020/21 is £225.522m and is spent in the following areas.



As the number of older people in Shropshire increases, and the complexity of care needs increase, the proportion of the Council's budget that is spent on adult social care grows. In 2020/21, 64% of the Council's net budget will be spent on Social Care.

Figure 14: 2020/21 Net Budget



As outlined earlier in the strategy, the proportion of spend on social care is increasing year on year, within Children's Social Care costs increasing alongside the well documented increase in Adults Social Care.

4.2 Demographic Pressures

The main budgetary pressure that the Council experiences is due to demographic increases. The two most significant areas of growth are within Adult Social Care and Children's Social Care.

In 2020/21 at Q2 the committed expenditure for the Adult Social Care Purchasing budget has remained within the growth allocation for the year. It should be noted however, that the with ongoing COVID-19 pandemic forecasting the purchasing pressure is particularly difficult and the long term impact is yet to be understood. Revised growth modelling for future years outlines that care costs will increase by £6.9m in 2020/21. This is partially offset by increased care contributions.

The numbers of looked after children and particularly the complexity of need is also providing a demographic pressure in 2020/21 with £8.4m of additional costs projected in 2021/22. This pressure has been exacerbated by the ongoing pandemic which has seen increasing numbers of children coming into social care, this leads to other additional costs including additional social workers required to support the looked after children and increasing legal and court costs relating to legal cases of looked after children. The pressure element which is estimated to relate to COVID-19 as been assumed to be funded nationally so this has not be factored into future growth assumptions.

Total demographic pressures for 2021/22 are £15.5m.

Projections of growth are anticipated over the next three years of the financial strategy, with Adult Social Care and Children's Social Care being the two main areas of growth anticipated.

4.3 Inflation

The Council is subject to inflationary pressure like any other organisation or individual and therefore needs to build in inflationary cost increases to expenditure each year within the budget.

The Council employs approximately 4,900 full time equivalent members of staff and so inflationary increases in pay is one of the key elements of inflation to be included. The majority of staff pay is linked to the National Joint Council rates, or if not this body then other recognised pay bodies, and so the inflationary pay award is negotiated nationally, which the Council then implements. The Council has assumed a 2% increase for 2021/22 (£2.7m) and maintained this increase at 2% for the next five financial years. Government has suggested that for 2021/22 pay awards in the public sector could be limited just to those on the lower pay ranges. If this is the case then this funding will be decommitted.

The Council pays out a significant proportion of funds to various organisations, for example to Adult Social Care Providers, the Council's Waste Collection and Disposal Contractor or the Highways Maintenance contractor. These contracts will generally have inflation built into them. In addition, the council will also be subject to price increases in energy or petrol prices. The total cost of both of these elements is £1.3m.

The other element of inflation relates to the Council's contribution towards the pension scheme for employees. The pension scheme is subject to a three year actuarial valuation which calculates the level of funding within the pension scheme and establishes the recommended contribution rate that should be paid by the Council. The last actuarial valuation has been undertaken in 2019, and this has established a different contribution rate to be paid from 2020/21 for the next 3 years. Due to a good valuation result in that the level of funding within the scheme has increased from an 84% level to a 93% level, the pension contribution for the Council has reduced for the next 3 years.

EXPENDITURE PRESSURES

4.4 Service Specific and Local Generated Pressures

In addition to demographic growth, during the budget setting process a number of other growth items will be identified as necessary expenditure either due to budgetary pressures identified in the 2021/22 financial year, that are anticipated to be ongoing, or to provide for investment budgets that will help transform services to deliver budgetary savings in the future.

A total of £5.747m has been added into the budget for service specific pressures. A split of the main items included within this total is provided in table 3 below:

Table 3: Service Specific Pressures 2021/22

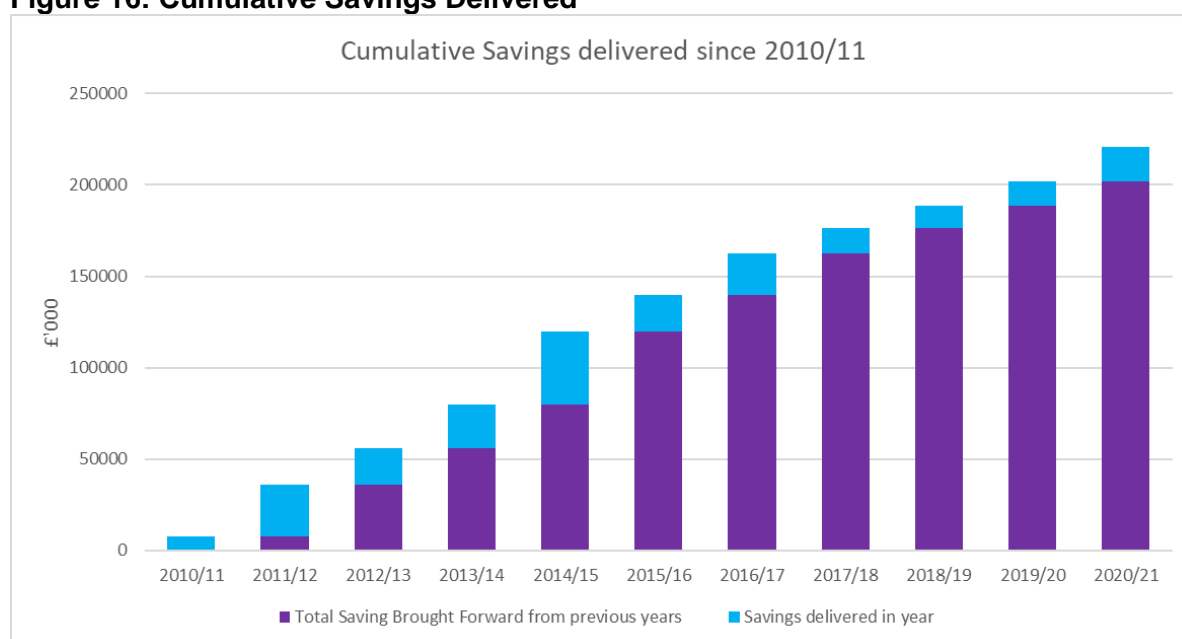
		2021/22 £
Loss of Income	<i>Cuts in DSG, Reductions in interest rates, downturn in economic climate.</i>	1,375,780
Staffing Resource	<i>Social Worker and EDT support to meet growing demand in Childrens Services and Compliance & Enforcement roles within Place.</i>	2,311,426
New IT Requirements	<i>Home working provision for Members</i>	20,000
Service Pressures	<i>Highways and Leisure Services requirements</i>	383,000
Removal of one off expenditure budget		1,657,200
Service Specific Pressures		5,747,406

There are a number of changes that have been included within the Local Generated Pressures section of the budget build up and in the main these reflect the unwinding of one-off commitments made in previous years.

4.5 Savings Plans

The Council has been required to deliver significant savings year after year during the period of austerity. Prior to austerity the budget was generally subject to finding efficiency savings each year to balance the budget, however austerity introduced a new level of savings to be found by all local authorities. As a result it has not been possible to continue to “salami slice” budgets, instead the Council has had to look at transformational ways of delivering its services, scaling back non-statutory services and delivering new income in order to deliver the savings necessary to balance the books. In addition to government funding cutbacks, the Council has also been faced with increasing costs as outlined within Demography Pressures, and this has forced the Council to deliver further savings over and above those dictated by the funding changes.

Figure 16: Cumulative Savings Delivered



A five year savings plan was put in place in 2018/19 which comes to and end in 2022/23. A proportion of savings planned for 2021/22 have been removed from the budget strategy due to concerns over the ability to deliver them. This was set out in the December 2020 Medium Term Financial Strategy.

The total new savings to be delivered for 2021/22 is £3.850m and the split by Directorate is shown in the table 4 below:

EXPENDITURE PRESSURES

Table 4: New Savings 21/22

2021/22 New Savings

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

As well as delivering the new savings listed above Directorates will be working to deliver the savings shown in Table 5 from previous years which have not yet been delivered on an ongoing basis.

EXPENDITURE PRESSURES

Table 5: Brought Forward Savings Targets from Previous Years

2021/22 Savings targets from previous years to be delivered on an ongoing basis

Directorate	Reference	Description	Value £
Adult Services	3A43	Purchasing review to include high cost packages and spot bed prices	789,760
Adult Services	3A42	Additional CHC funding	450,000
Adult Services	3A41	Review of block contracting arrangements	376,440
Adult Services	3A44	Review of ring fenced Public Health services	150,000
Adult Services	2A03	External income generation	100,000
Adult Services	2A28	Public Health services training income	10,000
Corporate Budgets	3F10	MRP base budget reduction	1,943,000
Place	P59	Increased income generation within Highways	900,000
Place	3P70	Increase income within Planning Services	300,000
Place	3P71	Efficiencies within administrative buildings	200,000
Place	P39*	Raise income from investment in assets	200,000
Place	3P72	Increased installation and use of solar panels	100,000
Place	3P73	Increased income for Streetworks team	100,000
Place	3P74	LED street lighting	100,000
Place	P41	Negotiate contract savings upon renewal, through better contract management	95,000
Place	P41	Negotiate contract savings upon renewal, through better contract management	92,320
Place	P41	Negotiate contract savings upon renewal, through better contract management	63,970
Place	P78	Additional income Fleet Management	52,000
			6,022,490

With the revision of the savings targets comes modifications to the investment budgets required to deliver them. This has resulted in a decommitment of £2.035m on an ongoing basis.

EXPENDITURE PRESSURES

4.6 Total Expenditure

	2021/22 £	2022/23 £	2023/24 £	2024/25 £	2025/26 £
Original Gross Budget Requirement	605,526,937	615,491,946	580,332,244	593,725,475	614,294,258
Inflationary Growth :					
Pay	2,743,338	2,819,197	2,897,208	2,977,435	3,059,884
Prices	1,309,682	2,100,460	2,020,987	2,020,987	2,020,987
Pensions	0	0	0	0	0
Demography & Demand	15,502,496	10,327,700	10,529,916	10,736,840	10,948,590
Service Specific Pressures	5,747,406	91,224	219,379	219,379	219,379
Local Generated Pressures:					
Elections	740,000	-740,000			740,000
Specific Grants Changes between years	-4,656,067	-47,013,642	-2,274,260	4,614,142	-32,260
One off investment in IT infrastructure	-1,101,130				
Estimated Cost of Investment - <i>Approved</i>	-2,035,000	1,760,000	0	0	0
Invest to Save Fund for delivery of future savings	-5,250,000				
Energy Renewable Schemes	75,710	-35710			
Adjustment to Gross budget offset by Income changes	-912,116				
Savings					
<i>Savings from prior years- 2018/19 - Approved</i>	-3,850,000	-4,468,930	0	0	0
<i>Remove 2020/21 Unachievable savings</i>	1,650,690	0	0	0	0
TOTAL EXPENDITURE	615,491,946	580,332,244	593,725,475	614,294,258	631,250,838

5.1 Funding Gap and Temporary Solutions

The proposed expenditure plans for 2021/22 of £615.492m exceeds the total funding anticipated of £555.950m, leaving a funding gap to be resolved. This funding gap is increased in 2021/22 on a 'one-off' basis due to a reliance on additional Covid-19 grants. It is anticipated that the structural funding gap will increase each year over the five year period to 2025/26 unless additional funding or ongoing savings can be identified.

Table 6: Funding Gap

	2021/22 £	2022/23 £	2023/24 £	2024/25 £	2025/26 £
Resources	555,959,604	537,057,627	543,215,623	557,359,600	567,200,789
Expenditure	615,491,946	580,332,244	593,725,475	614,294,258	631,250,838
Gap in year (incl one off 2020 Collection Fund Deficit)	59,532,342	43,274,617	50,509,852	56,934,658	64,050,050

The Council is required by law to set a balanced budget each year, and therefore the Council is planning to bridge this gap by using one off grants from the government.

The Council has also been building up a Financial Strategy Reserve (£21m) in order to build up funds to assist with any potential funding shortfall that may occur when the Fair Funding Review is implemented. For 2021/22 it is intended that £11.9m of this reserve will be drawn down.

Table 7: Balancing off the Funding Gap

One Off Funding to be used:					
Financial Strategy Reserve					
One off Grants:					
Improved Better Care Funding	9,547,340	0	0	0	0
New Homes Bonus - One Off	942,766	-2,772,861	-5,000,000	0	0
Rural Services Delivery grant	6,940,755	0	0	0	0
Social Care Funding - One Off	9,111,921	0	0	0	0
S.31 Business Rates Additional Relief					
Grants for COVID	21,110,783				
Financial Strategy Reserve	11,878,777	9,120,086			
TOTAL ONE OFF FUNDING	59,532,342	6,347,225	-5,000,000	0	0
Remaining Gap to be Funded	0	36,927,392	55,509,852	56,934,658	64,050,050

As demonstrated in the table above, the proposed temporary solutions resolve the funding gap for 2021/22, however a funding gap remains for future years.

5.2 Plan for a Sustainable Budget

The 2022/23 to 2025/26 financial years within the Financial Strategy assume that the Government will complete the Fair Funding Review and the implications of this will be experienced during these years. It is difficult at this stage to predict with any accuracy as to what the implications will be for Shropshire Council however it is currently assumed that one off sources of funding such as the Rural Services Delivery Grant, Improved Better Care Fund and New Homes Bonus will be removed in future years. With growth in services such as social care anticipated to continue to grow as per current demography, this results in an underlying Funding gap of £46.0m in 2022/23 growing to £64.0m in 2025/26.

The Council has been building up a Financial Strategy Reserve in order to provide the Council with some resilience to the impact that Fair Funding may have on the Council's budget and it is anticipated that this will have been fully released in 2022/23. In the meantime the Council will continue to make representations to Government that the funding for Social Care has not been sufficient for a number of years and this needs to be addressed in the Funding Review. The outcome of the Fair Funding Review will give the Council a more accurate picture of the funding gap that needs to be addressed.

6.1 General Fund Balance

The Council holds a number of reserves in order to provide funds either for a specific planned purpose, or to provide a contingency fund in case of any financial issues arising in year.

The General Fund Balance is the reserve held by the Council for general purposes, i.e. against which there are no specific commitments. That said it is prudent and sensible for these sums to be treated as a contingency to protect the Council's financial standing should there be any unplanned liabilities arising in the year.

On an annual basis the Council considers the level of reserves held, including the General Fund Balance, to assess whether they are adequate. There are two main approaches for deciding the optimum level of the general balances. One method is to set an arbitrary percentage of expenditure, however this generally has little reflection of the potential contingencies that the Council may need to draw on. An alternative, preferable, method is an approach based on a risk assessment of the budget.

The Council uses the risk assessment approach in calculating the proposed level of General Fund Balance to hold. This approach considers strategic, operational and financial risks that the authority is facing. This includes, for example, changes in external funding or the council's ability to deliver savings; the effectiveness of budget monitoring to identify variances from spending plans and trigger timely remedial action; the availability of other funds to cover costs – for example, from an insurance policy, or from the government under the Bellwin Scheme for emergency financial assistance; and the extent to which contingency is built into individual departmental budgets and the council's overall budget.

A framework has been developed to identify areas of risk with an appropriate budget amount, an assessed level of risk (high, medium and low) and a percentage factor which will vary according to the level of risk. This process produces a value from which a risk assessed optimum level of general balance can be created.

There are six main areas that the General Fund Balance is required to cover and the individual risks within these areas have been considered.

- Treatment of inflation and interest rates
- Level and timing of capital receipts
- Treatment of demand led pressures
- Treatment of efficiency savings/productivity gains
- Availability of reserves, government grants and other funds to deal with major contingencies and the adequacy of provisions
- General Financial Climate

The risk calculation used to estimate the required General Fund Balance was expanded in 2019/20 to take account of risks associated with Brexit. The UK left the European Union in January 2020 with a 12 month period of transition following on and ending on 31 December 2020. The impact of Brexit remains uncertain there is still the potential to see an economic slowdown, impacting on capital receipts generation, construction and a reduction in business rates; increased unemployment and homelessness could reduce discretionary income generation, Council Tax collection and impact on Council Tax Support; across the wider economy general inflation could be impacted and supply chain implications could affect

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contract prices. The financial impact on the Council is difficult to estimate and to untangle for impacts across the wider economy, but has been estimated where possible.

Added to this uncertainty is the impact of the COVID-19 pandemic. Starting in early part of the 2020 calendar year and continuing today the whole of the 20/21 financial year will have been conducted under extraordinary circumstances. The underlying assumptions for the Medium Term Financial Strategy with regards to the pandemic is that any financial impacts will be met by the Government. To date Government has been forthcoming with grants and claim mechanisms to address the economic impact suffered by Local Authorities so far.

It is essential in setting a balanced budget that the Council has money available in the event of unexpected spending pressures. The “balances” need to reflect spending experience and risks to which the Council is exposed.

The revenue monitoring reports have provided members with an updated projection on the General Fund. The most recent monitoring report presented to Cabinet (Q2) forecast an overspend for 2020/21 of £2.8m. This is considered a worst case scenario and would leave the Council with an overspend that falls within the Council’s danger zone. Management action will be taken to address this before the end of the financial year.

Table 8: Projected General Fund Balance for 2020/21		£'000
General Fund Balance as at 31 March 2020		13,510
Q2 Report – Projected Outturn		
Under/(Over)spend		(2,771)
Projected Balance at 31 March 2021		10,739

The risk-based calculation for the General Fund Balance is higher than this value over the course of the 5 year Financial Strategy as shown below:

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Table 9: Risk Based Calculation of General Fund Balance

Calculation of Risk Assessed General Fund Balance																					
2020/21			Budget Assumption		Area of Risk		2021/22			2022/23			2023/24			2024/25			2025/26		
Budget/ Value £000	Risk Level	Risk Assessed General Fund £000					Budget/ Value £000	Risk Level	Risk Assessed General Fund £000	Budget/ Value £000	Risk Level	Risk Assessed General Fund £000	Budget/ Value £000	Risk Level	Risk Assessed General Fund £000	Budget/ Value £000	Risk Level	Risk Assessed General Fund £000	Budget/ Value £000	Risk Level	Risk Assessed General Fund £000
Treatment of inflation and interest rates																					
168,475	0.10%	168	Inflation	Salaries	168,811	0.10%	169	167,719	0.10%	168	166,530	0.10%	167	165,349	0.10%	165	164,177	0.10%	164		
24,777	-0.55%	-137		Premises	23,247	-0.55%	-129	23,097	-1.11%	-256	22,933	-0.55%	-127	22,771	-0.55%	-126	22,609	-0.55%	-125		
18,944	0.93%	175		Transport	18,631	0.93%	172	18,511	0.93%	171	18,380	0.93%	170	18,249	0.93%	169	18,120	0.93%	168		
72,766	0.10%	73		Supplies & Services	77,991	0.10%	78	77,487	0.10%	77	76,937	0.10%	77	76,392	0.10%	76	75,850	0.10%	76		
253,663	0.10%	254		Third Party Payments	246,300	0.10%	246	244,707	0.10%	245	242,972	0.10%	243	241,249	0.10%	241	239,539	0.10%	240		
104,913	0.10%	105		Transfer Payments	96,810	0.10%	97	96,184	0.10%	96	95,502	0.10%	96	94,825	0.10%	95	94,153	0.10%	94		
643,538	0.20%	1,287		Brexit effect on inflation	631,791	0.20%	1,264	627,703	0.20%	1,255	623,253	0.20%	1,247	618,835	0.20%	1,238	614,448	0.20%	1,229		
85,196	0.00%	0		Pension triennial valuation unaffordable	88,305	0.00%	0	91,529	0.00%	0	93,359	0.00%	0	95,227	1.00%	952	97,131	1.00%	971		
1,925			Total Inflation		1,897			1,756			1,871			2,810			2,816				
254,368	0.00%	0	Interest rates	Existing Borrowing	254,368	0.00%	0	242,368	0.00%	0	242,368	0.00%	0	236,868	0.00%	0	236,868	0.00%	0		
0	0.00%	0		New Borrowing	0	0.00%	0	0	0.00%	0	0	0.00%	0	0	0.00%	0	0	0.00%	0		
4,000	0.50%	20		PWLB	4,000	0.50%	20	12,000	0.50%	60	0	0.50%	0	5,500	0.50%	28	5,500	0.50%	28		
84,706	0.50%	424		Investment	84,706	0.50%	424	84,706	0.50%	424	84,706	0.50%	424	84,706	0.50%	424	84,706	0.50%	424		
444			Total Interest Rates		444			484			424			451			451				
Level and timing of capital receipts																					
-8,896	1.38%	-123	Capital Receipts	Land Sales	9,593	1.38%	132	7,114	1.38%	98	7,114	1.38%	98	0	1.38%	0	0	1.38%	0		
2,915	1.38%	40		Required for new Powers to use for Revenue	2,915	1.38%	40	2,915	1.38%	40	2,915	1.38%	40	2,915	1.38%	40	2,915	1.38%	40		
-8,896	1.00%	-89		Economic slowdown resulting from Brexit	9,593	1.00%	96	7,114	1.00%	71	7,114	1.00%	71	0	1.00%	0	0	1.00%	0		
-171			Total Capital Receipts		269			210			210			40			40				
Treatment of demand led pressures																					
148,256	0.21%	313	Demand Led Pressures	Adult Social Care	154,122	0.21%	325	159,742	0.21%	337	165,794	0.21%	350	172,076	0.21%	363	178,595	0.21%	377		
22,777	10.00%	2,278		Childrens Social Care	31,161	10.00%	3,116	33,615	10.00%	3,362	36,083	10.00%	3,608	38,732	10.00%	3,873	41,575	10.00%	4,158		
				Covid-19 Pressures (unfunded)	500	Quantum	500														
2,590			Total Demand Led Pressures		3,941			3,698			3,958			7.34%		4,236	7.34%		4,534		

Continued ...

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...Continued

Calculation of Risk Assessed General Fund Balance																					
2020/21			Budget Assumption		Area of Risk		2021/22			2022/23			2023/24			2024/25			2025/26		
Budget/ Value £000	Risk Level	Risk Assessed General Fund £000					Budget/ Value £000	Risk Level	Risk Assessed General Fund £000	Budget/ Value £000	Risk Level	Risk Assessed General Fund £000	Budget/ Value £000	Risk Level	Risk Assessed General Fund £000	Budget/ Value £000	Risk Level	Risk Assessed General Fund £000	Budget/ Value £000	Risk Level	Risk Assessed General Fund £000
Treatment of planned efficiency savings/productivity gains																					
18,725 18,725	12.97% 3.94%	2,428 738	Efficiency Savings	19/20 non achievement of savings																	
				19/20 slippage of savings																	
				20/21 non achievement of savings																	
				20/21 slippage of savings																	
				21/22 non achievement of savings		3,850	12.97%	499													
				21/22 slippage of savings		3,850	3.94%	152													
				21/22 funding gap requiring savings		0	0.00%	0													
				22/23 non achievement of savings					4,219	12.97%	547										
				22/23 slippage of savings					4,219	3.94%	166										
				22/23 funding gap requiring savings					37,623	25.00%	9,406										
				23/24 non achievement of savings									4,469	12.97%	579						
				23/24 slippage of savings									4,469	3.94%	176						
				23/24 funding gap requiring savings									55,510	25.00%	13,877						
				24/25 slippage of savings										0	12.97%	0					
				24/25 funding gap requiring savings										0	3.94%	0					
				24/25 funding gap requiring savings										56,935	25.00%	14,234					
				25/26 slippage of savings														0	12.97%	0	
				25/26 funding gap requiring savings														0	3.94%	0	
				25/26 funding gap requiring savings														64,050	25.00%	16,013	
3,166			Total Efficiency Savings		651			10,119			14,633			14,234			16,013				
Availability of reserves, government grants and other funds to deal with major																					
4,213	5.00%	211	Insurance and	Provision	4,213	5.00%	211	4,213	5.00%	211	4,213	5.00%	211	4,213	5.00%	211	4,213	5.00%	211		
3,764	5.00%	188	Emergency	Reserve	3,764	5.00%	188	3,764	5.00%	188	3,764	5.00%	188	3,764	5.00%	188	3,764	5.00%	188		
500	Quantum	500	Planning	ICT Disaster	500	Quantum	500	500	Quantum	500	500	Quantum	500	500	Quantum	500	500	Quantum	500		
500	Quantum	500		Other Incident	500	Quantum	500	500	Quantum	500	500	Quantum	500	500	Quantum	500	500	Quantum	500		
433	Quantum	433		Bellwin	433	Quantum	433	433	Quantum	433	433	Quantum	433	433	Quantum	433	433	Quantum	433		
2,153	10.00%	215		Severe Weather	2,211	10.00%	221	2,271	10.00%	227	2,332	10.00%	233	2,395	10.00%	240	2,460	10.00%	246		
2,047			Total Insurance and Emergency Planning		2,053			2,059			2,065			2,072			2,078				
32,411	5.00%	1,621		Other Government Settlement Changes	31,543	5.00%	1,577	2,227	5.00%	111	0	5.00%	0	0	25.00%	0	0	25.00%	0		
53,384	1.00%	534		Housing Benefits	53,384	1.00%	534	53,384	1.00%	534	53,384	1.00%	534	53,384	1.00%	534	53,384	1.00%	534		
26,261	5.00%	1,313		DSG pressures - High Needs (Now excluded as a GF Risk)	22,881	0.00%	0	22,881	5.00%	1,144	22,881	5.00%	1,144	22,881	5.00%	1,144	22,881	5.00%	1,144		
2,600	5.00%	130		DSG pressures - Academisation	2,791	5.00%	140	2,791	5.00%	140	2,791	5.00%	140	2,791	5.00%	140	2,791	5.00%	140		
244	25.00%	61		Academy School transfer leaving deficit budget	244	25.00%	61	244	25.00%	61	244	25.00%	61	244	25.00%	61	244	25.00%	61		
3,659			Total Funding Changes		2,312			1,990			1,879			1,879			1,879				
General Financial Climate																					
12,885	5.00%	644	General Financial	Debt Collection	13,461	5.00%	673	13,461	5.00%	673	13,461	5.00%	673	13,461	5.00%	673	13,461	5.00%	673		
163,934	0.50%	820	Climate	Council Tax - General risk	172,314	0.25%	431	179,241	0.25%	448	187,369	0.25%	468	196,155	0.25%	490	205,354	0.25%	513		
163,934	1.00%	1,639		Council Tax - Brexit risk	172,314	1.00%	1,723	179,241	0.50%	896	187,369	0.50%	937	196,155	0.50%	981	205,354	0.50%	1,027		
41,689	0.50%	208		Business Rates - General risk	43,073	0.25%	108	43,279	0.25%	108	43,766	0.25%	109	44,430	0.25%	111	45,105	0.25%	113		
41,689	1.00%	417		Business Rates - Brexit risk	43,073	1.00%	431	43,279	0.50%	216	43,766	0.50%	219	44,430	0.50%	222	45,105	0.50%	226		
44,326	0.50%	222		Discretionary Income	41,023	0.50%	205	41,023	2.50%	1,026	41,023	2.50%	1,026	41,023	0.50%	205	41,023	0.50%	205		
44,326	1.00%	443		Discretionary Income - Brexit risk	41,023	1.00%	410	41,023	0.50%	205	41,023	0.50%	205	41,023	0.50%	205	41,023	0.50%	205		
4,393			Total General Financial Climate		3,981			3,573			3,637			2,888			2,962				
225,522	0.50%	1,128	Additional Budget Pressures		210,288	0.50%	1,051	236,459	0.50%	1,182	242,989	0.50%	1,215	250,617	0.50%	1,253	260,491	0.50%	1,302		
SUB TOTAL RISK ASSESSED GENERAL FUND		19,179			16,598			25,071			29,891			29,862			32,075				
		-3,698	Overlap of Brexit and (Funded) C-19 Risk		-4,424			0 0.50% 0			0 0.50% 0			0 0.50% 0			0 0.50% 0				
TOTAL RISK ASSESSED GENERAL FUND		15,482			12,174			25,071			29,891			29,862			32,075				

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Table 10: Comparison of Risk Based Calculation to Projected General Fund

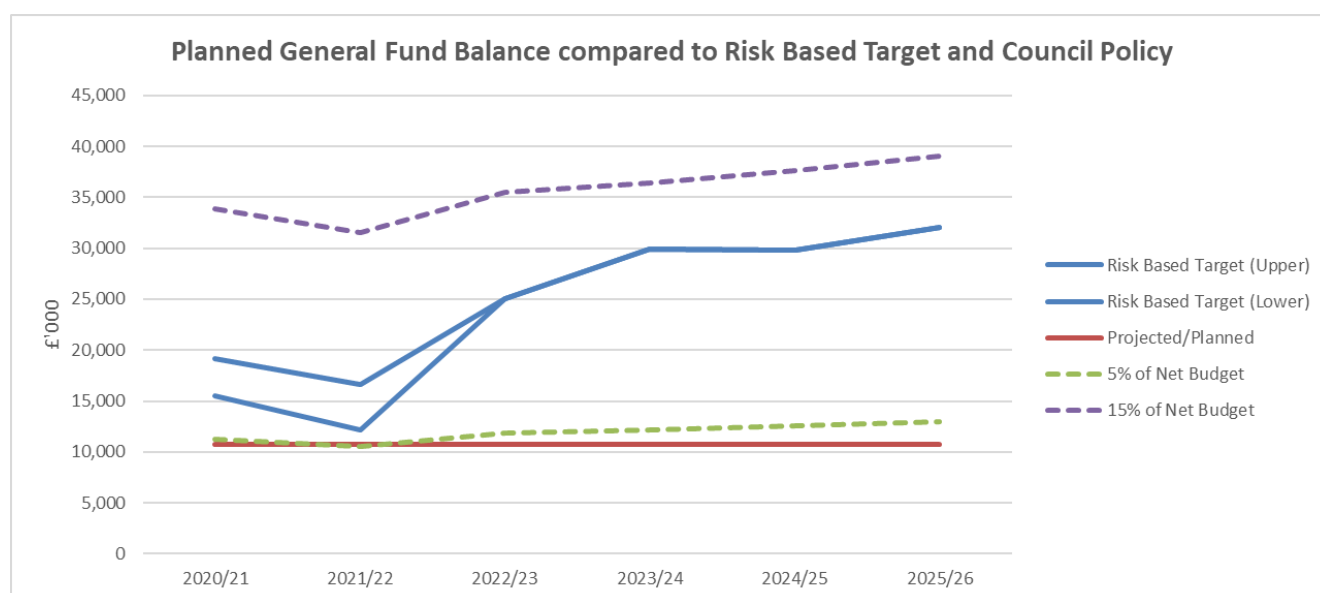
	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000
Risk assessed level of General Fund Balance (upper)	16,598	25,071	29,891	29,862	32,075
Risk assessed level of General Fund Balance (lower)	12,174	25,071	29,891	29,862	32,075
Projected level of General Fund Balance as per Financial Strategy	10,739	10,739	10,739	10,739	10,739

For 2021/22 the risk assessed level of the General Fund Balance has an upper and lower limit applied. This represents the difference between including or removing factors relating to Brexit and COVID-19.

While we have now exited the European Union and a risk remains, it is very difficult to assess whether the financial estimates identified in the calculation are accurate and realistic, and consequently it is unwise to use this element of the calculation as a robust basis for taking action that could have unnecessary and significant financial implications on the wider Council. The same is true for the uncertainty surrounding the COVID-19 pandemic.

Due to the forecast overspend at Q2 2021/22 the General Fund balance is anticipated to fall below the risk assessed level going into next year, however, it is anticipated that management action can bring the current year nearer to balance which would see the General Fund balance sitting within the upper and lower risk assessed range for 2021/22.

Figure 17: General Fund Balance compared to Risk Based Target



Research undertaken by CIPFA show that generally upper tier councils hold a general fund balance of approximately 10% of the net revenue budget. Shropshire Council is projected to

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hold a balance of £10.739m which represents 5% of the Net Revenue Budget. Using the CIPFA research as a basis for agreeing a benchmark to evaluate the level of General Fund Balance held, it is considered appropriate that the balance held should be somewhere between 5% and 15% of their net revenue budget. If this benchmark was implemented, it would be necessary for the General Fund Balance to be between £10.514m and £31.543m in 2021/22. This can be seen as a blunt tool for calculating an appropriate balance to hold, but does give a standard to compare to when considering if the risk calculated approach used by this Council is appropriate. As the graph above shows, in 2020/21 and 2022/23, when funding is stable and earmarked reserves have been established to address funding gaps, the risk assessed level is nearer the lower end of the spectrum. However, as the funding position becomes more uncertain and earmarked reserves such as the Financial Strategy Reserve are no longer available, the risk assessed balance moves to around 12% of the Council's net budget. This would suggest that the current methodology used to calculate an appropriate general fund balance to hold is appropriate.

6.2 Earmarked Reserves

A review of the earmarked balances held by the Council has been performed to establish the purpose of the reserves and the likely timescale that these reserves will be utilised.

Earmarked reserves are created to meet known or predicted requirements in the future. There are 5 main categories of earmarked reserves that the Council holds:

- Sums set aside for major schemes, such as capital developments, or to fund major reorganisations
- Insurance Reserves
- Reserves of trading and business units
- Reserves retained for service departmental use
- School Balances

The Council held balances of £67.993m in earmarked reserves at 31 March 2020 which includes schools budget balances of £4.194m. During the course of 2020/21 it is anticipated that a net £21.938m will be allocated to earmarked reserves to fund commitments in future years. By far the single biggest movement in reserves is the establishment of a £21.1m COVID-19 Collection Fund Reserve to hold the S.31 Business Rate Relief funding provided to manage Business Rates collection fund deficits. This will be fully utilised in 2021/22. Other balances taken forwards include a reserve of £20.999m to fund the known funding gap in 2021/22 and future years. A full breakdown of the earmarked reserves is detailed below including the purpose of each reserve

Table 11: Breakdown of Earmarked Reserves

Reserves		Balance Brought Forward (£'000)	2020/21 Anticipated Movement (£'000)	Balance Carried Forward (£'000)
Sums set aside for major schemes, such as capital developments, or to fund major reorganisations				
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.	5,293	-241	5,053
Development Reserve	Required to fund development projects or training that will deliver efficiency savings.	7,243	-1,645	5,598
Invest to save Reserve	Required to fund invest to save projects in order to deliver the service transformation programme.	3,590	3,995	7,585
		16,126	2,109	18,235
Insurance Reserves				
Fire Liability	Required to meet the cost of excesses on all council properties.	2,553	0	2,553
Motor Insurance	An internally operated self-insurance reserve to meet costs not covered by the Council's Motor Insurance Policy.	1,211	0	1,211
		3,764	0	3,764
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	0
		0	0	0

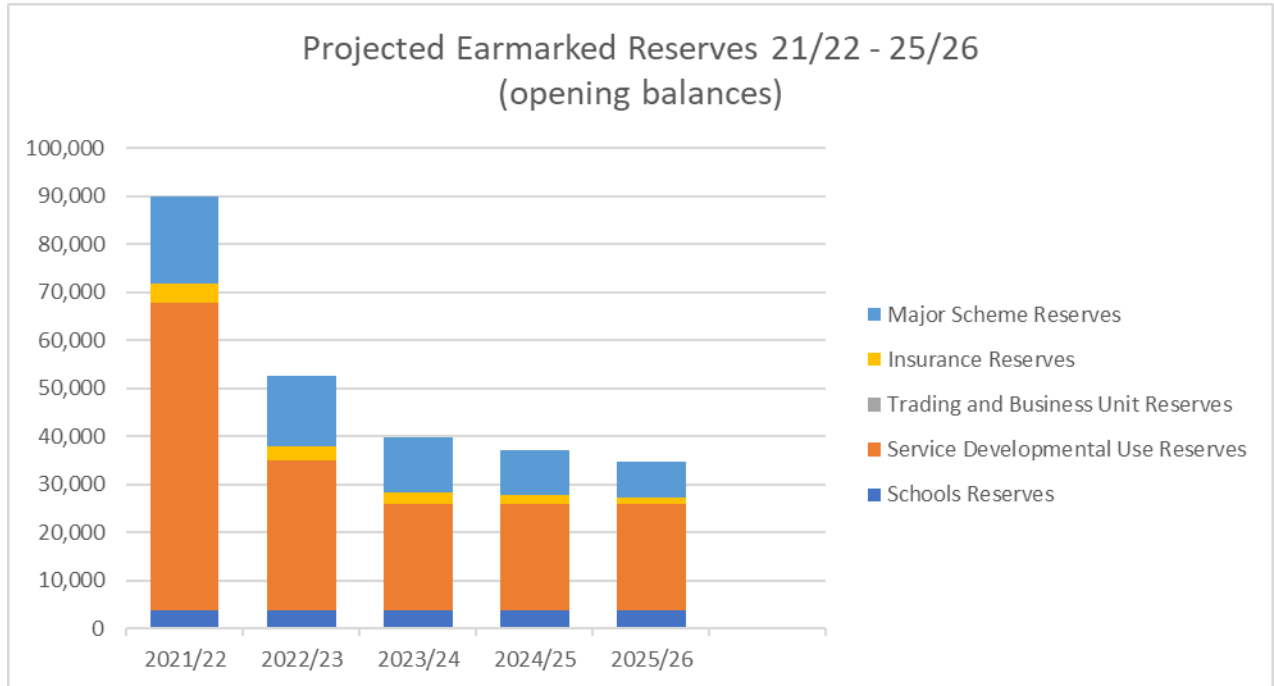
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Reserves		Balance Brought Forward	2020/21 Anticipated Movement	Balance Carried Forward
		(£'000)	(£'000)	(£'000)
Reserves retained for service departmental use				
Building Control	Required to manage the position regarding building control charges.	428	-10	418
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. Unspent IBCF monies to fund the IBCF programme in future years.	1,969	-333	1,636
Economic Development Workshops Major Maintenance	Established to meet the costs of major maintenance of Economic Development Workshops.	149	0	149
External Fund Reserve	Reserves held where the Council is the administering body for trust funds or partnership working.	1,785	-30	1,755
Financial Strategy Reserve	Established specifically to provide one off funding for savings proposals in the Financial Strategy	20,802	197	20,999
COVID-19 Collection Fund Reserve	Established to hold S.31 Business Rate Relief funding provided to manage future year's collection fund deficit arising as as result of COVID-19.	0	21,111	21,111
Savings Management Highways	- Established specifically to provide one off funding for highways savings proposals in the Financial Strategy	1,907	-1,000	907
Highways Development & Innovation Fund	Set aside funds for pump priming the Development and Innovation programme.	719	300	1,019
New Homes Bonus	Established from unapplied New Homes Bonus Grant balances.	2,254	-375	1,879
Public Health Reserve	This reserve includes balances committed to specific public health projects.	88	717	805
Repairs & Maintenance Reserve	Set aside for known repairs and maintenance required to Council owned properties.	0	0	0
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.	344	-2	342
Revenue Commitments from Unringfenced Revenue Grants	Established from unapplied unringfenced Grant balances. Commitment have been made against these balances in 2020/21.	10,434	451	10,885
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.	2,859	-497	2,362
TMO Vehicle Replacement	Set up to meet the costs of replacement vehicles by the Integrated Transport Unit.	170	-300	-130
		43,909	20,229	64,137
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.	1,891	0	1,891
	<i>Schools c/f balances</i>	3,041	0	3,041
	<i>Schools investment balances</i>	516	0	516
	<i>Schools IT</i>	-41	0	-41
	<i>Schools extended schools balance</i>	623	0	623
	<i>DSG Deficit</i>	-2,247	0	-2,247
Education – Staff Sickness Insurance	Schools' self help insurance for staff sickness with premiums met from delegated budgets.	0	0	0
Education – Theft Insurance	Schools' self help insurance scheme to cover equipment damage and losses.	2	0	2
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.	2,301	-400	1,901
		4,194	-400	3,794
Total Reserves		67,993	21,938	89,931

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A projection has been made on the level of earmarked reserves that will be held over the next 5 years of the financial strategy based on likely timescales of when these balances will be used to fund known commitments. Overall a reduction of 61% is anticipated in the earmarked reserves held with the most significant reduction coming within the Financial Strategy Reserve in the next two years, and this is shown in the graph below.

Figure 18: Projected Earmarked Reserves



6.3 Robustness of Estimates

Each year council considers a Statement of the Robustness of Estimates. Budget estimates are estimates of spending and income made at a point in time. This statement about the robustness of estimates cannot give a guaranteed assurance about the budget, but in an objective and systematic manner gives members reasonable assurances that the budget has been based on the best available information and assumptions.

In order to meet the requirements for the robustness of estimates a number of key processes were put into place, including:

- Review of expenditure and resources for the entire council for next five years to identify the underlying viability of the council's resource envelope when compared to cost.
- Review of existing budgets and focus on key risk areas as part of the budget setting and budget monitoring process. For example, our key risk areas in terms of budget size and volatility is Adult Services and Children's Safeguarding. In order to review this, growth models for both service areas have been developed which look at the cost drivers for these service areas. As a result we have a better understanding of the pressures in this area and have used this in the modelling of future costs. This has been successful for some time however, growth pressures continue to grow over and above the original assumptions. Breaches of a small percentage have a significant impact in terms of value.
- Identification of the in-year and the full year impact of any variations compared to budget. This ensures that the underlying budget and any pressure can always be separately identified and arrangements to manage pressures (for example by the use of one-off resources) is undertaken in an open and transparent mechanism, approved by Cabinet.
- The Financial Strategy and Budget Monitoring Reports are updated and reported to Cabinet on a quarterly basis. In this period of unprecedented uncertainty in terms of Local Government funding and spending pressures, the latest position is always reported transparently even though this position can change significantly from one reporting period to the next.
- Separation of roles within the Finance Team in setting budget control totals, identifying budget requirement and inputting into the Finance System which is subject to review by Internal Audit as part of the Council's Internal Audit Plan.
- Review by Finance Staff with Service Managers to understand the achievability, deliverability and timescales for all proposed service redesign.
- Notwithstanding these arrangements, which are designed to test the budget throughout its various stages of development, considerable reliance is placed on Senior Managers having proper arrangements in place to identify issues, project demand data, performance information and to consider value for money and efficiency.

Robustness of Revenue Estimates

The 2021/22 budget process continues progress in improving the Council's budget preparation, most notably in the creation of a detailed growth model and the process of medium term forecasting due to information and trend data drawn from the monitoring of the budget and associated systems, reported as a minimum to Cabinet on a quarterly basis.

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As part of developing the 2021/22 budget, Cabinet Members have had the opportunity to review the available options, implications and impact on outcomes, and these are reflected in the proposed budget.

The development of the 5 year financial strategy is based on the assumption that services need to be delivered and funded through an appropriate level of resources over the next five years and this is demonstrated in the resources and expenditure projections given in Table 12 below. This includes assumptions around savings to be delivered as part of the Financial Strategy.

Table 12: Gross Resources and Expenditure Projections

	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000
Projected Resources	575,462	555,960	537,058	543,216	557,360	567,201
Current Projected Expenditure	605,527	615,492	580,832	593,725	614,294	631,251
<i>(One-off COVID-19 Collection Fund Deficit)</i>		-20,841				
Funding Gap	30,064	38,692	43,275	50,510	56,935	64,050
Year on Year Gap		8,627	4,583	7,235	6,425	7,115

Savings proposals have been identified for 2021/22 through to 2022/23, however the Council is awaiting further clarity on the Fair Funding Review before formalising savings plans from 2022/23 onwards. The savings identified have been based on raising income, innovation and cutting services. Some of the savings values, whilst achievable, are ambitious and so progress against these proposals will be monitored carefully to consider the impact on the budget strategy. The specific factors taken into account in developing the draft budget are detailed below in Figure 19.

Robustness of Capital Budget

The agreed programme is fully funded within a three-year timescale however this is heavily dependent on the Council generating significant levels of capital receipts. Projects have been costed at current year prices but may be subject to tender processes after inclusion in the programme which may lead to a variance in the final cost. In some areas, the design brief may not be finalised, again giving rise to potential price variance.

The risk of the Council being unable to fund variations outside of the programme is minimal mainly due to the phasing of projects. If necessary, the Council can choose to freeze parts of the programme throughout the year to ensure spend is kept within the agreed budget.

There are two main risks associated with the Capital Programme.

- Firstly, the ability to deliver the capital programme within the agreed timescales. Slippage from 2020/21 is fully funded over the Financial Strategy period but this in itself will increase pressure on the Council to deliver the anticipated 2021/22 programme.
- Secondly, the draft three-year programme includes projects funded from anticipated capital receipts. In the current climate these receipts may be lower than anticipated or may not materialise in the expected timeframe which will have to be managed through a robust monitoring process.

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The capital programme will be actively managed and reprofiled during the course of the financial year to reflect scheme delivery timescales and revisions to funding agreements for projects. At the end of the year, however, slippage within the programme normally occurs which had not previously been anticipated. This will be due to delays in delivery of schemes and the net of underspends and overspends against specific projects. As shown in Table 2 below, in 2019/20 there was slippage of £11.773m which represents 17% of the revised capital programme. Action has already been taken during the course of 2020/21 to reprofile budgets to future years to reflect latest data on project delivery.

Table 13: Three Year Capital Position (£000's)

	2019/20 Outturn	2020/21 Latest Projection	2021/22 Latest Estimate
Capital Programme	68,337	119,029	89,835
Reprofile Budgets	2,645	(45,651)	60,318
Revised Capital Programme	70,982	73,378	150,153
Slippage	(11,773)	-	-
Actual Capital Programme	59,209	73,378	150,153

The capital programme includes a target for capital receipts to be delivered to ensure the programme is fully funded and removing the necessity for prudential borrowing to be undertaken to meet a funding gap. This target generally decreases during the course of the year to reflect the reprofiled budget, however the full capital receipt target will still be required to fully fund the capital programme.

Over the last 2 years (2019/20 and 2021/22) the level of capital receipts has been sufficient for a balance of capital receipts to be carried forward to offset any requirement for funding in the next financial year. This has been managed by natural slippage in the programme which has enabled other sources of funding to be used initially. In 2021/22 the level of capital receipts required is £15.339m and a shortfall of £9.432m currently exists within receipt projections. There are currently £20.494m of further assets being considered for disposal which would address this shortfall if progressed. Whilst every effort will be made to bring this level of resources into the Council, should there be a delay in the delivery schedule of capital receipts it is anticipated that this will again be controlled through natural and potentially managed slippage in the capital programme.

FINANCIAL STABILITY

Figure 19: Analysis of Budget Assumptions and Financial Risks, including the Council's Financial Management Arrangements and Appropriate Mitigation

Budget Assumption	Explanation of Risk	Financial Standing and Management and Mitigating Action
1. The treatment of inflation	<p>There are two key issues in relation to inflation.</p> <ul style="list-style-type: none"> There may be some items of expenditure – fuel or energy costs for example - where any estimate of inflation is a 'best guess'. The risk assessment considers the average level of inflation experienced over a 5 year period and so reflects the higher levels of inflation that may seem to be unreasonable to include in a budget, but might come to pass. Information is less accurate for years 2 onwards; the risk assessment covers the higher range. <p>It is difficult to predict the direction that the wider economy will take and thus the level of inflation required.</p> <p>The risk on inflation resulting from Brexit has been included .</p>	<p>Pay – 2% has been provided in the 2021/22 budget whilst the outcome of pay negotiations are awaited. Funding has also been provided for increments due to be awarded for 2021/22 based on existing staffing levels.</p> <p>Pension contribution rates are at the increased rate of 17.4% introduced in 2019/20.</p> <p>Price inflation has been provided on contractually or quasi-contractually committed budgets at the rate stated in the relevant agreement.</p>
2. Interest rates on borrowing and investment	<p>This issue here are similar to those in 1 above, but for a specific area.</p> <p>The Council's policy of generating capital receipts to prevent new borrowing, and allowing existing borrowing to mature has resulted in a reduction in available cash balances to invest. The level of interest rates on investments has also dropped to record lows resulting in reduced returns on cash balances. In the past it was possible for the Council to lend money and get a better interest rate than it was paying for borrowed money.</p> <p>The Council's borrowing has been undertaken at fixed rates of interest and so the level of interest payable is not considered as a risk to variable rates. However if borrowing should be required, there is a potential risk that any new borrowing may not be secured at similar interest rates to those currently budgeted for.</p>	<p>Interest receivable budgets have been set based on 0.05% interest receivable. These range from investments for 12 months gaining 0.1% to short term call accounts which gain between 0% - 0.02% and money market funds achieving rates of 0% - 0.02%</p> <p>The average interest rate of the total debt portfolio (excluding HRA) is calculated at 4.9% for 2020/21 and this is used for all borrowing costs.</p> <p>NB: PWLB have recently reduced all new borrowing rates by 1% from Nov 2020 so for 2021/22 the range is currently between 0.7% (short term) and 1.6% (long term). Borrowing for investment properties primarily for yield is now prohibited from the PWLB.</p>

FINANCIAL STABILITY

Budget Assumption	Explanation of Risk	Financial Standing and Management and Mitigating Action
3. Estimates of the level and timing of capital receipts.	The Council has developed an asset management strategy and has a policy of reducing borrowing costs around the capital programme where possible. Therefore, the capital programme is dependent on the delivery of capital receipts. The planned receipts estimated to the Council are made more difficult due to reducing market values and problems for potential procurers in obtaining finance. The risk around an economic downturn in relation to Brexit and the COVID-19 pandemic has also been factored in.	Capital receipts are monitored monthly in the capital monitoring report and are RAG rated in terms of their anticipated delivery against target.
4. The treatment of demand led pressures	<p>There are long standing areas of risk due to volatility, where we budget for demographic changes in future years, but might find the actual is at the higher end resulting in a shortfall, particularly in the short term.</p> <p>Two areas specifically affected by demography are adult social care and children's social care, where we have seen significant budget pressures due to increasing numbers of clients receiving care packages.</p>	<p>Managers review their base budgets including demand led pressures. Services are expected to put forward management and policy actions to manage the additional demand within the relevant legislation either within the relevant budget or reprioritising within their Service budgets. If this is not possible and under-spending management action or policy actions in other Services are not sufficient to cover the additional demand, then reserves may have to be used to address the additional expenditure temporarily.</p> <p>Such an eventuality has been considered in future years' budgets and it is assumed that general fund reserves are restored to an appropriate prudent level over the course of the Financial Strategy.</p> <p>The 2021/22 budget has been based upon specific demand levels identified during budget monitoring in 2019/20 and six months of 2020/21 and projections made by Heads of Service of demand levels in future years. These projections attempt to exclude the growth impact of COVID-19 in Childrens Services as this is assumed to be a national funding issue. A growth model for both Children's social care and Adults social care is relied upon for setting these budgets.</p>
5. The treatment of efficiency savings	<p>The budget includes improvement programmes that will deliver savings; the risk is that they may be delivered at a slower rate.</p> <p>This includes total savings targets of £8m over the next two years projected in the Financial Strategy which will have risks involved in terms of</p>	<p>All Managers have a responsibility to ensure the efficient delivery of services and when efficiency savings are proposed that those savings are both realistic in terms of the level of savings and timing.</p> <p>Should the level and timing of such savings vary due to unforeseen events and under-spending, management action or policy actions within the relevant Service Area and corporately will be implemented where</p>

FINANCIAL STABILITY

Budget Assumption	Explanation of Risk	Financial Standing and Management and Mitigating Action
	<p>delivery, and also from delays in delivery. It should also be noted that from year two of the Financial Strategy the Council has an unfunded funding gap of £38.1m which rises to £65.5m and will require compensatory savings to be identified if it is not addressed through Fairer Funding. The savings, whilst achievable are ambitious and this should be reflected in the risk factor applied.</p>	<p>appropriate. Alternatively the General Fund Balance will be utilised as a temporary funding mechanism until the full savings are achieved.</p> <p>If the funding gap remains unresolved by future savings plans the council will need to consider making further efficiencies and/or potentially increasing council tax.</p>
<p>6. The financial risks inherent in any significant new funding partnerships, major outsourcing deals or major capital developments</p>	<p>The Council may decide to establish separate delivery vehicles in order to improve service delivery in the future. Full business cases are required for any services being considered for transfer to an alternative service vehicle.</p>	<p>The sharing of risk is in accordance with the principle of the risks being borne by the party best placed to manage that risk. Inherent risks include any guarantee or variation of service throughput (service volumes). If risks materialise the expectation is that such an eventuality will be considered in future years' budgets.</p> <p>Business cases for any new delivery vehicles will fully investigate any financial risks that the Council may face in the future and the Financial Strategy updated accordingly.</p>
<p>7. The availability of other funds to deal with major contingencies</p>	<p>Were a disaster to occur, we have to have a reserve in place to pick up costs that will fall to the Council.</p> <p>The impact of flooding within the Council area based on present experience in that it is limited to localised pockets.</p> <p>The geographical area covered by the Council has resulted in budget pressures in some years due to extreme weather conditions and additional costs such as snow clearance. Changes to the base budget provision has been made in previous years to help mitigate this, but overspends in previous years have, at times, been in excess of this growth level. In more recent years it has not been necessary to utilise all available funding, but a risk remains.</p> <p>Other disasters such as those relating to ICT could occur on a one off basis.</p>	<p>The level of reserves assumes that management and policy actions will be taken to address major contingencies. Should these be insufficient, the general fund balance may have to be used.</p> <p>An earmarked reserve has been established for Severe Weather however any pressure not covered by this reserve would need to be funded from the general fund balance.</p> <p>A risk based approach in calculating the general fund balance takes into consideration the types of incidents and costs associated and this is reviewed annually.</p> <p>The Council's insurance arrangements are a balance between external insurance premiums and internal funds to "self-insure" some areas. Premiums and self-funds are reactive to external perceptions of the risks faced by the Council which includes both risks that are generic to all organisations and those specific to the authority. Therefore the values of Insurance Reserves are reviewed each year to ensure that the optimum balance is held based on the level of outstanding liabilities.</p>

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Budget Assumption	Explanation of Risk	Financial Standing and Management and Mitigating Action
		<p>Any major incident or emergency may result in significant costs to the Council. Depending on the incident concerned, the Council may be able to recover such costs through the Bellwin Scheme however the Council would need to cover any expenditure up to the agreed threshold level. This level is fully included within the Council's general fund balance.</p> <p>The 2020/21 Financial Year has been entirely impacted by the outbreak of the COVID-19 pandemic but, at the time of writing, the Government has so far committed to funding the costs which arise in relation to this.</p>
<p>8. Impact on council funding of announcements of national changes</p>	<p>Council funding is always subject to change, especially in the current economic climate. However the Financial Strategy takes account of projected changes in the Revenue Support Grant and specific government grants.</p> <p>In recent years the Dedicated Schools Grant allocation to the Council has come under pressure, in relation to the costs of supporting High Needs Pupils and the centrally retained share due to the academisation process. More recently the pressures arising on this budget have been deemed not to be a general fund risk so this has been removed.</p>	<p>The major risk factor included is in relation to the Housing Benefits grants which the Council receives. Changes are planned for welfare benefits which may increase the Council's exposure to costs over and above the grant that is received. This has been factored into the General Fund risk based calculation.</p>
<p>9. The overall financial standing of the authority (level of, debt outstanding, council tax collection rates etc.)</p>	<p>Changes may mean doing things in a way for which we have no ready evidence and any assumptions made may be wrong. Additionally, the areas of change will alter over time.</p> <p>An allowance for budget pressures has been built in to accommodate any corrective action that needs to be taken if the assumptions about changes in service delivery should change.</p> <p>Prior to the pandemic the economic downturn meant the risk of not collecting all income due to the Council was enhanced, which includes all sundry debt, and charges relating to Council Tax and Business Rates. Any such pressure identified</p>	<p>The level of aged debt within the sundry debtors figure is monitored and reported to management regularly so that the appropriate action may be taken. Bad debt provisions are maintained to protect the budget against any such pressures, but should these not be sufficient, the general fund would be used.</p> <p>2021/21 is an exceptional year for Council Tax and Business Rate collection due to the ongoing pandemic. Government will allow any deficits arising to be spread across 3 financial years and is providing significant packages of support to individuals and businesses in an attempt to protect individual income streams and the national economy.</p>

FINANCIAL STABILITY

Budget Assumption	Explanation of Risk	Financial Standing and Management and Mitigating Action																											
	<p>should be evaluated and provided for.</p> <p>Income from fees and charges is also vulnerable to change based on the current economic climate. This is likely to continue and is adjusted for within the Financial Strategy, but is subject to short term negative variations from year to year.</p> <p>The impact of Brexit and a further economic downturn also needs to be factored in as a key risk to income collected by the Council.</p> <p>It is assumed that Government will fully fund the impacts of the pandemic and as these will be difficult to separate from other economic downturn impacts this should also be considered.</p>	<p>An income review is produced for Cabinet covering income from fees and charges. This review considers the level of income as monitored in the quarterly revenue monitors to Cabinet, and considers the impact of increases in charges, or the freezing of charges on the 2021/22 budget.</p>																											
<p>10. The authority's track record in budget and financial management.</p>	<p>Any overspend realised in a financial year would result in the use of the general fund balance. The Council has identified that general fund balances need to be in place in order to protect the Council against specific financial risks, and so any general overspend due to weaknesses in budget management, undermine any planned action being taken on the General Fund Balance.</p> <p>Financial management needs to be considered across all service areas of the Council. If a particular service area is unable to manage a particular overspend pressure, this may present a need to use general fund balance in the current financial year. Also this may have implications on future level of balances if no action is taken to reduce the spending pressure for the service area in future years or offset by compensating savings.</p>	<p>The Council's recent track record in budget and financial management 2014 to 2021 shows potential variations from a £5.9m overspend to a £2.8m underspend (a range of £8.7m).</p> <table border="1" data-bbox="930 1115 1409 1592"> <thead> <tr> <th>Financial Year</th><th>(£'000)</th><th>Underspend/ Overspend</th></tr> </thead> <tbody> <tr> <td>2014/15</td><td>(300)</td><td>Under</td></tr> <tr> <td>2015/16</td><td>(2,816)</td><td>Under</td></tr> <tr> <td>2016/17</td><td>(894)</td><td>Under</td></tr> <tr> <td>2017/18</td><td>(613)</td><td>Under</td></tr> <tr> <td>2018/19</td><td>(167)</td><td>Under</td></tr> <tr> <td>2019/20</td><td>1,692</td><td>Over</td></tr> <tr> <td>2020/21*</td><td>2,771</td><td>Over</td></tr> <tr> <td>Total 2014 to 2021</td><td>(1857)</td><td>Under</td></tr> </tbody> </table> <p>* Projected Outturn position at Q2</p> <p>Each year the Council manages budgets carefully and takes necessary management action to bring the budget into balance.</p> <p>Ultimately, financial performance relies on all budget holders actively managing their budgets and complying with financial rules, including not committing expenditure if there is no budget provision available.</p> <p>Management action is planned to bring the 2020/21 overspend back into balance.</p> <p>The authority needs to continually improve its</p>	Financial Year	(£'000)	Underspend/ Overspend	2014/15	(300)	Under	2015/16	(2,816)	Under	2016/17	(894)	Under	2017/18	(613)	Under	2018/19	(167)	Under	2019/20	1,692	Over	2020/21*	2,771	Over	Total 2014 to 2021	(1857)	Under
Financial Year	(£'000)	Underspend/ Overspend																											
2014/15	(300)	Under																											
2015/16	(2,816)	Under																											
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2017/18	(613)	Under																											
2018/19	(167)	Under																											
2019/20	1,692	Over																											
2020/21*	2,771	Over																											
Total 2014 to 2021	(1857)	Under																											

FINANCIAL STABILITY

Budget Assumption	Explanation of Risk	Financial Standing and Management and Mitigating Action
		<p>ability to manage in-year budget pressures. The following steps are already in place:</p> <ul style="list-style-type: none"> • Accuracy of projections has improved over the year, but further work is required. • The monitoring system continues to be improved in terms of accuracy, the frequency of reporting and the challenge process. <p>Financial monitoring is undertaken by line managers within Business World and Finance review the projections to ensure that the monitoring position reported is appropriate.</p> <p>The Council's virement and carry forward rules are clear and detailed in the Constitution.</p>

7.1 Housing Revenue Account

The Housing Revenue Account (HRA) records expenditure and income on running a council's own housing stock and closely related services or facilities, which are provided primarily for the benefit of the council's own tenants. Shropshire Council inherited its housing stock from Oswestry Borough Council and Bridgnorth District Council when the Council took on unitary status in 2009. The Council transferred the management of the housing stock into an Arm's Length Management Organisation (ALMO) called Shropshire Towns and Rural Housing (STaR) in 2013. (STaR) manage just over 4,000 houses within the HRA and they collect rent, undertake repairs, build new affordable homes and make improvements to neighbourhoods and the housing stock.

In 2012 the Government removed the Housing Revenue Subsidy system and required HRAs to take out self-financing borrowing. Shropshire Council took out borrowing of £83.5m in 2012 as a result of this directive and so the HRA is required each year to repay interest and debt charges in relation to this borrowing. Councils were initially only permitted to borrow funds to support new housing builds to a specific level, however in 2018 the Government removed this borrowing cap from the HRA in a bid to allow councils to address the housing crisis in the country. Since the introduction of self-financing the HRA has developed around 25 new homes each year through the HRA capital programme. These have been funded by a direct revenue contribution from the HRA within the headroom created by the end of the housing subsidy system. The removal of the borrowing cap will allow the opportunity to provide more homes each year by increasing the borrowing limits within the Housing Revenue Account based on affordability calculations to invest further in the development of social housing within Shropshire.

HOUSING REVENUE ACCOUNT

SHROPSHIRE COUNCIL HOUSING REVENUE ACCOUNT		
<u>2020/21</u> Budget £		<u>2021/22</u> Budget £
	<u>Income</u>	
(17,323,050)	Dwellings Rent	(17,540,800)
(105,490)	Garage Rent	(103,680)
(17,000)	Other Rent	(17,000)
(641,000)	Charges for Services	(641,670)
(18,086,540)	Total Income	(18,303,150)
	<u>Expenditure</u>	
8,466,650	ALMO Management Fee	8,600,010
571,380	Supplies and Services	610,420
3,780,100	Capital Charges - Dwelling Depreciation	3,910,780
172,020	Capital Charges - Depreciation Other	211,620
2,991,960	Interest Paid	2,989,760
500,000	Repairs charged to revenue	530,000
3,699,100	Revenue Financing Capital Expenditure	1,278,000
150,000	New Development Feasibility	200,000
50,000	Increase in Bad Debt Provision	50,000
168,500	Corporate & Democratic Core	237,900
20,549,710	Total Expenditure	18,618,490
2,463,170	Net Cost of Services	315,340
(30,000)	Interest Received	(30,000)
2,433,170	Net Operating Expenditure	285,340
2,433,170	Net Cost of Service/(Surplus) for Year	285,340
	<u>HRA Reserve</u>	
10,140,310	B/fwd 1 April	10,307,213
166,903	Surplus/(Deficit) for year (Estimated)	(285,340)
10,307,213	Carried Forward 31 March	10,021,873

8.1 Links to Capital Strategy and Revenue Implications of the Capital Strategy

The Council is required to have a capital strategy in place that sets out the long-term context in which capital expenditure and investment decisions are made to ensure that authorities are taking account of stewardship, value for money, prudence, sustainability and affordability.

The Capital Strategy recognises that the financial resources available to meet capital expenditure priorities are constrained by a significant reduction in financial resources and ensure that investment decisions taken are at least self-sustaining financially whilst also generating positive returns in terms of meeting priorities.

The Capital Programme will be funded from the following sources:

- Capital Receipts
- Prudential Borrowing
- Developers Contribution (S106, CIL)
- Revenue Contributions
- Capital Grants

Where Prudential Borrowing and Revenue Contributions are to be used to fund capital schemes, it is necessary that the costs of borrowing or the revenue contribution to capital is built into the revenue financial strategy. As outlined in section 4.4 of the financial strategy, cost of investment budgets have been built into 2021/22 budget and future years in order to provide for capital schemes being financed from prudential borrowing that are planned to be delivered in the next 5 years.

The Council has also identified a number of future capital and investment schemes within the capital strategy, however as these schemes have not yet completed a full due diligence process, these do not yet form part of the approved capital programme and so associated revenue costs that may be required have not been built into the Finance Strategy. As outlined above, it is expected that these schemes will be fully funded and will therefore not create a further burden on the Finance Strategy of the Council. It should also be noted that no financial savings arising from any of these capital investments has similarly not been projected within the Finance Strategy.

Policy for Flexibility around the use of Capital Receipts

The greater flexibilities around the use of capital receipts offered in the financial years 2016 to 2022 allow the Council to utilise capital receipts generated in this period to fund the revenue costs of service reform. Any qualifying expenditure under this flexibility must be on any project that is designed to generate ongoing revenue savings in the delivery of public services and/or transform service delivery to reduce costs or demand for services in future years.

Over 2020/21 and 2021/22, Shropshire proposes to use the flexibility to help fund the following:

- £3.581m to fund redundancy costs and allow the council to manage further service redesign and restructure changes.

LINKS TO OTHER FINANCIAL STRATEGIES

In 2017/18, 2018/19, 2019/20 and 2020/21, this flexibility has been used to fund redundancy costs.

The reduction in staffing numbers enabled through the redundancy programme, has allowed the Council to deliver revenue savings as highlighted in previous years Financial Strategies. The first stage of the Digital Transformation Programme came to an end in 2018/29 and the new processes and systems have since been embedded realising savings, in terms of both cash and efficiency.

8.2 Links to Treasury Strategy

The Local Government Act 2003 and supporting Regulations requires the Council to have regard to the CIPFA Prudential Code and the CIPFA Treasury Management Code of Practice in setting Prudential and Treasury Indicators for the next three years to ensure that capital investment plans are affordable, prudent and sustainable. The Act also requires the Council to set out its Treasury Strategy for borrowing and to prepare an Annual Investment Strategy. This sets out the Council's policies for managing its investments and for giving priority to the security and liquidity of those investments.

The Treasury Strategy outlines affordable borrowing limits based on the level of capital expenditure planned within the Capital Strategy and also considers the requirement for taking out new borrowing. The Council is currently under-borrowed as funding for capital schemes from high cash balances rather than new prudential borrowing given that returns on cash balances are low and the Council is currently holding a healthy cash balance due to levels of reserves being held at a reasonable level. As reserve levels drop in future years as outlined in section 6.2 of the Financial Strategy, the Council may be required to undertake external borrowing, and a number of factors will need to be considered before committing the Council to the additional costs resulting from external borrowing.

9.1 Budget Consultation Exercise and Responses

The Budget Consultation was launched on 18th December 2020. It was advertised in the Shropshire Council newsroom and via a number of social media channels. A total of 53 responses have been received to date, which is less than received in the preceding years, and represents a low proportion of the population of Shropshire. The consultation closed on 28 January 2021 and was live for a period of six weeks. The website link to the consultation was <https://www.shropshire.gov.uk/get-involved/budget-consultation-2021-2022/>

The consultation has drawn responses from a broad cross section of the community. Of the 53 respondents 56% are male and 40% female with the remainder preferring not to say. A third of respondents are aged between the ages of 65-74, 20% are between the ages of 55-64 and 12% in each of the age categories of 45-44 and 35-44 and over 75. Responses have come predominantly from local residents (96%) but also those representing a local town, parish or rural parish council and local interest or community groups.

The first question was addressing the Council's plans to raise Council Tax by 4.99% in 2021/22. 60% of those responding agreed with the proposed Council Tax increase and comments supporting this asked that the Local Authority continue to lobby local government for fairer funding. Comments against were varied but there were themes in relation to fixed and reducing incomes during the pandemic.

The next sections of questions looked at each directorate's savings proposals and allowed respondents to say whether they agreed, disagreed and thought it should be more, disagreed and thought it should be less or had no opinion on the different saving categories. The results of the feedback on savings proposals are detailed in Table 15.

Respondents were also asked if they wished to highlight any alternative savings proposals. 37 comments were received with varied responses, however key themes surrounded

- Lobbying government for more funding
- Ensuring robust contract management
- Enlisting volunteer help

A number of those taking part found themselves unable to comment citing lack of information or the issue being too technical in general. Each year we try to consider how the debate over Local Government Funding and the funding of Shropshire Council's services can be made more accessible. The comments received will be taken on board for future improvements.

A number of respondents had specific requests regarding improvements to one particular service. These comments will be passed on to the relevant department.

Given the significantly low proportion of responses received, it is not possible to consider whether the responses received provide a true representation of views of the budget within Shropshire. Responses received were generally in support of the proposals.

Table 15: Feedback on Savings Proposals

	Category of Savings				
	Income Generation	Joint Working	Review of Contracts	Transformational Savings	Use of Grant/Reserves
Adult Services	110,000	450,000	1,889,760		500,000
Agree	30%	40%	34%		45%
Disagree, should be more	11%	11%	15%		2%
Disagree, should be less	19%	6%	6%		13%
No Opinion	32%	36%	38%		32%
Did not answer	8%	8%	8%		8%
Children's Services			9,175		
Agree			19%		
Disagree, should be more			15%		
Disagree, should be less			13%		
No Opinion			43%		
Did not answer			9%		
Place	3,552,000		374,384	900,000	
Agree	30%		30%	30%	
Disagree, should be more	9%		19%	13%	
Disagree, should be less	17%		8%	11%	
No Opinion	32%		34%	36%	
Did not answer	11%		9%	9%	
Corporate Budgets				1,943,000	
Agree				25%	
Disagree, should be more				23%	
Disagree, should be less				2%	
No Opinion				40%	
Did not answer				11%	
Finance, Governance & Assurance			95,082		
Agree			32%		
Disagree, should be more			25%		
Disagree, should be less			2%		
No Opinion			32%		
Did not answer			9%		
Workforce and Transformation			49,089		
Agree			25%		
Disagree, should be more			19%		
Disagree, should be less			8%		
No Opinion			40%		
Did not answer			9%		

PUBLIC CONSULTATION

9.1 Overall schedule of movements since last reported

RESOURCES	2021/22 £ (Dec 2020)	Movement	2021/22 £ (Feb 2021)	Description of Movement
Council Tax	172,114,454	199,401	172,313,855	Small increase to taxbase following annual review
Business Rates:				
Business Rates Collected	40,728,547	1,308,956	42,037,503	Small increase in yield following annual update
Business Rates - Energy Renewable Schemes	900,000	135,710	1,035,710	Small increase in yield following annual update
Top Up Grant	10,031,260	0	10,031,260	
RSG	6,320,073	-66,934	6,253,139	Slight decrease in allocation following provision settlement announcement
Collection Fund:				
Council Tax	-245,425	-296,843	-542,268	Change in assumptions following annual detailed calculation of Collection Fund position
Business Rates	-31,238	-20,809,479	-20,840,717	Change in assumptions following annual detailed calculation of Collection Fund position. NB: the increased deficit expected in Business Rates as a result of COVID-19 will be offset by a S.31 Grant. This is estimated at £21.1m and is show in the Funding Gap section below as an allocation from reserves where it will be held.
NET BUDGET	229,817,671	-19,529,190	210,288,481	
Grants included in Core Funding:				
Improved Better Care Fund	9,547,340	0	9,547,340	
New Homes Bonus	7,080,950	-1,138,180	5,942,770	Per provisional settlement announcement
Rural Services Delivery Grant	6,614,130	326,625	6,940,755	Per provisional settlement announcement
Social Care Support Grant	8,723,316	388,605	9,111,921	Per provisional settlement announcement
CORE FUNDING	261,783,407	-19,952,140	241,831,267	
Local Income				
Fees and charges (including income savings deliverable from prior years)	85,191,986	-5,949,766	79,242,220	Adjustment to income budgets following annual Fees & Charges update.
Other Grants and contributions	27,000,030	794,860	27,794,890	Adjustment to income budgets following annual Fees & Charges update.
Specific Grants (excluding Core Funding Grants above)	183,913,000	12,972,397	196,885,397	Updates to specific grant assumptions. In particular continued roll forward of Public Health and ILF budgets.
Internal Recharges	5,963,040	4,242,790	10,205,830	Adjustment to income budgets following annual Fees & Charges update.
TOTAL FUNDING	563,851,463 -	7,891,859	555,959,604	

PUBLIC CONSULTATION

EXPENDITURE	2021/22 £ (Dec 2020)	Movement	2021/22 £ (Feb 2021)	Description of Movement
Original Gross Budget Requirement	605,526,937	0	605,526,937	
Inflationary Growth :				
Pay	2,743,338	0	2,743,338	
Prices	1,309,682	0	1,309,682	
Pensions	0	0	0	
Demography & Demand	15,502,496	0	15,502,496	
Service Specific Pressures	5,747,406	0	5,747,406	
Local Generated Pressures:				
Elections	740,000	0	740,000	
Specific Grants Changes between years	-20,324,030	15,667,963	-4,656,067	Updates to specific grant assumptions. In particular continued roll forward of Public Health and ILF budgets.
One off investment in IT infrastructure	-1,101,130	0	-1,101,130	
Estimated Cost of Investment - <i>Approved</i>	1,265,000	-3,300,000	-2,035,000	Reduction to Cost of Investment budget on an ongoing basis following reprofiling of investment related savings plans.
Invest to Save Fund for delivery of future savings	-5,250,000	0	-5,250,000	
Energy Renewable Schemes	-60,000	135,710	75,710	Revision to budget available following annual NNDR 1 exercise.
Adjustment to Gross budget offset by Income changes	0	-912,116	-912,116	Corresponding adjustment to income budgets following annual Fees & Charges update.
Savings				
<i>Savings from prior years- 2018/19 - Approved</i>	-3,850,000	0	-3,850,000	
<i>Remove 2020/21 Unachievable savings</i>	1,650,690	0	1,650,690	
TOTAL EXPENDITURE	603,900,389	11,591,557	615,491,946	

FUNDING GAP	2021/22 £ (Dec 2020)	Movement	2021/22 £ (Feb 2021)	Description of Movement
Resources	563,851,463	-7,891,859	555,959,604	(See resources section)
Expenditure	603,900,389	11,591,557	615,491,946	(See expenditure section)
Gap in year (incl one off 2020 Collection Fund Deficit)	40,048,926	19,483,416	59,532,342	
One Off Funding to be used:				
One off Grants:				
Improved Better Care Funding	6,614,130	2,933,210	9,547,340	Per provisional settlement announcement
New Homes Bonus - One Off	-407,434	1,350,200	942,766	Per provisional settlement announcement
Rural Services Delivery grant	9,547,340	-2,606,585	6,940,755	Per provisional settlement announcement
Social Care Funding - One Off	7,882,890	1,229,031	9,111,921	Per provisional settlement announcement
S.31 Business Rates Additional Relief Grants for COVID	0	21,110,783	21,110,783	S.31 Government grant provided to address the deficit expected in Business Rates as a result of COVID-19 (deficit is shown within Collection Fund section within Resources .
Financial Strategy Reserve	16,412,000	-4,533,223	11,878,777	Revision to FS reserve drawdown based on updated funding position as at February 2021
TOTAL ONE OFF FUNDING	40,048,926	19,483,416	59,532,342	
Remaining Gap to be Funded	0	0	0	