



# Medium Term Financial Strategy – January 2022

2022/23 – 2026/27

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## FOREWORD FROM SECTION 151 OFFICER

This is the draft plan to manage the Council's finances over the next five years and set a budget for 2022/23. In short, we can contain our expected costs within our resources next year, just and with consequences, but beyond that we continue to battle with a £50m structural funding gap that cannot be addressed sustainably without a revision of the Local Government funding approach to reflect the cost drivers in large rural counties like ours.

We will consult on our plans throughout January and revisit our financial planning in light of these findings, the final local government financial settlement and the priorities set out in our new Shropshire Plan which we are due to discuss with the public over the same time. In February, Council will be asked to the final Medium-Term Financial Strategy.

Shropshire Council produces a Medium-Term Financial Strategy (MTFS) to plan spending and financial decisions over the next five years. To produce the plan, we consider national and local funding and resources and compare this to the demand on the services the Council needs and wants to deliver. By statute, this must result in a balanced budget for the coming Financial Year. 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.

It is within this balance that we set the MTFS and while this is never an easy ask with rising costs and reducing funds, for 2022/23 we have moved into new territory.

The underlying story has not changed significantly for several years - Government funding for Shropshire Council has fallen year on year. This is a fact that cannot be disputed or denied. Year on year, the taxpayers of Shropshire are required to fund a greater amount and a greater proportion of the resources the Council needs to operate. 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 2022/23 the amount raised by Council tax rose by over £61m raising £180m. The Council's net budget, however, has risen by just £24m over this time and stands at £240m in 2022/23. As a result, Council Tax increases have not increased the amount the Council can spend in real terms; instead, a net budget that has not kept pace with inflation is now funded at almost 76% by the local taxpayer. The figures in this Medium-Term Financial Strategy show that this trend is set to continue.

At the same time, the cost of delivering services increases each year. Inflation is now at over 5%, creating additional pressures on staff costs and contractual obligations. Increased demand on services and changes in our demographic make-up increase complexity of delivery and also cost. It is well documented that Adults and Children's Social Care costs in Shropshire are growing at an unsustainable rate. With reduced funding from government other service areas must be cut to fund this growth. In 2022/23 almost 80% of the Council's net budget is allocated to Social Care, close to double the 43% allocated in 2015/16.

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As set out in previous versions of this document; despite the financial and welfare implications of social care across Shropshire, the number of actual service users still remains close to 10,000. A simple comparison to the 323,000 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. These facilities have never been essential than now. 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 reality: they pay more money to the local authority in Council Tax, fees and charges yet receive reduced services. This cannot continue, but requires Government intervention and, ideally, a complete overhaul of the funding mechanism to create fair funding across the Local Government sector.

Central Government has, for the third year running, provided a single year Spending Round announcement for 2022/23. This arrived in late December 2021, only months ahead of the Financial Year and no basis for planning the long term sustainable financial position for a large and essential public organisation. Again, when looking forward, we must make broad estimates and assumptions about what this may look like.

We are still lobbying government hard 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, once and for all.

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.

Shropshire Council's Financial Strategy sets out our plans for 2022/23 through to 2026/27. This includes almost £4.8m of new savings proposals across all areas of the Council. This, combined with £4.5m of savings carried forward from previous years, £2.3m of one-off, repayable savings and an allocation of over £13m from one-off reserves, this will produce a balanced budget for 2021/22.

While not the focus of the coming year, the budget is still overshadowed by the Coronavirus Pandemic. The framework for the Financial Strategy is therefore described by three primary financial elements:

- Refocus

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- A Structural Funding Gap
- Covid-19

### Refocus

The basic principle of Refocus 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 Structural Funding Gap

The basic principle of the Structural Funding Gap is that Fair Funding, or an equivalent national funding methodology, will be implemented from 2023/24 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.

### Covid-19

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 form the basis for creating a two-stage approach as set out in this document: a short-term Budget Plan for the 2022/23 Financial Year, and a longer-term Financial Strategy covering 2023/24 through to 2026/27.

### 2.1 Medium Term Financial Strategy Process

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

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

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

Each year the Government 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 out 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.

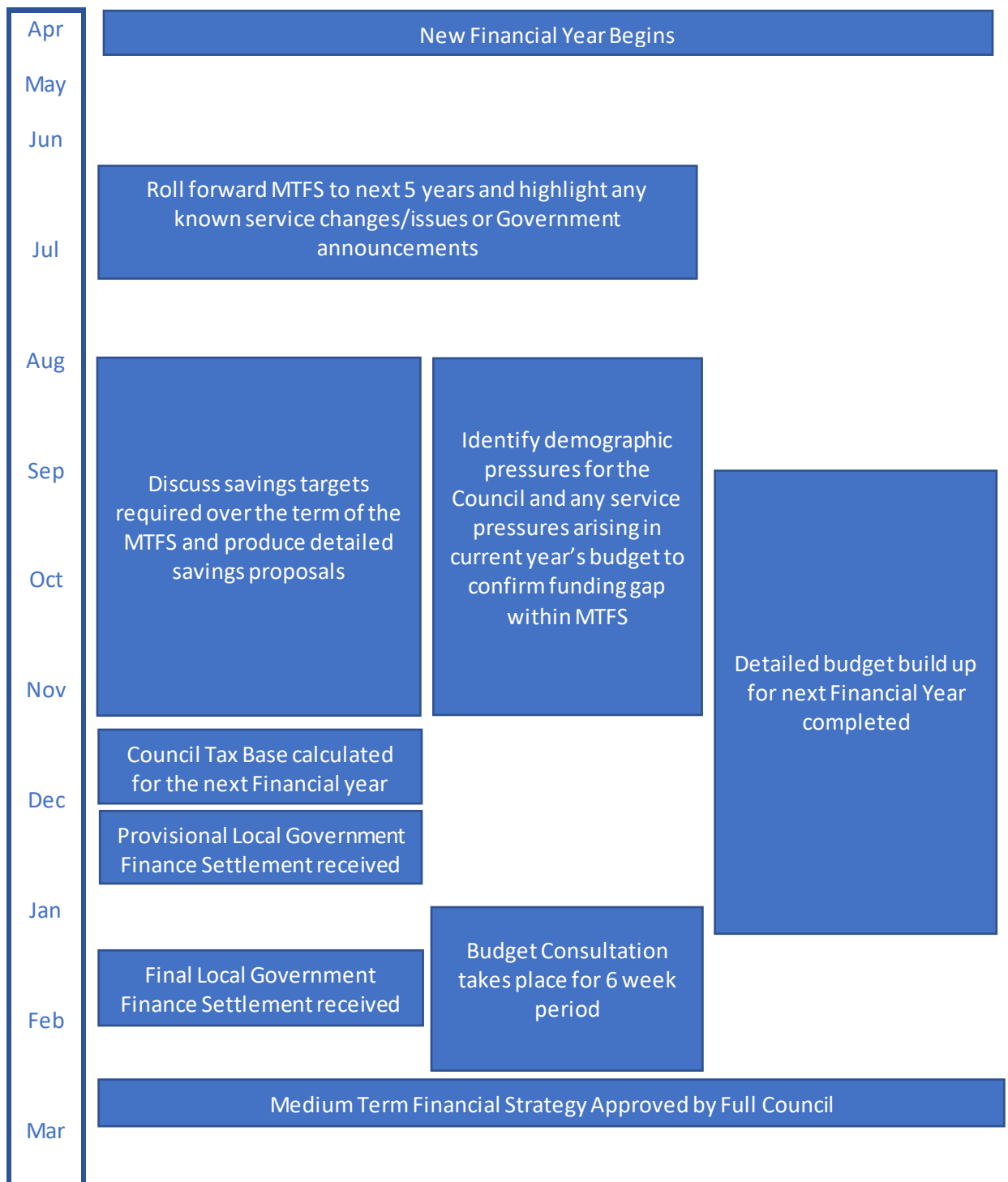
In previous years the Government have provided multi-year funding settlements which have given the Council the ability to predict with some accuracy, the level of grant income that it will receive from the Government. The last four year multi settlement ran from 2016/17 to 2019/20 and the Government announced a one year settlement for 2020/21 with the intention of implementing the Fair Funding Review for 2021/22. Since the COVID-19 pandemic hit the UK in the spring of 2020, the Government had announced that the Fair Funding Review would be delayed until 2022/23. The Provisional Local Government Finance Settlement for 2022/23 has not been prepared on the basis that the Fair Funding Review has been delivered, and a one year settlement has again been outlined for 2022/23.

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

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

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**FIGURE 1 – Development of Medium Term Financial Strategy**



### 2.2 National Context

The COVID-19 pandemic experienced over the last 21 months has been an extraordinary period for the country. As a result, the Government has had to provide unprecedented financial support to keep the economy going through lockdown and has also provided support to enable the UK economy to start to recover as the country begins to live with Covid-19. The Government has also embarked on a Levelling Up agenda with a £4.8bn fund allocated to invest in infrastructure across the country.

In September 2021 the Government announced a Spending Review which would set the departmental budgets for the government up to 2024/25. Within this Spending Review the Government announced new government grant funding of £1.6bn per annum for councils over the next three years.

The Provisional Local Government Finance Settlement was announced on 16th December 2021. This outlined an additional £3.5bn of additional funding for local councils. Despite suggestions that the Fair Funding Review would be implemented for 2022/23, the provisional finance settlement has no provision for this and instead provides funding allocations for 2022/23 only. It should also be noted that several new funds have been made available for local authorities in 2022/23, however it would appear that these grants are only one-off funds for 2022/23 with no suggestion these will continue into the medium term. The most significant new one-off grant provided was the 2022/23 Services Grant which was an unringfenced grant to support the costs of providing services to local communities.

### 2.3 Local Context

Shropshire Council has been lobbying government for several years to address a structural underfunding in relation to social care spend. Since 2016/17 the cumulative shortfall in funding was approaching £46m and as a result the Council has consistently had to set a council tax precept at the maximum level permitted by Government and deliver substantial savings plans to help fund this shortfall. As a result, the Medium-Term Financial Strategy has been carrying an ongoing budget deficit which has been funded through the use of one-off funding and reserves in order to set a balanced and legal budget.

The Council received details of the Provisional Local Government Finance Settlement on 16<sup>th</sup> December 2021, and whilst this has allowed the Council to raise additional funds through the additional 1% Adult Social Care precept that has been permitted for 2022/23, the other funding allocations received for 2022/23 have either been rolled forward from 2021/22 or there has been a slight increase in grants received. It should be noted, however, that the long-term future of these grant balances remains uncertain given that the Council is no closer to understanding how Fair Funding will impact in the future. Therefore, whilst the one-off grant allocations have helped with budgetary pressures for 2022/23, it does not address the £50m structural deficit within the budget for future years.



## REVENUE RESOURCES 2022/23 – 2026/27

The Council submitted a bid to Government to access the first round of funding from the Levelling Up Fund in order to improve local infrastructure within the county. Details of the successful bids were released in October 2021, but unfortunately Shropshire Council was unsuccessful in this particular bid.

### 3.1 Core Government Funding

As outlined earlier in the MTFS, the Government had indicated that the Fair Funding Review would be implemented in 2022/23, although based on the Provisional Local Government Finance Settlement, this has been delayed further and we continue to receive one year only settlements from the Government.

In the MTFS agreed in February 2021, the Council had assumed that Revenue Support Grant and New Homes Bonus would be phased out gradually by 2023/24 and that Core Funding Grants such as Improved Better Care Fund, Rural Services Delivery Grant and Social Care Grant would be rolled into the Fair Funding Review. With no detail regarding how the Fair Funding Review would impact on the Council, no assumptions were built in for funding for the Council from 2022/23 onwards.

The Provisional Local Government Settlement has now set out the indicative Core Funding that the Council will receive for 2022/23 and so Table 1 provides a breakdown of the revised grant balances. It should be noted that the settlement does not provide any more information on the funding position for 2023/24 onwards.

**Table 1: Revision to Core Funding over the MTFS**

	2022/23	2023/24	2024/25	2025/26	2026/27
	£	£	£	£	£
<b>Grants included in Core Funding - as at Feb 2021:</b>					
Revenue Support Grant	4,168,759	2,084,380	0	0	0
Improved Better Care Fund	0	0	0	0	0
New Homes Bonus	2,227,140	0	0	0	0
Rural Services Delivery Grant	0	0	0	0	0
Social Care Support Grant	0	0	0	0	0
<b>Revised Grants included in Core Funding:</b>					
Revenue Support Grant	6,450,404	3,225,202	0	0	0
Improved Better Care Fund	11,862,890	0	0	0	0
New Homes Bonus	4,651,465	0	0	0	0
Rural Services Delivery Grant	6,940,755	0	0	0	0
Social Care Support Grant	12,619,381	0	0	0	0
Services Grant	3,521,312	0	0	0	0
Lower Tier Services Grant	389,608	0	0	0	0
Market Sustainability and Fair Cost Fund	940,831	0	0	0	0
<b>Difference</b>	<b>40,980,745</b>	<b>1,140,822</b>	<b>0</b>	<b>0</b>	<b>0</b>

### 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 January 2022, the Council is expected to approve the Council Tax Taxbase for 2022/23 which calculates the number of Band D equivalent properties to levy Council tax on. The impact of the pandemic had a significant impact on the collection rate of Council Tax in 2020/21 and is also impacting the rate in 2021/22. As a result, the increase in the council tax taxbase is lower than that realised in previous financial years, although it is projected that the growth in taxbase will be greater than that built into the Financial Strategy in February 2020 for 2022/23 and future years. To reflect this projected increase in the taxbase, the assumptions for growth in the taxbase have been uplifted for future years.

The Provisional Local Government Finance Settlement has set out the following referendum principles for councils:

- A core council tax referendum principle of up to 2% for shire counties, unitary authorities, London boroughs, the Greater London Authority (GLA) and fire and rescue authorities.
- An Adult Social Care (ASC) precept of 1% for all authorities responsible for ASC.
- The ability to add up to an additional 3% of unused ASC Precept from 2021/22.

Therefore, the MTFS has assumed an overall 3.99% increase in council tax; a general increase of 1.99% within the referendum principle, and a 2% Adult Social Care Precept (which includes a 1% allocation of unused ASC precept from 2021/22). In total this Council Tax increase is expected to raise an additional £6.8m

### 3.3 Business Rates

The level of Business Rates collected has also been impacted by collection due to the Covid pandemic and it is anticipated that this will impact on the increase in rateable value that was anticipated and the growth in the multiplier. At this stage, however, an accurate calculation of the impact on this level of funding cannot be made and so this will be updated in the Financial Strategy considered at Council in February 2022.

# REVENUE RESOURCES 2022/23 – 2026/27

## 3.4 Total Funding for 2022/23 – 2026/27

The revised funding projections are shown in Figure 2 below:

**Figure 2: Total Funding for 2022/23 – 2026/27**

	2022/23 £	2023/24 £	2024/25 £	2025/26 £	2026/27 £
<b>Council Tax</b>	180,285,304	190,478,555	201,347,709	212,835,261	224,979,824
<b>Business Rates:</b>					
Business Rates Collected	42,279,377	42,766,224	43,430,490	44,105,074	44,790,136
Business Rates - Energy Renewable Schemes	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Top Up Grant	10,031,260	10,031,260	10,031,260	10,031,260	10,031,260
<b>RSG</b>	6,450,404	3,225,202	0	0	0
<b>Collection Fund:</b>					
Council Tax	-93,463	-93,463	500,000	500,000	500,000
Business Rates	-168,114	-168,114	-500,000	-500,000	-500,000
<b>NET BUDGET</b>	<b>239,784,767</b>	<b>247,239,663</b>	<b>255,809,459</b>	<b>267,971,595</b>	<b>280,801,220</b>
<b>Grants included in Core Funding:</b>					
Improved Better Care Fund	11,862,890	0	0	0	0
New Homes Bonus	4,651,465	0	0	0	0
Rural Services Delivery Grant	6,940,755	0	0	0	0
Social Care Support Grant	12,619,381	0	0	0	0
Services Grant	3,521,312	0	0	0	0
Lower Tier Services Grant	389,608	0	0	0	0
Market Sustainability and Fair Cost Fund	940,831	0	0	0	0
<b>CORE FUNDING</b>	<b>280,711,007</b>	<b>247,239,663</b>	<b>255,809,459</b>	<b>267,971,595</b>	<b>280,801,220</b>
<b>Local Income</b>					
Fees and charges (including income savings deliverable from prior years)	81,595,005	82,019,868	82,453,297	82,895,508	83,346,722
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)	179,086,426	179,028,838	183,633,567	183,554,668	183,512,687
Internal Recharges	10,205,830	10,205,830	10,205,830	10,205,830	10,205,830
<b>TOTAL FUNDING</b>	<b>579,393,158</b>	<b>546,289,089</b>	<b>559,897,043</b>	<b>572,422,491</b>	<b>585,661,349</b>

### 4.1 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 2021/22, within the second quarter monitoring report to 30 September 2021, the committed expenditure for the Adult Social Care Purchasing budget remained within the growth allocation for the year. Revised growth modelling for future years outlines that care costs will increase by £6.2m in 2022/23. 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 2021/22 with £1.6m of additional costs projected in 2022/23. This has been offset in 2021/22 by the COVID-19 Support Grant, however as this is a one-off source of funding additional growth is required for future years.

Total demographic pressures for 2022/23 are estimated to be £ 10.836m.

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

### 4.2 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 2022/23 (£2.842m) and maintained pay awards at this level for the next five financial years.

On the 7 September 2021, the Government announced its plans to increase the funding of health and social care through a rise in National Insurance contributions from April 2022. The impact of this policy is an additional cost to the Council of £0.778m.

As the Council's pay costs increases, the apprenticeship levy that the Authority is required to pay also increases. Growth of £0.114m has been included to reflect the revised cost that the Council can expect to incur in relation to the levy in 2022/23.

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

## EXPENDITURE PRESSURES 2022/23-2026/27

generally have inflation built into them. In addition, the council will also be subject to price increases in energy which has been subject to significant market price increases during 2021/22. The total cost of contract and price inflation is £3.213m.

### 4.3 Service Specific and Local Generated Pressures

In addition to demographic growth, during the budget setting process several other growth items will be identified as necessary expenditure either due to budgetary pressures identified in the 2022/23 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 £13.427m 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 2022/23**

	2022/23 £
Local Generated Pressures	7,475,623
Highways Growth	3,800,000
Additional Staffing Resources	692,929
ICT improvements	556,700
Loss of Income	235,000
Other Service Pressures	666,960
<b>Total Service Specific Pressures</b>	<b>13,427,212</b>

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, however the largest entry relates to the changes in specific grants as detailed in the Resources section which have a corresponding change to expenditure. Also included within this is the proposed reduction in New Homes Bonus Grant of which £5m had funded the base budget of the Council. If the grant does reduce as projected, this is projected to create an additional pressure for the Council.

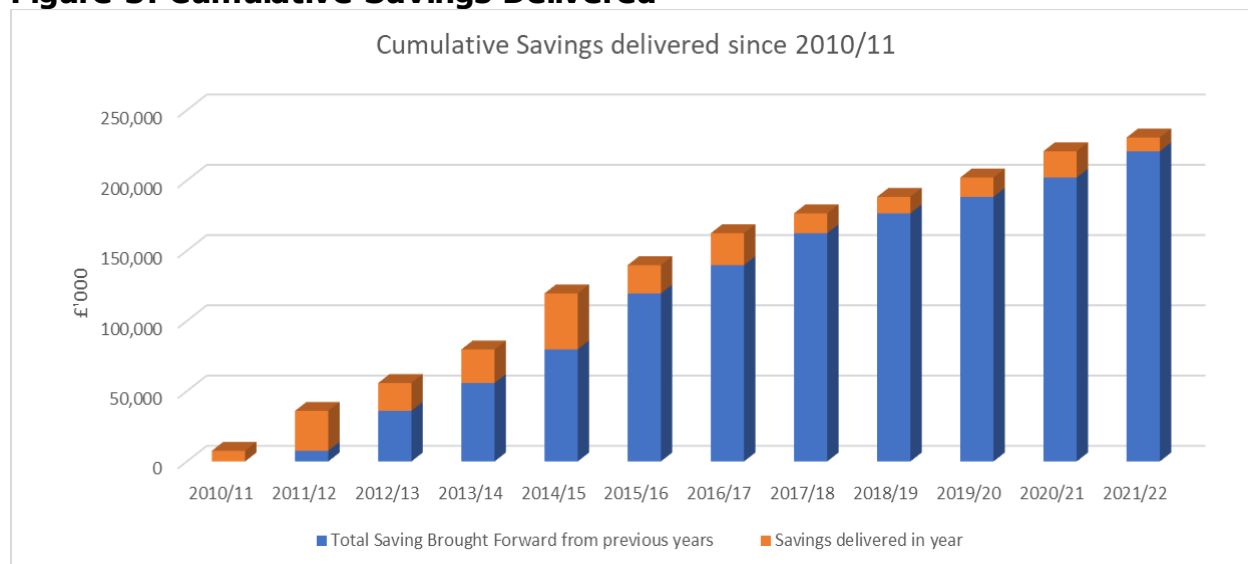
### 4.4 Savings Plans

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. 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

## EXPENDITURE PRESSURES 2022/23-2026/27

necessary to balance the books. In addition to government funding cutbacks, the Council has also been faced with increasing costs as outlined within Demographic Pressures, and this has forced the Council to deliver further savings over and above those dictated by the funding changes.

**Figure 3: Cumulative Savings Delivered**



A five year savings plan was put in place in 2018/19 which comes to an end in 2022/23. As a result £4.469m of savings that have previously been agreed by Council have been included within the budgeted expenditure for 2022/23. A breakdown by Directorate is provided in Table 4:

**Table 4: Savings Previous Agreed for Delivery in 2022/23**

	2022/23 £
People	250,000
Place	4,218,930
<b>Total Savings Previously Agreed in 2018/19</b>	<b>4,468,930</b>

The £0.250m savings relating to the People Directorate is no longer achievable, however alternative savings proposals have been proposed instead:

**Table 4a: Alternative savings proposal – People**

Alternative Savings Proposals - People	2022/23 £
Adult Social Care - Transport review	130,000
Adult Social Care - Income generation within employment support	50,000
Adult Social Care - Review pre-placement framework	70,000
<b>Total Alternative Savings Proposals - People</b>	<b>250,000</b>

## EXPENDITURE PRESSURES 2022/23-2026/27

Due to the anticipated funding gap for 2022/23 and beyond, it has been necessary to identify additional savings that can be delivered. The new savings that have been identified for 2022/23 are £4.771m and the split by Directorate is shown in the table 5 below:

**Table 5: New Savings 22/23**

	2022/23 £
People	2,270,355
Place	1,060,000
Resources	458,500
Council Wide	982,424
<b>Total New Savings</b>	<b>4,771,279</b>

The individual savings proposals that make up this balance are detailed in Annex A to this document.

There has also been a one off saving of £1.315m identified for 2022/23 which relates to the saving of lease and rental costs relating to a commercial investment that the Council undertook in 2019/20.

Consultation on the savings proposals for 2022/23 will take place during January and February, and the feedback from the consultation will be included within the Financial Strategy considered at Council in February 2022.

The MTFS agreed in February 2021, assumed that savings plans of £9.804m that had previously been identified for delivery in 2021/22 would be delivered. Latest projections on savings delivery plans for 2021/22 shows the following RAG ratings:

**Table 6: RAG ratings of 2021/22 Savings**

Service Area	Red £'000	Amber £'000	Green £'000	Total Savings £'000
Corporate Budgets	-	-	-	-
Health and Wellbeing	350	-	-	350
People	208	1,075	2,932	4,216
Place	2,340	355	785	3,480
Resources	1,181	270	307	1,758
Strategic Management Board	-	-	-	-
<b>Council</b>	<b>4,080</b>	<b>1,700</b>	<b>4,024</b>	<b>9,804</b>

42%	17%	41%
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Further work is required during the course of 2021/22 to ensure that plans are in place for all of these savings to be fully delivered from the 1 April 2022.

## 4.5 Total Expenditure

**Figure 4: Total Expenditure for 2022/23 – 2026/27**

	2022/23 £	2023/24 £	2024/25 £	2025/26 £	2026/27 £
<b>Original Gross Budget Requirement</b>	<b>616,041,946</b>	<b>629,389,195</b>	<b>607,026,776</b>	<b>622,801,679</b>	<b>633,346,721</b>
<b>Inflationary Growth :</b>					
Pay	2,841,967	2,912,413	2,983,546	3,056,417	3,131,067
NI Social Care Uplift	777,760	27,748	28,426	29,120	29,831
Apprenticeship Levy	114,200	8,970	9,150	9,330	9,520
Prices	3,213,423	1,672,407	1,723,880	1,759,013	1,829,788
Pensions	0	0	0	0	0
<b>Demography &amp; Demand</b>	<b>10,836,295</b>	<b>7,864,868</b>	<b>8,125,868</b>	<b>8,377,500</b>	<b>8,672,018</b>
<b>Service Specific Pressures</b>	<b>13,427,212</b>	<b>545,000</b>	<b>-32,000</b>	<b>-400,000</b>	<b>-500,000</b>
<b>Local Generated Pressures:</b>					
Elections	-740,000			740,000	-740,000
Specific Grants Changes between years	-8,205,225	-36,132,079	4,604,729	-78,899	-41,981
Ongoing reduction in New Homes Bonus (pressure)	348,535	4,651,465			
WME Gas Profit Shortfall	200,000				
Estimated Cost of Investment - Approved	521,000	1,299,528	1,380,779	1,107,229	994,878
Additional Staff for Capital Programme	500,000	250,000			
Invest to Save Fund for delivery of future savings	103,000	-97,000	-20,000	-39,000	-30,000
Energy Renewable Schemes	-35710				
Adjustment to Gross budget offset by Income changes					
<b>Savings</b>					
Savings from prior years- 2018/19 - Approved	-4,468,930	0	0	0	0
Remove 2020/21 Unachievable savings	0	0	0	0	0
One off saving - Morrissons Lease and Buyout	-1,315,000	1,315,000			
New Savings	-4,771,279	-6,680,737	-3,029,476	-4,015,667	-5,878,139
<b>TOTAL EXPENDITURE</b>	<b>629,389,195</b>	<b>607,026,776</b>	<b>622,801,679</b>	<b>633,346,721</b>	<b>640,823,703</b>



## 5.1 Funding Gap and Temporary Solutions

The funding gap for 2022/23, which was previously anticipated to be £43.260m in February 2021, has now increased to £49.446m mainly due to the additional growth required within the budget to address ongoing budgetary pressures and inflationary growth that the Council is experiencing. The continuation of the Core Government Grants for 2022/23 and additional one-off grants for 2022/23 allows this funding to be applied to close the gap. Also, a review of earmarked reserves including the release of the remaining balance held in the Financial Strategy Reserve can provide an additional one off £13.171m towards reducing the funding gap in 2022/23. It should be noted, however, that this will eliminate the Financial Strategy Reserve which had been built up over previous years and therefore no balance will be available for future years.

**Figure 5: Funding Gap for 2022/23 – 2026/27**

	2022/23 £	2023/24 £	2024/25 £	2025/26 £	2026/27 £
Resources (incl savings plans)	579,393,158	546,289,089	559,897,043	572,422,491	585,661,349
Expenditure (incl savings plans)	628,839,195	606,476,776	622,251,679	632,796,721	640,273,703
<b>Gap in year</b>	<b>49,446,036</b>	<b>60,187,687</b>	<b>62,354,635</b>	<b>60,374,230</b>	<b>54,612,354</b>
<b><u>One off Grants &amp; Reserves:</u></b>					
Improved Better Care Funding	11,862,890	0	0	0	0
Rural Services Delivery grant	6,940,755	0	0	0	0
Social Care Funding	12,619,381	0	0	0	0
Services Grant - One Off	3,521,312	0	0	0	0
Lower Tier Services Grant - One Off	389,608	0	0	0	0
Market Sustainability and Fair Cost Fund - One Off	940,831	0	0	0	0
<b><u>Use of Reserves:</u></b>					
Review of Earmarked Reserves	6,128,506	0	0	0	0
Financial Strategy Reserve	7,042,754	0	0	0	0
<b>TOTAL ONE OFF FUNDING</b>	<b>49,446,036</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Remaining Gap/(Surplus) to be Funded</b>	<b>0</b>	<b>60,187,687</b>	<b>62,354,635</b>	<b>60,374,230</b>	<b>54,612,354</b>

Whilst the funding gap has been closed for 2022/23, the remaining funding gap in future years varies around the £60m level. This is because the government has not been able to provide any assurance or information around how local government will be funded in the future. There has been no confirmation from the government about when Fair Funding will now be implemented, and even though the Spending Review in the Autumn had provided analysis of funding over three years, the government have not provided a three-year funding settlement which had been anticipated in the Provisional Local Government Settlement. The provision of a one-year settlement poses more uncertainty over the future and whether any reliance can be placed on the grants received into the future.

It should also be noted that the level of one-off grants from the government for the 2022/23, and the increase compared to previous years, still do not address the historic underfunding of Adult Social Care over many years. Furthermore, one-off grants do not form part of the authority's sustainable funding in the future. It is therefore necessary for the Council to continue to lobby for additional funding from the Government in the form of a sustainable funding solution.

## 5.2 Plans for a Sustainable Budget

The uncertainty around the proposed implementation of the Fair Funding Review for Local Government is making it more and more difficult to work towards a sustainable budget. As outlined previously, the Council had assumed that the Government would provide a three-year settlement, including the Core Government Grants in the lead up to the Fair Funding Review being implemented. Now that another one-year settlement has been announced it is difficult to predict future funding levels without some clarity on how and when the Fair Funding Review will be implemented. With growth in service costs, such as social care anticipated to continue to grow as per current demography, this results in a funding gap of £60.188m in 2023/24 growing to a peak of £62.355m in 2024/25.

The Council had built up a £20m Financial Strategy Reserve over the last four years to provide the Council with some resilience through to the implementation of Fair Funding. It has been necessary, however, to use £13.520m of this reserve in 2021/22 and the remaining £7.043m in 2022/23 removing this resilience completely. 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, but in the meantime the Council is taking the steps it can to deliver a balanced budget each year.

The COVID-19 pandemic forced the Council to operate in a different way with a focus on more digital methods of providing services and working remotely. Further work is ongoing within the Council to cement and develop New ways of Working and a Refocus Programme which capitalise on the opportunities provided through the pandemic.

The main focus of these plans include:

- Home working for staff on a more permanent (albeit not full-time) basis;
- Automating all manual processes (look to become cashless, paperless, digital by default);
- Deliver services remotely and therefore reduce travel across the county to provide an environmental and financial benefit;
- How a local delivery hub model would operate both for customers, partners and staff.

It is essential that these plans complement activities already planned and outlined in the Economic Growth Strategy, the Asset Management Strategy, the Commercial Strategy and the Digital and Workforce Strategies that have been approved by the Council and will be refreshed over the coming months. The Council's operating model and Performance Management Framework is currently being revised under the new Shropshire Plan, setting out the key priorities and activities required to move where possible, closer to a more sustainable budget.

## 6.1 General Fund Balance

The General Fund Balance is the risk assessed level that may need to be held to protect against unforeseen expenditure or financial pressures arising each year.

Figure 6 below shows the projected General Fund Balance over the life of the Financial Strategy, compared to the risk assessed level and shows the shortfall against this risk assessed level. As shown in Figure 6, the level of General Fund anticipated for 2022/23 and beyond increases significantly which is generally due to the risk of generating the level of savings required in order to close the funding gap in those years. This is due to be revised within the final MTFS provided to Council in February 2022.

**Figure 6: General Fund Projection Compared with Risk Assessed Level**

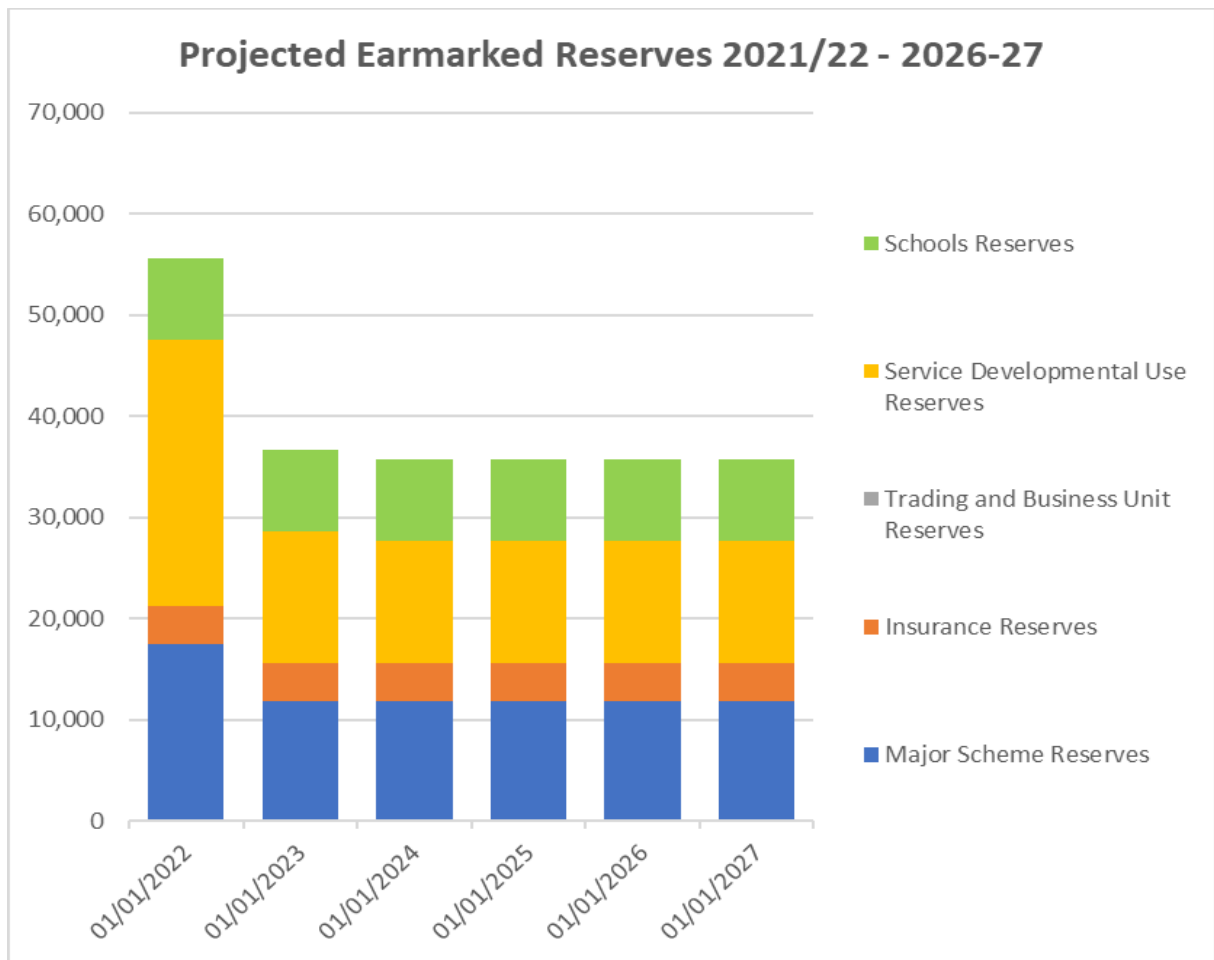
	2021/22 £	2022/23 £	2023/24 £	2024/25 £	2025/26 £	2026/27 £
Opening General Fund Balance	14,091,000	9,727,554	9,727,554	9,727,554	9,727,554	9,727,554
Projected (over)/underspend as at Q2	-4,363,446	0	0	0	0	0
Closing General Fund Projected	9,727,554	9,727,554	9,727,554	9,727,554	9,727,554	9,727,554
Risk Assessed Level of General Fund Balance	12,174,000	25,071,000	29,891,000	29,862,000	32,075,000	32,075,000
Shortfall in General Fund Balance	-2,446,446	-15,343,446	-20,163,446	-20,134,446	-22,347,446	-22,347,446

## 6.2 Earmarked Reserves

The financial strategy assumes that a balance of earmarked reserves will be released to assist in reducing the funding gap in 2022/23 including the final release of the Financial Strategy Reserve. This will result in a projected balance of £34.685m in earmarked reserves.

A projection of the level of earmarked reserves that will be held over the next 5 years of the financial strategy is demonstrated in the graph below and shows the planned reduction in 2022/23. Given the nature of the remaining reserves, these cannot be reduced further, but rather will be used to reflect business need at that time. For example, Insurance reserves are held to reflect areas of self-insurance – there are no plans to use these reserves until such a claim requires them to be utilised. Hence, we must assume they are held in perpetuity, or replaced if called upon, and are not available for any other purpose, such as balancing the Council's budget.

**Figure 7: Projected Earmarked Reserves 2020/21 – 2026/27**



## ANNEX A – SAVINGS TO BE DELIVERED IN 2022/23 – 2026/27

### Savings Previously Approved in Prior Years

Savings Ref	Directorate	Savings Theme	Description	2022/23 £	Status
A15	People	Service transformation	Invest in digital health technologies	-250,000	No longer deemed achievable, therefore alternative savings proposed
P11	Place	General efficiencies	Review of library provision	-191,930	
P33	Place	Income generation	Raise additional income from new development	-27,000	
P35	Place	General efficiencies	Efficiencies within administrative buildings	-2,000,000	
P39	Place	Income generation	Raise income from investment in assets	-2,000,000	
<b>Total Savings Previously Agreed</b>				<b>-4,468,930</b>	

### Revised Savings Proposals to Replace Savings that can No Longer Be Achieved

Savings Ref	Directorate	Savings Theme	Description	2022/23 £
A15a	People	General efficiencies	Transport review	-130,000
A15b	People	Income generation	Income generation within employment support	-50,000
A15c	People	General efficiencies	Review pre-placement framework	-70,000
<b>Total Revised Savings Proposals</b>				<b>-250,000</b>

## ANNEX A – SAVINGS TO BE DELIVERED IN 2022/23 – 2026/27

### New Savings for 2022/23 – 2026/27

Savings Ref	Directorate	Savings Theme	Description of saving	2022/23 £	2023/24 £	2024/25 £	2025/26 £	2026/27 £	Total £
AS1	People	Service transformation	Adult social care - Review personal budget options	-62,000	-110,000	-110,000	-110,000	-110,000	-502,000
AS2	People	General efficiencies	Adult Social Care - Review and implementation of Finance tool	-58,355	-55,437	-52,665			-166,457
AS3	People	Income generation	Adult Social Care - Income generation through joint training	-20,000					-20,000
AS4	People	Service transformation	Adult Social Care - Joint accommodation commissioning with partners	-125,000					-125,000
AS5	People	Service transformation	Adult Social Care - Specialist provision for young adults			-140,000			-140,000
AS6	People	General efficiencies	Adult Social Care - Review of double-handed care	-210,000	-185,000				-395,000
AS7	People	Income generation	Adult Social Care - Income generation through brokerage offer		-43,000	-59,000	-74,000	-90,000	-266,000
AS8	People	Invest to Save	Adult Social Care - Review of jointly funded packages	-10,000	-10,000	-20,000	-30,000	-30,000	-100,000
AS9	People	Demand management	Prevention and Intervention - Improving public health to reduce social care costs	-500,000	-500,000	-500,000	-500,000	-3,000,000	-5,000,000
AS11	People	General efficiencies	Adult Social Care - Develop supported living offer	-23,000					-23,000
AS12	People	General efficiencies	Adult Social Care - Review care provider contract arrangements	-119,000					-119,000
AS15	People	General efficiencies	Adult Social Care - Block contract review	-95,000					-95,000
AS16	People	General efficiencies	Adult Social Care - Technology to support care delivery	-1,000,000					-1,000,000

## ANNEX A – SAVINGS TO BE DELIVERED IN 2022/23 – 2026/27

Savings Ref	Directorate	Savings Theme	Description of saving	2022/23 £	2023/24 £	2024/25 £	2025/26 £	2026/27 £	Total £
CS1	People	Demand management	Consult on the continued operation of the Post 16 transport assistance programme		-20,000	-30,000			-50,000
CS2	People	Demand management	Review high cost single occupancy transport requirements across SEND transport with a view to securing improved value for money		-100,000	-100,000	-100,000		-300,000
CS3	People	Demand management	Consult on the Post 16 contribution scheme for SEN applicants, mirroring best practice across other Councils		-100,000	-125,000	-125,000		-350,000
CS4	People	Demand management	Review TMBSS requirements for transport with a view to reducing current high costs and securing better value for money	-48,000	-82,000	-82,000	-38,000		-250,000
CS6	People	General efficiencies	Recommission Enhance contract		-21,000				-21,000
CS7	People	Service transformation	Stepping Stones Project - Reduction in Children in long-term residential care		-631,000	-1,349,331	-2,120,377	-2,313,139	-6,413,847
PS2	Place	General efficiencies	Reshape Planning Services to become closer to cost neutral by 2025/26	-200,000	-200,000	-200,000	-200,000	-200,000	-1,000,000
PS3	Place	Income generation	Building Control - Additional income generation	-100,000					-100,000
PS4	Place	General efficiencies	Building Control - Use of reserve	-100,000		100,000			0
PS5	Place	Income generation	Enhanced income through commercial activity in Natural & Historic Environment teams	-40,000	-10,000	-10,000	-10,000	-10,000	-80,000
PS6	Place	Income generation	Enhanced income through the use of Planning Performance Agreements and increased fees	-50,000	-25,000	-25,000	-25,000	-25,000	-150,000
PS7	Place	Service transformation	Efficiency savings within Highways Operations				-500,000		-500,000
PS8	Place	Income generation	Increased income generation within Museums and Archives		-10,000	-5,000	-5,000	-5,000	-25,000

## ANNEX A – SAVINGS TO BE DELIVERED IN 2022/23 – 2026/27

Savings Ref	Directorate	Savings Theme	Description of saving	2022/23 £	2023/24 £	2024/25 £	2025/26 £	2026/27 £	Total £
PS9	Place	Income generation	Increased income generation within Theatre Services			-58,480			-58,480
PS10	Place	Income generation	Increased income generation within Libraries		-10,000	-5,000		-10,000	-25,000
PS11	Place	Income generation	Increased income generation within Council operated Leisure Centres			-5,000	-10,000	-10,000	-25,000
PS12	Place	Income generation	Review of parking charges	-350,000					-350,000
PS13	Place	General efficiencies	Savings from efficiencies in drainage maintenance	-50,000	-100,000				-150,000
PS14	Place	Service transformation	Review of Leisure Centres, including amendments to service operation	-50,000					-50,000
PS15	Place	Income generation and management	Insurance - Recovery of Costs	-20,000	-30,000	-40,000	-50,000	-50,000	-190,000
PS16	Place	General efficiencies	Traded Services - Registrars and Mardol House and Tannery accommodation to move to becoming traded services	-50,000	-50,000	-100,000	-93,290		-293,290
PS17	Place	General efficiencies	Libraries –Related to the development of new community service delivery with new Library Management system, self-service delivery, associated staff restructure and Shropshire Local delivery model.	-50,000	-50,000				-100,000
PS18	Place	General efficiencies	Review of outsourced leisure facilities			-100,000			-100,000
PS19	Place	General efficiencies	Review of outsourced leisure facilities		-69,300				-69,300
PS21	Place	Income generation and management	Green Waste Service Review and Charging	0	-3,000,000				-3,000,000
RS1	Resources	Income generation	Sale of advertising space on Council tax bills	-10,000	-10,000				-20,000



## ANNEX A – SAVINGS TO BE DELIVERED IN 2022/23 – 2026/27

Savings Ref	Directorate	Savings Theme	Description of saving	2022/23 £	2023/24 £	2024/25 £	2025/26 £	2026/27 £	Total £
RS2	Resources	General efficiencies	IT contract review		-50,000				-50,000
RS3	Resources	General efficiencies	Improved internal data matching within Revenues and Benefits	-20,000	-10,000				-30,000
RS4	Resources	Income generation	Review Revenues and Benefits court costs	-10,000	-10,000				-20,000
RS5	Resources	Demand management	Increase purchasing rebates from Matrix system	-70,000					-70,000
RS6	Resources	Income generation	Increased income generation within Audit Services	-12,000		12,000			0
RS7	Resources	Income generation	Income generation through developing commercial opportunities from Leap into Learning	-5,000					-5,000
RS8	Resources	Income generation	Review of Shropshire Human Resources service level agreements with external clients	-30,000	-30,000				-60,000
RS9	Resources	Income generation	Increase Human Resources and Development income generated from commercial activities	-50,000	-50,000	-25,000	-25,000	-25,000	-175,000
RS10	Resources	Employee reductions/savings	Delete any vacant posts within Human Resources and Development	-54,000					-54,000
RS11	Resources	General efficiencies	Review use of Customer Relationship Management system		-25,000				-25,000
RS12	Resources	General efficiencies	Reduce call handling and management software costs		-65,000				-65,000
RS13	Resources	General efficiencies	Reprocure calls and lines contract	-22,000					-22,000
RS14	Resources	General efficiencies	Complete Sharepoint migration	-10,000	-10,000				-20,000

## ANNEX A – SAVINGS TO BE DELIVERED IN 2022/23 – 2026/27

Savings Ref	Directorate	Savings Theme	Description of saving	2022/23 £	2023/24 £	2024/25 £	2025/26 £	2026/27 £	Total £
RS15	Resources	Withdrawal/Cessation of service	Remove Linux loadbalancers, as no longer required	-3,500					-3,500
RS16	Resources	General efficiencies	Changes to Libraries electronic network	-2,500					-2,500
RS17	Resources	Withdrawal/Cessation of service	Remove Phishing Tackle		-4,000				-4,000
RS22	Resources	General efficiencies	Reduce BluPrint printing devices	-4,000					-4,000
RS23	Resources	Employee reductions/savings	Review of customer service teams across the Council - Channel Shifting		-1,000,000				-1,000,000
RS26	Resources	General efficiencies	Supplies and services savings within Legal Services	-2,000					-2,000
RS27	Resources	General efficiencies	Supplies and services savings within Democratic Services	-10,500					-10,500
RS30	Resources	Income generation	Committee Services – Additional income generation	-21,000					-21,000
RS32	Resources	General efficiencies	Supplies and services savings within Elections team	-7,000					-7,000
RS33	Resources	Income generation	Insurance - Review of Claims Handling	-50,000					-50,000
RS34	Resources	Demand management	Reduce external expenditure on legal services	-15,000					-15,000
RS35	Resources	General efficiencies	Cashless Shropshire	-50,000					-50,000
CW1	Council Wide	General efficiencies	Review of contract costs	-60,624					-60,624

## ANNEX A – SAVINGS TO BE DELIVERED IN 2022/23 – 2026/27

Savings Ref	Directorate	Savings Theme	Description of saving	2022/23 £	2023/24 £	2024/25 £	2025/26 £	2026/27 £	Total £
CW2	Council Wide	General efficiencies	Increase to fees and charges income	-334,890					-334,890
CW3	Council Wide	Demand management	Non-essential spend review	-100,000					-100,000
CW10	Council Wide	General efficiencies	Reduce postage costs	-117,910					-117,910
CW11	Council Wide	General efficiencies	Savings on officer travel budgets	-364,000					-364,000
CW12	Council Wide	General efficiencies	Reduction to the use of external venues for meetings and events	-5,000	-5,000				-10,000
				<b>-4,771,279</b>	<b>-6,680,737</b>	<b>-3,029,476</b>	<b>-4,015,667</b>	<b>-5,878,139</b>	<b>-24,375,298</b>