



Shropshire
Council

Medium Term Financial Strategy February 2022

2022/23 – 2026/27



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Foreword from Section 151 Officer





FOREWORD FROM SECTION 151 OFFICER

The 2022/23 Financial Year sees the launch of The Shropshire Plan – a document setting out the Council's future aspirations and priorities and an umbrella for the Council's Plans and Strategies for the medium term. The Shropshire Plan will help direct decisions on how we use our available resources to achieve the best outcomes for Shropshire. A key element of this is the Medium Term Financial Strategy, a document that considers the Council's revenue position, directing resources to cover the day to day responsibilities, to meet the County's priority needs.


This plan sets out projections for funding and expenditure over the next five years and sets a budget for 2022/23. In short, we can contain our expected costs within our available 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 more reasonably in large rural counties like ours.

We consulted on our plans throughout January and reconsidered our financial planning in light of these and other findings, and the final local government financial settlement received on 7 February 2022. On 24 February 2022, Council will be asked to approve 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 as set out in the Shropshire Plan.

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 over the years. 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 £8m over this time and stands at £224m 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 80% by the local taxpayer. The figures in this Medium-Term Financial Strategy show that this trend is set to continue.



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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 close to 80% of the Council's net budget is allocated to Social Care, almost double the 44% allocated in 2015/16.

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 the Council's 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. The Final Settlement, likewise, was received the day before papers were due to be sent out to Cabinet to approve the budget. 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 rather than just health 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.

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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, £1.4m of one-off, repayable savings and an allocation of just under £14m from one-off reserves, this will produce a balanced budget for 2022/23.

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
- 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, as set out in The Shropshire Plan, in the leanest, most efficient, highest quality and financially economical way our financial position will allow. 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.

James Walton

Executive Director of Resources

Section 151 Officer



Medium Term Financial Strategy Introduction





MEDIUM TERM FINANCIAL STRATEGY INTRODUCTION

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 in early February. 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 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.

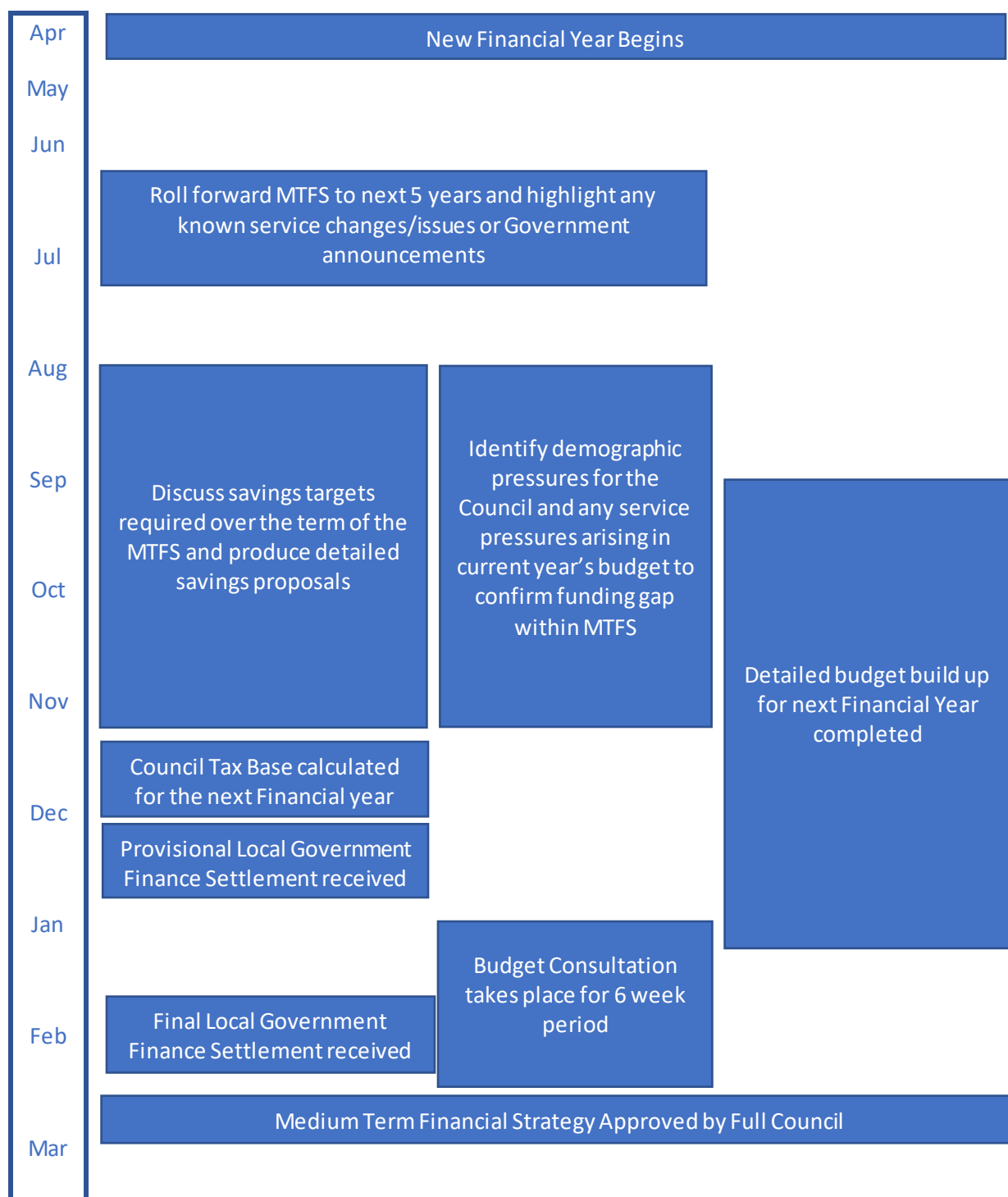
During January and February, the Council consults with the general public regarding the budget proposals for the next financial year. Feedback from this consultation helps inform the final Medium Term Financial Strategy that is agreed by Full Council in February.

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



MEDIUM TERM FINANCIAL STRATEGY INTRODUCTION

2.2 National Context

The austerity programme was initiated by the Government in 2010 over a period of 10 years. During this period departmental budgets within the Government were continually reduced in order to reduce the national debt and bring the budget deficit down. However following this, over the last 2 years, the UK has been in the grips of the COVID-19 pandemic which 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.

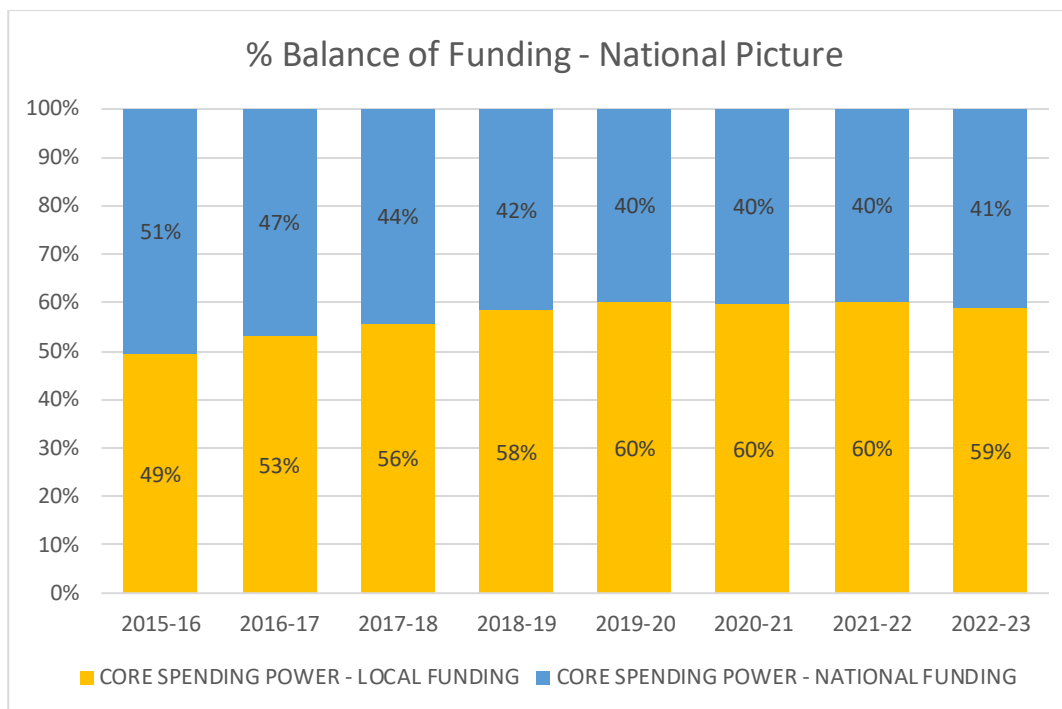
For Local Government the last decade has seen a major change in how it is funded. Cuts to central government funding has resulted in local government as a sector, reducing spend in local public services by 17% or 23% per person. The sector has become increasingly reliant on local taxes for revenue. Council tax makes up over half of the Core Spending Power of local authorities 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 £3.4 billion (6.9%) increase in core funding projected for next year, £2.1 billion is from the government. The other £1.4 billion is from increases in council tax bills of up to 4%, and assumes councils make full use of the allowable increases.

Figure 2 below demonstrates that the proportion of national funding within the Core Spending Power has decreased from 51% to 41% over a seven year period with increased reliance now on local authorities to raise funding locally instead by raising council tax.

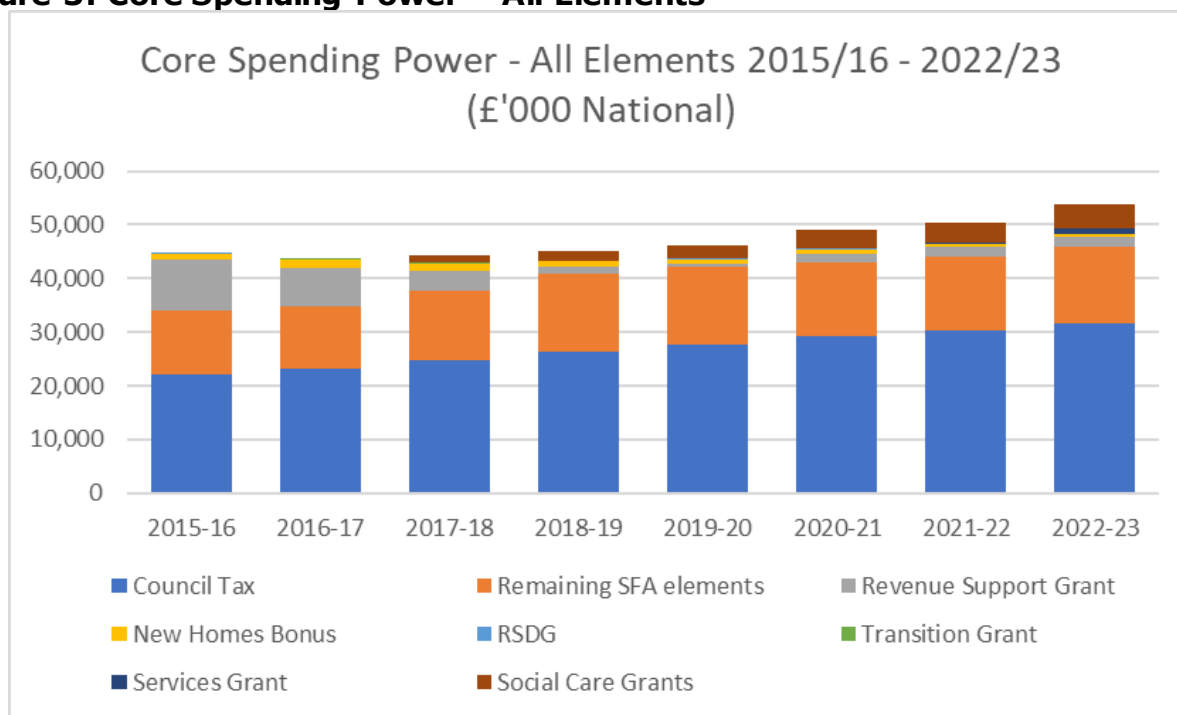
MEDIUM TERM FINANCIAL STRATEGY INTRODUCTION

Figure 2: Balance of Funding – National Picture



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: Core Spending Power – All Elements



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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.

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.

The Final Local Government Finance Settlement for 2022/23 was announced on 7th February 2022, and only included minor allocation changes to the figures announced in the Provisional Local Government Finance Settlement.

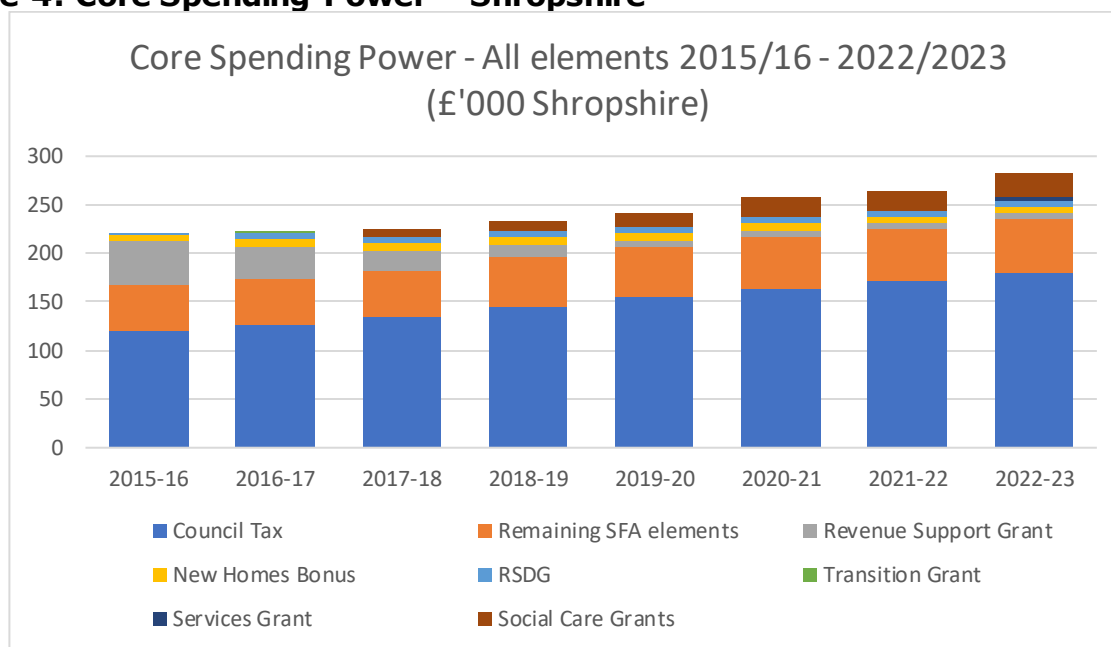
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2.3 Local Context

Over the last eight years, Shropshire Council's core spending power has changed from £220.9m to £283.0m.

As shown in Figure 4 below, core spending power has increased marginally by an average of just under 4% per year over the eight year period and the constitution of the funding for the Council has altered significantly over this period. Revenue Support Grant has reduced by 85% over the eight year period and removed £37.31m from the Council's resources. The Government has instead started to introduce specific Social Care Grants, but over the last six years the social grants have totalled £97.5m against increase in costs pressures for Social Care of , this demonstrates that the Council has had to raise council tax in order to bridge some of this gap in funding.

Figure 4: Core Spending Power – 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 36%. 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 2022/23 we are still having to place a greater reliance on generating resources locally than the national average.

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Figure 5: Balance of Funding - Shropshire

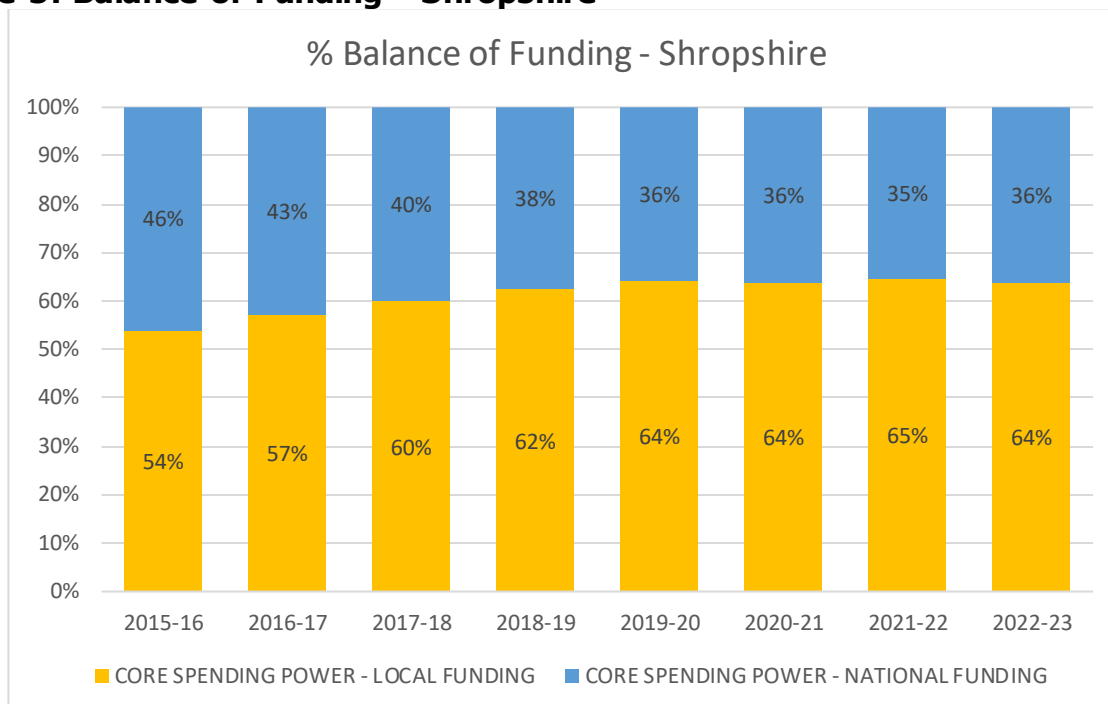
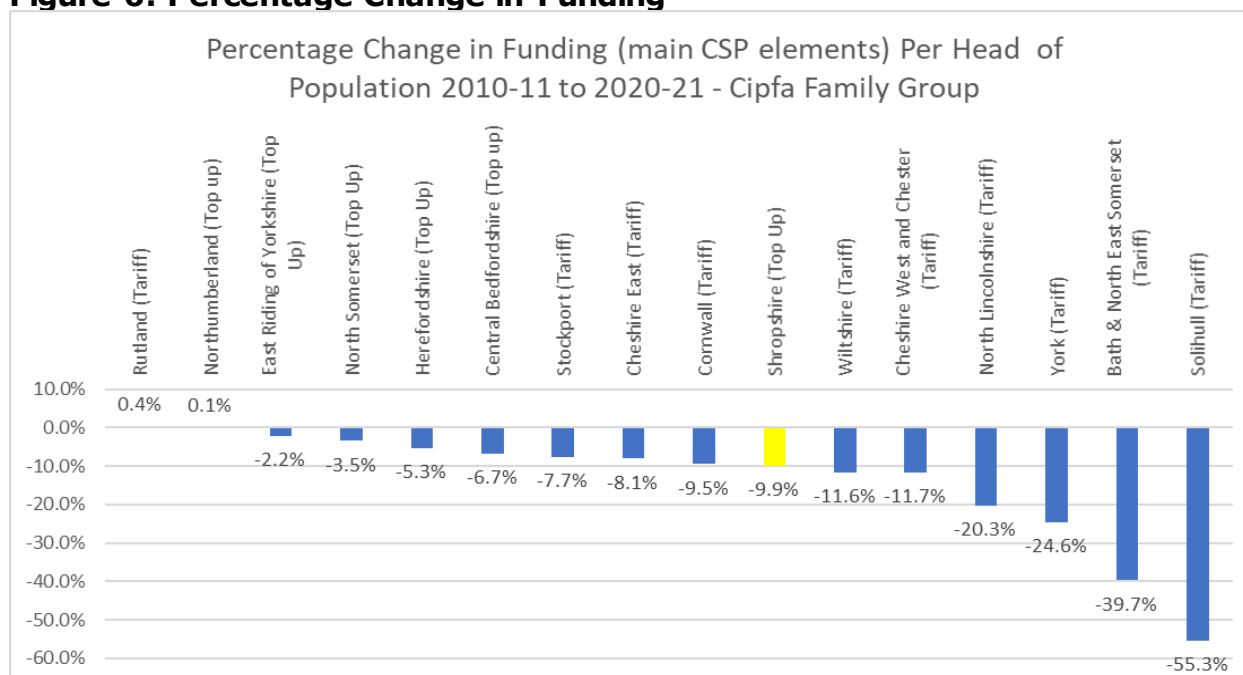


Figure 6 below looks at changes in funding per head of population between 2010/11 and 2020/21.

Shropshire's funding per head of population over the period decreased by 10%. This is an average decrease compared to our family group.

Figure 6: Percentage Change in Funding

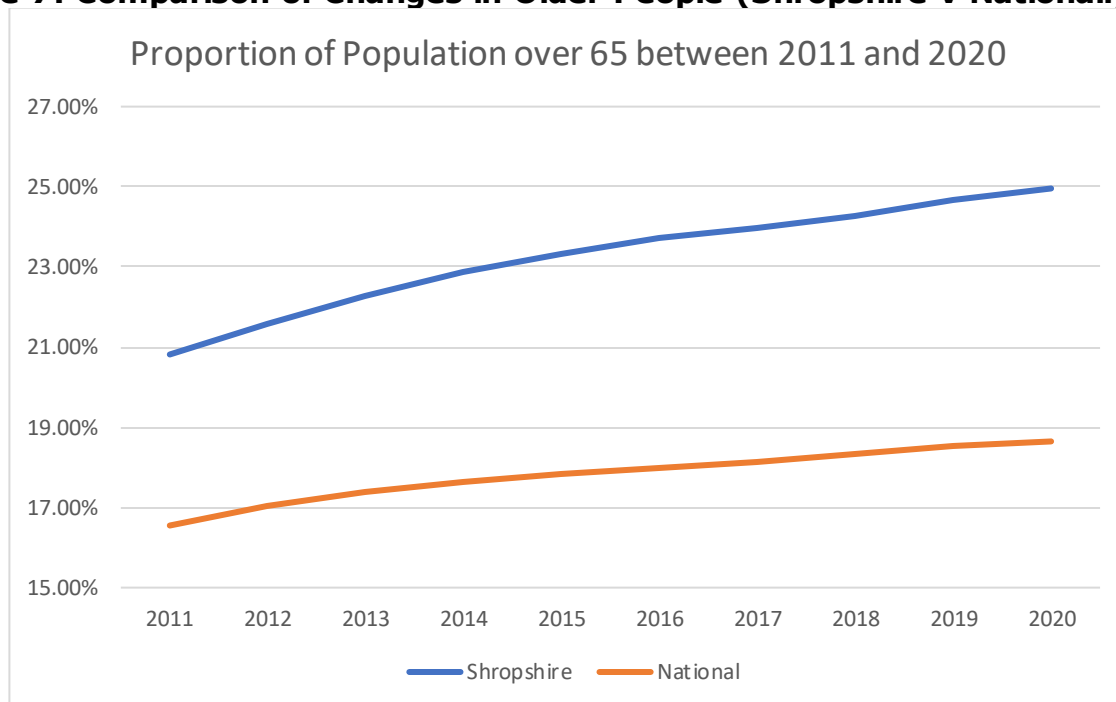


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The Government encouraged local authorities to freeze Council Tax from 2011 to 2016 by agreeing to pay local authorities a Council Tax Freeze grant to recompense them for the lost Council tax. Shropshire Council agreed to freeze Council Tax in 2011/12 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 7 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 7: Comparison of Changes in Older People (Shropshire v Nationally)

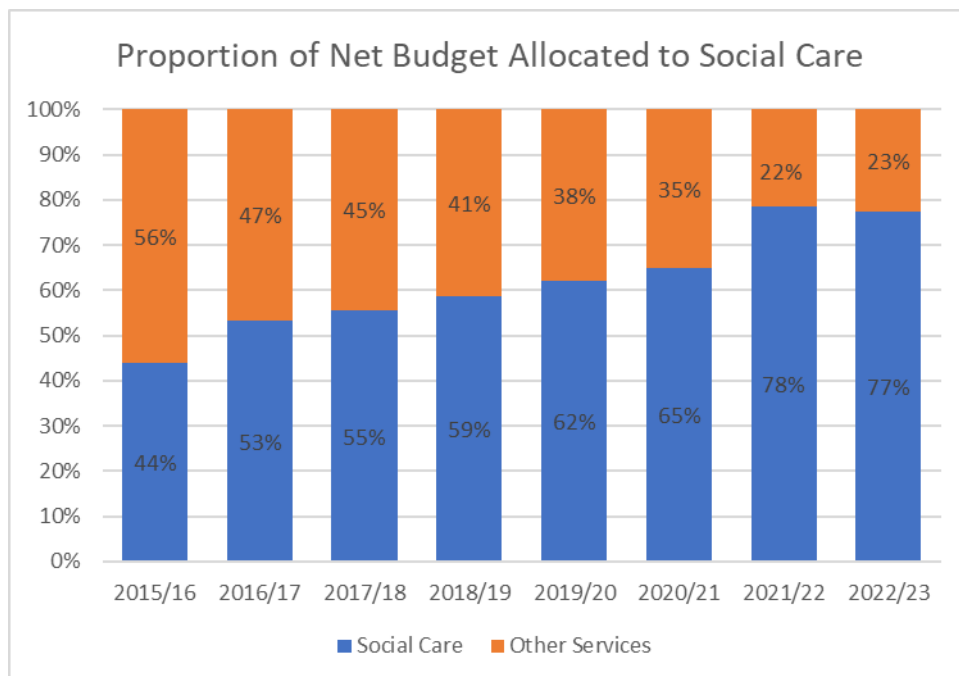


In recent years, the Council has experienced growth pressure both in Adult Social Care costs and Children's Social Care too, which is again a common picture being experienced by upper tier local authorities. The pressure that the growth in social care costs places on the Council's budget is demonstrated in Figure 8 below. This shows that based on a relatively stable net budget over the period of 7 years, the proportion of social care budgets increases from 44% to 77% of the Council's net budget, an additional £79m. The net budget itself was £216m in 2015/16 of which 54% was funded by Council Tax, in 2022/23 the net budget increased to £225m and is now 64% funded by Council Tax demonstrating a significant removal of government funding from local authorities. This

MEDIUM TERM FINANCIAL STRATEGY INTRODUCTION

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 8: Allocation of Net Budget to Social Care



N.B. The Net Budget for 2021/22 and 2022/23 has reduced due to the Collection Fund Deficit which has arisen due to reliefs given to businesses during the Coronavirus pandemic.

Over the last seven 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 over £35m more than the resources available. With the exclusion of one-off funding, the structural gap is around £61m. This is demonstrated in table 1 below.

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

	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000
Adult Social Care Growth (annual)	-14,293	-5,285	-7,020	-10,117	-11,612	-5,866	-9,022
Children's Social Care Growth (annual)			-2,128	-2,294	-3,926	-8,384	-1,352
IBCF Funding (Adults)	0	217	4,329	8,154	9,547	9,547	11,863
Adult Social Care Support Grant (Adults)	0	1,400	871	0	0	0	0
Social Care Grant (Adults & Children)	0	0	0	3,775	7,883	9,112	12,619
Social Care Precept (Adults)	2,443	2,662	4,123	1,485	3,152	3,282	3,467
Market Sustainability and Fair Cost Fund (Adults & Children)	0	0	0	0	0	0	941
Cumulative Growth	-14,293	-19,578	-28,726	-41,137	-56,675	-70,925	-81,299
Cumulative Funding	2,443	6,722	16,045	29,458	50,041	71,982	100,872
Shortfall (annual)	-11,850	-12,856	-12,681	-11,679	-6,634	1,057	19,573
Cumulative Shortfall	-11,850	-24,706	-37,387	-49,066	-55,700	-54,643	-35,070
Shortfall (annual) - Excluding One Off Funding	-11,850	-14,473	-19,498	-30,424	-42,810	-53,778	-60,685



MEDIUM TERM FINANCIAL STRATEGY INTRODUCTION

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 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. 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 Government addresses this funding shortfall through the implementation of the Fair Funding Review to ensure that the funding model from Government accurately reflects the true cost drivers for social care and the impact that rurality has on the costs of providing services. Shropshire Council has been lobbying government for several years to address the structural underfunding in relation to social care spend and whilst in year one-off funding has increased to offset the in-year growth, there has been no adjustment to ongoing funding that addresses the structural budget deficit.

The Council received details of the Provisional Local Government Finance Settlement on 16th 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 were either rolled forward from 2021/22 or there was 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 structural deficit within the budget for future years.

Details of the Final Local Government Finance Settlement was received on 7th February 2022 and included minor allocation changes to some of the one off core grants distributed. These changes have not fundamentally changed the structural deficit position.

Revenue Resources 2022/23 – 2026/27



REVENUE RESOURCES 2022/23 – 2026/27

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 2022/23 the following core grants will be received:

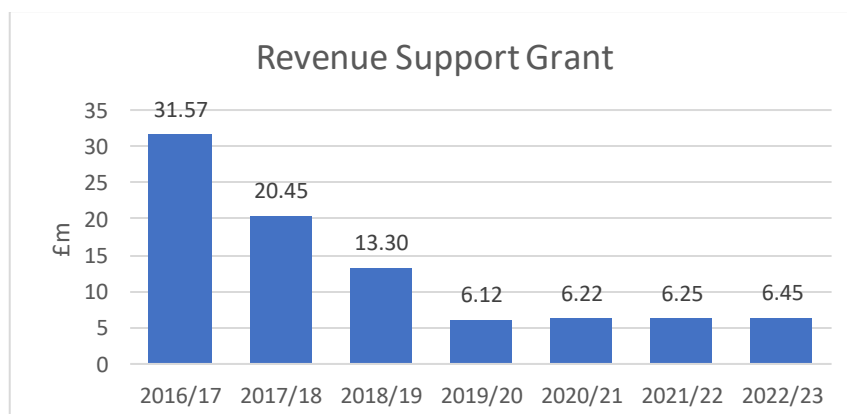
Core Grants:	£
Revenue Support Grant	6,450,404
Improved Better Care Fund	11,863,403
New Homes Bonus	4,651,465
Rural Services Delivery Grant	6,940,755
Social Care Grant	12,619,529
Service Grant	3,521,312
Lower Tier Services Grant	397,338
Market Sustainability and Fair Cost Fund	940,831
TOTAL CORE FUNDING	47,385,036

Revenue Support Grant

The Final Local Government Finance Settlement for 2022/23 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 2021/22 (3.15%).

As can be demonstrated from Figure 9 below, the level of Revenue Support grant received over the last seven years has reduced significantly from £31.57m to £6.45m, a reduction of 80%. Since 2019/20 the Government has generally rolled forward balances of Revenue Support Grant with only a minor inflationary increase applied to the balance.

Figure 9: Revenue Support Grant Levels



REVENUE RESOURCES 2022/23 – 2026/27

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 2022/23, an inflationary uplift would be applied to the Improved Better Care Fund in line with the change in the Consumer Price Index. This provided an additional £2.3m on previous year's allocations.

New Homes Bonus (NHB)

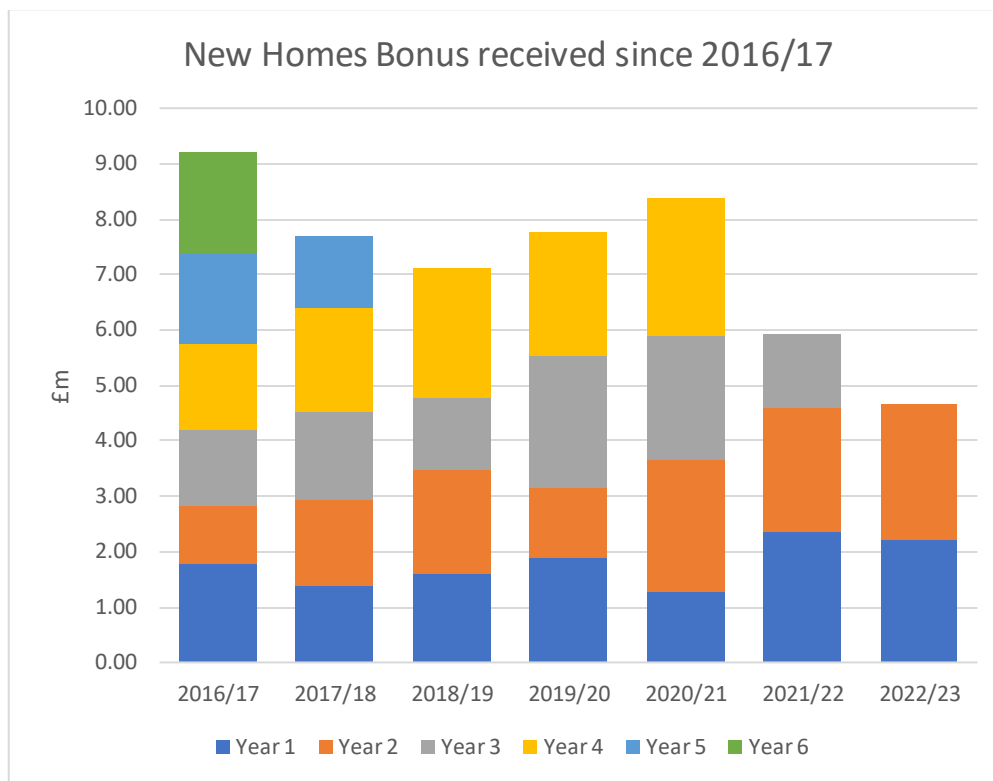
The New Homes Bonus was introduced by the Coalition Government with the aim of encouraging local authorities to grant planning permissions for the building of new houses in return for additional revenue. Under the scheme, the Government initially matched the Council Tax raised on each new home built 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. 2021/22 was due to be the scheme's "final year" however due to the delay in the introduction of the fair funding review, the government agreed to continue with a one year round of New Homes Bonus payments in addition to previous legacy payments.

The Government has again agreed to roll forward the New Homes Bonus scheme for 2022/23 with a one year allocation alongside the final legacy payment from 2019/20.

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 had been assumed within the Council's base budget. Unfortunately as the total New Homes Bonus received in 2022/23 is only £4.65m, a growth item of £0.35m has had to be built into the budget to offset this shortfall.

REVENUE RESOURCES 2022/23 – 2026/27

Figure 10: 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 2022/23, the Government has announced that the allocations of Rural Services Delivery Grant would be cash flat from the levels paid in the previous year. 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.



REVENUE RESOURCES 2022/23 – 2026/27

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.

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.

In 2022/23 the Government announced a further £636m would be built into the Social Care Grant, and for Shropshire Council this resulted in an increase in the Social Care Grant of £3.507m to a total grant balance of £12.620m.

Services Grant

In 2022/23 the Government has provided a one off Services Grant to recognise the costs incurred by councils in providing vital frontline services. Councils are given the freedom to determine how this grant will be spent to deliver local priorities. For Shropshire Council this has provided an additional £3.521m.

REVENUE RESOURCES 2022/23 – 2026/27

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 approved 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. For 2022/23, the Council Tax Taxbase is 115,485.33 Band D equivalents which was an increase of 1.58% from the 2021/22 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 2022/23 Shropshire Council is proposing a 1.99% increase to Council Tax. This generates an additional £3.4m 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 Government permitted that local authorities could set a precept up to a maximum of 3%. Shropshire Council agreed in 2021/22 to set an Adult Social Care Precept of 2% instead of the maximum permitted. For 2022/23, the Government permitted authorities to set an Adult Social Care Precept of 1%, but also allowed authorities the ability to add any additional unused Adult Social Care precept from 2021/22. Therefore for 2022/23 the Council will be setting a 2% total Adult Social Care Precept.

The total proposed increase in Council tax is therefore 3.99% for 2022/23 (1.99% for Council Tax, 2% for Adult Social Care Precept) and this generates the following Council tax precept for a Band D:

REVENUE RESOURCES 2022/23 – 2026/27

2021/22 Band D	£1,501.22
Core Council Tax Increase (1.99%)	£29.87
Adult Social Care Precept (2%)	£30.02
2022/23 Band D	£1,561.11

When this Band D figure is used against the Council Tax taxbase, this generates total council tax of £180,285,304 which represents 30% of the Council's total gross budgeted funding for 2022/23.

In future years, assumptions have been made that Council tax increases will remain at 1.99% and that the Social Care Precept at 2%.

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 2022/23, Shropshire Council has assumed a 97.9% 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.

For 2021/22, the estimated Council Tax collection fund surplus is £2.915m and Shropshire Council's proportion of this is £2.393m. This can then be used in the total funding for the 2022/23 budget. This balance has occurred, in the main, due to additional recovery of council tax debts relating to previous years.

REVENUE RESOURCES 2022/23 – 2026/27

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.

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.

For 2021/22, the estimated Business Rate collection fund deficit is £22.946m and Shropshire Council's proportion of this is £11.388m. This deficit is due to a number of additional reliefs that were awarded to businesses in response to the coronavirus pandemic. This deficit can then be offset by additional s31 grants provided to compensate for the additional reliefs awarded. The Council has received £12.761m in additional s31 grant in 2021/22, therefore the true net position for the Business Rate Collection fund is a surplus of £1.373m. This can then be used in the total funding for the 2022/23 budget.

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 2021/22 the Council is collecting £1.061m from these schemes and the estimated value for 2022/23 is £1.145m. A baseline estimate of £1m has been assumed for future years.



REVENUE RESOURCES 2022/23 – 2026/27

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 2022/23 Shropshire Council is receiving a top up grant of £10.031m.

REVENUE RESOURCES 2022/23 – 2026/27

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.

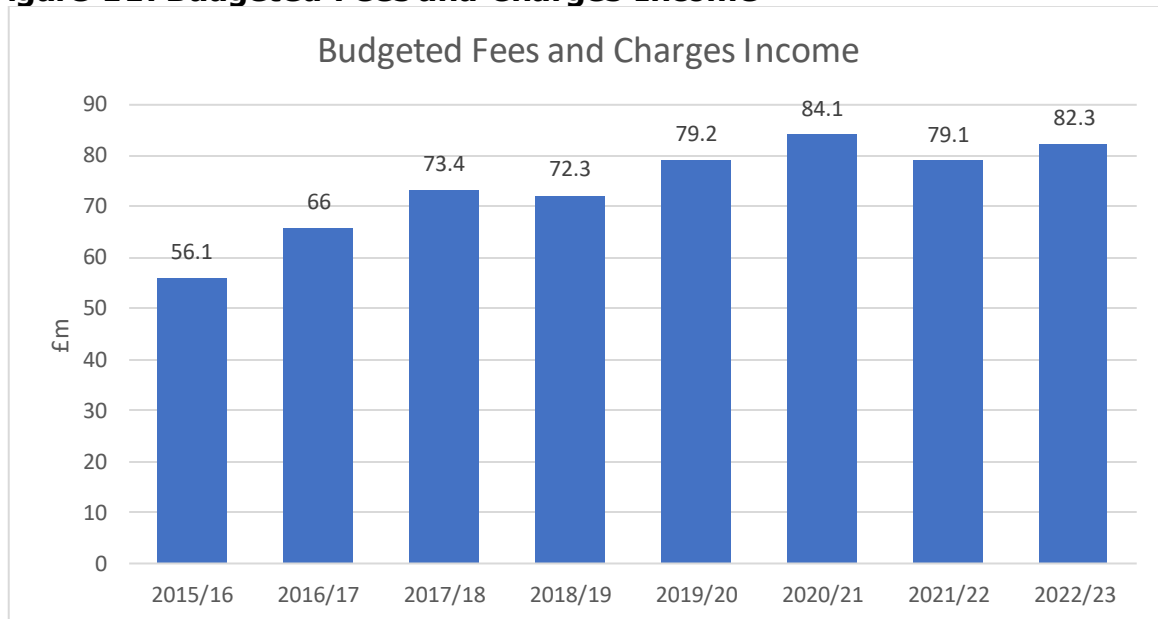
The total budgeted non-core government grants for 2022/23 is £209.826m.

REVENUE RESOURCES 2022/23 – 2026/27

3.5 Fees and Charges

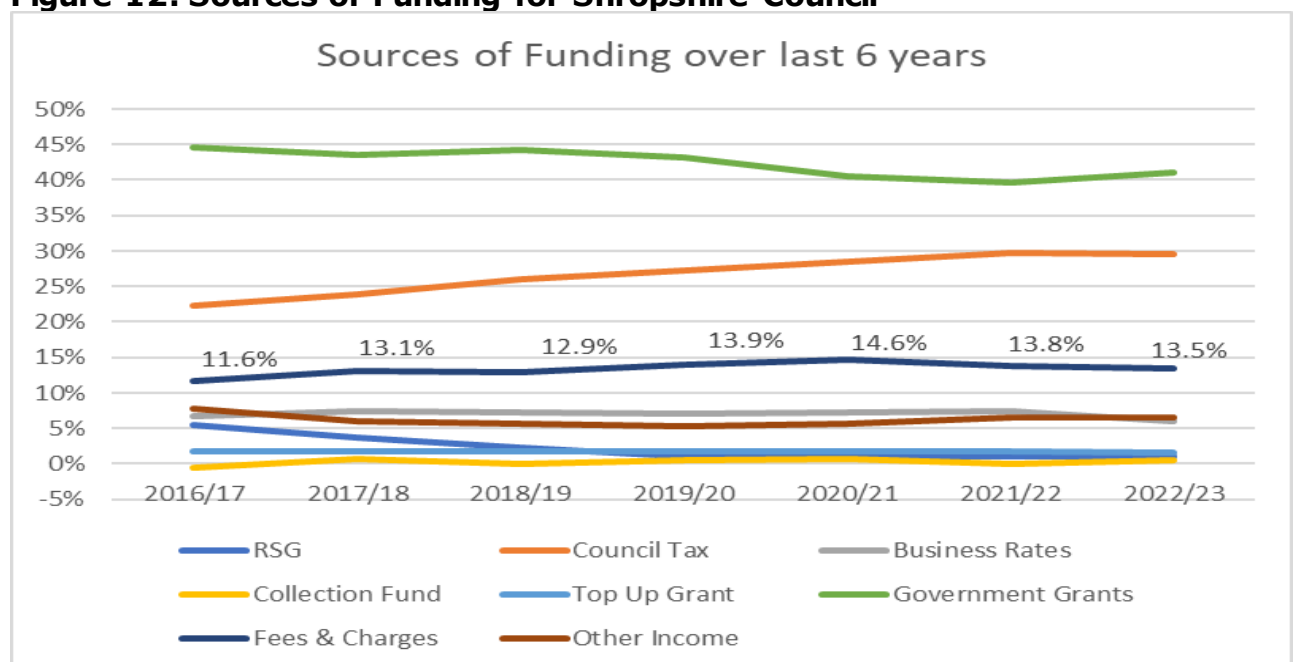
The Council also generates income to fund services by charging for services that it provides. This has increased over the last seven years and has become an important and an increased proportion of the council's total income as demonstrated in the charts below. This has been necessary due to the reduction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

Figure 11: 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 12: Sources of Funding for Shropshire Council





REVENUE RESOURCES 2022/23 – 2026/27

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 2022/23 the total budgeted income from fees and charges is £82.3m.

REVENUE RESOURCES 2022/23 – 2026/27

3.6 Total Funding

	2022/23 £	2023/24 £	2024/25 £	2025/26 £	2026/27 £
Council Tax	180,285,304	190,478,555	201,347,709	212,835,261	224,979,824
Business Rates:					
Business Rates Collected	35,698,519	42,766,224	43,430,490	44,105,074	44,790,136
Business Rates - Energy Renewable Schemes	1,145,182	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	6,450,404	3,225,202	0	0	0
Collection Fund:					
Council Tax	2,393,399	-93,463	500,000	500,000	500,000
Business Rates	-11,387,762	-168,114	-500,000	-500,000	-500,000
NET BUDGET	224,616,305	247,239,663	255,809,459	267,971,595	280,801,220
Grants included in Core Funding:					
Improved Better Care Fund	11,863,403	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	12,619,529	0	0	0	0
Services Grant	3,521,312	0	0	0	0
Lower Tier Services Grant	397,338	0	0	0	0
Market Sustainability and Fair Cost Fund	940,831	0	0	0	0
CORE FUNDING	265,550,937	247,239,663	255,809,459	267,971,595	280,801,220
Local Income					
Fees and charges (including income savings deliverable from prior years)	82,293,304	82,718,167	83,151,596	83,593,807	84,045,021
Other Grants and contributions	30,785,140	30,785,140	30,785,140	30,785,140	30,785,140
Specific Grants (excluding Core Funding Grants above)	209,825,807	184,136,217	183,875,346	185,722,097	185,680,116
Internal Recharges	9,104,440	9,104,440	9,104,440	9,104,440	9,104,440
TOTAL FUNDING	597,559,628	553,983,627	562,725,981	577,177,079	590,415,937

Expenditure Pressures 2022/23 – 2026/27



EXPENDITURE PRESSURES 2022/23 – 2026/27

4.1 Profile of Council's Expenditure

The Council's net revenue budget in 2022/23 is £265.551m.


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

Although these services represent a significant part of the Council's net budget, there are a number of Universal Services that all Council taxpayers receive which include services such as Waste Collection and Disposal, Highways, Buses and Community Transport and Community Safety.

The Council delivers a range of services for population of Shropshire and in order to demonstrate the profile of expenditure across these services, a Council Tax receipt has been produced (see Figure 13 below) which shows how an average Band D council tax is allocated to fund the range of services provided for 2022/23.

EXPENDITURE PRESSURES 2022/23 – 2026/27

Figure 13: 2022/23 Council Tax Receipt for Band D Property

 Shropshire Council	
2022/23 Council Tax Receipt Charges for a Band D Property	
	£
** UNIVERSAL SERVICES **	
* Buses and Sustainable Transport	45.63
* Highways and Environmental Maintenance	117.04
* Leisure and Outdoor Spaces	21.87
* Libraries	20.78
* Registrars, Coroners and Bereavement Services	0.02
* Theatre, Arts, Museums and Archives	6.79
* Trading Standards, Licensing, Regulatory Services, Public Health and Community Safety	21.62
* Waste and Recycling Collections	231.13
** ADULT SERVICES **	
* Adult Social Care	799.03
* Housing, Housing Benefits and Welfare	41.93
** CHILDREN'S SERVICES **	
* Children and Families Early Help Services and Youth Services	18.23
* Children's Social Care	307.29
* Education, Schools and Home to School Transport	84.08
** ECONOMIC GROWTH **	
* Broadband - Rural Rollout	0.89
* Economic Growth	8.21
* Planning	8.73
** LOCAL GOVERNMENT RUNNING COSTS **	
* Climate Change Task Force	3.62
* Customer Services	13.94
* Directors and Senior Staff	17.67
* Elections and Democratic Services	13.80
* Financing Costs - Debt Repayment and Interest Payments	118.88
* Organisational Administration, Insurance, Property Costs and Pension Compensation Payments	33.48
* Support Services - Finance, Legal, Audit, HR, Procurement, Communications and ICT Services	119.91

** VOUCHER **	
** INCOME AND OTHER FUNDING TO SUPPLEMENT COUNCIL TAX **	
* Car Parking Income (Net of Costs)	-20.23
* Non Ring-Fenced Grants	-318.65
* Use of Council Reserves	-154.59

TOTAL TO PAY	1,561.11

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EXPENDITURE PRESSURES 2022/23 – 2026/27

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 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 £8.2m 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 £12.576m.

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.

EXPENDITURE PRESSURES 2022/23 – 2026/27

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 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 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.

EXPENDITURE PRESSURES 2022/23 – 2026/27

4.4 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 £13.110m has been added into the budget for service specific pressures. A split of the main items included within this total is provided in table 2 below:

Table 2: Service Specific Pressures 2022/23

	2022/23 £
Ongoing Budget Pressures identified in 2021/22	3,901,191
Ongoing Budget Pressures - Unachieved Savings	3,794,922
Highways Growth	3,800,000
Additional Staffing Resources	540,929
ICT improvements	489,700
Loss of Income	235,000
Other Service Pressures	348,470
Total Service Specific Pressures	13,110,212

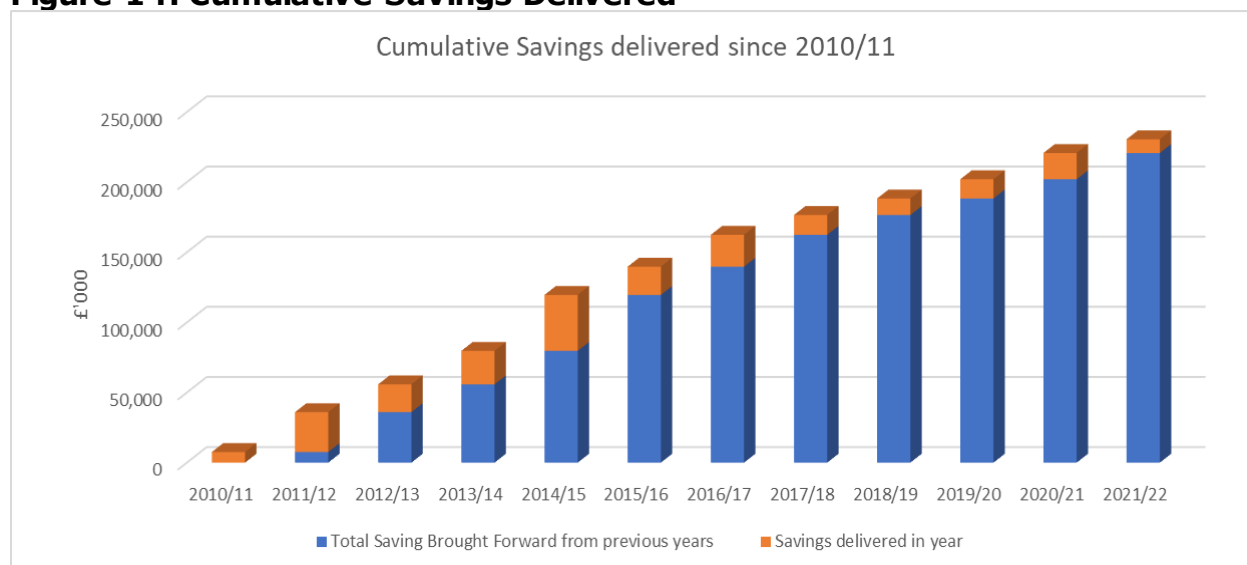
There are a number of changes that have been included within the Local Generated Pressures section of the budget build up and in the main these reflect the unwinding of one-off commitments made in previous years, however the largest entry relates to the changes in specific grants as detailed in the Resources 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.

EXPENDITURE PRESSURES 2022/23 – 2026/27

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. 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 Demographic Pressures, and this has forced the Council to deliver further savings over and above those dictated by the funding changes.

Figure 14: 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 3:

Table 3: Savings Previous Agreed for Delivery in 2022/23

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

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

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 £6.186m, with total savings of £21.375m proposed over the next five financial years.

The total savings to planned for delivery in 2022/23 are £10.655m. A breakdown of the savings to be delivered is included in Table 4 below:

Table 4: Total Savings for 2022/23 – 2026/27

Directorate	2022/23 £	2023/24 £	2024/25 £	2025/26 £	2026/27 £	Total £
People	-2,520,355	-1,857,437	-2,567,996	-3,097,377	-5,543,139	-15,586,305
Place	-6,693,995	-3,554,300	-448,480	-893,290	-310,000	-11,900,065
Resources	-458,500	-1,264,000	-13,000	-25,000	-25,000	-1,785,500
Council Wide	-982,424	-5,000	0	0	0	-987,424
Total Savings	-10,655,274	-6,680,737	-3,029,476	-4,015,667	-5,878,139	-30,259,294

EXPENDITURE PRESSURES 2022/23 – 2026/27

Savings Ref	Directorate	Description of saving	2022/23 £	2023/24 £	2024/25 £	2025/26 £	2026/27 £	Total £
CS1	People	Consult on the continued operation of the Post 16 transport assistance programme		-20,000	-30,000			-50,000
CS2	People	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	Consult on the Post 16 contribution scheme for Special Educational Needs applicants, mirroring best practice across other Councils		-100,000	-125,000	-125,000		-350,000
CS4	People	Review Tuition Medical Behaviour Support Service 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	Recommission Enhance contract		-21,000				-21,000
CS7	People	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
A15a	People	Transport review	-130,000					-130,000
A15b	People	Income generation within employment support	-50,000					-50,000
A15c	People	Review pre-placement framework	-70,000					-70,000
AS1	People	Adult social care - Review personal budget options	-62,000	-110,000	-110,000	-110,000	-110,000	-502,000
AS2	People	Adult Social Care - Review and implementation of Finance tool	-58,355	-55,437	-52,665			-166,458
AS3	People	Adult Social Care - Income generation through joint training	-20,000					-20,000
AS4	People	Adult Social Care - Joint accommodation commissioning with partners	-125,000					-125,000
AS5	People	Adult Social Care - Specialist provision for young adults			-140,000			-140,000
AS6	People	Adult Social Care - Review of double-handed care	-210,000	-185,000				-395,000
AS7	People	Adult Social Care - Income generation through brokerage offer		-43,000	-59,000	-74,000	-90,000	-266,000
AS8	People	Adult Social Care - Review of jointly funded packages	-10,000	-10,000	-20,000	-30,000	-30,000	-100,000
AS9	People	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	Adult Social Care - Develop supported living offer	-23,000					-23,000
AS12	People	Adult Social Care - Review care provider contract arranger	-119,000					-119,000
AS15	People	Adult Social Care - Block contract review	-95,000					-95,000
AS16	People	Adult Social Care - Technology to support care delivery	-1,000,000					-1,000,000
Total Savings for People Directorate			-2,520,355	-1,857,437	-2,567,996	-3,097,377	-5,543,139	-15,586,305

EXPENDITURE PRESSURES 2022/23 – 2026/27

Savings Ref	Directorate	Description of saving	2022/23 £	2023/24 £	2024/25 £	2025/26 £	2026/27 £	Total £
P11	Place	Review of library provision	-191,930					-191,930
P33	Place	Raise additional income from new development	-27,000					-27,000
P35	Place	Efficiencies within administrative buildings	-2,000,000					-2,000,000
P39	Place	Raise income from investment in assets	-2,000,000					-2,000,000
PS2	Place	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	Building Control - Additional income generation	-100,000					-100,000
PS4	Place	Building Control - Use of reserve	-100,000		100,000			0
PS5	Place	Enhanced income through commercial activity in Natural & Historic Environment teams	-40,000	-10,000	-10,000	-10,000	-10,000	-80,000
PS6	Place	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	Efficiency savings within Highways Operations				-500,000		-500,000
PS8	Place	Increased income generation within Museums and Archives		-10,000	-5,000	-5,000	-5,000	-25,000
PS9	Place	Increased income generation within Theatre Services			-58,480			-58,480
PS10	Place	Increased income generation within Libraries		-10,000	-5,000		-10,000	-25,000
PS11	Place	Increased income generation within Council-operated Leisure Centres			-5,000	-10,000	-10,000	-25,000
PS12	Place	Review of parking charges	-350,000					-350,000
PS13	Place	Savings from efficiencies in drainage maintenance	-50,000	-100,000				-150,000
PS14	Place	Review of Leisure Centres, including income generation	-50,000					-50,000
PS15	Place	Insurance - Recovery of Costs	-20,000	-30,000	-40,000	-50,000	-50,000	-190,000
PS16	Place	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	Libraries - Implementation of changes under the Library Transformation Project	-50,000	-50,000				-100,000
PS18	Place	Review of outsourced leisure facilities			-100,000			-100,000
PS19	Place	Review of youth centres and other accommodation used for youth activities		-69,300				-69,300
PS20	Place	One off Commercial Income from arrangement in place for 2022/23	-1,415,065					-1,415,065
PS21	Place	Green Waste Service Review and Charging	0	-3,000,000				-3,000,000
Total Savings for Place Directorate			-6,693,995	-3,554,300	-448,480	-893,290	-310,000	-11,900,065

EXPENDITURE PRESSURES 2022/23 – 2026/27

Savings Ref	Directorate	Description of saving	2022/23 £	2023/24 £	2024/25 £	2025/26 £	2026/27 £	Total £
RS1	Resources	Sale of advertising space on Council tax bills	-10,000	-10,000				-20,000
RS2	Resources	IT contract review		-50,000				-50,000
RS3	Resources	Improved internal data matching within Revenues and Benefits	-20,000	-10,000				-30,000
RS4	Resources	Review Revenues and Benefits court costs	-10,000	-10,000				-20,000
RS5	Resources	Increase purchasing rebates from Matrix system	-70,000					-70,000
RS6	Resources	Increased income generation within Audit Services	-12,000		12,000			0
RS7	Resources	Income generation through developing commercial opportunities from Leap into Learning	-5,000					-5,000
RS8	Resources	Review of Shropshire HR service level agreements with external clients	-30,000	-30,000				-60,000
RS9	Resources	Increase Human Resources and Development income generated from commercial activities	-50,000	-50,000	-25,000	-25,000	-25,000	-175,000
RS10	Resources	Delete any vacant posts within Human Resources and Development	-54,000					-54,000
RS11	Resources	Review use of Customer Relationship Management system		-25,000				-25,000
RS12	Resources	Reduce call handling and management software costs		-65,000				-65,000
RS13	Resources	Reprocure calls and lines contract	-22,000					-22,000
RS14	Resources	Complete Sharepoint migration	-10,000	-10,000				-20,000
RS15	Resources	Remove Linux loadbalancers, as no longer required	-3,500					-3,500
RS16	Resources	Decommission Libraries Meraki network	-2,500					-2,500
RS17	Resources	Remove Phishing Tackle		-4,000				-4,000
RS22	Resources	Reduce BluPrint printing devices	-4,000					-4,000
RS23	Resources	Review of customer service teams across the Council - Channel Shifting		-1,000,000				-1,000,000
RS26	Resources	Supplies and services savings within Legal Services	-2,000					-2,000
RS27	Resources	Supplies and services savings within Democratic Services	-10,500					-10,500
RS30	Resources	Committee Services - Additional income generation	-21,000					-21,000
RS32	Resources	Supplies and services savings within Elections team	-7,000					-7,000
RS33	Resources	Insurance - Review of Claims Handling	-50,000					-50,000
RS34	Resources	Reduce external expenditure on legal services	-15,000					-15,000
RS35	Resources	Cashless Shropshire	-50,000					-50,000
Total Savings for Resources Directorate			-458,500	-1,264,000	-13,000	-25,000	-25,000	-1,785,500

EXPENDITURE PRESSURES 2022/23 – 2026/27

Savings Ref	Directorate	Description of saving	2022/23 £	2023/24 £	2024/25 £	2025/26 £	2026/27 £	Total £
CW10	Council Wide	Reduce postage costs	-117,910					-117,910
CW11	Council Wide	Savings on officer travel budgets	-364,000					-364,000
CW1	Council Wide	Review of contract costs	-60,624					-60,624
CW2	Council Wide	Increase to fees and charges income	-334,890					-334,890
CW3	Council Wide	Non-essential spend review	-100,000					-100,000
CW12	Council Wide	Reduction to the use of external venues for meetings and events	-5,000	-5,000				-10,000
Total Savings Council Wide			-982,424	-5,000	0	0	0	-987,424

Consultation on the savings proposals for 2022/23 has taken place during January and February, and the feedback from the consultation is detailed in section 9.

EXPENDITURE PRESSURES 2022/23 – 2026/27

4.5 Total Expenditure

	2022/23 £	2023/24 £	2024/25 £	2025/26 £	2026/27 £
Original Gross Budget Requirement	615,491,946	656,496,475	619,313,227	629,406,493	640,779,762
Inflationary Growth :					
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
Demography & Demand	12,575,656	6,617,324	6,835,417	7,060,698	7,293,444
Service Specific Pressures	13,110,212	1,264,379	387,379	-180,621	-500,000
Local Generated Pressures:					
Elections	-740,000	0	0	740,000	-740,000
Specific Grants Changes between years	16,142,601	-54,158,696	-260,871	1,846,751	-41,981
Ongoing reduction in New Homes Bonus	348,535	4,651,465	0	0	0
Estimated Cost of Investment	521,000	1,533,415	1,435,815	1,107,229	994,878
Resourcing Capital Programme	500,000	250,000	0	0	0
Invest to Save Fund for delivery of future savings	103,000	-97,000	-20,000	-39,000	-30,000
Energy Renewable Schemes	-35,710	0	0	0	0
Adjustment to Gross budget offset by Income changes	2,187,159	400,000	0	0	0
Savings					
Savings from prior years- 2018/19 - Approved	-4,468,930	0	0	0	0
One off saving - Commercial saving	-1,415,065	1,415,065	0	0	0
New Savings	-4,771,279	-3,680,737	-3,029,476	-4,015,667	-5,878,139
TOTAL EXPENDITURE	656,496,475	619,313,227	629,406,493	640,779,762	646,878,170

Revenue Financial Strategy (Sustainable Budget)



REVENUE FINANCIAL STRATEGY (SUSTAINABLE BUDGET)

5.1 Funding Gap and Temporary Solutions

The proposed expenditure plans for 2022/23 of £656.496m exceeds the total funding anticipated of £597.560m, leaving a funding gap to be resolved. This funding gap is increased in 2022/23 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 2026/27 unless additional funding or ongoing savings can be identified.

	2022/23 £	2023/24 £	2024/25 £	2025/26 £	2026/27 £
Resources (incl savings plans)	597,559,628	553,983,627	562,725,981	577,177,079	590,415,937
Expenditure (incl savings plans)	656,496,475	619,313,227	629,406,493	640,779,762	646,878,170
Gap in year	58,936,847	65,329,600	66,680,512	63,602,683	56,462,233

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 had been building up a Financial Strategy Reserve in order to assist with any potential funding shortfall that may occur when the Fair Funding Review is implemented, however this has had to be released over the last two years to offset the shortfall in funding from Government. The remaining balance of £7.043m in the Financial Strategy reserve will now be used in 2022/23 to reduce the funding gap. Also, a review of earmarked reserves has identified a further £6.878m towards reducing the funding gap in 2022/23. In simple terms, this means reserves will be held at the end on 2021/22 and carried forward into 2022/23 with the sole purpose of balancing that year's budget. For this reason, the value of reserves held by the Council will fall substantially in 2022/23, as demonstrated later in this report.

Due to the estimated net Collection Fund Surplus being achieved for 2021/22, this provides additional funds to be allocated for 2022/23. This will be contributed to the General Fund Balance in order to reimburse for the projected budget deficit in 2021/22 which would otherwise reduce the General Fund Balance to a level significantly below the risk assessed level.

REVENUE FINANCIAL STRATEGY (SUSTAINABLE BUDGET)

Figure 15: Funding Gap for 2022/23 – 2026/27

	2022/23 £	2023/24 £	2024/25 £	2025/26 £	2026/27 £
Resources (incl savings plans)	597,559,628	553,983,627	562,725,981	577,177,079	590,415,937
Expenditure (incl savings plans)	656,496,475	619,313,227	629,406,493	640,779,762	646,878,170
Gap in year	58,936,847	65,329,600	66,680,512	63,602,683	56,462,233
<u>One off Grants & Reserves:</u>					
Improved Better Care Funding	11,863,403	0	0	0	0
Rural Services Delivery grant	6,940,755	0	0	0	0
Social Care Grant - One Off	12,619,529	0	0	0	0
Services Grant	3,521,312	0	0	0	0
Lower Tier Services Grant	397,338	0	0	0	0
Market Sustainability and Fair Cost Fund	940,831	0	0	0	0
<u>Use of Reserves:</u>					
S.31 Business Rates Additional Relief	12,760,890	0	0	0	0
Review of Earmarked Reserves	6,878,140	0	0	0	0
Financial Strategy Reserve	7,042,754	0	0	0	0
Contribution to General Fund Balance	-4,028,104	0	0	0	0
TOTAL ONE OFF FUNDING	58,936,847	0	0	0	0
Remaining Gap/(Surplus) to be Funded	0	65,329,600	66,680,512	63,602,683	56,462,233

As demonstrated in Figure 15 above, the proposed temporary solutions resolve the funding gap for 2022/23, however a significant funding gap still remains for future years.


REVENUE FINANCIAL STRATEGY (SUSTAINABLE BUDGET)

5.2 Budget Plan – 2022/23

The 2022/23 Budget has been set based on similar parameters to the 2021/22 Financial Year. The expected Outturn for 2021/22 is currently assumed to fall within the Councils' Critical Zone'. The safe zone would mean the impact on the General Fund Balance is less than 19% (£2.7m) and therefore containable within the current risk-assessed value of the Fund but the forecast at Quarter three significantly exceeds this.

A short-term assumption, intrinsic to delivering the Financial Strategy, is that we build on the stable foundations we already have for the Council. This means, for example that we continue to deliver existing plans, including previously approved savings proposals.

To provide assurance over the setting of a short-term budget plan for 2022/23 the following Seven Levels of Assurance have been developed within which to consider the Council's financial planning, as set out in the following table.

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

In previous years it has never been necessary for a Local Authority to consider moving beyond Level 7. The predominance of shorter-term funding mechanisms by successive governments since the Comprehensive Spending Review in 2010 has necessitated the movement to levels 6 and 5 in intervening years. As a Council we have moved down to Level

REVENUE FINANCIAL STRATEGY (SUSTAINABLE BUDGET)

4 on occasions to provide for the timescales to implement certain savings proposals. The Budget Plan – 2022/23 assumes that we will at Assurance Level 4 or above.

Assurance Level	Description	Individual Total Applied £m	Overall Cumulative Total £m
	Opening Funding Gap 22/23 – Feb 2022		58.9
Level 7	Additional growth and Savings plans (not already included in the funding gap above)	0	58.9
Level 6	One off Grants	-36.3	22.6
Level 5	One-off Funds Assumptions	-12.7	9.9
Level 4	Financial Strategy Reserve and Other Earmarked Reserves	-13.9	-4.0
Level 3	General Fund Balance (Projected Value £9.7m)	0	-4.0
Level 2	Emergency Savings	0	-4.0
Level 1	S114 Requirement	0	-4.0
	Expected Funding Gap 22/23		-4.0

REVENUE FINANCIAL STRATEGY (SUSTAINABLE BUDGET)

5.3 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 £65.330m in 2023/24 growing to a peak of £66.681m 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.

Although the Council plans to set a balanced budget for 2022/23 that does not mean that progress in delivering of an optimised budget position will be delayed until 2023/24. Work towards this aim is on-going and may result in in-year changes to the 2022/23 Financial Year where this is beneficial. Plans to deliver a long-term sustainable budget for Shropshire Council are built around the three assumptions referred to earlier:

- The Refocus Assumption
- The Unsustainability Assumption
- The Covid-19 Assumption

The Refocus Assumption

Since the elections in May 2021, the Council has been developing a new 'Shropshire Plan' which sets the direction for the Council over the next 3 years. The Plan sets out the vision of the Council, our key priorities and strategic objectives.

REVENUE FINANCIAL STRATEGY (SUSTAINABLE BUDGET)

In working to achieve our vision the Council has set out four main priorities that all activities of the Council will focus around the following key areas:

Healthy
People

Healthy
Economy

Healthy
Environment

Healthy
organisation

The Financial Strategy cannot be created in isolation and needs to reflect the Council's priorities, not set them. The Council must, however, continue to produce the Financial Strategy whilst the detail of the Shropshire Plan is created for 2022/23, given the timescales required in producing both documents. Nevertheless, we can set out the approach the Council will ultimately need to take within its Financial Strategy now.

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

The basic principle of the 'Refocus Assumption' element of the Financial Strategy is that Shropshire Council will drive to deliver the key outcomes for Shropshire communities in the leanest, 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 that our financial position will allow.

The Unsustainability Assumption

Years two to five within the Financial Strategy (2023/24 to 2026/27) assume that the Government will complete the delayed Fair Funding Review. It is difficult at this stage to predict with any accuracy what the implications will be for Shropshire Council. It is assumed, however, that one off sources of funding such as the Rural Services Delivery Grant, Improved Better Care Fund, New Homes Bonus and the Services Grant will be removed in future years. With growth in services such as social care anticipated to continue to grow as per current demography, this results in a Funding gap of £65.3m in 2023/24 growing to £66.7m in 2024/25. At the present time the pressure on service costs, particularly the demographic impact of Adults and Children's Social Care is unsustainable within Shropshire. The current funding mechanism, one that limits Council Tax increases to less than 2%, one that attempts to link social care growth costs and complexity to one-off grants calculated using outdated and inequitable 'Relative Needs' models and to a precept on the number of Band D households in the geographic area is inappropriate and unsustainable. Without the fundamental change promised by Fair Funding, Shropshire Council simply does not have the tools in the box to resolve this issue.



REVENUE FINANCIAL STRATEGY (SUSTAINABLE BUDGET)

The basic principle of the 'Unsustainability Assumption' element of the Financial Strategy is that Fair Funding, or an equivalent national funding methodology, will be implemented from 2023/24 and will accurately reflect the costs and future annual growth in costs of (predominantly) delivering social care services, resolving the structural funding gap within Shropshire.

The Covid-19 Assumption

At the commencement of Government action to manage the Covid-19 pandemic, the UK government announced a series of measures and conditions under which the population, businesses and the public sector must operate. These requirements continue to change and develop but remain fundamentally a decision for government. As part of this approach the Prime Minister and Chancellor of the Exchequer committed to providing funding for the impacts of Covid-19 measures on Local Authorities. In Shropshire, throughout 2020/21 and 2021/22 it can be evidenced that that pledge has fundamentally been met so far; with the estimated direct costs of Covid-19 reasonably matched to funding made available. Put simply, it is essential that this approach continues. Shropshire Council does not have resources available to manage any future implementation of Covid-19 measures locally within its own resources.

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

Financial Stability



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

FINANCIAL STABILITY

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 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 through the 2020/21 and 2021/22 financial years 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 (Q3) forecast an overspend for 2021/22 of £4.346m. 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 5: Projected General Fund Balance for 2021/22		£'000
General Fund Balance as at 31 March 2021		14,091
Q3 Report – Projected Outturn Under/(Over)spend		(4,346)
Projected Balance at 31 March 2022		9,745

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:

FINANCIAL STABILITY

Calculation of Risk Assessed General Fund Balance

2021/22					2022/23					2023/24					2024/25					2025/26					2026/27		
Budget/ Value £000	Risk Level	Risk Assessed General Fund £000	Budget Assumption	Area of Risk	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	Budget/ Value £000	Risk Level	Risk Assessed General Fund £000		
Treatment of inflation and interest rates																											
202,654	0.10%	203	Inflation	Salaries	199,520	0.10%	200	198,195	0.10%	198	197,128	0.10%	197	196,066	0.10%	196	195,011	0.10%	195								
24,293	0.30%	74		Premises	23,917	0.30%	73	23,758	0.30%	72	23,630	0.30%	72	23,503	0.30%	71	23,377	0.30%	71								
19,069	0.96%	183		Transport	18,774	0.93%	174	18,649	0.93%	173	18,549	0.93%	172	18,449	0.93%	171	18,350	0.93%	170								
80,922	0.10%	81		Supplies & Services	79,671	0.10%	80	79,141	0.10%	79	78,715	0.10%	79	78,292	0.10%	78	77,870	0.10%	78								
248,804	0.10%	249		Third Party Payments	244,957	0.10%	245	243,329	0.10%	243	242,019	0.10%	242	240,716	0.10%	241	239,421	0.10%	239								
110,950	0.10%	111		Transfer Payments	109,234	0.10%	109	108,509	0.10%	109	107,924	0.10%	108	107,343	0.10%	107	106,765	0.10%	107								
686,692	0.00%	0		Brexit effect on inflation	676,074	0.05%	338	671,582	0.05%	336	667,966	0.05%	334	664,370	0.05%	332	660,793	0.05%	330								
88,305	0.00%	0		Pension triennial valuation unaffordable	91,529	0.00%	0	93,359	1.00%	934	95,227	0.00%	0	97,131	0.00%	0	99,074	1.00%	991								
900			Total Inflation		1,218			2,143			1,203			1,197			2,181										
238,368	0.00%	0	Interest rates	Existing Borrowing	238,368	0.00%	0	232,868	0.00%	0	232,268	0.00%	0	231,768	0.00%	0	232,868	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								
12,000	1.00%	120		PWLB	0	0.50%	0	5,500	0.50%	28	600	0.50%	3	500	0.50%	3	0	0.50%	0								
70,400	0.50%	352		Investment	70,400	0.50%	352	70,400	0.50%	352	70,400	0.50%	352	70,400	0.50%	352	70,400	0.50%	352								
472			Total Interest Rates		352			380			355			355			352										
Level and timing of capital receipts																											
-3,439	0.00%	0	Capital Receipts	Land Sales	34,810	1.38%	480	40,916	1.38%	565	40,916	1.38%	565	0	1.38%	0	0	1.38%	0								
1,400	1.38%	19		Required for new Powers to use for Revenue	1,500	1.38%	21	0	1.38%	0	0	1.38%	0	0	1.38%	0	0	1.38%	0								
0	0.00%	0		Economic slowdown resulting from Brexit	34,810	0.25%	87	40,916	0.25%	102	40,916	0.25%	102	0	0.25%	0	0	0.25%	0								
19			Total Capital Receipts		588			667			667			0			0										
Treatment of demand led pressures																											
97,778	2.32%	2,268	Demand Led Pressures	Adult Social Care	103,637	2.32%	2,404	106,955	2.32%	2,481	110,372	2.32%	2,560	113,892	2.32%	2,642	117,517	2.32%	2,726								
23,477	24.83%	5,830		Childrens Social Care	24,829	24.83%	6,166	27,236	24.83%	6,763	29,730	24.83%	7,383	32,313	24.83%	8,024	34,989	24.83%	8,689								
8,098			Total Demand Led Pressures		8,570			9,244			9,943			10,666			11,414										
Treatment of planned efficiency savings/productivity gains																											
9,804	38.71%	3,795	Efficiency Savings	21/22 non achievement of savings	9,240	19.35%	1,788	3,681	19.35%	712	3,029	19.35%	586	4,016	19.35%	777	5,878	19.35%	1,138								
9,804	4.00%	392		21/22 slippage of savings																							
				22/23 non achievement of savings																							
				22/23 slippage of savings																							
				23/24 non achievement of savings																							
				23/24 slippage of savings																							
				23/24 funding gap requiring savings																							
				24/25 non achievement of savings																							
				24/25 slippage of savings																							
				24/25 funding gap requiring savings																							
				25/26 non achievement of savings																							
				25/26 slippage of savings																							
				25/26 funding gap requiring savings																							
				26/27 slippage of savings																							
				26/27 funding gap requiring savings																							
				26/27 funding gap requiring savings																							
4,187				Total Efficiency Savings		1,973			8,813			8,915			9,374			10,027									

FINANCIAL STABILITY

Calculation of Risk Assessed General Fund Balance

2021/22						2022/23			2023/24			2024/25			2025/26			2026/27		
Budget/ Value £000	Risk Level	Risk Assessed General Fund £000	Budget Assumption	Area of Risk		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
Availability of reserves, government grants and other funds to deal with																				
3,777	5.00%	189	Insurance and	Provision		3,777	5.00%	189	3,777	5.00%	189	3,777	5.00%	189	3,777	5.00%	189	3,777	5.00%	189
3,739	5.00%	187	Emergency	Reserve		3,739	5.00%	187	3,739	5.00%	187	3,739	5.00%	187	3,739	5.00%	187	3,739	5.00%	187
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
2,154	10.00%	215		Severe Weather		2,212	10.00%	221	2,272	10.00%	227	2,333	10.00%	233	2,396	10.00%	240	2,461	10.00%	246
2,024			Total Insurance and Emergency Planning			2,030			2,036			2,042			2,049			2,055		
31,543	0.00%	0		Other Government Settlement Changes		40,935	1.00%	409	0	5.00%	0	0	5.00%	0	0	25.00%	0	0	25.00%	0
49,792	1.00%	498		Housing Benefits		49,792	1.00%	498	49,792	1.00%	498	49,792	1.00%	498	49,792	1.00%	498	49,792	1.00%	498
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
448	25.00%	112		Academy School transfer leaving deficit		448	25.00%	112	448	25.00%	112	448	25.00%	112	448	25.00%	112	448	25.00%	112
740			Total Funding Changes			1,159			749			749			749			749		
General Financial Climate																				
12,485	5.00%	624	General Financial	Debt Collection		12,485	5.00%	624	12,485	5.00%	624	12,485	5.00%	624	12,485	5.00%	624	12,485	5.00%	624
170,672	0.25%	427	Climate	Council Tax - General risk		180,285	0.25%	451	190,479	0.25%	476	201,348	0.50%	1,007	212,835	0.50%	1,064	224,980	0.50%	1,125
170,672	0.00%	0		Council Tax - Brexit risk		180,285	0.13%	225	190,479	0.13%	238	201,348	0.13%	252	212,835	0.13%	266	224,980	0.13%	281
43,073	0.25%	108		Business Rates - General risk		36,844	0.25%	92	43,766	0.25%	109	44,430	0.50%	222	45,105	0.50%	226	45,790	0.50%	229
43,073	0.00%	0		Business Rates - Brexit risk		36,844	0.13%	46	43,766	0.13%	55	43,766	0.13%	55	45,105	0.13%	56	45,790	0.13%	57
40,771	0.50%	204		Discretionary Income		41,768	0.50%	209	41,768	0.50%	209	41,768	0.50%	209	41,768	0.50%	209	41,768	0.50%	209
40,771	0.00%	0		Discretionary Income - Brexit risk		41,768	0.13%	52	41,768	0.13%	52	41,768	0.13%	52	41,768	0.13%	52	41,768	0.13%	52
1,362			Total General Financial Climate			1,700			1,764			2,421			2,497			2,578		
208,647	0.50%	1,043	Additional Budget Pressures			224,616	0.50%	1,123	247,240	0.50%	1,236	255,809	0.50%	1,279	267,972	0.50%	1,340	280,801	0.50%	1,404
18,847			TOTAL RISK ASSESSED GENERAL FUND			18,712			27,033			27,574			28,226			30,760		

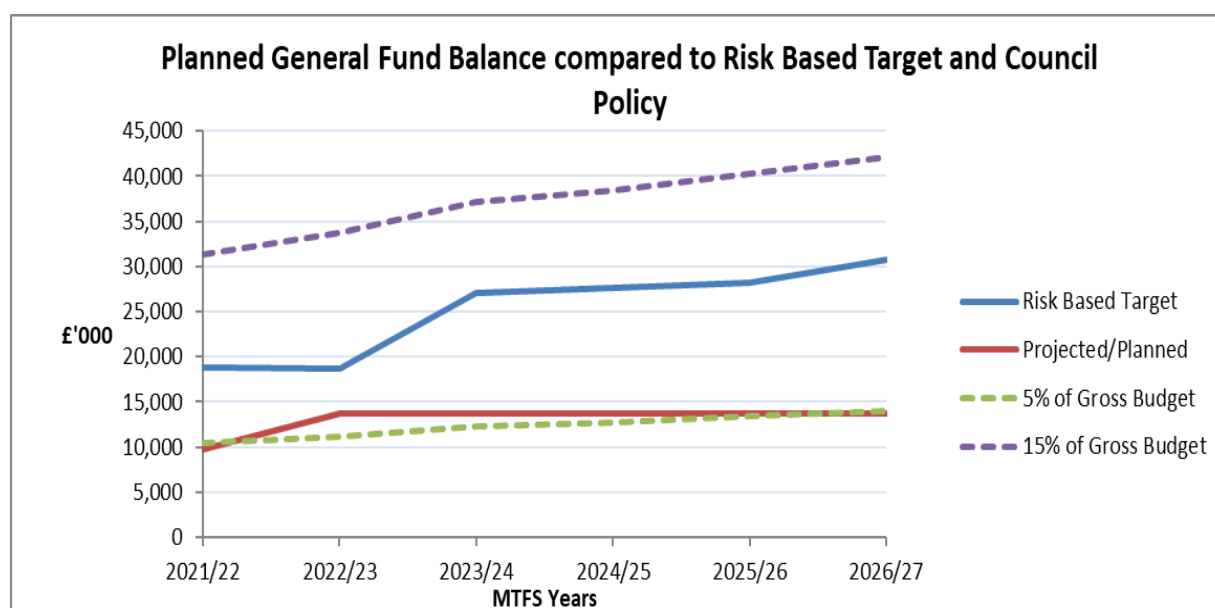
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Table 6: Comparison of Risk Based Calculation to Projected General Fund

	2022/23	2023/24	2024/25	2025/26	2026/27
	£000	£000	£000	£000	£000
Risk assessed level of General Fund Balance (upper)	18,712	27,033	27,574	28,226	30,760
Projected level of General Fund Balance as per Financial Strategy	13,773	13,773	13,773	13,773	13,773

Due to the forecast overspend at Q3 2021/22 the General Fund balance is anticipated to fall significantly below the risk assessed level going into next year.

Figure 16: 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 hold a balance of £9.745m at the end of 2021/22 which represents 4% of the Net Revenue Budget, therefore has budgeted to reinstate the General Fund Balance in 2022/23 by making a contribution of £4m to the General Fund Balance. 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 £11.989m and £35.968m in 2022/23. This can be seen as a blunt tool for calculating an appropriate balance



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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 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 £93.658m in earmarked reserves at 31 March 2021 which includes schools budget balances of £8.045m. During the course of 2021/22 it is anticipated that a net £25.340m will be allocated from earmarked reserves to fund commitments in future years. The two most significant movements include the budgeted contribution from the Financial Strategy Reserve in 2021/22 and the release of s31 grants relating to additional reliefs provided to business during the pandemic, however s31 grants received in 2021/22 will be added to a reserve in order to release this in 2022/23. A full breakdown of the earmarked reserves is detailed below including the purpose of each reserve.

Figure 17: Breakdown of Earmarked Reserves

Reserves		2021/22		
		Balance Brought Forward (£'000)	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.	4,803	0	4,803
Development Reserve	Required to fund development projects or training that will deliver efficiency savings.	8,595	4,500	13,095
Invest to save Reserve	Required to fund invest to save projects in order to deliver the service transformation programme.	4,107	0	4,107
		17,505	4,500	22,005
Insurance Reserves				
Fire Liability	Required to meet the cost of excesses on all council properties.	2,480	0	2,480
Motor Insurance	An internally operated self-insurance reserve to meet costs not covered by the Council's Motor Insurance Policy.	1,259	0	1,259
		3,739	0	3,739

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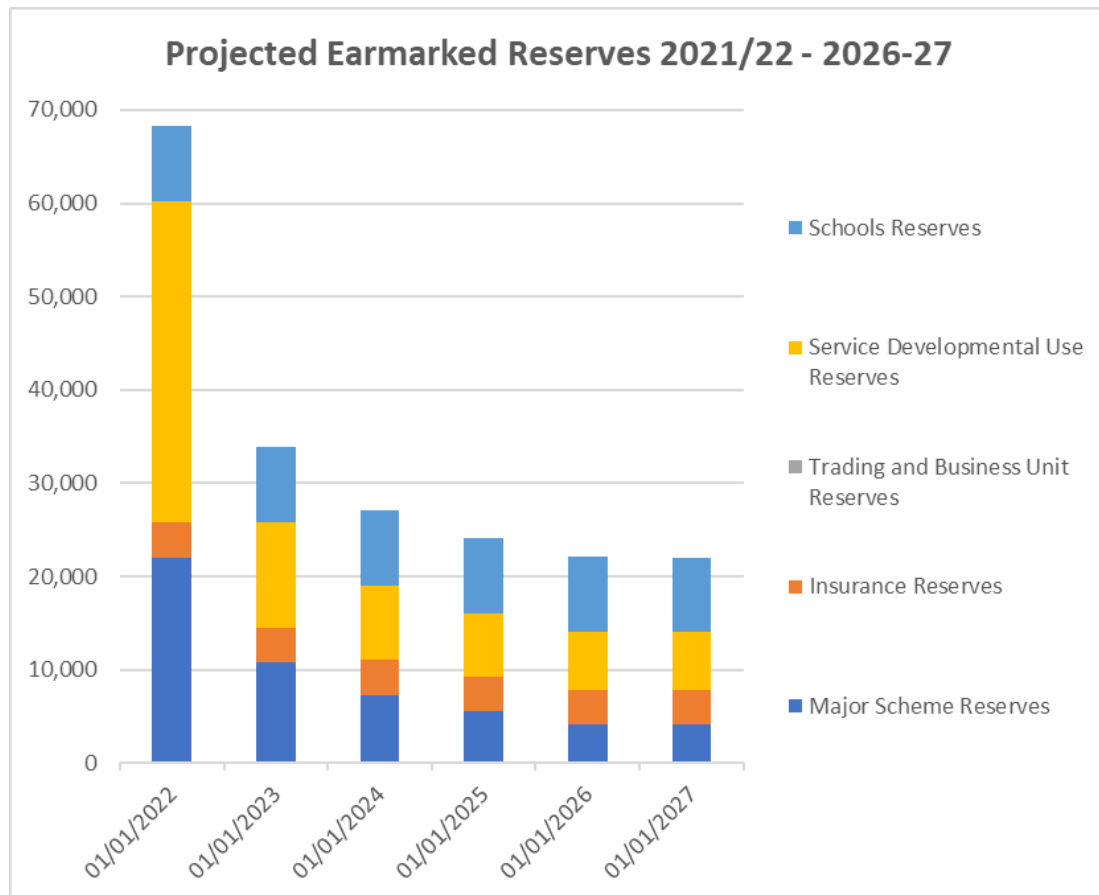
Reserves		2021/22		
		Balance Brought Forward (£'000)	Anticipated Movement (£'000)	Balance Carried Forward (£'000)
Reserves of trading and business units				
Shire Catering and Cleaning Efficiency	Built up from trading surpluses to invest in new initiatives, to meet exceptional unbudgeted costs or cover any trading deficits.	0	0	0
		0	0	0
Reserves retained for service departmental use				
Building Control	Required to manage the position regarding building control charges.	481	0	481
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	2,377	0	2,377
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.	2,136	0	2,136
Financial Strategy Reserve	Established specifically to provide one off funding for savings proposals in the Financial Strategy	20,599	-13,556	7,043
COVID Government Funding Reserve	Established to hold funds advanced by Government to respond to the COVID 19 pandemic which require to be applied in future years	23,093	-10,332	12,761
Savings Management - Highways	Established specifically to provide one off funding for highways savings proposals in the Financial Strategy	5,002	-5,002	0
Highways Development & Innovation Fund	Set aside funds for pump priming the Development and Innovation programme.	900	0	900
New Homes Bonus	Established from unapplied New Homes Bonus Grant balances.	1,878	-200	1,678
Public Health Reserve	This reserve includes balances committed to specific public health projects.	777	0	777
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.	384	0	384
Revenue Commitments from Unringfenced Revenue Grants	Established from unapplied unringfenced Grant balances. Commitment have been made against these balances in 2021/22 and future years.	2,763	0	2,763
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.	3,750	-750	3,000
TMO Vehicle Replacement	Set up to meet the costs of replacement vehicles by the Integrated Transport Unit.	80	0	80
		64,369	-29,840	34,529
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.	5,995	0	5,995
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.	0	0	0
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.	2,050	0	2,050
		8,045	0	8,045
Total Reserves		93,658	-25,340	68,318

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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 almost halve the total and result in a projected balance of £36.714m 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 18: Projected Earmarked Reserves 2021/22 – 2026/27



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 regular basis throughout the year. 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 2022/23 budget process continues to 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.

As part of developing the 2022/23 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 7 below. This includes assumptions around savings to be delivered as part of the Financial Strategy.

Table 7: Gross Resources and Expenditure Projections

	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000
Projected Resources	554,318	597,551	553,984	562,726	577,177	590,416
Current Projected Expenditure	615,492	656,488	619,306	629,399	640,772	646,870
<i>(One-off Covid-19 Collection Fund Deficit)</i>	<i>-20,841</i>	<i>-11,388</i>				
Funding Gap	40,333	47,549	65,322	66,463	63,385	56,244
Year on Year Gap		7,216	17,773	1,351	-3,077	-7,141

Savings proposals have been identified for 2022/23 through to 2026/27, however the Council is awaiting further clarity on the Fair Funding Review to determine if further savings plans are required from 2023/24 onwards. The savings identified have been based on raising income, service transformation and general efficiencies. 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

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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 2021/22 is fully funded over the Financial Strategy period but this in itself will increase pressure on the Council to deliver the anticipated 2022/23 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.

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 13 below, in 2020/21 there was slippage of £2.828m which represents 4% of the revised capital programme. Action has already been taken during the course of 2021/22 to reprofile budgets to future years to reflect latest data on project delivery.

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

	2020/21 Outturn	2021/22 Latest Projection	2022/23 Latest Estimate
Capital Programme	119,029	150,153	115,644
Reprofile Budgets	(50,463)	(70,179)	9,670
Revised Capital Programme	68,566	79,974	125,314
Slippage	(2,828)	-	-
Actual Capital Programme	65,739	79,974	125,314

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

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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 (2020/21 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 2022/23 the level of capital receipts required is £45.777m and a shortfall of £31.322m currently exists within receipt projections. There are currently £14.481m 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. If this cannot be managed through natural and managed slippage, this will result in prudential borrowing being undertaken for the shortfall which would then generate an additional pressure on the revenue budget.

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. As has been seen over the last 12 months the</p>	<p>Pay – 2% has been provided in the 2022/23 budget whilst the outcome of pay negotiations are awaited. Funding has also been provided for increments due to be awarded for 2022/23 based on existing staffing levels.</p> <p>Pension contribution rates are at the rate of 17.4% as 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>

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Budget Assumption	Explanation of Risk	Financial Standing and Management and Mitigating Action
	<p>level of inflation is significantly higher than had been anticipated.</p> <p>The risk on inflation resulting from Brexit has been included .</p>	
<p>2. Interest rates on borrowing and investment</p>	<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 0.75- 1.00% interest receivable. These range from investments for 12 months gaining 1.0% to short term call accounts which gain between 0.40% - 0.75% and money market funds achieving rates of 0.75% - 1.00%</p> <p>The average interest rate of the total debt portfolio (excluding. HRA) is calculated at 4.9% for 2022/23 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 2.3% (short term) and 2.4% (long term). Borrowing for investment properties primarily for yield is now prohibited from the PWLB.</p>
<p>3. Estimates of the level and timing of capital receipts.</p>	<p>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.</p>	<p>Capital receipts are monitored monthly in the capital monitoring report and are RAG rated in terms of their anticipated delivery against target.</p>

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Budget Assumption	Explanation of Risk	Financial Standing and Management and Mitigating Action
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 2022/23 budget has been based upon specific demand levels identified during budget monitoring in 2020/21 and six months of 2021/22 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 £17m over the next two years projected in the Financial Strategy which will have risks involved in terms of 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 £65.3m which rises to a peak of £66.7m over</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 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</p>

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Budget Assumption	Explanation of Risk	Financial Standing and Management and Mitigating Action
	the period of the Financial Strategy 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.	by future savings plans the council will need to consider making further efficiencies and/or potentially increasing council tax.
6. The financial risks inherent in any significant new funding partnerships, major outsourcing deals or major capital developments	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>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>
7. The availability of other funds to deal with major contingencies	<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>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</p>

FINANCIAL STABILITY

Budget Assumption	Explanation of Risk	Financial Standing and Management and Mitigating Action
	<p>Other disasters such as those relating to ICT could occur on a one off basis.</p>	<p>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> <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 and 2021/22 Financial Years have been 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>

FINANCIAL STABILITY

Budget Assumption	Explanation of Risk	Financial Standing and Management and Mitigating Action
<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 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>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>2021/22 continues to be impacted by the pandemic and this has therefore impacted the collection of Council Tax and Business Rate. Government have allowed 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> <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 2022/23 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</p>	<p>The Council's recent track record in budget and financial management 2015 to 2022 shows potential variations from a £4.3m overspend to a £2.8m underspend (a range of £7.2m).</p>

FINANCIAL STABILITY

Budget Assumption	Explanation of Risk	Financial Standing and Management and Mitigating Action																											
	<p>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>	<table border="1"> <thead> <tr> <th>Financial Year</th><th>(£'000)</th><th>Underspend /Overspend</th></tr> </thead> <tbody> <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>0.655</td><td>Under</td></tr> <tr> <td>2021/22*</td><td>4.346</td><td>Over</td></tr> <tr> <td>Total 2015 to 2022</td><td>2.453</td><td>Over</td></tr> </tbody> </table> <p>* Projected Outturn position at Q3</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 reduce the 2021/22 overspend.</p> <p>The authority needs to continually improve its 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>	Financial Year	(£'000)	Underspend /Overspend	2015/16	(2,816)	Under	2016/17	(894)	Under	2017/18	(613)	Under	2018/19	(167)	Under	2019/20	1,692	Over	2020/21	0.655	Under	2021/22*	4.346	Over	Total 2015 to 2022	2.453	Over
Financial Year	(£'000)	Underspend /Overspend																											
2015/16	(2,816)	Under																											
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2018/19	(167)	Under																											
2019/20	1,692	Over																											
2020/21	0.655	Under																											
2021/22*	4.346	Over																											
Total 2015 to 2022	2.453	Over																											

Housing Revenue Account





HOUSING REVENUE ACCOUNT

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		
2021/22 Budget £		2022/23 Budget £
	<u>Income</u>	
(17,540,800)	Dwellings Rent	(18,101,280)
(103,680)	Garage Rent	(104,900)
(17,000)	Other Rent	(17,000)
(641,670)	Charges for Services	(686,820)
(18,303,150)	Total Income	(18,910,000)
	<u>Expenditure</u>	
8,600,010	ALMO Management Fee	9,021,410
610,420	Supplies and Services	640,370
3,910,780	Capital Charges - Dwelling Depreciation	4,047,050
211,620	Capital Charges - Depreciation Other	196,250
2,989,760	Interest Paid	2,988,250
530,000	Repairs charged to revenue	600,000
1,278,000	Revenue Financing Capital Expenditure	1,693,450
200,000	New Development Feasibility	200,000
50,000	Increase in Bad Debt Provision	50,000
237,900	Corporate & Democratic Core	335,910
18,618,490	Total Expenditure	19,772,690
315,340	Net Cost of Services	862,690
(30,000)	Interest Received	(60,000)
285,340	Net Operating Expenditure	802,690
285,340	Net Cost of Service/(Surplus) for Year	802,690
	<u>HRA Reserve</u>	
11,341,020	B/fwd 1 April	11,055,680
(285,340)	Surplus/(Deficit) for year (Estimated)	(802,690)
11,055,680	Carried Forward 31 March (Estimated)	10,252,990

Links To Other Financial Strategies



LINKS TO OTHER FINANCIAL STRATEGIES

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. Cost of investment budgets have been built into 2022/23 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.



LINKS TO OTHER FINANCIAL STRATEGIES

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.

Public Consultation



PUBLIC CONSULTATION

9.1 Budget Consultation Exercise and Responses

The Budget Consultation was launched on 5th January 2022. It was advertised in the Shropshire Council newsroom and via a number of social media channels. A total of 137 responses have been received to date, which is more than received in the preceding years, although represents a low proportion of the population of Shropshire. The consultation closes on 16 February 2022 and was live for a period of six weeks. The website link to the consultation is <https://www.shropshire.gov.uk/get-involved/budget-consultation-20222023/>

The profile of the 137 respondents are as follows:

Profile	No of Responses	Profile	No of Responses
Gender?		Age?	
Male	56	25-34	2
Female	63	35-44	9
Other	1	45-54	15
Prefer not to say	3	55-64	32
No response	14	65-74	40
	137	75 or over	17
		Prefer not to say	10
		No response	12
			137
Which Shropshire town is nearest to where you live?		Role in completing survey? (Able to select multiple roles)	
Bishops Castle	10	Local resident	115
Bridgnorth	5	Member of a local interest or community group	19
Broseley	3	Member of a local faith group or church	4
Church Stretton	57	Representative of a local town, parish or rural parish council	6
Cleobury Mortimer	2	Representative of a local business or commercial organisation	10
Clun	2	Shropshire ward councillor	1
Craven Arms	6	Shropshire Council employee	2
Ellesmere	0	Visitor to Shropshire or a member of the public living elsewhere	1
Ludlow	5	None of these	1
Market Drayton	0	Prefer not to say	2
Much Wenlock	0	Other	1
Oswestry	6	No response	11
Shifnal	1		173
Shrewsbury	23		
Wem	1		
Whitchurch	2		
Prefer not to say	3		
No response	11		
	137		

The first question regarding whether people agreed with the plans to increase council tax currently shows general agreement (55%), although a number of people have made comments about the impact that this will have on people already struggling with cost of living rises.

In regard to the individual savings proposals, there is general agreement with all savings proposals listed except for two savings in the People area where the majority have stated that they do not know or have no opinion, and two savings in Resources where the majority are also stating that they do not know or have no opinion. There are two savings in Place, both relating to Libraries, where there is more disagreement with the proposals. The review of library provision shows that 55% disagree with this proposal and the implementation of changes under the Library Transformation Project have 28% disagreeing and 28% that do not know of have no opinion on the saving.

PUBLIC CONSULTATION

The detailed responses for each question received to date are as follows:

		Amount of saving proposed(£)	Response			
Questions			Agree	Disagree	Don't Know/ No opinion	No response
Council tax						
Do you agree with the council's plans to increase council tax by 3.99% (1.99% for council tax and 2% adults' social care precept)			53%	36%	6%	5%
People Savings Proposals						
CS4	Review TMBSS requirements for transport with a view to reducing current high costs and securing better value for money	-48,000	49%	12%	23%	17%
A15a	Transport review	-130,000	43%	18%	21%	18%
A15b	Income generation within employment support	-50,000	45%	10%	26%	19%
A15c	Review pre-placement framework	-70,000	31%	11%	37%	21%
AS1	Adult social care - Review personal budget options	-62,000	33%	26%	23%	18%
AS2	Adult Social Care - Review and implementation of Finance tool	-58,355	28%	21%	30%	20%
AS3	Adult Social Care - Income generation through joint training	-20,000	45%	15%	20%	20%
AS4	Adult Social Care - Joint accommodation commissioning with partners	-125,000	37%	19%	23%	20%
AS6	Adult Social Care - Review of double-handed care	-210,000	31%	23%	26%	20%
AS8	Adult Social Care - Review of jointly funded packages	-10,000	38%	15%	27%	20%
AS9	Prevention and Intervention - Improving public health to reduce social care costs	-500,000	50%	18%	12%	19%
AS11	Adult Social Care - Develop supported living offer	-23,000	41%	21%	19%	19%
AS12	Adult Social Care - Review care provider contract arrangements	-119,000	47%	14%	19%	20%
AS15	Adult Social Care - Block contract review	-95,000	38%	14%	27%	21%
AS16	Adult Social Care - Technology to support care delivery	-1,000,000	41%	19%	21%	19%
Place Savings Proposals						
P11	Review of library provision	-191,930	18%	55%	11%	16%
P33	Raise additional income from new development	-27,000	53%	9%	19%	19%
P35	Efficiencies within administrative buildings	-2,000,000	69%	2%	10%	18%
P39	Raise income from investment in assets	-2,000,000	57%	7%	18%	18%
PS2	Reshape Planning Services to become closer to cost neutral by 2025/26	-200,000	55%	8%	19%	18%
PS3	Building Control - Additional income generation	-100,000	55%	4%	20%	20%
PS4	Building Control - Use of reserve	-100,000	53%	7%	22%	19%
PS5	Enhanced income through commercial activity in Natural & Historic Environment teams	-40,000	58%	6%	18%	18%
PS6	Enhanced income through the use of Planning Performance Agreements and increased fees	-50,000	56%	7%	18%	20%
PS12	Review of parking charges	-350,000	42%	28%	12%	18%
PS13	Savings from efficiencies in drainage maintenance	-50,000	48%	16%	17%	19%
PS14	Review of Leisure Centres, including income generation	-50,000	39%	30%	13%	18%
PS15	Insurance - Recovery of Costs	-20,000	64%	1%	14%	22%
PS16	Traded Services - Registrars and Mardol House and Tannery accommodation to move to becoming traded services	-50,000	51%	4%	23%	22%
PS17	Libraries - Implementation of changes under the Library Transformation Project	-50,000	25%	28%	28%	19%
PS20	One off Commercial Income from arrangement in place for 2022/23	-1,315,000	46%	5%	23%	26%
Resources Savings Proposals						
RS1	Sale of advertising space on Council tax bills	-10,000	60%	8%	12%	20%
RS3	Improved internal data matching within Revenues and Benefits	-20,000	62%	1%	15%	21%
RS4	Review Revenues and Benefits court costs	-10,000	53%	6%	20%	21%
RS5	Increase purchasing rebates from Matrix system	-70,000	37%	2%	39%	22%
RS6	Increased income generation within Audit Services	-12,000	46%	4%	28%	21%
RS7	Income generation through developing commercial opportunities from Leap into Learning	-5,000	48%	8%	23%	21%
RS8	Review of Shropshire HR service level agreements with external clients	-30,000	54%	5%	20%	21%
RS9	Increase Human Resources and Development income generated from commercial activities	-50,000	55%	4%	18%	22%
RS10	Delete any vacant posts within Human Resources and Development	-54,000	46%	12%	21%	21%
RS13	Reprocure calls and lines contract	-22,000	48%	4%	25%	23%
RS14	Complete Sharepoint migration	-10,000	39%	4%	34%	23%
RS15	Remove Linux loadbalancers, as no longer required to manage access to internal IT systems	-3,500	59%	1%	18%	21%
RS16	Decommission Libraries Meraki network	-2,500	28%	11%	40%	21%
RS22	Reduce BluPrint printing devices	-4,000	46%	3%	30%	21%
RS26	Supplies and services savings within Legal Services	-2,000	55%	1%	21%	23%
RS27	Supplies and services savings within Democratic Services	-10,500	50%	4%	23%	23%
RS30	Committee Services - Additional income generation	-21,000	53%	1%	24%	21%
RS32	Supplies and services savings within Elections team	-7,000	55%	5%	18%	23%
RS33	Insurance - Review of Claims Handling	-50,000	56%	1%	20%	23%
RS34	Reduce external expenditure on legal services	-15,000	59%	1%	17%	23%
RS35	Cashless Shropshire - by making digital transaction the preferred payment option in Shropshire	-50,000	36%	27%	16%	20%
Council Wide Savings Proposals						
CW10	Reduce postage costs	-117,910	71%	2%	8%	19%
CW11	Savings on officer travel budgets	-364,000	72%	4%	7%	18%
CW1	Review of contract costs	-60,624	67%	1%	13%	19%
CW2	Increase to fees and charges income	-334,890	47%	9%	24%	20%
CW3	Non-essential spend review	-100,000	65%	2%	15%	18%
CW12	Reduction to the use of external venues for meetings and events	-5,000	72%	3%	7%	18%

Schedule of Movements



SCHEDULE OF MOVEMENTS

10.1 Overall schedule of movements since last reported

RESOURCES MOVEMENTS	2022/23 Jan Cabinet £	Movement £	2022/23 Feb Cabinet £	Description of Movement
Council Tax	180,285,304	0	180,285,304	
Business Rates:				
Business Rates Collected	42,279,377	-6,580,858	35,698,519	Anticipated figure as per NNDR1 return
Business Rates - Energy Renewable Schemes	1,000,000	145,182	1,145,182	Anticipated figure as per NNDR1 return
Top Up Grant	10,031,260	0	10,031,260	
RSG	6,450,404	0	6,450,404	
Collection Fund:				
Council Tax	-93,463	2,486,862	2,393,399	Calculation of Collection Fund Estimate completed for 2021/22
Business Rates	-168,114	-11,219,648	-11,387,762	Calculation of Collection Fund Estimate completed for 2021/23
NET BUDGET	239,784,767	-15,168,462	224,616,305	
Grants included in Core Funding:				
Improved Better Care Fund	11,862,890	514	11,863,403	Updated as per Final Local Government Finance Settlement
New Homes Bonus	4,651,465	0	4,651,465	
Rural Services Delivery Grant	6,940,755	0	6,940,755	
Social Care Support Grant	12,619,381	148	12,619,529	Updated as per Final Local Government Finance Settlement
Services Grant	3,521,312	0	3,521,312	
Lower Tier Services Grant	389,608	7,730	397,338	Updated as per Final Local Government Finance Settlement
Market Sustainability and Fair Cost Fund	940,831	0	940,831	
CORE FUNDING	280,711,007	-15,160,070	265,550,937	
Local Income				
Fees and charges (including income savings deliverable from prior years)	81,595,005	698,299	82,293,304	Latest projections on income
Other Grants and contributions	27,794,890	2,990,250	30,785,140	Latest projections on income
Specific Grants (excluding Core Funding Grants above)	179,086,426	30,739,381	209,825,807	Amendments to specific grants receivable as per Government notifications
Internal Recharges	10,205,830	-1,101,390	9,104,440	Latest projections on income
TOTAL FUNDING	579,393,158	18,166,470	597,559,628	

EXPENDITURE MOVEMENTS	2022/23 Jan Cabinet £	Movement £	2022/23 Feb Cabinet £	Description of Movement
Original Gross Budget Requirement	615,491,946	0	615,491,946	
Inflationary Growth :				
Pay	2,841,967	0	2,841,967	
NI Social Care Uplift	777,760	0	777,760	
Apprenticeship Levy	114,200	0	114,200	
Prices	3,213,423	0	3,213,423	
Pensions	0	0	0	
Demography & Demand	10,836,295	1,739,361	12,575,656	Amendment to Demography figure for Adult Social Care
Service Specific Pressures	13,427,212	-317,000	13,110,212	Reduction in Service Specific Growth as no longer required
Local Generated Pressures:				
Elections	-740,000	0	-740,000	
Specific Grants Changes between years	-8,205,225	24,347,825	16,142,601	Change to expenditure which relates directly to specific government grants
Ongoing reduction in New Homes Bonus	348,535	0	348,535	
WME Gas Profit Shortfall	200,000	-200,000	0	No longer required
Estimated Cost of Investment - <i>Approved</i>	521,000	0	521,000	
Resourcing Capital Programme	500,000	0	500,000	
Invest to Save Fund for delivery of future savings	103,000	0	103,000	
Energy Renewable Schemes	-35,710	0	-35,710	
Adjustment to Gross budget offset by Income changes	0	2,187,159	2,187,159	Virements between income and expenditure to balance the budget
Savings				
Savings from prior years- 2018/19 - <i>Approved</i>	-4,468,930	0	-4,468,930	
One off saving - Commercial saving	-1,315,000	-100,065	-1,415,065	Increase in one off saving available
New Savings	-4,771,279	0	-4,771,279	
TOTAL EXPENDITURE	628,839,195	27,657,280	656,496,475	

SCHEDULE OF MOVEMENTS

FUNDING GAP MOVEMENTS	2022/23 Jan Cabinet £	Movement £	2022/23 Feb Cabinet £	Description of Movement
Resources (incl savings plans)	579,393,158	18,166,470	597,559,628	As per Resources Movements
Expenditure (incl savings plans)	628,839,195	27,657,280	656,496,475	As per Expenditure Movement
Gap in year	49,446,037	9,490,810	58,936,847	
One off Grants & Reserves:				
Improved Better Care Funding	11,862,890	513	11,863,403	Updated as per Final Local Government Finance Settlement
Rural Services Delivery grant	6,940,755	0	6,940,755	
Social Care Funding - One Off	12,619,381	148	12,619,529	Updated as per Final Local Government Finance Settlement
Services Grant	3,521,312	0	3,521,312	
Lower Tier Services Grant	389,608	7,730	397,338	Updated as per Final Local Government Finance Settlement
Market Sustainability and Fair Cost Fund	940,831	0	940,831	
Use of Reserves:				
S.31 Business Rates Additional Relief Grants for COVID	0	12,760,890	12,760,890	Required to offset NDR Collection Fund Deficit
Review of Earmarked Reserves	6,128,506	749,634	6,878,140	Additional Earmarked Reserve released to balance budget.
Financial Strategy Reserve	7,042,754	0	7,042,754	
Freed up Conditional Reserves - Pensions	0	-4,028,104	-4,028,104	Amendment to Collection Fund Surplus/Deficit will be used to reinstate General Fund Balance
TOTAL ONE OFF FUNDING	49,446,036	9,490,811	58,936,847	
Remaining Gap/(Surplus) to be Funded	0	0	0	