

# MEDIUM TERM FINANCIAL STRATEGY 2023/24 – 2027/28



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# 1. Foreword and Introduction



# Foreword

We are pleased to set out the February update of the Council's Medium Term Financial Strategy. This is led by the priorities for our local areas set out the Shropshire Plan. Although it proposes a unique challenge in terms of the level of savings required, it also sets out clearly how that can be achieved. Moreover, if – when – this target is secured, the subsequent years are significantly easier. The strategy compares the forecast for 2026/27 made in February 2022 with that being made now: likely savings required have fallen from £56 million to £3m.

This is testament to the hard work of councillors and officers already undertaken, and augurs well for the future. It confirms that we have a clear plan, one which genuinely puts our residents at the heart of what we do.

This update for February 2023 includes savings proposals for the MTFS period previously included in the December update, and now subject to public consultation. These proposals are extensive but necessary.

Our plan is very clear – it focuses on the services we deliver and the priorities that matter to our residents, and so allows us to plan for a much-improved financial position, one that protects and even improves frontline service delivery.



**Lezley Picton**  
Leader of the Council



**Andy Begley**  
Chief Executive

# Introduction

This financial strategy ensures that the Council's finances are aligned to the delivery of the objectives of The Shropshire Plan through the coming years and presents a clear route which – if followed carefully – will secure a much-improved financial position in future years.

It builds on the engagement of the Council with the Local Government Association (LGA) through its finance 'peer review', undertaken in summer 2022. The LGA review was clear in its conclusions; the technical and professional resources the Council has at its disposal are of a sufficiently high standard and provide a sound foundation from which to meet the coming challenges. The review also highlighted that we could make changes in several areas, including

- Confidence in our ability to deliver local aspirations.
- Clarity over the financial outlook in the short-, medium-, and long-term.
- A move from 'minimising' to 'managing' risk.
- A clear approach to financial sustainability, and the consequence of failing in this.

This is also evidenced in the year-on-year completion of the statutory accounts and the independent external audit of them, which shows that we are fully aware of our financial position and that we are managing proactively within the resources available.

This is the final MTFs update for the 22/23 year and sets the scene for the detailed budget presented to Full Council. It is the latest milestone in a process of deepening the transparency and inclusivity of our strategic financial planning. The targets for resources, savings and spending for the coming years are set out clearly, along with the most challenging efficiency and change programme this council has yet engaged upon.

We are confident we have the necessary preparations in place to deliver this demanding objective – and we are clear that just as the penalty for not delivering will be severe, the prize for success will be a more secure and efficient, resident focused council than ever before.

This is both a challenging and an exciting time for the council, and one we are each proud to be part of.



**Gwilym Butler**  
Cabinet Member  
for Finance



**James Walton**  
Executive Director  
of Resources,  
S151 Officer

## 2. Outlook for the Council



## 2.1 Context – The Shropshire Plan

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

The Shropshire Plan (see link here: [The Shropshire Plan 2022-2025 | Shropshire Council](#)) is informed by the following key objectives which sit at the heart of everything the Council does:

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

*Figure 1: Priorities within the Shropshire Plan*



Alongside the Shropshire Plan, the Workforce Strategy sets out the key values of 'Getting It Right' (GiR) which is our overarching approach for the long term future of Shropshire.

The Workforce Strategy also contains a leadership programme for almost 10% of our staff, who are central to the leadership and performance of the whole Council. This leadership programme is called 'Getting Leadership Right' (GLR). Almost 300 staff are enrolled in the first phase of GLR, including the Chief Executive, Executive Directors, and all Assistant Directors.

Many participants have already spoken positively of their experiences of this programme, which is important – the values of GiR and the learning from GLR will be vital in being able to secure the MTFS objectives: They will enable significant service transformation and cultural change across the Council. And the programme itself is delivered by an external specialist company (able to provide independent challenge and support), themselves proud to be based in Shropshire and to be working with the Council.



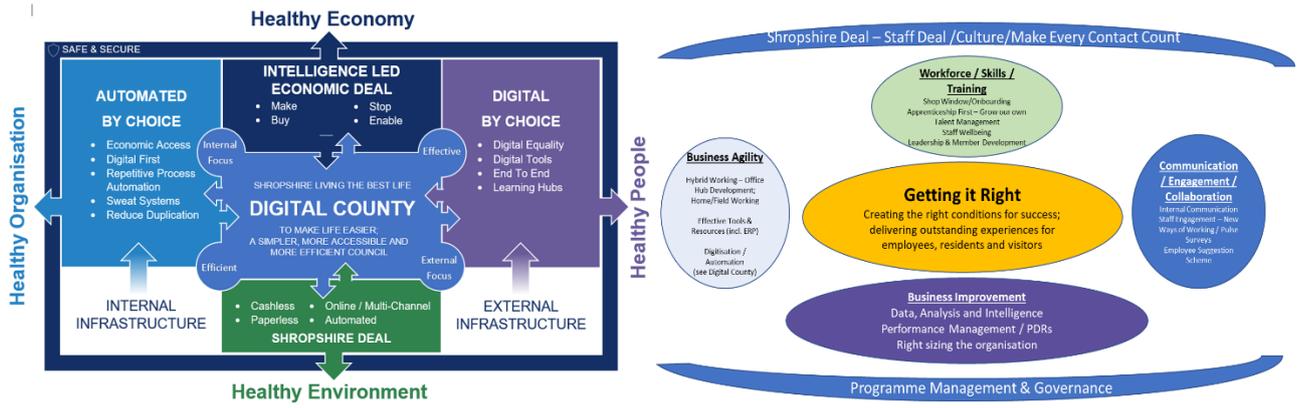
Figure 2: Getting It Right – core values agreed by staff

A Target Operating Model (TOM) has been designed to set out the most efficient and effective way for the Council to work to achieve the outcomes set out in the Shropshire Plan. The TOM programme includes around 60 projects which span 5 main themes:

- Breaking Generational Cycles
- Commissioning
- Digital County
- Getting It Right
- Local Shropshire

These five themes are set out in the infographics below. Delivery of the TOM projects will be key to delivering the spending reductions set out in Section 11.





## **2.2 Financial Outlook – National and Local**

### **2010-2020 - Austerity then COVID**

The financial environment for local government in England has been defined by two key periods – funding contraction arising from austerity policies implemented after 2010, and 2 years of pandemic response from 2020. More recently, the Department of Levelling Up, Homes, and Communities has set out its ‘Levelling Up’ agenda including a £4.8bn infrastructure investment fund.

### **2021-2022 – international pressures, inflation, and the latest Settlement**

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.

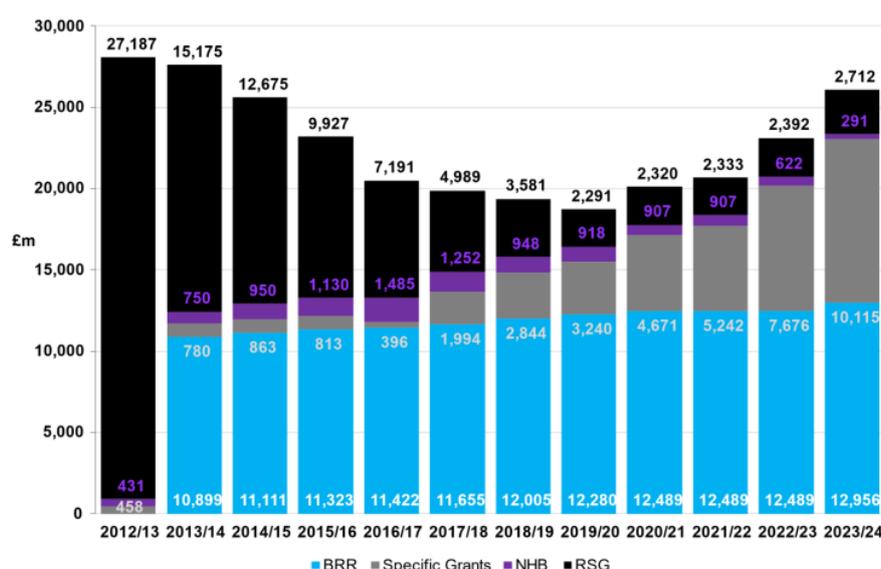
The year 2022 has, however, been a turbulent period for the UK economy. In February 2022, Russia embarked on an invasion of Ukraine, whilst not involving the UK directly, this has huge implications for the world economy. Prices of fuel, energy, and commodities rose as trade sanctions were applied with Russia. As a result, inflation rates in the UK have increased to their highest level since 1977. Attempts to mitigate this through the ‘mini budget’ proved counterproductive, eventually leading in October to a new Prime Minister and Chancellor who then focussed on securing fiscal stability.

The November 2022 Autumn Statement was widely trailed as holding ‘eye-watering’ decisions in the pursuit of fiscal stability, and previous updates of the Council’s MTFS reflected prevailing fears in the sector of a return to national spending constraint. In the event, first the government confirmed the commitment to funding inflation at the 3.1% level set out in the October 2021 Spending Review (SR21), and subsequently the Local Government Finance Settlement has confirmed Core Spending Power growth in the sector averaging 9.2% (8.6% for Shropshire Council) which exceeded the expectations of many.

### **Local Government Funding**

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, as national policy on local government funding has sought to localise funding sources around council tax and business rates revenue, and to reduce the level of support provided through government grants (and the challenges around redistribution these present). Council tax now makes up over half of the Core Spending Power of local authorities compared to just over a third in 2009/10.

## Funding 2012/13 to 2023/24



- Funding reduced from £28.1bn in 2012/13 to £18.7bn in 2019/20, a 33% cut.
- Rises since 2019/20, the largest 2022/23 to 2023/24 of £2.9bn reduces overall cut to 7%.

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Figure 1 - Local Government Funding (cash terms) since 2012 - source: Local Government Futures, 2023.

In terms of expenditure, local government spends an increasing percentage of all service budgets on social care, and proportions available for other service budgets such as transport, cultural and leisure services and planning have reduced. This had led to an increased reliance on charges for services (fees and charges<sup>1</sup>) to support aspects of 'place-based' services, as well as some areas of social care.

In the Autumn Statement 2022 the Government announced additional funding for adult social care to enable local authorities to support the NHS with backlogs for hospital discharges. In addition, measures such as increasing council tax referendum levels alongside the additional social care funding have resulted in an additional £5 billion. Also there has been a Funding Guarantee that every council would see at least a 3% increase in core spending power before local decisions on council tax are taken.

As in previous years, this funding has been allocated on a 'one-off' basis – indeed, this is the fifth successive settlement which has been primarily for one year only and largely 'rolled-over' many of the funding streams from one year to the next, despite them being advised each time as being non-recurrent. This presents its own problems in terms of how ongoing service (such as social care) can be planned and managed. The local government sector continues to lobby government for greater forward-intelligence into likely funding levels, to ensure that we can provide better stability and value for money in our services.

Along with a trend towards 'rolling-over' funding lines, more detailed review and revision of funding distribution (promised previously as part of the 'Fair Funding Review', later the 'needs and resources' review) has been pushed forward into the future. This is not now anticipated to begin within the current parliament.

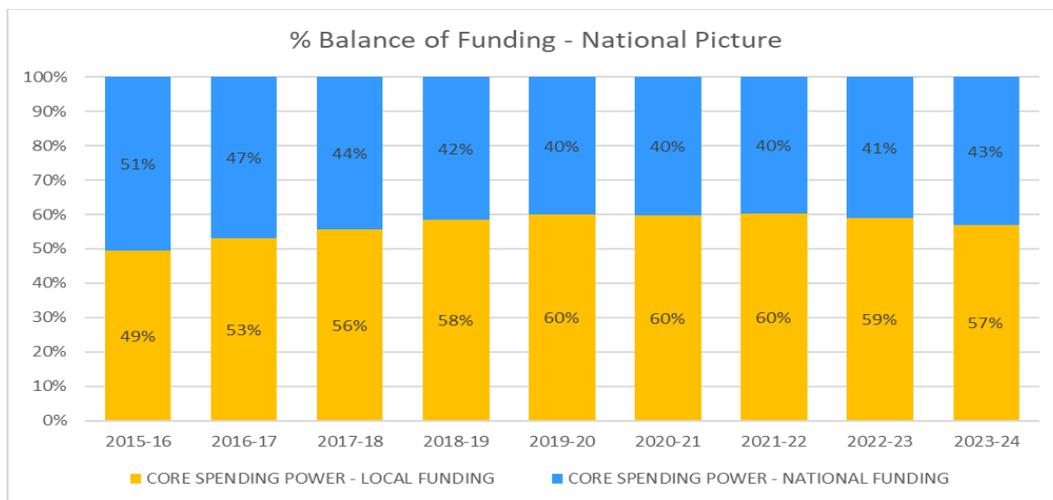
### Balance of funding

<sup>1</sup> See also the fees and charges proposals for 2023/24.

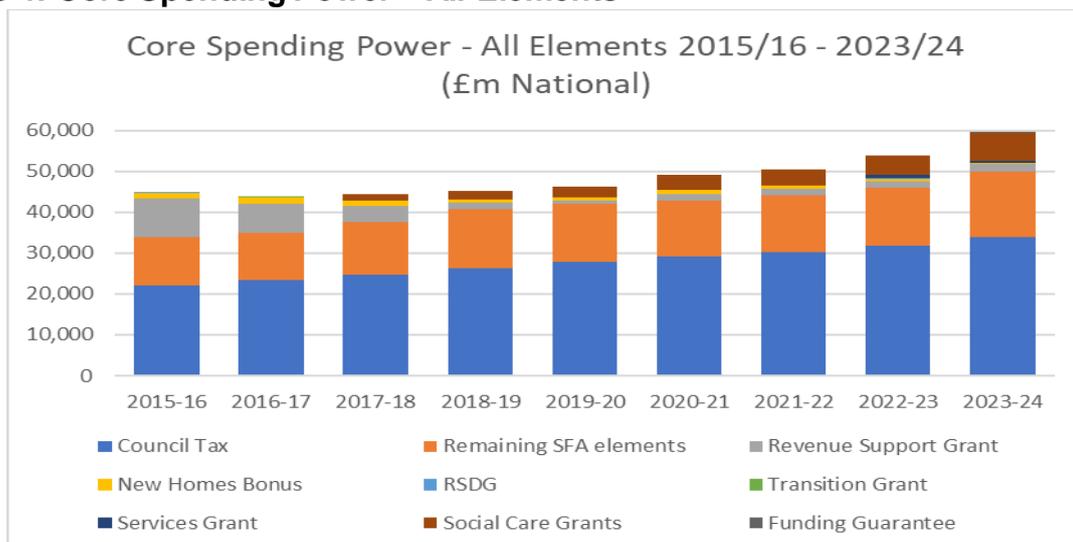
Figure 3 below demonstrates that the proportion of national funding within the Core Spending Power has decreased from 51% to 43% over an eight-year period with increased reliance now on local authorities to raise funding locally instead by raising council tax. This also shows, however, that in 2022/23 and for 2023/24 the Government is starting to increase the proportion of national funding provided.

The detailed analysis of funding within Core Spending Power is detailed in Figure 4 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 six years to its greatest level in 2023/24, but this in no way compensates for the loss in Revenue Support Grant that has been experienced alongside increased demand for these services over the six-year period. Instead, local authorities have increased council tax to help bridge the funding gap.

**Figure 3: Balance of Funding – National Picture**



**Figure 4: Core Spending Power – All Elements**

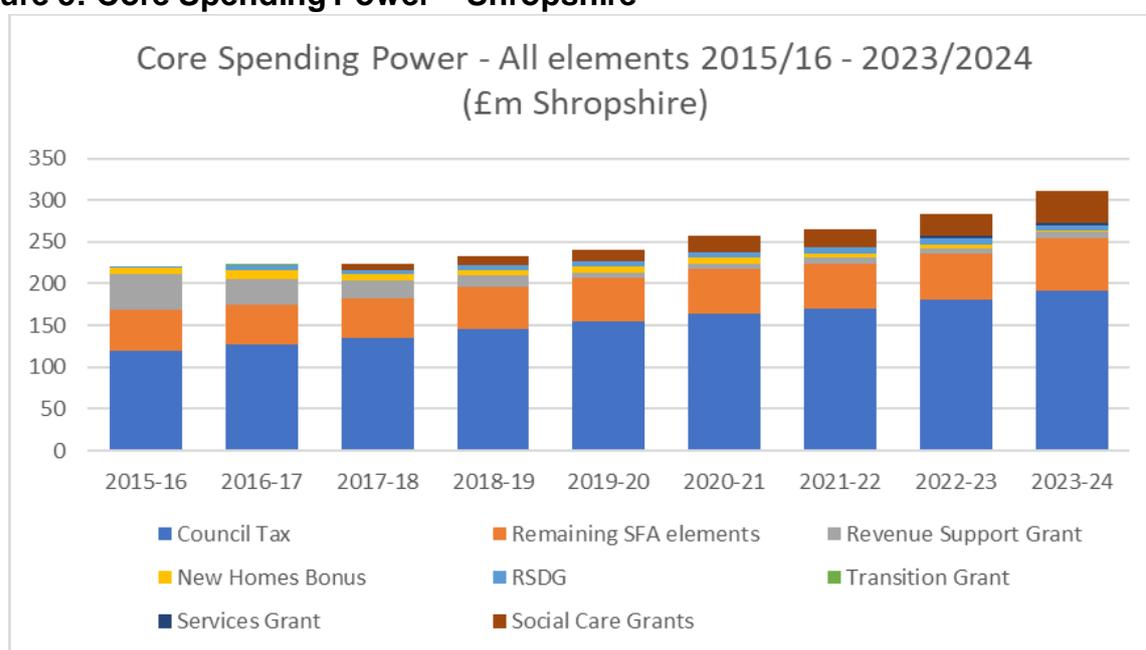


**Local Context**

Over the last eight years, Shropshire Council's core spending power has changed from £220.9m to £310.5m.

As shown in Figure 5 below, core spending power has increased marginally by an average of just over 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 83% over the eight-year period and removed £36.26m from the Council's resources. The Government has instead started to introduce specific Social Care Grants, to assist with the increased demand for these services, however the Council has also had to raise council tax to the maximum level over this period to help fund these increases.

**Figure 5: Core Spending Power – Shropshire**



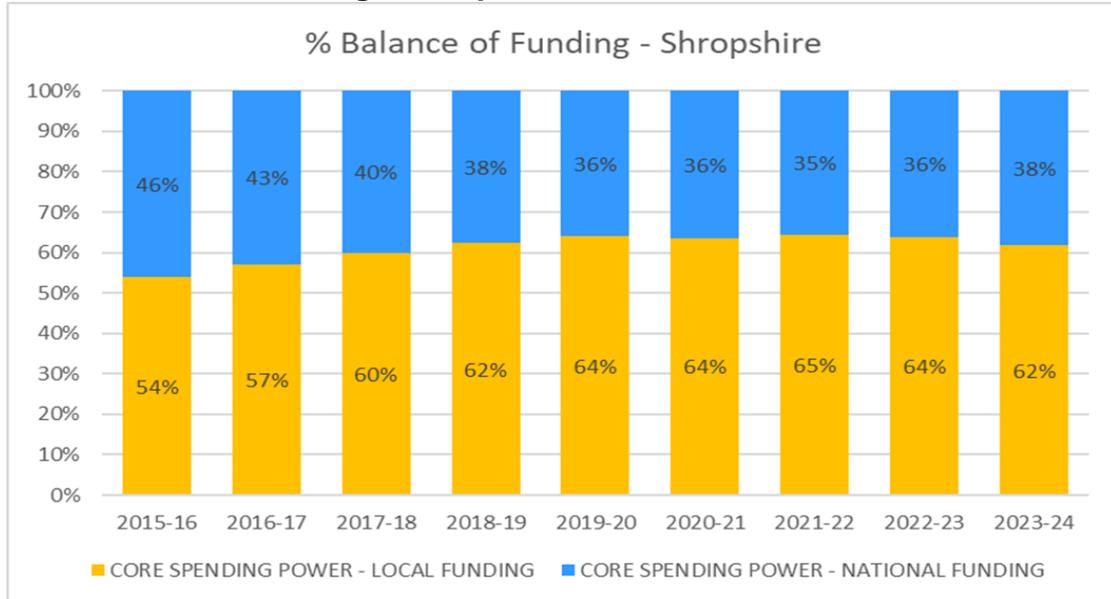
As the graphs below demonstrate, Shropshire Council has had to increase the proportion of local funding compared to national funding provided by the government which has decreased gradually from 46% to 38%. In Comparison with the national picture, the figures demonstrate that Shropshire has always had a lower proportion of national funding to the overall national average, and as a result, in 2023/24 we are still having to place a greater reliance on generating resources locally than the national average.

Shropshire Council has always had a greater proportion of older people than the national average, but as shown in Figure 7 below, whilst the proportion of people over 65 is steadily increasing nationally, the increase in Shropshire is increasing by a larger proportion. This continually builds additional pressure into the budget although in order to try to address this demographic pressure the Council are taking several preventative measures to try to reduce demand for longer term care.

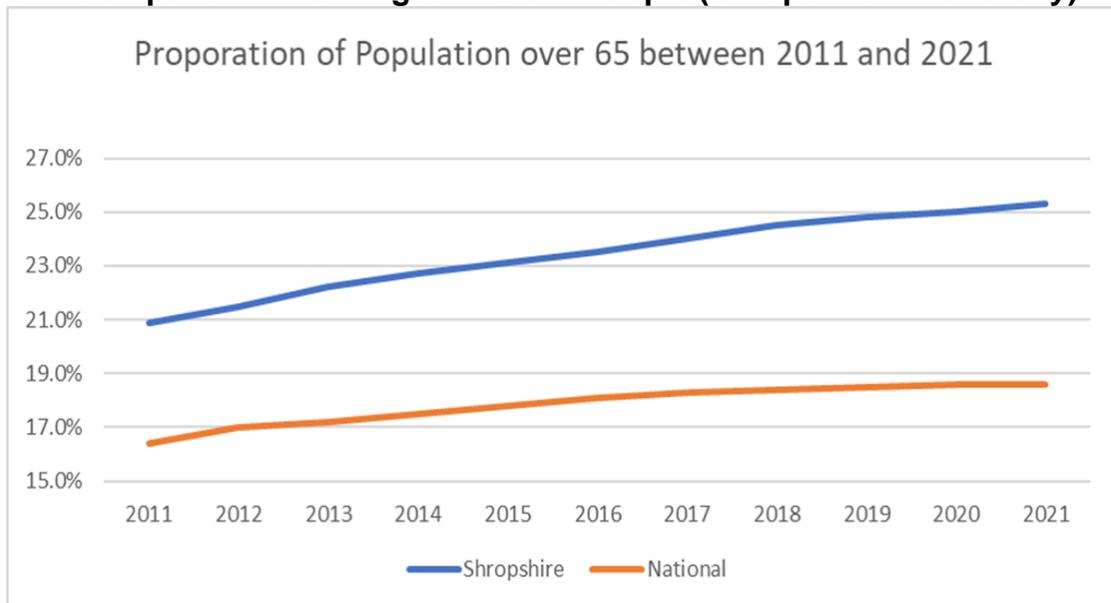
In recent years, the Council has experienced growth pressure both in Adult Social Care costs and Children's Social Care too, which is again a common picture being experienced

by upper tier local authorities. Since 2015/16, the proportion of social care budgets has increased from 44% to 71% of the Council's net budget, an additional £83m. This also demonstrates that the budgets for other services across the Council have had to contract accordingly to enable the Council to remain within its funding envelope

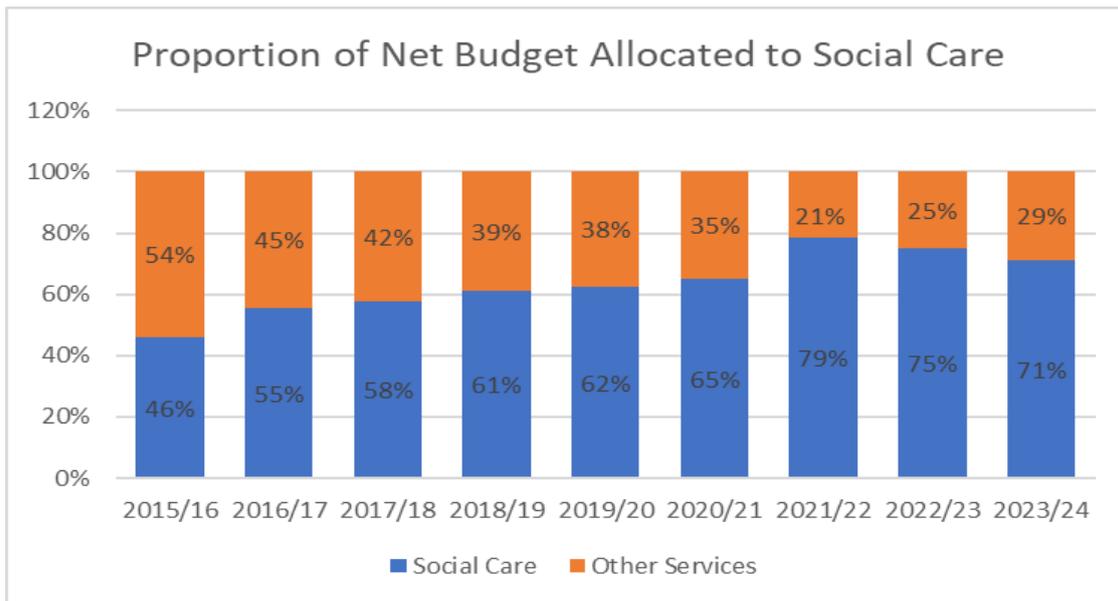
**Figure 6: Balance of Funding - Shropshire**



**Figure 7: Comparison of Changes in Older People (Shropshire v Nationally)**



**Figure 8: Allocation of Net Budget to Social Care**



*N.B. The Net Budget for 2021/22 and 2022/23 reduced due to the Collection Fund Deficit which has arisen due to reliefs given to businesses during the Coronavirus pandemic. This therefore impacted on the proportion of new budget allocated to Social Care in these years.*

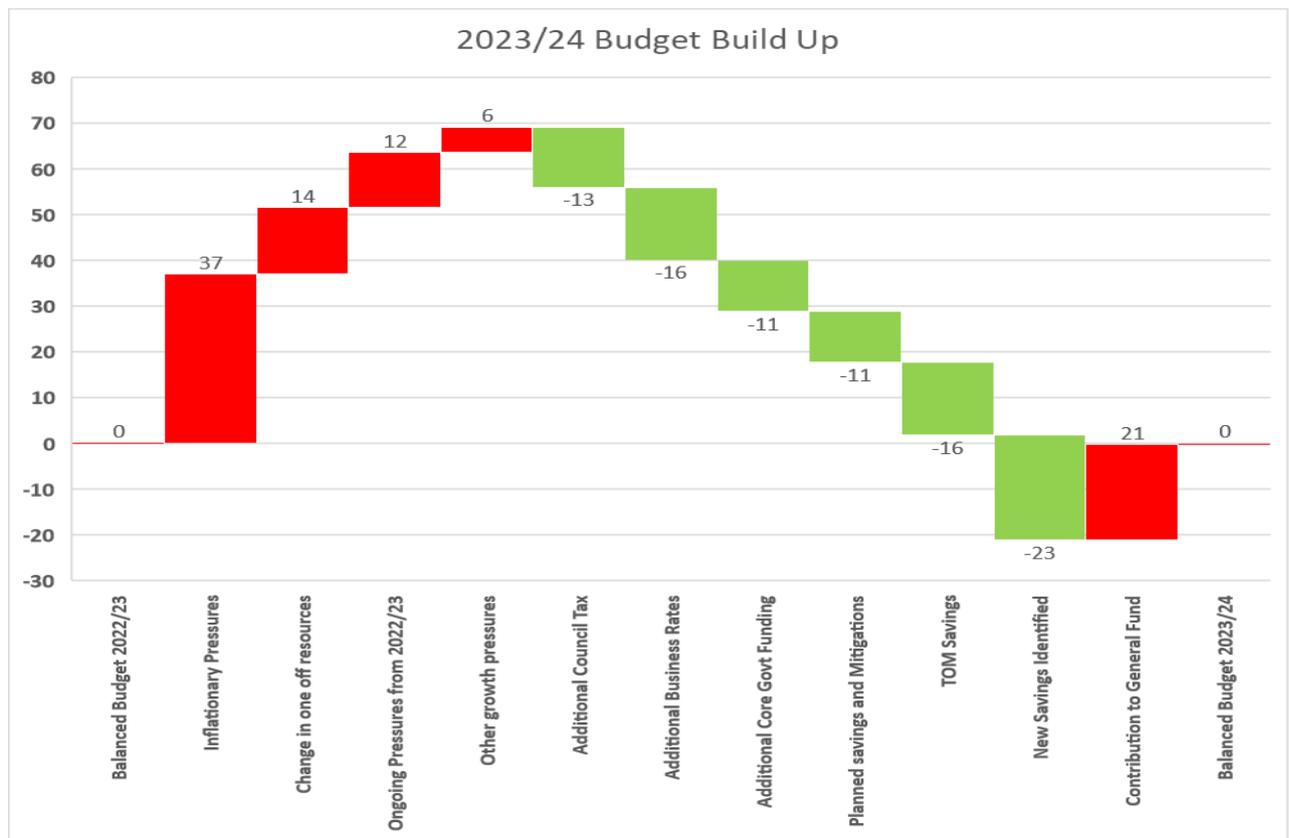
The pressure on costs within Social Care over the last 8 years, in addition to resulting legacy costs arising following the pandemic, has put significant pressure on the Council's budget over and above additional funding for Social Care provided by the Government. As a result, over the last two years the Council has had to balance the budget using the Financial Strategy Reserve and through utilising COVID government funding. The Financial Strategy Reserve has been fully utilised in 2022/23 and COVID funding is no longer applicable, therefore in order to balance the budget for 2023/24, the Council would need to deliver an ambitious savings and efficiency programme. The approach taken to planning for 2023/24 has been to:

- seek recurrent savings from service areas in order to address the budget gap identified for 2023/24 in a sustainable way, and
- remove use of reserves to bridge the budget gap, and if possible, make contributions in order to replenish them.

The Council received details of the Provisional Local Government Finance Settlement on 20<sup>th</sup> December 2022, and this not only allowed the Council to raise additional funds through an increase to council tax of 4.99% (2.99% council tax and 2% Adult Social Care precept) but also increased core funding grants by £9m Further details of how this funding has been applied is set out in section 2.3.

The Final Local Government Finance Settlement was announced on 6<sup>th</sup> February 2023, and following consultation, the Government has increased the Rural Services Delivery Grant allocation nationally by £10m and has released unused contingency grant through the Services Grant.

**Figure 9: 2023/24 Budget Build**



The impact of different factors on the 2023/24 budget is set out in Figure 9 above. This shows that in response to the change in one off resources that were used to fund the 2022/23 budget, several planned savings and mitigations were planned to bring the budget back into balance. However, inflationary pressures left the Council with a further gap of just over £40m. Therefore, the Council prioritised work to identify necessary savings to deliver a balanced budget, aligned to the Shropshire Plan. Additional savings have been identified from a range of opportunities. In many cases these help to reduce costs to within an affordable range by reducing or diverting demand, or by securing more efficient delivery methods, or are expansions or accelerations of existing measures which see the council ‘doing more with less’.

## 2.3 Summary Financial Position for Shropshire

The approach to planning our budget for 2023/24 has been guided by several key principles:

- Putting services first; these proposals are guided by the best way to deliver services and our Shropshire Plan priorities
- Seeking to increase overall efficiency and effectiveness of council services significantly as our response to rising costs, rather than simply 'cutting' services back
- Planning to make significant changes rapidly so we can secure a sustainable financial base for the coming years
- taking difficult decisions and planning to deliver those

The impact of the inflationary pressures and mitigating savings activity outlined above has affected the funding gap over the period of the MTFs. The revised gap over the course of the MTFs is outlined in table 1 (below) which demonstrates a balanced budget for 2023/24.

The MTFs outlook from 12 months ago has been comprehensively re-written.

In February 2022, it was flagged that there was a potential funding gap of around £60m in all future years (2026/27 showed a £56m gap against a £590m resource envelope – 9.5%) around 12% of all revenue resources).

**Table 1a: Funding Gap over the Medium term Financial Strategy – Feb 2022**

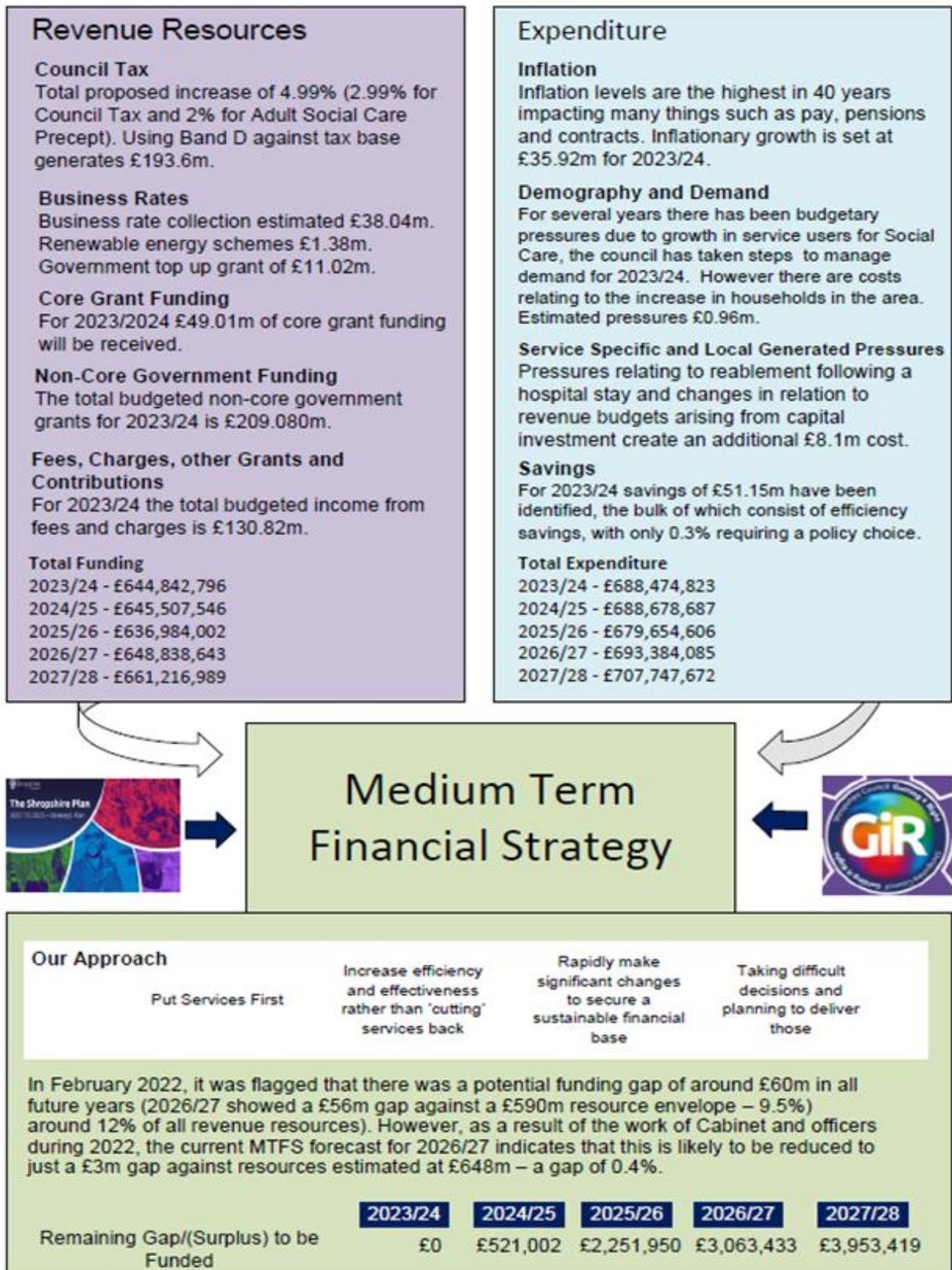
	2022/23 £	2023/24 £	2024/25 £	2025/26 £	2026/27 £
Resources (incl savings plans)	597,559,628	553,983,627	562,725,981	577,177,079	590,415,937
Expenditure (incl savings plans)	656,496,475	619,313,227	629,406,493	640,779,762	646,878,170
<b>Gap in year</b>	<b>58,936,847</b>	<b>65,329,600</b>	<b>66,680,512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

However, as a result of the work of Cabinet and officers during 2022, the current MTFs forecast for 2026/27 indicates that this is likely to be reduced to just a £2.8m gap against resources estimated at £648m – a gap of 0.4%.

**Table 1b: Funding Gap over the Medium term Financial Strategy – Feb 2023**

Funding Gap	2023/24 £	2024/25 £	2025/26 £	2026/27 £	2027/28 £
Resources (incl savings plans)	645,741,039	646,324,105	637,800,561	649,655,202	662,033,548
Expenditure (incl savings plans)	690,271,309	690,887,339	681,202,417	694,773,327	709,141,914
<b>Gap in year</b>	<b>44,530,271</b>	<b>44,563,234</b>	<b>43,401,856</b>	<b>45,118,125</b>	<b>47,108,367</b>
<b>One off Grants &amp; Reserves:</b>					
Improved Better Care Funding	9,896,143	10,252,045	10,618,624	10,996,201	11,385,105
New Homes Bonus - One Off	0	0	0	0	0
Rural Services Delivery grant	7,757,314	7,757,314	7,757,314	7,757,314	7,757,314
Social Care Grant - One Off	21,547,059	22,193,471	22,859,275	23,545,053	24,251,405
Services Grant	2,065,886	0	0	0	0
Market Sustainability and Fair Cost Fund	3,263,869	3,263,869	0	0	0
<b>TOTAL ONE OFF FUNDING</b>	<b>44,530,271</b>	<b>43,466,699</b>	<b>41,235,213</b>	<b>42,298,568</b>	<b>43,393,823</b>
<b>Remaining Gap/(Surplus) to be Funded</b>	<b>0</b>	<b>1,096,536</b>	<b>2,166,643</b>	<b>2,819,557</b>	<b>3,714,543</b>

Figure 10: MTFS summary



# 3. Revenue Resources 2023/24 – 2027/28



### 3.1 Revenue Resources

Revenue resources for local councils comprise the following items, collectively referred to as 'core spending power':

- council tax
- the 'settlement funding assessment' which includes
  - retained business rates,
  - a 'tariff' or 'top up' calculated by the relationship of the business rates receipts to a target level of overall funding<sup>2</sup>
  - revenue support grant
  - grants providing local compensation for the impact of national policies – for example, small business rates relief
- government grants – usually separated into 'social care' and 'other'

### 3.2 Council Tax

#### The basic rate

The council is primarily supported by council tax receipts of c£200m each year.

In December 2022, the Council approved the Council Tax Taxbase for 2023/24 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 the last two years however we have seen a bigger growth in the taxbase and improved collection rates over the last year. Therefore, the decision was taken to set a taxbase which provided a growth target for the number of properties likely to come on board during 2023/24 and strive for an improved collection rate. For 2023/24, the Council Tax Taxbase is 118,106.08 Band D equivalents which was an increase of 2.27% from the 2022/23 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. In the Autumn Statement 2022, the Government announced an increase in the threshold levels from 2% to 3% for 2023/24 and 2024/25. If the Council was to set a Council tax level greater than the 3% threshold, they would be required to hold a referendum in their local area to determine whether the taxpayers believe the increase to be excessive.

For 2023/24 Shropshire Council is proposing a 2.99% increase to Council Tax. This generates an additional £5.5m for the Council.

The Council is a 'billing' authority, collects the Council Tax for several 'precepting authorities' as well as itself - 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

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<sup>2</sup> so, very high NDR receipts lead to a 'tariff' being levied, while a level of receipts below the target will lead to a 'top-up'; Shropshire receives a top-up)

will detail all these elements in agreeing the Council Tax Band levels to be charged in each Parish or Town Council area.

### The social care precept

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 2023/24 the Government permitted that local authorities could set an Adult Social Care precept up to a maximum of 2%. Therefore for 2023/24 the Council will be setting a 2% total Adult Social Care Precept.

### Collection rates and the Collection Fund

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 several reasons. For 2023/24, the MTFS has assumed a 98.5% collection rate. This is an improvement on previous years' collection rates and in line with sector averages. Performance against this measure is actively monitored, and, if possible, the assumed rate will be increased in future years.

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 2022/23, the estimated Council Tax collection fund surplus is £2.836m and Shropshire Council's proportion of this is £2.331m. This can then be used in the total funding for the 2023/24 budget. This balance has occurred, in the main, due to an increase in the number of houses developed being greater than anticipated.

### Council Tax – overall

The total proposed increase in Council tax is therefore 4.99% for 2023/24 (2.99% for Council Tax, 2% for Adult Social Care Precept) and this generates the following Council tax precept for a Band D:

<b>2022/23 total at Band D</b>	<b>£1,561.11</b>
Core Council Tax Increase (2.99% of 2022/23 total)	£46.68
Adult Social Care Precept (2% of 2022/23 total)	£31.22
<b>2023/24 proposed total at Band D</b>	<b>£1,639.01</b>

When this Band D figure is used against the Council Tax taxbase, this generates total council tax of £193,577,046.

For future years of the MTFs, assumptions have been made that Council tax increases will remain at 2.99% and the Social Care Precept at 2% for 2024/25 and then will reduce to 1.99% for Council Tax and 1% for Adult Social Care for 2025/26 onwards (this is subject to the decision each year at Full Council).

### **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 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 we must write off more bad debts than anticipated and 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 2022/23, the estimated Business Rate collection fund surplus is £4.005m and Shropshire Council's proportion of this is £1.962m. This surplus has arisen due to a reduction in the appeals provision in 2021/22 for appeals raised against the 2017 rating list. This can be used in the total funding for the 2023/24 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 2022/23 the Council is collecting £1.149m from these schemes and the estimated value for 2023/24 is £1.380m. A baseline estimate of £1m has been assumed for future years.

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 must pay a tariff rather than receive a top up grant. For 2023/24 Shropshire Council is receiving a top up grant of £11.120m.

### 3.4 Core Grant Funding

The Government provides several Core Funding grants which form part of the Council's Local Government Funding Settlement each year. These grants make up part of the Core Spending Power calculation that the Government uses as a measure of the resources that local authorities must fund service delivery.

In the Provisional Local Government Funding Settlement for 2023/24, the Government has indicated which of these grants will continue for 2024/25 to assist with financial planning. Longer term assumptions over the 5-year period of the Medium-Term Financial Strategy are that these grants in quantum will continue at similar levels in even if the specific grants listed below do not continue in their current format.

For 2023/24 the following core grants will be received:

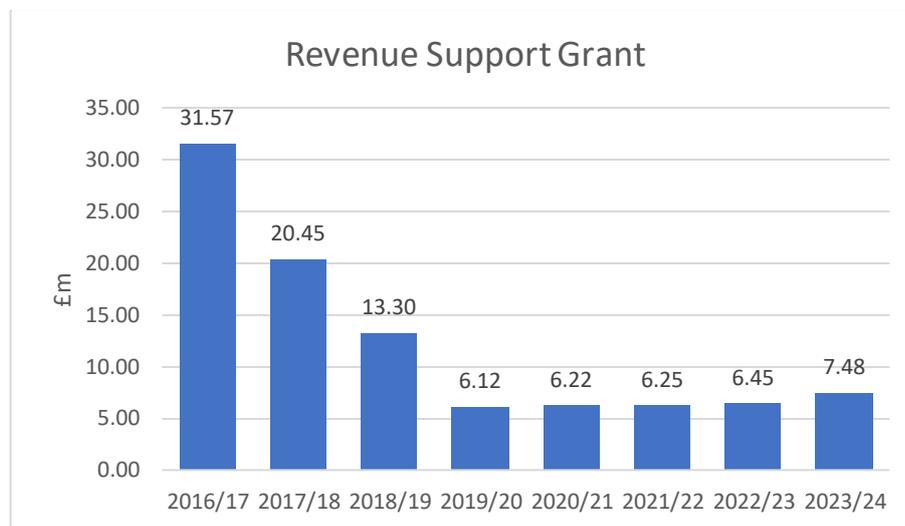
<b>Shropshire Council - Core Grants (2023/24):</b>	<b>£</b>
<b>Revenue Support Grant</b>	7,478,634
<b>Improved Better Care Fund</b>	11,863,403
<b>New Homes Bonus</b>	1,747,510
<b>Rural Services Delivery Grant</b>	7,757,314
<b>Social Care Grant</b>	21,547,059
<b>Market Sustainability and Fair Cost Fund</b>	3,263,869
<b>Discharge Fund</b>	1,663,231
<b>Services Grant</b>	2,065,886
<b>TOTAL CORE FUNDING</b>	<b>57,386,906</b>

Revenue Support Grant (RSG)

There has been no change in distribution for the Revenue Support Grant in 2023/24. Instead, the government has inflated the 2022/23 grant level in line with the Consumer Price Index as at September 2022. In addition to this there have been three grants that have been consolidated into the Revenue Support Grant which are the Family Annexe Council Tax Discount Grant, Local Council Tax Support Administration Subsidy grant and Food Safety and Standards Enforcement Grant (Natasha's Law).

As can be demonstrated from Figure 11 below, the level of Revenue Support grant received reduced significantly (£25.45m) between 2016/17 and 2019/20 as a result of the austerity programme, however since that period levels have been relatively stable and inflationary increases applied. Due to the high inflation rates within the economy in 2022/23, this has resulted in a larger uplift in 2023/24 than in the previous 3 years.

**Figure 11: Shropshire Council - Revenue Support Grant**



### Improved Better Care Fund (IBCF)

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 2023/24 the grant distribution would be the same as in previous years and the quantum would remain the same as in 2022/23.

### New Homes Bonus (NHB)

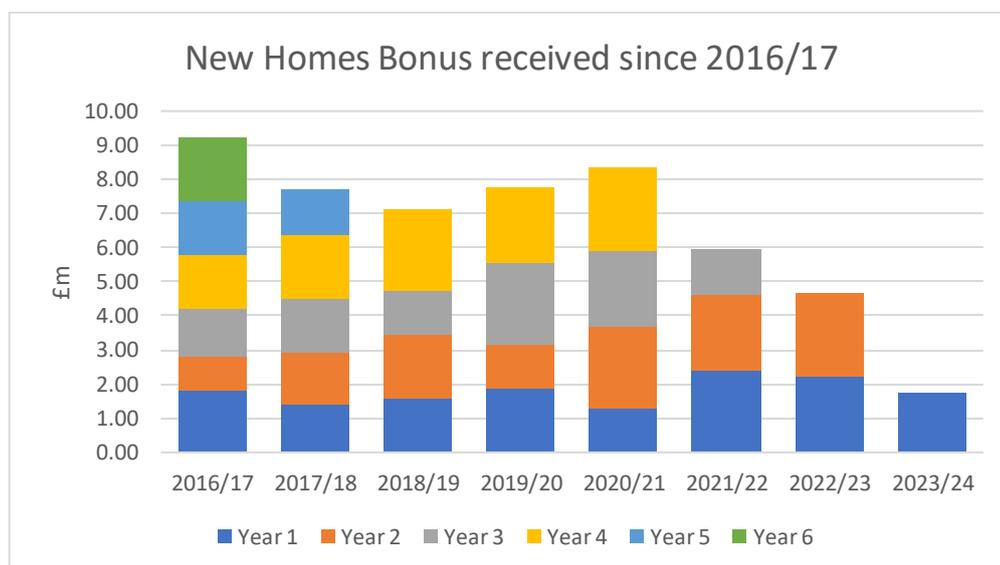
This was introduced by the Coalition Government with the aim of encouraging local authorities to grant planning permissions for the building of new houses in return for additional revenue. Under the scheme, the Government initially matched the Council Tax raised on each new home built or long-term empty 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 has continued to calculate and pay one-year allocations of New Homes Bonus, however these payments no longer attract legacy payments on the allocations.

Shropshire Council has generally received good levels of New Homes Bonus due to the levels of housing development in Shropshire over several 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. The number of units developed in 2023/24, however, has reduced and hence this explains the reduction in allocation proposed for the year.

A contribution of £5m of the total New Homes Bonus had previously been assumed within the Council's base budget. This is gradually being reduced as the New Homes Bonus Allocation is reduced and so a growth item of £2.9m has been built into the budget to offset this shortfall.

**Figure 12: Shropshire Council - New Homes Bonus**



### Rural Services Delivery Grant (RSDG)

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 2023/24, the Government had announced that the allocations of Rural Services Delivery Grant would be cash flat from the levels paid in the previous year, however following the consultation on the Provisional Local Government Finance Settlement, the Government announced a further £10m would be distributed through this grant. Therefore, the total value of Rural Services Delivery Grant received for 2023/24 is £7.757m. It is

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

### Social Care Grant

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

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 2023/24 the Government announced a further £1.345bn would be built into the Social Care Grant and the Independent Living Fund, which was previously a specific government grant, would be rolled into the Social Care Grant. For Shropshire Council this resulted in an increase in the Social Care Grant of £8.927m to a total grant balance of £21.547m.

### Social care: Market Sustainability and Improvement Funding

The Government provided funding in 2022/23 relating to the Fair Cost of Care and is planning again to provide £162m to continue the progress that local authorities and providers have made on fair cost of care exercises. In addition, the Autumn Statement included provision for an additional £400m for adult social care to enable local authorities to make some improvements to adult social care such as addressing discharge delays, social care waiting times, low fee rates, workforce pressures and to promote technological innovation in the sector. For Shropshire Council funding of £3.264m has been announced for 2023/24.

### Discharge Funding

The Autumn Statement for 2022 announced £600m of grant funding for 2023/24 to ensure that those people requiring social care following a stay in hospital, can be discharged as soon as possible to assist with freeing up hospital beds. Shropshire Council has received £1.663m towards this initiative.

### 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. For 2023/24, the Government has committed to continue with this funding, however it has reduced the amount distributed nationally to £464m. For Shropshire Council this has provided an additional £2.066m and there no conditions or reporting on where this has been spent

### 3.5 Non-Core Government Funding

The Government provides several 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 2023/24 is £209.080m.

#### Dedicated Schools Grant

The Dedicated Schools Grant is the biggest non-core government grant that the Council receives. Most of this grant will be passported through to fund-maintained schools in order to manage their budgets however in recent years there has been a national issue with increasing budgetary pressures within the High Needs Block of the grant. In 2022/23 the High Needs Block was increased, and Shropshire Council is not anticipated to have a budget deficit for this element.

For 2023/24 the Dedicated Schools Grant has increased to £111.5m and is broken down into the following main blocks:

<b>Dedicated Schools Grant</b>	<b>£m</b>
<b>Early Years Block DSG</b>	18.280
<b>High Needs Block DSG after Recoupment</b>	32.382
<b>Central Schools Services Block DSG</b>	2.378
<b>Schools Block (Maintained Schools)</b>	58.513
	<b>111.552</b>

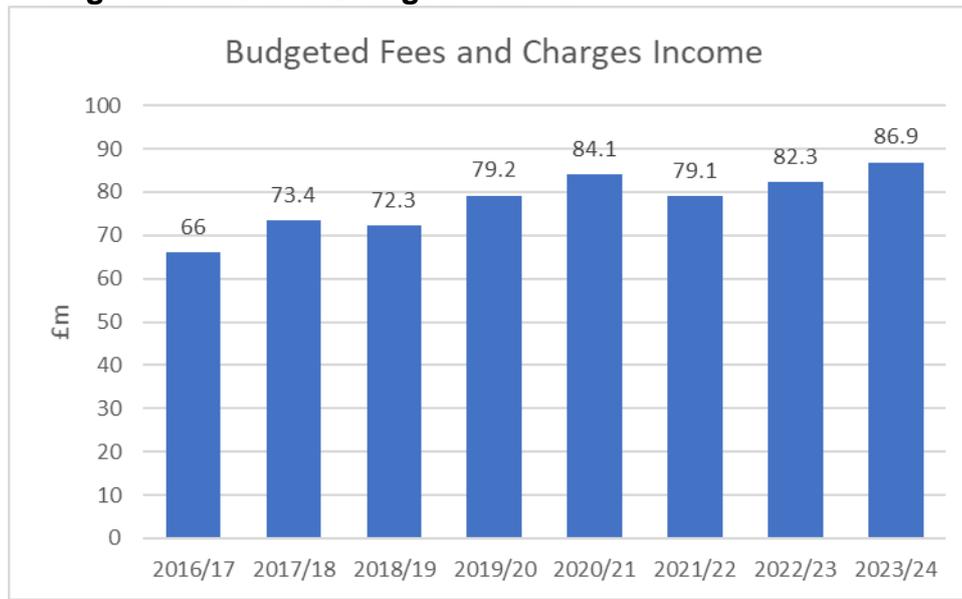
#### Public Health Grant

The Public Health Grant is a ringfenced grant to be used for public health functions. The Government will usually publish the Public Health grant allocations in February, and so for the purposes of the 2023/24 budget, the Council has assumed a cash flat figure from 2022/23 which was £12.775m.

### 3.6 Fees and Charges

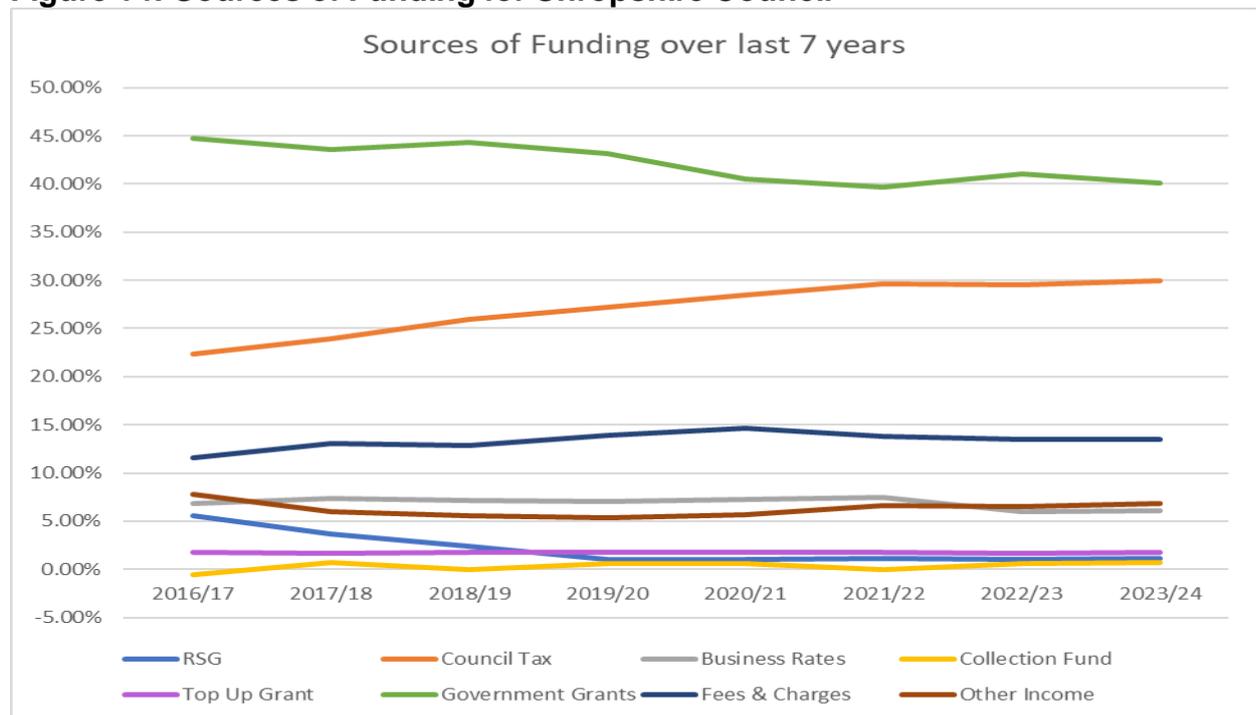
The Council also generates income to fund services by charging for services that it provides. This has increased over the last seven years and has become an important and an increased proportion of the council's total income as demonstrated in the charts below. This has been necessary due to the reduction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

**Figure 13: 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 14: Sources of Funding for Shropshire Council**



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 based on 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 if trading is carried out through a company.

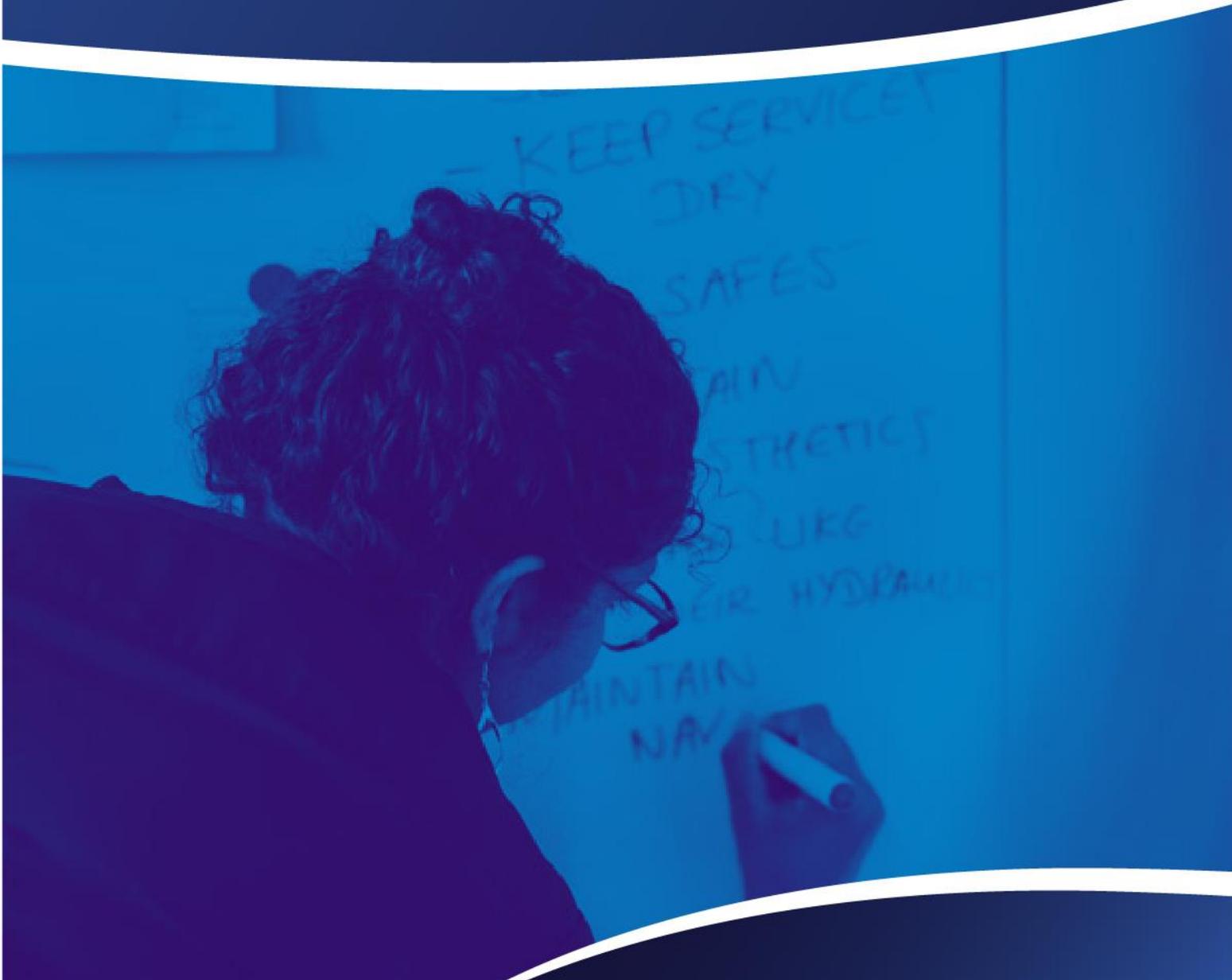
A significant proportion of the total income achieved through fees and charges is based on statutory income, where the Government prescribe the level of fees to be charged. The remainder is achieved through discretionary fees and other income and Full Council approve the fees and charges to be applied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

For 2023/24 the total budgeted income from fees and charges is £86.9m.

### 3.7 Total Resources

	2023/24	2024/25	2025/26	2026/27	2027/28
	£	£	£	£	£
<b>Council Tax</b>	193,577,046	206,590,351	216,277,822	226,419,781	237,036,766
<b>Council Tax Collection Fund Surplus/(Deficit)</b>	2,331,437	0	0	0	0
<b>Business Rates:</b>					
Business Rates Collected	38,044,253	44,836,978	45,533,409	46,240,656	46,958,889
Business Rates - Energy Renewable Schemes	1,380,207	1,000,000	1,000,000	1,000,000	1,000,000
Top Up Grant	11,119,831	11,119,831	11,119,831	11,119,831	11,119,831
Business Rate Collection Fund Surplus/(Deficit)	1,982,243	0	0	0	0
<b>Revenue Support Grant</b>	7,478,634	7,478,634	7,478,634	7,478,634	7,478,634
<b>NET BUDGET</b>	<b>255,913,651</b>	<b>271,025,795</b>	<b>281,409,696</b>	<b>292,258,902</b>	<b>303,594,120</b>
<b>Grants included in Core Funding:</b>					
Improved Better Care Fund	11,863,403	10,252,045	10,618,624	10,996,201	11,385,105
New Homes Bonus	1,747,510	0	0	0	0
Rural Services Delivery Grant	7,757,314	7,757,314	7,757,314	7,757,314	7,757,314
Social Care Support Grant	21,547,059	22,193,471	22,859,275	23,545,053	24,251,405
Market Sustainability and Improvement Funding	3,263,869	3,263,869	0	0	0
Discharge Funding	1,663,231	0	0	0	0
Services Grant	2,065,886	0	0	0	0
<b>CORE FUNDING</b>	<b>305,821,923</b>	<b>314,492,494</b>	<b>322,644,909</b>	<b>334,557,470</b>	<b>346,987,944</b>
<b>Local Income</b>					
Fees and charges (including income savings deliverable from prior years)	86,918,240	86,918,240	86,918,240	86,918,240	86,918,240
Other Grants and contributions	33,445,280	33,445,280	33,445,280	33,445,280	33,445,280
Specific Grants (excluding Core Funding Grants above)	209,079,856	200,992,351	184,316,392	184,258,472	184,206,344
Internal Recharges	10,475,740	10,475,740	10,475,740	10,475,740	10,475,740
<b>TOTAL FUNDING</b>	<b>645,741,039</b>	<b>646,324,105</b>	<b>637,800,561</b>	<b>649,655,202</b>	<b>662,033,548</b>

## 4. Expenditure Plans 2023/24 – 2027/28



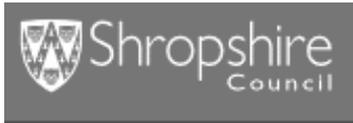
## **4.1 Profile of Council's Expenditure**

The Council's net revenue budget in 2023/24 is £255.914m.

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 a significant proportion of the budget, with Children's Social Care costs increasing as well.

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 which shows how an average Band D council tax is allocated to fund the range of services provided for 2023/24.



2023/24 Council Tax Receipt
Charges for a Band D Property

Table listing council tax charges for a Band D property. Categories include Universal Services, Adult Services, Children's Services, Economic Growth, and Local Government Running Costs. Total amount is 1,639.01.

\*\*\*\*\*
\*\* VOUCHER \*\*

\*\* INCOME AND OTHER FUNDING TO SUPPLEMENT COUNCIL TAX \*\*

Table listing income and other funding to supplement council tax, including Car Parking Income (Net of Costs) and Net Use of Non Ring-Fenced Grants.

TOTAL TO PAY 1,639.01

\*\*\*\*\*
09:00 01/04/23 123456789
\*\*\*\*\*

## 4.2 Inflation

The Council is subject to inflationary pressure like any other organisation or individual and therefore needs to build in inflationary cost increases to expenditure each year within the budget. The war in Ukraine has put significant pressure on the country's economy with energy, fuel and food prices all increasing to push inflation levels to the highest in 40 years. This has resulted in a significant increase in all items of expenditure during 2022/23 and into 2023/24.

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. Most 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. As a result of increases in the national minimum wage during 2022/23 the pay award for 2022/23 outstripped the budget provision. This was funded from in year savings in 2022/23 however the legacy impact of the £1,925 pay award for all scale points in the pay structure needs to be built into the budget for 2023/24. It is anticipated that there will need to be a further significant uplift for pay across all pay scales due to further planned rises in the national minimum wage. The Council has assumed a £1,600 increase for 2023/24 (which is an approximate 4.9% increase across all pay grades, but will vary across each scale point within the grade structure) and then has reverted to a 3% uplift for future years. As a result of these proposed increase, pay inflation is £11.3m for 2023/24 (including the unbudgeted cost for 2022/23).

As the Council's pay costs increases, the apprenticeship levy that the Authority is required to pay also increases. Growth of £0.021m has been included to reflect the revised cost that the Council can expect to incur in relation to the levy in 2023/24.

The Council pays its pensions to staff through the Shropshire County Pension Fund. Every 3 years the fund is subject to an actuarial valuation to confirm if contributions made into the fund will be sufficient to meet the anticipated future liabilities within the fund. An actuarial valuation has been carried out in 2022, and the results of this is that the employer contribution rate would need to increase to 18.1%. This additional cost pressure has been offset however by a reduction in the Lump Sum payment to the Pension Fund.

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. Most of these contracts have inflation rates linked to RPI or CPI and so as national levels of inflation have increased, accordingly the level of contract inflation has increased significantly. For perspective, contract inflation is generally included for approximately £2-3m, however for 2023/24 we are funding contract inflation of £23.4m.

In addition, the council has also been subject to price increases in energy prices which have also been significantly impacted through the invasion of Ukraine. This has resulted in the level of inflation for Corporate Landlord related costs increasing fourfold from the 2022/23 original budget with an average inflation rate of 32%. The total cost of corporate landlord inflation is £2.180m.

### **4.3 Demographic Pressures**

Over several years, the main budgetary pressure that the Council has faced has been due to demographic increases and specifically growth in numbers of service users within Adult Social Care and Children's Social Care.

Whilst the age profile of the population still shows a growing trend of people living longer, and hence potentially creating increased demand, particularly for Adult Social Care, in 2022/23 the Council has taken several steps to try to actively manage this demand for services. This includes a major refocus of activity on early intervention in order to attempt to prevent ill health and reduce the need for long term or hospital care.

Also, within children's social care the Council is implementing its Stepping Stones project which aims to reduce the spend on high-cost children and address the issues of children coming into care, again to prevent care placements being required.

As a direct result of these interventions there will be no further demography growth required for these service areas for 2023/24.

There are however other demographic growth areas that remain for 2023/24, mainly in relation to an increase in households in the area resulting in increased waste collection costs, growth relating to numbers of children to be fostered, and an increase in pupil numbers for home to school transport provision.

Total demographic pressures for 2023/24 are estimated to be £0.964m.

### **4.4 Service Specific and Local Generated Pressures**

In addition to inflation and 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.

It has been identified that there is an ongoing budgetary pressure within Adult Services relating to the purchasing costs relating to reablement following a stay in hospital. This pressure is an additional £7.553m and has been built into service specific pressures for 2023/24. There have also minor changes of £0.556m in relation to changes required to revenue budgets arising from capital investment.

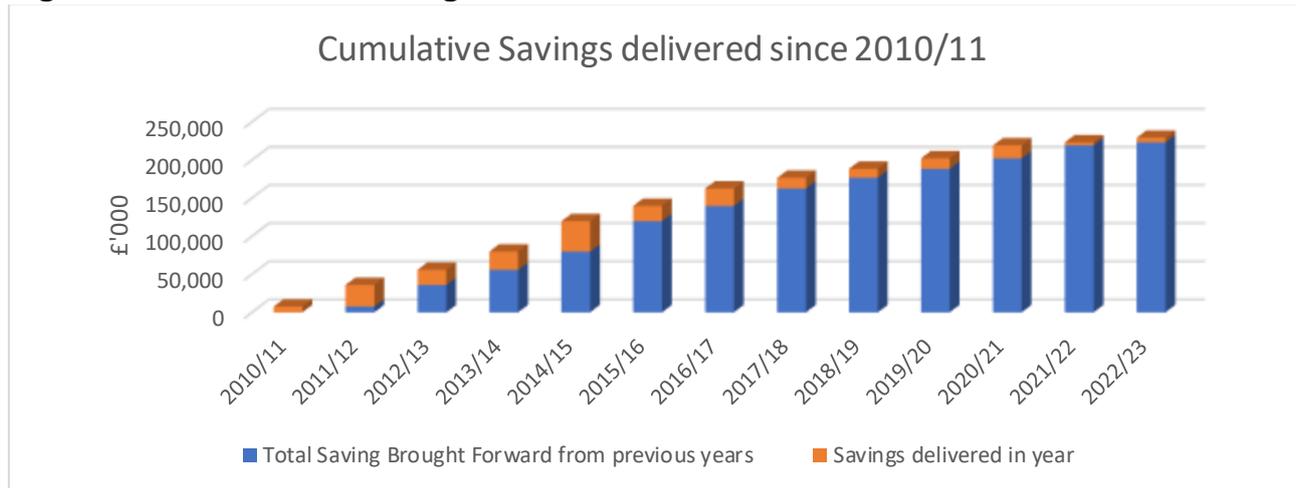
There are several changes that have been included within the Local Generated Pressures section of the budget build up and in the main these reflect the unwinding of one-off commitments made in previous years, growth required to reflect that some specific non-core government grants have now been rolled into the Revenue Support Grant, and also other changes in specific grants as detailed in the Resources section which have a corresponding change to expenditure. This also includes the further proposed reduction in New Homes Bonus Grant which had previously 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. Also, within Local Generated Pressures there are planned contributions to reserves over the course

of the financial strategy. For 2023/24 this includes a contribution to the General Fund and a contribution to the Development Reserve for transformation costs. Further detail on the need to increase our reserves can be found in Section 6 of this document.

## 4.5 Savings Plans

The Council has delivered savings consistently each year. Figure 15 shows the level of savings delivered since 2010/11, which is now in excess of £200m.

**Figure 15: Cumulative Savings Delivered**



During 2022/23 it has been identified that £4.559m of savings previously agreed, were no longer deliverable and so these have been removed from 2023/24. As a result of the inflationary cost pressures being experienced in 2022/23 and continuing into 2023/24, and the need to remove the use of reserves which have supported the budget in previous years, a new five-year savings plan has been compiled for the period 2023/24 – 2027/28.

For 2023/24 savings of £51.390m have been identified, the bulk of which consist of efficiency savings, with only 0.8% requiring a policy choice. A breakdown of the savings to be delivered is included in Table 2 below and Table 3 in section 11:

**Table 2: Total Savings for 2023/24 – 2027/28**

Category	Directorate	2023/24 £	2024/25 £	2025/26 £	2026/27 £	2027/28 £
Policy Choices	Health & Wellbeing	0	0	0	0	0
	People	302,000	220,000	255,000	0	0
	Place	115,000	100,000	0	0	0
	Resources	0	0	0	0	0
	Corporate	0	0	0	0	0
	Organisation wide	0	0	0	0	0
<b>Total Policy Choice Savings</b>		<b>417,000</b>	<b>320,000</b>	<b>255,000</b>	<b>0</b>	<b>0</b>
Efficiency	Health & Wellbeing	454,310	0	0	0	0
	People	19,099,628	7,807,127	7,915,136	3,121,424	0
	Place	13,466,230	65,930	1,120,690	-1,773,260	-47,360
	Resources	4,489,372	2,748,000	165,000	-673,292	50,000
	Corporate	213,760	0	0	0	0
	Organisation wide	13,250,000	1,000,000	0	0	0
<b>Total Efficiency Savings</b>		<b>50,973,300</b>	<b>11,621,057</b>	<b>9,200,826</b>	<b>674,872</b>	<b>2,640</b>
<b>TOTAL SAVINGS</b>		<b>51,390,300</b>	<b>11,941,057</b>	<b>9,455,826</b>	<b>674,872</b>	<b>2,640</b>

## 4.6 Total Expenditure

Expenditure Budget	2023/24	2024/25	2025/26	2026/27	2027/28
	£	£	£	£	£
<b>Original Gross Budget Requirement</b>	<b>656,496,475</b>	<b>690,271,309</b>	<b>690,887,339</b>	<b>681,202,417</b>	<b>694,773,327</b>
<b>Inflationary Growth :</b>					
Pay	11,336,970	3,968,420	4,087,470	4,210,090	4,336,370
Apprenticeship Levy	21,970	14,110	14,530	14,970	15,420
Pensions	-982,060	305,669	458,757	0	0
Corporate Landlord inflation	2,180,000	185,447	190,084	194,836	199,707
Contract inflation	23,363,437	6,059,096	6,223,974	6,380,058	6,539,053
<b>Demography &amp; Demand</b>	<b>1,133,830</b>	<b>289,455</b>	<b>299,535</b>	<b>306,085</b>	<b>237,550</b>
<b>Service Specific Pressures</b>					
Revenue Growth arising from capital programme	556,270	168,000	-400,000	-500,000	
Ongoing Budget Pressures	7,552,822				
<b>Local Generated Pressures:</b>					
Elections			700,000	- 700,000	
Specific Grants Changes between years	-154,412	-6,462,621	-18,907,445	1,005,435	1,043,128
Ongoing reduction in New Homes Bonus (pressure)	2,903,955	1,747,510			
Grants Rolled into RSG, Core Funding	1,770,659				
Estimated Cost of Investment - <i>Approved</i>	508,415	2,032,000	3,104,000	4,452,000	
<i>Additional Staff for Capital Programme</i>	-500,000				
Adjustment to Gross budget offset by Income changes	8,631,513				
Contribution to General Fund	19,867,691		-10,000,000	-9,867,691	
Contribution to Development Reserve - Transformation	1,000,000			-1,000,000	
MTFS reserve (savings slippage/optimism bias)		4,250,000	14,000,000	-9,250,000	-6,000,000
Capital Investment/Transformation Fund				15,000,000	6,000,000
Climate Change/Energy Efficiency Fund				4,000,000	2,000,000
<b>Savings</b>					
<i>One off saving - Morrissons Lease and Buyout</i>	<i>1,415,065</i>				
<i>Unachievable Savings agreed in prior years</i>	<i>4,559,010</i>				
Invest to Save Fund for delivery of future savings	-97,000				
<i>Savings Agreed in Previous Financial Years</i>	<i>-3,680,737</i>	<i>-2,279,811</i>	<i>-3,492,667</i>	<i>-2,723,139</i>	
<i>Tactical Budget Savings</i>	<i>-8,752,621</i>	<i>-2,788,000</i>	<i>-657,000</i>	<i>-75,000</i>	<i>-50,000</i>
<i>TOM Budget Savings</i>	<i>-15,796,058</i>	<i>-7,143,796</i>	<i>-5,580,759</i>	<i>-578,285</i>	
<i>New Savings Proposals</i>	<i>-23,063,885</i>	<i>270,550</i>	<i>274,600</i>	<i>2,701,552</i>	<i>47,360</i>
<b>TOTAL EXPENDITURE</b>	<b>690,271,309</b>	<b>690,887,339</b>	<b>681,202,417</b>	<b>694,773,327</b>	<b>709,141,914</b>

## 5. Long Term Outlook



## 5.1 Long Term Risks and Mitigations for a Sustainable Budget

The aim of the Council is to achieve the priorities as set out in the Shropshire Plan and in doing so ensure that the budget needed to deliver this is on a sustainable footing in the medium and long term. There is a significant degree of uncertainty, arising from both internal and external factors, which could have a significant impact on the key assumptions made within the financial strategy over the longer term. The environments within which the Council operates are complex and highly sensitive to a range of variables and it is therefore important that risks, that could have a material effect on the financial position of the Council, are identified and understood in terms of the potential impact (positive or negative) and the likelihood of occurrence. It is therefore important that adequate mechanisms are in place to identify and manage risks in order to support the achievement of financial stability.

Key risks are highlighted as part of the Council's Strategic Risk Register and reported on regularly to Cabinet, with considered mitigations in place.

Specific risks or factors that can influence the Council's long term financial position include:

**Ability to deliver planned savings and efficiencies** – The current MTF5 sets out the largest single savings programme in the council's history. Clearly, this entails significant risks. Plans are currently being put in place to ensure that there is an efficient and targeted approach to managing risks around delivery.

**Demographics** – Shropshire is a rural authority with a population of 332,883. In the next 20 years it is anticipated that there will be a growth in population of 48,600 (15%), with the bulk of this increase being in the over 65 age category. This suggests an even greater emphasis will be on Adult Social Care for the Council, and so it is imperative that the Council invests in preventative measures as soon as possible to reduce the impact that this growth in population could have on Social Care budgets into the future.

**Environmental** – Flooding within Shropshire is becoming a regular occurrence over the last few years and other meteorological changes starting to occur more frequently highlights the need for climate change. Whilst governments are discussing national targets for reducing carbon emissions, it is necessary for all organisations to look at how they can change behaviour to reduce the impact of climate change. Shropshire Council has set out its vision to become carbon net-neutral by 2030 and to help support other organisations and residents in Shropshire to also achieve this for 2030. In the meantime, the Council will need to consider preparing for further potential climate emergencies such as flooding episodes in contingency funds.

**Economic** – The impact that a change in the economy can have on an organisation has been more than evident in 2022. World events can impact economies significantly despite the best efforts of governments and financial institutions to retain control and take necessary measures. Inflation and Interest rates have increased in 2022, and the government has set out a plan to halve inflation, grow the economy and reduce debt outstanding. In terms of the local economy within Shropshire, over the last five years the region has a higher economic activity rate than the West Midlands region and for Great Britain. There has been a steady

growth in business enterprises in Shropshire over the last five years and with the top three sector being agriculture, forestry & fishing (21.2%), professional, scientific and technical (12.9%) and Construction (11.5%).

**Political** – Nationally, any change in political party governing the country can have a significant impact on spending priorities or new burdens from legislative changes which impact on services provided by local authorities. Also, at a local level and regional, changes resulting from local elections may also influence direction of the Council. The next set of local elections for Shropshire are in May 2025.

These areas of risk and potential change will be under regular review to consider how the Council needs to adapt or change its plans to address any specific concerns that may impact on the delivery of a sustainable budget for the Council.

## 6. Financial Stability



## 6.1 General Fund Balance

The Council holds several 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

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 financial monitoring reports have provided members with an updated projection on the General Fund during the year. The most recent monitoring report presented to Cabinet (Q3) forecast an overspend for 2022/23 of £9.950m. This position has been regularly reviewed

during the year with specific management action being taken to reduce the overspend to its current level. Further targeted action is required to manage costs arising from increased demand for services prior to 2023/24.

<b>Projected General Fund Balance for 2022/23</b>	<b>£'000</b>
General Fund Balance as at 1 April 2022	11,522
Budgeted Contribution to the General Fund	4,028
	<b>15,550</b>
Q3 Report 2022/23 – Projected Outturn Under/(Over)spend	(9,950)
<b>Projected Balance as at 31 March 2023</b>	<b>5,600</b>

The overspend for 2022/23 is essentially reducing the General Fund Balance to an unsustainable level. This position would leave the Council with no substantial reserves on which to fall back on should any emergency occur. Therefore, as part of the 2023/24 budget, it is planned that £19.7m is contributed into the General Fund Balance.

Even though the Council will be making a significant contribution to the General Fund in 2023/24, there remain a significant risk surrounding the delivery of the savings plans and so a risk-based calculation has been applied to the General Fund for 2023/24 to show the potential effect that non delivery or delayed implementation of savings proposal may have on the Balance. This leaves the General Fund Balance remaining at an unsustainable level and so it is imperative that the contribution to the General Fund Balance remains in future years to bring the balance back to a reasonable level. Table 4 and Figure 16 demonstrate the need to improve the General Fund Balance over the course of the financial strategy.

**Table 4: Comparison of Risk Based Calculation to Projected General Fund**

	<b>2023/24 £000</b>	<b>2024/25 £000</b>	<b>2025/26 £000</b>	<b>2026/27 £000</b>	<b>2027/28 £000</b>
Risk assessed level of General Fund Balance (upper)	40,458	33,278	33,096	32,366	32,875
Projected level of General Fund Balance as per Financial Strategy	8,363	28,010	37,878	37,878	37,878

The risk-based calculation for the General Fund Balance over the course of the five-year Financial Strategy is detailed below.

General advice on reserves levels has been included in the review undertaken by the Council's independent external auditor (Grant Thornton) covering recent 'public interest reports' published for councils that have entered a situation of financial crisis. GT recommend that council reserves should be between 5% and 10% of net spending:

*This, we believe, is the absolute and fundamental lesson from the PIRs issued in the last few months. Maintaining sound reserves is absolutely vital and a key indicator of sound financial governance. It should be at the heart of all medium-term financial plans. In our view, general fund reserves (including earmarked general fund reserves) should be a minimum of 5% of net spending*

*and arguably should be somewhere between 5 and 10%.<sup>3</sup> ... flexed upwards to consider the macro-economic and local risks the council faces.<sup>4</sup>*

If net spending is considered as 'core spending power', then the target level of general fund reserves for this Council in 2023/24 is between £13m (at 5%) and £26m (at 10%). However, local funding pressures indicate that the council would be well advised to be targeting an ongoing general fund reserve position of at least £30m, with an outlook to 'flex upwards' beyond that through the medium term.

This MTFS include such a strategy within its estimates for the medium term but the pressure on reserves in the short term is acute and increases overall financial risk as a result.

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<sup>3</sup> [Lessons from recent Public Interest Reports | Grant Thornton](#), page 5

<sup>4</sup> Ibid, page 14.

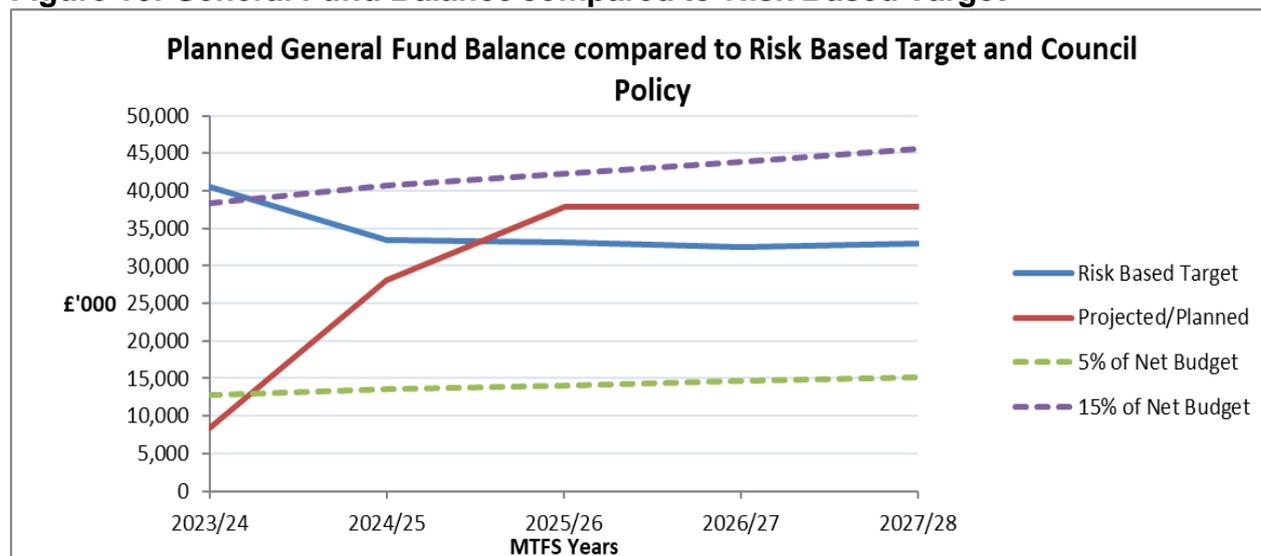
Calculation of Risk Assessed General Fund Balance

2022/23					2023/24			2024/25			2025/26			2026/27			2027/28		
Budget/ Value	Risk Level	Risk Assessed General Fund	Budget Assumption	Area of Risk	Budget/ Value	Risk Level	Risk Assessed General Fund	Budget/ Value	Risk Level	Risk Assessed General Fund	Budget/ Value	Risk Level	Risk Assessed General Fund	Budget/ Value	Risk Level	Risk Assessed General Fund	Budget/ Value	Risk Level	Risk Assessed General Fund
£000		£000			£000		£000	£000		£000	£000		£000	£000		£000	£000		£000
<b>Treatment of inflation and interest rates</b>																			
213,045	4.25%	9,054	Inflation	Salaries	196,488	0.50%	982	192,556	0.50%	963	189,646	0.50%	948	186,779	0.50%	934	183,957	0.50%	920
25,191	2.55%	641		Premises	23,233	2.55%	591	22,768	2.55%	580	22,424	2.55%	571	22,085	2.55%	562	21,752	2.55%	554
19,363	1.15%	223		Transport	17,858	1.15%	206	17,500	1.15%	202	17,236	1.15%	199	16,976	1.15%	196	16,719	1.15%	193
85,691	0.50%	428		Supplies & Services	79,032	0.20%	158	77,450	0.20%	155	76,280	0.20%	153	75,127	0.20%	150	73,992	0.20%	148
267,468	0.50%	1,337		Third Party Payments	246,682	0.20%	493	241,745	0.20%	483	238,091	0.20%	476	234,493	0.20%	469	230,949	0.20%	462
109,563	0.50%	548		Transfer Payments	101,048	0.20%	202	99,026	0.20%	198	97,529	0.20%	195	96,055	0.20%	192	94,603	0.20%	189
88,305	0.00%	0		Pension triennial valuation unaffordable	91,529	0.50%	458	93,359	0.50%	467	95,227	0.50%	476	97,131	0.50%	486	99,074	0.50%	495
		<b>12,233</b>		<b>Total Inflation</b>			<b>3,091</b>			<b>3,047</b>			<b>3,018</b>			<b>2,989</b>			<b>2,961</b>
230,368	0.00%	0	Interest rates	Existing Borrowing	224,868	0.00%	0	224,268	0.00%	0	223,768	0.00%	0	223,768	0.00%	0	223,768	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
0	1.00%	0		PWLB	5,500	1.00%	55	600	1.00%	6	500	1.00%	5	0	1.00%	0	0	1.00%	0
119,970	0.50%	600		Investment	119,970	1.00%	1,200	119,970	1.00%	1,200	119,970	1.00%	1,200	119,970	1.00%	1,200	119,970	1.00%	1,200
		<b>600</b>		<b>Total Interest Rates</b>			<b>1,255</b>			<b>1,206</b>			<b>1,205</b>			<b>1,200</b>			<b>1,200</b>
<b>Level and timing of capital receipts</b>																			
2,865	0.00%	0	Capital Receipts	Land Sales	18,414	1.38%	254	30,814	1.38%	425	44,742	1.38%	617	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
		<b>19</b>		<b>Total Capital Receipts</b>			<b>275</b>			<b>425</b>			<b>617</b>			<b>0</b>			<b>0</b>
<b>Treatment of demand led pressures</b>																			
100,914	5.84%	5,894	Demand Led	Adult Social Care	112,788	5.84%	6,588	117,454	5.84%	6,860	120,880	5.84%	7,060	124,392	5.84%	7,266	127,992	5.84%	7,476
25,455	22.49%	5,725	Pressures	Childrens Social Care	27,069	22.49%	6,087	27,745	22.49%	6,240	28,335	22.49%	6,372	29,046	22.49%	6,532	29,775	22.49%	6,696
		<b>11,619</b>		<b>Total Demand Led Pressures</b>			<b>12,675</b>			<b>13,100</b>			<b>13,433</b>			<b>13,798</b>			<b>14,172</b>
<b>Treatment of planned efficiency savings/productivity gains</b>																			
12,685	35.94%	4,559	Efficiency Savings	22/23 non achievement of savings															
12,685	8.52%	1,081		22/23 slippage of savings															
				23/24 non achievement of savings	51,294	26.96%	13,826												
				23/24 slippage of savings	51,294	6.39%	3,278												
				24/25 non achievement of savings				13,407	26.96%	3,614									
				24/25 slippage of savings				13,407	6.39%	857									
				25/26 non achievement of savings							9,994	26.96%	2,694						
				25/26 slippage of savings							9,994	6.39%	639						
				26/27 non achievement of savings										7,921	26.96%	2,135			
				26/27 slippage of savings										7,921	6.39%	506			
				27/28 non achievement of savings													7,640	26.96%	2,059
				27/28 slippage of savings													7,640	6.39%	488
		<b>5,640</b>		<b>Total Efficiency Savings</b>			<b>17,105</b>			<b>4,471</b>			<b>3,333</b>			<b>2,641</b>			<b>2,548</b>

Calculation of Risk Assessed General Fund Balance

2022/23					2023/24			2024/25			2025/26			2026/27			2027/28		
Budget/ Value	Risk Level	Risk Assessed General Fund	Budget Assumption	Area of Risk	Budget/ Value	Risk Level	Risk Assessed General Fund	Budget/ Value	Risk Level	Risk Assessed General Fund	Budget/ Value	Risk Level	Risk Assessed General Fund	Budget/ Value	Risk Level	Risk Assessed General Fund	Budget/ Value	Risk Level	Risk Assessed General Fund
£000		£000			£000		£000	£000		£000	£000		£000	£000		£000	£000		£000
<b>Availability of reserves, government grants and other funds to deal with</b>																			
3,706	5.00%	185	Insurance and	Provision	3,706	5.00%	185	3,706	5.00%	185	3,706	5.00%	185	3,706	5.00%	185	3,706	5.00%	185
3,754	5.00%	188	Emergency	Reserve	3,754	5.00%	188	3,754	5.00%	188	3,754	5.00%	188	3,754	5.00%	188	3,754	5.00%	188
500	Quantum	500	Planning	ICT Disaster	500	Quantum	500	500	Quantum	500	500	Quantum	500	500	Quantum	500	500	Quantum	500
500	Quantum	500		Other Incident	500	Quantum	500	500	Quantum	500	500	Quantum	500	500	Quantum	500	500	Quantum	500
433	Quantum	433		Bellwin	433	Quantum	433	433	Quantum	433	433	Quantum	433	433	Quantum	433	433	Quantum	433
2,180	10.00%	218		Severe Weather	2,239	10.00%	224	2,300	10.00%	230	2,362	10.00%	236	2,426	10.00%	243	2,491	10.00%	249
2,024		<b>Total Insurance and Emergency Planning</b>		2,030		<b>2,036</b>		2,042		<b>2,042</b>		2,049		<b>2,049</b>		2,055		<b>2,055</b>	
40,935	0.00%	0		Other Government Settlement Changes	49,010	1.00%	490	42,650	12.50%	5,331	40,419	12.50%	5,052	41,482	12.50%	5,185	42,577	12.50%	5,322
44,650	1.00%	447		Housing Benefits	44,650	1.00%	447	44,650	1.00%	447	44,650	1.00%	447	44,650	1.00%	447	44,650	1.00%	447
2,388	5.00%	119		DSG pressures - Academisation	2,378	5.00%	119	2,378	5.00%	119	2,378	5.00%	119	2,378	5.00%	119	2,378	5.00%	119
482	25.00%	121		Academy School transfer leaving deficit	482	25.00%	121	482	25.00%	121	482	25.00%	121	482	25.00%	121	482	25.00%	121
686		<b>Total Funding Changes</b>		1,176		<b>6,017</b>		5,738		<b>5,738</b>		5,871		<b>5,871</b>		6,008		<b>6,008</b>	
<b>General Financial Climate</b>																			
11,617	5.00%	581	General Financial	Debt Collection	11,617	5.00%	581	11,617	5.00%	581	11,617	5.00%	581	11,617	5.00%	581	11,617	5.00%	581
180,285	0.25%	451	Climate	Council Tax - General risk	193,577	0.25%	484	206,590	0.25%	516	216,278	0.50%	1,081	226,420	0.50%	1,132	237,037	0.50%	1,185
36,844	0.25%	92		Business Rates - General risk	39,424	0.25%	99	45,837	0.25%	115	46,533	0.50%	233	47,241	0.50%	236	47,959	0.50%	240
81,638	0.50%	408		Discretionary Income	81,638	0.50%	408	81,638	0.50%	408	81,638	0.50%	408	81,638	0.50%	408	81,638	0.50%	408
1,532		<b>Total General Financial Climate</b>		1,572		<b>1,620</b>		2,303		<b>2,303</b>		2,357		<b>2,357</b>		2,414		<b>2,414</b>	
224,616	0.50%	1,123	<b>Additional Budget Pressures</b>		255,914	0.50%	1,280	271,026	0.50%	1,355	281,410	0.50%	1,407	292,259	0.50%	1,461	303,594	0.50%	1,518
35,476		<b>TOTAL RISK ASSESSED GENERAL FUND</b>		40,458		<b>33,278</b>		33,096		<b>33,096</b>		32,366		<b>32,366</b>		32,875		<b>32,875</b>	

**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 £5.600m at the end of 2022/23 which represents 2.49% of the Net Revenue Budget. Using the CIPFA research and the Grant Thornton review of Public Interest Reports 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 £12.796m and £38.387m in 2023/24. This can be seen as a blunt tool for calculating an appropriate balance to hold but does give a standard to compare to when considering if the risk calculated approach used by this Council is appropriate. As the graph above shows, in 2023/24, when the Council is embarking on an ambitious £51m savings plan, the risk assessed level is slightly over the higher end of the spectrum. If the Council can deliver the saving planned in 2023/24, however, the risk assessed level will reduce in future years to just below the higher end of the spectrum. This would suggest that the current methodology used to calculate an appropriate general fund balance to hold is appropriate.

CIPFA also produce a Resilience Index now to assist authorities in understanding the potential financial risks of the Council's financial position that may need to be addressed the organisation. The latest data available within the Resilience Index relates to 2021/22, and this shows that the level of reserves at Shropshire Council are an area of high risk. Also, when comparing with our Nearest Neighbour comparator group, it rates Shropshire as being 12<sup>th</sup> out of 16 authorities for the level of unallocated reserves held. This supports the need to increase the Council's General Fund Balance.

## 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 £86.665m in earmarked reserves at 31 March 2022 which includes schools budget balances of £8.191m. During 2022/23 it is anticipated that a net £39.662m will be allocated from earmarked reserves to fund commitments in 2022/23. The two most significant movements include the budgeted contribution from the Financial Strategy Reserve in 2022/23 and the release of s31 grants relating to additional reliefs provided to businesses during the pandemic. A full breakdown of the earmarked reserves is detailed below including the purpose of each reserve.

**Figure 17: Breakdown of Earmarked Reserves**

Reserves		Balance Brought Forward (£'000)	2022/23		Balance Carried Forward (£'000)
			Anticipated Movement (£'000)		
<b>Sums set aside for major schemes, such as capital developments, or to fund major reorganisations</b>					
Revenue Commitments for Future Capital Expenditure	Comprises of underspends against budgeted revenue contributions available for capital schemes. The underspends have arisen due to slippage in capital schemes or because other funding streams were utilised during the year so as to maximise time limited grants.	4,079	0		4,079
Development Reserve	Required to fund development projects or training that will deliver efficiency savings.	18,389	-11,764		6,625
Invest to save Reserve	Required to fund invest to save projects in order to deliver the service transformation programme.	2,964	0		2,964
		<b>25,431</b>	<b>-11,764</b>		<b>13,667</b>
<b>Insurance Reserves</b>					
Fire Liability	Required to meet the cost of excesses on all council properties.	2,412	0		2,412
Motor Insurance	An internally operated self-insurance reserve to meet costs not covered by the Council's Motor Insurance Policy.	1,341	0		1,341
		<b>3,754</b>	<b>0</b>		<b>3,754</b>

Reserves		Balance Brought Forward (£'000)	2022/23	
			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
		<b>0</b>	<b>0</b>	<b>0</b>

#### Reserves retained for service departmental use

Building Control	Required to manage the position regarding building control charges.	487	-50	437
Care Act & IBCF Reserve	Required to fund the costs of implementing the Care Act requirements within the Council. This will be committed to the costs of one off posts required to implement the changes and training costs for staff within Adult Services. Unspent IBCF monies to fund the IBCF programme in future years.	4,137	-2,174	1,963
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.	2,838	-341	2,497
Financial Strategy Reserve	Established specifically to provide one off funding for savings proposals in the Financial Strategy	7,043	-7,043	0
COVID Government Funding Reserve	Established to hold funds advanced by Government to respond to the COVID 19 pandemic which require to be applied in future years	14,415	-14,415	0
Savings Management Highways	Established specifically to provide one off funding for highways savings proposals in the Financial Strategy	409	0	409
Highways Development & Innovation Fund	Set aside funds for pump priming the Development and Innovation programme.	1,200	300	1,500
New Homes Bonus	Established from unapplied New Homes Bonus Grant balances.	1,633	-192	1,441
Public Health Reserve	This reserve includes balances committed to specific public health projects.	777	717	1,494
Repairs & Maintenance Reserve	Set aside for known repairs and maintenance required to Council owned properties.	685	-85	600
Resources Efficiency	Established for investment in new developments, particularly information technology, that service area would not be expected to meet from their internal service level agreements for support services.	987	-354	633
Revenue Commitments from Unringfenced Revenue Grants	Established from unapplied unringfenced Grant balances. Commitments have been made against these balances in 2022/23.	9,381	-4,151	5,230
Severe Weather	Required to meet unbudgeted costs arising from the damage caused by severe weather. The policy of the Council is to budget for an average year's expenditure in the revenue accounts and transfer any underspend to the reserve or fund any overspend from the reserve.	2,809	-110	2,699
TMO Vehicle Replacement	Set up to meet the costs of replacement vehicles by the Integrated Transport Unit.	80	0	80
		<b>47,028</b>	<b>-27,898</b>	<b>19,130</b>

#### School Balances

Balances held by schools under a scheme of delegation	Schools' balances have to be ringfenced for use by schools and schools have the right to spend those balances at their discretion.	8,191	0	8,191
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.	2,261	0	2,261
		<b>18,642</b>	<b>0</b>	<b>18,642</b>

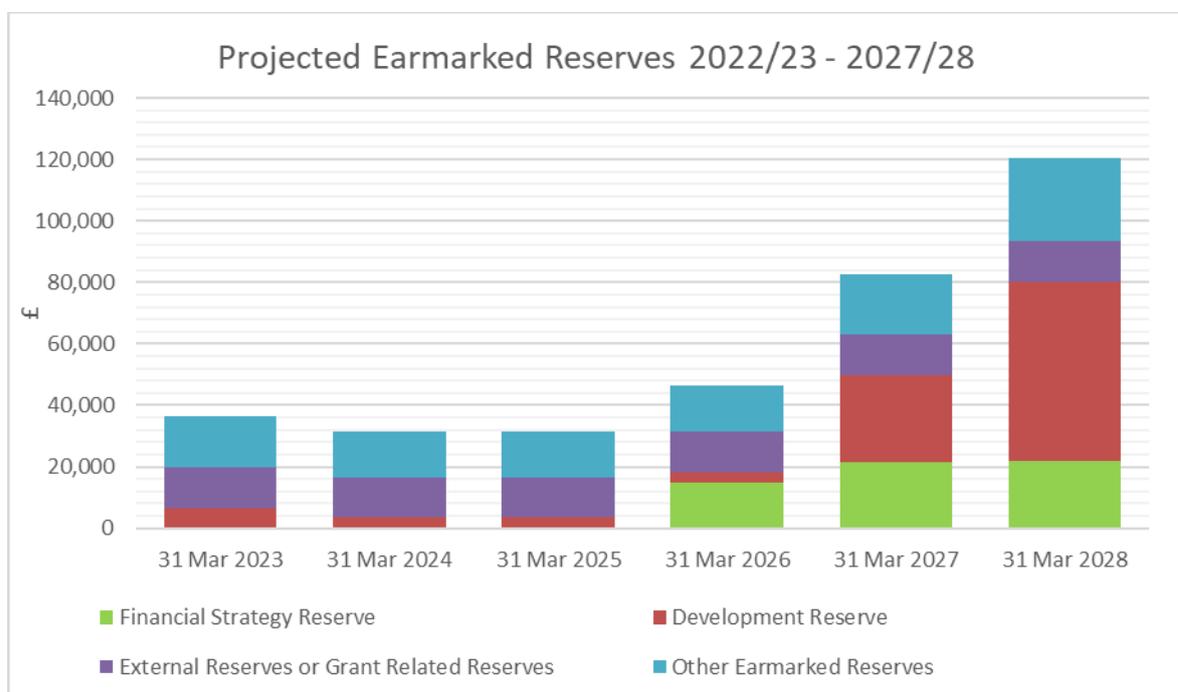
#### Total Reserves

<b>86,665</b>	<b>-39,662</b>	<b>47,003</b>
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The Finance Strategy assumes that in 2024/25 onwards, funding will be directed to reinstating a Financial Strategy Reserve to help smooth delivery of the Financial Strategy and to provide more resilience to the General Fund Balance.

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 increase from 2024/25 onwards. It also intended in the later years of the finance strategy to build up a capital/transformation fund to provide funding for any new initiatives that would help to keep the revenue budget on a sustainable footing and invest in a climate change/energy efficiency fund to provide resilience for the climate emergencies such as flooding which are becoming a regular occurrence in Shropshire.

**Figure 18: Projected Earmarked Reserves 2022/23 – 2027/28**



### 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 several 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 are 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 using 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 2023/24 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 2023/24 budget, The Council has undertaken significant savings identification work, and all available options have been identified, the implications of these savings with the main driver being whether this aligns to the Shropshire Plan outcomes. Cabinet Members have been updated throughout this process and have had the opportunity to review the options considered, and these are reflected in the proposed budget.

The development of the five-year financial strategy assumes 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 5 below. This includes assumptions around savings to be delivered as part of the Financial Strategy.

**Table 5: Gross Resources and Expenditure Projections**

	<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Projected Resources	597,560	644,843	645,507	636,984	648,839	661,217
Current Projected Expenditure	610,321	644,843	647,421	639,967	652,475	665,748
<i>(One-off Covid-19 Collection Fund Deficit)</i>	<i>-12,761</i>					
Funding Gap	<b>0</b>	0	1,096	2,167	2,820	3,715
Year on Year Gap		<b>0</b>	<b>1,096</b>	<b>1,070</b>	<b>653</b>	<b>895</b>

Savings proposals have been identified for 2023/24 through to 2027/28. The savings identified have been based on 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 considered in developing the draft budget are detailed below in Figure 19.

## Robustness of Budget Management and Savings Delivery

Considering the magnitude of the spending reductions being targeted in the coming year and recognising the recent history of the council in terms of savings delivery, additional measures are now in place to give increased support to service managers to deliver planned savings and contain spending within budgeted levels. These measures include

- Enhanced in-year monitoring; monthly reviews, including both year-to-date and forecast expenditure
- Increased visibility of activity data and trend analysis
- Scope for rapid intervention to address any significant deviation from spending plans as these are identified.

The approaches summarised above will ensure that the budget is given the best chance of success. These measures have been discussed and agreed with Cabinet and the Chief Officer Team. The measures are an important part of the assurances regarding the robustness of the revenue estimates and the confidence of the Section 151 Officer that the Council can contain its spending within the available funding.

### **Robustness of Capital Budget**

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

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

There are two main risks associated with the Capital Programme.

- Firstly, the ability to deliver the capital programme within the agreed timescales. Slippage from 2022/23 is fully funded over the Financial Strategy period but this will increase pressure on the Council to deliver the anticipated 2023/24 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 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 6 below, in 2021/22 there was slippage of £1.245m which represents 1% of the revised capital programme. Action has already been taken during 2022/23 to reprofile budgets to future years to reflect latest data on project delivery.

**Table 6: Three Year Capital Position (£000's)**

	2021/22 Outturn	2022/23 Latest Projection	2023/24 Latest Estimate
Capital Programme	150,153	125,314	114,719
Reprofile Budgets	(66,582)	(10,195)	0
Revised Capital Programme	83,572	115,119	114,719
Slippage	(1,245)	-	-
Actual Capital Programme	82,327	115,119	114,719

The capital programme includes a target for capital receipts to be delivered to ensure the programme is fully funded and removing the necessity for prudential borrowing to be undertaken to meet a funding gap. This target generally decreases during the 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 (2021/22 and 2022/23) 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 2023/24 the level of capital receipts required is £19.789m and a shortfall of £8.961m currently exists within receipt projections. There are currently £10.412m 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"> <li>• 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 five-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.</li> <li>• Information is less accurate for years 2 onwards; the risk assessment covers the higher range.</li> </ul> <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 – £1,600 has been provided in the 2023/24 budget whilst the outcome of pay negotiations are awaited. Funding has also been provided for increments due to be awarded for 2023/24 based on existing staffing levels.</p> <p>Pension contribution rates are at the rate of 18.1% for 2023/24 following a new valuation on the Pension Fund.</p> <p>Price inflation has been provided on contractually or quasi-contractually committed budgets at the rate stated in the relevant agreement.</p>

Budget Assumption	Explanation of Risk	Financial Standing and Management and Mitigating Action
	level of inflation is significantly higher than had been anticipated.	
2. Interest rates on borrowing and investment	<p>This issue here are like 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. If borrowing should be required, however, 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 increased all new borrowing rates so for 2022/23 the range is currently between 4.5% (short term) and 4.7% (long term). Borrowing for investment properties primarily for yield is now prohibited from the PWLB.</p>
3. Estimates of the level and timing of capital receipts.	The Council has developed an asset management strategy and has a policy of reducing borrowing costs around the capital programme where possible. Therefore, the capital programme is dependent on the delivery of capital receipts. The planned receipts estimated to the Council are made more difficult due to reducing market values and problems for potential procurers in obtaining finance.	Capital receipts are monitored monthly in the capital monitoring report and are RAG rated in terms of their anticipated delivery against target.
4. The treatment of demand led pressures	<p>There are long standing areas of risk due to volatility, where we budget for demographic changes in future years, but might find the actual is at the higher end resulting in a shortfall, particularly in the short term.</p> <p>Two areas specifically affected by demography are adult social care and children's social care, where we have</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

Budget Assumption	Explanation of Risk	Financial Standing and Management and Mitigating Action
	<p>seen significant budget pressures due to increasing numbers of clients receiving care packages.</p>	<p>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 2023/24 budget has been based upon specific demand levels identified during budget monitoring in 2021/22 and six months of 2022/23 and projections made by Heads of Service of demand levels in future years. A growth model for both Children's social care and Adults social care is relied upon for setting these budgets.</p> <p>Measures are also being put into place to give increased support to service managers, specifically within adult social care and children's social care to contain spending within budgeted levels. These measures include</p> <ul style="list-style-type: none"> <li>• Enhanced in-year monitoring; monthly reviews, including both year-to-date and forecast expenditure</li> <li>• Increased visibility of activity data and trend analysis</li> <li>• Scope for rapid intervention to address any significant deviation from spending plans as these are identified.</li> </ul>
<p>5. The treatment of efficiency savings</p>	<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 £51m in 2023/24 which will have risks involved in terms of delivery, and from delays in delivery. The savings, whilst achievable are ambitious and this should be reflected in the risk factor applied.</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>Delivery plans for savings are being compiled prior to the 2023/24 financial year and will be carefully monitored during the year.</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 by future savings plans the council will need to consider making further efficiencies and/or potentially increasing council tax.</p>

<b>Budget Assumption</b>	<b>Explanation of Risk</b>	<b>Financial Standing and Management and Mitigating Action</b>
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 must have a reserve in place to pick up costs that will fall to the Council.</p> <p>The impact of flooding within the Council area based on present experience in that it is limited to localised pockets.</p> <p>The geographical area covered by the Council has resulted in budget pressures in some years due to extreme weather conditions and additional costs such as snow clearance. Changes to the base budget provision has been made in previous years to help mitigate this, but overspends in previous years have, at times, been in excess of this growth level. In more recent years it has not been necessary to utilise all available funding, but a risk remains.</p> <p>Other disasters such as those relating to ICT could occur on a one-off basis.</p>	<p>The level of reserves assumes that management and policy actions will be taken to address major contingencies. Should these be insufficient, the general fund balance may have to be used.</p> <p>An earmarked reserve has been established for Severe Weather however any pressure not covered by this reserve would need to be funded from the general fund balance.</p> <p>A risk-based approach in calculating the general fund balance takes into consideration the types of incidents and costs associated and this is reviewed annually.</p> <p>The Council's insurance arrangements are a balance between external insurance premiums and internal funds to "self-insure" some areas. Premiums and self-funds are reactive to external perceptions of the risks faced by the Council which includes both risks that are generic to all organisations and those specific to the authority. Therefore, the values of Insurance Reserves are reviewed each year to ensure that the optimum balance is held based on the level of outstanding liabilities.</p> <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>

<b>Budget Assumption</b>	<b>Explanation of Risk</b>	<b>Financial Standing and Management and Mitigating Action</b>						
8. Impact on council funding of announcements of national changes	<p>Council funding is always subject to change, especially in the current economic climate. The Financial Strategy, however, 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. However additional funding for High Needs Pupils has now been received which has brought this budget into balance in the last 12 months.</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>						
9. The overall financial standing of the authority (level of, debt outstanding, council tax collection rates etc.)	<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 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>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 2023/24 budget.</p>						
10. The authority's track record in budget and financial management.	<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</p>	<p>The Council's recent track record in budget and financial management 2016 to 2023 shows potential variations from a £9.9m overspend to a £0.8m underspend (a range of £10.7m).</p> <table border="1" data-bbox="927 1966 1406 2047"> <thead> <tr> <th data-bbox="927 1966 1082 2047">Financial Year</th> <th data-bbox="1082 1966 1214 2047"> (£'000)</th> <th data-bbox="1214 1966 1406 2047">Underspend/ Overspend</th> </tr> </thead> <tbody> <tr> <td> </td> <td> </td> <td> </td> </tr> </tbody> </table>	Financial Year	(£'000)	Underspend/ Overspend			
Financial Year	(£'000)	Underspend/ Overspend						

Budget Assumption	Explanation of Risk	Financial Standing and Management and Mitigating Action		
	<p>budget management, undermine any planned action being taken on the General Fund Balance.</p> <p>Financial management needs to be considered across all service areas of the Council. If a particular service area is unable to manage a particular overspend pressure, this may present a need to use general fund balance in the current financial year. Also this may have implications on future level of balances if no action is taken to reduce the spending pressure for the service area in future years or offset by compensating savings.</p>	2016/17	(894)	Under
		2017/18	(613)	Under
		2018/19	(167)	Under
		2019/20	1,692	Over
		2020/21	(655)	Under
		2021/22	2,505	Over
		2022/23*	9,950	Over
		Total 2016 to 2023	11,818	Over
		<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>A significant overspend is arising in 2022/23 as demand for services such as ASC and Children's Social Care has outstripped projections. Further work is required by these service areas to look to reduce demand where appropriate prior in the remainder of the year.</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"> <li>• Accuracy of projections has improved over the year, but further work is required.</li> <li>• The monitoring system continues to be improved in terms of accuracy, the frequency of reporting and the challenge process.</li> </ul> <p>Financial monitoring is undertaken by line managers within Business World and Finance review the projections to ensure that the monitoring position reported is appropriate.</p> <p>The Council's virement and carry forward rules are clear and detailed in the Constitution.</p>		

## 7. 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.

## SHROPSHIRE COUNCIL HOUSING REVENUE ACCOUNT

2022/23 Budget £		2023/24 Budget £
	<u>Income</u>	
(18,101,280)	Dwellings Rent	(19,547,030)
(104,900)	Garage Rent	(95,300)
(17,000)	Other Rent	(30,000)
(686,820)	Charges for Services	(735,380)
<b>(18,910,000)</b>	<b>Total Income</b>	<b>(20,407,710)</b>
	<u>Expenditure</u>	
9,021,410	ALMO Management Fee	9,663,160
640,370	Supplies and Services	683,600
4,047,050	Capital Charges - Dwelling Depreciation	4,471,690
196,250	Capital Charges - Depreciation Other	261,670
2,988,250	Interest Paid	3,365,270
600,000	Repairs charged to revenue	625,000
1,693,450	Revenue Financing Capital Expenditure	1,013,410
200,000	New Development Feasibility	250,000
50,000	Increase in Bad Debt Provision	50,000
335,910	Corporate & Democratic Core	357,520
<b>19,772,690</b>	<b>Total Expenditure</b>	<b>20,741,320</b>
<b>862,690</b>	<b>Net Cost of Services</b>	<b>333,610</b>
(60,000)	Interest Received	(60,000)
<b>802,690</b>	<b>Net Operating Expenditure</b>	<b>273,610</b>
<b>802,690</b>	<b>Net Cost of Service/(Surplus) for Year</b>	<b>273,610</b>
	<u>HRA Reserve</u>	
11,591,767 Actual	B/fwd 1 April	10,789,077
(802,690)	Surplus/(Deficit) for year (Estimated)	(273,610)
10,789,077	Carried Forward 31 March (Estimated)	10,515,467

## 8. 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 2023/24 budget and future years in order to provide for capital schemes being financed from prudential borrowing that are planned to be delivered in the next 5 years.

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

### **Policy for Flexibility around the use of Capital Receipts**

The greater flexibilities around the use of capital receipts has been extended to allow authorities to use them for a further three years from 2022/23 onwards. This allows authorities to use capital receipts to fund transformation projects that produce long term savings or reduce the costs of service delivery.

Over 2022/23 and 2023/24, Shropshire proposes to use the flexibility to help fund the following:

- £2m to fund redundancy costs and allow the council to manage further service redesign and restructure changes.
- £2.7m to fund transformation works relating to the development of the new target operating model.

In 2017/18, 2018/19, 2019/20, 2020/21 and 2021/22, this flexibility has been used to fund redundancy costs. The reduction in staffing numbers enabled through the redundancy programme, has allowed the Council to deliver revenue savings as highlighted in previous years Financial Strategies.

## **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 considers the requirement for taking out new borrowing. The Council is currently under-borrowed as has applied funding for capital schemes from high cash balances rather than new prudential borrowing given that returns on cash balances are low and the Council has been holding a healthy cash balance. With reserves reducing in 2022/23, however, the Council will need to monitor the level of balances held carefully to consider if there is a need to undertake external borrowing, and several factors will need to be considered before committing the Council to the additional costs resulting from external borrowing.

## 9. Public Consultation and Alternative Budget proposals



## 9.1 Budget Consultation Exercise and Responses

The Budget Consultation was launched on 19th December 2022. It was advertised in the Shropshire Council newsroom and via several social media channels. A total of 303 responses have been received, which is a third greater than those that responded last year, although still represents a low proportion of the population of Shropshire. The consultation closed on 30 January 2023 and was live for a period of six weeks. The website link to the consultation was <https://www.shropshire.gov.uk/get-involved/budget-consultation-202324/>

The profile of the 303 respondents are as follows:

Profile	No of Responses	Profile	No of Responses
<b>Gender?</b>		<b>Age?</b>	
Male	91	21-30	17
Female	114	31-54	74
Other	1	55-69	83
Prefer not to say	32	70 or over	28
No response	65	Prefer not to say	33
	<b>303</b>	No response	68
			<b>303</b>
<b>Which Shropshire town is nearest to where you live?</b>		<b>What is your ethnic origin?</b>	
Bishops Castle	12	White (British, Irish, Welsh)	193
Bridgnorth	19	Other ethnic group	1
Broseley	5	Prefer not to say or don't know	41
Church Stretton	5	No response	68
Cleobury Mortimer	4		<b>303</b>
Clun	5		
Craven Arms	6	<b>Role in completing survey? (Able to select multiple roles)</b>	
Ellesmere	8	Local resident	192
Ludlow	8	Representative of a local business or commercial organisation	9
Market Drayton	9	Member of a local interest or community group	16
Much Wenlock	5	Representative of a local town, parish or rural parish council	19
Oswestry	18	Shropshire ward councillor	5
Shifnal	6	Shropshire Council employee	67
Shrewsbury	88	Visitor to Shropshire or a member of the public living elsewhere	1
Wem	9	None of these	0
Whitchurch	9	Prefer not to say	6
Prefer not to say	8		<b>315</b>
No response	79		
	<b>303</b>	<b>Do you have any long standing illness or disability that limits your daily activity?</b>	
<b>Are you mainly?</b>		Yes, limited a lot	5
At school	0	Yes, limited a little	32
At college/university/in further education	1	No	163
Working (employed or self-employed)	134	Prefer not to say	35
Unemployed	0	No response	68
A full time carer or looking after the home	5		<b>303</b>
Retired	57	<b>Are you an informal or unpaid carer to a friend or family member who needs regular</b>	
Prefer not to say	35	Yes	37
None of these	71	No	164
	<b>303</b>	Prefer not to say	33
		No response	69
			<b>303</b>

The first section of the consultation focussed on council tax and asked whether people agreed with the plans to increase council tax. This question provided a close response with 50% agreeing and 44% disagreeing. Where people disagreed, they were asked if they believed that council tax should be increased further, and the majority (47%) disagreed with this. The comments regarding the Council's proposal to increase council tax included

mainly focussed on the increase being too high and unaffordable for residents (39 comments), although several people have made comments about the impact that this will have on people already struggling with cost of living rises.

The second section focussed on the overarching response to using the Shropshire Plan to help prioritise activities and reduce work where it doesn't directly support the objectives of the plan. The highest response was that people agreed with the approach (37%) and 12% strongly agreed with the approach.

The third section focussed on the savings proposals, and there was general agreement with the savings for each priority area:

There was greater support for the Healthy People proposed savings with a 47% agreeing or strongly agreeing. Some of the most common comments about the proposals for Healthy People include concerns about the impact that the savings would have on vulnerable people and staff, and the concern of workforce shortages within the care and foster care sector. There were also general comments (12) about the need for whole system changes in health and social care.

There was general agreement with the Healthy Economy proposals however comments raised focussed specifically on how increasing costs of parking could damage the economy (34) and comments surrounding inefficiencies and financial mistakes previously made by the Council (17).

Again, there was general agreement with the Healthy Environment proposals but there was increased comments surrounding the risk that green waste charges would cause fly tipping or reduce recycling (45).

There was 26% of respondents in support for the Healthy Organisation proposals, although there was concern about how the Council was already under-staffed, there were concerns about the impact on service quality and general concerns over the approach and decision making within the Council.

The fourth section looked at the capital programme to gain people's views on the investment plans. The highest proportion of respondents agreed with the proposals (27%) however comments were received around existing capital schemes such as the North West Relief Road and that this should be stopped.

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

Questions	Amount of saving/ investment proposed (£m)	Response						
		Strongly Agree	Agree	Neither Agree or Disagree	Disagree	Strongly disagree	Don't Know/ No opinion	No response
<b>Council tax</b>								
What is your view on Shropshire Council's proposal to increase council tax by 4.99% (2.99% for council tax and 2% adults' social care precept)			50%		44%		6%	
If you disagree, do you think council tax should be increased above that amount (requiring a local referendum) in order to help prevent cuts in public services?			11%		47%		0%	42%
<b>Overarching Approach</b>								
Views on using the Shropshire Plan to help prioritise activities, and stop or reduce work where it does not directly support the objectives of the plan.		12%	37%	24%	8%	5%	8%	8%
<b>Savings Proposals</b>								
Views on the proposed savings relating to the Healthy People priority	12.4	14%	33%	14%	12%	8%	5%	15%
Views on the proposed savings relating to the Healthy Economy priority	7.2	9%	25%	18%	18%	10%	3%	17%
Views on the proposed savings relating to the Healthy Environment priority	0.1	9%	25%	19%	13%	14%	3%	17%
Views on the proposed savings relating to the Healthy Organisation priority	31.5	9%	26%	19%	15%	10%	3%	18%
<b>Capital Programme</b>								
Views on the investment plans within the proposed capital programme	114.7	8%	27%	19%	12%	9%	6%	20%
<b>Overall opinion on budget</b>								
How supportive are you of Shropshire Council's budget proposals, outlined for 2023/24		6%	27%	13%	17%	16%		20%

Respondents were also asked if they wished to share any ideas of how the Council may make further savings. 120 comments were received with varied responses, however key themes surrounded

- Stopping the North West Relief Road project
- A need for improved council management
- Change of approach so spend to save, or prioritise deprived communities
- Income generation suggestions
- Reduce councillors and payments to councillors and managers.

Given the low proportion of responses received, it is not possible to consider whether the responses received provide a true representation of views of the budget within Shropshire. It should be noted, however, that responses received were generally in support of the proposals.

## 9.2 Alternative Budget proposals

Further to the decision of Full Council in September, a revised process was adopted for the current budget round for the preparation of alternative budget proposals by the opposition parties. These proposals were received and discussed by Performance Management and Scrutiny Committee on 11 January.

The consideration of the proposals by PMSC was then also considered by Cabinet in later in January. Cabinet resolved to further consider the proposals put forward by the opposition parties as they confirmed the proposals they wished to bring forward for consideration by Full Council in March.

## 10. Schedule of Movements



## 10.1 Movements in MTFS Position

The movements in the MTFS position since the updated MTFS was presented to Cabinet in December 2022 are as follows:

Resources	2023/24 Dec	Movement	2023/24 Feb
	Cabinet		Cabinet
	£	£	£
<b>Council Tax</b>	193,577,046	0	193,577,046
<b>Council Tax Collection Fund Surplus/(Deficit)</b>	-93,463	2,424,900	2,331,437
<b>Business Rates:</b>			
Business Rates Collected	35,752,067	2,292,186	38,044,253
Business Rates - Energy Renewable Schemes	1,000,000	380,207	1,380,207
Top Up Grant	10,031,260	1,088,572	11,119,831
Business Rate Collection Fund Surplus/(Deficit)	-168,114	2,150,357	1,982,243
<b>Revenue Support Grant</b>	6,450,404	1,028,230	7,478,634
<b>NET BUDGET</b>	<b>246,549,199</b>	<b>9,364,451</b>	<b>255,913,651</b>
<b>Grants included in Core Funding:</b>			
Improved Better Care Fund	10,252,045	1,611,358	11,863,403
New Homes Bonus	2,424,326	-676,816	1,747,510
Rural Services Delivery Grant	6,940,755	816,559	7,757,314
Social Care Support Grant	17,998,115	3,548,944	21,547,059
Market Sustainability and Improvement Funding	0	3,263,869	3,263,869
Discharge Funding	0	1,663,231	1,663,231
Services Grant	0	2,065,886	2,065,886
<b>CORE FUNDING</b>	<b>284,164,440</b>	<b>21,657,482</b>	<b>305,821,923</b>
<b>Local Income</b>			
Fees and charges (including income savings deliverable from prior years)	82,718,167	4,200,073	86,918,240
Other Grants and contributions	30,785,140	2,660,140	33,445,280
Specific Grants (excluding Core Funding Grants above)	193,473,094	15,606,762	209,079,856
Internal Recharges	9,104,440	1,371,300	10,475,740
<b>TOTAL FUNDING</b>	<b>600,245,282</b>	<b>45,495,757</b>	<b>645,741,039</b>

This table shows increased resource of £44.6m. Of this, £20.8m relates to Core Funding and £23.8m relates to local income. Local income is targeted to specific activities. Core grant funding is also ring-fenced or targeted. Changes to Council Tax and business rates are not earmarked and can be used to support operational costs and improve financial resilience (e.g., by increasing reserves and risk cover).

Expenditure Budget	2023/24 Dec		2023/24 Feb
	Cabinet £	Movement £	Cabinet £
<b>Original Gross Budget Requirement</b>	<b>656,496,475</b>	<b>0</b>	<b>656,496,475</b>
<b>Inflationary Growth :</b>			
Pay	11,336,970	0	11,336,970
Apprenticeship Levy	21,970	0	21,970
Pensions	-982,060	0	-982,060
Corporate Landlord inflation	2,180,000	0	2,180,000
Contract inflation	25,026,668	-1,663,231	23,363,437
<b>Demography &amp; Demand</b>	<b>1,133,830</b>	<b>0</b>	<b>1,133,830</b>
<b>Service Specific Pressures</b>			
Revenue Growth arising from capital programme	0	556,270	556,270
Ongoing Budget Pressures	7,552,822	0	7,552,822
<b>Local Generated Pressures:</b>			
Specific Grants Changes between years	-23,437,694	23,283,283	-154,412
Ongoing reduction in New Homes Bonus (pressure)	2,227,139	676,816	2,903,955
Grants Rolled into RSG, Core Funding	0	1,770,659	1,770,659
Estimated Cost of Investment - <i>Approved</i>	895,415	-387,000	508,415
<i>Additional Staff for Capital Programme</i>	-500,000	0	-500,000
Adjustment to Gross budget offset by Income changes	400,000	8,231,513	8,631,513
Contribution to General Fund	0	19,867,691	19,867,691
Contribution to Development Reserve - Transformation	0	1,000,000	20,867,691
<b>Savings</b>			
<i>One off saving - Morrissons Lease and Buyout</i>	1,415,065	0	1,415,065
<i>Unachievable Savings agreed in prior years</i>	4,559,010	0	4,559,010
Invest to Save Fund for delivery of future savings	-97,000	0	-97,000
<i>Savings Agreed in Previous Financial Years</i>	-3,680,737	0	-3,680,737
<i>Tactical Budget Savings</i>	-8,512,561	-240,060	-8,752,621
<i>TOM Budget Savings</i>	-15,796,058	0	-15,796,058
<i>New Savings Proposals</i>	-23,063,885	0	-23,063,885
<b>TOTAL EXPENDITURE</b>	<b>637,175,368</b>	<b>72,963,632</b>	<b>710,139,000</b>

The table sets out overall expenditure changes of £51.3m. Key elements of this are the increase in grant spending, which reflects increased resources and the ring-fenced or targeted nature of these funds (i.e. they are not available for the overall financial position but must be spent on specific activities), and the contribution to the General Fund balance, intended to ensure an adequate level of non-earmarked reserves are held, in line with best practice, and to ensure that the council can address unexpected pressures without impacting on frontline services.

Funding Gap	2023/24 Dec	Movement	2023/24 Feb
	Cabinet		Cabinet
	£	£	£
Resources (incl savings plans)	600,245,282	45,495,757	645,741,039
Expenditure (incl savings plans)	637,175,368	53,095,941	690,271,309
<b>Gap in year</b>	<b>36,930,087</b>	<b>7,600,184</b>	<b>44,530,271</b>
<b><u>One off Grants &amp; Reserves:</u></b>			
Improved Better Care Funding	-10,252,045	355,902	-9,896,143
Rural Services Delivery grant	-6,940,755	-816,559	-7,757,314
Social Care Grant - One Off	-17,998,115	-3,548,944	-21,547,059
Services Grant	0	-2,065,886	-2,065,886
Market Sustainability and Fair Cost Fund	0	-3,263,869	-3,263,869
<b>TOTAL ONE OFF FUNDING</b>	<b>-35,190,915</b>	<b>-9,339,356</b>	<b>-44,530,271</b>
<b>Remaining Gap/(Surplus) to be Funded</b>	<b>1,739,172</b>	<b>-1,739,172</b>	<b>0</b>

# 11. Proposed Spending Reductions.



## 11.1 Detailed Spending Reductions

Category	Directorate	Ref.	Description	2023/24 £	2024/25 £	2025/26 £	2026/27 £	2027/28 £
Policy Choice	People	POL01	Review the transport arrangements for SEND education placements to ensure efficient use of resources whilst providing appropriate support.	100,000	100,000	100,000	0	0
Policy Choice	People	POL02	Consult on options to revise the contribution scheme for Post 16 applicants with SEND to ensure efficient use of resources.	0	100,000	125,000	125,000	0
Policy Choice	People	POL03	Review the transport arrangements for placements at the Tuition Medical Behaviour Support Service to ensure efficient use of resources.	202,000	0	0	0	0
Policy Choice	People	POL04	Consult on options to revise the Post 16 transport assistance scheme to ensure efficient use of resources.	0	20,000	30,000	0	0
<b>TOTAL Policy Choice - People</b>				<b>302,000</b>	<b>220,000</b>	<b>255,000</b>	<b>125,000</b>	<b>0</b>
Policy Choice	Place	POL05	Installation of battery units at Shirehall and Theatre Severn to store electricity generated from rooftop photovoltaic cell installations, to support reduced local energy use from the Grid and more locally generated energy, and to replace 'selling back' energy to the Grid.	75,000	75,000	0	0	0
Policy Choice	Place	POL06	Reduce small grant funding to local groups	25,000	0	0	0	0
Policy Choice	Place	POL07	Review of collection charges for bulky waste	15,000	0	0	0	0
Policy Choice	Place	POL08	Savings in the Museum Service	0	25,000	0	0	0
Policy Choice	Place	POL09	Implementation of green waste charges- proposals (setup cost in 2023/24)	-240,060	627,000	0	0	0
<b>TOTAL Policy Choice - Place</b>				<b>115,000</b>	<b>100,000</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>TOTAL POLICY CHOICE SAVINGS</b>				<b>417,000</b>	<b>320,000</b>	<b>255,000</b>	<b>125,000</b>	<b>0</b>

Category	Directorate	Ref.	Description	2023/24 £	2024/25 £	2025/26 £	2026/27 £	2027/28 £
Efficiency	Health & Wellbeing	EFF01	Review application of grant funds	218,930	0	0	0	0
Efficiency	Health & Wellbeing	EFF02	Additional capacity to support transformation programme	128,960	0	0	0	0
Efficiency	Health & Wellbeing	EFF03	Removal of budgets for vacant posts (avg. 3%)	61,420	0	0	0	0
Efficiency	Health & Wellbeing	EFF04	Review future model of pest control delivery	40,000	0	0	0	0
Efficiency	Health & Wellbeing	EFF05	Reduce the cost by providing the minimum statutory duty for Public Health Funerals.	5,000	0	0	0	0
<b>TOTAL Efficiency - Health &amp; Wellbeing</b>				<b>454,310</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

Category	Directorate	Ref.	Description	2023/24 £	2024/25 £	2025/26 £	2026/27 £	2027/28 £
Efficiency	People	EFF06	Expand and enhance reablement model to improve people's outcomes get better and to remain independent.	3,844,860	3,922,130	4,000,570	0	0
Efficiency	People	EFF07	Review care at home model	2,759,563	0	0	0	0
Efficiency	People	EFF08	Review client contributions in line with national guidance	1,800,000	0	0	0	0
Efficiency	People	EFF09	Removal of budgets for vacant posts (avg. 3%)	1,325,000	0	0	0	0
Efficiency	People	EFF10	Managing predicted growth	1,300,000	0	0	0	0
Efficiency	People	EFF11	Increase numbers of local foster carers to enable reductions in independent foster care costs (local foster carers, engaged by the Council, are less costly than independent foster carers)	1,000,000	200,000	0	0	0
Efficiency	People	EFF12	Review supported living model	1,000,000	0	0	0	0
Efficiency	People	EFF13	Reduce numbers of childcare placements in long-term residential placements, where appropriate ('Stepping Stones' project, implementing the proven North Yorkshire model of children's social care management).	1,000,000	2,023,997	3,180,566	2,891,424	0
Efficiency	People	EFF14	Prevent the need for residential care	832,198	0	0	0	0
Efficiency	People	EFF15	Deliver efficiencies across the ISF model	500,000	0	0	0	0
Efficiency	People	EFF16	Improving public health to reduce social care costs	500,000	0	0	0	0
Efficiency	People	EFF17	Review of support contracts	346,620	0	0	0	0
Efficiency	People	EFF18	Decreased use of B&B accommodation as temporary accommodation for 2022/23 (including associated costs) in view of current action to reduce or divert demand.	344,000	0	0	0	0
Efficiency	People	EFF19	Develop flexible support model to support people to remain at home	325,000	522,000	520,000	0	0
Efficiency	People	EFF20	Reduce transport costs through improved efficiencies	300,000	0	0	0	0
Efficiency	People	EFF21	Review exceptionally high-cost children's residential care placements to identify the optimum care arrangements for each child, reflecting their changing levels of need.	250,000	250,000	0	0	0

Category	Directorate	Ref.	Description	2023/24 £	2024/25 £	2025/26 £	2026/27 £	2027/28 £
Efficiency	People	EFF22	Review care at home model.	240,437	0	0	0	0
Efficiency	People	EFF23	Review the Council contribution to maintained school redundancy costs.	180,000	0	0	0	0
Efficiency	People	EFF24	Review the Independent Living Service to ensure value for money.	150,000	0	0	0	0
Efficiency	People	EFF25	Increase joint training opportunities.	150,000	150,000	0	0	0
Efficiency	People	EFF26	Use external grant funding to support staff costs	136,680	0	0	0	0
Efficiency	People	EFF27	Review of arrangements for personal budgets	110,000	110,000	110,000	110,000	0
Efficiency	People	EFF28	Increase private sector housing fees	100,000	0	0	0	0
Efficiency	People	EFF29	Review the 'Enable' services budget	88,000	0	0	0	0
Efficiency	People	EFF30	Review funding arrangements across Learning and Skills to maximise the use of the Central School Services Block (CSSB) grant funding, in line with Government guidance, to rebalance the Council contribution to the service.	86,180	0	0	0	0
Efficiency	People	EFF31	Review grants (non-statutory)	80,000	50,000	0	0	0
Efficiency	People	EFF32	Review of Day Services model.	75,000	0	0	0	0
Efficiency	People	EFF33	Improve value for money of housing security provision	74,000	0	0	0	0
Efficiency	People	EFF34	Review service model to deliver wellbeing training and capacity building offer.	66,610	0	0	0	0
Efficiency	People	EFF35	Charge for sourcing care to self funders	43,000	59,000	74,000	90,000	0
Efficiency	People	EFF36	Optimise Occupational Therapy service delivery by ending 'just checking' contract.	30,000	0	0	0	0
Efficiency	People	EFF37	Review the 'Enhance' contract	21,000	0	0	0	0
Efficiency	People	EFF38	Review of Enable	12,000	0	0	0	0
Efficiency	People	EFF39	Review of care packages jointly funded with health services	10,000	20,000	30,000	30,000	0
Efficiency	People	EFF40	Contract review for supported living	7,480	0	0	0	0
Efficiency	People	EFF41	Increase Fees and Charges relating to Day Services	7,000	0	0	0	0
Efficiency	People	EFF42	Remove use of external venues	5,000	0	0	0	0
Efficiency	People	EFF43	Reduce social care demand through family support and early interventions to prevent crisis.	0	500,000	0	0	0
<b>TOTAL Efficiency - People</b>				<b>19,099,628</b>	<b>7,807,127</b>	<b>7,915,136</b>	<b>3,121,424</b>	<b>0</b>

Category	Directorate	Ref.	Description	2023/24 £	2024/25 £	2025/26 £	2026/27 £	2027/28 £
Efficiency	Place	EFF44	Review PFI contract costs to secure greater efficiency	4,286,240	0	0	0	0
Efficiency	Place	EFF45	Charge staffing costs to capital budgets where possible and appropriate (capital project support or transformation of revenue services).	2,019,310	0	-424,600	-1,547,360	-47,360
Efficiency	Place	EFF46	Increased charges for car parking including changes to permit schemes and some reduction in concessions.	2,000,000	1,561,000	0	0	0
Efficiency	Place	EFF47	Once-only use of adverse weather reserves while other savings plans are put into place.	1,561,000	-1,561,000	0	0	0
Efficiency	Place	EFF48	Review application of grant funding.	976,000	-976,000	0	0	0
Efficiency	Place	EFF49	Removal of budgets for vacant posts (avg. 3%)	818,850	0	0	0	0
Efficiency	Place	EFF50	Fees and charges increased in line with cost inflation.	426,060	0	0	0	0
Efficiency	Place	EFF51	Shopping Centres - Pride Hill and Riverside base budget reduced as not required once the demolition works begin. To be reinstated in 2026-27	265,450	265,450	0	-530,900	0
Efficiency	Place	EFF52	Reshape Planning Services to become closer to cost neutral by 2025/26	200,000	200,000	200,000	200,000	0
Efficiency	Place	EFF53	Public Health funding to increase health improvement benefits through leisure services.	140,000	0	0	0	0
Efficiency	Place	EFF54	Repurposing unclaimed developer bonds.	125,000	-125,000	0	0	0
Efficiency	Place	EFF55	Revised service structure for Communities, Leisure and Tourism functions.	105,000	48,000	-8,000	25,000	0
Efficiency	Place	EFF56	Revise Shire Services cleaning contracts to improve efficiency and reduce net costs.	100,000	0	0	0	0
Efficiency	Place	EFF57	Increased efficiency in drainage maintenance operations	100,000	0	0	0	0
Efficiency	Place	EFF58	Review of housing costs and attribution to general fund functions versus attribution to Housing Revenue Account.	80,000	200,000	0	0	0
Efficiency	Place	EFF59	Review of youth centres and other accommodation used for youth activities	69,300	0	0	0	0
Efficiency	Place	EFF60	Increased income generation by Register Office	60,000	0	0	0	0
Efficiency	Place	EFF61	Registrars and Estates increased income	50,000	100,000	93,290	0	0
Efficiency	Place	EFF62	Recovery of insurance costs (prev. agreed)	30,000	40,000	50,000	50,000	0
Efficiency	Place	EFF63	Recovery of insurance costs (additional to EFF62)	30,000	0	0	-30,000	0

Category	Directorate	Ref.	Description	2023/24 £	2024/25 £	2025/26 £	2026/27 £	2027/28 £
Efficiency	Place	EFF64	Enhanced income through use of Planning Performance Agreements and increased fees	25,000	25,000	25,000	25,000	0
Efficiency	Place	EFF65	Enhanced income through the commercial activities in the Natural and Historic Environment Team.	30,000	30,000	10,000	10,000	0
Efficiency	Place	EFF66	Increased income generation within Museums and Archives	10,000	5,000	5,000	5,000	0
Efficiency	Place	EFF67	Anticipated overage payments from planned Cornovii/CDL developments.	0	200,000	0	0	0
Efficiency	Place	EFF68	Increased income generation within Theatre Services	0	58,480	0	0	0
Efficiency	Place	EFF69	One off use of building control reserve (in line with reserve use guidelines; target applied in 2022/23 budget but removed from 2024/25 onwards, hence negative value)	0	-100,000	0	0	0
Efficiency	Place	EFF70	Increased income generation within Libraries	0	5,000	10,000	10,000	0
Efficiency	Place	EFF71	Self-issue software reducing library costs	0	35,000	0	0	0
Efficiency	Place	EFF72	Increased income generation within Council-operated Leisure Centres	0	5,000	10,000	10,000	0
Efficiency	Place	EFF73	Cost savings in leisure services	0	0	500,000	0	0
Efficiency	Place	EFF74	Libraries - Implementation of changes under the Library Transformation Project	0	50,000	0	0	0
Efficiency	Place	EFF75	Efficiency savings within Highways Operations	0	0	500,000	0	0
Efficiency	Place	EFF76	Reduce horticultural contract costs.	0	0	150,000	0	0
Efficiency	Place	EFF77	Change to staff charges to CDL/Cornovii (reduced charges to CDL, increased costs to the Council)	-40,980	0	0	0	0
<b>TOTAL Efficiency - Place</b>				<b>13,466,230</b>	<b>65,930</b>	<b>1,120,690</b>	<b>-1,773,260</b>	<b>-47,360</b>

Category	Directorate	Ref.	Description	2023/24 £	2024/25 £	2025/26 £	2026/27 £	2027/28 £
Efficiency	Resources	EFF78	Review of customer contact teams across the Council - Channel shifting to promote more streamlined and cost-efficient responses.	1,112,000	0	115,000	0	0
Efficiency	Resources	EFF79	Reduce housing benefit subsidy loss arising from use of expensive bed and breakfast accommodation (reverses budget growth from 2021/22 into 2022/23)	1,000,000	0	0	0	0
Efficiency	Resources	EFF80	Removal of budgets for vacant posts (avg. 3%)	717,730	0	0	0	0
Efficiency	Resources	EFF81	New Operating Model - Charge staffing costs delivering transformation to capital budgets where possible and appropriate (Workforce and Improvement).	645,222	0	0	-645,222	0
Efficiency	Resources	EFF82	Legal and Governance restructure to include deletion of some vacant posts and the movement of others into transformation	231,850	0	0	0	0
Efficiency	Resources	EFF83	New Operating Model - Charge staffing costs to capital budgets where possible and appropriate (Legal and Democratic).	57,330	0	0	-57,330	0
Efficiency	Resources	EFF84	New Operating Model - Charge staffing costs to capital budgets where possible and appropriate (Finance and IT).	20,740	0	0	-20,740	0
Efficiency	Resources	EFF85	Income savings from 22/23 - 26/27 Capital Strategy (ICT Equipment Replacement Fund)	130,000	0	0	0	0
Efficiency	Resources	EFF86	Contract rebates and spending reductions	129,500	0	0	0	0
Efficiency	Resources	EFF87	Operating Model - Digital County - Reduce/remove uneconomical Service Delivery	100,000	0	0	0	0
Efficiency	Resources	EFF88	Review of single person discount and housing benefit applications against data warehouse to reduce error and fraud.	100,000	50,000	50,000	50,000	50,000
Efficiency	Resources	EFF89	CCTV provision and management - Seek partner funding contributions	75,000	0	0	0	0
Efficiency	Resources	EFF90	Review of ICT contracts to streamline supplier use	50,000	0	0	0	0
Efficiency	Resources	EFF91	Full recovery of legal and other recovery costs for unpaid council tax and business rates	46,000	0	0	0	0
Efficiency	Resources	EFF92	Review use of Customer Relationship Management system	25,000	0	0	0	0

Category	Directorate	Ref.	Description	2023/24 £	2024/25 £	2025/26 £	2026/27 £	2027/28 £
Efficiency	Resources	EFF93	Increase fees and charges in line with cost inflation	21,000	0	0	0	0
Efficiency	Resources	EFF94	Reduce use of printers and copiers (Multi-Functional Devices - MFDs)	12,000	0	0	0	0
Efficiency	Resources	EFF95	Complete migration to SharePoint document management and sharing software	10,000	0	0	0	0
Efficiency	Resources	EFF96	SMS reminder - Debt recovery (council tax)	6,000	0	0	0	0
Efficiency	Resources	EFF97	Additional 100% premium on vacant properties	0	510,000	0	0	0
Efficiency	Resources	EFF98	Additional 100% levy on second homes	0	2,200,000	0	0	0
Efficiency	Resources	EFF99	Income generation within Audit Services (target level in 2024/25 reduced from previously agreed level)	0	-12,000	0	0	0
<b>TOTAL Efficiency - Resources</b>				<b>4,489,372</b>	<b>2,748,000</b>	<b>165,000</b>	<b>-673,292</b>	<b>50,000</b>
Efficiency	Corporate	EFF100	Review PFI contract costs to secure greater efficiency	213,760	0	0	0	0
<b>TOTAL Efficiency - Corporate</b>				<b>213,760</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Efficiency	Organisation wide	EFF101	Target Operating Model - staffing budget turnover and wastage increase by 5% (year-end	5,000,000	0	0	0	0
Efficiency	Organisation wide	EFF102	Target Operating Model - sixty projects already identified but benefits not yet costed; estimated benefits of £0.050m per project.	3,000,000	0	0	0	0
Efficiency	Organisation wide	EFF103	Target Operating Model - Transformation partner delivers 4 x end-to-end process reviews yielding £0.5m per project.	2,000,000	0	0	0	0
Efficiency	Organisation wide	EFF104	Increase interest receivable budgets based on changing bank rates	1,300,000	0	0	0	0
Efficiency	Organisation wide	EFF105	Target Operating Model/Workforce Strategy - Getting Leadership Right - cashable benefit of improved organisation-wide performance management	1,000,000	1,000,000	0	0	0
Efficiency	Organisation wide	EFF106	Budget review – treasury investment returns.	700,000	0	0	0	0
Efficiency	Organisation wide	EFF107	Contract Spend Analysis and Contract Management Review	250,000	0	0	0	0
<b>TOTAL Efficiency - Organisation wide</b>				<b>13,250,000</b>	<b>1,000,000</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>TOTAL EFFICIENCY SAVINGS</b>				<b>50,973,300</b>	<b>11,621,057</b>	<b>9,200,826</b>	<b>674,872</b>	<b>2,640</b>
<b>TOTAL SAVINGS</b>				<b>51,390,300</b>	<b>11,941,057</b>	<b>9,455,826</b>	<b>799,872</b>	<b>2,640</b>

Green Waste charges (POL09) – proposal withdrawn until there is more clarity from government (DEFRA) on the national policy direction.

Consultation on the budget, including the savings proposals for 2023/24 has taken place during December and January, and the feedback from the consultation is detailed in section 9.