Shropshire Council

Date: Wednesday, 21 February 2024

Time: 10.30 am

Venue: Council Chamber, Shirehall, Abbey Foregate, Shrewsbury, SY2 6ND

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CABINET

TO FOLLOW REPORT (S)

8 Financial Strategy 2024/25 - 2028/29 (Pages 1 - 162)

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

Report of James Walton – Executive Director of Resources

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Committee and Date	Item
Cabinet 21st February 2024	Public

Budget 2024/25 and Financial Strategy 2024/25 – 2028/29

Responsible Officer:	James Walton		
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Cabinet Member (Portfolio Holder):	Cllr Gwilym Butler		

1. Synopsis

This report sets out the 2024/25 budget plans for Shropshire Council; proposals including £56m spending reductions and £6m demand reduction measures. Despite the pressures in delivering Council services, we continue to work towards a wider plan and vision for Shropshire.

2. Executive Summary

2.1. The Council has delivered a level of spending reductions through 2023/24 which is entirely unprecedented, £41m at the time of writing, which exceeds anything previously achieved. Further, much of this has been achieved working closely with our delivery partner (PwC) and without significant impact on the services received by residents focussing instead on review of service delivery. The absence of significant communication and policy change approved by Members attests to this.

2.2. The level of savings targeted in 2023/24 was identified as part of a BBC survey as one of the most stretching in the country. Our plans to achieve this focused on improvements to efficiency and impact, minimising the impact on services and staff.

2.3. The 2023/24 financial year, however, was challenging in terms of the inflationary pressures encountered and the significant increase in social care demand experienced from January/February 2023 onwards. Inflationary pressures in September 2022 were at a significant high (CPI was 10.1%). The September baseline is a common position from which the inflator for the coming year contracts is set. The impact of CPI being 10% in September 2022 was therefore experienced in significant cost increases experienced in 2023/24. Social care demand also continued to be a major pressure. Amongst older adults and working age adults, many were suffering the direct and indirect consequences of COVID with significantly higher care needs than had been encountered in the pre-COVID period.

2.4. It was anticipated that proposals delivered in 2023/24 would put the Council on a stable financial footing over the medium term. The dual challenges of increasing inflation and rising demand for social care (in common with all upper-tier councils) have prevented us achieving that in full, something we have consistently and unambiguously reported through the year. We have planned extensively for the necessary changes in 2024/25, ensuring full alignment of all budgets with our objectives and resources. We have continued to take opportunities to transform services to be more efficient, and to review our ‘current operating models’ in the context of a more unified ‘target operating model’ or TOM. We have also developed broader approaches to demand management, enabling us to better meet the challenges of demand increases.

2.5. Despite the challenges encountered through the year, the objectives and overarching vision of The Shropshire Plan remain a clear guide to the priorities for the 2024/25 budget and the MTFS period following to 2028/29. The challenges are, however, more severe than previously anticipated, and our response must be necessarily robust.

2.6. Given the national political climate, there is no clear national policy for local government funding to be changed in the coming years. That will be subject to the outcome of an imminent general election and, even then, may take some time to be realised (if at all). So, we must plan based on what we know, what residents indicate as their preferences, and within the resources we know we have available.

2.7. The successive and iterative MTFS updates in October and December 2023 were unambiguous in the expected need for substantial spending reductions to be achieved in 2024/25 and the reasons for this. The budget consultation which closed on 28 January 2024 secured an unprecedented level of responses from residents and other interested parties. These responses broadly confirmed the approaches proposed by the Cabinet and Councillors, including the need to increase Council Tax, preferred options for more and less protected services and other mitigations for our cost pressures. Our budget proposals for 2024/25, difficult as they may be, are therefore directed and aligned as far as possible both with political direction and local resident preferences.

2.8. This report sets out the budget proposals for 2024/25, themselves reflecting the service delivery plans for the year from a financial perspective. Robust delivery plans will provide greater assurance in achievement of the proposals, as will continued engagement of our delivery partner PwC over the medium term. The proposals build upon the significant improvements made during the last year, in our wider governance, transparency and accountability and set the Council on a sustainable path for the future.

3. Recommendations

3.1. That Cabinet notes

i. the alignment of this report with other reports on this agenda, including the Fees and Charges proposals, the proposed Capital Strategy, and the proposed Treasury Strategy; also the alignment to the position reported for the current financial year, set out in the Q3 Financial report and the Q3 Treasury Management report.
ii. the analysis of the financial position of the council set out in this report and confirms the alignment of the new proposals to the outline of the necessary actions for 2024/25 already set out in the December update to the MTFS.
iii. the levels of reserves in recent years, the forecast levels of reserves at the end of the current year, and the plans set out to ensure the adequacy of the reserves in future years.
iv. the proposed capital investment programme including the commentary on priority schemes.
v. the proposed spending reductions for 2024/25.
vi. the approach of combined spending reductions and replenishment of general reserves.

3.2. That Cabinet recommends to Council

vii. Approval of the budget proposals, including revenue and capital budgets, and the associated strategies, subject to further amendments required by Cabinet, or identified as necessary by the Chief Finance Officer (“CFO”).
viii. to approve a delegation to the CFO in consultation with the Portfolio Holder - Finance, Corporate Resources and Communities to enable specific work to be commissioned from PwC in line with the conditions set out in paragraph 4.8.

4. Report

Proposed spending reductions

4.1. The spending reductions set out in the Medium Term Financial Strategy (Appendix 1) to this report are summarised below. Overall, there are £62m of proposed measures.

Category of Saving	2024/25 £	2025/26 £	2026/27 £
Reduce Cost			
Health & Wellbeing	1,253,600	-930,000	0
People	5,698,000	250,000	0
Place	6,157,765	1,958,863	112,050

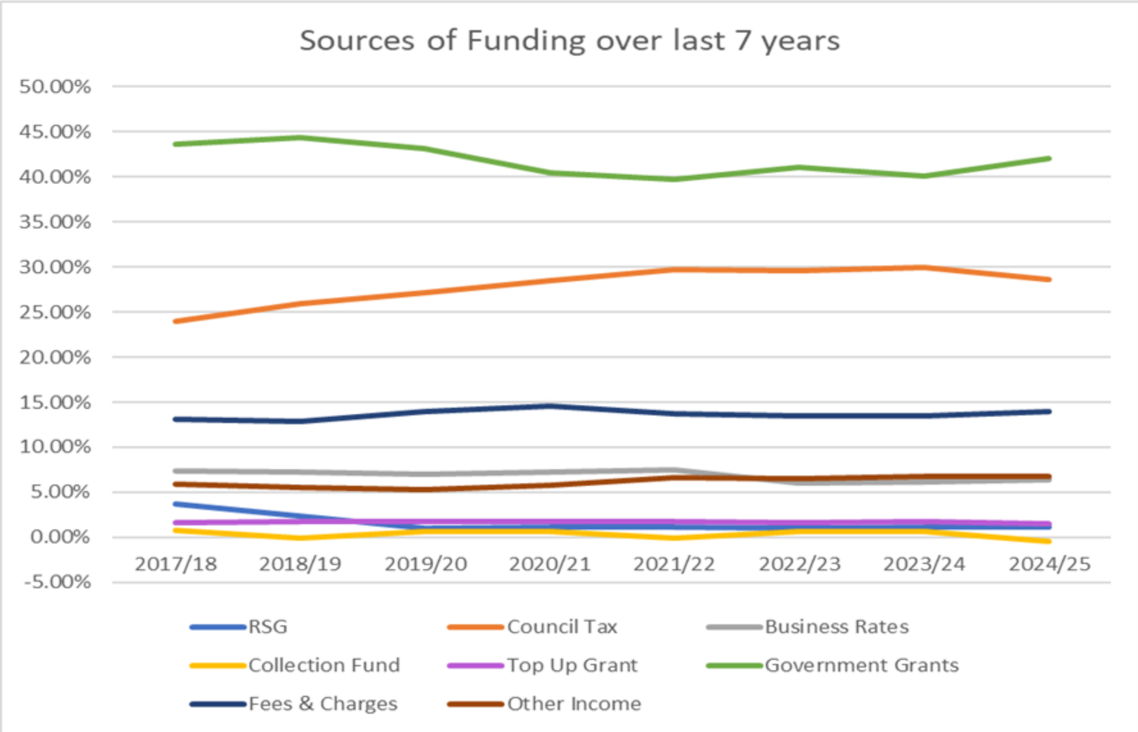
Category of Saving	2024/25 £	2025/26 £	2026/27 £
Resources	3,423,000	2,800,000	0
Council wide	22,977,600	0	0
Total Reduce Cost Savings	**39,509,965**	**4,078,863**	**112,050**
Target Operating Model			
Health & Wellbeing	15,000	15,000	0
People	610,000	0	0
Place	100,000	2,000,000	0
Resources	0	120,000	0
Council wide	0	0	0
Total Target Operating Model Savings	**725,000**	**2,135,000**	**0**
Manage Demand			
Health & Wellbeing	200,000	-200,000	0
People	6,273,636	630,000	110,000
Place	300,000	0	0
Resources	0	0	0
Council wide	0	0	0
Total Manage Demand Savings	**6,773,636**	**430,000**	**110,000**
Charge More			
Health & Wellbeing	0	0	0
People	0	0	0
Place	20,000	0	0
Resources	0	0	0
Council wide	2,000,000	0	0
Total Charge More Savings	**2,020,000**	**0**	**0**
New Income			
Health & Wellbeing	0	0	0
People	3,800,000	0	0
Place	4,892,720	1,622,000	20,000
Resources	0	0	0
Council wide	0	0	0
Total New Income Savings	**8,692,720**	**1,622,000**	**20,000**
Stop/Cease Services			
Health & Wellbeing	0	0	0
People	1,600,000	400,000	-400,000
Place	3,128,650	3,047,010	50,000
Resources	0	0	0
Council wide	30,000	0	0
Total Stop/Cease Services Savings	**4,758,650**	**3,447,010**	**-350,000**
Total Savings Proposals	**62,479,971**	**11,712,873**	**-107,950**

4.2. The need to make these changes is driven by the following factors:

- Low/no change to funding levels in real terms of the last 7 years, despite rebalancing between funding sources. (This is illustrated in the 'Sources of Funding' chart.)
- Increased population, particularly amongst older adults
- Increasing demand for services such as
  - children needing support or protection, and
  - adults with learning difficulties or autism;

- older adults who often have care needs more complex than in the pre-COVID period
- demand for Temporary Accommodation and housing support
- cost of living support
- the challenge of delivering services across a large rural area with a sparse population

4.3. This means that the demand for services remains unaligned to, but now significantly outstrips, the resources available to the council within the current operating model. The proposals are therefore to reduce the overall size and scope of the council, and to secure efficiency and transformational improvements to continue to provide services to the greatest extent possible within the available resources.



4.4. The local government financial settlement for 2024/25 includes increased funding of 7.5%, as illustrated in the table below. However, of this, it is assumed that 5% comes via Council Tax increases and 1% from the increase in the council taxbase. The social care grant was increased between the provisional and the final settlement, in response to concerns over the level of social care funding.

Core Spending Power by component (£m)	2023/24	2024/25
Revenue Support Grant	2,729	3,024
Baseline Funding Levels	12,943	13,538
Under indexation	2,205	2,581
Council tax	33,984	36,071
Improved Better Care Fund	2,140	2,140
Social Care Grant	3,852	5,044
Discharge Fund	300	500
Market Sustainability Improvement Fund	562	1,050
New Homes Bonus	291	291
Rural Services Delivery Grant	95	110
Rolled in grants	480	-
Funding Guarantee	133	269
Services Grant	483	87
TOTAL	**60,197**	**64,705**

4.5. The local impact of the settlement is set out in detail in the attached MTFS, and summarised in the table below. Resources and expenditure include spending reduction plans, which are presented in more detail in the MTFS itself. The table shows that even after the planned spending reductions in 2024/25, there will remain gaps between estimated income and expenditure in all later years.

Funding Gap	2024/25 £	2025/26 £	2026/27 £	2027/28 £	2028/29 £
Resources (incl savings plans)	709,472,377	701,440,571	713,053,136	724,701,655	736,702,628
Expenditure (incl savings plans)	761,650,104	767,618,070	792,499,140	814,767,190	836,743,019
Gap in year	**52,177,726**	**66,177,499**	**79,446,004**	**90,065,535**	**100,040,391**
One off Grants & Reserves:					
Improved Better Care Funding	-9,896,143	-10,618,624	-10,996,201	-11,385,105	-11,785,676
New Homes Bonus - One Off	-59,790	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	-28,009,870	-28,850,166	-29,715,671	-30,607,141	-31,525,355
Market Sustainability and Fair Cost Fund	-6,097,977	0	0	0	0
Services Grant	-356,632	0	0	0	0
TOTAL ONE OFF FUNDING	**-52,177,726**	**-47,226,104**	**-48,469,186**	**-49,749,560**	**-51,068,345**
Remaining Gap/(Surplus) to be Funded	**0**	**18,951,395**	**30,976,818**	**40,315,976**	**48,972,046**
Increase in Funding Gap per Year	**0**	**18,951,395**	**12,025,423**	**9,339,157**	**8,656,071**

4.6. The programme of work with our delivery partner PwC, as previously agreed by Council, continues and is defined in terms of specific project proposals within an overall agreement. The specifics of the overall programme are being aligned to the 2024/25 budget proposals set out in this report, so the programme is not yet fully defined. PwC continue to provide additional technical and project delivery capacity, expertise across the local government sector, and experience of similar engagements elsewhere all of which helps the Council to secure a way through the coming challenges.

4.7. In outline, a programme of work is emerging which may lead to further contract costs with our delivery partner PwC. Against this, cashable benefits would be required to exceed this value. Such work would form part of the routine reporting to Cabinet on the financial performance of the authority. The proposed framework for this is described below and in Appendix 1 (section 4).

- All engagement with PwC is initially discussed and agreed between the Executive Management Team and Cabinet.
- The cost of any specific engagement with PwC is capped below the value of the direct and recurring financial benefit delivered within 12 months of engagement (for example, a proposal to deliver £1m saving every year, so £20m over 20 years, will be capped at investment of less than £1m in year 1)
- Given the scale of the savings plan for 2024/25 (i.e. £62m) the overall level of investment with PwC will be further capped to a proportion of the £62m target. It is proposed that this cap is set at 10% of the benefit (therefore capped at £6.2m) to balance flexibility and control.

4.8. To maximise the pace of delivery and to support the delivery of a balanced budget position in 2024/25, a formal delegation is recommended to be made such that the Chief Finance Officer in consultation with the Portfolio Holder – Finance, Corporate Resources and Communities can engage PwC on specific programmes of work within the framework set out above.

Reserves

4.9. For several years across the COVID period and thereafter it was possible to secure Council services in the face of increasing demand through the use and application of the additional resources provided by government during the pandemic. Those sources of funding have now ceased, but several factors attributable to the pandemic continue to affect the care needs of both older adults and families & children.

4.10. Initially, the Council has taken the approach of continuing to support service delivery using reserves, which has enabled a range of improvements in efficiency. This can be achieved in several ways but always entails a risk – that one-off resources are applied to ongoing operational pressures.

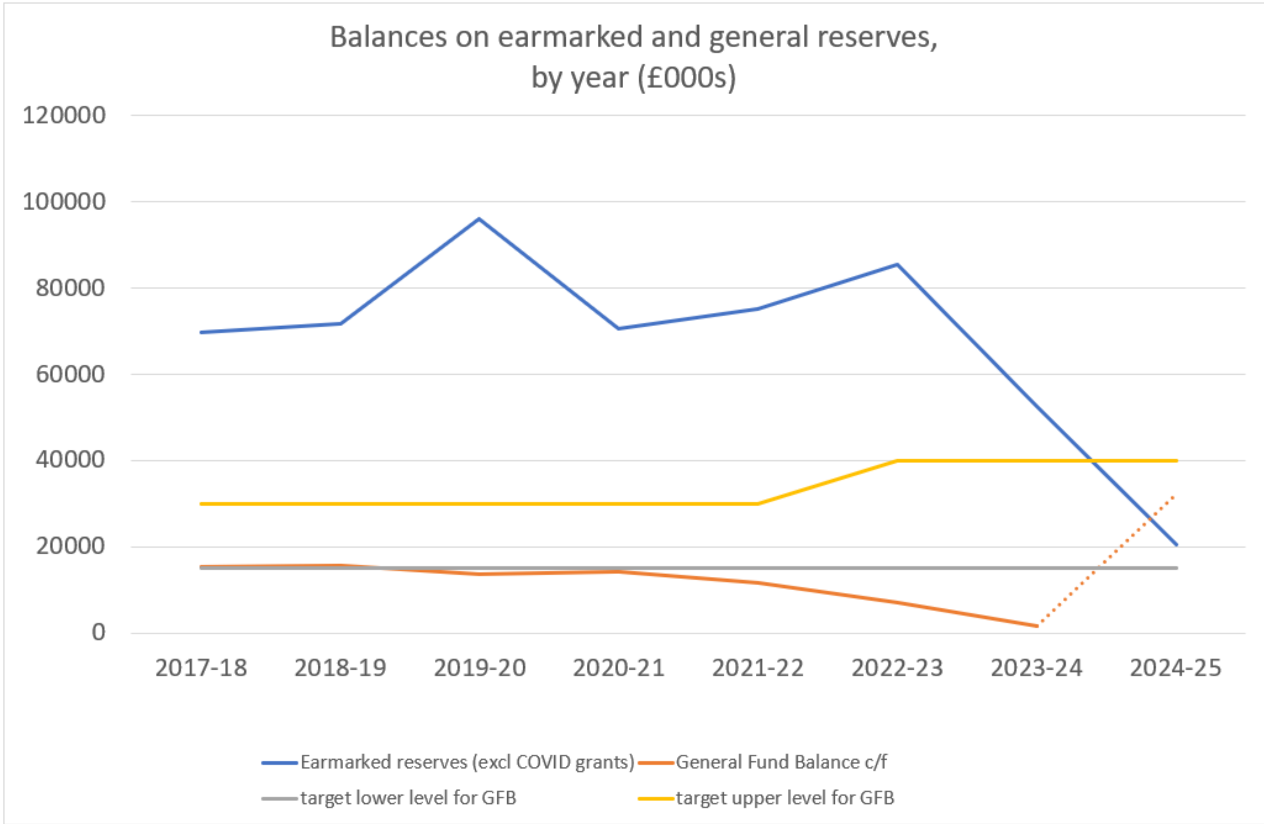
4.11. Despite the significant progress made in repositioning budgets during 2023/24, and the delivery of an unprecedented level of savings (£41m) within the year it remains necessary, in the face of ongoing demand pressures, to require that services continue to seek greater levels of efficiency, but also now go further and reduce services in a number of areas (set out in more detail in section 11 of the MTFS (attached appendix 1).

4.12. This is made more urgent as the level of overall reserves has been reduced at an accelerating pace, and so the spending reductions in 2024/25 must both reduce service delivery to more sustainable levels of cost, but at the same time set aside funds to replenish reserves. This has been planned for within successive MTFS reports approved by Council.

4.13. The level of reserves is a key indicator of the overall financial health of the Council. The level of reserves in recent years is shown in the chart below. It shows that:

- Earmarked reserves (which also include an average of £8m-£10m of balances held by Schools under delegation) have fallen from around £80m to the current position of £20m in 2024/25.
- Unearmarked reserves (the General Fund Balance (GFB) should be retained above a lower level of c£15m, and up to an upper level c£40m (in the earlier part of the period, generally higher balances meant that this could be held at a lower level)
- Currently, it is anticipated that the GFB could fall below £5m at 31 March 2024. The attached MTFS proposals include budgeted contributions which will take the overall balance to at least £32m from 1 April 2024. This is closer to target levels. Assessed risks are set out in the attached MTFS as £47m gross, summarised as below. Provision at £30m is based on the probability of risks materialising as being 60%. (Ideally, provision would therefore be at c £47m.)
    - Under delivery of spending reductions – risk @ £22m
    - Interventions by regulators – risk @ 3 x £5m or £15m
    - Other base budget pressures – risk @ £10m
- Provision for the potential costs of staff redundancies, which can be significant, is intended to be met from capital receipts (which are permitted to be used for this purpose) and are therefore excluded from the calculation of risk for the general fund balance.

4.14. The chart below shows the planned contribution to reserves in 2024/25 (dotted line).



5. Risk Assessment and Opportunities Appraisal

5.1. The finances of the Council are complex and volatile. To manage financial risk requires a consistent and robust approach from Members, partners and officers alike. The MTFS identifies and manages a range of risks as set out in the attached appendix.

5.2. Cabinet should be aware that the attached MTFS and budget report include some measures which are already covered within delegations to officers and as such can be implemented without further member or public involvement, reducing risks associated with deployment. Other proposals require policy decisions and so, in the proper manner, will be brought back to Members in the appropriate forum for decision, and may also require public consultation and/or relevant impact assessments. Appropriate advice will be sought in the implementation of both efficiency and policy measures to ensure that the requirements of the constitution are complied with.

5.3. Risk table

Risk	*Mitigation*
Spending reduction plans are not implemented sufficiently quickly to ensure a balanced budget position is held through the year	Spending reduction plans to be in place in all key areas ahead of 1 April 2024. Engagement of delivery partner PwC to provide capacity and capability in delivery. Monthly monitoring to ensure that all budget pressures (i.e. delivery of savings, anticipated pressures and any overspend at all) are flagged and managed, either locally or corporately.

	Increased visibility of pay and 3rd party spending, with peer check and challenge and accountability to Members.
Unanticipated pressures outside budget assumptions emerge	Section 25 Assurance around robustness of estimates and adequacy of reserves. Retention, and where possible increase, of the uncommitted General Fund Balance as a 'fund of last resort'. Application of any reserves only if all other solutions have been exhausted.
Adequacy of capital receipts to fund redundancy and restructuring costs	Planning in place by 1 April to ensure sufficient pipeline of capital receipts to be secured (£30m-£40m); overprogramming of capital receipts pipeline to mitigate delays in delivery.
Inconsistencies in planning arising from a condensed planning period (Jan-Feb, not Sept-Dec).	Overprogramming; enhanced spending visibility; wider ownership of spending reduction proposals, engagement of PwC to support governance processes.

6. Financial Implications

6.1. The MTFS sets out the financial implications for the local authority over the medium term. These include:

a) Spending reductions of £56m (recurrent) and demand mitigations of £6m (ongoing)
b) Financial implications of resizing the organisation, where this involves staff severance packages in line with Council policy, will need funding to be accounted for within delivery programmes.
c) Where funding reductions and/or resizing of the workforce will impact on service delivery and performance measures and engagement of the delivery partner
d) An assessment of the adequacy of reserves based on a risk assessment of the local authority's wider financial envelope, delivery plan and in-year monitoring.
e) Capital expenditure on the approved programme of £385m (incl HRA – appendix 2 of the MTFS, table 6.1)
f) Proposed capital expenditure on the priority capital schemes outside the approved programme is estimated as a further £239m, although those figures can only be estimates at this time (appendix 2 of the MTFS, table 8.1). Values for the NWRR are not yet clear, and will not be until the application proceeds to full Dept for Transport business case. However, it is possible to estimate costs under different scenarios, and these are included in MTFS appendix 2 section 8.

7. Climate Change Appraisal

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

Healthy People – Extreme weather associated with the climate crisis can adversely affect vulnerable residents and service users disproportionately. This could drive significant future growth in the demand for social care services as well as impacting on the physical and mental health and wellbeing of staff.

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

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

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

7.2. In taking the steps towards financial sustainability to enable delivery of The Shropshire Plan within a reduced financial envelope, it is important that decisions consider information about future costs and risks, where possible, through an approach which explicitly considers lifetime carbon impacts and future climate vulnerability. The future costs of addressing climate change impacts are expected to exceed that of the investment needed to reduce carbon emissions and improve climate resilience, but this may not be affordable within the immediate financial envelope without external investment.

7.3. Some of the proposed service changes to deliver financial sustainability may also reduce carbon emissions and improve climate resilience. Moving towards a zero-carbon supply chain has the potential to reduce costs, other studies suggesting this could be in the region of 5%. Similarly, many carbon reduction and climate resilience projects and measures also have the potential to generate revenue savings and generate 'green' economic growth in the Shropshire economy.

8. Background

8.1. As shown by the extensive media attention in recent months, Local Government is facing ongoing and growing financial challenges. Several Councils have either issued a s114 report or warned that they might have to do so soon. The costs of delivering adult social care have risen due to inflation and more complex cases; the costs of children's social care have increased as the care market has become more expensive; the costs of Home to School Transport have gone up; and the costs of meeting housing needs, especially for homelessness and temporary accommodation, have also grown across the country.

8.2. Shropshire Council is also affected by these pressures. As shown in the current financial year, Shropshire is experiencing an overspend that cannot be fully mitigated. This overspend is mainly caused by the cost pressure mentioned above, similar to the national cost pressures on all upper-tier Councils. The difference for Shropshire is that the Council has much lower reserves than other comparable Councils. The overspend will reduce the general fund level below the minimum level set and the main goal for the Medium Term Financial Strategy for 2023/24. Difficult and unpalatable decisions will need to be taken to achieve financial resilience in the medium term for the Council, to prevent a s114 notice from being issued and to ensure that there are enough levels of general fund reserves to allow more financial sustainability to deliver The Shropshire Plan.

8.3. In this context, the MTFS sets out the financial challenges and opportunities for Shropshire Council over the next four years. It identifies the key drivers of expenditure and income, the funding gaps and pressures, the strategic priorities and objectives, and the proposed actions and solutions to achieve a balanced budget and a sustainable financial position. The MTFS also considers the risks and uncertainties that may affect the Council's financial planning and performance, such as the underlying financial implications of residual macro changes such as Covid-19, Brexit, climate change, and legislative changes. The MTFS is based on a set of assumptions and projections that are regularly reviewed and updated to reflect the changing environment and circumstances. The MTFS is not a fixed document, but a dynamic and flexible tool that enables the Council to monitor, review, and adjust its financial plans in response to internal and external factors.

8.4. The MTFS is informed by the wider local government picture, which reflects the sufficiency of funding available to councils across the country. The final local government settlement, incorporating the recent announcement of £600m additional funding for local government have both been considered and make little difference to the plans set out in December, which themselves have continued to evolve. Due to the underlying pressures in demand across social care, inflation and wider implications of the cost of living crisis, the council's financial position has worsened, and these announcements have done nothing to reverse this. As a result, the Council's financial outlook for 2024/25 is bleak and difficult decisions need to be taken to ensure the council remains within an incredibly tight financial envelope. No element of service delivery will remain untouched as a complete remodelling of the interventions the Council can afford to make is undertaken to ensure, as far as possible, the priorities and strategic objectives as set out in the Shropshire Plan are delivered to the greatest extent possible.

9. Additional Information

9.1. The attached MTFS includes details on:-

a) Public budget consultation results
b) The ‘S25 declaration’ made by the CFO relating to the robustness of the estimates and the adequacy of the reserves
c) Outcomes of the 2024/25 alternative budget process (submission of alternative budgets by the opposition groups)
d) Delivery of spending reductions and associated risk management

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

Financial Strategy 2024/25 - 2028/29 - Cabinet, 18th October 2023

Financial Strategy 2024/25 - 2028/29 - Cabinet, 13 December 2023

Local Member:	All

Appendices

Appendix 1: Medium Term Financial Strategy 2024/25 – 2028/29

Appendix 2: Capital Strategy 2023/24 – 2028/29

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MEDIUM TERM FINANCIAL STRATEGY 2024/25 – 2028/29

February 2024

CONTENTS

1. Foreword and Introduction

Foreword

The business of local government has seldom been more challenging.

We exist as an organisation to deliver needed and valued services to our local residents. Our annual budget sets out how we intend to achieve that, putting financial values to our operational plans. The budget sometimes feels very ‘inward’ looking – but that is not the case: our budget is firmly focussed on service delivery – how we can deliver the best possible services and outcomes for our residents. That we open this process out transparently to public scrutiny is therefore right and proper –we never forget our core purpose, which is to meet the needs of local people.

As an organisation, this Council has delivered a level of spending reductions through 2023/24 which is entirely unprecedented - £41m at the time of writing. An extraordinary achievement, and testament to a great deal of hard work by all concerned.

We had believed that this work would put us on a stable financial footing. However, the challenges of increasing inflation and rising demand for social care (common to all councils) have prevented us achieving that in full, something we have consistently and unambiguously reported through the year.

It would be a surprise if we brought forward a budget and MTFS which focused on investment, expansion, and growth – we simply do not have the resources available to do that. Our focus is instead on remaining true to our plans and on ensuring we continue to meet residents’ needs in the best way we can. In doing so, we continue to be guided by the vision set out 2 years ago in The Shropshire Plan. We are committed to providing the best possible services for residents and visitors within the resources made available to us by Government. We are clear in our conviction that local government officers guided by the policy decisions of local councillors provide the best way to identify and meet local needs.

The budget for 2024/25 includes many unpalatable actions – many proposals we do not want to implement, but which we must do if we are to avoid a financial crisis. This council will endure, and we will position ourselves – councillors and officers alike - to secure the best future for our residents that we possibly can, a future characterised by being efficient, sustainable, and modern in all our operations. Despite the challenges we face, we are proud to bring forward a budget which plans for that better future.

We extend our deep gratitude to councillors and staff who continue to work hard for the benefit of local residents, and who have worked together to prepare this financial strategy.

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. Our first priority is to focus on the strategic objective to 'Align our Resources' and to do this we must deliver a balanced budget, the foundation for a healthy organisation.

Management of local government has never been more challenging than it is at present.

Councillors and officers have worked intensively to prepare a budget which, while unpalatable, is deliverable. Our thanks to them all.

We have stretched financial management to its limits to protect frontline services for residents. Funding for local government as a whole has been increased by 7.5% into 2024/25 (including 6% of council tax increases). However, the significant headwinds we are experiencing from inflation and demand for social care continue to challenge the capacity and resource of the council. We will continue to prioritise transformation, operational efficiency, and meeting needs at the earlier opportunity (demand management). We must also plan to reduce supply chain spending (and our carbon footprint within this) and our overall staffing levels if we are to be confident in being able to deliver a balanced budget.

In common with all other councils, we have a legal duty to deliver 'best value'. This means that we must take every opportunity to secure value for taxpayer money – reducing costs, improving operational efficiency, and delivering the best outcomes that we can. This MTFS sets out how we plan to secure best value at the same time as supporting the delivery of all other powers and duties placed upon local government.

Gwilym Butler
Cabinet Member for Finance, Corporate Resources & Communities

James Walton
Executive Director of Resources, S151 Officer

Shropshire Council

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 has shaped where the Council prioritises its activities and remove or reduce work where this does not directly support the objectives of the plan. This Financial Strategy is fully aligned to The Shropshire Plan to ensure that the Council resources are deployed to only those areas of priority. The Plan remains under review to ensure its ongoing relevance, but the Plan objectives remain unchanged since 2022, albeit the current financial pressures may mean that some objectives can no longer be achieved as rapidly as had been hoped.

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 the 10% of staff who are central to the leadership and performance of the whole Council. This leadership programme is called 'Getting Leadership Right' (GLR). Over 200 staff took part in the first phase of GLR, including the Chief Executive, the Executive Directors, and the Assistant Directors. A further 100 staff are engaged on the second phase.

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

2.2 Financial Outlook – National and Local

The financial outlook for the Council is exceptionally challenged. Many Councillors and Officers have commented that the current challenges are the most severe in living memory. In this context, it is more, not less, important to have a clear plan and a clear outlook for the Council's finances. This will ensure clear alignment of resources to objectives and help plan activity across the coming years.

The challenges faced by the Council, in common with other councils, focus on the financial pressures arising from inflation (both pay and price) and demand for social care support (including, but not limited to, older and working age adults, children and younger adults, those in need of housing support and temporary accommodation).

The fundamental challenge is that the level of funding available is determined by Government and is lower than is likely to be required to maintain services in 2024/25 at the same level as they were provided in 2023/24. This position has been evidenced in detailed modelling by the Local Government Association, and recently submitted to the Levelling up, Homes and Communities Select Committee, who published a report on 'Financial distress in Local Authorities' on 1 February 2024.[1]

2.2.1 Settlement 2024/25

The financial settlement for local government as a whole was confirmed in early February 2024, ahead of the 2024/25 financial year. This is summarised below. This shows a £4.5bn or 7.5% overall increase in the funds available to local government from 2023/24 to 2024/25.

Of this, there is a 6.1% increase in the anticipated level of Council Tax receipts available to councils (so, Government is expecting that local councillors all agree to the maximum permitted increase in council tax, including a 2.99% maximum increase in the basic rate and a 2% increase on the amount for the Social Care Precept, with the addition of an estimated 1.1% increase in the council tax base across England). Council Tax receipts will therefore rise from £34bn to £36bn.

The increase in the remaining funding, provided through Government, is from £26.2bn in 2023/24 to £28.6bn in 2024/25. The amount available from Government was increased by £0.6bn between the provisional settlement (published in December) and the final settlement (published in February). This funding related to social care and is included in the table below as part of the social care grant. The summary table shows that the local to national share of local government funding has remained consistent from 2023/24 to 2024/25, with 56% of local government funding coming from local Council Tax and 44% coming through Government grants (including the mechanisms around the Settlement Funding Assessment, which contain amounts for retained Business rates, the top-up/tariff provisions, and therefore baseline funding).

The increase in funding from 2023/24 to 2024/25 was set out in the provisional settlement as £2bn from Council Tax increases (local funding) and £1.8bn from

[1] Financial distress in local authorities (parliament.uk)

Government funding. The level of government funding was increased at the final settlement by the £0.6bn of social care funding mentioned above.

£m	2023/24	local/ national share	2024/25	local/ national share	% change	growth
Total	60,197	100%	64,705	100%	7.5%	4,508
Council Tax funding	33,984	56%	36,071	56%	6.1%	2,087
Other	26,213	44%	28,034	44%	6.9%	1,821
Social care additional			600		NA	600

Figure 3 - national funding for local government (source: DLUHC)

Core Spending Power by component (£m)	2023/24	2024/25
Revenue Support Grant	2,729	3,024
Baseline Funding Levels	12,943	13,538
Under indexation	2,205	2,581
Council tax	33,984	36,071
Improved Better Care Fund	2,140	2,140
Social Care Grant	3,852	5,044
Discharge Fund	300	500
Market Sustainability Improvement Fund	562	1,050
New Homes Bonus	291	291
Rural Services Delivery Grant	95	110
Rolled in grants	480	-
Funding Guarantee	133	269
Services Grant	483	87
TOTAL	**60,197**	**64,705**

Figure 4 - confirmed overall settlement for local government in 2024/25 (source: DLUHC)

Additionally, DLUHC has set out an expectation that local government will provide ‘Productivity Plans’ by July 2024. These should be published on the Council website, and include statements and evidence on how the Council is maximising its productivity. This will include, but is not limited to:

- Service transformation
- Use of technology and data to support better service design and delivery
- Reducing ‘wasteful’ spend[2]

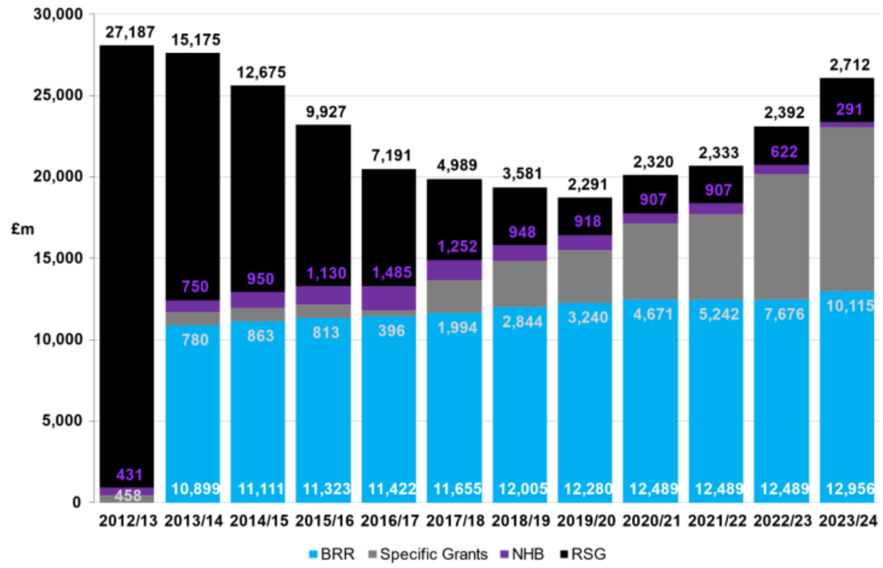
[2] DLUHC indicate that this might include use of consultants, and staff Equality, Diversity and Inclusivity training programmes. It does not include work on integration and civic pride, and counter extremism.

In Shropshire, the budget proposals set out in this report and elsewhere in the budget papers include extensive references to transformation activity (which will maximise the ability of the Council to deliver necessary services for local residents), increased use of technology and data to inform service planning, and enhanced visibility for supply chain and third party spending enabling a greater level of 'check and challenge' around planned spending.

2.2.2 Local Government Funding since 2012

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%.

8

Figure 5 - 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[3]) to support aspects of 'place-based' services, as well as some areas of social care.

As in previous years, this funding has been allocated on a 'one-off' basis – indeed, this is now the sixth successive settlement which has been primarily for one year only and largely

[3] See also the fees and charges proposals for 2023/24.

‘rolled-over’ many of the funding streams from one year to the next. The local government sector as a whole 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 into the future. This is not now anticipated to begin within the current parliament. The latest announcements have indicated that, from 2025, the government will begin a review of the process of allocating funds (rather than funding sufficiency).

2.2.3 Balance of funding

Figure 6 below demonstrates that the proportion of national funding within the Core Spending Power has decreased from 51% to 44% over a nine year period with increased reliance now on local authorities to raise funding locally instead by raising council tax. However this also shows that since 2022/23 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 7 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 seven 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 in an attempt to bridge the funding gap.

Figure 6: Balance of Funding – National Picture

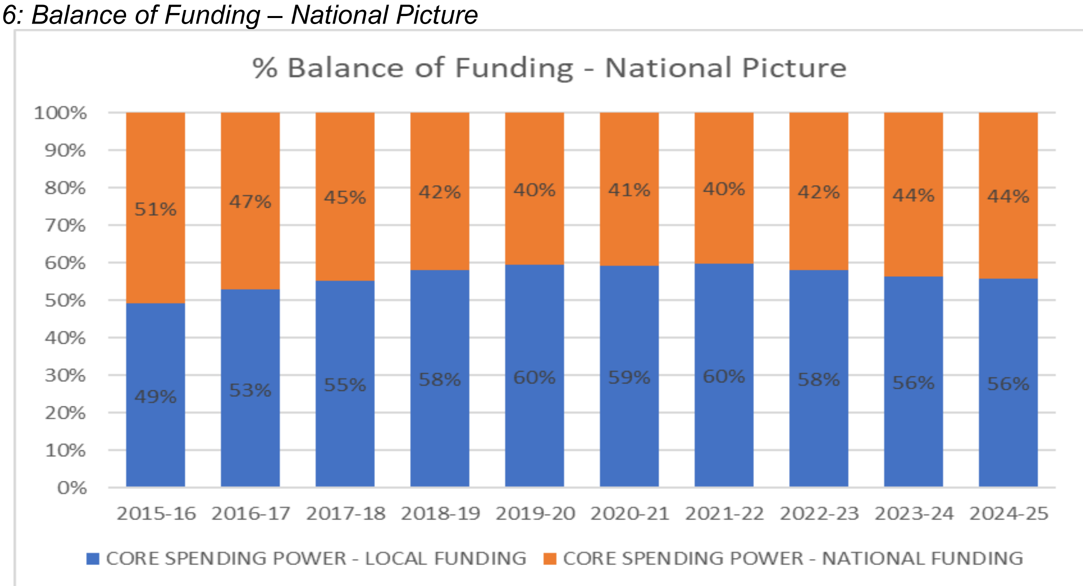
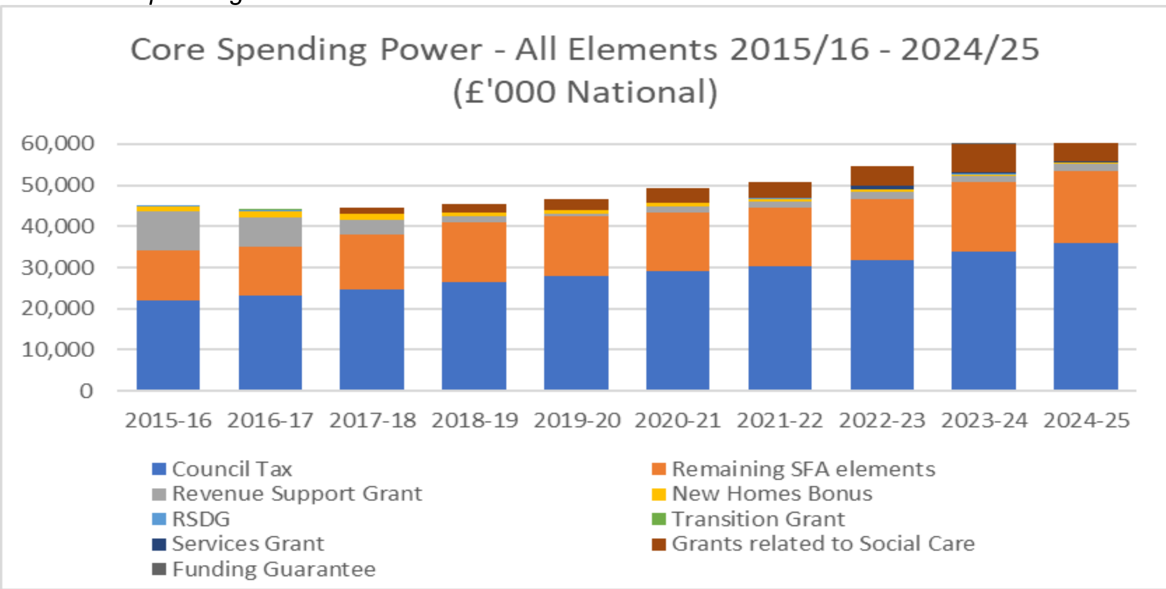


Figure 7: Core Spending Power – All Elements

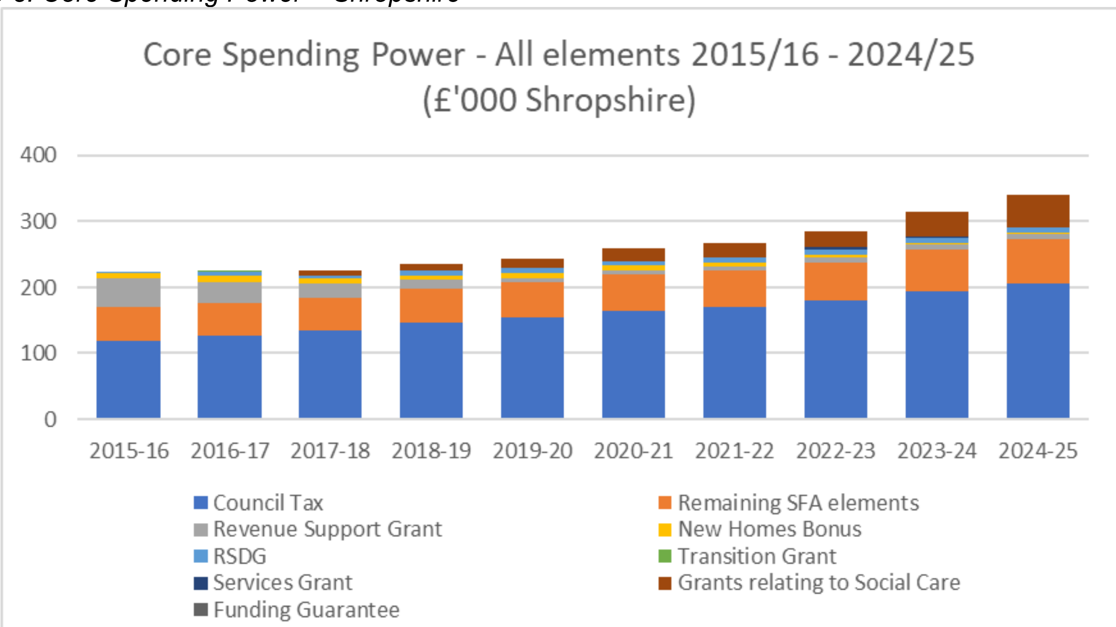


2.2.4 Local Context

Over the last nine years, Shropshire Council's core spending power has changed from £222.5m to £340.2m. The difference between the CSP value and the value of the net budget used by the council is primarily specific government grants, which are attributable to specific service areas.

As shown in Figure 8 below, core spending power has increased marginally by an average of just over 6% per year over the nine year period and the constitution of the funding for the Council has altered significantly over this period. Revenue Support Grant has reduced by 82% over the nine year period and removed £35.8m 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 8: 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 consistently decreased. 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 2024/25 we are still having to place a greater reliance on generating resources locally than the national average. We are currently supporting more people aged 65 and over which accounts for one of the drivers for demand in adult social care, in particular relating to Dementia. However, due to the complexity of needs within the 18 – 64 group they account for half of the spend in Adult Social Care.

Shropshire Council has always had a greater proportion of older people than the national average, but as shown in Figure 9 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 a number of 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 2017/18, the proportion of social care budgets has increased from 58% to 74% of the Council's net budget, an additional £76m. This also demonstrates that the budgets for other services across the Council have had to contract accordingly to enable the Council to remain within its funding envelope.

Figure 9: Balance of Funding - Shropshire

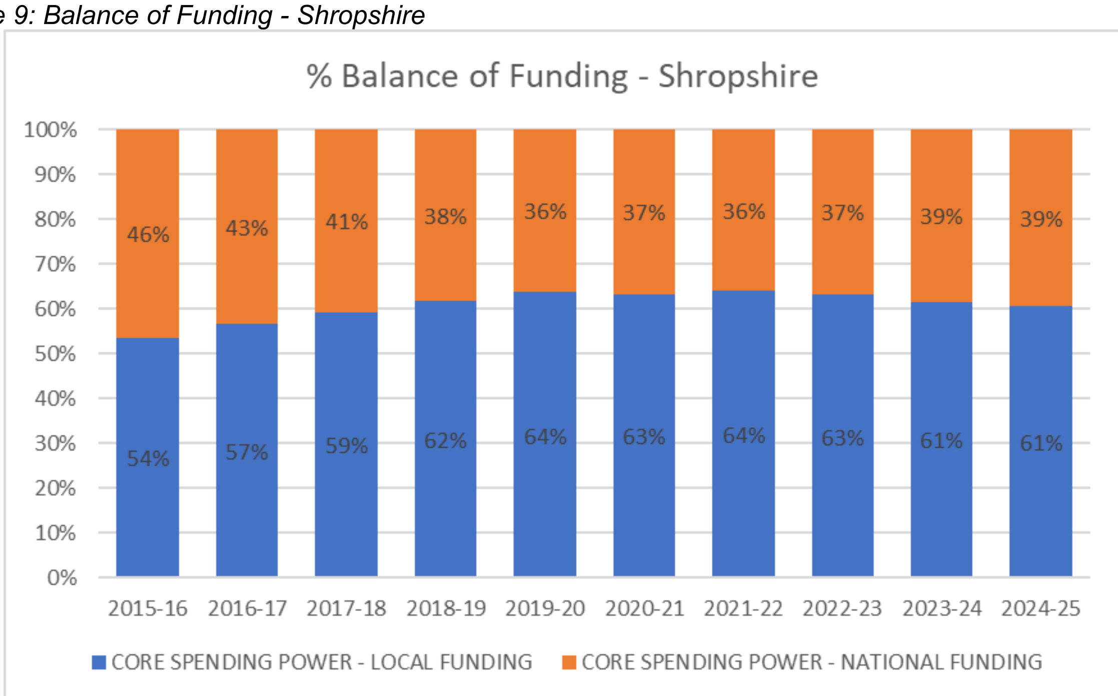


Figure 10: Comparison of Changes in Older People (Shropshire v Nationally)

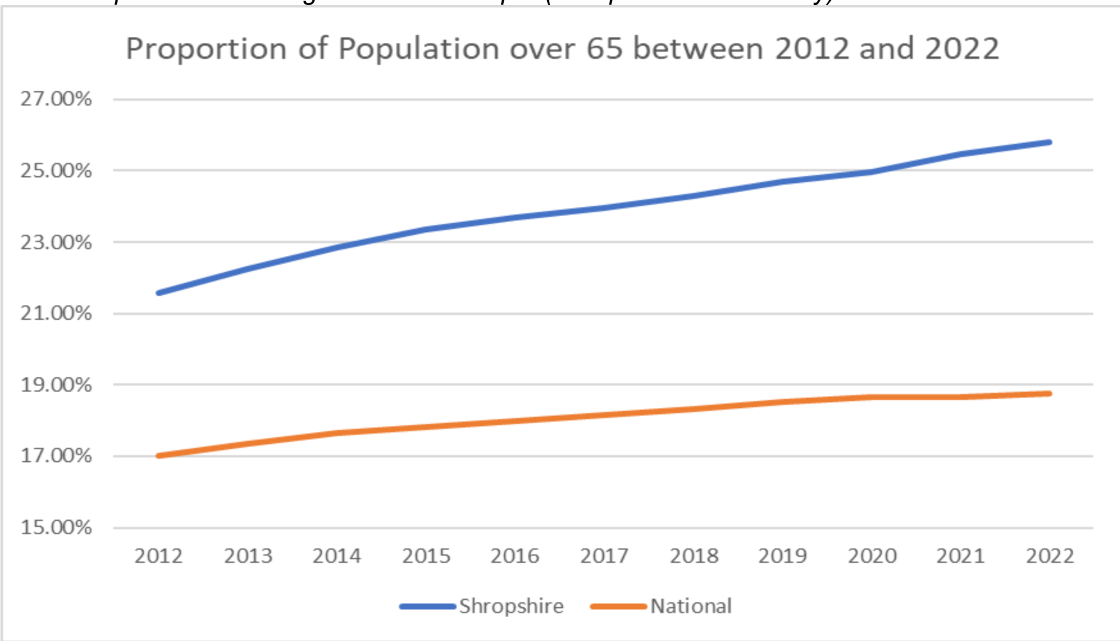
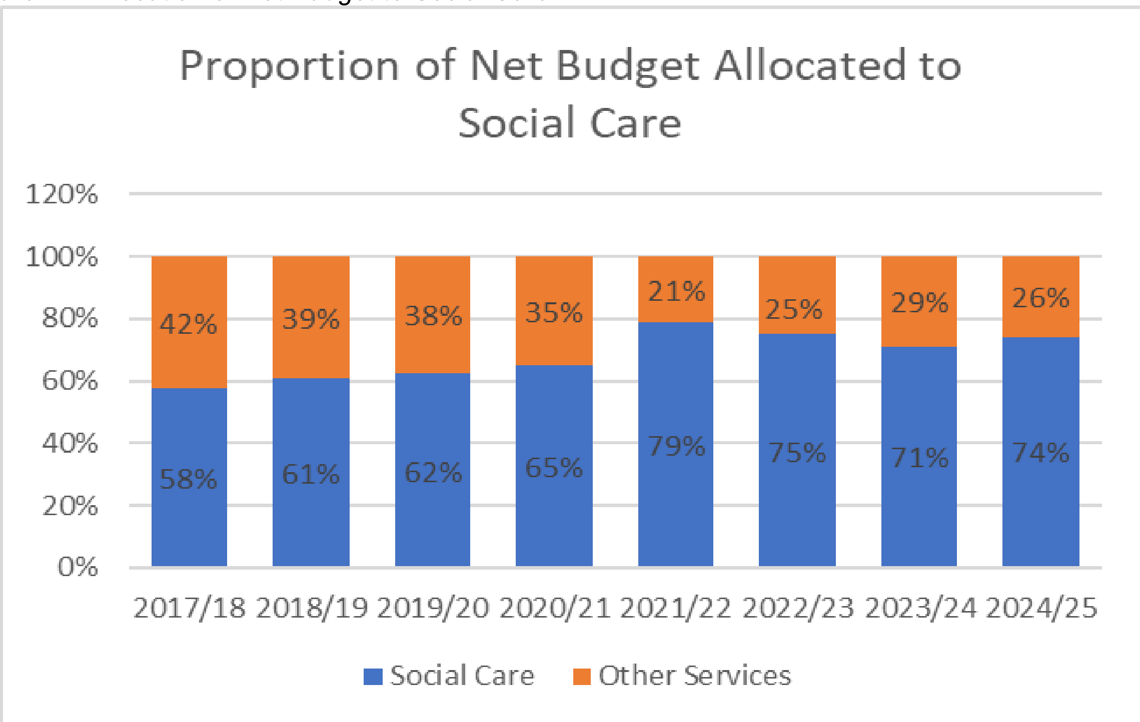


Figure 11: Allocation of Net Budget to Social Care



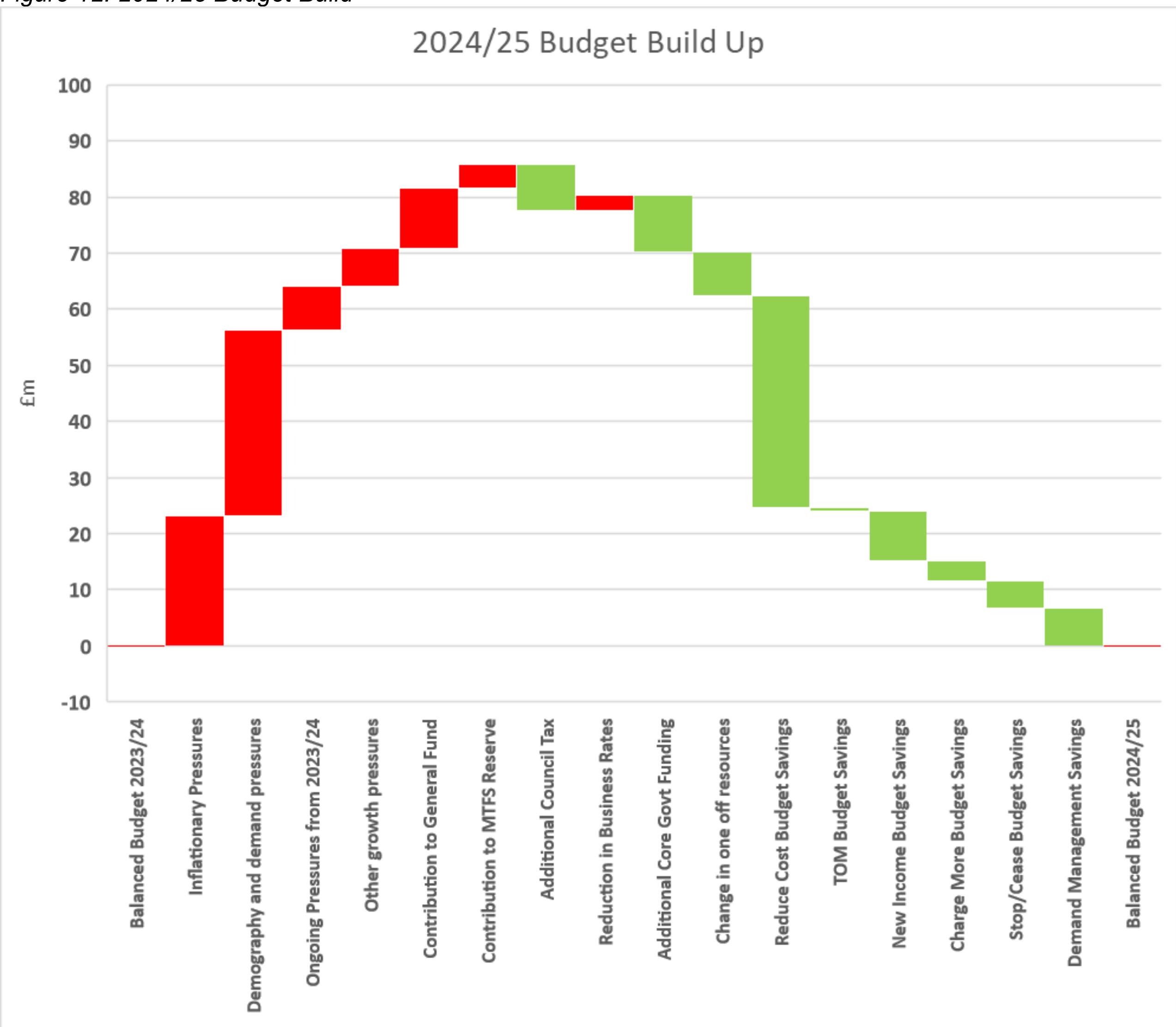
N.B. The Net Budget for 2021/22 and 2022/23 reduced due to the Collection Fund Deficit which has arisen due to reliefs given to businesses during the Coronavirus pandemic. This therefore impacted on the proportion of new budget allocated to Social Care in these years.

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, the Council has had to balance the budget using the Financial Strategy Reserve, COVID government funding, and general reserves.

2.2.5 The financial settlement for 2024/25

With the country awaiting the imminent general election, the announcements of the Chancellor of the Exchequer in the Autumn Statement 2023 and the Financial settlement for Local Government for 2024/25 have been clear that the increased level of funding going into next year is 7.5%, but of this 6% is expected to come from Council Tax increases (as set out above).

Figure 12: 2024/25 Budget Build



The impact of different factors on the 2024/25 budget is set out in Figure 12 above. This shows that the key pressures being experienced by the Council are attributable to the impact of inflation and the demand for social care services. Responses to mitigate those pressures are shown in the green blocks and include spending (cost) reductions in supply chain and staffing, new income sources, extending existing income sources, and demand management.

2.3 Summary Financial Position for Shropshire

The approach to planning our budget for 2024/25 has been guided by several key principles, which were set out in the December 2023 update to the MTFS. These were

- Prioritising transformation and efficiency interventions, to maximise the value for money being secured from the available resources.
- Then considering the scope to raise additional income in different service areas.
- Last, to consider how spending can be reduced both within the Council's supply chain and within its staffing base.

The resulting proposals to address the budget gap, as set out in the chart above. These combine £56m of spending reduction proposals and £13m of demand management proposals.

Figure 13: MTFS Position 2024/25 – 2028/29

Funding Gap	2024/25 £	2025/26 £	2026/27 £	2027/28 £	2028/29 £
Resources (incl savings plans)	709,472,377	701,440,571	713,053,136	724,701,655	736,702,628
Expenditure (incl savings plans)	761,650,104	767,618,070	792,499,140	814,767,190	836,743,019
Gap in year	**52,177,726**	**66,177,499**	**79,446,004**	**90,065,535**	**100,040,391**
One off Grants & Reserves:					
Improved Better Care Funding	-9,896,143	-10,618,624	-10,996,201	-11,385,105	-11,785,676
New Homes Bonus - One Off	-59,790	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	-28,009,870	-28,850,166	-29,715,671	-30,607,141	-31,525,355
Market Sustainability and Fair Cost Fund	-6,097,977	0	0	0	0
Services Grant	-356,632	0	0	0	0
TOTAL ONE OFF FUNDING	**-52,177,726**	**-47,226,104**	**-48,469,186**	**-49,749,560**	**-51,068,345**
Remaining Gap/(Surplus) to be Funded	**0**	**18,951,395**	**30,976,818**	**40,315,976**	**48,972,046**
Increase in Funding Gap per Year	**0**	**18,951,395**	**12,025,423**	**9,339,157**	**8,656,071**

3. Revenue Resources 2024/25 – 2028/29

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[4]
  - 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 2023, the Council approved the Council Tax Taxbase for 2024/25 which calculates the number of Band D equivalent properties to levy Council tax on. For 2024/25, the Council Tax Taxbase is 119,191 Band D equivalents which was an increase of 0.92% from the 2023/24 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 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 2024/25 Shropshire Council is proposing a 2.99% increase to Council Tax. This generates an additional £5.8m 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 will detail all of 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

[4] 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

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 2024/25 the Government permitted that local authorities could set an Adult Social Care precept up to a maximum of 2%. **Therefore for 2024/25 the Council is proposing a 2% total Adult Social Care Precept.**

The additional 2% Social Care Precept generates an additional £3.9m for 2024/25, and this takes the total funding generated through the Social Care Precept since its introduction in 2016/17 is £28.064m.

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 a number of reasons. For 2024/25, the MTFS has assumed a 98.5% collection rate. This is the same collection rate that was assumed in 2023/24, and is broadly 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 2023/24, the estimated Council Tax collection fund deficit is £1.016m and Shropshire Council's proportion of this is £0.835m. This deficit will therefore be offset against the total funding for the 2024/25 budget. This deficit comprises an in year estimated deficit of £0.322m resulting from a reduced collection rate, in addition to a deficit of £0.513m from 2022/23 Council Tax Collection Fund where the surplus generated in year was lower than originally estimated.

Council Tax – overall

The total proposed increase in Council tax is therefore 4.99% for 2024/25 (2.99% for Council Tax, 2% for Adult Social Care Precept) and this generates the following Council tax precept for a Band D:

2023/24 total at Band D	**£1,639.01**
Core Council Tax Increase (2.99% of 2023/24 total)	£49.01
Adult Social Care Precept (2% of 2023/24 total)	£32.78
2024/25 proposed total at Band D	**£1,720.80**

Figure 14: Proposed Band D council tax rate

When this Band D figure is applied to the Shropshire Council Tax taxbase, this generates anticipated council tax receipts of £205,104,165.

For future years of the MTFS, assumptions have been made that Council tax increases will reduce to 1.99% for Council Tax and 1% for Adult Social Care for 2025/26 onwards assuming that this is the maximum permitted by the Government (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%

Figure 15: shares of business rates collected

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 generates a surplus in the Collection Fund. Alternatively, if businesses leave during the year, then or we must write off more bad debts than anticipated, we may have a deficit for the year.

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

For 2023/24, the estimated Business Rate collection fund deficit is £5.269m and Shropshire Council's proportion of this is £2.777m. This deficit has arisen due to a increase in the appeals provision in 2022/23 and 2023/24 for appeals raised against the 2023 rating list. This again has had to be offset against the total funding for the 2024/25 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 2023/24 the Council is collecting £1.380m from these schemes and the estimated value for 2024/25 is £1.540m. 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 2024/25 Shropshire Council is receiving a top up grant of £10.925m.

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 have to fund service delivery.

In the Final Local Government Funding Settlement for 2024/25, 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 even if the specific grants listed below do not continue in their current format.

For 2024/25 the following core grants will be received:

Figure 16: Shropshire Council – Core Grants (2024/25)

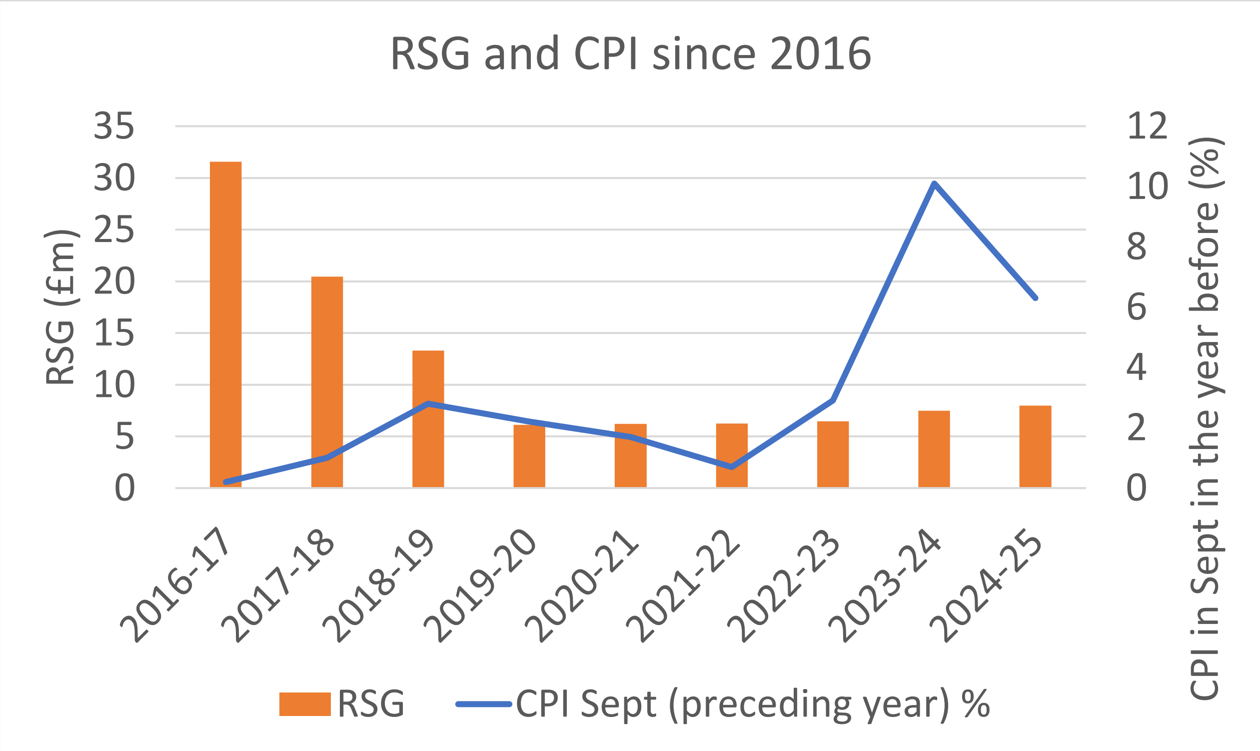
Shropshire Council - Core Grants (2024/25):	£
Revenue Support Grant	7,973,988
Improved Better Care Fund	11,863,403
New Homes Bonus	1,807,300
Rural Services Delivery Grant	8,982,153
Social Care Grant	28,009,870
Market Sustainability and Fair Cost Fund	6,097,977
Discharge Fund	2,772,051
Services Grant	356,632
TOTAL CORE FUNDING	**67,863,374**

Revenue Support Grant (RSG)

There has been no change in distribution for the Revenue Support Grant in 2024/25. Instead, the government has inflated the 2023/24 grant level in line with the Consumer Price Index as at September 2023.

As can be demonstrated from Figure 17 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 only inflationary increases applied. Due to the high inflation rates within the economy in 2022/23 and 2023/24, this has resulted in a larger uplift in 2023/24 and 2024/25 than in the previous 3 years.

Figure 17: 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 2024/25 the grant distribution would be the same as in previous years and the quantum would remain the same as in 2023/24.

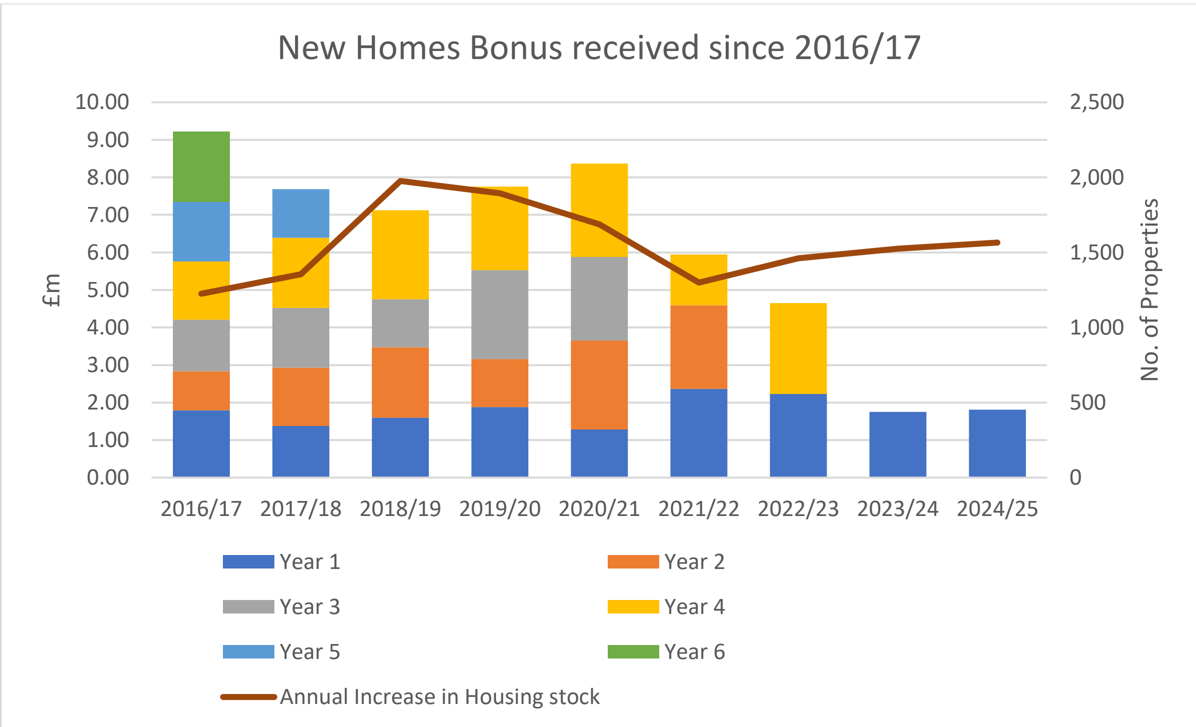
New Homes Bonus (NHB)

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.

A contribution of £5m of the total New Homes Bonus had previously been assumed within the Council's base budget. This has gradually been reduced as the New Homes Bonus Allocation is reduced and only £1.748m remains. As it is anticipated New Homes Bonus will no longer be paid in 2025/26, growth has been built in for 2025/26 to offset the shortfall. As the allocation for 2024/25 is £1.807m the additional £0.059m can be used in 2024/25 to offset the funding gap.

Figure 18: Shropshire Council - New Homes Bonus



Rural Services Delivery Grant (RSDG)

The Rural Services Delivery Grant had previously been incorporated within the Revenue Support Grant 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.

In the Provisional Local Government Finance Settlement, the Government had announced that the allocations of Rural Services Delivery Grant would be cash flat from the levels paid in the previous year. Following consultation on the Provisional Local Government Finance Settlement, however, the Government announced a further £15m would be distributed through this grant. Therefore, the total value of Rural Services Delivery Grant received for 2024/25 is £8.982m. 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 2024/25 the Government announced a further £0.6bn would be built into the Social Care Grant. For Shropshire Council this resulted in an increase in the Social Care Grant of £2.9m to a total of £28m.

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. The final settlement for 24/25 funding for Councils included a further £500m 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. This equated to £2.9m for Shropshire. For Shropshire Council, overall MSIF funding of £6.1m has been announced for 2024/25.

Discharge Funding

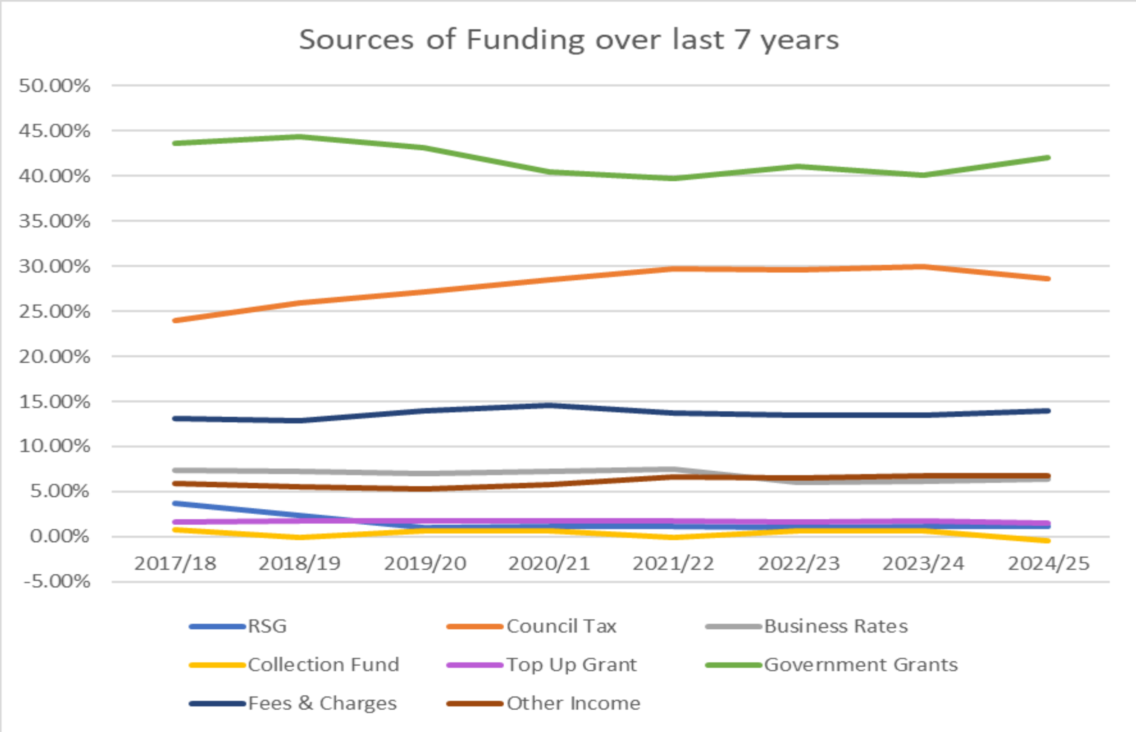
The Autumn Statement for 2022 announced funding for 2023/24 to ensure that those people requiring social care following a stay in hospital, can be discharged as soon as possible to assist with freeing up hospital beds. In 2024/25 Shropshire Council has received £2.8m towards this.

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. The amount allocated via the

Services Grant reduced in 2022/23 and then even further for 2024/25. For Shropshire Council this has provided an additional £0.357m and there no conditions or reporting on where this has been spent.

Figure 19: Sources of Funding for Shropshire Council (since 2017/18)



3.5 Non-Core Government Funding

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

The total budgeted non-core government grants for 2024/25 is £240.957m and the breakdown of grants for 2024/25 and the movement from 2023/24 are detailed below.

Figure 20: 2024/25 Non-Core Government Grants and movement from 2023/24

Non-Core Government Grant	2023/24 £	2024/25 £	Increase/ (Decrease) £
Dedicated Schools Grant	111,552,850	128,081,530	16,528,680
Local Reform & Community Voices Grant	199,730	199,730	0
Quality in Community Services - Private Finance Initiative	1,522,650	1,522,650	0
Waste - Private Finance Initiative	3,185,610	3,185,610	0
Housing Benefit Administration Subsidy	643,515	642,967	-548
Public Health Grant	12,775,141	13,496,100	720,959
Susbstance Misuse	54,000	54,000	0
Extended Rights to Free Transport / General Duty to Promote Sustainable Travel	384,900	430,100	45,200
Pupil Premium Grant	4,011,060	4,436,850	425,790
Mandatory Rent Allowances: Subsidy	38,000,000	38,000,000	0
Rent Rebates: Subsidy	7,902,380	7,902,380	0
Bus Services Operator Grant (BSOG)	512,450	512,450	0
Tackling Troubled Families	669,500	0	-669,500
Supporting Families Programme	0	1,011,900	1,011,900
Business Rates Retention Scheme - Section 31 Grants	21,521,302	23,625,263	2,103,961
Unaccompanied Asylum Seeking Children (UASC)	764,850	2,986,540	2,221,690
Single Fraud Investigation Service	1,113	1,014	-99
Welfare Reform New Burdens	66,090	57,295	-8,795
Social Care In Prisons	47,940	47,940	0
War Pensions Disregard	117,210	117,210	0
Adoption Support Fund (ASF)	256,670	256,670	0
Bikeability	150,000	160,000	10,000
Assessed & Supported Year in Employment (ASYE)	38,000	28,000	-10,000
Staying Put	92,950	92,950	0
Parks & Sites	30,000	30,000	0
MHCLG Rough Sleepers Initiative	372,670	377,331	4,661
VEP	65,100	6,678	-58,422
Universal Credit	39,300	21,004	-18,296
Extending Personal Adviser support to age 25: new burdens assessment	48,090	48,090	0
KS2 Modernisation	14,660	14,660	0
Homelessness Prevention Grant	720,421	753,546	33,125
AONB Core Grant	228,109	228,110	1
DEFRA - Farming in Protected Landscapes	784,526	1,504,952	720,426
DEFRA - Trees outside Woods	48,060	53,800	5,740
Historic England - Offa's Dyke Project	50,000	40,350	-9,650
MHCLG - Domestic Abuse Duty Capacity Building Fund	591,760	602,920	11,160
DLUHC - Homes for Ukraine Scheme Local Authority Tariff Payment	1,500,000	1,640,780	140,780
Reducing Parental Conflict Grant	18,730	0	-18,730
National Lottery Heritage Fund - Shropshire Hills Young Ranger	50,960	0	-50,960
UK Shared Prosperity Fund (UKSPF) - Admin grant	47,560	160,260	112,700
UK Shared Prosperity Fund (UKSPF) - Project grant	0	5,502,160	5,502,160
DEFRA - Woodland Creation Accelerator Fund	0	50,020	50,020
OHI&D - Drug Strategy	0	609,644	609,644
OHI&D - Inpatient Detoxification	0	42,767	42,767
DfT Bus Service Improvement Plus Funding	0	1,490,492	1,490,492
DfE - Holiday Activities and Food Programme	0	714,300	714,300
HB Accruacy Initiative	0	26,600	26,600
Arts Council - National Portfolio Organisations	0	188,999	188,999
Total Non Core Government Grants	**209,079,857**	**240,956,612**	**31,876,755**

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.

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 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 2023/24 the Council is anticipating a deficit in the Dedicated Schools Grant in relation to the increased costs of Independent Special School Placements.

For 2024/25 the Dedicated Schools Grant has increased to £128.1m, largely due to the expansion of duties to provide Free Early Years education to a younger range of children commencing from April 2024, and is broken down into the following main blocks:

Dedicated Schools Grant	£m
Early Years Block DSG	28.991
High Needs Block DSG after Recoupment	34.895
Central Schools Services Block DSG	2.212
Schools Block (Maintained Schools)	61.983
	128.081

Figure 21: Shropshire Council – Dedicated Schools Grant

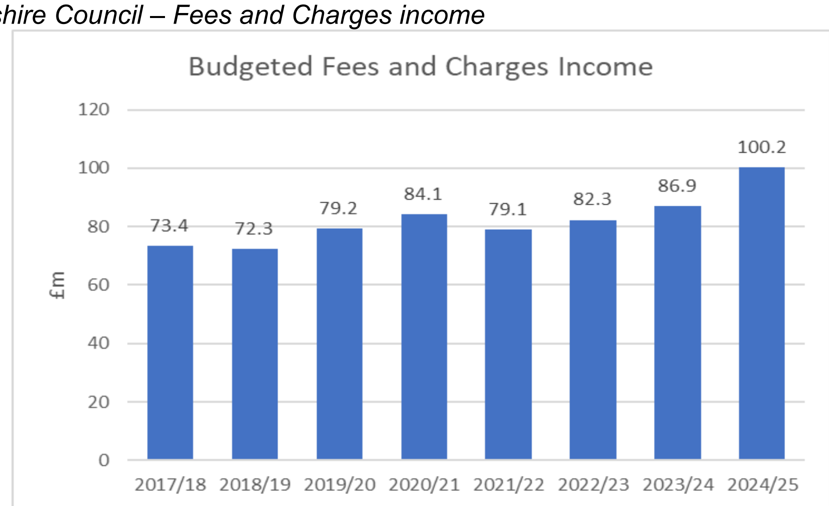
Public Health Grant

The Public Health Grant is a ringfenced grant to be used for public health functions. The Government has published the Public Health grant allocations for 2024/25 in February; the grant for Shropshire Council has increased by 2.1% overall to £13.496m but with inflationary pressures including staff costs such as Agenda for Change pay award growth and population pressures, there has been a year on year 27% real-terms per person cut in the value of the grant between the initial allocations for 2015/16 and 2024/25.

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. Fees and Charges are recommended to be approved as part of a detailed report also on this agenda.

Figure 22: Shropshire Council – Fees and Charges income



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

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

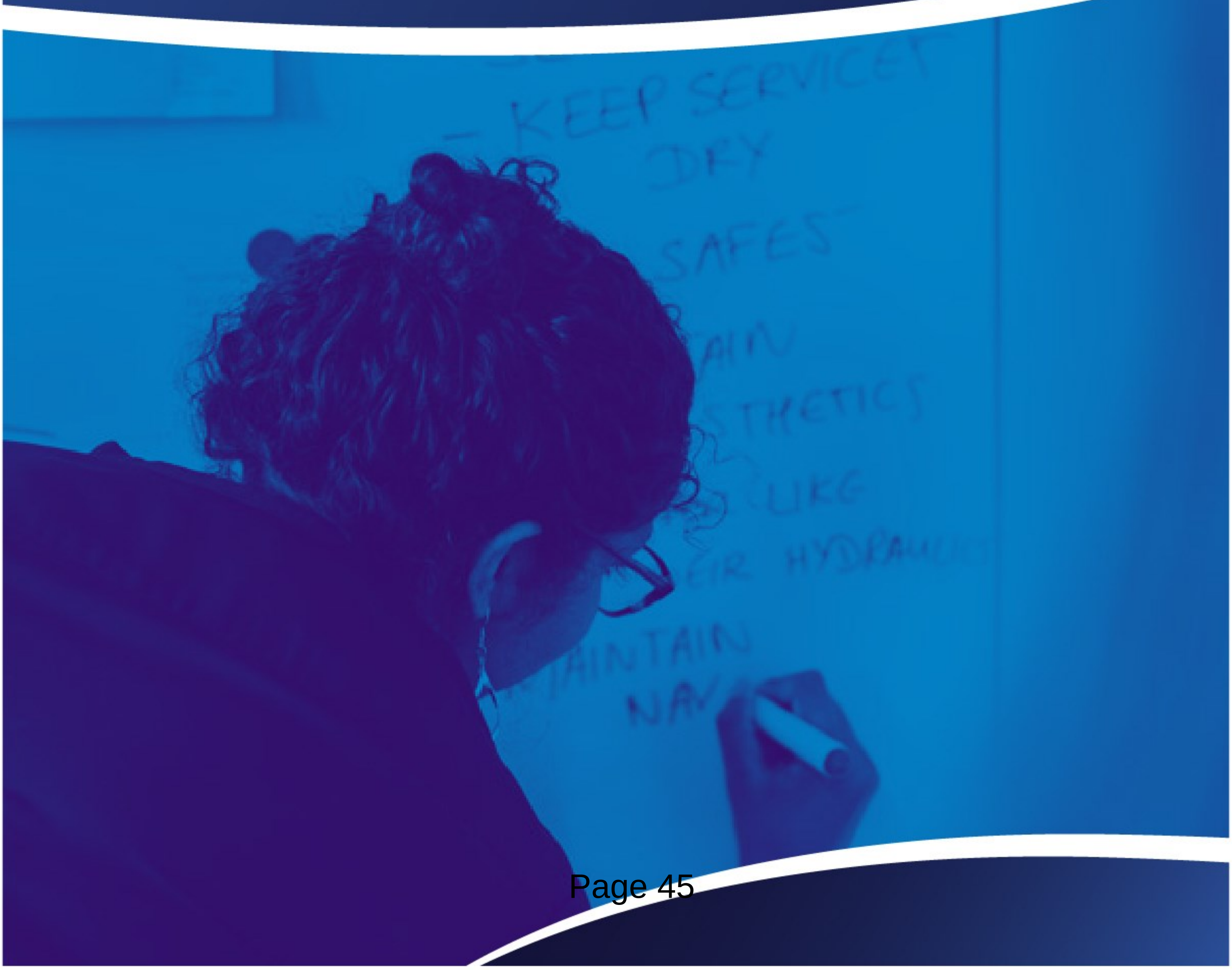
A significant proportion of the total income achieved through fees and charges is based on statutory income, where the Government prescribe the level of fees to be charged. The remainder is achieved through discretionary fees and other income and Full Council approve the fees and charges to be applied for the coming financial year each February. For 2024/25 the total budgeted income from fees and charges is £100.2m.

3.7 Total Resources

Resources	2024/25 £	2025/26 £	2026/27 £	2027/28 £	2028/29 £
Council Tax	205,104,165	213,771,382	222,805,076	232,219,979	242,033,786
Business Rates:					
Business Rates Collected	39,766,081	40,458,919	48,502,796	49,351,899	50,217,921
Business Rates - Energy Renewable Schemes	1,540,262	1,000,000	1,000,000	1,000,000	1,000,000
Top Up Grant	10,924,574	10,924,574	10,924,574	10,924,574	10,924,574
RSG	7,973,988	8,213,207	8,377,471	8,545,021	8,715,921
Collection Fund:					
Council Tax	-834,556	0	0	0	0
Business Rates	-2,777,295	0	0	0	0
NET BUDGET	**261,697,219**	**274,368,082**	**291,609,917**	**302,041,472**	**312,892,202**
Grants included in Core Funding:					
Improved Better Care Fund	11,863,403	12,219,305	12,585,884	12,963,461	13,352,365
New Homes Bonus	1,807,300	0	0	0	0
Rural Services Delivery Grant	8,982,153	8,982,153	8,982,153	8,982,153	8,982,153
Social Care Support Grant	28,009,870	28,850,166	29,715,671	30,607,141	31,525,355
Market Sustainability and Improvement Funding	6,097,977	0	0	0	0
Discharge Funding	2,772,051	0	0	0	0
Services Grant	356,632	0	0	0	0
CORE FUNDING	**321,586,605**	**324,419,707**	**342,893,625**	**354,594,227**	**366,752,075**
Local Income					
Fees and charges (including income savings deliverable from prior years)	98,525,470	98,525,470	98,525,470	98,525,470	98,525,470
Other Grants and contributions	36,829,400	36,829,400	36,829,400	36,829,400	36,829,400
Specific Grants (excluding Core Funding Grants above)	240,956,612	230,091,704	223,230,351	223,178,268	223,021,393
Internal Recharges	11,574,290	11,574,290	11,574,290	11,574,290	11,574,290
TOTAL FUNDING	**709,472,377**	**701,440,571**	**713,053,136**	**724,701,655**	**736,702,628**

Figure 23: Total Resources 2024/25 – 2028/29

4. Expenditure Plans 2024/25 – 2028/29



4.1 Profile of Council's Expenditure

The Council's net revenue budget in 2024/25 is £261.697m.

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 several 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 the population of Shropshire and 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 2024/25.

[Council Tax 'Receipt' illustration will be finalised prior to publication for Full Council.]

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 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. As a result, there was a significant increase in all items of expenditure during 2022/23 and 2023/24, with the Bank of England increasing interest rates to try and bring the level of inflation down for the country. During the latter half of 2023/24 inflation has started to drop, but not down to levels experienced prior to the Ukraine war, and so all expenditure is still increasing at a higher rate than previously anticipated over the course of the MTFS.

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 2023/24 and recognising the cost of living pressures, the pay award for 2023/24 was marginally higher than the budget provision. This was funded from in year savings in 2023/24, 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 2024/25. 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 £1,800 increase for 2024/25 and then has reverted to a 3% uplift for future years. As a result of these proposed increases, pay inflation is £10.4m for 2024/25 (including the unbudgeted cost for 2023/24).

As the Council's pay costs increases, the apprenticeship levy that the Authority is required to pay also increases. Growth of £0.027m has been included to reflect the revised cost that the Council can expect to incur in relation to the levy in 2024/25.

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 remained reasonably high, accordingly the level of contract inflation has increased significantly. For perspective, contract inflation is generally included for approximately £2-3m, however for 2024/25 we are funding contract inflation of £11.9m.

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 an average level of inflation for Corporate Landlord related costs of 9% with the total cost of corporate landlord inflation is £11.927m.

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 2023/24 the Council has taken several steps to try to actively manage this demand for services. Despite this, demand for Adult Social Care has increased significantly and has resulted in growing budget pressures in 2023/24.

Also, within Children's Social Care the Council is implementing its Stepping Stones project which aims to reduce the spend on high cost placements and address the issues of children coming into care, again to prevent care placements being required. The growth in numbers of children requiring Children's Social Care and increase in residential placements for some children needing this resource due to lack of available foster placements, however, is again presenting the Council with a budgetary pressure in 2023//24 and beyond.

As a result, the Council needs to provide for these budgetary increases in 2023/24 in addition to predicted further growth in numbers in 2024/25. Both services again have several projects and plans to try and control demand management and reduce pressure on these services over the course of 2024/25.

There are other demographic growth areas that remain for 2024/25, mainly in relation to an increase in households in the area resulting in increased waste collection costs.

Total demographic pressures for 2024/25 are estimated to be £29.070m.

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 2023/24 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.

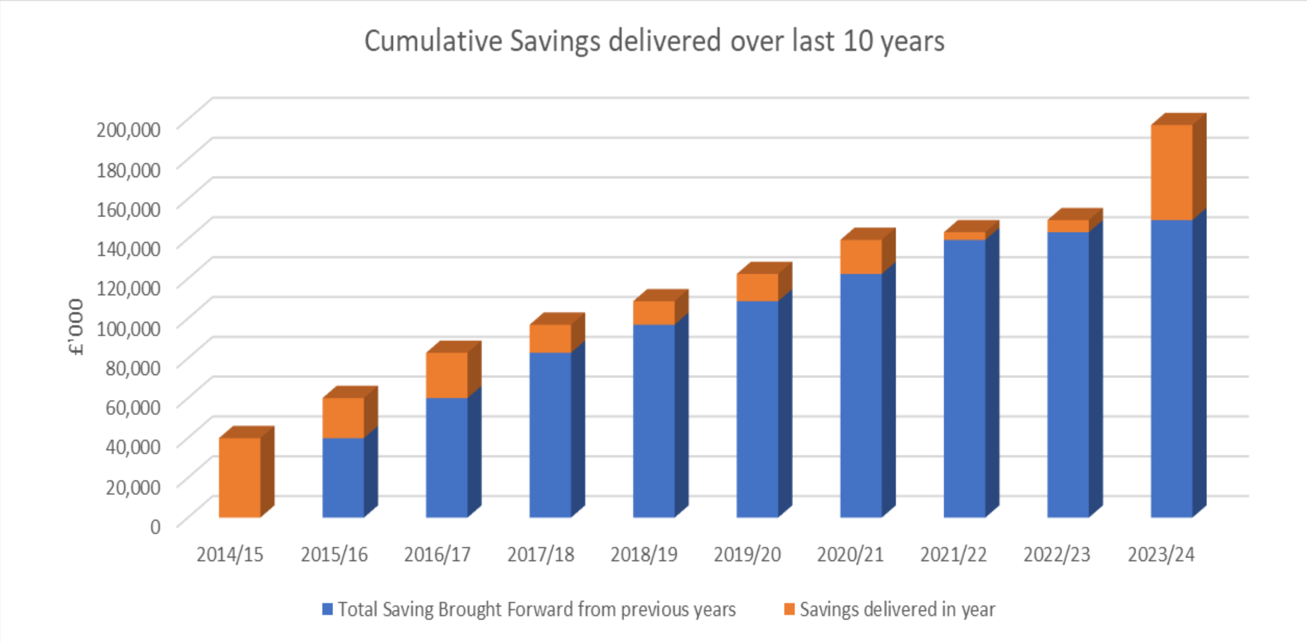
Within the Service Specific Pressures section of the budget build up and these consist of £3.539m of growth relating to unachieved savings in 2023/24, £2.262m additional growth for specific invest to save projects in Children's Social Care whereby the investment should drive out further cost savings in care packages, where the bulk of the cost pressure is experienced. There are further growth items of £2.061m across other services in the Council which relate to ongoing budgetary pressures in 2023/24. across the rest of the Council.

Within the Local Generated Pressures section of the budget build up is growth required to reflect changes in specific grants as detailed in the Resources section which have a corresponding change to expenditure. Also within Local Generated Pressures there are planned contributions to reserves over the course of the financial strategy. 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 24 shows the level of savings delivered over the last 10 years, which is just under £200m.

Figure 24: Cumulative Savings Delivered



During 2023/24 it has been identified that £3.539m of savings previously agreed, were no longer deliverable and so these have been removed from 2024/25.

It was also identified that the 2023/24 spending reduction relating to EFF44 - Review PFI contract costs to secure greater efficiency (£4.286m) had not been delivered on a recurrent basis in 2023/24. However, work has been progressing to secure ongoing savings within the Waste Service that could be used towards this spending reduction. The service have now identified the following proposals that will deliver this saving:

Table 1: Replacement savings 2023/24

Directorate	Service Area	Saving Proposal	Saving £'000
Place	Commercial Services	As per the PFI contract - Increased share from the sale of energy and recyclates	2,000
Place	Commercial Services	Review and negotiate key supplier contracts including the Waste PFI contract to secure cost reductions	2,000
Place	Commercial Services	Reduce from five to three Household Recycling Centres – Anticipated to deliver £0.300m therefore £0.014m included within 2024/25 savings Proposals	286
Total Replacement Savings			**4,286**

As a result of the inflationary cost pressures continuing into 2024/25, and the demand pressures in Social Care as a result of increased number of care packages, an exercise has taken place to identify further savings to close the funding gap.

For 2024/25 total gross savings of £62.480m have been identified. The savings identified fit into 6 main categories:

- Reducing cost of existing services;

- Savings delivered through a new Target Operating Model – which transforms how we operate our services;
- Savings delivered through managing demand levels for our services;
- Charging more for existing services we provide;
- Generating new income for services that we have not previously charged for;
- Stopping or ceasing some services or activities.

A breakdown of the savings to be delivered is included in Table 2 below and Figure 45 in section 11.

Table 2: Total Savings for 2024/25 – 2026/27

Category of Saving	2024/25 £	2025/26 £	2026/27 £
Reduce Cost			
Health & Wellbeing	1,253,600	-930,000	0
People	5,698,000	250,000	0
Place	6,157,765	1,958,863	112,050
Resources	3,423,000	2,800,000	0
Council wide	22,977,600	0	0
Total Reduce Cost Savings	**39,509,965**	**4,078,863**	**112,050**
Target Operating Model			
Health & Wellbeing	15,000	15,000	0
People	610,000	0	0
Place	100,000	2,000,000	0
Resources	0	120,000	0
Council wide	0	0	0
Total Target Operating Model Savings	**725,000**	**2,135,000**	**0**
Manage Demand			
Health & Wellbeing	200,000	-200,000	0
People	6,273,636	630,000	110,000
Place	300,000	0	0
Resources	0	0	0
Council wide	0	0	0
Total Manage Demand Savings	**6,773,636**	**430,000**	**110,000**
Charge More			
Health & Wellbeing	0	0	0
People	0	0	0
Place	20,000	0	0
Resources	0	0	0
Council wide	2,000,000	0	0
Total Charge More Savings	**2,020,000**	**0**	**0**
New Income			
Health & Wellbeing	0	0	0
People	3,800,000	0	0
Place	4,892,720	1,622,000	20,000
Resources	0	0	0
Council wide	0	0	0
Total New Income Savings	**8,692,720**	**1,622,000**	**20,000**

Category of Saving	2024/25 £	2025/26 £	2026/27 £
Stop/Cease Services			
Health & Wellbeing	0	0	0
People	1,600,000	400,000	-400,000
Place	3,128,650	3,047,010	50,000
Resources	0	0	0
Council wide	30,000	0	0
Total Stop/Cease Services Savings	**4,758,650**	**3,447,010**	**-350,000**
Total Savings Proposals	**62,479,971**	**11,712,873**	**-107,950**

During 2023/34, PwC have been engaged by the Council as a delivery partner, providing additional capacity and sector-wide insight into delivery of local authority services. The benefits are already apparent in contributions such as improved programme co-ordination and enhanced benefits realisation, together with insights from other councils' approaches.

As part of the budget for 2024/25 it is intended to continue to work with PwC in a similar way. Work is delivered through an overarching agreement, with separate discussion and agreement of specific proposals and deliverables.

The programme of work is being structured in terms of each specific proposal and the overall agreement being based on all investment being at least matched by the cashable benefits arising. The specifics of the programme are being aligned to the 2024/25 budget proposals set out in this report, but the programme as a whole is not yet defined.

To ensure appropriate flexibility within a clearly defined framework the following approach is proposed:

- All engagement with the delivery partner is discussed and agreed between the Executive Management Team and Cabinet.
- The cost of any specific engagement with PwC is capped *below* the value of the direct and recurring financial benefit delivered within 12 months of engagement (for example, a proposal to deliver £1m saving every year, so £20m over 20 years, will be capped at investment of less than £1m in year 1)
- Given the scale of the savings plan for 2024/25 (i.e. £62m) the overall level of investment with PwC will be further capped to a proportion of the £62m target. It is recommended that this cap is set at 10% of the benefit (therefore capped at £6.2m) to balance flexibility and control.

To maximise the pace of delivery and to support the delivery of a balanced budget position in 2024/25a formal delegation is recommended to be made to the Chief Finance Officer in consultation with the Portfolio Holder – Finance, Corporate Resources and Communities to agree with PwC that specific programmes of work can be engaged upon without further Councillor decisions being required, providing that the framework set out above (net cash benefits to be secured, within a £6.2m framework, with clear formal reporting on benefits realisation to Cabinet.

4.6 Total Expenditure

Expenditure	2024/25 £	2025/26 £	2026/27 £	2027/28 £	2028/29 £
Original Gross Budget Requirement	**690,271,309**	**761,650,104**	**767,618,070**	**792,499,140**	**814,767,190**
Inflationary Growth :					
Pay	10,452,858	4,499,091	4,634,064	4,773,086	4,916,278
Apprenticeship Levy	27,370	14,930	15,380	15,840	16,320
Pensions	0	0	0	0	0
Corporate Landlord inflation	690,857	200,706	205,724	210,867	216,139
Contract inflation	11,926,779	3,070,051	3,146,819	3,229,345	3,299,049
Demography & Demand	33,082,045	15,428,710	16,340,680	17,321,950	18,377,800
Service Specific Pressures:					
Revenue Growth arising from capital programme	168,000	-400,000	-500,000		
Ongoing Budget Pressures	7,862,078				
Local Generated Pressures:					
Elections		700,000	-700,000		
Specific Grants Changes between years	36,560,767	-21,434,159	1,262,254	1,216,963	1,150,243
Ongoing reduction in New Homes Bonus (pressure)		1,747,510			
Estimated Cost of Investment - *Approved*	2,032,000	3,104,000	4,452,000		
Adjustment to Gross budget offset by Income changes	16,089,901				
Contribution to General Fund	10,716,110	0	-20,583,800	-5,000,000	
Contribution to Development Reserve - Transformation			-1,000,000		
MTFS reserve (savings slippage/optimism bias)	4,250,000	10,750,000	-7,500,000	-7,500,000	
Capital Investment/Transformation Fund			20,000,000	6,000,000	-6,000,000
Climate Change/Energy Efficiency Fund			5,000,000	2,000,000	
Savings					
TOM Budget Savings	*-725,000*	*-2,135,000*			
Reduce Cost Budget Savings	*-37,809,965*	*-4,078,863*	*-112,050*		
Manage Demand Budget Savings	*-6,773,636*	*-430,000*	*-110,000*		
New Income Budget Savings	*-8,692,720*	*-1,622,000*	*-20,000*		
Charge More Budget Savings	*-3,720,000*				
Stop/Cease Budget Savings	*-4,758,650*	*-3,447,010*	*350,000*		
TOTAL EXPENDITURE	**761,650,104**	**767,618,070**	**792,499,140**	**814,767,190**	**836,743,019**

Figure 25: Total Expenditure 2024/25 – 2028/29

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. This includes two key strategic risks on the financial position of the organisation:

- Inability to contain overall committed expenditure within the current available resources within this financial year;
- Inability to set a balanced budget for a given year within the MTFS.

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

Ability to deliver planned savings and efficiencies – The current MTFS sets out the largest single savings programme in the council's history. This follows a year where the next largest savings programme has been successfully delivered. 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 327,178. 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 and demand management 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 to address 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 was most 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. Following the war in Ukraine, inflation and Interest rates increased significantly and the government and the Bank of England is now trying to put measures in place to reduce inflation and grow the economy to reverse the impacts of this. However, this is not a quick process, and despite progress being made the economy is still experiencing higher levels of inflation than previously expected 2 years on from the war. 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 sectors 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. A general election is due to take place before January 2025 and so a change in direction nationally could occur within the next twelve months. 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

Background

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

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

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

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

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

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

- Treatment of inflation and interest rates
- Level and timing of capital receipts
- Treatment of demand led pressures

- Treatment of efficiency savings/productivity gains
- Availability of reserves, government grants and other funds to deal with major contingencies and the adequacy of provisions
- General Financial Climate

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.

Current position

The financial monitoring reports have provided members with an updated projection on the General Fund during the course of the year. The most recent monitoring report presented to Cabinet (Q3) forecast an overspend for 2023/24 of £14.533m.

This position has been regularly reviewed during the course of the year, and pressures specifically within Adult Social Care and Children's Social Care highlighted. As a result, specific management action has been taken to consider a number of demand management plans that it is intended will reduce the pressure in this year. It is acknowledged however that these plans cannot be delivered immediately and so it was agreed that a contribution from the General Fund would be made in 2023/24 directly in relation to the demand management pressures to provide the necessary time for the demand management implementation plans to be delivered. Any other action that can be taken to reduce the residual overspend for 2023/24 will be taken in the last quarter of the year.

The current balance on the General Fund is £16.1m, as shown below. This will be further impacted by the revenue outturn position.

2023/24 General Fund Transactions	£'000
General Fund Balance as at 1 April 2023	7,093
Budgeted Contribution to the General Fund	19,868
	26,961
Release of Earmarked Reserves into the General Fund	9,700
Funding of Demand Management Pressures	(20,500)
Projected Balance as at 31 March 2024 (subject to outturn)	**16,161**

Table 3: Projected General Fund Balance for 2023/24

2024/25 budgeted contribution to the General Fund

The overspend for 2023/24 reduces 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. However, it is already known that there are likely pressures as follows:

- **Spending reductions @ £22m**. Spending reductions are seldom achieved at 100% within the year in any council. In this Council, the trend in delivery in recent years has averaged 65% of the total, albeit this was increased substantially in 2023/24 to 77% (to date). Unachieved savings can therefore be estimated as likely to be in the range of 23% to 35%. The overall spending reductions set out in section 11 of this report amount to £62.4m. This means that the risk of underdelivery, based on previous experience, will be between £14.5m and £21.8m. Therefore, it is prudent to ensure that the General Fund Balance is at least sufficient to cover a risk of up to £22m based on the substantial spending reductions being planned, and the previous track record of delivery.
- **Regulatory reviews and interventions @ £15m**. The Council is already aware of the need to support improved outcomes in Children's Social Care, highlighted in the recent Ofsted letter. The Council is also aware that there are increasingly robust reviews being introduced by CQC, and DfF in relation to SEND provision. It is probable that at least some of these reviews may recommend additional investment in services to ensure all standards are met. It is not known what such costs may amount to. This provision assumes £5m per review.
- **Other unforeseen base budget pressures @ £10m**. The CFO undertakes a detailed review of the budget estimates each year as part of the s25 'robustness of the estimates' report made annually to Council as part of the budget report. Based on the experiences of previous years, it is prudent to estimate the level of a potential overspend (not arising from underdelivery of savings or external intervention) as being c £10m.

On this basis, potential gross risks of £47m are to be covered by the General Fund Balance. The proposed contribution of £30.6m will take the overall balance on hand as at 1 April to £32.2m. This is 66% of the estimated gross risk, and assumes a 66% likelihood of those risks transpiring.

Therefore as part of the 2024/25 budget, it is planned that £30.6m is contributed into the General Fund Balance.

Table 4: Budgeted Level of General Fund Balance

	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000	2028/29 £000
Balance Brought Forward	1,628	32,211	62,794	72,794	77,794
Budgeted Contribution to General Fund	30,583	30,583	10,000	5,000	5,000

Budgeted Balance as at 1 April	**32,211**	**62,794**	**72,794**	**77,794**	**82,794**

Even though the Council will be making a significant contribution to the General Fund over the course of the MTFS period, there remains a significant risk surrounding the delivery of the savings plans, especially in 2024/25 given that this is the largest savings target that the Council has had to deliver. Therefore in Table 5 below the Council has modelled the impact on the General Fund with the inclusion of a risk assessed use of reserves for the potential effect that non delivery or delayed implementation of savings proposals.. The calculated figure is based on previous experience of delivery of savings targets at the Council.

Table 5: Projected Level of General Fund Balance

	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000	2028/29 £000
Budgeted Balance as at 1 April	32,211	62,794	72,794	77,794	82,794
Potential Commitments based on risk assessment of delivery of savings (in year)	(21,750)	(15,375)	(5,000)	-	-
Cumulative commitments based on risk assessment of delivery of savings (2024/25 – 2028/29)		(21,750)	(37,125)	(42,125)	(42,125)
Projected level of General Fund Balance	**10,461**	**25,669**	**30,669**	**35,669**	**40,669**

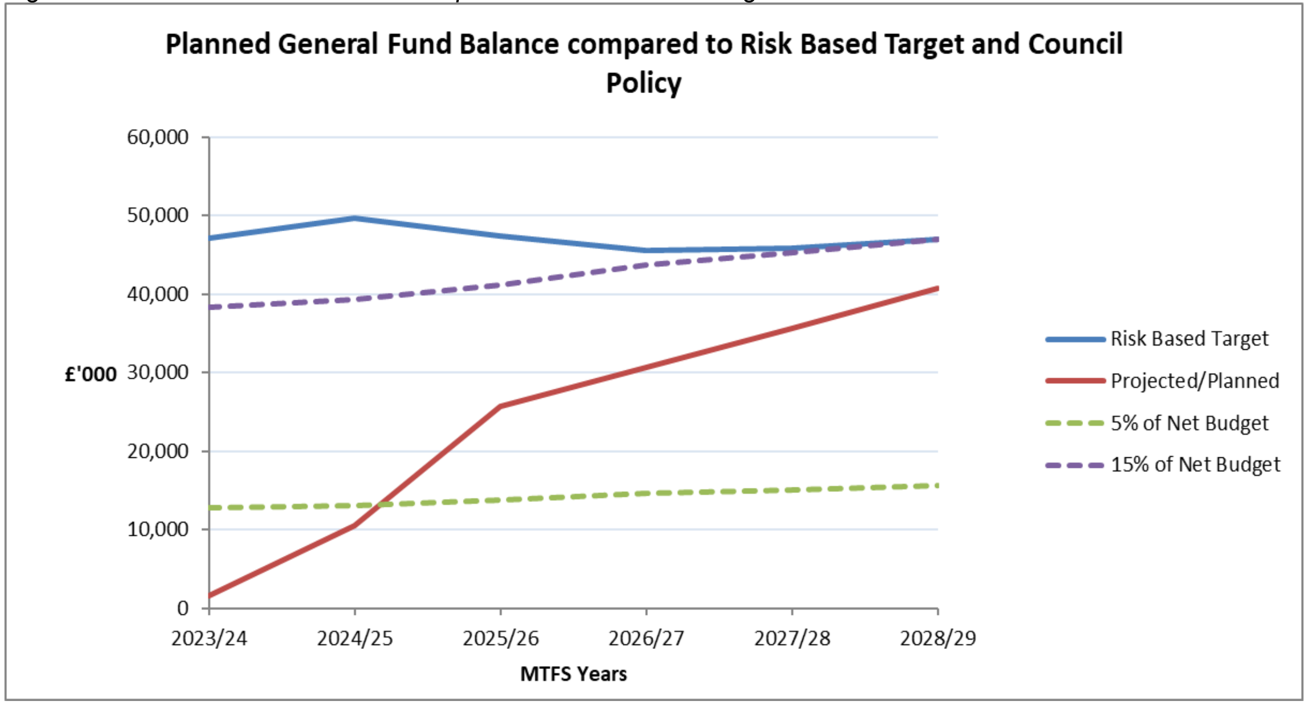
This leaves the General Fund Balance remaining at an unsustainable level in the short term and so it is imperative that the contribution to the General Fund Balance remains in future years to bring the balance back to a reasonable level. Table 6 and Figure 26 demonstrate that if the General Fund Balance is used to fund any shortfall in delivery of savings, as highlighted in Table 5, this will leave the General Fund significantly below the risk assessed level and so there is a need to improve the General Fund Balance over the course of the financial strategy.

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

	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000	2028/29 £000
Risk assessed level of General Fund Balance (upper)	49,682	47,463	45,539	45,874	46,934
Budgeted level of General Fund Balance	32,211	62,794	72,794	77,794	82,794
Variance (Shortfall)/Surplus	**(17,471)**	**15,331**	**27,255**	**31,820**	**35,860**

Risk assessed level of General Fund Balance (upper)	49,682	47,463	45,539	45,874	46,934
Projected level of General Fund Balance as per Financial Strategy	10,461	25,669	30,669	35,669	40,669
Variance (Shortfall)/Surplus	**(39,221)**	**(21,794)**	**(14,870)**	**(10,205)**	**(6,265)**

Figure 26: General Fund Balance compared to Risk Based Target



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The risk-based calculation for the General Fund Balance over the course of the 5 year Financial Strategy is detailed below.

Calculation of Risk Assessed General Fund Balance

2023/24 Budget/ Value £000	2023/24 Risk Level	2023/24 Risk Assessed General Fund £000	Budget Assumption	Area of Risk	2024/25 Budget/ Value £000	2024/25 Risk Level	2024/25 Risk Assessed General Fund £000	2025/26 Budget/ Value £000	2025/26 Risk Level	2025/26 Risk Assessed General Fund £000	2026/27 Budget/ Value £000	2026/27 Risk Level	2026/27 Risk Assessed General Fund £000	2027/28 Budget/ Value £000	2027/28 Risk Level	2027/28 Risk Assessed General Fund £000	2028/29 Budget/ Value £000	2028/29 Risk Level	2028/29 Risk Assessed General Fund £000
			Treatment of inflation and interest rates																
232,475	0.50%	1,162	Inflation	Salaries	214,009	0.50%	1,070	195,176	0.50%	976	191,919	0.50%	960	188,717	0.50%	944	185,567	0.50%	928
28,067	2.45%	688		Premises	25,837	2.45%	634	23,564	2.45%	578	23,170	2.45%	568	22,784	2.45%	559	22,404	2.45%	549
20,729	0.79%	164		Transport	19,082	0.79%	151	17,403	0.79%	138	17,112	0.79%	136	16,827	0.79%	134	16,546	0.79%	131
82,278	0.50%	411		Supplies & Services	75,743	0.20%	151	69,077	0.20%	138	67,925	0.20%	136	66,791	0.20%	134	65,677	0.20%	131
276,632	0.50%	1,383		Third Party Payments	254,658	0.20%	509	232,247	0.20%	464	228,372	0.20%	457	224,561	0.20%	449	220,814	0.20%	442
99,947	0.50%	500		Transfer Payments	92,008	0.20%	184	83,911	0.20%	168	82,511	0.20%	165	81,134	0.20%	162	79,780	0.20%	160
90,285	0.00%	0		Pension triennial valuation unaffordable	92,994	0.50%	465	95,784	0.50%	479	98,657	0.50%	493	101,617	0.50%	508	103,649	0.50%	518
		4,309		Total Inflation			3,165			2,941			2,915			2,889			2,859
224,868	0.00%	0	Interest rates	Existing Borrowing	224,268	0.00%	0	223,768	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
5,500	1.00%	55		PWLB	600	1.00%	6	500	1.00%	5	0	1.00%	0	0	1.00%	0	0	1.00%	0
58,970	0.50%	295		Investment	58,970	1.00%	590	58,970	1.00%	590	58,970	1.00%	590	58,970	1.00%	590	58,970	1.00%	590
		350		Total Interest Rates			596			595			590			590			590
			Level and timing of capital receipts																
-12,966	0.00%	0	Capital Receipts	Land Sales	18,906	1.38%	261	43,164	1.38%	596	44,699	1.38%	617	0	1.38%	0	0	1.38%	0
4,018	1.38%	55		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
		55		Total Capital Receipts			282			596			617			0			0
			Treatment of demand led pressures																
112,788	12.70%	14,325	Demand Led Pressures	Adult Social Care	121,710	12.70%	15,458	127,319	12.70%	16,170	130,991	12.70%	16,637	134,756	12.70%	17,115	138,615	12.70%	17,605
31,524	27.14%	8,556		Childrens Social Care	34,438	27.14%	9,347	37,351	27.14%	10,138	40,264	27.14%	10,929	43,178	27.14%	11,720	46,091	27.14%	12,510
		22,881		Total Demand Led Pressures			24,805			26,308			27,566			28,834			30,115
			Treatment of planned efficiency savings/productivity gains																
51,294	22.56%	11,571	Efficiency Savings	23/24 non achievement of savings															
				24/25 non achievement of savings	62,479	20.30%	12,685												
				25/26 non achievement of savings				11,713	20.30%	2,378									
				25/26 remaining funding gap to be identified				18,951	20.30%	3,848									
				26/27 non achievement of savings							-108	20.30%	-22						
				26/27 remaining funding gap to be identified							12,025	20.30%	2,441						
				27/28 non achievement of savings										0	20.30%	0			
				27/28 remaining funding gap to be identified										9,339	20.30%	1,896			
				28/29 non achievement of savings													0	16.92%	0
				28/29 remaining funding gap to be identified													8,656	16.92%	1,465
		11,571		Total Efficiency Savings			12,685			6,226			2,420			1,896			1,465

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2023/24					2024/25			2025/26			2026/27			2027/28			2028/29		
Budget/ Value £000	Risk Level	Risk Assessed General Fund £000	Budget Assumption	Area of Risk	Budget/ Value £000	Risk Level	Risk Assessed General Fund £000	Budget/ Value £000	Risk Level	Risk Assessed General Fund £000	Budget/ Value £000	Risk Level	Risk Assessed General Fund £000	Budget/ Value £000	Risk Level	Risk Assessed General Fund £000	Budget/ Value £000	Risk Level	Risk Assessed General Fund £000
			Availability of reserves, government grants and other funds to deal with																
3,706	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
3,636	5.00%	182	Emergency Planning	Reserve	3,636	5.00%	182	3,636	5.00%	182	3,636	5.00%	182	3,636	5.00%	182	3,636	5.00%	182
500	Quantum	500		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
512	Quantum	512		Bellwin	523	Quantum	523	549	Quantum	549	583	Quantum	583	604	Quantum	604	626	Quantum	626
2,074	10.00%	207		Severe Weather	2,130	10.00%	213	2,188	10.00%	219	2,247	10.00%	225	2,307	10.00%	231	2,370	10.00%	237
		2,086		**Total Insurance and Emergency Planning**			**2,104**			**2,135**			**2,175**			**2,202**			**2,230**
49,908	0.00%	0		Other Government Settlement Changes	59,889	0.00%	0	50,052	5.00%	2,503	51,284	5.00%	2,564	52,553	5.00%	2,628	53,860	5.00%	2,693
50,010	1.00%	500		Housing Benefits	50,010	1.00%	500	50,010	1.00%	500	50,010	1.00%	500	50,010	1.00%	500	50,010	1.00%	500
2,378	5.00%	119		DSG pressures - Academisation	2,212	5.00%	111	2,212	5.00%	111	2,212	5.00%	111	2,212	5.00%	111	2,212	5.00%	111
573	25.00%	143		Academy School transfer leaving deficit	573	25.00%	143	573	25.00%	143	573	25.00%	143	573	25.00%	143	573	25.00%	143
		762		**Total Funding Changes**			**754**			**3,257**			**3,318**			**3,382**			**3,447**
			General Financial Climate																
13,434	5.00%	672	General Financial	Debt Collection	13,434	5.00%	672	13,434	5.00%	672	13,434	5.00%	672	13,434	5.00%	672	13,434	5.00%	672
193,577	0.50%	968	Climate	Council Tax - General risk	205,104	0.50%	1,026	213,771	0.50%	1,069	222,805	0.50%	1,114	232,220	0.50%	1,161	242,034	0.50%	1,210
39,424	5.00%	1,971		Business Rates - General risk	41,306	5.00%	2,065	41,459	5.00%	2,073	49,503	5.00%	2,475	50,352	5.00%	2,518	51,218	5.00%	2,561
44,164	0.50%	221		Discretionary Income	44,164	0.50%	221	44,164	0.50%	221	44,164	0.50%	221	44,164	0.50%	221	44,164	0.50%	221
		3,832		**Total General Financial Climate**			**3,983**			**4,034**			**4,482**			**4,571**			**4,664**
255,914	0.50%	**1,280**	**Additional Budget Pressures**		261,697	0.50%	**1,308**	274,368	0.50%	**1,372**	291,610	0.50%	**1,458**	302,041	0.50%	**1,510**	312,892	0.50%	**1,564**
		47,127	**TOTAL RISK ASSESSED GENERAL FUND**				**49,682**			**47,463**			**45,539**			**45,874**			**46,934**

Figure 27: Risk Based Calculation of General Fund

The benchmark position for Shropshire Council is set out below in the CIPFA resilience index. Based on the latest data (the outturn for 2022/23) it shows

- Very high risk for reserves, including rate of use, overall level relative to net budget, and change in reserves over time
- High risk for the cost of borrowing versus net budget, but moderate risk in terms of overall borrowing
- Moderate proportion of the budget allocated to social care
- Moderate to high levels of fees and charges
- Moderate Council Tax requirement

Indicator	Min	Indicator Value	Max
Reserves Sustainability Measure	4.10	4.10	100.00
Level of Reserves	16.28%	16.28%	85.52%
Change In Reserves	-42.25%	-42.25%	143.82%
Interest Payable/ Net Revenue Expenditure	1.70%	8.24%	11.46%
Gross External Debt	£140,175k	£393,582k	£1,305,565k
Social care ratio	50.37%	74.22%	86.58%
Fees & Charges to Service Expenditure Ratio	8.68%	12.10%	25.76%
Council Tax Requirement / Net Revenue Expenditure	52.38%	68.87%	92.21%
Growth Above Baseline	-2.93%	12.76%	26.01%

Figure 28: CIPFA Resilience Index

Level of reserves is further analysed as follows, comparing Shropshire Council with our nearest statistical neighbours:

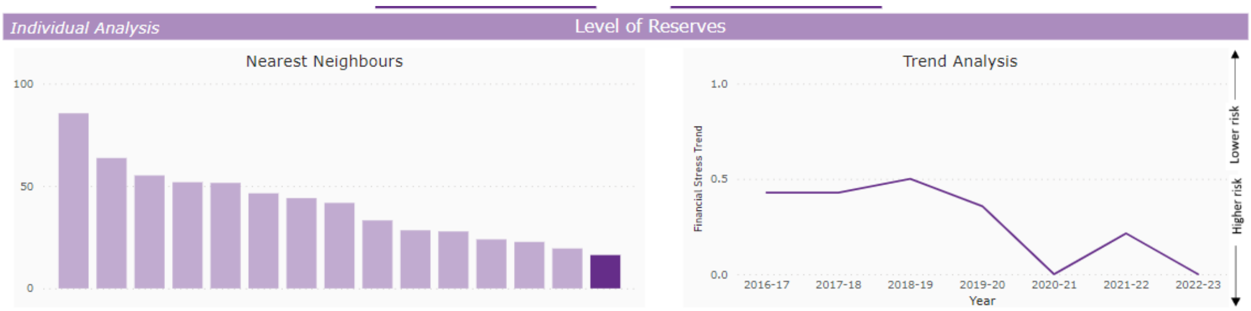


Figure 29: CIPFA Resilience Index Level of Reserves compared to Nearest Neighbours

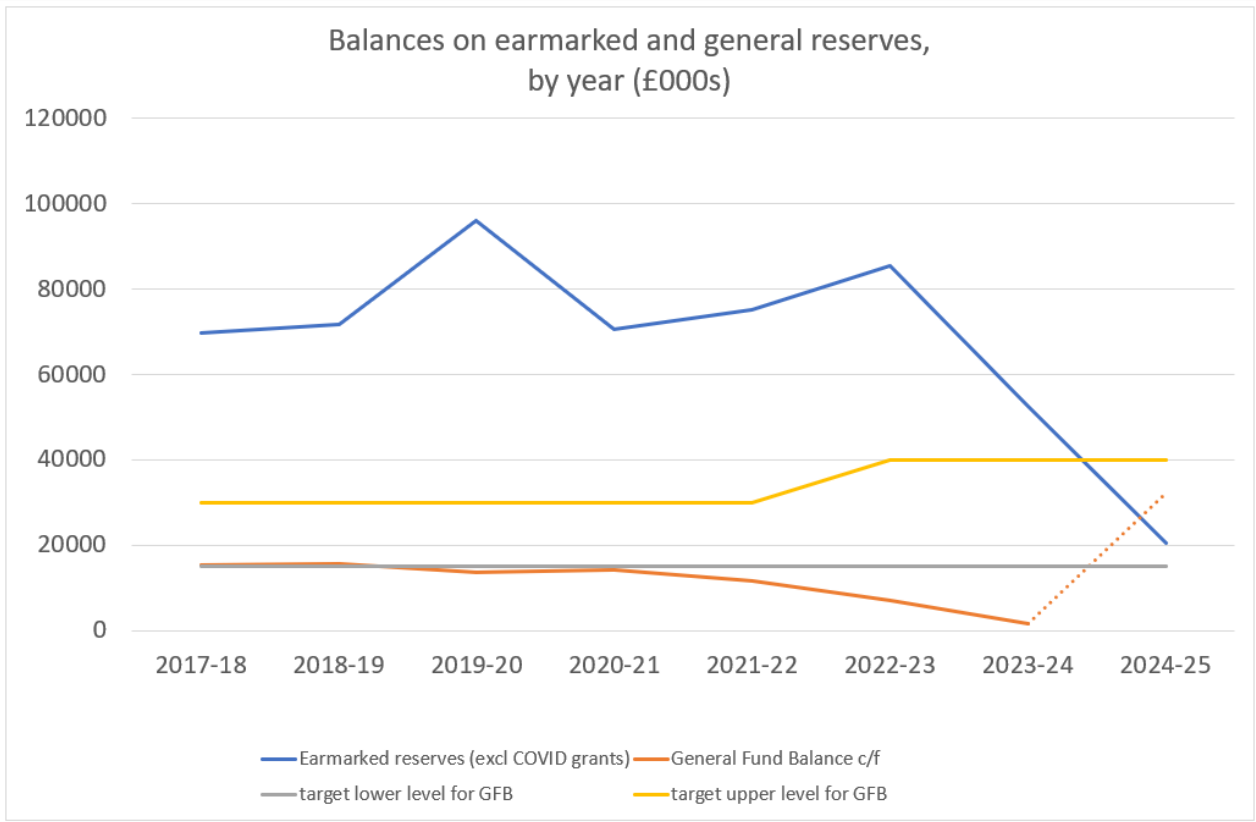


Figure 30: Balances on Earmarked and General Reserves since 2017/18

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%.[5] ***…*** *flexed upwards to consider the macro-economic and local risks the council faces.*[6]

If net spending is considered as 'core spending power', then the target level of general fund reserves for this Council in 2024/25 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.

[5] Lessons from recent Public Interest Reports | Grant Thornton, page 5
[6] Ibid, page 14.

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 £1.628m at the end of 2023/24 which represents 0.64% 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 £13.085m and £39.255m in 2024/25. 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 2024/25, when the Council is embarking on an ambitious £69m savings plan, the risk assessed level is over the higher end of the spectrum. However, if the Council can deliver the saving planned in 2024/25, 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.

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 £52.579m in earmarked reserves at 31 March 2023 which includes schools budget balances of £10.487m. During the course of 2023/24 it is anticipated that a net £20.381m will be allocated from earmarked reserves to fund commitments in 2023/24. This includes the release of £9.7m from a range of earmarked reserves that have been transferred into the General Fund Balance during the course of 2023/24. A full breakdown of the earmarked reserves is detailed below including the purpose of each reserve.

Figure 31: Breakdown of Earmarked Reserves

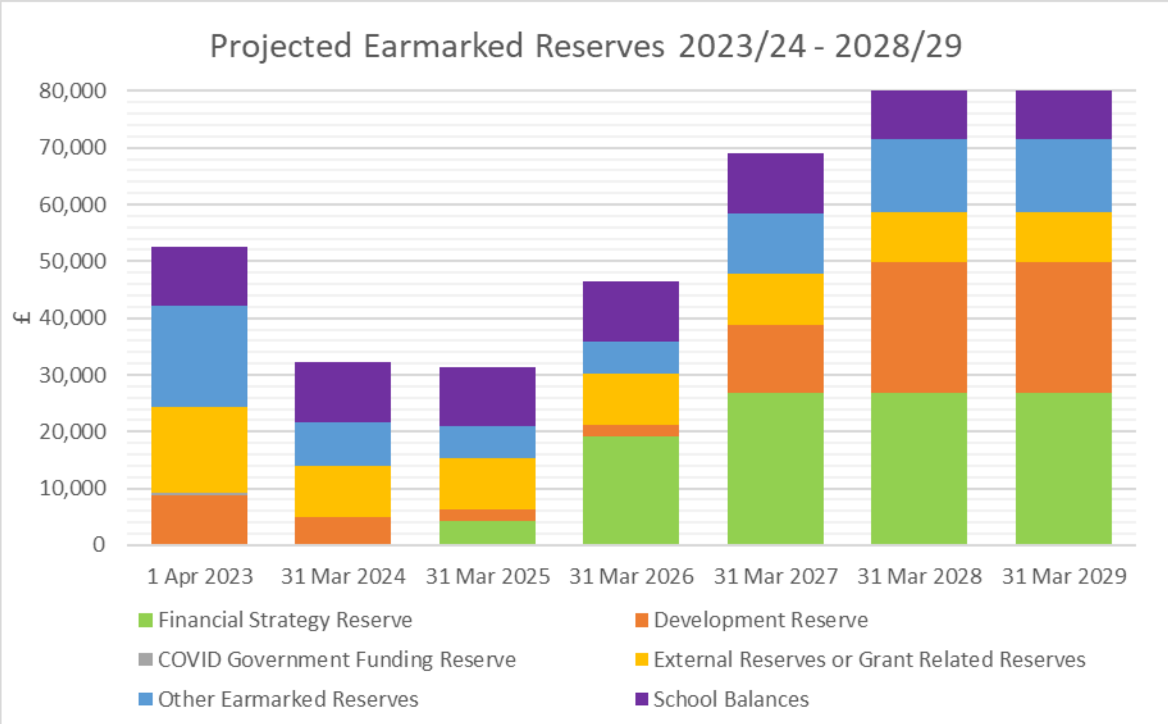
Reserves	Purpose of Balance	2023/24 Balance Brought Forward (£'000)	Anticipated movement (£'000)	Balance Carried Forward (£'000)
Sums set aside for major schemes, such as capital developments, or to fund major reorganisation				
Revenue Commitments for Future Capital Expenditure	Comprises of underspends 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.	3,815	18	3,834
Development Reserve	Required to fund development projects or training that will deliver efficiency savings.	8,862	-3,873	4,989
Invest to save Reserve	Required to fund invest to save projects in order to deliver the service transformation programme.	2,070	-986	1,083
		14,747	**-4,842**	**9,906**
Insurance Reserves				
Fire Liability	Required to meet the cost of excesses on all council properties.	2,216	-1,495	722
Motor Insurance	An internally operated self-insurance reserve to meet costs not covered by the Council's Motor Insurance Policy.	1,420	-1,000	420
		3,636	**-2,495**	**1,141**

Reserves	Purpose of Balance	2023/24 Balance Brought Forward (£'000)	2023/24 Anticipated movement (£'000)	2023/24 Balance Carried Forward (£'000)
Reserves of trading and business units				
Shire Catering and Cleaning Efficiency	Built up from trading surpluses to invest in new initiatives, to meet exceptional unbudgeted costs or cover any trading deficits.	0	0	0
		0	**0**	**0**
Reserves retained for service departmental use				
Building Control	Required to manage the position regarding building control charges.	424	-51	374
Care Act & IBCF Reserve	Required to fund the costs of implementing the Care Act requirements within the Council. This will be committed to the costs of one off posts required to implement the changes and training costs for staff within Adult Services. Plus unspent IBCF monies required to fund the IBCF programme in future years.	1,968	-1,399	569
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.	2,698	-345	2,353
Financial Strategy Reserve	Established specifically to provide one off funding for savings proposals in the Financial Strategy	0	0	0
COVID Government Funding Reserve	Established to hold funds advanced by Government to respond to the COVID 19 pandemic which require to be applied in future years	391	-391	0
Savings Management - Highways	Established specifically to provide one off funding for highways savings proposals in the Financial Strategy	0	0	0
Highways Development & Innovation Fund	Set aside funds for pump priming the Development and Innovation programme.	1,500	0	1,500
New Homes Bonus	Established from unapplied New Homes Bonus Grant balances.	1,177	-744	432
Public Health Reserve	This reserve includes balances committed to specific public health projects.	4,323	-4,086	238
Repairs & Maintenance Reserve	Set aside for known repairs and maintenance required to Council owned properties.	333	-254	80
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.	1,217	-790	427
Revenue Commitments from Unringfenced Revenue Grants	Established from unapplied unringfenced Grant balances. Commitments have been made against these balances in 2023/24	4,328	-1,756	2,572
Severe Weather	Required to meet unbudgeted costs arising from the damage caused by severe weather. The policy of the Council is to budget for an average year's expenditure in the revenue accounts and transfer any underspend to the reserve or fund any overspend from the reserve.	3,009	-2,995	14
TMO Vehicle Replacement	Set up to meet the costs of replacement vehicles by the Integrated Transport Unit.	67	-30	37
		21,583	**-12,840**	**8,743**
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.	10,487	0	10,487
Schools Building Maintenance Insurance	The schools building maintenance insurance scheme is a service provided by Property Services for schools. In return for an annual sum all structural repairs and maintenance responsibilities previously identified as the "authority's responsibility" are carried out at no additional charge to the school.	2,126	-204	1,921
		12,612	**-204**	**12,408**
Total Reserves		**52,579**	**-20,381**	**32,197**

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 32: Projected Earmarked Reserves 2023/24 – 2028/29



6.3 Robustness of Estimates

Each year council considers a Statement of the Robustness of Estimates.

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

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

- Review of expenditure and resources for the entire council for next five years to identify the underlying viability of the council's resource envelope when compared to cost.
- Review of existing budgets and focus on key risk areas as part of the budget setting and budget monitoring process. For example, our key risk areas in terms of budget size and volatility are Adult Services and Children's Social Care. These areas have been subject to demand pressures within 2023/24 and so detailed modelling on number of clients and cost variations have been created to understand fully where the underling cost pressure is arising from. This data has then been used within growth modelling to consider future costs for these areas over the course of the Medium term Financial Strategy.
- Identification of the in-year and the full year impact of any variations compared to budget. This ensures that the underlying budget and any pressure can always be separately identified and arrangements to manage pressures (for example by the use of one-off resources) is undertaken in an open and transparent mechanism, approved by Cabinet.
- The Financial Strategy and Budget Monitoring Reports are updated and reported to Cabinet on a regular basis throughout the year. In this period of unprecedented uncertainty in terms of Local Government funding and spending pressures, the latest position is always reported transparently even though this position can change significantly from one reporting period to the next.
- Separation of roles within the Finance Team in setting budget control totals, identifying budget requirement and inputting into the Finance System which is subject to review by Internal Audit as part of the Council's Internal Audit Plan.
- Review by Finance Staff with Service Managers to understand the achievability, deliverability and timescales for all proposed service redesign.

Notwithstanding these arrangements, which are designed to test the budget throughout its various stages of development, considerable reliance is placed on Senior Managers having proper arrangements in place to identify issues, project demand data, performance information and to consider value for money and efficiency. Financial tools and reports have been developed during 2023/24 to provide budget holders with the most accurate financial data in order to inform their decisions, enhance their understanding of the budget position and improve budget projections.

Robustness of Revenue Estimates

The 2024/25 budget process continues to progress in improving the Council's budget preparation, with the inclusion 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 2024/25 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 5 year financial strategy is based on the assumption that services need to be delivered and funded through an appropriate level of resources over the next five years and this is demonstrated in the resources and expenditure projections given in Table 7 below. This includes assumptions around savings to be delivered as part of the Financial Strategy.

Table 7: Gross Resources and Expenditure Projections

	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000
Projected Resources	645,741	709,172	701,441	713,053	724,702	736,703
Current Projected Expenditure	645,741	709,172	720,392	744,030	765,018	785,675
Funding Gap	**0**	0	18,951	30,977	40,316	48,972
Year on Year Gap		**0**	**18,951**	**12,026**	**9,339**	**8,656**

Savings proposals have been identified for 2024/25 through to 2026/27. The savings identified relate to six categories, Reducing Cost, Target Operating Model, Demand Management, New Income, Charge More and Stop/Cease Services. All senior management have been involved in a challenge process to identify the proposed savings. Some of the savings values, whilst achievable, are ambitious and so progress against these proposals will be monitored carefully to consider the impact on the budget strategy. The specific factors taken into account in developing the draft budget are detailed below in Figure 33.

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 will continue 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
- Savings trackers highlighting the delivery plan for the saving and monitoring progress against this
- 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 Senior Leadership 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 2023/24 is fully funded over the Financial Strategy period but this in itself will increase pressure on the Council to deliver the anticipated 2024/25 programme.
- Secondly, the draft three-year programme includes projects funded from anticipated capital receipts. This is in addition to transformation projects also being funded from capital receipts, and so there is an increased need for delivery of capital receipts. In the current climate these receipts may be lower than anticipated or may not materialise in the expected timeframe which will have to be managed through a robust monitoring process.

The capital programme will be actively managed and reprofiled during the course of the financial year to reflect scheme delivery timescales and revisions to funding agreements for projects. At the end of the year, however, slippage within the programme normally occurs which had not previously been anticipated. This will be due to delays in delivery of schemes and the net of underspends and overspends against specific projects. As shown in Table 8 below, in 2022/23 there was slippage of £10.747 which represents 9.7% of the revised capital programme. Action has already been taken during the course of 2023/24 to reprofile budgets to future years to reflect latest data on project delivery.

Table 8: Three Year Capital Position (£000's)

	2022/23 Outturn	2023/24 Latest Projection	2024/25 Latest Estimate
Capital Programme	125,314	114,719	147,351
Reprofile Budgets	(14,202)	1,449	0
Revised Capital Programme	111,112	116,168	147,351
Slippage	(10,747)	-	-
Actual Capital Programme	**100,365**	**116,168**	**147,351**

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

Over the last 3 years (2021/22 to 2023/24) 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 2024/25 the level of capital receipts required is £32.7432m and a shortfall of £18.906m currently exists within receipt projections. There are currently £28.937m 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 33: 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	There are two key issues in relation to inflation. • There may be some items of expenditure – fuel or energy costs for example - where any estimate of inflation is a 'best guess'. The risk assessment considers the average level of inflation experienced over a 5 year period and so reflects the higher levels of inflation that may seem to be unreasonable to include in a budget, but might come to pass. • Information is less accurate for years 2 onwards; the risk assessment covers the higher range. 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 2 years the level of inflation is significantly higher than had been anticipated.	Pay – £1,800 per scale point has been provided in the 2024/25 budget whilst the outcome of pay negotiations are awaited. Funding has also been provided for increments due to be awarded for 2024/25 based on existing staffing levels. Pension contribution rates are at the rate of 17.2% for 2024/25 following the 2023 valuation on the Pension Fund. Price inflation has been provided on contractually or quasi-contractually committed budgets at the rate stated in the relevant agreement.
2. Interest rates on borrowing and investment	This issue here is similar to those in 1 above, but for a specific area.	Interest receivable budgets have been set based on 5% interest receivable. These range from investments for 12 months

Budget Assumption	Explanation of Risk	Financial Standing and Management and Mitigating Action
	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. However since inflation spiked in the economy, the Bank of England has increased the interest rates to try and manage the inflation levels. This has resulted in better returns on cash balances, but unfortunately this has come at a time when cash balances are low. The Council's borrowing has been undertaken at fixed rates of interest and so the level of interest payable is not considered as a risk to variable rates. However if borrowing should be required, there is a potential risk that any new borrowing may not be secured at similar interest rates to those currently budgeted for.	gaining 5.5% to money market funds achieving rates of 5.25%. The average interest rate of the total debt portfolio (excluding. HRA) is calculated at 4.9% for 2023/24 and this is used for all borrowing costs. NB: PWLB have recently increased all new borrowing rates so for 2023/24 the range is currently between 5% (short term) and 5.3% (long term). Borrowing for investment properties primarily for yield is now prohibited from the PWLB.
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. Given the need to increase the level of capital receipts generated due to the use of capital receipts for transformation activities in line with the Flexibility on the use of Capital Receipts, the Council is performing a review of assets for consideration of future disposal. This is being discussed regularly with the Senior Leadership Team, to maximise opportunities for sales of assets.
4. The treatment of demand led pressures	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. Two areas specifically affected by demography are adult social care and children's social care, where we have seen significant budget pressures due to increasing numbers of Children becoming looked after and clients receiving care packages.	Managers review their base budgets including demand led pressures. Services are expected to put forward management and policy actions to manage the additional demand within the relevant legislation either within the relevant budget or reprioritising within their Service budgets. If this is not possible and under-spending management action or policy actions in other Services are not sufficient to cover the additional demand, then reserves may have to be used to address the additional expenditure temporarily. 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. Given that there have been significant budgetary pressures in social care budgets, there has been action to consider a number

Budget Assumption	Explanation of Risk	Financial Standing and Management and Mitigating Action
		of demand management measures to mitigate the growth that is being experienced in care costs. Whilst this has been identified in 2023/24, it is unlikely that this will be delivered until 2024/25 and therefore demand management savings have been identified and built into the 2024/25 to mitigate the demographic growth that has been identified. The 2024/25 budget has been based upon specific demand levels identified during budget monitoring in 2022/23 and six months of 2023/24 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. 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 • 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.
5. The treatment of efficiency savings	The budget includes improvement programmes that will deliver savings; the risk is that they may be delivered at a slower rate. The total savings identified for 2024/25 are £69.2m which will have risks involved in terms of delivery, and also from delays in delivery. The savings, whilst achievable are ambitious and this should be reflected in the risk factor applied.	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. Delivery plans for savings are being compiled prior to the 2024/25 financial year and will be carefully monitored during the course of the year. 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. If the funding gap remains unresolved by future savings plans the council will need to consider making further efficiencies.

Budget Assumption	Explanation of Risk	Financial Standing and Management and Mitigating Action
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.	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. 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.
7. The availability of other funds to deal with major contingencies	Were a disaster to occur, we have to have a reserve in place to pick up costs that will fall to the Council. The impact of flooding within the Council area based on present experience is that it is limited to localised pockets. 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. Other disasters such as those relating to ICT could occur on a one off basis.	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. 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. 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. 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. 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.

Budget Assumption	Explanation of Risk	Financial Standing and Management and Mitigating Action
8. Impact on council funding of announcements of national changes	Council funding is always subject to change, especially in the current economic climate. However the Financial Strategy takes account of projected changes in the Revenue Support Grant and specific government grants. 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. Additional funding for High Needs Pupils has now been received by the Government which temporarily alleviated the pressure in this area, but increased costs of placements has again provided a pressure in 2023/24.	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.
9. The overall financial standing of the authority (level of, debt outstanding, council tax collection rates etc.)	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. 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. 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. 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.	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. A fees and charges report 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 2024/25 budget.
10. The authority's track record in budget and financial management.	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	The Council's recent track record in budget and financial management 2017 to 2024 shows potential variations from a £14.5m overspend to a £0.6m underspend (a range of £15.1m). Financial | (£'000) | Underspend/

<table>
<tr><th>Budget Assumption</th><th>Explanation of Risk</th><th>Financial Standing and Management and Mitigating Action</th></tr>
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<td></td>
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overspend due to weaknesses in budget management, undermine any planned action being taken on the General Fund Balance.
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.
</td>
<td>
<table>
<tr><td>Year</td><td></td><td>Overspend</td></tr>
<tr><td>2017/18</td><td>(613)</td><td>Under</td></tr>
<tr><td>2018/19</td><td>(167)</td><td>Under</td></tr>
<tr><td>2019/20</td><td>1,692</td><td>Over</td></tr>
<tr><td>2020/21</td><td>(655)</td><td>Under</td></tr>
<tr><td>2021/22</td><td>2,505</td><td>Over</td></tr>
<tr><td>2022/23</td><td>8,499</td><td>Over</td></tr>
<tr><td>2023/24*</td><td>14,533</td><td>Over</td></tr>
<tr><td>Total 2016 to 2023</td><td>25,794</td><td>Over</td></tr>
</table>
* Projected Outturn position at Q3
Each year the Council manages budgets carefully and takes necessary management action to bring the budget into balance.
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.
A significant overspend has arisen in 2023/24 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.
The authority needs to continually improve its ability to manage in-year budget pressures. The following steps are already in place:

Accuracy of projections has improved over the year, but further work is required.
The monitoring system continues to be improved in terms of accuracy, the frequency of reporting and the challenge process.

Financial monitoring is undertaken by line managers within Business World and Finance review the projections to ensure that the monitoring position reported is appropriate.
The Council's virement and carry forward rules are clear and detailed in the Constitution.
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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 manages 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.

Figure 34: Housing Revenue Account Budget

SHROPSHIRE COUNCIL HOUSING REVENUE ACCOUNT

2023/24 Budget £		2024/25 Budget £
	Income	
(19,547,030)	Dwellings Rent	(21,660,420)
(95,300)	Garage Rent	(102,561)
(30,000)	Other Rent	(32,388)
(735,380)	Charges for Services	(792,004)
(20,407,710)	**Total Income**	**(22,587,373)**
	Expenditure	
9,663,160	ALMO Management Fee	10,407,223
683,600	Supplies and Services	900,813
4,471,690	Capital Charges - Dwelling Depreciation	4,771,293
261,670	Capital Charges - Depreciation Other	279,202
3,365,270	Interest Paid	3,239,903
625,000	Repairs charged to revenue	635,000
250,000	New Development Feasibility	266,750
50,000	Increase in Bad Debt Provision	106,391
357,520	Corporate & Democratic Core	389,716
19,727,910	**Total Expenditure**	**20,996,291**
(679,800)	**Net Cost of Services**	**(1,591,082)**
1,013,410	Revenue Financing Capital Expenditure	5,824,467
	Loan repayments	3,600
333,610	**(Surplus)/deficit for the year**	**4,236,986**
(60,000)	Interest Received	(218,772)
273,610	**Net Cost of Service/(Surplus) for Year**	**4,018,214**
	HRA Reserve	
	B/fwd 1 April 2024 (Forecast)	(13,111,367)
	(Surplus)/Deficit for year (Budget)	4,018,214
	Carried Forward 31 March 2025 (Forecast)	**(9,093,153)**

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 2024/25 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 2023/24 and 2024/25, Shropshire proposes to use the flexibility to help fund the following:

- redundancy costs to allow the council to manage further service redesign and restructure changes.
- transformation works relating to the development of the new target operating model and driving out savings across the Council.

The savings that will be delivered as a result of using the flexibility for the use of capital receipts are outlined in section 11 of the MTFS.

As delivery of these two elements progress during the course of the 2024/25, the amount of capital receipts that will be utilised will be agreed by the Section 151 Officer, and reported through the agreed governance routes.

Between 2017/18 and 2022/23, 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 also 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. However with reserves reducing in 2023/24 the Council will need to monitor the level of balances held carefully to consider if there is a need to undertake external borrowing, and a number of factors will need to be considered before committing the Council to the additional costs resulting from external borrowing.

Shropshire Council

9. Public Consultation and Alternative Budget proposals

9.1 Budget Consultation Exercise and Responses

Shropshire Council Budget Consultation 2024/25

The budget consultation ran for 6 weeks to 28 January 2024. The response rate was more than three times that seen last year.

Respondents were asked to indicate their view of
- the proposed council tax increase (4.99%, including 2.99% on the basic rate and 2% on the social care precept)
- areas of the council they would protect more from spending reductions and those they would protect less
- proposals for ways to manage increased need (with demand for social care services being especially high at present, a trend that seems unlikely to change quickly)
- proposals for how to achieve spending reductions

Responses were that
- the proposed council tax increase was generally acceptable (67% agreement).
- Areas respondents preferred to
  - protect more included adults and children's social care, and early help and support to learning and skills
  - protect less included waste collection and disposal, support services and other running costs, theatres and museums, and planning.
- Preferred methods for securing spending reductions included increased efficiency and 'right-sizing' staffing
- Preferred methods for managing demand pressures included early help, care at home, and assistive technology.

Overall, the pattern of responses is closely aligned to the MTFS proposals set out in this report, including the proposed level of Council Tax increase, areas to protect more and less, preferred approaches to spending reductions, and preferred methods for managing resident needs in the best way.

Of course, it would not be possible to exactly reflect respondents preferences in the budgeting decisions, as some budget areas are more susceptible to change than others, and demand for services varies across different areas as well. It should also be noted that the decision on the eventual decisions arising from the budget will be reserved to Councillors, as per the Constitution. Councillors will want to have due regard for the respondents to the budget consultation, but may want or need to take some decisions that vary from those responses.

Headline statistics:
- Overall, a majority (67%) of respondents agree to the 4.99% increase in council tax.
- A majority (70%) agree with the council's approach to prioritisation.[7]

[7] This question was worded as follows:

- A majority (73%) are either in favour of or neutral to the council's capital investment plans, but this is driven by staff.
- A majority (75%) are either in favour of or neutral to the council's budget plan overall.

Who responded:

- There were 1,064 responses (online and paper)
  - This is more than a three-fold increase in responses to last year's consultation.
- 33% of respondents (252) identified themselves as Shropshire Council employees, so 67% from outside the Council.
- 75% of respondents are between 31 and 69 years of age.
- 56% of respondents indicated as female; 44% male.
- 17% of respondents indicated a disability.
- 16% of respondents are an unpaid carer.
- 66% of respondents are working.
- 88% of respondents reported that they are White (British; Irish; Welsh)
- Shrewsbury, Church Stretton and Bridgnorth had the highest response rates among Shropshire towns.

Service areas protection:

- Respondents were asked to rank the service areas they would most like to protect, with rankings of 1 being most protected and 16 being least protected. When averaged, the services receiving the most support for protection are at the top of this list and those services that respondents wanted least protection for are toward the bottom.

Figure 36: Ranking of Service Areas most like to protect

Service – Overall Ranking	**Average Ranking**
Adult Social Care	3
Children's Social Care	3.5
Children and Families, Early Help services and Youth Services	3.8
Education, Schools and Home to School Transport	5.2
Benefits and Welfare (e.g. Housing Benefit and Council Tax Benefit that the council administers)	6.3
Highways, Transport, Car Parking and Environmental Maintenance	7.1
Housing Services	8
Economic Growth	8.2
Leisure and outdoor spaces	9.6
Public Health Services including drug and alcohol, sexual health and health visiting, school nursing	10.4

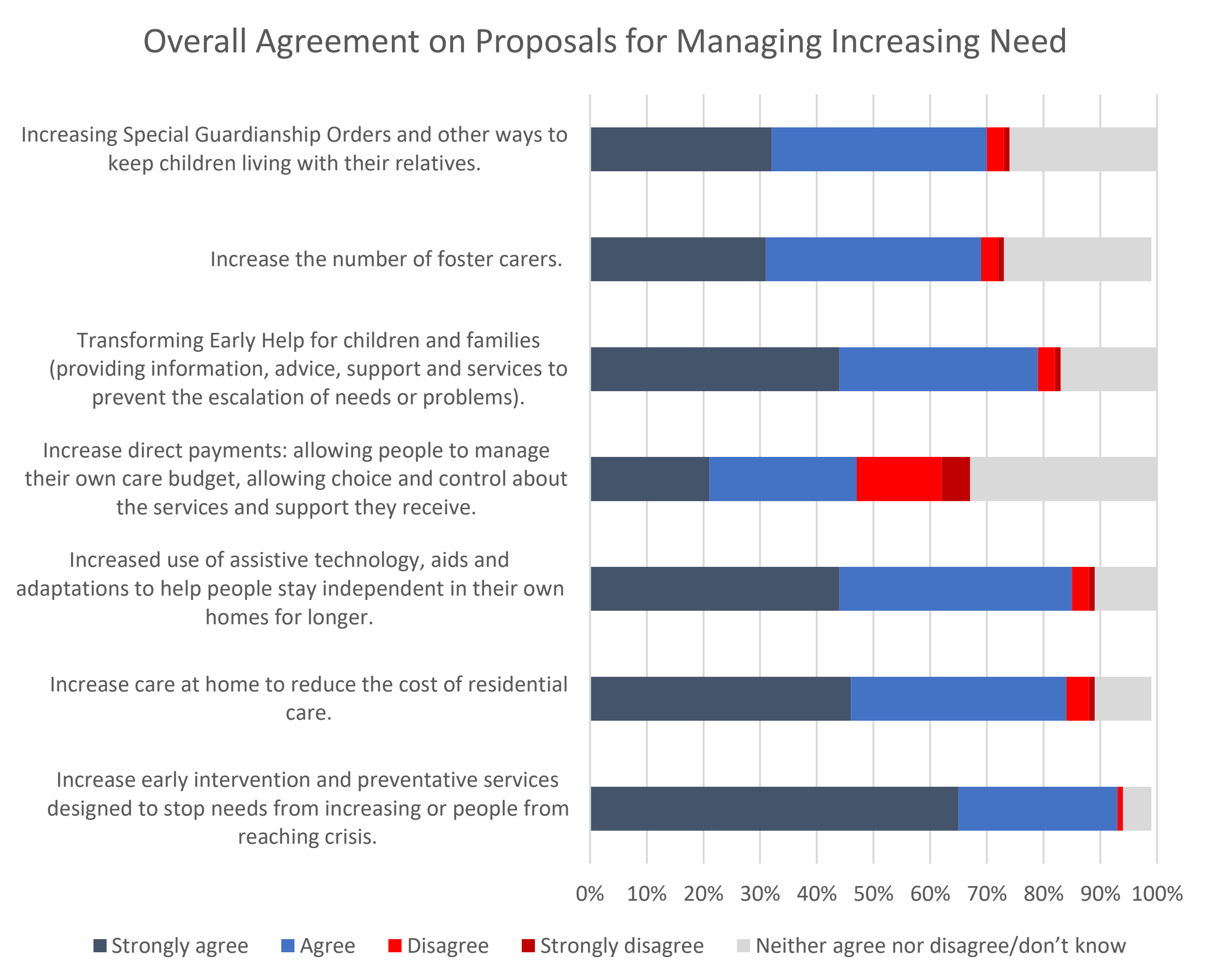
"The Council's approach to prioritising spending reductions across Council services is outlined in the Medium Term Financial Strategy as below. Do you agree with this approach to prioritisation with number 1 being our most preferred approach, and 4 is the least preferred approach:

1) Reducing costs and improving efficiency
2) Increasing income raised
3) Reducing spend on suppliers and third parties
4) Reviewing staffing levels"

Service – Overall Ranking	Average Ranking
Libraries	10.5
Waste and Recycling	11.4
Regulatory services, including health protection, environmental health, trading standards and licencing	11.6
Council running costs and support services	11.7
Planning Services	12.5
Theatre, Arts, Museums and Archives	13.3

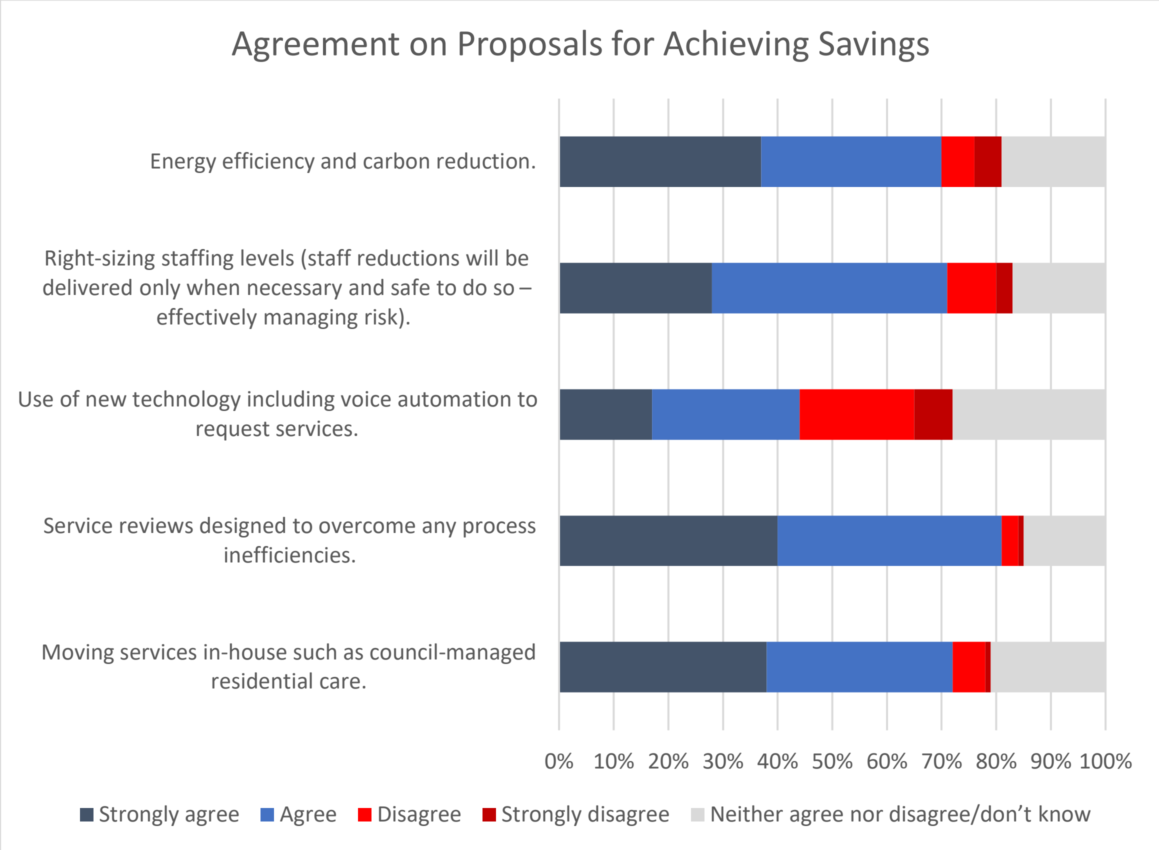
Managing Increasing Need
A majority of respondents "strongly agree" or "agree" with proposals for managing increasing need, though the most disagreement is evident for the proposal to increase direct payments.

Figure 37: Agreement on Proposals for Managing Increasing Need



Achieving Savings
A majority of respondents "strongly agree" or "agree" with proposals for achieving savings, with the exception of the use of new technology to request services, where only a large minority agreed with this proposal, and 28% either "disagreed" or "strongly disagreed".

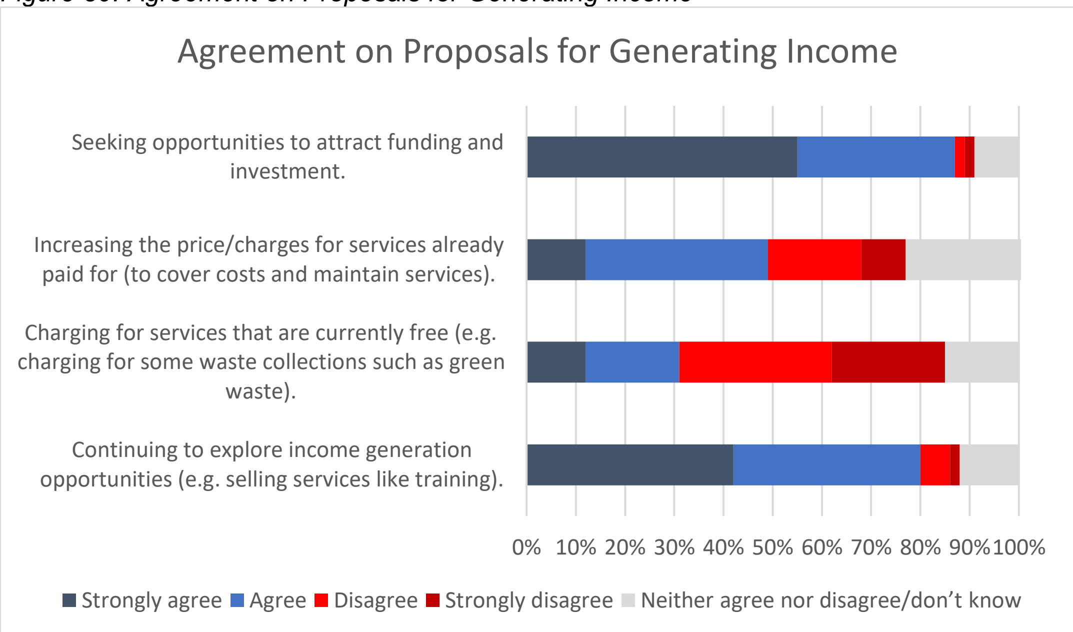
Figure 38: Agreement on Proposals for Achieving Savings



Generating Income

A majority of respondents "strongly agreed" or "agreed" with seeking opportunities to attract funding and investment, as well as exploring income generation opportunities. However, a majority "disagreed" or "strongly disagreed" with the proposal to charge for services that are currently free. A large minority (28%) also disagreed with increasing charges for things already paid for.

Figure 39: Agreement on Proposals for Generating Income



Acceptable savings
Respondents were asked to rank savings proposals from the most to the least acceptable. The following is the list of proposals by average ranking, meaning that those at the top of the list are the most acceptable proposals and those at the bottom are the least acceptable.

Despite the strong disagreement for charging for green waste expressed by respondents in the previous figure, it seems that when asked to rank this option among other possible savings, this option is ranked as second from top overall as one of the most acceptable savings proposals, and third from top among non-staff respondents.

Figure 40: Ranking for Savings Proposals

Proposal – Overall Ranking	**Average Ranking**
Increased car parking charges	**5.4**
Reduce spending on waste through a waste minimisation strategy which could include charging for green waste	**5.7**
Reduce investment in carbon reduction activities	**6**
Reduced spending on libraries and leisure centres which could include reducing opening times or fewer premises or increased charges	**6.2**
Reducing investment in businesses and town centres	**6.9**
Reduced spending on heritage, archive and museum services which could include reducing opening times or fewer premises or increased charges	**7.7**
Reduce road and highways works and repairs	**8.6**
Reduce support for public transport	**8.7**
Reduction in maintenance of and/or access to parks and outdoor spaces	**8.7**
Reduce home to school transport funding to a statutory minimum	**8.8**
Reductions in street cleaning	**9.2**
Reduce face-to-face customer contact and replace with automation and self-service where possible	**9.8**
Reducing services for refugees and rough sleepers	**10**
Introduce discretionary additional council tax payments if permitted by Government legislation	**10.5**
Reduced spending on day care services in adult social care, which could include reducing opening times or fewer premises or increased charges.	**11.7**
Reduce non-statutory early help services for families and young people	**12.1**

Achieving Savings
A majority of respondents "strongly agree" or "agree" with proposals for achieving savings, with the exception of the use of new technology to request services, where only a large minority agreed with this proposal, and 28% either "disagreed" or "strongly disagreed".

9.2 Alternative Budget proposals

Further to the decision of Full Council in September 2022, a revised process was adopted for the preparation of alternative budget proposals by the opposition parties. These proposals were received and discussed by Scrutiny Committee on 10 January 2024.

The discussion of the proposals was reported to 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, with particular attention to how carbon reduction objectives could be given a greater profile in the council's procurement activities.

Alternative budget proposals also included application of reserves to tackle existing pressures, delaying the impact on services.

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 2023 are as follows:

Figure 41: Movement in Resources between current position and December 2023 Cabinet

Estimated Resources	2024/25 @ Dec Cabinet £	Movement £	2024/25 @ Feb Cabinet £
Council Tax	205,104,165	0	205,104,165
Business Rates:			
Business Rates Collected	44,836,978	-5,070,897	39,766,081
Business Rates - Energy Renewable Schemes	1,000,000	540,262	1,540,262
Top Up Grant	11,119,831	-195,257	10,924,574
RSG	7,777,779	196,208	7,973,988
Collection Fund:			
Council Tax	0	-834,556	-834,556
Business Rates	0	-2,777,295	-2,777,295
NET BUDGET	**269,838,754**	**-8,141,535**	**261,697,219**
Grants included in Core Funding:			
Improved Better Care Fund	12,219,305	-355,902	11,863,403
New Homes Bonus	0	1,807,300	1,807,300
Rural Services Delivery Grant	7,757,314	1,224,839	8,982,153
Social Care Support Grant	22,193,471	5,816,399	28,009,870
Market Sustainability and Improvement Funding	5,903,869	194,108	6,097,977
Discharge Funding	5,363,231	-2,591,180	2,772,051
Services Grant	0	356,632	356,632
CORE FUNDING	**323,275,944**	**-1,689,338**	**321,586,605**
Local Income			
Fees and charges (including income savings deliverable from prior years)	86,918,240	11,607,230	98,525,470
Other Grants and contributions	33,445,280	3,384,120	36,829,400
Specific Grants (excluding Core Funding Grants above)	196,509,920	44,446,692	240,956,612
Internal Recharges	10,475,740	1,098,550	11,574,290
TOTAL FUNDING	**650,625,124**	**58,847,254**	**709,472,377**

This table shows increased resource of £59.4m between the estimates in December and those confirmed in February. The majority of this relates to local income. Local income is targeted to specific activities and Specific Grants, which has seen a significant increase of £44.5m between the predicted level in December and the confirmed values in February. These grants are provided for specific activities and so are ringfenced to these activities and cannot be used to fund other budgetary pressures within other Council services. Details of the movement between 2023/24 and 2024 are provided in Figure 20 and the largest increase relates to an additional £16.5m in the Dedicated Schools Grant which is ringfenced to Schools. Other significant increases from December include an additional £10m in Business Rates Section 31 Grants as a result of business rate reliefs being continued into 2024/25, and £5.5m for The UK Shared Prosperity Fund. 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).

Figure 42: Movement in Expenditure between current position and December 2023 Cabinet

Estimated Expenditure	2024/25 @ Dec Cabinet £	Movement £	2024/25 @ Feb Cabinet £
Original Gross Budget Requirement	**690,271,309**	**0**	**690,271,309**
Inflationary Growth :			
Pay	10,452,858	0	10,452,858
Apprenticeship Levy	27,370	0	27,370
Pensions	0	0	0
Corporate Landlord inflation	690,857	0	690,857
Contract inflation	11,926,779	0	11,926,779
Demography & Demand	39,844,709	-6,762,664	33,082,045
Service Specific Pressures:			
Revenue Growth arising from capital programme	168,000	0	168,000
Ongoing Budget Pressures	7,862,078	0	7,862,078
Local Generated Pressures:			
Specific Grants Changes between years	-4,674,562	41,235,329	36,560,767
Ongoing reduction in New Homes Bonus (pressure)	1,747,510	-1,747,510	0
Estimated Cost of Investment - *Approved*	2,032,000	0	2,032,000
Contribution to General Fund	-7,875,010	18,591,120	10,716,110
MTFS reserve (savings slippage/optimism bias)	4,250,000	0	4,250,000
Adjustment to Gross budget offset by Income changes	0	16,089,901	16,089,901
Savings			
Savings Agreed in Previous Financial Years	*-4,989,927*	*4,989,927*	*0*
TOM Budget Savings	*-22,400,000*	*21,675,000*	*-725,000*
Reduce Cost Budget Savings	*-15,000,000*	*-22,809,965*	*-37,809,965*
Manage Demand Budget Savings	*-12,404,299*	*5,630,663*	*-6,773,636*
New Income Budget Savings	*-4,537,850*	*-4,154,870*	*-8,692,720*
Charge More Budget Savings		*-3,720,000*	*-3,720,000*
Stop/Cease Budget Savings	*0*	*-4,758,650*	*-4,758,650*
TOTAL EXPENDITURE	**697,391,823**	**64,258,281**	**761,650,104**

The table above sets out overall expenditure changes of £65.9m. 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. The savings plans have since been refined, following public consultation, to reflect the savings detailed in Section 11.

Figure 43: Movement in Funding Gap between current position and December 2023 Cabinet

Funding Gap	2024/25 @ Dec Cabinet £	Movement £	2024/25 @ Feb Cabinet £
Resources (incl savings plans)	650,625,124	58,847,254	709,472,377
Expenditure (incl savings plans)	697,391,823	64,258,281	761,650,104
Gap in year	**46,766,699**	**5,411,027**	**52,177,726**
One off Grants & Reserves:			
Improved Better Care Funding	-10,912,045	1,015,902	-9,896,143
New Homes Bonus - One Off	0	-59,790	-59,790
Rural Services Delivery grant	-7,757,314	0	-7,757,314
Social Care Grant - One Off	-22,193,471	-5,816,399	-28,009,870
Services Grant	0	-356,632	-356,632
Market Sustainability and Fair Cost Fund	-5,903,869	-194,108	-6,097,977
TOTAL ONE OFF FUNDING	**-46,766,699**	**-5,411,027**	**-52,177,726**
Remaining Gap/(Surplus) to be Funded	**0**	**0**	**0**

Shropshire Council

11. Proposed Spending Reductions

11.1 Proposed Spending Reductions

The following tables provide relevant detail on the proposed spending reductions for 2024/25 and later years. To interpret the tables:

- Values in 2024/25 are positive for a proposed spending reduction. Negative values are a spending pressure or increase.
- Values in 2024/25 are assumed to be continued into 2025/26 (i.e. a recurring, base budget proposal).
    - Where there is no new value in 2025/26, the value therefore remains the same.
    - Where there is a positive value in 2025/26 this is a <u>further increase</u> on the 2024/25 proposal.
    - Where there is a negative value in 2025/26 then the value anticipated in 2024/25 <u>reduces by that amount</u> in 2025/26.
- The same principle applies to the values for 2026/27.

Figure 44: Example of how proposed spending reductions are represented:

	2024/25	2025/26	2026/27	Impact on base budget
Proposal A	100,000	0	0	Permanent reduction of £100,000
Proposal B	100,000	-100,000	0	Reduction of £100,000 in 2024/25 only, reversed in 2025/26. No net reduction.
Proposal C	100,000	50,000	50,000	Permanent reduction of £100,000 in the first year, increased by £50,000 in year 2 and a further £50,000 in year 3. A total impact on the base budget of £200,000.

All proposed savings are made as changes to the 'base budget' of the council. The 'base budget' is the ongoing or recurrent budget. The recurrent base budget is amended from year to year to reflect 'one off' or 'non-recurrent' items. This is set out within the detailed budget proposals at the start of each year. All proposed savings are applied from 1 April in order to set a balance budget. Where savings are not achieved to the planned level, underachievement will cause an 'overspend' to be reported, and an overachievement will cause an 'underspend' to be reported. To secure the delivery of the budget in 2024/25 it is essential that all savings are either delivered as planned, or that alternative spending reductions to the same value are applies. This is also set out in the Financial Rules of the Council, approved by Full Council in 2019, and part of the Council Constitution.

The budget proposals have been consulted on publicly and opposition councillors have also provided alternative approaches to the 2024/25 budget. The proposals included in this section of the MTFS will be considered by Cabinet, for recommendation to be accepted by Council (subject to amendment). Full Council will debate and agree (or not) the proposals to be taken forward. That does not, however, mean that all proposals are then accepted. Where decisions are ‘key decisions’ per the Constitution, or where they affect agreed policy, or simply where Cabinet may decide to do so, further consultation may follow. So – these proposals, if adopted by Council, will not all be binding without further action by Officers and Members.

Many descriptions of spending reductions refer to ‘review and resizing’ staffing. Resizing our workforce means ensuring we have the right headcount in our teams to deliver the Shropshire Plan. For some teams this will mean additional staff to support objectives while for others it may lead to a reduction. Resizing may also lead to the change in composition of some teams (e.g. from higher average cost/skill to lower average cost/skill, or vice-versa.)

Figure 45: Detailed Saving Proposals for 2024/25 – 2026/27

Ref	Option Type	Directorate	Service Area	Saving Proposal	2024/25 £	2025/26 £	2026/27 £
RC001	Reduce Cost	Health, Wellbeing & Prevention	Environmental Health and Health Protection	Redesign the delivery of the statutory service including managing demand.	105,000	0	0
RC002	Reduce Cost	Health, Wellbeing & Prevention	Ecology	Redesign the delivery of the statutory regulatory (ecology) services including managing demand.	58,600	0	0
RC003	Reduce Cost	Health, Wellbeing & Prevention	Public Health	Further increase allocation of the public health grant to support preventative initiatives at the children's, adults and customer front-door.	90,000	70,000	0
RC004	Reduce Cost	Health, Wellbeing & Prevention	Public Health	Capitalisation of reserves as one off for staff and projects relating to transformation work to further increase funding of public health reserves to support preventative initiatives. This is for 2024/25, in addition to 1,000,000 in 23/24.	1,000,000	-1,000,000	0
RC006	Reduce Cost	People	Adult Social Care	Increase income through charging for training.	180,000	0	0
RC007	Reduce Cost	People	Adult Social Care	Review of our in house day service provision.	105,000	0	0
RC008	Reduce Cost	People	Adult Social Care	Review and reduce 3rd party spend	2,600,000	0	0
RC009	Reduce Cost	People	Adult Social Care	Review and reduce the need for 24 hour provision through the use of technology to increase independence	300,000	0	0
RC011	Reduce Cost	People	Adult Social Care	Review and resize business support functions	375,000	0	0
RC012	Reduce Cost	People	Adult Social Care	Review of external day service provision	180,000	0	0
RC013	Reduce Cost	People	Children's Social Care	Improve efficiencies of commissioned services across children's services contracts and secure overall reduction in demand.	1,600,000	0	0
RC014	Reduce Cost	People	Children's Social Care	Review & resize senior staffing structure in Children's Services against projected activity levels	87,000	0	0
RC016	Reduce Cost	People	Children's Social Care	Agency Staff - reducing use of agency staff; promote permanent staffing.	85,000	0	0
RC017	Reduce Cost	People	Children's Social Care	Review & resize Supported Board and Lodgings (17 & 18 year olds) to ensure full capacity	30,000	0	0
RC019	Reduce Cost	People	Children's Social Care	Review and rightsize staffing in business support functions	0	250,000	0
RC020	Reduce Cost	People	Children's Social Care	Ensure that funding for the most complex of children is equitably shared with Health as an equal partner responsible for the safe care of children.	156,000	0	0
RC023	Reduce Cost	Place	Homes & Communities	Focus new residential property acquisitions on priority housing needs	50,000	0	0
RC024	Reduce Cost	Place	Homes & Communities	Optimise the use of existing Council residential properties	20,000	0	0
RC025	Reduce Cost	Place	Homes & Communities	Review and resize the Housing Services team	60,000	64,000	0
RC026	Reduce Cost	Place	Homes & Communities	Review and potential reduction of some leisure provision to achieve cost reductions.	0	354,020	0
RC029	Reduce Cost	Place	Homes & Communities	Review staffing and resize the Rights of Way team	19,395	6,465	0
RC030	Reduce Cost	Place	Homes & Communities	Review staffing and resize the Outdoor Partnerships team	41,250	13,840	0
RC031	Reduce Cost	Place	Homes & Communities	Removal of Arts Development funding	17,120	0	0
RC032	Reduce Cost	Place	Homes & Communities	Review Library Services to ensure maximum efficiencies including funding reviews and reshaping/reductions of services	0	220,538	112,050
RC035	Reduce Cost	Place	Homes & Communities	Review staffing and resize the Culture Leisure and Tourism management	350,000	0	0
RC036	Reduce Cost	Place	Homes & Communities	Service efficiencies from Registrars service digitisation	50,000	0	0
RC038	Reduce Cost	Place	Homes & Communities	Review staffing and resize the Business and Consumer Protection Team	35,000	0	0
RC040	Reduce Cost	Place	Commercial Services	Dispose of Shirehall quicker and relocate services	325,000	1,300,000	0

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Ref	Option Type	Directorate		Saving Proposal	2024/25 £	2025/26 £	2026/27 £
RC043	Reduce Cost	Place	Commercial Services	Review and resize staffing in Property and Development Services	550,000	0	0
RC044	Reduce Cost	Place	Commercial Services	Review and resize the Climate Change team	200,000	0	0
RC045	Reduce Cost	Place	Economy & Place	Review and re-size staffing in Strategic Transport	70,000	0	0
RC046	Reduce Cost	Place	Economy & Place	Review staffing and secure workforce reductions in tree work, conservation, and historic environment teams.	175,000	0	0
RC047	Reduce Cost	Place	Economy & Place	Review and re-size staffing in Planning Policy team	160,000	0	0
RC048	Reduce Cost	Place	Economy & Place	Review and re-size staffing in Planning team.	230,000	0	0
RC049	Reduce Cost	Place	Economy & Place	Review and re-size staffing in Highways Development team	100,000	0	0
RC050	Reduce Cost	Place	Economy & Place	Review and re-sizing staffing in Planning Enforcement	35,000	0	0
RC051	Reduce Cost	Place	Economy & Place	Review and re-sizing staffing in Broadband team.	30,000	0	0
RC052	Reduce Cost	Place	Economy & Place	Capitalise post in Strategic Infrastructure.	37,000	0	0
RC053	Reduce Cost	Place	Economy & Place	Capitalise part of posts in Economic Growth.	50,000	0	0
RC054	Reduce Cost	Place	Economy & Place	Review and re-size staffing in the economic development team, including options to capitalise posts.	77,000	0	0
RC055	Reduce Cost	Place	Economy & Place	Change in percentage split of chargeable/non-chargeable receipts in Building Control	70,000	0	0
RC057	Reduce Cost	Place	Economy & Place	Cessation of LEP contribution further to government guidance.	36,000	0	0
RC058	Reduce Cost	Place	Economy & Place	Stop payment of subscription to "Midlands Engine" partnership.	20,000	0	0
RC059	Reduce Cost	Place	Highways & Transport	Review contractor provisions relating to pensions costs (one off).	300,000	0	0
RC060	Reduce Cost	Place	Highways & Transport	Review contracts and secure cost reductions in current 'Green Asset'	250,000	0	0
RC061	Reduce Cost	Place	Highways & Transport	Review contract and secure cost reductions in reactive drainage	200,000	0	0
RC062	Reduce Cost	Place	Highways & Transport	Review and resize through highways restructure	600,000	0	0
RC063	Reduce Cost	Place	Highways & Transport	Cross Directorate structural efficiencies & synergies alongside framework utilisation reductions.	2,000,000	0	0
RC064	Reduce Cost	Resources	Workforce & Improvement	Review and re-size staffing HR/OD Team (1)	100,000	0	0
RC065	Reduce Cost	Resources	Workforce & Improvement	Review and re-size staffing HR/OD Team (2)	100,000	0	0
RC066	Reduce Cost	Resources	Workforce & Improvement	Review and re-size staffing in the Improvement Team	75,000	1,000,000	0
RC068	Reduce Cost	Resources	Workforce & Improvement	Review and re-size staffing in the Overview and Scrutiny Function	100,000	0	0
RC069	Reduce Cost	Resources	Workforce & Improvement	Review and re-size staffing in Occupational Health & Safety and HR Admin & Payroll.	0	300,000	0
RC071	Reduce Cost	Resources	ICT	Review contract, fleet, and secure cost reductions in use of mobile phones.	114,000	0	0
RC072	Reduce Cost	Resources	ICT	Review and resize staffing in ICT (includes systems maintenance and development (hardware and software), user support and helpdesk, and corporate network security).	1,000,000	0	0
RC073	Reduce Cost	Resources	Revenues and Benefits	Review and resize staffing in Revenues and Benefits (council tax and business rates collection and council tax support and housing benefits payments)	500,000	0	0
RC074	Reduce Cost	Resources	Revenues and Benefits	Anticipated cost reductions in Revenues & Benefits arising from improvement of in-house Temporary Accommodation provision.	1,000,000	1,000,000	0
RC076	Reduce Cost	Resources	Finance	Review and resize staffing in the Finance team (include statutory reporting, internal reporting, sundry debtors and creditors, capital management and systems).	0	500,000	0
RC077	Reduce Cost	Resources	Legal	Centralisation and efficiencies of external legal spending.	100,000	0	0
RC078	Reduce Cost	Resources	Customer Services	New model for future delivery of the Council's Out of Hours calls triage and Shrewsbury Town Centre CCTV monitoring	334,000	0	0

Ref	Option Type	Directorate		Saving Proposal	2024/25 £	2025/26 £	2026/27 £
RC080	Reduce Cost	Council wide	All	Review and re-size overall council staffing beyond those listed elsewhere.	8,500,000	0	0
RC081	Reduce Cost	Council wide	All	Senior Management review	710,000	0	0
RC082	Reduce Cost	Council wide	All	Review and re-size staffing in executive support across the council.	50,000	0	0
RC083	Reduce Cost	Council wide	All	Review and secure cost reductions in the pooled training budget	50,000	0	0
RC085	Reduce Cost	Council wide	All	Reduce Third Party Spend. The proposal is to identify opportunities to reduce third party spend in a sustainable, recurrent way .	1,267,600	0	0
RC086	Reduce Cost	Council wide	All	Efficiency Savings across all areas of the Council, including paying attention to securing reduced carbon emissions within the supply chain.	12,400,000	0	0
TOTAL REDUCE COST SAVINGS					39,509,965	4,078,863	112,050

Ref	Option Type	Directorate		Saving Proposal	2024/25 £	2025/26 £	2026/27 £
MD001	Manage Demand	Health, Wellbeing & Prevention	Public Health	Further increase funding of public health reserves to support preventative initiatives at the children's, adults and customer front-door.	200,000	-200,000	0
MD004	Manage Demand	Place	Homes & Communities	Transfer of a leisure asset to an appropriate provider.	100,000	0	0
MD006	Manage Demand	Place	Commercial Services	Introduce a booking system for household recycling centres	200,000	0	0
MD007	Manage Demand	People	Adult Social Care	By increasing the use of technology, community and voluntary support reduce the need for formal care by maximising independence	2,215,811	0	0
MD008	Manage Demand	People	Adult Social Care	Increase the number of people supported by START inhouse reablement service to maximise independence, preventing readmission and the need for long term social care	1,596,510	0	0
MD011	Manage Demand	People	Adult Social Care	Reducing the need to long term residential care - Ensuring that Shropshire Council commission the right care for people in line with their needs	129,314	0	0
MD012	Manage Demand	People	Adult Social Care	Supported living - Reduce the need for 24 hour provision and increase independence through alternative resources such as technology	1,200,000	0	0
MD014	Manage Demand	People	Adult Social Care	Enabling the use of wider travel options to increase independence and reduce isolation	200,000	0	0
MD015	Manage Demand	People	Adult Social Care	Deliver efficiencies though review of service delivery	300,000	0	0
MD016	Manage Demand	People	Adult Social Care	Night time care and support service enabling people to stay at home	522,000	520,000	0
MD017	Manage Demand	People	Adult Social Care	Supporting people to have Direct payment rather than agency care	110,000	110,000	110,000
TOTAL MANAGE DEMAND SAVINGS					6,773,635	430,000	110,000

Ref	Option Type	Directorate		Saving Proposal	2024/25 £	2025/26 £	2026/27 £
CM003	Charge More	Place	Commercial Services	Increase fly tipping charges	20,000	0	0
CM007	Charge More	Council wide	All	Increase wider Fees and charges above those mentioned specifically elsewhere	2,000,000	0	0
TOTAL CHARGE MORE SAVINGS					2,020,000	0	0

Ref	Option Type	Directorate		Saving Proposal	2024/25 £	2025/26 £	2026/27 £
NI001	New income	People	Adult Social Care	Increase in income through the Minimum income guarantee national announcement.	1,500,000	0	0
NI002	New income	People	Adult Social Care	Reconciliation of any variance to care hours provided.	2,300,000	0	0
NI003	New income	Place	Homes & Communities	Set up a charging structure for recipients of telecare	100,000	500,000	0
NI004	New income	Place	Homes & Communities	Expand the Handy Person service to a wider range of customers, including fee payers, supporting independent living	10,000	10,000	10,000
NI005	New income	Place	Homes & Communities	Increased income from countryside maintenance contracting activity. Review green asset maintenance arrangements	39,720	0	0
NI006	New income	Place	Homes & Communities	Increase income from Museums and Archives services	150,000	100,000	0
NI007	New income	Place	Homes & Communities	Increase income from an enhanced memorial and ceremony offer at Council sites	60,000	10,000	5,000
NI008	New income	Place	Homes & Communities	Increase income from an improved range of wedding and partnership ceremony packages	68,000	2,000	5,000
NI009	New income	Place	Homes & Communities	Development of commercial model for theatre and cinema income to achieve net zero budget	295,000	0	0
NI010	New income	Place	Commercial Services	Introduce charging for fortnightly green waste collection	4,000,000	0	0
NI011	New income	Place	Commercial Services	As per the PFI contract - Increased share from the sale of energy and recyclates.	0	1,000,000	0
NI012	New income	Place	Commercial Services	Charge housing developers for new bins	70,000	0	0
NI013	New income	Place	Commercial Services	Review options for car parking charges at Council offices	100,000	0	0
TOTAL NEW INCOME SAVINGS					**8,692,720**	**1,622,000**	**20,000**

Ref	Option Type	Directorate		Saving Proposal	2024/25 £	2025/26 £	2026/27 £
TO001	TOM	Health, Wellbeing & Prevention	Emergency Planning	Explore shared emergency planning resource and resilience with partners.	15,000	15,000	0
TO002	TOM	People	Learning & Skills	Review the use of the UK Shared Prosperity Fund (UKSPF) to maximise grant funding	60,000	0	0
TO003	TOM	People	Learning & Skills	Review the use of external grant funding for preventative SEND services across the People Directorate.	50,000	0	0
TO004	TOM	People	Children's Social Care	Review funding arrangements and contributions from external sources to higher cost placements	500,000	0	0
TO006	TOM	Place	Homes & Communities	Limit access to the Housing Register for a fixed period to focus upon priority need cases.	100,000	0	0
TO009	TOM	Place	Highways & Transport	Review service synergies to secure cost reductions across Highways, Maintenance, and Outdoors services.	0	2,000,000	0
TO011	TOM	Resources	Legal Services	Review and re-size staffing in the Legal team.	0	120,000	0
TOTAL TARGET OPERATING MODEL SAVINGS					**725,000**	**2,135,000**	**0**

Ref	Option Type	Directorate		Saving Proposal	2024/25 £	2025/26 £	2026/27 £
SC002	Stop/Cease	People	Learning & Skills	Review education transport arrangements - changes to policy (mainstream and SEND)	350,000	300,000	0
SC003	Stop/Cease	People	Learning & Skills	Review education transport arrangements - changes to efficiency and delivery models (mainstream and SEND)	650,000	100,000	0
SC004	Stop/Cease	People	Adult Social Care	Decommission block contract and move to SPOT provision.	200,000	0	0

Ref	Option Type	Directorate		Saving Proposal	2024/25 £	2025/26 £	2026/27 £
SC005	Stop/Cease	People	Adult Social Care	Review the development of a solo children's home to enable discussions about a joint funded model with Health. 24/25 and 25/26 only	400,000	0	-400,000
SC007	Stop/Cease	Place	Homes & Communities	Review and Minimise Museums and Archives service costs	0	0	50,000
SC008	Stop/Cease	Place	Homes & Communities	Review staffing and resize the Empty Homes service	44,650	47,010	0
SC010	Stop/Cease	Place	Homes & Communities	Service efficiencies and increased income from Registrars delivery focus on enhanced venues	50,000	0	0
SC012	Stop/Cease	Place	Commercial Services	Reduce from five to three Household Recycling Centres	14,000	0	0
SC013	Stop/Cease	Place	Commercial Services	Rationalise property and buildings to secure revenue savings (e.g. utilities, security, repairs and maintenance etc). Use reductions to secure additional capital receipts.	3,000,000	3,000,000	0
SC014	Stop/Cease	Place	Economy & Place	Review the provision of school crossing patrol service (Schools may opt to pay for the service).	20,000	0	0
SC018	Stop/Cease	Council wide	All	Review subscription and secure cost reductions in membership of West Midlands Employers	30,000	0	0
TOTAL STOP/CEASE SAVINGS					4,758,650	3,447,010	-350,000
TOTAL SAVINGS					62,479,970	11,712,873	-107,950

12. Equality, Social Inclusion and Health Impact Assessment (ESHIA)

12. Equality, Social Inclusion and Health Impact Assessment (ESHIA)

The Council is committed to its Public Sector Equality Duties and as such an equality, social inclusion and health impact assessment on the budget proposals has been prepared, and is included in the paragraphs below.

This ESHIA examines the overall proposed Medium Term Financial Strategy for Shropshire Council which will impact services across the County and the Council's workforce. It will consider whether the setting of the budget is likely to impact on groups of individuals in relation to protected characteristics, in line with the requirements of the Equality Act 2010, and it will also consider the impacts on inequalities, including rurality across our communities, from a social inclusion perspective. The report also includes an assessment of the impacts of the budget proposals on Council employees.

It is important to note that this report does not seek to consider each specific proposal in detail but to consider the overall impact of the budget proposals and to give an overall impact assessment of them. In many cases there will be a need for a separate Cabinet decision in due course on individual proposals which in turn will require specific equalities consideration. Where the level of adverse impacts for such a proposal reaches or is likely to reach the criteria for a stage 2 assessment, these will be undertaken by service leads. This report also describes actions to mitigate overall adverse impacts and presents an agreed process for the continued and robust monitoring and mitigation wherever possible as we move through 2024-25 and beyond.

At this point, it is expected that the equalities and social inclusion impact of the proposed budget on our residents and communities will be both a complex and evolving situation, with some proposals leading to adverse impacts that will require a stage 2 impact assessment and possible mitigations. The complexity of assessment at this stage is in part due to the scale of the programme being proposed, and the range of variables and factors that may impact both its delivery and its impact. The equalities and social inclusion impacts will also be determined by the continued progress of our strategic transformation programmes in line with The Shropshire Plan, including those that are focused on transforming how our residents/customers engage and connect with us as a Council, those focused on improving, protecting and safeguarding the health and wellbeing of all our population (children, families and adults), and work planned for 2024-25 that will redesign the Council's target operating model, seeking to continue to improve our efficiency and effectiveness as the Council becomes a smaller organisation.

It is, however, inevitable that the impact of some specific budget proposals will cause concern regarding particularly adverse impacts for our residents and communities, and we recognise that some impacts are likely to reach a threshold where a stage 2 impact assessment is required. At this point, we anticipate that the following are likely to require stage 2 assessments:

- Impact of any changes to our library and leisure centre offer
- Impact of a temporary closure of the housing register to new applicants
- Impact on planned reduction to the staffing establishment
- Impact on our residents due to changes in partnerships and supplier relationships
- Cumulative impact of the budget proposals on resident's health, care, wellbeing and protected characteristics, to include the potential for geographical disparities

in impact. This assessment will also consider the cumulative impact of cross council increase in fees and charging.

Protected Characteristics

Please see our Joint Strategic Needs Assessment and insight information for detailed information on our Shropshire population:
[Joint Strategic Needs Assessment (JSNA) | Shropshire Council] and [Population | Shropshire Council.]

Please note that at the time of writing the data available through the JSNA web-links is from the Office of National Statistics (ONS) census data from 2011. These pages are in the process of being updated to include the OSN census data from 2021. For clarity, the population data presented below is from the ONS 2021 census.

Age

As a county we have a growing and increasingly older population living in dispersed rural communities, with 25% of our population aged 65 years or over (82,088 people), and 40.3% of the population aged over 54 years. 4.5% 14,442 of the population are under 5s and 13.7% 44,238 are between 5-15 years old. The nature of our statutory functions and demand for certain services, particularly social care and support mean we provide many services to older people, and to children & young people and families. Other services are also provided to the public, which if altered alongside, can specifically lead to implications for people of different ages, such as access to public transport, libraries, and leisure services. Increases in charges and incomes may also disproportionately impact on people of certain ages, particularly our growing older population and younger people accessing education and work. Access to services in local communities through a One Shropshire approach (part of the customer transformation programme and Health and Wellbeing Board's prevention framework (which includes Shropshire Local outreach support, hubs and social prescribing along with work to mitigate digital exclusion) will be critical to mitigating any negative implications. At this point we recognise the need to understand more about the impacts of the budget proposals on different age groups and these will be considered as part of stage 2 assessments.

We have an ageing Council workforce with an average age of 47 years. 32% of the workforce being in the age bracket 50-59 years, closely followed by 25% (40-49 years). We have 0.2% under 20 years of age and 8.7% between the ages of 20 and 29 years. These statistics are consistent across all areas of the council.

Disability
As a Council we provide a number of services and support to people living with disabilities, and their parents and carers, and we recognise that the impact of any changes on broader services, including housing, transport or education for example can disproportionately impact on these residents. In 2021 6.7% of our residents identified as being disabled with their lives impacted a lot by their disability. Detailed considerations of this will be undertaken in relevant stage 2 ESHIAs with ongoing monitoring for impacts undertaken moving forward, and the Children's SEND transport stage 1 ESHIA presented to Cabinet in July 2023 will also be refreshed.

The proportion of our Council workforce who have declared a disability is 2%, with just over 9% declaring that they do not have a disability. The remainder have either not declared a disability or have chosen 'prefer not to say'.

Gender reassignment
As with other local authorities, it is difficult to measure the incidence of gender reassignment within our Shropshire population, but we do know from the national position that the number of people to whom this applies is increasing in the UK. We also know that some of our services, both delivered directly and commissioned, will work with individuals who have this protected characteristic. We will continue to monitor the local impacts through working with our community safeguarding partners to tackle issues such as hate crime, and our public health services will continue to work with partners to consider issues in relation to health and well-being. We will also continue to monitor the delivery of our third-party suppliers. At this time, we consider that there is unlikely to be a measurable adverse impact, but it is important that we continue to monitor moving forwards.

We do not currently record workforce information on gender reassignment, so it is difficult to measure impact of the proposals.

Marriage and civil partnership
The public sector duties in relation to marriage and civil partnership seek to ensure that anyone in a civil partnership does not experience less favourable treatment than those who have entered into a marriage. It is our assessment at this time that the issue of marriage and civil partnership is unlikely to feature highly when considering the impact of budget proposals on our population, and there is unlikely to be a measurable adverse impact due to this protected characteristic.

We do not currently record workforce information on marriage or civil partnership; impacts for our workforce would be considered as part of the stage 2 impact assessment.

Pregnancy and maternity
Each year in Shropshire approximately 2,500 babies are born. During 2023-25 significant work is being undertaken across both the Council and through our joint work with the Integrated Care System to continue to enhance the offer to women during the pre-natal, natal and post-natal periods. This work includes the development of Women's Health Hubs, the delivery of the Best Start in Life programme for our youngest residents and parents / carers reflective on the critical first 1001 days of a child's life, and the enhancements to deliver family and community hubs across our market towns, with spokes in areas of greatest needs across our most rural and dispersed communities. Collectively, these interventions should positively improve access, experience and outcomes for pregnant women.

As an employer we have supportive employment policies for Family Leave that take account of employment rights and best practice. These include Maternity, Adoption & Surrogacy Adoption, Parental Leave and Parental Bereavement Leave, Paternity Leave and Shared Parental Leave policies. As at January 2024 there are just under 70 employees currently on maternity leave.

Race
The Shropshire population has 93.3% White: English, Welsh, Scottish, Northern Irish or British through all Place Plan areas. The second largest group is Asian, Asian British or Asian Welsh at 1.3%. 97.4% speak English as their main language, and of the remaining, 0.4% speak Polish, 0.4% speak Bulgarian and 0.3% speak Romanian.

It is our assessment that proposals in the budget could impact adversely on people from ethnically diverse backgrounds and will be dependent on whether individuals use or engage currently with services within scope of the proposals. It will be important for us to continue to monitor the impacts of the budget proposals and to mitigate where possible through continuation of our outreach work for example, to ensure appropriate access to, experience of, and outcomes of services for people with this protected characteristic.

Our workforce profile mirrors that of the local population. A Staff forum Shropshire Anti Racism Forum (SCARF) is well established and meets regularly to discuss issues impacting on the workforce and makes suggestions to senior management.

Religion or Belief
The profile of our Shropshire population is as follows: 55.5% of the Shropshire population reported that they are Christian, 37% reported that they are no religion and 5.9% did not state a religion. 0.5% are Muslim, 0.3% Buddhist, 0.2% Hindu, 0.2% Sikh, 0.1% Jewish. Other religion is defined for 0.5% of the population.

Religion and faith can often mean people will have different cultural or dietary needs, which will continue to be met in the delivery of appropriate services, including care and support plans – where changes to services may impact on people with specific religions or beliefs, these will be considered as part of service specific ESHIAs.

Our workforce profile aligns to that of the local population.

Sex
50.6 % of our Shropshire population is female with 49.4% male. Our data tells us that a higher proportion of people aged 60 and over will be female, and that this will need to be considered as part of our budget proposals. We also know that a greater proportion of women are likely to be informal and unpaid carers and are likely to be greater users of some of our Council services compared to males. We will need to continue to monitor the impacts on sex through appropriate stage 2 assessments, and through ongoing monitoring of the overall service changes as described elsewhere in this report.

Our workforce is made up of just over 75% female and just under 25% male employees. We have almost half of the workforce working part time, in roles that are predominantly lower paid and occupied by female employees.

Sexual Orientation
National estimates suggest that LGBTQ+ people make up between 2% and 5% of the population, and we know this this means that people who are LGBTQ+ will be included in all our customer groups, recognising that not all individuals may self-disclose as specifically LGBTQ+ to us. The council is working hard to improve the extent to which our services are aware of and respond to the needs of people who are LGBTQ+, and this work will continue.

At this time, there is no current evidence to suggest that people from LGBTQ+ communities will be specifically adversely impacted by the budget proposals, but they may be impacted to a similar degree as the rest of the population dependent on the current and future services they may need.

Our workforce profile shows that less than 1% of employees have declared their sexual orientation as being LGBTQ+ with a large number either declaring they would prefer not to say or not recorded in our systems.

Each year, as an employer we publish data on our workforce relating to the protected characteristics through the Workforce Diversity Monitoring Report and Gender Pay Gap Report:

[Equality, diversity and social inclusion | Shropshire Council]

For each of the protected characteristics reviewed in this report, ongoing monitoring of the impacts of the budget proposals will be undertaken through 2024-25 and beyond as outlined elsewhere in this report, with more detailed assessments undertaken in relevant service specific ESHIAs, including stage 2 ESHIAs, to include both the impact on our residents and communities, and on our workforce.

Social Inclusion Impacts

As a Council we recognise the important role that broader factors have in supporting, improving and protecting the health and wellbeing of our population.

Examples of these factors include:
- Housing & resettlement provision
- Access to transport
- Access to good quality education
- Routes to sustainable employment
- Access to health and wellbeing provision
- Impact of living in a rural setting
- Households on low incomes

We also recognise that the impacts of changes to these factors on our residents can also be cumulative, and it is therefore important that stage 2 assessments consider not only the factors as single issues, but also the cumulative impacts and potential for disproportionate impacts.

Impacts on health and wellbeing

The council will continue to prioritise the eligible needs of people requiring statutory care and support are met across all ages. It will also retain its commitment within resources available to an early help and preventative offer to help us to support people at an earlier stage and to help us to manage the demand for social care interventions and services. The range of work in this area is outlined in the next section of the report in some detail.

As we move through 2024-25 overall monitoring of impacts will be undertaken as outlined in the next section of this report and these will include with a particular emphasis on impacts for:

- Safeguarding vulnerable people and those with care and support needs
- Children & young people, including children who are looked after and care leavers
- People with learning disabilities, autism, mental health needs, substance misuse, needs, and people living with dementia
- All age carers
- People from the Armed Forces and Veterans
- People within Traveller communities
- People resettling into Shropshire, and impacted by global unrest
- People living in rural areas and the accessibility factors that are associated with it becomes a key consideration when adapting or introducing a new service or policy and we will recommend the use of the Rural Proofing for Health Toolkit to consider this.

At this stage, we recognise that the impacts on our resident's health and wellbeing will be a complex and evolving position – this is due both to the scale of the budget proposals, and due to the range of strategic delivery and transformation programmes underway. It is our assessment that a stage 2 assessments will be needed to further consider the social inclusion and health and wellbeing impacts, linked to the rurality of the county and the cumulative impact of the budget proposals.

Actions to mitigate negative impact or enhance positive impact of the service change in terms of health and wellbeing considerations

The **Shropshire Plan** is the overarching strategic plan for the Council, setting the vision for "Shropshire living the best life" and setting out the strategic priorities and strategic objectives for the period 2022-2025, along with the delivery plans, performance management framework and financial strategy.

The Shropshire Plan has four strategic priorities:

Healthy People	Tackling Inequalities, Early Intervention, Partnerships & Self-responsibility
Healthy Economy	Skills & Employment, Safe, Strong & Vibrant destination, Connectivity & infrastructure, Housing
Healthy Environment	Climate Change Strategy, Safe Communities & Natural Environment
Healthy Organisation	Best Workforce, Absorb, Adapt, Anticipate, Communicate Well, Align our Resources and Strong Councillors

The Plan recognises health as the golden thread in all that the Council does, with a focus on prevention and early intervention woven into service delivery and improvement plans and across the organisational transformation programme, and our performance management framework. The budget proposals outlined for 2024-25 will particularly align with the Healthy Organisation priority ensuring that the Council is financially sustainable and that our resources, including services, staff, assets and third-party contracts are best aligned to The Shropshire Plan and the Council's statutory and mandatory functions, and to managing demand for services particularly in social care and support through earlier intervention and prevention. Performance against the Plan and its strategic priorities and objectives during 2024-25 will continue to be monitored and reported through the Council's Cabinet, full Council and Scrutiny Committees.

Further information on the Shropshire Plan and its delivery is available through the following link.

The Shropshire Plan 2022-2025 | Shropshire Council

Underpinning the delivery of The Shropshire Plan are three key components that will help to mitigate any negative impacts of the budget proposals as we move through 2024-25. These are briefly described below along with a summary of how they will support mitigation of the impacts.

- Target Operating Model (TOM) redesign

For 2024-25 the Council is resolutely focusing on our Healthy Organisation strategic priority with achieving a sustainable financial position as the core deliverable. This will create a new considered and robust operating model that will allow us to right size the organisation so that we become the most efficient and effective we can be and allow us to deliver the strategic priorities and objectives within The Shropshire Plan in a way that fits within our financial envelope. This means that some areas of service delivery will grow, others will reduce, and some will stop entirely.

Our agreed operating model will be applied to all services with the implementation adapting the model to the differential nature of our services and their customers, and considering at each stage the impact on our customers in a way that is reflective of their specific needs while limiting the impact on those with protected characteristics or inequalities, wherever possible.

- Service delivery and improvement plans

Each Assistant Director of the Council is in the process of refreshing their service delivery and improvement plans to ensure resources are allocated in the right place to deliver on the Council's statutory and mandatory duties and functions, and the objectives of the Shropshire Plan. These plans will require service leads to both consider the impact of changes for their area indicated in the budget proposals on both our Shropshire population and on their staff teams, from both a protected characteristics and inequalities perspective. Areas with adverse impacts will feed into appropriate stage 2 ESHIAs for specific budget proposals.

- Council-wide Transformation & Delivery Programmes

There is a range of specific transformation programmes that have been designed to both improve the Council's connectivity to our residents and our communities, particularly ensuring connections with our most vulnerable and at-risk residents, alongside programmes to manage demand for children's and adult social care through earlier intervention and prevention, and improved efficiency and effectiveness of social care interventions and support. Collectively, these programmes have been designed to both safeguard our most vulnerable residents across the life course, meet our statutory and mandated functions and duties as a Council, and protect and improve the health of our population. We will also continue to work with our ICS and wider system colleagues to achieve system healthcare transformation programmes and ensuring we continue to meet our safeguarding duties working through the safeguarding partnership and its priority programmes.

The table below lists the key programmes and projects and their intended benefits.

Projects	**Benefits**
Early Intervention & Prevention Strategic Framework endorsed by Health & Wellbeing Board January 2024	• Consistent prevention approach, at scale across the life-course of individuals, families and communities and across our Shropshire health and care system • Partners, communities, and individuals actively engaged in improving health
Customer Transformation Programme	• One Shropshire approach • Making Every Contact Count • New Directory & improved contact centre • Digitalisation, automation, and digital inclusion • Proactive outreach to our most isolated and at-risk residents • One front door to access the right support at the right time
Community & Family Hubs, and Integrated Practitioner Teams	• Redesigned Family Hubs in place by April 2024, providing drop-in support and service provision focused on cyp and families. • All age and community approach for the hubs to developed through 2024-2025. • 'Spokes' in targeted communities to be developed through 2024-25, reaching more rural communities with the highest need. • Integrated practitioner teams assessing individual families operational in 6 sites by April 2024.
Best Start in Life	• Improved support for parents, including new parents working closely with midwifery and health visiting. • Improved outcomes for 0–5-year-olds, including a focus on school readiness

	and speech, language and communication, and children with SEND
Early Help transformation	• Redesigned Front-Door • Refreshed Early Help Strategy • Strengthened Early Help Partnership Board • Refreshed Youth Strategy & Offer • Improved efficiency and effectives of the targeted early help provision, and early help system linked to the national systems guide. Ensuring drop-in support as well as direct and targeted work with families. • Improved outcomes for CYP and families, including CYP with SEND
Children's Social Care Transformation Programme	Where intervention is required to safeguard a child through children's social care: • More children will be supported by connected carers and Shropshire foster carers • More children will receive effective edge of care support through Stepping Stones • More children will remain living in Shropshire placed in Shropshire residential homes (Ofsted rating outstanding and good)
Adult's Social Care Transformation	• Redesign of the adult's front door, to include a new digital offer • Improved access to assistive technologies • Redesigned care at home and reablement provision • Improved day and supported living services • Improved integrated discharge arrangements with health
Commercial Transformation	• Optimised third party spend to ensure we get value for money from the money we spend while supporting our local communities and economy • Improved debt management to reduce the level of debt being accrued and improve the timescales for recovery • Improved use of our assets to support our services, customer, communities, and future investment while enabling place shaping activity • Increased income to fully cover the costs of discretionary services while being cost effective for those in need

System Transformation & Safeguarding Programmes	
ICS and Shropshire Integrated Place Partnership Healthcare Improvement Programmes	• Joint Strategic Needs Assessment • Joint Forward Plan delivery • Local Care Programme delivery integrated health and care teams • Personalised care approach embedded • Cancer Strategy Programme • Diabetes Programme • Mental Health Transformation • Learning Disability and Autism Transformation • Suicide Prevention strategy delivery • Health Inequalities & Prevention Programme • Shropshire Inequalities Plan • Women's Health Hubs • Healthier Weight Strategy • Rural Proofing Member Task Finish Group recommendations delivery, Director of Public Health report on rurality and ICS Rural Health Strategy • Health & Wellbeing Board Strategy
Shropshire Safeguarding Community Partnership Priorities	• Drug and Alcohol • Domestic Abuse • Exploitation • Community Safety • Adult and Children's Safeguarding Practice Oversight
Shropshire Area SEND and Inclusion Partnership Board programmes	• Accelerated Progress Plan (APP) related to speech, language and communication system pathways, neurodiversity system pathways and education, health and care plan quality and timeliness • SEND and Alternative Provision (AP) Change Programme delivery • SEND and Inclusion Strategy
Digital Inclusion Network	• Identifies the causes, barriers, and consequences of digital exclusion in Shropshire • Shares best practice, to propose and implement solutions that can reduce the digital divide and promote digital inclusion.
Social Task Force including Cost of Living	• Reviews gaps and further actions stakeholders can take jointly within Shropshire to support our residents struggling with the cost-of-living increases, with a focus on ensuring that

	the most vulnerable in our community are supported

Actions to review and monitor the impact of the service change in terms of equality, social inclusion, and health considerations

Robust monitoring of the impact of service changes aligned to the MTFS budget proposals for 2024-25 in terms of equality, social inclusion and health considerations will be led by the Council's Assistant Director Leadership Team (ADLT). A range of intelligence, insight and data will be used to continue to assess and monitor ongoing impacts and where adverse impacts are noted, the Council's ADLT will seek to identify and implement mitigating actions wherever possible.

Key data sources that will enable ongoing tracking and assessment of the impacts includes:

- Shropshire Plan Performance Dashboard
- Joint Strategic Needs Assessment, including Population profiles, thematic assessments (e.g. children's, substance misuse), Place Plan assessments (covering 18 geographical areas of Shropshire with action plans)
- Health & Wellbeing Board agreed metrics and indicators
- Shropshire Integrated Place Partnership deliverables, metrics and indicators
- Public Health Outcomes Framework metrics
- Adult Social Care Outcomes Framework metrics
- Supporting Families Dashboard
- Regulation and Inspection outcomes, including Peer Reviews
- Associated ESHIAs, including those undertaken as a stage 2 assessment, and associated consultations where undertaken
- Engagement and involvement with Portfolio Holders, Cabinet and Council
- Scrutiny and involvement / engagement with Elected Members
- Staffing Profile indicators
- Service Levels KPIs included in Service Delivery and Improvement Plans
- Contract monitoring data from external suppliers, including delivery of social value strategy
- Evidence that the Health in All Policies approach is embedded across the organisation
- Application of the Rural Proofing for Health Toolkit

Associated ESHIAs

Specific budget proposals for 2024-25 that meet the Stage One screening assessment criteria for Stage Two Full Review will be undertaken by individual service leads and are noted elsewhere in this report. Where appropriate, associated stage one ESHIAs will be refreshed (e.g. SEND transport). Thes will be shared with consultation papers and form part of relevant reports to Council committees.

Actions to mitigate negative impact, enhance positive impact, and review and monitor overall impacts in terms of climate change considerations and any other impacts with regard to economic and societal implications
Climate change The climate crisis poses a serious threat to the lives of millions of people globally, nationally and locally. The mitigation of greenhouse gas emissions and adaptation measures to build resilience is now urgent and essential to prevent the worst outcomes. Even if we are successful in mitigating the worst effects, we will continue to experience more pronounced and frequent episodes of extreme weather which will significantly increase insurance risks and threaten the health, wellbeing and future resilience of our communities. Shropshire Council declared a climate emergency in May 2019 and in December 2020 adopted a Climate Strategy and Action Plan, which establishes the objective of achieving net-zero carbon performance for Shropshire Council by 2030. The climate crisis is already recognised as a significant strategic risk to Shropshire communities and businesses and to the delivery of Council and public services. This risk is most likely to manifest itself in terms of financial impacts (e.g. increasing demand for services, higher operating costs and adverse impacts on the Shropshire economy) and impacts on the health and well-being of staff and residents. The future costs of addressing climate change impacts are expected to significantly exceed that of the investment needed to reduce carbon emissions and improve climate resilience. Climate action and carbon reduction are integral to all aspects of the Shropshire Plan: **Healthy People** – Extreme weather associated with the climate crisis will adversely affect vulnerable residents and service users disproportionately. This is likely to drive significant future growth in the demand for social care services as well as generating significant impacts on the physical and mental health and wellbeing of staff. **Healthy Economy** – The recent energy crisis illustrates potential impacts on the Shropshire economy from the climate crisis. However, there are also significant opportunities for growth and skilled employment in new technologies, renewable energy and the rural economy. **Healthy Environment** – The climate crisis has very serious implications for biodiversity and food production. However, as a large rural area, Shropshire is also in an excellent position to take positive action to help mitigate these effects. **Healthy Organisation** – Extreme weather associated with the climate crisis may significantly disrupt the delivery of Council services through damage to physical infrastructure such as roads and power infrastructure, and through impacts on staff health and wellbeing. Demand for services and service delivery costs such as highway maintenance are likely to increase significantly. Continuing to take an active role through the implementation of the adopted corporate Climate Strategy and Action Plan and supporting wider community efforts allows the Council to make a demonstrable contribution to reducing the carbon footprint of the wider county, as well as 'leading by example' by reducing its own carbon footprint. The focus to date has been on embedding climate change as a key consideration in the Council's corporate governance systems and widening ownership of the climate challenge through accredited carbon literacy training. A range of projects and initiatives continue to be developed and implemented to help the Council improve its own performance and to help foster similar action across the wider economy and communities in Shropshire. A wide range of Shropshire Council staff outside the Climate Task Force actively contribute to carbon reduction and climate action projects.

Specific controls include:

Attracting capital and revenue grant funding awards currently totalling around £26m to invest in improvements to the energy efficiency of homes for our most vulnerable residents and low carbon infrastructure such as EV chargers

The development of a range of low carbon technology demonstrator projects which are already recognised as being at the forefront of good practice by local authorities in the UK

Working with key suppliers to measure carbon emissions and to help them develop and deliver carbon reduction plans to reduce the carbon emissions which they generate on our behalf

- Working with other public sector bodies and infrastructure providers in Shropshire to assess how local services and infrastructure could be affected by extreme weather and to build their resilience

Collaborative strategic planning for renewable energy infrastructure with neighbouring authorities and infrastructure providers

- Supporting the voluntary sector to help them engage Shropshire communities and businesses to help them make informed decisions about investment in measures to improve the energy performance of domestic and commercial buildings and capture the full potential of green growth and skills in Shropshire.

In implementing the MTFS, it is crucial that the longer-term impact of decisions takes into account information about the future costs and risks of climate change through explicit consideration of their lifetime carbon impact and future climate vulnerability. Individual Council services will progressively need to engage with their staff and service users to explore the need for, and implications of, service changes which reduce carbon emissions and improve resilience. Many carbon reduction and climate resilience measures also have the potential to generate revenue savings and generate 'green' economic growth.

Economic and societal/wider community

Continuing to prioritise our work with partners to deliver on the ambitions of the Economic Growth Strategy for Shropshire, aligned to the Healthy Economy in The Shropshire Plan will remain important as we move through the coming years.

Whilst this may involve re-shaping some of the levels of support to towns and villages, we will actively work with the parish and town councils to minimise the effect on jobs, opportunities for education and skills, and to ensure that our towns and villages continue to thrive to support those communities. Overall, the impact of the service changes may slow the pace of delivery, but the work remains an important priority.

We will continue to pursue grant funding opportunities which will enable us to improve our urban and rural areas. Moreover, continuing to progress major regeneration projects helps to future proof Shropshire and ensuring that its economy continues to prosper.

The reduction of Culture and Leisure service provision will be carefully planned to ensure that all decisions taken are evidence based, subject to appropriate consultation, reflect opportunities for communities to access alternative provision, and ensure that the Council at all times fulfils its statutory requirements.

Restriction on access to the Housing Register will allow the Housing Services team to focus attention upon those in greatest housing need to whom a statutory service is owed. This will increase their chances of accessing a sustainable tenancy and improve their outcomes accordingly.

B. **Detailed Screening Assessment**

Aims of the service change and description
Shropshire Council draft MTFS for 2024/25-2028/29 notes an estimated a budget gap for 2024/25 of £62m. In common with other Councils, Shropshire is seeing significant budgetary challenges arising through social care demand and worsened by inflationary pressures. The draft MTFS sets out the spending reductions required to present a balanced budget to Council; this report presents an impact assessment of the overall budget proposals required to reduce the Council's planned spend that are presented to Cabinet on 21st February 2024 with a recommendation to propose to the MTFS to Council on 29th February.

Intended audiences and target groups for the service change

The overall budget proposals in the MTFS for 2024-25 will impact on the whole population of Shropshire. However, it is to be expected that specific proposals will impact more on certain groups of individuals and communities and certain protected characteristics more than others, and where adverse impacts are likely to reach a threshold where a stage 2 impact assessment is required, these will be undertaken.

The changes proposed are also likely to impact on a range of broader stakeholders and strategic partnerships, including, but not limited to:

- Integrated Care System
- Voluntary and Community Sector Agencies
- Council inspection and regulatory / professional bodies
- Formal partnership arrangements (e.g. Marches Local Enterprise Partnership)
- External suppliers and market
- Town and Parish Councils
- Elected members
- Education establishments and settings
- Recognised Trade Unions
- Shropshire Association of Local Councils
- Registered Providers of housing

As part of its monitoring of the impact of the budget proposals, the Council's ADLT will monitor the impact on partnership and stakeholder relationships and will work together as a combined leadership team to manage and mitigate the impact of the budget proposals on our partners and broader stakeholders wherever possible.

Evidence used for screening of the service change

A range of data and evidence will have been used to inform the development of the budget proposals; these include but are not limited to:

- Shropshire Plan Performance Dashboard
- MTFS 2024 Consultation findings

- Joint Strategic Needs Assessment, including Population profiles, thematic assessments (e.g. children's, substance misuse), Place Plan assessments (covering 18 geographical areas of Shropshire with action plans)
- Service specific data-sets and outcomes frameworks
- Employee profile and establishment data
- Annual Diversity Monitoring Report
- Gender Pay Gap Report
- Review of budget proposals from other local authorities

Specific consultation and engagement with intended audiences and target groups for the service change

Shropshire Council launched its formal budget consultation on the draft MTFS 2024/25 to 2027/28 on 18th December 2023. The consultation sought Shropshire residents and Council staff views to help prioritise our approach to the difficult task of making the spending reductions that we need to make to be financially sustainable, whilst continuing to deliver on our strategic priorities.

The consultation focused on a number of ways that the council could achieve this:

- Through managing demand for our services by early intervention, prevention and promoting independence
- Increasing efficiency and effectiveness of how we deliver our services
- Increasing income so we can lessen the spend elsewhere, particularly thinking about discretionary services
- Reducing third-party spending to external suppliers such as businesses and agencies

Becoming a 'right-sized' organisation

Over 1000 responses were received to the consultation; the results of which have been considered in the drafting of the budget proposals and in relation to this impact assessment.

Further information regarding the consultation is available in section 9 of the Medium Term Financial Strategy 2024/25 - 2028/29.

It is important to note that some specific budget proposals are likely to require further consultation, and these will be undertaken, alongside detailed stage 2 impact assessments as required.

Initial equality impact assessment by grouping (Initial health impact assessment is included below this table)

Please note that the following impact assessment is regarding the impacts on our residents and communities. A more detailed impact assessment on our workforce will be undertaken at stage 2.

Protected Characteristic groupings and other groupings in Shropshire	**High negative impact** *Stage Two ESHIA required*	**High positive impact** *Stage One ESHIA required*	**Medium positive or negative impact** *Stage One ESHIA required*	**Low positive, negative, or neutral impact (please specify)** *Stage One ESHIA required*
Age (please include children, young people, young people leaving care, people of working age, older people. Some people may belong to more than one group e.g., a child or young person for whom there are safeguarding concerns e.g., an older person with a disability)	X			
Disability (please include cancer; HIV/AIDS; learning disabilities; mental health conditions and syndromes; multiple sclerosis; neurodiverse conditions such as autism; hidden disabilities such as Crohn's disease; physical and/or sensory disabilities or impairments)	X			
Gender re-assignment (please include associated aspects: safety, caring responsibility, potential for bullying and harassment)				X
Marriage and Civil Partnership (please include associated aspects: caring responsibility, potential for bullying and harassment)				X
Pregnancy and Maternity (please include associated aspects: safety, caring responsibility, potential for bullying and harassment)			X	
Race (please include ethnicity, nationality, culture, language, Gypsy, Roma, Traveller)	X			
Religion or belief (please include Buddhism, Christianity, Hinduism, Islam, Jainism, Judaism, Nonconformists; Rastafarianism; Shinto, Sikhism, Taoism,			X	

Veganism, Zoroastrianism, and any others)				
<u>Sex</u> (this can also be viewed as relating to gender. Please include associated aspects: safety, caring responsibility, potential for bullying and harassment)	X			
<u>Sexual Orientation</u> (please include associated aspects: safety; caring responsibility; potential for bullying and harassment)				X
<u>Other: Social Inclusion</u> (please include families and friends with caring responsibilities; households in poverty; people for whom there are safeguarding concerns; people you consider to be vulnerable; people with health inequalities; refugees and asylum seekers; rural communities; and veterans and serving members of the armed forces and their families)	X			

Initial health and wellbeing impact assessment of the proposed budget by category

Given the scale and complexity of the budget proposals, stage 2 assessments on the direct and indirect health impacts will be required on specific proposals as detailed above and also on the cumulative impacts.

Health and wellbeing: individuals and communities in Shropshire	**High negative impact** *Part Two HIA required*	**High positive impact**	**Medium positive or negative impact**	**Low positive negative or neutral impact (please specify)**
Will the proposal have a *direct impact* on an individual's health, mental health and wellbeing? **For example, would it cause ill health, affecting social inclusion, independence and participation?** .	X*			
Will the proposal *indirectly impact* an individual's ability to improve their own health and wellbeing? **For example, will it affect their ability to be physically active, choose healthy food, reduce drinking and smoking?** **.**	X*			
Will the policy have a *direct impact* on the community - social, economic and environmental living conditions that would impact health? **For example, would it affect housing, transport, child development, education, employment opportunities, availability of green space or climate change mitigation?** .	X*			
Will there be a likely change in *demand* for or access to				

health and social care services? **For example: Primary Care, Hospital Care, Community Services, Mental Health, Local Authority services including Social Services?** .	X*			

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Capital Strategy 2023/24 to 2028/29

Contents

Foreword

Shropshire Council's Capital Strategy sets out the local authority's long-term investment aspirations taking into account strategic objectives as set out in The Shropshire Plan, affordability criteria and available resources to guide capital investment decisions over the next five years. It is reviewed and revised annually.

Capital expenditure relates to long term investment in assets and differs completely from the Council's revenue budget as set out in the Council's Financial Strategy. We receive capital grants, apply for capital funding, and have the ability to raise capital finance ourselves, either by selling property and other assets that we no longer need, or by borrowing funds to support long-term investment in assets.

We have a robust process in place to test and consider all capital investment proposals with the underlying requirement that all decisions taken are affordable. The Council's Asset Management Strategy and Economic Growth Strategy are important documents that link together with the Capital Strategy and Treasury Strategy to enable the Council to take long term and large-scale investment decisions in a balanced and well-considered manner.

This strategy documents clarifies those schemes including financing included in the fully approved capital programme. These schemes have undergone a full business case appraisal and given full approval to proceed. It also includes the wider 'priority schemes' included in the 'capital strategy'. These 'priority schemes' include a number of high profile developments, which have not yet received full business case approval. This is due to their size and complexity and the involvement of stakeholders outside the local area. Notably, schemes such as the controversial North West Relief Road and the Riverside Development in Shrewsbury are in these categories. Further detail has therefore been included to reflect the scope and scale of these schemes, and their financial implications within the wider capital strategy.

James Walton

Executive Director of Resources (Section 151 Officer)

1. Introduction

1.1 The Prudential Code requires the production of a Capital Strategy approved by full Council each year. Section 15(1) of the Local Government Act 2003 states that in carrying out its capital finance function under the Act (including the power to invest), a local authority shall have regard to guidance issued by the Secretary of State, which includes the Statutory Guidance on Local Government Investments. This Guidance states that for each financial year, every local authority should prepare at least one Investment Strategy the content of which complies with the Guidance. The Council publishes the requirements for its Investment Strategy within the Capital Strategy in accordance with the Guidance.

1.2 The Chartered Institute of Public Finance and Accountancy (CIPFA) published a revised Prudential Code for Capital Finance in Local Authorities (The Code) in 2017. The objectives of the Code are to ensure that the capital expenditure plans of local authorities are affordable, prudent, and sustainable, and that treasury management decisions are taken in accordance with good professional practice and in full understanding of the risks involved and how these risks will be managed to levels that are acceptable to the organisation.

1.3 In order to demonstrate that the authority takes capital expenditure and investment decisions in line with service objectives and properly takes account of stewardship, value for money, prudence, sustainability, and affordability authorities should have in place a capital strategy that sets out the long-term context in which capital expenditure and investment decisions are made and gives due consideration to both risk and reward and impact on the achievement of priority outcomes.

1.4 Over the last five years there has been a growing trend for authorities to acquire land and buildings with the effect of supplementing their revenue budgets with rental income. Often these acquisitions have been supported by external borrowing through the Public Works Loan Board (PWLB), a department of HM Treasury.

1.5 Concerns over the nature and extent of the investments by a few councils has led to updated guidance. The former Ministry of Housing, Communities and Local Government's (MHCLG) Statutory Guidance on Local Government Investments and CIPFA's Prudential and Treasury Management codes have all been updated recently to address the implications of investment in property.

1.6 Alongside these updates, in November 2019 CIPFA issued additional guidance ("Prudential Property Investment") to explain the provisions in the updated Prudential Code and Framework that relate to the acquisition of properties intended to make investment returns and confirm their implications in the light of the growing activity and the changes to statutory guidance.

1.7 Each local authority that wishes to borrow from the PWLB must submit a high-level description of their capital spending and financing plans for the following three years, including their expected use of the PWLB. Local authorities will be able to revise these plans in-year as required.

1.8 The PWLB guidance specifies investment assets bought primarily for yield would usually have one or more of the following characteristics:

a. buying land or existing buildings to let out at market rate.

b. buying land or buildings which were previously operated on a commercial basis which is then continued by the local authority without any additional investment or modification.

c. buying land or existing buildings other than housing which generate income and are intended to be held indefinitely, rather than until the achievement of some meaningful trigger such as the completion of land assembly".

From PWLB Guidance to Local Authorities

1.9 Shropshire Council does not support commercial investments as defined by PWLB. It will continue to ensure that focus will be on securing sustainable capital projects that fit with regeneration objectives.

1.10 The local capital strategy has been revised to accommodate these updates and additional guidance.

1.11 In response to the National Audit Office (NAO) Local Authority Investment in Commercial Property" report (February 2020), recommendation by the Public Accounts Committee in July 2020 that the Prudential Framework should be reviewed and the substantial increase in commercial investment, CIPFA launched its "Proposed Changes to the Prudential Code" consultation: an initial consultation on proposals to strengthen the provisions within "The Code". Following this consultation, a revised CIPFA Prudential Code for Capital Finance in Local Authorities was issued on 20 December 2021.

1.12 The capital strategy is intended to give a high-level overview of how capital expenditure; capital financing and treasury management activity contribute to the provision of services along with an overview of how associated risk is managed and the implications for future financial sustainability.

1.13 Capital expenditure is technically described as "Expenditure on the acquisition, creation, or enhancement of 'long term assets'". This is items of land, property and plant which have a useful life of more than 1 year.

1.14 The definition of capital investment is wider than that of capital expenditure. The Ministry of Housing, Communities & Local Government (MHCLG) Guidance on Local Authority Investment states "The definition of an investment covers all of the financial assets of a local authority as well as other non-financial assets that the organisation holds primarily or partially to generate profit, for example, investment property portfolios. For the avoidance of doubt, the definition of an investment also covers loans made by a local authority to one of its wholly owned companies or associates, to a joint venture, or to a third party."

1.15 This iteration of the Capital Strategy details the outturn position for 2022/23, the current approved Capital Programme covering the period 2023/24 to 2026/27 and summarises future proposed but currently unapproved capital schemes anticipated to commence over the period 2024/25 to 2029/30.

1.16 The Capital Strategy is always undergoing development and refinement.

2. Objectives

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 the Capital Strategy will be closely aligned to the Shropshire Plan to ensure that the Council resources are deployed to only those areas of priority.

The Council's Capital Strategy has the following objectives.

3. Asset Management Planning

3.1 The overriding objective of asset management within the council is to achieve a corporate portfolio of property assets that is appropriate, fit for purpose and affordable. The latest Asset Management Strategy 2020 – 2025 sets out a portfolio approach and defines five key areas. The five portfolios set out the definition of how and why the property and land is held and for what purposes:

- **Operational** - Efficient, suitable, and fit for purpose accommodation for the future delivery of public services.
- **Heritage** - Community infrastructure for the future, the Council as custodian, manages and invests in these assets for future generations.
- **Development and regeneration** - Appropriate intervention and enablement to deliver economic growth.
- **Investment** - In support of the Council's Commercial Strategy, maximising income generating opportunities through appropriate and effective property investment.
- **Disposal** - To divest, reduce revenue burden and fuel the Council's capital programme.

3.2 Asset management is an important part of the council's business management arrangements and is crucial to the delivery of efficient and effective services, the ongoing management and maintenance of capital assets will be considered as part of the strategy. The asset management planning includes an objective to optimise the council's land and property portfolio through proactive estate management and effective corporate arrangements for the acquisition and disposal of land and property assets.

3.3 The Council's Asset Management Strategy sets out the requirements for the continued capital investment in its estate to ensure that it is maintained appropriately to manage and mitigate against financial risk from health and safety breaches and / or failure of its landlord responsibilities incurring significant financial burden.

3.4 The Council's Asset Management Strategy sets out the requirement for the continued capital investment in its estate to ensure that the revenue income emanating from its property is protected and durable for future years.

3.5 The council will continue to realise the value of any properties that have been declared surplus to requirements in a timely manner, having regard to the prevailing market conditions.

3.6 When a capital asset is deemed as surplus, it may be sold so that the proceeds ('capital receipts'), can be spent on planned capital expenditure. Repayments of capital grants, loans and investments also generate capital receipts. The Council already has budget commitments within the current capital programme of projects expected to be funded from capital receipts. At Quarter 3 2023/24 the current position of expected capital receipts against budget commitments is as follows:

Detail	2023/24 £	2024/25 £	2025/26 £	2026/27 £
Corporate Resources Allocated in Capital Programme	12,675,711	15,876,462	5,952,293	1,600,000
Capital Programme Ring-fenced receipt requirements	1,224,248	16,555,333	18,371,005	-
Transformation activities	4,018,186	-	-	-
Total Commitments	**17,918,146**	**32,431,795**	**24,323,298**	**1,600,000**
Capital Receipts in hand/projected:				
Brought Forward in hand	17,465,369	12,965,717	- 18,906,078	- 43,164,376
Generated 2022/23YTD	9,009,567	-	-	-
Projected - 'Green'	4,408,927	560,000	65,000	65,000
Total in hand/projected	**30,883,863**	**13,525,717**	**- 18,841,078**	**- 43,099,376**
Shortfall to be financed from Prudential Borrowing / (Surplus) to carry forward	**- 12,965,717**	**18,906,078**	**43,164,376**	**44,699,376**
Further Assets Being Considered for Disposal	1,468,300	27,468,715	7,463,000	7,000,750

"Green" indicates disposals that are highly likely to be completed by the end of the financial year.

3.7 The previous table demonstrates that by 2026/27 the Council will require £44.699m of generated capital receipts to meet its current liabilities within the approved capital programme. Of this budget requirement £43.401m of assets have been identified as surplus to requirements with the potential to be disposed of.

3.8 Asset Management Planning needs full consideration as part of the Capital Strategy to fund future projects that are deemed unsuitable to be funded from Prudential Borrowing as they neither generate new income nor create revenue savings that will fund the resulting MRP requirement. At the point of considering such projects for inclusion in the Capital Programme, asset disposals to fund these projects will form part of the full appraisal process.

4. Governance Arrangements

4.1 To ensure that available resources are allocated optimally and deliver value for money, investment programme planning is, whilst having its own approval process, determined in parallel with the service and revenue budget planning process within the framework of the Financial Strategy.

4.2 New programmes of expenditure will be appraised along with other investments and grant allocation programmes following a clearly defined gateway process. The authority will make use of internal officer experience supported by external professional advisors where necessary to ensure robust investment decisions are made. This advice will cover financial, legal, property and economic outcomes through appropriate appointments.

4.3 The authority has an appraisal mechanism in place which will seek to ensure that there is an integrated approach to addressing cross-cutting issues, both internal and external to the authority, developing and improving service delivery through transformation and its investment in pursuance of the authority's over-arching aims. The appraisal mechanism and governance process are currently under review, however in the meantime, the governance arrangements as listed below will continue. This includes Officer Groups which bring together a range of service interests and professional expertise, including:

- Democratic decision-making and scrutiny processes which provide overall political direction and ensure accountability for the investment in the Capital Programme.
- A Capital Investment Board (CIB) which will oversee the investment portfolio. It is supported by a matrix group of officers of all specialities that will continue to appraise all business plans using independent external advisors if necessary. This will assist the making of investment decisions based on full site investigations, due diligence, funding package, undertaking full risk and reward assessments, lifetime costings, asset replacement and monitoring the outcome and reviewing those projects already in progress.
- The Strategic Programme Officer Group (SPOG) overseeing and reviewing business cases for investments prior to sign off and for submission to Capital Investment Board and Cabinet/Council approval.
- Specific Project boards of management groups with wide ranging membership to oversee significant development projects as required.

4.4 For projects and programmes an Expression of Interest (EOI) will be submitted that needs to include the investment levels required, source of funding, outcomes to be delivered, risk assessments, appropriate due diligence, repayment mechanisms, revenue impacts and full lifetime costings. These will be scored against an agreed weighting and appropriate recommendations made to the SPOG.

4.5 Subject to the EOI proposal being approved a detailed Outline Business Case (OBC) will be submitted and appraised in line with the Council approved methodology of the Treasury 5-case model, prior to a Full Business Case being completed and appended to a Council report. A suite of template documents is appended to the OBC to ensure a consistent approach to project delivery. These include:

- Risk Register.
- Cash Flow Modelling.
- Gantt Chart for project timeline.
- Project Board Terms of Reference and Agenda.
- Procurement considerations.
- Project closure report.

4.6 Under certain circumstances, as specified in the Commercial strategy, an alternative approach is necessary for spending decisions from the approved regeneration investment fund. Officers negotiating commercial deals are aware of the core principles of the Prudential Framework and the regulatory regime through the provision of appropriate training and advice.

4.7 Officers and Members involved in the decision-making process in relation to proposed projects and programmes will have the appropriate capacity, skills, and information to enable them to take informed decisions to acquire specific investments, to assess investments in the context of the Council's strategic objectives and risk profile and to understand how decisions have changed the overall risk exposure of the Council.

4.8 This assurance will be secured through the provision of relevant training and advice, detailed scheme business cases, financial appraisals and regular monitoring and review of the Council's overall investment position.

4.9 A summary of the programme governance is detailed in Appendix A.

4.10 Future monitoring of the programmes will include more rigorous expenditure profiling, outcome achievements, delivery against timetable, returns, risk assessments and completion reviews for each project.

4.11 Quarterly Capital Programme reports will continue to be submitted to Cabinet that identify changes to the approved programme to reflect:

- New resource allocations
- Rescheduling in programme delivery
- Programmes reduced or removed
- Virements between schemes and programmes to maximise delivery.
- Revisions to spend profile and funding to ensure ongoing revenue costs are minimised.

- Monitor the funding of the programme
- Capital receipts generated

5. Investment Approach

5.1 Underlying the Capital Strategy is the recognition that the financial resources available to meet capital expenditure priorities are constrained by a significant reduction in financial resources. The Council must therefore rely on internal capital resources including borrowing or external funds and seek ways in which all investment decisions, relating to either single schemes or defined programme of schemes, are no less than self-sustaining financially whilst generating significant positive returns in terms of meeting priorities.

5.2 The Council's approach to investment will reflect those investments made into the delivery of services and those designed for a wider economic basis. A balanced portfolio approach to investment will ensure an overall net average return reflecting some investments will yield higher returns than others and limit exposure to volatility in any one area.

5.3 All potential projects identified for investment can be classified in one of the following three categories:

- Commercial
- Transformation
- Economic Growth

5.4 The priority capital investments as identified in Sections 8 and 10 are summarised in these 3 categories of investment below which demonstrates the balance of our approach to investment within the capital strategy. This shows a lower level of investment in commercial projects, with most investment planned to support economic growth.

Table 5.1: Capital Schemes Analysed By Investment Category

Investment Category	Estimated Capital Cost £m
Commercial	5.503
Transformation	108.27
Economic Growth	130.953

6. Current Capital Programme

6.1 The current projected capital programme is shown below in summary with the full detailed programme included as Appendix B. It includes all projects that have proceeded to approval stage, either via delegated powers or full Cabinet and Council recommendation approvals. It also includes estimates for capital grants for 2024/25 and beyond where there is an expectation that grant funding will continue, such as Highways Maintenance and School Maintenance Grants.

Table 6.1: Current Capital Programme Expenditure Budget					
	2022/23 Actual £ m	2023/24 Projection £ m	2024/25 Estimate £ m	2025/26 Estimate £ m	2026/27 Estimate £ m
Non HRA Capital Expenditure	74.1	83.2	88.2	104.9	39.9
HRA Capital Expenditure	8.1	16.2	29.3	14.2	9.0
Total Capital Expenditure	**82.2**	**99.4**	**117.5**	**119.1**	**48.9**

6.2 Table 6.1 above shows the expected capital programme budget as at Quarter 3 2023/24. It will be revised following completion of the 2023/24 capital closedown procedure when final figures are established, which may result in slippage of budgets from 2023/24 into 2024/25.

6.3 The Council may also receive additional grant notifications throughout the financial year or if bids are submitted for additional grant funding as the year progresses. These changes will be reported as part of the quarterly finance strategy reporting.

6.4 There are several projects being considered that are being processed via the appraisal mechanism that is in place. As these projects have not completed the full cycle of appraisal, they are not included in the capital programme budget above but are informed as part of the prioritised projects discussed in section 8, where the impact of having additional budget requirements, and the resulting effect on the Capital Financing Requirement against prudential indicators is fully assessed. As these projects progress through both the appraisal process and the Councils governance requirements they will be added into the capital programme.

7. Funding the Current Capital Programme

7.1 There are several sources of funding the Council can use to finance its Capital Programme. The Current Programme is funded from the following sources:

- Capital Receipts
- Prudential Borrowing
- Developers Contribution (S106, CIL)
- Revenue Contributions
- Capital Grants
- Cash Balances / Internal Borrowing

7.2 **Capital Receipts**

Capital Receipts come from the sale of the Council's assets. If the disposal is Housing Revenue Account land or property, then the whole receipt is not available to support the capital programme as a percentage must to be paid over to the MHCLG. Where the sale of an asset leads to the requirement to repay grant, the capital receipt will be utilised for this purpose. Once this liability has been established and provided for, capital receipts will be available to support the capital programme as a corporate resource. Where the asset has been funded from prudential borrowing a review will be undertaken to determine whether the most cost-effective option is to utilise the receipt to repay debt, considering the balance sheet position of the authority.

7.2.1 **Flexible use of Capital Receipts**

The 2015 Comprehensive Spend Review (CSR) announced that local authorities will be allowed to spend up to 100% of capital receipts (excluding Right to Buy receipts) on the revenue costs of reform projects. Instead of holding assets that could be made surplus, councils will be able to sell them to reinvest in their services. Guidance relating to specific conditions, number of years that this will be offered and the qualifying criteria for a 'reform' project was issued as part of the Final Local Government Settlement on 11th March 2016. The key points included:

- The direction originally only related to new receipts received in the period 1st April 2016 to 31st March 2019 that could be applied to meet the revenue costs of reform incurred in the same timeframe. This has since been extended to 31st March 2025.

- The key criteria to use when deciding whether expenditure can be funded by the capital receipts flexibility is that it is forecast to generate ongoing savings to the authority’s net service expenditure and is expenditure on a project where incurring upfront costs will generate ongoing savings; and
- Individual authorities demonstrate the highest standards of accountability and transparency.
- Examples of qualifying expenditure include the sharing of back office and administrative services; investment in service reform feasibility work; collaboration between central and local government to free up land for economic use; funding the cost of service reconfiguration or restructuring leading to ongoing efficiencies; sharing Chief Executives; driving a digital approach; aggregating procurement on common goods; improving systems and processes to tackle fraud; setting up commercial or alternative delivery models to deliver services more efficiently or increase revenue income; and integrating public facing services across two or more public sector bodies

7.2.2 **HRA Right to Buy Receipts**

In most cases there will be no ring fencing of capital receipts to specific projects. One exception to this is the retained Right to Buy (RTB) receipts held by the Council under the agreement signed in June 2012 and amended in June 2013. Under this agreement any retained RTB receipts, which are not used for the specific purpose of providing replacement affordable housing, must be returned to MHCLG.

7.3 **Prudential Borrowing**

The Council will investigate opportunities to resource capital projects using prudential borrowing where plans are sustainable, affordable, and prudent. Full appraisal will take place to ensure that, where appropriate, sufficient revenue returns are generated to cover the cost of borrowing.

Where it is considered that prudential borrowing is the appropriate method of funding, but it requires additional revenue financing, the cost will be built into the revenue budget planning process. There are various debt instruments available for financing prudential borrowing and these are explored in detail in the Treasury Management Strategy.

The PWLB remains the Council’s preferred source of long-term borrowing given the transparency and control that its facilities continue to provide. The Council qualified for borrowing at the ‘Certainty Rate’ (20 basis points, i.e., 0.20%, below the PWLB standard rate) for a twelve-month period from 01/04/2023 to 31/03/2024, through its application to MHCLG.

7.4 S106 Developer Contributions

S106 agreements are made with developers / landowners as part of the planning approval process to ensure that new development mitigates its own impact and provides the necessary infrastructure to support it.

These contributions are site specific or can be 'pooled' for a maximum of 5 site specific projects. Any contributions received are 'ring-fenced' for the purpose as set out in the relevant S106 agreement and are applied to fund schemes within the relevant capital programme once an eligible scheme has been identified.

S106 contribution agreements have covered all types of infrastructure including transport, affordable housing, play areas, open spaces, playing fields, public realm, and public art. However, since the Council adopted CIL the planning obligations sought within S106 agreements have been scaled back to deal with only site-specific requirements, as required by the CIL Regulations. Pooled contributions previously sought for strategic transport, public realm and public open space related obligations are now dealt with by CIL.

The S106 contributions are time limited in that if they are not spent within an agreed timescale, typically 5 - 10 years, dependent on what has been agreed in the S106 agreement and any funds not spent in line with the agreement would have to be repaid to the developer, which, may include interest.

Consideration of available S106 funding should be taken into account when agreeing, for example, the roads programme for future years to maximise the use of the available funding and reduce the reliance on other sources of funding, predominantly borrowing. With the exception of funding for affordable housing the other pooled S106 obligations, such as Strategic Transport, Public Realm and Public Open Space will become zero over time as the CIL continues to be applied.

7.4.1 Proposals for a New Levy on Developer Contributions

The government has consulted on plans to radically shake-up the process of negotiating developer contributions via an overhaul of the current system. The proposals would introduce a new infrastructure levy to replace the system of securing developer contributions towards affordable housing, roads, and schools. The proposed levy would replace planning obligations, negotiated with developers through S106 agreements and CIL with a rate set nationally as a fixed proportion of a developments final value and charged at the point of occupation. Developments below a certain threshold would be exempt to protect the viability of smaller sites.

7.4.2 **Community Infrastructure Levy (CIL)**

CIL contributions are determined by set rates as detailed within the Council's CIL Charging Schedule and based on the amount of floor space being created by the development. CIL can be used to fund a wide range of infrastructure that is needed as a result of new development but is not site specific, giving more flexibility in where the funding can be used in geographical terms.

The CIL does not replace the requirement of S106 contributions. S106 contributions will still be relevant and will be sought alongside CIL.

The Planning Act and subsequent Community Infrastructure Levy Regulations 2010 (as amended) says that authorities can only spend CIL on providing infrastructure to support the development of their areas. This includes flood defence, open space, recreation and sport, roads and transport facilities, education, and health facilities. However, it does not include affordable housing, which will continue to be funded by S106 obligations.

7.5 **Revenue Contributions**

An element of the revenue budget can be set aside to fund the capital programme (Direct Revenue Financing). However, with increasing General Fund revenue pressures these amounts available are reducing. A service or school may wish to offer some of its revenue budget to support the financing of a capital project. This is acceptable if it can be demonstrated that this funding is unfettered.

7.6 **Capital Grants**

7.6.1 **Government Grants**

Capital resources from Central Government can be split into two categories:

- *Non-ring fenced* - resources which are delivered through grant that can be utilised on any project (albeit that there may be an expectation of use for a specific purpose). This now encompasses most Government funding, and the Council will initially allocate these resources to a general pool from which prioritised schemes can be financed.
- *Ring-fenced* - resources which are ring fenced to particular areas and therefore have restricted uses, specified by the funder.

7.6.2 **Non-Government Contributions**

Where there is a requirement to make an application to an external agency to receive external funding, and when appropriate to commit Council resources as matched funding to any bid for external resources, a business case should first be presented for consideration to the CIB. The business case must demonstrate how the project aligns to Council's priorities and how matched funding and any revenue consequences can be managed within the context of the capital and revenue budget.

7.7 Cash Balances/Internal Borrowing

The term Prudential Borrowing above does not automatically lead to external borrowing as the Council may be able to use cash it holds in reserves and as working capital which is usually termed internal borrowing.

7.8 Funding Summary of the Current Capital Programme 2022/23 - 2026/27

The current projected capital programme is financed as follows:

Table 7.1: Financing of the Capital Programme

	2022/23 Actual £ m	2023/24 Projection £ m	2024/25 Estimate £ m	2025/26 Estimate £ m	2026/27 Estimate £ m
Capital Receipts	7.2	12.5	9.8	8.4	4.1
Capital grants	35.2	51.3	57.2	79.4	29.6
Other Contributions	14.3	7.3	5.5	6.2	0.5
Major Repairs Allowance	4.2	7.1	4.8	5.0	5.0
Revenue Contributions	1.4	3.6	0.2	0.7	0.4
Prudential Borrowing	38.1	17.6	40.0	19.4	9.3
Total Financing	**100.4**	**99.4**	**117.5**	**119.1**	**48.9**

Over time all debt whether it be internal or external borrowing must be repaid, and this is therefore replaced over time by other financing, usually from revenue which is known as minimum revenue provision (MRP). The Council is required to make an annual MRP statement which is included within the annual Treasury Management Strategy report. The project appraisal process ensures that all projects that are not fully funded from secured grants or capital receipts are assumed to be funded from Prudential Borrowing and must demonstrate that any future borrowing requirement is affordable and sustainable within the requirements of the project.

The current MRP budget requirements based on the estimated capital programme above are as follows:

Table 7.2: Capital Programme MRP Budget Requirement					
	2022/23 Actual £ m	2023/24 Projection £ m	2024/25 Estimate £ m	2025/26 Estimate £ m	2026/27 Estimate £ m
MRP (Excluding PFI / Finance Leases)	5.1	6.2	6.2	6.6	7.2

8. Capital Project Prioritisation & Future Schemes

8.1 The main objective for the introduction of the Capital Strategy requirement was in response to the major expansion of local authority investment activity into the purchase of non-financial investments, particularly property. The capital strategy therefore requires local authorities to assess investments over the long-term as opposed to the usual three years that planning has been conducted over.

8.2 Section 6 of this strategy summarises the current approved capital programme for the three years to 2025/26. The projects included within this programme have progressed through the governance process and are deemed to have been assessed fully to ascertain the outcomes of the project against criterion of risk and reward.

8.3 In order to comply with the requirement to consider capital expenditure over a medium to long-term period and to determine the financial sustainability of the authority, focusing on the affordability of the capital programme, Shropshire Council has compiled a planned programme of capital schemes that are proposed but have yet to complete the full due diligence process.

8.4 The prioritised list of projects included in the February 2023 Capital Strategy has been reviewed in conjunction with Directors, Assistant Directors and Service Area Managers and where funding has now been agreed, these have been moved into the Capital Programme. The revised schedule of prioritised schemes has an estimated capital cost of £239.223, of which £38.088 is anticipated to be funded through borrowing. The schemes included in this prioritised schedule are detailed in Appendix C and are summarised by Portfolio Holder in Table 8.1 below. The revenue impact of this level of borrowing will be £m by 2029/30 assuming an interest rate of 4.0% over 30 years.

Table 8.1: Priority Schemes Estimated Costs

Portfolio Holder	Estimated Scheme Costs £m
Culture & Digital	35.955
Children & Education	9.500

Adult Social Care & Public Health	1.000
Growth & Regeneration	121.365
Highways	13.908
Housing & Assets	57.495
Total	**239.223**

8.5 The total scheme costs detailed in Table 8.1 are initial estimates only and these are highly likely to change as more work is undertaken to develop robust business cases on an individual project basis including full options appraisal and detailed costings.

8.6 Table 8.2 below summarises the projected borrowing requirements associated with the capital schemes detailed in Appendix C together with the revenue impact of these schemes as reflected by an additional MRP requirement.

Table 8.2: Projected Borrowing Requirement & MRP Liability of Agreed Prioritised Capital Schemes

	2024/25 £ m	2025/26 £ m	2026/27 £ m	2027/28 £ m	2028/29 £m	2029/30 £m	Total £ m
Projected Borrowing Requirement	3.728	17.581	14.785	1.000	0.000	0.994	38.088
Projected Year on Year MRP Liability	0.216	1.017	0.855	0.058	0.000	0.057	2.203
Projected Cumulative MRP liability	0.216	1.232	2.087	2.145	2.145	2.203	

8.7 The projected borrowing costs of £2.203m associated with borrowing of £38.088m is ostensibly a revenue pressure, although it is likely that projects may generate additional capital receipts, other income or reduce existing costs to reduce the estimated borrowing costs. The prioritised projects are not sufficiently developed at this stage to provide any clarity in relation to potential capital receipts, additional income or existing revenue budget savings or pressures. These factors will be identified during the development of the project business cases. Consequently, the currently calculated revenue impact of borrowing has not been adjusted for any of these factors and should represent the maximum revenue impact. The additional MRP requirements identified in Table 8.2 above will need to be incorporated in revenue budget setting from 2024/25 onwards in line with the profile identified in the Table 8.2. The affordability of this impact must be realistically appraised in light of other competing budget pressures.

8.8 Borrowing is only one element of the funding required to finance the prioritised projects. Other additional funding sources are targeted to finance these projects as detailed in Table 8.3.

Table 8.3: Targeted Funding Sources

	Total £'000s
External Grants	27.001
S106 Developer Contributions	10.500
CIL Developer Contributions	0.500
External Contributions	0.450
Borrowing	38.088
Capital Receipts (Asset Disposals)	20.807
Alternative Funding Options	141.877
Total Funding	239.223

8.9 The targeted funding sources includes a significant level of capital receipts (£20.087m) to be realised from asset disposals. These capital receipt requirements are additional to those highlighted at paragraph 3.6 of Section 3: Asset Management Planning with the exception of £12.258m required for the North West Relief Road (NWRR) scheme. In the interests of prudency this capital receipt requirement of £12.258m has already been built into the capital receipt projections discussed in Section 3 at paragraph 3.6.

8.10 Alternative funding sources totalling £141,877,611m are being targeted as funding sources for a small number of key prioritised projects (Pride Hill Repurposing, Shrewsbury Riverside Development and the Multi Agency Hub (MAH)). These alternative funding sources will be investigated and assessed by the relevant project board and must be a key consideration during development of the relevant business cases.

8.11 The schemes identified in Appendix C must progress through the approved capital scheme governance process as normal, with robust business cases being developed for each project. These projects and business cases must be presented and approved by Cabinet and /or Council prior to their inclusion in the Council's capital programme.

8.12 Progression of schemes detailed in Appendix C will provide the Council with a set of prioritised capital projects to progress over the medium term (2024/25 to 2028/29) and those not included on Appendix C will provide a set of aspirational pipeline projects for consideration and development over the longer term (2029/30 onwards). The estimated capital cost of these schemes is currently £175.033m (excluding the NWRR costs, which cannot be estimated with confidence at present, as detailed below).

8.13 The North West Relief Road (NWRR) project presents a number of challenges in terms of financial forecasting. The challenges include, but are not limited to, the following points:

- The initial outline business case was prepared a number of years ago, pre-pandemic and before significant cost inflation in the construction sector.
- It is a scheme which has attracted a great deal of controversy within the local community.
- Future funding for the entire NWRR (Not OLR) scheme has been indicated by Government, further to the part-cessation of the HS2 project (detail to be confirmed).
- A number of objections to the planning permission have been raised. To progress to an approved capital project within the Council's capital programme, a number of further milestones will need to be achieved, including
    - Submission of a Full Business Case to Department of Transport, and their agreement to this;
    - Confirmation of the resulting scope and cost of the project and the funding sources for it;
    - Overcoming any further objections, for example and judicial review or similar challenge.

8.14 It is not possible, therefore, to include a costed value against the NWRR in this report. The reasons are set out in the paragraph above, and in the future scenarios listed below. Quite simply – there is no valid up to date costing for a scheme which was originally described 5 years ago. To ensure necessary transparency and clarity around this key capital scheme, the reasons for the absence of a clear value are being set out and the uncertainty over the future of the scheme as a whole (from a financial planning perspective) are set out. The various future scenarios are therefore:

a) Project proceeds in line with the initial outline business case estimates, with no changes. (This is included for comparison only, as the costing dates to 2017 and is therefore out of date.)
b) Project proceeds in line with the initial outline business case, revised for subsequent changes (e.g. revised estimated costs and scope)
c) Project proceeds in line with the initial outline business case, revised for subsequent changes, and with 100% of *all* estimated costs funded by government except for incoming Section 106 contributions, CIL receipts and income associated with Oxon Link Road/SUE West developments.
d) Project proceeds in line with the initial outline business case, revised for subsequent changes, and with 100% of all *future* estimated costs funded by government.
e) Project does not proceed, with costs to date required to be written off through the revenue account.

The 5 scenarios set out above are summarised in the table below.

8.16 The costs of the scheme cannot be estimated with certainty at present. The original outline business case from 2017 set out costs of £87.2m. Since that costing was prepared, there has been significant inflation in the construction sector, and it is to be expected that the original design will need to be revised for latest technology, new approaches etc. These costs will be updated following the procurement exercise currently underway and completion of the Full Business Case to be submitted to DfT at an unspecified future date.

8.17 It should also be noted that, regardless of the funding sources to be applied, any revenue impact is anticipated to fall outside the current MTFS period.

8.18 It should also be noted that the decision to continue with the scheme or not will depend upon the future decisions of the DfT and Shropshire Council.

NWRR scenario	Funding	Revenue impact
a) Per OBC (2017)	£54.4m – DfT (large majors fund) £19.8m – Shropshire Council match funding (land disposals) £8.3m – s106; £4.2m – LEP; £0.3m – CIL; £0.2m – NHB (match) Total: £87.2m	Nil – no borrowing planned
b) Per OBC, uprated for revised estimated costs and scope	As above, amended for revised scope. The scope will be determined further to future decisions and submission of a full business case (FBC) to Dept for Transport (DfT)	Borrowing is not yet confirmed as necessary as the scheme scope and costs are not yet clear. Borrowing costs would be repayable from the year following completion – which is likely to be outside the current MTFS period.
c) Per OBC, uprated for revised estimated costs and scope, with 100% of ***all*** costs funded by Government.	This would release funding set out in row (a) and previously committed.	Nil – no borrowing required.
d) Per OBC, uprated for revised estimated costs and scope, with 100% of ***future*** costs funded by government	This would confirm requirement for previous funding, but eliminate the need for any further funding.	Nil – no borrowing required.
e) Project cancelled, with sunk costs written off to revenue	To be secured via revenue reserves and/or capital receipts or capitalisation direction. Depending on the availability of these, there may also be an impact on service revenue budgets. It would be anticipated that capital receipts would be largely required either to fund works already undertaken or to support (part) write off of capital costs in revenue.	Major impact on revenue budget to be addressed via application of capital receipts, revenue reserves, revenue budget reduction, or even capitalisation direction.

9. Commercial Activity & Investment

9.1 The Chartered Institute of Public Finance and Accountancy (CIPFA) defines investment property as property held solely to earn rentals or for capital appreciation or both. Returns from property ownership can be both income-driven (through the receipt of rent) and by way of appreciation of the underlying asset value (capital growth). The combination of these is a consideration in assessing the attractiveness of a property for acquisition.

9.2 The principal reasons for Shropshire Council to buy and own property investments are to secure a continuing service objective, to directly deliver service benefits and to promote economic development and regeneration activity in the Council's area: not primarily to take advantage of market and economic opportunities. Generation of financial returns from a property investment will normally be secondary to these principal reasons and the monies generated utilised to fund services to residents. This is in line with the new PWLB reform on borrowing in Local Authorities as mentioned earlier.

9.3 The Council may also undertake other types of investment, such as investment property portfolios, loans to wholly owned companies or associates, to joint ventures, to local charities, or to third parties, where this is relevant to the Council's functions or management of its finances and generate income.

9.4 Local authorities have a range of powers available to them permitting the acquisition of property, powers to undertake income generating and commercial activity and to invest for purposes relevant to their functions, or for the purposes of the prudent management of their financial affairs (Section 12 of the Local Government Act 2011).

9.5 Before undertaking any commercial or investment activity, the Council will need to make sure that its proposals are legally compliant: consider any increased risk to the Council; take account of the requirement of its published strategies relevant to the project; and are compliant with other relevant statutory requirements, such as "state aid" rules, i.e., to ensure public funding is not used to subsidise commercial entities operating in a market economy.

9.6 Legal advice will be an early aspect of any development of commercial activities or investment projects to ensure the Council will be acting within the legislative framework in undertaking the activity and to inform good decision making. Specialist external advice will be sought as appropriate.

9.7 Identification of the relevant statutory powers to be relied upon may impact upon the funding available for a project, including whether the Council is permitted to borrow to fund the investment. The Council will consider the requirements of the statutory codes that comprise the CIPFA prudential framework, including the Prudential Code for Capital Finance in Local Authorities, in addition to the CIPFA guidance on Prudential Property Investment.

9.8 In summary, the ability to borrow for an investment will depend on the powers utilised for the acquisition. Where the Council acquires an investment property utilising a power permitting the acquisition of land and building, borrowing will be considered to fund the acquisition, however, where a power permitting the acquisition of investments has been utilised, borrowing will not be considered as a funding option where this constitutes borrowing in advance of need.

9.9 Although local authorities are able to acquire land and property both inside and outside their own administrative areas, the Council will limit investments to within its own administrative area.

9.10 Property investment is not without risk as property values can fall as well as rise and changing economic conditions could cause tenants to leave with properties remaining vacant as has happened during the national pandemic. An example of this, within Shropshire Council's portfolio, is the Shrewsbury Shopping Centres. The pandemic has significantly impacted on the retail sector, thus impacting on Shropshire Council due to its interest in the assets.

9.11 The strategy makes it clear that the Council will continue to invest prudently to support service delivery and provide additional sources of income and to take advantage of opportunities as they present themselves, supported by our robust governance process.

10. Regeneration Investment Fund & Climate Change

10.1 The Council allocated an Investment Fund to facilitate regeneration of strategic assets and contribute towards the Council's revenue outturn position. An income target of £2m per year from 2019/20 to 2022/23 was initially included in the Council's 2019/20 Financial Strategy equating to investment of £80m and cost of investment of £4.4m. The fund and income targets were revised and reprofiled to £45m and £4.5m respectively over the period 2020/21 to 2022/23 to align with actual investments undertaken to date and anticipated income realisation profiles. The total of the Regeneration Investment Fund will continue to be reviewed in light of other Council priorities.

10.2 The following table summarises the investments made to date and the remaining balance on the Investment Fund.

	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	Total
Approved budget allocation	20,000,000	20,000,000	5,000,000				45,000,000
Unutilised Fund Carry Forward:	0	9,609,897	25,908,427	30,817,386	22,721,932	10,986,655	
Drawn down into capital programme:							
Tannery Block C & B	(7,133,862)	(311,325)	(16,614)	(3,847)	(2,153)		(7,467,801)
Whitchurch Medical Practice				(171,509)	(3,606,719)		(3,778,228)
Site Acquisition at Ennerdale Road Shrewsbury							
Strategic Property Acquisition Shrewsbury							
Oswestry Morrisons Site		(3,390,145)					(3,390,145)
Oswestry Castleview	(3,256,241)						(3,256,241)
Maesbury Tip Solar PV				(19,682)	(2,021,491)		(2,041,173)
Tannery Development - Block A			(62,500)	(594,752)	(1,356,605)	(5,000,000)	(7,013,857)
Shrewsbury Pitch and Putt			(11,927)	(136,349)	(4,748,309)	(503,415)	(5,400,000)
15-18 English Walls, Oswestry				(3,332,304)			(3,332,304)
7-9 Pride Hill, Shrewsbury				(3,837,011)			(3,837,011)
Balance of unutilised fund	**9,609,897**	**25,908,427**	**30,817,386**	**22,721,932**	**10,986,655**	**5,483,240**	

10.3 The table shows that around 12% of the £45m regeneration investment fund is currently unallocated. The current remaining balance is £5,483,240.

10.4 All of the projects listed in the table have been approved and are included in the Capital Programme. It is expected that the projects agreed in the capital programme will generate in excess of £1.8m each year from 2024/25.

10.5 Details on progress to date for each of these approved capital projects is summarised below.

10.6 **Tannery Block C and Tannery Block B** were completed in full within the 2020/21 Financial Year with some units currently unoccupied but with active interest.

10.7 **Whitchurch Medical Practice** project was approved in July 2018 to provide NHS facilities in the area, and following a lengthy pause due to judicial review, is now in delivery with construction starting during 2022/23.

10.8 **Oswestry Morrison's Site** acquisition was completed halfway through the 2020/21 financial year. Early surrender of the lease by Morrison's in 2021/22 has led to review of options at the site. Negotiations with prospective tenants are being explored.

10.9 **Castle View, Oswestry** was acquired at the end of the 2019/20 financial year and has provided a gross yield in excess of 5%.

10.10 **Maesbury Tip Solar PV scheme** for installation of Solar PV was approved in 21/22 for £1.1m. This scheme was reviewed and expanded to increase energy capacity and financial returns at the site and a revised budget of £2.041m was approved by Council in 2022/23.

10.11 **Tannery Block A project** received Council approval for a land acquisition alongside future development. Options for the development of the site are being explored in light of other developments in the Town Centre area.

10.12 **Shrewsbury Pitch & Putt scheme** for the development of a small retail park was approved in 2021/22. Planning has been submitted for this scheme with construction expected to start in 2024/25.

10.13 **15-18 English Walls, Oswestry** strategic acquisition was undertaken during 2022/23, generating further income against the regeneration investment fund.

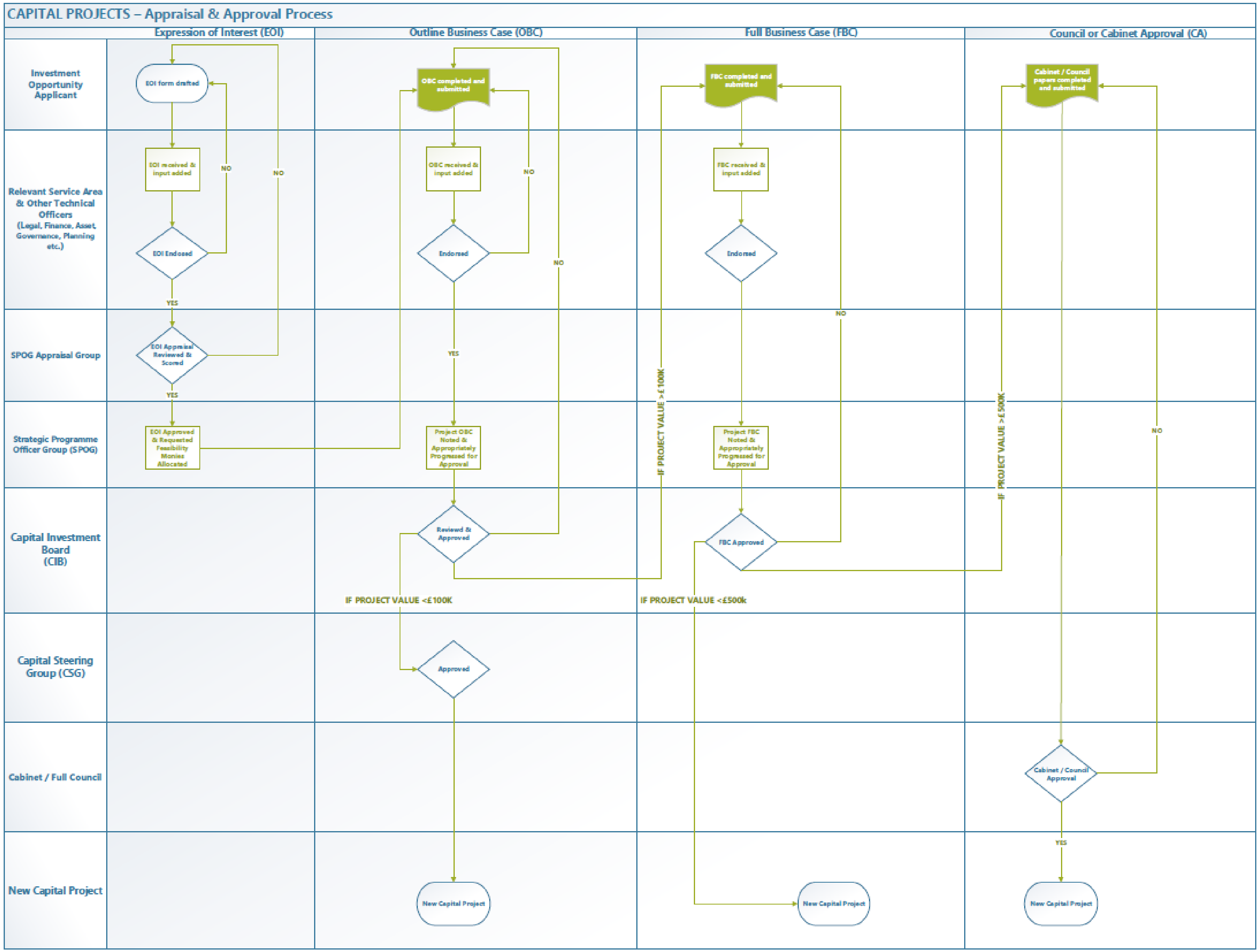
10.14 **7-9 Pride Hill, Shrewsbury** strategic acquisition was undertaken during 2022/23. This is a key site linked to the redevelopment of the Pride Hill Shopping Centre.

10.15 There are also two schemes that had received Cabinet or Council approval for funding via the Commercial Investment Fund but not proceeded being:

1. The freehold acquisition of land and property owned by a Government department being the Driver and Vehicle Licensing Agency in Ennerdale Road, Shrewsbury to support the economic growth of North Shrewsbury. Negotiations ceased when the freeholder chose to cease negotiations with the council and sell the site via the open market.
2. The freehold acquisition of a site located between English Bridge and the Wyle Cop, Shrewsbury, and currently under occupational lease to National Car Parks (NCP) Ltd. The freeholder chose not to dispose of the land and property due to the impact of covid and a subsequent decision was taken to retain the asset in their ownership.

10.16 **Climate Change Emergency**

Following approval of Shropshire Council’s Corporate Climate Emergency Strategy, which included an Action Plan and Project Pipeline climate change projects have been progressing. In addition to Maesbury Solar PV project mentioned above there have been further projects being undertaken and embedded within the whole Capital Programme such as decarbonisation of buildings, Electric Vehicle Charging Points and improving energy efficiency across the Council’s asset portfolio. The Council have been successful with obtaining external sources of funding to assist in the delivery of these Climate Change schemes and are continuing to seek further options for funding future projects.



CAPITAL PROJECTS – Appraisal & Approval Process
Expression of Interest (EOI)
Outline Business Case (OBC)
Full Business Case (FBC)
Council or Cabinet Approval (CA)
Investment Opportunity Applicant
Relevant Service Area & Other Technical Officers (Legal, Finance, Asset, Governance, Planning etc.)
SPOG Appraisal Group
Strategic Programme Officer Group (SPOG)
Capital Investment Board (CIB)
Capital Steering Group (CSG)
Cabinet / Full Council
New Capital Project
EOI form drafted
EOI received & input added
EOI Endosed
EOI Appraisal Reviewed & Scored
EOI Approved & Requested Feasibility Monies Allocated
OBC completed and submitted
OBC received & input added
Endorsed
Project OBC Noted & Appropriately Progressed for Approval
Reviewed & Approved
Approved
FBC completed and submitted
FBC received & input added
Endorsed
Project FBC Noted & Appropriately Progressed for Approval
FBC Approved
Cabinet / Council papers completed and submitted
Cabinet / Council Approval
New Capital Project
New Capital Project
New Capital Project
YES
YES
YES
YES
NO
NO
NO
NO
NO
NO
IF PROJECT VALUE <£100K
IF PROJECT VALUE <£500k
IF PROJECT VALUE >£100K
IF PROJECT VALUE >£500K

Directorate Service Area	Revised Budget P10 2023/24 £	2024/25 Revised Budget £	2025/26 Revised Budget £	2026/27 Revised Budget £
General Fund				
Health & Wellbeing	**0**	**0**	**0**	**0**
Public Health Capital	0	0	0	0
Regulatory Services Capital	0	0	0	0
People	**6,167,451**	**9,025,290**	**9,280,231**	**3,950,000**
Adult Social Care Contracts & Provider Capital	0	0	0	0
Adult Social Care Operations Capital	467,109	300,000	0	0
Children's Residential Care Capital	385,075	300,000	0	0
Non-Maintained Schools Capital	1,108,047	750,000	2,000,0000	0
Primary School Capital	6,117,707	2,081,777	0	0
Secondary School Capital	551,301	27,250	0	0
Special Schools Capital	11,904	0	0	0
Unallocated School Capital	-351,360	5,566,263	7,280,231	3,950,000
Place Capital - Commercial Services	**8,307,153**	**15,844,144**	**19,001,000**	**6,100,000**
Corporate Landlord Capital	8,307,153	15,844,144	19,001,000	6,100,000
Place Capital - Economic Growth	**8,811,876**	**13,636,892**	**8,602,226**	**1,500,000**
Broadband Capital	1,449,043	909,632	1,579,945	1,500,000
Development Management Capital	519,274	121,500	40,500	0
Economic Growth Capital	6,474,557	12,246,020	6,602,908	0
Planning Policy Capital	369,002	359,740	378,873	0
Place Capital - Homes & Communities	**3,138,121**	**7,736,498**	**2,090,998**	**633,261**
Leisure Capital	2,773,508	7,269,715	2,067,303	633,261
Libraries Capital	118,475	94,780	23,695	0
Outdoor Partnerships Capital	269,038	370,000	0	0
Visitor Economy Capital	-22,900	0	0	0
Place Capital - Infrastructure	**42,715,768**	**37,761,483**	**61,773,880**	**22,237,000**
Environment & Transport Capital	438,156	0	0	0
Highways Capital	42,277,612	37,761,483	61,773,880	22,23,000
Waste Capital	0	0	0	0

Directorate Service Area	Revised Budget P10 2023/24 £	2024/25 Revised Budget £	2025/26 Revised Budget £	2026/27 Revised Budget £
Place Capital - Housing Services	**11,795,527**	**4,149,000**	**4,149,000**	**5,452,995**
Housing Services	11,795,527	4,149,000	4,149,000	5,452,995
Resources	**142,361**	**100,000**	**0**	**0**
ICT Digital Transformation - CRM Capital	576	0	0	0
ICT Digital Transformation - ERP Capital	0	0	0	0
ICT Digital Transformation - Infrastructure & Architecture Capital	0	0	0	0
ICT Digital Transformation - Social Care Capital	0	0	0	0
ICT Digital Transformation - Unallocated Capital	141,785	100,000	0	0
Total General Fund	**81,078,257**	**88,251,307**	**104,897,335**	**39,873,256**
Housing Revenue Account	**16,201,936**	**29,252,974**	**14,231,781**	**9,000,000**
HRA Dwellings Capital	16,201,936	22,252,974	14,231,781	9,000,000
Total Approved Budget	**99,402,525**	**117,504,281**	**119,129,116**	**48,873,256**

PRIORITY CAPITAL SCHEMES SCHEDULE

APPENDIX C

Proposed Scheme	Scheme Description	Estimated Capital Cost (£m)	Proposed Sources of Finance (£m)									Anticipated Borrowing Requirement Profile (£m)						
			External Grants	Section 106 Developer Contributions	CIL Developer Contributions	Revenue Contributions	Alternative Funding Option	External Contributions	Borrowing	Capital Receipts	Total	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	Total
Swimming in Shrewsbury	Design and build an extension to the Shrewwsbury Sports Village to include a range of new fitness, wellbeing and swimming facilities.	28.003			0.500				22.503	5.000	28.003	3.203	9.700	9.600				22.503
Libraries Self Service Machines	Programme to install self-service machines .	0.152	0.152								0.152							0.000
Shrewsbury Museum - British Museum Gallery	Development of new British Museum Partnership Gallery at Shrewsbury Museum, to develop a major new visitor attraction (only 7 other Partnership Galleries in the UK) and thus drive income generation.	1.750	1.500							0.250	1.750							0.000
Nils Yard Redevelopment	The replacement of existing buildings and reconfiguration of the Outdoor Partnerships depot and offices at Nils Yard, Pontesbury to address health and safety and operational requirements	0.500								0.500	0.500							
Old Market Hall & Square	Restoration and redvelopment of the outdoor area beneath and around the Old Market Hall Shrewsbury to facilitate greater use of the area in order to further animate the streetscape and deter antisocial behaviour. Health and Safety issue with needles and rough sleeper possessions left on fire escape.	0.100								0.100	0.100							
Coleham Pumping Station	Restoration of chimney needed as at risk of collapse. Health and Safety issue	0.400								0.400	0.400							
SpArC Leisure Centre Bishop's Castle	Reprofiling of swimming pool, with new pool liner and new filtration system. Health and Safety issue. Requirement for major investment for De-carbonising building	4.750	4.000					0.450		0.300	4.750							
Bayston Hill Library Refurbishm	Conversion of garage on school site for either commercial or town council use and library refurbishment including required H&S works.	0.300							0.300		0.300		0.300					0.300
SUBTOTAL: PORTFOLIO HOLDER FOR CULTURE & DIGITAL		**35.955**	**5.652**	**0.000**	**0.500**	**0.000**	**0.000**	**0.450**	**22.803**	**6.550**	**35.955**	**3.203**	**10.000**	**9.600**	**0.000**	**0.000**	**0.000**	**22.803**
Buildwas Primary	New Primary School requirement on former power station site subject to planning approvals.	5.100		5.100							5.100							
William Brookes School	Expansion linked to Secondary pupils from power station site.	4.400		4.400							4.400							
SUBTOTAL: PORTFOLIO HOLDER FOR CHILDREN & EDUCATION		**9.500**	**0.000**	**9.500**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**9.500**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**
Greenacres Development	Inflation pressure on development	1.000							1.000		1.000				1.000			1.000
SUBTOTAL: PORTFOLIO HOLDER FOR ADULT SOCIAL CARE & PUBLIC HEALTH		**1.000**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**1.000**	**0.000**	**1.000**	**0.000**	**0.000**	**0.000**	**1.000**	**0.000**	**0.000**	**1.000**
UKSPF	Improvements to town centres & high streets	1.100	1.100								1.100							
UKSPF	Enhancing existing cultural historic and heritage institutions offer	0.370	0.370								0.370							

PRIORITY CAPITAL SCHEMES SCHEDULE **APPENDIX C**

Proposed Scheme	Scheme Description	Estimated Capital Cost (£m)	Proposed Sources of Finance (£m)									Anticipated Borrowing Requirement Profile (£m)						
			External Grants	Section 106 Developer Contributions	CIL Developer Contributions	Revenue Contributions	Alternative Funding Option	External Contributions	Borrowing	Capital Receipts	Total	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	Total
UKSPF	Capacity building and infrastructure support local groups	0.100	0.100								0.100							
Shrewsbury Riverside Development - Demolition	Demolition of the current Riverside Shopping Centre to enable future development.	4.287							4.287		4.287	0.100	4.187					4.287
Shrewsbury Riverside Enabling Works - LUF Round 2 Project 1	Physical infrastrucutre works critical to unlocking the vital, transformational Smithfield Riverside Development Programme.	19.464	14.849						4.615		19.464			4.615				4.615
Shrewsbury Town Centre Public Realm - LUF Round 2 Project 2	A number of projects identified within the Big Town Plan, primarily around Public Realm improvements and town centre movement.	4.280	4.280								4.280							
Pride Hill - Repurposing	Future development of the former Pride Hill shopping centre and adjacent gap site	31.757					31.757				31.757							
Shrewsbury Riverside Development	Following on from the demolition, investment in development of the site for end use - part of the Big Town Plan.	53.619					53.619				53.619							
Conservation Management Plan - Rowleys House, Shrewsbury	First Phase Stabilisation requirement before future use investment	2.000								2.000	2.000							
Oswestry - Cambrian Railway Building	Renovation of Cambrian Railway Building, Oswestry and reconfiguration for future use. Reconfiguration	0.570							0.570		0.570			0.570				0.570
Oswestry Innovation Park	Electricity rebate built into Business Case may not come to fruition.	2.969							2.969		2.969		2.969					2.969
White Horse, Wem	Repurpose and restoration following successful auction bid. Aiming to attract external funding - English Heritage potentially.	0.850							0.850		0.850	0.425	0.425					0.850
SUBTOTAL: PORTFOLIO HOLDER FOR GROWTH & REGENERATION		**121.365**	**20.699**	**0.000**	**0.000**	**0.000**	**85.376**	**0.000**	**13.291**	**2.000**	**121.365**	**0.525**	**7.581**	**5.185**	**0.000**	**0.000**	**0.000**	**13.291**
North West Relief Road	Linked to Phase 1 Pre Commencement Programme within the capital programme to deliver the North West Relief Road (including Oxon Link Road). This represents the Council Investment requirement that has not yet been secured at OBC Stage.	12.258								12.258	12.258							
Oteley Road, ShrewsburyTraffic Management Improvements	Traffic Flow Improvements and Road Safety on Oteley Road, Shrewsbury	1.000		1.000							1.000							
Shropshire Safety Road Fund	A5191 Shrewsbury Northern Corridor between Railway Station and Heathgates Island	0.650	0.650								0.650							
SUBTOTAL: PORTFOLIO HOLDER FOR HIGHWAYS		**13.908**	**0.650**	**1.000**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**12.258**	**13.908**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**

PRIORITY CAPITAL SCHEMES SCHEDULE **APPENDIX C**

Proposed Scheme	Scheme Description	Estimated Capital Cost (£m)	Proposed Sources of Finance (£m)									Anticipated Borrowing Requirement Profile (£m)						
			External Grants	Section 106 Developer Contributions	CIL Developer Contributions	Revenue Contributions	Alternative Funding Option	External Contributions	Borrowing	Capital Receipts	Total	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	Total
Development of New Multi-Agency Hub (MAH)	Future development of a new Multi-Agency Hub (MAH) including demolition of the current Riverside Shopping Centre to enable future development.	56.501					56.501				56.501							0.000
Shirehall Decant & Decommission	Underwriting of estimated costs incurred to deliver full planning permission for the Shirehall site prior to marketing for sale.	0.994							0.994		0.994						0.994	0.994
SUBTOTAL: PORTFOLIO HOLDER FOR HOUSING & ASSETS		**57.495**	**0.000**	**0.000**	**0.000**	**0.000**	**56.501**	**0.000**	**0.994**	**0.000**	**57.495**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**0.994**	**0.994**
		239.223	**27.001**	**10.500**	**0.500**	**0.000**	**141.877**	**0.450**	**38.088**	**20.808**	**239.223**	**3.728**	**17.581**	**14.785**	**1.000**	**0.000**	**0.994**	**38.088**

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