

Medium Term Financial Strategy 2023/24 – 2027/28

October 2022





Foreword

Following engagement with the public, our partners, and local businesses, Shropshire Council agreed 'The Shropshire Plan' at its meeting in May 2022. This plan sets out the Council's vision, purpose and priorities, grouped into 4 themes:

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

This update to the Council's financial strategy sets out the resources available to the Council in its pursuit of these thematic objectives and begins to frame how those resources will be allocated to different activities.

A clear strategy helps us all to stay ahead of issues and to be agile in our response to new challenges. It helps us to plan ahead in a consistent and coherent way. This strategy will help us to do that, by connecting our overall objectives as set out in The Shropshire Plan to how we allocate financial resources to our many different activities.

As the introduction to The Shropshire Plan concludes: *"The challenges and experiences we have shared over recent years puts us in a strong position to step up and move forwards together and adapt our plans to meet the changing situations we face."*

This financial strategy is part of that 'stepping up' to meet the challenges of the future.



Lezley Picton
Leader of the
Council



Andy Begley
Chief Executive

Introduction

This financial strategy begins the process of ensuring that the Council's finances are aligned to the delivery of The Shropshire Plan, as agreed by Councillors in May 2022.

It also builds upon the engagement of the Council with the Local Government Association (LGA) through its 'peer review' process: We invited colleagues from other councils to spend time with us reviewing our financial affairs – including our financial strategy, our budget approach, and our wider financial management across the whole Council.

The LGA review was unequivocal in its conclusions; the technical and professional resources the Council has at its disposal are of a high standard and provide a sound foundation from which to meet the coming challenges.

The review also emphasised that the approaches we have used in recent years were unlikely to secure the efficiency and effectiveness we know we need to meet our future challenges. It highlighted that we could make changes in several areas, including

- Confidence in our ability to deliver Member and resident aspirations.
- Clarity over the financial outlook in the short-, medium-, and long-term.
- A move from minimising to managing risk.
- A transparent approach to how we will secure sustainable finances, and the consequences of failing to do so.

Lastly, despite the pressures of the pandemic, it is clear that the wider economic outlook continues to be uncertain. The invasion of Ukraine and subsequent price inflation was not anticipated in our previous plans at the current levels. We are now adjusting our plans accordingly and taking the steps needed. This is the purpose of the financial strategy – setting out clearly how our resources will be deployed to deliver our corporate objectives (as set out in The Shropshire Plan) and providing a way to navigate the uncertainty we are facing in a consistent and coherent way.

This update to the Council's Financial Strategy has been prepared with all those observations in mind and sets out our current view of the overall financial outlook for the Council. It sets the context for the work needed to prepare the detailed budget for 2023/24.



Gwilym Butler
Cabinet Member
for Finance



James Walton
Executive Director
of Resources

Medium Term Financial Strategy Summary; Outlook and forward planning



Medium Term Financial Strategy Summary (at October 2022)

The MTFS agreed in February 2022 by Council. An update was presented and agreed in July 2022. Since that date, a number of factors have continued to affect the financial outlook for the Council.

Internally, the Council has agreed 'The Shropshire Plan' and this is being launched formally and more widely over the coming weeks. This plan sets out the vision and key priorities for the coming years. This will help to navigate the financial pressures by helping to prioritise activities and removing or reducing work where this does not directly support the objectives of the plan.

Externally, the war in the Ukraine continues to have an impact on the wider economy, which is also impacted by the changed leadership of the national government and the new direction anticipated in the coming months.

Accordingly, the Council has begun to identify and address in detail the pressures impacting on 2023/24 and later years, and further progressed activity which clarifies our overall shape and key activity in the future – described as our 'target operating model'.

These factors are all included in this update.

Financial Outlook

The overview of the financial position is set out in the table below. This shows the three recent reporting points and the financial outlook across next year and the coming three years.

The key issue highlighted in this table is that, across the period, estimated expenditure is higher than estimated resources. In-year estimates differ, but there is a consistent £15m - £40m gap (with a larger gap in the earlier years).

The good news from this is that finding on-going and sustainable savings measures in the earlier years will lead to the later years coming into overall balance. The bad news is that the challenge in the earlier years is significant, at just over 5% of overall expenditure (13% of net budgets).

Previously, the impact of COVID on both resources and spending have made clarity on this outlook harder to ascertain, and some years have seen short term measure being applied to secure a balanced budget. That is no longer the case – the outlook is clear, and sufficient short term resources (e.g. reserves) are not available to help balance the

budget. All options will need to focus on longer term, sustainable savings options – which are likely to impact on service delivery.

	2023/24 £	2024/25 £	2025/26 £	2026/27 £
<u>at February 2022</u>				
Estimated Resources	585,407,314	594,149,668	608,600,766	621,839,624
Estimated Expenditure (incl savings plans)	619,313,227	629,406,493	640,779,762	646,878,170
Financial gap arising	33,905,913	35,256,825	32,178,996	25,038,546
<u>at July 2022</u>				
Estimated Resources	620,056,203	632,023,759	646,474,857	659,713,715
Estimated Expenditure (incl savings plans)	647,509,794	654,662,217	666,585,840	672,691,420
Financial gap arising	27,453,591	22,638,459	20,110,984	12,977,705
<u>Current - at October 2022</u>				
Estimated Resources	623,127,830	634,016,727	635,799,956	650,678,520
Estimated Expenditure (incl savings plans)	658,878,879	667,802,916	671,232,831	677,043,321
Financial gap arising	35,751,049	33,786,190	35,432,876	26,364,801

Resources

The table above shows that the Council receives resources each year which average £640m across the period.

Overall resources are largely stable throughout the period. These are driven by Council tax receipts and retained business rates under the rates retention mechanism, and supplemented by government grants for specific services.

- Council tax – this is currently estimated to increase each year by c £11m due to an estimated 1.5% per year growth in the number of chargeable properties (the tax base), an assumed 1.99% national limit on the increase in the charge (included for each year), and a further charge of 2% per year for the social care precept. Overall levels of Council Tax are expected to grow from £191m in 2023/24 to £239m by 2027/28.

It is important to note that the upper limit on council tax rises is determined annually by the secretary of state. It is not yet known if the threshold will be held at 1.99% (as in recent years) or may be relaxed, for example to 2.99% or 3.99%. Similarly, it is not yet known if the social care precept will be repeated in future years. (NB – each 1% on council tax yields c £1.8m additional resource for the council.)

- Business rates - The 'rates retention' mechanism, including the 'topup' and 'tariff' arrangements, indicate that resources from retained business rates average £55m per year, rising from £52m to £60m across the period as the NDR multiplier is increased each year. (These figures include Revenue Support Grant of £6.5m per year.)

- Other important resources include ringfenced and targeted government grants. The application of these is usually restricted, and the Council needs to ensure that the planned use is appropriate and sustainably contained within the available funding. These include, for example (using current year values):
 - £105m Dedicated Schools Grant
 - £38m Mandatory Rent Allowances
 - £17m business rate reliefs compensation grant (s31)
 - £12.4m Public Health Grant

Expenditure

Estimated expenditure averages £670m per year, with estimated spending in 2023/24 of nearly £660m. Inflationary pressures and the pressure from local population growth is usually around £20m per year – but this has more than doubled as a result of the current level of inflation.

Inflation affects the council's budgets in a number of ways, including simple price inflation on fuel and utilities, but, more importantly, it also impacts on our budgets via pay increases in our supply chain, including increases to the national minimum wage, and inflationary pressures arising for social care suppliers which are then passed on to the council through increased contract costs, as well as for other significant contracts such as for waste disposal (Veolia) and highways maintenance (Kier).

Current year impacts

As at February 2022, it was anticipated that there would be growth of c£19m in retained Council tax (£10m) and business rates receipts (£9m), which could then be used to fund estimated growth of approximately the same amount (£19m).

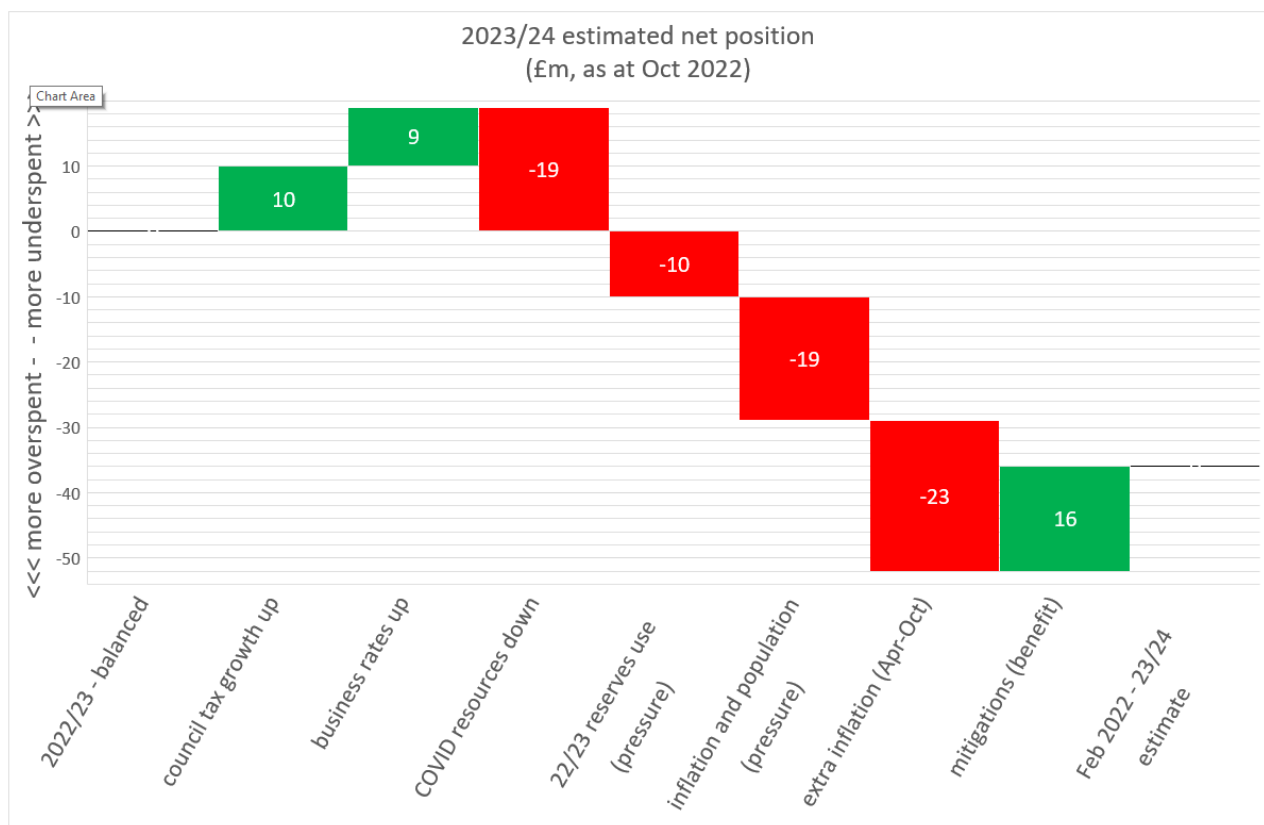
However, previous estimates indicated loss of one-off grants received as part of the COVID response of £19m in 2022/23 but no longer anticipated in 2023/24, and also the decision to use £10m of reserves in the budget for 2022/23 (partly to support service delivery, and partly to supplement existing reserves and maintain them at more prudent levels). These factors would then drive a gap of c £30m.

More recently, and as noted in previous updates, we have seen significant in-year impacts arising from wider economic uncertainty, generating pay and price inflation in all sectors. Current inflation estimates for next financial year have more than doubled to almost £45m, a further £23m pressure on spending. This has been offset through some benefits identified as part of the 'tactical budget' work amounting to £16m and some further benefits in anticipated spending reductions as some time-limited work ceases.

Taken together, these factors meant that the current estimated gap for next financial years is £36m, largely driven by increased inflation, loss of one-off funding, and the use of reserves (which cannot be repeated).

It is clear that government are currently minded to remain within the Spending Review 2021 parameters (including 3.1% inflation funding). While this may change, it is also clear that changes to government funding alone will not be sufficient to tackle the financial challenge faced by the council. As such, the council will need to address these challenges directly and secure its own future, and not rely on changes in funding.

Securing recurrent savings at that level is a significant challenge but will be supported by emerging work on the delivery of a target operating model. This is discussed in further detail later in the strategy. These actions will help move the council towards a greater level of financial sustainability. It is clear that recurrent savings at this level will also require the council to reposition itself – potentially reducing activity in some areas, while also developing new activities (for example, around the wider use of the internet to support transactions with residents, and the use of remote or digital technologies to supplement care provision across Shropshire – opportunities that will mean that future council services look very different to how they are today).



The clear strategic opportunity is to maximise recurrent savings as soon as possible. At its greatest extent, this might offer the opportunity to close the gap in later years,

enabling the council to consider service investment opportunities or alternatives to the expected annual increase in the council tax charge.

Financial Strategy – Short, Medium and Long-Term Objectives

The table above includes the estimated impact of the actions being put into place in the short term to address inflationary pressures and ensure we maintain a balanced budget. The actions being put into place include both short term measures (that is, actions in this year and next year), and actions expected to yield benefit in future years as well. A large number of these actions require either separate decisions to enable them or rely on collaboration with bodies outside the council to be achieved. There remains therefore a clear risk in the delivery of these proposals, which needs to be undertaken at pace. However, this council is aware of this risk and is actively managing it.

Not yet included in the figures above are the proposals to improve the overall efficiency and effectiveness of the Council in line with the proposals set out in The Shropshire Plan by defining our ‘target operating model’. These actions are anticipated to yield further benefits in the medium term (that is, the third and fourth year of the plan).

Overall, the longer-term strategy of the council is to ensure that, as set out in the Shropshire Plan, we are ‘living the best life’. In financial terms, this requires some rebalancing of our budgets so that less is spent on urgent social care, and more is spent on maintaining good health and independence and preventing poor health. In a similar way, we aim to provide more resources to support the growth in our local sources of income – building more homes to accommodate a growing population, but in doing so, being able to increase council tax receipts.

This will help us plan sustainably, generating income from local taxation and fees and charges levied, which, together with the ‘core spending’ funding received from government will balance the cost of the services we provide.

Preparing the budget for 2023/24

The strategic approach must be to:

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

- identify savings needed (which may be unpalatable) to secure longer term balance in the Council's finances.

In terms of the tactics that could be adopted, a number of different approaches can be taken to planning service delivery costs. Options include various corporately led approaches, such as allocation of the estimated gap in line with budget shares (gross or net) or requesting savings options to be offered up by all areas, or, alternatively, a more service led approach can be adopted, through which services are tasked with reviewing their own budgets in detail and then providing clear estimates of the expected level of cost pressures and the savings options that would be needed to balance those.

The risks and benefits of these relate to the relationship between services and the 'centre'. Corporately led approaches create a sense that the responsibility for financial balance sits 'somewhere else' – usually with the CFO and Chief Executive – but also set up a very clear set of targets to be achieved; these approaches are robust, but do not always promote cohesion across the Council. Service led approaches, by contrast, seek to empower services to deliver as they see fit within a resource limit and promote the idea that financial balance is part of everyone's corporate responsibility; these approaches are more inclusive and can build a greater level of corporate cohesion – but do require an organisationally mature approach at all levels.

Under both types of approach, the overall timetable will be the same – broadly set out below and in more detail in the attachment to this strategy.

- **Summertime** – prepare the first draft of pressures
- **September to November** – identification of savings options and repeated iterations of the overall budget position to secure financial balance for the coming year
- **December to January** – finalisation of the budget plan for the new year bringing together the expected pressures estimates, proposed savings (or income generation) plans, and the government's planned level of overall financial support, and, in parallel, the consultation with local people and businesses on the proposals being brought forward.
- **February** – consideration by Council of the budget proposals; finalisation of the plan and the consequent decision on the level of the Council Tax for the new year.

Impact on the current year



Impact on the current year

Changes since February and the Impact on the 2022/23 Budget

Outturn Position for 2021/22

The Council ended the last financial year well. The final outturn was an overspend of £2.5m. This was at the lower limit of the 'control corridor' (which showed that the worst case outturn could have been an overspend of £9m). Key pressures arising in the year and likely to persist into future years were encountered in children's social care.

Directorate	Net Budget £	2021/22	
		Controllable Outturn £	Controllable Variation £
Corporate Budgets	(51,562,440)	(53,552,463)	(1,990,023)
Health and Wellbeing	2,177,434	1,755,680	(421,754)
People	186,868,390	190,592,099	3,723,709
Place	69,764,926	70,029,647	264,721
Resources	1,397,330	2,373,650	976,320
Strategic Management Board	1,170	(46,955)	(48,125)
TOTAL	208,646,810	211,151,659	2,504,849

Within this overall position, further contributions were made to specific reserves, enabling provision to be made against known future costs and reducing pressure on revenue budgets.

Inflationary Pressures

The budget for 2022/23 was set with provision made for increases in price inflation. At the time of preparing the budget, the average pressure anticipated for the year was expected to be +3% per year.

Since February 2022, the war in the Ukraine has led to inflationary increases (notably around food, fuel, and utility prices) which is affecting the economy generally.

It is now anticipated that the provision for inflation within the budget for 2022/23 will need to increase to accommodate contract costs linked to the inflation rate, and the likely national increase to the staff pay award being negotiated for 2022/23.

A breakdown of the difference in inflation assumptions between the MTFS approved by Council in February and the updated figures is provided below.

This shows that the February assumptions for 2022/23 on inflation were for 1.75% on pay, 4% on fuel, and up to 24% on utilities. These assumptions were increased to 5.5%, 5.7% and 60% respectively for the previous update.

It should be noted that the latest increases reflect our understanding of the likely impact on council budgets. They remain estimates and subject to change, and, as such, will remain under review for the immediate future. The level of pay increase at 5.5% is largely driven by the near 6.6% increase in the National Living Wage, coupled with the disproportionate impact of that increase on the lower grades in the council pay structure (it does not reflect an assumption of an overall increase of 5.5% across all grades – rather, some of the lower grades will see higher levels of increase, while some of the higher grades may see little or no increase).

Significant contract inflation has now been identified across the care sector contracts (adults and children's social care) and also the contracts for waste disposal and highways maintenance, now expected to be higher than previously estimated (in-year estimates of cost pressures made in March 2022 have proven largely accurate – but the estimated pressure for next year arising from RPI and CPI increases affecting Council contracts have been superseded by more recent information).

Schemes within the capital programme are also anticipated to experience inflationary pressures. The majority of these will be managed through reprogramming schemes to manage within existing resources, however it is possible that additional funding will need to be identified for some schemes that will require a scheme budget increase. This will be monitored during the course of the financial year.

This increased provision will be held under review to ensure it provides a reasonable balance of necessary provision against increased costs while at the same time limiting the long-term increase and its duration, where possible.

Interest Rate Increases

In response to the impact on the economy that the inflationary pressures is causing, the Bank of England has increased the base rate from 0.1% in December 2021 to the current rate of 2.25%.

Any increase in the base rate will translate into increasing costs of borrowing should the Council need to borrow for the Capital Programme. Accordingly, this is likely to have a corresponding impact on the revenue budget and the business cases for capital schemes. This will be carefully monitored during the course of the Medium Term Financial Strategy.

Adult Social Care Reform

The Government published outline reforms to adult social care funding late in 2021. There remain a number of key issues to be resolved, but it is likely that (based on current information) there will be a net cost to councils delivering social care. These costs are not yet factored into the later years of the Council's MTFS as their likely level is not known with confidence.

The LGA briefing on the potential impact of adult social care reform on councils is available here:

[Not enough money for adult social care reforms, say 98 per cent of councils in LGA survey | Local Government Association](#)

Local Government Pressures

There have been a number of 'public interest reports' made by external auditors in recent months. These have highlighted how the current financial pressures are affecting the financial standing of different councils. The consistent message is that securing robust technical management of the accounts together with a transparent culture of honest and open engagement between officers and Members, and with clarity on the current financial position and the likely financial outlook, is critical.

Recent Public Interest Reports are summarised below.

Authority	Issues raised
Nottingham City Council	Treatment of HRA appropriations
LB Croydon	Contracts for housing work; Fairfield Halls improvement works
Wirral Council	Need for strategic (multi-year) approach to savings plans
Slough	Incorrect accounting including reserves and MRP calculations
Warrington Council	Credit rating reduction

Northamptonshire	Inaccurate financial reporting leading to inappropriate decisions; inappropriate use of capital receipts
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Internal Reviews and Developments

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

In order to ensure that the Council's Financial standing and processes are as robust as possible, it was agreed with the Local Government Association that a Finance Peer Review would be undertaken in June 2022. This exercise was far reaching across the Council and not only examined the financial strategy and budget approach of the organisation, but also looked at the wider financial management approaches across the organisation.

The results from the Peer Review were positive and stated that they believe that the Council should be confident in its ability to meet the challenges for the future. They believe that the actions taken by the Council to address recently identified inflationary pressures and the planned implementation of the Target Operating Model to align the activities of the Council to the Shropshire Plan, will put the Council in a good position to address the funding position. There were a number of recommendations made out of the Peer Review that will help to refine the Council's approach going forward, and the Council will be working over the next few months to ensure that it has considered and, where appropriate, implemented changes to improve our approach in the future.

The peer review report has now been finalised and will be published shortly, along with an action plan setting out how the Council is responding to the report.

In-year Budget Savings Identification

Following the early identification of inflationary pressures likely to impact on the 2022/23 financial year, the Council agreed to undertake a tactical budget review which would try to identify new areas of savings not previously considered, or to bring forward savings proposals planned for future years.

This important piece of work began in April and regular updates have been presented to Cabinet to keep them informed of progress to date and also to confirm decisions to progress where appropriate.

Potential savings currently being considered for 2022/23 total £8.5m. If any of those proposals are not progressed, alternatives will need to be found to the same value.

Target Operating Model Proposals

Emerging from the 'response' period of the pandemic, the Council identified the need to embed the key benefits secured during the pandemic response, but also to reinstate some activities which were not needed during the pandemic but remain important to the good management of the Council. These initiatives and reinstatements were collectively grouped as a 'refocus' programme of work.

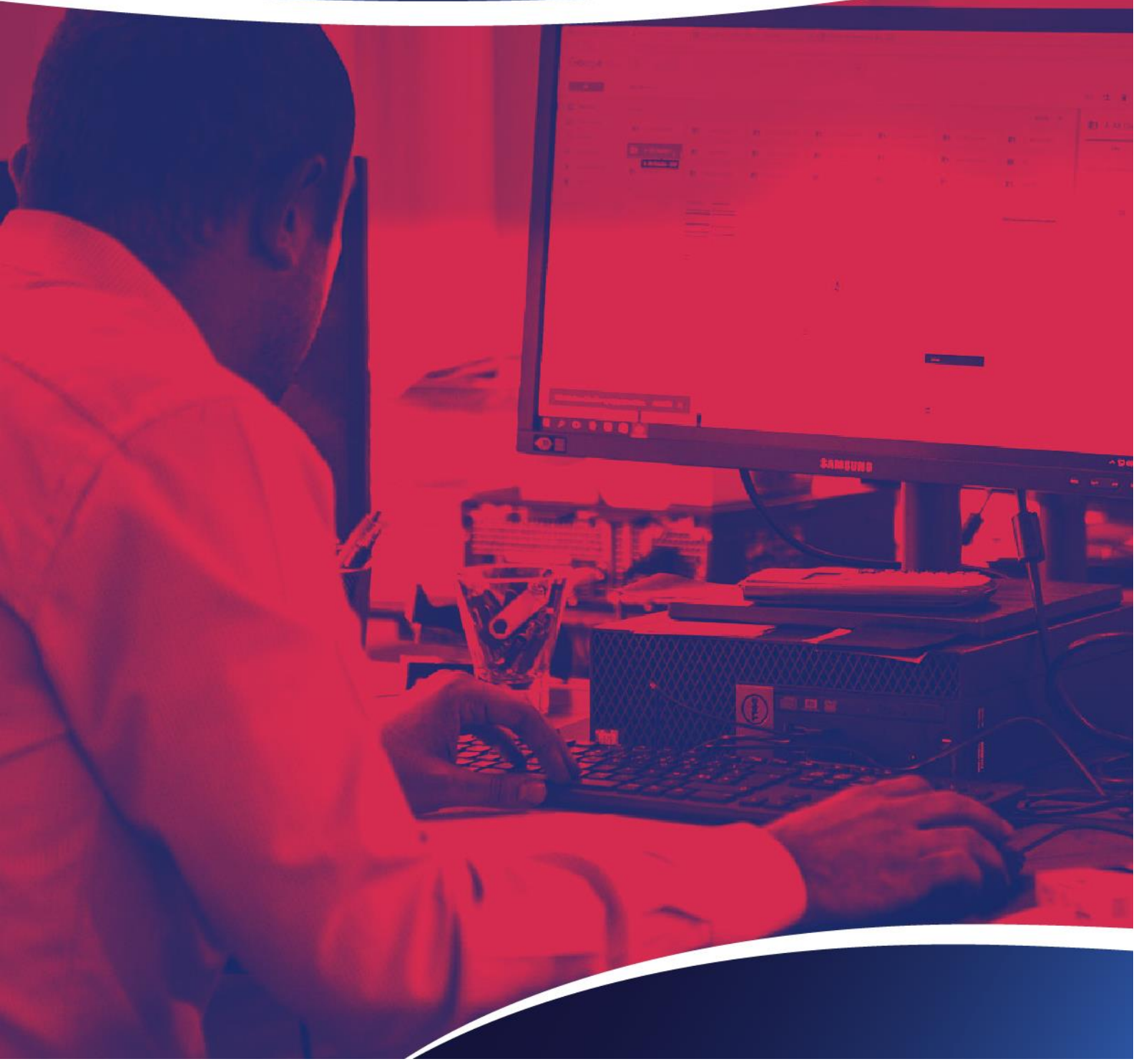
Subsequent activity has led to the scope of the refocus work being expanded to a wider consideration of the 'operating model' of the Council. The intention is to ensure that the Council does what it needs to do (and only what it needs to do) in the best way possible – that we are efficient, effective, and work together as part of one Council. This work has led to development of a 'target operating model' (TOM).

The benefit of the TOM proposals have now been estimated as £35m, and it has been calculated that potential benefits will arise in later years of which £25m is cashable (e.g. reductions in normal council operating costs) and a further £10m is 'non-cashable' (e.g. future demand reduction, so avoiding the full extent of future cost increases). These projects will form a key part of the future financial strategy and the budget strategy for next year – either by delivering cash savings, or by enabling greater efficiency and so the capacity to do more with our available resources. At this scale, benefits will significantly address the current budget challenge, but will need time and (one off) resources to be put into place.

Despite the anticipated need for some time-limited investment to help implement these changes, the overall aim is to make the council more efficient and effective in its operations. This will help us to do still more from within the resources we have.

To do so will require a rigorous approach to planning and realising the benefits arising from this programme of innovation and development, providing new opportunities for how we deliver services, and asking our staff – who proved their agility and capacity to adapt so clearly during the pandemic – to continue to adapt as new opportunities and plans come forward and to move confidently into these new ways of working. This robust framework is being put into place along with appropriate resource plans.

Impact on Medium Term Financial Strategy 2023/24 – 2027/28



Inflationary Pressures

The inflationary pressures identified in 2022/23 will have a cumulative effect across the MTFS period. It is anticipated that levels of inflation will not reduce significantly by the end of 2022/23 and therefore there is likely to be ongoing pressure during 2023/24 as well.

As a result, pay inflation anticipated for 2023/24 has been increased from 2% to 3.5% and in the remaining years of the MTFS, pay inflation has been increased from 2% to 2.5%. The impact of this is that a further £1.5m has been built into the 2023/24 financial year, and around £0.3m over the remaining period of the MTFS.

Revised MTFS Summary and Funding Gap

The impact of the inflationary pressures and mitigating savings activity outlined above has affected the funding gap over the period of the MTFS. The revised gap is outlined below, detailing the changes that have occurred since February 2022. The details of impacts identified on resources and spending estimates are set out in the 3 tables below.

Funding Gap	2021/22 £	2022/23 £	2023/24 £	2024/25 £	2025/26 £	2026/27 £	2027/28 £
Resources (incl savings plans)	554,317,935	597,559,628	592,936,915	603,069,289	604,073,300	618,149,269	632,959,106
Expenditure (incl savings plans)	615,491,946	656,496,475	658,878,879	667,802,916	671,232,831	677,043,321	689,159,388
Gap in year	61,174,011	58,936,847	65,941,964	64,733,627	67,159,532	58,894,052	56,200,282
One off Grants & Reserves:							
Improved Better Care Funding	9,547,340	11,863,403	10,252,045	10,618,624	10,996,201	11,385,105	11,785,676
New Homes Bonus - One Off	942,766		0	0	0	0	
Rural Services Delivery grant	6,940,755	6,940,755	6,940,755	6,940,755	6,940,755	6,940,755	6,940,755
Social Care Grant - One Off	9,111,921	12,619,529	12,998,115	13,388,058	13,789,700	14,203,391	14,629,493
		3,521,312					
		397,338					
		940,831					
S.31 Business Rates Additional Relief							
Grants for COVID	21,110,783	12,760,890					
Review of Earmarked Reserves		6,878,140					
Financial Strategy Reserve	13,520,446	7,042,754					
Contribution to General Fund Balance		-4,028,104					
TOTAL ONE OFF FUNDING	61,174,011	58,936,847	30,190,915	30,947,438	31,726,656	32,529,251	33,355,924
Remaining Gap/(Surplus) to be Funded	0	0	35,751,049	33,786,190	35,432,876	26,364,801	22,844,359

Funding Estimate	2021/22 £	2022/23 £	2023/24 £	2024/25 £	2025/26 £	2026/27 £	2027/28 £
Council Tax	170,672,186	180,285,304	191,268,680	202,182,919	213,718,117	225,913,060	238,803,201
Council Tax Collection Fund Surplus/(Deficit)	-542,268	2,393,399	-93,463	500,000	500,000	500,000	500,000
Business Rates:							
Business Rates Collected	42,037,503	35,698,519	35,752,067	42,424,766	43,083,729	43,752,927	44,432,519
Business Rates - Energy Renewable Schemes	1,035,710	1,145,182	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Top Up Grant	10,031,260	10,031,260	10,031,260	10,031,260	10,031,260	10,031,260	10,031,260
Business Rate Collection Fund Surplus/(Deficit)	-20,840,717	-11,387,762	-168,114	-500,000	-500,000	-500,000	-500,000
RSG	6,253,139	6,450,404	6,450,404	6,450,404	6,450,404	6,450,404	6,450,404
NET BUDGET	208,646,812	224,616,305	244,240,833	262,089,349	274,283,510	287,147,651	300,717,384
Grants included in Core Funding:							
Improved Better Care Fund	9,547,340	11,863,403	10,252,045	10,618,624	10,996,201	11,385,105	11,785,676
New Homes Bonus	5,942,770	4,651,465	2,424,326	0	0	0	0
Rural Services Delivery Grant	6,940,755	6,940,755	6,940,755	6,940,755	6,940,755	6,940,755	6,940,755
Social Care Support Grant	9,111,921	12,619,529	12,998,115	13,388,058	13,789,700	14,203,391	14,629,493
Services Grant		3,521,312					
Lower Tier Services Grant		397,338					
Market Sustainability and Fair Cost Fund		940,831					
CORE FUNDING	240,189,598	265,550,937	276,856,074	293,036,787	306,010,166	319,676,902	334,073,308
Local Income							
Fees and charges (including income savings deliverable from prior years)	79,242,220	82,293,304	82,718,167	83,151,596	83,593,807	84,045,021	84,496,235
Other Grants and contributions	27,794,890	30,785,140	30,785,140	30,785,140	30,785,140	30,785,140	30,785,140
Specific Grants (excluding Core Funding Grants above)	196,885,397	209,825,807	193,473,094	186,991,326	174,579,747	174,537,766	174,499,983
Internal Recharges	10,205,830	9,104,440	9,104,440	9,104,440	9,104,440	9,104,440	9,104,440
TOTAL FUNDING	554,317,935	597,559,628	592,936,915	603,069,289	604,073,300	618,149,269	632,959,106

Expenditure Estimate	2021/22 £	2022/23 £	2023/24 £	2024/25 £	2025/26 £	2026/27 £	2027/28 £
Original Gross Budget Requirement	605,526,937	615,491,946	656,496,475	658,878,879	667,802,916	671,232,831	677,043,321
Inflationary Growth :							
Pay	2,743,338	2,841,967	11,336,970	3,968,420	4,087,470	4,210,090	4,336,370
NI Social Care Uplift		777,760					
Apprenticeship Levy		114,200	21,970	14,110	14,530	14,970	15,420
Pensions	0	0	0	0	0	0	0
Prices	1,309,682	3,213,423					
Corporate Landlord inflation			1,380,955	185,447	190,084	194,836	199,707
Contract inflation			25,091,492	6,058,239	6,223,096	6,379,157	6,538,130
Demography & Demand	15,502,496	12,575,656	963,830	289,455	299,535	306,085	237,550
Service Specific Pressures	5,747,406	5,914,099	400,000	168,000	-400,000	-500,000	
Local Generated Pressures:							
Elections	740,000	-740,000			400,000	-400,000	
Specific Grants Changes between years	-4,656,067	16,142,601	-28,437,694	674,701	-11,632,361	760,614	788,890
One off investment in IT infrastructure	-1,101,130						
Ongoing reduction in New Homes Bonus (pressure)		348,535	2,227,139	2,424,326			
Ongoing Pressures		8,196,113					
Estimated Cost of Investment - <i>Approved Additional Staff for Capital Programme</i>	-2,035,000	521,000	895,415	1,774,815	1,371,229	1,382,878	
Invest to Save Fund for delivery of future savings	-5,250,000	103,000	-97,000	-20,000	-39,000	-30,000	
Energy Renewable Schemes	75,710	-35,710					
Adjustment to Gross budget offset by Income changes	-912,116	2,187,159	400,000				
Contribution to General Fund					7,000,000		
Savings							
Savings from prior years- 2018/19 - Approved	-3,850,000	-4,468,930					
Remove 2020/21 Unachievable savings	1,650,690	0					
One off saving - Morrisons Lease and Buyout		-1,415,065	1,415,065				
Application of retained business rates to climate change		-1,000,000					
New Savings		-4,771,279	-3,680,737	-3,029,476	-4,015,667	-5,878,139	
Tactical Budget Savings			-9,035,000	-3,584,000	-69,000	-630,000	
TOTAL EXPENDITURE	615,491,946	656,496,475	658,878,879	667,802,916	671,232,831	677,043,321	689,159,388

Process for Closing the Funding Gap

In the short term, the work on the tactical budget savings will continue to be pursued to close the funding gap remaining in 2023/24 and to provide any additional resilience against any further budget pressures in 2022/23. The tactical budget work has already identified further efficiency areas for review and these will be explored in more detail to confirm whether a cashable saving can be delivered.

In the medium term the work of the TOM will help to drive out efficiencies across the Council and ensure that services provided are those as detailed in the priorities outlined in the Shropshire Plan. By delivering savings to close the gap in 2023/24 – 2025/26, the Council will be able to deliver a sustainable budget.

The Council can then continue to develop its longer term strategic plans to encourage economic growth, improved resource position through growth within the taxbase, and manage growth pressure through early intervention and prevention strategies.

Financial Stability; Reserves and balances



General Fund Balance

The General Fund balance held as at 1 April 2022 is £11.5m. This is significantly below the risk assessed level for 2022/23 which is £18.7m. This leaves the Council vulnerable to any unexpected spending pressures that may arise during the course of the year. Whilst one off savings will be sought wherever possible to mitigate against unforeseen pressures that may arise, the General Fund does need to be at a sufficient level in case this is any shortfall.

In 2022/23 a one off contribution of £4m has been budgeted bring the General Fund Balance to £15.5m (dependent on delivery of a balanced budget in 2022/23) which is considered to be acceptable, albeit below the target level.

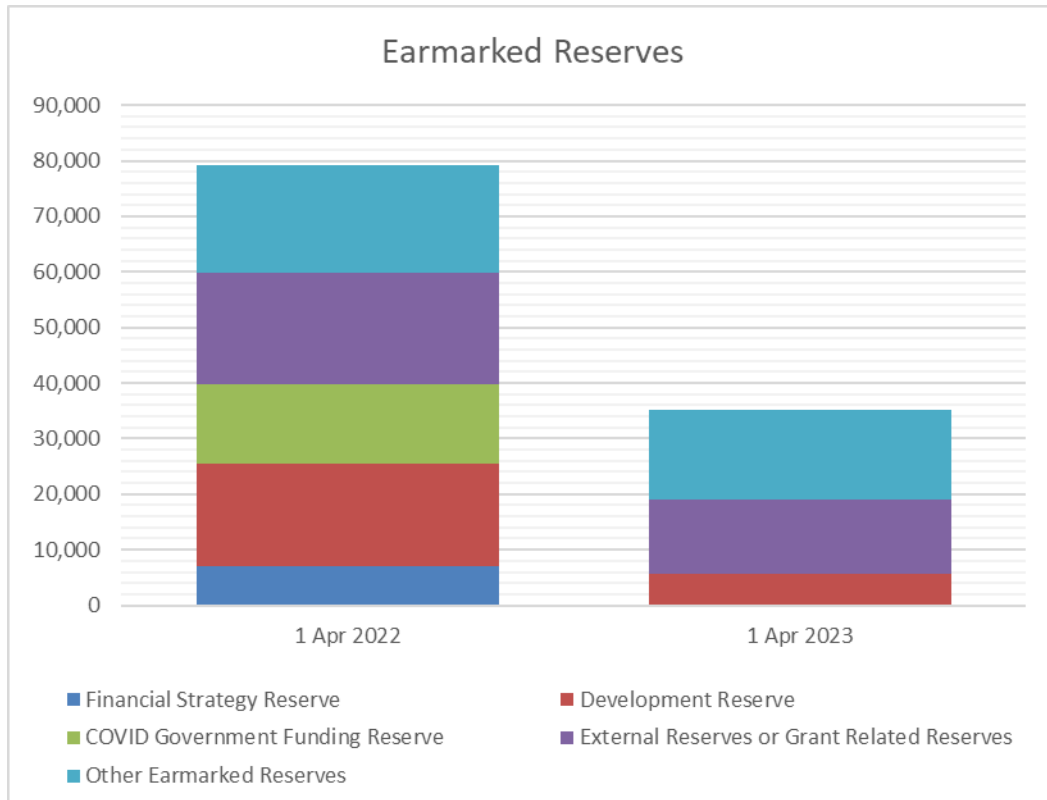
In the medium to long term financial strategy, contributions to the General Fund balance have been factored into assumptions to ensure that the authority is resilient to any future risks.

Earmarked Reserves

The Council has assumed in previous financial strategies that it would use earmarked reserves, particularly the Financial Strategy Reserve, to help balance the budget. The Financial Strategy Reserve will be fully applied in 2022/23 and therefore this can no longer be considered for future financial years.

The total value in Earmarked Reserves as at 1 April 2022 is £79.2m (excluding schools related reserves). It should be noted that a significant proportion of these reserves have been assumed to be utilised in 2022/23 or are committed in line with grant conditions.

The chart below demonstrates the planned reduction in earmarked reserves in the 2022/23 financial year, with a total reduction of £47.6m anticipated to be drawn down by the end of the year, leaving a balance of £31.6m remaining. A significant proportion of the reduction relates to the use of COVID funding. Anticipated use of the Development Reserve is based on initial estimates or requirements for transformation/TOM projects (discussed above). The level and timing of funding required for this purpose is under review. The Financial Strategy reserve is anticipated to be fully utilised in delivery of the current year budget (as set out in the agreed budget plans for 2022/23).



The Council's financial strategy will also seek to minimise use of reserves in the medium term, and then to replenish them. This will afford the Council the resources to be able to deal with unexpected challenges, or to invest in further transformation and improvement of its services. This is illustrated below.

