

Shropshire Council

Budget consultation 2021-2022

- Period: 18 December 2020 - 28 January 2021

Shropshire Council spends over £575m every year delivering services to our local communities. We spend most of our budget on adults and children's social care, protecting more vulnerable people in ever more complex and, by necessity, expensive ways. These are services that 97% of the population of Shropshire do not access directly, yet they are growing in cost at a faster rate than any other areas. Government funding for services has reduced year on year at the same time as our costs are increasing. We can raise more income from council tax, but this can only go so far. We must set a balanced budget in law and so we have little choice other than to raise income from other sources, cut our costs elsewhere, or both. This means asking our communities to pay more in council tax, more in fees and charges, and receive less in services as available funding is redirected to those vital areas most in need – adults and children's social care. Further cuts to existing budgets are becoming increasingly difficult and we will continue to look at other ways to deliver income into the council to put us on a more sustainable funding position. We would like your views on proposals being taken forward for the 2021/22 financial year so that we can take account of the taxpayers' views on these proposals. (Please note: In this exercise we are seeking views on the overall scale and direction of the proposals rather than the detail underpinning them. Where any savings proposals would impact directly on individuals specific consultation would take place as part of a future implementation plan.)

But first, before we dive into the detail, it is important that everyone understands some background information on our financial position.

We have two main types of funding - revenue funding and capital funding:

- Revenue funding pays for the services referred to above and consists of revenue support grant, council tax, business rates, other specific government grants, and income. These funds can be used to support day to day services including adults and children's social care, waste collection and disposal, highways maintenance and cultural and leisure services.
- Capital funding, on the other hand, includes capital grants, capital receipts from sales of assets, other contributions and borrowing. This funding may only be used for capital projects and cannot be used to support our day to day running budget. So, to deal with one common misunderstanding first; it is illegal for us to borrow money to pay for revenue costs. Unlike the government, we cannot borrow money to pay for day-to-day services.

The main pressure on council budgets is within the revenue budget, and so we are trying to think how we can use the capital budget to develop some large-scale schemes that will deliver added income or reduced costs for us. This approach enables us to spend capital money, or even borrow money, to deliver defined schemes that will reduce our running costs or generate income. This should then relieve the pressure on the revenue budget and reduce the pressure on delivering further savings in service areas.

In terms of funding, the main area that we have control over is setting the council tax level for the next year. For 2021/22 we are proposing a 4.99% increase overall (a 1.99% general increase and a 3% 'precept' increase that is used specifically to fund the growing costs in social care. This is the maximum that we can raise through council tax in this year. It is sobering to realise that if every penny of this 4.99% increase was directed just at **adult** social care, it would be insufficient to cover the increase in costs next year. To cover the shortfall, to provide inflation or other funding in the budget requires cuts or other sources of income.

We are obliged to provide certain statutory services; these include adults and children's safeguarding and social care, waste collection and disposal, and home to school transport for children aged 5-16. Whilst we aim to deliver these services as efficiently as possible, we must fund any increase in demand. Together these services make up almost 80% of our net revenue budget.

The need to fund these services increases the pressure on other areas of the council (those areas considered discretionary), and so we are looking to find other ways to bring new or added income in to support discretionary services where possible. This may be through capital investments, through new income opportunities or through joint commissioning of services. We look for these opportunities before considering cuts in services.

We are planning to deliver savings of £9.9m in 2021/22 £3.9m of these are new savings which had been agreed for 2021/22 in previous year's financial strategies. £1.2m of these savings for 21/22 are as a result of delays in achieving savings during 2020/21 and £4.8m of the savings to be delivered in 2021/22 were previously agreed but now require different delivery approaches. The [financial strategy for 2020/21](#) documents the detail of these savings and was presented to cabinet on the 14 December for their consideration.

These savings are not enough to close the full funding gap that we have in 2021/22 and we plan to use one off grants from the government to balance the books as well as some reserves that we have set aside for this purpose. A significant funding gap will remain in the budget the following year, 2022/23, and remaining reserves and one-off grants will not be enough to cover the shortfall as it stands at the moment. This position is summarised in the table below:

2021/22 financial year	(£m)
Revenue funding gap before budget consultation	58.1
Increase in council tax of 4.99%	-8.2
Proposed savings for 2021/22	-9.9
Government one-off grants ^[1]	-23.6
Use of financial strategy reserve (£20.8m available).	-16.4
Remaining funding gap	0.0

The funding mechanism for local government had been expected to change in 2021/22 bringing with it a much closer alignment of funding with the costs of social care. The challenges of dealing with COVID-19, however, have delayed announcements for at least another year. We now expect further information during 2021 and further work can then be performed on future years budgets.

We want your help in confirming that our budget plans are appropriate in terms of the council tax rises proposed and the headline savings suggested. To have your say, simply click on the 'How to get involved' tab on this page to access a quick survey. The closing date for comments to be received by us is **Thursday 28 January 2021**.

Your thoughts will be considered by full council when they discuss and agree on the final budget on Thursday 25 February 2021.

Thank you

^[1] Rural Services Delivery Grant £6.6m, Improved Better Care Funding £9.5m, New Homes Bonus £7.1m, Social Care Grant £8.7m