



Date: Monday, 15 July 2024

Time: 2.00 pm

Venue: Shrewsbury/Oswestry Room, Shirehall, Abbey Foregate, Shrewsbury, Shropshire, SY2 6ND

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TRANSFORMATION AND IMPROVEMENT OVERVIEW AND SCRUTINY COMMITTEE

TO FOLLOW REPORT (S)

6 Financial Strategy 2025/26 - 2029/30 (Pages 1 - 26)

To receive and consider the Financial Strategy 2025/26 to 2029/30 at an early stage in its development, ahead of consideration by Cabinet at their meeting on the 17 July 2024.

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Committee and Date

Transformation & Improvement Scrutiny
15th July 2024

Cabinet
17th July 2024

Item

Public



Financial Strategy 2025/26 – 2029/30

Responsible Officer:	James Walton		
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Cabinet Member (Portfolio Holder):	Cllr Gwilym Butler, Finance, Corporate Resources and Communities		

1. Synopsis

This report provides an update to the financial outlook described for Council in February. The impact of the General Election outcome is taken to assume no additional (or reduced) funding at this point. The report sets out the timetable for preparing the 2025/26 budget.

2. Executive Summary

- 2.1. Shropshire Council is now in the final year of delivery of The Shropshire Plan (2022-2025). Meanwhile the financial position of the council remains highly challenging. One of the key strategic objectives within the Healthy Organisation priority is to “align our resources” by putting our resources in the right place using accurate data, insights, and evidence to support the delivery of the organisation’s priorities, and balance the books.
- 2.2. The objective in the current year is to secure financial survival and thereby a sustainable foundation for the coming years; prioritising a secure position in the current year is an essential first step. Delivering financial survival in 2024/25 will impact on overall and specific service performance in the short term. There will be significant changes to the way the Council works over the medium term. Other reports on this agenda provide a greater insight into the current year’s financial

performance and changes being made in the short and medium term. The medium term financial strategy (MTFS) will reflect these changes, although expectations need to be managed in terms of service delivery over this time. Where necessary, public consultation will be undertaken where, for example, short or medium term decisions require policy change.

- 2.3. This report provides an update to the outlook for the Council's financial position to 2030. The usual approach of the Council is to plan its MTFS to cover the forthcoming financial year in detail, with an assessment of the four years following. This provides a rolling five year overview. The outlook can be updated every quarter to take account of new information.
- 2.4. This report is the first update for the current financial year, 2024/25, and sets out the known changes to position approved by Council in February 2024/25, included in the budget papers. This report highlights the current planning assumptions included in the MTFS and indicates if and how they may change.
- 2.5. In terms of the wider economic context, inflation rates have reduced in recent months, but the 2024/25 spending position remains impacted by the September 2023 CPI rate of 7%. This is included in all contracts as the standard uplift procedure, and so a reduced inflation rate nationally will not impact on council spending at all this year. Future rates of inflation do, however, impact on future years' assumptions and this is set out in the report.
- 2.6. While the general election in the UK is likely to impact on national policy direction relating to Council funding at some point in the future, all main parties have indicated that significant or rapid changes in the overall position are unlikely. This update is prepared with the assumption that the underlying position is unlikely to change before 2026/27 (MTFS year 2). Any changes to funding made by the newly elected government are likely, at least initially, to be made against targeted objectives (e.g. social care, or highways maintenance) but at the time of writing there is no indication if or what these may be.
- 2.7. The local position in Shropshire will be impacted by the general election in ways as yet unknown. It is important, particularly in the period leading up to the 2025/26 financial year, that the known local financial challenges are managed and fully mitigated wherever possible. The Council will continue to hold the national policy and funding position under review and adjust for any changes only as confirmation is received. The financial plan for Shropshire over the medium term, therefore, remains significantly unchanged and the difficult financial decisions necessary over the coming years of the MTFS will, it would appear, need to be delivered regardless of the national or local arrangements in place over the period.

3. Recommendations

- 3.1. That Cabinet consider the proposed amendments to the MTFS and discusses and notes the assumptions currently being applied and how these may change.
- 3.2. That Cabinet notes the proposed timeline for the preparation of the budget for 2025/26 financial year and requests Officers to begin work in line with that plan.

Report

4. Risk Assessment and Opportunities Appraisal

4.1. The main Risk is that estimated operational expenditure exceed available resources. The MTFS is the main document which assess that outlook regularly and help map out the key issues needed to be addressed to secure financial balance.

4.2. Linking to strategic risks

<i>Risk</i>	<i>Mitigation</i>
Capacity in the organisation is stretched across a number of projects, initiatives, and changes, leading to a loss of focus and under-delivery against key MTFS targets	Ongoing visibility of capacity and emerging 'hot-spots', with EMT leading on ensuring that all activity is aligned to delivering financial security in-year, and sustainability in coming years.
Savings are secured, but the timing of delivery is delayed leading to a gap between in-year and full-year impacts.	Detailed planning to maintain visibility of any emerging in-year 'gap' to allow for planning resources
Savings are not secured at the required level in a sustainable way	Greater focus on the comparison of in-year and ongoing savings values for each line
Transformation plans fail to secure the required level of spending reductions	Ongoing management, visibility of, and control of likely transformation plan delivery.
Inadequate levels of capital receipts to support planned transformation activities (including any redundancy costs)	Ongoing scrutiny of capital receipts delivery plans by EMT.
The social care needs of local people outstrip the budgeted resources allocated to those services	Careful monthly review of area of material cost variability to ensure early awareness of any emerging pressures and so the ability to focus manager responses.

5. Financial Implications

5.1. The subject of the report. No direct implications arise as a result of the report. The detail of the MTFS is included in Appendix 1. In summary, it shows only limited change from the position outlined in February. The revised position as at July 2024 is shown below.

Figure 4: Funding Gap over the Medium Term Financial Strategy

Funding Gap	2025/26 £	2026/27 £	2027/28 £	2028/29 £	2029/30 £
Resources (incl savings plans)	701,084,669	718,862,563	732,731,977	747,171,462	762,435,965
Expenditure (incl savings plans)	766,512,320	791,460,558	812,516,994	833,225,165	862,051,012
Gap in year	65,427,651	72,597,995	79,785,018	86,053,703	99,615,047
One off Grants & Reserves:					
Improved Better Care Funding	-9,896,143	-9,896,143	-9,896,143	-9,896,143	-9,896,143
Rural Services Delivery grant	-8,982,153	-8,982,153	-8,982,153	-8,982,153	-8,982,153
Social Care Grant - One Off	-28,850,166	-29,715,671	-30,607,141	-31,525,355	-32,471,116
TOTAL ONE OFF FUNDING	-47,728,462	-48,593,967	-49,485,437	-50,403,651	-51,349,412
Remaining Gap/(Surplus) to be Funded	17,699,189	24,004,028	30,299,580	35,650,051	48,265,635
Increase in Funding Gap per Year	17,699,189	6,304,840	6,295,552	5,350,471	12,615,583

5.2. The summary position from February 2024 is shown below:

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	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 Services Grant	-6,097,977	0	0	0	0
	-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

6. Climate Change Appraisal

6.1. The MTFS includes provision for activity around a number of areas relating to mitigation for climate change impacts include securing external funding to support the climate change team and increasing the focus on the carbon footprint of the council's supply chain as part of the review of third party spending.

7. Background

7.1. Medium term financial planning is a prudent approach to risk management for large organisations. The process helps to ensure that all resources are properly aligned to organisational objectives and creates the financial framework for

operational delivery. Risk areas are identified through this process, and the 5-year outlook enables risks to be tackled in a timely way.

- 7.2. The principal financial risk facing the Council is the inability to contain overall committed expenditure within the current available resources within this financial year. The Council, while working to The Shropshire Plan, has been in the process of navigating an increasingly pressurised operating and financial environment. This MTFS is a key part of managing that situation and maintaining a Healthy Organisation.
- 7.3. In terms of the wider economic context, inflation rates have reduced in recent months, but the 2024/25 spending position remains impacted by the September 2023 CPI rate of 7%. This is included in all contracts as the standard uplift procedure, and so a reduced inflation rate nationally will not impact on council spending at all this year. However, future rates of inflation do impact on future years' assumptions, and this is set out in the report.
- 7.4. The outcome of the general election in the UK is likely to impact on national policy direction relating to Council funding. All main parties indicated, however, that significant or rapid changes in the overall position were unlikely if any comment was made at all. No announcements have been made following the election result. The MTFS update is therefore prepared with the assumption that the underlying position is unlikely to change before the 2026/27 financial year (MTFS year 2). Any changes to funding made by the newly elected government are likely, in the first instance, to be headline policy decisions made against targeted objectives (e.g. social care, or highways maintenance) but at the time of writing there is no indication if or what these may be.
- 7.5. The local position in Shropshire will be impacted by the general election result in ways as yet unknown. It is important, particularly in the period leading up to the 2025/26 financial year, that the known local financial challenges are managed and fully mitigated wherever possible. This is not expected to be impacted by any early announcements. Nevertheless, the Council will continue to hold the national policy and funding position under review and adjust for any changes only if and when confirmation is received. The financial plan for Shropshire over the medium term, therefore, remains significantly unchanged and the difficult financial decisions necessary over the coming years of the MTFS will, it would appear, need to be delivered regardless of the national or local arrangements in place over the period.
- 7.6. The budget planning timetable is attached as an appendix. In outline, it sets out the following:

Month	Activity
June-July	Update of the MTFS to include a further year. Identification of estimated operational spending and revenue resources, the indicative revenue savings requirement arising, and capital investment plans, all across the MTFS period.
July-Nov	Chief Officers to lead a process of revenue business planning which includes identifying opportunities for spending reductions. Confirmation of final proposed revenue spending reductions and resulting overall budget plans, and capital investments to be made through the capital programme. Revenue and capital spending plans both to be worked up through the summer/autumn period.

	<p>Alternative budget process to be started in November, in line with the previous Council decision.</p> <p><i>NB – this will be significantly informed by the detailed planning being undertaken across the Council at present which will create service plans for every service area, including opportunities to reduce spend and the risks associated with that in each area.</i></p>
December	<ul style="list-style-type: none"> • Calculation of the council tax base for the coming year, based on latest information. • Confirmation of Cabinet’s endorsement of the finalised budget proposals ahead of the Council receiving the provisional financial settlement from Government. • Opening of consultation with the public and partner agencies on the proposed budget. • Receipt of the provisional financial settlement. Comparison of the settlement values with the assumed budget position and identification of any actions required.
January	<p>Receipt of the outcomes of public consultation on the proposed budget. Confirmation by Cabinet of the budget proposals to be taken to Full Council for formal debate; confirmation of the budget (and any required changes) and the council tax for the coming financial year.</p>

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

Local Member: All

Appendices

Appendix 1 – Medium Term Financial Strategy as at July 2024

MEDIUM TERM FINANCIAL STRATEGY 2025/26 – 2029/30





Foreword

It continues to be a challenging time to be managing services in local Councils. We are significantly stretching the available resources to continue to meet the needs of local people in the best way we can, while also remaining within the limits of the budget.

This Medium Term Financial Strategy (MTFS) update provides our latest view on the current position. We continue to take the view that we can and will work within the available resources, limiting what we can deliver as and when necessary, through a planned process for reducing spending. That was the purpose of the budget for 2024/25, and the MTFS to 2030 helps further shape our understanding of the financial outlook for the council.

A further update will be provided in October, when we will see in more detail the scale of the challenge for 2025/26.

In the meantime, we both commend the hard work of officers as they continue to both improve services and reduce spending at the same time.



Lezley Picton
Leader of the Council



Andy Begley
Chief Executive

Introduction

Over the past year, there's been a series of national media reports detailing the challenges encountered by local government. Symptoms of these struggles include Public Interest Reports, Section 114 Notices, and the need for Government Emergency Financial Support. Various factors are driving this, making it crucial to overhaul how Council staff are directed and organized. As Council members know, we must significantly cut our spending to meet available resources.

The MTFS 2023/24, adopted more than a year ago in March 2023, set a strategy to deliver £51.4m in budget reductions, necessitated by the strains on social care services, partly due to the far-reaching effects of the recent global pandemic and the cessation of resultant funding. At that time, 2024/25 appeared stable, with a relatively small, anticipated funding gap. During the 2023/24 financial year, conflicting dynamics altered the forecast for 2024/25. On one hand, the Council managed to realize a significant portion of its savings goal within the year, securing £41.8m by 31 March 2024 with full-year outcomes expected in 2024/25. On the other hand, mounting inflation and persisting cost of living increases raised expense across the Council, and in particular in Adult and Children's services, impacting immediate and subsequent projections and necessitating a revision of our financial projections.

By the 29th of February, 2024, the Council approved the new MTFS, which included a 2024/25 budget plan requiring savings of £62.5m. Open public consultation played a role in gauging the relative importance of services, and identifying where savings would land. Our objectives and commitments are shaped by The Shropshire Plan, even though the focus inevitably shifted towards achieving financial survival in 2024/25 and financial sustainability only in later years.

Achieving the Strategic Objectives outlined in The Shropshire Plan (TSP) must reflect our local economic landscape and reflect unavoidable service reductions. This will be carefully managed by implementing new ways of working, refining customer experience management, prioritizing digital solutions, and reassessing third-party commissioning and spend. These measures alone may not assure sustainability. We also need to find solutions for relentless growth in service demand and we also need structural reform to local government financing. Nevertheless, the work we are progressing provides a foundation upon which the MTFS will be based.



Gwilym Butler
Cabinet Member
for Finance



James Walton
Executive Director
of Resources

Medium Term Financial Strategy Timeline

Medium Term Financial Strategy Timeline

Following the approval of the 2024/25 -2028/29 Medium Term Financial Strategy in February 2024, work to monitor the delivery of the 2024/25 budget commences as the new financial year begins. Given the increased focus around delivering a sustainable budget position for the Council, initial work began on an indicative Period 0 position, prior to the start of the financial year, and the Council has produced a Period 1 report for Cabinet and Transformation and Improvement Overview and Scrutiny Committee for the first time. Securing a balanced financial position in the current year (2024/25) is a key milestone in delivering the basis for overall financial sustainability across the MTFS period.

The objective in the current year is to secure a sustainable financial position across all coming years, prioritising a secure position and financial survival in the current year as a first step. Whilst monitoring of the 2024/25 budget is a key focus for the Council in this financial year, it is important to also begin work on the 2025/26 – 2029/30 Financial Strategy to ensure that any necessary action is taken to ensure the preparation of a robust and balanced 2025/26 budget and a sustainable financial strategy in the future.

The timeline for developing the 2025/26 – 2029/30 Financial Strategy is outlined in Figure 1 below:

Figure 1 – Development of Medium Term Financial Strategy

Budget Year	Current Year's Financial Monitoring	Medium Term Financial Strategy Development
APRIL	NEW FINANCIAL YEAR BEGINS	
MAY	PERIOD 1 MONITORING REPORT PRODUCED FOR 2024/25, INCLUDING SAVINGS DELIVERY	
JUNE	PERIOD 2 MONITORING REPORT PRODUCED FOR 2024/25, INCLUDING SAVINGS DELIVERY	ROLL FORWARD MTFS CALCULATIONS TO NEXT 5 YEARS INCLUDING ANY KNOWN SERVICE CHANGES/ISSUES OR GOVERNMENT
JULY	PERIOD 3 MONITORING REPORT PRODUCED FOR 2024/25, INCLUDING SAVINGS DELIVERY	MTFS UPDATE PREPARED (REPORT TO CABINET)
AUGUST	PERIOD 4 MONITORING REPORT PRODUCED FOR 2024/25, INCLUDING SAVINGS DELIVERY	UPDATE INFLATION AND DEMOGRAPHIC PROJECTIONS OVER MTFS
SEPTEMBER	PERIOD 5 MONITORING REPORT PRODUCED FOR 2024/25, INCLUDING SAVINGS DELIVERY	INITIAL IDENTIFICATION OF 2025/26 SAVINGS PROPOSALS
OCTOBER	PERIOD 6 MONITORING REPORT PRODUCED FOR 2024/25, INCLUDING SAVINGS DELIVERY	MTFS UPDATE PREPARED (REPORT TO CABINET)
NOVEMBER	PERIOD 7 MONITORING REPORT PRODUCED FOR 2024/25, INCLUDING SAVINGS DELIVERY	DETAILED BUDGET BUILD UP FOR 2025/26
DECEMBER	PERIOD 8 MONITORING REPORT PRODUCED FOR 2024/25, INCLUDING SAVINGS DELIVERY	PROVISIONAL LOCAL GOVERNMENT FINANCE SETTLEMENT RECEIVED
		COUNCIL TAX BASE PREPARED FOR 2025/26 (REPORT TO CABINET)
		SAVINGS PROPOSALS FOR 2025/26 FINALISED
		MTFS UPDATE PREPARED (REPORT TO CABINET), BUDGET CONSULTATION COMMENCES
JANUARY	PERIOD 9 MONITORING REPORT PRODUCED FOR 2024/25, INCLUDING SAVINGS DELIVERY	ALTERNATIVE BUDGET PROPOSALS CONFIRMED (REPORT TO CABINET)
		FINALISATION OF 2025/26 BUDGET BUILD UP
FEBRUARY	PERIOD 10 MONITORING REPORT PRODUCED FOR 2024/25, INCLUDING SAVINGS DELIVERY	FINAL LOCAL GOVERNMENT FINANCE SETTLEMENT RECEIVED
		MTFS FOR NEXT 5 FINANCIAL YEARS AND 2025/26 BUDGET, INCLUDING CAPITAL STRATEGY AND COUNCIL TAX RESOLUTION (REPORT TO CABINET AND FULL COUNCIL)
MARCH	PERIOD 11 MONITORING REPORT PRODUCED FOR 2024/25, INCLUDING SAVINGS DELIVERY	COUNCIL TAX BILLS ISSUED FOR 2025/26
	2024/25 FINANCIAL YEAR CLOSES	

Medium Term Financial Strategy

Significant Updates



Shropshire Plan Objectives and Financial Sustainability

Shropshire Council is now in the final year of delivery of The Shropshire Plan (2022-2025). Meanwhile the financial position of the council remains highly challenging. One of the key strategic objectives within the Healthy Organisation priority is to “align our resources” by putting our resources in the right place using accurate data, insights, and evidence to support the delivery of the organisation’s priorities, and balance the books. This is extremely challenging given several factors that can impact on the Council’s financial position. The overall financial position has been analysed into seven separate areas that underpin the strategic risk "Inability to Contain overall committed Expenditure within the Current Available Resources within this Financial Year”:

1. **Sufficient savings not being realised in-year** – The Council has a requirement to deliver £62.5m in 2024/25 on an ongoing basis, in order to put the Council on a more sustainable footing in future financial years. To track delivery against the targets, savings trackers have been created with increased visibility across the Council of the latest delivery position. These also track whether savings have been delivered on a one-off basis for 2024/25 or an ongoing basis, to enable the impact of the medium term financial strategy to be identified. In 2023/24 several savings were delivered on a one-off or a non-sustainable basis (turnover levels and holding vacancies), and these savings are continuing to be monitored to ensure that they are found on a permanent basis. Officers are focussed on managing the entirety of the savings to be delivered in a sustainable way, including the £62.5m identified this financial year.
2. **Demand in social care is higher than budgeted** – In 2023/24 the Council experienced increasing demand for Adults and Children’s Social Care, which outstripped the budget allocation provided. To address this significant growth was added to the social care budget offset by several demand management initiatives implemented to reduce the demand for social care into the future, including early help and preventative measures. There have been significant developments in tracking the data in relation to social care demand and aligning this with the budget so that any budget pressures arising in this area can be fully understood and the impact of demand mitigation plans can be seen and evidenced.
3. **Other unforeseen unbudgeted financial pressures arise** – Each year when setting the budget, the S151 Officer considers the robustness of estimates included within that budget, to ensure that all known factors have been included and considered when setting the budget. As we move into delivery of the budget, however, it is possible that demand for services or the wider environment may create unforeseen budgetary pressures. Financial dashboards are available to all budget holders to track spend and income against the budget, so that any budget pressures arising can be identified immediately and mitigating action taken.
4. **Capital receipts are not sufficient to cover redundancy costs, transformation costs (PwC and staffing) and capital programme**

requirements – Capital receipts will be used in 2024/25 to fund transformation costs and redundancy costs, however the estimated level of capital receipts required in 2024/25 is £49.662m, of which £12.383m is ringfenced to specific requirements (e.g. HRA or DSG property) – see table below.

Current estimates show projected receipts in-hand of £16.309m, comprising £15.175m brought forward from 2023/24 and £1.133m projected to be realised in-year. This therefore leaves further capital receipts of £33.354m to be delivered for 2024/25. A further £20.959m of surplus assets have been earmarked for disposal but do not yet have clear disposal plans in place.

This is the current summary position, but actual levels of receipts required in-year is subject to change and driven by actual scheme delivery and the progress of transformation activities during the year. Where schemes requiring funding from capital receipts cannot be so funded, borrowing will be required. Where transformation costs progress to a level beyond available capital receipts, this will be a pressure to the revenue budget.

	2024/25	2025/26	2026/27	2027/28
Corporate Resources Allocated in Capital Programme	14,182,250	8,893,385	4,100,000	525,346
Capital Programme Ring-fenced receipt requirements	12,383,333	19,860,627	-	-
Transformation activities	23,097,181	-	-	-
Total Commitments	49,662,764	28,754,012	4,100,000	525,346
Capital Receipts in hand/projected:				
Brought Forward in hand	15,175,259	33,353,622	62,042,634	66,077,634
Generated 2024/25 YTD	-	-	-	-
Projected - 'Green'	1,133,884	65,000	65,000	65,000
Total in hand/projected	16,309,142	33,288,622	61,977,634	66,012,634
Shortfall to be financed from Prudential Borrowing / (Surplus) to carry forward	33,353,622	62,042,634	66,077,634	66,537,980
Further Assets Being Considered for Disposal (Amber/Red)	20,959,391	26,481,440	7,500,750	10,283,182

- 5. External factors leading to increased cost pressures (e.g. reviews by Ofsted, CQC, DfE (SEND) review; unanticipated geo-political events renew inflationary pressures; a further epidemic)** – In the last 12 months the Council has been subject to an Ofsted and CQC visit, and it is possible that if actions are required to address any recommendations made from external bodies, then this could result in increased in-year costs for the Council. Also, as has been experienced over the last 24 months, it is possible that instability in international economies can impact directly on the UK economy and inflationary pressures in the market. Where this occurs, the Council has to react by trying to identify compensatory measures to bring the budget into balance.
- 6. Project risks (e.g. capital projects impacting on revenue, including payback of grant)** – The Council plans to undertake some large scale capital projects in a bid to deliver key objectives within The Shropshire Plan. As can happen with large scale projects, there are several risks relating to delivery within budget and timescale, including external factors that may impact on this. Should the Council be unable to progress existing major projects, and should an asset no longer be

developed, any capital expenditure incurred on the project to date would need to fall back on the revenue budget. In this scenario, this could cause a significant budgetary pressure the Council would be unable to mitigate without external support.

7. **Cashflow with stalled liquidity (no/low cash position leads to late supplier or staff payments)** – the cashflow position for the Council needs to be carefully managed, particularly given that the level of reserves and balances have reduced over the last two years. Therefore, it is essential to ensure that the Council remains liquid at all times to ensure that it has the necessary funds to enable it to meet any financial commitments.

Medium Term Financial Strategy – Key Assumptions

The 2024/25 – 2028/29 Financial Strategy, approved by Council in February included several key assumptions for resources and expenditure in future financial years. As the Council works through the development of the 2025/26 Budget and five year financial strategy to be approved next February, it essential that these assumptions are always reviewed, to ensure that the financial position of the organisation is accurately portrayed.

Detail of the review of the key assumptions for Resource Projections are set out in Table 1.

Table 1 : Review of Key Assumptions for Resources

Resources	Assumption as Included in Financial Strategy Approved in February 2024	Proposed Revision to Assumption
Council Tax	1.99% increase to Council Tax and 1% increase to Social Care Precept. A 1.20% increase in the taxbase is assumed.	If the Government hold Council tax referendum levels as per the last 2 years, there is the potential to increase council tax to 2.99% and the ASC precept to 2%. However, until the government is formed following the general election, and confirmation is received around permitted council tax increases, it is proposed that this remains under review.
Business Rates	Growth of 0.8% and multiplier increase of 1% assumed.	No change proposed, until the government confirms business rate reliefs to continue.
Top Up Grant	Grant remains cash flat from 2024/25 level received	No change proposed.
Revenue Support Grant	Grant inflated by 2% each year.	No change proposed given inflation, levels currently sitting near 2%
Collection Fund Surplus/Deficit	Nil value	Will remain at nil value until estimated collection fund outturn can be accurately predicted in January.
Core Funding	Improved Better Care Funding assumed inflationary increase each year New Homes Bonus assumed will no longer be paid by government Rural Services Delivery Grant assumed would be cash flat from 2024/25 amount received Social Care Support Grant assumed would be cash flat from 2024/25 amount received	Inflationary increase removed as has been cash flat now for several years No change proposed No change proposed No change proposed

Resources	Assumption as Included in Financial Strategy Approved in February 2024	Proposed Revision to Assumption
	<p>Market Sustainability and Improvement Funding assumed would no longer be paid as government only committed to 2022/23-2024/25.</p> <p>Discharge Funding assumed would no longer be paid as government only committed to 2023/24-2024/25.</p> <p>Service Grant assumed would be no longer paid as has been reducing last 2 years.</p>	<p>It is likely that all Social Care grants paid will be reviewed by the new government following the general election, so await this review before amending this assumption.</p> <p>It is likely that all Social Care grants paid will be reviewed by the new government following the general election, so await this review before amending this assumption.</p> <p>No change proposed</p>
Local Income	<p>Fees and charges, other grants and contributions and internal recharges assumed same level as 2024/25</p> <p>Specific Grants are projected based on known grants that are continuing into 2025/26.</p>	<p>More detailed review will be done when setting 2025/26 budget, so will be updated in February</p> <p>Will be updated in February as the government provides grant notifications for 2025/26 and beyond.</p>

The only change to assumptions currently played into the Resources projections for 2025/26 and beyond is the removal of inflation from the Improved Better Care Fund. The impact of this is shown in Figure 2 below:

Figure 2: Movement in Resources Projections for 2025/26

Estimated Resources	2025/26 @ Feb Council £	Movement £	2025/26 @ Jul Cabinet £
Council Tax	213,771,382	0	213,771,382
Business Rates:			
Business Rates Collected	40,458,919	0	40,458,919
Business Rates - Energy Renewable Schemes	1,000,000	0	1,000,000
Top Up Grant	10,924,574	0	10,924,574
RSG	8,213,207	0	8,213,207
Collection Fund:			
Council Tax	0	0	0
Business Rates	0	0	0
NET BUDGET	274,368,082	0	274,368,082
Grants included in Core Funding:			
Improved Better Care Fund	12,219,305	-355,902	11,863,403
New Homes Bonus	0	0	0
Rural Services Delivery Grant	8,982,153	0	8,982,153
Social Care Support Grant	28,850,166	0	28,850,166
Market Sustainability and Improvement Funding	0	0	0
Discharge Funding	0	0	0
Services Grant	0	0	0
CORE FUNDING	324,419,707	-355,902	324,063,805
Local Income			
Fees and charges (including income savings deliverable from prior years)	98,525,470	0	98,525,470
Other Grants and contributions	36,829,400	0	36,829,400
Specific Grants (excluding Core Funding Grants above)	230,091,704	0	230,091,704
Internal Recharges	11,574,290	0	11,574,290
TOTAL FUNDING	701,440,571	-355,902	701,084,669

Detail of the review of the key assumptions for Expenditure Projections are set out in Table 2.

Table 2 : Review of Key Assumptions for Expenditure

Expenditure	Assumption as Included in Financial Strategy Approved in February 2024	Proposed Revision to Assumption
Inflation	<p>Pay inflation was assumed at 3%</p> <p>Contract and Corporate Landlord inflation assumed at 2.5%.</p>	<p>Given the 2024/25 pay offer being lower than had been originally anticipated, and inflation reducing in the economy, pay inflation has been revised down to 2.5%.</p> <p>Detailed work will be carried out on contract and corporate landlord inflation in the Autumn, therefore no change currently proposed.</p>
Demography & Demand	<p>Adult Social Care growth of 7.6% assumed</p> <p>Childrens Social Care assumed to grow on same basis as 2024/25.</p>	<p>No change proposed at this time. Detailed demography and demand calculations for 2025/26 will be calculated over the summer and will be revised in October MTFS update.</p>
Service Specific Pressures	<p>Reduction in growth as agreed in prior years</p>	<p>No change proposed.</p>
Local Generated Pressures	<p>Cost of Election included for 2025/26 only as per 4 year election cycle</p> <p>Specific grant changes as per know notifications to grants as per February 24</p> <p>Ongoing reduction in New Homes Bonus based on resources reduction</p> <p>Estimated Cost of Investment is based on known increases to prudential borrowing</p> <p>Contribution to General Fund assumes no further contribution from 24/25 level.</p>	<p>No change proposed</p> <p>Improved Better Care funding amended in line with resource projections. Also included additional growth for Rural Services Delivery Grant that had been previously contributed direct to General Fund.</p> <p>No change proposed</p> <p>No change proposed – will be updated later in year following md year capital strategy review.</p> <p>Reduce contribution by additional Rural Services Delivery Grant received in final settlement, so this can be used to help reduce the funding gap.</p>

Expenditure	Assumption as Included in Financial Strategy Approved in February 2024	Proposed Revision to Assumption
	MTFS reserve one off contribution.	No change proposed.
Savings	Savings identified as per savings identification work taken out in February 2024.	No change proposed but will be reviewed alongside delivery of 2024/25 savings for future revisions to MTFS.

The impact of the changes to expenditure assumptions as detailed above are set out in Figure 3.

Figure 3: Movement in Expenditure Projections for 2025/26

Estimated Expenditure	2025/26 @ Feb		2025/26 @ Jul
	Council £	Movement £	Cabinet £
Original Gross Budget Requirement	761,650,104	0	761,650,104
Inflationary Growth :			
Pay	4,499,091	-749,848	3,749,242
Apprenticeship Levy	14,930	0	14,930
Corporate Landlord inflation	200,706	0	200,706
Contract inflation	3,070,051	0	3,070,051
Demography & Demand	15,428,710	0	15,428,710
Service Specific Pressures:			
Revenue Growth arising from capital programme	-400,000	0	-400,000
Local Generated Pressures:			
Elections	700,000	-	700,000
Specific Grants Changes between years	-21,434,159	868,937	-20,565,222
Ongoing reduction in New Homes Bonus (pressure)	1,747,510	0	1,747,510
Estimated Cost of Investment - <i>Approved</i>	3,104,000	0	3,104,000
Contribution to General Fund	0	-1,224,839	-1,224,839
MTFS reserve (savings slippage/optimism bias)	10,750,000	0	10,750,000
Savings			
<i>TOM Budget Savings</i>	<i>-2,135,000</i>	<i>0</i>	<i>-2,135,000</i>
<i>Reduce Cost Budget Savings</i>	<i>-4,078,863</i>	<i>0</i>	<i>-4,078,863</i>
<i>Manage Demand Budget Savings</i>	<i>-430,000</i>	<i>0</i>	<i>-430,000</i>
<i>New Income Budget Savings</i>	<i>-1,622,000</i>	<i>0</i>	<i>-1,622,000</i>
<i>Stop/Cease Budget Savings</i>	<i>-3,447,010</i>	<i>0</i>	<i>-3,447,010</i>
TOTAL EXPENDITURE	767,618,070	-1,105,751	766,512,320

Summary Financial Position for Shropshire

The current projection for 2025/26 shows a funding gap of £17.699m as set out in Figure 4.

Figure 4: Funding Gap over the Medium Term Financial Strategy

Funding Gap	2025/26 £	2026/27 £	2027/28 £	2028/29 £	2029/30 £
Resources (incl savings plans)	701,084,669	718,862,563	732,731,977	747,171,462	762,435,965
Expenditure (incl savings plans)	766,512,320	791,460,558	812,516,994	833,225,165	862,051,012
Gap in year	65,427,651	72,597,995	79,785,018	86,053,703	99,615,047
One off Grants & Reserves:					
Improved Better Care Funding	-9,896,143	-9,896,143	-9,896,143	-9,896,143	-9,896,143
Rural Services Delivery grant	-8,982,153	-8,982,153	-8,982,153	-8,982,153	-8,982,153
Social Care Grant - One Off	-28,850,166	-29,715,671	-30,607,141	-31,525,355	-32,471,116
TOTAL ONE OFF FUNDING	-47,728,462	-48,593,967	-49,485,437	-50,403,651	-51,349,412
Remaining Gap/(Surplus) to be Funded	17,699,189	24,004,028	30,299,580	35,650,051	48,265,635
Increase in Funding Gap per Year	17,699,189	6,304,840	6,295,552	5,350,471	12,615,583

As with any financial strategy, there are several risks and opportunities around the figures presented, and further details and clarity will be realised later in the financial strategy development. The key risks and opportunities identified at this early stage of the process are as follows.

Opportunities:

- Council tax levels permitted are greater than existing assumptions (e.g. 4.99% rather than 2.99%). This would generate an additional £4.152m
- Social care grant allocations are reviewed by the new government following the general election and market sustainability and improvement funding and discharge funding are announced to continue at similar levels to that received in 24/25. This would provide an additional £8.870m.

Risks:

- Current Savings delivery for 2024/25 indicate one off savings delivery of £8.359m. There is a risk that permanent ongoing savings cannot be identified to this level and so these savings are to be removed on an ongoing basis, creating a new pressure.
- There is currently £24.077m of savings in 2024/25 that are classified as not yet planned. Of these, it is anticipated the impact into 2025/26 if not delivered ongoing would be £24.028m.

As seen above the opportunities provided to the Council, are dependent on external factors including decisions made by the Government, following the general election. The risks however are very much in the Council's hands as this relates purely to savings delivery and so it is imperative that the Council's key focus is on delivering the 2024/25 savings on an ongoing basis, not only for the 2024/25 year, but also to prevent further budgetary problems rolling forward to 2025/26. Alongside this, it is imperative that plans commence to address the £17.7m funding gap already identified in Figure 4.

Financial Stability – Reserves and Balances



General Fund Balance

The General Fund Balance (GFB) held as at 1 April 2024 is £38.8m. The balance held of £38.8m is comprised of £8.2m brought forward (as set out in the 2023/24 Finance Outturn report) plus £30.6m contribution identified in the 2024/25 budget. The Council is working to ensure that the General Fund Balance is protected at a level of at least £30m from 2025/26, to ensure a greater level of overall financial resilience. This can be achieved through: - contributions into the balance (as above) and measures to reduce future calls on the GFB such as wider rebalancing of council budgets. Scope exists for a further contribution of £29.4m to the GFB in at the start of 2025/26, but this is under review.

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 was fully applied in 2022/23 and remained at zero in 2023/24. The March 2024 MTFS assumed a £4m contribution in 2024/25 and £15m in 2025/26. The total value in Earmarked Reserves as at 1 April 2024 was £28.1m (excluding schools related reserves). The Council's March 2024 financial strategy includes provision to replenish reserves in the future, although the exact level will depend on the progress made in rebalancing the budget. This will start to move Shropshire from being a significant outlier compared to benchmark and afford the Council the resources to deal with unexpected challenges, and the potential investment in further transformation and improvement of its services.

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