



Date: Wednesday, 15 October 2025

Time: 10.30 am

Venue: Council Chamber, The Guildhall, Frankwell Quay, Shrewsbury,
Shropshire, SY3 8HQ

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CABINET

TO FOLLOW REPORT (S)

9 Draft Financial Strategy 2026/27 - 2030/31 (Pages 1 - 24)

Lead Member – Cllr Roger Evans, Portfolio Holder for Finance

Lead Officer – James Walton, Executive Director (S151 Officer)

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Committee and Date

Cabinet
15th October 2025

Item

Public



Draft Financial Strategy 2026/27 – 2030/31

Responsible Officer:	James Walton		
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Cabinet Member (Portfolio Holder):	Roger Evans, Finance Portfolio Holder		

1. Synopsis

- 1.1. The Medium Term Financial Strategy updates previous reports to reflect the latest forecast position for the coming five financial years, clarifying the base position ahead of plans over the medium term to achieve a sustainable financial position.

2. Executive Summary

- 2.1. The Council's new administration has set out, within the New Direction paper approved by Council on 26 September 2025, the overall approach to:
 - Work in partnership with Town and Parish Councils and other partners to develop a new approach to delivering services in our communities.
 - Develop a revised and balanced Medium Term Financial Strategy (MTFS) alongside a new Shropshire Plan.
 - Target capital investment to improve income generation, reduce revenue spend, and benefit communities.
 - Take the difficult decisions that have not been made previously including possible short-term reductions to services and levels of service provision, whilst meeting our statutory requirements, and increasing fees and charges.
- 2.2. The updated Medium Term Financial Strategy reflects the latest forecast position for 2025/26 and the key pressures in the current year, alongside an update to the

assumptions as presented to Council in February 2025 to present an early draft budget for 2026/27 and onwards.

- 2.3. The extremely challenging financial position of the Council resulting from in year service pressures and the delayed realisation of budgeted savings has resulted in the declaration of a financial emergency by Cabinet in September and a projected deficit of General Fund balances in-year. Over the last two financial years over £89m has been delivered in savings but this is becoming increasingly difficult to sustain. Despite delivering £47.2m savings in 2024/25, this was only 52.4% of the level required to match available resources. A significant pressure anticipated for 2026/27 relates to the shortfall of savings delivery forecast in 2025/26 of approximately £26m. Any and all action in 2025/26 to reduce this deficit will impact positively on the figures set out in this MTFS.
- 2.4. This first iteration of the MTFS this financial year sets the context for 2026/27, however ongoing detailed work across all service areas will be reflected in the next update to this report. Since the MTFS was approved by Council in February 2025, and the outturn position for 2024/25 was finalised in July 2025, several other assumptions have been updated and are reflected in the table below.
- 2.5. Estimates at this stage are based on the firm evidence of the spending profile seen in the period 1 April to 31 August, but do not yet include mitigating actions. Mitigations would usually be prepared as part of work on the budget for the coming year, in the period to the end of November. The next MTFS update, in December, will be able to include these proposed mitigations.

	£m
2026/27 financial gap as at February 2025	36.193
<i>Changes included in the updated October 2025 MTFS:</i>	
Movement in funding (core grants / settlement funding assessment)	(18.990)
Reduction in Employers Pension Contributions	(7.077)
Increased inflationary growth assumed (pay, contract price and utility increases)	6.384
Increased service demand growth	31.638
Increased cost of investment	7.437
Reduced anticipated delivery of planned savings in 2025/26	26.092
Sub-total: net changes from the February update to the October update	45.484
2026/27 financial gap as at October 2025	81.677

- 2.6. The position set out in the table above (£81.667m funding gap) and across the MTFS period to 2030/31 (cumulative £138.556m gap) is unaffordable and unsustainable. Significant action is required to bring to Council's budget into a sustainable position over the medium term. This will undoubtedly require external financial backing in the form of Exceptional Financial Support (EFS) from government. This is being actively progressed by officers, and all avenues will be considered including:
- EFS in the form of 'above Referendum Level' Council Tax increases

- EFS in the form of borrowing to fund investment for change and transformation
 - EFS in the form of borrowing to cover profile in savings delivery
- 2.7. The scale of the deficit shown in the MTFS projections is a significant challenge to this organisation and the ability to close a gap of nearly £140m in less than five years will require an unwavering focus on financial discipline, income generation, alternative thinking, tough decision making and a drive for sustainability alongside the real risk that delivering such a large scale reduction in spending could have on performance, staff wellbeing and service delivery.
- 2.8. This report sets out the updated baseline against which the plan to deliver a sustainable financial strategy will be set.

3. Recommendations

- 3.1. That Cabinet discuss the emerging pressures for the coming year and in the context of the new direction for Shropshire Council work alongside officers to identify and agree the decisions necessary to achieve a legal budget for 2026/27 and a balanced financial position across the medium term.
- 3.2. That Cabinet requires Officers to continue work to;
- Reduce all non-essential spend for 2025/26 and review identified pressures
 - Prepare savings options for the coming year, to secure a balanced budget for approval by Council in February 2026.
 - Work with MHCLG to actively pursue options for Exceptional Financial Support over the MTFS Period

Report

4. Risk Assessment and Opportunities Appraisal

- 4.1. The MTFS is a key mechanism through which the Council reviews the emerging financial risks over the medium term. This position will continue to be updated to reflect the latest known forecasts and Central Government information in order to enable the Council to adopt a legally balanced position for 2026/27 and identify early interventions required for future years.
- 4.2. Key risks to the Council's financial position are identified within the appended MTFS and work to review, confirm and address them will continue to be undertaken.

5. Financial Implications

- 5.1. Shropshire Council continues to manage unprecedented financial demands and a financial emergency was declared by Cabinet on 10 September 2025. The overall financial position of the Council is set out in the monitoring position presented to Cabinet on a monthly basis. Significant management action has been instigated at all levels of the Council reducing spend to ensure the Council's financial

survival. While all reports to Members provide the financial implications of decisions being taken, this may change as officers and/or Portfolio Holders review the overall financial situation and make decisions aligned to financial survivability. All non-essential spend will be stopped and all essential spend challenged. These actions may involve (this is not exhaustive):

- scaling down initiatives,
- changing the scope of activities,
- delaying implementation of agreed plans, or
- extending delivery timescales.

- 5.2. Unchanged, this MTFS update indicates that the current financial circumstances will persist into the coming year and will prove extremely challenging for the Council to operate on a legal financial basis.

6. Climate Change Appraisal

- 6.1. The Council's Financial Strategy supports its strategies for Climate Change and Carbon Reduction in several ways. A specific climate change revenue budget is held. The climate change schemes involving the Council's assets or infrastructure are included within the capital programme. These two areas of expenditure are anticipated to have a positive contribution towards climate change outcomes.
- 6.2. Securing a robust and sustainable financial base will help the Council meet the challenges of climate change – this is not separate to our budget management, but integral to it, as set out in the objectives of The Shropshire Plan and our aim to secure a Healthy Environment.

7. Background

- 7.1. This is the first update to the MTFS for the current year since February 2025 and reflects the pressures as reported at outturn for 2024/25 and the latest in year position. Further updates are planned over the coming months with a final position to be presented in February 2026.

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

Medium Term Financial Strategy – Council 27 February 2025

Period 5 Financial Monitoring Report – Cabinet 15 October 2025

Local Member: All

Appendices

Appendix 1 - MEDIUM TERM FINANCIAL STRATEGY 2026/27 – 2030/31

MEDIUM TERM FINANCIAL STRATEGY

2026/27 – 2030/31

October 2025





Foreword

Following the May 2025 elections, Shropshire Council is moving in a new direction, with a new Liberal Democrat administration which is committed to building a Council that values its residents and staff, delivers services with pride and respect, and operates with transparency and strong financial discipline.

The Medium Term Financial Strategy is one of our Council's key documents setting out in the following pages the estimated financial position over the coming five years. This document is the start of a process that we believe will place us in a sustainable financial position over the coming three to five years.

Positive change is required in all areas and our priority is to deliver financial recovery and stability into the long term. Our financial position must be strengthened over the short term and the Council remade on a long-term sustainable footing.

Following the LGA Corporate Peer Challenge in July 2025, and following a deterioration in the Council's financial position, Cabinet declared a Financial Emergency on 10 September 2025. This was not an easy decision but was necessary to arrest our deteriorating financial position. Cabinet and Senior Officers are working to establish an independently chaired Improvement Board to help us stabilise our finances and begin our journey to long-term sustainability.

Our approach is to:

- Work in partnership with our Town and Parish Councils and other partners to develop a new approach to delivering services in our communities
- Develop a revised and balanced Medium Term Financial Strategy (MTFS) alongside a new Corporate Plan, incorporating an Improvement Plan, based on our CPC findings.
- Target capital investment in new ways to improve income generation, reduce revenue spend, and benefit communities.
- Take the difficult decisions that have not been made previously including possible short-term reductions to services and levels of service provision, whilst meeting our statutory requirements, and increasing fees and charges.

It is in this context that this Medium Term Financial Strategy has been updated from the report approved by Council in February 2025, to include our latest view of the current financial position and a summary of assumptions that form the starting point for this work.

Over the coming weeks and months, scrutiny and analysis will continue to be undertaken to formulate a balanced position across the medium term. In the meantime, we commend the hard work of officers as they work to deliver and improve services while reducing spending at the same time.



Councillor Heather Kidd
Leader of Shropshire Council



Tanya Miles
Interim Chief Executive

Introduction

This revised Medium Term Financial Strategy replaces the version approved by Council in February 2025. It incorporates the latest financial position and sets out the key assumptions from which future financial planning will proceed. The Strategy also recognises and integrates other risks identified in our operating environment, ensuring a comprehensive and adaptive approach to financial management.

The Medium Term Financial Strategy is a foundational document for the Council, beginning the journey to a clear and disciplined roadmap for our financial future over the next five years. This strategy starts a process that, through rigorous action and unambiguous leadership, will achieve financial sustainability for the Council between now and 2030.

Our immediate priorities are to restore financial security, establish financial stability, reinforce fiscal discipline, and rebuild the Council on a sustainable, long-term basis. In response to the LGA Corporate Peer Challenge of July 2025, and the subsequent deterioration of our financial position, Cabinet took decisive and necessary action by declaring a Financial Emergency on 10 September 2025. While difficult, this decision is vital in halting the ongoing decline and setting the Council on a corrective path.

Since the declaration of a financial emergency, financial monitoring has been intensified, with all officers instructed to challenge all essential spending and immediately curtail all non-essential expenditure until March 2026. This urgent intervention aims to reduce the current year's projected overspend, which stood at approximately £36 million at the time of this strategy's update. Monthly reviews of financial performance are now standard practice, with the aim of ensuring, over the coming years, that spending will remain within the strict limits of available resources.

This updated Strategy reconsiders the position approved by the previous administration and reflects both the challenges and opportunities that have arisen since the new administration has taken office. It will be informed by the latest data and information, sector best practice, and continuous dialogue with members, officers, and partners. By embedding resilience and adaptability into our financial planning, we aim to safeguard essential services for residents and ensure that the Council remains responsive to changing circumstances. The approach outlined in this document is intended not only to address immediate pressures, but also to lay the groundwork for sustained improvement and robust governance in the years ahead.



Roger Evans

Cabinet Member for Finance



James Walton

Executive Director and Section 151 Officer

Medium Term Financial Strategy Timeline

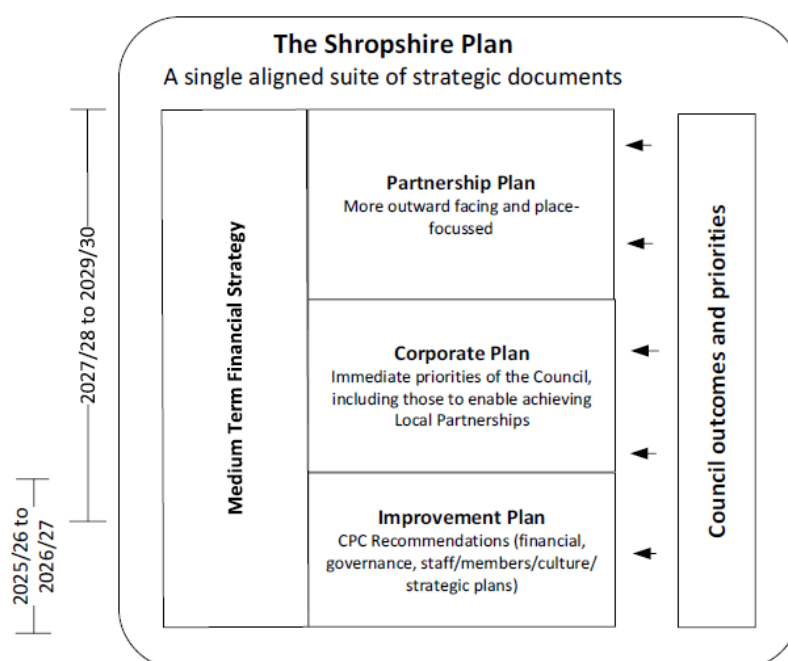
Medium Term Financial Strategy Development

In the context of ensuring financial survival and sustainability financial monitoring has continued to be reviewed on a monthly basis and as a result, on 10 September 2025 Cabinet declared a financial emergency. All officers were instructed to take emergency action to reduce all non-essential spending until March 2026, in order to improve the forecast projected overspend and bring overall expenditure within the limits of available financial resources. This is a priority action to reduce the forecast overspend for the current financial year, which at the time of updating this strategy was approximately £36m.

Alongside the financial position in the current year, the MTFS is prepared in the context of several other risks which are identified within this update and also the Council's overall operating environment and a new forthcoming Corporate Plan.

The Corporate Plan will be a living document that will be developed in several stages as set out below:

- (i) Improvement Plan – this will form the first 'chapter' of the Corporate Plan and include actions predominantly built around the recent Corporate Peer Challenge (as described in the paragraphs above) and include the Council's People Plan.
- (ii) Corporate Plan – this will be aligned to the Improvement Plan, setting out the priorities and outcomes of the Council for the next 3 to 5 years This will include local partnerships and partnerships working (as previously described under a Partnership Plan) and which will be co-produced with our wider partners and stakeholders. This plan will set out the long-term future of the Shropshire area and the key deliverables and commitments to enabling and sustaining a prosperous and thriving place.



There are not only clear relationships between the Improvement Plan and the Corporate Plan, but also links between these plans and the Medium Term Financial Strategy

(MTFS) and setting the Budget for 2026/27. These form the suite of plans that form the overarching strategic plan.

The Council needs to carefully balance the recent declaration of a financial emergency (favouring short term decision making) with the need to set a long-term vision under a new strategic and sustainable direction.

This update to the MTFS encompasses updates to the inflation and demographic growth, as well as a review of other assumptions included as detailed in the February MTFS, whilst the Council await details of outcomes of the Government's Fair Funding Review 2.0. An updated position will be reported in December 2025, with a final and more detailed MTFS being presented to Council in February.

Medium Term Financial Strategy

Significant Update



The Latest Position

In February 2025 Council was presented with the following MTFS;

MTFS Summary

Figure 1 values are also set out in Appendix 1(MTFS) p16 February 2025

	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000	2029/30 £'000
Funding Gap					
Resources	767,007	759,468	776,439	793,204	810,703
Expenditure	767,007	795,660	815,720	844,401	874,102
Funding Gap	0	-36,193	-39,281	-51,197	-63,399
Year on Year Increase	0	-36,193	-3,088	-11,916	-12,202

As can be seen from Figure 1, a year on year increasing budget gap was forecast from 2026/27 onwards, increasing from £36.193m to £63.399m.

As reported to Cabinet in June 2025, the 2024/25 outturn position was an overspend of £34.230m, resulting from several pressures which have continued to be seen in 2025/26, including Adult Social Care, Children's Services and Home to School Transport.

During 2025/26 budget monitoring has taken place monthly and at the time of writing this strategy, the Period 5 monitoring position is forecasting an overspend of £35.531m, this largely reflects the outturn position for 2024/25 and includes pressures resulting from savings proposals that are yet to be determined. Furthermore, the position on General Fund balances, as a result of this forecast overspend is projected to be in a deficit position.

Figure 2 General Fund balance forecast

General Fund Balance	£'000
Balance Brought Forward 1 April 2025	4,825
Budgeted Contribution 2025/26	29,455
Budgeted General Fund Balance as at 31st March	34,280
Projected overspend (central projection as at period 5)	(35,531)
Estimated Balance as at 31 March 2026	(1,251)

As a result of this highly challenging financial position Cabinet declared a financial emergency in September 2025 and enhanced control measures were introduced to reduce non-essential spend. Early discussions with MHCLG regarding Exceptional Financial Support commenced in June 2025.

Between now and February 2026, detailed work on expenditure and resource requirements and validation of savings plans will be continue to be undertaken and reported to Cabinet in December and February, ready for budget setting by Council.

Key financial risks considered throughout the year are as follows and will continue to be updated within the in-year budget monitoring reports and the MTFS;

1. **Sufficient savings not being realised in year** – As at period 5, approximately £25m of savings are undelivered and therefore create an immediate budget pressure for 2026/27, this risk is reflected in this MTFS.
2. **Demand is higher than budgeted** – As seen at the end of 2024/25 and into 2025/26 there are continued pressures in both Adults and Children's Social Care and these will need to be reflected in the 2026/27 budgets and beyond, alongside the proposals to address this pressure into the future. Detailed work on this is underway and will be reflected in future updates of the MTFS.
3. **Other unforeseen unbudgeted pressures arise** – In year budget monitoring is a key component of the budget setting process to ensure any service pressures or broader impacts are built into assumptions and assessments within the MTFS.
4. **Capital receipts are not sufficient to cover redundancy costs, transformation costs (PwC and staffing) and capital programme requirements** – A review of the Capital Strategy and current Capital Programme is underway and therefore a forecast of capital receipts will be presented in the next update.
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).** The broader economic environment and on-going cost of living pressures continue to impact budgets, alongside demand and financial pressures on partners such as the NHS. Central Government department reviews and key service reforms such as those relating to social care will further impact local government funding. Following the Spending Review and the provisional Local Government Finance Settlement over the coming months, the impact for Shropshire Council will be updated.
6. **Project risks (e.g. capital projects impacting on revenue, including payback of grant)** - 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 in recent years. Furthermore, the cumulative DSG deficit of £17.639m as reported at the end of the financial year, resulting from overspend on the High Needs Block of DSG continues to create pressure on the Council's balance sheet. Therefore, it is essential to ensure that the Council remains financially liquid at all times and 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, presented to Cabinet in February included several key assumptions for resources and expenditure in future financial years. As the Council works through the development of the 2026/27 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 2025	Revised Assumption as per October 2025
Council Tax	2.99% increase to Council Tax and 2% increase to Social Care Precept. A 1% increase in the taxbase is assumed.	No change proposed.
Business Rates	Growth of 1% and multiplier increase of 1% assumed.	Growth reduced to 0.5% and multiplier increase of 1% assumed, based on previous levels of growth in previous years
Top Up Grant	Grant remains cash flat from 2025/26 level received	Removed as now consolidated into Settlement Funding Assessment (SFA) workings
Revenue Support Grant	Grant inflated by 2% each year.	Removed as now consolidated into Settlement Funding Assessment (SFA) workings
Settlement Funding Assessment (SFA) and other Core Grants	Improved Better Care Funding assumed as cash flat New Homes Bonus assumed will no longer be paid by government Social Care Support Grant assumed would be cash flat from 2025/26 amount received Market Sustainability and Improvement Funding assumed would no longer be paid Domestic Abuse Safe Accommodation Grant assumed to be cash flat from 2025/26 amount received	SFA calculations and projections in relation to the implementation of Fair Funding 2.0 suggest a marginal increase of around £10.7m over 2025/26 levels. It is important to note that the consultation on the implementation of fair funding has now closed, and further details on the actual impact of this change will not be understood until the Provisional Local Government Finance Settlement in December.

Resources	Assumption as Included in Financial Strategy Approved in February 2025	Revised Assumption as per October 2025
	NI Compensation Grant assumed to be cash flat from amount received in 2025/26	
Collection Fund Surplus/Deficit	Assumed shortfall of £1m due to delay in legislation relating to mandatory relief for private schools.	Removed as legislation has been approved in April 2025, therefore liability should not materialise.
Local Income	Fees and charges, other grants and contributions and internal recharges assumed same level as 2025/26 Specific Grants are projected based on known grants that are continuing into 2026/27.	More detailed review will be done when setting 2026/27 budget, so will be updated in February, however it is assumed that discretionary charges will at least increase by inflation Will be updated in February as the government provides grant notifications for 2026/27 and beyond.

The main change to assumptions currently played into the Resources projections for 2026/27 and beyond is in relation to the projections relating to the Settlement Funding Assessment arising from the proposals around Fair Funding Review. It is likely that these projections will change further as the Fair Funding Review is finalised and the best indication of Shropshire Council's funding position will be revealed in the Provisional Local Government Finance Settlement which is announced in mid December. The impact of this is shown in Figure 3 below.

The net budget including core grants in the current year is £347.950m. The revised net budget including core grants for next year is estimated as £369.032m. This is overall growth in the net budget of 6.1%, or £21.082m. Gross resources are expected to be £778.458m.

Figure 3: Movement in Resources Projections for 2026/27

Estimated Resources	2026/27 @ Feb Council £	Movement £	2026/27 @ Oct Cabinet £
Council Tax	232,526,953	0	232,526,953
Business Rates:			
Business Rates Collected	45,802,698	-175,618	45,627,080
Business Rates - Energy Renewable Schemes	1,300,000	0	1,300,000
Top Up Grant	11,025,089	-11,025,089	0
RSG	8,840,931	-8,840,931	0
SFA and other Core Grants	51,546,161	38,031,472	89,577,633
Collection Fund:			
Council Tax	0	0	0
Business Rates	-1,000,000	1,000,000	0
NET BUDGET INCLUDING CORE GRANTS	350,041,831	18,989,835	369,031,666
Local Income			
Fees and charges (including income savings deliverable from prior years)	103,858,470	0	103,858,470
Other Grants and contributions	40,459,350	0	40,459,350
Specific Grants (excluding Core Funding Grants above)	255,279,039	0	255,279,039
Internal Recharges	9,829,180	0	9,829,180
TOTAL FUNDING	759,467,870	18,989,835	778,457,705

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 2025	Revised Assumption as per October 2025
Inflation	Pay inflation had been built in at 2.5% reflecting current level of CPI within the economy Contract and Corporate Landlord inflation assumed at 2.5%. No change had been assumed to Pension contribution rates in 26/27	Inflation has increased over the last 2 quarters suggesting that pay inflation should instead be 3.5%. Contract and Corporate Landlord inflation included as per inflation implied within contracts. This is mainly at RPI of 4.6% however the range of inflation depending on individual contracts is from 1.7% to 5%. Indicative figures for the 2025 actuarial review of the pension fund, suggest a potential saving in contribution rates would be affordable over the next 3 years. Therefore a saving has been calculated based on a reduce contribution rate. This has not yet been confirmed, and will be finalised later in the financial year for 2026/27.
Demography & Demand	Adult Social Care growth of 6.5% assumed Children's Social Care assumed to grow on same basis as 2025/26.	Based on current levels of demand, growth has been amended as following: Adult Social Care growth revised to 5.8%. However additional growth has been required to adjust the 25/26 budget based on the level of growth and cost pressures realised towards the end of 2024/25. Therefore £25m has been included to reflect this pressure in 2025/26. Children's Social Care Growth of £9.8m is required to re-set the Children's Social Care budget and related service areas based on current levels of demand, and an additional 12% increase is anticipated for 2026/27. <u>These are early figures</u> based on the actual costs and activity in the first 6 months of the year and may vary up or down by c10%. <u>Mitigating measures</u> will be brought forward in the next MTFS update (in December).
Service Specific Pressures	Reduction in growth as agreed in prior years	No change proposed.
Local Generated Pressures	Cost of Election reversed in 2026/27 as no Council election will now be held for 4 years.	No change proposed

Expenditure	Assumption as Included in Financial Strategy Approved in February 2025	Revised Assumption as per October 2025
	Specific grant changes as per known notifications to grants as per February 25 Ongoing reduction in New Homes Bonus based on resources reduction Estimated Cost of Investment is based on known increases to prudential borrowing Contribution to General Fund had assumed a reduction from the 25/26 level Climate Change/Energy Efficiency Fund had been built in at £5m to fund any potential commitments that the Council may make towards these type of improvements	Only changes relate to the proposals within the Fair Funding Review, where specific grants will now be consolidated into one funding source for local authorities. This will be updated in January/February when grant notifications have been received for 2026/27. No change proposed Projections of costs has been revised to reflect the interest costs resulting from pursuing external borrowing rather than internal borrowing, and the need to fund the Exceptional Financial Support approved for 2025/26. Given the financial position of the Council, and minimal anticipated General Fund Balance as at the end of 2025/26, it has been necessary to reverse the decrease in contribution to the General Fund, and ensure the General Fund will be held broadly at the risk assessed level for 2026/27. No change currently proposed, however this balance will be reviewed in the December MTFS.
Savings	Minimal savings agreed for 2026/27 based on savings plans agreed in 2025/26	It has been estimated that £26.1m of the 2025/26 savings will remain undelivered by next financial year, and therefore it is proposed that these are built into the budget, so that new plans can be taken forward in line with the Administration's New Direction for the Council and new Strategic Plan.

The impact of the changes to expenditure assumptions as detailed above are set out in Figure 4.

Figure 4: Movement in Expenditure Projections for 2026/27

Estimated Expenditure	2026/27 @ Feb Council £	Movement £	2026/27 @ Oct Cabinet £
Original Gross Budget Requirement	821,905,603	0	821,905,603
Inflationary Growth :			
Pay	4,205,657	3,169,504	7,375,160
Apprenticeship Levy	12,750	2,550	15,300
Pensions	0	-7,076,540	-7,076,540
Corporate Landlord inflation	212,174	181,870	394,044
Contract inflation	3,677,358	3,031,786	6,709,145
Demography & Demand	18,231,634	35,396,511	53,628,145
Service Specific Pressures:			
Ongoing Budget Pressures	-143,000	0	-143,000
Local Generated Pressures:			
Elections	-700,000	0	-700,000
Specific Grants Changes between years	-62,516,738	-3,760,000	-66,276,738
Ongoing reduction in New Homes Bonus (pressure)	1,747,510	0	1,747,510
Grants Rolled into RSG, Core Funding	0	0	0
Estimated Cost of Investment - <i>Approved</i>	2,518,749	7,436,864	9,955,613
Invest to Save Fund for delivery of future savings	0	0	0
Adjustment to Gross budget offset by Income changes	0	0	0
Contribution to General Fund	-17,455,156	20,000,000	2,544,844
Contribution to Development Reserve - Transformation	-1,000,000	0	-1,000,000
MTFS reserve (savings slippage/optimism bias)	0	0	0
Capital Investment/Transformation Fund	20,000,000	-20,000,000	0
Climate Change/Energy Efficiency Fund	5,000,000	0	5,000,000
Demand Mitigations	0	0	0
Savings			
Unachievable Savings agreed in prior years	0	26,092,160	26,092,160
<i>Tactical Budget Savings</i>	0	0	0
<i>TOM Budget Savings</i>	0	0	0
<i>Reduce Cost Budget Savings</i>	-366,050	0	-366,050
<i>Manage Demand Budget Savings</i>	0	0	0
<i>New Income Budget Savings</i>	-20,000	0	-20,000
<i>Charge More Budget Savings</i>	0	0	0
<i>Stop/Cease Budget Savings</i>	350,000	0	350,000
TOTAL EXPENDITURE	844,487,999	64,474,705	860,135,195

Summary Financial Position for Shropshire

The current projection for 2026/27 shows a funding gap of £81.677m as set out in Figure 5.

Figure 5: Funding Gap over the Medium Term Financial Strategy

Funding Gap	2026/27 £	2027/28 £	2028/29 £	2029/30 £	2030/31 £
Resources (incl savings plans)	778,457,705	787,797,887	798,427,559	816,842,135	836,657,104
Expenditure (incl savings plans)	860,135,195	881,924,651	912,103,641	943,382,372	975,213,209
Remaining Gap/(Surplus) to be Funded	81,677,491	94,126,764	113,676,082	126,540,238	138,556,106
Increase in Funding Gap per Year	81,677,490	12,449,274	19,549,318	12,864,155	12,015,868

During October detailed work will be undertaken across all service areas to inform a draft budget for 2026/27 and review the in-year position and projected forecast to year end. The results from this will be reflected in the next update to the MTFS.

Financial Stability – Reserves and Balances



General Fund Balance

As stated earlier, based on the latest budget monitoring position, the Council's General Fund balance is projected to be exhausted to manage the in-year forecast overspend position. Across the MTFS contributions to the General Fund Balance are expected to be made to return to a prudent position based on a risk-based analysis. At this stage for 2026/27 a budgeted contribution of £32m has been reflected within the MTFS. This will continue to be assessed and updated to reflect the in-year budget monitoring position.

Earmarked Reserves

The level of earmarked reserves held by the Council has reduced in recent years due to the need to fully utilise the Financial Strategy Reserve and other reserves to help balance the budget. The total value in Earmarked Reserves as at 1 April 2025 was £18.8m (excluding schools related reserves). The Council's March 2025 financial strategy includes provision to replenish reserves in the future, although the exact level will depend on the progress made in rebalancing the budget. It is necessary to increase the balance held in earmarked reserves to 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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