



<u>Committee and Date</u>
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<u>Item</u>
<u>Public</u>

## Financial Strategy 22/23 Review

**Responsible Officer**

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### 1. Synopsis

The Medium Term Financial Strategy (MTFS) sets out how the Council will deliver the objectives set out in The Shropshire Plan in financial terms. This latest update includes the impact of current inflationary pressures (est. £8.3m) and the Council’s action to identify appropriate mitigations for this and so maintain financial balance.

### 2. Executive Summary

2.1. The last Medium Term Financial Strategy (MTFS) update was agreed in February 2022 by Council. Since that date, a number of factors have affected the financial outlook for the Council.

- Council has approved the Shropshire Plan
- Increased inflationary pressures
- Work on short term budget savings and
- Development of the target operating model to shape the activity of the council in the future

2.2. The MTFS has been updated to reflect these factors. It demonstrates that whilst the impact of inflation has created a further budgetary pressure in 2022/23, the Council has identified potential mitigations to address this. There still remains a risk that the inflationary pressures could rise further and so the Council needs to continue to pursue budgetary savings in 2022/23 that could help any further potential cost increases or would help towards the 2023/24 funding gap. The updated projections within the MTFS show that a short term funding gap of circa. £27.5m is yet to be resolved. The specific work on short term budget savings and the target operating model will

continue to identify solutions during the summer and autumn to close this gap.

- 2.3. In the later years of the MTFS, it is expected that there will be further pressures (not yet included in these figures) relating to ongoing inflationary pressures and the (currently) anticipated additional costs associated with adult social care reform.
- 2.4. Longer term, the Council is seeking to reduce the proportion of its budget allocated to social care in order that a greater proportion can be assigned to the maintenance and development of Shropshire as a place. The intention will be to balance forecast growth in overall costs with the anticipated growth in local revenues (including Council Tax, 'Core Spending' and income from fees and charges). In part, it is expected that this will be achieved via investment in preventative services which aim to support people, especially older people, in living fulfilling and independent lives for as long as possible.
- 2.5. The MTFS plays a vital role in this forward-planning, ensuring that the Council has a clear plan for the future, and enabling us to adjust that plan as events unfold without losing focus on our core priorities.

### **3. Recommendations**

- 3.1. Note the action taken to mitigate the inflationary pressures identified since February 2022, and the further proposed activity to close the funding gap remaining for the years 2023/24 to 2027/28.
- 3.2. Note the proposed timetable for the development of the 2023/24 detailed budget, and the approach to doing this.

## **REPORT**

### **4. Risk Assessment and Opportunities Appraisal**

- 4.1. The development and delivery of the Council's Financial Strategy is the key process in managing many of the Council's strategic risks. The opportunities and risks arising are assessed each time the document is refreshed for Cabinet consideration. The Council's Strategic Risks are reported separately, but the Financial Strategy makes specific reference to the Council's ability to deliver a balanced budget and the budget setting and challenge process is a key mechanism in ensuring that the Council can set a legal budget for the next financial year. The five-year Financial Strategy also considers the plans that the Council has to work towards setting a sustainable budget in the future.

- 4.2. The Financial Strategy and the detailed changes necessary to deliver the agreed budget for the next financial year will consider the requirements of the Human Rights Act, any necessary environmental appraisals and the need for Equality and Social Inclusion Impact Assessments (ESIIA) and any necessary service user consultation.

## **5. Financial Implications**

- 5.1. This report sets out the financial implications for the Council over the 2022/23 to 2027/28 Financial Years. Details are contained within the Medium Term Financial Strategy attached at Appendix 1.

## **6. Climate Change Appraisal**

- 6.1. The Council's Financial Strategy supports approaches towards Climate Change and Carbon Reduction reflecting the priority given to this with the Shropshire Plan.

## **7. Background**

- 7.1. Council approved the Financial Strategy 2022/23 – 2026/27 on 24 February 2022. This report updates Cabinet with details of the impact of external pressures affecting the current financial year and the actions taken by the Council in response that impact on the financial projections within the Medium Term Financial Strategy.
- 7.2. The Council's Medium Term Financial Strategy is attached at Appendix 1. This Strategy looks at financial planning and management over a five-year period and links the council's vision and priorities with the forecasted resources and budgets. It also helps the Council towards developing a sustainable budget over the medium term.

## **8. Additional Information**

- 8.1. Since the Financial Strategy was signed off by Council on the 24 February 2022, the economy overall has been impacted by the invasion of Ukraine, with inflation rising significantly in the areas of food, fuel, and utilities. This has resulted in cost pressures within businesses in all sectors, as well as for the general public. The Council is also impacted by these inflationary pressures, and therefore the MTFs has been updated to show the impact on the 2022/23 financial year and the remaining five years of the MTFs.
- 8.2. The Council had already initiated a number of key activities towards resolving the funding gap for 2023/24 which include:
- Development and approval of the Shropshire Plan, outlining the vision and the key priorities for the Council

- Commissioning the LGA 'Finance Peer Review' to examine the financial strategy, budget process and wider financial management at the Council.
- Launching a tactical budget exercise to look at new potential savings that could be delivered.
- Developing a target operating model (TOM) that would shape how the Council operates in the future, closely aligned to the Shropshire Plan.

8.3. The impact of these activities are included within the MTFS in Appendix 1. It should be noted that the work around the tactical budget proposals and the TOM have also identified savings that can be delivered in the current financial year, in order to address the inflationary pressures already identified. This work has already identified potential savings which may fully mitigate the current cost pressure calculated for 2022/23. Further work will progress these options to ensure these are realised, and also look to identify further savings for later years.

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

Financial Strategy 2022/23 – 2026/27

**Cabinet Member (Portfolio Holder)**

Gwilym Butler – Portfolio Holder - Resources

**Local Member**

**Appendices**

Appendix 1 – Medium Term Financial Strategy – July 2022