

**Committee and Date**Cabinet  
18<sup>th</sup> October 2023

Item

Public



## Financial Strategy 2024/25-2028/29; Update to the March 2023 MTFS

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<b>Cabinet Member (Portfolio Holder):</b>	Cllr Gwilym Butler, Finance & Corporate Support		

### 1. Synopsis

The Council's MTFS has been updated to reflect anticipated inflation and other budget pressures that have superseded previous projections. Initial calculations increase the estimated budget gap next year to £23.6m.

### 2. Executive Summary

- 2.1. As part of the full budget report for 2023/24, Full Council received a Medium Term Financial Strategy setting out estimated resources and expenditure to 2027/28. This has now been updated for latest information and extended to 2028/29. A routine review and update of the MTFS for latest information helps ensure that the financial and operational decisions of the Council are taken with a clear view of the current and future risks and opportunities being faced.
- 2.2. The update indicates that a combination of pay and price inflation and challenges in delivery of both base budgets and spending reduction plans is adding to the previously identified gap in 2024/25, with a current estimate of the gap now being £23.6m. This is set out below.

Funding Gap	2024/25 £	2025/26 £	2026/27 £	2027/28 £	2028/29 £
<b>Remaining Gap to be Funded @ March Council</b>	1,096,536	2,166,643	2,819,557	3,714,543	NA
change - inflation and budget pressures	22,470,200	18,800,248	15,512,067	12,225,150	5,222,191
<b>Remaining Gap to be Funded @ October Cabinet</b>	<b>23,566,736</b>	<b>20,966,891</b>	<b>18,331,624</b>	<b>15,939,693</b>	<b>5,222,191</b>

- 2.3. The estimated gap will continue to be reviewed and revised as the budget planning process is undertaken through the Autumn period and is expected to continue to change in that time.
- 2.4. A key unknown at present is whether the level of demand currently being experienced in social care services will persist into next financial year. Interventions to ensure that the needs of both adults and children in Shropshire are identified and met at an early stage will undoubtedly help reduce that demand pressure, and the resulting cost pressure. However, the timing and extent of that benefit is not yet known with sufficient confidence to be included in this update, so will be included in the December MTFS update, at which point clearer estimates of overall demand and the impact of mitigations will be available.
- 2.5. A further unknown is the timing and benefit arising from Target Operating Model (TOM) interventions. These were initially drawn up alongside the 2023/24 budget plans, and some projects are included in the 2023/24 spending reductions, while others continue to be developed. Implementation and delivery plans are being worked up as part of the 2024/25 planning cycle and will also be included in the December MTFS update.

### 3. Recommendations

- 3.1. That Cabinet
- Notes the increased gap in 2024/25 and the reasons for it
  - Notes that further information will be forthcoming on how the Council will meet the needs of social care clients and service users earlier in future, and supports Officers in the urgent preparation of effective plans
  - Similarly, notes that further information on TOM proposals will also be forthcoming and urges Officers to bring those plans forward for implementation and delivery rapidly.
  - Notes that the reserves position, previously a cause for considerable concern, is much improved – but also notes that action on current year pressures is needed to safeguard that improved position (including sufficient mitigation of current demand pressures through the remainder of this year and into future years).
  - Notes that, despite some deterioration in outlook in the near-term, the MTFS continue to demonstrate that the outlook is expected to improve substantially in the coming years.
  - Notes the changes to some of the savings plans (virements) set out in the March 2023 Budget Council meeting have seen changes at values in excess of £1m, and so Member approval is requested to confirm these changes (see attachment to Appendix 1, specifically savings EFF102 (TOM projects @ -£3m), EFF105 (GLR-led savings @ +£1m) and EFF108 (Corporate Grants @ +£2m).

Also to note the removal of EFF10 (Market management @ -£1.3m) and the replacement with over-achievement of EFF06 (Reablement) and EFF07 (care at home).

## Report

### 4. Risk Assessment and Opportunities Appraisal

- 4.1. The MTFS is a key part of the risk management approach of the Council, helping to identify the future trajectory of resources and spending and providing early insight into pressures which are emerging. Key risks identified in this report include
- a) the ability to prepare effective early intervention measures in social care in order to improve overall outcomes for residents and reduce overall costs of those services
  - b) the pace with which TOM projects can be planned, implemented and benefits realised.
- 4.2. A further key risk implicit through the report is the ability to maximise the impact of the available staff capacity in securing those aims. Availability of staff to support these innovations is a risk being flagged across the Council at the present time.
- 4.3. Mitigations are:-
- a) Early intervention measures – these are being confirmed and the benefits quantified at the present time, and will be reported back in the December MTFS update.
  - b) TOM project proposals – again, these are being confirmed and the benefits quantified at the present time, and will be reported back in the December MTFS update.
  - c) Staff capacity (both sufficiency of staff time and extent of staff skillsets) – this is held under review by Executive Review Board and Executive Management Team, who hold responsibility for this risk.
- 4.4. The MTFS also presents a trajectory of overall improvement in the finances of the Council. There is a great prize to be won here, something made more apparent in the current climate of financial pressure felt across local government.

### 5. Financial Implications

- 5.1. The subject of the report.

### 6. Climate Change Appraisal

The budget for 2023/24 and the March MTFS provided for ongoing resource in support of mitigating climate change, and this is continued in the current update. The impact of climate change across the MTFS is anticipated to be adverse, so investment would reduce this.

## 7. Background

- 7.1. The 2 March meeting of Full Council received and approved the budget proposals for 2023/24 and the associated MTFS. This report updates that document.
- 7.2. The 6 September Cabinet meeting received the outturn report for 2022/23, which set out the financial position at the end of that year, with the consequent position at the start of the current year.

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

[Finance outturn 2022/23](#)

[MTFS 2023/24 – 2027/28](#)

[Q1 Finance report 2023/24](#)

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**Local Member:** All

### Appendices

Appendix A - Medium Term Financial Strategy 2024/25 – 2028/29

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