

**Committee and Date**Transformation & Improvement Scrutiny
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Item

Public



Financial Strategy 2025/26 – 2029/30

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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