

**Committee and Date**Cabinet
16th October 2024

Item

Public



Updated Financial Strategy 2025/26 - 2029/30

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Cabinet Member (Portfolio Holder):	Cllr Gwilym Butler, Finance & Corporate Support		

1. Synopsis

Further review of key pressures in the current year indicate that the likely gap in next year has widened from £17.7m (July) to £37.3m (current report). This report sets out the reasons for that.

2. Executive Summary

- 2.1. Since the July 2024 update on the MTFs outlook for the coming years, a number of changes to the assumptions detailed in the previous report have been required. These are set out in the table below.
- 2.2. Further pressures are being considered but may be mitigated during the remainder of the year, and as such are uncertain. These include pressures arising from under-delivery of current year savings, most recently quantified as £43.742m (see appendix p16). Without additional in-year action, the resulting financial gap to be addressed in the coming year will be £84.215m.
- 2.3. Estimates at this stage are based on the firm evidence of the spending profile seen in the period 1 April to 30 September, 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
2025/25 financial gap as at July 2024	17.699
<i>Changes included in the updated October 2024 MTFS:</i>	
Increased assumed limit on Council Tax rise	(4.152)
Increased inflationary growth assumed (pay and contract price increases)	2.583
Increased service demand growth assumed for Children's Social Care (previously estimated growth was £3.993m; increased activity levels in the first 6 months of this financial year indicate this is insufficient, although the estimated pressure remains under review and may change up or down; mitigations anticipated to be provided by the December MTFS update)	14.470
Reduced estimated revenue cost of capital borrowing due to slippage in the delivery of the capital programme	(2.080)
Reduced anticipated delivery of planned savings in 2025/26 (savings proposed and agreed in February 2024 for the year 2025/26, included as part of the budget proposals for 2024/25)	8.790
Sub-total: net changes from the July update to the October update	19.611
2025/25 financial gap as at October 2024	37.310

3. Recommendations

- 3.1. That Cabinet discusses the emerging pressures for the coming financial year, including both those pressures that have been quantified and which result in a gap position of £37.310m, and also those further pressures that are not yet quantified and which risk significant further widening of the gap.
- 3.2. That Cabinet requires Officers to continue work to
- review and reduce, as far as possible, identified pressures, and
 - prepare savings options for the coming year, to secure the balanced budget approved by Council in February.

Report

4. Risk Assessment and Opportunities Appraisal

- 4.1. The MTFS is a key mechanism through which the Council reviews the emerging financial risks in the coming years. Quarterly updates allow the outlook to be amended as new information arises. This process can be seen as underlying the current report.
- 4.2. Further potential risks have also been identified arising from known service pressures which may persist into the new financial year. Work to review, confirm, and address these risks is now required.

5. Financial Implications

- 5.1. Shropshire Council is currently managing an unprecedented financial position as budgeted for within the Medium Term Financial Strategy approved by Council on 29 February 2024 and detailed in our monitoring position presented to Cabinet on a monthly basis. This demonstrates that significant management action is required over the remainder of the financial year to ensure the Council's financial survival. While all Cabinet Reports provide the financial implications of decisions being taken, this may change as officers review the overall financial situation and make decisions aligned to financial survivability. Where non-essential spend is identified within the Council, this will be reduced. This may involve
- scaling down initiatives,
 - changing the scope,
 - delaying implementation, or
 - extending delivery timescales.
- 5.2. Unchanged, this MTFS update indicates that the current financial circumstances will persist into the coming year.

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. The MTFS provides a view of the likely financial outlook for the Council across the coming years. It is updated every Quarter based on the latest financial information. This is the second update for the current year. Further updates are planned for December 2024 and February 2025.

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

1 – MTFS 2025-2030, October 2024