



Committee and Date

Transformation & Improvement Scrutiny
11th February 2025

Cabinet
12th February 2025

Item

Public



Financial Strategy 2025/26 - 2029/30

Responsible Officer:	James Walton
email: james.walton@shropshire.gov.uk	Tel: 01743 258915
Cabinet Member (Portfolio Holder):	Cllr Gwilym Butler, Finance & Corporate Support

1. Synopsis

This report sets out the financial outlook for the coming year and financial plans to 2030. It builds on cross-party collaboration between senior Councillors and sets out targeted new savings £8.8m and demand mitigations of £11m. It also confirms that £38.3m of savings planned for the current year are now to be delivered in 2025/26.

2. Executive Summary

- 2.1. This report sets out the proposed framework for the Council revenue budget for 2025/26 and the financial plan 2025-30. It also sets out the proposed capital investment plans for the coming 3 years.
- 2.2. The report includes the details published by government as the final Local Government Financial Settlement for 2025/26 and so all the relevant information regarding available resources is now available, updating the report taken to Transformation and Improvement Overview and Scrutiny Committee on 20 January 2025. Despite making representations to government regarding the settlement and the detrimental treatment of rural councils, no material changes were made in the Final Settlement.

- 2.3. The results of consultation with residents regarding budget proposals is being reviewed and will be considered by the Collaborative Budget Group (a cross-party group including the Leaders of all political groups on the Council). A full update will be provided alongside the detailed budget proposals for Full Council later this month.
- 2.4. Councillors should note that there may be some changes to the budget proposals for next year between this report and the papers to be published for Full Council. This may arise due to ongoing review of the budget calculations, or to new information published by government and will be discussed with the Collaborative Budget Group before publication.
- 2.5. Councillors should also note that the funding position for 2026/27 to 2029/30 is now uncertain. The attached MTFS sets out estimated resources based on current information. The actual funding to be received, however, will be affected by (i) the spending review ongoing in central government and (ii) the review of local council funding about to be undertaken by MHCLG.
- 2.6. To set a balanced budget for 2025/26, the following steps have been taken:
- **Savings to the value of £8.8m have been identified and are proposed for inclusion in the budget. This includes £3.7m** of savings previously included for 2025/26 in the budget papers for 2024/25.
 - **Demand mitigations of £11m** have been identified. These are factors which will reduce the overall demand pressure in social care, for example as social care clients make contributions to the cost of their care, or government grants can be applied.
 - **Savings not achieved in the current year (2024/25) in the value of £38.3m** have been reviewed and a revised delivery plan prepared. The savings proposals themselves are largely unchanged and include
 - Reducing staffing
 - Reducing spending with our suppliers
 - Increasing income
 - Changing how we work
 - Reducing the buildings used by the council
 - Using automation and technologies to support efficient processes across the council
- 2.7. Across the period to 2029/30, current estimates indicate increasing financial pressures accumulating to £63.288m.

3. Recommendations

- 3.1. That Transformation & Improvement OSC considers the paper and determines any feedback to Cabinet.
- 3.2. That Cabinet notes
- i. the alignment of this report with other reports on this agenda, including the Fees and Charges proposals, the proposed Capital Strategy, and the proposed Treasury Strategy; also the alignment to the position reported for the

- current financial year, set out in the Q3 Financial report and the Q3 Treasury Management report.
- ii. the analysis of the financial position of the council set out in this report and confirms the alignment of the new proposals to the outline of the necessary actions for 2025/26 already set out in the December update to the MTFs.
 - iii. the proposed spending reductions for 2025/26.
 - iv. the proposed capital investment programme including the commentary on priority schemes and updates to possible future scenarios for the North West Relief Road
 - v. the levels of reserves in recent years, the forecast levels of reserves at the end of the current year, and the plans set out to ensure the adequacy of the reserves in future years.
 - vi. the approach of combined spending reductions and replenishment of general reserves.
- 3.3. That Cabinet continues to work with the Collaborative Budget group to recommend to Council
- Approval of the budget proposals, including revenue and capital budgets, and the associated strategies, subject to further amendments required by Cabinet, or identified as necessary by the Chief Finance Officer (“CFO”).
- 3.4. That Cabinet delegate to the Chief Executive acceptance of the PSDS Phase 4 grant and conclusion of necessary agreements for this. This can then be included in the Capital Programme for Council. (Set out in section 8.)

Report

4. Risk Assessment and Opportunities Appraisal

- 4.1. The finances of the Council are complex and volatile. To manage financial risk requires a consistent and robust approach from Members, partners and officers alike. The MTFs identifies and manages a range of risks as set out in the attached appendix.
- 4.2. The Council has identified a Strategic Risk in delivering a balanced budget and this is reviewed and controlled through the year based on 7 key risk areas:
- i. Savings delivery at the planned level
 - ii. Social care and demand beyond budget estimates
 - iii. Other budget pressures (not social care)
 - iv. Capital receipts sufficient to support transformation and efficiency plans
 - v. Other external factors which may lead to financial pressures
 - vi. Risks arising from projects
 - vii. Cash sufficiency (liquidity)
- The outlook for these seven risk areas are updated monthly as part of the budget monitoring process through the current financial year, and this will continue into 2025/26.
- 4.3. Risk item (iii) notes potential other budget pressures. As part of this report and the finalisation of the budget for 2025/26 and the MTFs for 2025-30, this will now include the impact (favourable or adverse) of changes in government funding through the period.

4.4. Risk table

<i>Risk</i>	<i>Mitigation</i>
Spending reduction plans are not implemented sufficiently quickly to ensure a balanced budget position is held through the year	Spending reduction plans to be in place in all key areas ahead of 1 April 2025. Monthly monitoring to ensure that all budget pressures (i.e. delivery of savings, anticipated pressures and any overspend at all) are flagged and managed, either locally or corporately.
Unanticipated pressures outside budget assumptions emerge	Section 25 Assurance around robustness of estimates and adequacy of reserves. Retention, and where possible increase, of the uncommitted General Fund Balance as a 'fund of last resort'. Application of any reserves only if all other solutions have been exhausted. Ongoing review of emerging policy directions set out by government; participation in lobbying and provision to stakeholders of clear data reflecting the pressures faced by the Council. Quarterly updates of the MTFS reported to Councillors.
Adequacy of capital receipts to fund redundancy and restructuring costs	Planning in place by 1 April to ensure sufficient pipeline of capital receipts to be secured (£30m-£40m); overprogramming of capital receipts pipeline to mitigate delays in delivery.

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. The medium term financial strategy is a crucial document to aid financial planning in the coming years. Its purpose is to highlight opportunities and risks and so enable appropriate measures to be implemented in good time.

5.3. The MTFS sets out the financial implications for the local authority over the medium term. These include:

- a. **Spending reductions of £8.8m (recurrent), demand mitigations of £11m** (ongoing) and delivery plans for £38.3m of savings that have not yet been delivered from 2024/25
- b. An assessment of the adequacy of reserves based on a risk assessment of the local authority's wider financial envelope, delivery plan and in-year monitoring.
- c. Capital expenditure on the approved programme of £256m (incl HRA – appendix 2 of the MTFs, table 6.1)
- d. Proposed capital expenditure on the priority capital schemes outside the approved programme is estimated as a further £322.5m, although those figures can only be estimates at this time (appendix 2 of the MTFs, table 8.1).

6. Climate Change Appraisal

6.1. Climate action and carbon reduction are integral to all aspects of the Shropshire Plan:

Healthy People – Extreme weather associated with the climate crisis can adversely affect vulnerable residents and service users disproportionately. This could drive significant future growth in the demand for social care services as well as impacting on the physical and mental health and wellbeing of staff.

Healthy Economy – The recent energy crisis illustrates potential impacts on the Shropshire economy from the climate crisis. There are, however, significant opportunities for growth and skilled employment in new technologies, renewable energy and the rural economy.

Healthy Environment – The climate crisis has very serious implications for biodiversity and food production. As a large rural area, however, Shropshire is also in an excellent position to take positive action to help mitigate these effects.

Healthy Organisation – Extreme weather associated with the climate crisis could disrupt delivery of Council services through damage to physical infrastructure such as roads and power infrastructure, and through impacts on staff health and wellbeing. Demand for services and service delivery costs such as highway maintenance are likely to increase.

6.2. In taking the steps towards financial sustainability to enable delivery of The Shropshire Plan within a reduced financial envelope, it is important that decisions consider information about future costs and risks, where possible, through an approach which explicitly considers lifetime carbon impacts and future climate vulnerability. The future costs of addressing climate change impacts are expected to exceed that of the investment needed to reduce carbon emissions and improve climate resilience, but this may not be affordable within the immediate financial envelope without external investment.

6.3. Some of the proposed service changes to deliver financial sustainability may also reduce carbon emissions and improve climate resilience. Moving towards a zero-carbon supply chain has the potential to reduce costs, other studies suggesting this could be in the region of 5%. Similarly, many carbon reduction and climate resilience projects and measures also have the potential to generate revenue savings and generate 'green' economic growth in the Shropshire economy.

7. Background

- 7.1. The MTFs is updated around four times through the year, enabling Councillors to be kept aware of emerging financial risks and opportunities. The attached MTFs document is the latest update of these.
- 7.2. This update includes the latest information from government regarding council funding for the coming year.
- 7.3. The budget framework it described has been informed by the work of the collaborative budget group.

8. Request to approve progression of a funding bid for a planned capital project.

Public Sector Decarbonisation Scheme (PSDS) Phase 4 - Capital Bid

- 8.1. The project described below is included in the Priority Capital Schemes schedule within the Council's Capital Strategy 2024/25 – 2029/30, attached to this report.
- 8.2. The PSDS Phase 4 provides grant funding from Salix to public sector organisations to install heat decarbonisation and energy efficiency measures in their buildings. The main strategic objective of the scheme is to reduce direct carbon emissions from public sector buildings. The bid only allows certain technologies which would qualify for the funding such as Low Carbon Heating, Insulation, Swimming Pool Covers and the project must consider the whole building approach.
- 8.3. Shropshire Council reviewed its highest consuming assets and identified those that had a high usage of gas and subsequently a high carbon footprint compared against other assets. Their intended future use were also a vital consideration and value for money from investment.
- 8.4. From the completed feasibility studies SpArC Leisure Centre, Bishops Castle was identified as the most feasible option to progress, due to efficiencies that could be saved across the site. In November 2024, an initial expression of interest was submitted under the Public Sector Decarbonisation Scheme (PSDS) for SpArC Leisure Centre in Bishops Castle. The bid included a whole building decarbonisation approach to reduce our carbon impact, mainly from the removal of the fossil fuel heating systems, as well as upgrading insulation and smart building systems. The total project costs are just under £2.8m, with an application seeking a grant of almost £2.5m. The formal bid would require the Council to match the grant with £0.3m of its own funds, which have already been identified within the current capital programme budget (so not creating any new burdens on the Council).
- 8.5. If the bid is successful, the Council will be notified in May 2025 and will be required to sign a Grant Offer Letter confirming match funding is in place and that the project can be completed within the required timeframes. This will result in a requirement to include the new project within the Capital Programme and add budgets accordingly.

- 8.6. **Cabinet is requested to approve delegation to the Chief Executive** of the acceptance of the grant and progression of the necessary arrangement consistent with the paragraphs above.

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 2025/26 – 2029/30

Appendix 2 – Capital Strategy 2024/25 – 2029/30