

**Committee and Date**Transformation & Improvement Scrutiny
9th June 2025Cabinet
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Item

Public



Financial Monitoring Period 1 2025/26

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Cabinet Member (Portfolio Holder):	Roger Evans, Portfolio Holder Finance		

1. Synopsis

The Financial Monitoring Report for Period 1 provides a very early view of Shropshire Council's financial position for 2025/26. It highlights total savings of £60m, a projected overspend of £13.884m, and a forecasted General Fund Balance of £0.394m by year-end.

2. Executive Summary

- 2.1. The Council is producing a Financial Monitoring Report for Period 1 to provide an early view of the financial position that Shropshire Council will be managing this year, given the new budgetary savings in 2025/26, in addition to savings still to be delivered as part of a second year of delivery from 2024/25.
- 2.2. The practicalities of producing a meaningful monitoring report from data up to 30 April requires a risk assessed approach to be taken with a focus on high level, material, and impactful financial information. Management action over periods 1 and 2 is listed below, ahead of a detailed quarter 1 (period 3) report being produced in the familiar format.
- 2.3. The Period 1 Monitor cannot, of course, provide certainty. Its fundamental aim is to provide an early insight into whether the unprecedented actions being undertaken by the Council this year have the potential to secure financial survival, initially, and

then a path to financial sustainability.

2.4. The key financial issues highlighted by this report are:

- a) Savings of almost £60m are deliverable in-year including £7.7m of new proposals and £11m of demand mitigation measures across Social Care, both approved in the 2025 MTFS, and the balance of savings carried forward into year two of delivery from 2024/25.
- b) Projected savings delivery is currently estimated at £24.974m (42%) with a further £20.713m having at least indicative plans in place.
- c) A contingency, built into the General Fund Balance to mitigate against delayed delivery of savings and demand pressures in Adults and Children's services of £20m.
- d) A resulting forecast spend variance over budget, taking into account savings delivery, contingency and other variances anticipated at Period 1, of £13.884m.
- e) An initial General Fund Balance of £34.277m (by combining the brought forward balance of £4.822m with the budgeted contribution to balances of £29.455m) less the assumed mitigation of £20m referred to above leaves a balance of £14.277m – close to the £15m MTFS planned balance.
- f) The initial forecast spend variance of £13.884m, however, could result in a general fund balance at the end of the year of £0.394m.

3. Recommendations

It is recommended that Cabinet Members:

- 3.1. Note that the position set out in the report reflects the best information available after the first 4 weeks of the year and hence considerable uncertainty in these early estimates.
- 3.2. Note that at the end of Period 1 (30th April 2024), the indicative level of savings delivery is £24.974m (42%), resulting in a projected spend over budget of £13.884m for 2025/26.
- 3.3. Note the control corridor that the Council will be working to for 2025/26 is as follows:

Adverse	£39.700m overspend
Central	£13.884m overspend
Favourable	£1.422m overspend
- 3.4. Note the projected General Fund Balance of £0.393m for 31 March 2026 if the projected spend over budget is realised.

Report

4. Risk Assessment and Opportunities Appraisal

4.1. A more regular review of the emerging financial position for the year is an essential part of the risk management approach of the council during the coming year.

4.2. The level of savings delivery and financial pressures in the current year are a recognised risk for the 2025/26 budget, and continued focus and action are being put in place to address this.

4.3. Risk table

<i>Risk</i>	<i>Mitigation</i>
That management actions required to bring the budget into balance do not yield the results being targeted, leading to a larger pressure on the general fund balance.	To further enhance reporting and action planning on financial performance through the Leadership Board.
Insufficient reserves to cover projected overspending or other deficits	Improved budget preparation process with more analysis of current and future activity trends. Modelling of current and future reserves levels, including both earmarked and unearmarked, against likely levels of pressure and impact on securing the desirable level of unearmarked (general) reserves. Review of ways in which further funds can be brought into unallocated general fund balances and reserves to support balance sheet repair and reserves improvement with the aim to retain a General Fund Balance within the range of £15m to £30m.

5. Financial Implications

5.1. This report sets out the financial projections for the Council in the 2025/26 Financial Year as at Period 1. A summary of the key elements for managing the Council's budget are detailed elsewhere in this report.

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. Forecast Outturn

- 7.1. In line with the last financial year, the Council is preparing a Period 1 Financial Monitoring Report. It should be noted, however, that the projected position is an estimate based on only one month of data and given that the Finance Team are focussed on closing down the previous year accounts during April and May, there is little scope to review the data extensively at this point.
- 7.2. At Period 1 (April 1 – April 30), the Council is initially reporting a forecast overspend by year end of £13.884m. This is the Central forecast based on current projections of savings delivery and known spending pressures carried forward from the outturn position which have not been addressed in the 2025/26 budget.
- 7.3. The control corridor that the Council will be operating within is as follows:

Table 1: Control Corridor for 2025/26

Control Corridor	Projection for 2025/26 £'000	Basis
Adverse	39,700	Current Pressures continue, and savings plans delivered as currently projected, Contingency within General Fund for Savings and known Social Care pressures released.
Central	13,884	As per adverse, however further assumed savings delivery relating to a proportion of indicative plans are delivered.
Favourable	1,422	All savings delivered except for those considered undeliverable in 2025/26.

- 7.4. The key area of concern at this early stage of the financial year is the level of savings delivery projected. Further details on the projected level of savings delivery are detailed in section 8 below.

8. Savings Delivery

- 8.1. The current summary position on savings delivery is shown in Figure 1 below. This provides the initial indication of savings delivery as indicated at Period 1.

Figure 1: Savings Projections

	Savings Target £'000	Savings Plans in Place £'000	Indicative Savings Plans Identified £'000	Unlikely to be delivered in 25/26 £'000
25/26 MTFS savings	18,710	13,530	3,546	1,634
24/25 Savings carried forward for delivery in 25/26	41,183	11,444	17,167	12,572
Total	59,893	24,974	20,713	14,206

8.2 Further work will be taken during Period 2 to confirm the likely implementation dates of the savings proposed to provide a more accurate position for Period 2, particularly for those savings plans where indicative savings plans have been identified.

9. General Fund Balance

9.1. The 2025/26 budget includes a £29.455m contribution to the General Fund Balance. Table 2 details the projected General Fund Balance following this budgeted contribution, but also includes the impact on the Balance should the spend over budget of £26.297m materialise.

Table 2: General Fund Projection

General Fund Balance	£'000
Opening Balance as at 1 April	4,823
Budgeted contribution to GF	29,455
Budgeted General Fund Balance as at 31 March 2026	34,278
Funding for known pressures in Social Care and non-delivery of savings	(20,000)
Projected Overspend as at P1	(13,884)
Balance as at 31 March 2026	394

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

Financial Strategy 2025/26 – 2029/30, Council 27th February 2025

Financial Rules

Local Member: All

Appendices