

**Committee and Date**Cabinet
15th October 2025

Item

Public



Draft Financial Strategy 2026/27 – 2030/31

Responsible Officer:	James Walton		
email:	James.walton@shropshire.gov.uk	Tel:	01743 258951
Cabinet Member (Portfolio Holder):	Roger Evans, Finance Portfolio Holder		

1. Synopsis

- 1.1. The Medium Term Financial Strategy updates previous reports to reflect the latest forecast position for the coming five financial years, clarifying the base position ahead of plans over the medium term to achieve a sustainable financial position.

2. Executive Summary

- 2.1. The Council's new administration has set out, within the New Direction paper approved by Council on 26 September 2025, the overall approach to:
- Work in partnership with Town and Parish Councils and other partners to develop a new approach to delivering services in our communities.
 - Develop a revised and balanced Medium Term Financial Strategy (MTFS) alongside a new Shropshire Plan.
 - Target capital investment to improve income generation, reduce revenue spend, and benefit communities.
 - Take the difficult decisions that have not been made previously including possible short-term reductions to services and levels of service provision, whilst meeting our statutory requirements, and increasing fees and charges.
- 2.2. The updated Medium Term Financial Strategy reflects the latest forecast position for 2025/26 and the key pressures in the current year, alongside an update to the

assumptions as presented to Council in February 2025 to present an early draft budget for 2026/27 and onwards.

- 2.3. The extremely challenging financial position of the Council resulting from in year service pressures and the delayed realisation of budgeted savings has resulted in the declaration of a financial emergency by Cabinet in September and a projected deficit of General Fund balances in-year. Over the last two financial years over £89m has been delivered in savings but this is becoming increasingly difficult to sustain. Despite delivering £47.2m savings in 2024/25, this was only 52.4% of the level required to match available resources. A significant pressure anticipated for 2026/27 relates to the shortfall of savings delivery forecast in 2025/26 of approximately £26m. Any and all action in 2025/26 to reduce this deficit will impact positively on the figures set out in this MTFS.
- 2.4. This first iteration of the MTFS this financial year sets the context for 2026/27, however ongoing detailed work across all service areas will be reflected in the next update to this report. Since the MTFS was approved by Council in February 2025, and the outturn position for 2024/25 was finalised in July 2025, several other assumptions have been updated and are reflected in the table below.
- 2.5. Estimates at this stage are based on the firm evidence of the spending profile seen in the period 1 April to 31 August, 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
2026/27 financial gap as at February 2025	36.193
<i>Changes included in the updated October 2025 MTFS:</i>	
Movement in funding (core grants / settlement funding assessment)	(18.990)
Reduction in Employers Pension Contributions	(7.077)
Increased inflationary growth assumed (pay, contract price and utility increases)	6.384
Increased service demand growth	31.638
Increased cost of investment	7.437
Reduced anticipated delivery of planned savings in 2025/26	26.092
Sub-total: net changes from the February update to the October update	45.484
2026/27 financial gap as at October 2025	81.677

- 2.6. The position set out in the table above (£81.667m funding gap) and across the MTFS period to 2030/31 (cumulative £138.556m gap) is unaffordable and unsustainable. Significant action is required to bring to Council's budget into a sustainable position over the medium term. This will undoubtedly require external financial backing in the form of Exceptional Financial Support (EFS) from government. This is being actively progressed by officers, and all avenues will be considered including:
- EFS in the form of 'above Referendum Level' Council Tax increases

- EFS in the form of borrowing to fund investment for change and transformation
 - EFS in the form of borrowing to cover profile in savings delivery
- 2.7. The scale of the deficit shown in the MTFS projections is a significant challenge to this organisation and the ability to close a gap of nearly £140m in less than five years will require an unwavering focus on financial discipline, income generation, alternative thinking, tough decision making and a drive for sustainability alongside the real risk that delivering such a large scale reduction in spending could have on performance, staff wellbeing and service delivery.
- 2.8. This report sets out the updated baseline against which the plan to deliver a sustainable financial strategy will be set.

3. Recommendations

- 3.1. That Cabinet discuss the emerging pressures for the coming year and in the context of the new direction for Shropshire Council work alongside officers to identify and agree the decisions necessary to achieve a legal budget for 2026/27 and a balanced financial position across the medium term.
- 3.2. That Cabinet requires Officers to continue work to;
- Reduce all non-essential spend for 2025/26 and review identified pressures
 - Prepare savings options for the coming year, to secure a balanced budget for approval by Council in February 2026.
 - Work with MHCLG to actively pursue options for Exceptional Financial Support over the MTFS Period

Report

4. Risk Assessment and Opportunities Appraisal

- 4.1. The MTFS is a key mechanism through which the Council reviews the emerging financial risks over the medium term. This position will continue to be updated to reflect the latest known forecasts and Central Government information in order to enable the Council to adopt a legally balanced position for 2026/27 and identify early interventions required for future years.
- 4.2. Key risks to the Council's financial position are identified within the appended MTFS and work to review, confirm and address them will continue to be undertaken.

5. Financial Implications

- 5.1. Shropshire Council continues to manage unprecedented financial demands and a financial emergency was declared by Cabinet on 10 September 2025. The overall financial position of the Council is set out in the monitoring position presented to Cabinet on a monthly basis. Significant management action has been instigated at all levels of the Council reducing spend to ensure the Council's financial

survival. While all reports to Members provide the financial implications of decisions being taken, this may change as officers and/or Portfolio Holders review the overall financial situation and make decisions aligned to financial survivability. All non-essential spend will be stopped and all essential spend challenged. These actions may involve (this is not exhaustive):

- scaling down initiatives,
- changing the scope of activities,
- delaying implementation of agreed plans, or
- extending delivery timescales.

- 5.2. Unchanged, this MTFS update indicates that the current financial circumstances will persist into the coming year and will prove extremely challenging for the Council to operate on a legal financial basis.

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. This is the first update to the MTFS for the current year since February 2025 and reflects the pressures as reported at outturn for 2024/25 and the latest in year position. Further updates are planned over the coming months with a final position to be presented in February 2026.

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

Medium Term Financial Strategy – Council 27 February 2025

Period 5 Financial Monitoring Report – Cabinet 15 October 2025

Local Member: All

Appendices

Appendix 1 - MEDIUM TERM FINANCIAL STRATEGY 2026/27 – 2030/31