



Committee and Date

Transformation &
Improvement Scrutiny
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Item

Public



Draft Medium Term Financial Plan 2026/27-2030/31

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1. Synopsis

- 1.1 The purpose of this report is to present an updated position on the Council's Medium Term Financial Plan since the meeting of Cabinet on 15 October 2025 and details of the Council's application for Exceptional Financial Support for 2025/26 and 2026/27, alongside an update on the provisional finance settlement for the next three years, as shown in Table 1 (paragraph 7.14). The estimated budget gap for 2026/27 is £130m and this gap is projected to increase across the medium term as detailed within Appendix 7. It is imperative that the Council adopts a Financial Sustainability Strategy, including a refreshed transformation and change programme, that is presented to Cabinet and Council during 2026/27, setting out how the Council will become financially stable.

2. Executive Summary

- 2.1 Since October, the budget setting process has continued with a focus to address the fundamental issues that have resulted in significant demand pressures in 2024/25 and 2025/26. Amongst these issues is the optimism bias built into savings projections and the consequent impact on budgets. Addressing these issues enables the Council to set a budget for 2026/27 which is focussed on all services driving the necessary transformation to bring the Council back into a stable financial position.

- 2.2 Adjustments have also been necessary to reflect multiple years of budget pressures and therefore have been reset on the basis of actuals since Period 6 in the current year.
- 2.3 Recognising the significant proportion of Council spend on Social Care services, independent benchmarking has been undertaken via the Local Government Association (LGA) for both Adult and Children's Social Care. A copy of the findings from the Children's review is attached at Appendix 8 and a copy of the Adult's review will be provided in February. Both reviews have found the price of services is not dissimilar to our statistical nearest neighbours and therefore the focus will continue on managing demand in line with plans that are already in place and continue to be developed.
- 2.4 Overall however, it is not possible to balance this budget without Exceptional Financial Support (EFS) from the Government, which would be in the form of significant borrowing for this year, next year and across the medium term. Therefore, on 12th December the Council submitted its application for EFS for 2025/26 and also for 2026/27. As reported to Cabinet within the Period 7 Financial Monitoring report presented on 19th November, the 2025/26 application was for £71.4m, details are provided in Table 2. For 2026/27 an application for £130m was submitted and details of this are provided in Appendix 1.
- 2.5 Utilising borrowing to balance revenue budgets is not common across the sector, although an increasing number of councils are finding it necessary to take this course of action. Often it is a result of insufficient funding from Central Government that does not adequately cater for the local challenges posed to service provision, alongside insufficient action taken locally to reduce expenditure at a pace in line with the availability of resources. EFS is not intended as a long-term solution, nor is it sustainable, therefore it is imperative that the Council adopts a Financial Sustainability Strategy that sets out the various means through which the need for EFS will reduce. This needs to include a transformation and change programme that is driven by the 'Future Council' principles set out in the Improvement Plan and seeks to;
- 2.5.1 Reduce the cost of services through cashable savings. At times this will involve difficult decisions and inevitably impact on Shropshire's residents and businesses. In other instances, greater partnership working can ensure that residents receive the support and services they need but not necessarily through direct provision by the Council.
- 2.5.2 Generate additional income from a variety of sources, whilst balancing risk exposure to the Council and accessibility of services for our residents. Including accelerating the Council's asset disposal review to identify opportunities for both capital and revenue income generation. Potential future capitalisation direction requests to convert capital resources to revenue resources can facilitate a reduction in annual contributions to General Fund Balances and thus reduce overall expenditure. The Council's forthcoming Capital Strategy and future capital investment is a key enabler for income generation.
- 2.5.3 Mitigate future demand growth with a focus on early help and prevention, particularly as a continuing increase of social care budgets is not financially

possible. Current budgets must focus on preparing for the future, to reduce reactive and at times acute crisis support which has a disproportionate impact on expenditure. This is the most expensive form of support and nor is it conducive to positive outcomes and wellbeing. Greater work at community level, in partnership with residents, the voluntary & community sector, other public and private organisations is necessary to ensure the right support is available at the right time for our residents. This also requires a holistic council wide focus on embedding a prevention approach into all services, ensuring all touchpoints with our residents enable identification of the support residents may require. Across the MTFS by 2030/31 there is, without action of the kind suggested in this paragraph, cumulative demand growth of approximately £56m which is not affordable. It will be necessary to minimise this level of future budget pressure.

- 2.5.4 Enhancing the use of technology, including digital technology to improve service delivery. This includes technology in the home that supports independent living; technology that supports efficient maintenance of council assets; and technology that enables the council to operate more efficiently, whilst ensuring our services are accessible by all residents.
 - 2.5.5 Align our new Corporate Plan and other council strategies, including other financial strategies such as the Capital Strategy and Treasury Management Strategy and non-financial strategies such as the Asset Management Strategy, Leisure Strategy, Economic Development Strategy, Transport/Sustainable Movement Strategy, Climate Change Strategy, Public Health Strategy, Housing and Homelessness Strategy to a common focus of ensuring Shropshire's residents and businesses receive appropriate services that are affordable within the Council's financial resources. This may mean lowering our aspirations and ambitions.
- 2.6 Aligning financial resources to the delivery of the Corporate Plan enables the Council to ensure resources are being utilised in the most effective way to achieve positive outcomes for Shropshire's resident and businesses. In the context of the recent statutory recommendation by the Council's external auditors and the significant in-year projected revenue overspend, utilising the principles of a zero-based-budgeting approach for 2027/28 budget development will greatly assist in understanding how resources are being used and the impact they are achieving. Commencing this process early in 2026/27, as part of a wider business and budget planning approach will also enable in-year budget adjustments wherever appropriate and deliver in-year savings.

3. Recommendations

That Cabinet:

- 3.1 Work with Officers during Q4 in the current year and into 2026/27 to develop a Financial Sustainability Strategy and transformation and change programme which will deliver savings and generate income, in order to reduce the duration of time for which EFS (exceptional financial support) is required across the medium-term financial period.

- 3.2 Work with Officers during Q4 in the current year and into 2026/27 through the establishment of a joint working group to develop and progress an approach to business and budget planning.
- 3.3 Ask Officers to continue to work with MHCLG in support of its application for exceptional financial support and actions required to return to financial stability.

Report

4. Risk Assessment and Opportunities Appraisal

- 4.1 As part of the February budget setting papers a detailed risk assessment of the proposed 2026/27 budgets and medium-term financial plan will be presented. This will take account of the in-year deficit in General Fund balances and the demand pressures the Council is facing. However as detailed within this report, the proposed budget is a reset budget, to provide financial stability in the short term and enable the Council to focus on managing demand pressures and reducing the need for Exceptional Financial Support across the medium term. Ongoing investment in transformation is predicated on enabling a return to financial sustainability and overall the forthcoming Financial Sustainability Strategy will set out the plans the Council must execute.
- 4.2 Continuing to highlight the persistent structural deficit in the Council's funding is a key priority for Members and Officers, alongside the local actions that will be taken. The findings from the budget consultation will shape these local actions and prioritise future investment of the Council.
- 4.3 The Council's Improvement Plan presented in December set out 3 key programmes, of which as mentioned above, progressing the Financial Sustainability Strategy (programme 2) is key. This proposed draft budget for 2026/27 is in line with Programme 1 and alongside the Capital Strategy report also on this agenda, reflects key actions being taken immediately to bring about financial stability. Details on programme 3, which focuses on strengthening financial management practice and policy will be presented during 2026/27 and work to develop this is underway.

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 As set out within this report, the Council's financial position has necessitated the request for exceptional financial support from the government for both 2025/26 and 2026/27, without which the Council cannot meet its financial obligations and set a lawful budget. The draft MTFS at Appendix 7 shows the Council is projecting a deteriorating position across the next 5 years. Limiting the use of exceptional financial support to the short term only, in the current circumstances is the preferred outcome. However, without urgent action to; 1) reduce the Council's expenditure, alongside 2) increase income from a variety of sources, it will become necessary to require exceptional financial support into the medium-term. This support would be in the form of borrowing and will therefore create additional cost pressures in the form of interest and debt repayment charges.

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.

7 Background

- 7.1 Since October, the budget setting process has continued with a focus to address the fundamental issues that have resulted in significant budget pressures in 2024/25 and 2025/26. Amongst these issues is the optimism bias built into savings projections and the consequent impact on budgets. Addressing these issues enables the Council to set a budget for 2026/27 which is focussed on all services driving the necessary transformation to bring the Council back into a stable financial position. However, it is not possible to balance this budget without Exceptional Financial Support (EFS) from the Government, which would be in the form of significant borrowing for next year and across the medium term. On 12th December the Council submitted its application for EFS for 2025/26 and also for 2026/27. As reported to Cabinet within the Period 7 Financial Monitoring report on 19th November, the 2025/26 application was for £71.4m. For 2026/27 an application for £130m was submitted and details of this are provided in Appendix 1. Subsequent to this, MHCLG have requested CIPFA to undertake due diligence on their behalf and therefore we now await the outcome, which we expect early-mid February.

Budget build

- 7.2 Stabilising the available resources in service areas has been a necessary step for 2026/27, to enable the capacity to drive the required change. During 2025/26 it has become increasingly evident that reductions in staffing have made it challenging to maintain service delivery and to also progress savings related projects. Since the October position £3.7m is proposed to be included in the draft 2026/27 budgets for

additional capacity (see Appendix 4), however the utilisation of this funding will be subject to an ongoing review, to ensure the intended financial/non-financial benefits of this added capacity is realised.

- 7.3 Capacity challenges have resulted in a low level of savings delivery and have contributed to the overspend position as reported to Cabinet in the Period 7 Financial Monitoring report on 19th November. It has been necessary to reverse these savings projections in the 2026/27 draft budgets, and these will be replaced with a revised savings delivery programme that will be developed during Quarter 4 of the current year and Quarter 1 of 2026/27. This will be presented to Cabinet and to Council in the coming months for immediate implementation, without which it will not be possible to reduce the reliance on EFS for future years and bring the Council back into a stable financial position. At this stage an increasing savings target has been built into the draft budgets across the MTFS, increasing from £5m in 2026/27 to £45m by 2030/31.
- 7.4 The total amount of savings reversed includes staff time that has been charged to capital resources in previous years and will be reassessed in line with forthcoming transformation and capital projects and the availability of capital resources to fund this. Overall, the reversal of these savings creates a £42.7m pressure for next year, however it is prudent to reverse this position as otherwise a continuing position of overspends during the next financial year will not be possible to finance. See Appendix 2 for details.
- 7.5 Consultation to inform the forthcoming transformation and savings programme was launched on 12 December and will close on 16 January, aimed at identifying areas for improvement and service reductions for the 2026/27 budgets and medium-term period. Findings from the consultation will be reported to Members in February and inform the 2026/27 budget setting process. £15m has been included within the draft budgets for next year to enable financing of transformation projects, utilisation of this investment will be subject to a robust business case process and overall strengthened governance process in line with the Council's Improvement Plan, as presented to Council on 11 December 2025.
- 7.6 In addition to the unachieved savings delivery during the current year, the Council has continued to see increased pressures in both Adults and Children's social care services. This has been due to a combination of increased demand on acute and expensive services and a reduction in budgets made in previous years that has not been possible to sustain. To help give context to these pressures, complex cases with high levels of need can cost many thousands of pounds per week, which across a number of months and years can run into substantial six-figure and seven-figure sums per individual. Whilst the Council will continue to ensure it meets its statutory responsibilities, as can be seen from the "Outstanding" rating by Ofsted for our Children's Services and "Good" rating by the Care Quality Commission during 2025, it is necessary to continue to increase the level of support families and individuals require at a much earlier stage, where costs are much lower and outcomes for health and wellbeing are significantly improved.
- 7.7 During the year for Adults and Children's social care the overspending has resulted in competing pressures to react to this financial challenge and has detracted at times from the focus required on driving long term change and early support for residents and their families. Without this focus on prevention and early support the council will continue to face reactive demand pressures and service overspends. In

light of this, it has been necessary to include a budget adjustment of £24.8m for Adult Social Care plus additional growth for demand and inflation of £13.8m and a budget adjustment of £13m for Children's Social Care and additional growth for inflation and demand of £7m within the draft 2026/27 budgets, see details in Appendix 3 and Appendix 5. It is essential this total adjustment translates into driving a reduction in reactive support, to a sustainable prevention focused one, as it is pivotal to reducing the Council's reliance on EFS and returning to financial sustainability. During recent months the LGA have facilitated independent benchmarking for both Adults and Children's Social Care, a copy of the Children's review is attached at Appendix 8 and the findings from the Adult's review will be appended with the February budget setting papers. Considerations and findings from both reviews will be progressed and monitored which include the progression of existing plans to drive transformation and manage overall service demand. However, it should be noted that both reviews identified Shropshire's price/units costs are on average lower compared to nearest statistical neighbours and therefore it is demand which is driving the overall costs of the services.

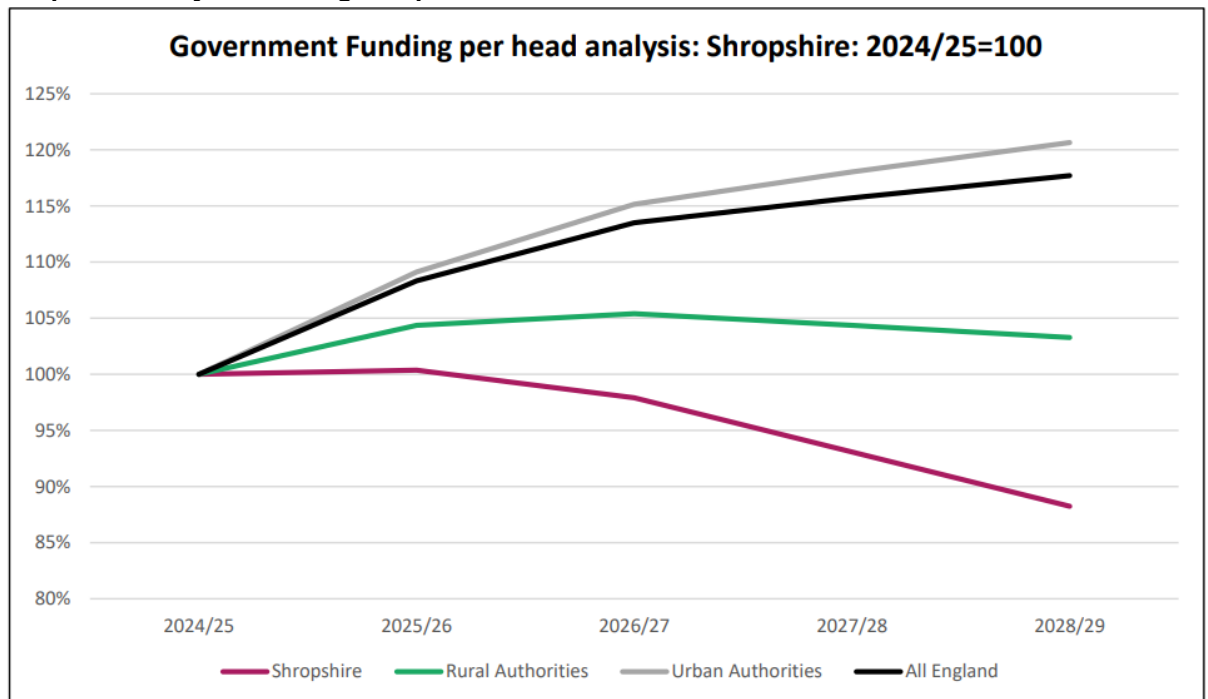
- 7.8 Home to school transport is another area of pressure in 2025/26, particularly in relation to SEND transport and is similar to that seen by other rural authorities. It has been necessary therefore to include additional growth for next year's draft budgets of £1.7m (see Appendix 3). During 2026/27 it will be necessary to review this service area and relevant transport policies, as an ongoing increase in costs is not sustainable.
- 7.9 As set out in October, higher levels of inflation compared to estimates for contracts, utilities and staffing costs has resulted in increased cost pressures. These are offset by a reduction in employer pension contributions of approximately £7m due to the recent actuarial revaluation and overall compared to 2025/26 budgets is an additional pressure of £14.9m, see Appendix 5 for details.

Multi Year Settlement

- 7.10 On 17 December 2025, Minister of State Alison McGovern MP announced the Provisional Local Government Settlement. The Settlement, which for the first time in a decade, is a multi-year settlement (MYS), covers the next three financial years. Over the course of the settlement the government states that councils will see a 23% increase in their overall core spending power since 2024 and the most deprived 10% of councils will see a 24% per head boost to the funding available. Despite this, it is widely anticipated that the number of Councils applying for Exceptional Financial Support in 2026/27 will more than double the 30 authorities that were granted support in 2025/26.
- 7.11 For Shropshire Council the core spending power is due to rise by 13.6% in 2028/29 when compared to 2024/25, however as Table 1 demonstrates, this is solely due to assumptions that Council Tax income will increase each year by the maximum permitted level, resulting in an overall increase in Council Tax income (including taxbase growth) of 17.4% by 2028/29. However, other government funding, including the new Fair Funding Allocation which incorporates Business Rates, and other grants, including previous service specific grants, will reduce by £13.4m (-3.8%) by 2028/29 when compared to 2024/25. In other words, Shropshire Council's income levels are set to increase as a result of locally made decisions and overall central government support continues to reduce each year and Graph 1 shows how

severe the reduction is for Shropshire compared to other rural authorities where this is a marginal increase over the next 5 years. Compared to urban authorities, this graph also shows the stark contrast in increased funding levels they will receive over the same period.

Graph 1: Multi-year funding comparison between rural and urban authorities



- 7.12 The Provisional Local Government Settlement has been calculated based on the outcomes from the Fair Funding Review undertaken in the summer of 2025 and has resulted in the consolidation of a number of other specific grants previously received. The intention of the Fair Funding Review was to accurately reflect the costs involved in providing services in local government. Following consultation, the government has decided to remove all remoteness related funding to the Area Cost Adjustments except for Social Care, and as a result, the provisional settlement is £4.4m less than had originally been anticipated. Combined with the loss of Rural Services Delivery Grant in 2025/26, this has resulted in a total loss of funding of £13.3m for Shropshire residents. This anticipated loss of funding was reflected in the Council's application for 2026/27 exceptional financial support.
- 7.13 The final financial settlement is anticipated in the coming weeks, along with greater details on specific grant funding, therefore any changes to this will be updated in February's budget report. Attached at Appendix 9 is a copy of the Council's consultation response to the provisional settlement and as can be seen, highlights the inequity the proposed funding creates and the key contributors to the reduced funding levels for the Council. As stated above, the primary driver for this reduction is the lack of recognition of the cost pressures facing councils providing services to sparse populations across a large geography and multiple towns.
- 7.14 The reduction in government funding is a major factor in the Council's structural funding deficit. Increases in council tax are capped at 4.99%, so the Council is

limited in terms of how much additional funding it can generate. Meanwhile cost pressures increase each year with inflationary increases, alongside demographic growth, particularly for social care. Council tax increases alone are not sufficient to meet these cost pressures, and further reductions in government funding, increase this structural funding deficit each year.

Table 1 Core Spending Power 2024/25 to 2028/29

	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m
Council Tax Requirement	205.1	219.3	234.0	249.8	266.6
Other Funding	149.7	151.5	149.0	142.7	136.3
Core Spending Power	354.8	370.8	383.0	392.5	402.9
Core Spending Power change since 2024 (£m)		16.0	28.2	37.7	48.1
Core Spending Power change since 2024 (%)		4.5%	7.9%	10.6%	13.6%
Comprising of:					
Core Spending Power change relating to Council Tax since 2024 (£m)		14.2	28.9	44.7	61.5
Core Spending Power change relating to Council Tax since 2024 (%)		4.0%	8.1%	12.6%	17.4%
Core Spending Power change relating to Other Funding since 2024 (£m)		1.8	-0.7	-7.0	-13.4
Core Spending Power change relating to Other Funding since 2024 (%)		0.5%	-0.2%	-2.0%	-3.8%

Exceptional Financial Support Submission

- 7.15 On 12th December the Council submitted an EFS application for £71.4m for 2025/26, as reported to Cabinet within the Period 7 Financial Monitoring report presented on 3rd December 2025 and comprised as follows:

Table 2 2025/26 EFS application breakdown

Transformation Funding	£10m
Capital works write down	£39m
Net revenue pressures	£22.4m

- 7.16 In light of the depleted General Fund balances position, as reported within the monthly monitoring reports to Cabinet, it is not possible to meet in-year expenditure within available resources, without the granting of exceptional financial support.

- 7.17 In addition, the application included a request for £130m support for 2026/27, as detailed in Appendix 1. It will not be possible to set a legally balanced budget in February without the granting of exceptional financial support for 2026/27.
- 7.18 Officers have communicated to MHCLG the urgency of this request and the need for confirmation as early as possible, along with the timetable for budget setting and council tax billing. In anticipation of this, work will continue on the draft 2026/27 expenditure and revenue budgets over the coming weeks, with a final proposed budget position reported to Cabinet on 11th February and to Council on 26 February.

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 7 Financial Monitoring Report – Cabinet 19 November 2025

Fees and Charges Pricing Policy - Cabinet 3 December 2025

Capital Strategy 2025/26 In-Year review – Cabinet 21 January 2026

Local Member: *All*

Appendices

Appendix 1 – 2026/27 Draft Revenue Budget Summary

Appendix 2 - Growth to offset Unachievable Savings

Appendix 3 – Demography & Demand Growth

Appendix 4 – Service Specific Growth

Appendix 5 – Inflationary Growth

Appendix 6 – 2026/27 Draft Resources Income Budget Summary

Appendix 7 - MTFP Summary

Appendix 8 – LGA Children’s Social Care Service Review

Appendix 9 – Shropshire Council Provisional Financial Settlement 2026/27-2028/29 consultation response.