



Committee

Cabinet
8th July 2026
10:30am

Public

Draft Medium Term Financial Plan 2027-28 to 2031-32

Cabinet Member:	Councillor Roger Evans – Portfolio Holder for Finance
Lead Director:	Duncan Whitfield, Section 151 Officer
Service Area:	Corporate Finance
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Electoral Divisions Affected	All
Key Decision?	Key
Cabinet Forward Plan	Yes – 25 th March 2026
Report considered by	N/A

1. Purpose of Report

- 1.1 This report provides an update of the Medium-Term Financial Plan (MTFP) for 2027/28 and beyond, refreshing the position set out to Cabinet in February 2026. It includes a review of all assumptions set at that time on the basis of current assessment of the relevant factors that drive that plan. These include pay settlements and inflation, debt financing costs, changes in demand for council services, new burdens, new cost pressures, etc.
- 1.2 In particular and given the uncertainty underlying so many micro and macro-economic factors, this report concentrates on these revised assumptions insofar as they

represent an updated view of the likely need for Exceptional Financial Support (EFS) in 2026/27 and 2027/28 and the consequential impact on 2028/29.

- 1.3 The report provides a critical starting point for the council's detailed budget planning process for 2027/28 which will involve new procedural arrangements. These are designed to ensure that budget decisions are open and transparent, fully engage Cabinet and senior officers in the agreement of budget movements and effective reporting and communication. These arrangements are set out in the report, in addition to basic budget principles that the Council will consider as it takes steps to agree a budget that is likely to contain difficult decisions required given the financial challenges that it faces.
- 1.4 The report also sets out a formal Financial Sustainability and Recovery Strategy that the Council will need to apply in future years to ensure the recovery of the council's financial situation and ultimately the need for the Council to seek EFS from Government.
- 1.5 Most importantly, this report is set in the context of the financial emergency declared by the Council in September 2025 and EFS support provided for 2024/25 and 2025/26 and provisional agreement for 2026/27. This position has created an unprecedented challenge to the Council and demands new measures required to achieve a balanced budget for 2027/28 while continuing to meet statutory need.

2. Recommendations

That Cabinet note that:

- a) Council agreed a balanced budget for 2026-27 on 27th February 2026, which included in principle agreement from government of EFS of approximately £121m. Council noted at the time the need for future EFS for 2025-26, 2026/27 and beyond based on a number of working assumptions.
- b) This report presents, on the basis of updated assumptions, the continued need for EFS in 2026-27, 2027/28 and beyond but at a lower level than originally estimated (para 4.1 and 4.2).
- c) That the need for EFS, while significantly reduced, remain at unsustainable levels and are still subject to formal approval by MHCLG.
- d) Current assumptions are dependent on the Council delivering 2026-27 services within the budget envelope provided in February 2026.
- e) Quarterly budget monitoring reports will continue to be received by Cabinet throughout the year including Quarter 1 in September 2026.
- f) A further MTFP update will be presented to Cabinet in November 2026 including initial budget proposals for 2027/28
- g) The report notes the ongoing pressures on Shropshire Council's financial position and on local government finances more generally, including council tax capping and reductions in real terms government funding.

That Cabinet approve:

- a) The Finance Sustainability and Recovery Strategy to form the basis for the financial recovery of the Council over the next five years (Section 5 below and Appendix A)
- b) The Budget Planning Arrangements for the preparation of future budgets including Officer, Cabinet and Member engagement and accountability (Section 6 below and Appendix B).
- c) The Budget Guiding Principles that will determine the approach to setting priorities when setting balance budgets in the future (Section 7 below and Appendix C)

That Cabinet instructs the Section 151 officer:

- a) Together with the Chief Executive, Leader of the Council and the Portfolio Holder for Finance make representations to MHCLG for further EFS and for further increases in Council Tax above the cap in line with previous applications.
- b) With the support of Service Directors, to prepare indicative budget proposals including savings and future commitment, initially for 2027-28 and then for 2028-29 to 2031-32.

3. Background

- 3.1. The council has a statutory duty to set a balanced budget each year. This requirement remains despite the impacts of reductions in funding in real terms from the Government over a number of years, Council Tax caps, increasing demand across a range of services and especially children's and adults social care, short- and longer-term economic pressures.
- 3.2. The Council are seeking to meet that duty and in order to do so have will needed to seek approval from Government have approval to a further year of for retrospective EFS for 2024-25 and 2025-26 which has been approved by them. A further application has been made for 2026-27 and this has been given provisional agreement by MHCLG subject to an independent review commissioned by them in February 2026.2027-28. This review was undertaken by CIPFA between April and May 2026. The results of this review are expected imminently.
- 3.3. The CIPFA review focused especially on the assumptions used by the Council in assessing the application for EFS in 2026/27 and the bases for EFS needs in future years. These were set out in budget reports to Cabinet and Council in February 2026. The intention to update these assumptions had previously been scheduled and the outcome of any changes are reflected in this report.
- 3.4. The CIPFA review was also keen to understand the Council's response to recovery and regaining a financially sustainable position, this included special interest on the Council's approach to income generation, council tax, asset disposal and the impacts of delivering statutory services to a minimum level in order to help reduce costs. In general, all lines of enquiry were focussed on minimising the Council's requirement for EFS.
- 3.5. The importance of reducing the call on EFS refers especially to the fact that it represents permission to borrow to fund what otherwise be ongoing revenue costs. Such borrowing incurs costs in order to repay principal on the loan over 20 years plus the payment of interest on the debt, all chargeable to the Council's general fund and therefore a weighting on Council Tax.
- 3.6. This means that at current costs of borrowing (c 5.6% interest rate through the Public Works Loans Board) £1m of borrowing represents additional annual costs of approximately £85,000. In 2025/26, the Council required an actual drawdown of £61m. While this was around £9m less than originally requested, this still represents annual debt financing costs of around £5m per annum for the next twenty years. Hence the need to minimise the EFS requirement and to prioritise the use of other resources to minimise these costs that would otherwise be needed to support front line service delivery.
- 3.7. This report also sets out a Financial Sustainability and Recovery Strategy stretching beyond 2026-27, budget planning arrangements for the future and some budget guiding principles to be followed in setting challenging budgets in years ahead.
- 3.8. By way of further background in September 2025 the Council declared a financial emergency. This was necessary in the context of serious projections to overspend

against the agreed revenue budget in 2025-26 and a continuing call on the use of general fund reserves and balances.

- 3.9. Savings included in the base budget for 2025-26 were not being fully achieved and demand pressures on adults and children's services continued and had not been fully budgeted. Additionally, costs of the voluntary redundancy scheme needed to be accounted for, transformation targets may be considered to have been over ambitious, detailed plans were not in place to achieve the savings estimated and a number of capacity issues will have constrained efforts to contain costs.
- 3.10. As a consequence and given the limited reserves and balances available to the council, representations were made to MHCLG for EFS, the normal approach now taken by Local Authorities in financial stress. Approval was granted for up to £71m in 2025-26 to both counteract the adverse budget variations and to underwrite the write off of capital costs of £32m undertaken on the now cancelled Northwest Relief Road project.
- 3.11. Of the approved EFS for 2025/26, the final call was £61.9m thereby reducing the need for capital financing costs of close to £10m.
- 3.12. For 2026-27, a further request to MHCLG for £121m was made, necessary to restabilise the council's budget, to fill the structural deficit that had been created for adults and social care, to allow unachievable savings to be removed from the base budget. and to account for further growth in demand and costs, set aside new savings to be identified of £5m. Ultimately, without this EFS, the Council will have been unable to set a balanced budget for the year and a s114 notice would have needed to have been issued by the s151 officer.
- 3.13. In addition, allowance was also made for additional debt financing costs to pay for the borrowing costs arising from EFS. The request also accounted for the proceeds generated from the Government's agreement for the Council to increase Council Tax at 4% above the 2.99% cap.
- 3.14. This request was approved in principle by MHCLG subject to a further independent review of Council finances as set out above.
- 3.15. This report now concludes a funding gap in budget for 2027-28 of between £125m and £82m, with a most likely gap in the region of £99m. The range of forecasts is wide which is consistent with the prudence required when reducing council budget requirements, making efficiencies and continuing to provide statutory services provided to residents to at least minimum levels. This compares with an estimated requirement of £123m reported to Cabinet / Council in February 2026.
- 3.16. The report outlines the main funding sources for the council which are:
 - Settlement Funding Assessment (SFA) and Revenue Support Grant (RSG)
 - Core revenue grants
 - Council Tax
 - Sales, fees and charges
 - Exceptional Financial Support (EFS)

- 3.17. All assumptions have been reviewed and revisions made to the key component parts for pay and inflation, demand growth and debt financing. Grant funding was set as part of the final three-year local government settlement in January, so no changes have been made with the exception of increasing the level by inflation under a best-case model. A further MTFP will be reported to Cabinet in October and supported by further developed evidence across all assumptions including the Council's success at remaining with 2026-27 budget allocations.
- 3.18. The report sets out an approach for the budget process for 2027-28 that takes account of the above and the requirement to identify savings options that fit within the overall policy and financial framework, aligning resources to the council's key priorities and with regard to the emerging pressures.
- 3.19. At this stage there are a great many assumptions and uncertainties, and the financial and economic conditions are continually changing. The Council will continue to face demands and pressures on our services, from the cost-of-living crisis and additional support for the most vulnerable, social care and homelessness.
- 3.20. Despite these challenges the Council remain committed to delivering services for our residents and ensuring it supports the most vulnerable in line with the Shropshire Plan.

4. Summary of Main Proposals

- 4.1. The updated MTFP, on the basis of revised assumptions and alignment to the Financial Sustainability Strategy, sets out a revised EFS requirement for 2026-27 of c £87m. This is approximately £34m less than the sum approved in principle in February of £121m. The main focus of this review has been on 2026/27 and 2027/28 at this time.
- 4.2. For 2027/28, this MTFP identified a revised gap of c £99m, again some £24m less than identified February 2026. For 2028/29, the estimated EFS requirement has reduced by c £26m to c £121m. The main reasons for these changes arise from:
- A revised strategy for the recovery of the Council's General Fund Balance to a targeted £35m over a longer period;
 - A review of assumptions for inflation and pay
 - The inclusion of known new commitments not known at the time of preparing the previous MTFP
 - A review of estimates for future fees and charges
 - A revised assumption of the scale and timing of the use of capital receipts from the Council's asset disposals plan to help reduce the call on EFS
- 4.3. Assumptions for demand growth, transformation costs and savings have not been changed at this time but will be reviewed through regular budget monitoring throughout the year, budget proposals received and evidenced over the summer and will form part of the further MTFP refresh presented to Cabinet in November. External government funding is also unchanged on the basis of announcements made as pay of the ongoing funding settlement received earlier in the year and included in the previous MTFP.
- 4.4. The Council Band D Council tax for 2026/27 financial year is £1,969.09. The Council has the opportunity to make an application to MHCLG to increase the rate of Council Tax over and above the 4.99%. The best case most likely model includes an increase

of 8.99% which would bring the band D Council Tax to £2,146.11. The Table below illustrates where Shropshire would rank against statistical neighbours assuming all increase their Council Tax by 4.99%.

TABLE 1

Statistical Nearest Neighbours	Increase 2026/27 %	Council Tax 2026/27 £	Estimate 2027/28
Northumberland	4.99	2,382.00	2,500.86
Stockport	4.99	2,179.65	2,288.41
Sefton	4.99	2,164.58	2,272.59
Isle of Wight	4.99	2,103.77	2,208.75
Cornwall	4.99	2,086.36	2,190.47
Wirral	4.99	2,081.37	2,185.23
Wiltshire	4.99	1,981.15	2,080.01
Cheshire West and Chester	4.99	2,076.79	2,180.42
Herefordshire	4.99	2,067.63	2,170.80
Shropshire	8.99	1,969.09	2,146.11
BCP	6.74	1,980.46	2,079.28
Cheshire East	4.99	1,975.95	2,074.55
East Riding of Yorkshire	4.99	1,964.47	2,062.50
North Somerset	6.99	1,954.57	2,052.10
Bath and Northeast Somerset	4.99	1,914.03	2,009.54
Average		2,058.79	2,166.78

4.5. The table below sets out the current high level MTFP, including a revised 2026-27 position which is entirely dependent upon delivery this year's budget on target, the best, worst and most likely assumptions for 2027-28 and a current view on 2028/29. Appendix D sets out more details on the budget assumptions which underpin the numbers in the table below

TABLE 2

	2026-27	2027-28			2028-29
	£m	Worst £m	Likely £m	Best £m	£m
Revenue Support Grant	70.50	77.47	77.47	79.02	70.20
Business Rates Baseline	60.45	61.34	61.34	61.34	62.55
Business rate - collection fund (-) surplus/deficit	0.00	-1.68	-1.68	0.00	0.00
Settlement Funding Assessment	130.95	137.13	137.13	140.36	132.75
Improved Better Care Fund	14.64	14.64	14.64	14.64	14.64
Children's Services Grant	2.87	2.87	2.87	2.87	2.45
Homelessness Grant	2.63	2.67	2.67	2.67	2.70

	2026-27	2027-28			2028-29
	£m	Worst £m	Likely £m	Best £m	£m
Specific Grants	252.05	252.17	252.17	252.17	252.48
Internal Recharges	11.37	11.37	11.37	11.37	11.37
Other Grants	45.16	45.16	45.16	45.16	45.16
Government Grants	328.71	328.88	328.88	328.88	328.80

Total Government Funding	459.66	466.01	466.01	469.24	461.55
Increase in Fees & Charges	104.98	104.98	105.99	106.66	104.98

Council Tax					
Council tax baseline funding	239.94	234.13	248.62	248.62	263.64
MHCLG Permission for 4% additional CT	0.00	0.00	0.00	9.69	0.00
Council Tax Reduction Scheme	0.00	-2.00	-1.00	0.00	-1.00
Council tax - ASC precept	0.00	5.81	5.81	5.81	6.16
Council tax - collection fund (-) surplus/deficit	-2.45	-1.00	0.00	0.50	0.00
Business Rate Growth	0.00	0.00	0.00	0.00	0.00
Council Tax and Business Rate Growth	237.49	236.94	253.43	264.62	268.80

Total Resources	802.13	807.93	825.43	840.52	835.33
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Prior Year Budget	821.91	889.41	889.41	889.41	924.24
Inflation					
Pay Awards	7.39	7.56	6.48	5.40	7.85
Pension	-7.08	0.55	0.55	0.55	0.56
Contractual Inflation	14.58	14.45	14.45	14.45	14.85
Commitments & Contingency:					
Growth and Commitments	51.51	12.12	12.12	12.12	11.28
Other Budget Pressures	6.78	0.74	0.74	0.74	-0.05
Debt Financing (approved programme inc. EFS)	12.97	11.32	8.61	8.61	8.08
Grant Changes	-60.12	0.17	0.17	0.17	-0.08
Invest to save	15.00	0.00	0.00	0.00	0.00
ITS Adjustment	-5.00	0.00	0.00	0.00	0.00
MTFP Reserve	13.22	0.00	0.00	0.00	0.00
Reserve Adjustment	-32.68	0.00	0.00	0.00	0.00
Financial Risk Adjustment	5.00	0.00	0.00	0.00	0.00
Feasibility Study	2.00	0.00	0.00	0.00	0.00

	2026-27	2027-28			2028-29
	£m	Worst £m	Likely £m	Best £m	£m
Technical Adjustments	7.36	0.00	0.00	0.00	0.00
Budget Before Savings & Efficiencies	852.84	936.33	932.54	931.46	966.73
Savings					
Other savings	-2.34	0.00	0.00	0.00	0.00
Savings reversed	43.47	0.00	0.00	0.00	0.00
New Savings	-4.56	-5.00	-10.00	-10.00	-10.00
Transformation Savings	0.00	0.00	0.00	0.00	0.00
Total Savings	36.57	-5.00	-10.00	-10.00	-10.00

Total Budget	889.41	931.33	922.54	921.46	956.73
<i>Total New Growth</i>	0.00	1.70	1.70	1.40	0.00
Total Budget including New Growth	889.41	933.03	924.24	922.86	956.73
Total Shortfall to be supported by EFS	-87.28	-125.10	-98.81	-82.34	-121.40

5. Financial Sustainability and Recovery Strategy

- 5.1. The Council is committed to restoring financial stability and ending reliance on Exceptional Financial Support (EFS) from Government at the earliest opportunity. The Financial Sustainability and Recovery Strategy set out in this report outlines a comprehensive, medium-term approach to this challenge.
- 5.2. It recognises the financial emergency facing the Council that these are exceptional times which will require the highest standards of governance associated with pace and innovation. It notes that during the period of recovery, there may be occasions or events where exceptional decisions may be required that would not be either necessary or preferred under normal conditions.
- 5.3. The strategy is aligned to the Council's wider Improvement Plan. Primarily, it focuses upon rebuilding and strengthening organisational capacity and capability. It brings together a coordinated set of actions and programmes to reduce costs, manage demand, and improve efficiency across services, while enhancing income and financial resilience.
- 5.4. Central to this strategy is a balance between transformation, prudent financial management, and long-term investment choices, ensuring that the Council can deliver sustainable, high-quality services for residents while addressing current and future fiscal and demand pressures.
- 5.5. The strategy also has close regard for a number of previous external and internal audit recommendations, also addressed within the Council's Improvement Board. Statutory recommendations made by Grant Thornton in 2025 are tackled through a combination of a number of components included within the strategy and will be afforded the highest

priority, including financial monitoring arrangements and the provision of statutory services at the minimum viable cost.

- 5.6. The Council will continue to proactively seek internal and external challenge, and sector-led support to strengthen the proposals and plans required to deliver the strategy – including internal audit, Improvement Board, peer review and specialist support.
- 5.7. The detail of this Strategy is set out in Appendix A of this report and, subject to Cabinet approval will be presented for consideration by the Council's Improvement Board. Officers are already working to the principles underlying the strategy given the pace and direction required in response to the Financial Emergency declared in September 2025.
- 5.8. The strategy will be subject to continual review in the context of existing and emerging Council priorities. At all times the key priority will be to enable the Council to set a legally balanced budget within the resources available while maintaining adequate levels of reserves and balances as determined by s151 Officer.

6. Budget Planning Arrangements

- 6.1. In order to support the Financial Sustainability and Recovery Strategy, there has been a need to reaffirm arrangements for an enhanced budget planning process. From this MTFP report, officers will be asked to continue to create proposals for consideration for inclusion in the 2027/28 budget to be agreed by Cabinet and recommended to Full Council in February 2027.
- 6.2. Not least, these proposals will need to identify savings across the Council of at least £10m which have already been accounted for in the MTFP in 2027/28. Any proposals for new demand growth, new burdens and pay and price increases will also be received but will need to be contained with working assumptions as set out in the MTFP, mindful of the need to review these assumptions again as the MTFP is further refreshed in November. Proposals for revised fees and charges will also need to be considered.
- 6.3. Critically, challenges will be made to all budget proposals presented by statutory officers and especially the Chief Executive as Head of Paid Service and the s151 Officer. There will be a working assumption that all proposals will be legal and that statutory responsibilities will be maintained.
- 6.4. The details of all recommended proposals will be reported to Cabinet as soon as November 2026, although these are unlikely to be complete by that time as plans and financial modelling are completed.
- 6.5. The timeline the budget planning process is set out in Appendix B, including details of the recently created Budget, Transformation and Change Panel.

7. Budget Guiding Principles

- 7.1. Given the very difficult financial circumstances facing the Council, a different approach is proposed to the budget process. This involves the statement of budget guiding principles that help direct the way in which decisions are taken in a consistent, open and transparent way.

- 7.2. These 'Budget Guiding Principles are set out in Appendix C. They align with the Financial Sustainability and Recovery Strategy but confirms the priority to protect the most vulnerable who require statutory support from the Council regardless of their age, sex, race or disability.
- 7.3. Subject to the agreement by Cabinet to these principles, they will act as clear guidelines to budgets set by the Council in months and years ahead.

8. Council Priorities

- 8.1. A new Corporate Plan for 2026-2030 was approved by Cabinet and Full Council in May 2026. The Plan summarises the priority ambitions the Council will focus on – including the ambition to be a Council that is financially sustainable, with clear priorities and purpose, and a workforce that is supported to excel. The Medium-Term Financial Plan and Financial Sustainability and Recovery Strategy are key enablers of achieving that ambition.

9. Financial Implications

- 9.1. There are no financial implications arising directly from this report although it importantly sets out the current estimated gap between resources required to balance the Council's budget for 2026-27 and beyond on the basis of current assumptions.
- 9.2. Importantly, the report sets out a Financial Sustainability and Recovery Strategy to guide the Council through to a point where EFS will no longer be required. It is noted that this will take a number of years given the scale of the budget shortfall. The report also includes a draft set of Budget Guiding Principles that will need to be referenced in establishing future budgets reflecting components such as the need to sustain statutory minimum service levels, value for money and in line with Council priorities.
- 9.3. A further update of the MTFP will be reported to Cabinet in November and this will form the basis of submitting future requests for EFS from Government. It is expected that this report will include an update on the progress being made in delivering council services in 2026-27 within budget, initial proposals for budget savings in 2027/28 and the impact of transformation programmes in 2027-28 and beyond. The report will review again the current assumptions for pay, inflation and growth and any potential variations to the multi-year local government funding settlement set earlier this year.
- 9.4. The report has fully reviewed the original MTFP assumptions included as part assumed as part of the February budget report. As a consequence, and subject to delivering the realigned 2026/27 budget on target and to working in line with the standards set out in the Financial Sustainability and Recovery Strategy, the call on EFS is estimated to reduce from £121m to £87.0m in 2026/27; and from £123m to £99m in 2027/28.

10. Legal and HR implications

- 10.1. Any legal implications are set out within the body of the report.

11. Electoral Division Implications

11.1. None

12. Health, Social (including “Child Friendly Shropshire”) and Economic Implications

12.1. The strategies outlined in the Children’s Transformation programme directly support the realisation of a ‘Child Friendly’ Shropshire as we endeavour to ensure children and young people have a voice that is heard, any support is provided as early as possible as close to their home as possible, so that we aim to keep families stable and able to thrive.

13. Equality and Diversity Implications

13.1. There are non-equality and diversity implications arising directly from this report although subsequent budget decisions will require impact assessments.

14. Climate Change, Biodiversity and Environmental Implications

14.1. There are no climate change, biodiversity and environmental implications arising from this report.

15. Background Papers

15.1 Draft 2026/27 General Fund budgets and Medium Term Financial Plan 2026/27 – 2030/31 – Council, 26 February 2026

16. Appendices

Appendix A – Financial Sustainability and Recovery Strategy

Appendix B – Budget Planning Arrangements

Appendix C – Budget Guiding Principles

Appendix D – Budget Assumptions

APPENDIX A

FINANCIAL SUSTAINABILITY AND RECOVERY STRATEGY

2027-28 to 2031-32

Introduction

The Strategy combines transformation programmes, asset rationalisation, income maximisation, and strengthened financial management to reduce reliance on EFS. Key initiatives include redesigning children's and adult services, advancing digital innovation, and implementing a programme to optimise or dispose of property assets.

Additional measures focus on improving tax collection, reviewing council tax levels, enhancing efficiency, rebuilding reserves, and optimising debt and capital expenditure. Alongside these, the Council will continue advocating for fairer government funding and promoting economic growth. Together, these actions aim to deliver a resilient financial position, reduce costs and demand, and secure long-term sustainability for the organisation.

The key components of the Financial Sustainability and Recovery Strategy are:

1. Reserves and Balances Policy

Rebuild and replenish the financial reserves of the Council to prudent levels for a Unitary Authority of the size and complexity of Shropshire with inherent risk for demand, price and government demands, often driven by inspection and to ensure provision that helps mitigate unforeseen budgetary challenges, and financial shocks. This includes:

- Increasing the General Fund Balance to 7.5% of net expenditure within 4 years (currently £5m with a target of £35m)
- Financial Risk, insurance and other reserves to be replenished to levels as considered appropriate by the s151 officer
- Maintenance of an ongoing corporate (base budget) provision of £5m for contingency to mitigate the risk of unforeseen events and financial challenges

2. Asset Disposal Policy and Corporate Landlord Programme

Resets how the Council's property is governed and managed. Following an initial focus to review the current disposals pipeline, a refreshed Asset Management Strategy will be developed, and the assessment, design and implementation of a new Corporate Landlord model. Phase 1 of the disposal pipeline review is now complete. The action plan and disposal completions to date for 26/27 are being consolidated to provide assurance on disposal capital receipts and future disposals. Disposals decisions and rules will be predicated on:

- Any redundant or unused site should be made available at the earliest opportunity

- By default, any ancillary costs for disposal should be transferred to the buyer, including planning and demolition / refurbishment etc.
- Any deviation from this default must have a clear financial business case or measurable benefit
- Maximise the capital receipt to be realised from the asset;
- Minimise the period to achieve that receipt;
- Prioritise early capital receipt over longer term receipts or revenue returns
- Eliminate any capital investment required from the Council;
- Optimise any preparatory or ancillary costs required for disposal
- Minimise ongoing running costs pending the receipt.

3. Maximisation of income generation and collection

Proactive exploration and leveraging of opportunities to strengthen financial sustainability by maximising the Council's income generation and collection – including:

- Maximising fees and charges – in line with our fees and charges policy - and ensuring they represent full cost recovery wherever possible.
- Increase in income collection performance – including council tax and business rates – utilising investment already made in additional Revenues and Benefits staff capacity

4. Value for Money from Council Companies and Traded Services

Review the performance of traded services and commercial ventures, ensuring full cost recovery, maximisation of income potential and returns, and assurance of revenue implications of existing and potential loan and other contractual agreements.

5. Council Tax

Commitment to increase to maximum capped levels and preference to make additional increases over and above the permitted cap subject to Government agreement. An increase in council tax provides a stable and recurring source of income, helping to close budget gaps and reduce reliance on Exceptional Financial Support. It strengthens the Council's financial resilience by funding essential services, supporting investment in prevention and transformation, and contributing to long-term financial sustainability

6. Service Transformation, Change and Efficiency Programme

Driven by the 'future council' principles the programme and its various projects focus on prevention, demand management and modernisation to mitigate future demand growth and reduce the cost of services:

- Children's Services Transformation: The programme provides an integrated response to national reforms (Families First Partnership, SEND, Youth Transformation and Best Start in Life) and shift the system upstream towards early intervention and prevention to reduce avoidable escalation into acute services and embed early support to improve the outcomes for children, young people and families. The report outlines two financial

scenarios to illustrate the investment and savings from implementing the transformation programme. The realistic case outlines a position of c.£8m investment (in addition to the Government ring fenced grants) over 4 years commencing in 27/28 to deliver an anticipated saving of £21m. In addition to this, the report notes the financial impact of growing demand for SEND services and the cumulative impact on the Dedicated Schools Grant (DSG). The Local Area SEND Reform Plan was submitted to the DfE by the required deadline to access the 90% High Needs Stability Grant that would cover 90% of the cumulative deficit accrued to the end of the 2025/26 financial year, which would be worth c.£41m to Shropshire. A report to Cabinet on 10/06/26 provides further details: [Update on the Children's Services Reforms](#)

- **Adults Social Care transformation:** This will be a large-scale transformation programme with the development of a new strategy and operating model. As part of the plan, a number of projects as part of a broader programme are currently underway including the Community Independence Pathway, optimal care, and reviews of in house provider services and the ISF programme. These are anticipated to help reduce expenditure or avoid demand of up to £6m over the next three years. Further development is needed for the programme into 2027 / 2028 onwards and therefore we have approved the commissioning of an external diagnostic to define the expanding programme into the next two to three years. The programme has a key focus on prevent, reduce and delay and there will be a review of how we provide flexible options to support people including complex needs. Areas of focus and opportunities for cost avoidance and savings will be presented to Cabinet in October.
- **Digital Transformation:** A range of projects that enable more efficient, secure, and predictive services that cost less to provide. Driven by national strategies including Central Digital and Data Office (CDDO) and Department for Science, Innovation and Technology (DSIT), and MHCLG guidance and standards. A number of the priority projects in the programme will enable the transformation of Children's and Adults Services (see above) to achieve savings and enable organisational efficiencies. A report summarising the programme will be presented to Cabinet on 5th August 2026.
- **Service Reviews:** We will also undertake reviews of key services across the Council to ensure financially sustainable delivery. These include, for example, our library and cultural services, our housing allocation policy and our homelessness prevention provision. Timescales for bringing these to cabinet are outlined on the forward plan.
- **Organisational improvement and efficiency:** In line with our Improvement Plan (programme 7), we will continue to improve internal business processes to reduce the need for staffing increases. Greater productivity and efficiency will help embed previous 'resizing' changes that were implemented and ensure services continue to meet required standards, outputs and outcomes. Delivering on the ambitions set out in the [People Plan](#) will ensure our staff are supported and enabled to excel

7. Strengthened financial management policy and practice

In line with our Improvement Plan (programme 2 and 3), we will:

- Continue to strengthen how finances are managed in-year through more robust monitoring and forecasting – mitigating any financial shocks and overspends and ensuring the Council stays within its budget – ‘living within its means’.
- Improve procurement, commissioning and contract management to secure better value for money from external spend, reduce unnecessary costs, and a focus on minimal viable levels of provision. By managing contracts more effectively, challenging demand, and leveraging purchasing power, the Council can contain expenditure, avoid overspend, and deliver efficiencies.
- Key approaches to ensure realism and robustness in budgets and savings proposals including:
 - i. Budget and Business Planning: A structured data-led challenge approach that focuses on value for money, understanding cost of delivering minimum viable services, the demand driving our current and future expenditure will help ensure realistic and robust budgets are developed, and identify opportunities driven by the ‘future council’ principles to reduce costs, transform services, and generate savings or income.
 - ii. Budget, Transformation and Change Review Panel: ensures all proposals for change and savings are strategically aligned to council priorities and deliver clear value for money. Through robust challenge and governance, it assesses investment requirements, return on investment, and risks, while embedding strong benefits realisation and monitoring. This approach supports informed decision-making, maximises impact from limited resources, and strengthens overall financial sustainability.

8. Debt Financing Optimisation

Treasury management optimisation of the Council’s debt portfolio through prudent treasury management, including reviewing borrowing structures, refinancing opportunities, and the timing of new debt. Reviewing the cost to fund DSG deficit and forecasting the additional interest to be achieved following 90% DFE deficit funding. This will minimise financing costs, manage exposure to interest rate risk, and ensure borrowing is aligned with the affordability of the capital programme, supporting overall financial sustainability and reducing pressure on revenue budgets

9. Reviewing and rationalising the capital programme

Annual Capital Programme reviews – to ensure the programme is rigorously prioritised in line with legal requirements, health and safety obligations, and minimum statutory needs, while also challenging the affordability, phasing, and deliverability of schemes. These reviews will support improved capital discipline, redirecting resources towards essential investment, reducing borrowing

requirements where possible, and ensuring that capital expenditure aligns with the Council's financial recovery objectives and long-term sustainability

10. Fair Government funding

Continue to make a robust, evidence-based case for increased Government funding, with an aim of ensuring future settlements better reflect the rurality and demographics of Shropshire. This will be supported through strengthened public affairs activity, active engagement with the Local Government Association (LGA), and collaboration with regional and national stakeholders to influence policy and funding decisions.

11. Inclusive Growth Strategy

Economic growth is a key enabler of financial sustainability, expanding the council's revenue base through business rates, council tax, and fees, while also helping to reduce long term demand on council services by addressing the underlying drivers of need – such as an ageing population, rural isolation, limited public transport connectivity, lower average wages, skills shortages, housing affordability challenges, and health inequalities linked to dispersed communities.

An inclusive growth strategy is due to be commissioned in autumn 2026, to set the Council's approach to growing the local economy and enable the delivery of key initiatives, as mentioned above. The strategy will identify a framework that leverages external and private funding that reduces the call on Council resources. It will also build on the Council's strategic partnerships, including the Marches Forward Partnership, to drive growth across rural, cross-boundary economies, maximise shared resources and external funding and reduce duplication.

APPENDIX B

BUDGET PLANNING ARRANGEMENTS

Budget and Business Planning approach:

A structured data-led and corporately facilitated approach that focuses on value for money, understanding the cost of delivering minimum viable services, and the demand driving our current and future expenditure. The process helps ensure realistic and robust budgets are developed, and identify opportunities driven by the 'future council' principles to reduce costs, transform services, and generate savings or income.

Key principles that underpin the approach to be rolled out over the summer of 2026 are:

- Corporately supported to ensure an objective and consistent approach across the organisation
- A facilitated budget challenge session during the summer with each Service Director and their management team, informed by an information and data pack co-produced by both the service area and corporate services (finance, HR, strategy)
- 'Budget Challenge Meetings in early autumn to run-through draft budget build, agree growth and savings, etc.
- Outputs that will inform a business/service plan and the development of budgets for 2027/28, and proposed opportunities for transformation and savings (and/or income)
- A focus on future challenges and context, as well as current budgets

The approach will involve activity and meetings throughout the year, but there will be three key rounds of facilitated discussions and engagement meetings to inform budget and business plan development:

1. July-September - Budget Development Meetings held with each Service Director; and their senior teams; structured and facilitated sessions, chaired by the Chief Executive and s151 Officer. The meetings will involve a scrutiny panel comprising members of the Leadership Board
2. October and December: Budget Challenge Meetings held with each Service Director to receive detailed budget proposals and to agree savings, growth and pay / price, disposals, etc.
3. March: Business/Service Plans presentation day - each Service Director presents draft plan to Leadership Board

Budget, Transformation and Change Review Panel:

The Panel ensures all proposals for change and savings are strategically aligned to council priorities and deliver clear value for money. Through robust challenge and governance, it assesses investment requirements, return on investment, and risks, while embedding strong benefits realisation and monitoring. This approach supports

informed decision-making, maximises impact from limited resources, and strengthens overall financial sustainability.

The Panel considers:

- All proposals for utilising and 2026/27 budget growth – so we know the benefits to be realised from the investment made
- All transformation and change proposals – so we know what the organisation needs to invest (transformation funding) and support/enable (PMO, enabling services, digital), and what the return on investment will be (e.g. savings, payback period)
- All grant funding opportunities that we are proposing to bid for/pursue – so we can check alignment with strategic priorities, clarify cost to the council, and any investment needed

The process is about:

- Knowing how our budget is being spent and why
- Understanding what capacity and resource is required to deliver transformation and change
- Having clear benefits identified that we can then monitor
- Having a clear rationale for bidding for external funding
- Recording all of this in a comprehensive register

APPENDIX C

BUDGET GUIDING PRINCIPLES

Our budget principles will be:

- To commit to our Financial Sustainability and Recovery Strategy
- To provide full access to scrutiny from all stakeholders including MHCLG, our Improvement Board, our peers and our own formal constitutional vehicles such as Audit and Governance Committee and Finance and Improvement Scrutiny Committee
- To be fully responsible guardians of public finances and when possible, plan ahead by developing a detailed longer-term budget.
- To rebuild and make prudent use of our financial reserves and balances to support the budget to enable the smoothing of impacts over time.
- To minimise as far as is possible any demand for Exceptional Financial Support to reduce the overhead created by debt financing costs
- To commit for the foreseeable future to increasing Council Tax and the social care precept to the maximum capped amount and to accept any additional flexibility offered by MHCLG
- Raise income to optimised levels and seek to maximise these in line with other councils to ensure that resources are available to deliver our statutory commitments
- At a time of unprecedented uncertainty, the budget will continue to prioritise the promises we made in the corporate plan council plan and will seek especially to protect services for the most vulnerable.

To achieve this, we will:

- be open, honest and accountable in all of our financial affairs.
- spend money as if it were coming from our own pocket.
- Place value for money at the heart of the budget, ensuring that our staff and understand our financial position and our contractors in line with their contractual commitment to us.
- Take every opportunity to transform and change our working practices and make ourselves both modern and more efficient.
- Assign full officer and portfolio holder accountability for every component of the Council's budget.

- Manage our assets efficiently to prioritise disposal of those which are redundant in line with the stated requirements in our Financial Sustainability and Recovery Strategy.
- Seek to find new and alternative ways of providing services more efficiently and effectively by working jointly with the health sector, the voluntary sector, local businesses, towns and parishes, other local authorities and other partner organisations.
- Generate additional income by regularly reviewing fees, charges and contributions.
- Ensure that our commercial services are profitable which may include the introduction of charges for some discretionary services that may currently be free.
- Consider that some of our current services may need to stop and others may have to be delivered differently or reduced.
- Conduct any consultation necessary on the tough choices, making these clear with any specific group, groups of users or staff who may be affected by any reduction or significant change in service provision at the earliest opportunity and if necessary explore with them other ways to provide the service.
- Conduct an equalities impact assessment for our budget proposals.
- Ensure that climate emergency considerations are properly assessed for all relevant budget options.
- Consider that a reduced budget may inevitably mean changes in the size and composition of our workforce; at all times, staff will be treated with respect, and all will be done to retain staff through redeployment and retraining and when necessary, we will seek to assist staff leaving the council.

APPENDIX D

Budget Assumptions

The budget assumptions are based on best estimates however, a detailed review on budgets and all assumptions will take place over the summer and further refinements will be made and reported in the Autumn.

Income

Revenue Support Grant – MHCLG announced a three-year revenue support grant settlement which has been included within the MTFP as the most likely RSG to be received. The best-case models an additional 2% which may be received representing inflation on the 2026/27 settlement.

Business rates – Business rates baseline has increased by 1.47% and a reduction of £1.68m has been applied which represents a reduction in the business rates collection in 2026/27. This reduction impacts the next financial year. If collection rates improve the best case would be to remove the £1.68m and recover business rates as set out in the 2026/27 budget.

Government Grants- The assumption is all government grants will remain at 2026/27 levels, in accordance with current notification as part of the settlement.

Fees and Charges – The MTFP presented to Cabinet in February assumed zero uplift to fees and charges. The updated MTFP assumes 3% for most likely and 5% for the best case. The uplifts have excluded non-discretionary income (e.g. statutory fees and charges) as the Council does not have control over any type of increase or freeze that is applied to these budgets. No uplift has been applied to traded services given they are required to fund any inflationary increase in costs through their income targets.

Council Tax – The most likely model includes Council Tax increase and the maximum amount of 2.99% plus social care 2%. The best case includes an additional increase of 4% which if proposed, will need to be approved by MHCLG. There is also the option to increase above 4%.

Council Tax Collection –The most likely model assumes council tax collection rates will be in line with the approved budget, although actual collection may be higher or lower. The worst-case model assumes a £1m under-recovery, while the best-case model assumes a £0.5m over-recovery.

Expenditure

Pay Award – The pay award has been included at 3.5% as the worst-case model, 3% most likely and 2.5% as best case.

Contract Inflation – Contract inflation has been calculated using the terms of each contract. The average increase is 3.78%, although this varies across contracts.

Growth – Growth of £12.9m was established as part of the MTFP presented to Cabinet February, the majority of which relates to Children’s service and Adult Social Care.

Debt Financing – The assumption of £8.61m for debt financing includes the cost of borrowing for Exceptional Financial Support and funding the Capital Programme. The worst case of £11.32m assumes borrowing to fund the approved level of Exceptional Financial support of £121m as set out in the budget, however the revised proposal to reduce the level of transfers to reserves in 2026/27 by £32.68m to £10m would reduce the cost to £8.61m.

Emerging Pressures – The MTFP includes £1.7m of newly known pressures. A detailed review of all pressures against growth and inflation currently in the plan will take place over the coming months and the MTFP will be updated accordingly to reflect agreed changes and presented to Cabinet in the Autumn.

Savings – The savings assumption for 2027-28 was established in February at £10m and this remains and will be achieved as a minimum target, including savings arising from transformation

Assets Disposals Programme – Currently all anticipated asset disposals are included as funding for use against the Capital Programme. A full review of the disposal programme is underway, and it is likely that the value and timing of some disposals will vary. Additionally, as a refreshed programme is created, there will be a need as set out in the Financial Sustainability and Recovery Strategy to reset disposal values against EFS requirements, thereby reducing the need to borrow. Impacts on the affordability of the capital programme will need to be reassessed. These issues will be covered in detail in the MTFP update in the Autumn once reviews have been completed.