

**Committee and Date**Cabinet
13th December 2023

Item

Public



Proposed Financial Strategy 2024/25 – 2028/29

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Cabinet Member (Portfolio Holder):	Cllr Gwilym Butler, Finance, Corporate Resources and Communities		

1. Synopsis

The Council's MTFs has been updated to reflect latest estimates. These increase the overall estimated budget pressure next year to £49.8m, largely driven by social care demand and price inflation. This report sets out how that will be addressed and how the savings achieved in the current year will be consolidated.

2. Executive Summary

- 2.1. The estimated budget gap for 2024/25 is £49.8m. This report sets out how that is comprised, and the measures proposed to manage that position effectively, whilst maintaining and improving the valued services we provide for our residents.
- 2.2. The most recent reporting for the current year has indicated exceptional performance against the spending reduction targets we set ourselves – an expected delivery to the value of £38m¹, with further progress anticipated by the end of the year. (Without this work, the financial challenge next year would be far higher.) However, the current year is also seeing significant budgetary challenge arising through social care demand.

¹ [Q2 finance report 2023-24](#)

2.3. In common with other Councils, we are anticipating that social care demand will continue to be a pressure in the coming year, worsened by inflationary pressures arising from wage pressures (not least the national living wage increases) linked to the knock-on impact as current year contracts are uplifted for inflation factors (commonly CPI at September or October, applied from the next April).

2.4. The pressures faced in the coming year are estimated to amount to £49.8m, summarised as:

- General inflation and general budget pressures of £25.33m
- Mitigated social care pressures (including demand pressures and sectoral inflation) of £24.48m

These values are also set out in the table below, with further analysis of how they are made up.

	£m	£m
2024/25 Funding Gap as per March 2023 MTF5		1.10
Taxbase Revision		1.49
Inflation pressure		12.27
Unachievable savings 23/24 - growth requested for 2024/25 (i.e. pressures)		3.54
Base budget pressures 23/24 leading to growth bids		4.20
Corporate Unachievable savings 24/25		2.75
Budget pressures before social care and new proposals		25.33
Children's social care pressure estimate	12.96	
Childrens mitigation proposals	-3.00	9.96
Adults social care pressure estimate (24/25)	26.73	
ASC savings unachievable 24/25	4.20	
Estimated additional social care grants	-7.00	
Adults mitigations proposed	-9.40	14.53
Net social care position		24.48
TOM and service reviews	-22.40	
Contract and purchasing management	-15.00	
Income generation	-4.54	
Use of reserves	-7.88	
Mitigations		-49.81
Net position after pressures and mitigations		0.00

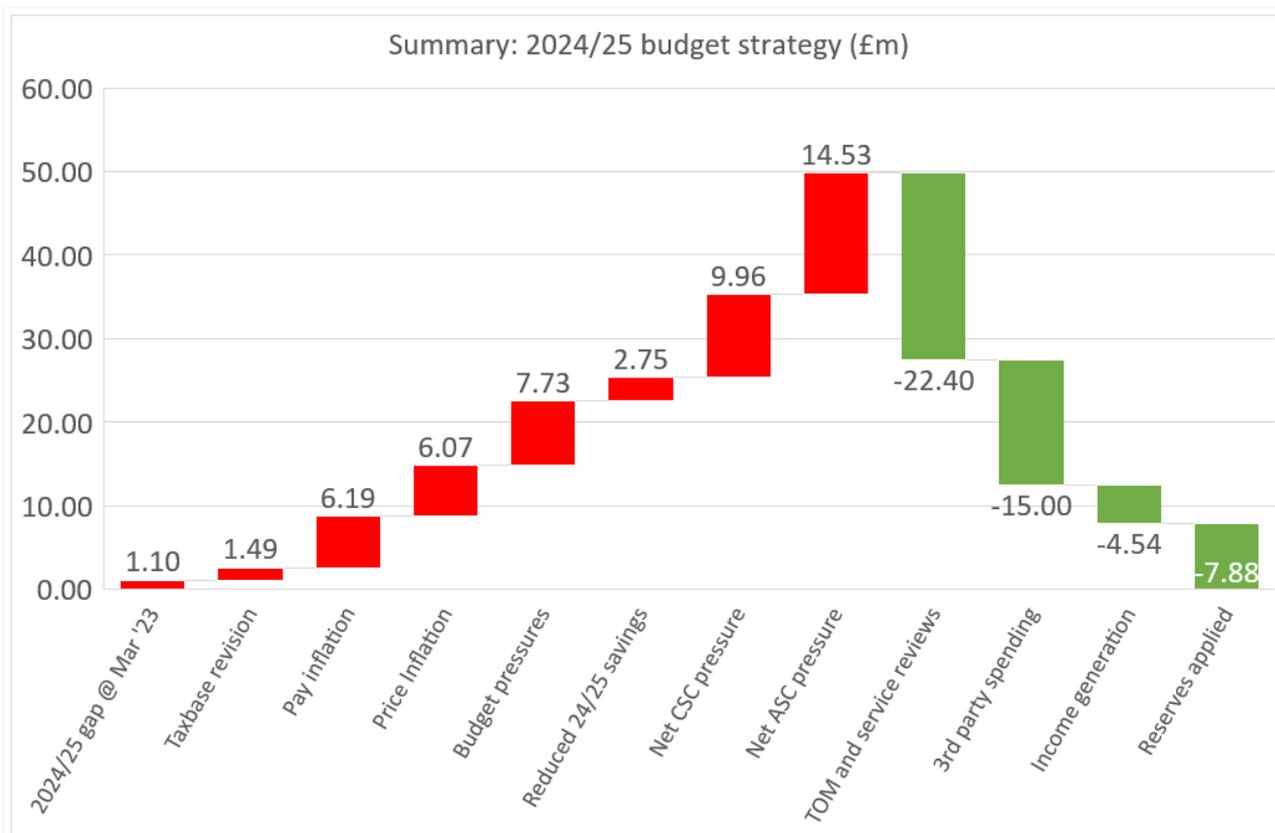
2.5. Measures to manage social care demand pressures focus on meeting needs early and within the community where possible – this is preferred by residents and optimises outcomes for individuals. Ways to achieve this include changes to the engagement with social care providers, increased use of assistive technology, and work to redirect care to home-based delivery (for example, reducing the extent to which we use residential care and promoting domiciliary care as an alternative, where it is safe to do so).

2.6. The need to appropriately safeguard children and adults will not be compromised through these mitigations. Rather, through more efficient and effective processes (measured according to our legal and other responsibilities) together with improved approaches, we will enhance practices while still ensuring we protect our most vulnerable and meet statutorily required levels of service provision.

- 2.7. Tackling the budget pressures that remain will then require an ambitious approach, one which builds upon the progress and learning of the current year.
- 2.8. In outline (but detailed through the attached strategy document), using the overall framework of The Shropshire Plan, we will develop comprehensive service improvement plans which will provide clarity on the right use of the right resources in the right places across the council. These service plans will help articulate how we will implement a consistent organisation-wide transformation programme at service level. The service plans will enable us to target how we can release capacity and costs – balancing reductions in planned spending with clear plans for effective service delivery. This approach will prioritise efficiency improvements, then demand management, then income generation, and then appropriate third-party (supplier) spend, before considering staff numbers and how we ‘right-size’² the organisation.
- 2.9. Great progress has been made through 2023/24 in our financial performance, but services are now at a point where further progress requires targeted support and organisation-wide leadership – it becomes ever-harder to secure savings at a local service level. This revised approach couples challenging budget reduction targets with focussed management support to service delivery teams to help improve service efficiency still further, setting up the Council to deliver essential services in the coming years from a strong financial foundation.
- 2.10. The targeted reductions in spending will be guided by the existing transformation programme and a new strategic operating model for the Council as part of this. Spending reductions will target 10% overall, although this may vary between areas depending, for example, on the ability to raise income. The methodology proposed for 2024/25 is flexible in approach but with clarity in expectations. So while the requirement for a reduction in spending across the Council is absolute, where this falls in terms of service area budgets or types of intervention is flexible.
- 2.11. Together, these approaches are expected to remove £37.4m of estimated spending through service reviews and the ‘target operating model’ (TOM) as well as changes to how we procure goods and services. Doing this in an ongoing (recurrent) way will help to balance the budget throughout the medium term. These are not yet set at a detailed level, instead they will flex depending on the outcome of service reviews. The reviews will not prescribe how savings are to be achieved but will provide a framework to review and monitor the process to ensure that overall savings are delivered effectively. Further detail will be set out in the February budget report.
- 2.12. This report is therefore setting out an approach to safeguard outcomes right through to 2028/29 and beyond. This will require difficult decisions, but – with no indication of changes to overall resources in the coming years and a material change in the costs and expectations on our services, driven by inflation and demand pressures – this is now urgent to protect core Council services including to our most vulnerable children and adults in Shropshire, as outlined in the Shropshire Plan.

² Right-sizing our workforce means ensuring we have the right headcount in teams to deliver the Shropshire Plan. For some teams this will mean additional staff to support objectives for other it may lead to a reduction.

2.13. The report includes details of the outlook for revenue budgets over the next 5 years, for reserves over the next two years, and benchmarking data (based on the most recent national data available), which shows that we are at or above average in most key service areas monitored by government.



3. Recommendations

That Cabinet:

- 3.1. Approve the recommended budget strategy for 2024/25, with council-wide target levels of spending reduction for pay and non-pay, noting that the identified targets are a minimum requirement, and that consideration must be given to exceeding these wherever possible.
- 3.2. Note the focus on improved efficiency in all areas to minimise the resident impacts; and to use sources of customer contact information to identify if and when residents are adversely impacted and what can be done to minimise this.
- 3.3. Note the outlook to 28/29 for revenue budgets and agree the measures proposed to manage within available revenue resources.
- 3.4. Note the reserves position to 25/26 and approve an approach prioritising corporate management of all reserves including replenish general reserves whenever possible, with a target minimum level of £20m.
- 3.5. Agrees the proposed format set out in the appendix to this report for the budget consultation with residents and instructs Officers to proceed with the consultation.
- 3.6. Note the benchmarking information provided.

Report

4. Risk Assessment and Opportunities Appraisal

4.1. In common with many other Councils, this Council is under extreme financial pressure. The management of financial risk is the subject of this report. Key risks and mitigations are set out below.

<i>Risk</i>	<i>Mitigation</i>
Social care demand management measures fail to secure the levels of reduction anticipated	The impact of measures introduced will be reviewed monthly by the Executive Management Team (EMT). Where there are delays or slippage in delivery, or where delivery is not progressing as anticipated, monthly reviews will enable mitigating actions to be identified.
Unplanned use of reserves will further reduce general reserves, reducing the ability of the council to respond effectively to unanticipated shocks.	Rebuilding general reserves levels is a key priority for the EMT, and all opportunities to replenish reserves will be taken.
New inspection and regulation frameworks being implemented by Government, including <ul style="list-style-type: none"> - Ofsted (Children's services) - CQC (Adults services) - SEND (schools and children's services) - Food waste; separation or commingling with other waste streams 	<p>Early corporate awareness of and planning for new inspection regimes.</p> <p>Securing ringfenced (earmarked) provisions to enable remedial actions to be implemented as needed, where these are additional to the available budgets in the affects areas.</p> <p>Ensuring that proper processes are in place to deliver value for money and good governance, as building blocks to securing good inspection outcomes.</p>
Risk of unanticipated reduction in resources from government	The settlement for 2023/24 (the current year) included indicative values for the 2024/25 financial year. At present there is no indication that government will substantially change the indicated values.
Risk of events unforeseen within the budget planning process	<p>Previous years have seen unanticipated events with a material financial impacts (e.g. COVID, invasion of Ukraine).</p> <p>Ensuring an adequate level of general (unearmarked) reserves (e.g. the general fund balance) as set out n this report, provides a 'buffer' which can be used to dampen the impact of such unforeseen events.</p> <p>The s25 assurances provided under statute by the CFO (Chief Financial Officer) as part of the budget report provide further mitigation (these assurances are that the budget for the coming year is prepared with best available information, contains 'robust estimates' and provides for 'adequate levels of reserves' are a further mitigation).</p>

That transformational and spending reduction plans do not deliver cashable savings to the required level.	The track record of delivery for 2023/24 provides considerable assurance that the authority has the necessary arrangements in place to ensure delivery of targets. Additional resources (provided through the Office of the Chief Executive (OCE) and the Project Management Office approach the OCE support) add a further layer of management for this risk.
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5. Financial Implications

- 5.1. The subject of the report.
- 5.2. The report highlights the need to ensure that the resources of the Council are all directed to best effect to meet resident needs. This includes having clear oversight of all spending and managing all budgets within available resources. This is set out in the Constitution and the Financial Rules.
- 5.3. Where possible, the Council must seek to improve efficiency to ensure that as much resource as possible is directed at meeting resident needs.
- 5.4. The proposals in this report set out provision for an estimated 6% reduction in spending on pay and non-pay budgets across the organisation, t
- 5.5. If the proposals of the report are not accepted, it will become increasingly difficult for officers of the Council to effectively provide services to local residents in a timely and responsive way, and alternatives will need to be sought to secure a balanced budget for 2024/25 (required by law).

6. Climate Change Appraisal

- 6.1. The budget for 2023/24 and the March MTFs provided for ongoing resource in support of mitigating climate change, and this is continued in the current update. The impact of climate change across the MTFs is anticipated to be adverse, so appropriate investment will reduce this. This is the basis of the climate change approach taken within the budget setting process.

7. Additional Information

- 7.1. Headline benchmarking –
 - LGInform Oflog indicator set: [Oflog Dashboard Report for Shropshire Council | LG Inform \(local.gov.uk\)](#)

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

Local Member: ALL

Appendices

Appendix 1 : Medium Term Financial Strategy 2024/25 – 2028/29 – December 2023