

**Committee and Date**

Council
27th February 2025

Item

Public



Financial Strategy 2025/26 - 2029/30

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1. Synopsis

This report sets out the financial outlook for the coming year and financial plans to 2030. It builds on cross-party collaboration between senior Councillors and sets out targeted new savings £7.7m and demand mitigations of £11m. It also confirms that £38.1m of savings planned for the current year are now to be delivered in 2025/26.

2. Executive Summary

- 2.1. This report sets out the proposed framework for the Council revenue budget for 2025/26 and the financial plan 2025-30. It also sets out the proposed capital investment plans for the coming 3 years.
- 2.2. The report includes the details published by government as the final Local Government Financial Settlement for 2025/26 and so all the relevant information regarding available resources is now available, updating the report taken to Transformation and Improvement Overview and Scrutiny Committee on 20 January 2025.
- 2.3. The report is updated from that taken to Cabinet on 12 February 2025 to reflect several notable additions:
 - The Council's existing and proposed Transformation Programme, including the application for a Capitalisation Direction in Section 4.5 of the MTFS (Appendix 1)

- The results of public consultation with residents regarding budget proposals are included in Section 9.1 of the MTFS (Appendix 1) and considered in this final report
- The views of the Collaborative Budget Group (a cross-party group enabling input to the budget process from the Leaders of all political groups on the Council) included in Section 9.2 of the MTFS (Appendix 1).
- Implications for the funding of the North West Relief Road project under various scenarios in Section 8 of the Capital Strategy (Appendix 2)

2.4. The funding position for 2026/27 to 2029/30 as set out in this report is uncertain. The attached MTFS sets out estimated resources based on current information. The actual funding to be received, however, will be affected by (i) the spending review ongoing in central government and (ii) the review of local council funding about to be undertaken by MHCLG.

2.5. To set a balanced budget for 2025/26, the following steps have been taken:

- **Savings to the value of £7.7m** have been identified and are proposed for inclusion in the budget. This includes £3.7m of savings previously included for 2025/26 in the budget papers for 2024/25.
- **Demand mitigations of £11m** have been identified. These are factors which will reduce the overall demand pressure in social care, for example as social care clients make contributions to the cost of their care, or government grants can be applied.
- **Savings not achieved in the current year (2024/25)** have been reviewed and revised delivery plans prepared. At the time of publication, these amounted to £38.1m. The savings proposals themselves are largely unchanged and include
 - Reducing staffing costs
 - Reducing spending with our suppliers
 - Increasing income
 - Changing how we work
 - Reducing the buildings used by the council
 - Using automation and technologies to support efficient processes across the council

2.6. Across the period to 2029/30, current estimates indicate increasing financial pressures accumulating to £63.288m.

3. Recommendations

3.1. It is recommended that members consider the recommendations set out below in five separate sections (A to E):

A: In respect of council tax:

- 1) Approve a 4.99% Council tax rise (a 2.99% increase to Council tax and a 2% increase to Adult Social Care Precept) resulting in a basic amount of council tax for a Band D property of £1,806.67 in the billing authority's area, calculated in accordance with the provisions of the Local Government Finance Act 1992 (section 42b).
- 2) In accordance with the provisions of Section 40 (2) of the 1992 Act, approve the amount of Council Tax calculated for each category of dwelling in the billing authority's area to be as follows:

Property Band	2025/26 Charge £
A	1,204.45
B	1,405.19
C	1,605.93
D	1,806.67
E	2,208.15
F	2,609.64
G	3,011.12
H	3,613.34

- 3) approve a total precept of £219,282,837.
- 4) approve the formal council tax resolution as set out in Appendix 4 to determine the levels of Council Tax for Shropshire Council for 2025/26.

B: In respect of the revenue budget:

- 5) approve the 2025/26 gross budget of £767.007m outlined in the Budget Book at Appendix 3.
- 6) note the key changes to the MTFS since the January update as outlined in Appendix 1:
 - the public consultation and related findings
 - the collaborative budget process and findings
 - the Financial Settlement and implications for the Council
 - the Collection Fund outturn and the impact on next year
 - the latest budget forecast for the current year and the resulting likely impact on reserves in this year and next (also included in the MTFS assumptions)
 - Inclusion of the updated Equality, Social Inclusion and Health Impact Assessment (ESHIA)
- 7) note the alignment of this report with other reports in this agenda, including the Fees and Charges proposals, and the proposed Treasury Strategy.
- 8) note the revised funding gap for the years 2026/27 to 2029/30.
- 9) Continue to manage the substantial risk in delivering a balanced budget over 2025/26 by retaining the seven risk areas set out in paragraph 4.2 for monthly reporting

C: In respect of the reserves position:

- 10) note the Statement of the Chief Financial Officer on the Robustness of Estimates and Adequacy of Reserves as set out in Section 6.1 – 6.3 of the MTFS at Appendix 1.
- 11) Approve the recommended level of general fund balances to support the 2025/26 revenue budget of £46.860m, noting that the projected balance is presently below this for 2025/26 at £32.714m.
- 12) Note the risk assessed level and budgeted level of general reserves for the following four years and the need to profile savings delivery over this period, necessitating the recommended level of general reserves to be held at £7.214m in 2026/27, £19.214m in 2026/27, £24.214m in 2028/29 and £34.214m in 2029/30.

D: In respect of the capital programme and strategy:

- 13) note the continued use of the Policy for Flexibility around the use of Capital Receipts as detailed in section 8.1 of the MTFS at Appendix 1 including the

application made in December 2024 for a capitalisation direction for the financial year 2024/25.

- 14) agree the adoption of the Capital Strategy 2024/25 – 2029/30 attached as Appendix 2.
- 15) note the prioritised capital schemes identified at Appendix 2 section 8 including the need to identify and confirm funding sources for these schemes.
- 16) agree the Capital Programme as set out in Appendix 2 section 6 and Annex B to the Capital Strategy including a virement of £5m between Capital Receipts and Community Infrastructure Levy (CIL).
- 17) note that provision is included within the budget for future investment in a transformation programme.
- 18) Note the financial implications of the four scenarios in the NWRR project as set out in Section 8.13 of the Capital Strategy (Appendix 2).

E: In respect of the Pay and Rewards Policy:

- 19) agree the Pay and Rewards Policy for all Council staff for 2025/26 as set out in Appendix 5.

Report

4. Risk Assessment and Opportunities Appraisal

4.1. The finances of the Council are complex and volatile. To manage financial risk requires a consistent and robust approach from Members, partners and officers alike. The MTFS identifies and manages a range of risks as set out in the attached appendix.

4.2. The Council has identified a Strategic Risk in delivering a balanced budget and this is reviewed and controlled through the year based on 7 key risk areas:

- 1) Savings delivery at the planned level
- 2) Social care and demand beyond budget estimates
- 3) Other budget pressures (not social care)
- 4) Capital receipts sufficient to support transformation and efficiency plans
- 5) Other external factors which may lead to financial pressures
- 6) Risks arising from major projects
- 7) Cash sufficiency (liquidity)

The outlook for these seven risk areas is updated monthly as part of the budget monitoring process through the current financial year, and it is recommended to continue this approach into 2025/26.

4.3. Risk table

<i>Risk</i>	<i>Mitigation</i>
Spending reduction plans are not implemented sufficiently quickly to ensure a balanced budget position is held through the year (see recommendation 1 above)	Spending reduction plans to be in place in all key areas ahead of 1 April 2025. Monthly monitoring to ensure that all budget pressures (i.e. delivery of savings, anticipated pressures and any overspend at all) are flagged and managed, either locally or corporately. Maintenance of sufficient General Fund Balance to provide resilience over the delivery period for the extensive savings programme beginning in 2023/24

	- profiled delivery can be managed if budgeting for higher levels of general reserves.
Unanticipated pressures outside budget assumptions emerge (see recommendations 2 and 3 above)	Section 25 Assurance around robustness of estimates and adequacy of reserves. Retention, and where possible increase, of the uncommitted General Fund Balance as a 'fund of last resort'. Application of any reserves only if all other solutions have been exhausted.
Adequacy of capital receipts to fund redundancy and restructuring costs (see recommendation 4 above)	Planning in place by 1 April to ensure sufficient pipeline of capital receipts to be secured (£30m-£40m); overprogramming of capital receipts pipeline to mitigate delays in delivery where possible.
Changes to funding in future years (see recommendation 5 above)	<p>Ongoing representation to government over the impact of de-prioritising support for rural areas, through consultation responses, membership of Rural Services Network etc.</p> <p>Ongoing review of emerging policy directions set out by government; participation in lobbying and provision to stakeholders of clear data reflecting the pressures faced by the Council. Quarterly updates of the MTFS reported to Councillors.</p> <p>Forward planning through the MTFS period as updated information on potential funding changes becomes available to identify and manage future risks.</p>
Significant capital projects impact of revenue funding (see recommendation 6 above)	Forward planning with associated options over the medium term ensuring alignment between the MTFS, Capital Strategy and Treasury Strategy.
Insufficient cashflow (see recommendation 7 above)	Forward planning through MTFS, Capital Strategy and Treasury Strategy.

5. Financial Implications

- 5.1. Shropshire Council is continues to manage unprecedented financial demands as budgeted for within the previous Medium Term Financial Strategy approved by Council on 29 February 2024 and detailed in our monitoring position presented to Cabinet on a monthly basis over the last year. This has demonstrated that significant management action has and continues to be undertaken to ensure the Council's financial survival. While all reports provide the financial implications of decisions being taken, this may change as officers review the overall financial situation and make decisions aligned to financial survivability. Where non-essential spend is identified within the Council, this will be reduced. This may involve
- scaling down initiatives,
 - changing the scope,
 - delaying implementation, or
 - extending delivery timescales.

5.2. The medium term financial strategy is a crucial document to aid financial planning in the coming years. Its purpose is to highlight opportunities and risks and so enable appropriate measures to be implemented in good time.

MTFS summary:

	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000	2029/30 £'000
Resources	767,007	759,468	776,439	793,204	810,703
Expenditure	767,007	795,661	815,720	844,401	874,102
Funding Gap	0	-36,193	-39,281	-51,197	-63,399
Year on Year Increase		-36,193	-3,088	-11,916	-12,202

Figure a - values are also set out in Appendix 1(MTFS) p16 and Appendix 3 (budget book) p9.

5.3. The MTFS sets out the financial implications for the local authority over the medium term. These include:

- Spending reductions of £7.7m (recurrent), demand mitigations of £11m (ongoing) and continuing delivery plans for £38.1m of savings agreed for 2024/25 due to be delivered in 2025/26
- An assessment of the adequacy of reserves based on a risk assessment of the local authority's wider financial envelope, delivery plan and in-year monitoring.
- Capital expenditure on the approved programme of £256m (incl HRA – appendix 2 of the MTFS, table 6.1)
- Proposed capital expenditure on the priority capital schemes outside the approved programme is estimated as a further £322.5m, although those figures can only be estimates at this time (appendix 2 of the MTFS, table 8.1).

6. Climate Change Appraisal

6.1. Climate action and carbon reduction are integral to all aspects of The Shropshire Plan:

Healthy People – Extreme weather associated with the climate crisis can adversely affect vulnerable residents and service users disproportionately. This could drive significant future growth in the demand for social care services as well as impacting on the physical and mental health and wellbeing of staff.

Healthy Economy – The recent energy crisis illustrates potential impacts on the Shropshire economy from the climate crisis. There are, however, significant opportunities for growth and skilled employment in new technologies, renewable energy and the rural economy.

Healthy Environment – The climate crisis has very serious implications for biodiversity and food production. As a large rural area, however, Shropshire is also in an excellent position to take positive action to help mitigate these effects.

Healthy Organisation – Extreme weather associated with the climate crisis could disrupt delivery of Council services through damage to physical infrastructure such as roads and power infrastructure, and through impacts on staff health and wellbeing. Demand for services and service delivery costs such as highway maintenance are likely to increase.

- 6.2. In taking the steps towards financial sustainability to enable delivery of The Shropshire Plan within a reduced financial envelope, it is important that decisions consider information about future costs and risks, where possible, through an approach which explicitly considers lifetime carbon impacts and future climate vulnerability. The future costs of addressing climate change impacts are expected to exceed that of the investment needed to reduce carbon emissions and improve climate resilience, but this may not be affordable within the immediate financial envelope without external investment.
- 6.3. Some of the proposed service changes to deliver financial sustainability may also reduce carbon emissions and improve climate resilience. Moving towards a zero-carbon supply chain has the potential to reduce costs, other studies suggesting this could be in the region of 5%. Similarly, many carbon reduction and climate resilience projects and measures also have the potential to generate revenue savings and generate 'green' economic growth in the Shropshire economy. Such an example is included in section 8 of this report.
- 6.4. The request for approval for the Public Sector Decarbonisation scheme, included in section 8 (below) is one way the Council is taking forward its approach to climate change.

7. Background

- 7.1. The MTFS is updated around four times through the year, enabling Councillors to be kept aware of emerging financial risks and opportunities. The attached MTFS document is the latest update of these.
- 7.2. This update includes the latest information from government regarding council funding for the coming year only.
- 7.3. The budget framework as described has been informed by the work of the collaborative budget group who have met, predominantly weekly, since 30 September 2024.

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

[Draft Financial Strategy 2025-26 - 2029-30 - Cabinet 4 December 2024](#)

[Draft Financial Strategy 2025-26 - 2029-30 - Transformation and Improvement Overview and Scrutiny Committee 20 January 2025](#)

Local Member: All

Appendices

Appendix 1 – Medium Term Financial Strategy 2025-26 – 2029-30

Appendix 2 – Capital Strategy 2024-25 – 2029-30

Appendix 3 – Draft Budget Book 2025-26 – Council

Appendix 4 – Council Tax Resolution 2025-26

Appendix 5 – Pay Reward Policy for all Council Staff 2025-26
