The Chartered Institute of
Public Finance & Accountancy

Shropshire Council

External Assurance Review

May 2026

A Report by:

The Chartered Institute of Public Finance and Accountancy

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1.1 Summary of Findings, Issues, Evidence and Analysis

Shropshire Council is in extremely poor financial health. There is a considerable financial gap between what it expects to spend each year and the income and other funding it expects to receive. The medium-term financial plan (February 2026) forecasts a gap of £120.718 million in 2026-27, rising to £180.318 million in 2030-31. There are insufficient reserves to cover these gaps and whilst requests for Exceptional Financial Support (EFS) would provide some respite, this is a temporary measure that will not resolve the underlying issue. Instead, the magnitude of borrowing required to fund the EFS compounds the problem. There is minimal likelihood that the council will be able to extricate itself from this financial situation within the next few years.

The financial pressures facing Shropshire Council are due to significant increases in net expenditure and a lack of adequate financial management in the past, as well as the legacy impact of freezes in council tax between 2010 and 2016. The costs of adult social services and children's services are the main drivers of the increase in expenditure, largely due to significant increases in the proportion of adults aged 16-64 requiring long term support and the proportion of children in need – especially those in residential care.

This review, conducted in April 2025, established that budgets lacked realism and the council's reserves were steadily eroded to pay for the consequent continued overspends. The period 11 outturn report for 2025-26 confirms a significant overspend of £49.374 million. Past savings targets were ambitious, but they were not backed up by any realistic delivery plans and thus regularly fell significantly short. When CIPFA reviewed the 2024-25 savings plans in May 2024 it reported that the planned savings were developed late-on in the budget cycle and lacked rigour. In practice the financial outturn report to council on 17 July 2025 confirmed that there was a significant shortfall of some £42.8 million. A similar pattern emerged in 2025-26. At period 11 the financial monitoring report to Cabinet in April 2026 confirmed that £42.15 million of the planned savings of £59.876 million would not be delivered.

A poorly executed restructure of the workforce in 2024-25 removed some 217 posts without a clear plan for how the council would operate in future. The heavy reliance on voluntary redundancies led to a loss of experience and capability in business-critical areas of the council and a light leadership structure risks undermining progress in driving the changes needed. The finance function has become heavily dependent on a small number of key individuals, has gaps in key areas, such as debt management, and finance business partnering lacks the strategic and analytical approach required.

This pattern of weak financial management was not adequately addressed by the leadership team at the time. Gaps in the internal control environment identified by Internal Audit were not addressed; optimism bias was rife; subsequent external reviews identified inconsistent engagement between services and the leadership and that staff were reluctant to raise issues or concerns.

There was a major change in the leadership of the council in September 2025 that has recognised these failings and is starting to implement a change in culture and working practices. There is a new Chief Executive in post (May 2026), the appointment of a new interim s151 Officer and the Monitoring Officer will change in June 2026. 'Golden triangle' meetings between these three statutory posts have been instated and the Chief Executive has written to all staff on the importance of compliance with the council's regulations and procedures. A draft financial strategy was presented to Cabinet in October 2025 that set out the need for an improvement plan that could enable the council to achieve financial sustainability by 2030-31.

The 4 to 5 year Improvement Plan was approved by Full Council in December 2025 and it represents a very positive step in trying to change the culture in Shropshire. It brings together a number of initiatives into a single framework with three key themes and 9 programmes of work. There is a tiered delivery governance structure, comprising three Portfolio Boards aligned to the three Improvement Plan aims; programme and project boards for each of the nine priority programmes; and a Corporate Programme Management Office which coordinates the arrangements and holds a monthly "assurance conversation" with each Responsible Delivery Lead. The council has also established an Improvement and Assurance Board including two external specialists to review and challenge progress.

The plan forms the bedrock of the new draft Corporate Plan and the Members and Officers we interviewed demonstrated a commitment to its delivery. The focus to date has been on 'getting the basics right' through improvements in financial management practices, in-year spend control measures, the development of a more realistic budget for 2026-27, and a 're-set' of working practices and governance across the council. The 2026-27 budget takes into account past overspends to encourage ownership by the relevant directors, and additional resources have been allocated to address staffing gaps in business-critical areas, such as commissioning and procurement and ensure more realism than in previous years in order to provide short term stabilisation. The council has also put in place in-year spend control panels and stopped the approval of any capital works that are not fully grant funded. Work is underway to address the backlog of issues raised by Internal Audit. Transformation plans are being developed by directorates, including plans to improve demand management through early intervention in adult social care and children's services, and a new Budget Transformation and Change Panel was mobilised in February 2026 to challenge and test these proposals at early formation and to ensure interdependences (such as digital transformation), corporate resource requirements and other costs of delivery are taken into account.

The actions to date represent a positive step, but in the meantime the financial pressures facing the council have not yet been addressed. Each exceptional financial support tranche generates a permanent annual minimum revenue provision charge and an interest obligation from the year after it is drawn, running for twenty years. The 2024-25 tranche of £26.8 million generates a £2.20 million cost per year from 2025-26. The 2025-26 tranche of £71.4 million adds another £5.85 million annual cost from 2026-27. Wider geo-political uncertainties raise the prospect that borrowing costs might rise in future if interest rates change, and there is no clear strategy in place within the council for a more ambitious programme of asset disposals to offset the borrowing costs.

The transformation plans remain very much work in progress and most of the underpinning projects currently lack key performance indicators or estimated financial benefits. Furthermore, many of the anticipated benefits are not necessarily centred on reducing costs or generating income. Reports to the Improvement Board have been more descriptive than analytical, limiting the Board's ability to provide effective challenge. A six-month review by the Board has confirmed that it should now refine its focus, strengthen its agenda management, and ensure that its work is firmly aligned to delivery and outcomes.

The council confirms that the expectation is that from April to September 2026, the focus will be on the development and early delivery of a medium-term transformation and savings portfolio and strengthening the organisational capacity and capability to deliver it. This will be a critical time for the council.

There needs to be greater focus on addressing the financial gap. Without a Financial Recovery Plan, the scale of the EFS required remains difficult to quantify and there is a risk that difficult decisions are deferred and the financial gap will continue to grow. The transformation plans being developed need to be supplemented by a robust approach to asset disposals, a scaling back or stopping of discretionary services that the council can no longer justify, and a consideration of more radical options to reduce costs, such as opportunities for economies of scale by sharing service delivery with other authorities. Before the council makes any request for further increases in council tax above the general threshold without recourse to a referendum, the council should demonstrate that it has adequately explored all such opportunities.

To date Members and Officers have demonstrated a positive commitment to addressing the financial challenges facing the authority and the progress is encouraging. But the scale of the challenge is considerable and compiling a Financial Recovery Plan for consideration by the end of September will provide the opportunity to demonstrate the council has the capacity and conviction needed for the next steps.

1.2 Key Risks and Recommendations

This table provides the improvement plan and roadmap that we recommend the council follows with priority actions indicated by the RAG rating and the recommended timeline included with the recommendations.

Key risk	Risk rating (see details in Annex 2)	Recommendation
On the quality of financial management and financial processes		
1. There is an embedded culture in the council of weak compliance with regard to the internal control environment that has undermined financial governance. This is actively being addressed by the current leadership, but it will take time to remedy and risks delaying effective actions to address the structural gap in the council's finances.	Medium - 4	1. The council should develop a clear action plan **in the next few months** that sets out who is responsible for resolving each of the weaknesses in the control environment and target completion dates.
2. Without sufficient skilled resources within the finance team, it is difficult for the council to forecast accurately, thereby undermining its ability to set realistic budgets and to monitor performance effectively.	High - 9	2. The council should review the job descriptions for each finance post **as soon as possible** and identify what training and support is needed for existing staff to address any skills gaps.
3. The high dependency on a small number of key individuals in finance and the staffing gaps in key areas leaves the council's financial	Medium - 4	3. The council should, **over the next few months**, explore the costs and benefits of employing further interims in finance to mitigate the risks if key staff were to leave.

Key risk	Risk rating (see details in Annex 2)	Recommendation
management at risk if further individuals leave.		
4. The lack of resources available in the council and the possibility that external candidates will be aware of its financial situation might make it difficult to recruit sufficiently experienced and capable finance staff.	Medium - 4	4. Given the difficulties faced with recruitment, the council should explore the feasibility, **by December 2026,** of collaborating with other authorities, such as through a shared service to find the resources required.
5. The risk management arrangements that have been put in place are more structured and robust, but given the reluctance of some individuals to report concerns, it will be important that staff are encouraged to raise issues timeously	Medium - 3	5. The council should, i**n the next six months,** consider the feasibility of a training programme or guidance for staff on the importance of raising issues timeously that require risk management.
On financial sustainability and risk		
6. Previous actions to deliver savings have been undermined by a lack of detailed plans that set out how savings will be delivered and this could be repeated unless granular plans are developed this time. The council has the basics of a clear strategy for how it will reduce costs in adult social care but this is not yet underpinned by reliable estimates of the potential financial impact. Without such information it is difficult to assess what savings it might generate. Similarly, plans are being developed in children's services albeit they are currently at an earlier stage of development. As with adult social care, unless these are underpinned by reliable estimates of the financial impact it will be difficult to assess what savings it might generate.	High - 9	6. The council needs to develop detailed delivery plans to underpin its transformation projects that include risk-based assessments of the potential costs and savings profiled over time. These plans should be stress tested by the council's Budget Transformation and Change Panel as well as its Improvement Board **by December 2026.**
7. Despite the issues the council experienced with its previous initiatives to restructure how it operates, it cannot afford to abandon such efforts. Any savings from adults and children's services are likely to take time to materialise and are unlikely to be sufficient to bridge the gap.	High - 9	7. The council should determine, **by December 2026,** how services might be restructured to reduce costs. This should include options previously considered, such as digitisation, as well as the potential for collaboration with other authorities or outsourcing.
8. Whilst the council should focus on those areas where the greatest savings can be made, it cannot afford to ignore any other potential opportunities, such as stopping those activities it is not obliged to deliver.	High - 9	8. The plans should consider the minimum viable service delivery obligations for the council, so that the options of scaling back or stopping activities are considered as well as initiatives to improve efficiency.

Key risk	Risk rating (see details in Annex 2)	Recommendation
9. The longer it takes to develop realistic plans to transform service delivery in order to reduce costs, the more the council will need to borrow to fund its existing gap and the bigger the financial challenge becomes	High - 9	9. The council should set a clear timeline that transformation plans across adults, children's services and all other areas of the council should be developed and submitted to the council's Budget Transformation and Change Panel **by the end of December 2026.**
10. Until the council has well structured, quantified transformation and other savings plans to reduce its expenditure, it is difficult to quantify the scale of any remaining gap and whether further increases in council tax above the 4.99% threshold should be sought.		10. The council needs to develop a clear financial recovery strategy **by December 2026** that sets out how it plans to bridge the gap. This should take into account the transformation and other savings plans currently being developed as well as an estimate of any further council tax increases needed to bridge the remaining gap.
11. Unless the council can bring forward significant savings plans or increase the timing and quantum of its capital receipts it is very exposed to the uncertainties in geo-politics for the costs of its borrowing.	Low - 2	11. The council should make clear to Members **in the next iteration of the medium term financial strategy,** the costs of borrowing associated with exceptional financial support and the risks of changes in interest rates to support the drive to find further savings and assets that can be sold.
On service reform, delivery and transformation		
12. Without advocating a 'fire sale' the council cannot afford delays to its asset disposals. Exploring the development of the Shire Hall building prior to sale will create additional risks, necessitate further borrowing in the interim and delay the receipt of much needed funds.	High - 9	12. The council should **as soon as possible** set a clear, short deadline for any feasibility work underway on the future of Shire Hall and seek to sell the asset as soon as possible.
13. Until the council has a clear strategy for which assets can be released, their potential market value and when any sale best be achieved it is difficult to assess the financial impacts and the costs of borrowing continue to mount. The council cannot afford to take out further borrowing to enable Cornovii Development Ltd to purchase its land or buildings for development	High - 9	13. The council should identify those assets that can be sold and develop a strategy for how this can be done to secure best value. This work needs to be **completed by December 2026** alongside transformation plans so that there is a clear financial recovery plan and an understanding of any further council tax increases that might need to be sought.
14. Without a clear, structured prioritisation process it is difficult for the council to assess the potential risks and benefits of any changes to the capital programme.	Medium - 3	14. The council should, **in the next six months,** review its governance arrangements for the capital programme and establish a more structured approach to assessing the revenue and capital costs and benefits of additions, removals or significant slippage on projects.
15. Whilst the council has cut back its capital programme largely to grant funded schemes only, its experience with the North West Relief Road	Medium - 4	15. **From here on,** the assessment of any proposed capital projects dependent on grant funding should consider the financial risks of claw back and the

Key risk	Risk rating (see details in Annex 2)	Recommendation
demonstrates the financial risk of grant claw back when works do not proceed as planned.		adequacy of project management arrangements to mitigate such risks.
16. The growth in demand for adult and children's services in recent years has contributed to the increased costs of these services in Shropshire compared to its statistical neighbours. Until such trends are abated, growing demand will continue to increase the financial gap facing the council. The focus on early intervention to stem the growing numbers requiring care will take time to have a significant financial impact. Short term impact is dependent on policies to facilitate step down or to find alternative support to those already in care.	High - 9	16. The council should supplement its transformation plans it is developing in children's and adult services with other short term cost cutting initiatives in order to alleviate the more immediate financial pressures. These plans need to be developed **by November 2026**.
17. The 'good' and 'outstanding' assessments of adult social care and children's services in Shropshire should minimise the need for further investment, but it does not necessarily mean that efficiencies can be secured. The absence of specialists in these areas on the Improvement Board limits the opportunities to identify and challenge existing practices	High - 9	17. The council should, **as soon as possible**, encourage the Improvement and Assurance Board to bring in external representatives with direct experience of children's services and adult social care.
18. The council's improvement plan is underpinned by a clear set of projects to transform services. They are very much work-in-progress at present and until the potential impact is known it is unclear what difference they will make to the council's financial recovery plans Many of the anticipated benefits are about service improvements. Whilst these are important, there is a risk that initiatives to reduce cost will not necessarily be prioritised	High - 9	18. **By December 2026**, the council should identify the potential financial impacts of each initiative so that those projects likely to make the biggest contributions to resolving the financial gap can be resourced and expedited.
19. Existing transformation plans have not been quantified yet, but the council recognises that there is a very high risk that they will be insufficient to bridge the financial gap forecast by the council. The focus to date has been on efficiency improvements and more radical options, such as sharing services with other authorities to	High - 9	19. As part of the development of a financial recovery plan **by December 2026,** the council should explore the feasibility of alternative methods of service delivery, whether through outside organisations, digitalisation or collaboration with other authorities.

Key risk	Risk rating (see details in Annex 2)	Recommendation
achieve economies of scale have not been explored.		
On governance, culture and leadership		
20. The change in leadership has led to a much greater focus on governance and decision-making processes and while the direction of travel is encouraging, much is dependent on actions over the next few months. The extensive reporting and assurance requirements are important, but they risk absorbing capacity that should be deployed on delivery	High - 9	20. The council should address the gaps in leadership needed to drive progress and appoint an Executive Director responsible for transformation and change **as soon as possible.**
21. Discussions and papers at the Improvement and Assurance Board have been too focused on process and lacked an analytical challenge	High - 9	21. **From here on**, the Improvement and Assurance Board should be re-named as a Financial Recovery Board to demonstrate its focus. Its Membership and agendas need to be centred on the need to drive the delivery of initiatives to bridge the financial gap.
22. Financial responsibility and ownership will be critical to future sustainability. Unless staff comply with the financial regulations and manage their budgets appropriately, planned savings will not be delivered	Medium - 3	22. **Over the next six months**, the council should explore the feasibility of mandatory training, guidance and other support for its budget holders and wider staff on the importance of financial management. Failure to participate or to pass an associated test should lead to follow up action.

2. Introduction

2.1 Background

Shropshire Council continues to manage unprecedented financial demands and a financial emergency was declared by its Cabinet on 10 September 2025. In light of the council's depleted revenue reserves and the significant service pressure across social care services it was not possible to set a balanced budget for 2026-27 without Exceptional Financial Support.

2.2 Requirement

As a result of receiving Exceptional Financial Support (EFS), the Ministry of Housing, Communities and Local Government (MHCLG) will be seeking some deeper assurance around the plans included in the business case for the 2026-27 financial year. In line with that expectation, CIPFA adopted the approach of looking to provide an assessment of the council's financial resilience, financial management, governance arrangements, capital programme, debt position, and service delivery, with a view to providing recommendations for improvement. Our work was undertaken in May 2026.

The details of the requirement, the four key themes of the investigation and the approach that was followed are described in Annex 1.

3. Areas Reviewed

3.1 Review Area 1: Quality of financial management and financial processes

Shropshire Council's financial statements comply with relevant IFRS and accounting principles, but the authority has experienced prolonged and severe financial difficulties driven by weak financial management, governance failures and an overly optimistic culture that delayed necessary decisions. Previous reviews highlighted depleted reserves, unrealistic savings plans, weak budget-setting, limited challenge and poor follow-through on internal audit findings, undermining confidence in governance and the Annual Governance Statement. Financial recovery has been further constrained by a large redundancy programme that reduced capacity in critical support functions, leaving the finance function under-resourced, overly reliant on a small number of individuals and insufficiently strategic. While leadership changes, the declaration of a financial emergency in 2025 and strengthened risk governance arrangements signal a renewed focus on improvement, the changes are currently being implemented and so there is limited demonstrable evidence so far that these actions have translated into sustained improvements or resolved the underlying structural and cultural weaknesses affecting financial resilience.

The following sections outline the basis of this assessment in more depth.

a) The local authority's financial management, governance processes, the effectiveness of its internal control environment and the audit and scrutiny committee(s), as well as compliance with local government accounting codes and international finance reporting standards.

Key findings and analysis

The external audit report on the 2024-25 financial statements for Shropshire Council confirms compliance with relevant accounting codes and reporting standards. Nevertheless, the council has been in severe financial difficulties for a number of years. A peer challenge by the LGA in 2022 described their financial position as 'precarious', and a CIPFA Resilience Review in 2024 noted that:

> *"Shropshire Council faces a considerable challenge in 2024-25. It has begun the year with depleted reserves and an ambitious savings programme that we consider is unlikely to be sufficient to bridge the growing financial pressures it faces."*

The difficulties now faced by the council can be traced back to the weak financial management and governance arrangements that were in place during this period. Continued overspending, a failure to deliver in-year savings and the consequent utilisation of reserves to bridge the gap had led to a deferral of difficult decisions needed to determine how the council should operate in future.

The CIPFA report in 2024 highlighted an underlying optimism within the council with regard to its financial position and a weak process for budget setting. Furthermore, a second LGA peer review (July 2025) noted that:

> *"The peer team heard examples where staff felt unable to raise concerns or challenge decisions—particularly in areas affected by recent restructures or where visibility of senior leadership was limited. There were also reports of inconsistent engagement between services and the leadership board, and a perception that some teams were more supported or valued than others."*

This culture of optimism was evident in the Annual Governance Statement for the 2024-25 financial accounts and the continued failure to address outstanding issues highlighted by internal audit. Internal Audit provided a Limited Assurance opinion for 2024-25, the sixth consecutive year at this level. The annual governance statement focused on the processes in place and said very little about the how governance risks were being addressed. The minutes of the Audit Committee meeting (July 2025) noted that Members considered the report to be not very clear or coherent and the committee gave limited assurance that the council had in place adequate and effective governance, risk management and internal control systems. External audit attributed the lack of action in remedying these issues to either management not taking Internal Audit findings seriously enough, or to Internal Audit itself not being firm enough in enforcing action.

In September 2025, the council declared a financial emergency and there are some consequent signs of improvement. Alongside the change in leadership of the council, the Audit Committee is now chaired by the leader of an opposing party. The Audit Committee meetings are more challenging and probing than before. The new chief executive has also re-established regular meetings with other statutory officers – the monitoring officer and the s151 officer - to consider and address compliance issues. Following their first meeting, in October 2025 the chief executive wrote to all staff to remind them of the need to comply with financial regulations, contract procedure rules and information security policies. The letter notes that:

> *"I have also asked Service Directors to review any outstanding audit recommendations as both I and the CPC Report are concerned that we have now had 6 years of "limited assurance" from the Internal Audit team."*

In addition, the council has put in place an Improvement and Assurance Board to provide external advice, challenge, and expertise to Shropshire Council in driving forward the development and delivery of its Improvement Plan.

The approach and direction set by the Chief Executive is encouraging, but there is limited demonstrable evidence yet of the progress in remedying the underlying issues raised by auditors. We are not confident in the reliability of the budget set for 2026-27. We have not yet seen documentary evidence of an action plan demonstrating progress made in addressing the outstanding internal audit recommendations and the associated action is showing amber in the latest progress update. Furthermore, the informal update in April 2026 to the Audit Committee chair on progress in actioning External Audit's statutory recommendation remains high level at this stage and lacks specifics.

Risks & Recommendations

Key risk	Risk rating (see details in Annex 2)	Recommendation
1. There is an embedded culture in the council of weak compliance with regard to the internal control environment that has undermined financial governance. This is actively being addressed by the current leadership, but it will take time to remedy and risks delaying effective actions to address the structural gap in the council's finances.	Medium - 4	1. The council should develop a clear action plan **in the next few months** that sets out who is responsible for resolving each of the weaknesses in the control environment and target completion dates.

b) The capacity and capability of the local authority to deliver an effective finance function to the authority commensurate with the complexity of its particular circumstances, the ability to undertake any transformation activity as required, and consider whether officers - members are provided with the right information and training to take necessary financial decisions.

Key findings and analysis

The council's capacity and capability to drive a financial recovery programme was undermined by a redundancy programme in 2024-25 that removed some 217 posts without a clear plan for how the council would operate in future. The council had commissioned external consultants to review its operating model and identify efficiencies. The CIPFA report in 2024 noted, however, that:

> *"… it is unclear how existing redundancies might align with the proposed new ways of working. As a consequence, we consider that there are currently risks that the basis of compulsory redundancies might be challenged; that some posts being removed might need to be subsequently re-instated; or that there may be additional costs or disruption to business as usual likely to be incurred in 2024-25."*

In practice, the majority of the redundancies in 2024-25 (82%) were voluntary and interviewees have stated that some core support services, such as finance, revenues and benefits, legal and commissioning have consequently become under-resourced. An external review of the revenues and benefits service in December 2025, for example, found that unless staffing resilience was improved, there was a credible risk that collection performance would start to fall. And the finance function has critical gaps in the debt recovery team.

The finance function is heavily dependent on a small number of key individuals and their approach to business partnering lacks the strategic and analytical approach required. Much of the growth built into budgets, for example, has been based on a percentage increase to previous year's outturn rather than an analysis of the cost drivers - such as case volume, unit cost prices and case complexity – that should generate more reliable figures.

The council has recognised the need to address these gaps in capacity and capability. The Improvement Plan includes a programme to strengthen organisational financial management practice and policy, including a review of capacity and capability of the finance team. There are additional resources in 2026-27 to increase staffing in business-critical areas and plans to develop a common set of principles for business partnering for finance and other support services. Progress has not yet led to any significant improvement, as the council consider it is too early to assess progress. We understand that recruiting the permanent staff required remains a challenge.

Risks and Recommendations

Key risk	Risk rating (see details in Annex 2)	Recommendation
2. Without sufficient skilled resources within the finance team, it is difficult for the council to forecast accurately, thereby undermining its ability to set realistic budgets and to monitor performance effectively.	High - 9	2. The council should review the job descriptions for each finance post **as soon as possible** and identify what training and support is needed for existing staff to address any skills gaps.
3. The high dependency on a small number of key individuals in finance and the staffing gaps in key areas leaves the council's financial management at risk if further individuals leave.	Medium - 4	3. The council should, **over the next few months**, explore the costs and benefits of employing further interims in finance to mitigate the risks if key staff were to leave.
4. The lack of resources available in the council and the possibility that external candidates will be aware of its financial situation might make it difficult to recruit sufficiently experienced and capable finance staff.	Medium - 4	4. Given the difficulties faced with recruitment, the council should explore the feasibility, **by December 2026,** of collaborating with other authorities, such as through a shared service to find the resources required.

c) The local authority's approach to financial risk management including identification, management and treatment of risk.

Key findings and analysis

The council categorises risks as:

- strategic - high-level risks affecting statutory duties, corporate priorities and organisation-wide outcomes;
- operational - risks owned within individual services, reviewed bi-annually and updated when the risk landscape changes; and,
- project risks related specifically to programmes and projects.

The Annual Governance statement for 2024-25 reported that statutory responsibilities across the council were discharged openly and proactively and that strategic, operational and project risks were regularly reviewed and challenge provided to service areas to provide assurance for the organisation that it was actively managing its risks.

Whilst the council did flag the financial risks it faced in 2025 as red, Internal Audit confirmed that the Leadership Board had not received regular reports on project control and the overall compliance rates for updating risk registers had been poor.

Following the appointment of a new Chief Executive, the Leadership Board has taken on a formal risk and change-control function, agreeing risk mitigations and scope changes at its monthly meetings in 2026. There is an Opportunity Risk Management Strategy (ORMS) in place, which sets out roles and responsibilities for risk management across the council.

Risks and Recommendations

Key risk	Risk rating (see details in Annex 2)	Recommendation
5. The risk management arrangements that have been put in place are more structured and robust, but given the reluctance of some individuals to report concerns, it will be important that staff are encouraged to raise issues timeously	Medium - 3	5. The council should, i**n the next six months,** consider the feasibility of a training programme or guidance for staff on the importance of raising issues timeously that require risk management.

3.2 Review Area 2: Financial Sustainability And Risk

Shropshire Council is in a position of acute financial distress, driven by long-standing weaknesses in budget setting, forecasting and savings delivery, the legacy impact of historic council tax freezes, and escalating demand pressures in adult social care, children's services and corporate functions. A projected £49 million overspend in 2025–26, a poor track record of delivering savings and a widening medium-term funding gap that is forecast to rise to £180.3 million by 2030–31, has left the council heavily reliant on exceptional financial support funded through borrowing, with virtually no remaining financial resilience. Reserves are critically depleted, a large and unresolved DSG deficit presents further material risk, and rising borrowing levels are creating a significant and long-term revenue burden alongside increased exposure to interest-rate volatility. Although late-2025 intervention measures, an improvement plan and stronger governance arrangements signal a shift in approach, transformation plans are still under development and are unlikely, on current evidence, to close the scale of the structural gap. Capital and asset strategies have moved towards risk reduction and constraint, but reliance on uncertain capital receipts and limited flexibility mean that without rapid, credible delivery of fundamental service and financial reform, the council's financial sustainability remains severely compromised.

The following sections outline the basis of this assessment in more depth.

a) The underlying drivers of any financial fragility and risk and the local authority's ability to successfully manage those drivers so that issues do not materialise.

Key findings and analysis

The financial pressures facing Shropshire council are largely due to increases in expenditure as well as the legacy impact of freezes in council tax between 2010 and 2016. Council tax has been increased by the maximum permissible each year since 2016 and the data each year up until 2024-25 indicate that collection rates have been reasonable but the moratorium between 2010 and 2016 still has a significant impact. The period 11 outturn report for 2025-26 confirms a significant overspend of £49.374 million. The final outturn figures for the financial year are not yet available, but interviewees confirmed that the gap is likely to be similar. It is important to bear in mind, however, the difficulties the council has had with forecasting accurately. The s151 Officer confirmed to Cabinet in April 2026 that £21.5 million of the exceptional financial support allocation of £71.4 million would be used to fund the projected overspend, with the remainder being funded from the General Fund reserve that had been replenished in 2025-26.

There were three main drivers of the overspend at period 11. First, the care and well-being directorate, which covers adult social care, overspent by £18.232 million (13.5% of budget). Secondly, children's services overspent by £12.621 million (15.8% of budget) and corporate services by £23.004 million (57.1% of budget) due to the non-delivery of cross cutting savings. The CIPFA report in 2024 identified the same primary drivers of overspends in previous years and that these had led to the erosion of reserves and need for exceptional financial support. Budgets have been recalibrated for 2026-27 to accommodate such overspends, but as a result the medium term financial plan approved in February 2026 (appendix 2.7) forecasts a financial gap of £120.718 million in 2026-27, rising to £180.318 million in 2030-31.

For adult social care, Shropshire's net expenditure per head (18+) is above the median of its statistical neighbour group and above the England county council average, but not an outlier. In 2024-25 the total expenditure on adult social care per head of population was £847.39 in Shropshire, compared to a mean of £830.99 for its nearest statistical neighbours. The cost difference is compounded, however, by the challenge of having to deliver services over a rural area. The demand for long-term care for those aged 18 to 64 years is high and the rate of growth in the demand for residential care exceeds national averages for counties.

An external review of adult social care in January 2026 commissioned by the council identified that the overspends were due in large part to inadequate provision to reflect these known pressures. The report stated that annual budgets had been increased by a lower percentage than other authorities and without sufficient mitigating cost reduction plans. It noted that:

"The corporate budget in 2025-26 made inadequate provision to meet the cost of existing care packages, let alone known pressures on contractor prices, projections of the costs to be incurred on children transitioning into the adult service, and the impact of a growing elderly population on older people package numbers. This meant that there was no recognition within the corporate budget of either the extent to which costs needed to be reduced to stay within budget or measures that would be implemented to achieve this."

The council's adult social care budget for 2026-27 was changed significantly to reflect the past overspends and the need to manage growing demand more effectively. The overall directorate budget was increased by £34.887 million to £173.315 million (a 25% increase). Whilst some of this increase was in nursing and residential costs, there was a substantial increase (£35.531 million) in the budget for social care mental health and community purchasing, essentially to support greater increased home care and supported living.

The increased budget in social care reflects the adult service transformation vision to support people earlier, more holistically and closer to home by shifting from a reactive, assessment led model to prevention focused, strengths-based triage and reablement. As at April 2026, the transformation plans are still being developed, but as they currently stand the focus is largely on mitigating further growth pressures rather than reducing existing expenditure and no significant savings targets have yet been specified.

For children's social care, net expenditure as a percentage of net revenue expenditure has remained below the mean for its statistical neighbours, but it has been growing at a much faster rate. In 2020-21, it was 15.29% compared to a mean of 24.77%. By 2024-25 it had grown to 28.31% compared to a mean of 29.97%. The growth broadly correlates with the increase in the rate of looked after children per 10,000 population with an open episode of care which has also grown from 86 in 2020-21 to 119 in 2024-25, although it is important to note that the number declined somewhat from its peak of 121 in 2023-24. The numbers in foster placements declined over the period whereas the numbers in out of borough residential care increased.

The council's budget in 2026-27 for children's social care services was uplifted by £ 23.4 million from £77.940 million in 2025-26 to £101.341 million to reflect past overspends and ongoing cost and demographic pressures. In 2025-26, period 11 outturn indicates an overspend of some £2.2 million in social care due to the need for agency staffing, and £10.1 million to cover the increase in external placements. We understand that consultants have been appointed to develop transformation plans focused on strengthening preventative measures and step-down pathways. As at April 2026, there are no clear plans available yet that will lead to substantive savings.

The council has a poor track record in delivering financial savings. When CIPFA reviewed the 2024-25 savings plans in May 2024 it reported that the planned savings were developed late-on in the budget cycle and lacked rigour. In practice the financial outturn report to Council on 17 July 2025 confirmed that there was a significant shortfall of some £42.8 million.

A similar pattern emerged in 2025-26. At period 11 the financial monitoring report to Cabinet in April 2026 confirmed that £42.15 million of the planned savings of £59.876 million would not be delivered. A large part of the planned savings were expected to arise from a redesign of the council's operating model through digitisation that would enable reductions in the costs of third-party contracts and a 'right-sizing' of the number of employees required. In practice, we understand that there was a limited strategy for how contracts would be renegotiated or services re-modelled to enable staffing reductions. The council has instigated a lessons-learned review of how it worked with an external contractor to deliver such savings and the report is likely to make recommendations on how the contract was let and managed, including the need for a more robust business case process, greater clarification for roles and responsibilities and strengthened governance arrangements.

Risks and Recommendations

Key risk	Risk rating (see details in Annex 2)	Recommendation
6. Previous actions to deliver savings have been undermined by a lack of detailed plans that set out how savings will be delivered and this could be repeated unless granular plans are developed this time.	High - 9	6. The council needs to develop detailed delivery plans to underpin its transformation projects that include risk-based assessments of the potential costs and savings profiled over time. These plans should be stress tested by the council's Budget Transformation and Change Panel as well as its Improvement Board **by December 2026.**
7. Despite the issues the council experienced with its previous initiatives to restructure how it operates, it cannot afford to abandon such efforts. Any savings from adults and children's services are likely to take time to materialise and are unlikely to be sufficient to bridge the gap.	High - 9	7. The council should explore, **by December 2026,** how services might be restructured to reduce workforce costs. This should include options previously considered, such as digitisation, as well as the potential for collaboration with other authorities or outsourcing.

b) An assessment of steps the local authority is undertaking to ensure it remains within its spending envelope, including deliverability and appropriateness of current savings - transformation plans, income generating activity, ensuring activities that are no longer required are being scaled back

Key findings and analysis

Late 2025 proved to be a key turning point for Shropshire Council. Following the change in leadership of the council, the Local Government Association (LGA) was invited to conduct a Corporate Peer Challenge in July 2025. The report concluded that Shropshire Council was in severe financial distress and that previous warnings (including a 2022 finance peer challenge and 2024 CIPFA resilience work) had not yet translated into sufficient corrective action. The council formally accepted all recommendations from the peer challenge and in September 2025 the Chief Executive stepped down.

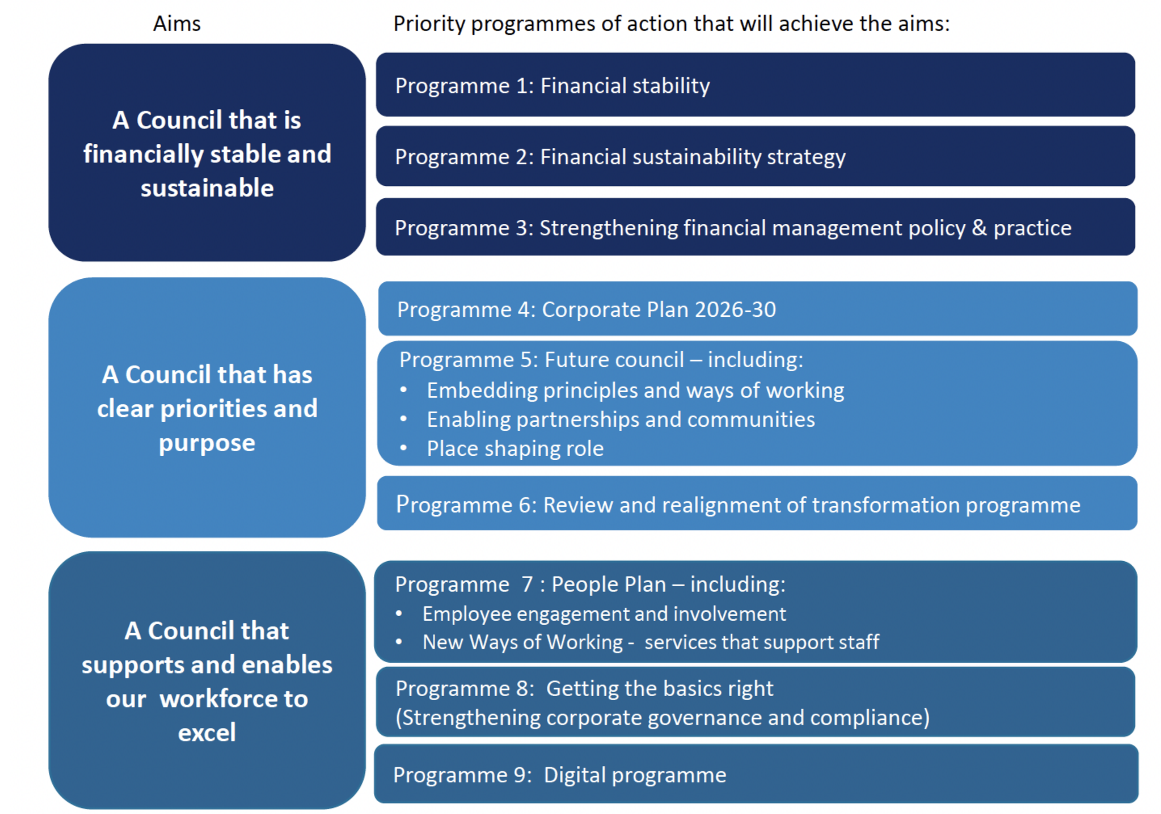
On 10 September 2025, Shropshire Council's Cabinet declared a financial emergency, recognising that the forecast overspends could exhaust general reserves and that without intervention, the council risked moving into an unlawful financial position. As a result, the council instructed officers to challenge all essential spending and immediately curtail all non-essential expenditure until March 2026. A draft financial strategy was presented to Cabinet in October 2025 that set out the need for an improvement plan that could enable the council to achieve financial sustainability by 2030-31.

The Improvement Plan brings together a number of initiatives into a single framework with three key themes and 9 programmes of work – see figure 1.

In November 2025, the council established an independently chaired Improvement Board that meets monthly to provide external advice, challenge, and expertise to Shropshire Council in driving forward the development and delivery of the Improvement Plan. This was intended to strengthen accountability beyond existing political and management structures. The Improvement Plan was approved by Full Council in December 2025.

The Improvement Plan represents a very positive step in trying to change the culture in Shropshire. Previous budgets lacked a robust approach to budget setting that would enable the council to start strengthening its financial resilience. At this stage, the council's focus is on 'getting the basics right', through improvements in financial management practices, leadership and governance. The existing Improvement Plan does not, however, set out a clear timeline for the development of transformation plans or to what extent they might enable the council to stay within its spending envelope. Similarly, the Improvement Board has demonstrated it can challenge strategy, assumptions, governance and design, but its impact on delivery discipline, quantified outcomes and enforcement of pace is less evident.

Figure 1: Shropshire Improvement Plan – key programmes



Source: Shropshire Council Improvement Plan, November 2025

Alongside our examination in April 2026, the council has developed a draft 'flightpath' that sets out how it expects to develop a medium-term transformation and savings portfolio to underpin its aim of financial stability in the improvement plan. The details and timing are not firmed up yet, but the expectation is that a refreshed medium term financial plan with an outline sustainability strategy and a transformation and savings programme will be submitted to Cabinet in July 2026 and that more specific transformation plans will be available by September 2026.

The draft corporate plan, states up front that financial sustainability must underpin everything the council does. It states that the focus will be on modernisation and change to:

- reduce the cost of services and operate more efficiently as an organisation
- generate additional income from a variety of sources
- reduce demand for services with a focus on early help and prevention
- work in partnership, ensuring residents receive support they need, but not necessarily through council services
- use digital technology to improve and enable service delivery

This aligns with the comments we received from interviewees that the focus of transformation appears to be largely on initiatives to drive efficiency improvements and to raise income. There is much less emphasis on scaling back discretionary areas of expenditure and asset disposal.

In response to external audit's statutory recommendation in November 2025 to identify the cost of minimum viable service provision to deliver statutory responsibilities, the council noted that it had previously undertaken a full review of statutory and non-statutory services between November 2023 and February 2024. Furthermore, it has put in place spend control panels. There is also evidence of some scaling back. In December 2025, for example, the Cabinet approved a proposal to close the school library service.

There may be opportunities to curtail discretionary spending, such as moving to three weekly bin collections, but these are unlikely to make a material difference. Net current spending per capita on environment and regulatory services is relatively low compared to its statistical neighbours. As is the spend per capita on cultural and related services by Shropshire Council in 2024-25. Both include statutory responsibilities as well as discretionary elements but the total net budget for the communities and customer directorate in 2026-27 is £16.815 million, equivalent to just 13.9% of the exceptional financial support of £121 million.

Risks and Recommendations

Key risk	Risk rating (see details in Annex 2)	Recommendation
8. Whilst the council should focus on those areas where the greatest savings can be made, it cannot afford to ignore any other potential opportunities, such as stopping those activities it is not obliged to deliver.	High - 9	8. The plans should consider the minimum viable service delivery obligations for the council, so that the options of scaling back or stopping activities are considered as well as initiatives to improve efficiency.
9. The longer it takes to develop realistic plans to transform service delivery in order to reduce costs, the more the council will need to borrow to fund its existing gap and the bigger the financial challenge becomes	High - 9	9. The council should set a clear timeline that transformation plans across adults, children's services and all other areas of the council should be developed and submitted to the council's Budget Transformation and Change Panel **by the end of December 2026.**

c) An overall view on the ability of the local authority to manage identified budget pressures through its own resources, including reserves. This should include a view on the actions the council should take to minimise the need to use - seek a capitalisation direction.

Key findings and analysis

The council has no effective financial buffer against the risks it faces. The General Fund balance stood at £4.825 million at 31 March 2025. The 2024-25 budget had planned to rebuild the balance to £38.821 million; the in-year overspend consumed that recovery entirely, leaving the balance £33.996 million below the budgeted year-end position. Earmarked reserves outside school balances fell from £26.551 million at March 2024 to £17.198 million at March 2025 — a £9.353 million reduction in a single year as balances were drawn down to absorb cost pressures and savings slippage.

The 2025-26 budget included a further planned contribution of £29.455 million as at Period 11, to the General Fund balance. The forecast outturn overspend of £49.374 million has consumed it, with the closing balance forecast at £5.0 million supported by £20.664 million of exceptional financial support applied to reduce the net draw on the fund. The s151 Officer's assessment is that £5 million is not sustainable for a council of Shropshire's size; the risk-assessed adequate level set out in the February 2025 Section 25 statement was £46.860 million. The forecast balance is approximately 11% of that adequate level.

Total earmarked reserves are budgeted to rise from £23.894 million (opening 2026-27) to £34.446 million (closing) — a £10.6 million increase. It mostly comprises two planned contributions: £4.5 million into the Development Reserve for transformation costs and £4.25 million into the Financial Strategy Reserve as budget stabilisation. The improvement in usable reserves is not that significant.

The council's financial sustainability is dependent on exceptional financial support financed through borrowing of £219.2 million between 2024-25 and 2026-27. Each exceptional financial support tranche generates a permanent annual MRP and interest obligation from the year after it is drawn, running for twenty years. The 2024-25 tranche of £26.8 million generates £2.20 million per year from 2025-26. The 2025-26 tranche of £71.4 million adds £5.73 million from 2026-27. The 2026-27 tranche of £121 million adds £9.71 million from 2027-28, bringing the combined annual revenue cost on the three approved tranches to £17.6 million.

The DSG end-of-override settlement risks a further future call on reserves the council does not hold. The DSG deficit stood at £42.089 million at 31 December 2025. The High Needs Stability Grant covers 90% of the eligible deficit recognised at 31 March 2026, paid as a Section 31 grant in 2026-27 — for Shropshire, approximately £36.3 million, with a residual local contribution of approximately £4.0 million. DfE guidance is explicit that the 10% local contribution should not be treated as a one-off charge crystallising in a single year: authorities are expected to begin setting aside reserves during 2026-27 and 2027-28 to meet the residual balance when the statutory override ends on 31 March 2028. Shropshire holds no reserves with which to provision.

Risk and Recommendations

Key risk	Risk rating (see details in Annex 2)	Recommendation
10. Until the council has well structured, quantified transformation and other savings plans to reduce its expenditure, it is difficult to quantify the scale of any remaining gap and whether further increases in council tax above the 4.99% threshold should be sought.		10. The council needs to develop a clear financial recovery strategy **by December 2026** that sets out how it plans to bridge the gap. This should take into account the transformation and other savings plans currently being developed as well as an estimate of any further council tax increases needed to bridge the remaining gap.

d) An assessment of how the council expects to finance capitalisation (i.e through external - internal borrowing or through capital receipts), the viability - risks of their proposed approach.

Key findings and analysis

The council is heavily dependent on external borrowing to finance its capitalisation. The budgeted capital receipts of £15.4 million in 2026-27 are being used to support the capital programme. And internal borrowing is no longer an option; the council historically relied on this to minimise interest costs but the depletion of reserves and the DSG deficit mean that there are no longer the resources available without an adverse cash flow risk. External borrowing was £414.7 million at 31 December 2025 with £24.2 million in investments and the £71.4 million 2025-26 exceptional financial support drawn down predominantly in March 2026 is expected to take the year-end borrowing to approximately £486 million.

Treasury advice to the council from MUFG has been that PWLB 10-year rates are expected to be 5.2% and the 50-year rate at 5.6%. But geopolitical developments in early 2026 caused PWLB rates to move adversely near year-end, and some of the loans secured in March 2026 were less favourable than assumed when the exceptional financial support application was submitted. There is a structural risk that PWLB long-term rates could remain elevated relative to the forecast trajectory across the volume required, locking in a higher cost base.

The viability of the financing approach depends almost entirely on the council's ability to demonstrate, through the July 2026 MTFP reset, a materially lower future need for exceptional financial support. With the constraints on internal borrowing and the limited programme of asset disposals, the dependence on external borrowing would generate significant additional revenue costs.

Risks and Recommendations

Key risk	Risk rating (see details in Annex 2)	Recommendation
11. Unless the council can bring forward significant savings plans or increase the timing and quantum of its capital receipts it is very exposed to the uncertainties in geo-politics for the costs of its borrowing.	Low - 2	11. The council should make clear to Members **in the next iteration of the medium term financial strategy,** the costs of borrowing associated with exceptional financial support and the risks of changes in interest rates to support the drive to find further savings and assets that can be sold.

e) An assessment of the council’s current asset base and planned asset disposal strategy, and scope for the council to utilise planned receipts and generate to fund expenditure capitalised under exceptional financial support.

Key findings and analysis

At 31 March 2025, the council had £1,156.403 million of long-term property plant and equipment assets, of which highway infrastructure amounted to £383.319 million and

£2.994 million were leases. The remaining £770.09 million of plant property and equipment included £255.356 million in council dwellings, and £422.789 million in 'other land and buildings', including the council's remaining maintained schools.

The council's capital programme is based on asset disposals generating £15.517 million in receipts in 2026-27 and a further £6.0 million in 2027-28. The estates team uses Red Book valuations where available but relies on professional judgement for other assets, meaning the assumed values have not been independently validated on a consistent basis It is not wholly clear whether pipeline figures for 2027-28 and beyond reflect market values or accounting book values.

The MTFP for 2026-27 notes that the timing of each disposal is critical, but previous projections have not proved reliable. The 2025-26 capital strategy had assumed non-HRA in-year capital receipts of £13.701 million. The proposed sale of Shire Hall is a significant component of the forecast receipts in 2026-27, but its timing is now at risk of delay because the cabinet has commissioned a feasibility study for potential redevelopment of the building.

A number of receipts assumed in 2026-27 also relate to planned land purchases by Cornovii Developments Limited from the council. Cornovii Developments Ltd is owned by the council and, whilst this arrangement is not an unusual method of maximising the value of land and meeting local needs, it risks delaying asset disposals. Most of the assets with Cornovii Developments Ltd (£25.762 million) are work in progress and it is largely dependent on loans from the council to fund any further purchases.

The council has identified further potential capital receipts of £109.539 million in future years, but nearly all of these are currently assessed as 'red'. Member decisions on some of the options, such as the car park portfolio would need to be made with full visibility of revenue implications, since car parks generate income that disposal would forfeit. Nevertheless, such income should improve the marketability of the assets. An asset management review is being commissioned — an invitation to tender is in draft and expected to be issued within a couple of weeks, with a report targeted for completion ahead of the end of summer 2026. Independent external market benchmarking will be a core component of the scope, alongside yield and revenue optimisation.

As a consequence, there is limited assurance over the council's existing plans to generate many capital receipts to reduce the significant need for borrowing to support expenditure through exceptional financial support. This is due in part to uncertainties on the likelihood of asset disposals, unvalidated valuations, and historically unreliable forecasting and the absence of a clear strategy to maximise capital receipts. Delivery risk is further heightened by dependencies on delayed or uncertain transactions (including Shire Hall and intra-group sales) and a pipeline of largely unviable ('red'-rated) future receipts.

Risks & Recommendations

Key risk	Risk rating (see details in Annex 2)	Recommendation
12. Without advocating a 'fire sale' the council cannot afford delays to its asset disposals. Exploring the development of the Shire Hall building prior to sale will create additional risks, necessitate further borrowing in the	High - 9	12. The council should **as soon as possible** set a clear, short deadline for any feasibility work underway on the future of Shire Hall and seek to sell the asset as soon as possible.

Key risk	Risk rating (see details in Annex 2)	Recommendation
interim and delay the receipt of much needed funds.		
13. Until the council has a clear strategy for which assets can be released, their potential market value and when any sale best be achieved it is difficult to assess the financial impacts and the costs of borrowing continue to mount. The council cannot afford to take out further borrowing to enable Cornovii Development Ltd to purchase its land or buildings for development	High - 9	13. The council should identify those assets that can be sold and develop a strategy for how this can be done to secure best value. This work needs to be **completed by December 2026** alongside transformation plans so that there is a clear financial recovery plan and an understanding of any further council tax increases that might need to be sought.

f) A detailed assessment of any financial risks in relation to the council's (i) capital programme, (ii) companies, (iii) commercial investments and (iv) major projects, identifying any risks associated with specific investments, and assessing the adequacy of internal processes, scrutiny of decisions, use of external expertise (where required), and capacity - capability to deliver. An assessment of whether and to what extent the council is complying with statutory guidance - following best practice in regards to these areas, including, but limited to, minimum revenue provision guidance, investment guidance, and accounting codes.

Key findings and analysis

Capital programme and major projects. The 2026-27 capital programme totals £140.5 million (General Fund £113.3 million, HRA £27.2 million), reducing to £132.4 million in 2027-28, £89.1 million in 2028-29 and £90.7 million in 2029-30. This step-down does not reflect a firm policy decision: the outer-year programme is built only from confirmed grant allocations. The 2028-29 figure will increase as DfT, DfE and other settlements are confirmed.

Infrastructure — principally highways maintenance — accounts for approximately 50% of the General Fund programme. The statutory maintenance obligation across Shropshire's large rural road network means the council has limited discretion over this element: it must be maintained regardless of the overall financial position, and the bulk of it is financed by DfT grant (£34.7 million in 2026-27) rather than prudential borrowing.

The construction of the North West Relief Road was formally cancelled by Full Council on 26 February 2026. Interviewees explained that the project undermined by inadequate contract oversight. Negotiations with DfT on the £39 million abortive cost are continuing, although this amount formed part of the approved 2025-26 exceptional financial support application. The council has commissioned a lessons-learned exercise which is currently underway.

The discretionary and borrowing-dependent part of the programme is relatively small, centred on transformation, corporate estates and asset management. The February 2026 budget rationalised the programme on the stated basis of retaining only schemes ensuring ongoing operations or meeting statutory compliance. Schemes formally paused or removed include Swimming in Shropshire (£0.2 million), Pride Hill Shopping Centre Regeneration (£0.5 million), Broadband Phase 7 (£1.5 million), and Commercial Investments Unallocated (£0.226 million). Several capital priority schemes — Whitchurch Civic Centre RAAC works, Oswestry Cambrian Railway Building renovation and White Horse Wem restoration — are paused pending further due diligence. The British Museum Gallery partnership and Rowleys House stabilisation projects are awaiting external grant funding outcomes.

The scaling back of discretionary projects has reduced the need for further borrowing, but there is no documented prioritisation framework setting out the explicit criteria against which individual scheme decisions were made. As a consequence, it is not wholly clear what the wider revenue implications are from the changes to the capital programme.

Companies and commercial investments. As at 31 March 2025, Cornovii Developments Ltd (CDL) had £36.61 million in secured loans from the council. The structure is a revolving loan facility; each month CDL substantially repays the outstanding loan and takes out a new loan to a similar value, so the principal balance has remained broadly the same for the past twelve months. Composition has shifted progressively from development to private rentals instead. The CDL Housing Board has been informed of a pause on future pipeline work; no further loans or investment activity will proceed without the council's s151 officer sign-off.

The 2026-27 budget rationalisation removed the Commercial Investments Unallocated line of £0.226 million. The Budget Transformation and Change Panel has stated a policy of not accepting new schemes unless fully grant-funded. Commercial investment exposure is now substantially limited to the existing position in CDL and to residual commitments inherited from earlier capital strategy decisions. There is no active programme of new commercial investment requiring separate scrutiny.

MRP compliance. The 2024-25 audit opinion confirmed compliance with relevant accounting codes and standards, signed before the backstop date in February 2026. The application of the council's MRP policy is applied appropriately and the MRP for exceptional financial support is calculated using the annuity method with a 5% rate and a 20-year asset life.

Risks and Recommendations

Key risk	Risk rating (see details in Annex 2)	Recommendation
14. Without a clear, structured prioritisation process it is difficult for the council to assess the potential risks and benefits of any changes to the capital programme.	Medium - 3	14. The council should, **in the next six months,** review its governance arrangements for the capital programme and establish a more structured approach to assessing the revenue and capital costs and benefits of additions, removals or significant slippage on projects.
15. Whilst the council has cut back its capital programme largely to grant funded schemes only, its experience with the North West Relief Road demonstrates the financial risk of grant claw back when works do not proceed as planned.	Medium - 4	**15. From here on,** the assessment of any proposed capital projects dependent on grant funding should consider the financial risks of claw back and the adequacy of project management arrangements to mitigate such risks.

3.3 Review Area 3: Service Reform, Delivery And Transformation

Adult social care and children's services are the primary drivers of Shropshire Council's financial fragility and reliance on exceptional financial support, reflecting sustained growth in demand, rising complexity and increasing unit costs despite the positive outcomes confirmed in regulatory assessments. Adult social care now accounts for almost 60% of net revenue spend, with a forecast £18.2 million overspend in 2025–26 driven by high-cost long-term care, rural delivery challenges and growing pressures among working-age adults, while children's services face rapidly rising demand, high numbers of children in need and looked-after children, and limited short-term financial relief from prevention initiatives. Although the council has credible ambitions to rebalance care models, strengthen early intervention and deliver extensive transformation programmes, most initiatives remain at an early stage with unquantified savings and benefits, constrained delivery capacity and weak commissioning and procurement resource. As a result, while leadership focus and strategic intent around financial sustainability are clear and encouraging, there is currently insufficient evidence that planned reforms will be delivered at the pace or scale required to remove the need for exceptional financial support over the medium term, and more fundamental change or alternative delivery models may ultimately need to be considered.

The following sections outline the basis of this assessment in more depth.

a) The efficiency and effectiveness of service delivery, including benchmarking against comparator local authorities, sector, and wider public sector metrics

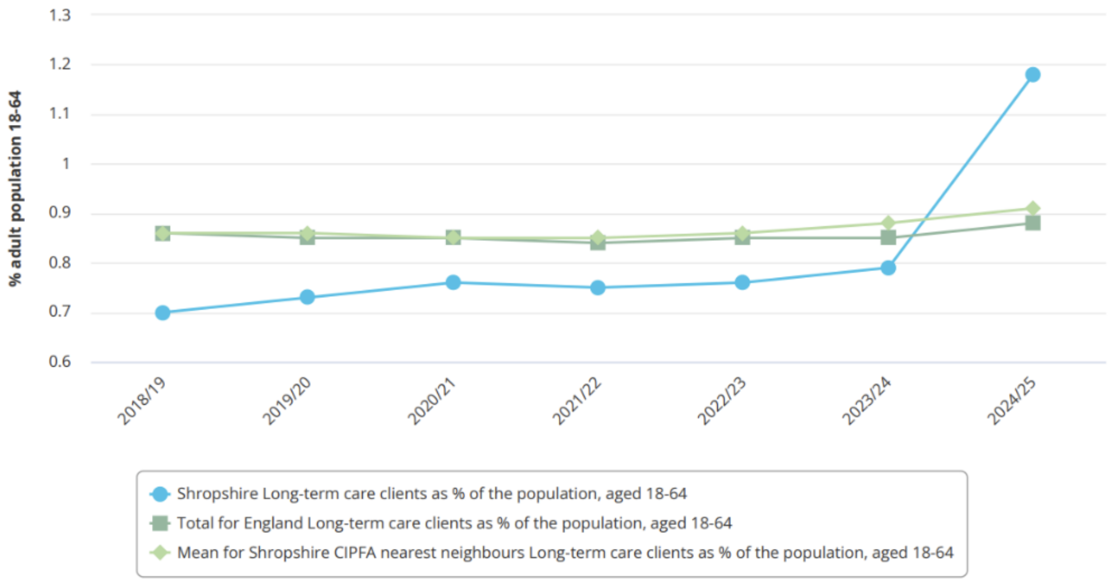
Key findings and analysis

Adult social care and children's services are the main drivers behind the need for exceptional financial support.

The cost of adult social care represents a large part of net revenue expenditure in Shropshire. The proportion has grown consistently since 2016-17 and at 56.9% in 2024-25, the council had the second highest proportion compared to its nearest statistical neighbours. Shropshire's net expenditure per head (18+) is also above the median of its statistical neighbour group and above the England county council average, but not an outlier. In 2024-25 the total expenditure on adult social care per head of population was £847.39 in Shropshire, compared to a mean of £830.99 for its nearest statistical neighbours. Comparative data for 2025-26 are not yet available, but as adult social care in Shropshire is forecast to have overspent by some £18.2 million (13.4%) due to historically the budget not being set at the right level, this trend is likely to have continued.

An external review commissioned by the council (February 2026) confirmed that Shropshire has low client numbers compared to the average for other authorities but this is more than offset by higher costs per client. The cost of its current model of providing care to younger adults in the community is adversely affected by the costs of travel in a largely rural area and an increased complexity of cases. There has also been a marked increase in the proportion of working age adults requiring long-term care – see figure 2. We understand that the Service Director chairs regular Enhanced Peer Forums to review all new packages of care above £1,000 per week and that numbers have started to decline, alongside an increased focus on short-term care, supported living and reablement. Such changes will take a long time to make a significant difference, however, on the existing need for exceptional financial support.

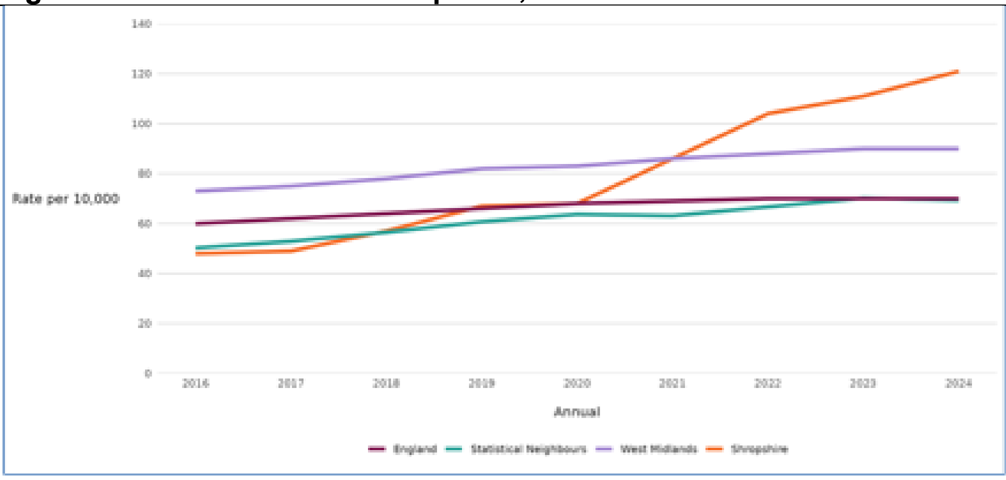
Figure 2: Adults 18-64 accessing long term support as a percentage of the population



Source: LGA Use of Resources Single LA View Report for Shropshire, 2024-25

The cost of children's services in Shropshire has also increased the financial pressures on the council. The council's spend as a proportion of net revenue expenditure (28.3 %) is close to the average for its statistical neighbours, but the proportion has increased more significantly over the last 8 years. This is largely driven by significant increases in demand and the relatively low spend on prevention. The proportion of children in need per 10,000 increased by 34% from 273.3 in 2016 to 367.2, compared to an increase of under 5% across the same period for its statistical neighbours. This increase is driven in large part by the increase in the proportion of looked after children per 10,000 in Shropshire, up by 152% from 48 to 121 over the period, compared to 38 % for its statistical neighbours – see figure 3.

Figure 3: Children looked after per 10,000



Source – LAIT November 2025 version

We understand that the council is exploring how a greater focus on early intervention, such as "Families First' and 'Best Start in Life' initiatives might reduce the number of children in need or those needing to be looked after.

Risks and Recommendations

Key risk	Risk rating (see details in Annex 2)	Recommendation
16. The growth in demand for adult and children's services in recent years has contributed to the increased costs of these services in Shropshire compared to its statistical neighbours. Until such trends are abated, growing demand will continue to increase the financial gap facing the council.	High - 9	16. The council should supplement its transformation plans it is developing in children's and adult services with other short term cost cutting initiatives in order to alleviate the more immediate financial pressures. These plans need to be developed **by November 2026**.

b) Assessment of the extent to which the council's service delivery model particularly in adult social care and children's services reflect current best practice and guidance on service effectiveness and efficiency.

Key findings and analysis

Shropshire Council's adult social care services were officially rated 'Good' by the Care Quality Commission (CQC) in a report published on February 28, 2025. The assessment confirms that the council's strategy prioritises a strengths-based, person-centred approach (Care Act 2014) and uses a "conversation first" model to seek to divert enquiries away from long-term, high-cost care. External consultants have also noted that the number and unit cost of packages of care, and their impact on actual and forecast spend, are being closely monitored.

Nevertheless, the past increase in long-term care cases indicates that progress has been mixed. Interviewees have commented on the challenges in managing the relationship with the ICB. And previous cost-cutting initiatives depleted the commissioning team responsible for managing external providers, as well as resources available for reablement and supported living.

Children's services are also highly rated. In August 2025, Ofsted rated such services as 'outstanding'. The report noted that:

> *"When children need help and protection, referrals are made to Compass, Shropshire's 'front door' service. The quality and timeliness of partner referrals are consistently high, with parental consent routinely recorded by most professionals. Initial screening within Compass is robust and effective, ensuring that children and families are swiftly directed to the most appropriate service."*

Ofsted concluded that corporate leadership was strong, and that there was a prioritisation of early help and prevention, securing significant investment that improves children's lives.

To what extent children's services and adult social care services reflect best practice is dependent on the performance and actions of staff. The Improvement Board established by the council to scrutinise actions and act as a critical friend does not include any former Directors of children's services or adult social care. The inclusion of such specialists would help to identify any areas for improvement.

Risks and Recommendations

Key risk	Risk rating (see details in Annex 2)	Recommendation
17. The 'good' and 'outstanding' assessments of adult social care and children's services in Shropshire should minimise the need for further investment, but it does not necessarily mean that efficiencies can be secured. The absence of specialists in these areas on the Improvement Board limits the opportunities to identify and challenge existing practices	High - 9	17. The council should, **as soon as possible**, encourage the Improvement and Assurance Board to bring in external representatives with direct experience of children's services and adult social care.

c) Identification of opportunities to reform - transform delivery in these areas to support both improved outcomes and manage financial pressures.

Key findings and analysis

Shropshire Council is developing a series of projects to underpin its programme of transformation in adult social care. The 11 projects focus on redesigning adult social care around prevention, early intervention and community-based support so that demand is managed earlier, statutory intervention is proportionate, and resources are focused on enabling independence and wellbeing.

Many of the eleven projects are at an early stage of development. Of the three projects on prevention, for example, the focus on debt recovery has started, but the redesign of the 'front door' approach will mean delivery does not effectively begin until September 2026 and the establishment of a self-funder pathway will not start implementation until April 2027. In most of the projects, key performance indicators and the estimated financial benefits have yet to be quantified and many of the anticipated benefits are not necessarily centred on reducing costs or generating income.

Progress with the transformation of children's services is similarly ambitious. The programme aims to shift the system upstream towards early intervention and prevention, reduce avoidable escalation into statutory services, and create a joined-up partnership that delivers safe, consistent practice and improved outcomes for children, young people and families. There are 13 different projects supporting the transformation, but timelines and anticipated outcomes are not yet specified – see figure 5. Many of the anticipated benefits are not necessarily centred on reducing costs or generating income.

In addition, the council is developing a number of projects around digital transformation as well as initiatives to strengthen commissioning, procurement, income generation and asset utilisation.

From our discussions with the council, the focus to date has been largely on in-year spend control measures, the development of a more realistic budget for 2026-27, and a 're-set' of working practices and governance across the council. The expectation is that from April to September 2026, the focus will be on the development and early delivery of a medium-term transformation and savings portfolio and strengthening the organisational capacity and capability to deliver it.

Figure 5: Children's Services Transformation Programme

Programme Area	Project	Objective	Benefits/ Outcomes	Timeline
Inclusive Places and Spaces	Best Start Family Hubs – Governance, Mobilisation & Rollout	Establish an accessible, place-based Family Hub network supporting early help, prevention and Best Start in Life delivery.	• Improved access to support • Earlier intervention • Reduced escalation to statutory services	2026–2029 (phased)
	Youth Hubs & Youth Infrastructure	Provide inclusive local spaces for youth engagement, prevention and early intervention.	• Increased youth engagement • Reduced crisis presentations	2026–2028
	Locality-Based Family Help & Social Care Working	Embed locality-based delivery for Family Help, MDTs and social care.	• • Joined-up local services • Faster and more proportionate responses	2026–2027
Inclusive People and Practice	Families First Partnership – Operating Model Delivery	Translate Families First policy intent into consistent, operable multi-agency service models.	• Consistent family-focused practice • Earlier coordinated help	2026–2027
	Multi-Agency Practice Framework	Establish a shared, consistent practice framework across the children's system.	• Improved quality and consistency of practice	2026–2027
	Workforce Development & Restructure (Family Help & Social Care)	Ensure workforce structure, capability and capacity align to the reformed operating model.	• •Workforce stability • Improved retention • Clear accountability	2026–2027
	SEND & AP Transformation Programme (Phased)	Deliver a phased transformation of SEND & AP services, building an inclusive, sustainable system aligned to national reform.	• Improved SEND outcomes • Reduced reliance on high-cost provision • Improved parental confidence • System resilience	2026–2029 onwards
Data, Digital and Systems	LCS / EHM System Reconfiguration	Reconfigure core case management systems to support prevention-focused pathways.	• Improved data quality • Inspection readiness	2026–2027
	Single View of the Child	Deliver a unified view of the child across systems and partners.	• Joined-up decision-making • Reduced duplication	2026–2028
	Front Door Digital Platforms (Web, Youth Platform & Portal)	Improve digital access routes for children, young people and families.	• Earlier access to help • Channel shift	2026–2027
Children and Family Voice	IMPACT Board & Co-Production Framework	Embed lived experience in design, delivery and evaluation.	• Services shaped by lived experience • Improved trust	2026–2027
Leadership, Governance and Commissioning	Children's Transformation Programme Governance & Assurance	Provide oversight, assurance and benefits tracking across the portfolio.	• Clear accountability • Delivery grip • Inspection readiness	2026–2027
	Sufficiency & Commissioning Delivery (incl. SEND)	Deliver the Sufficiency Strategy across residential, fostering, supported accommodation and SEND provision.	• Increased local provision • Reduced high-cost placements • Placement stability	2026–2027

Source: Shropshire Council

Risks and Recommendations

Key risk	Risk rating (see details in Annex 2)	Recommendation
18. The council's improvement plan is underpinned by a clear set of projects to transform services. They are very much work-in-progress at present and until the potential impact is known it is unclear what difference they will make to the council's financial recovery plans	High - 9	**18. By December 2026**, the council should identify the potential financial impacts of each initiative so that those projects likely to make the biggest contributions to resolving the financial gap can be resourced and expedited.

d) A view on the extent to which service plans are aligned to the local authority's strategic priorities and financial sustainability, the effectiveness of service areas in responding to financial pressures, and whether financial management and sustainability is embedded within service area practices and culture.

Key findings and analysis

The council's improvement plan and transformation plans underpin the draft Corporate Plan 'Rebuilding Shropshire Together'. The documents align closely and the draft plan emphasises the importance of financial sustainability. From the interviews we conducted there is a clear focus within the leadership of the need for financial sustainability.

Whilst the focus and commitment is very encouraging, the council's capacity to achieve this outcome remains open to question. The plans are still being developed and it is not yet clear what savings might be achieved through the planned transformation. At this stage, we are not confident that the changes will be sufficient to obviate the need for exceptional financial support over the spending review period.

e) A consideration of the effectiveness of the chosen approach in delivering services (i.e in house or external). This should include a consideration of how the operation of the procurement functions is geared towards effective service delivery, including overall management of the pipeline, capacity and capability of officers, the adequacy of the processes and culture and attitude towards procurement.

Key findings and analysis

Given the scale of the challenge facing the council in achieving financial sustainability, we have questioned whether more fundamental change might be required. In particular, whether there are opportunities for the council to collaborate with other authorities in sharing services or greater outsourcing in order to achieve economies of scale. Whilst there is no clear evidence that such options would generate financial savings, it is important to explore alternative delivery models as existing transformation plans are insufficient on their own to achieve financial sustainability and must be viewed alongside the other facets of financial recovery, such as asset disposal and council tax rises.

At this stage, the council's focus is on developing the transformation plans rather than alternative options. Its commissioning and procurement team lack the capacity needed to explore more radical alternative options.

Risks and Recommendations

Key risk	Risk rating (see details in Annex 2)	Recommendation
19. Existing transformation plans have not been quantified yet, but there is a very high risk that they will be insufficient to bridge the financial gap forecast by the council.	High - 9	19. As part of the development of a financial recovery plan **by December 2026,** the council should explore the feasibility of alternative methods of service delivery, whether through outside organisations, digitalisation or collaboration with other authorities.

3.4 Review Area 4: Governance, Culture And Leadership

Shropshire Council’s governance frameworks were poorly applied in practice, resulting in weak financial oversight, limited challenge to repeated budget failures and a persistent misalignment between strategic ambition and financial reality, and ultimately culminating in a financial emergency in September 2025. Since then, significant leadership changes and the introduction of an Improvement Plan, an independently chaired Improvement Board, strengthened Leadership Board oversight, reinstated statutory officer meetings and refreshed decision-making arrangements represent a credible and coordinated governance reset. Strategic frameworks are being rebuilt through a new Corporate Plan, MTFS and emerging Financial Sustainability Strategy, but progress in closing the structural financial gap has yet to materialise, savings proposals are still underdeveloped and key finance roles remain interim. While early signs suggest improved compliance and a more collaborative leadership culture, the effectiveness of these reforms is unproven, with the critical test now being whether strengthened structures and leadership translate into sustained behavioural change, robust financial challenge, faster delivery and tangible recovery outcomes.

The following sections outline the basis of this assessment in more depth.

a) The adequacy of the local authority’s decision making processes including presence - absence of clear schemes of delegation, scrutiny arrangements, quality of council papers and whether there is a clear understanding of governance arrangements across all levels of the authority. This should include a view on the effectiveness of the adopted governance model and whether it is suitable to drive the right outcomes for the area.

Key findings and analysis

The council has comprehensive and formal written governance frameworks, such as its Financial Rules (October 2022) and Officer Delegation Scheme that set out detailed delegation structures, financial limits, statutory officer responsibilities, and procedural requirements.

For an extensive period, however, these arrangements did not translate into effective governance in practice. The LGA peer review (July 2025) noted a complete absence of “golden triangle” meetings between the Head of Paid Service, Monitoring Officer and S151 Officer; six years of Limited Assurance with “no apparent appetite to rectify this”; optimism bias within the annual governance statement which “does not reflect the significance or urgency of the financial situation or governance issues”; and a leadership board and operating model that was “not well understood by many at this time”. The peer team also found that plans tended to be written “from the point of view that they will be delivered in full” — a structural feature of the council's governance culture rather than an isolated forecasting weakness. No Section 5 reports were issued by the Monitoring Officer during years of acknowledged governance weaknesses.

A recurring theme across multiple areas of council activity has been the absence of clear decision-making trails for significant financial commitments and policy choices, manifest in three areas:

- abortive expenditure on the North West Relief Board with a limited documented rationale for continuation decisions and the exit strategy.

- Cornovii Developments Ltd — fundamental business case assumptions around land values and delivery timelines appear not to have been subject to formal review and re-approval as circumstances changed.
- Capital programme governance — a pattern of scheme progression without clear gateway approvals or documented options appraisals.

The extent of financial scrutiny was also weak in 2025. Our analysis of papers shows that the June 2025 review of 2024-25 outturn confirming a £34.2 million overspend (13.1%) with £42 million of undelivered savings drew largely procedural Member questions rather than systematic challenge to the causes of budget failure. The savings delivery shortfall was not probed for the repeated optimistic assumptions behind it and reserves falling to £4.8 million against a recommended range of £15–30 million did not prompt Member-led demands for corrective strategies. Scrutiny was reactive to officer presentations rather than commissioning independent analysis or benchmarking; and the six consecutive years of Limited Assurance Internal Audit opinions and the absence of Monitoring Officer statutory reports received limited scrutiny attention relative to their implications. External audit's improvement recommendation from 2023-24 — which asked the council to develop a plan to improve on the Limited Assurance opinion — was formally put to the Audit and Governance Committee and not acted upon, a fact the auditors restated in the 2024-25 Annual Audit Report.

The change in leadership of the council in late 2025 demonstrates a renewed focus on addressing such issues. The two all-staff statutory officer compliance letters, preparation of an Improvement Plan underpinning a new Corporate Plan focused on financial sustainability, the establishment of an Improvement Board, chaired by an independent person, regular 'triangle' meetings, and the Leadership Board oversight regime now being constructed represent a serious and substantive response to the governance issues.

The Improvement Plan approved by Full Council on 11 December 2025 is supported by a tiered delivery governance structure. It comprises three Portfolio Boards aligned to the three Improvement Plan aims; programme and project boards (using existing forums where possible) for each of the nine priority programmes; and a Corporate Programme Management Office which coordinates the arrangements and holds a monthly "assurance conversation" with each Responsible Delivery Lead. The independently chaired Improvement Board has met monthly since November 2025 with standing agenda items on actions, finance and Improvement Plan delivery. The Leadership Board (Transformation and Change) has taken on a formal risk and change-control function, agreeing risk mitigations and scope changes at its meetings on 3 February, 3 March and 31 March 2026.

Many of the actions are being implemented around the time of our review and it is too early to assess their effectiveness. This includes the commissioning in March of a wholesale review of Improvement Programmes 1–3 on financial sustainability by the new S151 and Deputy S151 Officers to reflect the changed financial context, together with approval of revised end dates for constitutional review, mandatory training and other critical activities. A paper to Leadership Board on 10 March 2026 proposed a more structured monthly financial management and performance discussion at Leadership Board level before reports went to Cabinet. Decision-making is also now being treated as a specific governance workstream. The Improvement Board on 18 March 2026 included a dedicated discussion on the need for a more rigorous approach to decision-making.

The council is working with the Centre for Governance and Scrutiny (CfGS) to review and refresh its Constitution. Although the Leadership Board on 31 March 2026 moved the end date for implementation from July 2026 to December 2026, the council has noted that this slippage will not affect work already under way on financial and procurement procedures, which can proceed independently.

Recent strengthening of the Audit and Governance Committee (expanded to nine Members across all political parties, LGA-supported training delivered on 22 January 2026, all Internal Audit reports shared with Audit Committee Members) and the Transformation and Improvement Overview and Scrutiny Committee's endorsement of the Improvement Plan on 1 December 2025 have strengthened the function.

The Audit and Governance Committee received LGA-supported training on 22 January 2026 and it will be important to ensure that this enables Members to scrutinise the exceptional financial support repayment trajectory, and that the changes to the constitutional arrangements translate into changed practices rather than remaining on paper.

Risks and Recommendations

Key risk	Risk rating (see details in Annex 2)	Recommendation
20. The change in leadership has led to a much greater focus on governance and decision-making processes and while the direction of travel is encouraging, much is dependent on actions over the next few months.	High - 9	20. The council should address the gaps in leadership needed to drive progress and appoint an Executive Director responsible for transformation and change **as soon as possible.**

b) The presence - absence of a clear, outcome orientated, measurable and performance driven strategic direction for the local authority and whether this is clearly set out through alignment of the key strategy documents (Corporate - Strategic Plan, Annual Governance Statement and Medium Term Financial Plan). This should include an assessment of the extent to which the strategic direction of the local authority is present throughout operational implementation or whether it exists in 'name only'.

Key findings and analysis

A critical historic weakness was the disconnect between strategic ambition and financial reality. The Shropshire Plan acknowledged the need to balance the books but did not emphasise the scale of financial challenge the MTFS had been flagging since 2022-23. During that period the council consistently failed to balance budgets without drawing on General Reserves, which are now depleted to critical levels. The declaration of a financial emergency by Cabinet on 10 September 2025, the External Audit Statutory recommendation in 2025, and the LGA Corporate Peer Challenge (July 2025 together confirmed that the misalignment had become unsustainable.

The council's strategic framework is being reset. The Improvement Plan (November 2025) sits alongside the Medium-Term Financial Strategy 2026-27 to 2030-31, a new Corporate Plan 2026 to 2030 (due to Full Council on 14 May 2026), and a longer-term Shropshire

2050 Plan. The Improvement Plan sets three aims — financially stable and sustainable; clear priorities and purpose; a supported and enabled workforce — delivered through nine priority programmes. Programme 4 (Corporate Plan) is reported by the council as on track, with staff, member and Senior Leaders Forum engagement completed between January and March 2026 and the final tranche of resident and partner engagement running into April 2026. As at March 2026, the delivery window to May approval is very tight and whilst officers consider it is still on track, there is limited scope for further slippage.

Interviewees described the work to date as "a period of stability and consolidation" — a necessary first step which is not about immediate delivery but about ensuring that the council can make credible, deliverable savings propositions when the time comes. That framing is defensible, but stability and consolidation is a description of process, not of destination. More than seven months after the declaration of a financial emergency, no consolidated forward financial recovery plan has been produced yet. On the basis that there are only £5 million in savings planned for 2026-27, and interviewees estimate that there will be no more than £10 million in savings the following year (on top of mitigating demand pressures), progress in closing the structural gap is slow.

The draft Financial Plan presented to Cabinet on 21 January 2026 and 11 February 2026 committed the council to developing a Financial Sustainability Strategy that sets out how the need for exceptional financial support will be reduced over time. This is the strategic link between annual budget discipline (Programme 1) and the transformation and change portfolio (Programme 6). The March 2026 Improvement Board update confirms that the Financial Sustainability Strategy is now being developed against an evolving context; all activities and timescales within Programmes 1, 2 and 3 are under review by the new S151 and Deputy S151 Officers (Leadership Board decision 3 March 2026, reconfirmed 31 March 2026). As at March 2026 the programme remains amber because proposals for the £5 million of 2026-27 savings still require finalisation — the Leadership Board has agreed "Savings Surgeries" with Service Directors as the principal mitigation.

A new Budget Transformation and Change Panel was mobilised in February 2026 to challenge and test transformation and savings proposals at early formation. The timing of when these proposals would be available was not clear, but alongside our review the council has set out a 'flight path' that sets out a target to develop a financial sustainability strategy by September 2026 – including transformation proposals. Such proposals will also need to be scrutinised by the Improvement Board. The Board notes that the reports it has received to date have been more descriptive than analytical, limiting the Board's ability to provide effective challenge. A six month review by the Board has confirmed that it should now refine its focus, strengthen its agenda management, and ensure that its work is firmly aligned to delivery and outcomes.

Risks and Recommendations

Key risk	Risk rating (see details in Annex 2)	Recommendation
21. Discussions and papers at the Improvement and Assurance Board have been too focused on process and lacked an analytical challenge.	High - 9	**21. From here on**, the Improvement and Assurance Board should be re-named as a Financial Recovery Board to demonstrate its focus. Its Membership and agendas need to be centred on the need to drive the delivery of initiatives to bridge the financial gap.

c) A view on the effectiveness of local authority leadership including the stability of senior leadership, their ability to work effectively together, set and communicate a clear vision and set of priorities for the local area, as well as their ability to lead the delivery of those priorities (as set out in key strategy documents) through the fostering of a cohesive organisation built on cooperation, trust and respect.

Key findings and analysis

Following the LGA corporate peer challenge, the corporate leadership has changed. A new chief executive and deputy have been appointed, the s151 officer has been replaced by a new interim, and the monitoring officer is also due to change in the next few months. The leadership structure remains light, however, and there are gaps in key roles.

On the basis of the interviewees we conducted, the team appear to work together effectively. The Chief Executive and her Deputy are central to the delivery of the Improvement Plan and the s151 Officer is investigating the financial status of the council and developing plans for the changes needed. It is too early to determine progress, but in response to the first action of writing to staff on compliance issues there are early signs of improvement. Using Freedom of Information requests as an example. timeliness of response within the statutory target has risen from a baseline of 68% to 69% in January 2026, and to 76% in February 2026. This is against a backdrop of 41% more FOIs received in January 2026 than December 2025.

It is important to note, however, that both the s151 officer and the deputy s151 officer are interims. Both have confirmed that they would expect to stay in the authority until permanent replacements are found. As the council has yet to make many of the difficult decisions that may be required to achieve financial sustainability, however, it will be important that these are resolved before new appointees are made.

d) A view on the working culture and working relationships across all levels of the council including between political and officer leadership, and senior officers and junior staff. The local authority's capacity and capability improve and transform to secure continuous improvement at an operational level (i.e. sufficient expertise, staff etc.) and at a cultural level (i.e. acknowledgement of problems, openness to constructive criticism and change including inviting external challenge and scrutiny, delivery with local partners, and collaboration with sector support), and a view on the local authority's ability to identify early warning signs and take action to address potential failures at the earliest opportunity.

Key findings and analysis

The council has historically struggled to set clear priorities that align with the financial resources it has available. The LGA Corporate Peer Challenge recorded consistent staff, officer and partner testimony of a "two-tier council" between the former people directorate and "everything else", together with a perception of disconnection between Members and officers, and between the leadership board and the wider staff team. The CIPFA review identified a cultural perception that the finance team will ultimately resolve any budget gap — a significant cultural barrier to organisational accountability for financial discipline.

The change in leadership has led to a number of actions to start to address these perceptions and to build a compliance culture. An all-staff letter in October 2025, jointly signed by the current Chief Executive, the S151 Officer and the Monitoring Officer, set out three priority areas — financial rules, contract procedure rules and information security — and ended with an explicit statement that non-compliance could result in disciplinary action. A second all-staff letter of 1 April 2026, jointly signed by the current Chief Executive, the new Interim S151 and the Monitoring Officer, provided a substantive six-month progress statement. It broadened the scope to six priority areas (adding information governance, payroll deadlines, mileage and expenses, code of conduct and declarations of interest), required managers to discuss the communication in team meetings and to accept accountability for local compliance, and retained the disciplinary warning. Alongside these letters, the current Chief Executive has taken a markedly different approach to compliance enforcement, including withdrawing computer access for staff who had not completed mandatory cyber security training.

Risks and Recommendations

Key risk	Risk rating (see details in Annex 2)	Recommendation
22. Financial responsibility and ownership will be critical to future sustainability. Unless staff comply with the financial regulations and manage their budgets appropriately, planned savings will not be delivered.	Medium - 3	**22. Over the next six months**, the council should explore the feasibility of mandatory training, guidance and other support for its budget holders and wider staff on the importance of financial management. Failure to participate or to pass an associated test should lead to follow up action.

Annex

A1 Required Analysis and Method

Areas for Investigation

1. **Quality of financial management and financial processes**

   An assessment of the local authority's financial management and management of risk., covering:

   a. The local authority's financial management, governance processes, the effectiveness of its internal control environment and the audit and scrutiny committee(s), as well as compliance with local government accounting codes and international finance reporting standards.

   b. The capacity and capability of the local authority to deliver an effective finance function to the authority commensurate with the complexity of its particular circumstances, the ability to undertake any transformation activity as required, and consider whether officers / members are provided with the right information and training to take necessary financial decisions.

   c. The local authority's approach to financial risk management including identification, management and treatment of risk.

2. **Financial sustainability and risk**

   An assessment of the local authority's overall financial resilience and sustainability, the identification of specific financial risks and a view on the authority's capital and debt position and approach to assets (with a view on the sustainability, Value for Money and risk exposure of the local authority in this space). Specific factors have included:

   a. The underlying drivers of any financial fragility and risk and the local authority's ability to successfully manage those drivers so that issues do not materialise.

   b. An assessment of steps the local authority is undertaking to ensure it remains within its spending envelope, including deliverability and appropriateness of current savings / transformation plans, income generating activity, ensuring activities that are no longer required are being scaled back.

   c. An overall view on the ability of the local authority to manage identified budget pressures through its own resources, including reserves. This should include a view on the actions the council should take to minimise the need to use / seek a capitalisation direction.

   d. An assessment of how the council expects to finance capitalisation (i.e through external / internal borrowing or through capital receipts), the viability / risks of their proposed approach,

   e. An assessment of the council's current asset base and planned asset disposal strategy, and scope for the council to utilise planned receipts and generate to fund expenditure capitalised under exceptional financial support.

   f. A detailed assessment of any financial risks in relation to the council's (i) capital programme, (ii) companies, (iii) commercial investments and (iv) major projects, identifying any risks associated with specific investments, and assessing the adequacy of internal processes, scrutiny of decisions, use of external expertise (where required), and capacity / capability to deliver. An assessment of whether and to what extent the council is complying with statutory guidance / following best practice in regard to these areas, including, but limited to, minimum revenue provision guidance, investment guidance, and accounting codes.

3. **Service delivery, reform, and transformation**

An examination of high-cost service pressures and an assessment of specific opportunities for savings, innovation, and reform to support the local authority to move to financial sustainability with named service areas. This assessment has made use of recognised best practice models and guidance for delivering quality and cost-efficient services that put prevention first, and the council's alignment with this good practice. The specific factors examined have included:

a. The efficiency and effectiveness of service delivery, including benchmarking against comparator local authorities, sector, and wider public sector metrics.

b. Assessment of the extent to which the council's service delivery model particularly in [NAMED] areas of high demand / financial pressure reflect current best practice and guidance on service effectiveness and efficiency.

c. Identification of opportunities to reform / transform delivery in these areas to support both improved outcomes and manage financial pressures.

d. A view on the extent to which service plans are aligned to the local authority's strategic priorities and financial sustainability, the effectiveness of service areas in responding to financial pressures, and whether financial management and sustainability is embedded within service area practices and culture.

e. A consideration of the effectiveness of the chosen approach in delivering services (i.e in house or external). This should include a consideration of how the operation of the procurement functions is geared towards effective service delivery, including overall management of the pipeline, capacity and capability of officers, the adequacy of the processes and culture and attitude towards procurement.

Additional points for service specific issues in this authority have also been examined, as required.

4. **Governance, culture, and leadership**

An assessment of the local authority's approach to ensuring robust overall governance / management processes, leadership, operational culture, capacity and capability to reach a view on whether the local authority is operating in line with the Nolan Principles and in a way to secure continuous improvement. Factors that have been investigated include:

a. The adequacy of the local authority's decision making processes including presence / absence of clear schemes of delegation, scrutiny arrangements, quality of council papers and whether there is a clear understanding of governance arrangements across all levels of the authority. This should include a view on the effectiveness of the adopted governance model and whether it is suitable to drive the right outcomes for the area.

b. The presence / absence of a clear, outcome orientated, measurable and performance driven strategic direction for the local authority and whether this is clearly set out through alignment of the key strategy documents (Corporate / Strategic Plan, Annual Governance Statement and Medium Term Financial Plan). This should include an assessment of the extent to which the strategic direction of the local authority is present throughout operational implementation or whether it exists in 'name only'.
c. A view on the effectiveness of local authority leadership including the stability of senior leadership, their ability to work effectively together, set and communicate a clear vision and set of priorities for the local area, as well as their ability to lead the delivery of those priorities (as set out in key strategy documents) through the fostering of a cohesive organisation built on cooperation, trust and respect.
d. A view on the working culture and working relationships across all levels of the council including between political and officer leadership, and senior officers and junior staff. The local authority's capacity and capability improve and transform to secure continuous improvement at an operational level (i.e. sufficient expertise, staff etc.) and at a cultural level (i.e. acknowledgement of problems, openness to constructive criticism and change including inviting external challenge and scrutiny, delivery with local partners, and collaboration with sector support), and a view on the local authority's ability to identify early warning signs and take action to address potential failures at the earliest opportunity.

Methodology

In our approach, we were mindful of the four broad areas for review, and the specific areas of focus, as set out above.

The approach taken comprised the following elements:

Desktop analysis

MHCLG provided appropriate background. We reviewed the material and made supplementary document requests to the council. The team has analysed a significant number of documents together with other records that have been shared by the council as being relevant for the review. A list of documents reviewed is shown in Annex 3. We also examined relevant comparator material. We would like to record our thanks to officers for their ready compliance with our request for reports and data.

Specialised inputs

Some comparative data analyses were conducted on issues such as revenue spend, and indebtedness. These are based on analysis undertaken by CIPFA using published data such as the Revenue Account (RA) and Revenue Outturn (RO) forms. Service performance data has been extracted from a wider range of sources including: The Office for Local Government (Oflog), the council's own surveys of residents and staff, and work undertaken by LG Futures.

Interviews

The bulk of the fieldwork comprised of interviews. These provided the invaluable triangulation of our analysis. Council officers, members, auditors, and other experts were invited to give views and respond to queries provoked by documentary evidence. Council officers at senior and junior levels, members, auditors, and other experts were invited to give views and respond to queries provoked by documentary evidence. We would like to thank everyone involved for their courtesy and constructiveness. A list of interviewees is shown in Annex 4.

The above inputs were then analysed and subjected to our professional and expert judgement. The result is this report.

This report was fact checked as far as possible and is based on the fieldwork completed within the time frame for the review. It is not a comprehensive audit of the council's finances or its governance arrangements. Consequently, the conclusions do not constitute an opinion on the status of the council's financial accounts. Our review of the council's Minimum Revenue Provision (MRP) considers the reasonableness of the council's MRP policy and does not constitute an audit of the full application of the policy. Similarly, our review of the council's productivity does not constitute an audit of the council's productivity plan but represents an overview of the arrangements in place to consider productivity and take account of any publicly available information on historic or relevant performance.

CIPFA's review team consisted of an experienced finance consultant and relevant technical expertise.

CIPFA would like to take this opportunity to thank the council for being so amenable and open to meeting with the review team and for the considerable effort that has been expended in collating and sharing key documents with CIPFA. We also thank everyone involved for the openness, tact, and honesty in what is a sensitive issue for the council.

Report Structure

The key findings and analysis, together with supporting evidence, are set out under each of the review areas requested (as detailed in the commission). Risks and recommendations are detailed under each of the review areas.

The information and data within this report are accurate as at the time of the initial data gathering and interviews that took place in April 2026, and unless otherwise stated reflect the position at that time.

A2 Risk Assessment – Method

Likelihood	Impact: Critical:3	Moderate:2	Marginal:1
Probable:3	High - 9	High - 6	Medium - 3
Occasional:2	High - 6	Medium - 4	Low - 2
Improbable:1	Medium - 3	Low - 2	Low - 1

Likelihood:

- Improbable – possible, but unlikely to happen.
- Occasional – might happen, might not happen, in the order of 50-50
- Probable – most likely will happen.

Impact:

- Marginal – some minor, possible minor operating difficulties largely contained within the council, some awareness - action may be required by members.
- Moderate – notable financial and operational impact- losses - costs operating impacts hitting services for some of the community, a significant issue for members to deal with
- Critical – major operating impact- financial losses - costs requiring subsequent intervention by MHCLG or other 3rd parties, reaches national press interest, major political embarrassment for members.

A3 Documents Reviewed

#	Review Area	Document Required	Document Reference and Notes
0	**Final Settlement**	Rural Services Network (RSN) reports - Final Settlement Analysis	Independent analysis of the settlement
1	**Medium-Term Financial Strategy**	Current Medium-Term Financial Plan (MTFP) / Financial Strategy, including the Section 25 report or equivalent statement on robustness of estimates and adequacy of reserves, and the financial models and assumptions underpinning the MTFP	Cabinet/Council reports – February 2026 Section 25 Statement
2	**Reserves**	Reserves strategy, earmarked reserves schedule, and useable balances forecasts	Appendix 5.2 of MTFP – Feb 2026 Appendix 5.3 of MTFP – Feb 2026
3	**Risk Management**	Risk management strategy and policy, corporate and financial risk registers, and monitoring and exception reports	Opportunity Risk Management Strategy – October 2025 Strategic Risks New Risk Management Level proposal Draft Internal Audit report 2025/26
4	**Savings Plans and Value for Money**	Current savings and efficiency plans, supporting business cases, and any detailed savings delivery tracker showing phasing, RAG status, and recurring/non-recurring split	Reversal of unachievable savings – appendix 2.2 of MTFP – Feb 2026 "Flight Plan" Transformation & Savings Change Portfolio
5	**Savings Plans and Value for Money**	Plans for addressing persistent service budgetary pressures, including improved efficiency and better control of demand	List of Growth 26/27 to address structural pressures DSG Improvement Board Plan Partners in Care & Health ASC Financial Review Shropshire Children's Services Financial Review – November 2025 Children's Services Benchmarking – November 2025 Use of Resources Single LA View report 2024/25
6	**Savings Plans and Value for Money**	Procurement policies and contract standing orders	Copy of Procurement Rules Commissioning & Procurement presentation to SC Improvement Board
7	**Savings Plans and Value for Money**	Existing outputs on financial benchmarks, resilience indicators, and performance management framework — including KPIs, targets, and any reports or assessments on value for money issues	LGA Benchmarking reports have been completed against a number of areas – ASC (5.3), Children's Services (5.4) and Revenues & Benefits (7.1). Further reports currently being commissioned
8	**Savings Plans and Value for Money**	Scrutiny forward work programme	Economy & Environment work programme EE work programme topics Transformation & Improvement work programme HOSC work programme People work programme Topics explored as a task & finish group: Station Gyratory – 03.12.26 Highways – exempt report not available to d/load Partnership Working – 17.11.25 & 11.02.26 CIL and Partnerships task and finish report (Cabinet 15/04/26)
9	**Performance Reporting and Management**	Corporate performance management framework, KPIs and targets, and in-year performance monitoring reports (financial and non-financial)	2025/26 Q1 report (Cabinet 10/09/25) 2025/26 Q2 report (Cabinet 19/11/25) 2025/26 Q3 report (Cabinet 09/02/26)

			Financial Monitoring Q2 2025/26 (Cabinet 19/11/25) Financial Monitoring P9 2025/26 (Cabinet 11/02/26) Financial Monitoring P10 2025/26 (Cabinet 11/03/26) Item at Leadership Board 10/03/26 priorities and performance report Corporate Plan cabinet report & plan in appendix
10	**Financial Regulations and Delegations**	Financial Regulations / Financial Procedure Rules, including any recent review or updates	Financial Rules
11	**Financial Regulations and Delegations**	Scheme of Delegation / Schedule of Financial Delegations	Financial Rules Scheme of Delegation – Part 8 of the Constitution –Delegations to Officers Subject to the constitution review, schemes of management and delegation will need to be reviewed to ensure alignment with departmental structures.
12	**Financial Regulations and Delegations**	Any documented outputs through which the Monitoring Officer gives assurance on legality, standards, member conduct, governance, and constitutional compliance (e.g. formal opinions, reports to Council or Audit Committee, Section 5 reports), and details of where these are reported, where available	Report template showing sign off requirements MO signs off all Cabinet/Council reports and report to Audit Committee on compliance with the council's Contract Procedure Rules.
13	**Treasury Management**	2025/26 Treasury Management Strategy Statement	Treasury Strategy Mid-Year Report 2025/26 (in folder)
14	**Treasury Management**	Calculations supporting the Capital Financing Requirement (CFR) and prudential indicators/KPIs	CFR calculation Treasury Strategy Mid-Year Report 2025/26 (in folder)
15	**Treasury Management**	Capital spending and funding plans, including the Capital Strategy and any capital receipts / asset disposal assumptions where relevant	Appendix 3.1 of MTFP – Capital Programme Appendix 3.2 of MTFP – Capital Priority Schemes Appendix 3.3 of MTFP – Capital programme Financing
16	**Treasury Management**	Asset Management Plans	Capital Receipt Projections Appendix 3.3 of MTFP – Capital programme Financing
17	**Treasury Management**	In-year treasury management monitoring reports, including cash flow / liquidity monitoring where prepared	Treasury Management Update reported quarterly to Cabinet. Treasury Management Update Q3 Report TM Update Q3 - Appendix A TM Update Q3 - Appendix B TM Update Q3 - Appendix C TM Update Q3 Appendix D Cash Flow Forecast Graph in 2025/26
18	**Benchmarking and Financial Resilience**	Financial benchmarking data and comparator analysis	See above
19	**Benchmarking and Financial Resilience**	Balance Sheet (most recent audited accounts and latest draft)	Statement of accounts On 10th February 2026, 2024/25 accounts signed off, unqualified.
20	**Benchmarking and Financial Resilience**	Medium-term financial resilience indicators and trend analysis, including any CIPFA Financial Management Code self-assessment and improvement plan	Previous CIPFA Action Plan Previous CIPFA Financial Resilience Review Next review will take place after the Constitution review, following a review of the action plan and agreement of the plan.

21	**External Audit — Financial Statements and VFM**	Most recent audited Statement of Accounts and audit opinion, including any statutory recommendations, public interest reports, or significant audit findings and management responses	24/25 statement of accounts (unqualified) Signed audit opinion by Grant Thornton Audit Committee papers – Independent Auditors report to the member of Shropshire Council & 2 appendices Grant Thorton VFM review for 25/26 due to commence early June
22	**External Audit — Financial Statements and VFM**	External auditor's Value for Money (VFM) conclusion / narrative report	Auditor Annual Report – Audit & Governance Committee Nov 26
23	**Budget Setting and Monitoring**	2026/27 Revenue and Capital Budget reports, including budget assumptions, Council Tax / business rates funding assumptions, and the formal decision-making report where available	MTFP as agreed at Council Feb 26
24	**Budget Setting and Monitoring**	2025/26 outturn reports and 2026/27 in-year budget monitoring and financial management reports, including major demand-led service pressure analysis where reported separately	Financial Monitoring P11 2025/26 (Cabinet 15/04/26) previous reports in section 9. Outturn report due to Cabinet in June 2026, to be followed by a first draft of 2027/28 MTFP based on best known assumptions in July.
25	**Transformation, Change and Improvement Plans**	Corporate transformation / change programme documentation, including portfolio summaries or PMO dashboards where available	Leadership Board item 10/03/26: Reviewing, Refreshing and Developing our Transformation and Change Portfolio Papers for Improvement Board showing improvement against improvement plan including dashboards
26	**Transformation, Change and Improvement Plans**	Business cases and investment appraisals for major change initiatives, and governance arrangements for transformation programmes (e.g. programme board terms of reference, reporting lines)	BTCP TOR
27	**Transformation, Change and Improvement Plans**	Benefit realisation and savings tracking for transformation projects, including delivery confidence assessments and slippage reporting where available	See above Finance Monitoring & Savings dashboard Savings trackers for 24/25 savings (Walkthrough can be provided during review)
28	**Follow-up of Previous Reports**	Copies of previous external auditor, peer, improvement or assurance review reports relevant to financial resilience, governance, or transformation, including any LGA, MHCLG, or sector-led improvement panel reports	LGA Corporate Peer Challenge (CPC) Report LGA CPC Action Plan (Cabinet 15/10/25)
29	**Follow-up of Previous Reports**	Current action plans against previous recommendations and status updates	CIPFA Action Plan
30	**General**	Finance team structure chart (including headcount and vacancies)	Structure - latest version provided.
31	**General**	Internal Audit reports relating to financial management, financial transformation, treasury, budgetary control, savings delivery, or governance	June 2025 Internal Audit Performance report to Audit Committee September 2025 Internal Audit Performance report to Audit and Governance Committee November 2025 Internal Audit Performance report to Audit and Governance Committee February 2025 Internal Audit Performance report to Audit and Governance Committee
32	**Other SC**	Shropshire Council Improvement Board – Agendas	SCIB Agenda 17.12.26 SCIB Agenda 19.01.26 SCIB Agenda 16.02.26 SCIB Agenda 18.03.26 Documents available on request
33	**Other SC**	LGA Peer Review Documents and proposals	Documents included above.
34	**Other SC**	Improvement Plan	Improvement Plan

			Report to Council 11/12/25 - Improvement Plan Report to Audit & Governance Committee 04/02/26: Improvement Plan Update Update to Improvement Board 16/02/26 Update to Improvement Board 18/03/26 Update to Improvement Board 13/04/26 Improvement Plan governance
35	**Other SC**	Draft Corporate Plan	Corporate Plan cabinet report & plan in appendix
36	**Other SC**	The Stat officer's letter to all staff October 2025 & April 2026	Compliance letter to all staff – October 2025 Compliance letter to all staff – April 2026
37	**Other SC**	The AGS 25/26 statement	In preparation
38	**Other SC**	The report on what we have done to review services	This report outlines the work to date and planned work and processes related to the recommendation "to and review of all services, both statutory and non-statutory, and identify the cost of minimum viable service provision to deliver its statutory responsibilities." Referred to as minimum acceptable service levels.
39	**Other SC**	Internal Control Management Update	Report of the CEX to Audit committee and council Nov and Dec 2025
40	**Other SC**	The capital strategy paper	Appendix 3.1 and 3.2 of MTFP shows a stripped back strategy
41	**Other SC**	Examples of the difficult decision papers taken to Council	NWRR, Shirehall, food Waste, Schools Library Services, Internal Day Cases Consultations
42	**Other SC**	Income and fees chargers	Council Report Fees and Charges Feb 2026 Appendix 1 - Fees and Charges Policy V2, item 8. Appendix 2 & 3 - Full review of fees and charges against legal limits (in report)
43	**Other SC**	Interim Structure	
44	**Other SC**	Shropshire Council Improvement Board – meeting notes	10.11.25 17.12.25 19.01.26 16.02.26 18.03.26

A4 Staff Interviewed

Job Title/Role
Strategic Finance Manager
Monitoring Officer/Governance Lead
LGA Finance Advisor, member of Shropshire Council Independent Board
Leader of Opposition Party
Cabinet Member / Portfolio Holder for Finance
Head of Internal Audit/Internal Audit Lead
Local Taxation / Collection Fund / Business Rates Lead
Leader of Opposition Party
Leader of Opposition Party and Chair of the Audit Committee
Leader of the council
Chair of Improvement Board
Director of Adult Social Care
Chief Executive

Job Title/Role
DSG/Schools Finance Lead
Capital Monitoring / Capital Accounting Lead
Director/AD for Property, Assets or Capital Delivery
Interim Deputy Chief Executive/Executive Director – Public Health (DPH)
Chief Accountant/Head of Financial Accounting
Director of Children's Services
External Audit
Leader of Opposition Party
Service Director of Commissioning
DSG/Schools Finance Lead
Section 151 Officer/Director of Finance
Deputy S151 / Head of Finance
Service Director of Enabling

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