


LGA Finance Peer Challenge – Progress Review

Shropshire Council

6th March 2023

Feedback





1. Introduction	3
2. Summary of the approach.....	3
3. Progress Review - Feedback	5
4. Final thoughts and next steps	15



1. Introduction

Shropshire Council undertook a LGA Finance Peer Challenge (FPC) during June 2022 and subsequently published the [report and action plan](#).

This progress review is designed to provide space for the council's senior leadership to update peers on the following:

- Feedback from the peer team on progress made since the FPC
- Peer reflections on any new opportunities or challenges that may have arisen since the peer team were on-site including any further support needs
- Discussion on any early impact or learning from the progress made to date.

The LGA would like to thank the council for its commitment to sector led improvement. This review was the next step in an ongoing, open and close relationship that the council has with LGA sector support which has also included a Communications peer review and benchmarking in Children's and Adults services during 2022/23.

2. Summary of the approach

The progress review at Shropshire Council took place on 6th March 2023. The review included a wide-ranging conversation. This note is not intended to capture all the details of the discussion but provide an overview of progress since the FPC in 2022 and focus on the elements from the review of most critical importance. The peer team were grateful for the prereading provided by the council as an update on the recommendations made in the review, and the current context of the financial position of the council.



For this progress review, the following members of the original team were involved:

- Andrew Lewis – Chief Executive, Cheshire West and Chester Council
- Cllr Rob Waltham MBE – Leader, North Lincolnshire Council
- Tracie Langley – Chief Operating Officer and S151 Officer, Cornwall Council
- Nina Philippidis – Service Director – Finance and S151 Officer, South Gloucestershire Council
- James Millington – Peer Challenge Manager, Local Government Association.

Peers met with the following Shropshire Council colleagues over the course of 2 hours:

Cabinet

- Cllr Lezley Picton (Leader)
- Cllr Gwilym Butler (Finance and Corporate Resources)
- Cllr Cecilia Motley (Adult Social Care, Public Health and Communities)
- Cllr Ian Nellins (Deputy Leader, Climate Change, Environment and Transport)
- Cllr Dean Carroll (Growth, Regeneration and Housing)
- Cllr Rob Gittins (Culture and Digital)
- Cllr Kirstie Hurst-Knight (Children & Education)

Officers:

- Andy Begley, Chief Executive
- James Walton, Executive Director of Resources
- Rachel Robinson, Executive Director of Health, Wellbeing and Prevention
- Tanya Miles, Executive Director of People

- Nigel Newman, Head of Communications and Engagement
- Jane Tretheway, Assistant Director - Homes & Communities
- Ben Jay, Assistant Director – Finance & Technology
- Tracy Darke, Assistant Director of Economy & Place
- Paula Mawson, Assistant Director – Integration and Healthy People
- Laura Fisher, Head of Service - Housing, Resettlement and Independent Living


3. Progress Review - Feedback

Executive Summary

During this progress review the peer team heard how the council valued the FPC in June 2022 and how this has influenced the council's approach. Key messages in the FPC included that the council should be proactive and address its financial position with the council 'owning' the challenge. The peer team heard from Shropshire Council (SC) at this progress review about how it is taking action to address its financial position, with the senior officer team and Cabinet Members confident in their ability to respond. The peer team was encouraged to hear this.

However, the council and the peer team recognise that the efficiencies of £51.390M required in 2023/24 is extremely challenging for the council, following an overspend in 2022/23 which has further impacted its room for manoeuvre. The council has very little remaining in its general reserves to cushion the impact of under-delivery, and will require the delivery of at least 95% of these savings in order for it to avoid depleting its reserves to a level which seriously jeopardises its financial solvency. This is a position which leaves no room for under-delivery.


Additionally, the peer review team were concerned that some of the savings identified were costed on the basis of delivery from the start of the financial year, and yet are programmed to start mid-year. Despite the on-line 'savings tracker' tool to



help monitor progress in delivery, the impact of this needs to be understood and addressed immediately and the peer team would encourage the council to prioritise completing this analysis at pace, as in doing so may surface the need for additional savings measures.

Delivering such a large programme will be challenging given the council's previous record on the delivery of savings. SC has developed mechanisms to support this including the Getting Leadership Right (GLR) programme and will establish an Office of the Chief Executive. The council has invested time in developing the GLR programme to instil the importance of addressing the budget issues – and developing solutions – with the organisation's top 250 managers. This aims to shift the mindset of the organisation to acknowledge and deal effectively with the challenge. A Strategic Transformation Partner has also been procured by the council. The council will want to monitor this to satisfy itself that the organisation has the appropriate capacity, resources and mechanisms in place to support it to deliver, and that the Partner and council (as client) relationship is working effectively. The Strategic Transformation Partner will bring expertise and challenge but the decision making, control and process is owned by the council and this will need to remain clear. The council will therefore need to use the expertise and capacity of its Strategic Transformation Partner, particularly to deliver urgency and radical thinking, while ensuring the council retains accountability and builds internal capacity for the future.

Throughout the discussions Cabinet and senior management were aligned on the importance of dealing with the challenge. The council recognises that further in-year pressures may impact and that additional decisions may need to be taken to respond. The council should ensure it is developing contingency plans with this in mind. These may include policy decisions which review service standards or increase user-charging, as Cabinet recognise and are continuing to review. Additional in-year activity above and beyond those programmes already agreed is articulated for Shropshire as Thinking Correctly Under Pressure (TCUP). These are being developed behind the scenes at present, and seek ways in which contingency arrangements can be prepared to help ensure successful delivery of targeted savings




– for example, by providing short-term ‘bridging’ solutions while more sustainable measures which have been identified are implemented. The peer team applaud this approach but understand that work is still to be done on this. This should be completed at pace now to allow the council to act quickly with additional corrective action, as there will be a lot of pressure to deliver in 2023/24.

The new-found confidence of the organisation is encouraging, and the capacity to address underlying financial issues has been strengthened since the Peer Review. But the short-term challenges have become even more severe and urgent.

Outlined in this report are a number of observations from the peer team but the effective delivery of the efficiency programme in 2023/24 is now the top priority for the council. There is little room for manoeuvre now and to ensure the council is sustainable it needs to absolutely focus on the delivery of this task, taking any corrective or additional steps in-year. The peer team heard about some of the longer term important plans regarding finance, for instance the replenishment of reserves, and strategic delivery, such as The Shropshire Plan (TSP). These are welcome developments, but the sustainability of the organisation will need to be the focus in 2023/24. Not delivering against the financial programme it has identified for 2023/24 is a serious threat to the council’s financial sustainability and its ability to balance its 2024/25 budget.

The context - since June 2022

During the FPC in June 2022 the peer team concluded that ‘Shropshire Council’s finances are not immediately catastrophic – but they are in a precarious position’. The team’s view was that the council was ‘facing a challenging financial situation, but the peer team does not consider that Shropshire Council is part of that cohort of councils in imminent danger of issuing an S114 notice, provided it takes urgent steps and corrective action now, alongside a credible medium-term plan to return to financial sustainability’. It was clear from the discussions during this progress review that the original review and these messages had shaped how the council has




approached taking steps to address its financial challenges. However, the financial challenges facing the council, and the sector more widely, have become more pronounced since June 2022 and as SC was starting from a more precarious place than most, this requires it to now urgently deliver against the financial programme it has set out during 2023/24 and beyond, as there is very little room for manoeuvre with reserves at such low balances and an in-year 2022/23 overspend.

The peer team heard how the council has aligned its resources to deliver TSP. This is important for the council in delivering its ambitions for the place inside the parameters of its financial envelope. Through a programme of launch events the council has made its objectives clear around its 4 priorities of Healthy People; Healthy Environment; Healthy Economy; and Healthy Organisation. Importantly, for the focus of this review, there has clearly been a great deal of work on the Healthy Organisation theme and the links made from this to the key financial plans is evident.

SC had recently held its Budget Council meeting where the 2023/24 Budget and Medium Term Financial Strategy (MTFS) 2023/24 – 2027/28 was agreed. This set out the council's £646M gross budget, with a net budget requirement of £256M in 2023/24, and agreed a 4.99% increase in council tax (including a 2% Adult Social Care precept). Through this budget the council made clear the challenges of the previous year, in 2022/23, and the continuing challenges for the coming year which will see the council deliver '[the most substantial spending reduction programme ever](#)'. The council has outlined that it must deliver £51.390M of savings in 2023/24, and these appear to be full-year effect savings proposals which creates an inherent level of delivery risk.

The peer team heard from the Leader and Cabinet that they were unified in their commitment in addressing the financial challenges facing the council. There was a clear focus from the Cabinet on the council 'owning' this and it also felt that the council was able to meet this challenge. There remain policy discussions to be had, notably around SC's approach to charging, where the council will want to keep its position under close review. Members will need to be prepared to make some tough




decisions to ensure the financial challenge is addressed and having clarity of purpose, a clear narrative and focused Cabinet will be important to this. Keeping all Members of the council sighted on the financial position of SC and the rationale for decisions being taken will continue to be vital.

During this progress review the council acknowledged it has a significant financial challenge and although it has developed a plan to tackle this it does not underestimate the challenge of delivering this for an organisation which is not used to delivering on this scale. The leadership team feels confident it has set out the approach and developed mechanisms which will allow the council to meet this. The peer team agree that the discussions demonstrated an organisational confidence which had developed since the review in June 2022. The council has also set out an approach with systems and processes to support the delivery of the savings programme. However, this is a significant financial challenge for the council, which in 2023/24 may easily continue to grow. There is a significant savings programme which has been identified but the detail of exactly how much from the currently agreed programme can be delivered in 2023/24 is not yet fully understood. This needs to be developed at pace. The budget situation for this year requires SC to commit to delivering against an extremely tight financial position and using all the mechanisms at its disposal to ensure financial grip and urgently deliver the financial programme it has set out.

The Challenge for 2023/24


During the peer team's visit in June 2022 a £60M funding gap in 2023/24 was identified by the council but various views of the gap were expressed by those we met. At that stage the peer team concluded that the £60M assessment overstated the scale of the funding gap, due in part to how government grants were viewed by the council. SC has now clearly set out and has wide agreement on the scale of the financial challenge it is facing. This was an important step and clarity on this means there is a single understood position. The council's MTF5 sets out that in 2023/24 the council will need to make £51.390M of efficiencies. The peer team consider now that given the impact of inflation, fuel and pay increases faced by SC, and other



councils, that this figure will need to be closely monitored as projecting an increase to this in-year would not be unreasonable to assume. Delivering the efficiency programme is the top priority for the council this year – it is absolutely critical for the council and not doing so impacts on its sustainability in particular its ability to balance the budget in 2024/25.

Pressures, including the staff pay increase and inflation need to be closely monitored as these can easily challenge the council's financial sustainability. For example, SC has assumed a £1.6K increase for 2023/24 - and a 3% uplift for future years – meaning pay inflation has been projected as £11.3M for 2023/24. The announcement of the rejection of the National Employers' offer of £1,925 by the unions on 8th March, and its impact on the council, will need to be factored in. Additionally, council contracts with Adult Social Care Providers, the council's Waste Collection and Disposal Contractor and the Highways Maintenance contractor have inflation built in. SC notes how increased inflation has a significant impact – generally this is around approximately £2-3M – and in 2023/24 the council is funding contract inflation of £23.4M. The council sets these out in its MTFs and will need to continue to closely monitor the impact of these, and other factors, on its budget and if needed be prepared to respond to any pressures through budget responses elsewhere.


From its Q3 monitoring the council is projecting an overspend in 2022/23 and stated that this could range from between £4.1M and £17.5M, with a 'best estimate' of £9.95M. The peer team would recommend that the council considers the advantages of expressing this using a different method other than a 'control corridor' as a range which is so large at this stage in the financial year, and would have such a significant impact on the council in terms of its future stability, is significant. When projecting on the basis of best and worst case scenarios the council should consider planning for the most likely case while providing for the worst case. Providing a more precise financial position is an important signal from the council and demonstrates the tightness of the financial grip it has.



Addressing the 2022/23 'best estimate' overspend through utilising £10M from general reserves would leave the council with reserves of just £5.6M (2% of the council's revenue budget), a significant risk for its ability to address any unanticipated issues. SC recognises that the position of its reserves exposes it to great risk, and that it has less reserves available compared to unitary councils of a similar size. As part of the 2023/24 budget, it plans to contribute £19.7M into the General Fund Balance. The council is planning to rebuild its General Fund Balance and considers that between 5-10% of its core spending power - in 2023/24 between £13M (at 5%) and £26M (at 10%) - would be prudent. However, it is aiming to have a general fund reserve position of at least £30M - and increase this through the medium term. The peer team underline the importance of this for the council and that it must deliver on its plans to address this and build its reserves to a more appropriate level.

The council has identified £51.390M of savings to meet the 2023/24 gap – with many of these elements consisting of transformation and efficiency savings. The peer team acknowledge the council has done well in identifying this amount but caution that in assessing these savings programmes many would normally be options which would take more than one year to roll-out. Additionally, the council is still yet to fully work through the 'full year' effect and understand the lead-in times of the savings, identifying those which will only be partially delivered in 2023/24. This is crucially important and needs to be done quickly to understand where gaps may remain. The peer team understand that this work is being done by the council imminently and urge it to prioritise this as until this is understood the deliverability of the savings programme to meet the council's challenge cannot be relied upon and therefore significant risk remains for the council.

There is a significant pressure and need for the council to deliver the level of savings it has identified, with little room for under-delivery. If the council delivers 95% of the savings required it would still need to exhaust all of its general reserves – given the current stated 2022/23 overspend - to balance the books at the end of 2023/24. This is already challenging and if additional pressures, beyond those already identified, occur in-year there is no cushion for the council.



SC is aware of its previous track record in the delivery of savings and when reviewing its performance shows that in delivering savings of £10M-£15M per year the percentage achieved has dropped consistently from 82% in 2017/18, and is at around 68% in 2022/23. The peer team consider the delivery of a minimum of 95% of savings programmes to be a challenge for most councils, and given Shropshire's past performance this will be a significant issue for it to address. There is clearly a need to ensure this is tightly gripped and delivered by the council.

The peer team consider that before the end of Q1 2023/24 the council will know if it will deliver against the savings requirement needed for the year. As outlined above, understanding the full-year effect of the savings programme is critical and there is very little room for under-delivery or service over-spend, especially given the council's reserves position. Negative in-year budget variances or under-delivery of savings could easily cancel out any gains made in either area by the council. The peer team understand that in addition to the £51.390M of identified savings the council is discussing other potential options as part of its TCUP approach. These solutions help to ensure that the overall objective of sustainable spending reduction is achieved, but also acknowledge that will take time to be implemented, creating a temporary funding gap to be bridged. These solutions could be quickly implemented to control spend or respond to the delayed delivery of savings, particularly in areas where there might be considerable challenge, such as in Adults and Children's Services.

The TCUP approach involves the council reviewing scenarios now and considering what arrangements could be put in place, rather than doing this in-year when under pressure. The peer team consider this to be a good approach and will allow the council to act more quickly to address financial challenges, but it will need to develop these at pace now before/at the start of the financial year when urgent action may be required.


Delivery is critical

The peer team heard how the council has reflected on how to set itself up to deliver against this financial challenge. This context has influenced the design of the council's GLR programme, the development of the Office of the Chief Executive and its decision to procure a Strategic Transformation Partner. These are designed to support staff and to provide rigor to its financial programme.

The council identified a capacity and capability need to support delivery of the financial programme and this has been developed as an Office of the Chief Executive. This Office will include programme management and communications functions as a small but focused area for the council. Following a recent procurement exercise SC has also appointed a Strategic Transformation Partner, starting in early March. So far this has set out the governance for the programme and prioritised projects which in 2023/24 includes:

- Increasing ASC Reablement (£3.84M spend reduction target)
- ASC Strength Based Practice (£2.76M spend reduction target)
- Reduction in Staffing Spend by 10%, including agency procurement
- Channel Shift/Customer Front Door (£2.1M spend reduction target)

This approach aims to bring in some of the capability and capacity to deliver the savings programme and also look at some of the programmes which will take longer to deliver. For the Office a new Assistant Director-level post has been created to work as contract manager to the Strategic Transformation Partner and work with the organisation to deliver the programme. The council will also bring in additional capacity and capability where and when this is needed. The peer team encouraged the council to continue to think how it will manage the ways in which external and internal capacity will be used – how appropriate external capacity is utilised to assist the council with its delivery and allow it to make the challenging decisions it needs to make. The Strategic Transformation Partner will bring expertise and challenge but




the decision making, control and process is owned by the council and this will need to remain clear.

The council intends to bring some existing colleagues across the organisation together to bring expertise in the Office, or within directorates, to deliver. The peers encourage SC to continue to consider the internal capacity which will be needed around finance, IT, HR and legal support and how it will ensure this is available as there will undoubtedly be decisions to be made around resourcing given the timing and scale of the savings programme.

The council acknowledged that tight systems and processes are required to grip and closely track the financial position of the organisation, including the critical delivery of the savings programme and service budgets. SC is utilising Power BI dashboards to monitor service budgets and has established a 'live' savings tracker hosted on sharepoint for 2023/24 to keep an overview of the delivery of savings. The ambition is to ensure that 'real time' data is available to support Shropshire's grip on its financial position and to get on the front foot for responding to and mitigating budget challenges including potential overspends and under-delivery of savings, at the first opportunity. In this critical period the council is not relying on the availability of monthly and quarterly monitoring. Data monitoring will be supported by an approach which will be closely monitored by the relevant Finance Business Partner and through the Executive Management Team for budget monitoring compliance and includes a SLT Gateway, Directors' Gateway and visibility for the Cabinet. The peer team considered that the approach which was discussed to be appropriate for the level of risk and the delivery assurance the council needs. The council will want to keep this under review to assure itself that it is working as it is intended.

The GLR programme is a leadership programme which has been developed as a key mechanism for working with the top 250 managers across the organisation. The focus on budgets and the MTFS for the council has been clearly linked to this programme with the aim being 'to secure the MTFS objectives: they will enable significant service transformation and cultural change across the Council'. This



programme provides support to officers and also outlines the council's expectations of its managers and their central importance to delivering the financial programme.


Delivery of the savings programme is now critical for the council in 2023/24 and is its number one objective. A close grip on these is needed by the council and the processes which have been set out suggest a mechanism which will support this. There is very little room for manoeuvre and no financial cushion for the council. It is aware of this and will need to maintain a sharp focus and determination across the organisation to ensure that it meets the pressing financial challenge that it now has for the year ahead.

4. Final thoughts and next steps

The LGA would like to thank the council for undertaking the LGA Finance progress review. We appreciate that senior managerial and political leadership will want to reflect on these findings and suggestions in order to determine how the organisation wishes to take things forward.

Under the umbrella of LGA sector-led improvement, there is an on-going offer of support to councils. The LGA is well placed to provide additional support, advice and guidance on a number of the areas identified for development and improvement and we would be happy to discuss this. For instance the [LGA's Finance Improvement & Sustainability Associates](#) (FISA) Programme can be utilised to give bespoke advice and insight.

Similarly, the peer team would also be keen to continue to build on the relationships developed during the course of this FPC. For instance, this could include ongoing input at key decision points in future or on any areas of particular focus where the council would benefit from the sharing of learning and advice with other professionals in the sector over the course of this critical time for the council.



Helen Murray, Principal Adviser for the West Midlands, is the main contact between your authority and the Local Government Association. Helen is available to discuss any further support the council requires Helen.murray@local.gov.uk.