

Shropshire Council
Legal and Democratic Services
Guildhall
Frankwell Quay
Shrewsbury
SY3 8HQ

Date: 19 November 2025

Committee:
Audit & Governance Committee

Date: Thursday, 27 November 2025
Time: 10.00 am
Venue: The Council Chamber, The Guildhall, Frankwell Quay, Shrewsbury, SY3 8HQ

You are requested to attend the above meeting. The Agenda is attached

There will be some access to the meeting room for members of the press and public, but this will be limited. If you wish to attend the meeting please email democracy@shropshire.gov.uk to check that a seat will be available for you.

Please click [here](#) to view the livestream of the meeting on the date and time stated on the agenda

The recording of the event will also be made available shortly after the meeting on the Shropshire Council Youtube Channel [Here](#)

Tim Collard
Service Director – Legal, Governance and Planning

Members of Audit & Governance Committee

Duncan Kerr
Malcolm Myles-Hook
Rhys Gratton
Mark Owen
Duncan Borrowman

Carl Rowley
Sharon Ritchie-Simmons
Kate Halliday
Nigel Lumby

Jim Arnold (Independent Member)

Your Committee Officer is:

Michelle Dulson Committee Officer
Tel: 01743 257719
Email: michelle.dulson@shropshire.gov.uk

AGENDA

1 Apologies for Absence / Notification of Substitutes

2 Disclosable Pecuniary Interests

Members are reminded that they must declare their disclosable pecuniary interests and other registrable or non-registrable interests in any matter being considered at the meeting as set out in Appendix B of the Members' Code of Conduct and consider if they should leave the room prior to the item being considered. Further advice can be sought from the Monitoring Officer in advance of the meeting.

3 Minutes of the previous meeting held on the 26 September 2025 (Pages 1 - 10)

The Minutes of the meeting held on the 26 September 2025 are attached for confirmation.
Contact Michelle Dulson (01743) 257719

4 Public Questions

To receive any questions from the public, notice of which has been given in accordance with Procedure Rule 14. The deadline for this meeting is 12noon on 21 November 2025.

5 Member Questions

To receive any questions from the public, notice of which has been given in accordance with Procedure Rule 14. The deadline for this meeting is 12noon on 21 November 2025.

6 First line assurance: Internal Control Management Update (Pages 11 - 24)

The report of the Interim Chief Executive is attached.
Contact: Tanya Miles (01743) 255811

7 Third line assurance: Internal Audit Performance Report and revised Annual Audit Plan 2025/26 (Pages 25 - 44)

The report of the Head of Policy and Governance is attached.
Contact: Barry Hanson 07990 086409

8 First Line Assurance: ASC Outturn Update (Period 13) (Pages 45 - 56)

The report of the Interim Chief Executive is attached.
Contact: Tanya Miles (01743) 255811

9 First line assurance: The Lantern Management Update (Pages 57 - 66)

The report of the Property Services Group (PSG) Facilities and Maintenance Manager is attached.
Contact: Matt Jordan (01743) 252668

10 First line assurance: Deferred Payments Management Update (Pages 67 - 78)

The report of the Team Leader for Business Support is attached.
Contact: Kim Russon (01743) 254649

11 Second line assurance: Treasury Strategy Mid-Year Report 2025/26 (Pages 79 - 102)

The report of the Executive Director of Resources (Section 151 Officer) is attached.
Contact: James Walton (01743) 258915

12 Governance Assurance: Annual Audit Committee Self-Assessment (Pages 103 - 122)

The report of the Executive Director of Resources (Section 151 Officer) is attached.
Contact: James Walton (01743) 258915

13 Second line assurance: Annual review of Counter Fraud, Bribery and Anti-Corruption Strategy and activities, including an update on the National Fraud Initiative (Pages 123 - 154)

The report of the Head of Policy and Governance is attached.
Contact: Barry Hanson 07990 086409

14 Fraud Investigation Options (Pages 155 - 164)

The report of the Executive Director of Resources (Section 151 Officer) is

attached.

Contact: James Walton (01743) 258915

15 First line assurance: Final Approval Statement of Accounts 2024/25 (Pages 165 - 382)

The report of the Executive Director of Resources (Section 151 Officer) is attached.

Contact: James Walton (01743) 258915

16 Third line assurance: External Audit: Draft Auditors Annual Report (Pages 383 - 440)

The report of the Engagement Lead is attached.

Contact: Avtar S Sohal (0121) 232 6420

17 Third line of assurance: External Audit: Shropshire Council Audit Findings Report 2024/25 (Pages 441 - 496)

The report of the Engagement Lead is attached.

Contact: Avtar S Sohal (0121) 232 6420

18 Third Line Assurance: Fraud, Special Investigation, RIPA Update (Pages 497 - 500)

The report of the Internal Audit Manager is attached.

Contact: Katie Williams 07584 217067

19 Date and Time of Next Meeting

The next meeting of the Audit Committee will be held on the 5 February 2026 at 10.00 am.

20 Action Log (Pages 501 - 502)

A review of meeting actions.

21 Exclusion of Press and Public

To RESOLVE that in accordance with the provision of Schedule 12A of the Local Government Act 1972, Section 5 of the Local Authorities (Executive Arrangements)(Meetings and Access to Information)(England) Regulations and

Paragraphs 2, 3 and 7 of the Council's Access to Information Rules, the public and press be excluded during consideration of the following items.

22 Exempt Minutes of the previous meeting held on the 26 September 2025
(Pages 503 - 504)

The Exempt Minutes of the meeting held on the 26 September 2025 are attached for confirmation.

Contact Michelle Dulson (01743) 257719

23 Third line assurance: Contract Rules Exemptions Update (Exempted by Category 3) (Pages 505 - 516)

The exempt report of the Assistant Director of Legal and Governance is attached.

Contact: Tim Collard (01743) 252756

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Committee and Date

Audit & Governance Committee

27 November 2025

AUDIT & GOVERNANCE COMMITTEE

Minutes of the meeting held on 26 September 2025

**In the The Council Chamber, The Guildhall, Frankwell Quay, Shrewsbury, SY3 8HQ
10.00 am - 12.25 pm**

Responsible Officer: Michelle Dulson

Email: michelle.dulson@shropshire.gov.uk Tel: 01743 257719

Present

Councillors Duncan Kerr, Malcolm Myles-Hook, Mark Owen, Duncan Borrowman, Carl Rowley, Kate Halliday and Nigel Lumby

40 Apologies for Absence / Notification of Substitutes

Apologies were received from Councillor Rhys Gratton, Councillor Sharon Ritchie-Simmons and Jim Arnold (Independent Member).

41 Disclosable Pecuniary Interests

Members were reminded that they must not participate in the discussion or voting on any matter in which they have a Disclosable Pecuniary Interest and should leave the room prior to the commencement of the debate.

42 Minutes of the previous meeting held on the 16 July 2025

RESOLVED:

That the Minutes of the meeting of the Audit Committee held on the 16 July 2025 be approved as a true record and signed by the Chairman.

43 Public Questions

A public question had been received from Mr John Palmer. Mr Palmer read his question, and the Executive Director of Resources (Section 151 Officer) provided the response on behalf of the Committee.

A full copy of the question and response provided are attached to the web page for the meeting.

44 Member Questions

There were no questions from members.

It was agreed to take Agenda Item 14 (External Audit Letter on Financial Position Based on Period 4) next.

45 **Third Line Assurance: External Audit Letter on Financial Position Based on Period 4**

The Committee received the External Audit Letter written to Shropshire Council which highlighted concerns about the Council's financial difficulties and the potential need for a Section 114 notice if the financial position did not improve significantly and rapidly.

The Engagement Lead explained that, due to the Council's deteriorating financial position and the declaration of a financial emergency, Grant Thornton had issued an external audit letter earlier than usual to highlight concerns about financial sustainability and the risk of statutory recommendations or intervention if the situation did not improve.

The Section 151 Officer stressed the importance for the organisation as a whole to see these messages and understand the severity and difficulty in terms of the position that the Council was in. He hoped to see the Council as a whole working through the problem and getting back into a more robust situation as soon as it possibly could, whilst acknowledging that it was not going to be easy.

Although not a reassuring position to be in, the Vice-Chairman found it reassuring that the Council had discussed this really serious issue with External Audit and she queried whether External Audit had had a chance to read the peer review that had recently been published. She expressed the wish of the Committee to consider how they could support the work of the Council in order to overcome the financial difficulties that it found itself in along with addressing the six years' worth of limited assurances. She welcomed the tightening in the peer review of senior officers meeting more regularly but felt that the Committee also needed to look at meeting with Scrutiny Committees and indeed herself and the Chairman had been invited to attend the Scrutiny Committee Chairs meeting.

In response, the Engagement Lead confirmed that as External Auditors, they had been involved in the peer review process, and he noted that their findings and recommendations were consistent with the peer review. In terms of sharing best practice, he highlighted the national nature of social care funding pressures, which made the sharing of best practice very challenging.

A query was raised about the status of significant weaknesses and recommendations from the previous year's audit; The Engagement Lead clarified that while recommendations were made regarding financial sustainability, the worsening position meant ongoing audit work was needed to assess the Council's response, and it was too early to conclude on their effectiveness.

Committee members sought clarity on the actions available under the Local Audit and Accountability Act 2014; The Engagement Lead and the Executive Director (Section 151 Officer) explained the escalation process, including statutory recommendations, the requirement for a committee meeting within 30 calendar days, and the potential for further intervention. The Executive Director (Section 151 Officer) agreed to provide a briefing note to members on audit powers.

A brief discussion ensued about the urgency of appointing an independent chair for the Improvement and Assurance Board.

RESOLVED:

To note the contents of the letter.

46 First line assurance: The Lantern Management Update

This item was deferred to the next meeting.

47 First line assurance: Agency and Consultancy Staff Management Update

The committee received the report of the Service Director for Enabling which provided an update on the progress made against the internal audit recommendations concerning the use of agency workers and consultants at Shropshire Council for the 2024/25 period. It also highlighted the actions taken to improve governance compliance with policies and procedures and reduced costs.

The Service Director for Enabling reported that of 12 internal audit recommendations, 10 had been implemented and 2 remained in progress, with full completion anticipated in early 2027. She drew attention to paragraph 7 of the report which detailed the governance enhancements that had been made including revised Terms of Reference for the organisation-wide Workforce Board, mandatory use of Opus for agency workers, enhanced finance dashboards, and stricter spend controls.

The transition to Opus People Solutions in October 2024 had led to a reduction in agency expenditure from £13 million in 2022/23 to £9.4 million in 2024/25, despite national pay awards and increased national insurance contributions. Further reductions were anticipated in 2025/26. Continued efforts were required to further reduce reliance on non-contracted staff and ensure compliance with governance and procurement rules.

Concerns were raised about delays in updating contract procedure rules and intranet guidance; The Service Director for Enabling explained that resource issues in procurement had delayed comprehensive updates, but interim cross-checks were in place to ensure ongoing compliance.

A query was raised in relation to apparent spikes in agency expenditure; it was clarified that these were due to backdated invoices, not actual increases in spend, and that the reporting reflected ledger entries rather than when works were carried out.

RESOLVED:

to note the updates as set out in the report and to support the actions that had been taken so far and those remaining.

48 First line assurance: Children's Social Care Budget Management Update

The Committee received the report of the Director of Children's Services which provided an update against the recommendations of The Children's Social Care Budget Management Internal Audit Report 2024/2025

The Director of Children's Services drew attention to paragraph 7 of the report which outlined the seven audit recommendations that had been made, four of which would be taken forward at pace and reported back to the November meeting. He noted that although there continued to be pressure and challenges within the financial envelope within children's services, particularly in terms of the budget monitoring and activity in this area, as an outstanding authority within Children's Services they would continue to see spend reduce over time as they were seeing fewer young people entering the care system along with increasing numbers exiting the care system which was having a positive impact on the number of Looked After Children.

In response to a query, the Director of Children's Services acknowledged that some deadlines may stretch to the end of October due to operational focus rightly having been on preparation for the recent Ofsted inspection, but he would do all he could to ensure that those deadlines were met. However, some of the recommendations that had been made related to finance colleagues including the reallocation of budget holders on ERP.

Concern was raised that some of the recommendations related to very basic procedures not being followed; the Director of Children's Services attributed some issues to the complexity of the budgets, but he confirmed that there was senior leader oversight of all spend. He went on to explain that a multi-disciplinary spending control panel had been introduced to scrutinise out-of-panel decisions, aiming to improve oversight, identify savings, and address previous gaps in contracting and commissioning processes.

Questions were raised about the allocation of savings targets between children's and adult social care; The Director of Children's Services and the Executive Director (Section 151 Officer) explained that savings were historically apportioned across directorates, but the savings put forward by Children's Services did not cover all of the savings however some overachievement in other areas had been put forward toward the overall organisations savings.

RESOLVED:

To note that actions still requiring completion would be progressed and completed by 31st October 2025.

To note that all identified risks related to Children's Services would be reviewed and updated by 31st October, taking into consideration the Ofsted inspection outcome from July 2025 and the implementation of the Families First Partnership programme.

To note that a further update would be presented to the next Audit Committee meeting in November 2025 to identify progress and completion of actions.

49 Second line assurance: Strategic Risk Update

The Committee received the report of the Service Director for Strategy which set out the current strategic risk exposure following the June 2025 bi-annual review and subsequent discussions / amendments.

The Service Director for Strategy explained that strategic risks were reviewed biannually with risk owners and by the leadership board on a cyclical basis. He drew attention to the

table at paragraph 7.5 of the report which set out the risk scores over the last two years and included the direction of travel, from which it could be seen that there had been no change over the last two review cycles. He explained that the current report reflected the position in June prior to the corporate peer challenge and financial emergency declaration. The next review with senior officers was scheduled for the autumn when consideration would be given as to whether the strategic risks remained appropriate.

Members noted that no risks had improved over the last two years and questioned the effectiveness of mitigation actions. In response to queries, the Executive Director (Section 151 Officer) stressed that the scores were from an assessment of the risk, the likelihood of a risk happening and the impact, not what was actually happening in reality. It was acknowledged that certain risks, such as cyberattack, were likely to remain at the highest level due to their nature.

He assured the Committee that Senior Officers constantly looked at and reviewed risks; they considered whether the risks were the right risks, whether they were reflective of where the council was at that point in time and where they wanted to get the risks to by the end of the year or within the next six months/two years, for example.

A brief discussion ensued in terms of the Council's risk appetite and the apparent mismatch between the Council's stated low risk appetite and the high level of residual risk. In response, the Executive Director (Section 151 Officer) explained that if the risk fell below the risk appetite, the Council was willing to accept those risks, and he gave an example. Many of the strategic risks ultimately related to the financial position of the authority as the Council was not in a position to put the resources and the capacity in the right places in the authority to start to mitigate some of the risks. However, he assured the Committee that although it would not happen overnight, senior officers were taking the risks seriously and were trying to tackle them.

It was suggested that more detailed reporting be provided to the Committee on the actions and mitigations being taken, for it to better understand how risks were being managed. Members also recommended that the scoring of risks related to statutory obligations and the failure to adhere to governance arrangements were reviewed. Finally, the Committee wished to seek assurance that all those involved in managing risk within the organisation were making decisions based on controlling and reducing those risks.

RESOLVED:

To note the contents of the report;

That more detailed reporting be provided to the Committee on the actions and mitigations being taken, for it to better understand how risks were being managed;

That the scoring of risks related to statutory obligations and the failure to adhere to governance arrangements be reviewed; and

That the Audit & Governance Committee, whilst recognising the situation, urged all those involved in managing risk within the organisation to make decisions based on controlling and reducing those risks.

50 Third line assurance: Internal Audit Recruitment Update

The Committee received the report of the Head of Policy and Governance which provided a brief update on the current Internal Audit structure together with the latest position following a recruitment campaign.

The Head of Policy and Governance reported that they had successfully recruited to several audit posts as detailed in paragraph 6.3 of the report, and that further recruitment had been undertaken to fill the remaining three vacant posts. The increased team capacity would be built into the next revision of the 2025/26 Internal Audit Plan. It was confirmed that there was currently one post left to fill, with one post being deleted. The Executive Director (Section 151 Officer) noted that ongoing turnover and corporate savings targets may affect future staffing levels.

RESOLVED:

To note the contents of the report.

51 Third line assurance: Internal Audit Performance Report and revised Annual Audit Plan 2025/26

The Committee received the report of the Head of Policy and Governance which summarised Internal Audit's 2025/26 work to date. Lower audit assurances were highlighted, providing members with an opportunity to challenge.

The Head of Policy and Governance reported that in the period up to 17 August 2025, 26 reports had been issued, as set out in paragraph 8.4 of the report with four draft reports awaiting management responses and these would be included within the next performance report. There were 9 good or reasonable assurances (35%) which represented a significant decrease in the higher levels of assurance than the previous year (83%). This was offset by a corresponding increase in the number of limited and unsatisfactory assurance levels (65%) (17% last year) which was concerning.

A total of 175 recommendations were made within the 26 final reports (detailed at paragraph 8.4 of the report and broken down by service area). It was confirmed that one fundamental recommendation had been made (set out at paragraph 8.10 of the report). Members were asked whether they wished to seek any further assurances from managers on the limited and unsatisfactory assurance levels detailed in Appendix A.

The Committee requested further updates on limited and unsatisfactory assurance areas, including short breaks and deferred payments. The process for accessing full audit reports and tracking implementation of recommendations was discussed.

In response to a query, the Head of Policy and Governance confirmed that he was comfortable that he was fully sighted on all of the decision making happening across the organisation and confirmed that he was meeting weekly with the Section 151 Officer, along with monthly governance meetings with the monitoring officer. In terms of the improvement plan, he was comfortable that he was able to input into and support that process by both providing assurance but also by providing advice and guidance on the controls that need to be put in place as part of those processes.

The Chair informed the Committee that himself and the Vice-Chair would be speaking to the Leader and Chief Executive outside of the meeting to seek assurance around the last six years of limited assurances.

RESOLVED:

To endorse the performance of Internal Audit against the 2025/26 Audit Plan.

In response to the low assurance levels and fundamental recommendations, Members requested updates for the next meeting in relation to Short Breaks and Deferred payments.

52 Governance Assurance: Annual review of Audit Committee Terms of Reference

The Committee received the report of the Executive Director (Section 151 Officer) which set out the review of the Audit Committee Terms of Reference. He confirmed that changes to the name and membership had been proposed in 2025.

Committee members discussed the potential value and risks of establishing working groups for in-depth reviews, agreeing to propose the power be added to the remit, with safeguards to ensure committee oversight.

RESOLVED:

To approve the revised Audit Committee Terms of Reference.

To seek the power to convene working groups as and when required.

53 Third line assurance: Internal Audit Charter and Mandate

The Committee received the report of the Head of Policy and Governance which set out the Internal Audit Charter. Minor edits had been made to better align to the new Global Internal Audit Standards (GIAS) and revised UK Internal Audit Code of Practice as detailed in Appendix A. Proposed changes were shown in bold, underlined and italic font.

RESOLVED:

To endorse the Internal Audit Charter as set out in Appendix A of the report.

54 Third line of assurance: External Audit: Shropshire County Pension Fund Interim Audit Findings Report (Information) 2024/25

The Committee received the report of the Engagement Lead which provided an update on the Audit findings for Shropshire County Pension Fund for 2024/2025, for information.

The Engagement Lead confirmed that the report had been presented to the Pensions Committee at its last meeting. He explained that the audit was substantially complete, with materiality levels adjusted to reflect the increased value of the fund and it was anticipated that an unqualified opinion would be given on completion of the Council audit.

He drew attention to an asset in the pension fund accounts that was held by LGPS Central, and which may need to be revisited should LGPS accounts be completed prior to him issuing his opinion. He confirmed a smooth audit process, with no material adjustments required, although there was a £4.5m unadjusted difference in the valuation of the funds' investments due to more up to date figures being received after the accounts had been closed down. No recommendations for management were raised and all the recommendations from the previous year had been completed.

RESOLVED:

To note the contents of the report.

55 Audit & Governance Committee Decision log 2025/2026

The Committee received the Audit & Governance Committee Decision log 2025/2026 for comments. The Chairman confirmed that many of the issues raised had been resolved. In terms of access to Internal Audit reports the chairman stated that not all Members and Substitutes had signed the declaration which was causing delays.

56 Date and Time of Next Meeting

Members noted that the next meeting of the Audit & Governance Committee would be held on 27 November 2025 at 10.00 am.

57 Exclusion of Press and Public

RESOLVED:

That in accordance with the provision of Schedule 12A of the Local Government Act 1972, Section 5 of the Local Authorities (Executive Arrangements)(Meetings and Access to Information) (England) Regulations and Paragraphs 1, 2, 3 and 7 of the Council's Access to Information Rules, the public and press be excluded during consideration of the following items.

58 Exempt Minutes of the previous meeting held on the 16 July 2025

RESOLVED:

That the exempt Minutes of the meeting of the Audit Committee held on the 16 July 2025 be approved as a true record and signed by the Chairman.

59 Second line assurance: Contract Rules Exemptions Update (Exempted by Category 3)

The Committee received the exempt report of the Monitoring Officer which provided an update on the exemptions sought from the Council's Contract Procedure Rules and the reasoning for approving or rejecting them.

RESOLVED:

To note the contents of the report.

60 Third Line Assurance: Fraud, Special Investigation, RIPA and Exemptions Update (Exempted by Categories 1, 2, 3 and 7)

The Committee received the exempt report of the Internal Audit Manager which provided a brief update on current fraud and special investigations undertaken by Internal Audit and the impact these have on the internal control environment, together with an update on current Regulation of Investigatory Powers Act (RIPA) activity.

RESOLVED: To note the contents of the report.

Signed (Chairman)

Date:

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**Audit Committee
27 November 2025**

Item

Public



Internal Control Management Update

Responsible Officer:	Tanya Miles		
email:	Tanya.miles@shropshire.gov.uk	Tel:	01743 25
Cabinet Member (Portfolio Holder):	Heather Kidd - Leader		

1. Synopsis

On June 26th 2025 the Chief Audit Executive issued his sixth consecutive “Limited Assurance” opinion to Audit Committee. The report highlighted “the need for a proactive approach in addressing the areas rated limited or unsatisfactory assurance during 2024/25” based on the areas audited during the year. The Committee resolved to invite the Chief Executive and Senior Members of the Council to a future meeting of the Audit Committee to discuss the current situation and the changes that would be implemented to move away from a limited assurance level. In the meantime, this report provides an initial response by the Interim Chief Executive and Leader of the Council to the concerns raised by the Audit and Governance Committee Chair & Vice Chair.

2. Executive Summary

- 2.1. This report provides an initial response to the “Limited Assurance” opinion of the Chief Audit Executive for the year ended 2024/25 and sets out the steps the Interim Chief Executive and Leader of the Council are taking to strengthen the Council’s framework for governance, risk and internal control.
- 2.2. Key findings from the work of the Chief Audit Executive include unsatisfactory action taken to promptly implement audit recommendations and insufficient accountability. Just under half (47%) of all audit recommendations made during

2024/25 were due to significant or fundamental issues identified across the 60 reports issued in the year.

- 2.3. In light of these concerns and immediately following the May 2025 elections, the new Leader of the Council agreed the appointment of opposition groups as Chair of Audit Committee and several Overview & Scrutiny Committees as a clear demonstration of the commitment there is to addressing these concerns.
- 2.4. The new administration invited the LGA to carry out a Corporate Peer Challenge (CPC) which took place from the 14 to 17 July 2025. The aim was to establish a baseline position and springboard for the Council at an early stage following the May 2025 Local Elections. The CPC Peer team delivered an initial feedback session on Friday 18 July that Group Leaders, Cabinet and Leadership Board were invited to. The final confirmed LGA CPC Report was received the first week in September 2025 and comprised of 10 recommendations to drive improvement.
- 2.5. Following appointment of the interim Chief Executive on 22nd September 2025, regular meetings of the Council's Statutory Officers (Chief Executive, Chief Financial Officer (S151 Officer) and the Monitoring Officer) and other key officers, including the Chief Audit Executive, have commenced. Progression has been made on several key actions and work to strengthen corporate governance. This includes overseeing the implementation of all internal audit recommendations amongst other governance priorities, including compliance with the Code of Corporate Governance and a regular review of the Council's internal control environment and strategic risks.
- 2.6. On September 10th 2025, Cabinet declared a financial emergency following receipt of financial monitoring information suggesting a significant forecast overspend at the end of the financial year. Immediate action was commenced to ensure financial survival and to develop a plan for financial stability and sustainability across the Medium-Term Financial Strategy period 2025-2031.
- 2.7. In light of these findings and events, both the Administration and Leadership Board have commenced the development of an overall Improvement Plan for the Council. The purpose of the plan is to set out how the Council will address immediate challenges, including the financial emergency, but it will also focus on the future and how the council will operate to best serve the needs of Shropshire and its residents. Details on the Improvement Plan will be presented to Council in December 2025.
- 2.8. The Council's workforce are pivotal to supporting strong governance and it is a key priority to ensure they are supported to excel. Therefore, over the next 12-18 months work will be focussed on a variety of workstreams including work to reinforce the role of the manager, through our forthcoming people strategy, and getting the basics right which has a strong focus on strengthening governance and compliance. It is important that the Audit and Governance Committee challenge and question the implementation of the Improvement Plan in practice as it will take time for the changes envisaged to become embedded, for the internal control environment to improve and for the evidence to be gathered to confirm this.
- 2.9. The Leader and Interim Chief Executive will attend Audit Committee to provide assurance on the positive steps being taken, in the meantime they have met with the Chair and Vice Chair and discussed various key points raised by Audit

Committee to provide reassurance on the direction of travel and these questions and answers are provided in Appendix 1.

3. Recommendations

3.1. The Committee is asked to;

- a. Note with appropriate comment the positive feedback and actions being undertaken to strengthen governance within the Council.
- b. Consider future updates from the Leader and the Interim Chief Executive to attend Audit and Governance Committee to discuss the Improvement Plan and progress to date.

Report

4. Risk Assessment and Opportunities Appraisal

- 4.1. Strengthening the Council's framework for governance, risk and internal control will support the Council's journey to move away from financial survival to financial stability and sustainability, which in turn will enable the Council to more readily meet the needs of Shropshire and its residents.
- 4.2. A poor internal control environment increases various risks to the Council aside from the risk of financial instability. These include;
 - legal and reputational risks arising from a failure to effectively manage public resources,
 - high staff turnover risks resulting from low staff morale and a pressurized working environment,
 - not meeting the needs of residents and businesses of Shropshire.

It is fundamental to the improvement plan that the internal control environment is strengthened and in line with best practice subject to continual review and improvement.

5. Financial Implications

- 5.1. Shropshire Council continues to manage unprecedented financial demands and a financial emergency was declared by Cabinet on 10 September 2025. The overall financial position of the Council is set out in the monitoring position presented to Cabinet on a monthly basis. Significant management action has been instigated at all levels of the Council reducing spend to ensure the Council's financial survival. While all reports to Members provide the financial implications of decisions being taken, this may change as officers and/or Portfolio Holders review the overall financial situation and make decisions aligned to financial survivability.

All non-essential spend will be stopped and all essential spend challenged. These actions may involve (this is not exhaustive):

- scaling down initiatives,
- changing the scope of activities,
- delaying implementation of agreed plans, or
- extending delivery timescales.

- 5.2. In the context of improving the Council's internal control environment, it is anticipated there will be a corresponding improvement in the Council's financial position in the short term through enhanced oversight of the delivery of the necessary financial savings and on a longer-term basis through the alignment of resources to priorities and outcomes.

6. Climate Change Appraisal

- 6.1. This report does not directly make decisions on energy and fuel consumption; renewable energy generation; carbon offsetting or mitigation; or on climate change adaption. However, the work of the Committee will look at these aspects relevant to the governance, risk management and control environment.

7. Background

- 7.1. On 26th June 2025 the Chief Audit Executive presented to Audit Committee his "Limited Assurance" audit opinion of the Council's framework for internal control, risk and governance. This was based on internal audit work completed during the year and, that the overall opinion on the control environment has been "Limited" for the last six years. The report presented to Audit Committee outlined the evidence reviewed during 2024/25 and concluded that there had been no notable improvement in the internal control environment. It further stated that it is essential for the Council to demonstrate improvements in governance, internal control, and risk management throughout the 2025/2026 period. The findings of the report highlighted the need for a proactive approach in addressing the areas rated limited or unsatisfactory assurance during 2024/2025.
- 7.2. Furthermore, the LGA Corporate Peer Challenge (CPC), as stated in paragraph 2.4, also identified areas for improvement and these were presented to Council on 25th September 2025. The 10 recommendations from the findings will form part of the forthcoming Improvement Plan which will be presented to Council in December.
- 7.3. This report sets out the progress made to date, to strengthen the internal control environment of the Council. In advance of inviting the Leader and the Interim Chief Executive to provide an update on the progress, the Chair and Vice Chair sought answers to six questions posed during October 2025 which are detailed in Appendix 1 along with the answers discussed. Further details will be provided on the progress made over the coming weeks and months.
- 7.4. Progress to date includes;
- a. Senior Leadership Forum collaboration and discussions on their collective role, the role of the manager and governance responsibilities. These meetings are taking place weekly during October and November and provide all Service

Managers the opportunity to be heard and actively shape the Council's direction of travel. Additional communications at Leadership Board covering FOI and outstanding audit recommendations on 6 November 2025 attended by CAE. The focus is on improving controls in addition to the implementation of overdue recommendations.

- b. All staff email sent 09 October 2025 regarding compliance with the Council's Constitution, policies and procedures. Specific reference was made to financial rules, contract procedure rules and information security policies. A copy of the letter is attached at Appendix 2.
- c. All staff email (CEO update) sent on 30 October 2025 reminding staff to prioritise overdue FOI responses within the "getting the basics right" section.
- d. As stated in paragraph 2.5, Statutory Officers meetings have commenced with a focus on compliance and strengthening governance.
- e. As stated in paragraphs 2.7 and 7.2, work is underway to develop the Improvement Plan and this will be presented to Council in December.
- f. Development of the 2025-2030 People Plan. This builds on feedback from the Staff Pulse survey, broader engagement sessions, best practice arrangements elsewhere and the CPC feedback. Initial actions will focus on culture, leadership and talent, capability and capacity, performance and systems and establishment. Key deliverables for these five areas will have a strong governance focus to develop and embed a strong assurance framework.
- g. An independently chaired improvement board has been established with its first full meeting taking place on 10 November 2025. This is a cross-party board, with an LGA recommended independent chair and will have oversight of the delivery of the Improvement Plan.
- h. A review of strategic risks, with an officer workshop on 18 November to develop this work further. This will be closely interlinked with the Improvement Plan and a key area of focus over the next 12-18 months.
- i. Management assurance on the implementation of internal audit recommendation and FOI responses. Positive progress has been made across the Council, however at this stage this does not include internal audit testing of the implemented recommendations.
- j. Ongoing monitoring of overdue Internal Audit recommendations is covered in the statutory officers group meetings.

8. Conclusions

- 8.1. Positive steps have been taken to address the challenges identified by the Chief Audit Executive, External Audit and subsequently by the LGA Corporate Peer Challenge.
- 8.2. Further updates will be provided to the Committee before the end of the financial year and over the course of the next 12-18 months.

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

Internal Audit Annual Opinion 2024/25 Audit Committee 26th June 2025

LGA Corporate Peer Challenge Report July 2025 Council 25th September 2025

Corporate Peer Challenge Action Plan Cabinet 15th October 2025

Local Member: All

Appendices

Appendix 1: Audit Committee questions to and answers from the Leader & Interim Chief Executive

Appendix 2: All staff compliance letter

Appendix 1 Audit Committee questions to and answers from the Leader & Interim Chief Executive

- 1. We have received ‘limited assurance’ for the council’s framework for governance, risk and internal control from the Chief Audit Executive’s opinion for the past 6 years. Why have we failed to meet the scale of the challenge to improve our governance, risk and internal control and what can be learnt from this?**

There has been insufficient focus on ensuring a robust internal control environment in the past, however that is not to be the case moving forward. Tightening the adherence to governance requirements is an operational priority for both the Administration and Leadership Board and a key area of focus within the overall Improvement Plan for the Council.

The Administration has already agreed to the appointment of opposition groups as chair for Audit and Governance Cttee and several Overview and Scrutiny Committees as a clear demonstration of the commitment there is to addressing these legitimate concerns.

Over the next 12-18 months focus will be on a variety of workstreams to support and develop our workforce and enable them to excel. This will include reinforcing the role of the manager through our people strategy and getting the basics right which will have a strong focus on strengthening governance and compliance.

Furthermore, via the Statutory Officers meetings, which have now started to take place, there will be oversight of the implementation of internal audit recommendations amongst other governance priorities, including compliance with the Code of Corporate Governance and a regular review of the Council’s internal control environment and strategic risks. This group has an agreed ToR that can be shared and comprises of the three statutory posts of the Council; HoPS, CFO and the MO along with other key officers including the Chief Audit Executive.

- 2. What steps have already been taken to build and embed the organisational culture and systems needed to improve on our assurance rating?**

In addition to the above, discussions have commenced with the wider Senior Leadership Forum around their collective role, the role of the manager and the expectations on leaders at all levels around strong governance practices. Members of SLF will also focus on their own accountability and responsibility. Our SLF are a critical leadership conduit to our wider workforce and ensuring the Council’s operating environment aligns with our Improvement Plan priorities. The Administration have an open invitation to attend this forum, currently meeting on a weekly basis throughout October and November alongside the rapid development of our Improvement Plan.

We recognise that our workforce wants to be part of shaping our future and help identify the right solutions. It's important that we all understand everyone's voice matters in the decisions we make and that we all have a key role in ensuring that we are delivering the right services in the right way for our residents and strong governance arrangements are pivotal to that.

Work is underway on the 2025-2030 People Plan, this builds on the feedback from the Staff Pulse Survey, broader engagement sessions, best practice arrangements elsewhere and the CPC feedback. Initial actions the plan will focus on include Culture, Leadership & Talent, Capability & Capacity, Performance and Systems & Establishment. Key deliverables for each of these five areas will have a strong governance focus to develop and embed a strong assurance framework.

3. How is the strategic leadership of the Council identifying and driving the changes now necessary to improve

Members and Officers at a senior level (i.e. Cabinet and Leadership Board) are working collaboratively, and as part of facilitated sessions funded through LGA, to ensure the Council focuses on the key priorities and actions necessary to improve overall and as mentioned this is a key necessity of our Improvement Plan.

We are working closely with LGA representatives to develop the right conditions and the right detail for this plan and engaging the wider organisation on this work. We see this being both a bottom up and top-down approach so that we are creating at all levels of the organisation the clarity, buy-in and space for improvement, equally ensuring that we have a strong assurance process wrapped around this work will ensure we keep on track.

4. How will you ensure that these changes are embedded right across the Council and that all parts of the operational and political components of the Council share the same understanding and commitment to improve.

As mentioned earlier, work is underway on the Council's Improvement Plan, the detail for this plan will be co-developed by officers and members with the aim of ensuring we're utilising all of the Council's resources in the most effective way so that we can be a best value authority that delivers, enables and influences for Shropshire and its residents. We are also self-assessing against the best value framework to provide a baseline for future work.

Initially the improvement plan will cover a 12-18 month period identifying the key activities the Council needs to undertake. As mentioned, this plan will be co-developed by officers and members and progress against this will be overseen through our governance structure which will include the new Improvement Board, O&S, Audit and Governance Committee and Cabinet.

The People Plan, mentioned earlier, is a key driver and enabler across the organisation to drive and embed change. Greater visibility and engagement with

the wider organisation, including through a variety of communication channels will also support embedding this change. Ensuring a strong golden thread which runs through from the improvement plan, to service plans and through to employee development plans will furthermore support the embedding of change.

5. The current corporate risk register has 9 risks that exceed our tolerance levels of which 3 have the maximum score permissible. None of these risks have reduced their scores over the last period and 3 have increased them. What assurance can you give the Committee that the mitigation measures outlined will be effective in reducing these scores? If you have only limited assurance what else is being done to manage this situation?

As per the report received by the Committee on 25 September several risks relate to the Council's current financial situation and since the review of those risks in June, a financial emergency was declared by Cabinet on 10 September and several operations board put in place to review and reduce the Council's expenditure, limiting it to essential spend only.

In addition to this, the work underway with service areas to produce the MTFS and the eventual financial improvement plans to address the challenges will support the addressing of these risks and getting the Council into a sustainable financial position. Conversations are also underway with MHCLG regarding EFS requirements over the MTFS period. Details of these will continue to be presented to the Budget Forum and Audit Committee.

Several risks relate to our workforce and as mentioned already, the forthcoming People Plan will support in addressing these risks.

Overall, however, the mitigation of our Strategic Risks is closely interlinked with our Improvement Plan and it will be essential that the steps we take over the next 12-18 months enable us to bring those risks down to a more acceptable level where feasible but as a minimum ensure we have the correct mitigations and controls in place to manage them. We will, of course, review risks through workshops over the year to reassess and reconsider existing risks and identify any new strategic risks that fall above our risk appetite.

In addition, we expect the independently chaired Improvement Board to provide further impetus to mitigating these risks.

6. At a time when the council is facing financial challenges, has the audit committee's role in providing value for money been fully understood and utilised?

Audit Committee's role is a valuable resource to the Council and alongside O&S Committees and the Improvement Board we welcome the scrutiny and oversight the committee provides in supporting the Council to drive value for money and demonstrating strong stewardship. Enabling the current year and next year's Internal Audit Plan to align with the Council's Improvement Plan would be very

welcome and in the coming months we would be happy to present to you considerations for inclusion in your programme of work and equally welcome scrutiny of the draft Improvement Plan to ensure we are able to focus our resources on the right projects for the Council. Certainly when it comes to scrutinising the performance of our high value contracts we expect several committees will have a key role in ensuring we obtain and continue to drive value for money from them and more broadly our commissioning arrangements.

To all staff - by email only

Shropshire Council
Guildhall
Frankwell Quay
Shrewsbury
Shropshire. SY3 8HQ

Date: 08.10.2025

To all staff

Compliance with the Council's constitution, policies and procedures

In my role as Interim Chief Executive, I am determined to ensure that we take immediate steps to address the concerns raised in the Corporate Peer Challenge Report. We have already had the first meeting of the so-called Statutory Officer group made of myself, as Head of Paid Service, James Walton as the Chief Financial Officer (or Section 151 Officer), Tim Collard as the Monitoring Officer, and their deputies. 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.

It has never been more important to ensure that the council's money is managed effectively and that we can be sure we achieve value for money from every pound. We have things in place to help you achieve this which are generally easy and common sense to apply, there's just a need to make sure you're abreast of them, so here's a reminder from myself, James and Tim.

Working in Local Government means we all need to be able to demonstrate that we are using public funds wisely to ensure fairness, maintain public trust and achieve value for money. The constitution and policies that Members approve help us to do that and enable us to be open and honest in our decision-making processes. Where we don't follow our own processes and policies, we open ourselves up to criticism and challenge which can erode public trust. Can all managers ensure that your teams are aware of these requirements. This is not optional and is something everyone must take the time to familiarise themselves with. We would like to highlight three important areas in particular:

Financial Rules

As s151 Officer James Walton needs to ensure everyone is aware of, and applying, the Financial Rules. To conduct its business efficiently, the council needs to ensure that it has sound financial management policies in place and that they are strictly adhered to. This demonstrates to the public that proper safeguards and controls exist in relation to managing public money and assets. These Financial Rules including appendices provide the governance framework for managing the Council's financial affairs. The Council's financial rules can be found here: [financial-rules-october-2022.pdf](#)



There are five areas covered by Financial Rules:

- Financial management and control
- Financial planning
- Risk management and control of resources
- Systems and procedures
- External arrangements.

Financial Rules link with other internal regulatory documents forming part of the Council's Constitution. Detailed financial procedures and processes are also available on the Intranet and are an integral part of ensuring a high standard of financial management and control is maintained. If you have any queries on how to apply this policy, please speak to your Finance Business Partner initially.

Contract Procedure Rules

As Monitoring Officer Tim Collard needs to ensure that everyone is aware of, and adheres to, the rules around formal contracts. These rules ([Contract Procedure Rules](#)) explain how all goods, works and services must be procured. All Officers, consultants and any third party acting on behalf of the Council must follow these Contract Procedure Rules. The aims of these Contract Procedure Rules are to:

- Ensure compliance with all legal requirements, including that contracts are awarded fairly and that all potential bidders are treated equally
- Achieve value for money
- Ensure transparency, openness, non-discrimination and fair competition
- Demonstrate probity, consistency, accountability and integrity
- Support the Council's corporate and departmental aims
- Protect Officers
- Ensure compliance with the Council's Commissioning and Procurement Strategy.

If you want to raise any issues about the Contract Procedure Rules, please contact either Marc Klonowski, Service Manager for Procurement and Contracts or Analise Broomhall, Legal Team Leader: Economy & Projects.

Information Security Policies

As SIRO (Senior Information Risk Owner) James Walton needs to ensure everyone is aware of, comfortable with, and applying the Council's Information Security Policies. This is a reminder of the need to ensure the use of council systems, electronic equipment and information in a responsible way. The [Acceptable Use](#) policy describes what you may and may not do when working with council network, systems and information. The wider Information Security Policy pages can be found here: [Information security - SC Intranet](#). It is expected all officers adhere to the policies and guidance.

A recent addition to this is the AI policy following the implementation of MS Copilot. This document governs the way that we use and manage AI derived content and can be found on the Information



Security Policy Intranet pages. This is applicable from now. If you have any queries on how to apply this policy, please speak to your IT Business Partner initially.

I'd also like to remind you about the procedures to follow if you become aware of an information security incident. This is any incident that undermines the controls in place to keep information safe. You can report all incidents via the ICT Service Desk. If you are aware of an incident that has, or may have, resulted in a breach of personal information, you should contact the Information Governance Team immediately – information.request@shropshire.gov.uk. Full details available from the Intranet: [How do I report an information security incident? - SC Intranet \(shropshire.gov.uk\)](#).

I am clear that these Rules are not optional but a requirement of all of us as we undertake our day-to-day activity. I have instructed Service Directors to ensure that these are complied with and to take appropriate action if they are not. Failure to comply with these rules could result in disciplinary action being taken.

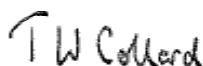
Yours sincerely



Tanya Miles
Interim Chief Executive
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James Walton
Executive Director (S151 Officer; SIRO)
James.walton@shropshire.gov.uk



Tim Collard
Service Director: Legal & Governance
(Monitoring Officer)
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Committee and Date

Audit and Governance Committee

27th November 2025

10:00am

Item

Public



Internal Audit Performance 2025/26

Responsible Officer:	Barry Hanson		
email:	barry.hanson@shropshire.gov.uk	Tel:	07990 086409
Cabinet Member (Portfolio Holder):	Heather Kidd, Leader of the Council Duncan Kerr, Chairman of the Audit and Governance Committee Roger Evans, Portfolio Holder – Finance		

1. Synopsis

This report summarises Internal Audit's 2025/26 work to date. Lower audit assurances are highlighted, providing members with an opportunity to challenge.

2. Executive Summary

- 2.1. This report provides members with an update of work undertaken by Internal Audit in the two and a half months since the September Committee.
- 2.2. One good, four reasonable and two limited assurance opinions have been issued. The seven final reports contained 54 recommendations, two of which were fundamental.
- 2.3. This report proposes revisions in the coverage of planned activity for Shropshire Council, with an increase of 39 days from 1,272 days as reported in September 2025 to 1,311 days. Changes to the planned activity are required due to a successful recruitment campaign with a three Senior Auditors joining the team between November and December and the resignation of one team member. Revisions to the plan are targeted to provide enough activity to inform an end of

year opinion. There is the need to remain agile to respond to emerging financial emergency and any assurance work required as a result.

- 2.4. Internal Audit continues to add value to the Council in its delivery of bespoke pieces of work, including sharing best practice and providing advice on system developments. Internal Audit resources are directed in response to the financial emergency declared on 10th September 2025 and in support of the corporate peer review action plan. Any adjustments to planned activity are documented within this report.

3. Decisions

- 3.1. The Committee is asked to consider and endorse, with appropriate comment:
- a) the performance of Internal Audit against the 2025/26 Audit Plan.
 - b) Identify any action(s) it wishes to take in response to any low assurance levels and fundamental recommendations, brought to Members' attention, especially where they are repeated.

Report

4. Risk Assessment and Opportunities Appraisal

- 4.1. Delivery of a risk-based audit Internal Audit Plan is essential to ensuring the probity and soundness of the Council's control, financial, risk management systems and governance procedures. Areas to be audited are identified following a risk assessment process which considers the Council's risk register information and involves discussions with managers concerning their key risks. These are refreshed throughout the period of the plan as the environment (delivery risks) changes. In delivering the plan, the adequacy of control environments is examined, evaluated and reported on independently and objectively by Internal Audit. This contributes to the proper, economic, efficient and effective use of resources. It provides assurances on the internal control systems, by identifying potential weaknesses and areas for improvement, and engaging with management to address these in respect of current systems and during system design. Without this, failure to maintain robust internal control, risk and governance procedures creates an environment where poor performance, fraud, irregularity and inefficiency can go undetected, leading to financial loss and reputational damage.
- 4.2. Provision of the Internal Audit Annual Plan satisfies the Accounts and Audit Regulations 2015, part 2, section 5(1) in relation to internal audit. These state that:
- 'A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance'.
- 4.3. 'Proper practices' can be demonstrated through compliance with the Global Internal Audit Standards (GIAS) as applied in the UK Public Sector.

- 4.4. The recommendations contained in this report are compatible with the provisions of the Human Rights Act 1998 and there are no direct environmental or equalities consequences of this proposal.

5. Financial Implications

- 5.1. The Internal Audit plan is delivered within approved budgets. The work of Internal Audit contributes to improving the efficiency, effectiveness and economic management of the wider Council and its associated budgets. As part of the 2025/26 budget Internal Audit had an identified savings target of £78,720 which was originally anticipated to be met through the capitalisation of any audit time relating to providing assurance on transformation. Internal Audit were identified for review in phase one of the restructuring programme, this has resulted in one post being removed from the structure and a saving of £46,180 being delivered. The remaining £32,540 savings target cannot be delivered on a permanent basis. Although this may be delivered on a one off basis in 2025/26 due to the vacancies in the team.
- 5.2. Shropshire Council continues to manage unprecedented financial demands and a financial emergency was declared by Cabinet on 10 September 2025. The overall financial position of the Council is set out in the monitoring position presented to Cabinet on a monthly basis. Significant management action has been instigated at all levels of the Council reducing spend to ensure the Council's financial survival. While all reports to Members provide the financial implications of decisions being taken, this may change as officers review the overall financial situation and make decisions aligned to financial survivability. All non-essential spend will be stopped and all essential spend challenged. These actions may involve (this is not exhaustive):
- scaling down initiatives,
 - changing the scope of activities,
 - delaying implementation of agreed plans, or
 - extending delivery timescales.

6. Climate Change Appraisal

- 6.1. This report does not directly make decisions on energy and fuel consumption; renewable energy generation; carbon offsetting or mitigation; or on climate change adaption. However, the work of the Committee will look at these aspects relevant to the governance, risk management and control environment.

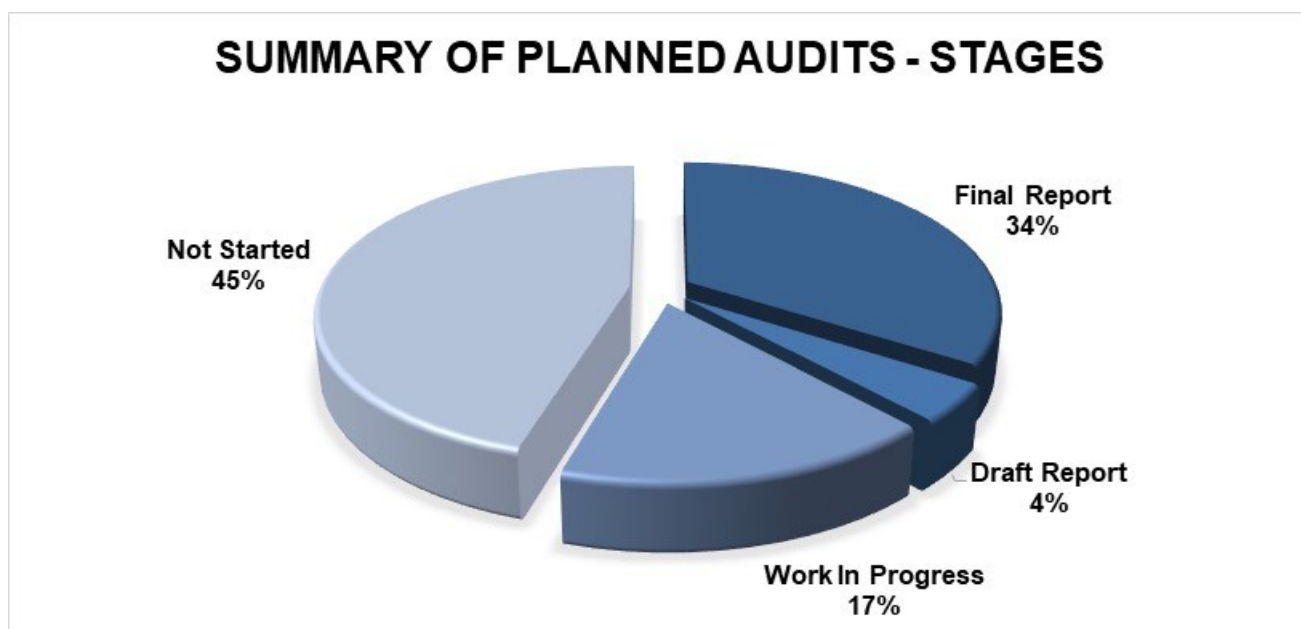
7. Background

- 7.1. Management is responsible for the system of internal control and should set in place policies and procedures to help ensure that the system is functioning correctly. Internal Audit reviews appraises and reports on the efficiency, effectiveness and economy of financial, governance, risk and other management controls. The Audit Committee is the governing body with delegated authority under the Constitution to monitor progress on the work of Internal Audit.
- 7.2. The 2025/26 Internal Audit Plan was presented to, and approved by the Audit Committee at the 16th July 2025 meeting with adjustments being approved in

September. This report provides an update on progress made against the plan up to 2nd November 2025 and includes revisions to the plan.

8. Performance Against the Plan 2025/26

- 8.1. Revisions to the 2025/26 plan provide for a total of 1,311 audit days, an increase of 39 days from those approved by the Committee in September 2025. Changes to the planned activity are required following a successful recruitment campaign in September 2025 with three Senior Auditors joining the team and one Auditor leaving the team through resignation. Revisions to the plan are targeted to provide enough activity to inform an end of year opinion. Internal Audit resources are directed in response to the financial emergency declared on 10th September 2025 and in support of the corporate peer review action plan. Any adjustments to planned activity are documented within this report.
- 8.2. Results of all audit work undertaken will be reported to the Audit Committee following completion and will contribute directly to the CAE year end opinion.
- 8.3. In total, seven final reports have been issued in the period from 18th August to 2nd November 2025, all are listed with their assurance rating and broken down by service area at paragraph 8.4. The following chart shows performance against the approved Internal Audit Plan for 2025/26:

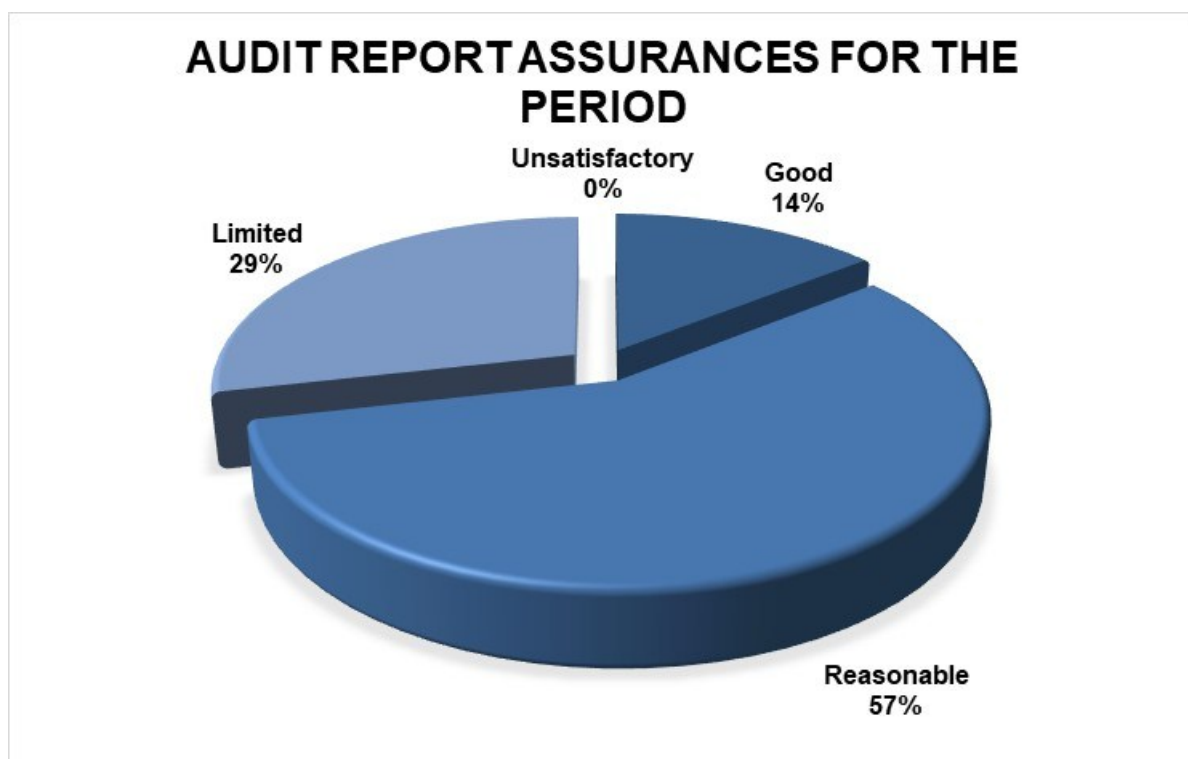


8.4. The following audits have been completed in the period:

Audit Name	Audit Opinion				Recommendations				Direction of Travel
	Good	Reasonable	Limited	Unsatisfactory	Fundamental	Significant	Requires Attention	Best Practice	
Foster Care Payments Follow Up		1				2	5		↑

	Audit Opinion				Recommendations				Direction of Travel
	Good	Reasonable	Limited	Unsatisfactory	Fundamental	Significant	Requires Attention	Best Practice	
Audit Name Community Equipment Contract Mediquip- PPM Follow up		1				1	2		↑
Key Supply Contracts					1				N/A
Library Management System - Application Review		1				4	11		↑
ASC Outturn					1	4	1		N/A
IT Code of Practice / Acceptable Use	1						3	2	↑
IT Project Management		1				1	4		↔
Shirehall Disposal			1			3			N/A
New Operating Model Pilot			1			3	6		N/A
Total	1	4	2	0	2	18	32	2	
Percentage	14%	57%	29%	0%	4%	33%	59%	4%	

8.5. The assurance levels awarded to each completed audit area appear in the graph below:



8.6. The overall spread of recommendations agreed with management following each audit review are as follows:



- 8.7. In the period up to the 2nd November 2025, five reports have been issued providing good or reasonable assurances and accounting for 71% of the opinions delivered. This represents a significant increase in the higher levels of assurance for this period, compared to 33% in the same reporting period for 2024/25 and the previous year outturn of 58%. This is mirrored by a corresponding decrease in limited and unsatisfactory assurances, currently 29% for the period compared to 67% in the same period for 2024/25 and the previous year outturn of 42%.
- 8.8. Following the declaration of financial emergency in September 2025 it is noted that senior resources have been deployed across the Council in response to this, as well as support for the improvement works required as a result of the Corporate Peer Challenge report.
- 8.9. Details of control objectives evaluated and not found to be in place as part of the planned audit reviews that resulted in limited and unsatisfactory assurances, appear in **Appendix A, Table 1**. The appendix also includes descriptions of the levels of assurance used in assessing the control environment and the classification of recommendations, **Tables 2 and 3** and provides a glossary of common terms, **Table 4**.
- Question 1: Do Members wish to receive any updates from the service areas in relation to the limited and unsatisfactory assurances opinions?**
- 8.10. Four draft reports are awaiting management responses, which will be included in the next performance report. Work is also underway for external clients in addition to the drafting and auditing of financial statements for external clients and the certification of grant claims for Shropshire Council.
- 8.11. A total of 54 recommendations have been made in the seven final audit reports issued during this period; the breakdown of these by audit and recommendation rating are shown at paragraph 8.4. Two fundamental recommendations have been made which are detailed below:

Audit Name – Key Supply Contracts

Recommendation: Ensure the Procurement Strategy is formally approved and the action plan to implement improvements to contract management and procurement is implemented ensuring the following controls are implemented as part of the improved framework:

- Ensure improved culture and compliance with Contract Procedure Rules.
- Monitoring arrangements for ensuring compliance that key contract compliance controls are in place and operating effectively (e.g. signed agreements in place between parties).
- Ensuring officers are aware of and reminded of their responsibilities under the Contract Procedure Rules with potential disciplinary action for failing to adhere to Council rules.

Risk: The Council is exposed to third party risk as a result of ineffective monitoring arrangements covering key requirements such as performance delivery and validation of critical requirements (e.g. insurance). Contract Management arrangements are not defined by a risk-based contract management framework leading to inconsistency in approach and lack of oversight on ensuring critical/high value contracts are managed in line with corporate expectations leading to potential overspend, under delivery and lack of value for money. Contracts are not properly reviewed to ensure suppliers are able to deliver continuity leading to loss of provision and invoking of continuity arrangements at short notice.

Management Response: Procurement strategy and training for staff is developed with clear processes and roles and responsibilities identified that also align to the new corporate plan currently being developed.

Target Implementation Date: 31st May 2026

Audit Name – ASC Outturn

Recommendation: Implementing an interim corporate level review to compare actuals to forecasts to identify any significant variances that require explanation. Consideration should be given as to whether corporate level reporting (including budget monitoring reports to Cabinet) should also include actuals to provide transparency and support in scrutiny and challenge.

Risk: Significant overspends or underspends may go unnoticed until year-end. Without comparing actuals to forecasts, senior leaders and Members lack visibility into what has truly been spent or received. This makes it impossible to test or challenge forecasts, potentially leaving financial performance unscrutinised and potentially allowing overly optimistic, pessimistic, or biased forecasts to go unchallenged.

Management Response: Reporting of actuals based on gross expenditure will be in place for Period 6/Quarter 2 and will form part of the Cabinet Reporting.

Target Implementation Date: End of September for P6 reporting.

[Question 2: Do Members wish to receive an update from the service area in relation to the fundamental recommendation?](#)

- 8.12. It is the identified manager's responsibility to ensure accepted audit recommendations are implemented within an agreed timescale. **Appendix A, Table 5** sets out the approach adopted to following up recommendations highlighting Audit Committee's involvement.

8.13. The following demonstrates areas where internal audit have added value with unplanned, project or advisory work, not included in the original plan.

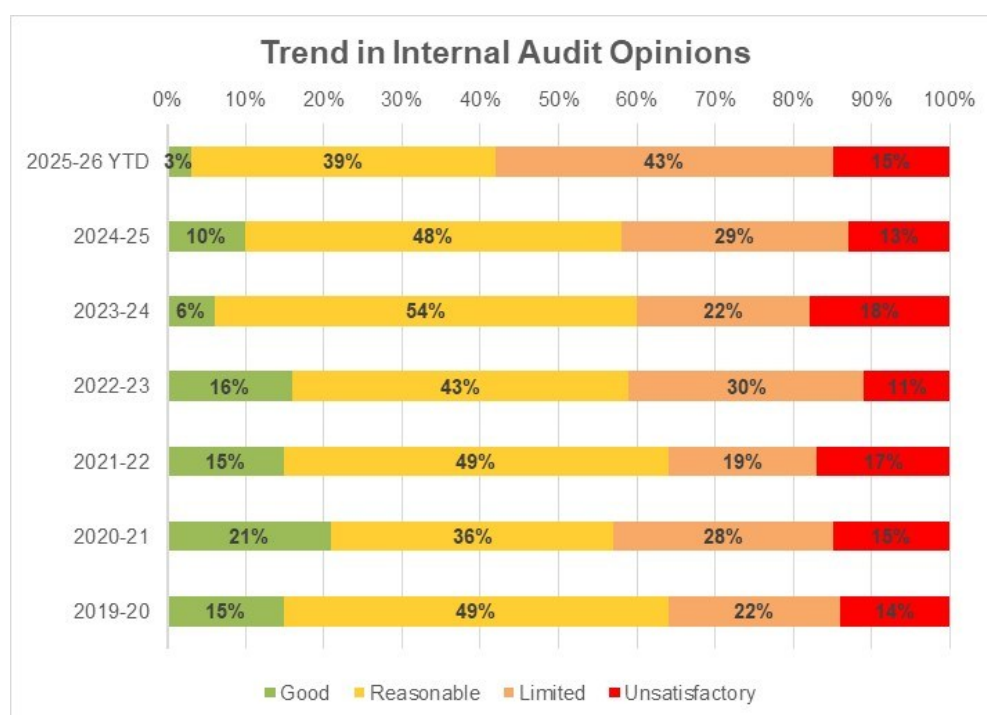
- Key Supply Contracts Briefing Note**– An audit was included in the 2025/26 audit plan to review the arrangements for Key Supply Contracts. The previous audit was completed in December 2019 and received a limited assurance rating. During the initiation of the follow up audit, the Service Director – Commissioning advised that they had recently completed their own review of the service and identified a number of areas for improvement and had proposed an action plan that had been shared with Leadership Board. The outcomes of the review were shared with audit which included a self-assessment against the Commercial Continuous Improvement Assessment Framework – a recognised framework from the Government Commercial Function. This identified significant weaknesses regarding how the Council manages its commissioning and procurement function including the arrangements for contract management. Therefore any audit undertaken at this stage will likely result in recommendations raised previously being restated or additional audit findings being identified that are already known to the service and are subject to plans for improvement. A single Fundamental recommendation has been raised as part of the briefing note (see above).
- ASC Outturn** – The period 11 budget monitoring report for People showed a forecasted variance of £16.1M, however this variance increased at the outturn to a total of £31.2M. In the Financial Outturn for 2024/25 report to Cabinet on 11 June 2025, the significant variance was attributed, in part, c.£14M additional purchasing within Adult Social Care (ASC). Given the significant variance within a short reporting period, a review was requested by the Chief Executive to determine how the ASC outturn position was not adequately captured in the previous monitoring report projections and whether the proposals being put in place to mitigate the risk of this happening again are sufficient and robust (see above).
- Bishops Castle Community College Briefing Note**– The school received an unsatisfactory assurance audit opinion 2023/24. This followed an unsatisfactory assurance in 2019/20 and a limited assurance in 2021/22. The Head Teacher attended the November 2024 Audit Committee to provide an update on progress to date against the recommendations raised during the audit. All recommendations due to be implemented by December 2024 with a follow up due to be completed by Shropshire Council Internal Audit shortly after the agreed implementation dates. Contact was made with the school in April 2025 and in May, the Head Teacher confirmed the two fundamental recommendations remain outstanding. Therefore a follow up has not been undertaken as this would result in no change to the opinion, the briefing note outlines the position and reiterates the recommendations outstanding.
- Payroll Data Analytics Q2** - Analysis of payroll data was undertaken to identify data quality improvements. This information was shared with the HR/Payroll Manager to enable the HR Business Partners to support those not using the system correctly.
- NFI Update September 2025** - The National Fraud Initiative (NFI) is a mandatory biennial UK wide counter fraud exercise run by the Cabinet Office. The most recent data was submitted in October 2024 for the full exercise and the results were made available for the Council to review from

January 2025. A summary of the matches and savings to date was provided to the Senior Leadership Team, this identified £100.6k of estimated savings. Estimated savings are based on calculations completed conducted by NFI to calculate prevented future losses and does not necessarily indicate the potential for returned fund to the Council e.g. concessionary travel passes.

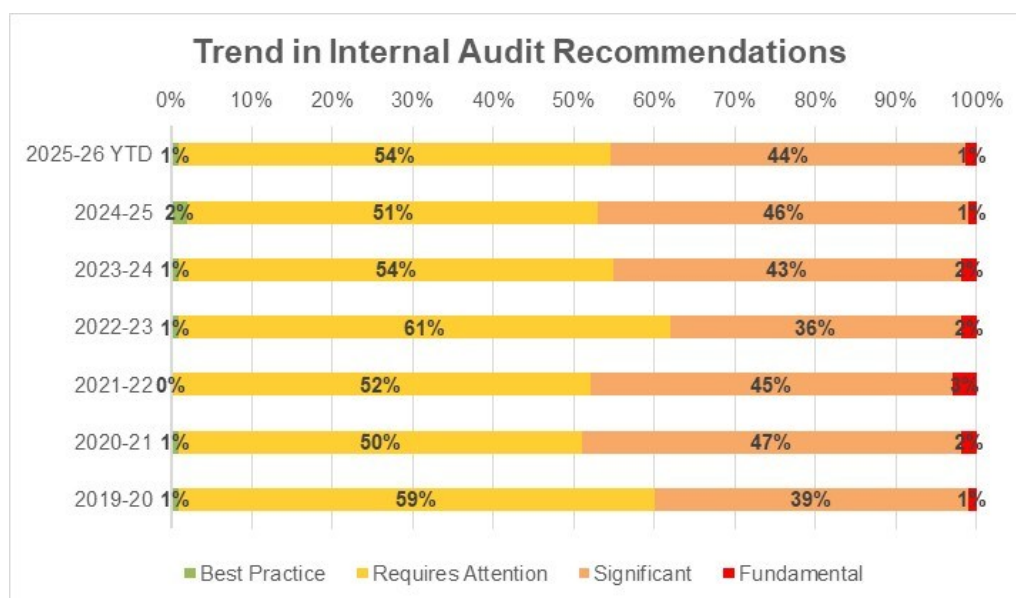
Direction of travel

8.14. This section compares the assurance levels (where given), and categorisation of recommendations made, to demonstrate the direction of travel in relation to the control environment.

Comparison of Assurance Levels (where given):



Comparison of recommendation by categorisation:



8.15. The number of lower-level assurances to date, 58%, is higher than the outturn for 2024/25 of 42%. As reported in the September 2025 meeting, the higher proportion of lower assurances delivered continues to be a concern.

8.16. As part of the wider improvement plan works, in October 2025 the Internal Audit Manager has issued lists of overdue recommendations to all Service Directors requesting updated management responses and revised implementation dates. The results from which are being reported to the Interim Chief Executive and the wider statutory officers group.

8.17. Full details of the audits completed and their assurance opinions can be found at paragraph 8.4.

Performance Measures

8.18. All Internal Audit work has been completed in accordance with agreed plans and the outcomes of final reports have been reported to the Audit Committee.

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

Internal Audit Performance and Revised Annual Audit Plan 2025/26 – Audit Committee 26th September 2025

Draft Internal Audit Risk Based Plan 2025/26 - Audit Committee 16th July 2025

Global Internal Audit Standards (GIAS)

CIPFA Application Note: GIAS in the UK Public Sector

Audit Management system

Accounts and Audit Regulations 2015, 2018 and Accounts and Audit (Coronavirus) (Amendment) Regulations 2020, Amendment Regulations 2022

Local Member: All

Appendices

Appendix A

Table 1: Unsatisfactory and limited assurance opinions in the period 17th August to 2nd November 2025

Table 2: Audit assurance opinions

Table 3: Audit recommendation categories

Table 4: Glossary of terms

Table 5: Recommendation follow up process (risk based)

Appendix B - Audit plan by service 1st April to 2nd November 2025

APPENDIX A**Table 1: Unsatisfactory and limited assurance opinions issued in the period from 17th August to 2nd November 2025¹****Unsatisfactory assurance**

There are no unsatisfactory assurance opinions to report in this period.

Limited assurance**Enabling– Shirehall Disposal**

- An agreed disposal strategy is in place including budget and risk management arrangements².
- Management arrangements are in place to oversee the disposal.

Strategy– New Operating Model Pilot

- Objectives of the pilot are clearly defined with defined measurements for success (financial and non-financial) that align to the overall objectives of the Target Operating Model.
- There is process for evaluating the outcomes of the pilot in line with the success measures identified prior to implementation.
- The outcomes of the pilot can be measured against the cost of implementation to ensure a return on investment.

Table 2: Audit assurance opinions: awarded on completion of audit reviews reflecting the efficiency and effectiveness of the controls in place, opinions are graded as follows

Good	Evaluation and testing of the controls that are in place confirmed that, in the areas examined, there is a sound system of control in place which is designed to address relevant risks, with controls being consistently applied.
Reasonable	Evaluation and testing of the controls that are in place confirmed that, in the areas examined, there is generally a sound system of control but there is evidence of non-compliance with some of the controls.
Limited	Evaluation and testing of the controls that are in place performed in the areas examined identified that, whilst there is basically a sound system of control, there are weaknesses in the system that leaves some risks not addressed and there is evidence of non-compliance with some key controls.
Unsatisfactory	Evaluation and testing of the controls that are in place identified that the system of control is weak and there is evidence of non-compliance with the controls that do exist. This exposes the Council to high risks that should have been managed.

Table 3: Audit recommendation categories: an indicator of the effectiveness of the Council's internal control environment and are rated according to their priority

¹ Listed are the management controls that were reviewed and found not to be in place and/or operating satisfactorily and therefore positive assurance could not be provided for them.

² There is an agreed disposal strategy, however, Members are considering options which could have an impact on the strategy but to date there has been no decision to deviate from the original strategy.

Best Practice (BP)	Proposed improvement, rather than addressing a risk.
Requires Attention (RA)	Addressing a minor control weakness or housekeeping issue.
Significant (S)	Addressing a significant control weakness where the system may be working but errors may go undetected.
Fundamental (F)	Immediate action required to address major control weakness that, if not addressed, could lead to material loss.

Table 4: Glossary of terms

Significance

The relative importance of a matter within the context in which it is being considered, including quantitative and qualitative factors, such as magnitude, nature, effect, relevance and impact. Professional judgment assists internal auditors when evaluating the significance of matters within the context of the relevant objectives.

Chief Audit Executive Annual Opinion

The rating, conclusion and/or other description of results provided by the Chief Audit Executive addressing, at a broad level, governance, risk management and/or control processes of the organisation. An overall opinion is the professional judgement of the Chief Audit Executive based on the results of several individual engagements and other activities for a specific time interval.

Governance

Comprises the arrangements (including political, economic, social, environmental, administrative, legal and other arrangements) put in place to ensure that the outcomes for intended stakeholders are defined and achieved.

Risk

The possibility of an event occurring that will have an impact on the achievement of objectives. Risk is measured in terms of impact and likelihood.

Control

Any action taken by management, the board and other parties to manage risk and increase the likelihood that established objectives and goals will be achieved. Management plans, organises and directs the performance of sufficient actions to provide reasonable assurance that objectives and goals will be achieved.

Impairment

Impairment to organisational independence and individual objectivity may include personal conflict of interest, scope limitations, restrictions on access to records, personnel and properties and resource limitations (funding).

Table 5: Recommendation follow up process (risk based)

When recommendations are agreed the responsibility for implementation rests with management. There are four categories of recommendation: fundamental, significant,

requires attention and best practice and there are four assurance levels given to audits: unsatisfactory, limited, reasonable and good.

The process for *fundamental recommendations* will continue to be progressed within the agreed time frame with the lead Executive Director being asked to confirm implementation. Audit will conduct testing, either specifically on the recommendation or as part of a re-audit of the whole system. Please note that all agreed fundamental recommendations will continue to be reported to Audit Committee. Fundamental recommendations not implemented after the agreed date, plus one revision to that date where required, will in discussion with the Section 151 Officer be reported to Audit Committee for consideration.

AUDIT PLAN BY SERVICE –PERFORMANCE REPORT FROM 1st APRIL TO 2nd NOVEMBER 2025

Strategic Risk	Audit Name	Original Plan Days	August Revision	November Revision	Revised Plan Days	2nd November 2025 Actual	Date Final Report Issued	Audit Opinion	Fundamental	Significant	Requires Attention	Best Practice	Direction of Travel
CYB	Back-up arrangements Follow Up 2024/25	0			0	0.4	Complete	Briefing Note					N/A
BBS/GOV	CIPFA Financial Resilience Review 2024/25	0			0	1.0	Complete	Briefing Note					N/A
CYB	Data Centres and Infrastructure 2024/25	0			0	0.0	Complete	Briefing Note					N/A
CYB	IDOX Cloud Regulatory Services IT Application 2024/25	0			0	0.7	Complete	Briefing Note					N/A
GOV	IT Contract Management 2024/25	0			0	0.7	Complete	Reasonable		1	2		↑
CYB	Microsoft Co-Pilot / Ai 2024/25	0			0	0.7	Complete	Reasonable		1	4		N/A
BBS/GOV	Shrewsbury Shopping Centre Follow Up 2024/25	0			0	0.6	Complete	Reasonable		2	2		↑
GOV/SKI	Workforce Planning – Impact of Voluntary Redundancy on Key Skills and Delegated Responsibilities 2024/25	0			0	0.3	Complete	Limited		2	4		N/A
CYB	IT Monitoring Use of Facilities 2024/25	0			0	1.1	Complete	Limited		2	5		↔
BBS	Economic Growth Strategy/Big Plan 2024/25	0			0	0.8	Complete	Reasonable		3	5		↑
GOV	Feedback and Insight 2024/25	0			0	0.4	Complete	Limited		10	5		N/A
BBS	Section 17 Payments Follow Up 2024/25	0			0	0.5	Complete	Limited		3	4		↔
BBS	Supporting Families Grant - March 2025 Claim 2024/25	0			0	0.0	Complete	N/A					N/A
BBS/GOV	North West Relief Road (NWRR) Follow Up 2024/25	0			0	0.7	Complete	Reasonable		3	1		↑
GOV	Bishops Castle Community College	10	-8		2	1.5	Complete	Briefing Note					N/A
SGC	Children's Residential Care Contract Management	4			4	4.4	Complete	Reasonable		3	3		↑
SGC	Short Breaks Follow up	4			4	3.8	Complete	Unsatisfactory	1	1			↔
BBS	External Catering Contracts	2			2	2.4	Complete	Reasonable		1			↔
SGC	Foster Care	5	2		7	6.9	Complete	Reasonable		2	5		↑
GOV	SFVS - Schools Financial Value Statement	2			2	2.9	Complete	N/A					N/A
CCS	Garden Waste Collection	8			8	8.4	Complete	Limited		4	2		N/A
BBS	Key Supply Contracts	10		-7	3	2.5	Complete	Briefing Note	1				N/A
BBS	Deferred Payments 2024/25	0	8		8	7.6	Complete	Unsatisfactory		9	10		↓
BBS	Community Equipment Contract Medequip - PPM Follow Up	3	8		11	10.7	Complete	Reasonable		1	2		↑
GOV	Empty Homes 2024/25	0	9		9	9.3	Complete	Briefing Note					N/A
GOV	Library Management System - Application Review	8		4	12	11.7	Complete	Reasonable		4	11		↑
BBS	Housing Options / Homelessness	12	12		24	23.8	Complete	Limited		5	8		↓
GOV	The Lantern Follow Up	5	-2		3	1.7	Complete	Unsatisfactory					↔
BBS	ASC Outturn	0		21	21	20.7	Complete	Briefing Note	1	4	1		N/A
GOV	Digital Mail Room 2024/25	0	4		4	3.6	Complete	Unsatisfactory		5	2		↓

Strategic Risk	Audit Name	Original Plan Days	August Revision	November Revision	Revised Plan Days	2nd November 2025 Actual	Date Final Report Issued	Audit Opinion	Fundamental	Significant	Requires Attention	Best Practice	Direction of Travel
GOV	Equality Diversity and Inclusion Arrangements Follow Up 2024/25	0	5		5	5.4	Complete	Limited		2	2		↔
GOV/ BBS	Holiday Pay 2024/25	0	10		10	10.1	Complete	Limited		2	2		N/A
GOV	IT Code of Practice / Acceptable Use	8			8	7.6	Complete	Good			3	2	↑
CYB	Pay360 Income Application 2024/25	0	2		2	2.6	Complete	Reasonable		1	7		N/A
GOV	Payroll Data Analytics (IDEA) 24/25 Q4	1			1	1.9	Complete	N/A					N/A
GOV	Payroll Data Analytics (IDEA) Q1	1			1	0.3	Complete	N/A					N/A
GOV	Payroll Data Analytics (IDEA) Q2	1			1	0.6	Complete	N/A					N/A
GOV	Security of Council Buildings Follow Up	5			5	5.5	Complete	Limited		2	1		↔
EGS	Shirehall Disposal	7		2	9	8.7	Complete	Limited		3			N/A
EGS	Shirehall Decant 2024/25	0	2		2	1.7	Complete	Reasonable		3	3		N/A
CYB/ GOV	SNOW IT Asset Management 2024/25	0	9		9	9.2	Complete	Limited		2	6		↓
GOV	Telecommunications - Contracts, Procurement and Monitoring 2024/25	0	17		17	17.3	Complete	Unsatisfactory		7	3		↓
GOV	VAT	5			5	4.2	Complete	Limited		4	2		↔
N/A	BSOG Grant Bus Subsidy	2			2	1.9	Complete	Grant					N/A
GOV	TOG (Transport Operations Group)	10	-8		2	1.3	Complete	Briefing Note					N/A
GOV/ BBS	WSP Contract 2024/25	0	5		5	5.0	Complete	Limited		5	8		↔
BBS	DfT Incentive Element Grant				0	1.1	Complete	Grant					N/A
GOV	NFI September 2025 Update				0	0.3	Complete	Briefing Note					N/A
GOV / BBS	New Operating Model (NOM) Pilot	10		1	11	11.3	Complete	Limited		3	6		N/A
GOV	IT Project Management	0	8	1	9	8.8	Complete	Reasonable		1	4		↔
BBS	Care Act - Market Shaping	10		2	12	11.1	Draft						
GOV	Corporate Governance 24/25	0			0	2.2	Draft						
CYB	Networking Switch Management	10			10	7.6	Draft						
CYB	WhatsApp	3		-2	1	0.9	Draft	Briefing Note					
GOV	PMO Project Management	0	12	1	13	12.7	Draft						
CYB	Liquid Logic Application (Adults & Childrens) / Controcc	15			15	13.2	In Progress						
SGC	Direct Payments Children	10			10	3.1	In Progress						
GOV	Schools Self Assessments (Audit Provided)	8			8	1.9	In Progress						
SGC	Virtual School	10			10	8.0	In Progress						
GOV	Financial Evaluations	30		-10	20	8.9	In Progress						
GOV	Much Wenlock Sports Centre - Joint Use	5		7	12	7.5	In Progress						
BBS	Personal Budgets / Direct Payments Finance Team- Adults	10			10	5.9	In Progress						

Strategic Risk	Audit Name	Original Plan Days	August Revision	November Revision	Revised Plan Days	2nd November 2025 Actual	Date Final Report Issued	Audit Opinion	Fundamental	Significant	Requires Attention	Best Practice	Direction of Travel
CCS	Waste - Veolia Contract	8			8	4.7	In Progress						
GOV	Management & Control of CCTV Operations	6		5	11	9.7	In Progress						
CYB	Active Directory Analytics	10			10	10.2	In Progress						
BBS	Budget Management	8	10	4	22	20.6	In Progress						
BBS	Debt Recovery	15		9	24	23.3	In Progress						
MHW	Health & Safety	8			8	0.6	In Progress						
GOV	IT Restructure	5			5	2.0	In Progress						
CYB	Northgate - Revenues & Benefits Application	10			10	2.6	In Progress						
BBS	Purchasing Card Spend Review	0		8	8	6.7	In Progress						
CYB	Solar Winds Network Monitoring	10			10	3.3	In Progress						
BBS	Travel and Subsistence	4		10	14	12.2	In Progress						
GOV	Coroners and Mortuary Service	0	10		10	8.2	In Progress						
GOV	Counter Fraud Work	15			15		In Progress						
GOV	Counter Fraud, Policies and Training - Fighting Fraud Locally Assessment	2			2	0.8	In Progress						
BBS	Finance - Final Grant Claims	8			8		In Progress						
BBS	Home Upgrade Grant (HUG) Phase 2			15	15	19.1	In Progress						
GOV	Members Development Training	0		8	8	3.0	In Progress						
GOV	National Fraud Initiative (NFI)	20			20	7.4	In Progress						
GOV	Bishops Castle Community College	0	8		8		Delayed						
GOV	The Lantern	0	5		5		Delayed						
GOV	TOG (Transport Operations Group)	0	10		10		Delayed						
GOV	Assistive Technologies including BOTS	10			10	2.2	Not Started						
BBS / PAR	Continuing Health Care (CHC) Funding	8			8		Not Started						
SGC	Adoption Process including allowances	10			10		Not Started						
SGC / BBS	Children's Social Care Budget Management	5			5		Not Started						
GOV	EHCP AI	7			7		Not Started						
SGC	Magic Notes AI	7			7		Not Started						
SGC / BBS	SEND Commissioning	10			10		Not Started						
GOV	Procurement Strategy	8			8		Not Started						
CYB	Amazon Web Services (AWS) Platform	10			10	0.7	Not Started						
CCS	Emergency Planning	8			8	0.3	Not Started						
GOV	Housing Client Side	5			5		Not Started						
GOV	Corporate Governance	8			8		Not Started						
GOV	Ethics / Culture	10			10	0.3	Not Started						
BBS	Agency & Consultancy Staff	5			5	1.1	Not Started						
GOV	BluPrint - Print Unit Operations	6			6		Not Started						

Strategic Risk	Audit Name	Original Plan Days	August Revision	November Revision	Revised Plan Days	2nd November 2025 Actual	Date Final Report Issued	Audit Opinion	Fundamental	Significant	Requires Attention	Best Practice	Direction of Travel
CYB	Business Continuity Planning	10			10		Not Started						
CYB	Conditional Access	7			7		Not Started						
CYB	Corporate Networking - Active Directory	10			10		Not Started						
CYB	Database Access / Admin / Management	8			8		Not Started						
CYB	Decommission Shirehall Data Centre Project	10			10		Not Started						
CYB	Disaster Recovery	5			5	0.5	Not Started						
SKI	Human Resources / Workforce Planning	10			10		Not Started						
BBS	ICT Project Financing and Recharges	5			5		Not Started						
CYB	Mobile Device Management - Intune	5			5		Not Started						
CYB	Nutanix Data Centre Solution	10			10		Not Started						
SKI	Organisational Workforce Resilience	0	15		15	2.0	Not Started						
GOV	Payroll Data Analytics (IDEA) Q3	1			1		Not Started						
GOV	Payroll System	25			25	0.4	Not Started						
GOV	Power BI Reporting and Development	7			7		Not Started						
CYB	PSN (public sector network) Accreditation	5			5		Not Started						
MHW / SKI	Recruitment / Retention / Redeployment arrangements	6			6	1.1	Not Started						
CYB	Remote Support	5			5		Not Started						
CYB	Unified Communications	7			7		Not Started						
GOV / BBS	Big Town Plan / Shrewsbury Riverside Development	10			10		Not Started						
GOV	Chipside Parking System Application Review	10			10	1.2	Not Started						
GOV	CONFIRM-Highways Management System	10			10		Not Started						
GOV	Highways Maintenance - Term Maintenance -Kier	15			15		Not Started						
GOV	Highways Other Major Contracts	2			2		Not Started						
CYB	IDOX Planning, Building Control & Gazetteer Management System	10			10		Not Started						
GOV	Partnerships	8			8		Not Started						
GOV	Section 38 Road Adoption	4			4	0.1	Not Started						
GOV	Annual Governance Statement (AGS)	1			1	0.3	Not Started						
GOV	Performance Management & PI's	8			8		Not Started						
GOV	Risk Management	10			10		Not Started						
GOV / BBS	Shropshire Plan Delivery	5			5	0.1	Not Started						
Total Shropshire Council Planned Work		709	153	79	941	461.9							
CONTINGENCIES													
	Advisory Contingency	20	0	0	20	10.6							
	Fraud Contingency	150	-50	-56	44	4.1							
	Unplanned Audit Contingency	50	-42	0	8	0.4							

Strategic Risk	Audit Name	Original Plan Days	August Revision	November Revision	Revised Plan Days	2nd November 2025 Actual	Date Final Report Issued	Audit Opinion	Fundamental	Significant	Requires Attention	Best Practice	Direction of Travel
	Other non audit Chargeable Work	120	3	14	137	97.5							
	CONTINGENCIES	340	-89	-42	209	120.5							
	Total for Shropshire	1,049	64	37	1,150	574.9							
	EXTERNAL CLIENTS	159	0	2	161	81.9							
	Total Chargeable	1,208	64	39	1,311	656.8							

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Committee and Date

Audit Committee
27th November 2025

Item

Public



ASC Outturn Update (Period 13)

Responsible Officer:	Tanya Miles	
email:	james.walton@shropshire.gov.uk	
Cabinet Member (Portfolio Holder):	Roger Evans and Ruth Houghton	

1. Synopsis

Following on from the 2024/25 financial outturn position and the significant deterioration compared to the previously reported period 11 position, the former Chief Executive requested Internal Audit to undertake a review. The purpose was to determine how the Adult Social Care (ASC) outturn position was not adequately captured in the previous monitoring report projections and whether the proposals being put in place to mitigate the risk of this happening again are sufficient and robust.

This review took place during the summer, following which the findings were discussed during September and the final report issued last month. The purpose of this report is to update the Committee on progress made to date with implementation of the recommendations.

2. Executive Summary

- 2.1. This report provides an update to the Committee on progress made to date with addressing the issues that contributed to the significant change in financial monitoring positions between period 11 and period 12 during 2024/25.
- 2.2. Throughout the year, financial monitoring is undertaken each month and is a collaborative process between the budget holders for each service area and also the Finance team. During 2024/25, monthly financial monitoring reports were

received by Cabinet, Leadership Board and budget holders. This reporting focused on the movement between periods and actuals were not recorded until the end of the year. The absence of actuals throughout the year prevented the opportunity to assess the robustness of forecasts and significant variances between forecasts and actuals throughout the year.

- 2.3. Within the People Directorate, Adult Social Care budgets were under pressure throughout the year, largely due to increasing demand and increasing complexity of service user needs. As at period 11, the People Directorate was forecasting an overspend at outturn of £16.1m, However, at period 12, following year-end reconciliation of expenditure, income and savings, this variance increased to a total of £31.2m, of which £15m of this movement was within ASC budgets.
- 2.4. In light of this significant variance occurring within a short reporting period, the former Chief Executive requested a review to be undertaken by Internal Audit to understand what had contributed to this and what action was required for the future to mitigate the risk of reoccurrence.
- 2.5. Key findings from the review determined there was a misalignment of savings delivery monitoring and reporting between the monthly monitoring data reviewed by budget holders and the Finance Team and the reflection and updating of this information within the Council's financial management system (ERP) from which the financial monitoring reports are generated. Whilst significant mitigation savings were being delivered / on target for delivery by ASC during the course of the year, these were offset by the increasing demand. The resultant issue was not spotted until a reconciliation of actual expenditure/income was undertaken at the end of the year and £11.7m of projected savings was at that point identified as not being "cashable".
- 2.6. Overall, the Internal Audit review resulted in six recommendations which have been accepted by officers and implementation of these is underway. The recommendations can be found at Appendix 1.
- 2.7. Included within the six recommendations was one "fundamental" recommendation relating to the reporting of actual expenditure/income in addition to the forecast expenditure/income. This recommendation was implemented in period 6 and reflected in the Quarter 2 Finance Monitoring report presented to Cabinet for the meeting on 19th November. As a direct result of this recommendation being implemented, not only in Adult Services but across all areas of the Council, the projected position from the previous period, in several other areas, shifted significantly. It should be stated, however, that this shift was also reflective of an approach to remove optimism bias in projections. A further four recommendations are rated "significant" and one "requires attention" and work is underway to implement each of these, the majority of which are expected to be fully implemented by the end of Quarter 3.
- 2.8. During 2025/26 closer collaboration between ASC Service Managers and budget holders and Finance colleagues has resulted in an improved understanding of the end-to-end process, the challenges arising from data transfers between different systems and the resultant impact on accurately forecasting the year-end position. However continued work is necessary to enable both the budget holders and Finance team to have complete assurance of the basis of budget assumptions and the realisation of savings targets.

2.9. Other key changes and improvements underway include;

- a. A review and rationalisation of the volume of cost centres utilised within ERP for ASC budgets. A simplification of these will mitigate against the risk of areas being overlooked.
- b. A review of how savings targets are reflected within budgets, ensuring they are more readily understood and visible and thus enabling early intervention as necessary.
- c. Robust savings delivery plans detailing how savings are proposed to be achieved and whether these will be cashable or non-cashable and direct delivery or mitigation savings.
- d. A council wide audit of budget monitoring, which is nearing finalisation.

2.10. ASC budgets for 2025/26 were compiled and set prior to the 2024/25 year end deterioration, therefore they too require adjustment for 2026/27 and this is being worked upon currently, in readiness for February 2026 budget setting. The impact of these issues on the current year budgets is reflected in the monthly Finance Monitoring reports now being presented to Cabinet alongside Leadership Board and continues to show the demand pressures in the service.

2.11. A wider budget monitoring audit is currently underway. This audit forms part of the approved 2025/26 Internal Audit plan.

2.12. A further update will be provided to the Committee in June 2026, at which point it will be possible to reflect on the impact of the recommendations for 2025/26 year-end.

3. Recommendations

3.1 The Committee is asked to;

- a. Note with appropriate comment the update provided in this report.
- b. Consider future updates to Audit and Governance Committee in 2026/27.

Report

4. Risk Assessment and Opportunities Appraisal

4.1. Continued collaboration to develop the preparation and monitoring of Adult Social Care budgets is necessary to improve understanding of the roles and responsibilities between budget holders and the Finance team. This clarity will;

- a. enhance the reliability and accuracy of in year financial monitoring and enable corrective and timely action to be taken, which at outturn (as in 2024/25) is too late to undertake for that financial year.

- b. Strengthen the understanding of the information between the two teams, including simplification and improvement of the reporting to enable the service to respond to risks and mitigations accordingly.
- c. Ensure public reporting of the council's financial position is accurate and enables Members and Officers to take any necessary decisions to improve the Council's financial position.
- d. Prevent the need for unbudgeted use of reserves to mitigate overspends against budgets.

4.2. Implementation of the recommendations as set out in Appendix 1 and a continuous review throughout the year will mitigate against a reoccurrence of the 2024/25 outturn issue.

5. Financial Implications

- 5.1. Shropshire Council continues to manage unprecedented financial demands and a financial emergency was declared by Cabinet on 10 September 2025. The overall financial position of the Council is set out in the monitoring position presented to Cabinet on a monthly basis. Significant management action has been instigated at all levels of the Council reducing spend to ensure the Council's financial survival. While all reports to Members provide the financial implications of decisions being taken, this may change as officers and/or Portfolio Holders review the overall financial situation and make decisions aligned to financial survivability. All non-essential spend will be stopped and all essential spend challenged. These actions may involve (this is not exhaustive):
- scaling down initiatives,
 - changing the scope of activities,
 - delaying implementation of agreed plans, or
 - extending delivery timescales.
- 5.2. Current Financial Monitoring reports to Cabinet set out the challenging position of the Council and the pressures on budgets and reserves. Ensuring robust financial monitoring is essential to operating within agreed budgets and taking corrective action where necessary. The implementation of the recommendations arising from the review will support the strengthening of the current financial monitoring process.

6. Climate Change Appraisal

- 6.1. This report does not directly make decisions on energy and fuel consumption; renewable energy generation; carbon offsetting or mitigation; or on climate change adaption. However, the work of the Committee will look at these aspects relevant to the governance, risk management and control environment.

7. Background

- 7.1. Year-end Financial Monitoring for 2024/25 resulted in a significant variance compared to period 11 monitoring for the People Directorate, changing from a

forecast overspend of £16.1m to £31.2m. The former Chief Executive subsequently requested for a review to be undertaken by Internal Audit to ascertain the reasons and identify mitigations against reoccurrence.

- 7.2. This review took place during the summer, following which the findings were discussed during September and the final report issued last month. The purpose of this report is to update the Committee on progress made to date with implementation of the recommendations.
- 7.3. Appendix 1 details the six recommendations following the review; of which one was rated “fundamental”, four rated “significant” and one “requiring attention”. All six recommendations are in progress and implementation of the “fundamental” recommendation, took effect from Quarter 2 in the current year. This recommendation relates to the reporting of actual expenditure/income alongside projections within the financial monitoring reports and as can be seen from the Quarter 2 Financial Monitoring report presented to Cabinet on 19th November, actual expenditure/income is now included. The recommendation has, in practice, been applied to all areas of the Council, not just Adult Services.
- 7.4. Adult Social Care is a complex service area, providing support to Shropshire’s residents whose needs can vary significantly in complexity. Furthermore, the support required for some service users is not always solely the responsibility of the Council. Care packages can be funded through contributions from multiple sources, including Health and the service user themselves, which are often subject to various legal contracts and negotiations. Inevitably this builds in a degree of unpredictability into the financial monitoring projections, which can only be a reasonable best estimate based on the information available. Budgets comprise of expenditure and income and in light of increasing demand, inflationary pressures plus insufficient grant funding, savings targets have been necessary to support the Council to set an overall balanced budget.
- 7.5. Monthly financial monitoring of budgets and savings targets took place during 2024/25 between ASC budget holders and the Finance Team. In year monitoring comprised of information from multiple systems and spreadsheets which showed that significant mitigation savings were being delivered by ASC, plus it also showed the increasing demand pressures on the service budgets. Projections based on this information were reflected within the Council’s financial management system (ERP), which forms the basis of financial monitoring reports produced for Leadership Board and Cabinet. During the year People Directorate budgets reflected a projected overspend to year-end and at period 11 this was estimated to be £16.1m. Following a reconciliation of actual expenditure/income undertaken at year-end, it was discovered that £11.7m of savings for ASC were not actually “cashable” and that in-year mitigation savings realised were largely offset by the increase in demand pressures. The resultant impact of this and other “actuals” that came to light, was a £31.2m overspend for the People Directorate and the need to utilise financial reserves to offset this variance.
- 7.6. Subsequently Internal Audit undertook their review during the summer and presented the above-mentioned recommendations. Alongside progression of these recommendations, both teams have continued to evolve the budget and savings monitoring process to improve understanding and accuracy of the information, including the actions highlighted in paragraph 2.8. This work will

continue during the coming year and also support the budget setting process for 2026/27.

- 7.7. Understandably the discrepancy has resulted in nervousness around the accuracy of the information being presented and whilst both teams have a positive and good working relationship, on-going dialogue is necessary to restore assurance and trust in the process.

8. Conclusions

- 8.1. Implementation of the recommendations is underway and anticipated to be complete during the current year.
- 8.2. A further update will be provided to the Committee in June 2026, at which point it will be possible to reflect on the impact of the recommendations for 2025/26 year-end.

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

Financial Outturn 2024/25 Council 17th July 2025

Local Member:

Consultation with Local Member – Please consider the Local Member Protocol (see page E60 onwards of part 5 of the Constitution) and determine whether it is necessary to consult with the local member over the proposal set out in this report. This may not always be applicable (eg where the proposal affects all of Shropshire) but it should always be a consideration and in some cases a necessity so as to comply with the spirit of the Protocol.

Appendices [Please list the titles of Appendices]

Appendix 1 – Recommendations and Management Action Plan



Committee and Date

Audit Committee
27th November 2025

Item

Public



ASC Outturn Update (Period 13)

Responsible Officer:	Tanya Miles	
email:	james.walton@shropshire.gov.uk	
Cabinet Member (Portfolio Holder):	Roger Evans and Ruth Houghton	

1. Synopsis

Following on from the 2024/25 financial outturn position and the significant deterioration compared to the previously reported period 11 position, the former Chief Executive requested Internal Audit to undertake a review. The purpose was to determine how the Adult Social Care (ASC) outturn position was not adequately captured in the previous monitoring report projections and whether the proposals being put in place to mitigate the risk of this happening again are sufficient and robust.

This review took place during the summer, following which the findings were discussed during September and the final report issued last month. The purpose of this report is to update the Committee on progress made to date with implementation of the recommendations.

2. Executive Summary

- 2.1. This report provides an update to the Committee on progress made to date with addressing the issues that contributed to the significant change in financial monitoring positions between period 11 and period 12 during 2024/25.
- 2.2. Throughout the year, financial monitoring is undertaken each month and is a collaborative process between the budget holders for each service area and also the Finance team. During 2024/25, monthly financial monitoring reports were

received by Cabinet, Leadership Board and budget holders. This reporting focused on the movement between periods and actuals were not recorded until the end of the year. The absence of actuals throughout the year prevented the opportunity to assess the robustness of forecasts and significant variances between forecasts and actuals throughout the year.

- 2.3. Within the People Directorate, Adult Social Care budgets were under pressure throughout the year, largely due to increasing demand and increasing complexity of service user needs. As at period 11, the People Directorate was forecasting an overspend at outturn of £16.1m. However, at period 12, following year-end reconciliation of expenditure, income and savings, this variance increased to a total of £31.2m, of which £15m of this movement was within ASC budgets.
- 2.4. In light of this significant variance occurring within a short reporting period, the former Chief Executive requested a review to be undertaken by Internal Audit to understand what had contributed to this and what action was required for the future to mitigate the risk of reoccurrence.
- 2.5. Key findings from the review determined there was a misalignment of savings delivery monitoring and reporting between the monthly monitoring data reviewed by budget holders and the Finance Team and the reflection and updating of this information within the Council's financial management system (ERP) from which the financial monitoring reports are generated. Whilst significant mitigation savings were being delivered / on target for delivery by ASC during the course of the year, these were offset by the increasing demand. The resultant issue was not spotted until a reconciliation of actual expenditure/income was undertaken at the end of the year and £11.7m of projected savings was at that point identified as not being "cashable".
- 2.6. Overall, the Internal Audit review resulted in six recommendations which have been accepted by officers and implementation of these is underway. The recommendations can be found at Appendix 1.
- 2.7. Included within the six recommendations was one "fundamental" recommendation relating to the reporting of actual expenditure/income in addition to the forecast expenditure/income. This recommendation was implemented in period 6 and reflected in the Quarter 2 Finance Monitoring report presented to Cabinet for the meeting on 19th November. As a direct result of this recommendation being implemented, not only in Adult Services but across all areas of the Council, the projected position from the previous period, in several other areas, shifted significantly. It should be stated, however, that this shift was also reflective of an approach to remove optimism bias in projections. A further four recommendations are rated "significant" and one "requires attention" and work is underway to implement each of these, the majority of which are expected to be fully implemented by the end of Quarter 3.
- 2.8. During 2025/26 closer collaboration between ASC Service Managers and budget holders and Finance colleagues has resulted in an improved understanding of the end-to-end process, the challenges arising from data transfers between different systems and the resultant impact on accurately forecasting the year-end position. However continued work is necessary to enable both the budget holders and Finance team to have complete assurance of the basis of budget assumptions and the realisation of savings targets.

2.9. Other key changes and improvements underway include;

- a. A review and rationalisation of the volume of cost centres utilised within ERP for ASC budgets. A simplification of these will mitigate against the risk of areas being overlooked.
- b. A review of how savings targets are reflected within budgets, ensuring they are more readily understood and visible and thus enabling early intervention as necessary.
- c. Robust savings delivery plans detailing how savings are proposed to be achieved and whether these will be cashable or non-cashable and direct delivery or mitigation savings.
- d. A council wide audit of budget monitoring, which is nearing finalisation.

2.10. ASC budgets for 2025/26 were compiled and set prior to the 2024/25 year end deterioration, therefore they too require adjustment for 2026/27 and this is being worked upon currently, in readiness for February 2026 budget setting. The impact of these issues on the current year budgets is reflected in the monthly Finance Monitoring reports now being presented to Cabinet alongside Leadership Board and continues to show the demand pressures in the service.

2.11. A wider budget monitoring audit is currently underway. This audit forms part of the approved 2025/26 Internal Audit plan.

2.12. A further update will be provided to the Committee in June 2026, at which point it will be possible to reflect on the impact of the recommendations for 2025/26 year-end.

3. Recommendations

3.1 The Committee is asked to;

- a. Note with appropriate comment the update provided in this report.
- b. Consider future updates to Audit and Governance Committee in 2026/27.

Report

4. Risk Assessment and Opportunities Appraisal

4.1. Continued collaboration to develop the preparation and monitoring of Adult Social Care budgets is necessary to improve understanding of the roles and responsibilities between budget holders and the Finance team. This clarity will;

- a. enhance the reliability and accuracy of in year financial monitoring and enable corrective and timely action to be taken, which at outturn (as in 2024/25) is too late to undertake for that financial year.

- b. Strengthen the understanding of the information between the two teams, including simplification and improvement of the reporting to enable the service to respond to risks and mitigations accordingly.
- c. Ensure public reporting of the council's financial position is accurate and enables Members and Officers to take any necessary decisions to improve the Council's financial position.
- d. Prevent the need for unbudgeted use of reserves to mitigate overspends against budgets.

4.2. Implementation of the recommendations as set out in Appendix 1 and a continuous review throughout the year will mitigate against a reoccurrence of the 2024/25 outturn issue.

5. Financial Implications

- 5.1. Shropshire Council continues to manage unprecedented financial demands and a financial emergency was declared by Cabinet on 10 September 2025. The overall financial position of the Council is set out in the monitoring position presented to Cabinet on a monthly basis. Significant management action has been instigated at all levels of the Council reducing spend to ensure the Council's financial survival. While all reports to Members provide the financial implications of decisions being taken, this may change as officers and/or Portfolio Holders review the overall financial situation and make decisions aligned to financial survivability. All non-essential spend will be stopped and all essential spend challenged. These actions may involve (this is not exhaustive):
- scaling down initiatives,
 - changing the scope of activities,
 - delaying implementation of agreed plans, or
 - extending delivery timescales.
- 5.2. Current Financial Monitoring reports to Cabinet set out the challenging position of the Council and the pressures on budgets and reserves. Ensuring robust financial monitoring is essential to operating within agreed budgets and taking corrective action where necessary. The implementation of the recommendations arising from the review will support the strengthening of the current financial monitoring process.

6. Climate Change Appraisal

- 6.1. This report does not directly make decisions on energy and fuel consumption; renewable energy generation; carbon offsetting or mitigation; or on climate change adaption. However, the work of the Committee will look at these aspects relevant to the governance, risk management and control environment.

7. Background

- 7.1. Year-end Financial Monitoring for 2024/25 resulted in a significant variance compared to period 11 monitoring for the People Directorate, changing from a

forecast overspend of £16.1m to £31.2m. The former Chief Executive subsequently requested for a review to be undertaken by Internal Audit to ascertain the reasons and identify mitigations against reoccurrence.

- 7.2. This review took place during the summer, following which the findings were discussed during September and the final report issued last month. The purpose of this report is to update the Committee on progress made to date with implementation of the recommendations.
- 7.3. Appendix 1 details the six recommendations following the review; of which one was rated “fundamental”, four rated “significant” and one “requiring attention”. All six recommendations are in progress and implementation of the “fundamental” recommendation, took effect from Quarter 2 in the current year. This recommendation relates to the reporting of actual expenditure/income alongside projections within the financial monitoring reports and as can be seen from the Quarter 2 Financial Monitoring report presented to Cabinet on 19th November, actual expenditure/income is now included. The recommendation has, in practice, been applied to all areas of the Council, not just Adult Services.
- 7.4. Adult Social Care is a complex service area, providing support to Shropshire’s residents whose needs can vary significantly in complexity. Furthermore, the support required for some service users is not always solely the responsibility of the Council. Care packages can be funded through contributions from multiple sources, including Health and the service user themselves, which are often subject to various legal contracts and negotiations. Inevitably this builds in a degree of unpredictability into the financial monitoring projections, which can only be a reasonable best estimate based on the information available. Budgets comprise of expenditure and income and in light of increasing demand, inflationary pressures plus insufficient grant funding, savings targets have been necessary to support the Council to set an overall balanced budget.
- 7.5. Monthly financial monitoring of budgets and savings targets took place during 2024/25 between ASC budget holders and the Finance Team. In year monitoring comprised of information from multiple systems and spreadsheets which showed that significant mitigation savings were being delivered by ASC, plus it also showed the increasing demand pressures on the service budgets. Projections based on this information were reflected within the Council’s financial management system (ERP), which forms the basis of financial monitoring reports produced for Leadership Board and Cabinet. During the year People Directorate budgets reflected a projected overspend to year-end and at period 11 this was estimated to be £16.1m. Following a reconciliation of actual expenditure/income undertaken at year-end, it was discovered that £11.7m of savings for ASC were not actually “cashable” and that in-year mitigation savings realised were largely offset by the increase in demand pressures. The resultant impact of this and other “actuals” that came to light, was a £31.2m overspend for the People Directorate and the need to utilise financial reserves to offset this variance.
- 7.6. Subsequently Internal Audit undertook their review during the summer and presented the above-mentioned recommendations. Alongside progression of these recommendations, both teams have continued to evolve the budget and savings monitoring process to improve understanding and accuracy of the information, including the actions highlighted in paragraph 2.8. This work will

continue during the coming year and also support the budget setting process for 2026/27.

- 7.7. Understandably the discrepancy has resulted in nervousness around the accuracy of the information being presented and whilst both teams have a positive and good working relationship, on-going dialogue is necessary to restore assurance and trust in the process.

8. Conclusions

- 8.1. Implementation of the recommendations is underway and anticipated to be complete during the current year.
- 8.2. A further update will be provided to the Committee in June 2026, at which point it will be possible to reflect on the impact of the recommendations for 2025/26 year-end.

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

Financial Outturn 2024/25 Council 17th July 2025

Local Member:

Consultation with Local Member – Please consider the Local Member Protocol (see page E60 onwards of part 5 of the Constitution) and determine whether it is necessary to consult with the local member over the proposal set out in this report. This may not always be applicable (eg where the proposal affects all of Shropshire) but it should always be a consideration and in some cases a necessity so as to comply with the spirit of the Protocol.

Appendices [Please list the titles of Appendices]

Appendix 1 – Recommendations and Management Action Plan



Committee and Date

Audit Committee
27th November 2025

Item

Public



First Line Assurance – The Lantern Management Update

Responsible Officer:	Matt Jordan		
email:	matt.jordan@shropshire.gov.uk	Tel:	01743 252668
Cabinet Member (Portfolio Holder):	Roger Evans		

1. Synopsis

This report provides an update to the Audit Committee on the 2024/25 follow-up audit of The Lantern, assessing progress on recommendations made in the 2021/22 audit.

This report sets out the future steps to address the outstanding risks, ongoing actions to address identified control weaknesses providing reassurance that the necessary improvements have either been implemented or are imminent to improve the assurance level.

2. Executive Summary

2.1. Background

The Lantern is a multi-purpose facility in Shrewsbury offering services including a Community Library, IT Suite, Meeting Rooms, and a Community Hall. The previous 2021/22 audit provided an Unsatisfactory assurance level due to several control weaknesses in financial management, income processing, and governance procedures.

2.2. Current Audit Findings (2024/25)

The 2024/25 follow-up audit found limited progress, with 21 recommendations identified:

- 13 Significant recommendations
- 8 Requires Attention recommendations.
- 0 Fundamental or Best Practice recommendations

Key concerns include:

- **Income Management:** Lack of reconciliations, incorrect ledger postings, and noncompliance with financial procedures.
- **Budget Monitoring:** Inadequate budget oversight and variance analysis.
- **Payroll & Staff Hours:** Lack of clear documentation and potential non-compliance with working time regulations.
- **System Controls & Cyber Risks:** Continued reliance on an ineffective booking system and security concerns over access management.
- **Public Liability Compliance:** Failure to collect evidence of hirers' insurance coverage, posing financial and legal risks.

2.3. Assurance Level

Assurance Level: UNSATISFACTORY (No improvement from the previous audit).

2.4. 95% of recommendations are complete from the audit.

2.5. One recommendation (5%) has been completed so far as is reasonably practicable.

3. Recommendations

3.1. That the Audit Committee notes the corrective actions already undertaken and planned. The current situation is all recommendations are either complete or in progress of completion based on the implementation of the new booking system with assurance audits in place.

3.2. That responsible officer reports back on progress within six months of this report to demonstrate improvements in governance and financial control to finalise the improvements with the new booking system implemented. The new booking system will provide the new structure and framework for all internal and external bookings across the Shropshire Councils entire portfolio of properties.

Report

4. Risk Assessment and Opportunities Appraisal

4.1. The audit has highlighted high financial and operational risks, particularly in:

- Financial control weaknesses, leading to potential losses or mismanagement of income.
- Governance failures in budget monitoring, income tracking
- Staff payroll compliance.

4.2. Addressing these risks presents an opportunity to:

- Improve financial resilience through tighter controls on income processing.
- Enhance operational efficiency by resolving staffing and procedural inconsistencies.
- Strengthen compliance with public sector financial governance standards.

4.3. Risk table

<i>Risk</i>	<i>Mitigation</i>
Financial Control	Automated system now in place to remove risk
Budget Monitoring	Call off logs created for all invoicing
Staff Payroll Compliance	Procedure reviewed and implemented to remove risk

5. Financial Implications

5.1. Shropshire Council is currently managing an unprecedented financial position as budgeted for with the Medium Term Financial Strategy approved by Council on 29 February 2024 and detailed in our monitoring position presented to Cabinet on a monthly basis. This demonstrates that significant management action is required over the remainder of the financial year to ensure the Council's financial survival. While all Cabinet Reports provide the financial implications of decisions being taken, this may change as officers review the overall financial situation and make decisions aligned to financial survivability. Where non-essential spend is identified within the Council, this will be reduced. This may involve

- scaling down initiatives,
- changing the scope,

- delaying implementation, or
- extending delivery timescales.

5.2. The audit found financial inefficiencies in the management of The Lantern's operations:

- Income collection remains inconsistent, with missing reconciliations and posting errors.
- Payroll documentation is incomplete, creating risks of incorrect staff payments.
- Budget monitoring processes require improvement to prevent financial misstatements.

5.3. Failure to address these issues may lead to

- Increased financial losses from uncollected income.
- Regulatory risks due to non-compliance with financial policies.
- Inefficient use of resources, requiring additional taxpayer funding

5.4. This report sets out the measures that have both been implemented and are planned to substantially reduce the risks set out in in section 5.

6. Climate Change Appraisal

6.1. There are no anticipated climate change or environmental impacts associated with the recommendations in this report.

7. Background

7.1. Full detail of recommendations has been summarised in appendix 1 in should be read in conjunction with this section.

7.2. Recommendations 3, 5, 6, 7, 8, 9, 13, 14, 15, 16, 17, 18, 20 and 21 are complete.

7.3. Recommendations 1, 2 & 4 are now complete with the implementation of the new booking system (Aug 2025).

7.4. Recommendations 10, 11, 12 are complete with the implementation of the new booking system (Aug 2025). As per 7.2. a new procedure is now drafted now new booking system is live.

7.5. Recommendation 19 is complete so far as is reasonably practicable.

8. Additional Information

No additional information provided as part of this report

9. Conclusions

- 9.1. A structured action plan (Appendix 1) outlines specific corrective measures taken and planned, responsible persons, and deadlines.
- 9.2. Progress will be reviewed with an update report submitted to the Audit Committee within 6 months of this report.
- 9.3. Highest risks recommendations where immediately dealt with either at the time of the audit and were complete before the final audit was issued, or swiftly before the target completion date.

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

- 9.1. Internal Audit Report The Lantern 2021/22
- 9.2. Internal Audit Report The Lantern 2024/25

Local Member:

Appendices – 1 - Audit Recommendations Table

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Appendix 1

Audit Recommendations Table

Rec No.	Recommendation	Priority	Responsible Officer	Target Date	Status	Comments
1	Comprehensive and up-to-date procedure notes for room booking income procedures	Requires Attention	Matt Jordan - Facilities Manager	31/10/2024 28/02/2025	Complete	New booking procedure created in line with the new fully automated room booking system.
2	Clarify and ensure access for staff processing card payments	Requires Attention	Matt Jordan - Facilities Manager	31/10/2024 28/02/2025	Complete	Card payments are taken through the booking system only
3	Ensure annual PCI compliance training for staff handling card payments	Significant	Matt Jordan - Facilities Manager	Completed at time of audit	Complete	The PCI training on Leap into Learning was setup to be completed as a one-off training course, this has now been amended and staff now need to complete the training on an annual basis. Automatic notifications are sent to the line manager in the event of the training not being completed.
4	Establish clear reconciliation process for booking forms and financial records	Significant	Matt Jordan - Facilities Manager	31/10/2024	Complete	Incorporated into recommendation 1
5	Implement periodic management review of income collection records	Significant	Matt Jordan - Facilities Manager	31/10/2024	Complete	Review of income collection records now takes place on a monthly basis of all records. Previously this had been implemented on a sample of records only.
6	Ensure correct recording of income in ICON and ledger, including VAT compliance	Significant	Matt Jordan - Facilities Manager	Completed at time of audit	Complete	ICON had items within the dropdown menu that were nothing to do with rooms bookings, if selected by mistake these would show as this error. These items have now been removed.

7	Review booking process and standardise booking forms	Significant	Matt Jordan - Facilities Manager	31/10/2024	Complete	Version of inconstant booking form removed from the online web booking system.
8	Ensure any new booking system resolves existing issues	Significant	Matt Jordan - Facilities Manager	Completed before Audit	Complete	This was explained at the time of the audit that all issues with the current booking system have been captured within the procurement of the new booking system, this has been done and recorded using the "MOSCOW" system.
9	Obtain evidence of public liability insurance for all bookings	Significant	Matt Jordan - Facilities Manager	Complete	Complete	Evidence is required as per the existing booking form. A 12% fee was added to the booking form as per the previous audit.
10	Ensure income collection follows terms and conditions, with upfront payments required	Significant	Matt Jordan - Facilities Manager	31/10/2024 28/02/2025	Complete	No booking can be made through the new system without a payment
11	Review and ensure transparency in room hire charges	Significant	Matt Jordan - Facilities Manager	31/10/2024 28/02/2025	Complete / Ongoing Monitoring	Incorporated into recommendation 1
12	Secure retention of income records for at least three years	Significant	Matt Jordan - Facilities Manager	31/10/2024 28/02/2025	Complete / Ongoing Monitoring	Record keeping has moved to electronic and is audited as part of the management review process. This will continue until the new automatic booking system is in place.
13	Ensure purchase orders are raised before ordering goods/services	Requires Attention	Patrick Smith - Area HQ Officer Central	Complete	Complete	Call off orders had been raised for most invoices required, this item relates to an invoice which was sent in late for payment. Call off orders raised for all invoices.
14	The purchase orders including call off orders should be raised in the correct financial year	Requires Attention	Patrick Smith - Area HQ Officer Central	Complete	Complete	As recommendation 13 - Call off orders had been raised for most invoices required, this item relates to an invoice which was sent late for payment

15	Review payroll procedures, including documentation of additional hours	Significant	Patrick Smith - Area HQ Officer Central	30/11/2024	Complete	Payroll procedure amended
16	Establish clear records for staff hours and additional hours claims	Significant	Patrick Smith - Area HQ Officer Central	30/11/2024	Complete	Payroll procedure amended.
17	Ensure procedures comply with working time regulations and break periods.	Requires Attention	Patrick Smith - Area HQ Officer Central	30/11/2024	Complete	Staff reminded to take break periods; this is checked when signing off timesheets
18	Review access controls for Resource Central booking system	Requires Attention	Matt Jordan - Facilities Manager	30/11/2024	Complete	All users in the Lantern now use their own dedicated login. Generic logins exist for Administrator rights which sit with the ICT team.
19	Develop a contingency plan for IT failures affecting bookings and payments	Requires Attention	Matt Jordan - Facilities Manager	30/10/2024	Unable to fully complete	It is not considered reasonably practicable in the event of an IT failure affecting the booking system to have a full contingency plan to try and take new, amends bookings etc, in this instance users need to wait until the system is restored to create and take payment for the booking, this is in the interim procedure. Existing bookings are logged at the front desk and can take place in the event of an IT failure.
20	Ensure effective budget monitoring with variance explanations	Significant	Matt Jordan - Facilities Manager	Complete	Complete	Transfer of responsibility completed before audit issued. Budget monitoring now takes place once per month with the Finance Business Partner.
21	Retain evidence of key issuance to external security company	Requires Attention	Patrick Smith-Area HQ Officer Central	Complete	Complete	Evidence Obtained

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Committee and Date
Audit Committee
27th November 2025

Item

Public



Deferred Payments Management Update

Responsible Officer:	Laura Tyler		
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Cabinet Member (Portfolio Holder):	Ruth Houghton		

1. Synopsis

This report provides an update to the Audit Committee on the 2024/25 Deferred Payments, assessing progress on recommendations made in the 2021/22 audit.

This report sets out the future steps to address the outstanding risks, ongoing actions to address identified control weaknesses providing reassurance that the necessary improvements have either been implemented or are imminent to improve the assurance level.

2. Executive Summary

2.1. Background

The Financial Assessment Team is responsible for evaluating individuals' financial circumstances to determine eligibility for various support services and funding options. One of their key areas of work involves managing deferred payments, which allow eligible individuals to delay payment for certain services, such as residential care, until a later date. This process helps alleviate immediate financial pressure while maintaining access to essential services. The previous 2021/22 audit provided a Limited Assurance level due to several control weaknesses in income management, policy & process and system controls

2.2. Current Audit Findings (2024/25)

The 2024/25 follow-up audit identified a weakened control environment and made 19 recommendations, categorised as follows:

Total	Fundamental	Significant	Requires Attention	Best Practice
19	0	9	10	0

Key concerns include:

- **Income Management:** Timeliness of invoicing, calculation of interest, and documentation of final checks and agreement on deferred payment balances.
- **Policy & Process:** Inquiries regarding Legal Matters, Property Insurance Status, and Review of Deferred Payment Forms
- **System Controls:** Updating System with Accrued Interest Calculations

2.3. Assurance Level: Unsatisfactory (Weakening Control Environment).

2.4. 95% of recommendations are complete from the audit.

2.5. One recommendation (5%) was already part of the deferred payment process when the audit was carried out.

3. Recommendations

- 3.1 That the Audit Committee notes the corrective actions already undertaken and planned. The current situation is that all recommendations are either complete or in progress.
- 3.2. That officer responsible reports back on progress within six months of this report to demonstrate improvements in governance and financial control to finalise the improvements to the deferred payment agreement processes.

Report

4. Risk Assessment and Opportunities Appraisal

- 4.1 The audit highlighted high financial and operational risks, particularly in:
 - a. Financial Controls: Council may not recover Social Care fees to which it is entitled, which could result in reputational and financial impact.
 - b. Governance: Issues related to processes, controls, and policy approval have been identified as areas of concern.
 - c. Systems: There are fragmented methods used for recording account information, with manual calculations carried out across various systems. Management oversight is currently limited in these processes.

4. Addressing these risks presents an opportunity to:
- Improve our financial controls and ensure the recovery of entitled Social Care fees from Deferred Payments.
 - Strengthening our governance through better processes, controls, and policy approvals which will lead to increased transparency and accountability.
 - Streamlining systems and reducing fragmentation will improve data accuracy, reduce manual errors, and enable more effective management oversight, ultimately supporting better decision-making and resource allocation.

4.3. Risk table

Risk Area	Mitigation
Financial Controls	Implement robust financial controls, regular audits, and ensure prompt recovery of Deferred Payments.
Governance	Strengthen governance frameworks, standardise policy approval, and enhance process documentation and oversight.
Systems	Streamline systems, integrate data platforms and improve management reporting

5. Financial Implications

- Shropshire Council continues to manage unprecedented financial demands and a financial emergency was declared by Cabinet on 10 September 2025. The overall financial position of the Council is set out in the monitoring position presented to Cabinet on a monthly basis. Significant management action has been instigated at all levels of the Council reducing spend to ensure the Council's financial survival. While all reports to Members provide the financial implications of decisions being taken, this may change as officers and/or Portfolio Holders review the overall financial situation and make decisions aligned to financial survivability. All non-essential spend will be stopped and all essential spend challenged. These actions may involve (this is not exhaustive):
 - scaling down initiatives,
 - changing the scope of activities,
 - delaying implementation of agreed plans, or
 - extending delivery timescales.

5.1 The audit found financial inefficiencies in the management of Deferred Payments

- Interest charges are not currently applied to post-Care Act deferred payments due to system limitations
- Delays in recovering deferred debt due to ineffective recovery processes.

- c. Fragmented processes due to financial records being spread across multiple IT systems (LAS, ContrOCC, ERP, SharePoint, and some legacy systems).

5.2. Failure to address these issues may lead to

- a. Financial losses due to uncollected income
- b. Increased budget pressures
- c. Reputational damage for the Council.

5.3. This report sets out the measures that have both been implemented and are planned to substantially reduce the risks set out in section 5.

6. Climate Change Appraisal

6.1. There are no anticipated climate change or environmental impacts associated with the recommendations in this report.

7. Background

7.1. Full detail of recommendations has been summarised in appendix 1 and should be read in conjunction with this section.

7.2. All recommendations are complete.

8. Additional Information

No additional information is provided as part of this report

9. Conclusions

- 9.1. A structured action plan (Appendix 1) outlines specific corrective measures taken and planned, responsible persons, and deadlines.
- 9.2. Progress will be made with an updated report submitted to the Audit Committee within 6 months of this report.
- 9.3. Where possible, the highest risk recommendations were addressed immediately—either during the audit (and completed before the final report) or before the target completion date. However, with the recent formation of the deferred payment working group, further improvements are still underway.

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

Internal Audit Report Deferred Payments 2021/22

Internal Audit Report Deferred Payments 2024/25

Local Member: ALL

Appendices

Appendix 1 - Audit Recommendations Table

Appendix 1
Audit Recommendations Table

Rec No	Recommendation	Rating	Responsible Officer	Target Date	Status	Comments
1	The queries and discrepancies in the draft policy should be discussed and agreed by the Team Leader: Financial Assessments and Legal Services, to ensure that the team's processes are consistent with the policy. The policy should then be agreed by DMT and ratified by Cabinet.	Significant	Kim Russon, Team Leader	31/12/2025	Complete	The discrepancies and queries have been resolved. The policy is being reviewed by Service Managers prior to presentation at SMT and is due to go to cabinet for sign off in February 2026.
2	The Adult Social Care Charging & Financial Assessment Policy for Residential Care 24/25 should include details of administration charges to be applied to Deferred Payment accounts when it is updated for 25/26. In addition, the administration fee should be reviewed, with methodology for calculating the fee recorded and authorised. This fee should then be reviewed on an annual basis, ensuring that it complies with the requirements of the Care Act, i.e., that the Council is not making a profit. Charges should be included in the fees and charges policy when submitted to Council for approval in line with the Council's Constitution.	Requires Attention	Kim Russon, Team Leader	31/12/2025	Complete	The Policy has been updated to include details of the Deferred Payment Agreement admin fees. The admin fee is under review by the Finance Business Partner and will form part of charges policy paper to cabinet when the budget is presented.
3	The Deferred Payment Agreement 'How to Guide' should be reviewed and updated; version control on the document should reflect this.	Requires Attention	Kim Russon, Team Leader	31/08/2025	Complete	The guide has been reviewed, updated and the version control reflects this.
4	The suite of forms for Deferred Payments should be reviewed and updated to ensure that they complement the current process and	Significant	Kim Russon, Team Leader	30/11/2025	Complete	The forms have been reviewed, updated and version control applied

	timescales/methods for approving the application and funding.					to reflect this. A deferred payment agreement working group has been established and is reviewing the entire deferred payment agreement process – if changes are required to forms/timescales following this review, these will be implemented immediately.
5	The process should be updated to ensure that there is either a sign off of an individual document following Panel, or retention of an authorised list from Panel.	Requires Attention	Kim Russon, Team Leader	30/09/2025	Complete	It is already part of the process that form DPA2, Appendix 1 is signed off for deferred payment application at panel and retained in the service user's deferred payment agreement folder in SharePoint. (DPA2 App1 records the fee structure for the deferred payment agreement)
6	There should be either an official valuation, or a copy of a valuation from a reputable website or a surveyor retained on file, so as to justify the property valuations that are being relied upon.	Significant	Kim Russon, Team Leader	30/11/2025	Complete	Where an official valuation has not been provided, the Financial Assessment Officer will obtain a valuation from a reputable website such as Zoopla, On the Market or Rightmove

						and record this on a valuation sheet which they then sign and retain in the service user's folder in SharePoint.
7	Case P342826 should be reviewed by the Financial Assessment Team to ensure that the charge has been registered against the property. If it has already been done, there should be a copy on the applicant's file.	Requires Attention	Kim Russon, Team Leader	30/04/2025	Completed	The charge was placed on the property in January 2021. A copy of the official register is now saved to file.
8	An update should be made to ContrOCC to allow for interest to be added to post Care Act cases.	Significant	Kim Russon, Team Leader	31/03/2026	Completed	Testing of the functionality of ContrOCC to charge interest on deferred payment agreements has been signed off in the test site and is now live since the 7/11/25 with all payments to be updated by the 30/11/25
9	Insurances should be reviewed and brought up to date for all current deferred payment agreements. In addition, the letter issued by the Financial Assessment Team to request an up to date insurance certificate should state that insurance needs to be for an empty property if indeed this is the case.	Significant	Kim Russon, Team Leader	30/11/2025	Complete	Insurance documents have been brought up to date for all deferred payment agreement service users. The letter issued by the Financial Assessment Team has been updated to state that insurance for an empty property is required, where applicable. Processes have been implemented

						to ensure Financial Assessment Officers are reminded annually to request up to date insurance policy documents.
10	A copy of the six-monthly statements sent out from ContrOCC should be retained on SharePoint for reference purposes.	Requires Attention	Kim Russon, Team Leader	31/03/2026	Complete	Statements will be issued following the annual uplift of care home fees and six months thereafter and will be saved to SharePoint
11	The Financial Assessments Team should raise an invoice on ERP in respect of the four deferred payment accounts where the service user has died and their property is vacant. This should be issued to the executor/representative, along with a covering letter stating that further interest will be due covering the period between the date of the invoice and the payment date. The Financial Assessments Team should consult with the ContrOCC Support Team regarding the method by which the remaining interest will be calculated accrued within ContrOCC until the time that the deferred charges are paid.	Significant	Kim Russon, Team Leader	31/07/2025	Completed	Invoices have been raised in ERP for the relevant service users and letters issued to the executors of the estate. Once interest has been set up in the live system, ContrOCC will have the functionality to generate interest charges whilst we await payment.
12	The deferred payments where there is a tenant in the deceased service user's property should be referred to Legal Services for further action, to ensure that paragraph 10 of the Deferred Payment Agreement is enforced. An invoice should then be raised on ERP by the Financial	Significant	Kim Russon, Team Leader	30/04/2025	Completed	Properties can be rented under the Deferred Payment Scheme as long as this has been agreed by Shropshire Council. An

	Assessments Team, to be accompanied by a letter regarding the accruing interest.					invoice for the deceased service user's deferred balance was raised in April 2025 and payment has been received to clear the debt.
13	The Team Leader, Financial Assessments Team should review the deferred charges totals against the equity amounts twice a year to ensure that the deferred total has not been left to exceed the equity value.	Requires Attention	Kim Russon, Team Leader	30/06/2025	Completed	The Team Leader has introduced a monthly monitoring process which looks at the accruing balances and their progress toward the equity limit.
14	The Team Leader, Financial Assessments Team should liaise with the Land Charges Team to request that her team are informed of any changes in debt secured against a property that has a charge in lieu of care contributions.	Significant	Kim Russon, Team Leader	31/08/2025	Complete	The Team Leader has liaised with legal services regarding this recommendation and has been advised that when our charge is registered it takes priority to everything registered after it and we register notice that the amount of our debt is not fixed so any mortgage etc taken out after our charge would not be paid out until our full debt was paid. They are investigating how any changes made to the register by Land Registry can be monitored.

15	Where voluntary credits are paid by a service user's representative, an alternative statement should be produced manually by the Financial Assessment Officer to account for the additional payment instead of the standard six monthly statement and a separate letter, thus only issuing one accurate document as to the current balances. This should be reviewed for accuracy by the Senior Assessment Officer, with a copy of the alternative statement held on SharePoint along with evidence of the checks carried out.	Requires Attention	Kim Russon, Team Leader	31/07/2025	Completed	A manual statement has been created to be used where a service user or their financial representative is making additional payments during the lifetime of the deferred payment to reduce the final debt when it ends. The statement is signed by either the Team Leader or the Senior Assessment Officer, before being issued.
16	Management checks should be evidenced on all redemption calculation spreadsheets following the changes made to the spreadsheet to accommodate this.	Requires Attention	Kim Russon, Team Leader	30/06/2025	Completed	The redemption calculation has a section to be completed by the Team Leader or Senior Assessment Officer to confirm they have checked the calculation. The process has also been updated to reflect this.
17	The Finance Team should be reminded that they should inform the Financial Assessments Team promptly of deferred payment redemptions, so that the Financial Assessments Team can raise an invoice on ERP to offset the payment. The Finance Team should then journal the payment to the correct cost code to offset the debtor account.	Requires Attention	Kim Russon, Team Leader	30/06/2025	Completed	The finance team have been reminded to inform Financial Assessment Team of any income received to clear deferred balances. The Team Leader has also incorporated a check for any income in her

						monthly monitory of deferred payments.
18	The Team Leader, Financial Assessment Team should liaise with both the Senior Debt Officer and the Finance Business Partner prior to year end to ensure that all income has been correctly allocated to the social care budgets and the individual service users on ERP, the debtor accounts correctly reflect income due in respect of both current and ended deferred payments, and that interest is also calculated from ContrOCC records for ended deferred payments for which payment is due, so that a figure can be included in the accounts for this. A record should be maintained of checks carried out and final figures agreed.	Significant	Kim Russon, Team Leader	30/06/2025	Completed	The monthly monitoring conducted by the Team Leader captures the deferred balances accrued within ContrOCC and additional payments made by service users or their financial representatives. The monitoring report has been shared with the Senior Debt Officer and the Finance Business Partner so that they have accurate figures.
19	The duplicate outlook account relating to the previous role at the Council should be closed. ICT should be consulted to ensure that this does not impact her training refresher course deadlines on her current user account	Requires Attention	Kim Russon, Team Leader	31/05/2025	Completed	The outlook account had been closed by IT services whilst the audit was being conducted.



Committee and Date

Audit and Governance
Committee
27th November 2025

Cabinet
3rd December 2025

Council
11th December 2025

Item

Public



Treasury Strategy 2025/26 Mid-Year Review

Responsible Officer:	James Walton	
email:	james.walton@shropshire.gov.uk	
Cabinet Member (Portfolio Holder):	Roger Evans, Finance	

1. Synopsis

As at 30 September 2025 the Council held £44.1m in investments and had £420m of borrowing. The report confirms compliance with Treasury and Prudential limits agreed by Full Council.

2. Executive Summary

- 2.1. This mid-year Treasury Strategy report has been prepared in compliance with CIPFA's Code of Practice on Treasury Management 2017 and covers the following:
- An economic update for the first six months of 2025/26
 - A review of the Treasury Strategy 2025/26 and Annual Investment Strategy
 - A review of the Council's investment portfolio for 2025/26
 - A review of the Council's borrowing strategy for 2025/26
 - A review of any debt rescheduling taken
 - A review of compliance with Treasury and Prudential limits for 2025/26

3. Recommendations

Members of the Audit Committee and Cabinet are asked to:

- 3.1. Agree the Treasury Strategy activity as set out in the report.

Report

4. Risk Assessment and Opportunities Appraisal

- 4.1. The recommendations contained in this report are compatible with the provisions of the Human Rights Act 1998.
- 4.2. There are no direct environmental, equalities or climate change consequences arising from this report.
- 4.3. The main risk relating to undertaking Treasury Management activities is a potential financial loss and this is considered in the table below:

<i>Risk</i>	<i>Mitigation</i>
Potential financial loss arising from undertaking Treasury Management activities	All Treasury Management practices are in compliance with the CIPFA Code of Practice on Treasury Management, the Council's Treasury Policy Statement, and the Prudential Code for Capital Finance, together with rigorous internal controls.
	Council's Audit Committee is the committee responsible for ensuring effective consideration of the Council's Treasury Management Strategy and policies

5. Financial Implications

- 5.1. Shropshire Council continues to manage unprecedented financial demands and a financial emergency was declared by Cabinet on 10 September 2025. The overall financial position of the Council is set out in the monitoring position presented to Cabinet on a monthly basis. Significant management action has been instigated at all levels of the Council reducing spend to ensure the Council's financial survival. While all reports to Members provide the financial implications of decisions being taken, this may change as officers and/or Portfolio Holders review the overall financial situation and make decisions aligned to financial survivability. All non-essential spend will be stopped and all essential spend challenged. These actions may involve (this is not exhaustive):
- scaling down initiatives,
 - changing the scope of activities,
 - delaying implementation of agreed plans, or
 - extending delivery timescales.
- 5.2. The Council makes assumptions about the levels of borrowing and investment income over the financial year. Reduced borrowing as a result of capital receipt

generation or delays in delivery of the capital programme will both have a positive impact of the council's cash position. Similarly, higher than benchmarked returns on available cash will also help the Council's financial position. For monitoring purposes, assumptions are made early in year about borrowing and returns based on the strategies agreed by Council in the preceding February. Performance outside of these assumptions results in increased or reduced income for the Council.

- 5.3. The 2025/26 six-month performance is marginally below benchmark but has delivered net income of £1.346m.

6. Climate Change Appraisal

- 6.1. The Council's Financial Strategy includes proposals to deliver a reduced carbon footprint for the Council therefore the Treasury Team is working with the Council to achieve this. There are no direct climate change impacts arising from this report. Shropshire Council's investment portfolio has no level 1, 2 or 3 emissions. It comprises of straightforward cash deposits with financial institutions and other Local Authorities.

7. Background

- 7.1. The Council defines its treasury management activities as "the management of the authority's borrowing, investments and cash flows, its banking, money market and capital market transactions, the effective control of the risks associated with the activities, and the pursuit of optimum performance consistent with those risks." Broadly, cash received by the Council raised during the year will meet its cash expenditure. Treasury Management operations ensure this cash flow is planned and managed. Temporary surplus balances are invested in low-risk counterparties (providing security), ensuring cash availability (liquidity), and only considering investment return (yield) last.
- 7.2. Cash flow management covers in-year (revenue) costs as well as the funding of the Council's long term (capital) plans. Capital plans provide a guide to the future borrowing need of the Council and may involve arranging long or short-term borrowing. Occasionally existing debt may be restructured as opportunities allow.
- 7.3. In December 2017, the Chartered Institute of Public Finance and Accountancy, (CIPFA), issued revised Prudential and Treasury Management Codes. As from 2019/20, all local authorities are required to prepare a Capital Strategy which is intended to provide the following: -
- A high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services
 - An overview of how associated risk is managed
 - The implications for future financial sustainability
- 7.4. A report setting out the Council's Capital Strategy was taken to full Council in February 2024. This report informs Members of the treasury activities of the Council for the first six months of the financial year.

- 7.5. To secure specialist advice on long-term borrowing and investment, the Council works with MUFG Corporate Markets (MUFG), who provide the detailed analysis set out in this report.

8. Economic Update and Forecast

- 8.1. Since the Council's Treasury and Capital strategies were agreed in February 2025, there has been further change in terms of the economic environment. The Bank of England has initiated its easing cycle by lowering interest rates from bank base rate has reduced over the period from 4.50% to 4.00%. A detailed commentary can be found in Appendix D.
- 8.2. MUFG forecast interest rates over the next 36 months. Their latest interest rate forecasts are shown below.

MUFG Corporate Markets Interest Rate View 11.08.25													
	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27	Mar-28	Jun-28	Sep-28
BANK RATE	4.00	4.00	3.75	3.75	3.50	3.50	3.50	3.50	3.25	3.25	3.25	3.25	3.25
3 month ave earnings	4.00	4.00	3.80	3.80	3.50	3.50	3.50	3.50	3.30	3.30	3.30	3.30	3.30
6 month ave earnings	4.00	3.90	3.70	3.70	3.50	3.50	3.50	3.50	3.30	3.30	3.40	3.40	3.40
12 month ave earnings	4.00	3.90	3.70	3.70	3.50	3.50	3.50	3.50	3.30	3.40	3.50	3.60	3.60
5 yr PWLB	4.80	4.70	4.50	4.40	4.30	4.30	4.30	4.20	4.20	4.20	4.20	4.10	4.10
10 yr PWLB	5.30	5.20	5.00	4.90	4.80	4.80	4.80	4.70	4.70	4.70	4.70	4.60	4.60
25 yr PWLB	6.10	5.90	5.70	5.70	5.50	5.50	5.50	5.40	5.40	5.30	5.30	5.30	5.20
50 yr PWLB	5.80	5.60	5.40	5.40	5.30	5.30	5.30	5.20	5.20	5.10	5.10	5.00	5.00

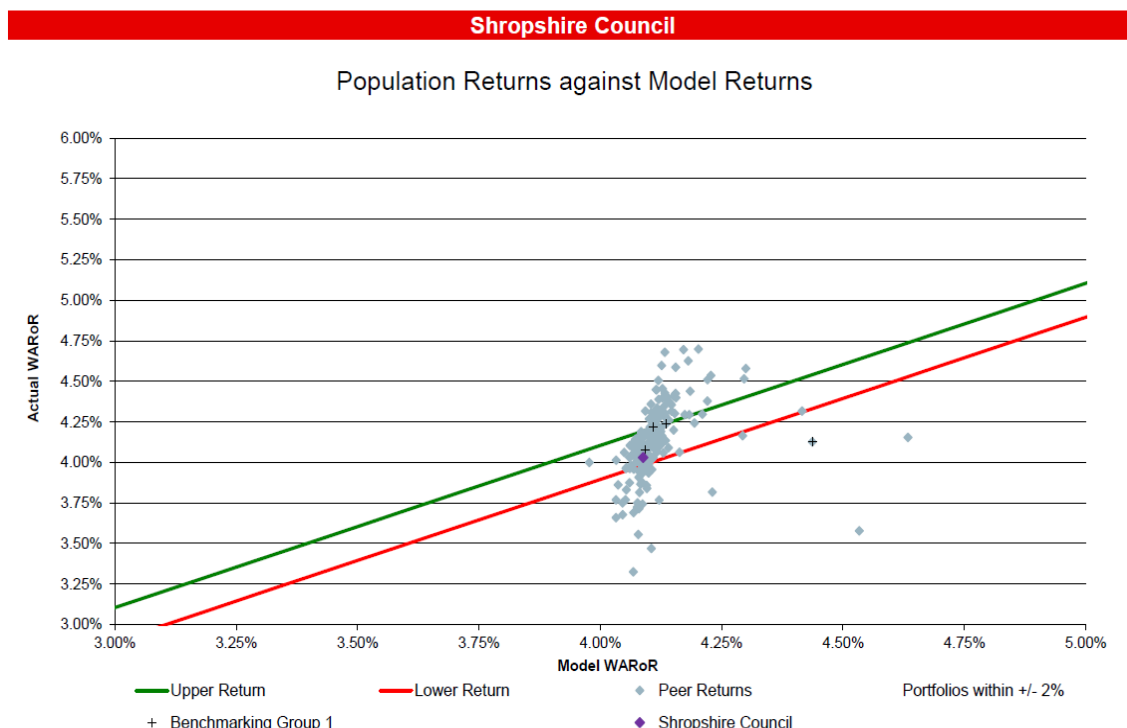
9. Treasury Strategy Update

- 9.1. The Treasury Management Strategy (TMS) for 2025/26 was approved by Full Council on 27 February 2025. There are no policy changes, or any changes required to the prudential and treasury indicators previously approved. The details in this report update the position in the light of the updated economic position.

10. Annual Investment Strategy

- 10.1. The Council's Annual Investment Strategy, which is incorporated in the TMS, outlines the Council's investment priorities as the security and liquidity of its capital. In the current economic climate, it is considered appropriate to keep investments short term to cover cash flow needs, but also to seek out value available in periods up to 12 months with high credit quality financial institutions, using the MUFG suggested creditworthiness approach, including a minimum sovereign credit rating and Credit Default Swap (CDS) overlay information.
- 10.2. The average level of funds available for investment purposes during the first half of the financial year was £64.430m. These funds were available on a temporary basis, and the level of funds available was mainly dependent on the timing of precept payments, receipt of grants and progress on the capital programme.
- 10.3. In the first six months of 2025/26 the internal finance team's return achieved was marginally lower than its benchmark by 0.07%. The gross investment return was 4.18% compared to the benchmark of 4.25%. As cash balances held are lower than in previous years, the Council need to ensure cash balances are highly liquid,

resulting in lower interest rates on short term deals. Whilst returns on investment are important, as we strive to achieve the best investment we can, the Council's priority is always to ensure security of funds and ensure we hold sufficient liquid balances. With this in mind, this will often mean that we cannot secure the higher rate investments as these are offered to longer term deals. The Council does receive benchmarking analysis of its investments in relation to its comparative group and throughout the second quarter of 2025/26, its performance on investment were considered in line with the other organisations.



10.4. A full list of investments held as at 30 September 2025, compared to MUFG's counterparty list, and changes to Fitch, Moody's and Standard & Poor's credit ratings are shown within MUFG's Monthly Investment Analysis Review at Appendix 1. None of the approved limits within the Annual Investment Strategy were breached during the first half of 2025/26. Officers continue to monitor the credit ratings of institutions on a daily basis. Delegated authority has been put in place to make any amendments to the approved lending list.

10.5. Recent investment rates available in the market have decreased due to the central bank rate reducing to 4.00% in August 2025.

10.6. The interest receivable budget is expected to deliver, as a minimum, net income of £1.346m in the first six months of the year. Projections on income will be reviewed monthly. The current estimates are based on assumptions of the value of investment balances.

11. Borrowing

11.1. Details of the Council's borrowing activity can be found within Appendix D.

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

Treasury Strategy 2025/26 – Council, 27 February 2025

Financial Strategy 2025/26 – 2029/30 – Council, 27 February 2025

Local Member: N/A

Appendices

Appendix A – Investment Report as at 30 September 2025

Appendix B – Prudential Limits

Appendix C – Prudential Borrowing Schedule

Appendix D – Economic Background and Borrowing Update



Shropshire Council

Monthly Investment Analysis Review

September 2025

Monthly Economic Summary

General Economy

The UK Manufacturing PMI fell to 46.2 in September, down from 47.0 in August and below market expectations of 47.1 signalling the steepest contraction in the sector since April. Firms cited weak domestic and export orders, including specific disruptions in the automotive supply chain due to plant stoppages at Jaguar Land Rover. Employment continued to decline whilst factory gate price inflation eased to its lowest level since December 2024, reflecting intense competitive pressures. Despite the contraction, business confidence reached its highest level since February, supported by increased investment and hopes for a rebound in order books. The S&P Global Flash UK Services PMI fell to 51.9 in September from 54.2 in August which was the highest since April 2024, and well below forecasts of 53.5. Strong business and consumer spending was not enough to overcome subdued UK economic conditions and heightened economic uncertainty. Service providers again recorded a particularly steep rise in their operating expenses, which was attributed to elevated wage pressures and efforts by suppliers to pass on higher payroll costs. There were also reports of rising energy bills, food prices and technology costs.

Combining the above left the UK Composite PMI at 51 in September, down from the one-year high of 53.5 in the previous month and missing the market consensus of 53 to reflect the slowest pace of expansion in private sector activity since May. New work at the aggregate level inched higher amid subdued export sales to the US and EU, as firms reported a lack of willingness-to-spend by clients, driving firms to depend on backlogs to sustain output. In the meantime, cost burdens rose sharply in the period due to wage pressures that have risen on more contributions to National Insurance, driving firms to increase their prices charged. Consequently, the employment subcomponent decreased for an eleventh straight month. Separately, the UK Construction PMI rose to 45.5 in August, from an over five-year low of 44.3 in July and slightly above market forecasts of 45. A slower contraction in commercial building helped offset sharper falls in residential and civil engineering work, with housing activity posting its steepest drop since February and civil engineering its worst since October 2020.

The UK economy stalled in July, in line with expectations, after expanding 0.4% in June. Services edged up 0.1% and construction also rose 0.2%. These gains were countered by a 0.9% fall in production with manufacturing down 1.3%. On the year, GDP grew 1.4%, the same pace as in June but slightly below expectations of 1.5%. Elsewhere, the UK's trade deficit widened to £5.3 billion in July, up from £5.01 billion in June and marked the largest gap since February. Exports rose by 2.3% m/m to £76.5 billion, while imports grew by 2.4% to a record high of £81.71 billion. Goods exports increased by 6.6%, supported by a 4.6% rise in shipments to the EU primarily due to a surge in aircraft exports to Germany. On the import side, goods activity advanced by 3.9% to a 13-month high of £50.9 billion, mainly due to increased imports of ships from South Korea and aircraft and cars from Germany. Meanwhile, services imports edged down by 0.1% to £28.8 billion.

The UK recorded a 232k rise in employment in the three months to July, coming above forecasts of 220k largely supported by full-time positions. The employment rate for those aged 16 to 64 edged up by 0.1 percentage points to 75.2%. The number of people holding second jobs also grew, reaching 1.301 million, equivalent to 3.8% of total employment. Meanwhile, total average weekly earnings (including bonuses) rose 4.7% y/y to £727 per week in the three months to July 2025 in line with forecasts. Private sector wage growth eased, and a small slowdown was also seen for the public sector. Adjusted for inflation, total earnings increased 0.5%, the same as in the previous period.

The Consumer Price Index increased 0.3% m/m in August, after a 0.1% rise in July and matching market expectations. The UK's annual inflation rate held steady at 3.8% in August, remaining near the highs last seen in January 2024. Inflation slowed for transport, with prices for air fares falling 3.5% and making the largest downward contribution...reversing the spike higher seen earlier in the summer due to the timing of this year's school holidays. Inflation was also lower for services, recreation and culture, clothing and footwear and steadied for housing and utilities. On the other hand, the largest upward contribution came from motor fuels.

The GfK Consumer Confidence Index slipped to -19 in September from -17 in August, as worries over looming tax hikes weighed on sentiment. All five

borrowing in the UK increased to £18.0 billion in August from £2.8 billion in July, the highest recorded borrowing for August since 2020. This was primarily due to a sharp fall in tax revenue, from £76.7 billion in July to £62.2 billion in August, which is typically at this stage of the fiscal year. Conversely, Government spending increased to £150 billion, with total public sector spending increased by £8.4 billion, driven by higher costs of public services, benefits, and debt interest.

US Economy

The US economy added 54k jobs in August, following an upwardly revised 106k in July and below forecasts of 65k. Meanwhile, the US economy grew at a 3.0% annualised rate in Q2, rebounding from a 0.5% contraction in Q1 which had been the first quarterly decline in three years. The annual inflation rate accelerated to 2.9% in August, the highest since January, after holding at 2.7% in both June and July. Prices rose at a faster pace for food, used cars and trucks, and new vehicles. Also, energy costs increased for the first time in seven months with prices for gasoline and fuel oil decreasing less and natural gas prices remaining elevated at 13.8%. Core consumer prices, which exclude food and energy, rose by 0.3% from the previous month in August of 2025. Finally, food price inflation in the US picked up to 3.2% in August, the steepest since October 2023, from 2.9% in July, driven by an acceleration in food-at-home prices.

EU Economy

The annual inflation rate in the Eurozone rose to 2.2% in September, up from 2.0% in the previous three months, moving slightly above the European Central Bank's 2.0% target. Meanwhile, the annual core inflation rate, which excludes prices of food, energy, and tobacco, was at 2.3% for a fifth consecutive month. The Eurozone economy expanded by 0.1% in Q2 2025. Despite beating market expectations of flat growth, it marked the weakest pace of expansion since late 2023. The slowdown reflects growing caution among businesses and households, as they weigh easing inflation and lower borrowing costs against rising trade uncertainty, particularly due to US tariffs. Among the bloc's major economies, Spain and France outperformed with growth of 0.7% and 0.3%, respectively. The Netherlands posted modest growth of 0.1%, while both Germany and Italy slipped into contraction, each shrinking by 0.1%.

Housing

The Halifax House Price Index in the UK rose 0.3% m/m in September easing from 0.4% in August, leaving the annual rate at 2.2%. The UK Nationwide House Price index grew 0.5% m/m in September, beating forecasts of 0.2%, leaving the annual rate also at 2.2%.

Currency

Sterling depreciated against both the Dollar and the Euro.

September	Start	End	High	Low
GBP/USD	\$1.3550	\$1.3463	\$1.3660	\$1.3349
GBP/EUR	€1.1570	€1.1458	€1.1570	€1.1432

Interest Rate Forecasts

MUFG Corporate Markets maintained its current forecast. Capital Economics revised its forecast up 25bps from the end of Q4 2025 to end of Q3 2024

Bank Rate														
	NOW	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27	Mar-28	Jun-28	Sep-28
MUFG Corporate Markets	4.00%	4.00%	4.00%	3.75%	3.75%	3.50%	3.50%	3.50%	3.50%	3.25%	3.25%	3.25%	3.25%	3.25%
Capital Economics	4.00%	4.00%	4.00%	3.75%	3.50%	3.25%	3.00%	3.00%	3.00%	3.00%	3.00%	-	-	-

Shropshire Council

Current Investment List

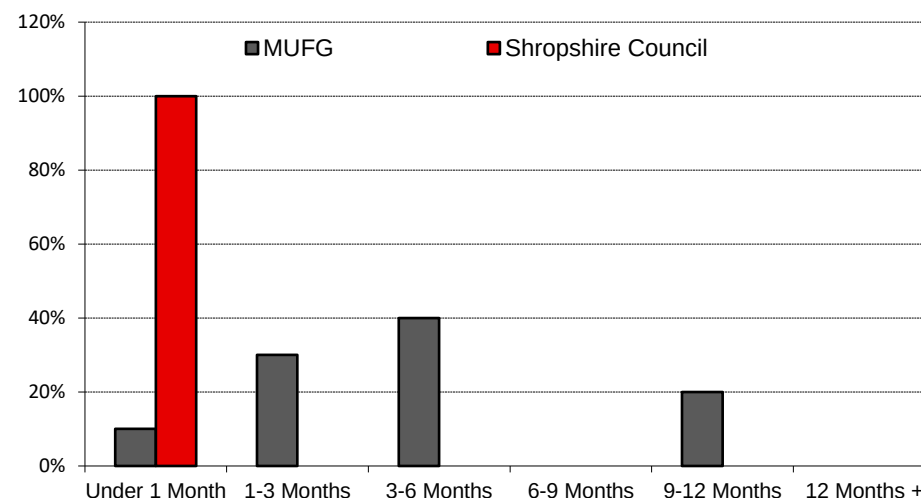
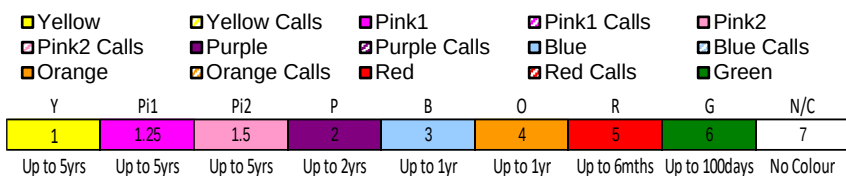
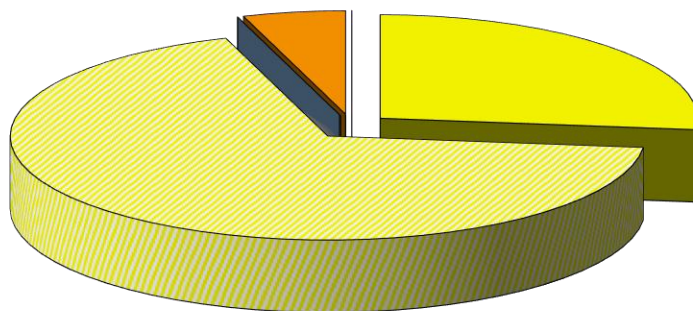
	Borrower	Principal (£)	Interest Rate	Start Date	Maturity Date	Lowest LT / Fund Rating	Historic Risk of Default	Expected Credit Loss (£)
	MMF Aberdeen Standard Investments	15,000,000	4.07%		MMF	AAAm		
	MMF Insight	15,000,000	4.06%		MMF	AAAm		
	National Westminster Bank Plc (RFB)	2,300,000	4.01%	10/09/2025	30/10/2025	A+	0.004%	87
	DMO	2,900,000	3.95%	26/09/2025	02/10/2025	AA-	0.000%	0
	DMO	2,300,000	3.95%	29/09/2025	06/10/2025	AA-	0.000%	0
	DMO	6,600,000	3.95%	30/09/2025	01/10/2025	AA-	0.000%	0
	Total Investments	£44,100,000	4.03%					£87

Note: An historic risk of default is only provided if a counterparty has a counterparty credit rating and is not provided for an MMF or USDBF, for which the rating agencies provide a fund rating. The portfolio's historic risk of default therefore measures the historic risk of default attached only to those investments for which a counterparty has a counterparty credit rating and also does not include investments which are not rated.

The Historic Risk of Default column is based on the lowest long term rating. If clients are using this % for their Expected Credit Loss calculation under IFRS 9, please be aware that the Code does not recognise a loss allowance where the counterparty is central government or a local authority since relevant statutory provisions prevent default. For these instruments, the Expected Credit Loss will be nil. Please note that we are currently using Historic Default Rates from 1990-2024 for Fitch, 1983-2024 for Moody's and 1981-2024 for S&P.

Where MUFG Corporate Markets have provided a return for a property fund, that return covers the 12 months to June 2025, which are the latest returns currently available.

Portfolio Composition by MUFG's Suggested Lending Criteria



Portfolios weighted average risk number = 1.16

WARoR = Weighted Average Rate of Return

WAM = Weighted Average Time to Maturity

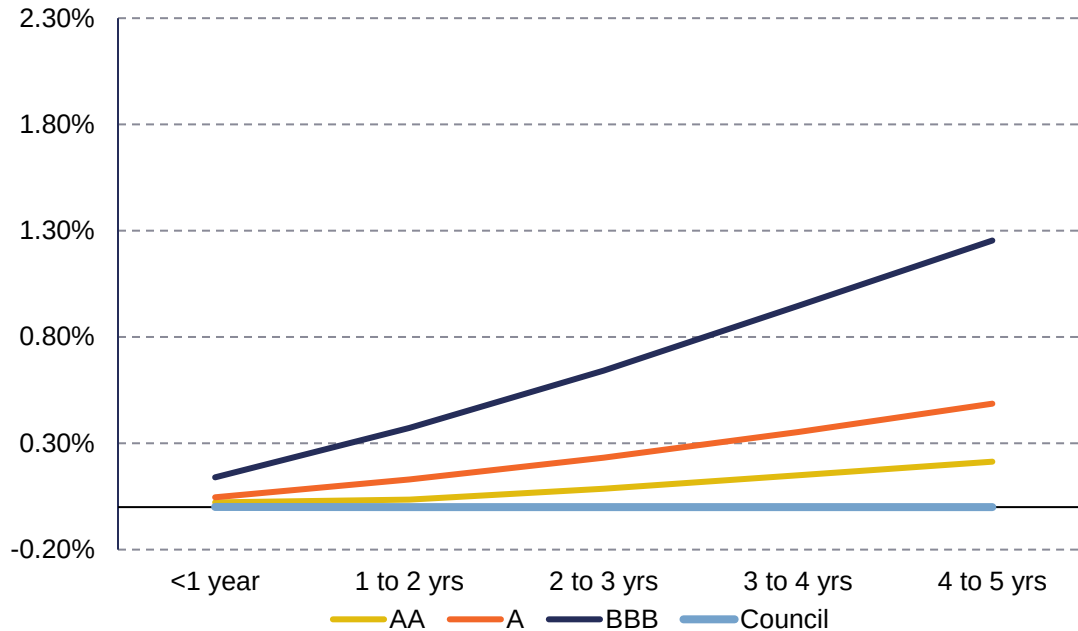
Excluding Calls/MMFs/USDBFs

	% of Portfolio	Amount	% of Colour in Calls	Amount of Colour in Calls	% of Call in Portfolio	WARoR	WAM	WAM at Execution	WAM	WAM at Execution
Yellow	94.78%	£41,800,000	71.77%	£30,000,000	68.03%	4.03%	1	1	2	3
Pink1	0.00%	£0	0.00%	£0	0.00%	0.00%	0	0	0	0
Pink2	0.00%	£0	0.00%	£0	0.00%	0.00%	0	0	0	0
Purple	0.00%	£0	0.00%	£0	0.00%	0.00%	0	0	0	0
Blue	0.00%	£0	0.00%	£0	0.00%	0.00%	0	0	0	0
Orange	5.22%	£2,300,000	0.00%	£0	0.00%	4.01%	30	50	30	50
Red	0.00%	£0	0.00%	£0	0.00%	0.00%	0	0	0	0
Green	0.00%	£0	0.00%	£0	0.00%	0.00%	0	0	0	0
No Colour	0.00%	£0	0.00%	£0	0.00%	0.00%	0	0	0	0
Total	100.00%	£44,100,000	68.03%	£30,000,000	68.03%	4.03%	2	4	7	11

Shropshire Council

Investment Risk and Rating Exposure

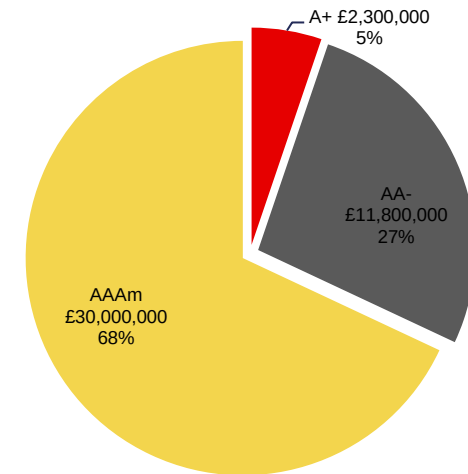
Investment Risk Vs. Rating Categories



Historic Risk of Default

Rating/Years	<1 year	1 to 2 yrs	2 to 3 yrs	3 to 4 yrs	4 to 5 yrs
AA	0.02%	0.04%	0.09%	0.15%	0.21%
A	0.05%	0.13%	0.23%	0.35%	0.49%
BBB	0.14%	0.37%	0.64%	0.95%	1.25%
Council	0.00%	0.00%	0.00%	0.00%	0.00%

Rating Exposure



Historic Risk of Default

This is a proxy for the average % risk for each investment based on over 30 years of data provided by Fitch, Moody's and S&P. It simply provides a calculation of the possibility of average default against the historical default rates, adjusted for the time period within each year according to the maturity of the investment.

Chart Relative Risk

This is the authority's risk weightings compared to the average % risk of default for "AA", "A" and "BBB" rated investments.

Rating Exposures

This pie chart provides a clear view of your investment exposures to particular ratings.

Note: An historic risk of default is only provided if a counterparty has a counterparty credit rating and is not provided for an MMF or USDBF, for which the rating agencies provide a fund rating. The portfolio's historic risk of default therefore measures the historic risk of default attached only to those investments for which a counterparty has a counterparty credit rating and also does not include investments which are not rated.

Shropshire Council

Monthly Credit Rating Changes FITCH

Date	Update Number	Institution	Country	Rating Action
15/09/2025	2093	France (Sovereign)	France	The Sovereign Rating was downgraded to 'A+' from 'AA-' and the Outlook on the Sovereign Rating was changed to Stable from Negative.
25/09/2025	2095	Coventry Building Society	United Kingdom	The Outlook on the Long Term Rating was changed to Stable from Negative.

Shropshire Council

Monthly Credit Rating Changes S&P

Date	Update Number	Institution	Country	Rating Action
26/09/2025	2096	Swedbank AB	Sweden	The Long Term and Short Term Ratings were upgraded to 'AA-' from 'A+' and to 'A-1+' from 'A-1' respectively. The Outlook on the Long Term Rating was also changed to Stable from Positive.

Shropshire Council

Monthly Credit Rating Changes MOODY'S

Date	Update Number	Institution	Country	Rating Action
16/09/2025	2094	Toronto-Dominion Bank	Canada	The Long Term Rating was upgraded to 'Aa1' from 'Aa2'. The Long Term Rating was also placed on Stable Outlook and removed from Positive Watch.

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APPENDIX B – PRUDENTIAL INDICATORS FOR QUARTER 2

Prudential Indicator	2025/26 Indicator £m	Quarter 1 – Actual £m	Quarter 2 – Actual £m	Quarter 3 – Actual £m	Quarter 4 – Actual £m
Non HRA Capital Financing Requirement (CFR)	455	317	317		
HRA CFR	111	103	103		
Gross borrowing	566	420	420		
Investments	75	39	44		
Net borrowing	491	381	376		
Authorised limit for external debt	748	420	420		
Operational boundary for external debt	660	420	420		
Limit of fixed interest rates (borrowing)	748	420	420		
Limit of variable interest rates (borrowing)	374	0	0		
Internal Team Principal sums invested > 364 days	70	0	0		
Maturity structure of borrowing limits	%	%	%	%	%
Under 12 months	25	19	19		
12 months to 2 years	25	16	16		
2 years to 5 years	50	3	3		
5 years to 10 years	75	21	21		
10 years to 20 years	100	14	14		
20 years to 30 years	100	18	18		
30 years to 40 years	100	4	4		
40 years to 50 years	100	3	3		
50 years and above	100	2	2		

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APPENDIX C -PRUDENTIAL BORROWING APPROVALS

Prudential Borrowing Approvals	Date Approved	Amount Approved £	Applied (Spent) 2006/07 £	Applied (Spent) 2007/08 £	Applied (Spent) 2008/09 £	Applied (Spent) 2009/10 £	Applied (Spent) 2010/11 £	Applied (Spent) 2011/12 £	Applied (Spent) 2012/13 £	Applied (Spent) 2013/14 £	Applied (Spent) 2014/15 £	Applied (Spent) 2015/16 £	Applied (Spent) 2016/17 £	Applied (Spent) 2017/18 £	Applied (Spent) 2018/19 £	Applied (Spent) 2019/20 £	Applied (Spent) 2020/21 £	Applied (Spent) 2021/22 £	Applied (Spent) 2022/23 £	Applied (Spent) 2023/24 £	Applied (Spent) 2024/25 £	Budgeted 2025/26 £	Budgeted 2026/27 £	Budgeted 2027/28 £	Budgeted 2028/29 £	First year MRP Charged	Asset Life	Final year MRP Charged		
Monkmoor Campus	24/02/2006	3,580,000																												
Capital Receipts Shortfall -Cashflow	24/02/2006	5,000,000																												
Applied:																														
Monkmoor Campus			3,000,000		0																							2007/08	25	2031/32
William Brooks					0		3,580,000																					2011/12	25	2035/36
Tem Valley					2,000,000																							2010/11	35	2044/45
		8,580,000	3,000,000	0	2,000,000	0	3,580,000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0				
Highways	24/02/2006	2,000,000	2,000,000																									2007/08	20	2026/27
Accommodation Changes	24/02/2006	650,000	410,200	39,800																								2007/08	6	2012/13
Accommodation Changes - Saving	31/03/2007	(200,000)																												
		450,000	410,200	39,800	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0				
The Ptarmigan Building	05/11/2009	3,744,000				3,744,000																						2010/11	25	2034/35
The Mount McKinley Building	05/11/2009	2,782,000				2,782,000																						2011/12	25	2035/36
The Mount McKinley Building	05/11/2009	0					0																					2011/12	5	2015/16
Capital Strategy Schemes - Potential Capital Receipts shortfall	25/02/2010	187,600					0	0	0	0	0	0	0	0	0	0														
- Desktop Virtualisation						187,600	0																					2010/11	5	2014/15
Carbon Efficiency Schemes/Self Financing	25/02/2010	1,512,442					115,656	1,312,810	83,976	0	0	0	0	0	0	0												2011/12	5	2017/18
Transformation schemes		92,635						92,635	0	0																		2012/13	3	2014/15
Renewables - Biomass - Self Financing	14/09/2011	92,990						82,406	98,258	-87,670	0																	2014/15	25	2038/39
Solar PV Council Buildings - Self Financing	11/05/2011	56,342						1,283,959	124,584	-1,352,202	0																	2013/14	25	2038/39
Depot Redevelopment - Self Financing	23/02/2012	0							0	0	0																	2014/15	10	2023/24
Oswestry Leisure Centre Equipment - Self Financing	04/04/2012	124,521						124,521																				2012/13	5	2016/17
Leisure Services - Self Financing	01/08/2012	711,197							711,197																			2013/14	5	2016/17
Mardol House Acquisition	26/02/2015	4,160,000								4,160,000	0																	2015/16	25	2039/40
Mardol House Adaptation and Refit	26/02/2015	3,340,000								167,641	3,172,359	0	0	0	0	0												2016/17	25	2041/42
Oswestry Leisure Centre Equipment - Self Financing	01/08/2012	290,274									274,239					16,035												2018/19	5	2022/23
Car Parking Strategy Implementation	17/01/2018	590,021										588,497	1,524															2020/21	5	2024/25
JPUT - Investment in Units re Shrewsbury Shopping Centres	13/12/2017	55,299,533												52,204,603	-208,569	2,791,967	320,079	191,453										2018/19	45	2042/43
JPUT - SSC No 1 Ltd	13/12/2017	527,319												527,319																
CDL Shareholding	28/02/2019	1															1											2021/22		
Children's Residential Care	28/02/2019	1,999,999												1,381,539	230,765	38,487	316,210	33,000										2020/21	25	2044/45
Pride Hill Shopping Centre Reconfiguration - LEP Match	19/12/2019	1,928,978														434,027	842,293	652,658										AUC	45	2070/71
Pride Hill Shopping Centre Reconfiguration - Feb 22 approval	01/02/2022	2,377,000																197,614	1,076,307	250,423	838,702							AUC	45	2070/71
Pride Hill Phase 1 Enabling Works	01/02/2022	0																			13,955							AUC	45	2070/71
Multi Agency Hub - Feb 22 approval	01/02/2022	3,146,000																				3,146,000						AUC	45	2070/71
Greenacres Supported Living Development	24/09/2020	-																34,317	41,688	1,979	-77,983							N/A	N/A	N/A

Prudential Borrowing Approvals	Date Approved	Amount Approved £	Applied (Spent) 2006/07 £	Applied (Spent) 2007/08 £	Applied (Spent) 2008/09 £	Applied (Spent) 2009/10 £	Applied (Spent) 2010/11 £	Applied (Spent) 2011/12 £	Applied (Spent) 2012/13 £	Applied (Spent) 2013/14 £	Applied (Spent) 2014/15 £	Applied (Spent) 2015/16 £	Applied (Spent) 2016/17 £	Applied (Spent) 2017/18 £	Applied (Spent) 2018/19 £	Applied (Spent) 2019/20 £	Applied (Spent) 2020/21 £	Applied (Spent) 2021/22 £	Applied (Spent) 2022/23 £	Applied (Spent) 2023/24 £	Applied (Spent) 2024/25 £	Budgeted 2025/26 £	Budgeted 2026/27 £	Budgeted 2027/28 £	Budgeted 2028/29 £	First year MRP Charged 2023/24	Asset Life 25	Final year MRP Charged 2044/45
Bishops Castle Business Park	19/09/2019	2,874,695															2,900	1,545,647	1,271,102	55,046						2023/24	25	2044/45
Development)	26/07/2018	3,778,228																	171,509	1,392,326	1,644,315	570,078				2023/24	25	2047/48
Oswestry Castleview - Site Acquisition	19/12/2019	3,256,241														3,256,241										2020/21	25	2044/45
Former Morrisons Site, Oswestry	19/09/2019	3,390,145															3,390,145									2021/22	25	2045/46
Meole Brace Pitch & Putt		5,400,000																11,927	136,349	263,137	244,820	1,543,768	3,200,000			AUC	25	
Maesbury Solar Farm		2,041,173																	19,682	26,876	35,826	1,458,789	500,000			AUC	25	
Commercial Investment Fund	Fin Strat	1,764,234																				52,415	232,340	1,479,479		2021/22	25	2044/45
The Tannery Development Block A - Land Acquisition		657,253															62,500	594,753								2022/23	25	2045/46
The Tannery Development Block A		6,356,606																			5,150	351,456	3,500,000	2,500,000		AUC		
The Tannery Development - Block B & C		7,471,561													3,677,844	3,456,019	311,325	16,614	3,847	5,912						2019/20	25	2045/46
Oswestry Property Acquisition	12/05/2022	3,332,304																	3,332,304							2023/24	25	2047/48
Shrewsbury Property Acquisition		3,837,012																	3,837,012							2023/24	25	2047/48
Biochar Pyrolysis - Project 1		535,000																			50,906	484,094				2026/27	25	2047/48
Biodynamic Carbon (BDC) Limited Share Holding		500																			500					2025/26	25	
Biodynamic Carbon (BDC) Limited Working Capital Investment		9,500																			9,500					2025/26	25	
Biochar Pyrolysis - Project 2		2,751,000																		9,420	227,809	1,213,771	1,300,000			2026/27	25	
Biochar Pyrolysis - Project Framework		4,000																			4,000					2025/26		
Recycling Bin Roll Out Programme		2,029,778															4,395	2,025,384								2022/23	10	2032/33
Highways Investment Programme	Capital Strat Feb 22	22,954,755																3,983,412	18,011,589		786,754	173,000				2022/23	25	2046/47
Oswestry Innovation Park		10,028,332																		4,218,112	3,060,927	713,000	2,036,293			2022/23	25	2046/47
Cambrian Building Oswestry - UKSPF		270,107																		14,900	142,650	112,557				2022/23	25	2046/47
Whitchurch Swimming & Leisure Facility	22/09/2022	13,100,282																	390,954	3,010,525	9,390,291	308,513				2026/27	40	2065/66
Previous NSDC Borrowing		955,595			821,138	134,457																				2009/10	5/25	2065/66
Capital Receipts Released By Additional Borrowing		8,226,507																		8,226,507						2024/25	25?	2048/49
Shrewsbury Sports Village - Swimming Pool	26/09/2024	2,248,000																			440,011	1,807,989				AUC		
Plamigan Building FRA & Refurbishment Works		415,245																			387,660	27,585				2025/26	10	2035/36
Transformation Programme 2024-25 Expenditure Funded Through Borrowing Under EFS Approval		26,819,527																			26,819,527					2025/26	25?	
		228,500,436	5,410,200	39,800	2,821,138	6,848,057	3,695,656	2,896,333	1,018,015	-1,439,872	4,327,641	3,172,359	0	53,006,161	4,057,772	10,903,324	4,689,243	6,731,044	31,002,652	18,334,046	43,437,041	12,801,716	10,768,633	3,979,479	0			

Economic Background and Borrowing Update

Economic Background

The first half of 2025/26 saw:

- A 0.3% pick up in GDP for the period April to June 2025. More recently, the economy flatlined in July, with higher taxes for businesses restraining growth.
- The 3m/yy rate of average earnings growth excluding bonuses has fallen from 5.5% to 4.8% in July.
- CPI inflation has ebbed and flowed but finished September at 3.8%, whilst core inflation eased to 3.6%.
- The Bank of England cut interest rates from 4.50% to 4.25% in May, and then to 4% in August.
- The 10-year gilt yield fluctuated between 4.4% and 4.8%, ending the half year at 4.70%.

From a GDP perspective, the financial year got off to a bumpy start with the 0.3% m/m fall in real GDP in April as front-running of US tariffs in Q1 (when GDP grew 0.7% on the quarter) weighed on activity. Despite the underlying reasons for the drop, it was still the first fall since October 2024 and the largest fall since October 2023. However, the economy surprised to the upside in May and June so that quarterly growth ended up 0.3% q/q. Nonetheless, the 0.0% m/m change in real GDP in July will have caused some concern, with the hikes in taxes for businesses that took place in April this year undoubtedly playing a part in restraining growth.

With regard to retail sales, the 0.5% m/m rise in volumes in August was the third such rise in a row and was driven by gains in all the major categories except fuel sales, which fell by 2.0% m/m. Sales may have been supported by the warmer-than-usual weather. If sales were just flat in September, then in Q3 sales volumes would be up 0.7% q/q compared to the 0.2% q/q gain in Q2.

With the November Budget edging nearer, the public finances position looks weak. Public net sector borrowing of £18.0bn in August means that after five months of the financial year, borrowing is already £11.4bn higher than the OBR forecast at the Spring Statement in March. The overshoot in the Chancellor's chosen fiscal mandate of the current budget is even greater with a cumulative deficit of £15.3bn. All this was due to both current receipts in August being lower than the OBR forecast (by £1.8bn) and current expenditure being higher (by £1.0bn). Over the first five months of the financial year, current receipts have fallen short by a total of £6.1bn (partly due to lower-than-expected self-assessment income tax) and current expenditure has overshot by a total of £3.7bn (partly due to social benefits and departmental spending). Furthermore, what very much matters now is the OBR forecasts and their impact on the current budget in 2029/30, which is when the Chancellor's fiscal mandate bites.

A looser labour market is driving softer wage pressures. The 3m/yy rate of average earnings growth excluding bonuses has fallen from 5.5% in April to 4.8% in July. The rate for the private sector slipped from 5.5% to 4.7%, putting it on track to be in line with the Bank of England's Q3 forecast (4.6% for September).

CPI inflation fell slightly from 3.5% in April to 3.4% in May, and services inflation dropped from 5.4% to 4.7%, whilst core inflation also softened from 3.8% to 3.5%. More recently, though, inflation pressures have resurfaced, although the recent upward march in CPI inflation did pause for breath in August, with CPI inflation staying at 3.8%. Core inflation eased once more too, from 3.8% to 3.6%, and services inflation dipped from 5.0% to 4.7%. So, we finish the half year in a similar position to where we started, although with food inflation rising to an 18-month high of 5.1% and households' expectations for inflation standing at a six year high, a further loosening in the labour market and weaker wage growth may be a requisite to UK inflation coming in below 2.0% by 2027.

The FTSE 100 fell sharply following the "Liberation Day" tariff announcement, dropping by more than 10% in the first week of April - from 8,634 on 1 April to 7,702 on 7 April. However, the de-escalation of the trade war coupled with strong corporate earnings led to a rapid rebound starting in late April. As a result, the FTSE 100 closed Q2 at 8,761, around 2% higher than its value at the end of Q1 and more than 7% above its level at the start of 2025. Since then, the FTSE 100 has enjoyed a further 4% rise in July, its strongest monthly gain since January and outperforming the S&P 500. Strong corporate earnings and progress in trade talks (US-EU, UK-India) lifted share prices and the index hit a record 9,321 in mid-August, driven by hopes of peace in Ukraine. September proved more volatile and the FTSE 100 closed Q3 at 9,350, 7% higher than at the end of Q1 and 14% higher since the start of 2025. Future performance will likely be impacted by the extent to which investors' global risk appetite remains intact, Fed rate cuts, resilience in the US economy, and AI optimism. A weaker pound will also boost the index as it inflates overseas earnings.

A summary overview of the future path of Bank Rate

There were four Monetary Policy Committee (MPC) meetings in the first half of the financial year. In May, the Committee cut Bank Rate from 4.50% to 4.25%, while in June policy was left unchanged. In June's vote, three MPC members voted for an immediate cut to 4.00%, citing loosening labour market conditions. The other six members were more cautious, as they highlighted the need to monitor for "signs of weak demand", "supply-side constraints" and higher "inflation expectations", mainly from rising food prices. By repeating the well-used phrase "gradual and careful", the MPC continued to suggest that rates would be reduced further.

In August, a further rate cut was implemented. However, a 5-4 split vote for a rate cut to 4% laid bare the different views within the Monetary Policy Committee, with the accompanying commentary noting the decision was "finely balanced" and reiterating that future rate cuts would be undertaken "gradually and carefully". Ultimately, Governor Bailey was the casting vote for a rate cut but with the CPI measure of inflation expected to reach at least 4% later this year, the MPC will be wary of making any further rate cuts until inflation begins its slow downwards trajectory back towards 2%.

Borrowing

The Authority's capital financing requirement (CFR) for 2025/26 is £487m. The CFR denotes the Authority's underlying need to borrow for capital purposes. If the CFR is positive the Authority may borrow from the PWLB or the market (external borrowing), or from internal balances on a temporary basis (internal borrowing). The balance of external and internal borrowing is generally driven by market conditions.

It is a statutory duty for the Council to determine and keep under review the "Affordable Borrowing Limits". The Council's approved Treasury and Prudential Indicators (affordability limits) are included in the approved Treasury Management Strategy. A list of the approved limits is shown in Appendix B. The Prudential Indicators were not breached during the first half of 2025/26 and have not been previously breached. The schedule at Appendix C details the Prudential Borrowing approved and utilised to date.

No new external borrowing has currently been undertaken to date in 2025/26.

The Council had not undertaken any new borrowing for a number of years until 2024/25, and has been utilising cash balances to internally "borrow" for prudential borrowing schemes. This has enabled the Council to benefit from increased interest costs compared to the returns that could be generated on the cash balances. This approach has been effective during a period where the Council has held significant cash balances.

Cash balances have now reduced as a result of reduced levels of reserves being held and loans continuing to reach their maturity dates. Therefore, it has been necessary over the last 18 months to secure additional borrowing to reduce the under-borrowed position.

Gilt yields and PWLB certainty rates have remained relatively volatile throughout the six months under review, but the general trend has been for medium and longer dated parts of the curve to shift higher whilst the 5-year part of the curve finished September close to where it began in April.

The table below shows the high/low/average PWLB rates for the first six months of the financial year.

	1 Year	5 Year	10 Year	25 Year	50 Year
01/04/2025	4.82%	4.94%	5.38%	5.95%	5.63%
30/09/2025	4.58%	4.95%	5.53%	6.23%	5.98%
Low	4.36%	4.62%	5.17%	5.78%	5.46%
Low date	04/08/2025	02/05/2025	02/05/2025	04/04/2025	04/04/2025
High	4.84%	4.99%	5.62%	6.41%	6.14%
High date	02/04/2025	21/05/2025	03/09/2025	03/09/2025	03/09/2025
Average	4.55%	4.82%	5.40%	6.11%	5.83%
Spread	0.48%	0.37%	0.45%	0.63%	0.68%

Debt Rescheduling

Debt repayment and rescheduling opportunities have increased over the course of the past six months and will be considered if giving rise to long-term savings.

However, no debt repayments or rescheduling have been undertaken to date in the current financial year.



Committee and Date

Audit and Governance Committee

27th November 2025

10:00am

Item

Public



Audit Committee Self-Assessment 2025

Responsible Officer:	James Walton		
email:	james.walton@shropshire.gov.uk	Tel:	01743 258915
Cabinet Member (Portfolio Holder):	Heather Kidd, Leader of the Council Duncan Kerr, Chairman of the Audit and Governance Committee Roger Evans, Portfolio Holder – Finance		

1. Synopsis

Shropshire Council's Audit and Governance Committee aims to comply with the Chartered Institute of Public Finance and Accountancy's guidance on the function and operation of audit committees. There is significant compliance with the code and an improvement plan to address partial compliance.

2. Executive Summary

- 2.1. Members are asked to review and comment on their self-assessment of good practice questionnaire attached to this report. The questionnaire allows members to assess the effectiveness of the Audit and Governance Committee and identify whether there are any further improvements that could be made which would improve its overall effectiveness. There are some areas of partial compliance with good practice, these are separately identified at **Appendix B** to be considered appropriate action identified.

3. Recommendations

Members are asked to:

- 3.1. Consider the self-assessment of good practice attached at **Appendix A and D**. Identify any errors or amendments required.

Report

4. Risk Assessment and Opportunities Appraisal

- 4.1. The Audit Committee has a key function in ensuring effective corporate governance, risk and control arrangements are in place within the Council. The effectiveness of the committee should be judged by the contribution it makes to, and beneficial impact it has on, the Council's business. A good standard of performance against recommended practice, together with a knowledgeable and experienced membership, are essential requirements which empower an effective Audit Committee. By reviewing effectiveness annually using a good practice self-assessment, it can be established that the Committee is demonstrating a high degree of performance, is soundly based, and has a knowledgeable membership unimpaired in any way. Completion of the self-assessment is essential and can also be used to support the planning of the Audit Committee work programme, its training plans and inform the Committee's annual report to Council.
- 4.2. The recommendations contained in this report are compatible with the provisions of the Human Rights Act 1998. There are no direct environmental, equalities or consultation consequences of this proposal.

5. Financial Implications

- 5.1. Shropshire Council continues to manage unprecedented financial demands and a financial emergency was declared by Cabinet on 10 September 2025. The overall financial position of the Council is set out in the monitoring position presented to Cabinet on a monthly basis. Significant management action has been instigated at all levels of the Council reducing spend to ensure the Council's financial survival. While all reports to Members provide the financial implications of decisions being taken, this may change as officers review the overall financial situation and make decisions aligned to financial survivability. All non-essential spend will be stopped and all essential spend challenged. These actions may involve (this is not exhaustive):
- scaling down initiatives,
 - changing the scope of activities,
 - delaying implementation of agreed plans, or
 - extending delivery timescales.
- 5.2. There are no financial implications in terms of reviewing the assessment, but any resulting activities may require funding if they are not already allowed for in the base budget.

6. Climate Change Appraisal

- 6.1. This report does not directly make decisions on energy and fuel consumption; renewable energy generation; carbon offsetting and mitigation; or on climate change adaption. Therefore, no effect to report.

7. Background

- 7.1. The Chartered Institute of Public Finance and Accountancy, CIPFA, produced guidance on the function and operation of audit committees; 'Audit Committees in Local Authorities and Police, 2022 edition'. The guidance represents CIPFA's view of best practice for Audit Committees in local authorities throughout the UK.
- 7.2. Shropshire Council has used this guidance to self-assess the Audit and Governance Committee against this recommended practice as an indicator of the Committee's effectiveness; following which any changes or improvements identified to enhance the Committee's performance should be managed. The updated 2022 guidance included a revised self-assessment which mirrored the original with some changes to the phrasing of the questions and the order in which they appear. **Appendices A and D** are the updated versions with the responses mapped across. **Appendix D** includes reference to the evidence support supporting compliance.
- 7.3. Audit and Governance Committee members were asked to complete two questionnaires in August 2025, the first relating to the Audit Committee Self-Assessment and the second relating to the skills framework. A session was held with Members following the completion of the questionnaires to review the results and for them to determine what, if any, action they want to take. The responses have been collated and the results shown in **Appendix A / C**.
- 7.4. In addition to the formal Audit and Governance Committee meetings, the chair and vice chair of the Committee have informal meetings with the CAE, Section 151 Officer and the Internal Audit Manager to update on Internal Audit activity and issues arising.
- 7.5. There has been significant change to the membership of the Audit and Governance Committee following the elections in May 2025. There are two continuing members and a number of new Councillors on the Committee. As part of the Member Induction programme all Councillors were required to attend a programme of training which included a specific session on Governance and one on Internal Audit, External Audit and Fraud.
- 7.6. Training sessions provided since May 2025 include:
 - Member Induction programme (various sessions)
 - The Role of the Audit Committee
 - Interpreting Financial Statements
 - Audit Committee Knowledge and Skills Framework
 - Audit Committee Effectiveness Self Assessment
- 7.7. In addition to training sessions the following information has been shared with and between members:
 - CIPFA Better Governance Forum updates on sectorial issues and best practice.
 - A SharePoint site has been established for Audit and Governance Committee members which includes key information, training materials, reports and updates.
 - The Chair and Vice Chair attended a CIPFA Training session on an Introduction to the knowledge and skills of the Audit Committee

- 7.8. Following the current review of the Audit Committee self-assessment of good practice, nine areas were scored overall as partial compliance which are detailed below at **Appendix B**. Whilst they have been identified by the committee as areas of partial compliance, it was agreed at the moderation session in September that this score may be reflective of the relatively new members to the committee that have not received the full cycle of training or a full year of Committee activities.
- 7.9. The Knowledge and Skills Baseline Assessment will be used to inform future training sessions for members, based on the actions identified in the appendices. Priority areas for training have been identified as:
- Risk Management
 - Treasury Management
 - Annual Governance Statement

Question 1: Do Members wish to make any adjustments to the self-assessment?

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

CIPFA: Audit Committees in Local Authorities and Police, 2022 edition

Local Member: N/A

Appendices

Appendix A - Self-assessment of good practice November 2025

Appendix B - Improvement plan for an effective Audit Committee

Appendix C - Knowledge and Skills Baseline Assessment November 2025

Appendix D - Self-assessment of good practice showing evidence November 2025

Appendix A: Self-assessment of Good Practice – November 2025

Good practice questions		Yes	Partly	No
Audit Committee purpose and governance				
1.	Does the authority have a dedicated audit committee that is not combined with other functions (e.g. scrutiny, standards and ethics)?	✓		
2.	Does the audit committee report directly to the governing body (PCC and chief constable/full council/full fire authority, etc)?	✓		
3.	Has the committee maintained its advisory role by not taking on any decision-making powers?	✓		
4.	Do the terms of reference clearly set out the purpose of the committee in accordance with CIPFA's 2022 Position Statement?	✓		
5.	Do all those charged with governance and in leadership roles have a good understanding of the role and purpose of the committee?		✓	
6.	Does the audit committee escalate issues and concerns promptly to those in governance and leadership roles?	✓		
7.	Does the governing body hold the audit committee to account for its performance at least annually?	✓		
8.	Does the committee publish an annual report in accordance with the 2022 guidance, including: • compliance with the CIPFA Position Statement 2022 • results of the annual evaluation, development work undertaken and planned improvements • how it has fulfilled its terms of reference and the key issues escalated in the year?	✓		
Functions of the committee				
9.	Do the committee's terms of reference explicitly address all the core areas identified in CIPFA's Position Statement as follows? • Governance arrangements • Risk management arrangements • Internal control arrangements, including: - financial management - value for money	✓		

Good practice questions		Yes	Partly	No
	- ethics and standards - counter fraud and corruption • Annual governance statement • Financial reporting • Assurance framework • Internal audit • External audit			
10.	Over the last year, has adequate consideration been given to all core areas?	✓		
11.	Over the last year, has the committee only considered agenda items that align with its core functions or selected wider functions, as set out in the 2022 guidance?	✓		
12.	Has the committee met privately with the external auditors and head of internal audit in the last year?		✓	
Membership and support				
13.	Has the committee been established in accordance with the 2022 guidance as follows? • Separation from the executive • A size of committee that is not unwieldy and avoids the use of substitutes • Inclusion of lay/co-opted independent members in accordance with legislation or CIPFA's recommendation		✓	
14.	Have all committee members been appointed or selected to ensure a committee membership that is knowledgeable and skilled?		✓	
15.	Has an evaluation of knowledge, skills and the training needs of the chair and committee members been carried out within the last two years?		✓	
16.	Have regular training and support arrangements been put in place covering the areas set out in the 2022 guidance?	✓		
17.	Across the committee membership, is there a satisfactory level of knowledge, as set out in the 2022 guidance?		✓	
18.	Is adequate secretariat and administrative support provided to the committee?	✓		
19.	Does the committee have good working relations with key people and organisations, including external audit, internal audit and the CFO?	✓		
Effectiveness of the committee				
20.	Has the committee obtained positive feedback on its performance from those interacting with the committee or relying on its work?		✓	

Good practice questions		Yes	Partly	No
21.	Are meetings well chaired, ensuring key agenda items are addressed with a focus on improvement?	✓		
22.	Are meetings effective with a good level of discussion and engagement from all the members?	✓		
23.	Has the committee maintained a non-political approach to discussions throughout?	✓		
24.	Does the committee engage with a wide range of leaders and managers, including discussion of audit findings, risks and action plans with the responsible officers?	✓		
25.	Does the committee make recommendations for the improvement of governance, risk and control arrangements?	✓		
26.	Do audit committee recommendations have traction with those in leadership roles?		✓	
27.	Has the committee evaluated whether and how it is adding value to the organisation?		✓	
28.	Does the committee have an action plan to improve any areas of weakness?	✓		
29.	Has this assessment been undertaken collaboratively with the audit committee members?	✓		

Appendix B: Improvement plan for an effective Audit Committee to be refreshed annually in November

SAR ¹	Partial compliance	Proposed action
5	Do all those charged with governance and in leadership roles have a good understanding of the role and purpose of the committee?	Work is currently underway to raise the profile and understanding of the role of the Committee and strengthening links with Scrutiny. Strengthened through annual report to Council for current year.
12	Has the committee met privately with the external auditors and head of internal audit in the last year?	Private session included as part of every meeting which External Audit attend. Chair and Vice Chair have pre-meeting with S151 Officer, Chief Audit Executive and Internal Audit Manager. Committee members should arrange further meetings as required.
13	Has the committee been established in accordance with the 2022 guidance as follows? • Separation from the executive • A size of committee that is not unwieldy and avoids the use of substitutes • Inclusion of lay/co-opted independent members in accordance with legislation or CIPFA's recommendation	The committee is politically balanced and substitutes are rare. An Independent member is also in post. The Membership of the Committee has recently been expanded from five to nine Councillors in addition to the Independent member.
14	Have all committee members been appointed or selected to ensure a committee membership that is knowledgeable and skilled?	The Committee is newly formed following the Council elections in May 2025. Membership of the Committee has recently been expanded. Training needs have been identified as part of this process and these are delivered through three Audit Committee training sessions each year.

¹ SAR = Self-assessment reference

SAR ¹	Partial compliance	Proposed action
15	Has an evaluation of knowledge, skills and the training needs of the chair and committee members been carried out within the last two years?	This was completed by the previous committee and is being repeated now. This report includes the outcomes of that evaluation and identifies training and development opportunities.
17	Across the committee membership, is there a satisfactory level of knowledge, as set out in the 2022 guidance?	The Committee is newly formed following the Council elections in May. Membership of the Committee has recently been expanded. Training needs have been identified as part of this process and these are delivered through three Audit Committee training sessions each year.
20	Has the committee obtained positive feedback on its performance from those interacting with the committee or relying on its work?	Annual assurance report to Council allows consideration of this by all members. Consideration to be given to a survey of key people who interact with the Committee to obtain feedback.
26	Do audit committee recommendations have traction with those in leadership roles?	This is demonstrated in part through the Audit Committee workplan which shows where managers have been asked to present an update to the Committee following a limited or unsatisfactory audit. The Committee has identified a gap in that the Council has limited Internal Audit assurance for six years and have invited the Leader and Chief Executive to provide an update on what management action is being taken to address this.
27	Has the committee evaluated whether and how it is adding value to the organisation?	This is done as part of the annual report to Council but feedback was not obtained as to whether the Committee is adding value to the organisation. Members conducted a session on the Committee's effectiveness in September 2025 and agreed an action plan, the key elements of which are reported earlier in this report.

Appendix C: Audit Committee – self assessment supporting information: Knowledge and Skills Baseline Assessment November 2025

This is used as a baseline and therefore not revisited every year. In line with the 2022 guidance this will be refreshed in 2026.

Knowledge Area / Skills	Confident	Comfortable	Not Confident	Overall score
Overview of the governance structures of the Council and decision-making processes. Knowledge of the organisational objectives and major functions of the Council.	3	4	0	Comfortable
An understanding of the audit committee's role and place within the governance structures. Familiarity with the committee's terms of reference and accountability arrangements. Knowledge of the purpose and role of the audit committee.	2	5	0	Comfortable
Knowledge of the seven principles as outlined in Delivering Good Governance in Local Government Framework. The requirements of the AGS. How the principles of governance are implemented locally as set out in the local code of governance.	1	4	2	Comfortable
An awareness of the key principles of the GIAS and LGAN. Knowledge of the arrangements for delivery of the internal audit service in the authority and charter. How the role of the head of internal audit is fulfilled. Details of the most recent external assessment and level of conformance with the standards. Internal audit's strategy, plan and most recent annual opinion.	0	4	3	Not Confident
Awareness of the financial statements that a local authority must produce and the principles it must follow to produce them. An understanding of good financial management practice as set out in the CIPFA Financial Management CODE (FM Code) and the level of compliance with it. Knowledge of how the organisation meets the requirements of the role of the chief financial	1	5	1	Comfortable

Knowledge Area / Skills	Confident	Comfortable	Not Confident	Overall score
officer, as required by the CIPFA Statement on the Role of the Chief Financial Officer in Local Government. An overview if the principal financial risks the council faces.				
Knowledge of the role and functions of the external auditor and who currently undertakes this role. Knowledge of the key reports and assurances that external audit will provide. Familiarity with the auditor's most recent plan and the report opinions. Knowledge about the arrangements for the appointment of auditors and quality management undertaken.	2	4	1	Comfortable
Understanding of the principles of risk management, including how it supports good governance and decision making. Knowledge of the risk management policy and strategy of the organisation. Understanding of risk governance arrangements, including the role of members and of the audit committee. Knowledge of the current the current risk maturity of the organisation and any key areas of improvement.	4	2	1	Comfortable
An understanding of the main areas of fraud and corruption risk the organisation is exposed to. Knowledge of the principles of good fraud risk management practice in accordance with the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption. Knowledge of the organisation's arrangements for tackling fraud.	1	4	2	Comfortable
Knowledge of the Seven Principles of Public Life. Knowledge of the authority's key arrangement to uphold ethical standards for both members and staff. e.g. code of conduct. Knowledge of the whistleblowing arrangements in the council.	2	5	0	Comfortable

Knowledge Area / Skills	Confident	Comfortable	Not Confident	Overall score
Aware that the Effective Scrutiny of Treasury Management is an assessment tool for reviewing the arrangements for undertaking scrutiny of treasury management. The key knowledge areas identified are: - - regulatory requirements - treasury risks - the organisation's treasury management strategy - the organisation's policies and procedures in relation to treasury management.	0	3	4	Not Confident
Able to focus on material issues and overall position, rather than being side-tracked by detail.	5	2	0	Confident
Able to frame questions that draw out relevant facts and explanations, challenging performance and seeking explanation while avoiding hostility or grandstanding.	5	2	0	Confident
Ensuring there is a clear plan of action and allocation of responsibility.	4	3	0	Confident
Able to understand the practical implications of recommendations to understand how they might work in practice.	5	2	0	Confident
Support the use of plain English in communications, avoiding jargon, acronyms, etc.	5	2	0	Confident
Evaluate information based on evidence presented avoiding bias or subjectivity.	5	2	0	Confident
Chair the meeting effectively: summarise issues raised, ensure all participants can contribute and focus on the outcome and actions from the meeting.	3	4	0	Comfortable

Appendix D: Self-assessment of Good Practice showing evidence

	Good practice questions	Yes/ No/ Partially	Evidence
Audit Committee purpose and governance			
1.	Does the authority have a dedicated audit committee that is not combined with other functions (e.g. scrutiny standards and ethics)?	Yes	Constitution, Terms of Reference Actual meetings, details on internet.
2.	Does the audit committee report directly to the governing body e.g full council?	Yes	Terms of Reference reviewed, revised and reapproved at September 2025 Audit and Governance Committee. Annual report to Council.
3.	Has the committee maintained its advisory role by not taking on any decision-making powers?	Yes	As detailed in the Terms of Reference the Committee will have no delegated powers, other than those assigned from Council to approve the Statement of Accounts when required, but can require relevant officers, members and agencies to attend at any meeting where such attendance would be expedient to the work of the Committee.
4.	Do the terms of reference clearly set out the purpose of the committee in accordance with CIPFA's 2022 Position Statement?	Yes	Terms of Reference reviewed, revised and reapproved at September 2025 Audit Committee.
5.	Do all those charged with governance and in leadership roles have a good understanding of the role and purpose of the committee?	Partially	Work is currently underway to raise the profile and understanding of the role of the Committee and strengthening links with Scrutiny. Strengthened through annual report to Council for current year.
6.	Does the audit committee escalate issues and concerns promptly to those in governance and leadership roles?	Yes	The Committee's work plan identifies areas of governance that it provides support on, this is further demonstrated by Committee agendas. The Annual Assurance report to Council confirms this and the Annual Governance Statement identifies significant areas for improvement which the Committee can focus on.

	Good practice questions	Yes/ No/ Partially	Evidence
7.	Does the governing body (full council) hold the audit committee to account for its performance at least annually?	Yes	Annual report to Council allows Members to comment and challenge the Committee's work. Evidence that the Committee is reviewing issues aligned to the Strategic Risks of the Council and the Annual Governance Statement action plans. Audit Committee Chair to consider interim report.
8.	Does the committee publish an annual report in accordance with the 2022 guidance, including: • compliance with the CIPFA Position Statement 2022 • results of the annual evaluation, development work undertaken and planned improvements • how it has fulfilled its terms of reference and the key issues escalated in the year?	Yes	Detailed within the annual report to the Audit and Governance Committee and to Council.
Functions of the committee			
9.	Do the committee's terms of reference explicitly address all the core areas identified in CIPFA's Position Statement as follows? • Governance arrangements • Risk management arrangements • Internal control arrangements, including: • financial management • value for money • ethics and standards • counter fraud and corruption • Annual governance statement	Yes	Detailed within the Terms of Reference which are reviewed annually.

	Good practice questions	Yes/ No/ Partially	Evidence
	- Financial reporting - Assurance framework - Internal audit - External audit		
10.	Over the last year, has adequate consideration been given to all core areas?	Yes	It was noted that this was difficult for the current Committee to answer as only two were members in the previous year. Evaluation is through the: - Self-assessment of compliance with this best practice document. - Annual report to Council is written to map back to the terms of reference. - Annual work plan, reported to March Committee, which maps back to the ToR. - Agendas, minutes and reports of Committee support that all core areas are being reviewed.
11.	Over the last year, has the committee only considered agenda items that align with its core functions or selected wider functions, as set out in the 2022 guidance?	Yes	It was noted that this was difficult for the current Committee to answer as only two were members in the previous year. Wider areas are: - Matters at the request of Statutory Officers or other committees – if these are brought to the Committee they would be considered in line with the ToR. - Ethical Values – The Committee does not have responsibility for reviewing ethical standards. A separate Standards Committee which has this responsibility is held as and when required. <i>However, the Committee supports standards and ethics.</i> - Treasury Management – The Committee covers this responsibility as evidenced by its ToR.

	Good practice questions	Yes/ No/ Partially	Evidence
12.	Has the committee met privately with the external auditors and head of internal audit in the last year?	Partially	Private session included as part of every meeting which External Audit attend. Chair and Vice Chair have pre-meeting with S151 Officer, Chief Audit Executive and Internal Audit Manager. Committee members should arrange further meetings as required.
Membership and support			
13.	Has the committee been established in accordance with the 2022 guidance as follows? • Separation from the executive • A size of committee that is not unwieldy and avoids the use of substitutes • Inclusion of lay/co-opted independent members in accordance with legislation or CIPFA's recommendation	Partially	The committee is politically balanced and substitutes are rare. An Independent member is also in post. The Membership of the Committee has recently been expanded from five to nine Councillors in addition to the Independent member.
14.	Have all committee members been appointed or selected to ensure a committee membership that is knowledgeable and skilled?	Partially	The Committee is newly formed following the Council elections in May 2025. Membership of the Committee has recently been expanded. Training needs have been identified as part of this process and these are delivered through three Audit Committee training sessions each year. This will also be evidenced by attendance and behaviour at Committee and resulting recommendations and minutes, available publicly.
15.	Has an evaluation of knowledge, skills and the training needs of the chair and committee members been carried out within the last two years?	Partially	This was completed by the previous committee and is being repeated now. This report includes the outcomes of that evaluation and identifies training and development opportunities.

	Good practice questions	Yes/ No/ Partially	Evidence
16.	Have regular training and support arrangements been put in place covering the areas set out in the 2022 guidance?	Yes	Demonstrated by: - Completion of the skills assessment - Committee work plan - Evidence of regular training including agendas, training documents etc. available on request.
17.	Across the committee membership, is there a satisfactory level of knowledge, as set out in the 2022 guidance?	Partially	The Committee is newly formed following the Council elections in May. Membership of the Committee has recently been expanded. Training needs have been identified as part of this process and these are delivered through three Audit Committee training sessions each year.
18.	Is adequate secretariat and administrative support provided to the committee?	Yes	Administrative support provided by Committee Services with dedicated Committee Officer assigned to the administration of the Audit Committee. Regular qualified and experienced secretarial support is provided to all Committee meetings.
19.	Does the committee have good working relations with key people and organisations, including external audit, internal audit and the CFO (Executive Director of Resources)?	Yes	Demonstrated by regular attendance at all Committees by these key stakeholders and the professional way the meetings are managed. Interviews with all parties would help to support this conclusion.
Effectiveness of the committee			
20.	Has the committee obtained positive feedback on its performance from those interacting with the committee or relying on its work?	Partially	Annual assurance report to Council allows consideration of this by all members. Consideration to be given to a survey of key people who interact with the Committee to obtain feedback.
21.	Are meetings well chaired, ensuring key agenda items are addressed with a focus on improvement?	Yes	Demonstrated in minutes and by attendees at Committee and by clear requests for further information in a few high-risk areas.

	Good practice questions	Yes/ No/ Partially	Evidence
22.	Are meetings effective with a good level of discussion and engagement from all the members?	Yes	Demonstrated in agendas, minutes and reports of the Committee. All unsatisfactory and limited audit areas are reported to Committee and members invite officers from such areas to provide management updates on progress against agreed control improvements. New Committee still embedding. Developments proposed as part of this process.
23.	Has the committee maintained a non-political approach to discussions throughout?	Yes	Demonstrated in agendas, minutes and reports of the Committee.
24.	Does the committee engage with a wide range of leaders and managers, including discussion of audit findings, risks and action plans with the responsible officers?	Yes	Demonstrated in agendas, minutes and reports of the Committee. All unsatisfactory and limited audit areas are reported to Committee and members invite officers from such areas to provide management updates on progress against agreed control improvements. Work is ongoing to develop reporting missed deadlines for implementation of recommendations.
25.	Does the committee make recommendations for the improvement of governance, risk and control arrangements?	Yes	Where there is a need to escalate such issues further, the Committee would do this through known member and officer channels.
26.	Do audit committee recommendations have traction with those in leadership roles?	Partially	This is demonstrated in part through the Committee workplan which shows where managers have been asked to present an update to the Committee following a limited or unsatisfactory audit. The Committee has identified a gap in that the Council has limited Internal Audit assurance for six years and have invited the Leader and Chief Executive to provide an update on what management action is being taken to address this.

	Good practice questions	Yes/ No/ Partially	Evidence
27.	Has the committee evaluated whether and how it is adding value to the organisation?	Partially	This is done as part of the annual report to Council but feedback was not obtained as to whether the Committee is adding value to the organisation. Members conducted a session on the Committee's effectiveness in September 2025 and agreed an action plan, the key elements of which are reported earlier in this report.
28.	Does the committee have an action plan to improve any areas of weakness?	Yes	The Committee is newly formed following the Council elections in May 2025. Membership of the Committee has recently been expanded. Training needs have been identified as part of this process and these are delivered through three Audit Committee training sessions each year.
29.	Has this assessment been undertaken collaboratively with the audit committee members?	Yes	The Committee is newly formed following the Council elections in May 2025. Membership of the Committee has recently been expanded. Training needs have been identified as part of this process and these are delivered through three Audit Committee training sessions each year.

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	Committee and Date	Item
	Audit and Governance Committee	
	27 th November 2025 10:00am	Public
   		

Annual review of the Counter Fraud, Bribery and Anti-Corruption Strategy

Responsible Officer:	Barry Hanson		
email:	barry.hanson@shropshire.gov.uk	Tel:	07990 086409
Cabinet Member (Portfolio Holder):	Heather Kidd, Leader of the Council Duncan Kerr, Chairman of the Audit and Governance Committee Roger Evans, Portfolio Holder – Finance		

1. Synopsis

Whilst the Council can never be free from fraud it continues to be focused on acknowledging, preventing and pursuing fraud, bribery and corruption. Audit and Governance Committee members reaffirm the Council's Counter Fraud, Bribery and Anti-Corruption Strategy.

2. Executive Summary

2.1. This report outlines the measures undertaken to evaluate the potential for the occurrence of fraud, and how the Council manages these risks with the aim of prevention, detection, investigation and subsequent reporting of fraud, bribery and corruption.

2.2. The Counter Fraud, Bribery and Anti-Corruption Strategy has been reviewed and continues to underpin the Council's commitment to prevent all forms of fraud, bribery and corruption whether it be attempted on, or from within, the Council, thus

demonstrating the continuing and important role the strategy plays in the corporate governance and internal control framework. This report also provides an update on the action plan to ensure continuous improvement in the fight against fraud, bribery and corruption providing an update to members in response to national and local issues.

3. Recommendations

- 3.1. The Committee is asked to consider, and endorse with appropriate comment, the Counter Fraud, Bribery and Anti-Corruption Strategy and measures undertaken and detailed in this report to manage associated risks with the aim of prevention, detection and subsequent reporting of fraud, bribery and corruption.

Report

4. Risk Assessment and Opportunities Appraisal

- 4.1. The adoption and promotion of an effective Counter Fraud, Bribery and Anti-Corruption approach helps the Council encourage the detection of fraud and irregularities proactively and manage them appropriately.
- 4.2. In aligning the Council's Counter Fraud, Bribery and Anti-Corruption Strategy with CIPFA's Code of practice on managing the risks of fraud and corruption, the Council continues to apply best practice. Potential fraud risks are assessed across the Council and activities in place to mitigate these.
- 4.3. Internal Audit, working to the Global Internal Audit Standards (GIAS), has a responsibility to evaluate the potential for the occurrence of fraud and any subsequent management response. This report sets out some of the practices employed to evaluate and manage these risks including involvement with the National Fraud Initiative.
- 4.4. The recommendations contained in this report are compatible with the provisions of the Human Rights Act 1998. There are no direct environmental, equalities, consultation or climate change consequences of this proposal.

5. Financial Implications

- 5.1. Shropshire Council continues to manage unprecedented financial demands and a financial emergency was declared by Cabinet on 10 September 2025. The overall financial position of the Council is set out in the monitoring position presented to Cabinet on a monthly basis. Significant management action has been instigated at all levels of the Council reducing spend to ensure the Council's financial survival. While all reports to Members provide the financial implications of decisions being taken, this may change as officers review the overall financial situation and make decisions aligned to financial survivability. All non-essential spend will be stopped and all essential spend challenged. These actions may involve (this is not exhaustive):
 - scaling down initiatives,

- changing the scope of activities,
- delaying implementation of agreed plans, or
- extending delivery timescales

All revisions and activities can be met from within existing budgets.

6. Climate Change Appraisal

- 6.1. This report does not directly make decisions on energy and fuel consumption; renewable energy generation; carbon offsetting and mitigation; or on climate change adaption. Therefore, no effect to report.

7. Background

- 7.1. The Council sets itself high standards for both members and officers in the operation and administration of the Council's affairs and has always dealt with any allegations or suspicions of fraud, bribery and corruption promptly. It has in place policies, procedures and initiatives to prevent, detect and report on fraud, bribery and corruption, including a Speaking up about Wrongdoing policy, Anti Money Laundering (AML) procedures and guidance, all supported by an overarching Counter Fraud, Bribery and Anti-Corruption Strategy.
- 7.2. The Counter Fraud, Bribery and Anti-Corruption Strategy is contained in part five of the Constitution, last reviewed and updated in November 2023. In reviewing the Strategy, only minor adjustments have been made to reflect structure changes at the Council and the move to a more digital approach. All proposed changes are identified in the Strategy in bold italic, underlined font.
- 7.3. The Strategy can be located on the Council's website alongside Speaking up about Wrongdoing policies for both staff and the public and Anti Money Laundering (AML) procedures and guidance. A review of these has identified minor changes which have been reflected in the Strategy and supporting policies, procedures and guidance.

8. Additional Information

Counter Fraud, Bribery and Anti-Corruption Strategy

- 8.1. Shropshire's strategy clearly identifies the Council's commitment to an effective Counter Fraud, Bribery and Anti-Corruption approach as part of its overall Corporate Governance arrangements. This aligns with CIPFA's Code of practice on managing the risks of fraud and corruption and recognises that the strategy will enable the Council to:
- Acknowledge and understand fraud risks;
 - Prevent and detect more fraud; and
 - Pursue and punish fraud and recover losses.
- 8.2. The Strategy reflects best practice from the National Fraud Authority (NFA) Fighting Fraud Strategies and guidance from organisations such as ALARM (the National Forum for Public Sector Risk Management) and the IIA (Institute of Internal Auditors).

8.3. It is recognised that to reduce losses to fraud, bribery and corruption to an absolute minimum, a strategic approach with a clear remit covering all areas of fraud, bribery and corruption that may affect the Council is required. There needs to be a clear understanding of the importance of the links between policy work (to develop a counter fraud, bribery and anti-corruption culture, create a strong deterrent effect and prevent fraud, bribery and corruption by designing robust policies and systems) and operational work (to detect and investigate fraud, bribery and corruption and seek to apply sanctions and recover losses where they are found).

8.4. The temptation may be to 'pick and choose' actions. However, the full range of integrated action must be taken forward with the Council's focus clearly on outcomes (e.g. reduced losses) and not just activity (i.e. the number of investigations, prosecutions, etc.).

8.5. The strategy continues to emphasise the Council's remit to reduce losses to fraud, bribery and corruption to an absolute minimum. It:

- Demonstrates links between 'policy' work and 'operational' work. Has robust arrangements and executive support to ensure counter-fraud, bribery and corruption measures are embedded throughout the Council.
- Shows agreement by both the political and executive authority for the Council's approach.
- Acknowledges fraud and identifies accurately the risk.
- Creates and maintains a strong structure to pursue its remit including:
 - Having the necessary governance, authority and support;
 - Providing for specialist training and accreditation;
 - Completing appropriate propriety checks;
 - Developing effective relationships with other organisations.
- Enables actions to tackle the problem by:
 - Integrating different actions;
 - Building a strong counter fraud and anti-corruption culture;
 - Having clear actions to deter any problem;
 - Acting to prevent fraud and corruption;
 - Early detection of any issues;
 - Investigating appropriately in accordance with clear guidance;
 - Having clear and consistent sanctions where fraud or corruption is proven;
 - Having clear policies on redressing losses.
- Focuses on outcomes and not merely activity.

National Picture

CIFAS Fraudscape 2025

8.6. CIFAS is a fraud prevention service in the United Kingdom. It is a not-for-profit membership association representing organisations from across the public, private and voluntary sectors. Over 421,000 cases were filed to the National Fraud Database NFD in 2024, a rise of 13% (over 46,000 cases) and a record number of cases. High risk areas of fraud identified by them in 2025 include:

- Identity fraud is still the most commonly reported fraud risk type, representing 59% of cases filed to the NFD (previously 64%). The vast majority of cases concerned fraud committed through online channels (86%). 249,417 identity fraud cases were filed to the NFD in 2024 up by

11,735 on 2023, representing a 5% increase. The greatest number of victims are over 61yrs (25%). This is consistent with 2023 filings.

- Misuse of facility¹ accounts for 18% of cases filed to the NFD. This is the third highest case type filed to the NFD in 2024 (previously second). The rise in misuse of facility cases is primarily linked to the misuse of company current accounts and the evasion of repayments for personal loans. The majority of cases (68%) concern bank accounts that have been filed for 'funds received – conduct unexplained', 'payment fraud' and 'retaining wrongful credit'.
- Over 74,000 cases of facility (account) takeover were filed to the NFD in 2024, an unprecedented 76% increase compared with 2023. Almost half of all account takeovers relate to a mobile phone accounts (48%) with filings on account takeover in the telecoms sector rising by 105%. Most filings (41%) relate to 'unauthorised addition of facility' ie upgrading a mobile handset to a contract, which increased by 96%. There has also been a surge in 'unauthorised SIM Swaps', up 1055% (nearly 3,000 cases from 289 in 2023), impacting multiple telecoms organisations.
- Over 21,700 false applications were recorded to the NFD in 2024, an increase of 10% on 2023. This increase highlights the ongoing challenge of individuals using false information or purposefully omitting adverse information to gain personal benefits or access to products/services. False application filings saw the largest increase in the number of online applications instead of other means (80% vs 73% in 2023) suggesting that more than ever criminals are using online channels in order to submit falsified applications.
- Over 250 cases were recorded to the Insider Threat Database (ITD) in 2024, down 20% compared to 2023. Despite this decrease, insider threat remains a significant risk to organisations with particular vulnerabilities caused by continued remote working, especially reduced supervision, and ongoing cost-of-living pressures. Detecting or predicting insider activity can be challenging, particularly where employees have good knowledge of company systems and are able to mask their activity or alter their tactics to fly under the radar.

8.7. The full report is available at:

[67ed4b2eed4db70adb385782_Fraudscape 2025.pdf](#)

Government Counter Fraud Functional Strategy 2024-2027

8.8. This strategy outlines the mission and strategic objectives of the Government Counter Fraud Function. It focuses on understanding, detecting, and preventing fraud against the public sector.

Initial Fraud Impact Assessment (IFIA) Guidance

8.9. Released in March 2024, this guidance provides a framework for assessing the impact of fraud as part of new major spending activities.

Government Counter Fraud Profession Standards and Guidance

8.10. Updated in July 2024, these standards cover all core disciplines and sub-disciplines within the Government Counter Fraud Framework, including a new standard for Fraud Intelligence Practitioners.

¹ Misuse of Facility refers to the improper use of an account, services or resource by someone who has legitimate access.

Fighting Fraud and Corruption Locally (FFCL); A Strategy for the 2020s

- 8.11. The Fighting Fraud and Corruption Locally Strategy (FFCL)² is England's counter fraud and corruption strategy for local government. It continues to be the definitive guide for council leaders, chief executives, finance directors, and all those with governance responsibilities. It is aimed at local authorities who undertake work in the counter fraud area. The Companion contains good practice and a checklist for local authorities to use as part of making sure they have the right processes and resources in place. The Council's Counter Fraud, Bribery and Anti-Corruption Strategy continues to be aligned to this checklist. The Internal Audit team is currently undertaking the Fighting Fraud Locally Assessment and the results from this will feed into a wider review of the Council's fraud risks.

CIPFA's Counter Fraud Assessment Tool

- 8.12. This tool is designed to help councils assess their counter fraud arrangements against the standards set out in CIPFA's Code of Practice on Managing the Risk of Fraud and Corruption. The tool is used as a basis for ongoing improvement and development planning alongside assurance on the adequacy and effectiveness of the Council's counter fraud arrangements. The action plan reported on within this report is reflective of the improvements identified when applying this tool.
- 8.13. Whilst no organisation is fraud proof, Shropshire Council continues to take robust steps to improve its resilience and to meet the standard set out in the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption. Leadership has acknowledged its responsibilities for managing risks and it has robust arrangements in place to identify and manage risks. It has a counter fraud strategy, backed up by the resources and arrangements to carry it out, and is proactive in managing fraud and corruption risks and responds effectively. Stakeholders can be confident in the approach taken by the Council and meeting the standards of this code contributes to good governance.

National Fraud Initiative (NFI)

- 8.14. The National Fraud Initiative (NFI), run by the Cabinet Office, is an exercise that matches electronic data within and between public and private sector bodies to prevent and detect fraud. The Council is mandated to take part in this exercise, the results are actively reviewed by the relevant department to identify any fraud or error.
- 8.15. As at 4th November 2025 the 2024/25 NFI exercise has identified £22,064.60 to be recovered with estimated future savings of an additional £106,124.45 had these errors not been detected. The recovered amounts related to pensions and the Council tax reduction scheme, future predicted savings also related to deceased concessionary travel pass holders and residents parking permits.
- 8.16. A new requirement for 2025 is the submission of adult social care data relating to residential care homes and personal budgets/direct payments. This will be matched to DWP deceased data and between Local authority areas to identify any deceased or duplicate claimants. The data has recently been submitted and matches have yet to be received.

² [Fighting Fraud and Corruption Locally | Insights | Cifas](#)

- 8.17. Council tax and electoral registration data is due to be submitted between December 2025 and January 2026, results will be reviewed by the Revenues and Benefits team to identify any potential single person discount fraud.

Transparency Requirements

- 8.18. To comply with the Local government transparency code 2015, the council is required to publish identified of data sets. (Local government transparency code 2015 - GOV.UK (www.gov.uk). The council publishes this information on the Open Data area of the Shropshire Council Website.
- 8.19. The Council has publication scheme which provides a repository/signposting to publicly available information. Legislation on transparency applies to anti-fraud activities. The Council has complied with these requirements, the results of which can be found on the web site.³

Update on Regulation of Investigatory Powers Policy and Guidance (RIPA) Activity

- 8.20. RIPA Policy and Guidance sets out the approach the Council will take with respect to the authorisation and use of surveillance activity to deliver the Council's statutory and public duties, whilst protecting individuals' right to privacy. The Council's existing Regulation of Investigatory Powers Policy was adopted in August 2015, and updated in February 2022 and approved by Cabinet ⁴. The updates ensure that any surveillance activities undertaken by the Council are compatible with the human right to privacy by ensuring compliance with the requirements of the Regulation of Investigatory Powers Act 2000 (RIPA), the Investigatory Powers Act 2016 (IPA), the European Convention on Human Rights (ECHR) and the Human Rights Act 1998 (HRA). The Audit and Governance Committee's governance role is reinforced in the refreshed policy and guidance.
- 8.21. The Policy addresses the use of activities that involve:
- the surveillance of individuals;
 - the use of undercover officers and informants, known as Covert Human Intelligence Sources (CHIS); and
 - the obtaining of communications data.
- 8.22. All Council applications to acquire communications data are processed through the National Anti-Fraud Network who act as the Council's Single Point of Contact (SPoC). National Anti-Fraud Network (NAFN) engages with the applicant and the Office for Communications Data Authorisations (OCDA) to obtain authorisations on the Council's behalf. A senior manager at service manager level or above within the Council must be made aware of all applications before they are submitted to NAFN for processing.
- 8.23. The Investigatory Powers Commissioner's Officer (IPCO) are no longer routinely undertaking annual inspections. They have requested that each local authority should provide a written update, in the first instance, on its compliance with the legislation to enable IPCO to assess whether or not a remote, or in some cases, in-person, inspection is required. Following a submission by the Executive Director for People, Tanya Miles, the IPCO confirmed in July 2023 that he was satisfied that the Council's reply provided assurance that ongoing compliance with RIPA 2000

³ <https://shropshire.gov.uk/open-data/>

⁴ [RIPA POLICY AND GUIDANCE \(shropshire.gov.uk\)](https://shropshire.gov.uk/ripa-policy-and-guidance/)

and the Investigatory Powers Act 2016 will be maintained. The next inspection is due in 2026.

- 8.24. The arrangements for the operational management of RIPA activities are moving to Legal Services following the Head of Business and Consumer Protection (RIPA Coordinator) being made redundant. It is anticipated this will be completed as part of the review of the Council's operating model.

Whistleblowing Policy

- 8.25. The Council has a whistleblowing policy for the public and one for its employees. Both policies have been reviewed and updated in respect of key contacts and staff information. There have been no changes proposed to the process of 'blowing the whistle.' An annual reminder is circulated to all employees to raise awareness as to the availability of this policy.
- 8.26. The Whistleblowing Policy is available to staff via the Intranet pages and is also available to them, along with members and the public, via the website; allowing it to be accessed from any computer. This is particularly important as it allows staff to access the policy outside of a work environment, where they may be reluctant to be seen accessing the Whistleblowing policy.

Anti-Money Laundering (AML) Procedure

- 8.27. There are no revisions proposed to the Council's Anti-Money Laundering procedure and guidance, they continue to reflect The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017. Training is available on the Council's electronic training tool, Leap into Learning. The AML Officer and deputies continue to stay aware of their requirements. In addition, Executive Directors continue to spread awareness, identify any money laundering risks in their areas to be shared at least annually with the AML Officer and identify employees who need training.

Serious Organised Crime Checklist

- 8.28. Organised crime includes drug trafficking, human trafficking, child sexual exploitation, high value fraud and cyber-crime. Organised crime groups may seek to benefit from public services in different ways, including to raise money through fraudulent activity and to use businesses / services used by local authorities to launder criminal proceeds. In this way public money can be lost to local authorities and can ultimately fund other illegal activity.
- 8.29. The Home Office Serious and Organised Crime report and checklist provides a methodology to assess the risk from serious and organised crime and corruption and is essential in allowing the Council to identify areas of concern, potential vulnerabilities and to act to strengthen processes and structures that safeguard public money. The checklist evaluates our response and activities in relation to:
- Awareness, Strategy, Guidance and Training
 - Risk Management
 - Communication and Information/ Intelligence Sharing
 - Whistleblowing
 - Assurance
 - Operational controls for
 - Licensing
 - Planning/ Development management

- Social Housing
- Procurement
- Insider threat

8.30. Executive Directors, Heads of Service and key Procurement Officers continue to evidence activities against the checklist providing a balanced assessment of the Council's exposure to the risks. In the main, at this high level, risks appear well managed and where improvements can be made, actions have been highlighted as part of an improvement plan. The Council's Commissioning and Assurance Board continues to oversee operational management of these actions. The checklist was fully reviewed in December 2023 and will be due for full review in December 2025.

Awareness and training

8.31. Fraud awareness training is available on the Council's eLearning tool, Leap into Learning and continues to result in positive feedback from recipients. Questions explore awareness and knowledge of counter fraud procedures including the availability of the whistleblowing policy.

Qualified officers

8.32. Internal Audit has officers trained, up to date and capable of undertaking investigations in a professional manner as the need arises. All Internal Audit officers have received the HR training for investigating officers. One officer is an accredited CIPFA Counter Fraud Technician. Other members of the Audit team have considerable experience in conducting investigations. Given current demands, time has been focused on investigations over proactive prevention work. Balanced against this is that lessons learnt from investigations are used to inform management of control issues and the need for improvements to prevent reoccurrences. These reports are shared with Executive Directors.

Shropshire Council counter fraud risks and plans

8.33. UK local authorities face several significant fraud risks. These risks highlight the need for robust fraud prevention and detection measures within local authorities to protect public funds and maintain trust. The Internal Audit team is currently undertaking the Fighting Fraud Locally Assessment and the results from this will feed into a wider review of the Council's fraud risks.

8.34. There are several steps in place, continuing, planned or underway to help to explore, identify and mitigate fraud risks:

- Housing benefit investigations are referred to the Department of Work and Pensions Single Fraud Investigation Service for action. Housing Benefits, Internal Audit and Human Resources officers continue to jointly risk assess any employees that are suspected of benefit fraud to consider if internal investigations are required or Council assets within the employee's control may be at risk. A Housing Benefit audit was completed in 2022/23 and given reasonable assurance.
- The results of the 2024/25 NFI exercise including data matching for payroll, pensions, creditors, housing benefit, council tax, concessionary travel passes, blue badges, resident parking permits, taxi driver licences are reported on within this report.
- To reduce the risk of cyber fraud and the impact it would have on all areas of the Council, we are completing an ongoing programme of IT Audit work of

key infrastructure systems, IT Disaster Recovery, mobile device management, IT project financing, IT remote support and database access and management. We are also part of a multi-agency working group which is developing a draft Local Resilience Forum ICT and Cyber Response Framework to manage the tactical aspects of a multi-agency response to a cyber-attack.

- Internal Audit resources have been deployed to provide assurance and advice in respect of initiatives such as; data analytics for financial systems; recruitment processes; procurement / implementation of new systems and internal control self-assessments.
- The current year audit plan includes several internal audit reviews that have been conducted, or are planned, to help ensure appropriate controls are in place, and are operational, to counter the fraud risks identified from the risk assessment:
 - IT reviews, as detailed earlier in this section
 - Payroll data analytics (quarterly)
 - Children's Direct Payments
 - Adoption Process including allowances
 - Counter fraud work, NFI participation, review of policies and delivery of training and awareness campaigns
 - Grant reviews across all Council services
 - Contracts and tendering including financial evaluations
- In line with the operational risk management review timetable, fraud risks will be fully reviewed during November 2025.

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

CIPFA: Code of practice on managing the risks of fraud and corruption, October 2014

The Bribery Act 2010

NFA Fighting Fraud Together, the strategic plan to reduce fraud

Fighting Fraud Locally: The Local Government Fraud Strategy 2020

Government Counter Fraud Profession Standards and Guidance

Initial Fraud Impact Assessment (IFIA) Guidance

Government Counter Fraud Functional Strategy 2024-2027

The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017

Regulation of Investigatory Powers Policy February 2022

Home Office Serious and Organised Crime report and checklist 2017

Cifas Fraudscape 2025 Full Digital Report

Local Member: N/A

Appendices

Appendix A - Counter Fraud Bribery and Anti-Corruption Strategy

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Counter Fraud, Bribery and Anti-Corruption Strategy

POLICY STATEMENT AND STRATEGY

Document Details:

Owner/Lead Officer: Executive Director (Section 151 Officer)

Date: November 2025

Review Arrangements: Next Review Date – November 2026



www.shropshire.gov.uk
General Enquiries: 0345 678 9000

Counter Fraud, Bribery and Anti-Corruption Policy Statement

This Statement sets out Shropshire Council's (the Council's) policy in relation to fraud, bribery and corruption. It has the full support of both the Council's senior management and elected members. The Shropshire Plan 2022 to 2025 sets out the overall priorities for the Council. A key element of this is the objectives regarding healthy organisation and the management and control of its finances. Ensuring appropriate resources are assigned to tackling fraud is key to the delivery.

The Council takes its responsibilities to protect the public purse very seriously and is fully committed to the highest ethical standards, to ensure the proper use and protection of public funds and assets, aligned to Nolan's seven principles of public life (**see Appendix 2**). To achieve the objectives set out within the Council's Corporate Plan, the Council needs to maximise the financial resources available to it. To do this, the Council has an ongoing commitment to continue to improve its resilience to fraud, bribery and corruption and other forms of financial irregularity.

The Council advocates **strict adherence** to its anti-fraud, bribery and corruption framework and associated policies. Whilst individual circumstances of each case will be carefully considered, in most cases there will be a **zero-tolerance** approach to fraud, bribery and corruption in all its forms. The Council will not tolerate fraud, bribery or corruption by its members, employees, suppliers, contractors, partners, service users or the public and will take all necessary steps to investigate all allegations of fraud, bribery or corruption and pursue sanctions available in each case, including removal from office, disciplinary action, dismissal, civil action for recovery and/or referral to the Police and/or other agencies. The required ethical standards are included in the Members' Code of Conduct and Employees' Code of Conduct, both documents forming part of the overall Constitution of the Council.

The Council fully recognises its responsibility for spending public money and holding public assets. The prevention and if necessary, investigation of fraud and corruption is seen as an important aspect of its duties which it is committed to undertake. The procedures and the culture of the Council is recognised as important in ensuring a high standard of public life.

The Council's general belief and expectation is that those associated with it (employees, members, school governors, service users, contractors and voluntary bodies) will act with honesty and integrity. Members and employees are expected to lead by example and will be accountable for their actions.

The Council will take steps to help ensure high standards of ethical behaviour are adopted in partnerships of which the Council is a member. This will be done through applying appropriate elements of this Strategy to all partnership working, where it is relevant to do so. For partnership working, responsibility for codes of conduct and policies of this nature generally lies with the relevant individual organisation in the partnership. Where appropriate, the Council will draw the attention of the partner organisation to its concerns.

This Policy Statement is underpinned by a Counter Fraud, Bribery and Anti-Corruption Strategy. The Strategy sets out what actions the Council proposes to take over the medium-term future to continue to develop its resilience to fraud and corruption. It sets out the key responsibilities to fraud prevention, what to do if fraud is suspected and the action that will be taken by management.

Counter Fraud, Bribery and Anti-Corruption Strategy

1. Introduction

Shropshire Council (the Council) advocates **strict adherence** to its counter-fraud framework and associated policies. In most cases this would be a **zero-tolerance** approach to all forms of fraud, bribery, corruption and theft, arising both from within the Council and externally. The Council recognises that fraud and other forms of financial irregularity can:

- Undermine the standards of public service that the Council seeks to achieve;
- Reduce the level of resources and services available for the residents of Shropshire; and
- Have major consequences which reduce public confidence in the Council.

This Strategy defines both the proactive and reactive components of a good practice response to fraud risk management. It sets out the key responsibilities within the Council to fraud prevention, what to do if fraud is suspected and the action that will be taken by management. The Strategy provides overarching governance to the Council's suite of counter fraud policies and procedures which include:

- The Council's Constitution, incorporating the members' code of conduct, employees' code of conduct, contract procedure rules and financial procedure rules.
- Speaking up about wrongdoing policy.
- Gifts and hospitality policy.
- Registration and disclosure of pecuniary interests and conflicts of interest policy.
- Anti-money laundering policy.
- Acceptable use of electronic services information security policy.
- Contract terms and conditions and standard instructions for tenderers.
- Hours of work and how to record them policy.

This Strategy adheres to the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Managing the Risk of Fraud and Corruption 2014 (the Code). The Code requires leaders of public sector organisations to have a responsibility to embed effective standards for countering fraud and corruption in their organisations to support good governance and demonstrate effective financial stewardship and strong public financial management. This Council has resolved to adopt the principles of the Code and report on conformance with it annually.

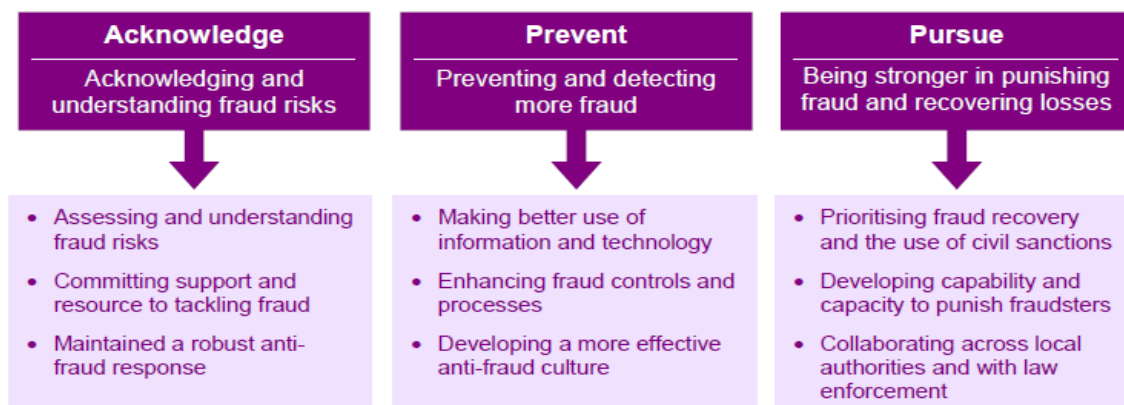
The five key elements of the CIPFA Code are to:

Acknowledge the responsibility of the governing body – in the Council's case elected members and the senior managers – for countering fraud, bribery and corruption.	ACKNOWLEDGE
Identify the fraud, bribery and corruption risks.	
Develop an appropriate counter-fraud, bribery and anti-corruption strategy.	PREVENT
Provide resources to implement the strategy.	

Act in response to fraud, bribery and corruption

PURSUE

The five elements link to three key themes: **Acknowledge**, **Prevent** and **Pursue**, contained within the Local Government Fraud Strategy: Fighting Fraud Locally.



2. Definitions

What is Fraud?

The Fraud Act 2006 identifies fraud as a single offence which can be committed in three separate ways:

- False representation.
- Failure to disclose information where there is a legal duty to do so.
- Abuse of position.

Whilst the Act does not provide a single definition, fraud may be described as: *"Making dishonestly a false representation with the intention to make a gain for oneself or another, or, to cause loss to another or expose him to a risk of loss."* Or *"Dishonest conduct with the intention to make gain or cause a loss or the risk of a loss to another"*.

Put simply, fraud is an act of deception intended for personal gain or to cause a loss to another party.

The new corporate criminal offence of "Failure to Prevent Fraud" introduced under the Economic Crime and Corporate Transparency Act 2023, came into force in September 2025. This legislation holds large organisations, including local authorities, accountable if they fail to prevent fraud committed by their employees, agents, or subsidiaries intended to benefit the organisation either directly or indirectly.

What is Bribery?

Bribery is an inducement or reward offered, promised or provided to gain personal, commercial, regulatory or contractual advantage. There are four key offences under the Bribery Act 2010:

- Bribery of another person (section 1).
- Accepting a bribe (section 2).
- Bribing a foreign official (section 6).

- Failing to prevent bribery (section 7).

Shropshire Council is classed as a “commercial organisation” under the Act. There is also a corporate offence under the Act for a failure by a commercial organisation to prevent bribery that is intended to obtain or retain business, or an advantage in the conduct of business, for the organisation.

What is Corruption?

Corruption is the deliberate misuse of a position for direct or indirect personal gain. The Council defines the term “corruption” as: *“The offering, giving, soliciting or accepting of any inducement or reward which would influence the actions taken by the body, its members or employees.”*

The Bribery Act 2010 makes it possible for individuals to be convicted where they are deemed to have given their consent or tacit approval in giving or receiving a bribe. The Act also created the Corporate Offence of “Failing to prevent bribery on behalf of a commercial organisation” (corporate liability).

To protect itself against the corporate offence, the Act requires an organisation to have “adequate procedures in place to prevent bribery”. This Strategy, the Council’s codes of conduct and the Speaking about wrong doing policy, along with the education of staff (e.g. through induction, e-learning etc.) are designed to meet the requirement.

What is Theft?

Theft is the misappropriation of cash or other tangible assets. It is defined in the 1968 Theft Act: ‘A person shall be guilty of theft if he dishonestly appropriates property belonging to another with the intention of permanently depriving the other of it’.

3. Scope

The Council will not tolerate fraud, bribery, corruption or other forms of financial irregularity by anyone. Consequently, this Strategy applies to a wide range of persons, including:

- All Council employees (including volunteers, temporary staff and agency staff);
- Elected members;
- Staff and Committee members of Council funded voluntary organisations;
- Council partners;
- Maintained schools;
- Council suppliers, contractors and consultants (whether engaged directly or indirectly through partnership working);
- Service users; and
- Members of the public.

As well as more “traditional” areas of fraud, bribery and corruption, such as theft of money, false accounting and corrupt practices, the strategy also encompasses misuse of assets, illegal use or disclosure of data and fraud perpetrated through the improper use of IT systems.

4. Strategy Aims and Objectives

The aims and objectives of this strategy are to:

- Protect the Council's valuable resources by ensuring they are not lost through fraud but are used to provide quality services to Shropshire residents and visitors;
- Create and promote a robust 'anti-fraud' culture across the Council which highlights its zero tolerance of fraud, bribery, corruption and theft;
- Have in place effective counter fraud systems and procedures which:
 - Ensure that the resources dedicated to combatting fraud are sufficient and those involved are appropriately skilled;
 - Proactively deter, prevent and detect fraud, bribery, corruption and theft;
 - Investigate suspected or detected fraud, bribery, corruption and theft;
 - Enable the Council to apply appropriate sanctions and recover all losses; and
 - Provide recommendations to inform policy, system, risk management and control improvements, thereby reducing the Council's exposure to fraudulent activity.
- Create an environment that enables the reporting of any genuine suspicions of fraudulent activity. However, the Council will not tolerate malicious or vexatious allegations or those motivated by personal gain and, if proven, disciplinary or legal action may be taken;
- Ensure the rights of people raising legitimate concerns are properly protected;
- Work with partners and other investigative bodies to strengthen and continuously improve the Council's resiliency to fraud and corruption.

5. What is the Council's Approach to Countering Fraud?

Managing the Risk of Fraud and Corruption

Whilst all stakeholders have a part to play in reducing the risk of fraud, **see Appendix 3**, members and senior management are ideally positioned to influence the ethical tone of the organisation and play a crucial role in fostering a culture of high ethical standards and integrity. Members and employees are expected to lead by example in ensuring adherence to established rules and procedures and to ensure that all procedures and practices are legally sound and honest.

As with any risk faced by the Council, it is the responsibility of managers to ensure that fraud risk is adequately considered within their individual service areas and in support of achieving strategic priorities, business plans, projects and programmes objectives and outcomes. Senior managers' Annual Governance Statements will include reference to measures taken to counter fraud, bribery and corruption in their areas.

Members also have an important role to play and open and honest dialogue between members and employees is encouraged.

Adequate supervision, recruitment and selection, scrutiny and healthy scepticism must not be viewed as distrust, but simply as good management practice shaping attitudes and creating an environment opposed to fraudulent activity.

Good corporate governance procedures are a strong safeguard against fraud and corruption. The Audit **and Governance** Committee is a key member forum for ensuring sufficient weight is given to counter fraud, bribery and anti-corruption activity and is positioned to review assurances from managers, members, risk and other business data ("second line of defence").

The Council's Internal Audit Service undertakes risk-based assurance work each year centred on a management approved Internal Audit Plan.

6. Fighting Fraud Locally: Govern, Acknowledge, Prevent, Pursue and Protect

The Council seeks to fulfil its responsibility to reduce fraud and protect its resources by means of a strategic approach consistent with that outlined in both CIPFA's Code of Practice on Managing the Risk of Fraud and Corruption and in the Local Government Fraud Strategy – Fighting Fraud Locally, and its key themes of Govern, Acknowledge, Prevent, Pursue and Protect: -

Govern	Executive Support over Controls and Processes	We will have robust arrangements and executive support to ensure counter fraud, bribery and anti-corruption measures are embedded throughout the Council.
ACKNOWLEDGE	Committing Support	The Council's commitment to tackling fraud threat is clear. We have strong whistleblowing procedures and support those who come forward to report suspected fraud. All reports will be treated seriously and acted upon. Staff awareness of fraud risks is maintained through e-learning and other training. Our suite of counter fraud strategies, policies and procedures is widely published and kept under regular review.
	Assessing Risks	We will continuously assess those areas most vulnerable to the risk of fraud as part of our risk management arrangements. These risk assessments will inform our internal controls and counter fraud priorities. Elected members and senior managers have an important role to play in scrutinising risk management procedures and risk registers. Also, the Internal Audit Service will carry out assurance work in areas of higher risk to assist management in preventing fraudulent activity.
	Robust Response	We will strengthen measures to prevent fraud. Internal Audit will work with management and our internal partners such as Human Resources, Finance, Legal and policy makers to ensure new and existing systems and policy initiatives are adequately fraud proofed.
PREVENT	Better Use of Information Technology	We will make use of data and analytical software to prevent and detect fraudulent activity. We will look for opportunities to share data and fraud intelligence to increase our capability to uncover potential and actual fraud. We will also use computer assisted audit techniques, search engines and data matching facilities at a local level to investigate suspected frauds. Any such exchange or use of information will be undertaken in accordance with the principles contained in the Data Protection Act 2018. We will play an active part in the National Fraud Initiative (NFI) data matching exercise.

	Fraud Controls and Processes	We will educate managers on their responsibilities for operating effective internal controls within their service areas. We will promote strong management and good governance that provides scrutiny and independent challenge to risks and management controls. Routine Audit reviews will seek to highlight vulnerabilities in the control environment and make recommendations for improvement.
	Anti-Fraud Culture	We will promote and develop a strong counter fraud culture, raise awareness, provide a fraud e-learning tool and provide information on all aspects of our counter fraud work. In addition, personal development plans provide employees with specific skills that further support the counter fraud, bribery and anti-corruption culture, i.e. updated financial training, information security training, etc.

PURSUE	Fraud Recovery	A crucial element of our response to tackling fraud is recovering any monies lost through fraud. This is an important part of our strategy and will be rigorously pursued, where possible. See Appendix 4 for the loss recovery approach.
	Punishing Fraudsters	We will apply realistic and effective sanctions for individuals or organisations where an investigation reveals fraudulent activity. This may include legal action, criminal and/or disciplinary action.
	Enforcement	We will investigate instances of suspected fraud detected through the planned proactive work; cases of suspected fraud referred from internal or external stakeholders or received via the whistleblowing procedure. We will work with internal, external partners and organisations, including law enforcement agencies.

PROTECT

This theme lies across all pillars of this strategy.

We will protect the Council and our residents. We will do this by protecting against serious and organised crime, protecting individuals from becoming victims of crime and protecting against the harm that fraud can do to the community. Our responsibilities will also cover protecting public funds, protecting the Council from fraud and cyber-crime and from future frauds.

7. Responsibilities

Specific responsibilities for all stakeholders involved in this strategy are set out in **Appendix 3**.

8. Reporting, Advice, Support

The Council's approach to potential fraud can be demonstrated in its Fraud Response Plan/ Flowchart – see **Appendix 1**.

It is often the alertness of members, employees and the public that facilitates detection. If anyone believes that someone is committing a fraud or suspects bribery or corrupt practices, these concerns should be raised in the first instance directly with line management. If necessary, a route other than a normal line manager may be used to raise such concerns. Examples of such routes are:

- **Head of Paid Service, executive directors, service directors, heads of service or senior managers.**
- **Internal Audit's Standards Hotline on 01743 252627.**
- **National Benefit Fraud Hotline 0800 854 440 – or 0800 678 3722 for Welsh speakers.**

Where managers are made aware of suspected fraud by employees, they have responsibility for passing on those concerns to the Section 151 Officer and / or Head of Policy and Governance. Managers should react urgently to evidence of potential fraud or corruption. Headteachers of maintained schools should also notify their Chair of Governors. Notifications must be treated with the utmost confidentiality. Any person that is implicated in the alleged offence ***should not*** be included in the notification procedure.

Reporting is essential to the Counter-Fraud, Bribery and Anti-Corruption Strategy and:

- Ensures the consistent treatment of information regarding fraud, bribery and corruption.
- Facilitates proper investigation by experienced auditors or investigators.
- Ensures the proper implementation of a fraud response investigation plan.
- Ensures appropriate employment procedures are followed.
- Ensures the interests of the people of Shropshire and the Council are protected.

The Council's Whistle Blowing Policy (Speaking Up about Wrong Doing) is intended to encourage and enable employees and/or partners to raise serious concerns. In respect of benefit fraud, the public and employees are encouraged to report it through the dedicated phone and email address available on the Council's web pages.

Members of the public can also report concerns through the Council's complaints procedures or by contacting their elected member, the External Auditor or the Local Government Ombudsman.

9. Investigations

Investigations - To avoid potentially contaminating the evidence, managers should not investigate concerns themselves without having sought relevant authority to do so and instead should immediately report all suspicions of fraud or corruption, as detailed above.

In more complex cases, investigations will be carried out by Internal Audit. Otherwise, Audit will give guidance to service managers on how to carry out investigations.

The Council's employees will work with other public-sector bodies including; the Department of Work and Pensions (DWP), the Police, Inland Revenue, Customs and Excise and the Immigration Service for the purposes of preventing, detecting and investigating crime.

Any allegation of fraud, bribery or corruption received will be followed up through the agreed procedures of the Audit Investigations Manual and the Council's Disciplinary Procedures. The Council must also adhere to the provisions of the Regulation of Investigatory Powers Act and Money Laundering legislation.

Criminal Offences - The Monitoring Officer will provide guidance as to whether a criminal offence has occurred. In such cases the Council will seek a prosecution unless the decision is taken, following advice from the Monitoring Officer, that it would be inappropriate to do so.

Disciplinary Action - The Executive Director and service directors (after taking relevant HR advice) will decide whether disciplinary action should be taken against an employee.

Elected Members - The Chief Executive and the Monitoring Officer, will advise on action in relation to members.

Compensation - Where a case has been proved, the relevant Executive Director and Executive Director (Section 151 Officer), with advice from the Service Director, Legal, Governance and Planning (Monitoring Officer), will agree whether and how much to pursue as compensation. The Executive Director will also inform the Insurance service where it is believed an insurance claim can be made.

Recording – The Chief Audit Executive (CAE) will maintain a fraud database where summary details of financial irregularities will be recorded.

Reporting - The CAE routine progress reports to the Audit and Governance Committee will include summary details on investigations into suspected fraud, bribery or corruption once the outcomes are finalised, especially with any cases that are subject to Police investigation. In addition, the CAE also reports annually on fraud and corruption activity through:

- The National Fraud Initiative and
- The Local Government Transparency Code.

Where a fraud has occurred, management must make any changes necessary to systems and procedures to ensure that similar frauds will not recur. Any investigation undertaken may highlight where there has been a failure of supervision or a breakdown or absence of control.

10. Strategy Review

The Section 151 Officer and the Audit and Governance Committee will ensure the continuous review and amendment of this Strategy, and the Action Plan contained within it, to ensure that it remains compliant with good practice, national and public-sector standards and continues to meet the needs of Shropshire Council.

APPENDIX 1



FRAUD RESPONSE PLAN

INTRODUCTION

1. The Council has a **zero tolerance** approach to all forms of fraud, corruption and theft. This means the toughest sanctions will be applied where fraud is proven – disciplinary, legal and criminal.
2. This Fraud Response Plan is part of the Counter Fraud, Bribery and Anti-Corruption Strategy. The aim is to reduce fraud and loss to an absolute minimum and keep it there.
3. You should follow this response plan if you are an employee, member, partner, contractor or Shropshire resident. All, in the public interest, have a responsibility to report any suspicion of fraud and to co-operate in any investigation, if necessary
4. **Fraud** is a crime and involves a deception which is deliberate and intended to provide a direct or indirect personal gain.
5. **Corruption** is the deliberate misuse of position for direct or indirect personal gain such as: offering, giving, requesting or accepting a bribe or reward which influences an individual's or someone else's.
6. **Theft** is where someone steals cash or other property belonging to someone else with no intention of returning it.
7. **Bribery** is an inducement or reward offered, promised or provided to gain personal, commercial, regulatory or commercial advantage.
8. This guidance only tells you what to do if you suspect fraud. For other concerns you should refer to the Grievance, Disciplinary or Corporate Complaints Policies. Alternatively, you can report fraud suspicions using the Speaking up about Wrongdoing process.

WHAT YOU SHOULD DO IF YOU SUSPECT FRAUD

9. Immediately report your suspicions to:
 - Your immediate Supervisor or Line Manager (or more senior management depending on the seriousness and sensitivity of the issues involved and who is thought to be involved in the wrongdoing).
 - The Chief Audit Executive Barry Hanson on 07990 086409 or the Section 151 Officer, James Walton on 01743 258915.
 - The Whistleblowing Hotline on 01743 252627 or email audit@shropshire.gov.uk.

- If the fraud is in relation to Benefits details for reporting appear on the Council's web site: <https://www.shropshire.gov.uk/benefits/report-benefit-fraud/>.

TOP TIPS

10.	DON'T	DO
	Delay: report the matter quickly.	Record your suspicions: write down what you have found, seen and heard.
	Approach or accuse individuals directly: you may alert them and evidence may be destroyed.	Keep any evidence you have in a safe place until you can pass it to the Chief Audit Executive. However, do not do this if such action would risk alerting the suspect.
	Tell anybody else: you don't know who may be involved.	Tell Audit who you are: they will want to talk to you as you may know more than you realise.
	Undertake any investigations yourself: you may spoil the evidence and prevent a criminal prosecution.	Keep outwardly calm and carry out your own work as usual.

SAFEGUARDS

11. **Harassment, bullying or victimisation** – if you have raised concerns action will be taken to protect you from reprisals and it will be made clear to colleagues that it will be considered a disciplinary matter to mistreat a whistle-blower.
12. **Confidentiality** – The Council will do its best to protect your identity when you raise a concern and do not want your name to be disclosed. It must, however, be appreciated that the investigation process may reveal the source of the information and a statement by you may be required as part of the evidence
13. **Anonymous referrals** –these are not encouraged as they affect the ability to investigate, but any case of suspected fraud, bribery or corruption, however reported, will be looked into.
14. **Malicious referrals** – if it is found that your referral is malicious or has been made for personal gain, action may be taken against you under the Council's Disciplinary Policy or relevant agreement if you work for one of the Council's partners. The matter would be referred to the appropriate senior manager before any action is taken.

INVESTIGATION

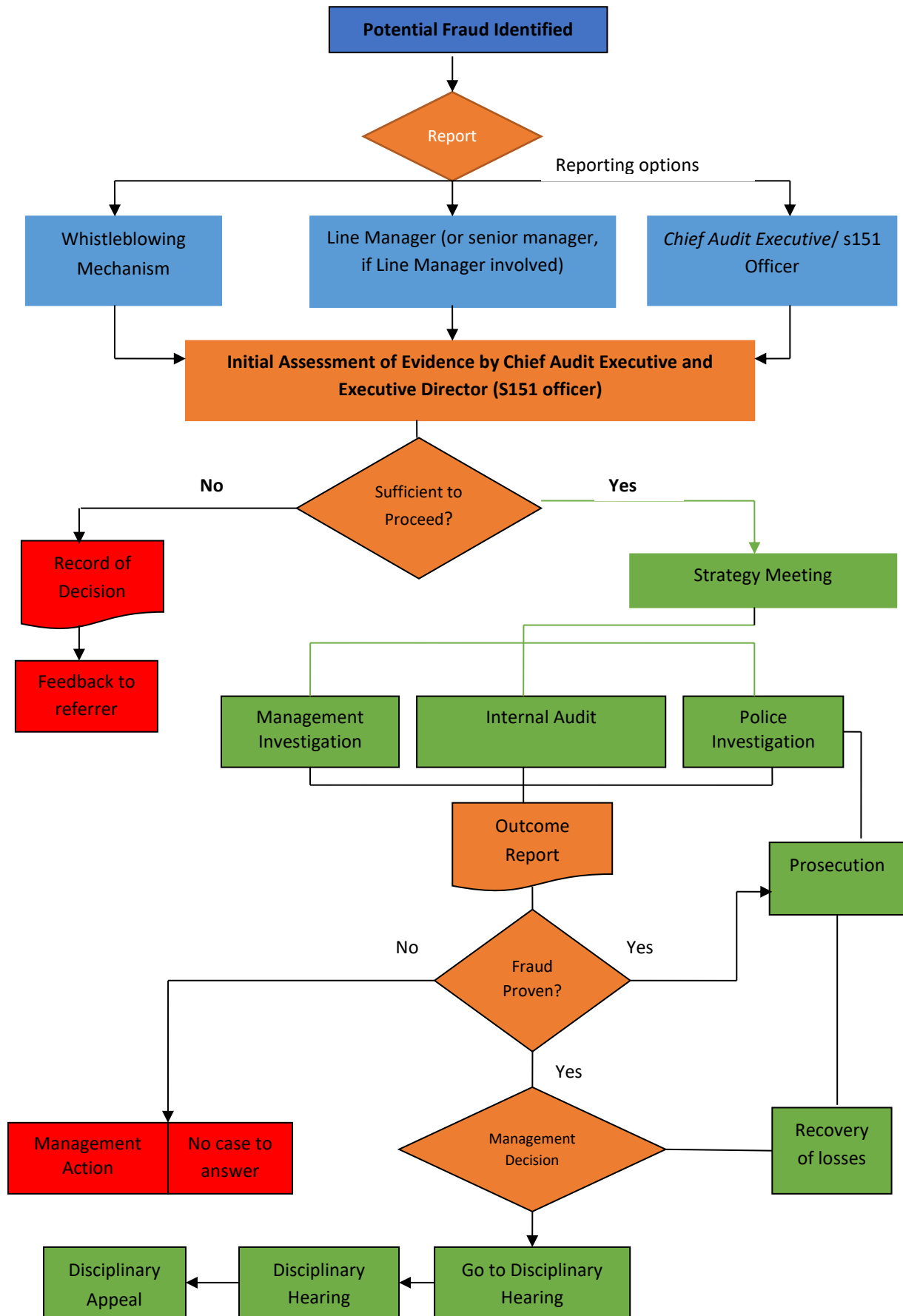
15. All suspected fraud must be referred to the Chief Audit Executive.
16. The Chief Audit Executive will assess the initial information and decide how to proceed. This may include a strategy meeting with the relevant manager where appropriate.

17. Following best practice, Audit will investigate most cases of suspected fraud – management may investigate low level fraud involving an employee after consultation with Audit.

POTENTIAL OUTCOMES

18. **Criminal Prosecution** – the Section 151 Officer, in consultation with the appropriate Executive Director and Chief Audit Executive will authorise the referral to the police for investigation.
19. **Disciplinary Action** – at the end of the investigation, the Chief Audit Executive will produce an investigation report. If this involves an employee and fraud is proven, the likely outcome will be dismissal. If fraud is not proven there may still be matters which need to be considered under the Council's disciplinary procedures.
20. **Recovery through Civil or Criminal Proceedings** – the Council will seek to recover all losses subject to legal advice and where it is cost effective to do so. Any losses caused by an employee will be recovered through salary, pension or insurance.
21. **Weaknesses in the System of Controls** –an Action Plan will be produced to address any system or management weaknesses and to reduce the risk of fraud and error in the future.

Appendix 1 - The Council's typical fraud response plan



APPENDIX 2

NOLAN COMMITTEE REPORT – THE SEVEN PRINCIPLES OF PUBLIC LIFE

Selflessness

Holders of public office should take decisions solely in terms of the public interest. They should not do so in order to gain financial or other material benefits for themselves, their family, or their friends.

Integrity

Holders of public office should not place themselves under any financial or other obligation to outside individuals or organisations that might influence them in the performance of their official duties.

Objectivity

In carrying out public business, including making public appointments or recommending individuals for rewards and benefits, holders of public office should make choices on merit.

Accountability

Holders of public office are accountable for their decisions and actions to the public and must submit themselves to whatever scrutiny is appropriate to their office.

Openness

Holders of public office should be as open as possible about all the decisions and action that they take. They should give reasons for their decisions and restrict information only when the wider public interest clearly demands it.

Honesty

Holders of public office have a duty to declare any private interests relating to their public duties and to take steps to resolve any conflicts arising in a way that protects the public interest.

Leadership

Holders of public office should promote and support these principles by leadership and example.

SPECIFIC RESPONSIBILITIES**APPENDIX 3**

Stakeholder	Specific Responsibilities
Head of Paid Service (CEO)	Ultimately accountable for the effectiveness of the Council's arrangements for countering fraud, bribery and corruption.
Monitoring Officer (Service Director – Legal and Governance)	To advise members and employees on ethical issues, standards and powers to ensure that the Council operates within the law and statutory codes of practice.
Section 151 Officer (Executive Director)	To make proper arrangements for the Council's financial affairs and to ensure the Council has an adequately resourced and effective Internal Audit.
Audit and Governance Committee	To monitor the effectiveness of the Council's Counter fraud, bribery and anti-corruption strategy and arrangements. To monitor the Council's Whistleblowing policy.
Members	To support and promote the development of a strong counter fraud, bribery and anti-corruption culture.
External Audit	Statutory duty to ensure that the Council has in place adequate arrangements for the prevention and detection of fraud, bribery corruption and theft.
Internal Audit	Responsible for developing and implementing the Counter fraud, bribery and anti-corruption strategy and investigating any issues reported under this policy and the Speaking up about wrongdoing (whistleblowing) policy. To ensure that all suspected or reported irregularities are dealt with promptly and in accordance with this policy and that action is identified to improve controls and reduce the risk of recurrence.
Managers	To promote employee awareness and ensure that all suspected or reported irregularities are referred immediately to Internal Audit. To ensure that there are mechanisms in place within their service areas to assess the risk of fraud, bribery, corruption and theft and to reduce these risks by implementing robust internal controls.
Employees	To comply with Council policies and procedures, to be aware of the possibility of fraud, bribery, corruption and theft, and to report any genuine concerns to the appropriate management, Head of the Paid Service, the Section 151 Officer, the Monitoring Officer, or Internal Audit.
Public, Partners, Suppliers, Contractors and Consultants	To maintain strong counter fraud, bribery and anti-corruption principles and be aware of the possibility of fraud, bribery and corruption against the Council and report any genuine concerns or suspicions through the identified channels. Public agencies may include the: • Police. • External Audit. • Local, regional and national auditor networks. • National Anti-Fraud Network. • CIPFA. • Department of Work and Pensions. • Other local authorities. • Public health.

Appendix 4

Shropshire Council – Loss Recovery Approach

Fraud covers a wide range of criminal activity which, as far as the Council is concerned, can be characterised broadly as the dishonest appropriation of the Council's resources (financial or otherwise).

The Council's resources are finite and because the Council has a responsibility to safeguard public monies, fraudulent activities should be regarded with the utmost seriousness.

For the purposes of this Loss Recovery Strategy, there are two overarching considerations which inform the Council's approach to tackling any detected fraud:-

- The first consideration is the need to preserve public funds which, in appropriate circumstances, may involve the Council taking active steps to recover any misappropriated assets or obtain equivalent compensation; and
- The second is the need to ensure due process of law which, in appropriate circumstances, may require the Council to co-operate with law enforcement authorities which may investigate any alleged offences and, if appropriate, prosecute the alleged perpetrator(s).

Although the Council recognises the importance both of preserving public funds and of ensuring due process of law, these considerations may lead the Council to respond to fraud in different ways.

For the purposes of this policy, it is recognised that although it is desirable that fraudulent activity be prosecuted, that course of action may leave the Council worse off financially than it had pursued its own civil remedies.

Financial Considerations in relation to reporting fraud to law enforcement authorities

Criminal prosecutions do not tend to result in high levels of recovery of assets for the Council. This can be attributed to a number of factors:-

- (1) The focus of criminal proceedings is not exclusively upon compensating the victim.
- (2) In proceedings brought by the Crown Prosecution Service, the Council has limited control over the question of whether the Court makes any compensation orders¹.
- (3) There are statutory limits² to the amount of compensation that the Magistrates Courts can order.
- (4) Those convicted of criminal offences may lose their liberty and or their livelihood and thereby are unable to compensate the Council.
- (5) Unlike Civil Courts the Criminal Courts must take account of a defendant's ability to pay before imposing financial penalties.
- (6) Proceeds of Crime Act 2002 proceedings are complex and are restricted to matters dealt with in the Crown Court.

¹ Sections 130 - 133 Powers of Criminal Courts (Sentencing) Act 2000

² Section 40 (1) Magistrates' Courts Act 1980

Civil proceedings may, in appropriate circumstances, offer an increased prospect of achieving a financial recovery but this is highly dependent upon a number of factors including the availability of evidence proving the fraud as well as the ability of the Defendant to meet any judgment.

It is important to treat the civil and criminal avenues as being distinct.

Adopted Strategy

1. In the event that a fraud or financial irregularity is suspected, the Council will determine on a case by case basis, after seeking the advice of the Monitoring Officer or their delegated representative, what further action (if any) will be taken to recover losses from individual(s) or organisations responsible.
2. At the earliest available opportunity the Council will consider whether it is appropriate to pursue civil remedies or refer the matter to law enforcement agencies for investigation and/or prosecution.
3. Before reaching any decision on how to proceed, the Council will seek to avoid any activities which may unnecessarily alert the perpetrator, encourage them to dispose of evidence or otherwise hamper a criminal investigation. This may on occasions not be practicable.
4. In making its decision on whether to pursue civil remedies or report fraudulent activity to law enforcement agencies, the Council will consider the circumstances of the case as well as relevant public interest factors which, without limitation, may include the following:-

Factors which tend to favour a criminal prosecution	Factors which tend to favour Civil Recovery
There is believed to be little prospect of recovery through civil means.	The defendant is known to have assets available for execution or the defendant is working and it is considered that there is a good prospect of recovery.
There is a high level of culpability or wrongdoing	There is lower level of culpability or dishonesty.
Evidence gathered points to there having been a high level of planning of the fraudulent / criminal activity.	The fraud was opportunistic.
It has come to light during the investigation that the defendant is known to have previous convictions for this kind of activity.	The incident is believed to be a one off
The defendant denies any responsibility and is unwilling to co-operate with the Council.	The defendant has acknowledged their wrongdoing and is prepared to co-operate with the Council.
It is likely that the police and CPS are likely to be willing to investigate / prosecute.	Whether it is believed that the Police / CPS are unlikely to investigate.

It should be borne in mind that the above factors are only potential indicators and any decision whether to instigate criminal or civil proceedings can never be an exact science but will be taken in conjunction with legal advice and after careful consideration of the facts.

5. When the Council can demonstrate that it has suffered financial loss and, where it is practical, priority should be given to civil recovery. The Council should give consideration of reporting the allegations to relevant law enforcement agencies.
6. Whilst primarily consideration will be given to pursuing criminal action or civil remedy, there are alternative avenues of loss recovery open to the Council including:
 - Pension Forfeiture - where an employee is a member of the Shropshire County Council Pension Scheme and is convicted of fraud, the Council may be able to recover the loss from the capital value of the individual's accrued benefits in the Scheme;
 - Bankruptcy, e.g. if it is believed an individual has a poor history of paying;
 - If an individual remains an employee of the Council consideration whether any assessed losses may be recovered from future salary payments;
 - Recovery of losses through the Council's fidelity guarantee insurance cover.
7. Whilst the Council's Insurance Service will give advice where it is believed an insurance claim can be made under the Council's fidelity guarantee insurance, the Council's preferred approach, however, is to seek recovery of losses from the perpetrator and fidelity guarantee insurance will generally be a method of last resort.
8. In more serious cases, the Crown Court has powers of asset recovery under the Proceeds of Crime Act 2002.
9. The Crown Court, when it considers making a confiscation order against a defendant, must determine whether the defendant has a 'criminal lifestyle'. If so, the court must determine whether the defendant benefited from his 'general criminal conduct'.

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Committee and Date

Audit and Governance Committee

27th November 2025

10:00am

Item

Public



Fraud Investigation Options

Responsible Officer:	James Walton		
email:	james.walton@shropshire.gov.uk	Tel:	01743 258915
Cabinet Member (Portfolio Holder):	Heather Kidd, Leader of the Council Duncan Kerr, Chairman of the Audit and Governance Committee Roger Evans, Portfolio Holder – Finance		

1. Synopsis

This report considers the motion referred to the Audit and Governance Committee by Council regarding the proposal to create a dedicated Counter Fraud Team.

2. Executive Summary

- 2.1. Preventive fraud controls operate directly within service areas, corrected at source and often not recorded as fraud. There are also challenges accurately quantifying associated savings as many are not cashable amounts recovered, for example they may relate to the projected cost of a permit if not cancelled despite their being no evidence of fraudulent activity.
- 2.2. There are various options for delivery of counter fraud work which can be considered including:
 - Dedicated in house counter fraud team
 - Shared service model / regional partnership
 - Contracted out to an external specialist provider
 - Hybrid model
 - Embedded in Internal Audit
 - Collaborative national schemes / data sharing

- 2.3. No system is ever free from error and Council officers recognise this. Whilst there will always be opportunities to further enhance fraud prevention controls and detection further cost benefit analysis would be required to determine if a dedicated team would be cost effective for the Council. Given the current financial position of the Council, careful consideration of the various options is required and a budget would need to be established if a dedicated team were to be created.

3. Recommendations

Members are asked to:

- 3.1. Consider the options presented in this report and identify if they want to refer to Cabinet to change the Council's approach to fraud investigations or continue with the current arrangements.

Report

4. Risk Assessment and Opportunities Appraisal

- 4.1. The Accounts and Audit Regulations 2015 require the Council to ensure they 'undertake an effective internal audit to evaluate the effectiveness of its risk management control and governance processes, taking into account public sector internal auditing standards or guidance'. In doing so the Council will have full regard to relevant legislative requirements, including without limitation:
- The Fraud Act 2006
 - Theft Act 1968
 - Bribery Act 2010
 - Section 151 Local Government Act 1972
 - Section 5 Local Government & Housing Act 1989
 - Contracts Regulations 2015
 - Accounts and Audit Regulations 2011
 - The Council Tax Reduction Schemes (Detection and Enforcement) (England) Regulations 2013
 - Local Government Finance Act 1988
 - Regulation of Investigatory Powers Act 2000
 - Terrorism Act 2006
 - Proceeds of Crime Act 2002
 - Police and Criminal Evidence Act 1984
 - Companies Act 2006
 - Localism Act 2011
 - The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017
 - Economic Crime and Corporate Transparency Act 2023
- 4.2. Internal Audit co-ordinate special investigations where there is a fraudulent element, this is currently done via an investigation/ disciplinary report and management issues report which highlights weaknesses and proposes internal control improvements to reduce the potential for future frauds, losses or corruption.

Internal Audit, working to the Global Internal Audit Standards (GIAS), has a responsibility to evaluate the potential for the occurrence of fraud and any subsequent management response.

- 4.3. The recommendations contained in this report are compatible with the provisions of the Human Rights Act 1998. There are no direct environmental, equalities or consultation consequences of this proposal.

5. Financial Implications

- 5.1. Shropshire Council continues to manage unprecedented financial demands and a financial emergency was declared by Cabinet on 10 September 2025. The overall financial position of the Council is set out in the monitoring position presented to Cabinet on a monthly basis. Significant management action has been instigated at all levels of the Council reducing spend to ensure the Council's financial survival. While all reports to Members provide the financial implications of decisions being taken, this may change as officers review the overall financial situation and make decisions aligned to financial survivability. All non-essential spend will be stopped and all essential spend challenged. These actions may involve (this is not exhaustive):
- scaling down initiatives,
 - changing the scope of activities,
 - delaying implementation of agreed plans, or
 - extending delivery timescales.
- 5.2. The Internal Audit service is provided within approved budgets. The work undertaken by Internal Audit in relation to Fraud and Special Investigations contributes to the efficient and effective use of resources ensuring their optimal use to achieve the Council's identified outcomes. Any decision to create a dedicated fraud team would need to be referred to Council to identify an appropriate budget.

6. Climate Change Appraisal

- 6.1. This report does not directly make decisions on energy and fuel consumption; renewable energy generation; carbon offsetting and mitigation; or on climate change adaption. Therefore, no effect to report.

7. Background

- 7.1. A motion relating to the establishment of a dedicated fraud investigation team was presented to Council at their meeting on 25th September. A decision was taken to defer the motion to the Audit and Governance Committee for further debate.
- 7.2. Full details of the motion are detailed below:

Item 13 C [Agenda for Council on Thursday, 25th September, 2025, 10.00 am — Shropshire Council](#)

Motion: Establishment of a Fraud Investigation Team

Currently, Shropshire Council has no dedicated fraud investigation team. As a result, the authority faces a significant risk of under-detecting and under-reporting fraud. This may lead to fraudulent claims or practices going unchallenged, minimal recovery of public

funds, and a growing perception that fraud within Shropshire is unlikely to be detected. This may exacerbate financial pressures and erode public confidence in the Council's ability to safeguard resources.

This Council notes with concern the findings of the 2023 report by Crowe, Peters & Peters, and the University of Plymouth, which estimate that annual losses to the UK's public sector amount to £50.2 billion. Of this, £8.8 billion (excluding benefits) is attributed to fraud within Local Authorities. The largest risks are identified in procurement (£5bn), housing tenancy fraud (£2bn), and payroll fraud (£1.2bn). Additionally, benefit-related fraud accounts for £2.9bn, including Housing Benefit fraud (£700m) and Council Tax Reduction fraud (£60m).

This Council believes:

That taking proactive steps to prevent, detect, and address fraud is essential to protecting public funds, ensuring fairness, and maintaining trust within local government.

That a dedicated fraud team, whether internally managed or externally contracted—subject to a feasibility assessment—can provide a robust structure for risk-based investigation, prevention, and enforcement while positively contributing to the Council's financial resilience.

This Council notes:

The support provided to local authorities by the Fighting Fraud and Corruption Locally strategy, which sets out a coordinated national framework supported by the Public Sector Fraud Authority (PSFA) and the National Audit Office (NAO).

The effectiveness of focused fraud investigation and detection, as evidenced by the annual reports of the National Fraud Initiative.

That whilst the exceptional recovery ratios achieved in some large urban areas may not be matched in Shropshire, evidence from comparable councils suggests that even modest detection and recovery levels can result in net savings exceeding operational costs.

This Council recognises that every pound lost to fraud is a pound not being invested in our communities, public services, and adult social care. Fraud directly impacts the Council's ability to provide services to those in genuine need and adds stress to already stretched finances.

That from the 1 September 2025, the Economic Crime and Corporate Transparency Act 2023 introduces a new corporate offence of failure to prevent fraud. This legislation places a duty on organisations to implement reasonable fraud prevention measures and holds them criminally liable for fraudulent acts committed by employees or agents

Therefore, this Council resolves to:

- 1. Establish a permanently dedicated and resourced Fraud Investigation Team, tasked with the detection, investigation, and recovery of monies lost through fraudulent activity, in compliance with the Council's governance and budgetary procedures.*
- 2. Ensure the Team works closely with other relevant Council departments—such as procurement and Revenues & Benefits to maximise recovery and prevention efforts.*
- 3. Where appropriate, pursue prosecutions to deliver a strong deterrent effect, ensuring that successful cases taken through the courts are publicised through the media to maximise deterrence, and that all work is carried out fully within the legislative framework available.*
- 4. Develop partnerships with external agencies including the Police, HMRC, DWP, and other relevant organisations to strengthen investigations, prosecutions, and the recovery of proceeds of crime.*

5. Implement a timeline for the establishment and review of the Fraud Investigation Team, with periodic reporting to Full Council or the Audit Committee.

Current arrangements

- 7.3. The Counter Fraud, Bribery and Anti-Corruption Strategy is reviewed annually and continues to underpin the Council's commitment to prevent all forms of fraud, bribery and corruption whether it be attempted on, or from within, the Council, thus demonstrating the continuing and important role the strategy plays in the corporate governance and internal control framework. Shropshire's strategy clearly identifies the Council's commitment to an effective Counter Fraud, Bribery and Anti-Corruption approach as part of its overall Corporate Governance arrangements. This aligns with CIPFA's Code of practice on managing the risks of fraud and corruption. The Strategy is owned by the S151 Officer.
- 7.4. The Audit and Governance Committee terms of reference¹ identifies responsibilities for them in overseeing fraud. The Fraud Response Plan is a detailed process flow documented within the fraud strategy that identifies CAE/S151 Officer to review/decide how any reported fraud/ wrongdoing should be investigated.
- 7.5. The Whistleblowing Policy² is owned by the Council's Monitoring Officer. Wrongdoing may be reported in a variety of places through those channels, including Senior Managers, employees, Council members or public referrals. However, fraud may be identified and reported in other areas within the Council such as trading standards, Revenues and Benefits. An annual whistleblowing report is reviewed by the Audit and Governance Committee which outlines whistleblowing activity across the Council.
- 7.6. The Council publishes its fraud and irregularity data annually in accordance with the Local Government Transparency Code 2014³.
- 7.7. Specific fraud risk registers are in place with regular reviews undertaken across the relevant service areas. Fraud risks are also considered both in the development of the internal audit plan and form part of the risk assessment completed following every planned audit assignment.
- 7.8. A specific Fraud and Special Investigations Report⁴ is considered in the exempt session of each meeting of the Audit and Governance Committee. This details the results of any Internal Audit investigations together with details of the agreed control improvements to prevent further occurrence of fraud or error.
- 7.9. The current model is through Internal Audit delivery supplemented by specialist contractors where required. This is included as an option as detailed in **Appendix A** (Internal Audit).
- 7.10. The Council is mandated to take part in the National Fraud Initiative (NFI⁵) which is an exercise that matches electronic data within and between public and private

¹ [Audit and Governance Committee ToR](#)

² [public-whistleblowing-policy.pdf](#)

³ <https://next.shropshire.gov.uk/open-data/datasets/>

⁴ [Browse meetings - Audit & Governance Committee — Shropshire Council](#)

⁵ [The National Fraud Initiative | Shropshire Council](#)

sector bodies to prevent and detect fraud. Work is underway to review the matches for the 2024/25 exercise. Adult Social care, Council tax and Election data is also being submitted for 2025.

- 7.11. There are various options for delivery of counter fraud work which can be considered including:
- Dedicated in house counter fraud team
 - Shared service model / regional partnership
 - Contracted out to an external specialist provider
 - Hybrid model
 - Embedded in Internal Audit
 - Collaborative national schemes / data sharing
- 7.12. A brief summary of the options including a narrative regarding the potential advantages and disadvantages of each option are detailed at **Appendix A**.
- 7.13. Counter fraud activity is imbedded within service areas and is designed to prevent as well as identify fraud and subsequent funds to be recovered. There is an expectation across service areas that controls are in place to identify and correct errors as opposed to being recognised, recorded, and dealt with as counter fraud activity. There are also difficulties in quantifying associated savings as many are not cashable amounts recovered, may relate to projected cost of a permit if not cancelled for example.
- 7.14. A deterioration of the Council's control environment significantly raises the risk that fraud may occur and remain undetected. The existence of weak controls in the Council has previously led to instances where it has been challenging to pinpoint the suspected fraudulent activity or to determine the underlying cause of the issue. Strengthening the Council's overall control environment is therefore essential.
- 7.15. No system is ever free from error and Council officers recognise this. Whilst there will always be opportunities to further enhance fraud prevention controls and detection further cost benefit analysis would be required to determine if a dedicated team would be of benefit to the Council.

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

[Agenda for Council on Thursday, 25th September, 2025, 10.00 am — Shropshire Council](#)

Local Member: N/A

Appendices

Appendix A – Potential Delivery Model Options

APPENDIX A – POTENTIAL DELIVERY MODEL OPTIONS

DELIVERY MODEL	ADVANTAGES	DISADVANTAGES
Dedicated In House Team A dedicated fraud investigation team employed directly by the Council.	• Direct accountability to the Council and Members. • Local knowledge. • Integration with other Council services e.g. Procurement, Revenues and Benefits. • Retained knowledge.	• High cost of salaries, training technology and IT. • Difficulties retaining specialist staff and keeping skills up to date without ongoing investment. • Risk of isolation if not working with other Councils. • Generally more cost effective for large metropolitan Councils with high fraud exposure.
Shared Service Model Neighbouring Councils pool resources to create a joint counter-fraud unit.	• Economies of scale through shared staff and resources. • Wider pool of expertise. • Shared intelligence across a wider area. • Greater resilience to cover turnover, workload etc. • Medium costs spread across Councils.	• Governance / partnership complexities. • Potential loss of local knowledge. • Set up requires strong political and managerial alignment. • Better for smaller councils that cannot afford a stand alone team.
Contracted out to an External Specialist Provider Private firm or not-for-profit agency providing investigation or analytics services.	• Access to high-level expertise and technology such as data analytics and forensic accounting. • Could be contracted for specific projects or areas of high risk. • Wider sector knowledge and specialisms. • Could be more cost effective on pay-per-case or cusses-fee basis.	• Variable costs, difficult to project. • Costs can escalate if poorly managed. • Less organisational control and potential conflict of interests. • Loss of knowledge as provider holds the expertise and not the Council. • Cultural alignment may be weaker.

DELIVERY MODEL	ADVANTAGES	DISADVANTAGES
Hybrid Model A small-in house team for prevention, policy and oversight with external/partner support for investigations or analytics.	• Balance of local knowledge with access to external expertise. • In house team ensure governance, prevention and culture are maintained whilst external company deal with spikes in demand or specialist cases. • More scalable than an in house team. • Retains strategic control. • Medium cost balance of core staff activities and control over level of bought in specialism.	• Requires funding and contract management. • Risk of gaps in responsibilities between internal team and external providers if responsibilities are not clearly defined.
Internal Audit (this is the current model) Fraud investigation and counter fraud work sits within the Internal Audit team.	• Integrated with risk management and assurance framework. • Can be efficient as Internal Audit staff may identify fraud as part of their routine work. • Lower cost than a dedicated team or outsourcing. • Best for Councils with low or moderate fraud exposure or limited resources. • Internal Control improvements identified as part of fraud investigation work to prevent further occurrence. • Lower cost as staff multitask across both areas.	• Dilutes specialism as fraud investigation requires different skills than audit. • Staff may lack enforcement or investigatory expertise. • May be reactive rather than proactive. • Resources may be diverted to Internal Audit assurance work.

DELIVERY MODEL	ADVANTAGES	DISADVANTAGES
Collaborative National Schemes and Data Sharing Participation in the National Fraud Initiative (NFI) and other fraud networks such as the National Anti-Fraud Network (NAFN) Local Government Association (LGA) or CIPFA hubs.	• May be more cost effective but is mandatory in some cases. • Provides access to national datasets and intelligence. • Supports benchmarking against peers.	• Not a substitute for a local team, provides intelligence but not investigations. • May generate additional workload for Councils who cannot act due to lack of resources. • Works best alongside other delivery models.

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Committee and Date

Audit and Governance
Committee
27th November 2022025

Item

Public



Final Approval Statement of Accounts 2024/25

Responsible Officer:

James Walton

email: james.walton@shropshire.gov.uk

Cabinet Member (Portfolio Holder):

1. Synopsis

This report provides for the approval of the 2024/25 Statement of Accounts, following completion of the audit of the accounts.

2. Executive Summary

- 2.1. For 2024/25 the statutory deadlines for publishing the final audited accounts is 27th February 2026 with unaudited accounts needing to be published by 30th June 2025. As highlighted to Audit Committee in the July 2025 meeting, it was agreed that the auditors would plan to complete the audit in December 2025.
- 2.2. The audit on the 2024/25 Statement of Accounts is substantially complete and the auditors are planning to provide an unqualified audit on the Statement of Accounts as follows:

“In our opinion, the financial statements:

- give a true and fair view of the financial position of the group and of the Authority as at 31 March 2025 and of the group’s expenditure and income and the Authority’s expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

- 2.3. Grant Thornton have produced the Audit Findings Report on the 2024/25 Statement of Accounts which will be presented as a separate paper on this Audit Committee's agenda.

3. Recommendations

- 3.1. Consider and approve the 2024/25 Statement of Accounts and that the Chairman of the Audit and Governance Committee signs them (in accordance with the requirements of the Accounts and Audit Regulations 2015).
- 3.2. Agree that the Executive Director (Section 151 Officer) be authorised to make any minor, non-material adjustments to the Statement of Accounts prior to publication of the audited Statement of Accounts.
- 3.3. Agree that the Executive Director (Section 151 Officer) and the Chairman of the Audit and Governance Committee sign the letter of representation in relation to the financial statements on behalf of the Council and send to the External Auditor.

Report

4. Risk Assessment and Opportunities Appraisal

- 4.1. Details of the potential risks affecting the balances and financial health of the Council are detailed within the Statement of Accounts that has been subject to audit. The Audit Findings Report highlights that the audit work has been focussed on the significant risk areas identified for the audit.

5. Financial Implications

- 5.1. Shropshire Council continues to manage unprecedented financial demands and a financial emergency was declared by Cabinet on 10 September 2025. The overall financial position of the Council is set out in the monitoring position presented to Cabinet on a monthly basis. Significant management action has been instigated at all levels of the Council reducing spend to ensure the Council's financial survival. While all reports to Members provide the financial implications of decisions being taken, this may change as officers and/or Portfolio Holders review the overall financial situation and make decisions aligned to financial survivability. All non-essential spend will be stopped and all essential spend challenged. These actions may involve (this is not exhaustive):
- scaling down initiatives,
 - changing the scope of activities,
 - delaying implementation of agreed plans, or
 - extending delivery timescales.
- 5.2. This report considers the overall financial position of the Authority in the form of the Council's Statement of Accounts. The accounts consider the level of assets controlled and owned by the Authority, and the level of balances of held.

6. Climate Change Appraisal

- 6.1. The information contained within this report does not directly make decisions on energy and fuel consumption; renewable energy generation; carbon offsetting or mitigation; or on climate change adaption.

7. Background

- 7.1. The Accounts and Audit Regulations 2015 state that members are required to approve the annual accounts following the completion of the audit of the accounts. For Shropshire Council, the Audit and Governance Committee are responsible for this approval, as set out in the Constitution.
- 7.2. A copy of the 2024/25 Audited Statement of Accounts is attached at Appendix 1. The Council's external auditors, Grant Thornton, have audited the accounts between the periods August to December. The audit of the accounts is substantially complete, and the Auditor has indicated that an unqualified audit opinion will be issued on the accounts, subject to the successful completion of the outstanding matters.
- 7.3. There have been no changes to the 2024/25 Statement of Accounts that would affect the bottom line for the Council's funding position, however there have been some changes to lease transaction disclosures affecting the Core Statements which are summarised in Table 1 below

Table 1: Amendments to the Statement of Accounts

Section in Statement of Accounts Amended	Value in Draft Accounts (£'000)	Amendment (£'000)	Value in Final Accounts (£'000)	Adjustment
Comprehensive Income & Expenditure Statement				
Taxation and Non Specific Grant Income	(368,234)	1,184	(367,050)	Adjusted for peppercorn rents and donated assets for leases
Surplus or Deficit on Provision of Services	72,703	1,184	73,887	Adjusted for peppercorn rents and donated assets for leases
Total Comprehensive Income and Expenditure	55,475	1,184	56,569	Adjusted for peppercorn rents and donated assets for leases
Movement in Reserves Statement				
Adjustments on transition to new accounting arrangements for leases	0	1,184	1,184	Adjusted for peppercorn rents and donated assets for leases
Adjusted Balance at 31 March 2024	778,290	1,184	779,474	Adjusted for peppercorn rents and donated assets for leases
Surplus of (Deficit) on the provision of services	72,703	(1,184)	73,887	Adjusted for peppercorn rents and donated assets for leases
Total Comprehensive Income and Expenditure	(55,475)	(1,184)	(56,659)	Adjusted for peppercorn rents and donated assets for leases
Net Increase/(Decrease) before Transfers to Earmarked Reserves	(55,475)	(1,184)	(56,659)	Adjusted for peppercorn rents and donated assets for leases

Increase/(Decrease) in 2024/25	(55,475)	(1,184)	(56,659)	Adjusted for peppercorn rents and donated assets for leases
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In addition, the impact of these changes has been reflected in the Cash Flow, in the following Notes to the Accounts and throughout Group Accounts:

Note 7 – Expenditure and Funding Analysis

Note 8 – Note to the Expenditure and Funding Analysis

Note 9 – Expenditure and Income Analysed by Nature

Note 11 – Adjustments Between Accounting Basis and Funding Basis Under Regulations

Note 15 – Taxation and Non-Specific Grant Incomes

7.4. There have been some other minor disclosure changes to the Notes to the Core Financial Statement, in the main due to the additional lease disclosures. There have also been other minor typographical errors corrected throughout the Statement of Accounts

8. Letter of Representation

- 8.1. The Council is required to produce a letter of representation for the external auditors which provides assurance that the information submitted within the accounts is accurate and that all material information has been disclosed to the auditors. External audit will only sign off the accounts once this letter has been received. A copy of the proposed letter of representation is attached at Appendix 2.
- 8.2. For Shropshire Council, this letter is produced in consultation with the external auditor, as at the date that the accounts will be signed off by the auditor and it is proposed that this is signed by the Executive Director of Resources and the Chairman of the Audit and Governance Committee on behalf of the Council, once this has been finalised.

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

Approval of the Council's Draft Statement of Accounts 2024/25 - Audit Committee, 16th July 2025

Local Member: All

Appendices

Appendix 1 – Audited Statement of Accounts 2024/25

Appendix 2 – Letter of Representation

Statement of Accounts

2024-2025



The Statement of Accounts is the formal financial report on the Council's activities as required by the Accounts and Audit Regulations 2015, and other statutory provisions.

The statement includes:

1. Narrative Report (pages 1 to 14)
2. The Statement of Responsibilities (page 15)
3. The Audit Opinion and Certificate (pages 16 to 22)
4. The Core Financial Statements comprising:-
 - The Comprehensive Income and Expenditure Statement (page 24)
 - The Movement in Reserves Statement (pages 25 to 26)
 - The Balance Sheet (page 27)
 - The Cash Flow Statement (page 28)
5. The Notes to the Core Financial Statements (pages 29 to 112)
6. Group Accounts:
 - Introduction (pages 113 to 114)
 - The Group Comprehensive Income and Expenditure Statement (page 115)
 - The Group Movement in Reserves Statement (pages 116 to 117)
 - The Group Balance Sheet (page 118)
 - The Group Cash Flow Statement (page 119)
 - The Group Account Notes (pages 120 to 127)
7. The Housing Revenue Account (pages 128 to 131)
8. The Collection Fund (pages 132 to 133)
9. The Pension Fund Accounts (pages 134 to 180)
10. Glossary (pages 181 to 194)

Further information about the Council's Accounts can be obtained from the Finance Department.

For details please contact James Walton on (01743) 258915.

James Walton
Executive Director, S151 Officer

Section 1

Narrative Report



Introduction

About Shropshire Council

Shropshire Council is a unitary authority which was formed on 1 April 2009. The area covered by the Council is rural with an area of 3,197 square kilometres and a population of just 329,260. The Council represents 91.7% of the county of Shropshire with the remainder of the county being covered by Telford and Wrekin Council.

In 2022/23, the Council adopted the Shropshire Plan which outlines a new vision and priorities for the Council for the following 3 years, in addition to a new performance approach.

Our Services

In 2024/25 the Council was organised around four directorates:

- **Health and Wellbeing** (including public health, regulatory services, community safety, emergency planning, risk management, planning services, libraries).
- **People** (including the support of and assistance to people with learning or physical disabilities or sensory impairment and older people, and the homeless or mental health services; children's social care and safeguarding; mainstream schools and education; early years and pre-school; special schools and special educational needs provision; education improvement, Shire Catering and Cleaning, public transport and home to school transport).
- **Place** (including economic growth, broadband, planning policy, property services and facilities management, waste management, highways, parking, street cleansing, arts, AONB, outdoor partnerships, climate change, leisure, museums, archives, theatre services, bereavement services, housing development and housing stock).
- **Resources** (including technology, information intelligence and insight, human resources and organisational development, finance, audit, and insurance, revenues and benefits, pensions, treasury, legal services, democratic services to support elected members, registrars and coroners, communications and engagement).

Vision for Shropshire

The Shropshire Plan for 2022 to 2025 was agreed by Full Council on 12th May 2022. The Shropshire Plan is the key strategic document for the Council and sets out the vision, purpose and priorities of the Council and for its people, communities, businesses and organisations.

The Shropshire Plan (see link here: [The Shropshire Plan 2022-2025 | Shropshire Council](#)) is informed by the following key objectives which sit at the heart of everything the Council does:

- Healthy people,
- Healthy economy,
- Healthy environment, and a
- Healthy organisation.

Narrative Report

Figure 1: Priorities within the Shropshire Plan



Alongside the Shropshire Plan, the Workforce Strategy sets out the key values of 'Getting It Right' (GiR) which is our overarching approach for the long term future of Shropshire.



Figure 2: Getting It Right – core values agreed by staff

Performance

The delivery of the outcomes for Shropshire is monitored on a quarterly basis. It is presented using a performance portal, which enables a drill down into each performance measure. The information is reported to Cabinet with the report identifying specific measures by exception. The full information for each measure is published on the performance portal when the report is presented to Cabinet and this provides Overview and Scrutiny the opportunity to identify any measures which stand out that they would like to understand in greater detail. Members can request additional

Narrative Report

information and receive it to inform whether they would want to add it to their work programme. Given the financial constraints that the Council is operating within, there is a reasonable performance position for the year. A summary of the performance for each priority in 2024/25 is detailed below:

Healthy People

55% of the performance targets relating to Healthy People have been achieved during the financial year, against the backdrop of increased demand for services, particularly within Adults and Children's Social Care during the financial year.



There are 6 targets where action is required, and these relate to the following indicators:

- Assessment timeliness – within 45 working days (Children's Social Care)
- Stability of placements of looked after children
- % of Educational Health Care Plans (EHCP) issued within 20 weeks
- Rates of deaths by suicide
- Prevalence of overweight (Reception)
- Prevalence of overweight (Year 6)

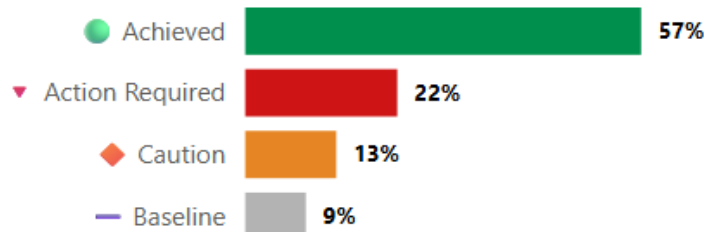
Delivery plans are in place to address performance for these areas, however it is acknowledged that some of the measures planned may only see an improvement over the medium to long term.

Narrative Report

Healthy Economy

The Shropshire Plan Performance HEALTHY ECONOMY

What have we achieved so far?



There are 5 targets where action is required, and these relate to the following indicators:

- Maintaining 5-year housing land supply
- Reduction of households in B&B accommodation
- Reduce the workplace pay gap with the national average by 50% by 2027
- Attainment 8 achievements (quality of education) inline or better than national average
- Reduce the % of workforce with no or low level qualifications

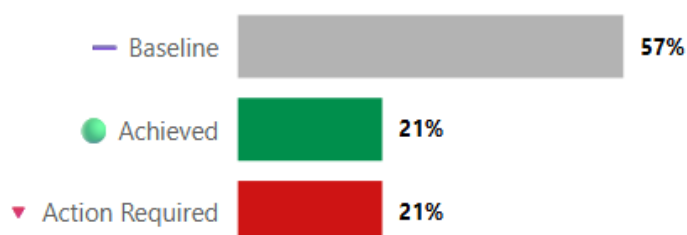
The Council is actively looking to reduce the number of households in B&B accommodation and has taken steps during the year to make more Council owned accommodation available for this purpose. The quality of education is based on secondary education which is predominantly provided through Academy Trusts now within Shropshire, therefore is difficult to influence.

During the year there has been an increase in the levels of investment in Shropshire, which continue to outperform the target. Net job growth continues to be strong in Shropshire with out of work claimants and Young People not in Employment, Education or Training are below the target and national averages.

Healthy Environment

The Shropshire Plan Performance HEALTHY ENVIRONMENT

What have we achieved so far?



Narrative Report

There are 3 targets where action is required, and these relate to the following indicators:

- % of streetlights converted to LED
- Number of Environmental Permit inspections completed against statutory target
- % of household waste sent for re-use, recycling and composting

There was a reduction in the level of household waste sent for recycling, re-use and composting in the second half of the year which coincided with changes made to the Household Recycling Centres and the introduction of the green waste charge. Changes have since been made to the availability of the Household Recycling Centres which may positively impact this measure in the future.

Improvements were made to access to Broadband in the county and the level of renewable energy generated increased.

Healthy Organisation



There are 4 targets where action is required, and these relate to the following indicators:

- Staff turnover rates
- Average number of days lost to sickness absence per year
- Responding to Freedom of Information Requests within statutory timescales
- Resident satisfaction with Highways and Transport services

The Council has been subject to significant organisational change in attempting to deliver financial savings and become a more sustainable council. As a result, this has impacted on the stability of the workforce with sickness levels also increasing. This will remain a challenge into 2025/26 as the Council continues to transform to the New Operating Model requiring further organisational change.

Revenue Spending Plans for 2024/25

The Council's budget for the provision of services in 2024/25 and the Medium Term Financial Plan to 2028/29 was agreed by Council in February 2024. The budget was set against a backdrop of increasing demand pressures for statutory services, such as Children's Social Care and Adult's Services.

In total, the Council planned to spend £709.5m (gross) on council services in 2024/25 and planned to deliver new savings of £62.5m.

Narrative Report

The gross budget was financed through Government Grants (£300.8m), Service Income (£146.9m), Council Tax (£205.1m), Business Rates (£41.3m), Top Up Grant (£10.9m), Revenue Support Grant (£7.9m) and a Collection Fund Surplus (£3.6m).

Revenue Outturn Position for 2024/25

As set out in the table below the 2024/25 outturn was a £34.230m spend variation from budget, representing a 13% variance on the gross budget. Further details of the outturn position for each directorate are shown in the Financial Outturn report which is presented to Cabinet and Council in June and July.

	Final Budget £000	Actual Outturn £000	Controllable Over/ (Under) £000
Service Expenditure			
Health and Wellbeing	5,992	5,503	(489)
People	214,687	245,931	31,244
Place	51,651	66,722	15,071
Resources	3,782	8,463	4,681
Strategic Management Board	(23)	295	318
Service Delivery Budgets	276,089	326,914	50,825
Corporate	(14,392)	(30,987)	(16,595)
Net Budget	261,697	295,927	34,230

The outturn position within Service Delivery budgets deteriorated significantly in the final quarter, in the main due to challenging demand levels within Adult Social Care. These pressures in Social Care were offset by the release of earmarked reserves within Corporate Budgets.

Year End Projected Over/(Under)spend	Quarter 1* £000	Quarter 2 £000	Quarter 3 £000	Outturn £000
Health and Wellbeing	185	(297)	(407)	(489)
People	17,306	16,319	17,345	31,244
Place	14,764	12,938	14,488	15,071
Resources	4,630	4,068	3,937	4,681
Strategic Management Board	438	613	510	318
Service Delivery Budgets	37,323	33,641	35,873	50,825
Corporate	1,184	1,454	(312)	(16,595)
TOTAL	38,507	35,095	35,561	34,230

During the year the Council experienced increased activity for Children's Social Care resulting in additional cost pressures. High demand and inflationary cost pressures in Adults Services, in addition to income levels reducing due to the transfer of people from assumed health funding to Local Authority funding resulted in a significant budgetary pressure in 2024/25. In addition, savings delivery planned during the budget was not as anticipated during the year and have resulted in overspends being realised for 2024/25. These savings have been carried forward for delivery in 2025/26.

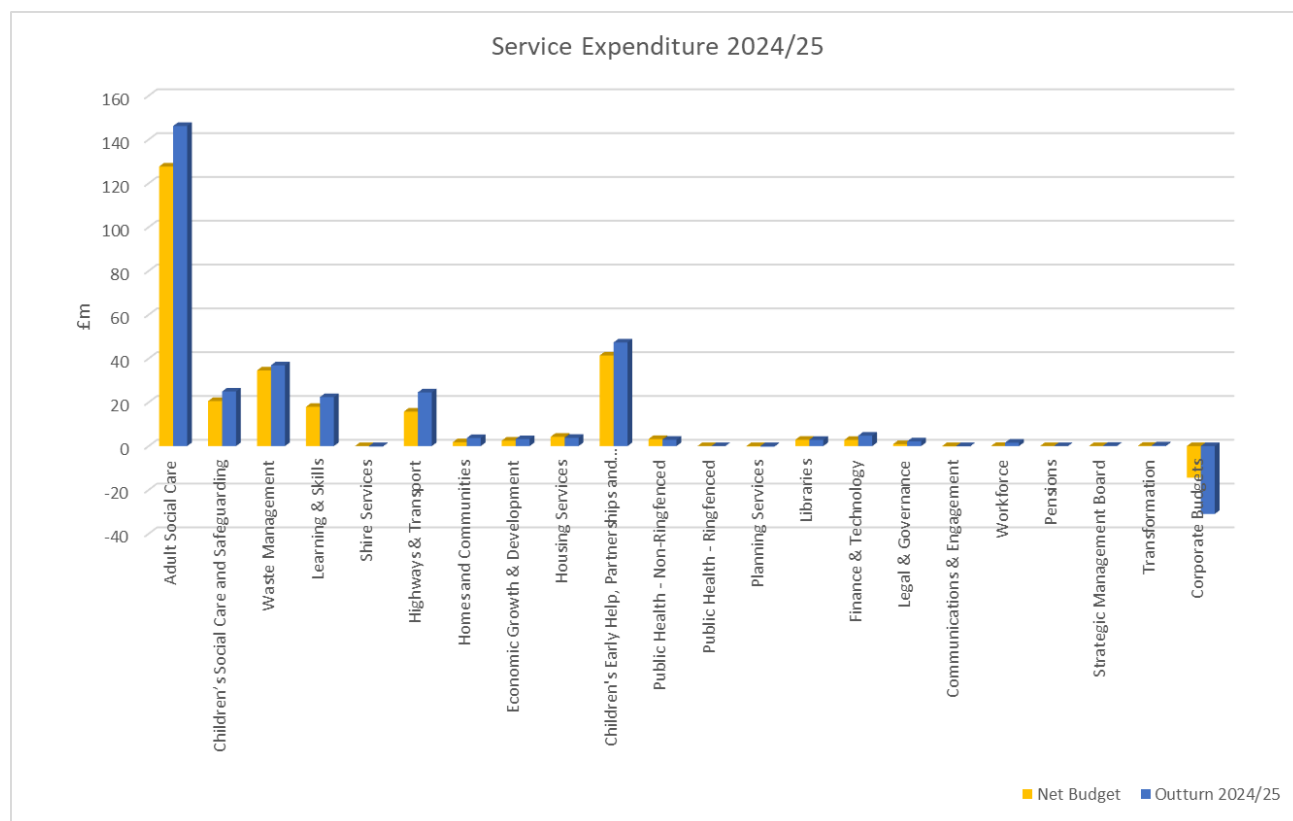
During 2024/25 the Council applied for Exceptional Financial Support and were able to utilise a Capitalisation Direction which enabled the Council to borrow to fund transformation costs (£26.9m). This allowed the Council to decommit £8.6m of the

Narrative Report

development reserve so that this could instead be released to offset the pressures highlighted above.

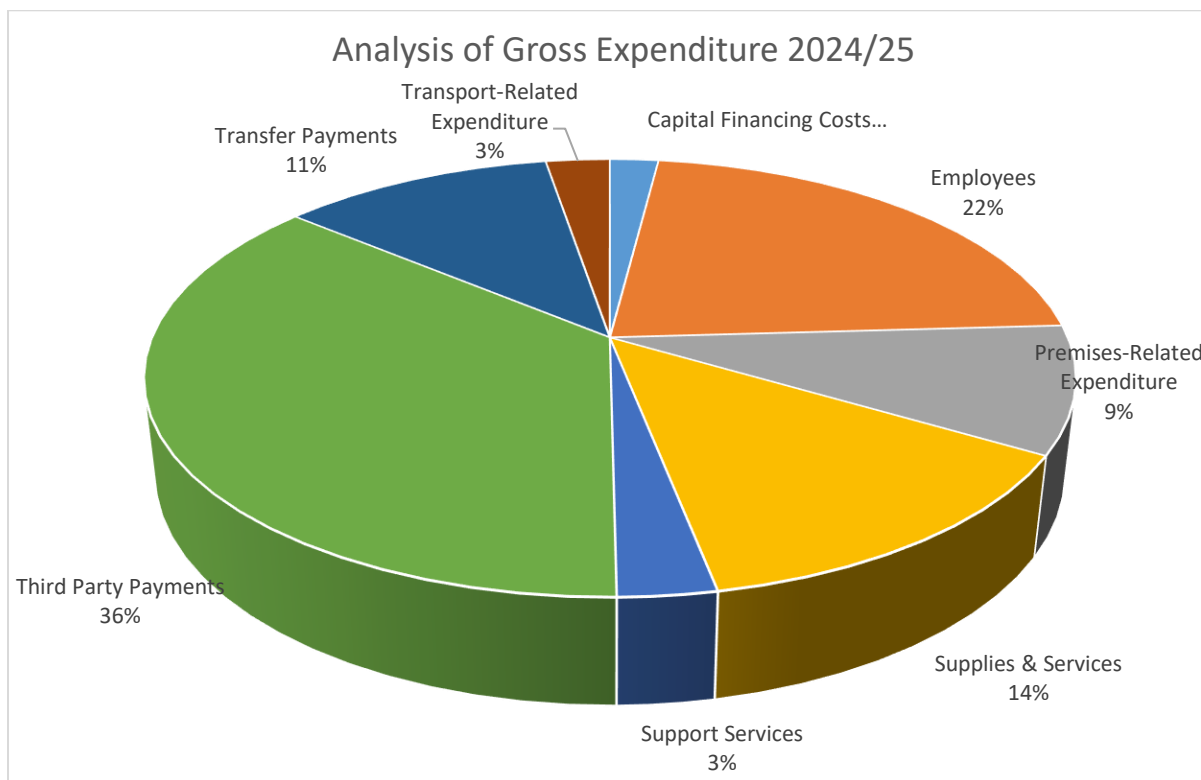
Further detail on the Council's service expenditure can be found within the Comprehensive Income & Expenditure Statement and Notes 7, 8, 9 and 10 to the Accounts.

The chart below demonstrates which services the Council has spent its net budget on. It should be noted that this excludes any expenditure on schools which is funded separately through the Dedicated Schools Grant.



The gross expenditure for the Council, including expenditure for schools was £978.966m and this was spent on the following types of expenditure:

Narrative Report



Reserves

The Council holds several revenue reserves to provide resilience for unforeseen financial pressures, implementation costs of long term projects or long term contractual commitments.

In 2024/25 the Council had planned to increase the general fund balance by £30.584m to a balance of £38.821m. However, as outlined above, the overspend realised in the revenue budget has resulted in a significant proportion of the General Fund Balance needing to fund the overspend. The General Fund Balance as at 31 March 2025 was therefore £4.965m. This balance lies significantly below the risk assessed level of balances calculated for 2024/25. As a result of this anticipated position, The Council has again budgeted to increase reserves in 2025/26, however this is dependent on the Council delivering fully on their planned spending reductions and cost pressures being managed in areas such as social care and winter maintenance.

Earmarked reserves have decreased by £9.953m during 2024/25, which includes a decrease in schools delegated balances of £0.647m. Earmarked reserves have been utilised in 2024/25 mainly to offset cost pressures arising in the revenue outturn position, and non-delivery of savings where there has been slippage in delivery. Total earmarked reserves are held at £25.455m including delegated school balances of £6.693m.

Capital Outturn Position for 2024/25

The Capital Budget is monitored throughout the year to identify any pressures and re-profile budgets based on revised expenditure projections. The budget changes as a result of slippage from the previous financial years capital programme, new capital allocations received or reductions in existing allocations and re-profiling of capital allocations between financial years.

Narrative Report

The table below provides a summary of the revised capital budget and expenditure for 2024/25 as at outturn and slippage into the next financial year. Further details of the outturn position are provided in the Financial Outturn report presented to Cabinet and Full Council.

Service Area	Revised Budget 2024/25 £000	Actual Spend 2024/25 £000	Variance 2024/25 £000
General Fund			
Health & Wellbeing	1,873	2,233	360
People	9,984	6,754	(3,230)
Place	82,345	81,198	(1,147)
Resources	100	223	123
Strategic Management Board	135	59	(76)
Total General Fund	94,437	90,467	(3,970)
Housing Revenue Account	18,202	17,353	(849)
Total Capital Programme	112,639	107,820	(4,819)

The table below provides a summary of the capital financing for the actual capital expenditure for 2024/25.

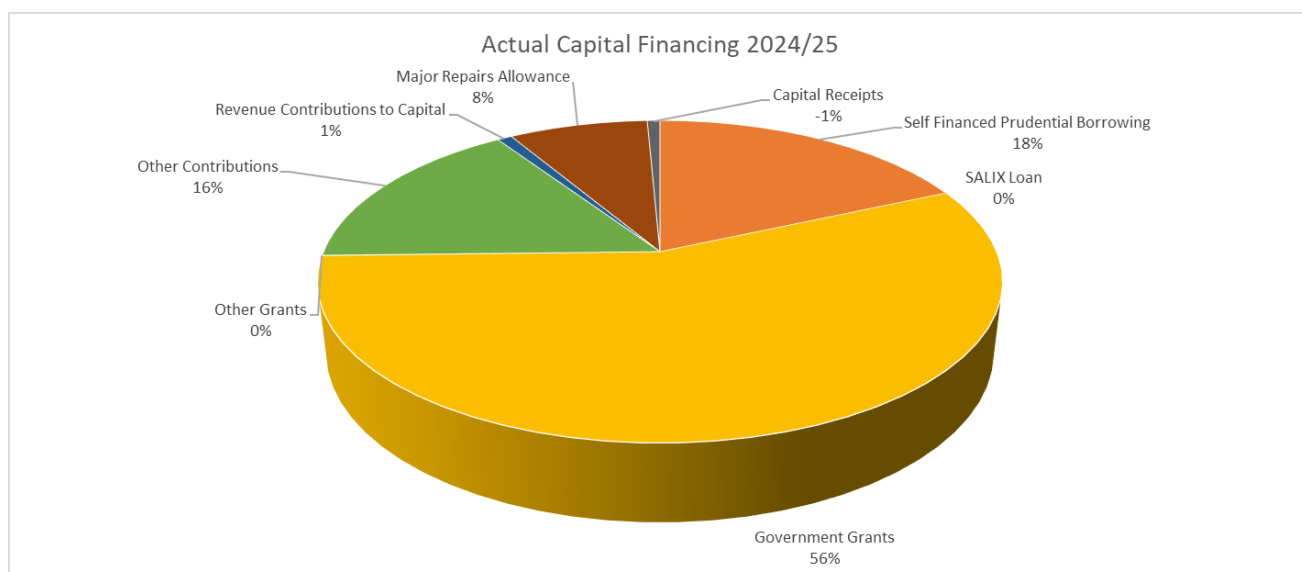
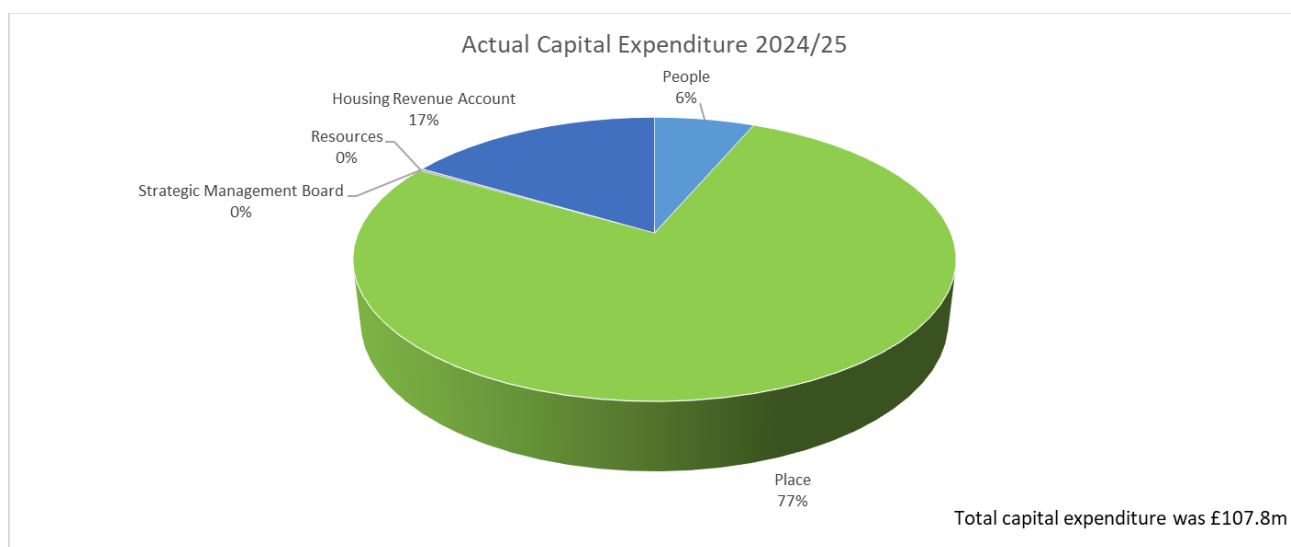
Financing	2024/25 £000
Capital Grants & Contributions	79,049
Revenue Contributions	901
Major Repairs Allowance	8,580
Self Financing Prudential Borrowing	20,075
Corporate Resources	(785)
	107,820

The areas of most significant expenditure for schemes undertaken in 2024/25 are as follows:

	Expenditure 2024/25 £000
People	
Schools Condition Schemes	1,408
Devolved Formula Capital	645
School Future Place Planning	2,424
Place	
Highways and Transport	33,978
North West Relief Road	7,281
Flood Defences and Water Management	694
Broadband	3,284
Economic Development	6,912
Commercial Investments	14,869
Leisure	10,910
Housing Services	9,164

Narrative Report

	Expenditure 2024/25 £000
Disabled Facilities Grants	5,326
National Landscapes including ROW	1,193
Corporate Landlord	10,199
Housing Revenue Account	
Housing Major Repairs Programme	9,100
Local Authority Housing Fund	5,040
Single Homelessness Accommodation Programme	2,523
New Build Programme	579



Cash Flow Management

Cashflow forecasts are prepared for the current and future financial years and are monitored daily. The cashflow forecast is regularly updated to take account of future changes so the cash position of the Council can be managed appropriately.

Narrative Report

The Council undertakes long-term borrowing, for periods over one year, to finance capital spending. The Council satisfies its borrowing requirement for this purpose by securing external loans. However, the Council can temporarily defer the need to borrow externally by using the cash it has set aside for longer term purposes; this practice means that there is no immediate link between the need to borrow to pay for capital spend and the level of external borrowing. The effect of using the cash set aside for longer term purposes to temporarily defer external borrowing is to reduce the level of cash that the Council has available for investment.

The Council has used cash to offset external borrowing for several years and this has generated significant savings for the Council in borrowing costs. Cash balances held by the Council reduced over the last three financial years and so in 2024/25 it has been necessary to secure additional borrowing. As a result, for cashflow purposes, the Council secured £126.9million of new loans for the General Fund and £19.2m for the Housing Revenue Account. £36m of the General Fund new loans related to renewing existing loans to take advantage of improved interest rates. The General Fund borrowing includes the Capitalisation Direction (£26.9m) as approved by the Government for Exceptional Financial Support. Further details are provided in the Statement of Accounts.

The Council is satisfied that cashflow levels are sustainable in the short to medium term, but will continue to review required borrowing levels in 2025/26.

The Statement of Accounts

The purpose of the Statement of Accounts is to give electors, those subject to locally levied taxes and charges, Members of the Council, employees and other interested parties, clear information about the Council's finances. The format of the Statement of Accounts is governed by The Code of Practice on Local Authority Accounting in the United Kingdom, published by CIPFA (the Code). To make the document as useful as possible to its audience and to enable meaningful comparisons between authorities possible the Code requires:

- All Statement of Accounts to reflect a common pattern of presentation, although this does not necessarily require them to be in an identical format.
- Interpretation and explanation of the Statement of Accounts to be provided.
- The Statement of Accounts and supporting notes to be written in plain language.

The section on accounting policies describes the basis on which the financial information within the statements is prepared. The accounts have been prepared to give a true and fair view of the financial position of the Council and with the underlying assumption of the going concern concept. Information is included within the statements having regard to the concepts of relevance, reliability, comparability and understandability together with a consideration of materiality.

This statement of accounts comprises various sections and statements, which are briefly explained below:

- **A Narrative Report** – this provides an effective guide to the most significant matters reported in the accounts, including an explanation of the Council's financial position and details the performance of the Council during the financial year.

Narrative Report

- **The Statement of Responsibilities** – this details the responsibilities of the Council and the Chief Financial Officer concerning the Council's financial affairs and the actual Statement of Accounts.
- **The Audit Opinion and Certificate** – this is provided by the external auditor following the completion of the annual audit.
- **The Core Financial Statements**, comprising:
 - **The Comprehensive Income and Expenditure Statement** – this is fundamental to the understanding of a Council's activities. It brings together all the functions of the Council and summarises all of the resources the Council has generated, consumed or set aside in providing services during the year. As such, it is intended to show the true financial position of the Council, before allowing for the concessions provided by statute to raise council tax according to different rules and for the ability to divert certain expenditure to be met from capital resources.
 - **The Movement in Reserves Statement** – this shows the movement in the year on the different reserves held by the Council which is analysed into 'usable reserves' and other reserves.
 - **The Balance Sheet** – like the Income and Expenditure Statement this is also fundamental to the understanding of the Council's financial position as at 31 March 2025. It shows the balances and reserves at the Council's disposal, long term liabilities and the fixed and net current assets employed in its operations, together with summarised information on the non current assets held.
 - **The Cash Flow Statement** – this consolidated statement summarises the Council's inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes. Cash is defined for the purpose of this statement, as cash in hand and cash equivalents.
- **The Notes to the Core Financial Statements** provide supporting and explanatory information on the Core Financial Statements and include the Council's accounting policies.
- **Group Accounts** – group financial statements are required to reflect the variety of undertakings that local authorities conduct under the ultimate control of the parent undertaking of that group. The group accounts should also include any interests where the Council is partly accountable for the activities because of the closeness of its involvements i.e. in associates and joint ventures. Some of the transactions involved are not considered material to the Council's accounts however the Council has decided to provide a full disclosure in terms of bodies that it has a relationship with.
- **The Housing Revenue Account** – There is a statutory duty to account separately for local authority housing provision.
- **The Collection Fund** – This account reflects the statutory requirement for billing authorities to maintain a separate Collection Fund, which shows the transactions of

Narrative Report

the billing authority in relation to Non-Domestic Rates and the Council Tax, and illustrates the way in which these have been distributed to preceptors and the General Fund.

- **The Pension Fund Accounts and Disclosure Notes** – the Shropshire County Pension Fund is administered by this Council, however, the pension fund must be shown separately from the Council's own finances. The accounts summarise the financial position of the Shropshire County Pension Fund, including all income and expenditure for 2023/24 and assets and liabilities as at 31 March 2025.

A glossary to the Statement of Accounts is also included to help to make, what is ultimately a very technical accounting document, more understandable to the reader.

Outlook for the Council

The Council produced a Medium Term Financial Strategy (MTFS) for the period 2025/26 – 2029/30, and the plan sets out a clear route to securing long term financial sustainability for the Council, whilst aligning the Council's resources to the Shropshire Plan.

The financial outlook for 2025/26 is extremely challenging. The Council continues to experience significant demand for services such as social care, and increasing cost pressures arising from inflation, particularly in the care market. The specific factors affecting the budget for 2025/26 are:

- Lower proportion of funding provided by the government compared to the national average for government funding. This included the loss the Rural Services Delivery Grant which is no longer distributed.
- Increased population, particularly amongst older adults
- Increasing demand for services such as:
 - children needing support or protection, and
 - adults with learning difficulties or autism;
 - demand for Temporary Accommodation and housing support
 - cost of living support
 - the challenge of delivering services across a large rural area with a sparse population

The impact of these factors are that demand for services outstrips the resources available to the Council within the current operating model. The 2025/26 budget therefore proposed a reduction to the overall size and scope of the council, and to secure efficiency and transformational improvements to continue to provide services the greatest extent possible within the available resources. The Council is also developing broader approaches to demand management, enabling us to better meet the challenges of demand increases. Also as highlighted earlier, only a proportion of the budget savings for 2024/25 were delivered, therefore the remaining balance that was not delivered has been carried forward to 2025/26. The total savings required for 2025/26 budget are £59.876m.

Despite the challenges encountered through the year, the objectives and overarching vision of The Shropshire Plan remain a clear guide to the priorities for the 2025/26 budget.

Narrative Report

In May 2025, the local elections were held in Shropshire which resulted in a change of administration. It is therefore intended that a new Corporate Plan will be developed during 2025/26 which will help inform the 2026/27 budget and further years in the MTFS.

Next year we will be investing over £138 million of capital funding into local projects. The capital programme remains priority led, reflecting the need for growth in the Shropshire economy, significant investment in infrastructure and roads, investment in the current housing stock and continuing a new build programme for housing, and funding to deliver superfast broadband across much of Shropshire in the coming years.

Given the change in administration of the Council, it is intended that the Capital Programme and schemes identified within the Capital Strategy will be fully reviewed during the course of 2025/26 to confirm that the schemes progressed are in line with the Council's priorities.

Transactions within Group Boundary

The Council has several organisations that it holds an interest or controlling share within. These include:

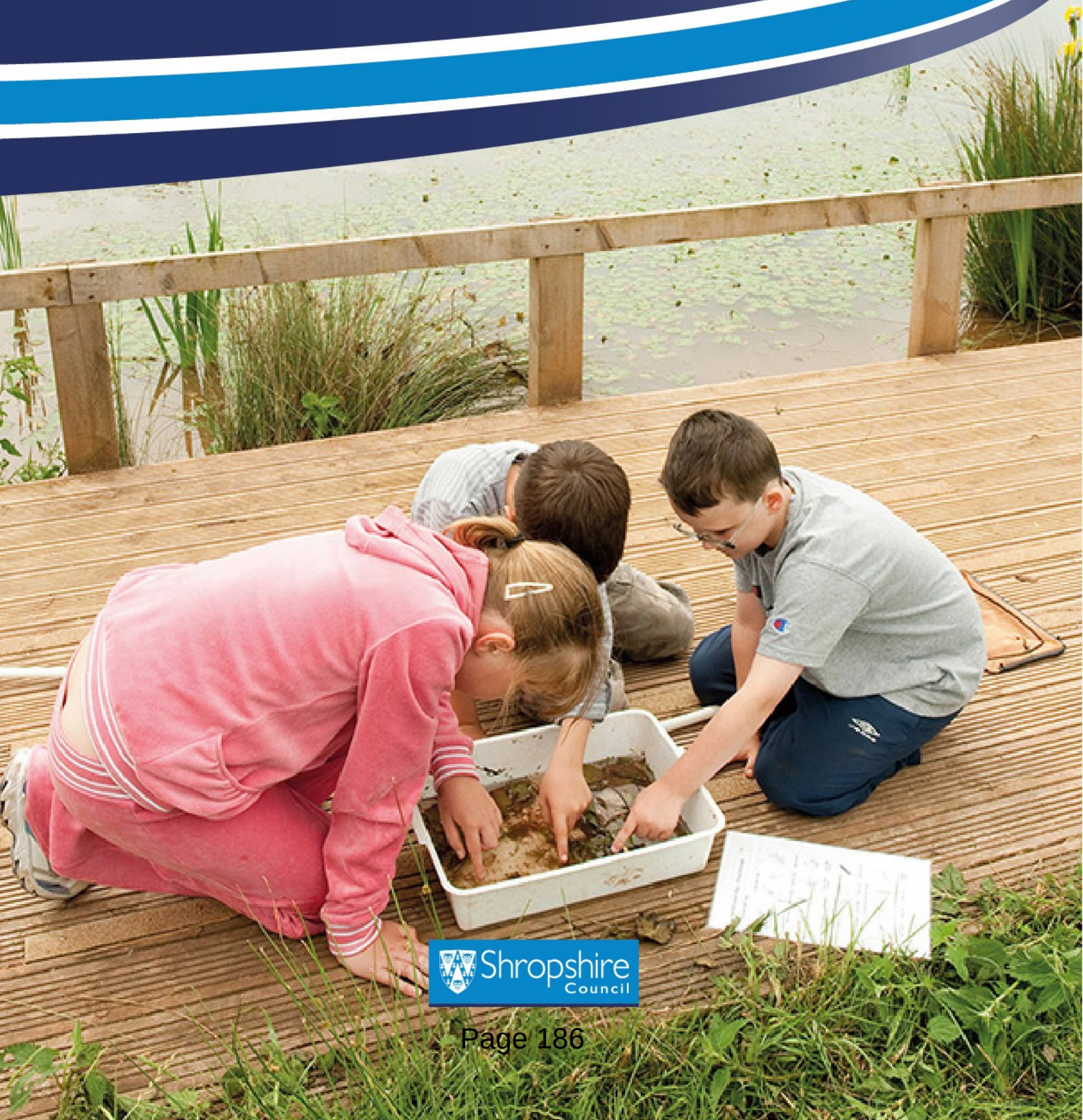
- Shropshire Towns and Rural Housing
- West Mercia Energy
- West Mercia Supplies (Pension)
- Cornovii Developments Limited
- Biodynamic Carbon Limited

Cornovii Developments Limited (CDL) was set up to address the unmet housing needs within Shropshire Council's administrative area, and during 2024/25 they have completed work at three sites, delivering a total of 81 homes. Whilst some of these houses have been sold on the open market, a third of these have been designated as affordable housing and 26 have been held by CDL for private rental purposes. CDL has generated turnover of £11.9m and holds total assets of £37.4m including those houses held for rental purposes, and work in progress as the company develop further sites. Further detail on the transactions for CDL are outlined in the Group Accounts section in the Statement of Accounts.

The interests held in the other companies as outlined above, are not considered material, however again, this is discussed in more detail within the Group Accounts section of the Statement of Account.

Section 2

Statement of Responsibilities



Statement of Responsibilities

The Council's Responsibilities

The Council is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Council, that officer is the Executive Director, S15 Officer;
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- Approve the Statement of Accounts.

Approved by Council

The Council's Statement of Accounts for 2024/25 was formally approved at a meeting of the Audit Committee on 27 November 2025.

Duncan Kerr
Chair of the Audit Committee
27 November 2025

Responsibilities of Executive Director, S151 Officer

The Executive Director, S151 Officer is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC *Code of Practice on Local Authority Accounting in the United Kingdom* ("the Code").

In preparing this Statement of Accounts, the Executive Director, S151 Officer has:

- Selected suitable accounting policies and then applied them consistently;
- Made judgements and estimates that were reasonable and prudent;
- Complied with the local authority Code.

The Executive Director, S151 Officer has also:

- Kept proper accounting records which were up to date;
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

Certificate of the Executive Director, S151 Officer

I hereby certify that the Statement of Accounts present a true and fair view of the financial position and the income and expenditure of the Council for the year ended 31 March 2025.

James Walton
Executive Director, S151 Officer
27 November 2025

Section 3

Audit Opinion and Certificate



Audit Opinion and Certificate

Independent auditor's report to the members of Shropshire Council

Report on the audit of the financial statements

Opinion on financial statements

We have audited the financial statements of Shropshire Council (the 'Authority') and its subsidiaries and joint venture (the 'group') for the year ended 31 March 2025, which comprise, the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Group Comprehensive Income and Expenditure Statement, the Group Movement in Reserves Statement, the Group Balance Sheet, the Group Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, the Collection Fund and notes to the financial statements, including material accounting policy information. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the group and of the Authority as at 31 March 2025 and of the group's expenditure and income and the Authority's expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law, as required by the Code of Audit Practice (2024) (the 'Code of Audit Practice') approved by the Comptroller and Auditor General. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the group and the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the Executive Director of Resource's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group and the Authority's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Authority or the group to cease to continue as a going concern.

Audit Opinion and Certificate

In our evaluation of the Executive Director of Resources' conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25 that the Authority's and group's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the group and the Authority. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2024) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the group and Authority and the group and Authority's disclosures over the going concern period.

In auditing the financial statements, we have concluded that the Executive Director of Resources' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Authority's and the group's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Executive Director of Resources with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the Annual Governance Statement and Statement of Accounts, other than the financial statements, our auditor's report thereon and our auditor's report on the pension fund financial statements. The Executive Director of Resources is responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other information we are required to report on by exception under the Code of Audit Practice

Under the Code of Audit Practice published by the National Audit Office in November 2024 on behalf of the Comptroller and Auditor General (the 'Code of Audit Practice') we are required to consider whether the Annual Governance Statement does not comply with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25, or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

Opinion on other matters required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements, the other information published together with the financial statements in the Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above except on 27 November 2025 we made a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014. This was in relation to the Authority's financial sustainability in the medium term. We recommended that the Authority should:

- Continue, at pace, the action taken to address the financial challenges it faces, including an immediate review of all services, both statutory and non-statutory, and identify the cost of minimum viable service provision to deliver its statutory responsibilities. This will enable the Authority to understand the scale of its structural deficit between the cost of services and the income available to the Authority. This action should give the Authority an understanding of immediate decisions and savings that can be delivered, replicating actions that would be taken were the Authority to issue a Section 114 Notice.
- Review all estimates and modelling that feed into the development of the budget and Medium Term Financial Strategy (MTFS) to ensure that optimism bias is reduced or eliminated. This should enable the Authority to mitigate variances in the actuals compared to budget result from over-optimism in assumptions.
- Develop a realistic and deliverable plan over the medium term as to how Exceptional Financial Support (EFS) will support the increase in financial resilience, and how the Authority will reduce reliance on this support to reach a financially sustainable position. EFS should be temporary in nature and the Authority needs to clearly articulate the plan for reaching a financially sustainable position without undue reliance on temporary sources of support, which increase the debt profile of the Authority and the associated ongoing revenue costs of servicing this borrowing.
- Immediately action the recommendations raised in the Internal Audit review with regards to the budget monitoring and reporting issues that contributed to the significant deterioration in the 2024/25 outturn position. Audit and Governance Committee should receive a report on the progress of addressing the recommendations to avoid a similar situation occurring again in the future.

Responsibilities of the Authority and the Executive Director of Resources

As explained more fully in the Statement of Responsibilities, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Executive Director of Resources. The Executive Director of Resources is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25, for being satisfied that they give a true and fair view, and for such internal control as the Executive Director of Resources determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Executive Director of Resources is responsible for assessing the Authority's and the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have been informed by the relevant national body of the intention to dissolve the Authority and the group without the transfer of its services to another public sector entity.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the group and Authority and determined that the most significant which are directly relevant to specific assertions in the financial statements are those related to the reporting frameworks (the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25, the Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015, the Accounts and Audit (Amendment) Regulations 2024, the Local Government Act 2003, Local Government and Housing Act 1989, Local Government Act 1972, Local Government Finance Act 1988 (as amended by the Local Government Finance Act 1992 and the Local Government Finance Act 2012)).
- We enquired of management and the audit committee, concerning the group and Authority's policies and procedures relating to:
 - the identification, evaluation and compliance with laws and regulations;
 - the detection and response to the risks of fraud; and
 - the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.

Audit Opinion and Certificate

- We enquired of management, internal audit and the audit committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.

We assessed the susceptibility of the Authority and group's financial statements to material misstatement, including how fraud might occur, by evaluating management's incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to large and unusual journals which were designed to change financial performance.

Our audit procedures involved:

- evaluation of the design effectiveness of controls that management has in place to prevent and detect fraud;
 - journal entry testing, with a focus on large year end manual journals, journals posted by senior officers and large and unusual journals which were designed to change financial performance and journals posted by users with admin access;
 - challenging assumptions and judgements made by management in its significant accounting estimates in respect of land and buildings and defined benefit pension liabilities; and
 - assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.
 - We communicated relevant laws and regulations and potential fraud risks to all engagement team members, including the potential for fraud as a result of management override. We remained alert to any indications of non-compliance with laws and regulations, including fraud, throughout the audit.
 - The engagement partner's assessment of the appropriateness of the collective competence and capabilities of the group and Authority's engagement team included consideration of the engagement team's:
 - understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
 - knowledge of the local government sector in which the group and Authority operates
 - understanding of the legal and regulatory requirements specific to the Authority and group including:
 - the provisions of the applicable legislation
 - guidance issued by CIPFA/LASAAC and SOLACE
 - the applicable statutory provisions.
 - In assessing the potential risks of material misstatement, we obtained an understanding of:
 - the Authority and group's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.

Audit Opinion and Certificate

- the Authority and group's control environment, including the policies and procedures implemented by the Authority and group to ensure compliance with the requirements of the financial reporting framework.
- For components at which audit procedures were performed, we requested component auditors report to us instances of non-compliance with laws and regulations that gave rise to a risk of material misstatement of the group financial statements. No such matters were identified by the component auditors

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Matter on which we are required to report by exception – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2025.

We have nothing to report in respect of the above matter except on 17 July 2024 we identified a significant weakness in the Authority's arrangements for financial sustainability. This was in relation to the Authority's financial sustainability in the medium term. We recommended that The Authority should re-consider all aspects of service delivery to ensure financial sustainability with efforts being directed toward the identification and delivery of savings that reduce the indicative budget gaps in 2025/26 and in future years along with supporting the replenishment of reserves. In addition, the Authority should ensure that there are alternative options to deliver a balanced MTFS in future years, reducing reliance on one-off measures to support the revenue budget (including non-recurrent savings, one-off grants and reserves) and, if required, how the reduction or removal of services in its long-term plan fits with its organisational strategy and the priorities of stakeholders. This significant weakness has not been addressed and remained in place at 31 March 2025. On 27 November 2025 we made a written recommendation under section 24 of the Local Audit and Accountability Act 2014 in respect of this significant weakness, which is described in the 'Matters on which we are required to report by exception' section of this report.

In addition, on 27 November 2025, we identified three significant weaknesses in respect of:

- The Authority's arrangements for financial sustainability. This was in relation to the Authority's Dedicated Schools Grant deficit which was £17.639 million at 31 March 2025, an increase of £15.096 million from the opening position. We recommended that the Authority should continue to drive forward activity that seeks to mitigate the growth of the DSG deficit whilst continuing to engage through the Schools Forum on the management plan in place. Regular reporting on the impact of mitigations should be made through the Schools Forum whilst also being reported to Cabinet as part of the overall financial monitoring reporting.
- The Authority's arrangements for financial sustainability. This was in relation to under delivery of savings against plan. We recommended that the Authority should review

Audit Opinion and Certificate

all savings programmes to scrutinise deliverability and ensure that, when setting the budget for 2026/27, the savings programmes included are deliverable and achievable, and scenario plan for any slippage to support the financial position. The Authority should review the outputs from the PwC transformation work and identify initiatives that can be implemented at pace to support savings delivery.

- The Authority's arrangements for governance. This was in relation to the Authority's internal control environment. For the last six financial years, the opinion of the Head of Internal Audit on the internal control environment of Shropshire Council has been "Limited Assurance". There has been little, if any, evidence of the Authority improving this situation and seeking to address the findings of the Head of Internal Audit. We recommended that the Authority should immediately create an action plan as to how to address the pervasive issues across the Authority that are contributing to the "Limited Assurance" opinion from the Head of Internal Audit. This plan should be approved by the Audit Committee and there should be regular reporting to Audit Committee on progress against the plan. The Authority should appoint a lead officer to drive this improvement.

Responsibilities of the Authority

The Authority is responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Auditor's responsibilities for the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in November 2024. This guidance sets out the arrangements that fall within the scope of 'proper arrangements'. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

- Financial sustainability: how the Authority plans and manages its resources to ensure it can continue to deliver its services;
- Governance: how the Authority ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness: how the Authority uses information about its costs and performance to improve the way it manages and delivers its services.

We document our understanding of the arrangements the Authority has in place for each of these three specified reporting criteria, gathering sufficient evidence to support our risk assessment and commentary in our Auditor's Annual Report. In undertaking our work, we consider whether there is evidence to suggest that there are significant weaknesses in arrangements.

Audit Opinion and Certificate

Report on other legal and regulatory requirements – Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate for Shropshire Council for the year ended 31 March 2025 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have:

- considered an objection brought to our attention by a local authority elector relating to the 2020/21 financial year under Section 27 of the Local Audit and Accountability Act 2014.
- considered an objection brought to our attention by a local authority elector relating to the 2023/24 financial year under Section 27 of the Local Audit and Accountability Act 2014.
- received confirmation from the National Audit Office that the audit of the Whole of Government Accounts is complete for the year ended 31 March 2025. We are satisfied that this work does not have a material effect on the financial statements for the year ended 31 March 2025.

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 85 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

[**Signature**]

Avtar Sohal, for and on behalf of Grant Thornton UK LLP, Local Auditor

Birmingham
November 2025

Section 4

Core Financial Statements



Comprehensive Income and Expenditure Statement

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with statutory regulations; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement.

Restated 2023/24 (Note 2)				2024/25		
Gross Expenditure £000	Income £000	Net Expenditure £000		Gross Expenditure £000	Income £000	Net Expenditure £000
			Expenditure on Continuing Services (Notes 7, 8, 9 and 10)			
31,665	(23,092)	8,573	Health and Wellbeing	31,972	(26,688)	5,284
22,731	(20,399)	2,332	Local Authority Housing	16,190	(23,090)	(6,900)
466,007	(221,218)	244,789	People	523,761	(251,005)	272,756
165,133	(59,974)	105,159	Place	188,270	(72,110)	116,160
62,781	(54,331)	8,450	Resources	65,603	(55,991)	9,612
4,693	(81)	4,612	Strategic Management Board	7,963	(111)	7,852
10,327	(38,148)	(27,821)	Corporate	17,886	(41,474)	(23,588)
763,337	(417,243)	346,094	Net Cost of Services	851,645	(470,469)	381,176
		15,205	Other Operating Expenditure (Note 13)			37,596
		29,195	Financing and Investment Income and Expenditure (Note 14)			22,165
		(346,009)	Taxation and Non Specific Grant Income (Note 15)			(367,050)
		44,485	(Surplus) or Deficit on Provision of Services			73,887
		(28,387)	(Surplus) or Deficit on Revaluation of Non-Current Assets			(898)
		2,928	Impairment Losses on Non-Current Assets Charged to the Revaluation Reserve			3,088
		(93,328)	Remeasurement of the Net Defined Benefit Liability (Notes 29 and 41)			(19,418)
		(118,787)	Other Comprehensive Income and Expenditure			(17,228)
		(74,302)	Total Comprehensive Income and Expenditure			56,659

Movement In Reserves Statement

This statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other 'unusable reserves'.

The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. This is different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for council tax setting and dwellings rent setting purposes.

The Net Increase/(Decrease) before Transfers to Earmarked Reserves line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the council.

2024/25										
	General Fund Balance £000	Earmarked General Fund Reserves £000	Total General Fund Balance £000	Housing Revenue Account £000	Major Repairs Reserve £000	Capital Grants Unapplied Account £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000	
Balance at 31 March 2024	8,237	35,407	43,644	11,737	6,008	58,498	119,887	658,403	778,290	
Adjustments on transition to new accounting arrangements for leases	1,184		1,184				1,184	0	1,184	
Transitional adjustments between accounting basis & funding basis under regulations	(1,184)		(1,184)				(1,184)	1,184	0	
Adjusted Balance at 31 March 2024	8,237	35,407	43,644	11,737	6,008	58,498	119,887	659,587	779,474	
<u>Movement in reserves during 2024/25</u>										
Surplus or (Deficit) on the provision of services	(84,364)	0	(84,364)	10,477	0	0	(73,887)	0	(73,887)	
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	17,228	17,228	
Total Comprehensive Income and Expenditure	(84,364)	0	(84,364)	10,477	0	0	(73,887)	17,228	(56,659)	
Adjustments between accounting basis & funding basis under regulations (Note 11)	70,938	0	70,938	(7,292)	(4,146)	(5,147)	54,353	(54,353)	0	
Net Increase/(Decrease) before Transfers to Earmarked Reserves	(13,426)	0	(13,426)	3,185	(4,146)	(5,147)	(19,534)	(37,125)	(56,659)	
Transfers to/(from) Earmarked Reserves (Note 12)	10,014	(9,953)	61	(61)	0	0	0	0	0	
Increase/(Decrease) in 2024/25	(3,412)	(9,953)	(13,365)	3,124	(4,146)	(5,147)	(19,534)	(37,125)	(56,659)	
Balance at 31 March 2025	4,825	25,454	30,279	14,861	1,862	53,351	100,353	622,462	722,815	

Movement In Reserves Statement

2023/24	General Fund Balance £000	Earmarked General Fund Reserves £000	Total General Fund Balance £000	Housing Revenue Account £000	Major Repairs Reserve £000	Capital Grants Unapplied Account £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Balance at 31 March 2023	7,093	52,579	59,672	12,359	7,400	52,395	131,826	572,162	703,988
<u>Movement in reserves during 2023/24</u>									
Surplus or (Deficit) on the provision of services	(42,446)	0	(42,446)	(2,039)	0	0	(44,485)	0	(44,485)
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	118,787	118,787
Total Comprehensive Income and Expenditure	(42,446)	0	(42,446)	(2,039)	0	0	(44,485)	118,787	74,302
Adjustments between accounting basis & funding basis under regulations (Note 11)	26,386	0	26,386	1,449	(1,392)	6,103	32,546	(32,546)	0
Net Increase/(Decrease) before Transfers to Earmarked Reserves	(16,060)	0	(16,060)	(590)	(1,392)	6,103	(11,939)	86,241	74,302
Transfers to/(from) Earmarked Reserves (Note 12)	17,204	(17,172)	32	(32)	0	0	0	0	0
Increase/(Decrease) in 2023/24	1,144	(17,172)	(16,028)	(622)	(1,392)	6,103	(11,939)	86,241	74,302
Balance at 31 March 2024	8,237	35,407	43,644	11,737	6,008	58,498	119,887	658,403	778,290

Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council are matched by the reserves held by the Council. Reserves are reported in two categories. The first category are usable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use. The second category is those that the Council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses, where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

2023/24		2024/25	
£000		£000	£000
1,138,504	Property, Plant & Equipment (Note 16)	1,156,403	
2,119	Heritage Assets	2,167	
43,029	Investment Property (Note 17)	47,701	
2,603	Intangible Assets	1,078	
1,186,255	Total Non Current Assets		1,207,349
971	Long Term Investment (Note 21)	980	
15,259	Long Term Debtors (Note 21)	23,999	
1,202,485	Total Long Term Assets		1,232,328
	Current Assets		
	Current Held for Sale Investment Properties (Note 17)		
18,283		14,520	
3,904	Assets Held for Sale	4,678	
729	Inventories	561	
123,805	Short Term Debtors (Notes 21, 23 & 24)	151,120	
37,293	Cash & Cash Equivalents (Notes 21 & 25)	50,725	
184,014	Total Current Assets		221,604
1,386,499	Total Assets		1,453,932
	Current Liabilities		
(35,933)	Bank Overdraft (Notes 21 & 25)	(19,938)	
(32,802)	Short Term Borrowing (Note 21)	(58,392)	
(88,150)	Short Term Creditors (Notes 21 & 26)	(108,032)	
(2,707)	Provisions (Note 27)	(5,109)	
(8,622)	Grants Receipts in Advance - Revenue (Note 38)	(4,948)	
(19,716)	Grants Receipts in Advance - Capital (Note 38)	(18,667)	
(187,930)	Total Current Liabilities		(215,086)
1,198,569	Total Assets Less Current Liabilities		1,238,846
	Long Term Liabilities		
(603)	Long Term Creditors (Note 21)	(591)	
(281,527)	Long Term Borrowing (Note 21)	(364,866)	
(93,313)	Other Long Term Liabilities (Note 21)	(124,212)	
(38,587)	Pensions Liability (Note 41)	(20,246)	
(6,249)	Provisions (Note 27)	(6,116)	
(420,279)	Total Long Term Liabilities		(516,031)
778,290	Net Assets		722,815
	Financed by:		
119,887	Usable Reserves (Note 28)	100,353	
658,403	Unusable Reserves (Note 29)	622,462	
778,290	Total Reserves		722,815

Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital to the Council.

2023/24 £000	Revenue Activities	2024/25 £000	£000
44,485	Net (surplus) or deficit on the provision of services	73,887	
(53,168)	Adjustments to net surplus or deficit on the provision of services for non cash movements	(85,210)	
75,347	Adjustments for items in the net surplus or deficit on the provision of services that are investing and financing activities	82,778	
66,664	Net cash flows from Operating Activities (Note 30)		71,455
(50,197)	Investing Activities (Note 31)	935	
(11,883)	Financing Activities (Note 32)	(101,817)	
4,584	Net (increase) or decrease in cash and cash equivalents		(29,427)
5,944	Cash and cash equivalents at the beginning of the reporting period		1,360
1,360	Cash and cash equivalents at the end of the reporting period (Note 25)		30,787

Section 5

Notes to the Core Financial Statements



1. Accounting Policies

1.1 General

The Statement of Accounts summarises the Council's transactions for the 2024/25 financial year and its position at the year end of 31 March 2025. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2015, which require them to be prepared in accordance with proper accounting practices. These practices under Section 21 of the Local Government Act 2003 Act primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2024/25 supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted by the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

The accounts have been prepared on the assumption that the Council will continue to operate for the foreseeable future. This assumption is made because the Council carries out functions essential to the local community and are themselves revenue-raising bodies. If the Council were in financial difficulty alternative arrangements might be made by central government either for the continuation of the services it provides or for assistance with the recovery of a deficit over more than one financial year.

1.2 Accruals of Expenditure and Income

Revenue transactions are recorded in the year that the activity takes place, not simply when cash payment are made or received. In particular:

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue in financing and investment income and expenditure for the income that might not be collected.

1.3. Cash and Cash Equivalents

Cash is defined for the purpose of this statement, as cash in hand and deposits with financial institutions repayable on demand without penalty on notice. Cash equivalents

are short term, highly liquid investments, normally with a maturity of 90 days or less from the date of investment, that are readily convertible to known amounts of cash.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

1.4. Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively (unless not material or stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

1.5. Non-Current Assets - Intangible

Expenditure on non-monetary assets that do not have physical substance but are controlled by the authority as a result of past events (eg software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the authority.

Intangible assets are recognised based on cost and are amortised over the economic life of the intangible asset to reflect the pattern of consumption of benefits. Only intangible assets included in the capital programme are capitalised. Each intangible asset is assessed in terms of economic life, usually between three and seven years.

1.6. Non-Current Assets – Property, Plant and Equipment

Property, plant and equipment are assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year.

Recognition

Expenditure on the acquisition, creation or enhancement of property, plant and equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the authority and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged to revenue as an expense when it is incurred.

Notes to the Core Financial Statements

Initial Measurement

An item of property, plant and equipment that qualifies for recognition as an asset is initially measured at its cost, comprising the purchase price and any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. The authority does not capitalise borrowing costs incurred while assets are under construction. Expenditure is capitalised on an accrual's basis, with accruals made for capital works with a value of £75,000 or more undertaken but not paid for by the end of the financial year.

Measurement after recognition

Property, plant and equipment assets are subsequently valued at current value on the basis recommended by the Code of Practice on Local Authority Accounting and in accordance with The Royal Institution of Chartered Surveyors (RICS) Valuation Standards. Property, plant and equipment assets are classified into the groupings required by the Code of Practice on Local Authority Accounting and valued on the following bases:

Category	Valuation Method (Current Value definition)
<u>Operational</u>	
Council Dwellings	Current value determined using the basis of Existing Use Value – Social Housing (EUV-SH).
Land & Buildings	Current value determined as the amount that would be paid for the asset in its existing use (Existing Use Value - EUV)
	For specialist properties where there is no market-based evidence of current value because of the specialist nature of the asset and the asset is rarely sold - Depreciated Replacement Cost (DRC) is used as an estimate of current value.
Vehicles, Plant & Equipment	Depreciated Historic Cost (HC) - as a proxy for current value where they are of short life or low value.
Infrastructure	Depreciated Historic Cost (HC)
Community Assets	Depreciated Historic Cost (HC)
<u>Non-operational</u>	
Surplus Assets	The current value measurement base is fair value, estimated at highest and best use from a market participant's perspective.
Assets Under Construction	Historic Cost (HC)

Land and buildings used for Council services are valued at fair value based on their existing use. Fair value is defined as the value that an asset would be purchased for by a willing buyer. Where sufficient market evidence of the value is not available, for example schools and leisure centres, depreciated replacement cost, using the modern equivalent asset method is used for valuation purposes. This is an estimate of how much it would cost to build the asset using the latest building methods which therefore takes into account the current cost of building materials. This value is then adjusted to take into account the age of the building.

Assets included in the Balance Sheet at current value are subject to a full revaluation with sufficient regularity to ensure that their carrying amount is not materially different from their current value at the year-end, but as a minimum every five years. In the intervening years the valuations are subject to an annual desktop review to update the valuation to the balance sheet date. Where the valuation is calculated to be below £10,000 the valuation is recorded as de-minimis in the balance sheet.

Notes to the Core Financial Statements

When new material assets are acquired/constructed or assets substantially enhanced or there is a change in use of the asset; the asset will be valued in the financial year in which the asset becomes operational. Where there is a change in use of the asset, the impact of this will be considered to determine if a revaluation is required.

The Housing Revenue Account Council Dwellings are subject a full valuation every five years and to an annual desktop review to update the valuation to the balance sheet date; undertaken by the Valuation Office Agency.

When an asset is revalued, any accumulated depreciation and impairment at the date of valuation shall be eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset. Where the carrying amount of property, plant and equipment is increased as a result of a revaluation, the increase shall be recognised in the Revaluation Reserve, unless the increase is reversing a previous impairment loss charged to Surplus or Deficit on the Provision of Services on the same asset or reversing a previous revaluation decrease charged to Surplus or Deficit on the Provision of Services on the same asset.

Where the carrying amount of an item of property, plant and equipment is decreased as a result of a revaluation, i.e. a significant decline in an asset's carrying amount during the period that is not specific to the asset (as opposed to an impairment, see 1.10), the decrease shall be recognised in the Revaluation Reserve up to the credit balance existing in respect of the asset (i.e. up to its historical cost) and thereafter in the Surplus or Deficit on the Provision of Services.

Componentisation

Where components of an asset are significant in value in relation to the total value of the asset and they have substantially different economic lives, they are recognised and depreciated separately. Significant assets for this purpose are properties with a value in excess of £2.5m.

Disposal / Derecognition

The carrying amount of an item of property, plant and equipment shall be derecognised:

- On disposal, or
- When no future economic benefits or service potential are expected from its use or disposal.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether property, plant and equipment or assets held for sale) is written off to the other operating expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the revaluation reserve are transferred to the capital adjustment account

Amounts received for a disposal are categorised as capital receipts. Receipts are appropriated to the reserve from the General Fund balance in the Movement in Reserves Statement.

Notes to the Core Financial Statements

The written-off value of disposals is not a charge against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the capital adjustment account from the General Fund balance in the Movement in Reserves Statement.

A proportion (based on Agreement – Section 11(6) of the Local Government Act 2003) of receipts relating to dwellings disposed of under the Right to Buy Scheme are payable to the Government through the pooling system. The proportion that is required to be paid over to central government as a 'housing pooled capital receipt' is charged to Surplus or Deficit on the Provision of Services and the same amount appropriated from the Capital Receipts Reserve and credited to the General Fund Balance in the Movement in Reserves Statement. For the financial years, 2022-23, 2023-24 and 2024-25, local authorities were permitted to retain the share of Right to Buy receipts that had been previously returned to the Government and so retain 100% of these receipts.

Where a component of an asset is replaced or restored, the carrying amount of the old component is derecognised, based on the cost of the new component indexed back to the last valuation date, as a proxy for the deemed carrying amount of the replaced part. Where the new expenditure is deemed to also enhance the component of the original asset e.g. energy efficiency schemes the carrying amount of the old component is derecognised at a lower value, reflecting it is not a like for like replacement and a further enhancement has been made to the asset.

1.7. Non-Current Assets – Property, Plant and Equipment – Highways Network Infrastructure Assets

Highways network infrastructure assets include carriageways, footways and cycle tracks, structures (e.g. bridges), street lighting, street furniture (e.g. illuminated traffic signals, bollards), traffic management systems and land which together form a single integrated network.

Recognition

Expenditure on the acquisition or replacement of components of the network is capitalised on an accrual basis, provided that it is probable that the future economic benefits associated with the item will flow to the Authority and the cost of the item can be measured reliably.

Measurement

Highways network infrastructure assets are generally measured at depreciated historical cost. However, this is a modified form of historical cost - opening balances for highways infrastructure assets were originally recorded in balance sheets at amounts of capital undischarged for sums borrowed as at 1 April 1994 which was deemed at that time to be historical cost.

Where impairment losses are identified, they are accounted for by the carrying amount of the asset being written down to the recoverable amount.

In accordance with the temporary relief offered by the Update to the Code on infrastructure assets the accounts do not disclose the gross cost and accumulated depreciation for infrastructure assets because historical reporting practices and resultant

Notes to the Core Financial Statements

information deficits mean that this would not faithfully represent the asset position to the users of the financial statements.

Depreciation

Depreciation is provided on the parts of the highways network infrastructure assets that are subject to deterioration or depletion and by the systematic allocation of their depreciable amounts over the useful lives of the capital expenditure incurred based on the type of works. Depreciation is charged on a straight-line basis.

Annual depreciation is the depreciation amount allocated each year from year of acquisition.

Useful lives of the various types of works on the highways network are assessed by the Asset Manager in Highways using industry standards where applicable as follows:

Part of Highways Network	Life
Carriageways	5 - 20 years (dependant on works)
Footways & Cycle Tracks	20 years
Fences, Walls & Barriers	10 years
Traffic Signals and Pedestrian crossings	15 years
Streetlighting	20 years - Conversions 40 years - New
Bridgeguard, Drainage Structures, Structures	40 - 100 years (dependant on works)
New bridges and structures	100 years

Disposals and derecognition

When a component of the Network is disposed of or decommissioned, the carrying amount of the component in the Balance Sheet is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement, also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal).

The written-off amounts of disposals is not a charge against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are transferred to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

The authority has determined in accordance with Regulation [30M England] of the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2022 that the carrying amounts to be derecognised for infrastructure assets when there is replacement expenditure is nil. This is because parts of infrastructure assets are rarely replaced before the part has been fully consumed.

1.8. Investment Properties

Investment properties are those that are used solely to earn rentals or for capital appreciation or both. The definition is not met if the property is used in any way to facilitate the delivery of services, production of goods, or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset, investment properties are measured at highest and best use. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the financing and investment income and expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal..

Rentals received in relation to investment properties are credited to the financing and investment income line and result in a gain for the General Fund balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund balance. The gains and losses are therefore reversed out of the General Fund balance in the Movement in Reserves Statement and posted to the capital adjustment account and the capital receipts reserve.

1.9. Non-Current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an asset held for sale. The following criteria have to be met before an asset can be classified as held for sale:

- The asset must be available for immediate sale in its present condition.
- The sale must be highly probable; with an active programme to dispose of the asset.
- The asset must be actively marketed for sale at a price that is reasonable in relation to its current fair value.
- The sale should be expected to complete within one year of the date of classification.

The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the other operating expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously recognised losses in the surplus or deficit on the provision of services. Depreciation is not charged on assets held for sale.

If assets no longer meet the criteria to be classified as assets held for sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as held for sale; and their recoverable amount at the date of the decision not to sell.

Investment Properties that are to be disposed of are not reclassified as an Asset Held for Sale and remain as Investment Properties until disposed of, reclassified to short terms investment properties where they are expected to be disposed of within a year of the balance sheet date.

1.10. Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall. Examples of events and changes in circumstances that indicate an impairment may have incurred include:

- A significant decline (i.e. more than expected as a result of the passage of time or normal use) in an asset's carrying amount during the period, that is specific to the asset;
- Evidence of obsolescence or physical damage of an asset;
- A commitment by the Council to undertake a significant reorganisation; or
- A significant adverse change in the statutory or other regulatory environment in which the Council operates.

An impairment loss on a revalued asset is recognised in the Revaluation Reserve (to the extent that the impairment does not exceed the amount in the Revaluation Reserve for the same asset) and thereafter in the Surplus or Deficit on the Provision of Services.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

1.11. Depreciation

Depreciation is provided for on all property, plant and equipment assets by the systematic allocation of their depreciable amounts over their useful lives. Depreciation applies to all property, plant and equipment, whether held at historical cost or revalued amount, with the exception of:

- Investment properties carried at fair value;
- Assets Held for Sale; and
- Land where it can be demonstrated that the asset has an unlimited useful life (excluding land subject to depletion, i.e. quarries and landfill sites).

An asset is not depreciated until it is available for use and depreciation ceases at the earlier of: the date the asset is classified as held for sale and the date the asset is derecognised.

The finite useful life of an asset is determined at the time of acquisition or revaluation, estimated by the Valuer. Where an item of property, plant and equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately. Depreciation is calculated using the straight-line method. For Council Dwellings the depreciation charge is calculated on a componentised depreciation basis, using the Planned Programme Approach. The depreciation charge is calculated based on the stock data at 1st April, using the stock data of the major components at that date, from the housing condition data. The components are depreciated on a straightline basis over their useful life (10-80 years) for Decent Homes Standard; with the residual amount (excluding land) depreciated over 150 years.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the revaluation reserve to the capital adjustment account.

1.12. Charges to Revenue for Non-Current Assets

Services, support services and trading accounts are charged an accounting estimate of the cost of holding non-current assets during the year. This comprises:

- Depreciation attributable to the assets used by the relevant service.
- Revaluation and Impairment losses used on assets used by the service where there are no accumulated gains in the revaluation reserve against which the losses can be written off.
- Amortisation of intangible assets attributable to the service.

Depreciation, amortisation, impairments, revaluation gains or losses charged to the Surplus or Deficit on the Provision of Services are not proper charges to the General Fund or Housing Revenue Account. Such amounts are transferred to the Capital Adjustment Account and reported in the Movement in Reserves Statement. The only exception is depreciation charges for HRA dwellings and other properties, which are real charges to the HRA.

This ensures the Council is not required to raise Council Tax to cover depreciation, amortisation or revaluation/impairment losses. However, it is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement; further details are provided at Accounting Policy 1.16 (The Redemption of Debt). Depreciation, amortisation and revaluation/impairment losses are therefore replaced by revenue provision transferred from the Capital Adjustment Account and reported in the Movement in Reserves Statement.

Interest payable is reported within Net Operating cost within the Income and Expenditure Account and depreciation, calculated in accordance with Accounting Policy 1.11 (Depreciation), is charged directly to service revenue accounts.

Amounts set aside from revenue for the repayment of external loans, to finance capital expenditure or as transfers to other earmarked reserves are disclosed separately on the Movement in Reserves Statement.

1.13. Revenue Expenditure Funded from Capital under Statute

Legislation allows some expenditure to be classified as capital for funding purposes when it does not result in the expenditure being carried on the Balance Sheet as a non-current asset. The purpose of this is to enable it to be funded from capital resources rather than be charged to the General Fund and impact on that year's council tax. These items are generally grants and expenditure on property not owned by the Council, and amounts directed under section 16(2) of Part 1 of the Local Government Act 2003.

Such expenditure is charged to the Surplus or Deficit on the Provision of Services in accordance with the general provisions of the Code. Any statutory provision that allows capital resources to meet the expenditure shall be accounted for by debiting the Capital

Adjustment Account and crediting the General Fund Balance and shown as a reconciling item in the Movement in Reserves Statement.

1.14. Heritage Assets

Tangible Heritage Assets are tangible assets with historical, artistic, scientific, technological, geophysical or environmental qualities that are held and maintained by the Council principally for their contribution to knowledge and culture. Intangible heritage assets are intangible assets with cultural, environmental, or historical significance.

Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Councils accounting policies on property, plant and equipment. However, due to the unique nature of Heritage Assets, some of the measurement rules are relaxed in relation to the categories of Heritage Assets held.

1.15. Capital Receipts

Capital receipts from the disposal of assets are held in the Usable Capital Receipts Reserve until such time as they are used to finance capital expenditure, used to finance expenditure under the flexibilities around the use of Capital Receipts for transformational revenue purposes currently extended to 2024/25 or are used to repay debt. At the balance sheet date, the Council may opt to set aside capital receipts in-hand within the Capital Adjustment Account to reduce the Capital Financing Requirement and the Minimum Revenue Provision (MRP) charge for the following financial year.

1.16. The Redemption of Debt

The Council makes provision for the repayment of debt in accordance with the statutory "Minimum Revenue Provision" (MRP) requirements. For supported borrowing MRP is calculated based on a 45 year annuity basis and utilises Adjustment A (the variance between the credit ceiling and the Capital Financing Requirement (CFR) as at 1st April 2004) to reduce the supported borrowing CFR for MRP purposes. For unsupported borrowing MRP is calculated based on an annuity basis over the expected life of the asset for which the borrowing was undertaken. These amounts are transferred to the Capital Adjustment Account and reported in the Movement in Reserves Statement.

For HRA debt there is no mandatory requirement to make provision in the HRA for annual MRP payments. However, the Council will make annual voluntary provision for debt repayment in the HRA based on affordable levels in the HRA against the need for investment and delivering services in the HRA.

For assets under on-balance sheet PFI contracts and finance leases, the annual principal payment amount in the PFI or finance lease model is used as the MRP payment amount, with no additional charges above those within the contract.

Where the Council has made capital loans to third parties financed from the Council's balances, the annual repayments of principal amounts are treated as capital receipts and set aside in the Capital Adjustment Account in place of a revenue MRP charge.

1.17. Leases

The Council as Lessee

The authority classifies contracts as leases based on their substance. Contracts and parts of contracts, including those described as contracts for services, are analysed to determine whether they convey the right to control the use of an identified asset, through rights both to obtain substantially all the economic benefits or service potential from that asset and to direct its use. The Code expands the scope of IFRS 16 Leases to include arrangements with nil consideration, peppercorn or nominal payments.

Leases are recognised as right-of-use assets with a corresponding liability at the date from which the leased asset is available for use (or the IFRS 16 transition date, if later).

The lease liability is measured at the present value of lease payments, discounting by applying the authority's incremental borrowing rate wherever the interest rate implicit in the lease cannot be determined.

Lease payments included in the measurement of the lease liability include:

- fixed payments, including in-substance fixed payments
- variable lease payments that depend on an index or rate, initially measured using the prevailing index or rate as at the adoption date
- amounts expected to be payable under a residual value guarantee
- the exercise price under a purchase option that the authority is reasonably certain to exercise
- lease payments in an optional renewal period if the authority is reasonably certain to exercise an extension option
- penalties for early termination of a lease, unless the authority is reasonably certain not to terminate early.

The lease liability is subsequently measured at amortised cost, using the effective interest method.

The liability is remeasured when:

- there is a change in future lease payments arising from a change in index or rate
- there is a change in the group's estimate of the amount expected to be payable under a residual value guarantee
- the authority changes its assessment of whether it will exercise a purchase, extension or termination option, or
- there is a revised in-substance fixed lease payment.

The right-of-use asset is initially measured at the amount of the lease liability, adjusted for any prepayments made, plus any direct costs incurred to dismantle and remove the underlying asset or restore the underlying asset on the site on which it is located, less any lease incentives received. However, for peppercorn, nominal payments or nil consideration leases, the asset is measured at fair value.

The right-of-use asset is subsequently measured using the fair value model unless it is deemed that the cost model is a reasonable proxy.

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The right-of-use asset is depreciated straight-line over the shorter period of remaining lease term and useful life of the underlying asset as at the date of adoption.

Leases of low value assets (less than £10,000) and short-term leases of 12 months or less are expensed to the Comprehensive Income and Expenditure Statement.

The Council as Lessor

Operating leases

Where the Council grants an operating lease the asset is retained in the Balance Sheet. Rental income from operating leases is recognised on a straight-line basis over the term of the lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

1.18. Government Grants and Contributions

Revenue Grants

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as income at the date that the Council satisfies the conditions of entitlement to the grant/contribution and there is reasonable assurance that the monies will be received. If there are outstanding conditions on the grant income the income is held on the Balance Sheet as Grants Receipts in Advance. Revenue grants are matched in service revenue accounts with the service expenditure to which they relate. Grants to cover general expenditure (e.g. Revenue Support Grant and New Homes Bonus) are credited to the foot of the Comprehensive Income and Expenditure Statement after Net Operating Expenditure.

Capital Grants

Grants and contributions relating to capital expenditure shall be accounted for on an accruals basis and recognised immediately in the Comprehensive Income and Expenditure Statement as income, except to the extent that the grant or contribution has a condition(s) (as opposed to restrictions) that the Council has not satisfied.

Where a capital grant or contribution (or part thereof) has been recognised as income in the Comprehensive Income and Expenditure Statement, and the expenditure to be financed from that grant or contribution has been incurred at the Balance Sheet date, the grant or contribution shall be transferred from the General Fund (or Housing Revenue Account) to the Capital Adjustment Account, reflecting the application of capital resources to finance expenditure. This transfer shall be reported in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure it is posted to the capital grants unapplied reserve.

Community Infrastructure Levy

The Council has elected to charge Community Infrastructure Levy (CIL) with effect from 1 January 2012. The levy applies to planning applications for the following types of development:

Notes to the Core Financial Statements

- The formation of one or more new dwellings, (including holiday lets), either through conversion or new build, regardless of size (unless it is 'affordable housing'); or
- The establishment of new residential floor space (including extensions and replacements) of 100sqm or above.

The Council charges for and collects the levy, which is a planning charge. The income from the levy will be used to fund infrastructure projects. This will largely be capital expenditure and includes roads and other transport schemes, flood defences, schools and other education facilities, medical facilities, sporting and recreation facilities and open spaces. Five percent of CIL charges will be used to meet the administrative costs of operating the levy.

CIL is received without outstanding conditions; it is therefore recognised in the Comprehensive Income and Expenditure Statement in accordance with the Council CIL instalment policy, following commencement date of the chargeable development in accordance with the accounting policy for government grants and contributions set out above.

The only exception for this is CIL monies received on developments where the CIL Liability Notice has been issued after 25th April 2013. On these receipts 15% of gross receipt or 25% in areas with a statutory Neighbourhood Plan in place; is treated as the Neighbourhood Fund element. The Neighbourhood Fund is the portion of CIL provided directly to Town and Parish Councils to be used for the provision, improvement, replacement, operation or maintenance of infrastructure or anything else which is concerned with addressing the demands that development places on an area.

1.19. Financial Assets

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cash flow characteristics. There are three main classes of financial assets measured at:

- amortised cost
- fair value through profit or loss (FVPL), and
- fair value through other comprehensive income (FVOCI)

The Council's business model is to hold investments to collect contractual cash flows i.e. payments of interest and principal. Most of the Council's financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest i.e. where the cash flows do not take the form of a basic debt instrument.

Financial Assets Measured at amortised cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the authority becomes a party to the contractual provision of a financial instrument. They are initially measured at fair value and carried at their amortised cost. Annual credits to the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the Council, this means that the amount presented in the Balance Sheet is the outstanding principal receivable, adjusted

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for accrued interest receivable at the year end. Interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

However, the Council has made a number of loans to individuals at less than market rates (soft loans). Ordinarily when soft loans are made, a loss is recorded in the Comprehensive Income and Expenditure Statement for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest would then be credited at a marginally higher effective rate of interest than the rate receivable from the individual, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain required against the General Fund Balance would be managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement. However, the soft loans that the Council has made are not material to the accounts so the impact has not been incorporated into the Core Financial Statements, instead Note 21 to the Core Financial Statements provides details about these soft loans.

Financial Assets Measured at Fair Value through Profit of Loss

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services.

The fair value measurements of the financial assets are based on the following techniques:

- instruments with quoted market prices – the market price;
- other instruments with fixed and determinable payments – discounted cash flow analysis.

The inputs to the measurement techniques are categorised in accordance with the following three levels:

Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets that the authority can access at the measurement date.

Level 2 inputs – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.

Level 3 inputs – unobservable inputs for the asset.

Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Expected Credit Loss Model

The Council recognises expected credit losses on all of its financial assets held at amortised cost (or where relevant FVOCI), either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the Council.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

1.20. Financial Liabilities

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. For the borrowings that the Council has, this means the amount presented in the Balance Sheet is the outstanding principal repayable, adjusted for accrued interest payable at the year end. Interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year in the loan agreement.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain/loss over the term remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

1.21. Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year. The reserve is then appropriated back into the General Fund Balance so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, local taxation, retirement and employee benefits and do not represent usable resources for the authority – these reserves are explained in the relevant policies.

1.22. Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are made where an event has taken place on or before the Balance Sheet date that gives the Council a present legal or constructive obligation that probably requires settlement by the transfer of economic benefits or service potential, and where a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes

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aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year. Where it becomes apparent that a transfer of economic benefits is not required, the provision is reversed and credited back to the relevant service.

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but any material liabilities will be disclosed in a separate note to the accounts.

Contingent Assets

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the council.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts if it is probable that there will be an inflow of economic benefits or service potential and the sum is material to the accounts.

1.23. Inventories

Inventories and stock are included on the Balance Sheet at the lower of cost price or net realisable value.

1.24. Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2024/25. The total absorption costing principle is used - the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the Council's status as a multi-functional, democratic organisation.
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and any depreciation and impairment losses chargeable on non-operational properties.

1.25. Group Accounts

The Council has financial relationships with a number of entities and partnerships and, therefore, is required to prepare Group Accounts, in addition to its main financial statements. All of the financial relationships within the scope of Group Accounts have been assessed.

The Council has accounted for Group Accounts in accordance with IFRS 3 - Business Combination, IFRS10 – Consolidated Financial Statements, IFRS 11 - Joint Arrangements, IFRS12 – Disclosure of Interest in Other Entities, IAS 27 - Separate Financial Statements, IAS28 - Investments in Associates and Joint Ventures except where interpretations or adaptations to fit the public sector have been detailed in the Code of Practice on Local Authority Accounting. Subsidiaries have been consolidated within the Council's accounts on a line by line by line basis and joint ventures have been consolidated using the equity method. Accounting policies have been aligned between the Council and the companies consolidated in the Group. Intragroup transactions relating to Subsidiaries are eliminated on consolidation.

1.26. Value Added Tax (VAT)

Only irrecoverable VAT is included in revenue and capital expenditure. All VAT receivable is excluded from income.

1.27. Employee Benefits

The Council accounts for employee benefits in accordance with the requirements of IAS 19 – Employee Benefits. This covers short-term employee benefits such as salaries, annual leave and flexi leave, termination benefits and post-employment benefits such as pension costs.

In accounting for annual leave the Council has categorised the staff into teachers and other staff. Teaching staff have been accounted for on the basis that working during term time entitles them to paid leave during the holidays e.g. working the Spring Term entitles them to paid Easter holidays. An accrual has been calculated based on the untaken holiday entitlement relating to the Spring Term. An accrual has been calculated for other staff based on the amount of untaken leave as at 31 March.

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy in exchange for those benefits. The cost of these are charged on an accruals basis to the appropriate service line in the Comprehensive Income and Expenditure statement.

Employees of the Council are members of three separate pension schemes:

- The Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE);
- The NHS Pensions Scheme, administered by NHS Pensions;
- The Local Government Pensions Scheme, administered by Shropshire Council.

All schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees work for the Council. However, the arrangements for the Teachers'

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scheme and the NHS scheme mean that liabilities for these benefits cannot ordinarily be identified specifically to the Council. The schemes are therefore accounted for as if they were defined contribution schemes and no liability for future payments of benefits is recognised in the Balance Sheet. The relevant service lines in the Comprehensive Income and Expenditure Statement are charged with the employer's contributions payable to the two schemes in the year.

The Local Government Scheme is accounted for as a defined benefits scheme:

- The liabilities of the Shropshire County Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc. and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 5.8% (based on the indicative rate of return on high quality corporate bonds of appropriate duration)
- The assets of the Shropshire County Pension Fund attributable to the Council are included in the Balance Sheet at their fair value:
 - quoted securities – current bid price;
 - unquoted securities – professional estimate;
 - unitised securities – current bid price;
 - property – market value.

In accordance with IAS19 and IFRIC14, the Council is subject to the application of the asset ceiling which restricts the recognition of a pension asset where the economic benefits of the surplus are not available to the authority.

A pension asset exists when a defined benefit pension fund has a surplus of assets over liabilities. Where there is a surplus the net defined benefit of the asset should be measured at the lower of:

- The surplus;
- The asset ceiling.

The asset ceiling is the present value of the economic benefits available in the form of unconditional right to a refund or reductions in future contributions to the fund. Estimation of the net asset or liability depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.

The change in the net pensions liability is analysed into the following components:

- Service cost comprising:
 - current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
 - past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in

Notes to the Core Financial Statements

earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs

- net interest on the net defined benefit liability (asset), i.e. net interest expense for the Council – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.
- Remeasurements comprising:
 - the return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
 - actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- Contributions paid to the Shropshire County Pension Fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund Balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are transfers to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

1.28. Foreign Currency Transactions

Foreign currency transactions are accounted for on the basis of the equivalent sterling value of the underlying transaction, by applying the spot exchange rate at the date of the transaction.

1.29. Private Finance Initiative (PFI) Schemes

PFI contracts are agreements to receive services, where the PFI contractor has responsibility for making available the assets needed to provide the services. The Council

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pays the contractor a payment, which is called a unitary charge, for the services delivered under the contract.

The Council has two PFI projects: the Quality in Community Services (QICS) PFI and the Waste Services PFI. Further details of these PFI projects are set out later in the document. The Council is deemed to control the services provided under these two PFI schemes, and as ownership of property, plant and equipment will pass to the Council at the end of the contracts for no additional charge, the Council carries the operational assets used under the contracts on its balance sheet as part of Property, Plant and Equipment.

The original recognition of these assets at fair value (based on the cost to purchase the property, plant and equipment) was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment. For the QICS scheme, the liability was written down by an initial capital contribution of £2.5m. At the commencement of the Waste contract the Council made various existing waste infrastructure assets available to the contractor. Under the Waste scheme, not all property, plant and equipment scheduled to be provided in the initial years of the contract has been provided and as a result part of the payments made to the scheme operator have been accounted for as a prepayment, with a corresponding entry also made to set aside the prepayment element of the unitary payment in the Capital Adjustment Account.

Non-current assets recognised on the Balance Sheet are revalued and depreciated in the same way as property, plant and equipment owned by the Council.

The amounts payable to the PFI operators each year are analysed into five elements:

- **Fair value of the services received during the year** – debited to the relevant service in the Comprehensive Income and Expenditure Statement.
- **Finance cost** – an interest charge as a percentage (based on the Internal Rate of Return of the scheme) of the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
- **Payment towards liability** – applied to write down the Balance Sheet liability towards the PFI operator (the profile of write-downs is calculated using the same principles as for a finance lease).
- **Lifecycle replacement costs** – proportion of amounts payable is posted to the Balance Sheet as a prepayment and then recognised as additions to Property, Plant and Equipment when the relevant works are eventually carried out. Where works are carried out earlier than planned they are recognised as additions to Property, Plant and Equipment balanced by a temporary increase in the finance lease liability. When the programmed payment takes place the liability is written down.

1.30. Accounting for Council Tax and Non Domestic Rates

The Council Tax income included in the Comprehensive Income & Expenditure Statement is the accrued income for the year, and not the amount required under regulation to be transferred from the Collection Fund to the General Fund (the Collection Fund Demand). The difference is taken to the Collection Fund Adjustment Account through the Movement in Reserves Statement.

As the collection of Council Tax for preceptors (the West Mercia Police and Crime Commissioner, and Shropshire & Wrekin Fire & Rescue Authority) is an agency arrangement, the cash collected belongs proportionately to Shropshire Council as the billing authority and to the preceptors. This gives rise to a debtor or creditor position for the difference between cash collected from tax-payers and cash paid to preceptors under regulation. The Balance Sheet also includes the authority's share of the year end balances relating to arrears, impairment allowances for doubtful debts and prepayments.

In relation to Non-Domestic Rates, Shropshire Council collects income due as an agency arrangement. As with council tax, the cash collected belongs proportionately to Shropshire Council as the billing authority, and to Central Government and Shropshire & Wrekin Fire & Rescue Authority as preceptors. This gives rise to a debtor or creditor position for the difference between cash collected from tax-payers and cash paid to preceptors under regulation. The Balance Sheet also includes the authority's share of the year end balances relating to arrears, impairment allowances for doubtful debts, appeals and prepayments.

1.31. Accounting for Local Authority Maintained Schools

All Local Authority Maintained Schools in the Council area are considered to be entities controlled by the Council. In order to simplify the consolidation process and avoid consolidating in Group Accounts a considerable number of separate, relatively small entities; the Council's single entity financial statements include all the transactions of Local Authority Maintained Schools i.e. income, expenditure, assets, liabilities, reserves and cash flows of the schools.

The Council has the following types of maintained schools under its control:

- Community
- Voluntary Aided
- Voluntary Controlled
- Foundation

The Council recognises on balance sheet the non-current assets of schools where the Council legally owns the assets or where the school is in the legal ownership of a non religious body, on the basis that they are the assets of the school and need to be consolidated into the Council's accounts.

Community schools are owned by the Council and therefore recognised on the balance sheet.

The majority of Voluntary Aided and Voluntary Controlled schools in the Council area are owned by the respective Diocese. There is currently no legal arrangement in place for the School/Council to use the Diocese owned schools. The School/Council uses the school building to provide education under the provisions of the School Standards and Framework Act 1998. On this basis the school assets are used under "mere" licences and the assets are not recognised on the Council's balance sheet. The only exception to this is there are a small number of schools/part of schools that should have transferred to Diocese under Education Legislation; but the legal transfer has not been completed. These are still recognised in the Council balance sheet with an additional note disclosing that they are due to transfer.

Foundation schools owned by the Diocese are not recognised on the Council balance sheet as the position is the same as Voluntary Aided and Voluntary Controlled. Where ownership lies with the school or the school's Governing Body the School is recognised on the Council's Balance Sheet. There are a small number of schools who have recently changed their status to Foundation as part of local area Education Trusts. As yet no legal transfers have taken place of school land and buildings. On the assumption that these trusts will constitute the Governing Bodies of these schools, the schools are to remain on-balance sheet. This will be reviewed when the legal transfers are agreed in case the position is different.

Academy schools are not maintained schools controlled by the Council and as such are not accounted for in the Council's Accounts. Schools in Council ownership (Community Schools) which become Academies are provided to the Academy on a 125 year peppercorn lease. When schools transfer to Academy status the assets are written out of the balance sheet as at the date that the asset transfers. Additional notes are included in the accounts disclosing details of any schools where approval by the Department for Education to transfer the School to Academy has been granted, but the school has not transferred by the balance sheet date.

1.32. Fair Value Measurement

The authority measures some of its non-financial assets such as surplus assets and investment properties and some of its financial instruments at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- a) in the principal market for the asset or liability, or
- b) in the absence of a principal market, in the most advantageous market for the asset or liability.

The authority measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

When measuring the fair value of a non-financial asset, the authority takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The authority uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the authority's financial statements are categorised within the fair value hierarchy, as follows:

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- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority can access at the measurement date
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3 – unobservable inputs for the asset or liability.

2. PRIOR PERIOD ADJUSTMENTS

Prior period adjustments have been made to the Council's 2023/24 financial statements as a result of a change to the Council's reporting structure.

The impact of the change to the Council's reporting structure on the Comprehensive Income and Expenditure Statement is detailed below:

Directorates per 2023/24 statement of accounts	As reported in the CI&ES 2023/24	Movement between Directorates	As restated 2023/24
Gross Expenditure	£000	£000	£000
Health & Wellbeing	17,735	13,930	31,665
Local Authority Housing	22,731	0	22,731
People	455,576	10,431	466,007
Place	189,866	(24,733)	165,133
Resources	63,094	(313)	62,781
Strategic Management Board	4,008	685	4,693
Corporate	10,327	0	10,327
Cost of services	763,337	0	763,337

Directorates per 2023/24 statement of accounts	As reported in the CI&ES 2023/24	Movement between Directorates	As restated 2023/24
Gross Income	£000	£000	£000
Health & Wellbeing	(16,987)	(6,105)	(23,092)
Local Authority Housing	(20,399)	0	(20,399)
People	(217,839)	(3,379)	(221,218)
Place	(70,649)	10,675	(59,974)
Resources	(53,220)	(1,111)	(54,331)
Strategic Management Board	(1)	(80)	(81)
Corporate	(38,148)	0	(38,148)
Cost of services	(417,243)	0	(417,243)

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Directorates per 2023/24 statement of accounts	As reported in the CI&ES 2023/24	Movement between Directorates	As restated 2023/24
Net Expenditure	£000	£000	£000
Health & Wellbeing	748	7,825	8,573
Local Authority Housing	2,332	0	2,332
People	237,737	7,052	244,789
Place	119,217	(14,058)	105,159
Resources	9,874	(1,424)	8,450
Strategic Management Board	4,007	605	4,612
Corporate	(27,821)	0	(27,821)
Cost of services	346,094	0	346,094

3. ACCOUNTING STANDARDS THAT HAVE BEEN ISSUED BUT HAVE NOT YET BEEN ADOPTED

The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. This applies to the adoption of the following new or amended standards within the 2025/26 Code:

- IAS 21 The Effects of Changes in Foreign Exchange Rate (Lack of Exchangeability) issued in August 2023. The amendments to IAS 21 clarify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking, as well as require the disclosure of information that enables users of financial statements to understand the impact of a currency not being exchangeable.
- IFRS 17 Insurance Contracts issued in May 2017. IFRS 17 replaces IFRS 4 and sets out principles for recognition, measurement, presentation and disclosure of insurance contracts.
- The changes to the measurement of non-investment assets within the 2025/26 Code include adaptations and interpretations of IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets. These include setting out three revaluation processes for operational property, plant and equipment, requiring indexation for tangible non-investment assets and a requirement to value intangible assets using the historical cost approach. These have the same effect as requiring a change in accounting policy due to an amendment to standards, which would normally be disclosed under IAS 8.

The changes to IAS 21 and IAS 17 are not expected to have an impact on the Council's accounts. The changes to the measurement of non-investment assets are being monitored. It is not practicable to estimate the impact for the 2024/25 accounts and this will be assessed during 2025/26.

4. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies set out in Note 1, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events.

The critical judgements made in the Statement of Accounts are:

- The Council takes judgements over the element of control in terms of deciding which assets should be on our balance sheet. The Council considers both the legal ownership of the asset and the circumstances under which schools occupy them, including rights and obligations.

A judgement is taken around Local Authority Maintained schools and particularly Voluntary Aided, Voluntary Controlled and Foundation schools that are not owned by the Council. The Council recognises the land and buildings used by schools in line with the provisions of the Code of Practice. It states that property used by local authority maintained schools should be recognised in accordance with the asset recognition tests relevant to the arrangements that prevail for the property. The substance of the arrangement in addition to the legal form are considered including any rights to take back the school buildings.

The Council makes an assessment on whether it is probable that economic benefits or service potential associated with the asset will flow to the authority. Where assets are owned by the Council and used by maintained schools, the economic benefits and service potential of the asset is considered to be within the control of the Council and therefore the assets are recognised on the Council's balance sheet. Where the land and building assets used by the school are owned by an entity other than the Council, school or school Governing Body and provided to the school under "mere licences" which pass no interest to the school and are always revokable they are not recognised as assets of the school. Therefore they are not included on the Council's Balance Sheet.

The Council has completed an assessment of the different types of schools it controls within the Shropshire Council area to determine how these should be accounted for. The accounting treatment is detailed in the accounting policies (see 1.31).

- The Council receives a number of grants which require a judgment to be made as to whether it is acting as an agent for the Government in relation to the distribution of these grants or as the principal based on the criteria of each grant. Where the Council are deemed to be acting as an agent transactions are not reflected in the Council's accounts with the exception of a debtor, creditor and net cash position on the Balance Sheet.
- The Council is part of the Marches Local Enterprise Partnership (LEP) along with Herefordshire and Telford & Wrekin. Shropshire Council, Herefordshire Council and Telford & Wrekin Council set up a Joint Committee in 2023/24 to oversee the assets, resources and responsibilities of the Marches LEP. The Council acts as accountable body for the Marches LEP Joint Committee and therefore receives grant income on behalf of the LEP and processes expenditure in line with the grant schemes. The Council has concluded that the role of accountable body is to be

Notes to the Core Financial Statements

deemed as an agent as the decisions in relation to the allocation of the funding is made by the Marches LEP Joint Committee, and therefore only the net grant held and corresponding creditor is included within the Council's accounts.

5. ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

There is a risk of material adjustment in the forthcoming financial year for the following items in the council's Balance Sheet at 31 March 2025:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant & Equipment (PPE)	Full valuation is carried out a minimum of every 5 years. Where a full valuation is not carried out in year, a desktop valuation review is carried out to update all valuations annually to the Balance Sheet date.	There is a risk of material adjustment in the year when the property is revalued. Note 16 details the carrying value for each class of PPE asset. A 1% increase in property valuations would result in a £2.554m increase in the valuation of Council dwellings and a £4.228m increase in the value of other land and buildings.
	Estimates of remaining useful economic life are provided as part of the valuation and are used to calculate the depreciation charge on a straightline basis.	There is a risk that annual depreciation charges are over or under stated and also correspondingly the NBV of the asset. This could also result in a risk of material adjustment in the year when the property is revalued.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied. At 31 March 2025, the Actuaries advised that the net pension liability on the Local Government Pension Scheme was £20m, which includes a £142m adjustment for the asset ceiling.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance a 0.5% increase in the discount rate assumption would result in a decrease in the pension liability of £64.834m.

Notes to the Core Financial Statements

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
	The asset ceiling adjustment has been applied in line with IFRIC14. An asset ceiling limits the amount of the net pension asset that can be recognised to the lower of (1) the amount of the net pension asset or (2) the present value of any economic benefits available in the form of refunds or reductions in future contributions to the plan. Further information on the assumptions and sensitivity is detailed in Note 41.	
Fair value measurements	When the fair values of financial assets and financial liabilities cannot be measured or based on quoted prices in active markets (i.e. level 1 inputs), their fair value is measured using valuation techniques. Where possible, the inputs to these valuation techniques are based on observable data, but where this is not possible judgement is required in establishing fair values. These judgements typically include considerations such as uncertainty and risk. However, changes in the assumptions used could affect the fair value of the Council's assets and liabilities. Where level 1 inputs are not available, the Council employs relevant experts to identify the most appropriate valuation techniques to determine fair value (for example for investment properties, the authority's chief valuation officer). Information about the valuation techniques and inputs used in determining the fair value of the Council's assets and liabilities is disclosed in notes 17 and 21.	The authority uses the discounted cash flow model to measure the fair value of some of its investment properties and financial assets. The significant unobservable inputs used in the fair value measurement include management assumptions regarding rent growth, vacancy levels (for investment properties) and discount rates – adjusted for regional factors (for both investment properties and some financial assets). Significant changes in any of the unobservable inputs would result in a significantly lower or higher fair value measurement for the investment properties and financial assets.

6. EVENTS AFTER THE REPORTING PERIOD

The Statement of Accounts was authorised for issue by the Executive Director, S151 Officer on 27th November 2025. Events taking place after this date are not reflected in the financial statement or notes.

Notes to the Core Financial Statements

7. EXPENDITURE AND FUNDING ANALYSIS

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the council's service areas. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

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2023/24 Restated						2024/25				
Net expenditure reported for resource management	Adjustment to arrive at net amount chargeable to the General Fund and HRA balances	Net Expenditure Chargeable to the General Fund and HRA Balances	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement		Net expenditure reported for resource management	Adjustment to arrive at net amount chargeable to the General Fund and HRA balances	Net Expenditure Chargeable to the General Fund and HRA Balances	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
£000	£000	£000	£000	£000		£000	£000	£000	£000	£000
1,399	5,177	6,576	1,997	8,573	Health and Wellbeing	5,503	(1,695)	3,808	1,476	5,284
0	(1,542)	(1,542)	3,874	2,332	Local Authority Housing	0	(5,271)	(5,271)	(1,629)	(6,900)
206,496	33,078	239,574	5,215	244,789	People	245,931	4,282	250,213	22,543	272,756
77,677	(18,242)	59,435	45,724	105,159	Place	66,722	(3,677)	63,045	53,115	116,160
4,161	2,429	6,590	1,860	8,450	Resources	8,462	(137)	8,325	1,287	9,612
302	603	905	3,707	4,612	Strategic Management Board	295	537	832	7,020	7,852
(26,819)	2,189	(24,630)	(3,191)	(27,821)	Corporate	(30,986)	2,613	(28,373)	4,785	(23,588)
263,216	23,692	286,908	59,186	346,094	Net Cost of Services	295,927	(3,348)	292,579	88,597	381,176
0	(270,258)	(270,258)	(31,351)	(301,609)	Other Income and Expenditure	0	(282,338)	(282,338)	(24,951)	(307,289)

Notes to the Core Financial Statements

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2023/24 Restated					2024/25					
Net expenditure reported for resource management	Adjustment to arrive at net amount chargeable to the General Fund and HRA balances	Net Expenditure Chargeable to the General Fund and HRA Balances	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement		Net expenditure reported for resource management	Adjustment to arrive at net amount chargeable to the General Fund and HRA balances	Net Expenditure Chargeable to the General Fund and HRA Balances	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
£000	£000	£000	£000	£000		£000	£000	£000	£000	£000
263,216	(246,566)	16,650	27,835	44,485	Surplus or Deficit	295,927	(285,686)	10,241	63,646	73,887
		72,031			Opening General Fund and HRA Balance			55,381		
		(16,650)			Surplus or (Deficit) on General Fund and HRA Balance in Year			(10,241)		
		55,381			Closing General Fund and HRA Balance at 31 March*			45,140		
For a split of this balance between the General Fund and the HRA – see the Movement in Reserves Statement										

Notes to the Core Financial Statements

8. NOTE TO THE EXPENDITURE AND FUNDING ANALYSIS

Adjustments from management reporting and General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Pension items reported at Directorate level (note 1) £000	Reserves reported at Directorate level (note 1) £000	Interest Payable and Receivable reported at Directorate level (note 2) £000	Reallocation of traded services and internal recharges (note 2) £000	Investment properties/Levies/revenue impairment reported at Directorate level £000	Other Adjustments (note 3) £000	Total to arrive at amount charged to the general fund & HRA £000	Adjustments for Capital Purposes £000	Net change for the Pensions Adjustments £000	Other Differences £000	Total Adjustment between funding and accounting basis £000
Health and Wellbeing	0	53	(5)	(1,726)	0	(17)	(1,695)	2,297	(947)	126	1,476
Local Authority Housing	0	0	0	0	0	(5,271)	(5,271)	(1,629)	0	0	(1,629)
People	(659)	3,224	(273)	2,050	0	(60)	4,282	12,216	(5,787)	16,114	22,543
Place	(2)	997	(9,692)	3,074	2,188	(242)	(3,677)	55,029	(1,696)	(218)	53,115
Resources	(41)	1,193	263	(1,394)	0	(158)	(137)	1,734	(454)	7	1,287
Strategic Management Board	0	11	0	524	0	2	537	7,124	(126)	22	7,020
Corporate	0	(26,695)	(7,191)	(646)	0	37,145	2,613	(4,529)	9,629	(315)	4,785
Net Cost of Services	(702)	(21,217)	(16,898)	1,882	2,188	31,399	(3,348)	72,242	619	15,736	88,597
Other Income and Expenditure from the Expenditure and Funding Analysis	702	645	16,898	(1,882)	(2,188)	(296,513)	(282,338)	(19,981)	458	(5,428)	(24,951)
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	0	(20,572)	0	0	0	(265,114)	(285,686)	52,261	1,077	10,308	63,646

Notes to the Core Financial Statements

Adjustments from management reporting and General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Pension items reported at Directorate level (note 1) £000	Reserves reported at Directorate level (note 1) £000	Interest Payable and Receivable reported at Directorate level (note 2) £000	Reallocation of traded services and internal recharges (note 2) £000	Investment properties/Levies reported at Directorate level (note 2) £000	Other Adjustments (note 3) £000	Total to arrive at amount charged to the general fund & HRA £000	Adjustments for Capital Purposes £000	Net change for the Pensions Adjustments £000	Other Differences £000	Total Adjustment between funding and accounting basis £000
Health and Wellbeing	0	1,583	9	(2,378)	0	5,963	5,177	2,194	(193)	(4)	1,997
Local Authority Housing	0	0	0	0	0	(1,542)	(1,542)	3,874	0	0	3,874
People	(131)	25,643	(207)	566	0	7,207	33,078	4,555	(1,096)	1,756	5,215
Place	0	4,634	(13,450)	2,207	1,782	(13,415)	(18,242)	45,976	(291)	39	45,724
Resources	(10)	831	369	415	0	824	2,429	1,954	(83)	(11)	1,860
Strategic Management Board	0	196	0	677	0	(270)	603	3,717	(14)	4	3,707
Corporate	0	(25,564)	(6,285)	(691)	0	34,729	2,189	(5,230)	2,355	(316)	(3,191)
Net Cost of Services	(141)	7,323	(19,564)	796	1,782	33,496	23,692	57,040	678	1,468	59,186
Other Income and Expenditure from the Expenditure and Funding Analysis	141	856	19,564	(796)	(1,782)	(288,241)	(270,258)	(40,812)	4,878	4,583	(31,351)
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	0	8,179	0	0	0	(254,745)	(246,566)	16,228	5,556	6,051	27,835

Note 1) For resource management purposes, the authority includes pension charges in relation to IAS19 debits and credits in its directorate reporting, however this needs to be removed as it is not included in the net expenditure chargeable to the general fund and HRA balances.

Note 2) The authority includes income and expenditure in relation to investment properties, interest payable and receivable, levies and trading accounts within the Directorates however this is reported in the financial statements below the cost of services line and therefore the above table shows these items being reallocated. The income and expenditure for Corporate Landlord and Passenger Transport is also adjusted within the amendments for trading/internal recharges.

Notes to the Core Financial Statements

Note 3) Corporate Funding and Housing Revenue Account are not reported to management as part of the Service Area reporting therefore these items have been included as adjustments in the above table.

Adjustments for Capital Purposes

- 1) Adjustments for capital purposes – this column adds in depreciation and impairment and revaluation gains and losses in the services line, and for:
 - Other operating expenditure – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.
 - Financing and investment income and expenditure – the statutory charges for capital financing i.e. Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.
 - Taxation and non-specific grant income and expenditure – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied in the year.

Net Change for the Pensions Adjustments

- 2) Net change for the removal of pension contributions and the addition of IAS 19 Employee Benefits pension related expenditure and income:
 - For services this represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs.
 - For Financing and investment income and expenditure – the net interest in the defined benefit liability is charged to the CIES.

Other Differences

- 3) Other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute:
 - For Financing and investment income and expenditure the other differences column recognises adjustments to the General Fund for the timing differences for premiums and discounts.
 - The transfer of any deficit arising on the Dedicated Schools Grant to the Dedicated Schools grant adjustment account
 - The charge under Taxation and non-specific grant income and expenditure represents the difference between what is chargeable under statutory regulations for council tax and NDR that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund.

Notes to the Core Financial Statements

9. EXPENDITURE AND INCOME ANALYSED BY NATURE

The Council's expenditure and income is analysed as follows:

Expenditure/Income	2024/25 £000	2023/24 £000
Expenditure		
Employee benefits expenses	233,838	221,430
Other service expenses	582,130	510,969
Support service recharges	28,559	35,440
Depreciation, amortisation, impairment	65,101	64,980
Interest payments	24,068	26,194
Precepts and levies	10,984	10,306
(Gain)/Loss on the disposal of assets	26,611	4,898
(Gain)/Loss Financial Assets and Liabilities	(928)	0
Total Expenditure	970,363	874,217
Income		
Fees, charges and other service income	(215,463)	(204,734)
Interest and investment income	(4,181)	(4,515)
Income from council tax, non-domestic rates	(269,932)	(253,445)
Government grants and contributions	(406,900)	(367,038)
Total Income	(896,476)	(829,732)
Surplus or Deficit on the Provision of Services	73,887	44,485

10. REVENUE CONTRACTS WITH CUSTOMERS

The Council's income from revenue contracts with customers is analysed by Service Area as follows:

Fees, charges and other service income	2024/25 £000	2023/24 £000
Health and Wellbeing	(10,924)	(8,699)
Local Authority Housing	(23,116)	(20,421)
People	(99,358)	(89,087)
Resources	(26,532)	(32,952)
Place	(48,304)	(47,392)
Strategic Management Board	(4,848)	(4,703)
Corporate	(2,381)	(1,480)
Total Income	(215,463)	(204,734)

11. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Council in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

2024/25	General Fund Balance £000	Housing Revenue Account £000	Major Repairs Reserve £000	Capital Receipts Reserves £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Adjustments to the Revenue Resources:						
<i>Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:</i>						
Pension costs	1,077	0	0	0	0	(1,077)
Financial instruments	(315)	0	0	0	0	315
Council tax and NDR	(5,379)	0	0	0	0	5,379
Holiday pay	669	0	0	0	0	(669)
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure	84,545	(4,555)	4,434	0	7,828	(92,252)
Dedicated Schools grant	15,335	0	0	0	0	(15,335)
Total Adjustments to Revenue Resources	95,932	(4,555)	4,434	0	7,828	(103,639)
Adjustments between Revenue and Capital Resources:						
Transfer of non-current asset proceeds from revenue to the Capital Receipts Reserve	(6,167)	(2,761)	0	22,258	0	(13,330)
Administrative costs of non-current asset disposals	479	24	0	(503)	0	0
Pooling of HRA resources from revenue to the Major Repairs Reserve						
Statutory provision for the repayment of debt	(18,352)	0	0	0	0	18,352
Capital expenditure financed from revenue balances	(954)	0	0	0	0	954
Total Adjustments between Revenue and Capital Resources	(24,994)	(2,737)	0	21,755	0	5,976
Adjustments to Capital Resources:						
Use of the Capital Receipts Reserve to finance capital expenditure	0	0	0	(21,801)	0	21,801
Use of the Major Repairs Reserve to finance capital expenditure	0	0	(8,580)	0	0	8,580
Application of capital grants to finance capital expenditure	0	0	0	0	(12,975)	12,975
Cash payments in relation to deferred capital receipts	0	0	0	46	0	(46)
Total Adjustments to Capital Resources	0	0	(8,580)	(21,755)	(12,975)	43,310
Total Adjustments	70,938	(7,292)	(4,146)	0	(5,147)	(54,353)

Notes to the Core Financial Statements

2023/24 Comparative Figures						
	General Fund Balance £000	Housing Revenue Account £000	Major Repairs Reserve £000	Capital Receipts Reserves £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Adjustments to the Revenue Resources:						
<i>Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:</i>						
Pension costs	5,556	0	0	0	0	(5,556)
Financial instruments	(315)	0	0	0	0	315
Council tax and NDR	4,570	0	0	0	0	(4,570)
Holiday pay	(510)	0	0	0	0	510
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure	38,565	5,465	5,134	0	15,465	(64,629)
Dedicated Schools grant	2,304	0	0	0	0	(2,304)
Total Adjustments to Revenue Resources	50,170	5,465	5,134	0	15,465	(76,234)
Adjustments between Revenue and Capital Resources:						
Transfer of non-current asset proceeds from revenue to the Capital Receipts Reserve	(8,550)	(1,848)	0	14,833	0	(4,435)
Administrative costs of non-current asset disposals	65	20	0	(85)	0	0
Payments to the government housing receipts pool	0	0	0	0	0	0
Pooling of HRA resources from revenue to the Major Repairs Reserve	0	0	0	0	0	0
Statutory provision for the repayment of debt	(13,775)	0	0	0	0	13,775
Capital expenditure financed from revenue balances	(1,524)	(2,188)	0	0	0	3,712
Total Adjustments between Revenue and Capital Resources	(23,784)	(4,016)	0	14,748	0	13,052
Adjustments to Capital Resources:						
Use of the Capital Receipts Reserve to finance capital expenditure	0	0	0	(14,792)	0	14,792
Use of the Major Repairs Reserve to finance capital expenditure	0	0	(6,526)	0	0	6,526
Application of capital grants to finance capital expenditure	0	0	0	0	(9,362)	9,362
Cash payments in relation to deferred capital receipts	0	0	0	44	0	(44)
Total Adjustments to Capital Resources	0	0	(6,526)	(14,748)	(9,362)	30,636
Total Adjustments	26,386	1,449	(1,392)	0	6,103	(32,546)

12. TRANSFERS TO/FROM EARMARKED RESERVES

This note sets out the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure in 2024/25.

	Balance at 31 March 2023 £000	Transfers Out 2023/24 £000	Transfers In 2023/24 £000	Balance at 31 March 2024 £000	Transfers Out 2024/25 £000	Transfers In 2024/25 £000	Balance at 31 March 25 £000
Sums set aside for major schemes, such as capital developments, or to fund major reorganisations	14,747	(12,208)	9,735	12,274	(13,914)	6,544	4,904
Insurance Reserves	3,636	(2,582)	529	1,583	(413)	280	1,450
Reserves of trading and business units	0	(5)	5	0	(2)	2	0
Reserves retained for service departmental use	21,584	(10,521)	1,631	12,694	(9,337)	7,486	10,844
School Balances	12,612	(11,534)	7,778	8,856	(7,784)	7,185	8,257
Total	52,579	(36,850)	19,678	35,407	(31,450)	21,497	25,454

RESERVES

Sums set aside for major schemes, such as capital developments, or to fund major reorganisations – includes redundancy reserve, and specific reserves to fund capital and major projects including service transformation within the Council.

Insurance Reserves – includes fire liability and motor insurance reserves to fund the Council's future self insurance liabilities.

Reserves of trading and business units – includes any balance carried forward in relation to Shire Services to help smooth trading profits and losses over future years.

Reserves retained for service departmental use – includes a number of specific earmarked reserves for known service expenditure in future years. Significant balances include the Public Health reserve and a reserve including unringfenced revenue grants that have not been spent.

School Balances – includes unspent balances of budgets delegated to individual schools.

A breakdown of all specific earmarked reserve balances is shown in the 2024/25 Financial Outturn report.

Notes to the Core Financial Statements

13. OTHER OPERATING EXPENDITURE

	2024/25 £000	2023/24 £000
Parish Council Precepts	10,831	10,156
Levies	154	151
(Gains)/losses on the disposal of non-current assets	26,477	5,232
(Gains)/losses on change in valuation of non-current assets	134	(334)
	37,596	15,205

14. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

	2024/25 £000	2023/24 £000
Interest payable and similar charges	24,068	26,192
Pensions interest cost and expected return on pensions assets	1,160	5,019
Interest receivable and similar income	(4,181)	(4,515)
Income and expenditure in relation to investment properties and changes in their fair value	(5,684)	(2,271)
(Gains)/Losses on Financial Assets and Liabilities	(928)	0
Revenue Impairment Losses	724	(22)
(Surpluses)/deficits on Trading Activities	7,006	4,792
	22,165	29,195

15. TAXATION AND NON SPECIFIC GRANT INCOMES

	2024/25 £000	2023/24 £000
Council tax income	(217,368)	(202,683)
Non domestic rates	(52,565)	(50,762)
Non ringfenced government grants	(45,660)	(42,597)
Capital grants and contributions	(51,457)	(49,967)
	(367,050)	(346,009)

Notes to the Core Financial Statements

16. PROPERTY, PLANT & EQUIPMENT

The figures below provide information on the movement of non-current assets held by the Council during 2024/25.

	Council Dwellings £000	Other Land and Buildings £000	Vehicles Plant, & Equipment £000	Non Highways Infrastructure £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total £000	PFI Assets Included in Property, Plant & Equipment
Cost or valuation									
At 1 April 2024	244,119	431,429	17,742	9,505	2,289	6,761	52,846	764,691	127,299
IFRS 16 Adjustments	0	34,174	2,544	0	0	0	0	36,718	36,718
Additions	14,959	14,440	1,890	20	514	0	19,634	51,457	365
Revaluation increases/(decreases) recognised in the Revaluation Reserve	75	(13,500)	0	0	0	(952)	0	(14,377)	(21,057)
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(2,439)	(10,311)	(2,544)	0	0	396	0	(14,898)	(12,974)
Derecognition – disposals	(1,208)	(24,098)	(153)	0	0	0	0	(25,459)	0
Derecognition – other	0	(3,387)	(2,724)	(67)	(20)	0	0	(6,198)	(1,856)
Assets reclassified (to)/from Held for Sale	(64)	(1,883)	0	0	0	(525)	0	(2,472)	0
Other movements in cost or valuation *	(86)	(4,075)	(27)	0	0	1,016	(2,063)	(5,235)	0
At 31 March 2025	255,356	422,789	16,728	9,458	2,783	6,696	70,417	784,227	128,495
Depreciation and Impairments									
At 1 April 2024	0	0	(8,282)	(4,258)	(514)	(1,006)	0	(14,060)	(5,525)
Depreciation charge for 2024/25	(4,355)	(21,457)	(2,400)	(443)	(97)	(36)	0	(28,788)	(8,539)
Depreciation written out to the Revaluation Reserve	176	15,062	0	0	0	0	0	15,238	2,471
Depreciation written out to the Surplus/Deficit on the Provision of Services	4,179	6,364	0	0	0	36	0	10,579	4,716
Impairment (losses)/reversals recognised in the Revaluation Reserve	0	(3,088)	0	0	0	0	0	(3,088)	0
Impairment (losses)/reversals recognised in the	(90)	(25)	(36)	0	0	0	0	(151)	0

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	Council Dwellings £000	Other Land and Buildings £000	Vehicles Plant, & Equipment £000	Non Highways Infrastructure £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total £000	PFI Assets Included in Property, Plant & Equipment
Surplus/Deficit on the Provision of Services									
Derecognition – disposals	0	0	64	0	0	0	0	64	0
Derecognition – other	0	30	2,712	67	20	0	0	2,829	1,856
Other movements in depreciation and impairment *	90	3,114	36	0	0	0	0	3,240	0
At 31 March 2025	0	0	(7,906)	(4,634)	(591)	(1,006)	0	(14,137)	(5,021)
NBV at 31 March 2025	255,356	422,789	8,822	4,824	2,192	5,690	70,417	770,090	123,474
NBV at 31 March 2024	244,119	431,429	9,460	5,247	1,775	5,755	52,846	750,631	121,774

* Other movements includes transfer between categories of assets excluding assets held for sale and cumulative impairments written out on revaluation.

The comparative movements in 2023/24 were as detailed below:

	Council Dwellings £000	Other Land and Buildings £000	Vehicles Plant & Equipment £000	Non Highways Infrastructure £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total £000	PFI Assets Included in Property, Plant & Equipment
Cost or valuation									
At 1 April 2023	236,024	436,600	24,008	8,750	2,285	2,488	39,464	749,619	131,675
Additions	13,598	3,743	3,303	755	34	0	21,190	42,623	2,089
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(109)	7,612	0	0	0	1,107	0	8,610	1,329
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(10,092)	(1,106)	0	0	0	28	0	(11,170)	25
Derecognition – disposals	(882)	(3,251)	(49)	0	0	(317)	0	(4,499)	0
Derecognition – other	0	(3,297)	(9,520)	0	(77)	0	0	(12,894)	(7,819)
Assets reclassified (to)/from Held for Sale	(547)	(2,015)	0	0	0	0	(880)	(3,442)	0
Other movements in cost or valuation	6,127	(6,857)	0	0	47	3,455	(6,928)	(4,156)	0
At 31 March 2024	244,119	431,429	17,742	9,505	2,289	6,761	52,846	764,691	127,299

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	Council Dwellings £000	Other Land and Buildings £000	Vehicles Plant & Equipment £000	Non Highways Infrastructure £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total £000	PFI Assets Included in Property, Plant & Equipment
Depreciation and Impairments									
At 1 April 2023	0	0	(14,250)	(3,820)	(537)	(1,006)	0	(19,613)	(10,987)
Depreciation charge for 2023/24	(5,067)	(21,198)	(3,472)	(438)	(54)	(242)	0	(30,471)	(9,179)
Depreciation written out to the Revaluation Reserve	178	19,391	0	0	0	208	0	19,777	6,895
Depreciation written out to the Surplus/Deficit on the Provision of Services	4,889	1,807	0	0	0	34	0	6,730	31
Impairment (losses)/reversals recognised in the Revaluation Reserve	0	(2,755)	0	0	0	(172)	0	(2,927)	0
Impairment (losses)/reversals recognised in the Surplus/Deficit on the Provision of Services	(762)	(68)	0	0	0	(63)	0	(893)	0
Derecognition – disposals	0	0	24	0	0	0	0	24	0
Derecognition – other	0	0	9,416	0	77	0	0	9,493	7,715
Other movements in depreciation and impairment	762	2,823	0	0	0	235	0	3,820	0
At 31 March 2024	0	0	(8,282)	(4,258)	(514)	(1,006)	0	(14,060)	(5,525)
NBV at 31 March 2024	244,119	431,429	9,460	5,247	1,775	5,755	52,846	750,631	121,774
NBV at 31 March 2023	236,024	436,600	9,758	4,930	1,748	1,482	39,464	730,006	120,688

Local Authority Maintained Schools

Included in the above balances for other land and buildings are all or a significant part of three primary schools for which plans are being finalised with the Diocese or for which instructions have been issued, but full ownership has not yet transferred to the Diocese. This detailed work is necessary because in many circumstances the schools are now physically different, and it is necessary to ensure that the transfers relate purely to the school function and no other uses which may now be on site. There is a legal obligation to transfer ownership under Education legislation (Education Act 1946 or Schools Standards and Framework 1998).

Work commenced on the first transfers in 2008/09, and further schools were identified in 2011/12, mainly as a result of Primary School Amalgamations, which resulted in the change of the category of a number of schools. These schools will be removed from the

Notes to the Core Financial Statements

Council's balance sheet on completion of the legal transfer. The total net book value for these schools still included as at the balance sheet date is £8.199m.

In addition there are a number of primary schools where a small part of the site is required to transfer from the Council to the Diocese, these are mainly as a result of extensions to schools which have been built across land still in Shropshire Council ownership (e.g. former playing field land). Work is ongoing to legally transfer these further sections, and they are not included in the Council's balance sheet.

Academy Schools

Where the School land and premises are in the freehold ownership of the Council, these are now leased by the Council to the Academy school on a 125-year peppercorn rent. On this basis the schools are now listed in the Council's fixed asset register at nil value. In 2024/25 eight schools in the freehold ownership of the Council and playing field sites at three further schools, transferred to Academy status. The value written out of the Council balance sheet in 2024/25 for the schools transferring was £20.811m.

At the balance sheet date Department of Education approval had been granted for twelve schools to convert to Academy status. Of the schools to transfer, three are in Council freehold ownership plus a further six the playing field land or associated facilities are. A lease to the schools on a 125-year peppercorn rent will be completed as part of the Academy transfers. The value of the school properties in the 2024/25 accounts is £6.120m. This is considered as a non-adjusting event after the reporting date.

Depreciation

The following useful lives have been used in the calculation of depreciation:

- Council Dwelling – componentised depreciation basis, using the Planned Programme Approach. The components are depreciated on a straightline basis over their useful life (10-80 years) for Decent Homes Standard; with the residual amount (excluding land) depreciated over 150 years.
- Other Land and Buildings – average 10 to 60 years range.
- Vehicles, Plant, Furniture & Equipment – 5 to 25 years.
- Infrastructure – 5 to 100 years.

Capital Commitments

At 31 March 2025, the Council has entered into a number of contracts for the purchase, construction or enhancement of Property, Plant and Equipment or to provide grant funding to other bodies for a capital purpose in 2025/26 and future years budgeted to cost £24.693m. Similar commitments to 31 March 2024 were £30.302m. The major commitments were:

- Highways schemes - £15.776m;
- Oswestry Innovation Park Scheme - £2.066m;
- Climate Change Schemes - £1.544m;
- Shrewsbury Town Centre Redevelopment Programme - £1.200m;
- Homes & Communities Schemes - £0.441m;
- Cambrian Railway Scheme - £0.122m;

- Primary School Condition Scheme - £0.112m;
- HRA Temporary Accommodation Programme - £1.407m;
- HRA New Build Programme - £1.314m;
- HRA Single Homelessness Accommodation Programme - £0.711m.

Revaluations

The Council carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at current value is revalued at least every five years and are subject to an annual desktop review, in year where a full valuation is not undertaken. Valuations are undertaken by External and Internal Valuers for the General Fund and External Valuers for HRA assets. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Vehicles, plant, furniture and equipment are held on historic cost basis.

The significant assumptions applied in estimating the current values are:

- For all assets valued on a DRC or EUV basis an apportionment of each valuation has been made between land and buildings. The apportionment is provided only for the financial purposes, but this does not necessarily reflect how each asset would be treated in the open market.
- Valuation is based on the continuation of the existing uses for all of those properties that are owner occupied by Shropshire Council. Assumed that the properties are all occupied and/or operated in accordance with a valid planning permission. Valuers have not carried out any enquiries into highways or other statutory matters and have assumed there is nothing that would affect value.
- In accordance with instructions from Shropshire Council, Valuers have not undertaken any Building Surveys, test of services or site investigations and have prepared valuations on the basis that all properties (sites and buildings) are:
 - Free of any matters (including deleterious materials or contamination) that could otherwise affect value;
 - None of the properties are prone to flooding or other infrequent or regularly occurring natural events that could affect value;
 - All necessary mains services are connected to the properties.
- All valuations undertaken are reported on a gross basis before deduction of purchaser's costs, including stamp duty at prevailing rates. No allowance has been made for any expenses of realisation, nor taxation (including VAT) which might arise in the event of a disposal, and the property has been considered free and clear of all mortgages or other charges which may be secured thereon.
- All of the assets are held on an unencumbered freehold basis with the Title being good and marketable, based on the Report on Title provided.
- Where relevant, Valuers have carried out informal enquiries only of statutory undertakers. This information has been obtained from verbal discussions or the internet, and is provided without liability on behalf of the statutory bodies.
- Opinion of the remaining lives of property assets has been provided. This may not necessarily be the useful life of the asset to Shropshire Council.

Notes to the Core Financial Statements

Estimates of the properties remaining lives are based upon information provided together with Valuers understanding of any recent capital expenditure which has been incurred in replacing or refurbishing individual buildings and the use of the buildings (if any) at the date of valuation. All buildings are assumed to have a maximum life expectancy from new of 60 years.

Valuations of Non-Current Assets carried at Current Value

The following statement shows the progress of the Council's rolling programme for the revaluation of Property, Plant and Equipment. The valuations are commissioned from External Valuers. The basis of valuation is set out in the Statement of Accounting Policies. All values are stated on a net present value basis.

	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Surplus Assets £000	Total £000
Carried at Historical Cost	0	0	8,822	0	8,822
Valued at Current Value as at: 31-Mar-25	255,356	422,789	0	5,690	683,835
Total Cost or Valuation	255,356	422,789	8,822	5,690	692,657

All assets were subject to a Full or Desktop Valuations as at 31/03/25 to ensure the carrying amount reflected Current Value as at the balance sheet date.

In order to perform this exercise the other land and building category was split into the sub-categories with the relevant values detailed in the table below:

	2024/25 £000	2023/24 £000
Schools, Children's Services and other Education Facilities	60,098	84,592
Culture & Heritage Buildings	61,582	60,683
Leisure & Recreation	70,441	52,501
Highways & Car Parks	26,756	25,710
Social Care	41,635	40,906
Administrative Offices	13,967	17,172
Waste Management Site	106,744	104,470
Business / Commercial Sites (including Markets)	26,912	28,618
Housing Services (including Gypsy Sites)	8,371	8,700
Smallholdings	4,006	5,676
Other	2,277	2,401
Total	422,789	431,429

Highway Infrastructure Assets

In accordance with the temporary relief offered by the Update to the Code on infrastructure assets this note does not include disclosure of gross cost and accumulated

Notes to the Core Financial Statements

depreciation for infrastructure assets because historical reporting practices and resultant information deficits mean that this would not faithfully represent the asset position to the users of the financial statements.

The authority has chosen not to disclose this information as the previously reported practices and resultant information deficits mean that gross cost and accumulated depreciation are not measured accurately and would not provide the basis for the users of the financial statements to take economic or other decisions relating to infrastructure assets.

	2024/25 £000	2023/24 £000
Net book value (modified historical cost):		
At 1 April	387,873	385,883
Additions	25,116	29,613
Derecognition	0	0
Depreciation	(29,876)	(27,959)
Impairment	0	0
Other Movement in cost	206	336
At 31 March	383,319	387,873

Reconciliation note to Property, Plant & Equipment in the Balance Sheet:

	2024/25 £000	2023/24 £000
Highway Infrastructure Assets	383,319	387,873
Other PPE Items	770,090	750,631
Right of Use Assets (Note 20)	2,994	0
Total PPE Assets	1,156,403	1,138,504

The authority has determined in accordance with Regulation [30M England] of the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2022 that the carrying amounts to be derecognised for infrastructure assets when there is replacement expenditure is nil. Given the financial position of the Council over a number of years, we have not had sufficient resources to do anything other than undertake replacement or renewal expenditure when parts of infrastructure assets are worn out.

17. INVESTMENT PROPERTIES

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

	2024/25 £000	2023/24 £000
Rental income & service charges from investment property	(2,861)	(2,571)
Direct operating expenses arising from investment property	648	764
Net (gain)/loss	(2,213)	(1,807)

Notes to the Core Financial Statements

There are no restrictions on the Council's ability to realise the value inherent in its investment property or on the Council's right to the remittance of income and the proceeds of disposal. The Council has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement.

The following table summarises the movement in the fair value of investment properties over the year:

	Long term		Current	
	2024/25 £000	2023/24 £000	2024/25 £000	2023/24 £000
Balance at start of the year	43,029	60,736	18,283	5,906
Additions:				
- Purchases	0	0	0	0
- Construction	0	6	0	0
- Subsequent expenditure	105	371	0	0
Disposals	(105)	(293)	(4,350)	(5,906)
Net gains/(losses) from fair value adjustments	2,044	(3,569)	1,427	4,033
Transfers:				
- (To)/from Property, Plant and Equipment	1,789	28	0	0
- (To)/from Current/Long term	840	(14,250)	(840)	14,250
Balance at end of the year	47,702	43,029	14,520	18,283

Fair Value Hierarchy

Details of the Council's investment properties and information about the fair value hierarchy as at 31 March 2025 are as follows:

2024/25	Quoted prices in active markets for identical assets (Level 1) £000	Other significant observable inputs (Level 2) £000	Significant unobservable inputs (Level 3) £000	Fair value as at 31 March 2023 £000
Recurring fair value measurements using:				
Residential (market rental) properties	0	2,160	2,440	4,600
Land	0	12,360	16,600	28,960
Commercial units	0	289	28,373	28,662
Total	0	14,809	47,413	62,222

Notes to the Core Financial Statements

2023/24	Quoted prices in active markets for identical assets (Level 1) £000	Other significant observable inputs (Level 2) £000	Significant unobservable inputs (Level 3) £000	Fair value as at 31 March 2022 £000
Recurring fair value measurements using:				
Residential (market rental) properties	0	3,993	0	3,993
Land	0	31,334	0	31,334
Commercial units	0	25,985	0	25,985
Total	0	61,312	0	61,312

Transfers between levels of the fair value hierarchy

The transfers between levels 2 and 3 during the years is following the change of Valuers for the General Fund assets and the Valuers assessment of the fair value hierarchy, based on the information they have had available to them.

Assets Categorised within Level 3	Residential £'000	Land £'000	2024/25 Commercial £'000	Total £'000
Opening Balance	0	0	0	0
Transfers into Level 3	1,833	13,051	25,696	40,580
Transfers out of Level 3	0	0	0	0
Total gains/(losses) for the period included in the surplus/deficit on the provision of services resulting from changes in the fair value	607	3,549	584	4,740
Additions	0	0	2,093	2,093
Disposal	0	0	0	0
Closing Balance	2,440	16,600	28,373	47,413

Valuation Techniques used to Determine Level 2 and 3 Fair Values for Investment Properties

Significant Observable Inputs – Level 2

The fair value for the residential properties and land are where disposals are actively progressing (assets classed as Current Held for Sale Investment Property) and the valuation has been based on the market approach using current market conditions that have been observed following marketing of the assets and agreeing terms.

The commercial units are those held by the HRA and have been based on the market approach, with observable inputs from analysed and weighted market evidence such as sales, rentals and yields in respect of comparable properties in the same or similar locations at or around the valuation date.

Significant Unobservable Inputs – Level 3

Notes to the Core Financial Statements

The remaining Investment Properties have been measured using the market approach, utilising lease information, market evidence, income evidence and information that has been provided by the client. They are therefore categorised as Level 3 in the fair value hierarchy as the measurement technique uses significant unobservable inputs to determine the fair value measurements.

Highest and Best Use of Investment Properties

In estimating the fair value of the authority's Investment Properties, the valuations have been on the basis of the highest and best use of the asset. In a small number of instances this differs to their current use, mainly where sites would have a higher value if use for residential development, and it is expected planning permission for these sites would be granted based on existing planning policy. The authority is actively working to bring these sites forward for development, but this process can take a number of years.

Valuation Process for Investment Properties

The fair value of the authority's investment properties are subject to revaluations in accordance with the authority's policy on revaluing non-current assets, commissioned to External and Internal Valuers. As the fair value must reflect market conditions at the balance sheet date, annual revaluations are necessary unless the authority can demonstrate that the carrying value is not materially different from the fair value at that date.

18. CAPITAL EXPENDITURE AND FINANCING

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases and PFI contracts), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed. The CFR is analysed in the second part of this note.

	2024/25 £000	2023/24 £000
Opening Capital Financing Requirement (including PFI & Finance Lease)	550,192	517,409
Capital investment		
Property, Plant and Equipment	76,698	72,336
Investment Properties	105	377
Long Term Investment	10	0
Intangible Assets	55	300
Revenue Expenditure Funded from Capital under Statute	58,138	33,921
Capital Loans	16,627	23,500
IFRS 16 Adjustments - PFI	36,717	0
IFRS 16 Adjustments - Right of Use Assets	5,555	0
Sources of finance		
Capital receipts	(21,801)	(14,792)
Capital grants and other contributions	(78,997)	(58,845)
Direct Revenue Financing (Including MRA)	(9,534)	(10,239)
Minimum Revenue Provision	(18,353)	(13,775)

Notes to the Core Financial Statements

	2024/25 £000	2023/24 £000
Closing Capital Financing Requirement (including PFI & Finance Lease)	615,412	550,192
Closing Capital Financing Requirement – Supported & Unsupported Borrowing – General Fund	399,235	368,442
Closing Capital Financing Requirement – Supported & Unsupported Borrowing – HRA	100,193	96,745
Closing Capital Financing Requirement – PFI & Finance Lease	115,984	85,005
	615,412	550,192
Explanation of movements in year		
Increase/(Decrease) in underlying need to borrow (supported by Government financial assistance)	(8,590)	3,841
Increase/(Decrease) in underlying need to borrow (unsupported by Government financial assistance)	42,832	34,564
Assets acquired under finance leases	4,666	0
Assets acquired under PFI contracts	26,312	(5,622)
Increase/(decrease) in Capital Financing Requirement	65,220	32,783

19. PRIVATE FINANCE INITIATIVE SCHEMES

The Council has two Private Finance Initiative (PFI) schemes: The Quality in Community Services (QICS) PFI, signed on 21 May 2005, and the Waste Services PFI contract, signed on 29 September 2007.

a. The Quality in Community Services PFI Project

On 21 May 2005 the Council entered into a 30 year contract with Integrated Care Solutions (ICS) to supply and maintain six buildings:

- Three Resource Centres
- A Nursing Home
- A Joint Service Centre
- An Intermediate Care Hub

The contract was a Private Finance Initiative under the Capital Finance Regulations. The Council was awarded a PFI credit of £20.400m.

b. The Waste Services PFI Project

On 29 September 2007, the former Shropshire County Council, in its capacity as Contracting Authority for the former Shropshire Waste Partnership, entered into a 27 year waste contract with Veolia ES Shropshire Limited. Services under the contract commenced on 1 October 2007. On 20 October 2008 Shrewsbury & Atcham Borough Council joined the Partnership and the contract with Veolia for the remaining 26 years.

The contract is a Private Finance Initiative (PFI) contract and is part funded by £40.800m of PFI credits which are paid as an annual PFI grant.

There are two separable elements to the contract: a collection and recycling element and a waste treatment services element.

Notes to the Core Financial Statements

The collection and recycling element comprises the kerbside collections of recycling and waste, the operation of the Integrated Waste Management Facilities (comprising the household recycling centres and transfer stations) and waste treatment and disposal other than the operation of the Energy Recovery Facility. The contract is an output based contract but proposed waste infrastructure that will be used to deliver services under this element of the contract includes upgrades of the existing Craven Arms and Whitchurch recycling facilities, the development of Integrated Waste Management Facilities to service the Oswestry and Bridgnorth areas and the development of an In Vessel Composting Facility.

Two broad groups of assets are being provided under the Waste Services PFI contract:

- Vehicles and waste receptacles used to deliver the day to day waste service.
- Assets to be constructed under the contract to deliver improved recycling and diversion performance.

The value of assets held and liabilities resulting from the QICS and Waste PFI contract and an analysis of the movements are shown below:

	QICS PFI Year Ended 31/03/25 £000	Year Ended 31/03/24 £000	Waste PFI Year Ended 31/03/25 £000	Year Ended 31/03/24 £000
Non-Current Assets – Land & Buildings				
Balance Brought Forward	17,918	17,394	99,135	98,320
- IFRS 16 Transition Adjustment	(548)	0	26,686	0
- Depreciation in Period	0	0	(16)	(16)
- IFRS 16 in-year remeasurement	447	0	7,589	0
- Additions	0	0	0	0
- Revaluation/Impairment	513	524	(32,001)	831
- Derecognition	0	0	0	0
Balance Carried Forward	18,330	17,918	101,393	99,135
Non-Current Assets – Vehicles, Plant & Equipment				
Balance Brought Forward	0	0	4,722	4,974
- IFRS 16 Transition Adjustment	0	0	1,981	0
- Depreciation in Period	0	0	(1,336)	(2,237)
- IFRS 16 in-year remeasurement	0	0	563	0
- Additions	0	0	365	2,089
- Revaluation/Impairment	0	0	(2,544)	0
- Derecognition	0	0	0	(104)
Balance Carried Forward	0	0	3,751	4,722
Prepayments				
Balance Brought Forward	0	0	13,140	11,386
- IFRS 16 Transition Adjustments	0	0	222	0
- Planned Capital Expenditure	0	0	871	1,754
Balance Carried Forward	0	0	14,233	13,140
Finance Lease Liability				
Balance Brought Forward	(10,223)	(10,638)	(87,922)	(91,376)
- IFRS 16 Transition Adjustment	524	0	(26,668)	0
- IFRS 16 in-year remeasurement	(447)	0	(8,152)	0
- Early Lifecycle	0	0	0	0
- Repayment of Principal	420	415	6,918	3,454
Balance Carried Forward	(9,726)	(10,223)	(115,824)	(87,922)

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Details of Payments due to be made under PFI contracts

Year	Service Charges *	Principal	Interest	Total Unitary Charge Payment
	£000	£000	£000	£000
Amounts Falling Due Within One Year	40,009	5,154	10,901	56,064
Amounts Falling Due Within 2 – 5 Years	122,513	29,469	39,772	191,754
Amounts Falling Due Within 6 – 10 Years	188,063	39,169	35,851	263,083
Amounts Falling Due Within 11 – 15 Years	151,152	57,533	13,098	221,783
Amounts Falling Due Within 16 – 20 Years	0	0	0	0

* comprised of operating costs and lifecycle costs

20. LEASES

Authority as a Lessee

Right of use assets

This table shows the change in the value of right of use assets held under leases by the authority.

	Land and buildings £000	Vehicles, plant and equipment £000	Total £000
Balance at 1 April 2024	0	0	0
Adjustments on transition to IFRS16	1,881	1,846	3,727
Additions	0	0	0
Revaluations	4	0	4
Depreciation and amortisation	(233)	(504)	(737)
Disposals	0	0	0
Balance at 31 March 2025	1,652	1,342	2,994

Transactions under leases

The authority incurred the following expenses and cash flows in relation to leases.

	2024/25 £000	2023/24 £000
Comprehensive income and expenditure statement		
Interest expense on lease liabilities	179	0
Expense relating to short term leases	430	0
Expense relating to exempt leases of low-value items	634	0
Cash flow statement		
Minimum lease payments	2,132	0

Maturity of lease liabilities

The lease liabilities are due to be settled over the following time bands:

Notes to the Core Financial Statements

	31 March 2025 £000	31 March 2024 £000
Less than one year	1,471	1,509
One to five years	1,552	2,892
More than five years	2,263	2,395
	5,286	6,796

Authority as Lessor

Operating Leases

The Council leases out property under operating leases for a variety of purposes, including:

- For the provision of community services.
- For economic development purposes to provide suitable affordable accommodation for local businesses.
- For income generation as Investment Properties.

Transactions under leases

The Council made the following gains and losses as a lessor during the year.

	2024/25 £000	2023/24 £000
Operating leases		
Total lease income	5,119	4,851
Total	5,119	4,851

Maturity analysis of lease receivables

The minimum lease payments committed as at 31 March are:

	31 March 2025 £000	Operating leases 31 March 2024 £000
Expiring less than one year	1,527	1,517
Expiring between one to two years	356	280
Expiring between two to three years	446	352
Expiring between three to four years	265	446
Expiring between four to five years	52	255
Expiring later than five years	1,608	1,325
	4,254	4,175

21. FINANCIAL INSTRUMENTS

Categories of Financial Instruments

The following categories of financial instruments are carried in the Balance Sheet.

Notes to the Core Financial Statements

Financial Assets	Long term				Current				Total	
	Investments		Debtors		Investments		Debtors			
	31-Mar-25	31-Mar-24	31-Mar-25	31-Mar-24	31-Mar-25	31-Mar-24	31-Mar-25	31-Mar-24	31-Mar-25	31-Mar-24
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Fair value through profit or loss										
Long Term Equity Instruments	571	571	0	0	0	0	0	0	571	571
Amortised cost										
Investment	409	400	23,999	15,259	0	0	100,944	79,847	125,352	95,506
Cash and Cash Equivalents	0	0	0	0	50,725	37,293	0	0	50,725	37,293
Total financial assets	980	971	23,999	15,259	50,725	37,293	100,944	79,847	176,648	133,370
Non-financial assets	0	0	0	0	0	0	50,176	43,958	50,176	43,958
Total	980	971	23,999	15,259	50,725	37,293	151,120	123,805	226,824	177,328

Financial Liabilities	Long term				Current				Total	
	Borrowings		Creditors		Borrowings		Creditors			
	31-Mar-25	31-Mar-24	31-Mar-25	31-Mar-24	31-Mar-25	31-Mar-24	31-Mar-25	31-Mar-24	31-Mar-25	31-Mar-24
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Amortised cost										
Principal	(364,866)	(281,527)	(591)	(603)	(55,959)	(31,058)	(63,303)	(63,788)	(484,719)	(376,976)
Loans accrued interest	0	0	0	0	(2,433)	(1,744)	0	0	(2,433)	(1,744)
Bank Overdraft	0	0	0	0	0	0	(19,938)	(35,933)	(19,938)	(35,933)
PFI and Finance lease liabilities	(124,212)	(93,313)	0	0	0	0	(6,005)	(4,832)	(130,217)	(98,145)
Total Financial Liabilities	(489,078)	(374,840)	(591)	(603)	(58,392)	(32,802)	(89,246)	(104,553)	(637,307)	(512,798)
Non financial liabilities	0	0	0	0	0	0	(38,724)	(19,530)	(38,724)	(19,530)
Total	(489,078)	(374,840)	(591)	(603)	(58,392)	(32,802)	(127,970)	(124,083)	(676,031)	(532,328)

The debtors figure included in the balance sheet includes payments in advance from individuals and organisations and transactions relating to Council Tax and Business Rates which are not considered to be financial instruments, therefore these prepayments have been excluded above. Similarly the creditors figure also includes transactions relating to Council Tax and Business Rates and receipts in advance which are not a financial instrument, therefore these have been excluded above. A reconciliation of the Financial Instrument figures to the Balance Sheet is provided below:

Notes to the Core Financial Statements

	31-Mar-25 £000	31-Mar-24 £000
Debtors:		
Financial assets carried at contract amounts as per Financial Instruments	100,944	79,847
Debtors that are not financial instruments	50,176	43,958
Total Debtors as per Balance Sheet	151,120	123,805
Creditors:		
Financial liabilities carried at contract amount as per Financial Instruments	(69,308)	(68,620)
Creditors that are not financial instruments	(38,724)	(19,530)
Total Creditors as per Balance Sheet	(108,032)	(88,150)

Soft Loans

Following a review in this area it has been identified that interest free loans with a nominal value of £2.079m are advanced to clients receiving residential/nursing care, who following assessment, are required to pay the full cost of their care. As all of the clients funds are tied up in the property they own, a legal charge is made against the property and when the property is sold the outstanding debts are cleared and the legal charge removed.

In addition, clients who are required to make adaptations to their homes to maintain their independence are also given interest free loans, the nominal value of these loans is £0.283m. A legal charge is again placed against the property and when the property is sold the amount of the loan is repaid and the legal charge removed.

The deferred charges loans are part of the Charging Residential Accommodation Guide (CRAG) assessment and the adaptation loans are part of Disabled Facilities Grant legislation, which means they are part of national agreements. These loans are not part of the Council's internal policies and therefore are not classified as soft loans.

Income, Expense, Gains and Losses

	2024/25		2023/24	
	Surplus or Deficit on the Provision of Services £000	Other Comprehensive Income and Expenditure £000	Surplus or Deficit on the Provision of Services £000	Other Comprehensive Income and Expenditure £000
Net gains/losses on:				
Financial assets measured at fair value through profit or loss	0	0	0	0
Financial assets measured at amortised cost	0	0	0	0
Investments in equity instruments designated at fair value through other comprehensive income	0	0	0	0
Financial assets measured at fair value through profit or loss	(928)	0	0	0
Financial liabilities measured at amortised cost	0	0	0	0
Total net gains/losses	(928)	0	0	0

Notes to the Core Financial Statements

	2024/25	2023/24
	Surplus or Deficit on the Provision of Services £000	Surplus or Deficit on the Provision of Services £000
	Other Comprehensive Income and Expenditure £000	Other Comprehensive Income and Expenditure £000
Interest revenue:		
Financial assets measured at amortised cost	(4,181)	(4,515)
Other financial assets measured at fair value through other comprehensive income	0	0
Total interest revenue	(4,181)	(4,515)
Interest expense		
Interest Expense	24,068	26,192

The Fair Values of Financial Assets and Financial Liabilities that are not Measured at Fair Value (but for which Fair Value Disclosures are Required)

Except for the financial assets carried at fair value, all other financial liabilities and financial assets held by the Council are carried in the Balance Sheets at amortised cost. The fair values calculated are as follows.

Financial Liabilities	31 March 2025 Carrying amount £000	Fair value £000	31 March 2024 Carrying amount £000	Fair value £000
Financial liabilities held at amortised cost				
- Loans/Borrowings	420,798	383,079	312,127	289,460

The fair value of borrowings is lower than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is lower than the prevailing rates at the Balance Sheet date. This shows a notional future gain arising from a commitment to pay interest to lenders below current market rates.

Financial Assets	31 March 2025 Carrying amount £000	Fair value £000	31 March 2024 Carrying amount £000	Fair value £000
Financial assets held at amortised cost:				
Cash	30,000	30,000	28,400	28,400
Fixed Term Deposits	20,600	20,600	8,000	8,000
Long term debtors	23,999	23,999	15,259	15,259
Long term investments	980	980	971	971

The fair value of the assets held at amortised cost is taken to be the carrying amount due to the short term nature of the assets.

Notes to the Core Financial Statements

Short term debtors and creditors are carried at cost as this is a fair approximation of their value.

Fair value hierarchy for financial assets and financial liabilities that are not measured at fair value

	31-Mar-25			Total
	Quoted prices in active markets for identical assets (Level 1) £000	Other significant observable inputs (Level 2) £000	Significant unobservable inputs (Level 3) £000	£000
Recurring fair value measurements using:				
Financial liabilities				
Financial liabilities held at amortised cost:				
Loans/borrowings	0	383,079	0	383,079
Total	0	383,079	0	383,079
Financial assets				
Soft loans to third parties	0	0	0	0
Cash and Fixed Term Deposits	0	50,600	0	50,600
Total	0	50,600	0	50,600

	31-Mar-24 Comparative Year			Total
	Quoted prices in active markets for identical assets (Level 1) £000	Other significant observable inputs (Level 2) £000	Significant unobservable inputs (Level 3) £000	£000
Recurring fair value measurements using:				
Financial liabilities				
Financial liabilities held at amortised cost:				
Loans/borrowings	0	289,460	0	289,460
PFI and finance lease liabilities	0	126,387	0	126,387
Total	0	415,847	0	415,847
Financial assets				
Soft loans to third parties	0	0	750	750
Cash and Fixed Term Deposits	0	36,400	0	36,400
Total	0	36,400	750	37,150

The fair value for financial liabilities and financial assets that are not measured at fair value included in levels 2 and 3 in the table above have been arrived at using a discounted cash flow analysis with the most significant inputs being the discount rate.

Notes to the Core Financial Statements

The fair value for financial liabilities and financial assets that are not measured at fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions.

Financial Assets	Financial Liabilities
No early repayment or impairment is recognised	No early repayment is recognised
The fair value of cash and fixed term deposits is taken to be the carrying amount due to the short term nature of the assets.	Estimated ranges of interest rates at 31 March 2025 of 4.81% to 5.98% for loans payable, based on new lending rates for equivalent loans at that date.
The fair value of trade and other receivables is taken to be the invoiced or billed amount	

22. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

The identification, understanding and management of risk are, by necessity, a major part of the Council's treasury management activities. The Council's overall risk management procedures focus on the unpredictability of financial markets, and are structured to implement suitable controls to minimise these risks. The procedures for risk management require the Council to manage risk in the following ways:

- By formally adopting the requirements of the CIPFA Treasury Management Code of Practice;
- By the adoption of a Treasury Policy Statement and treasury management clauses;
- By approving annually in advance prudential and treasury indicators for the following three years;
- By approving an investment strategy for the forthcoming year.

To avoid the Council suffering loss as a result of its treasury management activities a number of risk management procedures have been put in place.

These procedures are based on the concept that firstly security of principal is paramount, secondly that there is a need to maintain liquidity and finally earning a rate of return commensurate with the first two concepts.

Credit Risk Exposure

Credit and counterparty risk is the failure by a third party to meet its contractual obligations under an investment, loan or other commitment, especially due to deterioration in its creditworthiness.

As a holder of public funds, Shropshire Council regards it a prime objective of its treasury management activities to be the security of the principal sums it invests. The enhancement of returns is a secondary consideration to the reduction or minimisation of risk. Accordingly, the Council ensures that its counterparty lists and limits reflect a prudent attitude towards organisations with whom funds may be deposited.

The main criteria for determining the suitability of investment counterparties is outlined in the Council's creditworthiness policy which is approved as part of the Annual Investment

Notes to the Core Financial Statements

Strategy. The Council's lending list is reviewed continuously in conjunction with its treasury advisor and formally updated monthly. Additions to, and deletions from, the list are approved by the Section 151 Officer.

The total permitted investment in any one organisation at any one time varies with the strength of the individual credit rating. For the highest rating the maximum amount is currently limited to £20.000m.

The analysis below summarises the Council's potential maximum exposure to credit risk, based on the experience of default, adjusted to reflect current market conditions.

	Amount deposited at 31 March 2025	Historical experience of default	Historical experience adjusted for market conditions at 31 March 2025	Estimated maximum exposure to default and uncollectability at 31 March 2025
	£000	%	%	£000
	A	B	C	(AxC)
Deposits with banks and financial institutions having a default rating of:				
AAA	30,000	0	0	0
AA	20,600	0	0	0
A	0	0	0	0
BBB	0	0	0	0
Other Local Authorities	0	0	0	0
Debtors (Customers)	38,649	0	0	0

No credit limits were exceeded during the reporting period and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits.

The Council generally allows its customers 20 days credit. Of the £38.649m invoiced income outstanding from customers £22.270m is past its due date for payment. This amount past due date is analysed by age as follows:

Age of Debt	2024/25 £000	2023/24 £000
Less than 3 months overdue	3,946	6,967
3 to 6 months overdue	4,113	2,223
6 months to 1 year overdue	3,110	2,717
More than 1 year overdue	11,101	9,469
	22,270	21,376

Further details on the amounts outstanding from customers which is past its due date for payment is provided in the below table.

Notes to the Core Financial Statements

2024/25	Adult Services		Place		Other		Total	
	Value of Debt	Allowance for impairment losses	Value of Debt	Allowance for impairment losses	Value of Debt	Allowance for impairment losses	Value of Debt	Allowance for impairment losses *
	£000	£000	£000	£000	£000	£000	£000	£000
Less than 3 months overdue	3,012	0	39	0	1,062	0	4,113	0
3 to 6 months overdue	2,980	0	41	3	89	1	3,110	4
6 months to 1 year overdue	3,261	225	655	19	30	13	3,946	257
More than 1 year overdue	9,785	4,251	866	335	450	288	11,101	4,874
	19,038	4,476	1,601	357	1,631	302	22,270	5,135

* Allowance for impairment losses in the table above relates only to sundry debtors. Other allowances for impairment losses in relation to Council Tax and Business Rates debtors are also provided for within the total Debtors figure on the Balance Sheet.

Loss allowances on trade receivables are calculated using historical experience of default and knowledge of any current and future events which could impact on collection. Trade receivables have been assessed on an individual service basis with some items grouped based on their age and type.

Long term debtors and short term loan debtors are assessed for expected credit losses by reviewing historical experience of repayments and assessing any current or future events which could result in default of repayments.

Liquidity Risk Exposure

Liquidity risk is the risk that cash is not available when required. This can jeopardise the ability of the Council to carry out its functions or disrupt those functions being carried out in the most cost effective manner. The Council therefore has sufficient standby facilities to ensure that there is always sufficient liquidity to deal with unexpected circumstances.

As the Council has ready access to borrowings from the money markets to cover any day to day cash flow need, and the Public Works Loan Board and money markets for access to longer term funds, there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the Council will be bound to replenish a significant proportion of its borrowings at a time of unfavourably high interest rates. The Council's strategy therefore is to ensure that no more than 15% of loans mature in any one financial year.

In addition, all of the Council's short term liquidity requirements can be satisfied through short term borrowing and bank overdraft facilities.

The maturity analysis of financial liabilities is as follows:

Age of Debt	2024/25 £000	2023/24 £000
Less than 1 year	55,932	31,032
Between 1 and 2 years	59,619	932
Between 2 and 5 years	45,446	978
Between 5 and 10 years	74,487	73,487
More than ten years	185,314	206,131
	420,798	312,560

Interest Rate Risk

Interest rate risk is the risk that unexpected changes in interest rates expose the Council to greater costs or a shortfall in income than have been budgeted for. The Council minimises this risk by seeking expert advice on forecasts on interest rates from its Treasury Management consultants, and agreeing with them the strategy for the forthcoming year for the investment and debt portfolios. Movement of actual interest rates against these expectations is monitored continuously with advice from our treasury advisor.

The Annual Treasury Management Strategy draws together the Council's prudential and treasury indicators and its expected treasury operations, including an expectation of interest rate movements. Interest rate exposure limits and other prudential limits are set through this Strategy. The limit for variable rate debt is 50% of the total debt portfolio however the Council works to a more prudent level and maximises its exposure to 25%. As borrowings are not carried at fair value, nominal gains and losses on fixed rate borrowings do not impact on the Surplus or Deficit on the Provision of Services or other Comprehensive Income and Expenditure.

As at 31 March 2025 the Council's total outstanding debt (excluding accrued interest) amounted to £420.798m of which none of these loans were at stepped interest rates. Out of this balance £382.355m relates to fixed rate Public Works Loan Board (PWLB) loans, £20.850m relates to Lenders Option Borrower Option (LOBO) market loans, £16.184m relates to Market Loans, £1.409m relates to SALIX loans and £0.026m relates to temporary loans for voluntary groups. As the LOBO loans have a call option where the lender can increase the rate of the loan at predetermined dates these loans are classified as variable rate loans. The interest rates range between 3.83% and 4.27%. Of the total amount, £5.150m has an annual call date, £5.700m has a 2 yearly call date and £10.000m has a 5 yearly call date. If the lender increases the interest rate on the LOBO loans at the predetermined date then the Council has the option to repay the loan in full thereby offering the potential for the Council to avoid this increase in interest payable.

The majority of the Council's investments are fixed rate deposits however, investments in Call Accounts are classified as variable rate investments. As at the end of March 2025, £30.000m was held in a Call Account.

Price Risk

The Council, excluding the pension fund, does not invest in equity shares or bonds, therefore is not exposed to losses arising from movements in share/bond prices.

Foreign Exchange Risk

The Council has no financial assets or liabilities denominated in foreign currencies therefore the exposure to loss arising from movements in exchange rates is zero.

Notes to the Core Financial Statements

23. DEBTORS

These are sums of money due to the Council but unpaid at 31 March 2025.

	2024/25 £000	2023/24 £000
Debtors:		
Central Government Bodies	22,543	14,358
Other Local Authorities	9,512	5,569
NHS Bodies	16,624	6,173
Public Corporations and Trading Funds	0	7
Other Entities and Individuals	75,973	73,420
Prepayments	26,468	24,278
	151,120	123,805

24. DEBTORS FOR LOCAL TAXATION

The past due but not impaired amount for local taxation (council tax and non-domestic rates) can be analysed by age as follows:

	2024/25 £000	2023/24 £000
Less than 1 year	7,314	6,870
1 – 2 years	4,329	3,837
2 – 3 years	3,057	2,753
More than 3 years	11,681	10,368
	26,381	23,828

25. CASH AND CASH EQUIVALENTS

The balance of Cash and Cash Equivalents is made up of the following elements:

	31 March 2025 £000	31 March 2024 £000
Bank current accounts	30,115	37,293
Short term deposits	20,610	0
Total Cash and Cash Equivalents	50,725	37,293
Bank Overdraft	(19,938)	(35,933)
Cash Overdrawn	(19,938)	(35,933)

26. CREDITORS

These are amounts owed by the Council for work done, goods received or services rendered which had not been paid by 31 March 2025.

Notes to the Core Financial Statements

	2024/25 £000	2023/24 £000
Creditors:		
Central Government Bodies	(12,819)	(10,012)
Other Local Authorities	(2,439)	(1,929)
NHS Bodies	(652)	(637)
Public Corporations and Trading Funds	0	0
Other Entities and Individuals	(73,635)	(62,042)
Receipts In Advance	(18,487)	(13,530)
	(108,032)	(88,150)

27. PROVISIONS

The value of provisions held as at 31 March 2025 are as follows:

	Balance at 31 March 2023 £000	Transfers Out 2023/24 £000	Transfers In 2023/24 £000	Balance at 31 March 2024 £000	Transfers Out 2024/25 £000	Transfers In 2024/25 £000	Balance at 31 March 2025 £000
Short Term Provisions							
Accumulated Absences Account	3,055	(3,055)	2,545	2,545	(2,545)	3,212	3,212
Highways & Transport Provision	405	(405)	0	0	0	0	0
Housing Enforcement	156	0	0	156	0	0	156
Termination Benefits	55	(55)	5	5	(5)	1,741	1,741
Other short term provisions	92	(92)	0	0	0	0	0
Total Short Term Provisions	3,763	(3,607)	2,550	2,706	(2,550)	4,953	5,109
Long Term Provisions							
S106	73	0	0	73	(73)	0	0
Liability Insurance	4,095	(964)	847	3,978	(885)	875	3,968
NDR Appeals	4,074	(4,461)	2,342	1,955	(2,710)	2,659	1,904
Tenancy Deposit Clawbacks	235	(28)	36	243	(28)	29	244
Total Long Term Provisions	8,477	(5,453)	3,225	6,249	(3,696)	3,563	6,116
Total Provisions	12,240	(9,060)	5,775	8,955	(6,246)	8,516	11,225

28. USABLE RESERVES

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement.

	31 March 2025 £000	31 March 2024 £000
Usable Capital Receipts Reserve	0	0
Major Repairs Reserve	1,862	6,008
Earmarked Reserves	25,454	35,407
Capital Grants Unapplied Account	53,351	58,498
HRA Balance	14,861	11,737
General Fund Balance	4,825	8,237
Total Usable Reserves	100,353	119,887

29. UNUSABLE RESERVES

	31 March 2025 £000	31 March 2024 £000
Revaluation Reserve	158,652	180,081
Capital Adjustment Account	504,685	527,183
Financial Instruments Adjustment Account	(2,423)	(2,738)
Deferred Capital Receipts Reserve	407	454
Pensions Reserve	(20,246)	(38,587)
Collection Fund Adjustment Account	2,239	(3,140)
Accumulated Absences Account	(3,214)	(2,545)
Dedicated Schools Grant Adjustment Account	(17,638)	(2,305)
Total Unusable Reserves	622,462	658,403

Revaluation Reserve

The Revaluation Reserve contains the gains made by the authority arising from increases in the value of its property, plant and equipment. The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost
- used in the provision of services and the gains are consumed through depreciation, or
- disposed of and the gains are realised.

The reserve contains only revaluation gains accumulated since 1 April 2007, the date that the reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

	2024/25 £000	2023/24 £000
Balance at 1 April	180,081	166,380
Upward revaluation of assets	29,064	35,536
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(31,254)	(10,077)
Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	(2,190)	25,459
Difference between fair value depreciation and historical depreciation	(9,193)	(8,572)
Accumulated gains on assets sold or scrapped	(10,046)	(3,169)
Other transfers to the Capital Adjustment Account	0	(17)
Amount written off to the Capital Adjustment Account	(19,239)	(11,758)
Balance at 31 March	158,652	180,081

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or additions to those assets under statutory provisions. The

Notes to the Core Financial Statements

account is debited with the cost of acquisition, construction or subsequent costs as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert current and fair value figures to a historical cost basis). The account is credited with the amounts set aside by the authority as finance for the costs of acquisition, construction and subsequent costs.

The Account contains accumulated gains and losses on investment properties and gains recognised on donated assets that have yet to be consumed by the authority.

The Account also contains revaluation gains accumulated on property, plant and equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

Note 11 provides details of the source of all the transactions posted to the account, apart from those involving the Revaluation Reserve.

	2024/25 £000	2023/24 £000
Balance at 1 April	527,183	536,319
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
- Charges for depreciation and impairment of non-current assets	(59,644)	(59,400)
- Revaluation losses on Property, Plant and Equipment	(7,482)	(4,105)
- Amortisation of intangible assets	(1,580)	(1,605)
- Revenue expenditure funded from capital under statute	(58,138)	(33,921)
- Amounts of non current assets written off on disposal or sale as part of the gain/loss of disposal to the Comprehensive Income and Expenditure Statement	(48,232)	(19,980)
	(175,076)	(119,011)
Adjusting amounts written out of the Revaluation Reserve	19,239	11,758
Net written out amount of the cost of non current assets consumed in the year	(155,837)	(107,253)
Capital financing applied in the year:		
- Use of the Capital Receipts Reserve to finance new capital expenditure	21,801	14,792
- Use of the Major Repairs Reserve to finance new capital expenditure	8,580	6,526
- Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	66,022	49,484
- Application of grants to capital financing from the Capital Grants Unapplied Account	12,975	9,362
- Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	18,353	13,775
- Capital expenditure charged against the General Fund and HRA balances	953	3,713
	128,684	97,652
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	3,471	465
Movement in the Donated Assets Account credited to the Comprehensive Income and Expenditure Statement	1,184	0
Balance at 31 March	504,685	527,183

Notes to the Core Financial Statements

Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing difference arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefitting from gains per statutory provisions. The authority uses the account to manage premiums paid on the early redemption of loans. Premiums are debited to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out of the General Fund Balance to the account in the Movement in Reserves Statement. Over time, the expense is posted back to the General Fund Balance in accordance with statutory arrangements for spreading the burden on council tax. In the authority's case, this period is the unexpired term that was outstanding on the loans when they were redeemed.

	2024/25 £000	2023/24 £000
Balance at 1 April	(2,738)	(3,053)
Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements.	315	315
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	0	0
Balance at 31 March	(2,423)	(2,738)

Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the authority does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

	2024/25 £000	2023/24 £000
Balance at 1 April	454	498
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0	0
Transfer to the Capital Receipts Reserve upon receipt of cash	(47)	(44)
Balance at 31 March	407	454

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The authority accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the authority makes employer's contributions to pension funds or eventually

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pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

	2024/25 £000	2023/24 £000
Balance at 1 April	(38,587)	(126,359)
Remeasurements of the net defined benefit liability/(asset)	19,418	93,328
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(32,877)	(29,640)
Employer's pension contributions and direct payments to pensioners payable in the year	31,800	24,084
Balance at 31 March	(20,246)	(38,587)

Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax and non-domestic rates income in the Comprehensive Income and Expenditure Statement as it falls due from council taxpayers and business rates payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

	2024/25 £000	2023/24 £000
Balance at 1 April	(3,140)	1,431
Amount by which council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rates income calculated for the year in accordance with statutory requirements	5,379	(4,571)
Balance at 31 March	2,239	(3,140)

Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the account.

Notes to the Core Financial Statements

	2024/25 £000	2023/24 £000
Balance at 1 April	(2,545)	(3,055)
Settlement or cancellation of accrual made at the end of the preceding year	2,545	3,055
Amounts accrued at the end of the current year	(3,214)	(2,545)
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(669)	510
Balance at 31 March	(3,214)	(2,545)

Dedicated Schools Grant Adjustment Account

On the 6 November 2020, the secretary of State for Ministry of Housing, Communities and Local Government laid before Parliament a statutory instrument to amend the Local Authorities (Capital Finance and Accounting) Regulations (the 2003 Regulations). The provisions came into effect from 29 November 2020 for the financial years beginning 1 April 2020 and ending 31 March 2023. The Regulations have since been extended for a further three years.

The instrument amends the 2003 Regulations by establishing new accounting practices in relation to the treatment of local authorities' schools budget deficits such that where a local authority has a deficit on its schools budget relating to its accounts for the financial years beginning on 1 April 2020 and ending 31 March 2026, it must not charge the amount of that deficit to a revenue account. The local authority must record any such deficit in a separate account established solely for the purpose of recording deficits relating to its school's budget. The new accounting practice has the effect of separating schools budget deficits from the local authorities' general fund for a period of three financial years.

	2024/25 £000	2023/24 £000
Balance at 1 April	(2,304)	0
In year Dedicated Schools Grant (over)/underspend	(15,335)	(2,304)
Balance at 31 March	(17,639)	(2,304)

30. CASH FLOW STATEMENT – OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

	2024/25 £000	2023/24 £000
Interest received	(4,422)	(5,397)
Interest paid	23,267	26,278

The surplus or deficit on the provision of services has been adjusted for the following non-cash movements.

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	2024/25 £000	2023/24 £000
Depreciation	59,644	59,400
Impairment and revaluation (increases)/decreases	7,483	4,106
Amortisation	1,580	1,605
(Gains)/Losses on Financial Assets/Liabilities	(928)	0
Adjustment for effective interest rates	112	0
Increase/Decrease in Interest Creditors	689	(86)
Increase/Decrease in Creditors	11,709	(12,005)
Increase/Decrease in Interest and Dividend Debtors	241	882
Increase/Decrease in Debtors	(30,266)	(18,144)
Increase/Decrease in Inventories	168	57
Pension Liability	1,077	5,556
Contributions to/(from) Provisions	2,270	(3,285)
Carrying amount of non-current assets sold	34,902	15,546
Movement in Investment Property Values	(3,471)	(464)
	85,210	53,168

The Surplus or Deficit on the Provision of Services has been adjusted for the following items that are investing and financing activities:

	2024/25 £000	2023/24 £000
Carrying amount of short and long term investment sold	0	0
Capital Grants credited to surplus or deficit on the provision of services	(73,850)	(64,948)
Proceeds from the sale of property plant and equipment, investment property and intangible assets	(8,928)	(10,399)
Non cash adjustments	(82,778)	(75,347)

31. CASH FLOW STATEMENT – INVESTING ACTIVITIES

	2024/25 £000	2023/24 £000
Purchase of property, plant and equipment, investment property and intangible assets	76,378	72,650
Purchase of investments in Associates and Joint Ventures	10	0
Other payments for investing activities*	16,627	24,182
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(8,974)	(10,444)
Proceeds from the sale of short term and long term investments	0	(57,536)
Other receipts from investing activities**	(83,106)	(79,049)
Net cash flows from investing activities	935	(50,197)

* This includes short term loans granted to third parties

** This includes capital grants received in year.

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32. CASH FLOW STATEMENT – FINANCING ACTIVITIES

	2024/25 £000	2023/24 £000
Cash receipts of short and long-term borrowing	(170,087)	(30,911)
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on balance sheet PFI contracts	10,201	3,869
Repayments of short and long term borrowing	61,043	11,111
Other payments for financing activities*	(2,974)	4,048
Net cash flows from financing activities	(101,817)	(11,883)

* Represents the difference between the preceptors/Central Government share of cash collected and net cash paid in relation to Council Tax and NDR

33. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

2024/25	1 April	Financing cash flows	Non-cash changes Acquisition	Other non-cash changes	31 March
	£000	£000	£000	£000	£000
Long-term borrowings	281,527	85,087	0	(1,748)	364,866
Short-term borrowings	32,802	23,968	0	1,621	58,391
On balance sheet PFI liabilities	98,146	(9,313)	36,718	0	125,551
Total liabilities from financing activities	412,475	99,742	36,718	(127)	548,808

2023/24	1 April	Financing cash flows	Non-cash changes Acquisition	Other non-cash changes	31 March
	£000	£000	£000	£000	£000
Long-term borrowings	286,998	(4,622)	0	(849)	281,527
Short-term borrowings	7,606	24,346	0	849	32,802
On balance sheet PFI liabilities	102,014	(3,868)	0	0	98,146
Total liabilities from financing activities	396,618	15,857	0	0	412,475

34. MEMBERS' ALLOWANCES

The Council paid the following amounts to members of the Council during the year.

	2024/25 £000	2023/24 £000
Basic Allowances	1,049	1,015
Special Responsibility Allowances	297	278
Expenses	11	19
Total	1,357	1,312

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35. OFFICERS' REMUNERATION

The remuneration paid to the Council's senior employees is as follows:

Post Holder Information (Post Title & Name)		Salary	Expense Allowances	Compensation for Loss of Office	Total excl. pension contributions	Employers Pension contributions	Total incl. pension contributions
Chief Executive - Andy Begley	2024/25	£171,321	£0	£0	£171,321	£29,467	£200,788
	2023/24	£167,143	£0	£0	£167,143	£28,748	£195,891
Executive Director of People	2024/25	£148,751	£0	£0	£148,751	£25,585	£174,336
	2023/24	£145,123	£0	£0	£145,123	£24,961	£170,084
Executive Director of Health, Wellbeing & Prevention	2024/25	£148,751	£0	£0	£148,751	£25,585	£174,336
	2023/24	£139,618	£0	£0	£139,618	£24,014	£163,632
Executive Director of Place ² (left post on 7 th March 2025)	2024/25	£185,104	£0	£37,575	£222,679	£23,934	£246,613
	2023/24	£145,123	£0	£0	£145,123	£2,080	£147,203
Executive Director of Resources ¹	2024/25	£148,751	£0	£0	£148,751	£25,585	£174,336
	2023/24	£145,123	£0	£0	£145,123	£24,961	£170,084
Assistant Director – Transformation & Efficiency (started in post on 19 th June 2023)	2024/25	£109,252	£0	£0	£109,252	£18,792	£128,044
	2023/24	£83,494	£0	£0	£83,494	£14,361	£97,855

¹ An element of the total remuneration paid to the Executive Director of Resources is recharged to Shropshire & Wrekin Fire Authority (£18,720), the Marches LEP (£694), West Mercia Energy (£12,120) and West Mercia Supplies (£1,320) to reflect the various treasurer roles undertaken within those organisations.

² The total remuneration paid to the Executive Director of Place includes 3 months in lieu of notice

The numbers of officers whose remuneration exceeded £50,000 is analysed into bands of £5,000 as follows. The senior officers included in the table above are not included within this analysis. The remuneration disclosed below includes salary costs and expense allowances, paid in line with the Council's pay policy agreed by Full Council:

Salaried Remuneration Band £	2024/25 No. of Employees	2023/24 No. of Employees
50,000 – 54,999	174	158
55,000 – 59,999	95	77
60,000 – 64,999	58	38
65,000 – 69,999	18	19
70,000 – 74,999	14	24
75,000 – 79,999	21	12

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Salaried Remuneration Band £	2024/25 No. of Employees	2023/24 No. of Employees
80,000 – 84,999	10	18
85,000 – 89,999	13	3
90,000 – 94,999	3	5
95,000 – 99,999	8	8
100,000 – 104,999	1	7
105,000 – 109,999	13	12
110,000 and above	2	1

The numbers of exit packages with total cost per band and total cost of the exit packages, including redundancy payments, pension strain and unpaid leave are set out in the table below. The figures disclosed include exit packages for schools and the Council.

	No. of compulsory redundancies		No. of other departures agreed		Total no of exit packages by cost band		Total cost of exit packages in each band £000	
	2024/25	2023/24	2024/25	2023/24	2024/25	2023/24	2024/25	2023/24
£0 - £20,000	34	18	70	21	104	39	882	337
£20,001 - £40,000	2	5	36	8	38	13	1,070	393
£40,001 - £60,000	1	2	14	2	15	4	729	203
£60,001 - £80,000	0	7	10	1	10	8	706	577
£80,001 - £100,000	1	2	7	2	8	4	723	363
£100,001 - £150,000	0	2	11	2	11	4	1,337	474
£150,001 - £200,000	1	0	20	0	21	0	3,658	0
£200,001+	0	3	10	1	10	4	3,817	1,166
	39	39	178	37	217	76	12,922	3,513

36. EXTERNAL AUDIT COSTS

The Council has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections provided by the Council's external auditors:

	2024/25 £000	2023/24 £000
Fees payable to external audit with regard to external audit services carried out by the appointed auditor	401	380
Fees payable in respect of other services provided by the external audit during the year	88	65
Total	489	445

37. DEDICATED SCHOOLS GRANT

The Council's expenditure on schools is funded primarily by grant monies provided by the Department for Education (DfE), the Dedicated Schools Grant (DSG). DSG is ringfenced and can only be applied to meet expenditure properly included in the Schools' Budget. The Schools' Budget includes elements for a range of educational services provided on

Notes to the Core Financial Statements

a Council-wide basis and for the Individual Schools' Budget (ISB), which is divided into a budget share for each school.

Details of the deployment of DSG for 2024/25 are as follows:

	Central Expenditure £000	ISB £000	Total £000
Final DSG for 2024/25 before academy recoupment			285,552
Academy and high needs figure recouped for 2024/25			(159,560)
Total DSG after academy recoupment for 2024/25			125,992
Brought forward from 2023/24			0
Less Carry Forward to 2025/26 agreed in advance			0
Agreed initial budget distribution in 2024/25	67,829	58,163	125,992
In year adjustments	(238)	0	(238)
Final budget distribution in 2024/25	67,591	58,163	125,754
Actual central expenditure	(83,656)	0	(83,656)
Actual ISB deployed to schools	0	(56,742)	(56,742)
Early years maintained settings included in ISB on S251	0	(691)	(691)
In year carry forward to 2025/26	(16,065)	730	(15,335)
Plus carry forward to 2025/26 agreed in advance			0
Carry forward to 2025/26			(15,335)
DSG unusable reserve at the end of 2023/24			(2,304)
Additions to DSG unusable reserve at the end of 2024/25			(15,335)
Total of DSG unusable reserve at the end of 2024/25			(17,639)
Net DSG position at the end of 2024/25			(17,639)

38. GRANT INCOME

The Council credited the following grants and contributions to the Comprehensive Income and Expenditure Statement in 2024/25:

	2024/25 £000	2023/24 £000
Credited to Taxation and Non-Specific Grant Income		
Revenue Support Grant	(7,974)	(7,479)
Local Services Support Grant	(546)	(430)
New Homes Bonus	(1,808)	(1,748)
Business Rates Relief Grant	(25,565)	(22,688)
Rural Service Support Grant	(8,982)	(7,757)
Services Grant	(357)	(2,066)
Other Grants	(428)	(556)
Capital Grants & Contributions	(51,457)	(49,966)
Total	(97,117)	(92,690)

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	2024/25 £000	2023/24 £000
Credited to Services		
DWP Housing Benefit	(46,174)	(45,973)
DWP Housing Benefit Admin Subsidy	(643)	(644)
MHCLG Waste PFI	(3,087)	(3,186)
MHCLG Social Services PFI	(1,523)	(1,523)
DFE Dedicated Schools Grant	(125,754)	(115,398)
DFE Pupil Premium Grant	(4,197)	(4,444)
DFE UFSM	(1,573)	(1,746)
DFE PE & Sports	(1,296)	(1,652)
Teachers Pay Grant	(1,273)	(859)
ESFA Teachers Pension employer contribution grant	(1,740)	0
DfT Bus Services Operators Grant	(512)	(512)
Strengthening Families	(1,093)	(1,012)
HO Asylum Seekers	(3,306)	(3,390)
DoH Public Health Grant	(13,658)	(13,192)
MHCLG/DoH Adult Social Care New Burdens	(28,010)	(21,547)
Improved Better Care Fund	(11,863)	(11,863)
DWP Discretionary Housing Payment Grant	(301)	(308)
Flexible Homelessness grant	(1,164)	(1,138)
Apprenticeship Levy	(710)	(474)
DWP Household Support Fund	(4,178)	(4,178)
DfE Holiday Activities and Food Programme	(734)	(714)
MHCLG Rough Sleepers Initiative	(551)	(347)
MHCLG Domestic Abuse Duty Capacity Building Fund	(603)	(592)
DfT CBSSG Restart	(500)	0
DfT Local Transport Fund	0	(1,407)
DfE Recovery Premium Funding	(138)	(558)
DLUHC Homes for Ukraine Scheme Local Authority Tariff Payment	(1,781)	(2,365)
DLUHC UK Shared Prosperity Funding	(6,327)	(1,465)
DfE Homes for Ukraine Education and Childcare Grant	0	(5)
DHSC Adult Social Care Discharge Fund	(2,772)	(1,663)
DfT Local Transport Authority Bus Recovery Funding	0	(47)
DHSC Market Sustainability and Fair Cost Fund	(6,098)	(3,264)
DHSC Rough Sleeping Drug and Alcohol Treatment Grant	(906)	(878)
DEFRA Farming in Protected Landscapes	(1,654)	(894)
DfE Early Years Supplementary Grant	35	(929)
DfE Multiply Funding	(425)	(337)
DfE Mainstream Schools Additional Grant	0	(2,021)
DHSC Supplementary Substance Misuse Treatment and Recovery Grant	(552)	(336)
DHSC Market Sustainability and Improvement Fund	0	(2,120)
DHSC Local Authority Urgent and Emergency Care Support Fund	0	(654)
DfT Bus Service Improvement Plan Plus	(2,076)	(61)
DfE Implementing Supported Accommodation Reforms	(485)	(138)
DfE Wraparound Childcare Programme Grant	(668)	(19)
DfE Core Schools Budget Grant	(1,783)	0
DEFRA Food waste collections	(562)	0

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	2024/25 £000	2023/24 £000
DHSC Local Stop Smoking Services and Support Grant	(359)	0
Adoption Support Fund	(384)	(269)
Other Grants	(6,013)	(5,245)
Capital Grants & Contributions	(22,392)	(14,982)
Total	(309,783)	(274,349)

The Council has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the giver. The balances at the year-end are as follows:

	31-Mar-25 £000	31-Mar-24 £000
Current Liabilities		
Grants Receipts in Advance (Capital Grants)		
Department of Transport	(3,121)	(3,252)
Department for Education	(2,363)	(2,050)
Environment Agency	(1,579)	(872)
Department for Science, Innovation & Technology	(990)	(1,097)
Arts Council	(251)	(40)
Department for Business, Energy & Industrial Strategy	(2,883)	(2,318)
Department for Levelling Up, Housing & Communities		(9,118)
Ministry of Housing, Communities & Local Government	(4,117)	
Department for Environment, Food & Rural Affairs	(2,809)	(12)
Historic England	(38)	(80)
Other Grants & Contributions	(516)	(877)
Total	(18,667)	(19,716)
Grants Receipts in Advance (Revenue Grants)		
Standards Fund	(358)	(350)
DfT Bus Service Improvement Plan Plus	(2,684)	(1,429)
Homes for Ukraine Scheme Local Authority Tariff Payment	(456)	(2,134)
DfT Active Travel	(201)	(174)
UK Shared Prosperity Fund	0	(1,747)
DHSC - The Accelerating Reform Fund	(238)	0
MHCLG - Defence Afghan Relocation & Resettlement	(234)	0
MHCLG Social Services PFI	(210)	(210)
DEFRA Farming in Protected Landscapes	0	(595)
DfT – Bus Capacity	0	(290)
DfT CBSSG Restart	0	(500)
Other Grants	(567)	(1,193)
Total	(4,948)	(8,622)
TOTAL	(23,615)	(28,338)

39. COMMUNITIES INFRASTRUCTURE LEVY

The Communities Infrastructure Levy (CIL) is a planning charge that is applied to most types of new development within the county. The balance held at the end of the financial year is detailed in the below table. The Neighbourhood Fund due to Parish and Town Councils is held on the Balance Sheet within Creditors, the remaining balance is held within Capital Grants Unapplied.

	2024/25		2023/24	
	£000	£000	£000	£000
Opening Balance April		(37,124)		(34,288)
Receipts received	(6,536)		(7,881)	
Expenditure incurred	8,760		5,045	
Closing Balance		(34,900)		(37,124)
Closing Balance allocated to:				
Neighbourhood Fund	(1,179)		(1,360)	
Strategic Fund	(3,784)		(5,260)	
Local Area Fund	(29,937)		(30,504)	
Total		(34,900)		(37,124)

40. PENSION SCHEMES ACCOUNTED FOR AS DEFINED CONTRIBUTION SCHEMES

Teachers employed by the Council are members of the Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education. The scheme is technically a defined benefits scheme. However the Scheme is unfunded and the Department of Education uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. The scheme has in excess of 3,700 participating employers and consequently the Council is not able to identify its share of the underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2024/25, the Council paid £7.946m to Teachers' Pensions in respect of teachers' retirement benefits. The contribution rate for April 2024 to March 2025 was 28.68%. The amount paid for 2023/24 were £7.069m and the contribution rate was 23.68%.

Public Health employees previously employed by the NHS are covered by the provisions of the NHS Pensions Scheme. The scheme is an unfunded, defined benefit scheme that covers NHS employers, GP practices and other bodies, allowed under the direction of the Secretary of State, in England and Wales. The scheme is not designed to be run in a way that would enable NHS bodies to identify their share of the underlying scheme assets and liabilities. Therefore, the scheme is accounted for as if it were a defined contribution scheme.

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In 2024/25, the Council paid £0.019m to the NHS Pensions Scheme in respect of public health employee retirement benefits, representing 14.4% of pensionable pay. The figures for 2023/24 were £0.018m and 14.4%.

41. DEFINED BENEFIT PENSION SCHEMES

As part of the terms and conditions of employment of its officers, the Council makes contributions towards the cost of post employment benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments and to disclose them at the time that employees earn their future entitlement.

The Local Government Pension Scheme, administered by Shropshire Council is a funded defined benefit scheme. This means that the Council and employees pay contributions into a fund, which is invested in accordance with the Local Government Pension Scheme Regulations.

We recognise the cost of retirement benefits in the reported Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund/HRA Balance via the Movement in Reserves Statement during the year.

	Local Government Pension Scheme	
	2024/25	2023/24
	£000	£000
Comprehensive Income and Expenditure Statement		
Cost of Services:		
- current service cost	(21,897)	(22,241)
- past service gain/(cost)	(21)	0
- curtailment gain/(cost)	(8,276)	(2,179)
- settlement gain/(cost)	(1,523)	(201)
	(31,717)	(24,621)
Financing and Investment Income and Expenditure:		
- net interest expense	(1,160)	(5,019)
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	(32,877)	(29,640)
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement:		
- return on plan assets	3,847	72,112
- experience gain/(loss)	1,467	(9,973)
- actuarial gains and (losses) arising on changes in financial assumptions	152,590	14,149
- actuarial gains and (losses) arising on changes in demographic assumptions	3,531	17,040
Effect of asset ceiling	(142,017)	0

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	Local Government Pension Scheme	
	2024/25	2023/24
	£000	£000
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	(13,459)	63,688
Movement in Reserves Statement		
- reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	32,877	29,640
Actual amount charged against the Fund Balances for pensions in the year:		
- employers' contributions payable to scheme	(31,800)	(24,084)

Assets and Liabilities Recognised in the Balance Sheet

	2024/25 £000	2023/24 £000
Present value of the defined benefit obligation	(1,024,758)	(1,151,280)
Fair value of plan assets	1,146,529	1,112,693
Effect of asset ceiling	(142,017)	0
Net liability arising from defined benefit obligation	(20,246)	(38,587)

Reconciliation of the Movements in the Fair Value of the Scheme Assets

	Local Government Pension Scheme	
	2024/25	2023/24
	£000	£000
Opening fair value of scheme assets at 1 April	1,112,693	1,012,607
Interest income	53,875	48,611
Remeasurement gain/(loss):		
Return on plan assets excluding the amount included in the net interest expense	3,847	72,112
Settlements	(8,952)	(1,685)
Contributions from employer	31,800	24,084
Contributions from employees into the scheme	7,761	7,571
Benefits paid	(53,516)	(49,651)
Other	(979)	(956)
Closing fair value of scheme assets at 31 March	1,146,529	1,112,693

Reconciliation of Present Value of the Scheme Liabilities

	Local Government Pension Scheme	
	2024/25	2023/24
	£000	£000
Opening balance at 1 April	(1,151,280)	(1,138,966)
Current Service Cost	(20,918)	(21,285)
Interest Cost	(55,035)	(53,630)
Contributions from scheme participants	(7,761)	(7,571)
Remeasurement gain/(loss):		
Experience gains/(losses)	1,467	(9,973)

Notes to the Core Financial Statements

Actuarial gains/(losses) arising from changes in financial assumptions	152,590	14,149
Actuarial gains/(losses) arising from changes in demographic assumptions	3,531	17,040
Other		
Past service costs	(21)	0
Losses/(gains) on curtailment	(8,276)	(2,179)
Benefits paid	53,516	49,651
Liabilities extinguished on settlements	7,429	1,484
Closing balance at 31 March	(1,024,758)	(1,151,280)

Local Government Pension Scheme Assets

Assets in the Shropshire County Pension Fund consist of the following categories:

	2024/25 £000	2023/24 £000
Cash and cash equivalents	7,567	15,578
Equity investments:		
Global quoted	675,879	629,117
Sub-total equity	675,879	629,117
Bonds:		
Overseas Global active investment grade	113,162	116,165
Overseas Global Dynamic	40,931	46,177
Sub-total bonds	154,093	162,342
Property:		
Property funds	50,103	39,167
Sub-total property	50,103	39,167
Alternatives:		
Private Equity	86,563	91,352
Infrastructure	67,531	69,432
Hedge Funds	48,269	46,844
Property Debt	4,930	11,349
Insurance Linked Securities	18,574	18,248
Private Debt	33,020	29,264
Sub-total alternatives	258,887	266,489
Total assets	1,146,529	1,112,693

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years is dependent on assumptions about mortality rate, salary levels and other variables.

The Council element of the Fund liabilities has been assessed by Mercer Limited, an independent firm of actuaries. Estimates for the Council element of the Fund are based on the latest full valuation of the scheme as at 31 March 2022.

Notes to the Core Financial Statements

The significant assumptions used by the actuary have been:

	Local Government Pension Scheme	
	2024/25	2023/24
Mortality assumptions:		
Longevity at 65 for current pensioners:		
Men	21.8yrs	21.8yrs
Women	24.3yrs	24.2yrs
Longevity at 65 for future pensioners:		
Men	23.1yrs	23.1yrs
Women	26.0yrs	26.0yrs
Rate of inflation	2.60%	2.70%
Rate of increase in salaries	3.85%	3.95%
Rate of increase in pensions	2.70%	2.80%
Rate for discounting scheme liabilities	5.80%	4.90%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

	Impact on the Defined Benefit Obligation in the Scheme	
	Increase in Assumption £000	Decrease in Assumption £000
Longevity (increase or decrease in 1 year)	1,046,066	1,003,450
Rate of inflation (increase or decrease by 0.25%)	1,058,799	990,717
Rate of increase in salaries (increase or decrease by 0.25%)	1,029,347	1,020,169
Rate for discounting scheme liabilities (increase or decrease by 0.5%)	959,924	1,089,592

Techniques Employed to Manage Risk

The Shropshire County Pension Fund does not hold an Asset & Liability Matching Strategy however does use other techniques to manage risks within the Fund. The Fund's primary long term risk is that the Fund's assets will fall short of its liabilities (i.e. promised benefits to pay members). Therefore the aim of investment risk management is to minimise the risk of an overall reduction in the value of the Fund and to maximise the opportunity for gains across the whole fund portfolio. The Fund achieves this through asset diversification to reduce exposure to market risk (price, currency and interest rate risk) and credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure there is sufficient liquidity to meet the Fund's forecast cash flows. Further details

Notes to the Core Financial Statements

of the market, credit and liquidity risk management are detailed in Note 16 of the Shropshire County Pension Fund Annual Report.

Impact on the Council's Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 19 years. Funding levels are monitored on an annual basis. A triennial valuation was completed as at 31 March 2022. Revised contribution rates from the 2022 actuarial valuation took effect on 1st April 2023.

The Council is projected to pay £22.894m employer contributions to the scheme in 2025/26.

The weighted average duration of the defined benefit obligation for scheme members is 16 years for 2024/25 (16 years 2023/24).

Asset Ceiling

Under IFRIC14, an asset ceiling limits the amount of the net pension asset that can be recognised to the lower of (1) the amount of the net pension asset or (2) the present value of any economic benefits available in the form of refunds or reductions in future contributions to the plan. The year end showed a net asset in the pension scheme therefore an adjustment has been made in the 2024/25 accounts to apply the asset ceiling, as calculated by the Actuary.

	2024/25 £000	2023/24 £000
Opening asset ceiling impact	0	0
Interest on surplus above asset ceiling	0	0
Change in asset ceiling (net of interest)	142,017	0
Asset ceiling impact at end of period	142,017	0

Virgin Media

In June 2023, the UK High Court (Virgin Media Limited v NTL Pension Trustees II Limited) ruled that certain historical amendments to contracted-out defined benefit schemes were invalid if not accompanied by the appropriate actuarial certificate. This ruling was appealed, and on 25 July 2024, the Court of Appeal upheld the High Court's decision. This ruling introduced uncertainty regarding the validity of certain amendments made to LGPS scheme rules between 1996 and 2016, potentially giving rise to liabilities for the Fund and sponsoring employers.

On 5 June 2025, the Government acknowledged the uncertainty created by the ruling and announced its intention to introduce legislation allowing affected pension schemes to obtain retrospective actuarial certificates to validate the amendments. On 18 September 2025, the Government published amendments to the Pension Schemes Bill to enable retrospective validation of scheme rules. These amendments are expected to become law following the parliamentary process.

It is anticipated that this will result in no impact on the LGPS, and its obligations will remain unaffected.

Management has therefore concluded that no additional allowance is required within the accounts. However, developments will continue to be monitored, and any further information will be considered when assessing the impact on the value of promised retirement liabilities.

42. RELATED PARTIES

The Council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the council or to be controlled or influenced by the council. Disclosure of these transactions allows readers to assess the extent to which the council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council.

Central Government

Central Government has significant influence over the general operations of the Council, being responsible for the statutory framework within which the Council operates, provides the majority of its funding through the payment of grants and prescribes the terms of many of the transactions that the Council has with other parties. Details of transactions with Government departments appear in other parts of the Statement of Accounts.

Members and Officers

Members of the Council have direct control over the Council's financial and operating policies. Certain senior officers may also be in a position to influence policies, particularly those who form the Council's management team. All Council members and senior officers have been contacted, advising them of their obligations and asking for any declarations of related party transactions to be disclosed. Members are also asked to confirm that their entries in their Disclosure of Pecuniary Interests are correct.

The Council has made payments to a number of outside organisations on which it is represented by members. The total amount of payments to these bodies in 2024/25 was £34.198m compared with £29.101m for 2023/24.

Councillors are often members of other public or charitable organisations in their own capacity, or are employed by organisations that we process transactions with. These relationships are declared within the Members' register. The Council has made payments of £22.114m to organisations where members and senior officers are employed and £0.460m to organisations where members and senior officers occupy positions in their own capacity.

Entities Controlled or Significantly Influenced by the Council

As administrator for the pension fund, the Council has control of the fund within the overall statutory framework. The Council received £2.411m from the pension fund for the costs of administration it provided in 2024/25 compared with £2.299m for 2023/24.

The Council also has group relationships with West Mercia Energy, West Mercia Supplies Pension, Shropshire Towns & Rural Housing, Cornovii Developments Ltd and

Notes to the Core Financial Statements

Biodynamic Carbon Ltd. Further detail on the type of relationship held with each company is considered in more detail under the Group Accounts section which begins on page 113.

During 2024/25 expenditure of £25.797m and income of £0.858m was incurred between Shropshire Council and Shropshire Towns & Rural Housing Limited. There was a creditor balance of £4.514m and a debtor balance of £0.405m as at 31st March 2025.

During 2024/25 expenditure of £0.187m and income of £2.892m was incurred between Shropshire Council and Cornovii Developments Ltd. There was a debtor balance of £9.509m as at 31st March 2025.

During 2024/25 Shropshire Council paid West Mercia Energy £7.722m.

During 2024/25 income of £0.024m was incurred between Shropshire Council and Biodynamic Carbon Ltd. There was a debtor balance of £0.400m as at 31st March 2025.

43. SCHOOLS

Transactions of Shropshire Council maintained schools are consolidated in the single entity financial statements.

Expenditure and income relating to these schools is detailed below:

	Expenditure £000	Income £000	Total £000
Primary	62,928	(67,742)	(4,814)
Secondary	4,592	(4,211)	381
Special	4,212	(4,480)	(268)
Total	71,732	(76,433)	(4,701)

The number of Shropshire Council maintained schools were:

	31st March 2025	31st March 2024
Primary	64	80
Secondary	1	1
Special	1	1
Total	66	82

44. BETTER CARE FUND

Shropshire Council and NHS Shropshire Telford & Wrekin Integrated Care Board (ICB) are partners in the provision of a range of services including hospital admission avoidance, hospital discharge planning, carers' support and reablement. Joint arrangements of this type are permitted under section 75 of the National Health Service Act 2006, which enables health and social care authorities to work together for a common objective, creating a pooled fund, with the aims as below. In Shropshire, the Council acts as the host authority for the pooled fund.

The aims of, and benefits to, the partners in entering into this agreement are to:

Notes to the Core Financial Statements

- ◆ improve the quality and efficiency of the services;
- ◆ meet the national conditions and local objectives as set out in the Better Care Fund plan;
- ◆ make more effective use of resources through the establishment and maintenance of an aligned fund for expenditure on the services.

Financing	2024/25 £000	2023/24 £000
Pooled Fund		
Funding provided to the Better Care Fund:		
Shropshire Council	0	0
NHS Shropshire Telford & Wrekin ICB	11,952	11,849
Total	11,952	11,849
Expenditure met from the Better Care Fund:		
Shropshire Council	11,952	11,849
NHS Shropshire Telford & Wrekin ICB	0	0
Total	11,952	11,849
Non-Pooled Fund		
Funding provided to the Better Care Fund:		
Shropshire Council	21,838	20,717
NHS Shropshire Telford & Wrekin ICB	18,217	17,241
Total	40,055	37,958
Expenditure met from the Better Care Fund:		
Shropshire Council	21,838	20,717
NHS Shropshire Telford & Wrekin ICB	18,217	17,241
Total	40,055	37,958
Total Better Care Fund		
Total funding provided to the Better Care Fund:	52,006	49,806
Total expenditure met from the Better Care Fund:	52,006	49,806
Net Underspend Arising on the Better Care Fund During the Year	0	0

In 2024/25 Shropshire Council spent Disabled Facilities Grant (DFG) of £5.326m which was an overspend against the planned DFG commitments. This was funded through previous years slippage within the Capital Programme and the temporary use of reserves. This overspend will be accommodated within the Capital budget for 2025/26. DFG has been reported showing spend against the BCF of the full planned amount for 24/25 of £4.942m.

The Council acts as the principal for the Pooled Fund and therefore all income and expenditure incurred in relation to this is accounted for within the Council's Income and Expenditure Statement. Income and expenditure incurred directly by the Council in

Notes to the Core Financial Statements

relation to the Non-Pooled Fund is accounted for in the Council's Income and Expenditure Statement.

46. TRUST ACCOUNTS

Funds held in Trust Accounts are not available for the Council's use. The Council supports the work of a number of trusts including:

Trust	Purpose	Income £	Expenditure £	Assets £	Liabilities £
Shropshire Youth Foundation	Supports the development of under 25 year old residents in Shropshire through their leisure time activities.	(12,537)	4,934	258,361	(1,550)
Shropshire Schools Jubilee Trust	General fund to support the learning needs of children and young people either living or studying in Shropshire.	(5,304)	4,125	173,014	0
Rosalie Inskip Music Trust	Supports excellence in music for young people living in Shropshire.	(20,307)	7,348	387,043	0
Priory Educational Trust	Charitable trust to support ex-pupils of Priory Boys School.	(1,652)	0	67,442	0

Accounts are prepared and published for these organisations by Shropshire Council in our role of administering the trusts.

Trusts deliver great benefit into the local community and make a valuable contribution but the Council itself does not derive benefit from them.

47. CONTINGENT LIABILITIES

At 31 March 2025 Council had the identified the following contingent liabilities:

There are a number of legal cases outstanding that may result in future costs for the Council. These include:

- Employment tribunal appeals;
- Dispute relating to adult social care day centre in relation to recovering overpayments;
- Potential planning permission litigation or judicial review involving highways;
- Judicial review claim in relation to childcare social work assessment;
- Potential property tenancy dispute.

The Council's usual practice when outsourcing a service that requires continued pension provision for employees is to require the contractor to put a Bond in place to reduce the Council's risk regarding picking up outstanding pension liabilities on termination of the admission agreement. The Council has provided additional guarantees, above those covered automatically by the Local Government Pension Scheme Regulations, to a number of Bodies that have been admitted to the Shropshire County Pension Fund. The bodies with additional guarantees who currently have employees who are active members of the scheme are listed below. The Bodies listed as being grouped with

Notes to the Core Financial Statements

Shropshire Council means all Pension assets and liabilities stay with the Council and they contribute the consolidated Council Employer pension contribution rate unless stated otherwise.

Bodies that have additional pension liability guarantee

Employer	Active Members	Deferred Members	Pensioners Members	Dependant Members	Surplus/(Deficit) as at 31/03/2022 Valuation
Age UK Telford & Wrekin	3	5	28	0	£0.286m
Association of Local Councils	2	0	2	0	(£0.050m)
Coverage Care from 1/3/1997	1	24	124	9	£2.299m
Coverage Care from 13/1/2013	7	16	18	2	£0.690m
Perthyn	3	10	9	0	£0.072m
Shropshire Towns & Rural Housing	169	84	47	3	£0.367m

Bodies that have additional pension liability guarantee and are Grouped with the Council

Employer	Active Members	Deferred Members	Pensioners Members	Dependant Members
Bethphage from 8/12/2016	7	6	5	0
Bethphage from 1/7/2017	7	1	1	0
Energize Shropshire Telford & Wrekin	0	0	1	0
Enterprise South West Shropshire	0	2	0	0
South Shropshire Leisure Ltd *	13	24	4	0

* South Shropshire Leisure Ltd Employer contribution rate is capped by the Council to 5%.

The Council has entered into six "Funding and Development Agreements" with a Development Trust for construction of supported living properties. Under these agreements the Development Trust has provided the Council with funding totalling £2.696m for the construction of a supported living property at each site. The contributions will be repayable if the properties cease to be used as supported living properties or the Council fails to conform to the stipulated conditions of the contract within a period of 30 years from when the properties are first occupied.

Section 6

Group Accounts



Introduction

This document presents the statutory financial statements for the Shropshire Council Group for the period from 1 April 2024 to 31 March 2025. The financial statements have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2024/25 (The Code) published by the Chartered Institute of Public Finance and Accountancy (CIPFA). The aim of the Group Accounts is to provide the reader with an overall view of the material economic activities of the Council.

In common with many other local authorities, the Council uses different forms of service delivery, where this is appropriate. In some cases it has created separate companies with its partners to deliver those services. The use of separate companies mean that the Council's single entity financial statements on their own do not fully reflect the assets and liabilities or income and expenditure associated with all of its activities. The Group Accounts more fully reflect the overall financial picture. A review of all of the Council's relationships with other bodies has been carried out to consider whether it is appropriate to prepare full group accounts. The transactions involved are not considered material to the Council's accounts however the Council has decided to provide a full disclosure in terms of bodies that it has a relationship with.

The pages which follow contain the Group's Financial Statements for the year ended 31 March 2025, with comparative figures for the previous financial year.

SHROPSHIRE TOWNS & RURAL HOUSING LIMITED

Shropshire Towns and Rural Housing Limited (the Company) is a private company limited by guarantee wholly owned by Shropshire Council (the Council). The Company was formed as an Arm's Length Management Organisation under Section 27 of the Housing Act 1985 to undertake the management and maintenance of Shropshire Council's retained housing stock from 1st April 2013.

For 2024/25 Shropshire Towns and Rural Housing Limited had total income of £25.728m, total expenditure of £26.413m, assets of £8.248m and liabilities of £5.462m.

WEST MERCIA ENERGY

West Mercia Energy (WME) is a Purchasing Consortium that was established as a Joint Committee under s101 of the Local Government Act 1972. Shropshire Council is one of four constituent Authorities, the other three Councils are Worcestershire County Council, Herefordshire Council and the Telford & Wrekin Council.

Shropshire Council has reviewed in detail the accounting treatment that should be applied to WME within this Council. The Council considers that WME should be accounted for as a Joint Venture (under IFRS11 – Joint Arrangements and IAS 28 – Investments in Associates and Joint Ventures) with specific regard to the independence that West Mercia Energy has to pursue its own commercial strategy in buying and selling and has access to the market in its own right for its main inputs and outputs.

For 2024/25 West Mercia Energy had total income of £179.857m, total expenditure of £177.888m, assets of £52.868m and liabilities of £48.880m.

WEST MERCIA SUPPLIES (PENSIONS)

West Mercia Supplies (Pensions) Joint Committee pursuant to section 101(5) of the Local Government Act 1972, was set up from 1st April 2020 by the Executives of the four Member Authorities, Herefordshire Council, Shropshire Council, Telford & Wrekin Council and Worcestershire County Council. The Executives of the four Member Authorities of West Mercia Energy (WME) agreed to remove the responsibility for the discharge of their functions in relation to the pension deficit liability in relation to former West Mercia Supplies (WMS) employees (including added years Benefits) from the business of the WME Joint Committee with effect from 1 April 2020. This is to enable any pension deficit to be separately identified, separately valued and monitored.

WMS Pensions has been accounted for as a Joint Venture (under IFRS11 – Joint Arrangements and IAS 28 – Investments in Associates and Joint Ventures).

For 2024/25 West Mercia Supplies (Pensions) had total income of £0.175m, total expenditure of £0.104m and liabilities of £0.841m.

CORNOVII DEVELOPMENTS LIMITED

Cornovii Developments Limited is a limited company wholly owned by Shropshire Council. The Company's principal activity and reason for it being established is to address unmet housing need in the county of Shropshire.

For 2024/25 the amounts incorporated into the group accounts for Cornovii Developments Limited are total expenditure of £12.280m, income of £12.070m, assets of £37.466m and liabilities of £37.561m.

BIODYNAMIC CARBON LIMITED

Biodynamic Carbon Limited is a limited company in which Shropshire Council obtained a 50% shareholding during 2024/25. The Company uses proprietary technology to produce biochar and also generate Carbon Offset Removal Certificates.

For 2024/25 Biodynamic Carbon Limited had total income of £0.063m, total expenditure of £0.077m, assets of £0.420m and liabilities of £0.415m.

Group Accounts

The Group Comprehensive Income & Expenditure Statement

2023/24				2024/25		
Group Expenditure	Group Income	Group Net Expenditure		Group Expenditure	Group Income	Group Net Expenditure
£000	£000	£000		£000	£000	£000
Expenditure on Continuing Services						
31,665	(23,092)	8,573	Health and Wellbeing	31,972	(26,688)	5,284
25,893	(20,680)	5,213	Local Authority Housing	15,913	(22,301)	(6,388)
466,007	(221,218)	244,789	People	523,761	(251,005)	272,756
163,631	(59,436)	104,195	Place	197,111	(83,920)	113,191
62,781	(54,331)	8,450	Resources	65,603	(55,991)	9,612
4,693	(81)	4,612	Strategic Management Board	7,963	(111)	7,852
10,683	(38,148)	(27,465)	Corporate	18,543	(41,474)	(22,931)
765,353	(416,986)	348,367	Net Cost of Services	860,866	(481,490)	379,376
		15,205	Other Operating Expenditure			37,596
		30,470	Financing and Investment Income and Expenditure			24,329
		(346,009)	Taxation and Non Specific Grant Income			(367,050)
		48,033	(Surplus)/Deficit on the provision of services			74,251
		(477)	Associates & Joint Ventures Accounted for on an equity basis			(371)
		47,556	Group (Surplus)/Deficit			73,880
		(28,387)	(Surplus) or deficit on revaluation of non-current assets			(898)
		2,927	Impairment losses on Non-Current Assets Charged to the Revaluation Reserve			3,088
		(94,563)	Remeasurement of pension assets and liabilities			(19,321)
		(20)	Share of other comprehensive income and expenditure of Associates and Joint Ventures			(316)
		(120,043)	Other Comprehensive Income and Expenditure			(17,447)
		(72,487)	Total Comprehensive Income and Expenditure			56,433

Group Accounts

Group Movement in Reserves Statement

2024/25	General Fund Balance £'000	Earmarked General Fund Reserves £'000	Total General Fund Balance £'000	Housing Revenue Account £'000	Major Repairs Reserve £'000	Capital Grants Unapplied Account £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Authority Reserves £'000	Authority's Share of Reserves of Subsidiaries, Associates and Joint Ventures £'000	Total Authority Reserves £'000
Balance at 31 March 2024	8,237	35,407	43,644	11,737	6,008	58,498	119,887	658,403	778,290	2,657	780,947
Adjustments on transition to new accounting arrangements for leases	1,184	0	0	0	0	0	0	0	0	0	0
Transitional adjustments between accounting basis & funding basis under regulations	(1,184)	0	0	0	0	0	0	1,184	1,184	0	1,184
Adjusted Balance at 31 March 2024	8,237	35,407	43,644	11,737	6,008	58,498	119,887	659,587	779,474	2,657	782,131
Movement in reserves during 2024/25											
Surplus or (deficit) on the provision of services	(62,318)	0	(62,318)	10,477	0	0	(51,841)	0	(51,841)	(22,039)	(73,880)
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	17,228	17,228	219	17,447
Total Comprehensive Income and Expenditure	(62,318)	0	(62,318)	10,477	0	0	(51,841)	17,228	(34,613)	(21,820)	(56,433)
Adjustments between Group Accounts and authority accounts	(22,046)	0	(22,046)	0	0	0	(22,046)	0	(22,046)	22,046	0
Net Increase/Decrease before Transfers	(84,364)	0	(84,364)	10,477	0	0	(73,887)	17,228	(56,659)	226	(56,433)
Adjustments between accounting basis and funding basis under regulations	70,938	0	70,938	(7,292)	(4,146)	(5,147)	54,353	(54,353)	0	95	95
Net Increase/Decrease before Transfers to Earmarked Reserves	(13,426)	0	(13,426)	3,185	(4,146)	(5,147)	(19,534)	(37,125)	(56,659)	321	(56,338)
Transfers to/from Earmarked Reserves	10,014	(9,953)	61	(61)	0	0	0	0	0	0	0
Increase/Decrease in 2024/25	(3,412)	(9,953)	(13,365)	3,124	(4,146)	(5,147)	(19,534)	(37,125)	(56,659)	321	(56,338)
Balance at 31 March 2025	4,825	25,454	30,279	14,861	1,862	53,351	100,353	622,462	722,815	2,978	725,793

Group Accounts

2023/24 comparative figures											
	General Fund Balance	Earmarked General Fund Reserves	Total General Fund Balance	Housing Revenue Account	Major Repairs Reserve	Capital Grants Unapplied Account	Total Usable Reserves	Unusable Reserves	Total Authority Reserves	Authority's Share of Reserves of Subsidiaries, Associates and Joint Ventures	Total Authority Reserves
	£ '000	£ '000	£ '000	£ '000	£ '000	£ '000	£ '000	£ '000	£ '000	£ '000	£ '000
Balance at 31 March 2023	7,093	52,579	59,672	12,359	7,400	52,395	131,826	572,162	703,988	4,587	708,575
Movement in reserves during 2023/24											
Surplus or (deficit) on the provision of services	(20,319)	0	(20,319)	(2,039)	0	0	(22,358)	0	(22,358)	(25,197)	(47,555)
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	118,787	118,787	1,255	120,042
Total Comprehensive Income and Expenditure	(20,319)	0	(20,319)	(2,039)	0	0	(22,358)	118,787	96,429	(23,942)	72,487
Adjustments between Group Accounts and authority accounts	(22,127)	0	(22,127)	0	0	0	(22,127)	0	(22,127)	22,127	0
Net Increase/Decrease before Transfers	(42,446)	0	(42,446)	(2,039)	0	0	(44,485)	118,787	74,302	(1,815)	72,487
Adjustments between accounting basis and funding basis under regulations	26,386	0	26,386	1,449	(1,392)	6,103	32,546	(32,546)	0	(115)	(115)
Net Increase/Decrease before Transfers to Earmarked Reserves	(16,060)	0	(16,060)	(590)	(1,392)	6,103	(11,939)	86,241	74,302	(1,930)	72,372
Transfers to/from Earmarked Reserves	17,204	(17,172)	32	(32)	0	0	0	0	0	0	0
Increase/Decrease in 2023/24	1,144	(17,172)	(16,028)	(622)	(1,392)	6,103	(11,939)	86,241	74,302	(1,930)	72,372
Balance at 31 March 2024	8,237	35,407	43,644	11,737	6,008	58,498	119,887	658,403	778,290	2,657	780,947

Group Accounts

Group Balance Sheet

SC £000	31 March 2024 Adjustments £000	Group £000		SC £000	31 March 2025 Adjustments £000	Group £000
1,138,504	56	1,138,560	Property, Plant & Equipment	1,156,403	49	1,156,452
2,119	0	2,119	Heritage Assets	2,167	0	2,167
43,029	0	43,029	Investment Property	47,701	10,232	57,933
2,603	15	2,618	Intangible Assets	1,078	11	1,089
1,186,255	71	1,186,326	Total Non-Current Assets	1,207,349	10,292	1,217,641
971	(571)	400	Long Term Investment	980	(580)	400
0	563	563	Investments in Associates and Joint Ventures	0	867	867
15,259	0	15,259	Long Term Debtors	23,999	(9,360)	14,639
1,202,485	63	1,202,548	Total Long Term Assets	1,232,328	1,219	1,233,547
			Current Assets			
18,283	0	18,283	Current Held for Sale Investment Properties	14,520	0	14,520
3,904	0	3,904	Assets Held for Sale	4,678	0	4,678
0	0	0	Short Term Investments	0	0	0
729	31,357	32,086	Inventories	561	25,831	26,392
123,805	(32,985)	90,820	Short Term Debtors	151,120	(26,856)	124,264
37,293	5,556	42,849	Cash & Cash Equivalents	50,725	3,529	54,254
184,014	3,928	187,942	Total Current Assets	221,604	2,504	224,108
1,386,499	3,991	1,390,490	Total Assets	1,453,932	3,723	1,457,655
			Current Liabilities			
(35,933)	0	(35,933)	Bank Overdraft	(19,938)	0	(19,938)
(32,802)	0	(32,802)	Short Term Borrowing	(58,392)	0	(58,392)
(88,150)	(1,334)	(89,484)	Short Term Creditors	(108,032)	(744)	(108,776)
(2,707)	0	(2,707)	Provisions	(5,109)	0	(5,109)
(8,622)	0	(8,622)	Grants Receipts in Advance – Revenue	(4,948)	0	(4,948)
(19,716)	0	(19,716)	Grants Receipts in Advance – Capital	(18,667)	0	(18,667)
(187,930)	(1,334)	(189,264)	Total Current Liabilities	(215,086)	(744)	(215,830)
1,198,569	2,657	1,201,226	Total Assets Less Current Liabilities	1,238,846	2,979	1,241,825
			Long Term Liabilities			
(603)	0	(603)	Long Term Creditors	(591)	0	(591)
(281,527)	0	(281,527)	Long Term Borrowing	(364,866)	0	(364,866)
(93,313)	0	(93,313)	Other Long Term Liabilities	(124,212)	0	(124,212)
(38,587)	0	(38,587)	Pensions Liability	(20,246)	0	(20,246)
(6,249)	0	(6,249)	Provisions	(6,116)	(1)	(6,117)
(420,279)	0	(420,279)	Total Long Term Liabilities	(516,031)	(1)	(516,032)
778,290	2,657	780,947	Total Assets Less Liabilities	722,815	2,978	725,793
			Financed by:			
119,887	3,147	123,034	Usable Reserves	100,353	2,239	102,592
658,403	(490)	657,913	Unusable Reserves	622,462	739	623,202
778,290	2,657	780,947	Total Reserves	722,815	2,978	725,793

Group Accounts

Group Cash Flow Statement

SC £000	2023/24 Adjustments £000	Group £000	Revenue Activities	SC £000	2024/25 Adjustments £000	Group £000
44,485	3,071	47,556	Net (surplus) or deficit on the provision of services	73,887	(8)	73,879
(53,168)	24,099	(29,069)	Adjustments to net surplus or deficit on the provision of services for non cash movements	(85,210)	(4,202)	(89,412)
75,347	113	75,460	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	82,778	169	82,947
66,664	27,283	93,947	Net cash flows from operating activities	71,455	(4,041)	67,414
(50,197)	(19,749)	(69,946)	Investing activities	935	6,717	7,652
(11,883)	(356)	(12,239)	Financing activities	(101,817)	(649)	(102,466)
4,584	7,178	11,762	Net (increase) or decrease in cash and cash equivalents	(29,427)	2,027	(27,400)
5,944	12,734	18,678	Cash and cash equivalents at the beginning of the reporting period	1,360	5,556	6,916
1,360	5,556	6,916	Cash and cash equivalents at the end of the reporting period	30,787	3,529	34,316

Notes to Group Accounts

G1. Accounting Policies

G1.1 General

The single entity accounting policies detailed on pages 29-50 have been adopted and applied for group account purposes.

The accounting policies applied by the organisations included within Group Accounts are reviewed and adjustments are made to the accounts to align the accounting policies with those adopted by the Council where necessary.

G1.2 Reason for Consolidation

The organisations included within Group Accounts have been assessed to establish whether Shropshire Council controls the entity, has significant influence over the entity or has joint control of the arrangement. If the organisation does not meet one of these criteria then it is not included within the Group Accounts.

Shropshire Towns and Rural Housing Limited, Cornovii Developments Limited and SSC No.1 Limited are all wholly owned by Shropshire Council. Shropshire Council controls each of the organisations therefore they have been consolidated into the Group Accounts as subsidiaries.

Shropshire Council has reviewed in detail the accounting treatment that should be applied to WME and WMS (Pensions) within this Council. Shropshire Council is one of four constituent Authorities, the other three Councils are Worcestershire County Council, Herefordshire Council and Telford & Wrekin Council. The Council has joint control over the arrangement and has rights to share the net assets. The Council considers that WME should be accounted for as a Joint Venture (under IFRS11 – Joint Arrangements and IAS 28 – Investments in Associates and Joint Ventures) with specific regard to the independence that West Mercia Energy has to pursue its own commercial strategy in buying and selling and has access to the market in its own right for its main inputs and outputs.

Shropshire Council is a 50% shareholder of Biodynamic Carbon Ltd. and has joint control over the arrangement. Biodynamic Carbon Ltd has been consolidated into the Group Accounts as a joint venture.

G1.3 Basis for Consolidation

Shropshire Towns and Rural Housing Limited has been included within the accounts as a subsidiary under the requirements of IFRS 10 (Consolidated Financial Statements) by means of a line-by-line consolidation of the Comprehensive Income and Expenditure Statement and the Balance Sheet.

WME has been accounted for as a Joint Venture (under IFRS11 – Joint Arrangements and IAS 28 – Investments in Associates and Joint Ventures). Shropshire Council's share of West Mercia Energy balances is 26.9%. The company has been incorporated into the Group Accounts using the Equity method. Figures have been consolidated based on draft statement of accounts for 31st March 2025.

WMS Pensions has been accounted for as a Joint Venture (under IFRS11 – Joint Arrangements and IAS 28 – Investments in Associates and Joint Ventures). Shropshire Council's share of West Mercia Supplies Pensions balances is 25%. The company has been incorporated into the Group Accounts using the Equity method. Figures have been consolidated based on draft statement of accounts for 31st March 2025.

Group Accounts

Cornovii Developments Limited has been included within the accounts as a subsidiary under the requirements of IFRS 10 (Consolidated Financial Statements) and IAS 27 (Separate Financial Statements) by means of a line-by-line consolidation of the Comprehensive Income and Expenditure Statement and the Balance Sheet.

Biodynamic Carbon Ltd has been accounted for as a Joint Venture (under IAS 28 – Investments in Associates and Joint Ventures). Shropshire Council's share of Biodynamic Carbon Ltd balances is 50%. The company has been incorporated into the Group Accounts using the Equity method. Figures have been consolidated based on draft statement of accounts for 31st March 2025.

G1.4 Investment Properties

Investment properties are those that are used solely to earn rentals or for capital appreciation or both. The definition is not met if the property is used in any way to facilitate the delivery of services, production of goods, or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset, investment properties are measured at highest and best use. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the financing and investment income and expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

G2. Consolidation of West Mercia Energy

Figures in respect of West Mercia Energy have been consolidated using the equity method. The amounts included in the Group Comprehensive Income and Expenditure Statement are:

	WME £000	SC Share (26.9%) £000
Turnover	(179,138)	(48,250)
Cost of Goods Sold and Operating Expenses	177,888	47,913
Interest and Investment Income	(719)	(194)
Net Operating Surplus	(1,969)	(531)
Distribution of Surplus to Member Authorities	2,438	657
Net Deficit/(Surplus) for the year	469	126

G3. Consolidation of West Mercia Supplies (Pensions)

Figures in respect of West Mercia Supplies (Pension) have been consolidated using the equity method. The amounts included in the Group Comprehensive Income and Expenditure Statement are:

	WMS(P) £000	SC Share (25%) £000
Turnover	(175)	(44)
Cost of Goods Sold and Operating Expenses	7	2
Interest and Investment Income	97	24
Net Deficit/(Surplus) for the year	(71)	(18)

Group Accounts

G4. Consolidation of Shropshire Towns & Rural Housing Limited

The operating income (£25.728m) and expenditure (£26.310m) of Shropshire Towns & Rural Housing Limited, giving a net expenditure of £0.582m has been included within Local Authority Housing (HRA) in the Net Cost of Services. The inter-company transactions with Shropshire Council have been excluded from Local Authority Housing (HRA) (Income/Expenditure £24.939m).

G5. Consolidation of Biodynamic Carbon Ltd

Figures in respect of Biodynamic Carbon Ltd have been consolidated using the equity method. The amounts included in the Group Comprehensive Income and Expenditure Statement are:

	Biodynamic Carbon Ltd £000	SC Share (50%) £000
Turnover	(63)	(31)
Cost of Goods Sold and Operating Expenses	77	38
Interest and Investment Income	0	0
Net Deficit/(Surplus) for the year	14	7

G6. Consolidation of Cornovii Developments Ltd

The operating expenditure (£11.733m) and income (£12.033m) of Cornovii Developments Ltd has been included within Place in the Net Cost of Services.

G7. Investment included in Group Balance Sheet

	WME £000	SC Share (26.9%) £000
Assets		
Plant & Equipment	5	1
Other Long Term Assets	98	26
Short term debtors	36,245	9,763
Cash and cash equivalents	16,520	4,450
Total Assets	52,868	14,240
Liabilities		
Short term creditors	(48,880)	(13,166)
Other long term liabilities	0	0
Total Liabilities	(48,880)	(13,166)
Net Investments in Associates and Joint Ventures	3,988	1,074

Group Accounts

	WMS(P) £000	SC Share (25%) £000
Assets		
Short term debtors	0	0
Total Assets	0	0
Liabilities		
Short term creditors	(134)	(33)
Other long term liabilities	(707)	(177)
Total Liabilities	(841)	(210)
Net Investments in Associates and Joint Ventures	(841)	(210)

	Biodynamic Carbon Ltd £000	SC Share (50%) £000
Assets		
Plant & Equipment	392	196
Short term debtors	(4)	(2)
Cash and cash equivalents	32	16
Total Assets	420	210
Liabilities		
Short term creditors	(23)	(11)
Other long term liabilities	(392)	(196)
Total Liabilities	(415)	(207)
Net Investments in Associates and Joint Ventures	5	3

G8. Cash and Cash Equivalents

The balance of Cash and Cash Equivalents is made up of the following elements:

	31 March 2025 £000	31 March 2024 £000
Bank current accounts	54,254	42,849
Short term deposits with building societies		0
Total Cash and Cash Equivalents	54,254	42,849
Bank Overdraft	(19,938)	(35,933)
Cash Overdrawn	(19,938)	(35,933)

Group Accounts

G9. Pension Liability

Amounts Recognised in the Comprehensive Income and Expenditure Statement

	Local Government Pension Scheme	
	2024/25	2023/24
	£000	£000
Comprehensive Income and Expenditure Statement		
Cost of Services:		
- current service cost	(22,945)	(23,059)
- past service gain/(cost)	(21)	0
- curtailment gain/(cost)	(8,276)	(2,179)
- settlement gain/(cost)	(1,523)	(201)
	(32,765)	(25,439)
Financing and Investment Income and Expenditure:		
- net interest expense	(1,133)	(5,055)
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	(33,898)	(30,494)
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement:		
- return on plan assets	3,913	73,292
- experience (gain)/loss	1,469	(10,083)
- actuarial gains and losses arising on changes in demographic assumptions	152,647	14,341
- actuarial gains and losses arising on changes in financial assumptions	6,679	17,707
- effect of asset ceiling	(145,290)	(694)
Total Post Employment Benefit Charged to Other Comprehensive Income and Expenditure	19,418	94,563
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	(14,480)	64,069

Assets and Liabilities Recognised in the Balance Sheet

	2024/25	2023/24
	£000	£000
Present value of the defined benefit obligation	(1,041,414)	(1,169,238)
Fair value of plan assets	1,167,270	1,131,345
Effect of Asset Ceiling	(146,102)	(694)
Net liability arising from defined benefit obligation	(20,246)	(38,587)

Group Accounts

Reconciliation of the Movements in the Fair Value of the Scheme Assets

	Local Government Pension Scheme	
	2024/25	2023/24
	£000	£000
Opening fair value of scheme assets at 1 April	1,131,345	1,028,994
Interest income	54,817	49,405
Remeasurement gain/(loss):		
Return on plan assets excluding the amount included in the net interest expense	3,913	73,292
Contributions from employer	32,905	24,841
Contributions from employees into the scheme	8,165	7,845
Benefits paid	(53,898)	(50,357)
Settlements	(8,952)	(1,685)
Other	(1,025)	(990)
Closing fair value of scheme assets at 31 March	1,167,270	1,131,345

Reconciliation of Present Value of the Scheme Liabilities

	Local Government Pension Scheme	
	2024/25	2023/24
	£000	£000
Opening balance at 1 April	(1,169,238)	(1,156,491)
Current Service Cost	(21,920)	(22,069)
Interest Cost	(55,916)	(54,460)
Contributions from scheme participants	(8,165)	(7,845)
Remeasurement gain/(loss):		
Experience gains/losses	1,469	(10,083)
Actuarial gains/losses arising from changes in demographic assumptions	152,647	14,341
Actuarial gains/losses arising from changes in financial assumptions	6,679	17,707
Other	0	0
Past service costs	(21)	0
Losses/(gains) on curtailment	(8,276)	(2,179)
Benefits paid	53,898	50,357
Liabilities extinguished on settlements	7,429	1,484
Closing balance at 31 March	(1,041,414)	(1,169,238)

Pension Scheme Assets

Assets in the Pension Fund consist of the following categories:

	2024/25	2023/24
	£000	£000
Cash and cash equivalents	7,704	15,839
Equity investments:		
Global quoted	688,106	639,663
Sub-total equity	688,106	639,663

Group Accounts

	2024/25 £000	2023/24 £000
Bonds:		
Overseas Global Active Investment Grade	115,209	118,112
Overseas Global Fixed Income	0	0
Overseas Global Dynamic	41,671	46,951
Other class 2 - absolute return bonds	0	0
Sub-total bonds	156,880	165,063
Property:		
Property funds	51,009	39,824
Sub-total property	51,009	39,824
Alternatives:		
Private Equity	88,129	92,883
Infrastructure	68,753	70,596
Hedge Funds	49,142	47,629
Property Debt	5,019	11,539
Insurance Linked Securities	18,910	18,554
Private Debt	33,617	29,755
Sub-total alternatives	263,570	270,956
Total assets	1,167,269	1,131,345

G10. Investment Properties

	Long term		Current	
	2024/25 £0	2023/24 £0	2024/25 £0	2023/24 £0
Balance at start of the year	43,029	60,736	18,283	5,906
Additions:				
- Purchases	0	0	0	0
- Construction	0	6	0	0
- Subsequent expenditure	105	371	0	0
Disposals	(105)	(293)	(4,350)	(5,906)
Net gains/(losses) from fair value adjustments	2,965	(3,569)	1,427	4,033
Transfers:				
- (To)/from Property, Plant and Equipment	1,789	28	0	0
- (To)/from Inventories	9,310	0	0	
- (To)/from Current/Long term	840	(14,250)	(840)	14,250
Balance at end of the year	57,933	43,029	14,520	18,283

Group Accounts

G11. Inventories

	2024/25 £000	2023/24 £000
Raw Materials	552	686
Work in Progress	25,762	31,317
Finished Goods	78	83
Inventories	26,392	32,086

G12. Adjustments between Group Accounts and Authority Accounts in the Group Movement in Reserves Statement

	General Fund Balance £000	Earmarked General Fund Reserves £000	Housing Revenue Account £000	Major Repairs Reserve £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000	Authority' s Share of Reserves of Subsidiaries, Associates and Joint Ventures	Total Authority Reserves £000
Purchase of goods and services from subsidiaries	22,046	0	0	0	22,046	0	22,046	(22,046)	0
Total adjustments between Group Accounts and authority accounts	22,046	0	0	0	22,046	0	22,046	(22,046)	0

Section 7

Housing Revenue Account



Housing Revenue Account

The Housing Revenue Account Income and Expenditure Statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants. Authorities charge rents to cover expenditure in accordance with regulations; this may be different from the accounting cost. The increase or decrease in the year, on the basis of which rents are raised, is shown in the Movement on the HRA Statement.

HRA INCOME AND EXPENDITURE STATEMENT

2023/24		2024/25	
£'		£	£
	Expenditure		
7,301,264	Repairs & Maintenance	7,972,952	
3,673,749	Supervision and Management	4,767,040	
189,603	Rents, rates taxes and other charges	166,363	
4,889,370	Depreciation – Dwellings	4,190,140	
245,300	- Other	243,990	
6,017,538	Impairment, revaluation losses and (reversals of impairment or revaluation losses)	(1,637,256)	
79,010	Debt Management Costs	79,620	
45,000	Provision for Bad or Doubtful Debts	50,000	
22,440,834	Total Expenditure		15,832,849
	Income		
(19,253,466)	Dwelling Rents	(21,525,323)	
(97,499)	Non Dwelling Rents	(99,371)	
(4,706)	Other Income	(5,674)	
(972,822)	Charges for Services and Facilities	(1,424,648)	
(20,328,493)	Total Income		(23,055,016)
2,112,341			(7,222,167)
268,561	HRA Share of Corporate & Democratic Core		371,690
2,380,902	Net Cost of HRA Services		(6,850,477)
(467,115)	(Gain) or loss on sale of HRA Assets		(513,956)
3,371,541	Interest payable and similar charges		3,455,326
(1,258,990)	Interest and Investment Income		(1,393,552)
(57,500)	Income & Expenditure in relation to investment properties & change in fair values		(25,500)
(1,930,156)	Capital grants and contributions receivable		(5,148,823)
2,038,682	(Surplus) or deficit for the year on HRA Services		(10,476,982)

Housing Revenue Account

MOVEMENT ON THE HRA STATEMENT

2023/24 £		2024/25 £
(12,359,313)	Balance on the HRA at the end of the previous year	(11,736,617)
2,038,682	(Surplus)/Deficit for the year on the HRA Income and Expenditure Statement	(10,476,982)
467,115	Gain or Loss on sale of HRA non-current assets	513,956
(1,915,411)	Transfer to/from the Capital Adjustment Account	6,778,379
590,386	Net increase or (decrease) before transfers to or from reserves	(3,184,647)
32,310	Transfers to or (from) Reserves	60,670
622,696	(Increase) or Decrease in year on the HRA	(3,123,977)
(11,736,617)	Balance on the HRA at the end of the current year	(14,860,594)

NOTES TO THE HOUSING REVENUE ACCOUNT

1. HOUSING STOCK

	2024/25	2023/24
Total Number of Dwellings at 31 March :		
Houses and Bungalows	3,150	3,148
Flats	887	889
	4,037	4,037
Change in Stock		
Stock at 1 April	4,036	4,000
Less: Sales – Right to Buy	(18)	(15)
Sales – Other	0	(1)
Disposal/restructuring	(3)	(23)
Acquisition – full ownership	21	67
Acquisition – shared ownership	0	9
	4,037	4,036

2. RENT ARREARS

	2024/25 £	2023/24 £
Due from Current Tenants	154,993	138,690
Due from Former Tenants	88,297	78,782
Total Rent Arrears as at 31 March	243,290	217,472
Pre-Payments	(644,883)	(601,690)
Net Arrears	(401,593)	(384,218)

As at 31 March 2025, the total provision set aside for HRA related bad debts is £0.347m.

Housing Revenue Account

3. BALANCE SHEET VALUE OF ASSETS

	Council Dwellings	Other Land & Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Assets Under Construction	Total Property, Plant & Equipment	Investment Properties	Current Assets Held for Sale	Total
	£	£	£	£	£	£	£	£	£
Cost or Valuation									
At 1 April 2024	244,118,700	1,485,000	0	315,396	2,759,173	248,678,269	288,500	946,027	249,912,796
Additions	14,958,783	5,719	56,602	20,590	2,302,884	17,344,578	0	0	17,344,578
Revaluation increases/(decreases) recognised in the Revaluation Reserve	75,000	11,000	0	0	0	86,000	0	0	86,000
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(2,438,607)	3,000	0	0	0	(2,435,607)	500	0	(2,435,107)
Derecognition – disposals	(1,208,000)	0	0	0	0	(1,208,000)	0	(1,009,749)	(2,217,749)
Derecognition – other	0	(5,719)	0	0	0	(5,719)	0	0	(5,719)
Assets reclassified (to)/from Held for Sale	(63,722)	0	0	0	0	(63,722)	0	63,722	0
Other movements in cost or valuation	(86,354)	(75,000)	0	0	(3,646)	(165,000)	0	0	(165,000)
As at 31 March 2025	255,355,800	1,424,000	56,602	335,986	5,058,411	262,230,799	289,000	0	262,519,799
Accumulated Depreciation and Impairment									
At 1 April 2024	0	0	0	(218,610)	0	(218,610)	0	0	(218,610)
Depreciation Charge	(4,355,070)	(28,290)	(11,320)	(39,450)	0	(4,434,130)	0	0	(4,434,130)
Depreciation written out to the Revaluation Reserve	176,250	18,910	0	0	0	195,160	0	0	195,160
Depreciation written out to the Surplus/Deficit on the Provision of Services	4,178,820	9,380	0	0	0	4,188,200	0	0	4,188,200
Impairment losses/(reversals) recognised in the Revaluation Reserve	0	(49,663)	0	0	0	(49,663)	0	0	(49,663)
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	(90,000)	(25,337)	0	0	0	(115,337)	0	0	(115,337)
Derecognition – disposals	0	0	0	0	0	0	0	0	0
Derecognition – other	0	0	0	0	0	0	0	0	0
Other movements in depreciation and impairment	90,000	75,000	0	0	0	165,000	0	0	165,000
As at 31 March 2025	0	0	(11,320)	(258,060)	0	(269,380)	0	0	(269,380)
Net Book Value									
As at 31 March 2025	255,355,800	1,424,000	45,282	77,926	5,058,411	261,961,419	289,000	0	262,250,419
As at 31 March 2024	244,118,700	1,485,000	0	96,786	2,759,173	248,459,659	288,500	946,027	249,694,186

Housing Revenue Account

There is a difference of £381.159m between the tenanted valuation and the District Valuer's Vacant Possession Value of £635.265m at 31 March 2025.

The Vacant Possession Value is an estimate of the total sum that would be received if all of the assets were sold on the open market. The tenanted value declared on the balance sheet is less in recognition of the fact that the properties are occupied by tenants on secure rent less than would be obtainable on the open market.

The difference represents the economic cost of the Government providing council housing at less than market rents.

4. CAPITAL EXPENDITURE FINANCING

Capital expenditure in the year on Council Housing Stock and Infrastructure was financed as follows.

	2024/25 £	2023/24 £
Usable Capital Receipts	175,839	171,497
Revenue Contributions utilised in year	1,967,840	2,968,972
Major Repairs Allowance	8,580,231	6,526,319
Government Supported borrowing	3,447,884	4,243,242
Government Grants and Contributions	3,180,984	1,149,616
Total Capital Expenditure on Housing Stock	17,352,778	15,059,646

5. CAPITAL RECEIPTS

Capital receipts from the disposal of Housing Revenue Account Assets are shown below. Prior to 2022/23, 75% of Capital Receipts arising from Right to Buy disposals were subject to National Pooling arrangements payable to DLUHC. For 2022/23 and 2023/24 flexibilities were introduced to allow Local Authorities to retain 100% of the Right to Buy Disposal income for these time periods.

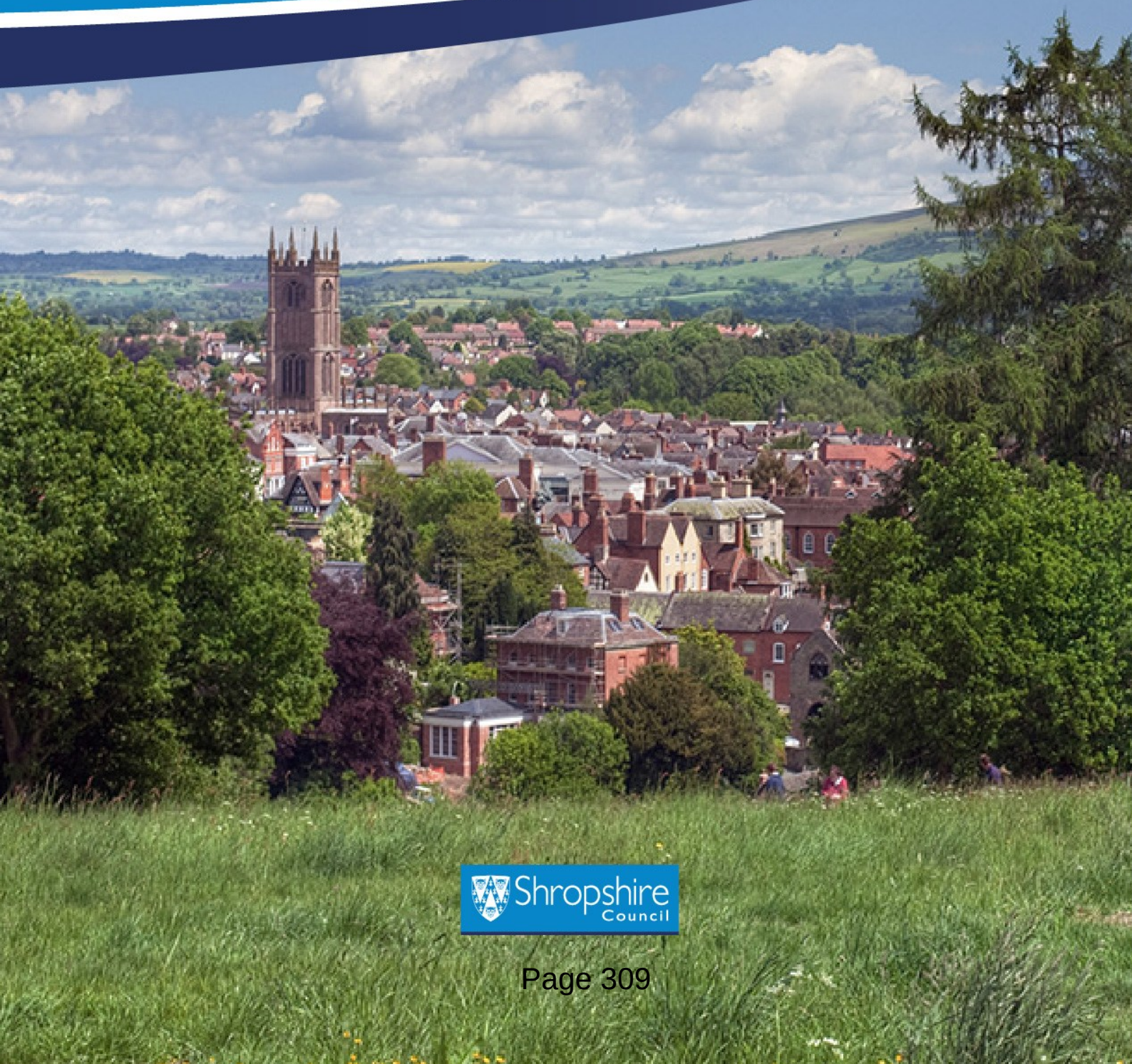
	2024/25 £	2023/24 £
Sale of Council Houses under Right to Buy (RTB)	1,590,650	1,255,043
RTB Discounts Repaid	0	0
Other Land & Buildings	0	0
Mortgage Receipts	0	0
Total Capital Receipts from HRA Asset Disposals	1,590,650	1,255,043
Less Capital Receipts subject to Pooling requirement	0	0
Net Capital Receipts from HRA Asset Disposals	1,590,650	1,255,043

6. HOUSING REPAIRS ACCOUNT

	2024/25 £	2023/24 £
Balance Brought Forward 1 April	25,000	25,000
Expenditure on Capital	0	0
Balance Carried Forward 31 March	25,000	25,000

Section 8

Collection Fund



Collection Fund

The Collection Fund is a statutory account showing the transactions of the billing authority in relation to the collection of council tax and non-domestic rates from taxpayers and the distribution to local authorities and Central Government.

Council Tax £000	2023/24 NDR £000	Total £000		Council Tax £000	2024/25 NDR £000	Total £000
Income:						
(248,358)	0	(248,358)	Income from Council Tax (showing the net amount receivable, net of benefits, discounts for prompt payments and transitional relief)	(264,592)	0	(264,592)
0	0	0	Transfers from General Fund	0	0	0
(470)	0	(470)	- Transitional relief	(176)	0	(176)
0	(70,151)	(70,151)	- Discretionary relief	0	(80,656)	(80,656)
0	(6,697)	(6,697)	Income collectable from business ratepayers	0	(3,025)	(3,025)
			Transitional Protection Payments			
(248,828)	(76,848)	(325,676)	TOTAL INCOME	(264,768)	(83,681)	(348,449)
Expenditure:						
203,733	39,425	243,158	Precepts	215,935	41,306	257,241
31,239	0	31,239	- Shropshire Council and Parish and Town Councils	33,076	0	33,076
13,129	776	13,905	- West Mercia Police & Crime Commissioner	13,646	812	14,458
0	38,821	38,821	- Shropshire & Wrekin Fire Authority	0	40,578	40,578
			- Central Government			
0	456	456	Charges to Collection Fund	0	460	460
			- costs of collection			
(294)	0	(294)	Bad and doubtful debts	(317)	3	(314)
2,298	(87)	2,211	- write offs	684	270	954
			- allowance for impairment			
0	(9,103)	(9,103)	Appeals rates	0	(5,532)	(5,532)
0	4,779	4,779	- write offs	0	5,427	5,427
			- provisions			
2,836	4,005	6,841	Contributions	(1,016)	(5,269)	(6,285)
			- Towards previous year's estimated Collection Fund surplus/(deficit)			
252,941	79,072	332,013	TOTAL EXPENDITURE	262,008	78,055	340,063
4,113	2,224	6,337	Deficit/(Surplus) for the Year	(2,760)	(5,626)	(8,386)
(2,211)	831	(1,380)	Balance brought forward	1,902	3,055	4,957
1,902	3,055	4,957	Balance carried forward	(858)	(2,571)	(3,429)

Collection Fund

NOTES TO THE COLLECTION FUND

1. COUNCIL TAX BASE

The council tax base consists of the number of chargeable dwellings in each valuation band adjusted to reflect discounts and other variations. The total tax base is calculated by converting each band to its band D equivalent and providing for losses and variations during the year of collection. The tax base for 2024/25 was as follows:-

Council Tax Band	Net Dwellings	Ratio	Band D Equivalents
A1	34.62	5/9	19.23
A	18,040.97	6/9	12,027.32
B	30,787.59	7/9	23,945.90
C	27,415.57	8/9	24,369.39
D	19,858.26	9/9	19,858.26
E	16,111.70	11/9	19,692.07
F	8,594.15	13/9	12,413.78
G	4,506.50	15/9	7,510.84
H	289.06	18/9	578.13
			120,414.92
Adjustment for MoD Properties (591.34 Band D Equivalents) and Collection Rate (98.5%)			(1,223.75)
			119,191.17

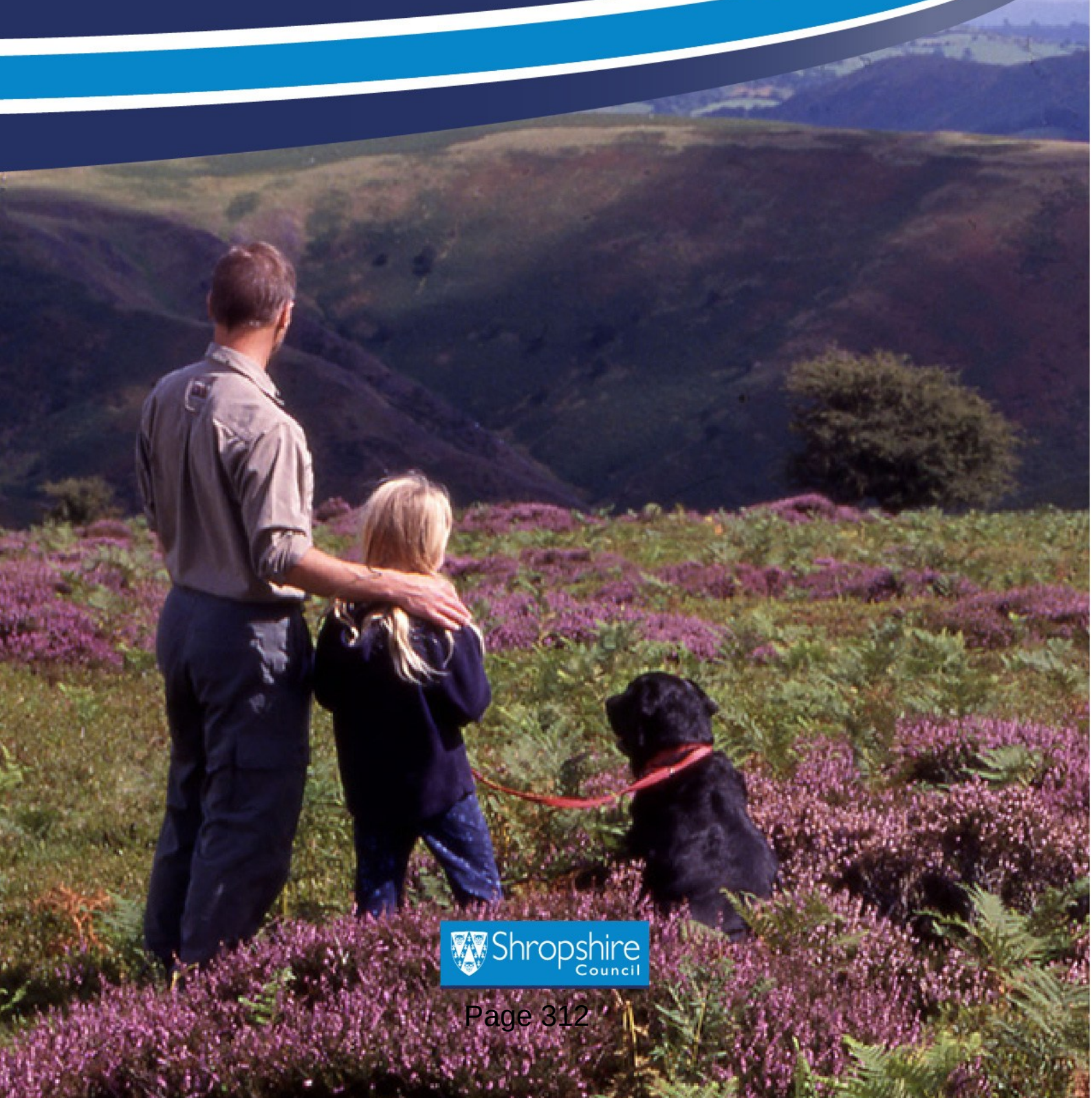
2. NON-DOMESTIC RATES (BUSINESS RATES)

Shropshire Council is the billing authority for NDR and retains 49% share of the total collected and distributes the remaining balance to Central Government (50%) and Shropshire & Wrekin Fire Authority (1%).

At 31 March 2025, the total non-domestic rateable value for all business premises in Shropshire was £251,323,328. The multiplier set by Government to calculate rate bills in 2024/25 was 49.9p for small businesses and 54.6p for all other businesses.

Section 9

Pension Fund Accounts



Introduction

The Shropshire fund increased in value by £123 million in 2024/25 to be valued at £2.626 billion at the end of the year. The fund increased in value by 5 % over the year but slightly underperformed against its benchmark by 0.14%. The majority of asset classes performed positively with double digit returns from Hedge Funds, Insurance Linked Securities and the LGPS Central Infrastructure Fund. Negative performance was seen on the property debt portfolio reflecting the difficulties in exiting the final few loans remaining as part of the planned maturity of this investment and on Global Sustainable Equity after a difficult final quarter. Overall the portfolio performed as expected given the difficult trading conditions seen in the final quarter of 2024/25.

The strongest absolute returns were generated in Insurance Linked Securities managed by Securis which generated excellent returns of 11.4% despite the impact of the US wildfires on performance in the final quarter. Infrastructure managed by LGPS Central generated returns of 11.3%, Hedge Funds managed by BlackRock generated returns of 10.5% and LGPS Private Debt Fund returned 9.45%.

Equities had a more difficult year compared to 2023/24 with passive equity managed by Legal and general showing the best performance with a return of 7.54%, LGPS Central Global equity return just below 4% whilst LGPS Central Sustainable Equity returned a negative 1.27% for the year. Both the LGPS Central equity products were hit hard by the volatile market conditions in the final quarter of 2024/25 having shown double digit performance for the previous nine months.

The Pensions Committee determine the strategic asset allocation for the fund. This outlines the proportion of assets that the fund invests in equities, bonds and alternative assets such as property and infrastructure. This is the most important decision that the Committee makes because it has the biggest impact on the long-term returns of the fund.

The Committee agreed a revised strategic asset allocation in June 2023. There were no revisions to the investment strategy in 2024/25. Additional commitments were completed in respect of private market allocations as follows private debt managed by LGPS Central for £90m. This fund is still in the early capital raising stages and will take a few years for capital to be fully deployed as is the case with all private market investments. These changes were implemented during the financial year. Additional commitments will also be required to private equity and Infrastructure both managed by LGPS Central in 2025/26 to reflect the return of capital from legacy investments with HarbourVest and GIP Infrastructure. These new/additional allocations will be funded by a reduction to targeted return strategies and a reduction of the overweight equity position.

The fund undergoes an independent actuarial valuation every 3 years. The last actuarial valuation was conducted at the end of March 2022, identifying that the fund had a funding level (the relationship between estimated future pension payments and the funds held to pay for these pensions) of 100% using the fund's standard assumptions which was an increase from 94% at the previous valuation in March 2019. This was the first time for over 23 years the funding level has been 100% at the valuation date which is really positive news. Due to some of the individual employer decisions made as part of this consultation process the official funding level signed off by the Actuary as at 31 March 2022 was 99%. The next valuation is being undertaken as at 31 March 2025 and work on this is already underway with results expected by the end of 2025.

The fund continues to make good progress addressing responsible investment issues, including climate change and achieving its net zero target by 2050 or before.

Pension Fund Accounts

The fund became a signatory to the revised Stewardship Code in August 2023 and a renewal submission was presented to the Financial Reporting Council (FRC) for the 15 months from 1st January 2023 to 31st March 2024. The FRC confirmed the application was successful in October 2024 which is a great achievement and really positive news. This confirms how seriously the fund continues to take Responsible Investment and Environmental, Social and Governance issues.

Since 2020 the fund has commissioned its pooling company, LGPS Central Limited, to undertake an in-depth review of the fund's exposure to financially material climate-related risks and opportunities on an annual basis. The fund also published its fourth Task Force on Climate-related Financial Disclosures (TCFD) aligned report in December 2024 showing a 63% reduction in the carbon footprint of the equity portfolio compared to 31 March 2020 based on normalized financed emissions.

Further details relating to this and the significant progress which has been made during the year with regards climate risk monitoring, setting a net zero target, responsible investment, climate risk training and the fund's carbon footprint are included within the Corporate Governance section of the annual report.

The Shropshire fund continued to work with eight other funds in the Midlands region during the year. LGPS Central Ltd has been established to manage investment assets on behalf of its eight Local Government Pension Scheme (LGPS) funds across the Midlands region. It is a multi-asset manager, investing up to potentially £60 billion of assets (£32.4 billion invested as at December 2024), on behalf of 900,000 LGPS members and 2,500 employers.

LGPS Central Ltd is jointly owned on an equal share basis by eight pension funds and is a Collective Portfolio Management Investment Firm (CPMI) regulated by the Financial Conduct Authority (FCA). The participating pension funds are Cheshire, Derbyshire, Leicestershire, Nottinghamshire, Shropshire, Staffordshire, West Midlands and Worcestershire. West Midlands Integrated Transport Authority (ITA) Pension fund will also be an investor, but not a shareholder, with its shareholder rights represented by West Midlands Pension Fund.

The key objectives of LGPS Central will be to deliver cost savings and improve risk adjusted investment returns after cost, enable access to a wider range of asset classes for the participating pension funds, and to ensure good governance. LGPS Central manage a wide range of asset classes, employing a mix of internal and external investment management. The majority of assets under management are structured in an Authorised Contractual Scheme (ACS), itself regulated by the FCA, in addition to other pooled investments held in alternative structures. The company has been formed to act as an Alternative Investment Fund Manager (AIFM) to allow the participating LGPS administering authorities to pool their respective investments.

On the 14 November 2024, the Chancellor set out his Mansion House speech which included the proposed consultation on LGPS "Fit for the Future", the consultation being published the following day.

The consultation covered three key areas LGPS Pooling, Local investment and Governance of Funds and Pools. Partner Funds in LGPS Central Ltd reviewed the information contained in the consultation and submitted individual responses to the consultation. Delegated authority for the Fund's response was approved at Pension Committee in December 2024. The government response to the consultation is still awaited. Some of the key points to note are:

Pension Fund Accounts

1. LGPS Pooling - This included a requirement for all legacy assets to be under pool control by the 31st March 2026. At the 31st March 2025 the Fund had a number of legacy portfolios outside the Pools control. These fall roughly into two types, private market assets which will gradually mature and be reinvested in pooled products such as private equity with HarbourVest, Infrastructure with GIP or Property Debt with DRC, or investments that don't have a pooled product equivalent. These include property and targeted return strategies like T Rowe Price Dynamic Bond Fund, BlackRock – Hedge Fund and Insurance Linked Securities. The consultation also proposed that the Pooling companies should provide all investment advice to the funds and that funds should delegate implementation decisions to the pooling company.

In addition to the impacts on the funds, the consultation also advised that all pooling companies should be FCA regulated companies. In the case of LGPS Central this criterion was already met as that is how the company was established.

2. Local Investment - The Chancellor set out growth as her number one mission and is looking for the LGPS through their pooling companies to build networks and increase long term investment in local communities.
3. Governance - This brought forward many of the recommendations from the Scheme Advisory Board Good Governance review and set up the framework of independent governance reviews.

The governments response to the consultation is expected in late spring early summer 2025 and in the interim regular investment pooling meetings continue to be held with representatives from each of the eight LGPS funds forming LGPS Central on both governance and transition issues.

During 2024/25 we have made an additional £90m allocation to Private Debt to maintain our 7.5% target allocation to this asset class and further allocations will be considered in 2025/26 in light of the 2025 valuation results. The Fund has also completed an oversight agreement with LGPS Central in respect of its passive equity mandate with Legal and General. Given the nature of this asset it is not cost effective to fully transition to a pooled product at this time but the agreement allows LGPS Central through EOS at Federated Hermes to undertake voting on all the Funds equity portfolios which allows consolidation of reporting and increased consistency. This continues to show the fund's commitment to pooling assets and looking for appropriate cost effective solutions for legacy assets.

The Pensions Administration Team have continued to ensure over the past 12 months that the service they deliver is both efficient and effective for all stakeholders and that all benefits are paid accurately, on time and in line with scheme regulations.

Training days for all team members are held twice a year, where the team are able to work in groups to look at how we deliver our service and provide feedback on changes to processes. Information sessions are also held on current issues affecting the LGPS.

All regulatory deadlines were met by the fund in 2024-25, including issuing Annual Benefit Statements, P60 documents, Pensions Savings Statements and publishing the Annual Report.

During the year the team continued to work on the implementing the McCloud ruling and ensuring the underpin is applied to protected members.

Pension Fund Accounts

Work has also started on the implementation of Pensions Dashboards so that we are able to connect by the October 2025 deadline.

As part of the funds ongoing programme, several policies were reviewed and updated in line with statutory guidance and changes to the team's working practices.

The new Pension Regulator's General Code came into effect on 28 March 2024 and an action plan was created to identify any areas of work that would need to be completed to achieve compliance with this.

Certain aspects of the Scheme Advisory Board's Good Governance recommendations have been introduced as part of the Government's Fit for the Future consultation; we await the Government's formal response to this but have been reviewing the recommendations to identify any gaps we may have.

The fund's Business Plan for 2024-26 can be found on the website and progress against this is reported to and regularly reviewed by both Board and committee members.

The annual meeting for scheme employers is run as a virtual event and the Pension Committee and Pension Board meetings continue to be live streamed, Committee meetings must be held in person, however Board members can choose to attend virtually, this has proved particularly useful when holding training sessions for members of both board and committee.

The information here and other developments are covered in more detail on the following pages.

Pension Fund Accounts

PENSION FUND ACCOUNT FOR THE YEAR ENDED 31 MARCH 2025

2023/24 £000		2024/25 £000
	Income	
	Contributions	
(63,025)	Employers (Note 7)	(73,017)
(20,584)	Employees (Note 7)	(21,501)
(7,573)	Transfers In from other pension funds (Notes 3, 7)	(11,061)
(91,182)	Total Income	(105,579)
	Expenditure	
	Benefits Payable	
79,602	Pensions (Note 7)	88,105
16,026	Commutation of pensions and lump sum retirement benefits (Note 7)	22,014
1,966	Lump Sum Death Benefits (Note 7)	2,591
	Payment to & on Account of Leavers	
243	Refund of contributions (Note 7)	243
6,927	Transfers to other funds (Notes 3, 7)	5,634
104,764	Total Expenditure	118,587
13,582	Net (additions) / withdrawals from dealings with scheme members	13,008
21,145	Management Expenses (Note 8)	23,944
34,727	Net additions/(withdrawals) including fund management expenses	36,952
	Returns on Investments	
(11,187)	Investment Income (Notes 3, 9)	(14,005)
(11,504)	(Gain)/loss on cash and currency hedging	329
105	Taxes on Income (Note 10)	112
(271,230)	(Profits) and losses on disposal of investments and changes in value of investments (Note 11a)	(146,611)
(293,816)	Net return on investments	(160,175)
(259,089)	Net (increase)/decrease in the net assets available for benefits during the year	(123,223)
2,244,087	Opening net assets of the scheme	2,503,176
2,503,176	Closing net assets of the scheme	2,626,399

Pension Fund Accounts

PENSION FUND NET ASSET STATEMENT AS AT 31 MARCH 2025

31-Mar-24 £000		31-Mar-25 £000	%
	Long Term Investments		
1,315	Equities (Note 11)	1,315	0.05
	Investment Assets		
16	Equities (Note 11)	18	0.00
	Pooled Investment Vehicles		
2,478,163	Other Managed Funds (Note 11)	2,594,391	98.78
	Other Investment Balances		
685	Loans (Note 11)	685	0.03
	Cash Deposits		
14,957	Deposits (Note 11)	20,246	0.77
1,650	Temporary Investments (Note 27)	5,700	0.22
2,496,786	Total Investment Assets	2,622,355	99.85
	Long Term Debtors		
1,724	Lifetime and Annual Tax Allowances (Note 18a)	1,857	0.07
	Current Assets		
7,171	Contributions due from Employers (Note 18b)	7,262	0.28
2,307	Other Current Assets (Note 18b)	1,121	0.04
0	Cash Balances (Note 27)	46	0.00
	Current Liabilities		
(665)	Unpaid Benefits (Note 19)	(1,418)	(0.06)
(4,107)	Other Current Liabilities (Note 19)	(4,824)	(0.18)
(40)	Cash Balances	0	0
2,503,176	Net Assets of the Scheme – Available to Fund Benefits as at 31 March	2,626,399	100.00

The Fund's financial statements do not take account of liabilities to pay pensions and other benefits after the period end. The actuarial present value of promised retirement benefits is disclosed in the Statement by the Consulting Actuary.

Pension Fund Accounts

NOTES TO THE SHROPSHIRE COUNTY PENSION FUND ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2025

1. DESCRIPTION OF FUND

The Shropshire County Pension Fund is part of the Local Government Pension Scheme and is administered by Shropshire Council. The Council is the reporting entity for this Pension Fund.

The Fund is governed by the Public Service Pensions Act 2013. The Fund is administered in accordance with the following secondary legislation:

- The Local Government Pension Scheme Regulations 2013 (as amended)
- The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended)
- The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

It is a contributory defined benefit pension scheme administered by Shropshire Council to provide pensions and other benefits for pensionable employees of Shropshire Council and a range of other scheduled and admitted bodies within the county area. Teachers, police officers and firefighters are not included as they come within other national pension schemes. The Fund is overseen by the Shropshire County Pension Fund Committee, which is a committee of Shropshire Council.

In accordance with the Government's Automatic Enrolment Legislation, eligible employees are automatically enrolled into LGPS from their first day of employment. However, membership of the LGPS is voluntary and after auto enrolment employees are able to choose whether to remain in the scheme, opt out of the scheme, re-join at a later date or to make their own personal arrangements outside of the scheme.

Membership of the LGPS is voluntary and employees are free to choose whether to join the scheme, remain in the scheme or make their own personal arrangements outside the scheme.

Organisations participating in the Shropshire County Pension Fund include:

- Scheduled bodies, which are automatically entitled to be members of the Fund.
- Admitted bodies, which participate in the Fund under the terms of an admission agreement between the Fund and the employer. Admitted bodies include voluntary, charitable and similar not-for-profit organisations, or private contractors undertaking a local authority function following outsourcing to the private sector.

There are 164 employers with active members within the Shropshire County Pension Fund including Shropshire Council itself, as detailed below.

Shropshire County Pension Fund	31 March 2025	31 March 2024
Number of employers with active members	166	150
Number of employees in the scheme		
Shropshire Council	5,395	5,951
Other employers	11,738	11,076
Total	17,133	17,027

Pension Fund Accounts

Shropshire County Pension Fund	31 March 2025	31 March 2024
Number of pensioners in the scheme		
Shropshire Council	6,668	6,312
Other employers	7,644	7,143
Total	14,312	13,455
Number of deferred pensioners in the scheme		
Shropshire Council	8,250	8,301
Other employers	10,108	10,076
Total	18,358	18,377

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the fund in accordance with the LGPS Regulations 2013 and ranged from 5.5% to 12.5% of pensionable pay for the financial year ending 31 March 2025. Employers' contributions are set based on triennial actuarial funding valuations. The last such valuation was as at 31 March 2022. Currently, employer contribution rates range from 0% to 30% of pensionable pay.

Prior to 1 April 2014, pension benefits under the LGPS were based on final pensionable pay and length of pensionable service. From 1 April 2014, the scheme became a career average scheme, whereby members accrue benefits based on their pensionable pay in that year at an accrual rate of 1/49th. Accrued pension is uprated annually in line with the Consumer Prices Index.

A range of other benefits are also provided including early retirement, ill-health pensions and death benefits.

2. BASIS OF PREPARATION

The statement of accounts summarises the Fund's transactions for the 2024/25 financial year and its financial position at 31 March 2025. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2024/25 (the Code) which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector. The accounts have been prepared on a going concern basis.

Paragraph 3.3.1.2 of the Code requires disclosure of any accounting standards issued but not yet adopted. IAS 21 The Effects of Changes in Foreign Exchange Rate (Lack of Exchangeability) and Insurance Contracts (IFRS 17) have both been amended in the year but do not impact the Fund Accounts.

The accounts report on the net assets available to pay pension benefits. They do not take account of obligations to pay pensions and benefits that fall due after the end of the financial year nor do they take into account the actuarial present value of promised retirement benefits. The Code gives administering authorities the option to disclose this information in the net assets statement, in the notes to the accounts or by appending an actuarial report prepared for this purpose. The Pension Fund has opted to append this information within the statement by the consulting actuary.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Account – revenue recognition

Contribution income

Normal contributions are accounted for on an accruals basis as follows:

- Employee contribution rates are set in accordance with LGPS regulations, using common percentage rates for all schemes that rise according to pensionable pay.
- Employer contributions are set at the percentage rate recommended by the fund actuary for the period to which they relate. Contributions received earlier than the due date are accounted for on receipt and are recognised as contributions received within the pension fund account statement.
- Employer deficit funding contributions are accounted for on the due dates on which they are payable under the schedule of contributions set by the scheme actuary or on receipt if earlier than due date.

Transfers to and from other schemes

Transfers in and out relate to members who have either joined or left the Fund.

Individual transfers in/out are accounted for when received or paid. Transfers in from members wishing to use the proceeds of their additional voluntary contributions (see below) to purchase scheme benefits are accounted for on a receipts basis and are included in Transfers In (see note 7). Bulk (group) transfers are accounted for in accordance with the terms of the transfer agreement.

Investment Income

Dividend income is recognised on the date the shares are quoted ex-dividend. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current financial asset.

Distributions from pooled funds are recognised at the date of issue. Any amount not received by the end of the reporting period is also disclosed in the net assets statement as a current financial asset.

Changes in the value of investments are recognised as income and comprise all realised and unrealised profit/losses during the year.

Fund account – expense items

Benefits payable

Pensions and lump sum benefits payable include all amounts known to be due as at the end of the financial year. Any amounts due but unpaid are disclosed in the net assets statement as current liabilities, provided that payment has been approved.

Taxation

The Fund is a registered public service scheme under section 1 (1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. Income from overseas investments suffers withholding tax in the country of origin, unless exemption is permitted. Irrecoverable tax is accounted for as a Fund expense as it arises.

Pension Fund Accounts

Management expenses

The Fund discloses its pension fund management expenses in accordance with CIPFA guidance Accounting for Local Government Pension Scheme Management Expenses (2016), as shown below. All items of expenditure are charged to the Fund on an accruals basis as follows:

Administrative expenses	All staff costs relating to the pensions administration team are charged direct to the Fund. Council recharges for management, accommodation and other overhead costs are also accounted for as administrative expenses of the Fund.
Oversight and governance	All costs associated with governance and oversight are separately identified, apportioned to this activity and charged as expenses to the Fund. Where invoice has not been received by the year-end date, an estimate based upon the previous quarters is used for inclusion in the fund account. In 2024/25, £0.175m of fees is based on such estimates (2023/24 £0.227m)
Investment management expenses	Investment fees are charged directly to the Fund as part of management expenses and are not included in, or netted off from, the reported return on investments. Where fees are netted off returns by investment managers, these expenses are grossed up to increase the change in value of investments. Fees charged by external investment managers and custodian are set out in the respective mandates governing their appointments. Broadly, these are based on the market value of the investments under their management and therefore increase or reduce as the value of these investments change. In addition, the Fund has negotiated with BlackRock (Hedge Fund) that an element of their fee will be performance related. Total performance related fees for all managers in 2024/25 £0.649m (2023/24 £0.458m). Where an investment manager's fee note has not been received by the year-end date, an estimate based upon the market value of their mandate as at the end of the year is used for inclusion in the fund account. In 2024/25, £0.225m of fees is based on such estimates (2023/24 £0.187m).

Net Assets Statement

Financial assets

The Share Capital investment in LGPS Central Limited is valued at transaction price i.e. cost. LGPS Central Limited began to trade on 3 April 2018. The Pension Fund's view is that the market value of this investment at 31 March 2024 cannot be reasonably assessed as the Company was set up for the sole purpose of LGPS pooling and no market exists for its potential sale, and that cost is therefore an appropriate estimate of fair value.

Pension Fund Accounts

All other investment assets are included in the financial statements on a fair value basis as at the reporting date. A financial asset is recognised in the net assets statement on the date the Fund becomes party to the contractual acquisition of the asset. Any amounts due or payable in respect of trades entered into but not yet complete at 31 March each year are accounted for as financial instruments held at amortised cost and reflected in the reconciliation of movements in investments and derivatives in Note 11a. Any gains or losses on investment sales arising from changes in the fair value of the asset are recognised in the fund account.

The values of investments as shown in the net assets statement have been determined at fair value in accordance with the requirements of the Code and IFRS13 (see note 14).

Foreign Currency transactions

Dividends, interest and purchases and sales of investments in foreign currencies have been accounted for at the spot market rates at the date of transaction. End of year spot market exchange rates are used to value cash balances held in foreign currency bank accounts, overseas investments and purchases and sales outstanding at the end of the reporting period.

Cash and cash equivalents

Cash comprises cash in hand and demand deposits and includes amounts held by the Fund's external managers. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to minimal risk of changes in value.

Loans and receivables

Financial assets classed as amortised cost are carried in the net asset statement at the value of outstanding principal receivable at the year-end date plus accrued interest.

Financial liabilities

A financial liability is recognised in the net asset statement on the date the Fund becomes legally responsible for that liability. The Fund recognises financial liabilities relating to investment trading at fair value and any gains or losses arising from changes in the fair value of the liability between contract date, the year-end date and the eventual settlement date are recognised in the fund account as part of the change in value of investments.

Other financial liabilities classed as amortised cost are carried in the net asset statement at the value of the outstanding principal at 31 March each year. Any interest due not yet paid is accounted for on an accruals basis and included in administration costs.

Contingent Liabilities

Shropshire County Pension Fund has guaranteed a share of the pension liability relating to employees of LGPS Central Ltd that transferred into the company on creation. More details are disclosed in Note 21 Related Party Transactions.

The Fund has no other contingent liabilities.

Additional voluntary contributions

Shropshire County Pension Fund provides an additional voluntary contribution (AVC) scheme for its members, the assets of which are invested separately from those of the pension fund. Please see note 20 for further information.

4. CRITICAL JUDGMENTS IN APPLYING ACCOUNTING POLICIES

Investment in LGPS Central

The Share Capital investment has been valued at cost on the basis that fair value as at 31 March 2025 cannot be reliably estimated. Management have made this judgment because:

- LGPS Central Limited was set up for the specific purpose of LGPS Pooling
- No dividend to shareholders has as yet been declared
- There is no market for the sale of shares and all pension authorities are required to comply with the LGPS pooling requirements.

5. ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER SOURCES OF ESTIMATION UNCERTAINTY

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts. Estimates and assumptions take account of historical experience, current trends and future expectations. However, actual outcomes could be different from the assumptions and estimates made. The items in the net asset statement for which there is a significant risk of material adjustment the following year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Private Equity	Private equity investments are valued at fair value in accordance with International Private Equity and Venture Capital Valuation Guidelines (2022). Investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	The total private equity investments in the financial statements are £199.6 million. There is a risk that this investment may be under or over-stated in the accounts. A 10% movement in the valuation would equate to a £20 million adjustment to the value of these assets
Infrastructure	Infrastructure investments are not regularly traded and as such there is a degree of estimation involved in the valuation.	The infrastructure investments in the financial statements are £157.9 million. There is a risk that this investment may be under or over-stated in the accounts. A 10% movement in the valuation would equate to a £15.8 million adjustment to the value of these assets
Property Debt	Investments are not regularly traded and as such there is a degree of estimation involved in the valuation.	The total property debt investments in the financial statements are £10.4 million. There is a risk that this investment may be under or over-stated in the accounts. A 5% movement in the valuation would equate to a £1 million adjustment to the value of these assets
Private Debt	Investments are not regularly traded and as such there is a degree of estimation involved in the valuation.	The total private debt investments in the financial statements are £79.0 million. There is a risk that this investment may be under or over-stated in the accounts.

Pension Fund Accounts

Item	Uncertainties	Effect if actual results differ from assumptions
		A 10% movement in the valuation would equate to a £7.9 million adjustment to the value of these assets
Insurance Linked Securities	Investments are not regularly traded and as such there is a degree of estimation involved in the valuation.	The total insurance linked securities investments in the financial statements are £44.3 million. There is a risk that this investment may be under or over-stated in the accounts.
		A 5% movement in the valuation would equate to a £2.2 million adjustment to the value of these assets
Hedge Funds	Some hedge fund investments are not regularly traded and as such there is a degree of estimation involved in the valuation.	The total hedge fund value in the financial statements is £114.1 million. There is a risk that this investment may be under or overstated in the accounts.
		A 5% movement in the valuation would equate to a £5.7 million adjustment to the value of these assets

6. EVENTS AFTER THE REPORTING DATE

These are events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the financial statements are authorised for issue. There have been no events between 31 March 2025, and when these accounts were authorised, that require any adjustments to be made.

Guaranteed minimum pensions (GMP) equalisation remedy in LGPS is still to be legislated on. GMP reconciliation has ensured that data is up to date for when any changes required are known.

The McCloud remedy in LGPS came into force in 2023/24 and is being applied to accounts as required, this is not expected to have a significant impact on any of the figures quoted. The Fund is not aware of any cases affected by the Goodwin test cases.

There are no non-adjusting events after the reporting date for GMP & McCloud.

The Court of Appeal upheld a High Court ruling on section 9(2B) rights in the case of Virgin Media Ltd v NTL in July 2024. We have been advised that HM Treasury is still assessing the implications of this ruling on the LGPS. The Scheme Advisory Board continue to raise the matter with the pensions minister for clarification.

There are no non-adjusting events after the reporting date in respect of this ruling.

Pension Fund Accounts

7. ANALYSIS OF THE MAIN REVENUE ACCOUNT TRANSACTIONS

The following table provides further analysis of contributions received and benefits paid between the Administering Authority (Shropshire Council), Designated Bodies and Scheme Employers (Unitary, Town and Parish Councils) and Admission Bodies (Private bodies carrying out former Local Government functions or bodies providing a public service on a non-profit making basis).

2024/25	Administering Authority	Admission Bodies	Designation Bodies/ Scheme Employers	Total
	£000	£000	£000	£000
<u>Contributions Received</u>				
Employees	7,707	1,764	12,030	21,501
Employers	29,860	3,258	39,899	73,017
Transfers In	5,765	346	4,950	11,061
Total Income	43,332	5,368	56,879	105,579
<u>Payments Made</u>				
Pensions	47,228	11,673	29,204	88,105
Lump Sums	9,599	3,385	9,030	22,014
Death Benefits	860	260	1,471	2,591
Refunds	76	4	163	243
Transfers Out	2,859	321	2,454	5,634
Total Expenditure	60,622	15,643	42,322	118,587

2023/24 comparative figures	Administering Authority	Admission Bodies	Designation Bodies/ Scheme Employers	Total
	£000	£000	£000	£000
<u>Contributions Received</u>				
Employees	7,550	1,826	11,208	20,584
Employers	22,559	4,815	35,651	63,025
Transfers In	3,617	43	3,913	7,573
Total Income	33,726	6,684	50,772	91,182
<u>Payments Made</u>				
Pensions	43,459	10,530	25,613	79,602
Lump Sums	6,778	3,065	6,183	16,026
Death Benefits	429	458	1,079	1,966
Refunds	78	7	158	243
Transfers Out	3,476	74	3,377	6,927
Total Expenditure	54,220	14,134	36,410	104,764

This table shows a breakdown of the employers contributions above:

	2024/25	2023/24
	£000	£000
Employers normal contributions	60,617	56,555
Employers deficit contributions	2,665	2,845
Employers augmentation contributions	9,735	3,625
	73,017	63,025

Pension Fund Accounts

8. MANAGEMENT EXPENSES

This analysis of the costs of managing the Shropshire County Pension Fund during the period has been prepared in accordance with CIPFA's Accounting for Local Government Pension Scheme Management Expenses (2016).

Management Expenses	2024/25 £000	2023/24 £000
Administrative costs	1,946	1,870
Investment management expenses	20,260	17,634
Oversight and governance costs	1,738	1,641
	23,944	21,145

Each external Investment Manager receives a fee for their services based on the market value of the assets they manage on the Fund's behalf. One active manager is required to produce a specific target return in excess of their benchmark return and is paid a performance related fee (over and above a basic fee) for reaching required level of outperformance. The management fees disclosed also include all investment management fees directly incurred by the Fund by pooled fund investments.

The investment management expenses shown below includes £0.649m (2023/24 £0.458m) in respect of performance related fees paid/payable to the Fund's investment managers.

It also includes £3.266m in respect of transaction costs (2023/24 £3.632m).

In addition to these costs, indirect costs are incurred through the bid-offer spread on investment sales and purchases. These are reflected in the cost of investment acquisitions and in the proceeds from the sales of Investments (see note 11a).

Investment Expenses	2024/25 £000	2023/24 £000
Management Fees	11,968	8,999
Performance Fees	649	458
Other Fees	4,358	4,524
Transaction Costs	3,266	3,632
Custody Fees	19	21
	20,260	17,634

The costs incurred by the fund in administering the fund totalled £1.946m for the year ended 31 March 2025 (2023/24 £1.870m).

Administrative Costs	2024/25 £000	2023/24 £000
Employee Costs	1,241	1,095
IT	408	630
Consultants	81	24
Printing, Postage & Design	61	53
Office Accommodation	37	32
Subscriptions	7	7
Other Costs	111	29
	1,946	1,870

Pension Fund Accounts

The costs incurred by the fund in Oversight and Governance totalled £1.738m for the year ended 31 March 2025 (2023/24 £1.641m).

Oversight & Governance costs	2024/25 £000	2023/24 £000
Investment advice	271	338
Employee costs (pensions investment)	395	302
Actuarial advice	93	103
LGPS Central Pooling costs	704	663
Responsible engagement overlay	51	51
External audit	102	70
Performance analysis	27	30
Internal audit	25	18
Legal & Committee	23	22
Other Costs	47	44
	1,738	1,641

8a. INVESTMENT MANAGEMENT EXPENSES

The tables below show a breakdown of investment management expenses by investment type.

2024/25					
	Total £000	Management Fees £000	Performance Related Fees £000	Transaction Costs £000	Other Costs £000
<u>Pooled Investments Vehicles</u>					
Global Equity	3,833	2,413	0	1,239	181
Fixed Income	2,534	675	0	1,824	35
Hedge Fund of Funds	1,290	445	649	0	196
Infrastructure	3,447	2,699	0	0	748
Pooled property investments	1,744	1,613	0	131	0
Private Equity	5,010	2,558	0	0	2,452
Private Debt	1,735	1,171	0	0	564
Property Debt	169	121	0	0	48
Insurance Linked Securities	479	273	0	72	134
	20,241	11,968	649	3,266	4,358
Custody Fees	19				
Total	20,260				

Pension Fund Accounts

2023/24 comparative figures

	Total £000	Management Fees £000	Performance Related Fees £000	Transaction Costs £000	Other Costs £000
Pooled Investments Vehicles					
Global Equity	3,329	1,818	0	1,293	218
Fixed Income	4,044	1,183	0	2,234	627
Hedge Fund of Funds	1,438	731	458	0	249
Infrastructure	2,028	1,732	0	0	296
Pooled property investments	1,149	1,104	0	45	0
Private Equity	4,902	1,933	0	0	2,969
Private Debt	24	11	0	0	13
Property Debt	249	200	0	0	49
Insurance Linked Securities	451	287	0	60	104
	17,614	8,999	458	3,632	4,525
Custody Fees	20				
Total	17,634				

9. INVESTMENT INCOME

The table below analyses the investment income received by the Fund over the last 12 months.

	2024/25 £000	2023/24 £000
Dividends from equities	(1)	(1)
Income from pooled investment vehicles	(12,690)	(10,270)
Interest on cash deposits	(332)	(185)
Other	(982)	(731)
	(14,005)	(11,187)

10. TAXES ON INCOME

This table breaks down the taxes on income by asset class.

	2024/25 £000	2023/24 £000
Withholding tax – equities	0	0
Withholding tax – pooled	112	105
	112	105

Pension Fund Accounts

11. INVESTMENTS

This table shows investment assets by type of investment

	2024/25 £000	2023/24 £000
Investment Assets		
Equities	18	16
Pooled Funds		
Global Equity	1,508,181	1,444,229
Fixed Income	363,501	354,383
Hedge Fund of Funds	114,088	103,226
Infrastructure	157,915	161,956
Pooled property investments	117,386	84,545
Private Equity	199,616	200,502
Property Debt	10,417	22,222
Insurance Linked Securities	44,303	39,770
Private Debt	78,984	67,330
Other Investments		
Loans	685	685
Cash Deposits		
Deposits	20,246	14,957
Temporary Investments	5,700	1,650
Total	2,621,040	2,495,471
Long-term Investments		
UK unquoted equities		
Shares in LGPS Central asset pool	1,315	1,315
Total Investment Assets	2,622,355	2,496,786

11a.RECONCILIATION OF MOVEMENTS IN INVESTMENTS

Investment type	Value as at 1 April £000	Purchases at cost and derivative payments £000	Sale proceeds and derivative receipts £000	Transition £000	Other cash transactions £000	Change in market value £000	Value as at 31 March £000
2024/25							
Equities	1,331		(38)			0	*1,333
Pooled Investment Vehicles – Other Managed Funds	2,478,163	101,897	(114,054)		(18,282)	146,667	*2,594,391
Other Investment Balances	685						685
Sub total	2,480,179	101,897	(114,092)	0	(18,282)	146,707	2,596,409
Cash deposits – with Managers***	14,957	1,782	(3,915)		7,518	(96)	20,246
Temporary Investments	1,650				4,050		5,700
Total	2,496,786	103,679	(118,007)	0	(6,714)	***146,611	2,622,355

Pension Fund Accounts

* Within the Pooled Investment Vehicles - other managed funds total of £2594.391m are £605.323m of level 3 investments as at 31 March 2025. Within the Equities figure of £1.333m are £1.315m of level 3 investments as at 31 March 2025. The value of the level 3 investments was £596.321m as at 1 April 2024 which increased to £606.638m as at 31 March 2025. The increase in value is due to purchases of £63.217m, sales of £85.448m and change in market value of £32.548m.

** The total change in market value for 2024/25 as per the table above is £146.611m. This figure is made of up of profit on sales of £33.081m, market value gains offset by directly charged fees of £19.048m and also the difference between book cost and market value for the whole Fund which for 2024/25 was £94.482m.

*** Cash deposits figure includes Money Market Fund balances and certain class action proceeds relating to legacy holdings.

Investment type	Value as at 1 April £000	Purchases at cost and derivative payments £000	Sale proceeds and derivative receipts £000	Transition £000	Other cash transactions £000	Change in market value £000	Value as at 31 March £000
2023/24 Comparative figures							
Equities	1,325		(111)			117	*1,331
Pooled Investment Vehicles – Other Managed Funds	2,221,038	378,745	(375,778)		(16,930)	271,088	*2,478,163
Other Investment Balances	685						685
Sub total	2,223,048	378,745	(375,889)	0	(16,930)	271,205	2,480,179
Cash deposits – with Managers***	12,683	2,215	(26)		60	25	14,957
Temporary Investments	2,600				(950)		1,650
Total	2,238,331	380,960	(375,915)	0	(17,820)	**271,230	2,496,786

* Within the Pooled Investment Vehicles - other managed funds total of £2478.163m are £595.006m of level 3 investments as at 31 March 2024. Within the Equities figure of £1.331m are £1.315m of level 3 investments as at 31 March 2024. The value of the level 3 investments was £590.231m as at 1 April 2023 which increased to £596.321m as at 31 March 2024. The increase in value is due to purchases of £74.550m, sales of £74.459m and change in market value of £5.999m.

** The total change in market value for 2023/24 as per the table above is £271.230m. This figure is made of up of profit on sales of £14.251m, market value gains offset by directly charged fees of £16.733m and also the difference between book cost and market value for the whole Fund which for 2023/24 was £240.246.

*** Cash deposits figure includes Money Market Fund balances and certain class action proceeds relating to legacy holdings.

12. STOCK LENDING

The Fund no longer participates in a stock lending programme with its Custodian, Northern Trust following termination of the remaining segregated equities fund in April 2022.

13. ANALYSIS OF DERIVATIVES

Currently, Legal & General, who manage the global equity passive portfolio, hedge 100% of their foreign currency exposure back to sterling. The global equity passive portfolio also has an equity protection strategy in place on approximately £625m initial notional value.

14. FAIR VALUE – BASIS OF VALUATION

Unquoted equities in LGPS Central are valued using the cost approach / considering Fair Value at Initial Recognition approach as these methodologies provide viable approaches to valuing this shareholding, and they both generate consistent valuations at historic cost less any adjustment for impairment. This will be the approach used for valuing this holding until any change in circumstances creates an alternative approach.

Pension Fund Accounts

All other investment assets are valued using fair value techniques based on the characteristics of each instrument, where possible using market-based information. There has been no change in the valuation techniques used during the year.

The valuation basis for each category of investment asset is set out below.

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Market quoted equities and pooled fund investments	Level 1	The published bid market price on the final day of the accounting period	Not required	Not required
Quoted fixed income bonds	Level 1	Quoted market value based on current yields	Not required	Not required
Cash and cash equivalents	Level 1	Carrying value is deemed to be fair value because of the short-term nature of these financial instruments	Not required	Not required
Pooled property funds	Level 2	Closing bid price where bid and offer prices are published. Closing single price where single price published	NAV based pricing set on a forward pricing basis	Not required
Pooled equity fund investments	Level 2	Index tracking funds & valuations are based on the market quoted prices of the respective underlying securities	Evaluated price feeds	Not required
Pooled fixed income fund investments	Level 2	Average of broker prices	Evaluated price feeds	Not required
Infrastructure	Level 3	Discounted Cash Flows, Market valuations of comparable companies & Binding sale agreements	Enterprise Value / EBITDA multiple, Discount Rate	Valuations could be affected by changes to expected cashflows or by differences between audited and unaudited accounts
Shares in LGPS Central asset pool	Level 3	Valued using cost approach and considering fair value at initial recognition approach	No market for shares in LGPS Central and no immediate plans to pay dividends. Cost approach generates a figure similar to the original cost of investment when LGPS Central was created	Valuation reviewed on an annual basis to ascertain if there is any reason that this valuation may have been impaired
Insurance linked securities	Level 3	Closing single price. Investments are fair valued using earned net assets value method	NAV based pricing set on a forward pricing basis. NAV based pricing based upon either 3rd party broker	Valuations could be affected by any changes to underlying values of the invested portfolio. Value

Pension Fund Accounts

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Private Debt	Level 3	Valuations received directly from the manager of the underlying investment and comply with revised International Private Equity and Venture Capital Valuation Guidelines 2018	marks or independent Milliman valuations using available industry loss assumptions and 3rd party reports. Inputs are unobservable and are dependent on the valuations provided by the manager of the underlying investment	appreciation/depreciation is typically dependent on and contingent on specific insurance events/triggers not occurring. Valuations could be affected by changes to the valuation of the underlying investment portfolio arising from changes to estimates and differences between unaudited and audited accounts
Property Debt	Level 3	Valued using amortised cost and considering fair value at initial recognition approach	Underlying property value, projected future cashflows, cash available, indicative market interest rates for similar products	Valuation reviewed on a quarterly basis to ascertain if there is a reason that this valuation may have been impaired
Private Equity and other unquoted	Level 3	Comparable valuation of similar companies in accordance with International Private Equity and Venture Capital Valuation Guidelines 2018 and the IPEV Board's Special Valuation Guidance (March 2020) or other appropriate guidelines	EBITDA multiple, revenue multiple, discount for lack of marketability, control premium	Valuations could be affected by changes to expected cashflows or by differences between audited and unaudited accounts
Hedge Funds	Level 3	Valuations received directly from the third party hedge funds with which the fund of hedge fund manager invests	Valuations/prices of the investments held are not publicly available. NAV based pricing set on a forward pricing basis	Valuations are affected by any changes to the value of the financial instrument being hedged against

Sensitivity of assets valued at level 3

The Fund has determined that the valuation methods described above for level 3 investments are likely to be accurate to within the following ranges, and has set out below the consequent potential impact on the closing value of investments held at 31 March 2025 and 31 March 2024.

Pension Fund Accounts

Asset	Potential variation in fair value (+/-)	Value as at 31-Mar-25	Potential value on increase	Potential value on decrease
		£000	£000	£000
Private Equity	20%	199,616	239,539	159,693
Hedge Funds	5%	114,088	119,792	108,384
Insurance Linked	5%	44,303	46,518	42,088
Infrastructure	20%	157,915	189,498	126,332
Private Debt	10%	78,984	86,882	71,086
Property Debt	10%	10,417	11,459	9,375
Unquoted UK Equity	15%	1,315	1,512	1,118
Total		606,638	695,200	518,076

Asset	Potential variation in fair value (+/-)	Value as at 31-Mar-24	Potential value on increase	Potential value on decrease
		£000	£000	£000
Private Equity	5%	200,502	210,527	190,477
Hedge Funds	5%	103,226	108,387	98,065
Insurance Linked	5%	39,770	41,759	37,782
Infrastructure	5%	161,956	170,054	153,858
Private Debt	5%	67,330	70,697	63,964
Property Debt	5%	22,222	23,333	21,111
Unquoted UK Equity	5%	1,315	1,381	1,249
Total		596,321	626,138	566,506

14a. FAIR VALUE HIERARCHY

Assets and liabilities have been classified into three levels, according to the quality and reliability of information used to determine fair values.

Level 1 - where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Comprise quoted equities, quoted bonds and unit trusts.

Level 2 - where quoted market prices are not available, or where valuation techniques are used to determine fair value based on observable data.

Level 3 - where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data.

The values of the investment in private equity are based on valuations provided by the general partners to the private equity funds in which Shropshire County Pension Fund has invested.

These valuations are prepared in accordance with the International Private Equity and Venture Capital Valuation Guidelines, which follow the valuation principles of IFRS and US GAAP. Valuations are undertaken quarterly.

The values of the investment in hedge funds are based on the net asset value provided by the fund manager. Assurances over the valuation are gained from the independent audit of the value.

Pension Fund Accounts

The following table provides an analysis of the assets and liabilities of the pension fund grouped into levels 1 to 3, based on the level at which the fair value is observable.

Asset type	Investment Manager	Investment Type	Market Value	Quoted market price	Using observable inputs	With significant evaluation inputs
2024/25			£000	Level 1 £000	Level 2 £000	Level 3 £000
Equities	LGPS Central Ltd*	UK Equities (unquoted)	1,315			1,315
Pooled Investment Vehicles	HarbourVest Partners Ltd	Private Equity	186,074			186,074
	Aberdeen Property Investors	Property Unit Trusts	117,386		117,386	
	Blackrock Global Infrastructure Partners	Hedge Fund Infrastructure	114,088			114,088
	Legal & General T.Rowe Price	Global Equities	91,810			91,810
		Global Dynamic Bonds	838,683		838,683	
	Securis	Global Dynamic Bonds	96,944		96,944	
		Insurance Linked Securities	44,303			44,303
	DRC	Property Debt	10,417			10,417
	LGPS Central Ltd	Global Equities	669,498	669,498		
	LGPS Central Ltd	Investment Grade Corporate Bonds	266,557	266,557		
	LGPS Central Ltd	Private Debt	78,984			78,984
	LGPS Central Ltd	Infrastructure	66,105			66,105
	LGPS Central Ltd	Private Equity	13,542			13,542
Cash Deposits & Other (including net Current Assets)			26,649	26,649		
Total			2,622,355	962,704	1,053,013	606,638

Asset type	Investment Manager	Investment Type	Market Value	Quoted market price	Using observable inputs	With significant evaluation inputs
2023/24			£000	Level 1 £000	Level 2 £000	Level 3 £000
Equities	LGPS Central Ltd*	UK Equities (unquoted)	1,315			1,315
Pooled Investment Vehicles	HarbourVest Partners Ltd	Private Equity	195,758			195,758
	Aberdeen Property Investors	Property Unit Trusts	84,545		84,545	
	Blackrock Global Infrastructure Partners	Hedge Fund Infrastructure	103,226			103,226
	Legal & General T Rowe Price	Global Equities	112,450			112,450
		Global Dynamic Bonds	789,842		789,842	
		Global Dynamic Bonds	100,358		100,358	
	Securis	Insurance Linked Securities	39,770			39,770
	DRC	Property Debt	22,222			22,222

Pension Fund Accounts

Asset type	Investment Manager	Investment Type	Market Value	Quoted market price	Using observable inputs	With significant evaluation inputs
			£000	Level 1 £000	Level 2 £000	Level 3 £000
2023/24						
	LGPS Central Ltd	Global Equities	654,387	654,387		
	LGPS Central Ltd	Investment Grade Corporate Bonds	254,025	254,025		
	LGPS Central Ltd	Private Debt	67,330			67,330
	LGPS Central Ltd	Infrastructure	49,506			49,506
	LGPS Central Ltd	Private Equity	4,744			4,744
Cash Deposits & Other (including net Current Assets)			17,308	17,308		
Total			2,496,786	925,720	974,745	596,321

* Share Capital investment in LGPS Central Ltd has been carried at cost

14b.RECONCILIATION OF FAIR VALUE MEASUREMENTS WITHIN LEVEL 3

Investment type	Value as at 1 April	Transfers into Level 3	Transfers out of Level 3	Purchases at cost and derivative payments	Sale proceeds and derivative receipts	Other cash transactions	Unrealised gains and losses	Realised gains and losses	Value as at 31 March
	£000	£000	£000	£000	£000	£000	£000	£000	£000
2024/25									
Equities (unquoted)	1,315				0	0	0	0	1,315
Private Equity	200,502			17,898	(24,970)	(5,011)	(8,524)	19,721	199,616
Infrastructure	161,957			21,125	(34,747)	(3,447)	(5,529)	18,556	157,915
Hedge Fund	103,225			0	0	(1,290)	10,863	1,290	114,088
Insurance	39,770			0	0	(478)	4,506	505	44,303
Linked Securities									
Property Debt	22,222			0	(10,218)	(169)	(1,587)	169	10,417
Private Debt	67,330			24,194	(15,513)	(1,735)	2,973	1,735	78,984
Total	596,321	0	0	63,217	(85,448)	(12,130)	2,702	41,976	606,638

15. FINANCIAL INSTRUMENTS

15a. CLASSIFICATION OF FINANCIAL INSTRUMENTS

The following table analyses the carrying amounts of financial instruments by category and net assets statement heading. No financial instruments were reclassified during the accounting period.

Pension Fund Accounts

	31 March 2025			31 March 2024		
	Fair value through profit & loss £000	Financial assets at amortised cost £000	Financial liabilities at amortised cost £000	Fair value through profit & loss £000	Financial assets at amortised cost £000	Financial liabilities at amortised cost £000
Financial Assets						
Equities	1,333			1,331		
Pooled Investment Vehicles – Other Managed Funds	2,594,391			2,478,163		
Other Investment Balances - Loans		685			685	
Cash		25,992			16,607	
Total Assets	2,595,724	26,677	0	2,479,494	17,292	0
Financial Instruments						
Debtors		10,240			11,202	
Creditors			(6,242)			(4,812)
Total	2,595,724	36,917	(6,242)	2,479,494	28,494	(4,812)

15b.NET GAINS AND LOSSES ON FINANCIAL INSTRUMENTS

	2024/25 £000	2023/24 £000
Financial Assets		
Fair value through profit and loss	146,611	271,230
Loans and receivables	0	0
Financial liabilities measured at amortised cost	0	0
Financial Liabilities		
Fair value through profit and loss	0	0
Loans and receivables	0	0
Financial liabilities measured at amortised cost	0	0
	146,611	271,230

16. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

Risk and Risk Management

The Fund's primary long-term risk is that its assets will fall short of its liabilities (i.e. promised benefits to pay members). The aim of investment risk management is to minimise the risk of an overall reduction in the value of the Fund and to maximise the opportunity for gains across the whole fund portfolio. The Fund achieves this through asset diversification to reduce exposure to market risk (price risk, currency risk and interest rate risk) and credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure there is sufficient liquidity to meet the Fund's forecast cash flows. The Fund manages these investment risks as part of its overall pension fund risk management programme.

Responsibility for the Fund's risk management strategy rests with the Pensions Committee. Risk management policies are established to identify and analyse the risks faced by the Pension Fund's operations. Policies are reviewed regularly to reflect changes in activity and in market conditions.

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Market risk

Market risk is the risk of loss from fluctuations in equity and commodity prices, interest and foreign exchange rates and credit spreads. The Fund is exposed to market risk from its investment activities, particularly through its equity holdings. The level of risk exposure depends on market conditions, expectations of future price and yield movements and the assets mix. The objective of the Fund's risk management strategy is to identify, manage and control market risk exposure within acceptable parameters, whilst optimising investment return.

In general, excessive volatility in market risk is managed through the diversification of the portfolio in terms of geographical and industry sectors and individual securities. To mitigate market risk, the Pension Fund and its investment advisors undertake appropriate monitoring of market conditions and benchmark analysis and manage any identified risk in two ways:

- The exposure of the Fund to market risk is monitored through a factor risk analysis, to ensure that risk remains within tolerable levels
- Specific risk exposure is limited by applying risk-weighted maximum exposures to individual investments.

Other price risk

Other price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instrument or by factors affecting all such instruments in the market.

The Fund is exposed to share and derivative price risk. The Fund's investment managers mitigate this price risk through diversification and the selection of securities and other financial instruments is monitored to ensure it is within limits specified in the Fund investment strategy.

Other price risk – sensitivity analysis

In consultation with its investment advisors, the Fund has determined that the following movements in market price risk are reasonably possible for the 2025/26 reporting period, assuming that all other variables, in particular foreign exchange rates and interest rates, remain the same.

Asset Type	Potential market movements (+/-)
Global Unconstrained Equities	20.7%
Global Equities (passive)	19.5%
Investment Grade Bonds	7.8%
Unconstrained bonds	5.9%
UK Property	12.5%
Private Equity	23.9%
Hedge Funds	5.1%
Infrastructure	20.5%
Property Debt	10.1%
Insurance Linked Securities	4.8%
Private Debt	10.6%

Should the market price of the Fund investments increase/decrease in line with the above, the change in the net assets available to pay benefits would be as follows.

Pension Fund Accounts

Asset type	Value as at 31 March 2025 £000	Potential market movement £000	Value on increase £000	Value on decrease £000
2024/25				
Net Assets including Cash and Other	31,990	0	31,990	31,990
Investment Portfolio Assets				
Global Equities (unconstrained)	669,516	138,590	808,106	530,926
Global Equities (passive)	838,683	163,543	1,002,226	675,140
Investment Grade Bonds	266,557	20,791	287,348	245,766
Unconstrained Bonds	96,944	5,720	102,664	91,224
Property	117,386	14,673	132,059	102,713
Private Equity	199,616	47,708	247,324	151,908
Hedge Funds	114,088	5,819	119,907	108,269
Infrastructure	157,915	32,373	190,288	125,542
Property Debt	10,417	1,052	11,469	9,365
Insurance Linked Securities	44,303	2,127	46,430	42,176
Private Debt	78,984	8,372	87,356	70,612
Total assets available to pay benefits	2,626,399	440,768	3,067,167	2,185,631

Asset type	Value as at 31 March 2024 £000	Potential market movement £000	Value on increase £000	Value on decrease £000
2023/24 Comparative Figures				
Net Assets including Cash and Other	24,998	0	24,998	24,998
Investment Portfolio Assets				
Global Equities (unconstrained)	654,403	133,498	787,901	520,905
Global Equities (passive)	789,842	153,229	943,071	636,613
Investment Grade Bonds	254,026	18,290	272,316	235,736
Unconstrained Bonds	100,358	5,921	106,279	94,437
Property	84,545	10,568	95,113	73,977
Private Equity	200,502	47,920	248,422	152,582
Hedge Funds	103,225	5,264	108,489	97,961
Infrastructure	161,956	31,258	193,214	130,698
Property Debt	22,221	1,978	24,199	20,243
Insurance Linked Securities	39,770	1,989	41,759	37,782
Private Debt	67,330	6,464	73,794	60,866
Total assets available to pay benefits	2,503,176	416,378	2,919,554	2,086,798

Interest rate risk

The Fund recognises that interest rates can vary and can affect both income to the Fund and the carrying value of fund assets, both of which affect the value of the net assets available to pay benefits. A 1% movement in interest rates is consistent with the level of sensitivity applied as part of the Fund's risk management strategy.

The Fund's direct exposure to interest rate movements as at 31 March 2025 and 31 March 2024 is set out below.

Asset Type	As at 31 March 2025 £000	As at 31 March 2024 £000
Cash and cash equivalents	25,946	16,607
Cash balances*	(46)	(40)
Bonds	363,501	354,383
Total change in assets available	389,493	370,950

* Overdrawn cash balance as at 31 March 2024

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The following analysis shows the effect in the year on the net assets available to pay benefits of a plus or minus 1% change in interest rates assuming all variables, in particular exchange rates, remain constant. This analysis demonstrates that a 1% increase in interest rates will not affect the interest received on fixed interest assets but will reduce their fair value, and vice versa. Changes in interest rates do not impact on the value of cash and cash equivalent balances but they will affect the interest income received on those balances.

Assets exposed to interest rate risk	Value as at 31 March £000	Potential movement on 1% change in interest rates £000	Value on increase £000	Value on decrease £000
As at 31 March 2025				
Cash and cash equivalents	25,946	0	25,946	25,946
Cash balances	46	0	46	46
Fixed Income	363,501	3,635	367,136	359,866
Total	389,493	3,635	393,128	385,858

Assets exposed to interest rate risk	Value as at 31 March £000	Potential movement on 1% change in interest rates £000	Value on increase £000	Value on decrease £000
As at 31 March 2024				
Cash and cash equivalents	16,607	0	16,607	16,607
Cash balances	(40)	0	(40)	(40)
Fixed Income	354,383	3,544	357,927	350,839
Total	370,950	3,544	374,494	367,406

During 2024/25 the Fund received £0.267m (2023/24 £0.120m) in interest from surplus pension fund revenue cash. This was either invested in call accounts (including Insight Money Market Fund) which are classified as a variable rate investment or a fixed term deposit. A 1% change in interest rates throughout the year would have increased or decreased the amount of interest earned on these investments by £0.059m. In addition, the Fund earned £0.065m (2023/24 £0.066m) in interest on its loan to LGPS Central Ltd. The impact of a 1% change in interest rates would have increased or decreased interest earned on this loan by £0.007m.

Currency risk

Currency risk represents the risk that future cash flows will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on any cash balances and investment assets not denominated in UK sterling. Following analysis of historical data in consultation with the Fund investment advisors, the Fund considers the likely volatility associated with foreign exchange rate movements to be not more than 10%. A 10% strengthening/weakening of the pound against the various currencies in which the Fund holds investments would increase/decrease the net assets available to pay benefits as follows:

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Currency risk – sensitivity analysis

Assets exposed to currency risk	Asset value as at 31 March 2025 £000	Potential market movement £000 10%	Value on increase £000 10%	Value on decrease £000 10%
Overseas Equities	627,244	62,724	689,968	564,520
Overseas Private Equity	199,002	19,900	218,902	179,102
Overseas Private Debt	31,645	3,165	34,810	28,480
Overseas Infrastructure	125,065	12,507	137,572	112,558
Cash balances	13,563	1,356	14,919	12,207
Total change in assets available to pay benefits	996,519	99,652	1,096,171	896,867

Assets exposed to currency risk	Asset value as at 31 March 2024 £000	Potential market movement £000 10%	Value on increase £000 10%	Value on decrease £000 10%
Overseas Equities	610,843	61,084	671,927	549,759
Overseas Private Equity	199,813	19,981	219,794	179,832
Overseas Private Debt	21,846	2,185	24,031	19,661
Overseas Infrastructure	140,711	14,071	154,782	126,640
Cash balances	7,893	789	8,682	7,104
Total change in assets available to pay benefits	981,106	98,111	1,079,217	882,995

Credit Risk

Credit risk represents the risk that the counterparty to a financial transaction will fail to discharge an obligation and cause the Fund to incur a financial loss. Assets potentially affected by this risk are investment assets, cash deposits and third-party loans. The selection of high-quality counterparties, brokers and financial institutions minimises credit risk and the market values of investments generally reflect an assessment of credit risk.

Credit risk may also occur if an employing body not supported by central government does not pay contributions promptly, or defaults on its obligations. The Pension Fund has not experienced any actual defaults in recent years and the current practice is to obtain a guarantee before admitting new employers so that all pension obligations are covered in the event of that employer facing financial difficulties. All contributions due at 31 March 2025 and 31 March 2024 were received in the first two months of the financial year.

In January 2018 the Fund advanced a loan of £0.685m to LGPS Central asset pool on commercial rates, repayable in 2027. LGPS Central have not defaulted on any annual loan interest repayments to date. The credit risk at 31 March 2025 is therefore not considered to be significant and no credit loss adjustment has been made.

The Fund has set limits on the maximum sum placed on deposit with individual financial institutions.

The investment priorities for the management of the pension fund revenue cash held for day-to-day transactions are the security of the principal sums it invests. The enhancement of returns is

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a secondary consideration to the minimisation of risk. Accordingly, the Administering Authority ensures that its counterparty lists and limits reflect a prudent attitude towards organisations with whom funds may be deposited.

The main criteria for determining the suitability of investment counterparties is outlined in the Administering Authority's creditworthiness policy which the Pension Fund has also adopted and approved as part of the annual Pension Fund Treasury strategy.

The Fund's lending list is reviewed continuously in conjunction with the Administering Authority's treasury advisor. The total permitted investment in any one organisation at any one time varies with the strength of the individual credit rating. The maximum amount is currently limited to £5,000,000. With security of capital being the main priority, lending continues to be restricted to highly credit rated institutions including Money Market funds, part nationalised institutions and other Local Authorities. In addition to credit ratings the Administering Authority continually monitors the financial press and removes institutions from its approved lending list immediately if appropriate.

The Pension Fund has had no experience of default or uncollectable deposits over the past five financial years.

Asset type	Rating	As at 31 March 2025 £000	As at 31 March 2024 £000
Lloyds	AA-	3,000	0
Insight BGP Liquidity Fund	AAAm	2,700	0
Handelsbanken Instant Access Account	AA	0	1,650
Total		5,700	1,650

Liquidity risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due i.e. that cash is not available when required. The Pension Fund therefore takes steps to ensure that it always has adequate cash resources to meet its commitments. The Fund's cash holding under its treasury management arrangements at 31 March 2025 was £5.70m (31 March 2024 £1.65m).

The Fund has immediate access to cash through two instant access accounts and one instant access money market account, which at any one time could have up to £13 million available in total. The Fund can also access immediate cash held by Northern Trust, which as at 31 March 2025 was £16.617m (31 March 2024 £12.373m). The Fund does not have access to an overdraft facility.

Officers prepare a daily cash flow forecast to understand and manage the timing of the Fund's cash flows. The appropriate strategic level of cash balances to be held forms part of the investment strategy.

17. FUNDING ARRANGEMENTS

In line with the Local Government Pension Scheme Regulations 2013, the Fund's actuary undertakes a funding valuation every three years for the purpose of setting employer contribution rates for the forthcoming triennial period. The last such valuation took place as at 31 March 2022 and the next valuation will take place as at 31 March 2025.

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The key elements of the funding policy are:

- To ensure the long-term solvency of the Fund, i.e. that sufficient funds are available to meet all pension liabilities as they fall due for payment
- To ensure that employer contribution rates are as stable as possible
- To minimise the long-term cost of the scheme by recognising the link between assets and liabilities and adopting an investment strategy that balances risk and return
- To reflect the different characteristics of employing bodies in determining contribution rates where it considers it reasonable to do so
- To use reasonable measures to reduce the risk to other employers and ultimately to the council taxpayer from an employer defaulting on its pension obligations

The aim is to achieve 100% solvency over a period of 16 years and to provide stability in employer contribution rates by spreading any increases in rates over a period of time. For each individual employer, the funding objective, method and assumptions depend on a particular employer's circumstances and different approaches have been adopted where applicable, in accordance with the Funding Strategy Statement.

At the 2022 actuarial valuation, the Fund was assessed as 99% funded (94% at the March 2019 valuation). This corresponded to a deficit of £22 million (2019 valuation was £132 million) at that time. Revised contributions set by the 2022 valuation were introduced in 2023/24 and the common contribution rate (i.e. the average employer contribution rate in respect of future service only) is 18.4% of pensionable pay (16.6% at the March 2019 valuation).

The valuation of the Fund has been undertaken using the projected unit method under which the salary increase for each member is assumed to increase until they leave active service by death, retirement or withdrawal from service. The principal assumptions were as follows:

Financial assumptions	31 March 2022	31 March 2019
Discount rate	4.8% p.a.	4.25% p.a.
Assumed long term CPI inflation	3.1% p.a.	2.4% p.a.
Salary increases – long term	4.35% p.a.	3.65% p.a.
Salary increases – short term	No allowance	No allowance
Pension increases in payment	3.1% p.a.	2.4% p.a.

The assumed life expectancy from age 65 is as follows:

Demographic assumptions		31 March 2022	31 March 2019
Current pensioners (at age 65)	Males	22.1	22.8
	Females	24.4	24.9
Future pensioners (assumed current age 45)	Males	23.4	24.1
	Females	26.2	26.6

It is assumed that, on average, retiring members will take 75% of the maximum tax-free cash available at retirement (80% at 2019).

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18a.LONG TERM DEBTORS

Details of long-term debtors outstanding as at 31 March 2025 is shown below:

Long term Debtors	2024/25 £000	2023/24 £000
Lifetime and annual tax allowances*	1,857	1,724
Total	1,857	1,724

* The HMRC annual allowance limits the tax relief on pension contributions each year and the Life time allowance (abolished after 5th April 2023) limits the total amount of savings in a pension pot without facing a tax charge when drawing it. The Pension Fund pays the tax charge upfront on behalf of those members affected and who elect for 'scheme pays'. The Fund is reimbursed by the members via pension deductions over time.

18b.ANALYSIS OF DEBTORS

Provision has been made for debtors known to be outstanding as at 31 March 2025. An analysis of debtors outstanding as at 31 March 2025 is shown below:

Debtors	2024/25 £000	2023/24 £000
Contributions due - employees	1,626	1,561
Contributions due - employers	5,636	5,610
Other entities and individuals	1,121	2,307
Total	8,383	9,478

19. ANALYSIS OF CREDITORS

Provision has also been made for creditors known to be outstanding at 31 March 2025. An analysis of creditors outstanding as at 31 March 2025 is shown below:

	2024/25 £000	2023/24 £000
Central Government bodies	(1,310)	(1,023)
Other Local Authorities	(2,420)	(2,306)
Other entities and individuals	(2,512)	(1,443)
Total	(6,242)	(4,772)

20. ADDITIONAL VOLUNTARY CONTRIBUTIONS

Scheme members have the option to make Additional Voluntary Contributions (AVCs) to enhance their pension benefits. These contributions are invested with an appropriate provider and used to purchase an annuity at retirement. Contributions are paid directly from scheme members to the AVC provider and are therefore not represented in these accounts in accordance with regulation 4 (1) (b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

Contributions are invested in with-profit, unit linked or deposit funds of the scheme member. At present there are around 582 scheme members with AVC policies. These policies are held either by Utmost or Prudential.

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During 2024/25 contributions to schemes amounted to £1.176m (2023/24 £1.078m). The combined value of the AVC funds as at 31 March 2025 was £5.342m (31 March 2024 £5.669m).

NOTE 21: RELATED PARTY TRANSACTIONS

Shropshire Council

The Shropshire County Pension Fund is administered by Shropshire Council. Shropshire Council incurred costs of £2.411m (2023/24 £2.299m) in relation to the administration and management of the Fund and all these costs are recharged to the Pension Fund.

Shropshire Council is also the single largest employer of members of the Pension Fund. At the year end, a balance of £3.487m (2023/24 £2.798m) was due to the Fund from the Council relating to contributions which became due in March but were paid in April and other payments due.

Several employees of Shropshire Council hold key positions in the financial management of the Shropshire County Pension Fund. The Executive Director of Resources (s151 Officer), the Head of Pensions (LGPS Senior Officer), the Pensions Investment & Responsible Investment Manager, the Pension Fund Accountant, the Pensions Investment Analyst and the Pensions Administration Manager are all active members of the Fund.

Under the Local Government Pension Scheme 1997 Regulations, Councillors were entitled to join the scheme. Legislation which came into force on 1 April 2014 meant the LGPS was only available to councillors and elected mayors of an English County Council or District Council who elected to join before 31 March 2014. From 1 April 2014 access to the LGPS for councillors was removed and those councillor members who were in the Scheme on the 31 March 2014 could only remain in the Scheme until the end of their current term of office. The remaining active councillor members were removed from the Scheme in May 2017 at the end of their individual office. All councillor members who sit on the Pension Fund Committee who joined the LGPS before 31 March 2014 are now either deferred or pensioner members of the Fund.

LGPS Central

LGPS Central (LGPSC) has been established to manage investment assets on behalf of nine Local Government Pension Scheme (LGPS) funds across the Midlands. It is jointly owned in equal shares by the eight administering authorities participating in the LGPSC Pool.

The Fund invested £1.315m in share capital and £0.685m in a loan to LGPSC in 2017/18. These remain the balances at 31 March 2025. The Fund was owed interest of £0.065m (31 March 2024 £0.065m) on the loan to LGPSC at 31 March 2025. The rate of interest applied to the LGPSC loan is Bank of England Base Rate plus 4.5% margin. This loan is due to be repaid to the fund in 2027.

In addition, the Fund has now invested in several LGPSC sub-funds (Global Equity, Global Sustainable Equity, Infrastructure, Private Debt, Private Equity and Global Investment Grade Corporate Bonds). The Fund incurred investment management costs totalling £8.942m in respect of investments held with LGPS Central of which £0.032m was payable to LGPSC at 31 March 2025.

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The Fund incurred costs totalling £0.703m (2023/24 £0.645m) in respect of Governance, Operator Running and Product Development in connection with LGPSC in 2024/25 of which £0.168m (31 March 2024 £0.159m) was payable to LGPSC at 31 March 2025.

Shropshire Council as the Administering Authority of the Shropshire County Pension Fund has guaranteed a share of the pension liability relating to employees of LGPS Central Ltd that transferred into the company on creation. If this guarantee is called this will be funded by the Pension Fund. The guarantee is on a joint and several basis with the other partner Funds in LGPS Central.

As at the 31st March 2025 LGPS Central Ltd IAS 19 figure was a surplus of £1.68m. As the figure is in surplus, no amount would be due from the Fund.

The guarantee only comes into effect following certain events which (directly or indirectly) cause LGPS Central to cease to be a Scheme employer or fail to pay amounts due. This is not anticipated to be a likely event. The amount of any liability calculated under IAS 19 is subject to the specific assumptions required for the calculation of such a figure under accounting standards. In the event of an exit payment being required, this would be calculated by the Actuary based on the best estimates of the actual liability at the time.

NOTE 21a: KEY MANAGEMENT PERSONNEL

The posts of Executive Director of Resources (s151 Officer) and Head of Pensions (LGPS Senior Officer) are deemed to be key management personnel with regards to the fund. The financial value of the relationship with the fund (in accordance with IAS24) is set out below:

	2024/25 £000	2023/24 £000
Short-term benefits*	145	124
Post employment benefits**	61	173
Total	206	297

* This is the Pension Fund's element of short term remuneration for key management personnel, i.e. annual salary, benefits in kind and employer contributions

** This is the change in value of accrued pension benefits, expressed as cash equivalent transfer value

22. CONTRACTUAL COMMITMENTS

The Fund has a 22.5% (~£590 million) strategic asset allocation to private market investments split Private Equity (7.5%), Infrastructure (7.5%) and Private Debt (7.5%). The Fund has a legacy allocation to Property Debt which will mature over the next 6 months and be subsumed by the Private Debt allocation. It is necessary to over commit the strategic asset allocation because some of these investments will mature and be repaid before the committed capital is fully invested.

As at 31 March 2025 £338m has been committed to investments in private equity via a fund of funds manager, HarbourVest Partners (£278m) and a separate investment through LGPS Central (£60m). Investment in this asset class will be made as opportunities arise over the next 2-3 years. As at 31 March 2025 the fund's Private Equity investments totalled £199.616m (31 March 2024 £200.502m). Commitments outstanding at the 31 March 2025 were £94.6m.

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As at 31 March 2025 £220m has been committed to investment in Infrastructure via Global Infrastructure Partners (£135m) and LGPS Central Core/Opportunistic Infrastructure Partnership (£85m). The outstanding commitments at the 31 March 2025 were £42.4m (Global Infrastructure Partners £20.2m and LGPS Central Core/Opportunistic Infrastructure Partnership £22.2m). Investment in this asset class will be made as opportunities arise over the next 2-3 years. As at 31 March 2025 the fund's Infrastructure investments totalled £157.915m (31 March 2024 £161.956m).

As at 31 March 2025 £47m has been committed to investment in Property Debt via DRC & £210m committed to investment in Private Debt via LGPS Central. The Property Debt portfolio is a legacy asset and will mature over the next 6 months. As at 31 March 2025 there were outstanding commitments of £136.9m, Private Debt via LGPS Central £131.6m and Property Debt via DRC £5.3m. The commitment of £210m to LGPS Central includes £90m commitment to the LGPS Central 2024 Private Debt Scheme to allow further commitments in line with the strategic asset allocation. No drawdown against this commitment had been made at the 31 March 2025. Investments in the Private Debt portfolio will be made as opportunities arise over the next 2-3 years. As at 31 March 2025 the fund's Property Debt and Private Debt investments totalled £10.417m & £78.984m (31 March 2024 £22.222m & £67.330m) respectively.

NOTE 23: CONTINGENT ASSETS

23 admitted body employers in the Shropshire County Pension Fund hold bonds to guard against the possibility of being unable to meet their pension obligations. These bonds are drawn in favour of the Pension Fund and payment will only be triggered in the event of employer default.

NOTE 24: VALUE ADDED TAX

The Fund is reimbursed VAT by HM Revenue and Customs. The accounts are shown exclusive of VAT.

NOTE 25: CUSTODY OF INVESTMENTS

Custodial Services are provided to the Fund by Northern Trust. This includes the safekeeping of assets, the collection of income and the monitoring and execution of corporate actions in conjunction with investment managers. The Custodian also provides independent confirmation of the assets and their value held by the Fund. Securities are held on a segregated basis via a nominee account and are clearly separated from the Custodian's own assets.

NOTE 26: FUND AUDITORS

Grant Thornton has completed its audit in accordance with the Local Audit and Accountability Act 2014 and International Standards on Auditing (UK and Ireland) issued by the Auditing Practice Board. The Audit Certificate is published within this report.

NOTE 27: PENSION FUND BANK ACCOUNT

Since April 2010 all income received for the Pension Fund has been paid into a separate pension fund bank account. The balance on this account is monitored daily and surplus cash balances invested and as at 31 March 2025 £5.70 million was invested (31 March 2024

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£1.65m). The cash balance in the Pension Fund account as at the same date was in hand by £0.05 million (31 March 2024 £0.04m overdrawn).

NOTE 28: FUND STRUCTURE UPDATE

In June 2023 following several investment strategy workshops the Pension Committee agreed the Fund's new strategic asset allocation which is detailed below against the previous allocations:

Asset	2021 Strategic Allocation % of Fund	2023 Strategic Allocation % of Fund	Change
Targeted return funds (e.g. absolute return bonds, hedge funds, insurance linked securities)	25%	7.5%	-17.5%
Property Debt	3.5%	0%	-3.5%
Equities	50%	55%	+5%
Private Debt	4%	7.5%	+3.5%
Indirect Property	5%	5%	-
Private Equity	6.25%	7.5%	+1.25%
Infrastructure	6.25%	7.5%	+1.25%
Investment Grade Corporate Bonds	0%	10%	+10%

Implementation of the new strategy commenced in 2023/24 and continued in 2024/25. Allocation changes in respect of public markets (Equity and Investment Grade Corporate Bonds) were all completed in 2023/24. Private Market (Private Equity, Infrastructure, Debt) changes will take longer to fully implement as this involves the timing of maturities from existing investments and the drawdown of new commitments over time. This will result in additional holdings remaining in target return funds until the capital is required to meet commitments. Investments in this sector currently reside with individual managers as the proposed LGPS Central product for this area was withdrawn in 2023/24.

In September 2017, an equity protection strategy was implemented with Legal & General, one of the Fund's existing managers. The strategy is currently being used to reduce equity risk. At 31 March 2025 approximately 42% of total global equities were being protected at this time. The equity protection strategy remained constant during 2024/25 at c.£640 million (notional). Geopolitical tensions and uncertainty in economic forecasts led to a full review of the equity protection options on several occasions during 2024/25. At the 31 March 2025, the fund held equity protection options with Legal and General which had expiry dates of June 2025 and December 2025. The June 2025 equity protection policy was removed in April 2025 after the year end. The December 2025 protection on the S&P only remains in place covering a notional value of £420m. Full updates are provided to Pension Committee each quarter on the equity protection strategy.

During the financial year the Fund made additional commitments of £90m to the LGPS Central Private Debt 2024 vintage to achieve the target allocation of 7.5%. The Fund also made increased investments with Aberdeen to increase the property allocation towards the 5% allocation. The Committee also agreed to a slight amendment to the targeted return allocation of 7.5% with Insurance Linked Securities being retained at an allocation of 1.5% and absolute bonds reduced from 3.75% allocation to 2.25% to accommodate.

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The strategic allocation in June 2023 removed the allocation to property debt in favour of private debt. The property debt portfolio will mature over the next 6 months and proceeds will be used to meet existing commitments to the LGPS Central Private Debt fund. The total proportion of the fund to debt investments remains at 7.5% but this is now reflected as private debt in the strategic asset allocation.

Pension Fund Accounts

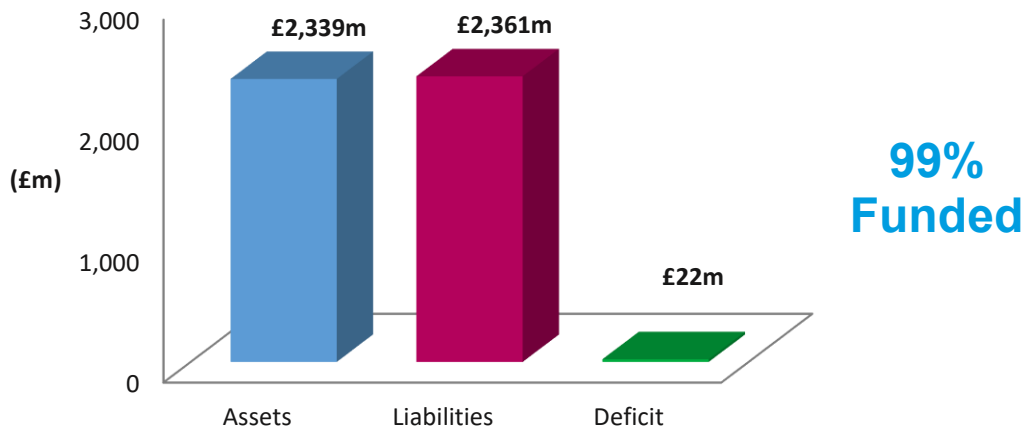
SHROPSHIRE COUNTY PENSION FUND

Accounts for the year ended 31 March 2025 Statement by the Consulting Actuary

This statement has been provided to meet the requirements under Regulation 57(1)(d) of The Local Government Pension Scheme Regulations 2013.

An actuarial valuation of the Shropshire County Pension Fund was carried out as at 31 March 2022 to determine the contribution rates with effect from 1 April 2023 to 31 March 2026.

On the basis of the assumptions adopted, the Fund's assets of £2,339 million represented 99% of the Fund's past service liabilities of £2,361 million (the "Solvency Funding Target") at the valuation date. The deficit at the valuation was therefore £22 million.



The valuation also showed that a Primary contribution rate of 18.4% of pensionable pay per annum was required from employers. The Primary rate is calculated as being sufficient, together with contributions paid by members, to meet all liabilities arising in respect of service after the valuation date.

The funding objective as set out in the FSS is to achieve and maintain a solvency funding level of 100% of liabilities (the solvency funding target). In line with the FSS, where a shortfall exists at the effective date of the valuation a deficit recovery plan will be put in place which requires additional contributions to correct the shortfall. Equally, where there is a surplus it may be appropriate to offset this against contributions for future service, in which case contribution reductions will be put in place to allow for this.

The FSS sets out the process for determining the recovery plan in respect of each employer. At the actuarial valuation the average recovery period adopted was 16 years for employers in deficit and 12 years for the employers in surplus, and the total initial recovery payment (the "Secondary rate" for 2023/26) was an addition of approximately £1.7m per annum in £ terms (which allows for the contribution plans which have been set for individual employers under the provisions of the FSS), although this varies year on year.

Further details regarding the results of the valuation are contained in the formal report on the actuarial valuation dated March 2023.

Pension Fund Accounts

In practice, each individual employer's position is assessed separately and the contributions required are set out in the report. In addition to the certified contribution rates, payments to cover additional liabilities arising from early retirements (other than ill-health retirements) will be made to the Fund by the employers.

The funding plan adopted in assessing the contributions for each individual employer is in accordance with the Funding Strategy Statement (FSS). Any different approaches adopted, e.g. with regard to the implementation of contribution increases and deficit recovery periods, are as determined through the FSS consultation process.

The valuation was carried out using the projected unit actuarial method and the main actuarial assumptions used for assessing the Solvency Funding Target and the Primary rate of contribution were as follows:

Rate of return on investments (discount rate):		
Standard	4.80% per annum	5.20% per annum
Lower risk	4.55% per annum	4.70% per annum
Rate of pay increases (long term)	4.35% per annum	4.35% per annum
Rate of increases in pensions in payment (in excess of GMP)	3.10% per annum	3.10% per annum

The assets were assessed at market value.

The next triennial actuarial valuation of the Fund is due as at 31 March 2025. Based on the results of this valuation, the contribution rates payable by the individual employers will be revised with effect from 1 April 2026.

Actuarial Present Value of Promised Retirement Benefits for the Purposes of IAS 26

IAS 26 requires the present value of the Fund's promised retirement benefits to be disclosed, and for this purpose the actuarial assumptions and methodology used should be based on IAS 19 rather than the assumptions and methodology used for funding purposes. The assumptions adopted are shown in Appendix B.

The movement in the value of the Fund's promised retirement benefits for IAS 26 is as follows:

Interest on liabilities	£121m
Net benefits accrued/paid over the period*	(£28m)
Actuarial losses / (gains) - see below	(£364m)
End of period liabilities	£2,248m

**this includes any increase in liabilities arising as a result of early retirements*

Key factors leading to actuarial gains above are:

- Change in financial assumptions: Corporate bond yields increased over the year, with a corresponding increase in discount rate from 4.9% p.a. to 5.8% p.a. The long-term assumed CPI is slightly lower at the end of year than it was at the start of year. In combination, these factors lead to a significant reduction in liabilities.
- Change in demographic assumptions: As noted in appendix B, the mortality assumptions have been updated to reflect the latest mortality tables and future life expectancy improvement model. This acts to slightly reduce the liabilities.
- Pension increases / inflation experience: The figures allow for the impact of actual CPI experienced over the year compared to the start of period assumption (experience to September 2024 fed into the April 2025 pension increase of 1.7%, and actual inflation from that point will feed into the 2026 increase). As inflation over the year was a little lower than the long-term assumption, this slightly decreases the liabilities.

Clive Lewis
Fellow of the Institute and
Faculty of Actuaries

Mark Wilson
Fellow of the Institute and
Faculty of Actuaries

Mercer Limited
May 2025

Appendix A - additional considerations

The “McCloud judgment”: The figures above allow for the impact of the judgment based on the proposed remedy.

GMP indexation: The above figures allow for the provision of full CPI pension increases on GMP benefits for members who reach State Pension Age after 6 April 2016.

Market volatility and tariffs: There was significant volatility in markets shortly after the accounting date, in part due to the announcements on tariffs coming from the USA. The period-end figures reflect market conditions as at the accounting date, but do not allow for any subsequent experience.

Virgin Media Court Case: Our current understanding is that, while HM Treasury are still assessing the implications, they do not believe the case is relevant to public service pension schemes. Given this, and the unknown impact on benefits even if it were to be required, we have not made any allowance for the Virgin Media judgment.

Appendix B – financial and demographic assumptions

To assess the liability value of the benefits, we have used the following assumptions as at 31 March 2025 (the 31 March 2024 assumptions are included for comparison):

Financial assumptions

Rate of return on investments (discount rate)	4.90% per annum	5.80% per annum
Rate of CPI inflation/Care benefit revaluation	2.70% per annum	2.60% per annum
Rate of pay increases	3.95% per annum	3.85% per annum
Increases on pensions (in excess of GMP) / Deferred revaluation	2.80% per annum	2.70% per annum

Post retirement mortality (normal health)

Base mortality table	SAPS 3 / SAPS 3 middle	SAPS 4 / SAPS 4 middle
Future improvements	CMI 22 1.5%	CMI 23 1.5%
Additional parameters	S=7, A=0 W20=W21=0%, W22=25%	S=7, A=0 W20=W21=0%, W22=W23=15%
Non-retired member (current age 45):		
Weightings	102% / 92%	101% / 93%
Life expectancies at age 65	23.1 / 26.0	23.1 / 26.0
Retired members (current age 65):		
Weightings	98% / 92%	96% / 92%
Life expectancies at age 65	21.8 / 24.2	21.8 / 24.3

The base tables are set based on the most recent mortality analysis for the Fund (undertaken as part of the 2022 actuarial valuation). The future improvements allow for a best estimate long-term improvement rate of 1.5%, and have been updated to allow for the latest base tables available (the “S4” series of tables and CMI 2023 at the end of period), with a reweighting to maintain consistency with the underlying mortality analysis.

Other demographic assumptions

The other demographic assumptions are the same as those used for 2022 actuarial funding valuation – full details are set out in the formal report on the actuarial valuation dated March 2023.

Independent auditor's report to the members of Shropshire Council on the pension fund financial statements of Shropshire County Pension Fund

Opinion on financial statements

We have audited the financial statements of Shropshire County Pension Fund (the 'Pension Fund') administered by Shropshire Council (the 'Authority') for the year ended 31 March 2025, which comprise the Pension Fund Account, the Pension Fund Net Asset Statement and notes to the pension fund financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is the applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25.

In our opinion, the financial statements:

- give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2025 and of the amount and disposition at that date of the fund's assets and liabilities, other than liabilities to pay promised retirement benefits after the end of the fund year;
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law, as required by the Code of Audit Practice (2024) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the Pension Fund's financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the Executive Director, S151's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Pension Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Pension Fund to cease to continue as a going concern.

In our evaluation of the Executive Director, S151's conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25 that the Pension Fund's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the Pension Fund. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2024) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the

Pension Fund Accounts

Authority in the Pension Fund financial statements and the disclosures in the Pension Fund financial statements over the going concern period.

In auditing the financial statements, we have concluded that the Executive Director, S151's use of the going concern basis of accounting in the preparation of the Pension Fund financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Pension Fund's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Executive Director, S151 with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the Statement of Accounts, other than the Pension Fund's financial statements and our auditor's report thereon, and our auditor's report on the Authority's financial statements. The Executive Director, S151 is responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Pension Fund financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the Pension Fund's financial statements, the other information published together with the Pension Fund's financial statements in the Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the Pension Fund's financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters in relation to the Pension Fund.

Responsibilities of the Authority and the Executive Director, S151

As explained more fully in the Statement of Responsibilities, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Executive Director, S151. The Executive Director, S151 is responsible for the preparation of the Statement of Accounts, which includes the Pension Fund's financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25, for being satisfied that they give a true and fair view, and for such internal control as the Executive Director, S151 determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the Pension Fund's financial statements, the Executive Director, S151 is responsible for assessing the Pension Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have been informed by the relevant national body of the intention to dissolve the Pension Fund without the transfer of its services to another public sector entity.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the Pension Fund's financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. Irregularities, including fraud, are instances of non-compliance with laws and regulations. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Pension Fund and determined that the most significant which are directly relevant to specific assertions in the financial statements are those related to the reporting frameworks (CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25, the Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015, the Public Service Pensions Act 2013, the Local Government Pension Scheme Regulations 2013, the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 and the Local Government Act 2003).
- We enquired of management and the Pension Committee, concerning the Authority's policies and procedures relating to:
 - the identification, evaluation and compliance with laws and regulations;
 - the detection and response to the risks of fraud; and
 - the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.
- We enquired of management, internal audit and the Pension Committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.
- We assessed the susceptibility of the Pension Fund's financial statements to material misstatement, including how fraud might occur, by evaluating management's incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks were

Pension Fund Accounts

in relation to journal entries posted by management, manual journals above performance materiality, and the valuation of Level 3 investments.

- Our audit procedures involved:
 - evaluation of the design effectiveness of controls that management has in place to prevent and detect fraud;
 - journal entry testing, with a focus on journals processed by management,
 - challenging assumptions and judgements made by management in its significant accounting estimates in respect of Level 3 investments, and
 - assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.
- We communicated relevant laws and regulations and potential fraud risks to all engagement team members, including management override of controls. We remained alert to any indications of non-compliance with laws and regulations, including fraud, throughout the audit.
- The engagement partner's assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's:
 - understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
 - knowledge of the local government pensions sector
 - understanding of the legal and regulatory requirements specific to the Pension Fund including:
 - the provisions of the applicable legislation
 - guidance issued by CIPFA/LASAAC and SOLACE
 - the applicable statutory provisions.
- In assessing the potential risks of material misstatement, we obtained an understanding of:
 - the Pension Fund's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
 - the Authority's control environment, including the policies and procedures implemented by the Authority to ensure compliance with the requirements of the financial reporting framework.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 85 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Grant Patterson, Key Audit Partner

for and on behalf of Grant Thornton UK LLP, Local Auditor

Birmingham

Date

Section 10

Glossary



Glossary

Accountable Body	An accountable body receives external funding and is responsible for the financial management of these funds, therefore the accountable body must ensure that robust accounting and performance management arrangements are in place with regard to the distribution and spending of these funds.
Accounting Concepts	The basis on which an organisation's financial statements are based to ensure that those statements 'present fairly' the financial position and transactions of that organisation. Accounting concepts include 'materiality', 'accruals', 'going concern' and 'primacy of legislative requirements'.
Accounting Policies	The principles, bases, conventions, rules and practices applied by an organisation that specify how the effects of transactions and other events are to be reflected in its financial statements.
Accumulated Absences Account	The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.
Accruals	The accruals accounting concept requires the non-cash effect of transactions to be included in the financial statement for the year in which they occur, not in the period in which the cash is paid or received.
Actuarial Basis	The estimation technique applied when estimating the liabilities to be recognised for defined benefit pension schemes in the financial statements of an organisation.
Actuarial Gain	This may arise on defined benefit pension scheme liabilities and assets. A gain represents a positive difference between the actuarial assumptions and actual experience (e.g. liabilities during the period were lower than estimated).
Actuarial Loss	These may arise on defined benefit pension scheme liabilities and assets. A loss represents a negative difference between the actuarial assumptions and actual experience (e.g. liabilities during the period were higher than estimated).

Glossary

Adjusted Capital Financing Requirement	The value of the Capital Financing Requirement after it has been adjusted by the value of Adjustment A.
Adjustment A	The difference between the Council's Credit Ceiling and Capital Financing Requirement to ensure that the impact of the Prudential Code (effective from 1 April 2004) is neutral on the Council's revenue budget. Once calculated the figure is fixed.
Appropriation	The transfer of sums to and from reserves, provisions and balances.
Asset Ceiling	This is the limit on the amount of surplus (net assets) that an employer can recognise on their balance sheet for a defined benefit pension scheme. The limit is based on the present value of any economic benefits the employer can derive from the surplus.
Assets	These are economic resources that can include anything tangible or intangible that is capable of being owned or controlled to produce value and that is held to have positive economic value.
Associated Company	An organisation in which the Council has a participating interest and over which it can exercise significant influence without support from other participants in that organisation (e.g. other board members etc.). The exercise of significant influence occurs when one organisation is actively involved and is influential in the direction of another organisation through its participation in policy decisions including decisions on strategic issues. A holding of 20% or more of the voting rights of an organisation is generally recognised as being a significant influence.
Balances	Amounts set aside to meet future expenditure but not set aside for a specific purpose.
Balance Sheet	The financial statement that reports the financial position of an organisation at a point in time, for Shropshire Council this is the 31 st March. It shows the balances and reserves at the Council's disposal, long term liabilities and the fixed and net current assets employed in its operations, together with summarised information on the non-current assets held.

Glossary

Below the Line Items	Items that are notionally allocated to services to arrive at the "Net Cost of Service". Below the line items include depreciation and IAS19 pension costs.
Bonds	Investment in certificates of debts issued by a Government or company. These certificates represent loans which are repayable at a future date with interest.
Borrowing	Loans from the Public Works Loans Board and the money markets which finance the capital programme of the Council.
Budget	The financial plan reflecting the Council's policies and priorities over a period of time i.e. what the Council is going to spend to provide services. This is the end product of a budget strategy.
Budget Strategy	A plan of how the Council is going to meet its policies and priorities, taking account of the resources available to the Council. This will include proposals for efficiency savings and possibly service changes and/or cuts, which may free resources to spend on other policies and priorities.
Cabinet	The group of members (local councillors) that provide the executive function of the Council within the policy parameters set by Council. This group of members is able to exercise considerable control over the Council. Its decision-making powers are set out in the Council's Constitution.
Capital Adjustment Account	The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provision. The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Council. The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.
Capital Expenditure	Expenditure on items that have a life of more than one year, such as buildings, land, major equipment.

Glossary

Capital Financing Requirement (CFR)	This sum represents the Council's underlying need to borrow for capital purposes. It is calculated by summing all items on the balance sheet that relate to capital expenditure, e.g. non-current assets, financing leases, Government grants deferred etc. The CFR will be different to the actual borrowing of the Council as actual borrowing will relate to both capital and revenue activities and it is not possible to separate these sums. This figure is then used to calculate the Council's Minimum Revenue Provision.
Capital Grants Unapplied	The Capital Grants Unapplied Account holds the grants and contributions received towards capital projects for which the Council has met the conditions that would otherwise require repayment of the monies but which have yet to be applied to meet expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and/or the financial year in which this can take place.
Capital Receipts	The proceeds from the sale of non-current assets such as land and buildings. These sums can be used to finance new capital expenditure.
Capital Receipts Reserve	The Capital Receipts Reserve holds the proceeds from the disposal of land or other assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at the year end.
Capitalised Expenditure	Represents expenditure on assets. This expenditure is reflected in the value of assets that are reported in the Balance Sheet and will result in increased depreciation costs to the Income and Expenditure Account.
Cash Equivalents	Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.
Cash Flow Statement	The financial statement that summarises the Council's inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes.
Code of Practice on Local Authority Accounting (Code)	A publication produced by CIPFA that provides comprehensive guidance on the content of a Council's Statement of Accounts.

Glossary

Collection Fund	A separate statutory fund which records Council Tax and Non-Domestic Rates collected, together with payments to precepting authorities (e.g. Police Authorities, Fire Authorities etc.), NDR distribution to Central Government and the billing Council's own General Fund.
Collection Fund Adjustment Account	The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax and non-domestic rates income in the Comprehensive Income and Expenditure Statement as it falls due from council taxpayers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.
Comprehensive Income and Expenditure Statement	This is fundamental to the understanding of a Council's activities. It brings together all of the functions of the Council and summarises all of the resources that the Council has generated, consumed or set aside in providing services during the year. As such, it is intended to show the true financial position of the Council, before allowing for the concessions provided by statute to raise Council Tax according to different rules and for the ability to divert particular expenditure to be met from capital resources.
Constitution	The document that sets out how the Council operates, how decisions are made and the procedures which are followed to ensure that the Council is efficient, transparent and accountable to local people.
Contingent Liability	Potential costs that the Council may incur in the future because of something that happened in the past.
Corporate Bonds	Investments in certificates of debt issued by a company. These certificates represent loans which are repayable at a future date with interest.
Council	The Council comprises all of the democratically elected Councillors who represent the various electoral divisions.
Council Tax	A local taxation that is levied on dwellings within the local Council area. The actual level of taxation is based on the capital value of the property, which is split into 8 bands from A to H, and the number of people living in the dwelling.

Glossary

Council Tax Base	To set the Council Tax for each property a Council has to first of all calculate the council tax base. This is a figure that is expressed as the total of band D equivalent properties. The total amount to be raised from Council Tax is divided by this figure to determine the level of tax for a band D property. The level of tax for the other bands of property are calculated by applying a predetermined ratio to the band D figure.
Council Tax Precept	The amount of income due to the Council in respect of the total Council Tax collected.
Credit	A credit represents income to an account.
Credit Ceiling	A term from the old Local Authority capital expenditure system, the credit ceiling represented the Council's total debt outstanding after taking account of sums set aside to repay borrowing.
Creditors	Represents the amount that the Council owes other parties.
Debit	A debit represents expenditure against an account.
Debt Charges	This represents the interest payable on outstanding debt.
Debtors	Represents the amounts owed to the Council.
Dedicated Schools Grant (DSG)	A specific grant paid to Local Authorities to fund the cost of running its schools.
Dedicated Schools Grant (DSG) Adjustment Account	The Dedicated Schools Grant (DSG) Adjustment Account holds any DSG deficit separately from the Council's General Fund.
Deferred Capital Receipts Reserve	The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Council does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts.
Deficit	Arises when expenditure exceeds income or when expenditure exceeds available budget.

Glossary

Depreciation	The accounting term used to describe the charge made representing the cost of using tangible non-current assets. The depreciation charge for the year will represent the amount of economic benefits consumed in the period, e.g. due to wear and tear over time.
Direct Revenue Financing	The cost of capital projects that is charged against revenue budgets.
Equities	Ordinary shares in UK and overseas companies traded on a stock exchange. Shareholders have an interest in the profits of the company and are entitled to vote at shareholder's meetings.
Estimation Techniques	The methods adopted by an organisation to arrive at estimated monetary amounts, corresponding to the measurement bases selected for assets, liabilities, gains, losses and changes in reserves.
Exceptional Item	Material Items which derive from events or transactions that fall within the ordinary activities of the council and which need to be disclosed separately by virtue of their size or incidence to give fair presentation of the accounts.
Finance Lease	A lease that transfers substantially all of the risks and rewards of ownership of a non-current asset to the lessee. The payments usually cover the full cost of the asset, together with a return for the cost of finance.
Financial Instruments	Financial instruments are formally defined in the Code as contracts that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The definition is a wide one, it covers the treasury management activity of the Council, including the borrowing and lending of money and the making of investments. However, it also extends to include such things as receivables and payables and financial guarantees.

Glossary

Financial Instruments Adjustment Account	The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefitting from gains per statutory provisions. The Council uses the Account to manage premiums paid on the early redemption of loans. Over time, the expense is posted back to the General Fund Balance in accordance with statutory arrangements for spreading the burden on council tax.
Fixed Interest Securities	Investments in mainly Government but also company stocks, which guarantee a fixed rate of interest. The securities represent loans which are repayable at a future date but which can be traded on a recognised stock exchange before the repayment date.
Futures	A contract made to purchase or sell an asset at an agreed price on a specified future date.
General Fund Balance	The General Fund is the statutory fund into which all the receipts of a Council are required to be paid and out of which all liabilities of the Council are to be met, except to the extent that statutory rules might provide otherwise. The General Fund Balance is the reserve held by the Council for general purposes, i.e. against which there are no specific commitments. That said it is prudent and sensible for these sums to be treated as a contingency to protect the Council's financial standing should there be any financial issues in the year.
Going Concern	The going concern accounting concept assumes that the organisation will not significantly curtail the scale of its operation in the foreseeable future.
Group Accounts	Where a Council has an interest in another organisation (e.g. a subsidiary organisation) group accounts have to be produced. These accounts report the financial position of the Council and all organisations in which it has an interest.
Hedge Funds	An investment fund that uses sophisticated investment strategies to profit from opportunities on financial markets around the world. These strategies include borrowing money to make investment, borrowing shares in order to sell them and profiting from company mergers.

Glossary

Heritage Assets	These are tangible assets with historical, artistic, scientific, technological, geophysical or environmental qualities that are held and maintained by the Council principally for their contribution to knowledge and culture.
Housing Revenue Account	The Housing Revenue Account reflects the statutory obligation to maintain a revenue account for the local authority council housing provision in accordance with Part VI of the Local Government and Housing Act 1989. This account includes the revenue costs of providing, maintaining and managing Council dwellings are charged. These costs are financed by tenants' rents and government housing subsidy.
Impairment	Impairment of an asset is caused either by a consumption of economic benefits e.g. physical damage (e.g. fire at a school) or a deterioration in the quality of the service provided by the asset (e.g. a library closing and becoming a storage facility), or by a general fall in prices of that particular asset or type of asset.
Index Linked Securities	Investments in Government stock that guarantee a rate of interest linked to the rate of inflation. These securities represent loans to Government which can be traded on recognised stock exchanges.
Inflow	This represents cash coming into the Council.
International Financial Reporting Standards (IFRS)	International Financial Reporting Standards are issued by the International Accounting Standards Board (IASB) to develop a single set of financial reporting standards for general purpose financial statements.
Investments	An asset which is purchased with a view to making money by providing income, capital appreciation or both.
Joint Venture	An organisation in which the Council is involved where decisions require the consent of all participants.
LDI	Liability driven investment (LDI) strategies aim to enable pension funds to reduce risk and improve funding levels by reducing volatility over time. Because the value of future pension payments is directly linked to inflation, interest rates and the longevity of Fund members, Funds have sought investments linked to such factors.

Glossary

Leases	A method of funding expenditure by payment over a defined period of time. An operating lease is similar to renting, the ownership of the asset remains with the lessor and the transaction does not fall within the capital control system. Finance leases are more akin to borrowing and do fall within the capital system.
Liabilities	An obligation to transfer economic benefits. Current liabilities are usually payable within one year.
Liquid Resources	These are resources that the Council can easily access and use, e.g. cash or investments of less than 365 days.
Major Repairs Reserve	The Council is required to maintain the Major Repairs Reserve, which controls an element of the capital resources limited to being used on capital expenditure on HRA assets or the financing of historical capital expenditure by the HRA. The balance shows the capital resources that have yet to be applied at the year end.
Managed Funds	A type of investment where a number of investors pool their money into a fund which is then invested by a fund manager.
Materiality	Materiality is an expression of the relative significance or importance of a particular matter in the context of the financial statements as a whole. A matter is material if its omission would reasonably influence the reader of the accounts. Materiality has both quantitative and qualitative aspects.
Minimum Revenue Provision (MRP)	A minimum amount, set by law, which the Council must charge to the income and expenditure account, for debt redemption or for the discharge of other credit liabilities (e.g. finance lease).
Movement in Reserves Statement	This provides a reconciliation showing how the balance of resources generated/consumed in the year links in with statutory requirements for raising Council Tax.
Non Domestic Rates (NDR)	Taxation that is levied on business properties. This is collected by billing authorities and then distributed to preceptors and Central Government.
Net Book Value	The amount at which non-current assets are included in the balance sheet. It represents historical cost or current value less the cumulative amounts provided for Depreciation or Impairment.

Glossary

Net Expenditure	The actual cost of a service to an organisation after taking account of all income charged for services provided.
Net Cost of Service	The actual cost of a service to an organisation after taking account of all income charged for services provided. The net cost of service includes the cost of depreciation relating to non-current assets.
Non-Current Assets	Tangible assets that yield benefits to the Council for a period of more than one year, examples include land, buildings and vehicles.
Operating Lease	A lease where the asset concerned is returned to the lessor at the end of the period of the lease.
Outflow	This represents cash going out of the Council.
Outturn	Actual expenditure within a particular year. In the Narrative Report this expenditure is stated before taking into account Depreciation and other Below the Line Items.
Pension Reserve	The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. Statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.
Post Balance Sheet Event	Those events both favourable and unfavourable, that occur between the Balance Sheet date and the date on which the Statement of Accounts is signed by the Responsible Financial Officer.
Precept	The amount levied by the various joint authorities (e.g. police and fire authorities) which is collected by the council on their behalf. A body which can set a precept is called a preceptor.

Glossary

Primacy of Legislation	The accounting concept primacy of legislation applies when accounting principles and legislative requirements are in conflict, in such an instance the latter shall apply.
Prior Period Adjustments	These are material adjustments relating to prior year accounts that are reported in subsequent years and arise from changes in accounting policies or from the correction of fundamental errors.
Private Finance Initiative (PFI)	A Government initiative that enables, through the provision of financial support, Authorities to carry out capital projects through partnership with the private sector.
PFI Credits	The financial support provided to Local Authorities to part fund PFI capital projects.
Provisions	Provisions represent sums set aside to meet specific future expenses which are likely or certain to be incurred, as a result of past events, where a reliable estimate can be made of the amount of the obligation.
Prudence	This accounting concept requires that revenue is not anticipated until realisation can be assessed with reasonable certainty. Provision is made for all known liabilities whether the amount is certain or can only be estimated in light of the information available.
Prudential Borrowing	The amount of borrowing undertaken by the Council to fund capital expenditure, in line with affordable levels calculated under the Prudential Code.
Prudential Code	The Government removed the extensive capital controls on borrowing and credit arrangements from 2004/05 and replaced them with a Prudential Code under which each Council determines its own affordable level of borrowing. The Prudential Code requires authorities to set specific prudential indicators e.g. affordable borrowing limit on an annual basis.
Public Works Loans Board (PWLB)	A Government agency providing long and short term loans to local authorities at interest rates only slightly higher than those at which Government itself can borrow.
Public Sector Bonds	Investments in certificates of debt issued by Government. These represent loans to Governments which are tradable on recognised stock exchanges.

Glossary

Revaluation Reserve	The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are revalued downwards or impaired and the gains are lost, used in the provision of services and the gains are consumed through depreciation, or disposed of and the gains are realised. The Reserve contains only revaluation gains accumulated since April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.
Revenue Expenditure	Expenditure on the day to day running costs of the Council, such as salaries, wages, utility costs, repairs and maintenance.
Revenue Expenditure Funded By Capital Under Statute	Expenditure incurred during the year that may be capitalised under statutory provisions and does not result in the creation of non-current assets.
Revenue Support Grant (RSG)	An amount of money that Central Government makes available to Local Authorities to provide the services that it is responsible for delivering.
Reserves	Sums are set aside in reserves for specific future purposes rather than to fund past events.
Service Reporting Code of Practice (SERCOP)	Provides guidance to local authorities on financial reporting to stakeholders. It establishes 'proper practice' with regard to consistent financial reporting, which allows direct comparisons to be made with the financial information published by other local authorities.
Soft Loan	This is a loan which is provided with a below-market rate of interest.
Specific Grant	A grant awarded to a Council for a specific purpose or service that cannot be spent on anything else.
Subsidiary	An organisation that is under the control of the Council (e.g. where the Council controls the majority of voting rights, etc.)
Surplus	Arises when income exceeds expenditure or when expenditure is less than available budget.

Glossary

Trading Service/Organisation	A service run in a commercial style and environment, providing services that are mainly funded from fees and charges levied on customers.
Treasury Strategy	A plan outlining the Council's approach to treasury management activities. This includes setting borrowing and investment limits to be followed for the following year.
Unit Trusts	A pooled Fund in which small investors can buy and sell units. The pooled Fund then purchases investments, the returns on which are passed on to the unit holders. It enables a broader spread of investments than investors could achieve individually.
Unquoted Equity Investment	Investments in unquoted securities such as shares, debentures or unit trusts which are not quoted or traded on a stock market.
Usable Capital Receipts Reserve	Represents the resources held by the Council that have arisen from the sale of non-current assets that are yet to be spent on other capital projects.
Usable Reserves	Reserves that can be applied to fund expenditure or reduce local taxation, all other reserves retained on the balance sheet cannot.
Variation	The difference between budgeted expenditure and actual outturn, also referred to as an over or under spend.
Virement	The transfer of resources between two budgets, such transfers are governed by financial rules contained within the Constitution.

Statement of Accounts 2024-2025

Contact us on 0345 678 9000

Email: enquiries@shropshire.gov.uk

Or visit: www.shropshire.gov.uk

Our address is:

Shropshire Council
Shirehall, Abbey Foregate,
Shrewsbury,
Shropshire SY2 6ND

Have your say –

We want to know what you think of this statement of accounts.

Tell us your views by telephone (01743) 258948 or email
corporate.finance@shropshire.gov.uk

If you can read this but know someone who can't, please contact us on (01743) 258948 so we can provide this information in a more suitable format such as large print, Braille and audio, or translated into another language.

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Grant Thornton UK LLP
17th Floor,
103 Colmore Row,
Birmingham
B3 3AG
here

Shropshire Council
Shirehall
Abbey Foregate
Shrewsbury
Shropshire SY2 6ND

Date: 17 February 2025

My Ref:

Your Ref LOR2425

Dear Grant Thornton

Shropshire Council **Financial Statements for the year ended 31 March 2025**

This representation letter is provided in connection with the audit of the financial statements of Shropshire Council and its subsidiary undertakings, Shropshire Towns and Rural Housing Limited, West Mercia Energy, West Mercia Supplies (Pensions), Cornovii Developments Limited and Biodynamic Carbon Limited for the year ended 31 March 2025 for the purpose of expressing an opinion as to whether the group and Council financial statements give a true and fair view in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25 and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

- i. We have fulfilled our responsibilities, as set out in the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited, for the preparation of the group and Council's financial statements in accordance with the Accounts and Audit Regulations 2015, International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.
- ii. We have complied with the requirements of all statutory directions affecting the group and Council and these matters have been appropriately reflected and disclosed in the financial statements.
- iii. The Council has complied with all aspects of contractual agreements that could have a material effect on the group and Council financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.
- iv. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.



- v. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. We understand our responsibilities includes identifying and considering alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the estimate used. We are satisfied that the methods, the data and the significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in accordance with the Code and adequately disclosed in the financial statements.
- vi. We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.
- vii. Except as disclosed in the group and Council financial statements:
 - a. there are no unrecorded liabilities, actual or contingent;
 - b. none of the assets of the group and Council has been assigned, pledged or mortgaged; and
 - c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
- viii. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.
- ix. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.
- x. We have considered the unadjusted misstatements schedule included in your Audit Findings Report and attached to this letter. We have not adjusted the financial statements for these misstatements brought to our attention as they are immaterial to the results of the group and Council and their financial position at the year-end ended 31 March 2025. The financial statements are free of material misstatements, including omissions.
- xi. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.
- xii. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
- xiii. The prior period adjustments disclosed in the financial statements are accurate and complete. There are no other prior period errors to bring to your attention.
- xiv. We have updated our going concern assessment. We continue to believe that the group and Council's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that:



- a. the nature of the group and Council means that, notwithstanding any intention to cease the group and Council operations in their current form, it will continue to be appropriate to adopt the going concern basis of accounting because, in such an event, services it performs can be expected to continue to be delivered by related public authorities and preparing the financial statements on a going concern basis will still provide a faithful representation of the items in the financial statements
- b. the financial reporting framework permits the Council to prepare its financial statements on the basis of the presumption set out under a) above; and
- c. the group and Council's system of internal control has not identified any events or conditions relevant to going concern.

We believe that no further disclosures relating to the group and Council's ability to continue as a going concern need to be made in the financial statements.

- xv. We have considered whether accounting transactions have complied with the requirements of the Local Government Housing Act 1989 in respect of the Housing Revenue Account ring-fence. The group and Council has complied with all aspects of ring-fenced grants that could have a material effect on the group and Council's financial statements in the event of non-compliance.

Information Provided

- xvi. We have provided you with:
 - a. access to all information of which we are aware that is relevant to the preparation of the group and Council's financial statements such as records, documentation and other matters;
 - b. additional information that you have requested from us for the purpose of your audit; and
 - c. unrestricted access to persons within the group and Council, from whom you determined it necessary to obtain audit evidence.
- xvii. We have communicated to you all deficiencies in internal control of which management is aware.
- xviii. All transactions have been recorded in the accounting records and are reflected in the financial statements.
- xix. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- xx. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the group and Council, and involves:
 - a. management;
 - b. employees who have significant roles in internal control; or
 - c. others where the fraud could have a material effect on the financial statements.
- xxi. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.



- xxii. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.
- xxiii. We have disclosed to you the identity of the group and Council's related parties and all the related party relationships and transactions of which we are aware.
- xxiv. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Annual Governance Statement

- xxv. We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Council's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

Narrative Report

- xxvi. The disclosures within the Narrative Report fairly reflect our understanding of the group and Council's financial and operating performance over the period covered by the financial statements.

Approval

The approval of this letter of representation was minuted by the Council's Audit Committee at its meeting on 27 November 2025.

Yours faithfully

Name.....

Position.....

Date.....

Name.....

Position.....

Date.....

Signed on behalf of the Council



Appendix 1

List of Subsidiary Undertakings

Shropshire Towns and Rural Housing
West Mercia Energy
West Mercia Supplies (Pension)
Cornovii Developments Limited
Biodynamic Carbon Limited



Appendix 2

Summary of Unadjusted Misstatements

Audit adjustments

Commercial in Confidence

Impact of adjusted misstatements

There are no adjusted misstatements

Impact of unadjusted misstatements

The table below provides details of adjustments identified during the audit which have not been made within the final set of financial statements. The Audit Committee is required to approve management's proposed treatment of all items recorded within the table below.

Detail	Comprehensive Income and Expenditure Statement Balance Sheet		Impact on total net expenditure	Impact on general fund
	£'000	£'000	£'000	£'000
Investment properties held for sale	2,600	2,600	2,600	0
Outdated information was supplied to an external valuer for one investment asset valuation, leading to the valuer using inaccurate information as the basis for the valuation. As a result, it is estimated that the asset is overvalued in the accounts by £2.6 million. This was not adjusted for as it was not material to the accounts.				

	Committee and Date Audit & Governance Committee 27 th November 2025	Item Public
		
		

Auditor's Annual Report (AAR)

Responsible Officer:	James Walton, Executive Director (Section 151)
email: james.walton@shropshire.gov.uk	
Cabinet Member (Portfolio Holder):	Roger Evans

1. Synopsis

The AAR 2024/25 highlights Shropshire Council's financial challenges, issuing one statutory and three key recommendations focussing on financial resilience. Council actions and plans are underway to address these issues.

2. Executive Summary

- 2.1. The Annual Auditors Report (AAR) brings together a summary of the work undertaken by Grant Thornton, Shropshire Council's appointed external auditor, during 2024/25. A key element of this report is the commentary provided by external audit on the Council's value for money (VfM) arrangements.
- 2.2. Last year, the AAR was provided to Audit Committee in November 2024 and included two Key Recommendations. The first referenced governance issues relating to the North West Relief Road and is now considered as implemented in full. The second related to the Council's financial sustainability and this has been carried forward to this year and escalated to a statutory recommendation. This year's AAR includes three key recommendations and one statutory recommendation. These are set out below:

SR1: The Council should:

- Continue, at pace, the action taken to address the financial challenges it faces, including an immediate review of all services, both statutory and non-statutory, and identify the cost of minimum viable service provision to deliver its statutory responsibilities. This will enable the Council to understand the scale of its

structural deficit between the cost of services and the income available to the Council. This action should give the Council an understanding of immediate decisions and savings that can be delivered, replicating actions that would be taken were the Council to issue a Section 114 Notice.

- Review all estimates and modelling that feed into the development of the budget and MTFS to ensure that optimism bias is reduced or eliminated. This should enable the Council to mitigate variances in the actuals compared to budget resulting from over-optimism in assumptions.
- Develop a realistic and deliverable plan over the medium term as to how EFS will support the increase in financial resilience, and how the Council will reduce reliance on this support to reach a financially sustainable position. EFS should be temporary in nature and the Council needs to clearly articulate the plan for reaching a financially sustainable position without undue reliance on temporary sources of support, which increase the debt profile of the Council and the associated ongoing revenue costs of servicing this borrowing.
- Immediately action the recommendations raised in the Internal Audit review with regards to the budget monitoring and reporting issues that contributed to the significant deterioration in the 2024/25 outturn position. Audit and Governance Committee should receive a report on the progress of addressing the recommendations to avoid a similar situation occurring again in the future.

KR1: The Council should:

- review all savings programmes to scrutinise deliverability
- ensure that, when setting the budget for 2026/27 the savings programmes included are deliverable and achievable, and scenario plan for any slippage to support the financial position
- review the outputs from the PwC transformation work and identify initiatives that can be implemented at pace to support savings delivery

KR2: The Council should:

- continue to drive forward activity that seeks to mitigate the growth of the DSG deficit whilst continuing to engage through the Schools Forum on the management plan in place
- regularly reporting on the impact of mitigations should be made through the Schools Forum whilst also being reported to Cabinet as part of the overall financial monitoring reporting

KR3: The Council should:

- immediately create an action plan as to how to address the pervasive issues across the Council that are contributing to the “Limited Assurance” opinion from the Head of Internal Audit
- the plan should be approved by the Audit Committee and there should be regular reporting to Audit Committee on progress against the plan
- appoint a lead officer to drive this improvement

2.3. Management responses have been provided to each of these recommendations. The response to the Statutory Recommendation is:

- The Council acknowledges the seriousness of the financial challenges it faces and is committed to taking decisive and sustained action to address them. A series of reports are due to be considered by Cabinet on 3 December 2025 that will directly tackle the issues raised in this statutory recommendation. This will include:
 - Shropshire Council Improvement Plan – setting a roadmap over the next 18 months to improvement
 - Medium Term Financial Strategy – creating the foundations for a move to a stabilised and, over the medium term, a sustainable budget.
 - Capital Strategy – setting out the initial approach to bringing about a stabilised approach to capital investment.
 - Pre-Budget Report – setting out the technical financial actions being taken to tackle the issue of s114 and how the MTFS, Capital Strategy, Treasury Strategy, Reserves Strategy and Exceptional Financial Support Strategy will work, in tandem with the Improvement Plan, to bring about financial stability.
 - Council is due to approve the 2026/27 Budget and MTFS in February 2026 which will provide a direct response to this Statutory Recommendation.

2.4. Full details of the work undertaken, evidence and recommendations and the proposed management responses are set out in the Auditor's Annual Report attached at Appendix 1.

3. Recommendations

It is recommended that Members of the Audit Committee consider:

- a) The Auditor's Annual Report for 2024/25 drawing particular attention to the statutory recommendation made and decide whether the report requires the authority to take any action or whether the recommendation is to be accepted
- b) The management responses included within the report and what, if any, action to take in response to the report.

Report

4. Risk Assessment and Opportunities Appraisal

- 4.1. Details of the potential risks affecting the financial health of the Council are considered as part of the Council's Strategic Risk process. The Auditor's Annual Report brings together a summary of all the work undertaken by Grant Thornton for Shropshire Council during 2024/25 as the appointed external auditor. The core element of the report is the commentary on the value for money (VfM) arrangements.

5. Financial Implications

- 5.1. Shropshire Council continues to manage unprecedented financial demands and a financial emergency was declared by Cabinet on 10 September 2025. The overall financial position of the Council is set out in the monitoring position presented to Cabinet on a monthly basis. Significant management action has been instigated at

all levels of the Council reducing spend to ensure the Council's financial survival. While all reports to Members provide the financial implications of decisions being taken, this may change as officers and/or Portfolio Holders review the overall financial situation and make decisions aligned to financial survivability. All non-essential spend will be stopped and all essential spend challenged. These actions may involve (this is not exhaustive):

- scaling down initiatives,
- changing the scope of activities,
- delaying implementation of agreed plans, or
- extending delivery timescales.

- 5.2. This report considers financial implications that will be set out, in detail, in the Council's MTFS reports from December 2025 through to February 2026.

6. Climate Change Appraisal

- 6.1. No issues identified directly within this report.

7. Background

- 7.1. Shropshire Council is facing severe and immediate financial sustainability challenges, with a reported overspend of £34.32 million in 2024/25 and a forecast overspend of £47.1 million (as at Quarter 2) for 2025/26. The auditors highlight that weaknesses in budgeting and monitoring contributed to a significant deterioration in the Council's financial position, particularly between the final two periods of 2024/25. The Council risks exhausting its General Fund reserves and potentially entering an unlawful financial position.

- 7.2. Our External Auditors have responsibility to give an opinion on the Council's financial statements and assess the arrangements for securing economy, efficiency and effectiveness in the Authority's use of resources. They also have additional powers and duties under the Local Audit and Accountability Act 2014 ('the Act'). These include powers to use a public interest report, make written recommendations, apply to the Court for a declaration that an item of account is contrary to law, and to give electors the opportunity to raise questions about the Authority's accounts and raise objections received in relation to the accounts. Grant Thornton have concluded that it is appropriate for us to use their powers to make written recommendations under Section 24 of the Act, due to the significant weaknesses identified in relation to the current financial position of the Council and the forecast outturn position for 2025/26 potentially putting the Council into an unlawful financial position. This includes a Statutory Recommendation.

- 7.3. A Statutory Recommendation is of key significance for the authority but is not unexpected given the Council's declaration of a Financial Emergency on 10 September 2025 and the continued reporting of a deteriorating financial position in Period 5 and Quarter 2 Financial Monitors in October and November. Much of the work to resolve the issues is already being taken forward by the Council, but this does not distract from the seriousness of this recommendation.

- 7.4. Having received a statutory recommendation, Schedule 7 of the Local Audit and Accountability Act 2014 requires the following actions: The Authority must consider the recommendation at a meeting held before the end of the period of one month

beginning with the day on which it was sent to the Authority. At the public meeting the Authority must decide:

c) whether the report requires the authority to take any action or whether the recommendation is to be accepted, and

d) what, if any, action to take in response to the report or recommendation.

7.5. The meeting of Audit Committee on 27 November 2025 fulfils the requirement for the statutory recommendation to be considered by the authority within one month. The recommendations at section 3 fulfil the decision points identified in the previous paragraph.

7.6. In the report, the Council is urged to address the financial challenges at pace, review the budget and Medium Term Financial Strategy (MTFS), and develop a plan to remove any reliance on Exceptional Financial Support beyond the medium term. Additional key recommendations focus on the overambition of savings plans and the growing Dedicated Schools Grant deficit, both of which threaten the Council's financial resilience.

7.7. The auditors also identify significant governance concerns, notably the sixth consecutive year of a "Limited Assurance" opinion from the Head of Internal Audit, indicating persistent weaknesses in the Council's internal control environment. The auditors note that a lack of urgency in addressing internal audit findings has contributed to the Council's financial difficulties. While the Council has made progress in some areas, such as strengthening governance around major projects and establishing robust partnership working, urgent action is required to address the recommendations from the recent Local Government Association Corporate Peer Challenge and to improve overall value for money arrangements. External Auditor commend the Council's proactive steps, such as the formation of spending control boards and an Improvement Board, but stress that these measures must be accelerated and embedded to restore financial stability and effective governance.

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

Financial Monitoring Reports to Cabinet through 2025/26

Financial Strategy – Council 27 February 2025

External Audit Reports to Audit Committee through 2024/25 and 2025/26

Local Member: n/a

Appendices

Appendix 1: Auditor's Annual Report year ending 31 March 2025

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Shropshire Council

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Auditor's Annual Report
Year ending 31 March 2025

November 2025

Final



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The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of completing our work under the NAO Code and related guidance. Our audit is not designed to test all arrangements in respect of value for money. However, where, as part of our testing, we identify significant weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all irregularities, or to include all possible improvements in arrangements that a more extensive special examination might identify. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting, on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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01 Introduction and context

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Introduction

This report brings together a summary of all the work we have undertaken for Shropshire Council during 2024/25 as the appointed external auditor. The core element of the report is the commentary on the value for money (VfM) arrangements. The responsibilities of the Council are set out in Appendix A. The Value for Money Auditor responsibilities are set out in Appendix B.

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Opinion on the financial statements

Auditors provide an opinion on the financial statements which confirms whether they:

- give a true and fair view of the financial position of the Council as at 31 March 2025 and of its expenditure and income for the year then ended
- have been properly prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2024/25
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014

We also consider the Annual Governance Statement and undertake work relating to the Whole of Government Accounts consolidation exercise.

Auditor's powers

Under Section 30 of the Local Audit and Accountability Act 2014, the auditor of a local authority has a duty to consider whether there are any issues arising during their work that indicate possible or actual unlawful expenditure or action leading to a possible or actual loss or deficiency that should be referred to the Secretary of State. They may also issue:

- Statutory recommendations to the full Council which must be considered publicly
- A Public Interest Report (PIR).

Value for money

Under the Local Audit and Accountability Act 2014, we are required to be satisfied whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources (referred to as Value for Money). The National Audit Office (NAO) Code of Audit Practice ('the Code'), requires us to assess arrangements under three areas:

- financial sustainability
- governance
- improving economy, efficiency and effectiveness.

Our report is based on those matters which come to our attention during the conduct of our normal audit procedures, which are designed for the purpose of completing our work under the NAO Code and related guidance. Our audit is not designed to test all arrangements in respect of value for money. However, where, as part of our testing, we identify significant weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all irregularities, or to include all possible improvements in arrangements that a more extensive special examination might identify. The NAO has consulted on and updated the Code to align it to accounts backstop legislation. The new Code requires auditors to share a draft Auditor's Annual Report (AAR) with those charged with governance by a nationally set deadline each year, and for the audited body to publish the AAR thereafter. This new deadline requirement is introduced from November 2025.

Use of auditor's powers

We bring the following matters to your attention:

We identify four significant weaknesses in the Council's arrangements for Value for Money resulting in one statutory and three key recommendations.

The statutory recommendation relates to financial sustainability and governance, and recommends that the Council should continue at pace to address the current and medium term financial challenges it faces, including a review of the cost to deliver its minimum viable service provision to deliver its statutory responsibilities, review its budget and its Medium Term Financial Strategy (MTFS) to reduce or eliminate optimism bias, develop a plan on how the Council will seek to reduce the reliance of Exceptional Funding Support (EFS) to reach a financially sustainable position in the medium term and also ensure that it immediately implements recommendations raised by Internal Audit in respect of the review they undertook on Budget Monitoring. See pages 11 and 12.

In addition, we have raised a further two key recommendations relating to financial sustainability, which firstly look at ensuring that saving plans are appropriately scrutinized for deliverability and secondly ensuring further activity is undertaken to mitigate the growth of the Dedicated Schools Grant (DSG) deficit, see pages 13 and 14 respectively. We have also raised a further key recommendation in relation to governance, which recommends that the Council looks to address the continued "Limited Assurance" Head of Policy and Governance (Internal Audit) Opinion it has received for several years, see page 15.

Recommendations made under section 24 schedule 7 of the Local Audit and Accountability Act 2014 - Statutory recommendations

Our responsibilities: As well as our responsibilities to give an opinion on the financial statements and assess the arrangements for securing economy, efficiency and effectiveness in the Authority's use of resources, we have additional powers and duties under the Local Audit and Accountability Act 2014 ('the Act'). These include powers to use a public interest report, make written recommendations, apply to the Court for a declaration that an item of account is contrary to law, and to give electors the opportunity to raise questions about the Authority's accounts and raise objections received in relation to the accounts.

We have concluded that it is appropriate for us to use our powers to make written recommendations under Section 24 of the Act, due to the significant weaknesses we have identified in this report in relation to the current financial position of the Council and the forecast outturn position for 2025/26 potentially putting the Council into an unlawful financial position.

What does the Authority need to do next? Schedule 7 of the Local Audit and Accountability Act 2014 requires the following actions:

The Authority must consider the recommendation at a meeting held before the end of the period of one month beginning with the day on which it was sent to the Authority. At the public meeting the Authority must decide;

- Whether the recommendations are to be accepted; and
- What, if any, action to take in response to these recommendations

Schedule 7 specifies the meeting publication requirements that the Authority must comply with.

Local government – context

Local government has remained under significant pressure in 2024/25

National

Past



Funding Not Meeting Need

The sector has seen prolonged funding reductions whilst demand and demographic pressures for key statutory services has increased; and has managed a period of high inflation and economic uncertainty.



Workforce and Governance Challenges

Recruitment and retention challenges in many service areas have placed pressure on governance. Recent years have seen a rise in the instance of auditors issuing statutory recommendations.

Present



Financial Sustainability

Many councils continue to face significant financial challenges, including Dedicated Schools Grant pressures. There are an increasing number of councils in receipt of Exceptional Financial Support from the government.



External Audit Backlog

Councils, their auditors and other key stakeholders continue to manage and reset the backlog of annual accounts, to provide the necessary assurance on local government finances.

Future



Funding Reform

The UK government plans to reform the system of funding for local government and introduce multi-annual settlements. The state of national public finances means that overall funding pressures are likely to continue for many councils.



Reorganisation and Devolution

Many councils in England will be impacted by reorganisation and / or devolution, creating capacity and other challenges in meeting business as usual service delivery.

Local

Shropshire Council is a unitary council covering a predominantly rural area of 1,235 square miles. The population of the area served by the Council is 327,000, 25% aged 65+. There are 139,000 households in Shropshire and it is a relatively affluent area with some pockets of deprivation, growing food poverty and rural isolation. The Council operates under an Executive decision-making model, which oversees the formation of all major policies, strategies and plans and as such the Council’s formal decision making and governance structure constitutes the Full Council and an Executive (the Cabinet). Full Council and Cabinet are supported by five overview and scrutiny committees. The Council has 74 councillors, and the Council is elected every four years. The most recent elections were in May 2025 when the Liberal Democrats secured a majority with 42 elected councillors. In September 2025 a financial emergency was declared by the Council and it was announced that the Chief Executive, Andy Begley was to leave Shropshire Council. Tanya Miles has been appointed as interim Chief Executive.

It is within this context that we set out our commentary on the Council’s value for money arrangements in 2024/25.

02 Executive Summary

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Executive Summary

We set out below the key findings from our commentary on the Council's arrangements in respect of value for money.



Financial sustainability

Shropshire Council continues to face acute and immediate financial sustainability challenges. An overspend of £34.320 million was delivered in 2024/25 and there was a significant deterioration in this outturn between period 11 and period 12, attributable to weaknesses in budgeting and monitoring arrangements. As at period 5 of 2025/26, the forecast overspend is £35.531 million. At period 6 this position has deteriorated further to a forecast outturn overspend of £47.069 million. Delivering an overspend of this level would leave the Council with a negative General Fund reserves balance, potentially placing the Council in an unlawful financial position. The Council also faces financial sustainability challenges over the medium-term with unaddressed MTFS budget gaps and a lack of clear plan on how the Council will not become reliant on Exceptional Financial Support.

We do note that the Council has proactively sought to address its immediate financial challenges through the introduction of spending control boards and an Improvement Board. The Council's Improvement Plan is scheduled to be approved by Cabinet in early December 2025. A detailed review of service expenditure to date and projections to year end has worsened the forecast outturn position to an overspend of £47.069 million. This is a significantly worse position than reported at period 5.

On this basis we have raised a statutory recommendation, please see page 11 and 12.

In addition to this we have raised two key recommendations in relation to the overambition of the Council's savings plans leading to the financial sustainability challenges facing the Council, please see page 13, and in relation to the Dedicated Schools Grant deficit, please see page 14.

Executive Summary

We set out below the key findings from our commentary on the Council's arrangements in respect of value for money.

Governance

The weaknesses in budget monitoring and reporting that contributed to the deterioration in the 2024/25 outturn position between period 11 and period 12 relate to weaknesses in governance arrangements and have been captured within the statutory recommendation raised.

For the sixth consecutive year the Head of Policy and Governance (Internal Audit) has given an annual opinion of "Limited Assurance" on the internal control environment of the Council. This is indicative of a significant weakness in the Council's arrangements for securing value for money because a lack of urgency to address issues raised by Internal Audit has contributed to failings that have impacted on the financial sustainability of the Council, therefore we have raised a key recommendation on page 15.

We do note that the Council continues to have robust governance around decisions and has made significant progress in addressing the concerns raised in 2023/24 around the governance of the North West Relief Road project.

Improving economy, efficiency and effectiveness

The Council was subject to a LGA Peer Review during 2025 and this review highlighted the precarious financial position facing the Council. 10 recommendations were raised by the review and we have raised an improvement recommendation for the Council to ensure that these recommendations are dealt with in a timely manner. We note that the Council has already presented an action plan to Cabinet and will be taking it to the newly established Improvement Board.

We note that the Council continues to have strong partnership working and robust performance management arrangements.

Executive Summary – our assessment of value for money arrangements

Our overall summary of our Value for Money assessment of the Council’s arrangements is set out below. Further detail can be found on the following pages.

Criteria	2023/24 Assessment of arrangements	2024/25 Risk assessment	2024/25 Assessment of arrangements
Financial sustainability	R Significant weakness in arrangements identified in relation to the Council’s financial sustainability in the medium term and one key recommendation raised.	Risk of significant weakness identified in relation to the Council’s financial sustainability.	R Pervasive weaknesses in arrangements were identified and a statutory recommendation raised in relation to the current and medium-term financial position of the Council, along with issues of budget monitoring and reporting. We have raised a statutory recommendation (pages 11 and 12) in relation to this. We have also raised two key recommendations relating to the savings delivery (page 13) and Dedicated Schools Grant deficit (page 14). We also raise one improvement recommendation (page 30).
Governance	R Significant weaknesses identified in relation to the North West Relief Road project and two key recommendations raised.	Risk of significant weakness identified in relation to North West Relief Road. Risk also identified in relation to addressing of Internal Audit recommendations.	R Significant weakness in arrangements identified and one key recommendation (page 15) raised relating to the “Limited Assurance” opinion from the Head of Policy and Governance (Internal Audit). The statutory recommendation (see pages 11 and 12) also relates to governance issues with budget monitoring and reporting that impacted on the 24/25 outturn position.
Improving economy, efficiency and effectiveness	A No significant weaknesses identified. Three improvement recommendations raised on Children’s Social Care, contract management and use of waivers	No risks of significant weakness identified	A No significant weaknesses in arrangements identified, but an improvement recommendation made in relation to the recommendations raised in the LGA Peer Review (page 37).

G

No significant weaknesses or improvement recommendations.

A

No significant weaknesses, improvement recommendation(s) made.

R

Significant weaknesses in arrangements identified and key recommendation(s) made.

Financial sustainability and Governance – Statutory Recommendation

Statutory recommendation raised in relation to financial sustainability, overall financial position of the Council and financial governance in budget setting

Key Finding: Shropshire Council delivered a £34.2 million overspend in 2024/25. The forecast outturn position deteriorated significantly between financial reporting in Month 11 and the year end outturn position. This deterioration was predominantly attributable to increased overspend within Adult Social Care. An Internal Audit review was commissioned to understand the reasons for the significant deterioration in the outturn position. The Internal Audit report identified a number of failings in financial monitoring and reporting that contributed to this position. Moving into 2025/26, the Council is at imminent risk of issuing a Section 114 Notice due to the forecast outturn position reported at Month 5 and a further deterioration of this position at Month 6 following a review of optimism within the financial monitoring and budgeting. There is a lack of evidence that the Council is financially sustainable in the short term and there is also a medium-term financial risk facing the Council. The Council is facing a significant gap between income and expenditure over the period of the updated Medium Term Financial Plan. This means that, even if the Council is able to navigate immediate financial challenges, then there remains significant financial challenges that will need to be addressed to secure financial sustainability. This is within the context of the reduced financial resilience of the Council due to the forecast reserves position at the end of 2025/26 currently predicted at a deficit of £12.789 million.

Evidence: The Internal Audit review, commissioned by the then Chief Executive, identified that the causes of the unanticipated deterioration in the forecast outturn between month 11 and month 12 of 2024/25 included; incorrect application of financial assumptions and monitoring, lack of clear communication between finance and Adult Social Care, missed opportunities to identify overspend earlier and lack of reporting on actuals that would have identified this issue. Issues were also identified with the accuracy and timeliness of data. These findings are indicative of a significant weakness in the Council's arrangements for securing value for money. The Month 5 financial reporting presented to Cabinet in September 2025 included the recommendation to declare a 'financial emergency' with the forecast overspend for 2025/26 of £35.531 million exceeding the available General Fund Reserves balance of £34.280 million. This is a further deterioration in the forecast outturn for 2025/26 of £0.362 million from the Month 4 financial reporting. Month 6 reporting indicates a further worsening of the position to a forecast overspend of £47.069 million. The updated MTFS published in October 2025 details the worsening of the forecast financial position of the Council, both in 2026/27 and across the MTFS period to 2030/31. The forecast gap for 2026/27 at the point of setting the 2025/26 budget was £36.193 million. This has now increased to a forecast gap of £81.677 million in the October 2025 update. The cumulative gap to 2030/31 is reported as £138.556 million. There is no clear plan on bridging this gap in a sustainable manner.

Impact: The failures in budget monitoring and reporting during 2024/25 placed additional stress on the financial resilience of the Council, reducing the level of reserves available to support the current year position. As a result the Council is at a real and imminent risk of having to issue a Section 114 Notice due to the impact that the forecast outturn would have on General Fund Reserves. Were the current year end forecast position to arise then there is the risk that the Council would be in an unlawful position. The implications of issuing a Section 114 Notice on Shropshire Council would be significant and include potential Secretary of State intervention if the position is deemed to be unlawful. Whilst the Council is liaising with MHCLG on further Exceptional Financial Support (EFS) it is important to recognise that this is only a temporary measure with the future need to repay any borrowing and the revenue implications of servicing the debt. Therefore, there is a need to understand and develop a plan that moves the Council to a more financially sustainable position over the medium term.

Financial sustainability and Governance – Statutory Recommendation (cont'd)

Statutory recommendation 1

SR1: The Council should:

- Continue, at pace, the action taken to address the financial challenges it faces, including an immediate review of all services, both statutory and non-statutory, and identify the cost of minimum viable service provision to deliver its statutory responsibilities. This will enable the Council to understand the scale of its structural deficit between the cost of services and the income available to the Council. This action should give the Council an understanding of immediate decisions and savings that can be delivered, replicating actions that would be taken were the Council to issue a Section 114 Notice.
- Review all estimates and modelling that feed into the development of the budget and MTFS to ensure that optimism bias is reduced or eliminated. This should enable the Council to mitigate variances in the actuals compared to budget resulting from over-optimism in assumptions.
- Develop a realistic and deliverable plan over the medium term as to how EFS will support the increase in financial resilience, and how the Council will reduce reliance on this support to reach a financially sustainable position. EFS should be temporary in nature and the Council needs to clearly articulate the plan for reaching a financially sustainable position without undue reliance on temporary sources of support, which increase the debt profile of the Council and the associated ongoing revenue costs of servicing this borrowing.
- Immediately action the recommendations raised in the Internal Audit review with regards to the budget monitoring and reporting issues that contributed to the significant deterioration in the 2024/25 outturn position. Audit and Governance Committee should receive a report on the progress of addressing the recommendations to avoid a similar situation occurring again in the future.

Financial sustainability – Key recommendation

Significant weakness identified in relation to financial sustainability in terms of savings delivery

Key Finding: Whilst the Council has delivered a significant quantum of savings over previous financial years, these have not been at the required level to deliver against the plan set out when establishing the budget for the year. This under-delivery of savings against plan has put additional strain on the financial sustainability of the Council. Our view is that the Council has been over-ambitious in setting savings targets that are achievable and deliverable.

Evidence: The 2024/25 budget was dependent upon the delivery of £90.006 million of savings in year. The Council delivered 52% of this target, equating to £47.914m. Whilst this is a significant figure it is well below the target set out in the budget. In 2025/26 the requirement is £59.876 million. At period 5, the expected delivery is 57% of this target, equating to £33.981 million.

Impact: Overambition in savings proposal and under-delivery of savings has increased the pressure on the financial resilience of the Council. In previous years it has increased the requirement to utilise reserves to balance the financial position, reducing the level of reserves available to the Council. For 2025/26 the anticipated under-delivery of savings directly contributes to the forecast overspend in year which is placing the Council at risk of issuing a Section 114 Notice.

Key recommendation 1

KR1: The Council should:

- review all savings programmes to scrutinise deliverability
- ensure that, when setting the budget for 2026/27 the savings programmes included are deliverable and achievable, and scenario plan for any slippage to support the financial position
- review the outputs from the PwC transformation work and identify initiatives that can be implemented at pace to support savings delivery

Financial sustainability – Key recommendation

Significant weakness identified in relation to financial sustainability in terms of Dedicated Schools Grant deficit

Key Finding: The Dedicated Schools Grant deficit held by Shropshire Council at 31 March 2025 was £17.639 million, an increase of £15.096 million from the opening position. Whilst the statutory override has been extended to 31 March 2028 the risk posed by the DSG deficit is significant. We are concerned that the mitigating action being taken by the Council is not managing the growth in the DSG deficit and if the statutory override is lifted on 31 March 2028 the deficit would need to be met by Council reserves, which will not be sufficient based on current levels.

Evidence: Whilst the Council has taken mitigating actions and has published an updated SEND and AP Strategy setting out steps to mitigate the growth in the DSG deficit, the forecast for 2025/26 is that there will be an increase in the DSG deficit of £19.323 million which would take the cumulative deficit to £36.888 million at 31 March 2026.

Impact: An extension to the Dedicated Schools Grant Statutory Override until the end of 2027/28 provides a safety net for the following two years but if the statutory override is not further extended in April 2028 the Council will become liable for the DSG deficit which would significantly impact its financial sustainability. This challenge is not unique to Shropshire and is a national issue linked to funding formulas. However, the risk to the Council remains whilst the current DSG deficit position remains.

Key recommendation 2

KR2: The Council should:

- continue to drive forward activity that seeks to mitigate the growth of the DSG deficit whilst continuing to engage through the Schools Forum on the management plan in place
- regularly reporting on the impact of mitigations should be made through the Schools Forum whilst also being reported to Cabinet as part of the overall financial monitoring reporting

Governance – Key recommendation

Significant weakness identified in relation to governance and ‘Limited Assurance’ rating from Internal Audit

Key finding: For the last 6 financial years the opinion of the Head of Policy and Governance (Internal Audit) on the internal control environment of Shropshire Council has been “Limited Assurance”. There has been little, if any, evidence of the Council improving this situation and seeking to address the findings of the Head of Policy and Governance (Internal Audit). This is indicative of a significant weakness in the Council’s arrangements for securing value for money.

Evidence: In 2024/25 the Head of Policy and Governance (Internal Audit) gave a “Limited Assurance” opinion on the internal control environment of the Council. This is the sixth year of this opinion and there has been limited progress in addressing the issues identified by Internal Audit. Our improvement recommendation in 2023/24 has not been addressed and the Head of Policy and Governance (Internal Audit) has indicated that there has been little improvement during 2025/26 to indicate that there will be a positive move from the “Limited Assurance” opinion.

Impact: A “Limited Assurance” opinion on the Council’s internal control environment for multiple years is indicative of failures of the Council to address issues raised by Internal Audit. The impact of this can be linked to the current financial sustainability challenges facing the Council as issues such as the significant movement in the 2024/25 overspend in Adult Social Care is attributable to weaknesses in the internal control environment. Failure to address this exposes the Council to increased risk of failures in internal control.

Key recommendation 3

KR3: The Council should:

- immediately create an action plan as to how to address the pervasive issues across the Council that are contributing to the “Limited Assurance” opinion from the Head of Policy and Governance (Internal Audit)
- the plan should be approved by the Audit and Governance Committee and there should be regular reporting to Audit and Governance Committee on progress against the plan
- appoint a lead officer to drive this improvement

Executive summary – auditor’s other responsibilities

This page summarises our opinion on the Council’s financial statements and sets out whether we have used any of the other powers available to us as the Council’s auditors.

Auditor’s responsibility	2024/25 outcome
Opinion on the Financial Statements	We anticipate to complete our audit of your financial statements and issue an unqualified audit opinion in December 2025, following the Audit and Governance Committee meeting on 27 November 2025. Our findings are set out in further detail on pages 18 to 21.
Use of auditor’s powers	We have made written statutory recommendations under Schedule 7 of the Local Audit and Accountability Act 2014. We did not make an application to the Court or issue any Advisory Notices under Section 28 of the Local Audit and Accountability Act 2014. We did not make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014. We did not identify any issues that required us to issue a Public Interest Report (PIR) under Schedule 7 of the Local Audit and Accountability Act 2014.



03 Opinion on the financial statements and use of auditor's powers

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Opinion on the financial statements

These pages set out the key findings from our audit of the Council's financial statements, and whether we have used any of the other powers available to us as the Council's auditors.

Audit opinion on the financial statements

We anticipate to issue an unqualified opinion on the Council's financial statements in December 2025.

The full opinion is included in the Council's Annual Report for 2024/25, which can be obtained from the Council's website.

Grant Thornton provides an independent opinion on whether the Council's financial statements:

give a true and fair view of the financial position of the Council as at 31 March 2025 and of its expenditure and income for the year then ended

- have been properly prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2024/25
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

We conducted our audit in accordance with: International Standards on Auditing (UK), the Code of Audit Practice (2024) published by the National Audit Office, and applicable law. We are independent of the Council in accordance with applicable ethical requirements, including the Financial Reporting Council's Ethical Standard.

Findings from the audit of the financial statements

The Council provided draft accounts in line with the national deadline of 30 June 2025.

Draft financial statements were of a reasonable standard and supported by detailed working papers

Audit Findings Report

We report the detailed findings from our audit in our Audit Findings Report. A final version of our report was presented to the Council's Audit and Governance Committee on 27 November 2025. Requests for this Audit Findings Report should be directed to the Council.

Opinion on the pension fund statements

These pages set out the key findings from our audit of the pension fund financial statements, and whether we have used any of the other powers available to us as the Council's auditors.

Audit opinion on the financial statements

We are required to issue:

- our opinion on the pension fund financial statements contained within the Council's Statement of Accounts and,
- our auditor's consistency report that the 2024/25 Shropshire County Pension Fund financial statements within the Pension Fund Annual Report are consistent, in all material aspects, with those within the Council's audited Statement of Accounts.

We presented our Audit Findings Report to the Pensions Committee on 19 September 2025 and the Audit & Governance Committee on 26 September 2025. We reported that we intend to issue an unqualified opinion and an unqualified consistency report following the completion of the Council's audit (as Administering Authority).

Grant Thornton provides an independent opinion on whether the Pension Fund financial statements within the Council's Statement of Accounts:

- give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2025 and of the amount and disposition at that date of the fund's assets and liabilities, other than liabilities to pay promised retirement benefits after the end of the fund year;
- have been properly prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2024/25; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014

We conducted our audit in accordance with: International Standards on Auditing (UK), the Code of Audit Practice (2024) published by the National Audit Office, and applicable law. We are independent of the Council in accordance with applicable ethical requirements, including the Financial Reporting Council's Ethical Standard.

Findings from the audit of the financial statements

The Pension Fund provided draft accounts in line with the national deadline.

Draft financial statements were of a good standard and supported by detailed working papers.

We identified a small number of classification and disclosure changes but have not identified any adjustments to the financial statements that impact upon the Pension Fund's reported financial position.

We identified £4.5m of unadjusted differences in the valuation of the Fund's investments disclosed in the financial statements at 31 March 2025 and the valuation statements received from the third-party investment managers. This is primarily driven by timing differences and management have determined not to amend for it on the basis that the differences are not material both quantitatively and qualitatively.

We have not raised any recommendations for management as a result of our audit work this year.

We propose to issue our 'consistency' opinion at the same time as we issue our final audit opinion on the Pension Fund financial statement as noted above. The statutory deadline for the Pension Fund Annual Report to be published is 1 December 2025. This is likely to be before the Council audit is completed so the Fund will need to publish its Annual Report without our consistency report but with an explanation for the delay on its website.

Other reporting requirements

Annual Governance Statement

Under the Code of Audit Practice published by the National Audit Office we are required to consider whether the Annual Governance Statement does not comply with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting, or is misleading or inconsistent with the information of which we are aware from our audit.

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We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.



04 Value for Money commentary on arrangements

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Value for Money – commentary on arrangements

This page explains how we undertake the value for money assessment of arrangements and provide a commentary under three specified areas.

All Councils are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. Council's report on their arrangements, and the effectiveness of these arrangements as part of their annual governance statement.

Under the Local Audit and Accountability Act 2014, we are required to be satisfied whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The National Audit Office (NAO) Code of Audit Practice ('the Code'), requires us to assess arrangements under three areas:



Financial sustainability

Arrangements for ensuring the Council can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years).



Governance

Arrangements for ensuring that the Council makes appropriate decisions in the right way. This includes arrangements for budget setting and budget management, risk management, and making decisions based on appropriate information.



Improving economy, efficiency and effectiveness

Arrangements for improving the way the Council delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.

Financial sustainability – commentary on arrangements

We considered how the Council:

Commentary on arrangements

Rating

identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them

In 2024/25, Shropshire Council delivered an outturn position of £34.230 million overspent. This equates to 13.1% of the 2025/26 net budget and was offset through the drawdown from General Fund reserves. In addition, £26.9 million of Exceptional Financial Support (‘EFS’) was used to fund transformation costs. The majority of this overspend was driven by the People Directorate where Adult Social Care and Children’s Services overspent by £31.2m, driven by demand-led inflationary pressures in Adult’s and increases in external residential payments in Children’s. There was a significant movement in the Adult Social Care outturn position in Month 12 of 2024/25 that increased the overspend by £15m. A significant change in the financial outturn in the final month of the year does not indicate robust financial management arrangements. As a result of this, the Council commissioned an Internal Audit review of the situation to establish the root cause and identify improvements to address the issues. The findings of this report are detailed in the Governance section of this report where we have identified a significant weakness in the Council’s arrangements and raised a key recommendation on page 15 of this report.

The outturn position for 2024/25 continues the theme of the Council not being able to deliver against its budget and deliver an overspend, a position that was also delivered in each of the previous 3 financial years. The scale of the overspend in 2024/25 has increased when compared to previous years and, as recognised in the LGA Peer Review and by the Section 151 Officer in a recommendation to Cabinet in September 2025 to declare a financial emergency, the Council is in a critical and precarious financial position. This position has worsened during 2025/26 as the financial monitoring for Period 5 shows a forecast overspend for the year of £35.531 million. This is a deterioration from the Period 4 of £0.362 million and would not be accommodated by the Council’s General Fund balance of £34.280 million. Recent Period 6 reporting indicates a further deterioration of the financial position with a forecast overspend of £47.069 million. On this basis the current financial projections for 2025/26 could put the Council in an unlawful financial position where General Fund reserves would be exhausted with a negative balance of £12.789 million. The deterioration in the position at Period 6 is following a detailed review that has looked at actual spend rather than forecast spend, removing optimism in the reporting and presenting a deteriorating position.

The Council’s immediate financial position is critical and puts Shropshire Council at clear risk of needing to issue a Section 114 Notice unless there is a rapid and immediate improvement in its financial position. Given the scale and severity of the financial sustainability challenges facing the Council we issued a letter to the Section 151 Officer dated 15 September 2025 expressing our concern of the situation and highlighting our consideration of exercising statutory powers under the Local Audit and Accountability Act 2014. Due to the subsequent deterioration in the forecast financial outturn and the gravity of the financial position, putting the Council at real risk of needing to issue a Section 114 Notice, we are exercising our statutory powers and raising a statutory recommendation with regards to Council’s arrangements for securing value for money. Further details of the statutory recommendation are detailed on page 11 and 12 of this report.

R

- G No significant weaknesses or improvement recommendations.
- A No significant weaknesses, improvement recommendations made.
- R Significant weaknesses in arrangements identified and key recommendation(s) made.

Financial sustainability – commentary on arrangements

We considered how the Council:		Commentary on arrangements	Rating
Page 41 Identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them (cont'd)		Whilst we have focused on the scale of the financial challenges facing the Council we do recognise that the Council is acutely aware of the financial sustainability risk it faces and is taking steps to mitigate the issues and improve financial resilience. In the report from the Section 151 Officer to Cabinet on 10 September 2025 a recommendation was made for the Cabinet to “declare a financial emergency and direct the Chief Executive (in conjunction with the Council Leader) to instruct all Officers to take emergency action to reduce all non-essential spending....”. In addition to this the Council has acted upon recommendations raised in the LGA Peer Review to implement an externally supported, independently led Improvement Board. The Improvement Board is chaired by Tracie Langley. Also put in place are three Operations Board focused on challenging spend and ensuring that only essential spend is incurred. These Operations Boards include; Spending Control Board – overseeing all expenditure processed through the Council’s ERP system of over £500, Workforce Review Board – overseeing all recruitment and staffing activity and Technical Board – overseeing all income and grant funding. The Operations Boards have been in place since August 2025 and have had some positive outcomes in terms of challenging spend and driving behaviour changes within the Council. We do note that the current forecast outturn position for 2025/26 does include the full expected benefit of these Operations Boards of £2.515 million.	R
		Dedicated Schools Grant (DSG) deficits are a significant issue across the local government sector. The statutory override has been extended until 31 March 2028 but a permanent solution for this issue is yet to be implemented. For Shropshire Council the DSG deficit increased by £15.096 million during 2024/25 to a cumulative deficit of £17.639 million. The Council has taken a number of steps to try and mitigate the increase in the DSG deficit, including the building of additional capacity in mainstream schools. This has had the impact of slowing the growth trajectory on the most expensive placements. The SEND and AP Strategy was presented to Full Council in September 2025 and aims to support the management of the DSG deficit. The significant increase in the DSG deficit for 2024/25 means that we consider there to be a weakness in the council’s arrangements for securing value for money in relation to the DSG deficit. The management plan in place and the steps taken in relation to SEND are commendable and we will continue to review the impact that these have on the Council’s DSG deficit. Whilst these actions are being taken by the Council the DSG deficit for 2025/26, as reported to the Schools Forum in September 2025, is forecast to be £19.323 million. This would take the cumulative DSG deficit to £36.888 million at 31 March 2026. Based on the forecast increase in the DSG deficit, despite the mitigating actions taken by the Council, and the scale of the cumulative deficit compared to the level of General Fund reserves held by the Council, we consider there to be a significant weakness in arrangements for securing value for money. On that basis a key recommendation has been raised on page 14 of this report.	
G		No significant weaknesses or improvement recommendations.	
A		No significant weaknesses, improvement recommendations made.	
R		Significant weaknesses in arrangements identified and key recommendation(s) made.	

Financial sustainability – commentary on arrangements

We considered
how the Council: **Commentary on arrangements**

Rati
ng

plans to bridge its
unding gaps and
identify
achievable
savings

The 2024/25 budget for Shropshire Council was dependent upon the delivery of £90.006 million of savings. The actual delivery of savings for 2024/25 was £47.194m, equating to 52% of the savings target. Delivery of this value in 2024/25 is a significant achievement but the fact remains that 48% of the savings target was undelivered, indicating the scale of the financial challenge the Council faces. The non-delivery of these savings had a significant impact on the financial outturn for 2024/25, the delivery of an overspend and the pressure this has placed on General Fund reserves. In addition to this the Council was reliant on £26.9 million of Exceptional Financial Support ('EFS') to fund the transformation programme.

As highlighted in previous Auditors Annual Report's, the savings dashboard that the Council maintains is robust and clearly tracks and monitors savings targets and delivery. This ensures that the Council has a clear view on its savings and performance on savings delivery. However, this does not mitigate the fact that in 2024/25 the Council significantly undelivered on its savings targets and this has had a clear impact on the financial sustainability of the Council.

The 2025/26 budget set by the Council sets out a savings requirement of £59.876 million, a figure that exceeds the level of savings delivered in 2024/25. This figure consists of £7.7 million of new savings, £10.9 million of demand mitigation proposals and £41.3 million of savings carried forward from prior year. Therefore, once again the Council has identified savings required to balance its budget, but achieving the required level of savings remains a significant challenge. The most recent financial monitoring to period 5 of 2025/26 reports that the £25.043 million of savings are projected to be delivered by year end and there are indicative plans for £8.938 million of savings. This equates to 56.8% of savings identified for 2025/26. Therefore, there remains £25.894 million (43.2%) of savings that are at significant risk of non-delivery. For 2025/26 the Council was in receipt of £26.9 million of EFS but the current financial challenges facing the Council mean that this figure is likely to increase and the Council is actively having discussions with MHCLG on this.

On this basis we have identified concerns over the realism and deliverability of savings plans set out by the Council. Consistent under-delivery of savings targets has increased the financial pressure on the Council to its current position. This issue was also highlighted in the LGA Peer Review, expressing "limited confidence that savings plans can be delivered by the council". The MTFS published by the Council as part of the 2025/26 budget setting process identified a cumulative funding gap of £63.288 million to 2029/30, assuming delivery of the 2025/26 budget. There will be under-delivery of savings and an overspend for 2025/26 and this will put additional pressure on future years and require the Council to develop a comprehensive savings programme to navigate this. The over-ambition and under-delivery of savings plans in 2024/25 and the projected performance for 2025/26 have resulted in us raising a significant weakness in the Council's arrangements for securing value for money. Establishing a comprehensive yet deliverable savings programme for future years will be critical to secure financial sustainability and this forms part of our statutory recommendation detailed on pages 11 and 12 of this report.

R

- G No significant weaknesses or improvement recommendations.
- A No significant weaknesses, improvement recommendations made.
- R Significant weaknesses in arrangements identified and key recommendation(s) made.

Financial sustainability – commentary on arrangements

We considered how the Council:

Commentary on arrangements

Rating

plans to bridge its funding gaps and identify achievable savings (cont'd)	During 2024/25, the Council continued to work with PwC on a council-wide transformation programme. Given the financial position of the Council there is a clear need for transformation activity to drive efficiencies and savings. However, the transformation work has not delivered savings at the pace and scale required to address the financial challenges facing the Council. The work has enabled the Council to design and implement its new operating model but there are areas where the pace of delivery has not been anticipated and this has resulted in under-delivery of savings. The LGA Peer Review has recommended that the Council “prepare a clear whole council transformation plan that carries the aspirations and narrative for the future council and accurately aligns the resources for delivery. Ensure this is realistic widely understood and shared”. Where appropriate the Council should build on existing transformation work and ensure that delivery meets the pace and scale required to address the financial challenge facing the Council. Our key recommendation raised on page 13 of this report addresses this theme.	R
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Page 414

- G No significant weaknesses or improvement recommendations.
- A No significant weaknesses, improvement recommendations made.
- R Significant weaknesses in arrangements identified and key recommendation(s) made.

Financial sustainability – commentary on arrangements

We considered how the Council:

Commentary on arrangements

Rating

plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities

In May 2025 the local elections saw control of the Council move to the Liberal Democrats. The Shropshire Plan for 2022-25 was timed to end of the point of the elections and for an updated plan to be developed by the new administration. It is anticipated that an updated Shropshire Plan will be published by December 2025, setting out the strategic plan of the organisation. As highlighted in the LGA Peer Review, the development of a new Shropshire Plan creates an opportunity to set out the ambition for Shropshire and the organisation. The context of the Council’s finances are critical for this plan and we will continue to monitor the development of the plan.

The previous Shropshire Plan was centred around four main strategic priorities of “Healthy People, Healthy Economy, Healthy Environment and Healthy Organisation”. The financial position of the Council is indicative that Shropshire Council is far from being financially healthy. The immediate nature of the financial challenges facing the Council means that focus is on navigating these short-term challenges to move the organisation to a more financially sustainable position. Whilst this is critical there is also a need for the Council to consider how it becomes financially sustainable over the medium-term and the longer-term. The MTFS published as part of the 2025/26 budget setting process details a cumulative funding gap of £63.289 million which indicates that the medium-term financial position of the Council is far from secure. The updated MTFS published in October 2025 details the deterioration in the medium-term financial outlook for the Council. In the February 2025 MTFS the forecast gap for 2026/27 was £36.193 million. This has increased to £81.677 million in October 2025 and the cumulative funding gap for the Council is £138.556 million to 2030/31.

Securing financial sustainability is critical for the Council to deliver on its strategic priorities and the development of the new Shropshire Plan, alongside the MTFS, offers an opportunity to align strategic priorities with financial planning. Whilst the current MTFS is aligned with the previous financial plan the precarious nature of the Council’s finances mean that the sustainable delivery of services is threatened. On this basis, we consider there to be a risk of significant weakness in the Council’s arrangements for securing value for money. We have raised a statutory recommendation detailed on pages 11 and 12 of this report.

R

- G No significant weaknesses or improvement recommendations.
- A No significant weaknesses, improvement recommendations made.
- R Significant weaknesses in arrangements identified and key recommendation(s) made.

Financial sustainability – commentary on arrangements (continued)

We considered how the Council:

Commentary on arrangements

Rating

ensures its financial plan is consistent with other plans such as workforce, capital, investment and other operational planning which may include working with other local public bodies as part of a wider system	Shropshire Council demonstrates alignment between its financial planning and strategic objectives, including workforce, asset management, and net zero commitments. The Medium-Term Financial Strategy (MTFS), Treasury Management Strategy, and quarterly financial reports reflect investment decisions that support service transformation and organisational redesign such as £58.2 million in new borrowing during Q4 2024/25 to fund capital programmes.	A
	Workforce planning is acknowledged in financial strategy through vacancy management and agency cost controls, though there is no formal workforce plan linked to budget priorities. As part of the spending control measures that the Council has put in place there is a Workforce Review Board responsible for reviewing all spend and decisions around workforce. The Council has adopted a pragmatic approach to the Workforce Review Board by balancing the financial challenges with the needs of service areas when making decisions.	
	Shropshire Council has arrangements in place to manage its capital programme in line with strategic objectives, although some areas could benefit from clearer documentation and more consistent reporting. The Council’s Treasury Management Updates for Quarters 3 and 4 of 2024/25 indicate that capital investment decisions are aligned with the Shropshire Plan and broader transformation goals. For example, in Quarter 4, the Council undertook £58.2 million in new borrowing to support the capital programme and replace internal borrowing, including £26.9 million linked to a government-approved capitalisation direction. In terms of delivery, the Council reports progress on the capital programme through quarterly updates. Slippage is acknowledged and explained, such as the need to secure short-term funds to manage cash flow at month-end. However, while slippage is reported, there is limited detail on whether it is identified and addressed promptly or only at quarter-end. The reasons for slippage such as delays in capital receipt generation or project delivery are discussed, but not always in granular detail. On this basis we have raised an improvement recommendation detailed on page 30 of this report.	
	On net zero, the Council maintains a low-carbon investment portfolio, but there is limited evidence of how broader carbon reduction initiatives are funded through revenue or capital budgets.	
	Treasury management arrangements are sound, with borrowing and investment decisions aligned to strategic goals and prudential indicators. The shift from internal to external borrowing is well-documented and justified by declining reserves. Financial reporting is consistent across budget, outturn, and financial statements, though delays in external audit introduce some risk. The Council’s Strategic Operating Model supports service redesign and financial sustainability, with notable improvements in Children’s Services and alignment to national initiatives.	

- G No significant weaknesses or improvement recommendations.
- A No significant weaknesses, improvement recommendations made.
- R Significant weaknesses in arrangements identified and key recommendation(s) made.

Financial sustainability – commentary on arrangements (continued)

We considered how the Council:

Commentary on arrangements

Rating

identifies and manages risk to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions in underlying plans	The Council is very clear in articulating the financial risks that it faces with the Section 151 Officer making the recommendation to Cabinet in September 2025 to declare a ‘financial emergency’. Steps have also been taken to try to mitigate the financial risks through the establishment of spending control boards and the use of Exceptional Financial support. However, the forecast outturn for 2025/26 at period 5 would see the Council fully exhaust its General Fund reserves. Therefore, the ability of the Council to manage any unexpected financial risks and to be financially resilient has been compromised. This poses significant financial risk and is covered in our statutory recommendation raised with regards to financial sustainability. Given the forecast outturn position for 2025/26 the MTFS published as part of the 2025/26 budget setting process is also compromised. Before the forecast outturn position for this financial year the Council had a significant budget gap over the MTFS period and no clear plan on how this budget gap would be closed, and how financial resilience will be improved. As raised in the LGA Peer Review, the Council currently does not have a clearly articulated plan across the MTFS period on its route to financial stability and is something that should be a core focus. The Council continues to work to address its financial challenges and the reporting of the challenge across the organisation is clear and transparent. The Council is also exploring all possible options available with regards to securing greater financial sustainability. However, given the gravity of the financial challenge facing Shropshire Council we have raised a statutory recommendation, as detailed on pages 11 and 12 of this report. In addition to the immediate financial risks facing the Council we also note the continued financial risks that the North-West Relief Road (‘NWRR’) poses to the Council. Work on the NWRR has been paused following the change in administration in May 2025 but a resolution to the financial issues that the Council could face were the project cancelled and the Council be required to repay funding received from government has yet to be reached. We are comfortable that the Council is exploring all possible options to mitigate this risk but note that the financial risk remains within the context of the Council’s weakened financial resilience.	R
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- G No significant weaknesses or improvement recommendations.
- A No significant weaknesses, improvement recommendations made.
- R Significant weaknesses in arrangements identified and key recommendation(s) made.

Financial sustainability (continued)

Area for Improvement identified: Capital reporting

Key Finding: The Council could improve its capital reporting to provide greater detail on action taken on slippage and the reason for slippage.

Evidence: Whilst the Council does acknowledge and explain slippage in its capital reporting the reports do not provide a granular level of detail on the reasons for slippage and the action taken to address slippage.

Impact: Delivery against the capital programme is a critical part of the Council's financial position. Slippage against a capital programme is a risk and improved reporting and increased granular detail will provide Members with greater detail on the corrective action being taken.

Improvement Recommendation 1

IR1: The Council should: review its approach to reporting on slippage against the capital programme and, as appropriate, enhance the detail of reporting.

Governance – commentary on arrangements

We considered how the Council:

Commentary on arrangements

Rating

monitors and assesses risk and how the Council gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud	The Head of Policy and Governance (Internal Audit)’s opinion for 2024/25 continued to provide a “Limited Assurance” opinion on the Council’s internal control environment, consistent with the opinion provided for the previous 5 years. This is of significant concern to us and indicates that the Council has made little progress in improving this opinion and strengthening the internal control environment. As highlighted in our Auditors Annual Report for 2023/24, the continuation of this opinion from the Head of Policy and Governance (Internal Audit) is indicative of the Council not taking the findings of Internal Audit seriously enough or Internal Audit not being firm enough in its enforcement of action. Our improvement recommendation raised in 2023/24 recommended that the Council develop a plan to demonstrate how it will improve on its “Limited Assurance” opinion. We have seen no evidence of this plan or any impact in addressing the “Limited Assurance” opinion in 2024/25. From discussions with the Head of Policy and Governance (Internal Audit) there is no evidence of improvement in 2025/26 with the pattern remaining similar as in previous years. As there has been little, if any, progress in addressing this recommendation and within the context of the financial position of the Council we consider this issue to now be indicative of a significant weakness in the Council’s arrangements for securing value for money and have raised a key recommendation on page 15 of this report. With regards to risk management the Council maintains a Strategic Risk register which is reviewed on a bi-annual basis and are managed by allocated Executive Directors. There are currently 11 strategic risks with 3 being rated as the most significant. These relate to; cyber-attack, financial sustainability and setting a balanced budget. The Council has appropriate arrangements in place for managing risk.	R
approaches and carries out its annual budget setting process	Shropshire Council has a robust and comprehensive annual budget-setting process in place for 2025/26, as evidenced by its Medium Term Financial Strategy (MTFS) 2025/26–2029/30. The process is clearly aligned with The Shropshire Plan and involves extensive engagement with directors, service managers, and elected members. Services are required to identify growth, pressures, and savings, supported by consistent business planning templates and budget guidelines. The MTFS confirms that budgets are reviewed and signed off by senior managers before being presented to Cabinet, and that alternative budget scenarios and savings proposals are considered and consulted on. Public consultation and internal engagement, including with opposition parties, are embedded in the process. Service budget plans are subject to check and challenge, and the final budget is explicitly linked to the medium-term financial plan. The Council also undertakes detailed financial modelling, risk assessments, and scenario planning to ensure the budget is deliverable and resilient, with regular monitoring and updates provided to Cabinet throughout the year. In spite of this the Council continues to face significant financial pressure. We note that the LGA Peer Review highlighted “serious concern” that the budget process had not commenced at the point of their review. Given the financial position of the Council we encourage the budget process to be a key priority. The current financial challenges facing the Council, particularly the 2024/25 outturn and the projected outturn for 2025/26, is attributable to over-optimism in the budget setting process around savings delivery and pressure mitigation. This poses a significant risk to the Council and is captured within the key recommendation raised on page 13 and the statutory recommendation raised on pages 11 and 12 of this report.	R

- G No significant weaknesses or improvement recommendations.
- A No significant weaknesses, improvement recommendations made.
- R Significant weaknesses in arrangements identified and key recommendation(s) made.

Governance – commentary on arrangements

We considered how the Council:

Commentary on arrangements

Rating

ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information; supports its statutory financial reporting; and ensures corrective action is taken where needed, including in relation to significant partnerships	In previous years we have reported that Shropshire Council has strong arrangements in place for in-year budget monitoring and financial reporting. The Finance Monitoring Reports provides timely, accurate, and integrated financial and non-financial data, supporting Cabinet and Audit and Governance Committee oversight. It clearly explains variances, cost pressures, and mitigation actions, including a £34.2 million revenue overspend and underperformance in key service areas. Whilst these arrangements on reporting financial performance remain in place and robust, the deterioration in the Adult Social Care forecast outturn between month 11 and month 12 reporting highlights concerns around effective budget control within the Council. As a result of this issue an Internal Audit review was commissioned and a number of failing were identified in relation the financial monitoring process of Adult Social Care outturn for 2024/25. These issues include; incorrect application of financial assumptions and monitoring, lack of clear communication between finance and Adult Social Care, missed opportunities to identify overspend earlier, lack of reporting on actuals which would have highlighted issue and issues around accuracy and timeliness of data. Due to the failure of financial monitoring and reporting putting additional, unanticipated, pressure on reserves in 2024/25, reducing financial resilience moving into 2025/26 we consider there to be a significant weakness in the Council’s arrangements for securing value for money and have raised a statutory recommendation on pages 11 and 12 of this report. The Council meets the CIPFA Treasury Management Code requirements, providing an annual strategy, mid-year review, and annual performance report. These documents detail investment and borrowing activity, compliance with prudential indicators, and adjustments due to reduced internal cash balances. Budgetary responsibilities are clearly defined in the Council’s Constitution and Financial Rules, ensuring accountability across all levels of management. Shropshire Council has taken steps to strengthen budget management capacity and accountability, including providing ERP system access and tailored training for budget holders, supported by virtual clinics and help tools. Monthly budget monitoring reports are shared with Cabinet, and directorate-level scrutiny is evident, particularly in Children’s Services and corporate finance. Financial performance is integrated into the Council’s broader performance framework aligned with The Shropshire Plan. Internal Audit have also identified issues in relation to the oversight and responsibility of budget holders within Children Social Care. The review identified that there was an opportunity to improve budget accountability by ensuring the most suitable person is monitoring and reporting the budget position. Steps have been taken to address the recommendations raised by Internal Audit but this issue is also indicative of weaknesses in the Councils arrangements. No improvement recommendation has been raised given action taken by the Council but is important to be highlighted given our overall findings.	R
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- G No significant weaknesses or improvement recommendations.
- A No significant weaknesses, improvement recommendations made.
- R Significant weaknesses in arrangements identified and key recommendation(s) made.

Governance – commentary on arrangements (continued)

We considered how the Council:	Commentary on arrangements	Rating
ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency, including from audit committee	Shropshire Council has well-established governance arrangements that support transparent and accountable decision-making. The Council's Constitution clearly outlines roles and responsibilities, and Cabinet papers and minutes demonstrate structured decision-making, with clear distinctions between items for decision and for noting. Public engagement, declarations of interest, and detailed supporting reports further reinforce transparency. No evidence of inappropriate or unlawful decisions was identified. The Council's Overview and Scrutiny Committees are active and aligned with strategic priorities, providing effective challenge and contributing to informed decision-making. Scrutiny is supported by access to the Cabinet's forward plan, officer input, and formal mechanisms such as call-ins. Senior management demonstrates a unified and transparent approach to financial challenges, with collaborative working and consistent messaging through financial dashboards. The Audit and Governance Committee provides appropriate challenge and oversight of internal audit performance, with regular reporting and access to senior leadership. Governance arrangements also extend to partnerships and shared services, with oversight mechanisms such as supervisory boards, shareholder agreements, and joint committees. While the Council has recognised the need to modernise partnership governance, current arrangements provide clarity and accountability.	G
monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of staff and board member behaviour	Shropshire Council has established arrangements to ensure compliance with legislative and regulatory standards across governance, internal audit, and procurement. Its Internal Audit function operates in line with Public Sector Internal Audit Standards (PSIAS) and is preparing to transition to the Global Internal Audit Standards (GIAS) from April 2025. The Internal Audit Charter is reviewed annually, and auditors adhere to ethical codes and the Nolan Principles. Training and professional development are embedded, and the Chief Audit Executive has direct access to senior leadership, supporting transparency and escalation of governance concerns. The Council's Annual Governance Statement (AGS) for 2024/25 reports no significant breaches of legislation, and internal audit provides assurance on compliance and control effectiveness. Procurement arrangements are aligned with the Procurement Act 2023, with updated strategies and Contract Standing Orders reflecting new requirements.	G

- G** No significant weaknesses or improvement recommendations.
- A** No significant weaknesses, improvement recommendations made.
- R** Significant weaknesses in arrangements identified and key recommendation(s) made.

Governance – commentary on arrangements (continued)

We considered how the Council:	Commentary on arrangements	Rating
Arranged the governance and funding of the North West Relief Road (NWRR) project	In June 2025 it was announced by Shropshire Council that all work on the NWRR was to be paused following a meeting with DfT, highlighting the significant funding gap with the scheme. Whilst work has been paused we consider it important to review the governance arrangements following the significant weakness raised in our 2023/24 Annual Auditors Report. In June 2025, Audit and Governance Committee were presented with a NWRR Management Update. This provided an updated on the actions taken to address the recommendations raised. We note from this report that the level of assurance from Internal Audit has increased from "unsatisfactory" to "reasonable" and the recommendations we previously raised have been implemented. On that basis we no longer consider there to be a significant weakness in the governance arrangements in relation to the NWRR. Given that the project has been paused and our previous work highlighted a financial risk around cancellation of the project we have remained in discussion with the Section 151 Officer on how the Council is managing this risk were the decision made to cancel the project. We are comfortable that the Council are taking appropriate steps to mitigate the potential financial risk through discussions with DfT. We do note that, were a financial risk to materialise in relation to NWRR then this would put additional pressure on the already precarious financial position of the Council.	G

Page 422

- G

 No significant weaknesses or improvement recommendations.
- A

 No significant weaknesses, improvement recommendations made.
- R

 Significant weaknesses in arrangements identified and key recommendation(s) made.

Improving economy, efficiency and effectiveness – commentary on arrangements

We considered how the Council:

Commentary on arrangements

Rating

Page 423	uses financial and performance information to assess performance to identify areas for improvement	Shropshire Council demonstrates a mature and integrated approach to performance management, regularly reporting on financial and non-financial performance through quarterly Cabinet reports aligned with the Shropshire Plan. These reports include strategic Key Performance Indicators (KPIs), highlight underperformance, and outline remedial actions. A real-time dashboard enhances transparency and supports internal decision-making, while external regulatory data (e.g. Ofsted, CQC) informs service improvement—evidenced by Children’s Services receiving an “Outstanding” Ofsted rating in 2025. The LGA Peer Review highlighted that these performance dashboards are being used to identify areas for improvement and target intervention whilst also identifying potential areas for improvement. The Council uses benchmarking to assess performance and drive improvement. It also employs tools like the Local Insight Data Tool to support evidence-based planning. While data governance is supported by policies and frameworks, there is no standalone, up-to-date Data Quality Policy, and internal audit has not recently issued a dedicated report on data quality. The Internal Audit Annual Opinion highlights control environment concerns, suggesting that data quality assurance processes could be strengthened. The Audit and Governance Committee has acknowledged these issues and is taking steps to improve oversight, our findings in relation to this issue is detailed within the Governance section of this report.	G
	evaluates the services it provides to assess performance and identify areas for improvement	In 2024/25, Shropshire Council underwent several external inspections and reviews that led to improvement plans and Cabinet-level oversight. Ofsted rated Children’s Services as “Outstanding” in July 2025, following a focused visit in late 2023 that triggered a formal improvement plan monitored by the Children’s Improvement Board and reported to Cabinet. A LGA Corporate Peer Challenge in July 2025 and a CIPFA resilience review highlighted severe financial distress and governance concerns, prompting strategic recovery efforts. While no formal government interventions (e.g. commissioners or Best Value Notices) were issued, the Council faces a projected overspend exceeding £35 million, risking a Section 114 notice. The LGA Peer Review identified 10 recommendations for the Council to consider and we have raised an improvement recommendation for the Council to address these recommendations and report on progress to Audit and Governance Committee. Progress on external audit recommendations was tracked through the Audit and Governance Committee, with reasonable assurance reported and follow-up actions implemented. The Local Government Ombudsman’s annual report flagged service quality issues in Highways, Waste, and Planning, with Cabinet approving measures to improve complaint handling. Overall, there is evidence of improvement planning, monitoring, and assurance reporting, though financial sustainability and efficiency remain key challenges and have been addressed elsewhere in this report.	A

- G No significant weaknesses or improvement recommendations.
- A No significant weaknesses, improvement recommendations made.
- R Significant weaknesses in arrangements identified and key recommendation(s) made.

Improving economy, efficiency and effectiveness – commentary on arrangements (continued)

We considered how the Council: **Commentary on arrangements**

Rating

ensures it delivers its role within significant partnerships and engages with stakeholders it has identified, in order to assess whether it is meeting its objectives	Shropshire Council demonstrates strong stakeholder and partnership engagement in shaping and delivering its strategic priorities. It maintains formal governance frameworks such as the Shropshire Accord and Memoranda of Understanding with a range of partners including town groups, business networks, statutory bodies, and health systems. Strategic priorities are reviewed regularly through the Shropshire Plan and monitored via quarterly Cabinet reports, which include performance updates and risk escalation. Public engagement is embedded in decision-making, with consultations and surveys influencing budget allocations and savings plans. Performance Monitoring Reports use KPIs and RAG ratings to track delivery outcomes, and portfolio holders oversee specific partnership areas. Risks are identified and addressed through structured governance, such as the Children’s Improvement Board.	G
commissions or procures services, assessing whether it is realising the expected benefits	Shropshire Council has robust arrangements in place to manage commissioned contracts, commercial ventures, capital projects, and procurement activities. It maintains a contracts register and uses risk assessments, KPIs, and regular supplier meetings to monitor performance and ensure expected benefits are realised. Fraud risks are mitigated through a Counter Fraud Strategy and participation in the National Fraud Initiative, with oversight from Internal Audit and the Audit and Governance Committee. Where the Council has entered into significant commercial ventures, this has been supported by business cases, member scrutiny, and external advice. Lessons from past investments have informed its approach, and oversight is provided by the Enterprise & Growth Scrutiny Committee. While financial pressures have led to operational challenges, no systemic failures were identified in 2024/25. 2024/25 was a year of significant change for the Procurement function of Shropshire Council due to the loss of a significant number of staff through the redundancy programme. Therefore, the focus for the year was on keeping the function operating and planning for expanding the resource available. Despite being challenging our review has not identified any issues relating to procurement with continued progress in reducing the use of waivers. There has also been approval of investment into increasing the resources of the Procurement function. Capital projects are governed by the Capital Strategy, with quarterly performance reporting and compliance with grant conditions. Improvements in forecasting and member engagement have been implemented to manage delivery risks. Procurement is guided by a strategy aligned with the Shropshire Plan, and the Council engages in collaborative initiatives to drive efficiencies. It uses frameworks and innovation systems to streamline processes and has adopted national reforms under the Procurement Act 2023. Overall, the Council’s governance and oversight mechanisms support transparency, value for money, and strategic alignment across its commercial and procurement activities.	G

- G** No significant weaknesses or improvement recommendations.
- A** No significant weaknesses, improvement recommendations made.
- R** Significant weaknesses in arrangements identified and key recommendation(s) made.

Improving economy, efficiency and effectiveness (cont'd)

Area for Improvement: contract management

Key Finding: In July 2025 the Council was subject to a Local Government Association Corporate Peer Review. The findings of this review were published in September 2025 and identified that the Council is in “severe financial distress”. The review has raised 10 recommendations for the Council to consider.

Evidence: The Corporate Peer Review identified a range of observations of the position of Shropshire Council that align with the findings detailed in this report. A total of 10 recommendations have been raised for the Council to consider. The findings of the Corporate Peer Review can be found here - <https://www.local.gov.uk/our-support/council-assurance-and-peer-challenge/peer-challenges-we-offer/corporate-peer-178#1-introduction>

Impact: Failure to address the recommendations raised in the Corporate Peer Review would be indicative that the Council has failed to address the challenges contributing to its current financial position.

Improvement Recommendation 2

IR2: The Council should – develop a clear action plan for addressing the recommendations raised in the Corporate Peer Review. This action plan should be led by appropriate senior officers and progress reported to Audit and Governance Committee on a timely basis. We note that the Council has already taken steps to address this recommendation with an Action Plan being taken to Cabinet on 15 October 2025 with the Section 151 Officer named as the Lead Officer. There is a plan to follow this through to Improvement Board to monitor progress.

Pension Fund

The Council is the administering authority for the Shropshire County Council Pension Fund. As part of our VfM work we are required to consider the Council’s arrangements in respect of the Pension Fund.

We considered the
Pension Fund’s:

Commentary on arrangements

Rating

Financial Sustainability: sufficiency of funds to meet liabilities	The primary resources of the Pension Fund can be categorised into contributions received from active members and returns on investments (interest, dividends, profit on disposal etc). In line with regulations, the Fund is required to be formally valued every three years (triennial valuation) by a qualified actuary. As part of this exercise, the actuary will undertake an in-depth review of the Fund based on its current funding plans i.e. the level of assets required to meet future benefit payments, the time period over which it aims to achieve this and then determines the contribution rate at which employer bodies must contribute for the following three years. This also outlines that for major employers, rates may be paid in advance to the fund to cover the three year period. This should be considered in line with the funding strategy statement. The investment activity of the Fund is dictated by the investment strategy statement which sets out the type of investments that Pension Fund money should be invested in, indicative allocations and expected returns and volatilities. The performance of these investments is then monitored by the Pensions Committee and copies of the reports sent to the Pension Board for information.	G
Governance: appropriateness of governance arrangements	The operation of the Pension Fund is overseen and scrutinised by The Local Pension Board and which assists the administering authority in ensuring compliance with legislation and the Pension Regulator's requirements. Members consider reports on policy, regulation, codes of practice, risk and fund performance (both investment and administrative). The Pensions Committee has a primary focus on the oversight of the general framework within which the Fund’s investments are managed and the investment policy. Members are responsible for monitoring the work of the fund managers and the investment pool, LGPS Central Limited, and holding these external bodies to account for performance. All of the above have met a number of times during the financial period and Members discharge their responsibilities and make informed decisions based on sufficient and appropriate information.	
Improving Economy, Efficiency and Effectiveness: annual report findings	The Local Pensions Board are provided with all Pension Committee reports and are also invited to Pension Committee meetings . A more detailed analysis of funding and performance is considered by the Pensions Committee and this is prepared by the actuary and reviewed in both the public and private sessions due to some content being of a commercially sensitive nature. The detailed report provides members with information on valuation, sensitivity and benchmarking, in order to determine potential areas for improvement in investment activity. The Fund produce quarterly reports to update the Local Pensions Board on the key developments affecting pensions administration and the performance of the Pensions Administration Service. This covers a suite of KPIs and measure of performance against these indicators, therefore identifying areas for improvement. The report also monitors workloads, breaches of policy and other projects ongoing to improve the service. The output of the performance of the Fund in the year is captured in the Pension Fund annual report.	

- G No significant weaknesses or improvement recommendations.
- A No significant weaknesses, improvement recommendations made.
- R Significant weaknesses in arrangements identified and key recommendation(s) made.

05 Summary of Value for Money Recommendations raised in 2024/25

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Statutory recommendations raised in 2024/25

Page 428
SR1

Recommendation	Relates to	Management Actions
The Council should: continue, at pace, the action taken to address the financial challenges it faces. In addition, the Council should undertake an immediate review of all service, both statutory and non-statutory, and identify the cost of minimum viable service provision. This will enable the Council to understand the scale of its structural deficit between the cost of service and the income available to the Council. This action should give the Council an understanding of immediate decisions and savings that can be delivered, replicating actions that would be taken were the Council to issue a Section 114 Notice. The Council develop a realistic and deliverable plan over the medium term as to how Exceptional Financial Support will support the increase in financial resilience, and how the Council will reduce reliance on this support to reach a financially sustainable position. Exceptional Financial Support should be temporary in nature and the Council needs to clearly articulate the plan for reaching a financially sustainable position without undue reliance on temporary sources of support. The Council should also immediately action the recommendations raised in the Internal Audit review and report to Audit and Governance Committee on the progress of addressing the recommendations to avoid a similar situation occurring again in the future.	Financial sustainability and Governance	Actions: The Council acknowledges the seriousness of the financial challenges it faces and is committed to taking decisive and sustained action to address them. A series of reports are due to be considered by Cabinet on 3 December 2025 that will directly tackle the issues raised in this statutory recommendation. This will include: • Shropshire Council Improvement Plan – setting a roadmap over the next 18 months to improvement • Medium Term Financial Strategy – creating the foundations for a move to a stabilised and, over the medium term, a sustainable budget • Capital Strategy – setting out the initial approach to bringing about a stabilised approach to capital investment • Pre-Budget Report – setting out the technical financial actions being taken to tackle the issue of Section 114 and how the MTFS, Capital Strategy, Treasury Strategy, Reserves Strategy and Exceptional Financial Support Strategy will work, in tandem with the Improvement Plan, to bring about financial stability Council is due to approve the 2026/27 Budget and MTFS in February 2026 which will provide a direct response to this Statutory Recommendation Responsible Officer: James Walton – Section 151 Officer Due Date: 26 February 2026

Key recommendations raised in 2024/25

Recommendation		Relates to	Management Actions
Page 429	KR1	Financial sustainability	Actions: This is covered in the documents referred to in the Management Actions for Statutory Recommendation 1 Responsible Officer: James Walton – Section 151 Officer Due Date: 26 February 2026
	KR2	Financial sustainability	Actions: A DSG Deficit Recovery Plan has been drafted and the working version shared with the DfE in July 2025. Updates to the management plan and wider activity to deliver the new Shropshire SEND and AP Strategy are reported to Schools Forum and the SEND and AP Partnership Board. The latest working version of the DSG management plan will be reported and shared as part of the suite of documents that underpin the MTFS Responsible Officer: David Shaw – Director of Children’s Services Due Date: 26 February 2026

Key recommendations raised in 2024/25

Recommendation		Relates to	Management Actions
KR3 Page 430	The Council should: immediately create an action plan as to how to address the pervasive issues across the Council that are contributing to the “Limited Assurance” opinion from the Head of Policy and Governance (Internal Audit). This plan should be approved by the Audit and Governance Committee and there should be regular reporting to Audit and Governance Committee on progress against the plan. We recommend that a lead officer is appointed to drive this improvement.	Governance	Actions: An immediate response from the Leader and Interim Chief Executive is included on the Audit and Governance Committee agenda for 27 December 2026. An Action Plan is being drawn up and agreed via the Statutory Officers Group and will be published as part of the reassurance to Council with the MTFS papers in February 2026 Responsible Officer: Tanya Miles – Interim Chief Executive Due Date: 26 February 2026

Improvement recommendations raised in 2024/25

	Recommendation	Relates to	Management Actions
IR1	The Council should: review its approach to reporting on slippage against the capital programme and, as appropriate, enhance the detail of reporting.	Financial sustainability	Actions: From 2026/27 there is a planned overhaul of the financial monitoring process. Slippage in the capital programme is carefully monitored and managed already, although more detailed reporting will be introduced in 2026/27 as appropriate. Responsible Officer: James Walton – Section 151 Officer Due Date: 30 June 2026
IR2	The Council should – develop a clear action plan for addressing the recommendations raised in the Corporate Peer Review. This action plan should be led by appropriate senior officers and progress reported to Audit and Governance Committee on a timely basis. We note that the Council has already taken steps to address this recommendation with an Action Plan being taken to Cabinet on 15 October 2025 with the Section 151 Officer names as the Lead Officer. There is a plan to follow this through to Improvement Board to monitor progress.	Improvement economy, efficiency and effectiveness	Actions: The Action Plan from the Corporate Peer Challenge has been reported to Cabinet and implementation of these actions will be reported regularly as part of the Improvement Plan process incorporating the Improvement Board. Should Audit and Governance Committee wish to review this that can be added to the workplan and appropriate agendas. Council is due to consider the Improvement Plan on 11 December 2025 Responsible Officer: James Walton – Section 151 Officer Due Date: 11 December 2025

06 Follow up of previous Key recommendations

Follow up of 2023/24 Key recommendations

Prior Recommendation		Raised	Progress	Current status	Further action
KR1	The Council should re-consider all aspects of service delivery in order to ensure financial sustainability with efforts being direct toward: • The identification and delivery of savings that reduce the indicative budget gaps in 2025/26 and in future years along with supporting the replenishment of reserves. These should be realistic, evidence-based targets • Ensure that there are alternative options to deliver a balanced MTFS in future years, reducing reliance on one-off measures to support the revenue budget (including non-recurrent savings, one-off grants and reserves) and, if required, how the reduction or removal of services in its long term plan fits with its organisational strategy and the priorities of stakeholders.	2023/24	The financial position of the Council has deteriorated and the Council is at real risk of issuing a Section 114 Notice. The savings included in the 2025/26 budget have been overly optimistic, consistent with previous years, leading to forecast overspend at year end. The Council has not been able to address the financial sustainability challenges.	Limited progress made	Due to the deterioration in the financial position of the Council, both immediately and over the medium-term, we have raised a statutory recommendation.

Follow up of 2023/24 Key recommendations

Prior Recommendation		Raised	Progress	Current status	Further action
Page 434	The Council should review its governance and reporting arrangements relating to the NWRR and formalise these arrangements more effectively. Specifically the Council should: - Formalise the NWRR Executive Board with terms of reference; standing attendees, including S151 Officer, Executive Director – Place, Executive Manager – Strategic Projects, Portfolio Holder for Highways, and Council Leader. The board should meet on a monthly basis with formal minutes taken and action log maintained. Risk should remain a standing item for each meeting, including the risk of cancellation of the project. This will ensure that key stakeholders are sighted on project status. - Formalise the funding plan as a matter of urgency. This should detail options for funding the scheme, including associated cost of borrowing, and scenario planning in relation to LTF funding, assuming different funding profiles. - Monitoring of budget delegations: The Project Lead should ensure that arrangements are made within financial reporting for robust management of delegations, approved by Members. The Project Lead should seek appropriate advice from the Capital Finance Business Partner/S151 Officer and keep track of spend against delegated funding approved by the Council, reporting variances and obtaining further delegations when required, ahead of delegated money depleting. - Reporting of the project status with respect to the funding plan. The plan to close the funding gap (once devised) should be discussed and agreed with the S151 Officer and considered at these forums. Consideration should also be made, with formal minutes, for wider reporting within the Council’s formal governance structures. - Formalise plan to manage abortive costs. The Project Lead should devise a formal plan for the management of abortive costs against identified options were the project not to go ahead. This plan should seek to mitigate costs materialising within the Council’s revenue budget were the project to not go ahead. This should be discussed and agreed with the S151 Officer.	2023/24	Whilst work on the NWRR has now been paused the Council have actioned the recommendations raised in the previous year. Internal Audit have upgraded their opinion on NWRR governance from “unsatisfactory” to “reasonable”. Audit and Governance Committee have also been provided with reports on the management of NWRR which highlights the actions taken to address recommendations raised.	Implemented in full	No further action required.

07 Appendices

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Appendix A: Responsibilities of the Council

Public bodies spending taxpayers' money are accountable for their stewardship of the resources entrusted to them. They should account properly for their use of resources and manage themselves well so that the public can be confident.

Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records and ensure they have effective systems of internal control.

All local public bodies are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. Local public bodies report on their arrangements, and the effectiveness with which the arrangements are operating, as part of their annual governance statement.

The Council's Chief Finance Officer is responsible for preparing the financial statements and for being satisfied that they give a true and fair view, and for such internal control as they determine necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Chief Finance Officer is required to comply with CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom. In preparing the financial statements, the Chief Financial Officer is responsible for assessing the Council's ability to continue as a going concern and use the going concern basis of accounting unless there is an intention by government that the services provided by the Council will no longer be provided.

The Council is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.



Appendix B: Value for Money Auditor responsibilities

Our work is risk-based and focused on providing a commentary assessment of the Council’s Value for Money arrangements

Phase 1 – Planning and initial risk assessment

As part of our planning, we assess our knowledge of the Council’s arrangements and whether we consider there are any indications of risks of significant weakness. This is done against each of the reporting criteria and continues throughout the reporting period.

Phase 2 – Additional risk-based procedures and evaluation

Where we identify risks of significant weakness in arrangements, we will undertake further work to understand whether there are significant weaknesses. We use auditor’s professional judgement in assessing whether there is a significant weakness in arrangements and ensure that we consider any further guidance issued by the NAO.

Phase 3 – Reporting our commentary and recommendations

The Code requires us to provide a commentary on your arrangements which is detailed within this report. Where we identify weaknesses in arrangements we raise recommendations.

**A range of different recommendations can be raised by the Council’s auditors as follows:**

Statutory recommendations – recommendations to the Council under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014.

Key recommendations – the actions which should be taken by the Council where significant weaknesses are identified within arrangements.

Improvement recommendations – actions which are not a result of us identifying significant weaknesses in the Council’s arrangements, but which if not addressed could increase the risk of a significant weakness in the future.

Information that informs our ongoing risk assessment

Cumulative knowledge of arrangements from the prior year	Key performance and risk management information reported to the Executive or full Council
Interviews and discussions with key stakeholders	External review such as by the LGA, CIPFA, or Local Government Ombudsman
Progress with implementing recommendations	Regulatory inspections such as from Ofsted and CQC
Findings from our opinion audit	Annual Governance Statement including the Head of Policy and Governance (Internal Audit) annual opinion

Appendix C: Follow up of 2023/24 improvement recommendations

Prior Recommendation		Raised	Progress	Current position	Further action
IR1	The Council should ensure that it address the minor control weaknesses identified in the Internal Audit risk management report in a timely manner.	2023/24	The Council has failed to address pervasive internal control issues as detailed below.	Not addressed	See below re key recommendation raised
IR2	The Council should develop a plan to demonstrate how it will move to improve its Internal Audit overall assessment of “Limited Assurance”. This has been in place for give consecutive years and has shown minimal signs of improvement. Without a concerted focus on this area, there is a danger that the Council’s internal processes will be exposed to unnecessary risk moving forward. This becomes more of a risk as financially challenging times mean that there will be pressure on staffing capacity so potentially less staff to carry out internal control and monitoring functions.	2023/24	The Council has failed to address this recommendation with a “Limited Assurance” opinion being given for 2024/25 and the Head of Policy and Governance (Internal Audit) indicating that there has not been an improvement in 2025/26.	Not addressed	This issue as been upgraded to a significant weakness given the lack of action taken by the Council.

Appendix C: Follow up of 2023/24 improvement recommendations

	Prior Recommendation	Raised	Progress	Current position	Further action
Page 439	IR3 The Council should maintain its focus on addressing all the issues identified by Ofsted and addressed in their subsequent action plan with a view to improving the assessment rating at the next Ofsted.	2023/24	In 2025 the Council received an “Outstanding” rating from Ofsted. This is evidence that the Council has addressed the issues previously identified.	Addressed	No further action required
	The Council should as part of the revised Target Operating Model work being carried out by PwC ensure that the contract management tool has the necessary functionality to be able to track and monitor contracts and highlight contract end dates in a timely manner.	2023/24	The Council maintains a contracts register that lists awarded contracts with details such as value, supplier, and duration, supporting transparency and oversight. Contracts are risk-assessed and prioritised through the Council’s Risk & Business Continuity Team, which oversees strategic and operational risks, including those linked to procurement and service delivery.	Addressed	No further action required
	IR5 The Council should keep a separate record of tender waivers issued and should report on these quarterly to the Audit and Governance Committee.	2023/24	Audit and Governance Committee are presented with a Contract Rules Exemptions Update that details the use of waivers.	Addressed	No further action required



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Committee and Date

Audit and Governance
Committee
27th November 2025

Item

Public



Shropshire Council Audit Findings Report 2024/25

Responsible Officer:	James Walton	
email:	james.walton@shropshire.gov.uk	
Cabinet Member (Portfolio Holder):	Roger Evans	

1. Synopsis

This report sets out the progress with the audit of the Statement of Accounts for 2024/25, the current findings arising from the audit, and the timeline for the audit opinion being agreed for the accounts.

2. Executive Summary

- 2.1. On 30 September 2024, the Accounts and Audit (Amendment) Regulations 2024 came into force. These regulations required audited financial statements for the year ended 31 March 2025 to be published by the 27 February 2026.
- 2.2. The audit on the Statement of Accounts is substantially complete although there are some final audit queries still being worked through with the external audit team and a final review of the audit is still to be performed.
- 2.3. In order to provide an update on the current audit findings, Grant Thornton have produced an Audit Findings Report. The Audit Findings Report is attached to this report as Appendix 1.

3. Recommendations

- 3.1. Members are asked to receive and comment on the Audit Findings Report.

Report

4. Risk Assessment and Opportunities Appraisal

- 4.1. Details of the potential risks affecting the balances and financial health of the Council are detailed within the Statement of Accounts that has been subject to audit. The Audit Findings Report highlights the audit work that has been focussed on the significant risk areas identified for the 2024/25 audit.

5. Financial Implications

- 5.1. Shropshire Council continues to manage unprecedented financial demands and a financial emergency was declared by Cabinet on 10 September 2025. The overall financial position of the Council is set out in the monitoring position presented to Cabinet on a monthly basis. Significant management action has been instigated at all levels of the Council reducing spend to ensure the Council's financial survival. While all reports to Members provide the financial implications of decisions being taken, this may change as officers and/or Portfolio Holders review the overall financial situation and make decisions aligned to financial survivability. All non-essential spend will be stopped and all essential spend challenged. These actions may involve (this is not exhaustive):
- scaling down initiatives,
 - changing the scope of activities,
 - delaying implementation of agreed plans, or
 - extending delivery timescales.
- 5.2. The projected external audit fee for 2024/25 is set out in the Audit Findings Report. This has identified that additional costs are being projected over and above the scale fee initially set for 2024/25, however this is subject to agreement by the Public Sector Audit Appointments.

6. Climate Change Appraisal

- 6.1. This report does not directly make decisions on factors related to climate change.

7. Background

- 7.1. The external audit by Grant Thornton began on 28th July 2025 and was planned to be substantially complete by late November. As outlined in the Audit Findings Report, the audit has progressed well, and there are some limited items where testing is just being finalised.

8. External Audit Opinion

8.1. Grant Thornton are expected to provide an unqualified audit opinion on the 2024/25 Statement of Accounts and therefore should report as follows.

“In our opinion the financial statements:

- give a true and fair view of the financial position of the group and of the Authority as at 31 March 2025 and of the group’s expenditure and income and the Authority’s expenditure and income for the year then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

8.2. Grant Thornton have produced the Audit Findings Report on the 2024/25 Statement of Accounts based on the audit work to date, and this is attached at Appendix 1.

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

Approval of the Council’s Draft Statement of Accounts 2024/25

CIPFA’s Code of Practice (Code) on Local Authority Accounting

Financial Strategy 2024/25 – 2028/29

Local Member:

Appendices

1. Audit Findings (ISA 260) Report for Shropshire Council

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Audit Findings (ISA 260) Report for Shropshire Council

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Year ended 31 March 2025

November 2025



Grant Thornton UK LLP
Birmingham
www.grantthornton.co.uk

November 2025

Dear Councillor Kerr

Audit Findings for Shropshire Council for the year ending 31 March 2025

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This Audit Findings presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process and confirmation of auditor independence, as required by International Standard on Auditing (UK) 260. Its contents will be discussed with the Audit Committee.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

Chartered Accountants

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We encourage you to read our transparency report which sets out how the firm complies with the requirements of the Audit Firm Governance Code and the steps we have taken to manage risk, quality and internal control particularly through our Quality Management Approach. The report includes information on the firm's processes and practices for quality control, for ensuring independence and objectivity, for partner remuneration, our governance, our international network arrangements and our core values, amongst other things. This report is available at [transparency-report-2024-.pdf \(grantthornton.co.uk\)](https://www.grantthornton.co.uk/transparency-report-2024-25.pdf).

We would like to take this opportunity to record our appreciation for the kind assistance provided by the finance team and other staff during our audit.

Avtar Sohal

Director

For Grant Thornton UK LLP

Chartered Accountants

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Headlines and status of the audit

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Headlines

This page and the following summarises the key findings and other matters arising from the statutory audit of Shropshire Council (the 'Authority') and the preparation of the group and Authority's financial statements for the year ended 31 March 2025 for the attention of those charged with governance.

Financial statements

Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice (the 'Code'), we are required to report whether, in our opinion:

the group and Authority's financial statements give a true and fair view of the financial position of the group and Authority and the group and Authority's income and expenditure for the year; and

- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting and prepared in accordance with the Local Audit and Accountability Act 2014.

We are also required to report whether other information published together with the audited financial statements (including the Annual Governance Statement (AGS) and Narrative Report), is materially consistent with the financial statements and with our knowledge obtained during the audit, or otherwise whether this information appears to be materially misstated.

Our audit work was carried out between late July and November. Our findings are summarised on the following pages. We have not identified any material adjustments to your statement of accounts. We did identify a non-material adjustment which you are not adjusting for as it is not material. It was in relation to an investment property held for sale valuation where outdated acreage information was provided to the valuer resulting in an overstatement in value of £2.6m. The adjustment if made would have an impact on the level of the Authority's usable reserves. We also set out other audit adjustments later in this report.

We have also raised recommendations for management as a result of our audit work.

Our work is very well progressed and currently there are no matters of which we are aware that would require modification of our audit opinion or material changes to the financial statements, subject to the following main outstanding matters:

- completion of testing on remaining samples for creditors, debtors, fees and charges, grant income, HRA, social care spend, exit package approvals and leases
- receipt of final capitalisation direction from MHCLG, without which we cannot sign the accounts.
- receipt of signed management representation letter and review of the final set of financial statements and file review and quality checks.

We have concluded that the other information to be published with the financial statements, including the Annual Governance Statement, is consistent with our knowledge of your organisation and with the financial statements we have audited.

Our anticipated financial statements audit report opinion will be unqualified.

Headlines

Value for money (VFM) arrangements

Under the National Audit Office (NAO) Code of Audit Practice (the 'Code'), we are required to consider whether the Authority has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are required to report in more detail on the Authority's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

Auditors are required to report their commentary on the Authority's arrangements under the following specified criteria:

- Improving economy, efficiency and effectiveness;
- Financial sustainability; and
- Governance.

Our work on your value for money arrangements is now complete and is reported in detail in the Auditors Annual Report which accompanies this report. We have raised a statutory recommendation under Section 24 of the Local Audit and Accountability Act 2014 in relation to financial sustainability, the overall financial position of the Council and financial governance in budget setting. We identified two further significant weaknesses in relation to financial sustainability and another relating to governance. We also reported some improvement recommendations.

Headlines

Statutory duties

The Local Audit and Accountability Act 2014 (the ‘Act’) also requires us to:

- report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and
- to certify the closure of the audit.

We have reported a statutory written recommendation under Section 24 of the Local Audit and Accountability Act 2014 in our Auditors Annual Report. This is in relation to financial sustainability, the overall financial position of the Council and financial governance in budget setting.

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We have completed the majority of work required under the Code. However, we cannot formally conclude the audit and issue an audit certificate in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until:

- outstanding work to be performed in relation to objections from a member of the public; and
- confirmation has been received from the NAO that the group audit for Whole of Government Accounts for non-NHS has been certified by the C&AG and therefore no further work is required to be undertaken in order to discharge the auditor’s duties in relation to consolidation returns under paragraph 2.11 of the Code.

We are satisfied that this work does not have a material effect on the financial statements for the year ended 31 March 2025.

Significant matters

We did not encounter any significant difficulties or identify any significant matters arising during our audit. Indeed, the earlier completion of this audit was aided by good draft accounts supported by working papers and very good co-operation by your Finance Team throughout the audit. We would like to express our sincere gratitude to the Finance Team for this co-operation.

Headlines

National context – audit backlog

Government proposals around the backstop

On 30 September 2024, the Accounts and Audit (Amendment) Regulations 2024 came into force. This legislation introduced a series of backstop dates for local authority audits. These Regulations required audited financial statements to be published by the following dates:

- For years ended 31 March 2025 by 27 February 2026

For years ended 31 March 2026 by 31 January 2027

For years ended 31 March 2027 by 30 November 2027

The statutory instrument is supported by the National Audit Office's (NAO) new Code of Audit Practice 2024. The backstop dates were introduced with the purpose of clearing the backlog of historic financial statements and enable to the reset of local audit. Where audit work is not complete, this will give rise to a disclaimer of opinion. This means the auditor has not been able to form an opinion on the financial statements.

Group audit

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Group audit

In accordance with ISA (UK) 600 Revised, as group auditor we are required to obtain sufficient appropriate audit evidence regarding the financial information of the components and the consolidation process to express an opinion on whether the group financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework. The table below summarises our final group scoping which was the same as at planning, as well as the status of work on each component.

Component	Risk of material misstatement to the group	Auditor	Comments
Shropshire Council	Yes	Grant Thornton	Planned procedures are substantially complete with no significant issues outstanding. This was a full scope. This involved the audit of the entire financial information of the component using component materiality
Shropshire Towns and Rural Housing	No	Grant Thornton	Planned procedures are substantially complete with no significant issues outstanding. This involved analytical review by the Group Auditor.
Cornovii	Yes	Azets	Planned procedures are substantially complete with no significant issues outstanding. This involved specified audit procedures relating to risks of material misstatement of the group financial statements. Inventory and creditors balances are material.
West Mercia Energy	No	WR Partners	Planned procedures are substantially complete with no significant issues outstanding. This involved analytical procedures at group level
West Mercia Supplies (pensions)	No	None	Planned procedures are substantially complete with no significant issues outstanding. This involved analytical review by the Group Auditor

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- We will also require that the component auditor is independent under the independence requirements of the FRC and this may be stricter than the requirements for completing their local reports.
- Where a member of the Grant Thornton International network is involved, we will communicate to them your policy on non-audit services. You will ensure that each component entity within your group is aware of your policy.
- In order to use the work of the component auditor, Azets we will require the ability to access relevant component auditor documentation to complete our group audit. The nature, time and extent of our involvement in their work will begin with a discussion on risks, guidance on designing procedures, participation in meetings, followed by the review of relevant aspects of the audit documentation and meeting with appropriate members of management

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Materiality

Our approach to materiality

As communicated in our Audit Plan, we determined materiality at the planning stage for the Council as £13.086m based on approximately 1.7 % of prior year gross expenditure. At year-end, we have reconsidered planning materiality based on the draft consolidated financial statements and we have decided to increase materiality as the increase in expenditure was material.

Our approach to determining materiality is set out below.

Basis for our determination of materiality

- We have determined materiality at £14.72 million based on professional judgement in the context of our knowledge of the Authority.
- We have used 1.72% of gross expenditure as the basis for determining materiality for the Authority. Group materiality is £15.495m which is 1.8% of gross expenditure by the Group.

Performance materiality

- We have determined performance materiality at £9.568m, this is based on 65% of headline materiality. For the Group this is £10.071m.

Specific materiality

- We deem senior officer remuneration as a specific sensitive area for the users of the accounts and have applied a lower materiality on the remuneration disclosure. We calculated a materiality based on 1.72% of the total in the senior officers' remuneration note which was £24,410. We applied a performance materiality level of 65% of this (£15,866) and then applied this to individual lines within the senior officers' disclosure and the banding table

Reporting threshold

- We will report to you all misstatements identified in excess of £736,000, in addition to any matters considered to be qualitatively material. For the Group this is £774,800.

Our approach to materiality

A summary of our approach to determining materiality is set out below.

	Group (£)	Authority (£)	Qualitative factors considered
Materiality for the financial statements	15.495m	14.72m	Group benchmark is determined as a percentage (1.8%) of the Council’s group gross expenditure in the 2024/25. The benchmark for the Council’s materiality is determined as a percentage of the Group’s materiality benchmark using 95% as a baseline
Performance materiality	10.071m	9.568m	This equates to 65% of materiality and is due to the 2023/24 audit findings report.
Specific materiality for	21,410	21,410	We have identified senior officer remuneration as a balance where we will apply a lower materiality level, as these are considered sensitive disclosures.
Reporting threshold	774,800	736,000	We have used 5% of materiality level as our threshold for reporting issues.

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Overview of significant and other risks identified

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Overview of significant and other audit risks

The below table summarises the significant and other risks discussed in more detail on the subsequent pages.

Significant risks are defined by ISAs (UK) as an identified risk of material misstatement for which the assessment of inherent risk is close to the upper end of the spectrum due to the degree to which risk factors affect the combination of the likelihood of a misstatement occurring and the magnitude of the potential misstatement if that misstatement occurs.

Other risks are, in the auditor’s judgement, those where the risk of material misstatement is lower than that for a significant risk, but they are nonetheless an area of focus for our audit.

Risk title	Risk level	Change in risk since Audit Plan	Fraud risk	Level of judgement or estimation uncertainty	Status of work
Management override of controls	Significant	↔	✓	Low	●
Valuation of land and buildings	Significant	↔	✗	Medium	●
Valuation of pensions liability	Significant	↔	✗	High	●
Valuation of investment properties	Significant	↔	✗	Medium	●
Valuation of council housing	Other	↔	✗	Medium	●
Exceptional financial support accounting	Other	↔	✗	Low	●
IFRS16 First Year Implementation	Other	↔	✗	Low	●

- ↑

 Assessed risk increase since Audit Plan
- ↔

 Assessed risk consistent with Audit Plan
- ↓

 Assessed risk decrease since Audit Plan
- Not likely to result in material adjustment or change to disclosures within the financial statements
- Potential to result in material adjustment or significant change to disclosures within the financial statements
- Likely to result in material adjustment or significant change to disclosures within the financial statements

Significant risks

Risk identified	Audit procedures performed	Key observations
Management override of controls Under ISA (UK) 240, there is a non-rebuttable presumption that the risk of management override of controls is present in all entities. We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.	To address this risk we: • evaluated the design effectiveness of management controls over journals • analysed the journals listing and determined the criteria for selecting high risk unusual journals • tested unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration • gained an understanding of the accounting estimates and critical judgements applied made by management and considered their reasonableness with regard to corroborative evidence	Our audit work has not identified any issues in respect of management override of controls. For all journals reviewed we concluded that they were appropriate transactions. We have noted no material adjustments or findings in relation to override of controls. We are satisfied that judgements made by management are appropriate and have been determined using consistent methodology. Having assessed management judgements and estimates individually and in aggregate we are satisfied that there is no material misstatement arising from management bias across the financial statements.

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Significant risks

Risk identified

Presumed risk of fraud in revenue recognition

Under ISA (UK) 240, there is a rebuttable presumed risk of material misstatement due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud related to revenue recognition.

Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:

- there is little incentive to manipulate revenue recognition
- opportunities to manipulate revenue recognition are very limited
- the culture and ethical frameworks of local authorities, including this Council mean that all forms of fraud are seen as unacceptable.

Therefore we do not consider this to be a significant risk for the Council.

Audit procedures performed

Notwithstanding that we rebutted this risk, we still undertook a significant level of work on the Council and Group’s revenue streams, as they are material. We:

Accounting policies and systems

- evaluated the Council’s accounting policies for recognition of income and expenditure for its various income streams and compliance with the CIPFA Code
- updated our understanding of the Council’s business processes associated with accounting for income

Fees, charges and other service income

Agreed, on a sample basis, income and year end receivables from other income to invoices and cash payment or other supporting evidence.

Taxation and non-specific grant income

- Income for national non-domestic rates and council tax is predictable and therefore we conducted substantive analytical procedures. We also identified the reliefs given to payers, understood and documented the process for assessing claims and eligibility and then conducted substantive testing across the most significant reliefs.
- For other grants we sample tested items back to supporting information and subsequent receipt, considering accounting treatment where appropriate.

We also designed tests to address the risk that income has been understated, by not being recognised in the current financial year.

Key observations

Our audit work has not yet identified any issues in respect of revenue recognition but as noted earlier there is still some work outstanding in this area.

We are also satisfied that it is still appropriate to rebut this risk.

Significant risks

Risk identified	Audit procedures performed	Key observations
Presumed risk of fraud in expenditure recognition Practice note 10: Audit of financial statements of Public Sector Bodies in the United Kingdom (PN10) states that the risk of material misstatement due to fraud related to expenditure may be greater than the risk of material misstatement due to fraud related to revenue recognition for public sector bodies. We have rebutted this risk for the Council because: – expenditure is primarily related to employee costs – lack of incentive to manipulate financial results, coupled with an overall strong control environment. We therefore do not consider this to be a significant risk for the Council.	We consider that the risk relating to expenditure recognition would relate primarily to period-end journals and accruals which are considered as part of the standard audit tests below and our testing in relation to the significant risk of Management Override of Controls. We continued to review material expenditure transactions as part of our audit ensuring that it remains appropriate to rebut the risk of expenditure recognition for the Council. Notwithstanding that we have rebutted this risk, we still undertook a significant level of work on the Council’s expenditure streams, as they are material. We: • updated our understanding of the Council’s business processes associated with accounting for expenditure • performed testing over post year end transactions to assess completeness of expenditure recognition • tested a sample of operating expenses to gain assurance in respect of the accuracy and occurrence of expenditure recorded during the financial year.	We have not identified any issues in respect of expenditure recognition but as noted earlier there is still some work outstanding in this area.

Significant risks

Risk identified

Valuation of other land and buildings

The Authority revalues its land and buildings as a minimum on a rolling five-yearly basis with interim reviews. If the value of an asset class is projected to materially change during the period since the last valuation then further valuations are instructed.

This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions. Additionally, management will need to ensure the carrying value in the Authority and group financial statements is not materially different from the current value or the fair value (for surplus assets) at the financial statements date, where a rolling programme is used. Therefore, management employ a desk top review between full valuations.

We therefore identified valuation of other land and buildings, particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement.

Audit procedures performed

To address this risk we:

- evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work
- evaluated the competence, capabilities and objectivity of the valuation expert
- wrote to the valuer to confirm the basis on which the valuation is carried out to ensure that the requirements of the CIPFA Code are met
- challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding
- engaged our own valuer to assess the instructions to the Council's valuer, the Council valuer's report and the methodology and assumptions that underpin the valuation;
- tested revaluations made during the year to see if they have been input correctly into the Council's asset register
- evaluated the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end.
- for all assets not formally revalued or revalued on an indexation basis only, evaluated the judgements made by management in the determination of current value of these assets

Key observations

We have noted no material adjustments in relation to this significant risk.

We are satisfied that judgements made by management are appropriate and have been determined using consistent methodology.

Significant risks

Risk identified	Audit procedures performed	Key observations
Valuation of the net pension liability The Council’s pension fund net liability, as reflected in its balance sheet as the net defined benefit liability represents a significant estimate in the financial statements. Pension fund net liability is considered a significant estimate due to the size of the numbers involved and the sensitivity of the estimate to changes in the key assumptions. The methods applied in the calculation of IAS 19 estimates are routine and commonly applied by all actuarial firms in line with the requirements set out in the Code of practice for local government accounting (the applicable financial reporting framework). We have therefore concluded that there is not a significant risk of material misstatement in the IAS 19 estimate due to the methods and models used in their calculation. The source data used by the actuaries to produce the IAS 19 estimates is provided by the administering authorities and employers. We do not consider this to be a significant risk as this easily verifiable. The actuarial assumptions used are the responsibility of the entity but should be set on the advice given by the actuary. A small change in the key assumptions (discount rate, inflation rate, salary increase and life expectancy) can have a significant impact on the estimated IAS 19 liability. We have therefore concluded that there is a significant risk of material misstatement in the IAS estimate due to the assumptions used in their calculation. With regard to these assumptions, we have therefore identified valuation of the Council’s pension fund net liability as a significant risk.	We : • Updated our understanding of the processes and controls put in place by management to ensure that the Council’s pension fund net liability is not materially misstated and evaluate the design of associated controls • Evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work • Assessed the competence, capabilities and objectivity of the actuary who carried out the Council’s pension fund valuations • Tested the accuracy and completeness of the information provided by the Council to the actuary to estimate the liability • Tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary • Undertook procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor’s expert) and performing any additional procedures suggested within the report • Obtained assurances from the auditor of the Shropshire Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements • Evaluated any issues reported by the pension fund auditor • Reviewed the IFRIC14 assessment provided by the Actuary.	We had no significant findings. The Pension Fund Auditor (PFA) reported an unadjusted misstatement of £4,489,821 relating to estimation difference identified in the valuation of Investments (understated). The proportion relating to the Council is approximately £1,959,988. However, as the Actuary has applied IFRIC 14 to the current year valuation which brings down the value of net pension liability to nil, this will have no impact on the balance sheet

Significant risks

Risk identified	Audit procedures performed	Key observations
Valuation of investment property The Council is required to revalue its investment property annually. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions. We therefore identified valuation of investment properties, particularly revaluations and impairments, as an other risk.	We : • Evaluated management’s processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work • Evaluated the competence, capabilities and objectivity of the valuation expert • Wrote to the valuer to confirm the basis on which the valuation is carried out to ensure that the requirements of the CIPFA Code are met • Challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding • Engaged our own valuer to assess the instruction to the Council’s valuer, the Council’s valuer report and methodology and assumptions that underpin the valuation • Tested revaluations made during the year to see if they have been input correctly into the Council’s balance sheet • Ensured that any RICS guidance in relation to material uncertainty around property valuations has been considered by the valuer and is appropriately reflected in the financial statements	Our audit work has not identified any material issues in respect of valuation of investment property. However, we did identify an overstatement of asset values of an investment property held for sale (£2.6m) due to incorrect information being passed to the valuer. There were no other similar errors noted.

Other risks

Risk identified	Audit procedures performed	Key observations
Valuation of council dwellings The Authority is required to revalue council dwellings annually. The Council uses the ‘Beacon Approach’ where representative properties are revalued, rather than each individual property. A social discount factor is then applied to reflect the fact the properties cannot be sold on the open market. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions. We therefore identified valuation of council dwellings, particularly revaluations and impairments, as another risk.	The Council is required to revalue council dwellings annually. The Council uses the ‘Beacon Approach’ where representative properties are revalued, rather than each individual property. A social discount factor is then applied to reflect the fact the properties cannot be sold on the open market. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions. We therefore identified valuation of council dwellings, particularly revaluations and impairments, as an other risk.	Our audit work has not identified any material issues in respect of valuation of council housing and we are satisfied that the balance is free from material misstatement.

Other risks

Risk identified

Exceptional financial support

Due to its deteriorating financial position, the Council has been informed by MHCLG that it is likely to be in receipt of Exceptional Financial Support (EFS) in 2024/25 and 2025/26.

Due to the significance of EFS to the Council, we identified the presentation and disclosure of exceptional financial support a risk requiring special audit consideration.

Audit procedures performed

We :

- Evaluated the Council’s accounting policy for recognition of external financial support for appropriateness
- Gained an understanding of the Council’s system for accounting for exceptional financial support and evaluated the design of associated controls
- Tested a sample of balances
- Ensured disclosures in the accounts are appropriate

Key observations

We did not identify any significant issues in our work in this area and expenditure was in accordance with the draft letter from MHCLG. However, the Council is still awaiting the final capitalisation direction letter to confirm this. This is required before we issue the audit opinion.

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IFRS16

IFRS16 Leases was implemented by the Council from 1 April 2024. This new standard sets out the principles for recognition, measurement, presentation and disclosure of leases and replaces IAS17. The aim of the standard is to ensure that lessees and lessors present this accurately – for example, those leases previously assessed as operating leases by lessees will need to be accounted for on a balance sheet as a liability and associated right of use asset. This will provide a basis for users of the financial statements to assess effects that leases have on the financial position, financial performance and cash flows of an entity

We:

Updated our understanding of the processes and controls put in place by management to ensure that the Lease Liability and Right of Use Asset on the Balance Sheet is accurate and complete

Reviewed accounting policies and associate disclosures relating to leases

Understood the basis of the accounting estimate including models, method and experts used

Understood how the Council identifies peppercorn rentals and recognizes these under IFRS16

Obtained sufficient and appropriate audit evidence to support management’s process and testing of leases

Our work on the completeness assertion of this balance is complete and there were no significant findings from this work. Our work on the testing of accuracy of leases is on-going.

The Council amended relevant notes in several places in response to audit queries in the first year of implementation of IFRS16. This included splitting out the opening balance adjustment on transition (£3.727m) to IFRS16 rather than showing as an in-year movement and adjusting the MIRS (£1.183m) for peppercorn rents and donated assets as required.

Note 21-lease liability was updated to recategorise £6m of short-term lease liabilities against the PFI and Finance Lease Liabilities.

Other findings

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Financial Statements – key judgements and estimates

This section provides commentary on key estimates and judgements in line with the enhanced requirements for auditors.

Significant judgement or estimate	Summary of management’s approach	Audit Comments	Assessment
Other Land and Building valuations.	Other land and buildings comprises specialised assets such as schools and libraries, which are required to be valued at depreciated replacement cost (DRC) at year end, reflecting the cost of a modern equivalent asset necessary to deliver the same service provision. The remainder of other land and buildings are not specialised in nature and are required to be valued at existing use in value (EUV) at year end. The Council has engaged a number of valuers, including its in-house property team to complete the valuation of properties as at 31 March 2025. The Council carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at current value is revalued at least every five years but are also subject to an annual desktop review. We have considered the expertise of your valuers and the methods used as well as considering the accuracy of information used and movements between years. We have no concerns in these areas.	We have set out our findings in relation to the valuation of other land and buildings earlier in this report.	We consider management’s process is appropriate although we did identify an error on valuation of a property as set out earlier.
Investment properties	Investment properties are initially measured at cost and thereafter at fair value, which is interpreted as the amount that would be paid for the asset in its highest and best use, i.e. market value (MV). Investment properties held at fair value are not depreciated. The fair value of investment properties reflect market conditions at the Balance Sheet date; this means the periodic (5-yearly) revaluation approach may only be used where the carrying amount does not differ materially from that which would be determined using fair value at Balance Sheet date. As such the Council carries out an annual review to ensure their valuation reflects fair value at the balance sheet date. We have considered the expertise of your valuers and the methods used as well as considering the accuracy of information used and movements between years.	We have set out our findings in relation to the valuation of other land and buildings earlier in this report.	We consider management’s process is appropriate although we did identify an error on valuation of a property as set out earlier.

Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management’s approach	Audit Comments	Assessment
Net pension liability	A full actuarial valuation is required every three years. The latest full actuarial valuation was completed in 2022. A roll forward approach is used in intervening periods, which utilises key assumptions such as life expectancy, discount rates, salary growth and investment returns. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements.	There were no significant issues in this work. Please see earlier conclusions.	We consider management’s process is appropriate and key assumptions are neither optimistic or cautious

Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Land and Buildings – Council Housing	The Council owns 4,037 dwellings and is required to revalue these properties in accordance with DCLG's Stock Valuation for Resource Accounting guidance. The guidance requires the use of beacon methodology, in which a detailed valuation of representative property types is then applied to similar properties.	We have tested that properties are included in the correct beacon, and that the valuations used are appropriate given the area and reduction for the social use factor. We note that there were a number of beacons where comparable data was not available. This is due to a lack of market activity during the year. Where the Valuer has not been able to use comparable data, the beacon value has been adjusted by the movement in the house price index instead. The House Price Index figures are provided by HM Land Registry and are available from the gov.uk website. This is considered to be a reasonable approach in the circumstances. Where comparative information were available, they often took place a year or more ago. The Valuer has used their judgement to factor in the time of these comparables when setting the beacon value. For each of the samples where a comparable was available we consider the beacon value to be reasonable in relation to the comparable. Where there was no readily available comparative information, we have carried out further testing to ensure we have assurance over the value. Based on the work performed on the sample selected, we have concluded that the valuer's assumptions and judgements are reasonable, and therefore we do not consider that there is any misstatement.	We consider management's process is appropriate and key assumptions are neither optimistic or cautious

Financial Statements: Information Technology

This section provides an overview of results from our assessment of Information Technology (IT) environment and controls which included identifying risks from the use of IT related to business process controls relevant to the financial audit. This includes an overall IT General Control (ITGC) rating per IT system and details of the ratings assigned to individual control areas. For further detail of the IT audit scope and findings please see separate ‘IT Audit Findings’ report.

IT application	Level of assessment performed	Overall ITGC rating	ITGC control area rating			Related significant risks/other risks
			Security management	Technology acquisition, development and maintenance	Technology infrastructure	
Unit 4 – ERP (Financial reporting and payment system)	Detailed ITGC assessment (design effectiveness only)					Management override of controls (journals), Valuation of PPE and investment property assets and valuation of Pension liability.
Active Directory	Detailed ITGC assessment (design effectiveness only)					Management override of controls (journals), Valuation of PPE and investment property assets and valuation of Pension liability.

Assessment

-  Significant deficiencies identified in IT controls relevant to the audit of financial statements
-  Non-significant deficiencies identified in IT controls relevant to the audit of financial statements/significant deficiencies identified but with sufficient mitigation of relevant risk
-  IT controls relevant to the audit of financial statements judged to be effective at the level of testing in scope
-  Not in scope for testing

Communication requirements and other responsibilities

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Other communication requirements

Issue	Commentary
Matters in relation to fraud	• We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures.
Matters in relation to related parties	• We are not aware of any related parties or related party transactions which have not been disclosed
Matters in relation to laws and regulations	• We are not aware of any significant incidences of non-compliance.
Confirmation requests from third parties	• We requested from management permission to send confirmation requests to the Authority’s banking and treasury partners. This permission was granted and the requests were sent. These were returned with positive confirmation.
Disclosures	• Our review found no material omissions in the financial statements
Significant difficulties	• There were no significant difficulties faced by the audit team during the audit.

Other responsibilities

Issue	Commentary
Going concern	In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2024). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies. Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities: • The use of the going concern basis of accounting is not a matter of significant focus of the auditor’s time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity’s services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities • For many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. Our consideration of the Authority’s financial sustainability is addressed by our value for money work, which is covered elsewhere in this report. (continued)

Other responsibilities

Issue	Commentary
Going concern	Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Authority and Group meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated: • the nature of the Authority and Group and the environment in which it operates • the Authority’s and Group’s financial reporting framework • the Authority’s and Group’s system of internal control for identifying events or conditions relevant to going concern • management’s going concern assessment. On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that: • a material uncertainty related to going concern has not been identified; and • management’s use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Other responsibilities

Issue	Commentary
Matters on which we report by exception	We are required to report on a number of matters by exception in a number of areas: • if the Annual Governance Statement does not comply with disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit, • if we have applied any of our statutory powers or duties. • where we are not satisfied in respect of arrangements to secure value for money and have reported [a] significant weakness/es. We have nothing to report on these matters except we have reported a statutory written recommendation under Section 24 of the Local Audit and Accountability Act 2014 in our Auditors Annual Report. This is in relation to financial sustainability, the overall financial position of the Council and financial governance in budget setting.
Specified procedures for Whole of Government Accounts	We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions. Note that detailed work is not required as the Authority does not exceed the threshold.
Certification of closure of the audit	We intend to delay the certification of the closure of the 2024/25 audit of the Authority in the audit report until the NAO have notified us that their work in respect on whole of government accounts is complete. We also need to complete outstanding work in relation to two objections from the public from prior years.
Other information	We are required to give an opinion on whether the other information published together with the audited financial statements (including the Annual Governance Statement and Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. Some minor inconsistencies were identified and corrected for. We plan to issue an unmodified opinion in this respect.

Audit adjustments

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Audit adjustments

Impact of adjusted misstatements

There are no adjusted misstatements.

Impact of unadjusted misstatements

The table below provides details of adjustments identified during the audit which have not been made within the final set of financial statements. The Audit Committee is required to approve management's proposed treatment of all items recorded within the table below.

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Detail	Comprehensive Income and Expenditure Statement	Balance Sheet	Impact on total net expenditure	Impact on general fund
	£'000	£'000	£'000	£'000
Investment properties held for sale	2,600	2,600	2,600	0
Outdated information was supplied to an external valuer for one investment asset valuation, leading to the valuer using inaccurate information as the basis for the valuation. As a result, it is estimated that the asset is overvalued in the accounts by £2.6 million. This was not adjusted for as it was not material to the accounts.				

Audit adjustments

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Disclosure	Misclassification or change identified	Adjusted?
DSG	The CIPFA Code requires disclosure of the "Net DSG Position at the end of 2024/25" (which amounts to £17.6m), but it was not initially included in Note 37 - Dedicated School Grant. This has now been added. This does not impact on any other line item in the disclosure.	Y
IFRS16	The Council amended relevant notes in several places in response to audit queries in the first year of implementation of IFRS16. This included splitting out the opening balance adjustment on transition to IFRS16 (£3.727m) rather than showing as an in-year movement and adjusting the MIRS (£1.183m) for peppercorn rents and donated assets as required. Note 21-lease liability was re-categorised to include to include £6m of short-term lease liabilities against the PFI and Finance Lease Liabilities.	Y
PFI accounting policy	The wording of the accounting policy for PFI life-cycle costs was updated.	Y
Impairment	Note 22-financial instrument risks- disclosures allowances for impairment (bad debt) was updated with 2024/25 values. The narrative was also updated to include credit risk on short term loans.	Y
Estimation uncertainty	Notes around estimation uncertainty were removed as the impact was no longer material or not required for example accruals, NNDR, debt impairment and infrastructure.	Y
Pensions	A note on impact of the recent Virgin Media test case was added to defined liability pension notes.	Y
Investment properties	Additional disclosures were added to Note 17 - investment properties to comply with additional requirements for level 3 assets e.g. a note on transfers to and from the category.	Y
Group accounts	Note G9 relating to group pension liability was updated to correct prior year comparative figures.	Y
Throughout	Some typographical, casting, references to incorrect years, misleading use of brackets and formatting errors have been identified throughout the financial statements. There were also some other changes made to disclosure notes following our initial review of the accounts.	Y

Action plan

We set out here our recommendations for the Authority which we have identified as a result of issues identified during our audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards. They include recommendations from the previous year which are still relevant.

Assessment	Issue and risk	Recommendations
● Medium	Outdated information was supplied to the external valuer for one investment asset valuation, leading to the valuer using inaccurate information as the basis for the valuation. As a result, it is estimated that the asset is overvalued in the accounts by £2.5 million	We recommend that management should establish an effective quality control process to verify the accuracy of key valuation inputs provided to your expert valuers. Management response The Estates Manager – Corporate Landlord will establish and implement an effective quality control process (dual sign off process by Estates Manager and senior surveyor) to verify the accuracy of key valuation inputs provided to your expert valuers
● Medium	During our review of the 31 March 2025 bank reconciliation, we noted that an amount of £165k was incorrectly included within the closing bank balance for the year of 2024/25. The third-party confirmation from Natwest showed a different balance of £737.28. The amount was subsequently corrected in the April reconciliation. The amount was previously omitted from the Pay360-to-bank reconciliation figures and was carried forward at year-end as a discrepancy. This account forms part of the sweep process and is transferred to the consolidated account. Since the account has been opened, a total of £165,682.28 in Leaving Care payments have been processed through it. We are satisfied that the correction in the April 2025 was appropriate. However, this indicates an opportunity to strengthen review and reconciliation controls to ensure accuracy of the closing balance of cash at year end.	We recommend that management should ensure that monthly cash reconciliations are reviewed with particular attention to the year end bank balances. Management response Management review of monthly cash reconciliations have already been implemented, which is how this issue was originally identified.

Key

- High – Significant effect on control system and/or financial statements
- Medium – Limited impact on control system and/or financial statements
- Low – Best practice for control systems and financial statements

Action plan (continued)

We set out here our recommendations for the Authority which we have identified as a result of issues identified during our audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards. They include recommendations from the previous year which are still relevant.

Assessment	Issue and risk	Recommendations
● Medium	Where a full revaluation of any land and buildings is not carried out in year, the Authority’s internal valuation team applies what they consider an appropriate index to ensure the assets are not materially misstated. The valuer did not retain their detailed workings of this exercise for audit review. We carried out our own estimation of valuation movements using what we considered were appropriate indices and this demonstrated that the valuers estimate was reasonable.	The Authority should ensure that its detailed calculations of revaluations resulting from the annual indexation of assets not revalued in the year are always retained for audit purposes. Management response The Estates Manager – Corporate Landlord will ensure detailed calculations of revaluations resulting from the annual indexation of assets not revalued in the year, are always retained for audit purposes.

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Key

- High – Significant effect on control system and/or financial statements
- Medium – Limited impact on control system and/or financial statements
- Low – Best practice for control systems and financial statements

Value for Money arrangements

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Value for Money arrangements

Approach to Value for Money work for the year ended 31 March 2025

The National Audit Office issued its latest Value for Money guidance to auditors in November 2024. The Code requires auditors to consider whether a body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Additionally, The Code requires auditors to share a draft of the Auditor's Annual Report (AAR) with those charged with governance by 30th November each year from 2024-25. Our AAR will be reported to you at the November audit committee.

In undertaking our work, we are required to have regard to three specified reporting criteria. These are as set out below.

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Improving economy, efficiency and effectiveness

How the body uses information about its costs and performance to improve the way it manages and delivers its services.



Financial sustainability

How the body plans and manages its resources to ensure it can continue to deliver its services.



Governance

How the body ensures that it makes informed decisions and properly manages its risks.

Our work on your value for money arrangements is now complete and is reported in detail in the Auditors Annual Report which accompanies this report. We have raised a statutory recommendation under Section 24 of the Local Audit and Accountability Act 2014 in relation to financial sustainability, the overall financial position of the Council and financial governance in budget setting. We identified two further significant weaknesses in relation to financial sustainability and another relating to governance. We also reported some improvement recommendations.

Independence considerations

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Independence and ethics

- Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant matters that may bear upon the integrity, objectivity and independence of the firm or covered persons (including its partners, senior managers, managers). The only matter we wish to bring to your attention is that our PFI team have been engaged to carry out some work for your waste contractor Veolia. We have ensured appropriate safeguards are in place including ensuring the PFI team have no access to any information held by the audit team and requiring the audit team to confirm adherence to strict protocols around our work and information barriers obtained during the course of the audit.
- We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

- Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.
- Details of fees charged are detailed later in this report.

Transparency

- Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections.

Independence and ethics

Audit and non-audit services

The following non-audit services were identified which were charged from the beginning of the financial year to date, as well as the threats to our independence and safeguards that have been applied to mitigate these threats.

Service	Fees £	Threats identified	Safeguards
Audit related			
Certification of Housing capital receipts grant 2024/25 year (2023/24 billed in year at £7,500)	10,000	Self-Interest (because this is a recurring fee) Self-review (because GT provides audit services) Management	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work in comparison to the total fee for the audit and in particular relative to Grant Thornton UK LLP’s turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level. To mitigate against the self-review threat , the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.
Teachers' Pension Return 2024/25 year (2023/24 billed in year at £12,500)	12,500	Self-Interest (because this is a recurring fee) Self- review (because GT provides audit services) Management	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work in comparison to the total fee for the audit and in particular relative to Grant Thornton UK LLP’s turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors mitigate the perceived self-interest threat to an acceptable level. To mitigate against the self-review threat , the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.
Certification of Housing Benefit subsidy claim 2024/25 year (2023/24 billed in year at £51,138)	56,540	Self-Interest (because this is a recurring fee) Self- review (because GT provides audit services) Management	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work in comparison to the total fee for the audit and in particular relative to Grant Thornton UK LLP’s turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level. To mitigate against the self-review threat , the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants

Independence and ethics

As part of our assessment of our independence we note the following matters:

Matter	Conclusion
Relationships with Grant Thornton	We are not aware of any relationships between Grant Thornton and the Council that may reasonably be thought to bear on our integrity, independence and objectivity.
Relationships and Investments held by individuals	We have not identified any potential issues in respect of personal relationships with the Group or investments in the Group held by individuals.
Employment of Grant Thornton staff	We are not aware of any former Grant Thornton partners or staff being employed, or holding discussions in respect of employment, by the Group as a director or in a senior management role covering financial, accounting or control related areas.
Business relationships	We have not identified any business relationships between Grant Thornton and the Group.
Contingent fees in relation to non-audit services	No contingent fee arrangements are in place for non-audit services provided.
Gifts and hospitality	We have not identified any gifts or hospitality provided to, or received from, a member of the Council’s board, senior management or staff that would exceed the threshold set in the Ethical Standard.

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention and consider that an objective reasonable and informed third party would take the same view. The firm and each covered person have complied with the Financial Reporting Council’s Ethical Standard and confirm that we are independent and are able to express an objective opinion on the financial statements.

Fees

We set out below our fees charged for the audit and provision of non-audit services.

	Proposed fee (£)	Final fee (£)
PSAA Scale Audit Fee	400,504	400,504
Auditor's valuation expert (estimate)	7,500	7,500
IFR16	TBC	10,000
Additional group procedures	9,000	9,000
Total	TBC	TBC

Non-audit fees for other services

Estimated fee (£)

Audit Related Services:

Certification of Housing capital receipts grant (2023/24 and 2024/25)	10,000
Teachers' Pension Return (2023/24 and 2024/25]	12,500
Certification of Housing Benefit subsidy claim (2023/24 and 2024/25)	53,827 (2023/24) TBC (2024/25)
Audit of subsidiary company Shropshire Towns and Rural Housing Limited (STaRH) (Fee is paid for by STaRH Housing)	38,200

The tables set out the total fees for audit and non-audit services that we have been engaged to provide or charged from the beginning of the financial year to the current date as well as the threats to our independence and safeguards have been applied to mitigate these threats.

Non-audit services are consistent with the group's policy on the allotment of non-audit work to your auditor.

None of the services were provided on a contingent fee basis

For the purposes of our audit, we have made enquiries of all Grant Thornton teams within the Grant Thornton International Limited network member firms providing services to the Authority and senior management and affiliates which may reasonably be thought to bear on our integrity, independence and objectivity. The table summarises all non-audit services which were identified. We have adequate safeguards in place to mitigate the perceived self-interest threat from these fees.

We will confirm our final fees charged for the audit and provision of non-audit services once the work has been completed. Additional audit fees are subject to PSAA review and approval. The Authority's accounts include the 2024/25 PSAA scale fee but not the estimated cost for IAS16 work and auditor's expert work. All variations to audit fees are subject to PSAA approval. The total audit fee for 2024/25 in note 36 of the statement of accounts only includes the scale audit fee and not the additional fees shown in the table. They are exclusive of VAT.

Additional fee analysis – fee variation for in year work

The following table sets out further information on additional fees.

Grade	Rate (Determined by PSAA)	Hours	Fee variation for Audit 2024/25
Partner/Director	£428	3 (IFRS16) plus 3 (group)	2,568
Senior Manager/ Manager	£236	7 (IFRS16) plus 5.5 (group)	2,950
Senior Auditor	£153	46.2 (IFRS16) plus 42 (group)	13,495
Other staff	£117	0	0
Total		106.7	19,013

The above fee has been rounded down to £19,000. and is subject to review by PSAA who will make a final determination.

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Appendices

A. Communication of audit matters with those charged with governance

Our communication plan	Audit Plan	Audit Findings
Significant findings from the audit		●
Significant matters and issue arising during the audit and written representations that have been sought		●
Significant difficulties encountered during the audit		●
Significant deficiencies in internal control identified during the audit and whether that deficiency has been resolved by management		●
Significant matters arising in connection with related parties		●
Other matters that are significant to the oversight of the financial reporting process		●
Confirmation of independence of external experts or other auditors used as part of the audit		●
Evaluation methods employed and impact of changes to methods		●
Identification or suspicion of fraud involving management and/or which results in material misstatement of the financial statements		●
Non-compliance with laws and regulations		●
Unadjusted misstatements and material disclosure omissions		●
Confirm all requested explanation and documents have been provided		●
Distribution of tasks amongst auditors where more than one auditor has been appointed		●
Identify work performed by component auditors outside of the GTIL network in relation to consolidated financial statements		●
Scope of consolidation and compliance with financial reporting framework		●
Expected modifications to the auditor's report, or emphasis of matter		●

A. Communication of audit matters with those charged with governance

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	●	
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks	●	
Confirmation of independence and objectivity	●	●
a statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	●	●
Significant matters in relation to going concern	●	●
Matters in relation to the group audit, including: Scope of work on components, involvement of group auditors in component audits, concerns over quality of component auditors' work, limitations of scope on the group audit, fraud or suspected fraud	●	●
Views about the qualitative aspects of the Group's accounting and financial reporting practices including accounting policies, accounting estimates and financial statement disclosures		●
Significant findings from the audit		●
Significant matters and issue arising during the audit and written representations that have been sought		●
Significant difficulties encountered during the audit		●
Significant deficiencies in internal control identified during the audit		●
Significant matters arising in connection with related parties		●

A. Communication of audit matters with those charged with governance

Our communication plan	Audit Plan	Audit Findings
Identification or suspicion of fraud involving management and/or which results in material misstatement of the financial statements		●
Non-compliance with laws and regulations		●
Unadjusted misstatements and material disclosure omissions		●
Expected modifications to the auditor's report, or emphasis of matter		●

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ISA (UK) 260, as well as other ISAs (UK), prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table here.

This document, the Audit Findings, outlines those key issues, findings and other matters arising from the audit, which we consider should be communicated in writing rather than orally, together with an explanation as to how these have been resolved.

Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance.

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

Distribution of this Audit Findings report

Whilst we seek to ensure our audit findings are distributed to those individuals charged with governance, as a minimum a requirement exists for our findings to be distributed to all the company directors and those members of senior management with significant operational and strategic responsibilities. We are grateful for your specific consideration and onward distribution of our report, to those charged with governance.



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Committee and Date

Audit and Governance Committee

27th November 2025

10:00am

Item



Fraud, Special Investigation and RIPA Update

Responsible Officer:	Katie Williams		
email:	katie.williams@shropshire.gov.uk	Tel:	07584 217067
Cabinet Member (Portfolio Holder):	Heather Kidd, Leader of the Council Duncan Kerr, Chairman of the Audit and Governance Committee Roger Evans, Portfolio Holder – Finance		

1. Synopsis

This report provides a brief update on current fraud and special investigations undertaken by Internal Audit and the impact these have on the internal control environment, together with an update on Regulation of Investigatory Powers Act (RIPA) responsibilities.

2. Recommendations

- 2.1. The Committee is asked to consider and endorse, with appropriate comment, the contents of the Internal Fraud, Special Investigation and RIPA Update report.

Report

3. Risk Assessment and Opportunities Appraisal

- 3.1. An effective Internal Audit Service examines, evaluates and reports objectively on the risk management, control and governance processes, taking account of public sector internal auditing standards or guidance as a contribution to the proper, economic, efficient and effective use of resources. With special investigations, this is done via an investigation/ disciplinary report and management issues report which highlights weaknesses and proposes internal control improvements to reduce the potential for future frauds, losses or corruption.
- 3.2. The recommendations contained in this report are compatible with the provisions of the Human Rights Act 1998 and the Accounts and Audit Regulations 2015.
- 3.3. There are no direct environmental, equalities or consultation consequences of this proposal.

4. Financial Implications

- 4.1. The Internal Audit service is provided within the approved budget. The work undertaken by Internal Audit in relation to Fraud and Special Investigations contributes to the efficient and effective use of resources ensuring their optimal use to achieve the Council's identified outcomes.
- 4.2. Shropshire Council continues to manage unprecedented financial demands and a financial emergency was declared by Cabinet on 10 September 2025. The overall financial position of the Council is set out in the monitoring position presented to Cabinet on a monthly basis. Significant management action has been instigated at all levels of the Council reducing spend to ensure the Council's financial survival. While all reports to Members provide the financial implications of decisions being taken, this may change as officers review the overall financial situation and make decisions aligned to financial survivability. All non-essential spend will be stopped and all essential spend challenged. These actions may involve (this is not exhaustive):
 - scaling down initiatives,
 - changing the scope of activities,
 - delaying implementation of agreed plans, or
 - extending delivery timescales.

5. Climate Change Appraisal

- 5.1. This report does not directly make decisions on energy and fuel consumption; renewable energy generation; carbon offsetting and mitigation; or on climate change adaption. However, the work of the Committee will look at these aspects relevant to the governance, risk management and control environment.

6. Background

- 6.1. This report provides an update on special investigations completed by Internal Audit and recent RIPA activity as a standing agenda item for the Audit and Governance Committee. Members are requested to keep the information strictly confidential as some investigations or the associated disciplinary process may still be in progress.
- 6.2. The Council continues to operate a zero tolerance to fraud. This report focuses on the work supporting that approach, regardless of whether fraud, mismanagement or other irregularity has resulted.
- 6.3. In accordance with information requirements under the Local Government Transparency Code 2014, the Council publishes its fraud and irregularity data annually.
- 6.4. Full details of the Transparency Code 2014 can be found on the Shropshire Council website. <https://www.shropshire.gov.uk/open-data/>

7. Current Investigations

- 7.1. There are seven ongoing investigations, senior resources will continue to target completion of this work and the outcomes of will be reported to Audit and Governance Committee on conclusion.
- 7.2. No investigations have been concluded since the September Committee.

8. Regulation of Investigatory Powers Act (RIPA) Activity

- 8.1. Since to the departure of the Head of Business and Consumer Protection there have been no RIPA update to report. As part of the Council's new operating model responsibility for RIPA administration and management has moved to Service Director for Legal and Governance and Planning.
- 8.2. Consideration is currently being given to the transition and planned approach to the corporate management and adherence to RIPA legislation. This includes an external review of the existing policy and procedures, and full review of the training required for officers involved in the process as well as some high-level awareness raising advice to all staff so that they can at least identify when RIPA may apply.
- 8.3. Further consideration is being given to ongoing external support on RIPA activity where it is required. It is envisaged that the assessment of the current policy and procedures will be completed by March 2026, with training considered immediately. The Council is due to be inspected by the Investigatory Powers Commissioner (IPC) in 2026.

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

RIPA Draft Policy and Guidance reports to Council for January 2022

IPCO Surveillance and CHIS Inspection Shropshire Council

Local Member: N/A

Appendices

N/A

AUDIT AND GOVERNANCE COMMITTEE DECISION LOG FOR 2025/2026

Date	Issue	Progress	Resolved date
26.6.25	Invite Leader and CX regarding 6 years of limited assurance.	Will attend a future meeting	
26.6.25	Invite Director of Children Services in regard to the controls on the management of the budget and forecasting of demand	Done	26.09.25
26.6.25	Seek agreement from Council on increasing size of the Committee and changing title.	Done	17.07.25
16.07.25	Consider draft of the Corporate Governance Statement in Jan 2026	Update to November meeting	
16.07.25	Clarify whether members of the Audit Committee can have access to Internal Audit reports.	Done but awaiting all signatures before being given access. Chair has written to all those who have not signed.	
26.09.25	S151 Officer to set out contents of the Local Audit and Accountability Act 2014 to include the options available to External Audit		
26.09.25	Committee requested some background to the Transformation Boards when the Children's Social Care Budget Management update report in November. It was also requested that the update be presented in a trackable way so progress could be seen.		
26.09.25	The Committee queried whether the scoring was correct for the 'Failure of officers and members to adhere to Governance Arrangements' risk and whether 'Failure to meet Statutory obligations' should be a risk		
26.09.25	The Committee wish to seek power to convene working groups as and when required and requested that the Monitoring Officer check the constitution whether this needs to go to Council to agree.		
26.09.25	Future recommendations to avoid "noting" and specify that the Committee either accepts the re-assurance offered or requests		

	additional measures or information.		
26.09.25	The Committee wished the report on the Children's Social Care Budget Management update to be used as a good example.		
26.09.25	The deferred update on the Lantern to be presented to the next meeting		
26.09.25	Members requested updates for the next meeting in relation to Short Breaks and Deferred payments.		

By virtue of paragraph(s) 1, 2, 3, 7 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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