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

Date: 18 November 2026

Committee:
Audit & Governance Committee

Date: Thursday 26 November 2026
Time: 10.00 am
Venue: The Shrewsbury Room, 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

Richard Phillips
Director- Legal & Governance (Monitoring Officer).

Members of Audit & Governance Committee

Sharon Ritchie-Simmons (Chair)
Kate Halliday (Vice Chairman)
Duncan Kerr
Malcolm Myles-Hook
Mark Owen
Duncan Borrowman
Nigel Lumby
Greg Ebbs
Brendan Mallon

Your Committee Officer is:

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

When attending this meeting, Members are reminded of the three principles of the Jo Cox Foundation and Compassion in Politics Civility Pledge:

1. *Use a civil and constructive tone in debate*
2. *Act with integrity, honesty and compassion*
3. *Behave respectfully towards others, including those I disagree with*

*(Please note that while we strive to live stream meetings, technical issues may occasionally occur. In the event of a technical disruption, the meeting will be paused to try to resolve the issue. Should it not be possible to resume the live stream, the meeting will proceed as scheduled, and a backup recording will be made available after the meeting. Any disruption to the live stream does not affect the legality of the meeting).

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 25 September 2026 (Pages 1 - 12)

The Minutes of the meeting held on the 25 September 2026 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 Friday 20 November 2026.

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 Friday 20 November 2026.

6 Governance assurance: Constitution Review

A verbal update will be given by the Monitoring Officer.
Contact: Richard Phillips (01743) 256603

7 First line assurance: Asset Disposals (Pages 13 - 14)

The report of the Head of Property and Development is attached.
Contact: Steve Law (01743) 251017

8 **First line assurance: Final Approval Statement of Accounts 2025/26**

The report of the Interim Section 151 Officer is to follow – not yet finalised.
Contact: Duncan Whitfield (01743) 254928

9 **Third line assurance: External Audit: Auditors Annual Report 2025/26 (Value For Money)** (Pages 15 - 98)

The report of the Engagement Lead is attached.
Contact: Avtar S Sohal (0121) 232 6420

10 **Third line of assurance: External Audit: Shropshire Council Audit Findings Report 2025/26** (Pages 99 - 150)

The report of the Engagement Lead is attached.
Contact: Avtar S Sohal (0121) 232 6420

11 **Third line assurance: Internal Audit Performance Report and revised Annual Audit Plan 2026/27** (Pages 151 - 170)

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

12 **Second line assurance: Treasury Strategy Mid-Year Report 2026/27** (Pages 171 - 196)

The report of the Interim Section 151 Officer is attached.
Contact: Duncan Whitfield (01743) 254928

13 **Governance Assurance: Annual Audit and Governance Committee Self-Assessment** (Pages 197 - 218)

The report of the Interim Section 151 Officer is attached.
Contact: Duncan Whitfield (01743) 254928

14 **Second line assurance: Annual review of Counter Fraud, Bribery and Anti-Corruption Strategy and activities, including an update on the National Fraud Initiative** (Pages 219 - 250)

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

15 Date and Time of Next Meeting

The next meeting of the Audit Committee will be held on the 4 February 2027 at 10.00 am.

16 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.

17 Exempt Minutes of the previous meeting held on the 25th September 2026 (Pages 251 - 254)

The Exempt Minutes of the meeting held on the 25th September 2026 are attached for confirmation.
Contact: Michelle Dulson (01743) 257719

18 Third line assurance: Contract Rules Exemptions Update (Exempted by Category 3) (Pages 255 - 264)

The exempt report of the Monitoring Officer is attached.
Contact: Richard Phillips (01743) 256603

19 Third Line Assurance: Fraud, Special Investigation, RIPA and Exemptions Update (Exempted by Categories 1, 2, 3 and 7) (Pages 265 - 270)

The exempt report of the Internal Audit Manager is attached.
Contact: Katie Williams (01743) 255637

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Shropshire Council

Committee and Date

Audit & Governance Committee

26 November 2026

AUDIT & GOVERNANCE COMMITTEE

Draft Minutes of the meeting held on 25 September 2026
In the Council Chamber, The Guildhall, Frankwell Quay, Shrewsbury, SY3 8HQ
1.30pm – 4.40pm

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

Present
Councillor Sharon Ritchie-Simmons
Councillors Kate Halliday (Vice Chairman), Duncan Kerr, Malcolm Myles-Hook, Duncan Borrowman, Nigel Lumby and Brendan Mallon

33 **Apologies for Absence / Notification of Substitutes**

Apologies were received from Councillors Greg Ebbs and Mark Owen.

34 **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.

35 **Minutes of the previous meeting held on the 15 July 2026**

RESOLVED:

That the Minutes of the meeting of the Audit & Governance Committee held on the 15 July 2026 be approved as a true record and signed by the Chairman.

36 **Public Questions**

A public question had been received from Mr Graham Layton. The Head of Policy & Governance read the question, and the Chair 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.

37 **Member Questions**

There were no questions from Members.

38 **First line assurance: Chief Executive Update**

The Chief Executive introduced a report providing an update on governance improvement activity over the past 12 months, highlighting work undertaken to strengthen governance, accountability, risk management, internal control and insurance arrangements across the Council. It was reported that the Council had received a limited assurance opinion on its governance and control framework for a period of seven years, and that addressing this position remained a key organisational priority. The report acknowledged both progress made and the ongoing scale of required improvement. It was emphasised that governance arrangements remained in transition and that sustained effort would be required over time to embed change across the organisation.

The Chief Executive outlined a series of actions already implemented, including the introduction of regular statutory officer meetings, the establishment of a governance group chaired by the Chief Executive, strengthened oversight of performance, risk and compliance, improved engagement with internal and external audit, and a review of the Constitution and scheme of delegation. It was further noted that a revised senior leadership structure and recent senior appointments were intended to strengthen corporate capacity, improve accountability and provide clearer leadership for organisational improvement.

The Chief Executive explained that governance improvement was closely linked to wider organisational transformation, financial sustainability and the Council's response to external assurance and challenge. A more coordinated corporate approach was described, with increased visibility of governance issues and improved escalation routes enabling earlier intervention where required. Reference was made to emerging evidence of improvement, including increased engagement from services, stronger ownership of governance issues, and improved tracking of risk and compliance matters.

In response to questions regarding cultural change, a member expressed concern that improvements may not be embedded across all levels of the organisation and that organisational culture and underlying values required further attention, particularly within frontline services. The Chief Executive acknowledged that cultural change was central to the improvement programme and stated that the focus extended beyond behaviours to organisational values and expectations. It was noted that a structured programme for managers was being implemented, setting out clear expectations regarding performance, behaviours and accountability. It was also stated that some individuals may require additional support or reassessment of their suitability for roles where expectations were not met. The Chief Executive added that a staff engagement survey ("pulse survey") was being introduced and that a temporary dip in performance in some areas was anticipated as the organisation adjusted to increased expectations.

Clarification was requested on how independent oversight from the Audit and Governance Committee would interact with the Council's governance group, particularly in terms of access and engagement. The Chief Executive confirmed that the Chair of the Audit and Governance Committee, along with the Vice-Chair, would be welcome to attend the governance group and that further discussions would take place to strengthen joint working and improve responsiveness to governance issues.

A further question was raised regarding how the success of governance improvement would be measured and how the Committee would be assured that progress was being embedded. In response, the Chief Executive indicated that sustained improvement over

four consecutive quarters would be considered an important indicator of embedded change. It was also stated that internal audit outcomes, complaints data, performance development plan completion rates, and risk information would be used as key measures, and that a simplified summary dashboard would be developed for regular reporting to the Committee. A target of 80% completion of performance development plans was referenced as part of the current improvement expectations.

A member asked about the approach to strengthening the corporate leadership structure and how changes to staffing, structure and roles were being balanced. The Chief Executive confirmed that five of six senior leadership posts had been filled and that a more traditional local government structure had been introduced to strengthen accountability. It was explained that a management development programme was being rolled out to reinforce expectations regarding leadership behaviours, governance responsibility and organisational values. It was acknowledged that, as part of this change process, some staff may find adjustment challenging and that performance variation was possible during the transition period.

A question was raised regarding how the Council would ensure alignment between political leadership and the Chief Executive's role without compromising appropriate professional distance. The Chief Executive explained that regular engagement with the Leader was necessary and that the relationship required both cooperation and appropriate challenge. It was stated that the separation of political and officer roles was maintained, while acknowledging the need for coordinated working to deliver organisational priorities and financial sustainability. External feedback was referenced as indicating improved alignment between political and officer leadership compared with other authorities.

Assurance was sought on how decision-making processes would be evidenced and audited, particularly in relation to significant officer decisions. It was noted that improved governance structures and reporting arrangements were intended to strengthen oversight, and that transparency and accountability were central to ongoing governance improvements.

The Chair concluded discussion by noting the importance of ensuring that governance improvements were demonstrable and embedded, rather than purely structural or procedural. It was emphasised that assurance would be required over time through evidence of sustained improvement, supported by audit outcomes and risk management activity.

RESOLVED:

- To note the progress made in strengthening the Council's governance, risk management, internal control and assurance arrangements.
- To note the Chief Executive's continued commitment to leading the Council towards stronger governance, improved accountability and a culture of compliance, openness and constructive challenge.
- To note the next phase of governance improvement activity set out in the report.
- To continue to receive regular assurance on the delivery, impact and sustainability of governance improvement actions.

39 First line assurance: Exceptional Financial Support: External Assurance Review

The Committee received the report of the Section 151 Officer's which provided an update on the External Assurance Review linked to the Council's application for Exceptional Financial Support for the 2026/27 financial year. It was explained that approval of the support had been subject to an independent appraisal commissioned by the Department for Levelling Up, Housing and Communities and undertaken by CIPFA, which had been completed earlier in the year and subsequently published following ministerial consideration. The Section 151 Officer summarised that the findings of the review were highly critical, reflecting the scale of the Council's financial challenges, including a significant adverse budget variation of approximately fifty million pounds in the 2025/26 financial year and the cancellation of major capital schemes, including the North West Relief Road.

Members were advised that the findings of the external review were consistent with previously identified financial pressures and the Council's wider improvement programme, and therefore did not contain unexpected conclusions. It was further explained that the Council was required to respond formally to the review by the end of the month, and that draft management responses had been prepared for submission. It was also noted that these responses would subsequently be incorporated into a refreshed and consolidated improvement plan due to be presented later in the year, in order to ensure a single coherent framework for monitoring progress.

A detailed discussion followed regarding the Council's financial position and the credibility of its recovery planning. Concern was raised regarding the statement within the report indicating that it was unlikely the Council would be able to bridge the entire financial gap through currently viable plans at this stage. The Committee challenged whether it was appropriate to continue seeking Exceptional Financial Support without a clearly articulated and deliverable plan to achieve financial sustainability, noting that all councils face uncertainty but are still required to set balanced budgets and medium-term financial strategies.

In response, the Section 151 Officer stated that the Council's financial position was extremely challenging due to the scale of the budget gap, the high proportion of statutory services, particularly in social care, and the inherent unpredictability of demand-led services. It was emphasised that external factors such as demographic pressures, inflation, and borrowing costs could not be reliably forecast. The Officer stated that it was not considered responsible to present figures that could not be delivered, and that discussions with government were therefore focused on explaining the level of uncertainty and the constraints faced, rather than committing to precise numerical solutions that would not be achievable.

The Chief Executive supported this position, stating that the Council must avoid undermining its credibility by presenting unrealistic savings assumptions, referencing previous years where savings had been planned but not achieved. It was noted that loss of credibility could increase the risk of direct intervention or the appointment of commissioners. It was also stated that other local authorities were facing similar pressures, with some experiencing even more severe financial distress, and that the Council's approach needed to be realistic and grounded in deliverability.

Further discussion took place on the allocation of Exceptional Financial Support nationally. It was queried why a number of other councils had received additional financial support following similar reviews, while the Council had not been included in that allocation. It was clarified by the Section 151 Officer that the Council's position differed because it had already requested a significant element of transformation funding within its own Exceptional Financial Support application. It was explained that some other authorities had not included equivalent requests within their submissions, which influenced the distribution of additional support. Reference was also made to the fact that some authorities previously in similar support arrangements had subsequently re-entered such frameworks due to ongoing financial difficulties.

Members further discussed the Council's medium-term financial planning position. The Section 151 Officer explained that the Medium-Term Financial Plan had recently been refreshed, reducing the projected gap from approximately £120m to around £90m, and that a further update was planned. It was noted that the intention was to establish a more realistic base budget position, which would improve the Council's ability to identify achievable efficiencies and savings over time.

The Committee also considered the relationship between the Exceptional Financial Support process, the external assurance findings, and the Council's wider governance and improvement arrangements. It was acknowledged that the external review, the Improvement Plan, and the Council's financial recovery activity were closely interlinked and would be brought together into a single consolidated framework to support ongoing monitoring and accountability.

RESOLVED:

to note the report and recommendations contained therein and to support the overall direction of travel whilst continuing to seek stronger evidence of delivery and progress tracking.

40 Second line assurance: Annual Risk Management Update and Strategic Risks

The Committee received a report providing an update on corporate risk management arrangements, including the annual review of strategic, operational, and project risks, and proposals for a revised risk management framework.

The Head of Policy and Governance introduced the report and advised that it represented a fundamental reset of the council's approach to risk management, reflecting previously identified weaknesses in the control environment and the need for stronger corporate assurance. It was reported that responsibility for risk management would transfer into the governance and legal function from October, creating closer alignment with internal audit. It was confirmed that internal audit assurance over risk management would remain independently reported to the Committee to preserve audit objectivity. It was further noted that an interim Risk Manager had been appointed to support implementation of the revised framework, with permanent recruitment planned later.

The Committee was informed that the Council currently had twelve strategic risks, alongside approximately eighty-two operational risk registers containing over one thousand individual risks, and a further six hundred and thirty-nine project risks. It was explained that these would be subject to a comprehensive review between October and December, with all operational and project risks being reassessed using an updated ten-by-ten scoring matrix. The outputs of this exercise would then inform a refreshed set of strategic risks, which would feed into the Annual Governance Statement process for the following year.

Members sought assurance on whether the revised approach would include retrospective learning from previous major projects and decisions, including transport infrastructure schemes and other significant capital programmes. In response, it was stated that the process would primarily be forward-looking, but that previously identified risks arising from past decisions would be reassessed and incorporated where relevant into the new risk profile. It was also acknowledged that certain historic decisions had created ongoing risk exposures which now required formal recognition within the risk framework.

Concerns were raised regarding whether the revised approach would be sufficiently independent and robust to challenge historical organisational decisions and whether it would have the capacity to address politically sensitive or complex legacy issues. It was confirmed that the methodology would be applied consistently across all risk areas, and that professional internal audit standards would ensure that significant issues identified through the process would be escalated appropriately.

The Committee discussed whether strategic risk ownership should sit at senior statutory officer level or be delegated to service directors. It was clarified that strategic risks would be owned at statutory officer level following recent workshops, while responsibility for implementing mitigating actions would remain with Service Directors and operational leadership.

Members questioned whether the current draft strategic risks were sufficiently developed to be formally endorsed. It was noted that the risks had been extracted from the Annual Governance Statement and were not yet fully re-scored under the new framework. Some members expressed concern that the risks remained too high level and insufficiently refined for formal approval. In response, it was explained that the document represented an interim position pending completion of the full risk review exercise, and that further refinement would occur following completion of the operational risk reassessment.

The Committee also explored how risk appetite would be defined and embedded within the organisation. It was explained that the revised framework would establish a clearer risk tolerance model, allowing risks to be assessed consistently against agreed organisational appetite once the full review had been completed. It was noted that this would support more consistent decision-making across services.

Further discussion took place regarding the proposed use of a ten-by-ten risk scoring matrix. Members sought clarification on whether this would improve the ability to differentiate between likelihood and impact and how consistency would be ensured across services. It was confirmed that the approach was widely used across the public sector and would provide greater granularity than the existing system.

Questions were raised about whether risk management would be integrated with emergency planning and business continuity arrangements, given the Council's statutory responsibilities in relation to civil contingencies. It was confirmed that emergency planning and corporate risk management would continue to be closely aligned, and that integration with business continuity planning would form part of the revised framework.

Members also queried whether the volume of identified risks would be reduced and whether a clearer prioritisation approach would be introduced. It was explained that once the full review was completed, the intention would be to identify the highest priority risks, likely in the region of the top fifty to one hundred, which would form the basis of strategic oversight.

Assurance was sought on whether the revised framework would include mechanisms to ensure risks were not only recorded but actively managed with mitigation actions tracked to completion. It was confirmed that enhanced monitoring arrangements would be introduced, including clearer tracking of mitigation actions, ownership, and implementation timelines, with escalation routes where necessary.

RESOLVED:

to accept the report as an interim position and to note that the risk management framework was under development and that a further refined risk profile would be presented following completion of the full review cycle.

41 Third line assurance: Internal Audit Performance Report and revised Annual Audit Plan 2026/27

The Committee received a report from the Head of Policy and Governance presenting the internal audit performance position for the period April to August 2026 and the revised annual audit plan for 2026/27. The Head of Policy and Governance reported that twenty-nine final audit reports had been issued during the period, with seventeen providing either good or reasonable assurance. This represented 58% of opinions issued, compared with 35% in the equivalent period of the previous year. It was also reported that there had been a corresponding reduction in limited and unsatisfactory assurance opinions to 42%, compared with 65% in the previous equivalent period and 48% in the prior year outturn. The Committee was advised that 222 recommendations had been made across the reports, including two fundamental recommendations, and that revisions to the audit plan had been undertaken in response to resource constraints, slippage in delivery, emerging risks and consultation with Senior Officers.

In response to questions from Members, the Chair sought assurance regarding the significance of the reported improvement in assurance levels and whether there were areas of repeated limited assurance. The Head of Policy and Governance advised that repeated limited assurance findings were a concern, as they indicated that previously agreed management actions had not been implemented, and confirmed that such issues were taken into account when forming his year-end audit opinion.

In response to a query about how assurance was obtained that management had implemented agreed audit recommendations along with the escalation processes that existed where actions were not completed, the Head of Policy and Governance explained

that there was a defined escalation framework depending on audit assurance levels, whereby reports with limited or unsatisfactory assurance were escalated to relevant Service Directors and, where necessary, statutory officers including the Section 151 Officer, the Chief Executive and the Monitoring Officer. It was confirmed that implementation of significant and fundamental recommendations was monitored and escalated where required.

Further concern was raised regarding whether the audit plan appropriately reflected the Council's financial position and whether sufficient audit focus was being placed on high-cost and high-risk areas, particularly Children's Services and Adult Social Care. It was noted that Children's Services were experiencing significant financial pressure and that some key transformation-related audits appeared to have been reduced or removed. It was explained that the audit plan was developed through statutory requirements, risk assessment, consultation with Service Directors and statutory officers, and consideration of available audit resources. It was further explained that some audit areas had been adjusted due to resource reductions following staff departures and that certain areas were removed where alternative assurance existed, where management had already acknowledged issues and implemented action plans, or where work was ongoing and audit activity would not add value at that time. The Internal Audit Manager added that audit timing was a key factor, particularly where services were mid-transformation or where assurance work would duplicate existing reviews or management activity.

The Section 151 Officer further advised that internal audit was intended to support management improvement rather than duplicate operational responsibility, and that auditors did not always hold the specialist service expertise required to assess operational delivery models in areas such as social care in detail. It was also explained that audit activity must balance value for money with assurance coverage and capacity constraints.

A query was raised regarding interpretation of the audit trend data, and it was noted that over a five to six-year period the proportion of reasonable and limited assurance opinions had remained broadly stable, while extremes of good and unsatisfactory assurance were reducing. The Head of Policy and Governance responded that no firm conclusions could yet be drawn from the trend data in isolation and that a clearer picture would emerge once further audit work was completed later in the year.

A further question was raised concerning the reduction in audit resources due to the loss of a principal auditor and a senior auditor. The Head of Policy and Governance confirmed that recruitment would initially focus on the principal auditor post, with decisions on the second post to be made following completion of that recruitment process.

Members also queried whether changes in the role of the Head of Policy and Governance, including the addition of risk management responsibilities, would impact audit independence or capacity. It was confirmed that the impact was expected to be minimal and that professional standards and governance arrangements ensured independence of audit opinion would be maintained.

A Member sought clarification regarding audit coverage of payroll systems, noting a high volume of recommendations and ongoing issues. The Head of Policy and Governance confirmed that payroll remained an area of concern due to its system limitations and complexity, and that remediation would require significant system investment and long-

term work. The Section 151 Officer supported this position and noted that payroll system replacement would be a major undertaking with operational disruption risks.

RESOLVED:

that the Internal Audit Performance Report and the Revised Annual Audit Plan 2026/27 be endorsed;

that the Committee's concerns regarding prioritisation of audit activity in relation to key financial and service risks be noted for further consideration by officers.

42 Governance Assurance: Annual review of Audit and Governance Committee Terms of Reference

The Committee received the report of the Section 151 Officer who introduced the item and advised that the Terms of Reference were broadly sufficient to support the Committee's role, particularly in relation to governance, audit, and risk oversight. However, it was noted that, given the wider discussions during the meeting on audit, external reporting, and governance arrangements, Members may wish to consider whether any amendments were required, and Officers confirmed they were content to take any proposed amendments away for incorporation.

A point of clarification was raised regarding the CIPFA definition of an Audit Committee's purpose, noting that it referred to providing those charged with governance with independent and high-level focus. It was queried whether "those charged with governance" should be interpreted as the Council as a whole or the leadership and executive function, particularly given that the Council's constitution places governance responsibilities within the Cabinet structure. In response, it was stated that the Committee reported to full Council and not to Cabinet, and that governance arrangements and definitions were expected to be clarified further through the ongoing constitutional review.

Further clarification was requested regarding the appointment of independent co-opted members and whether the Committee itself appoints such members or whether this responsibility rested elsewhere within the Council, and how the process operated where more than one suitable candidate was identified. It was confirmed that delegated responsibility for the appointment process existed within the Section 151 function, but it was also clarified that, in practice, interviews and appointments had previously involved the Chair of the Committee alongside Officers, and that any appointment would ultimately be subject to Council agreement.

Concern was raised that the wording in the Terms of Reference relating to independent members required clarification, particularly in light of potential future changes indicating that more than one independent member may be required. It was suggested that the relevant paragraph should be reviewed and revised to reflect both current practice and anticipated developments.

Further concerns were raised that the constitutional review process had progressed without formal consultation with the Audit and Governance Committee. It was stated that

governance matters of this nature should ordinarily be presented to the Committee prior to wider Council consideration, particularly where they relate directly to the Committee's remit. In response, it was confirmed that the intention was for any new draft constitution to be brought to the Committee for consideration, and that this would include opportunities for comment.

Following discussion, it was proposed that, rather than approving the Terms of Reference in their current form, the item be deferred to the next meeting to allow clarification and refinement of the issues raised, including the CIPFA definition wording, independent member appointment arrangements, and reference to the constitutional review process. The Committee agreed that these matters required further clarification before formal approval.

RESOLVED:

that the Annual Review of the Audit and Governance Committee Terms of Reference be deferred for further review, with an updated version to be presented to the next meeting incorporating the clarifications requested by Members.

43 Third line assurance: Internal Audit Charter and Mandate

The Committee received the report of the Head of Policy and Governance who introduced the Internal Audit Charter and Mandate, which set out the position, authority, scope and reporting arrangements of the internal audit function within the organisation. The report confirmed that the charter provided internal audit with unrestricted access to personnel, records and assets required to undertake its work and defined its role in supporting governance and assurance. It also noted alignment with the new CIPFA Code of Practice for the Governance of Internal Audit and the requirement to comply with Global Internal Audit Standards, including annual reporting on conformance through a quality assurance and improvement programme.

Assurance was sought regarding safeguards in light of changes bringing risk management within the same broader governance structure as internal audit, and how independence would be maintained if concerns arose. In response, the Internal Audit Manager confirmed that professional standards require internal audit to maintain independence and that clear escalation routes remained in place, including reporting concerns to the Chair of the Audit and Governance Committee, External Audit, Section 151 Officer, the Chief Executive or the Leader if necessary. It was further confirmed that the reporting structure and statutory protections ensured audit objectivity would not be compromised.

RESOLVED:

to approve the Internal Audit Charter and Mandate.

44 Third line of assurance: External Audit: Shropshire County Pension Fund Annual Audit Findings (Information) 2025/26

The External Auditor presented an update on the Shropshire County Pension Fund audit, advising that the audit was substantially complete, with only a small number of outstanding

items of evidence required prior to finalisation. It was noted that the ISA 260 report would be issued once these matters were resolved. The External Auditor confirmed that completion of the pension fund audit would be aligned with completion of the Council's main financial statements audit, and that final sign-off was expected to take place in November.

It was further explained that while the audit fieldwork was largely complete, the certification process remained dependent on final completion procedures and the receipt of necessary assurances. A potential delay risk was highlighted in relation to the timing of the final confirmation of Exceptional Financial Support arrangements, which had previously resulted in delays in the prior year.

The External Auditor also confirmed that the financial statements audit for the Council was progressing in parallel and remained on track for completion within the same timeframe. It was noted that the audit findings report and draft value for money commentary had been completed and shared with management for response. The findings were described as robust, and it was indicated that statutory recommendations were likely to arise from the finalised report, subject to refinement following management responses. The report was also described as containing forward-looking commentary in addition to retrospective assessment of the 2025/26 arrangements.

In response to a query regarding whether any governance lessons from the pension fund audit could be applied more widely across the Council, the External Auditor advised that the pension fund operated as a distinct governance and financial structure with different regulatory and operational characteristics. It was noted that, although the governance framework differs significantly from that of the Council, improvements had been observed in responsiveness to audit queries and timeliness of audit completion across both areas.

A Member raised a query regarding the differing risk scoring methodologies used in the pension fund audit compared with the wider Council risk framework, specifically the use of three-level and four-level risk colour systems. The External Auditor confirmed that risk reporting approaches would be aligned at the point of final reporting to ensure consistency across the pension fund and Council audit outputs.

The Section 151 Officer provided clarification on the timetable for consideration of external audit outputs. It was confirmed that the Auditor's Annual Report and Value for Money conclusions would be presented to a special meeting of full Council within the statutory timeframe, followed by consideration by the Audit and Governance Committee at its subsequent meeting. It was further confirmed that the financial statements audit was expected to conclude in November, although final confirmation of Exceptional Financial Support arrangements was not anticipated until February, which could impact final sign-off timings.

The External Auditor confirmed that the draft Auditor's Annual Report had been shared with senior officers and that management responses were currently being finalised. It was indicated that the final report would reflect both identified weaknesses and progress made, alongside recommendations for ongoing improvement.

RESOLVED:

to note the update.

45 Date and Time of Next Meeting

Members noted that the next meeting of the Audit & Governance Committee would be held on Thursday 26 November 2026 at 10.00am.

46 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 item.

47 Third line assurance: Contract Rules Exemptions Update (Exempted by Category 3)

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

RESOLVED:

that the concerns raised by the Committee be formally escalated to Senior Officers for further investigation and response, and that further clarity be provided regarding the specific issues raised.

48 Third Line Assurance: Fraud, Special Investigation, RIPA and Exemptions Update (Exempted by Categories 1, 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: .....

Committee	Audit & Governance
Date and Time	26th November 2026 10.00 am Public

First-Line Assurance – Asset Disposals

Cabinet Member:	Councillor Roger Evans – Portfolio Holder for Finance
Lead Director:	Duncan Whitfield, Section 151 Officer
Service Area:	Place Shaping
Report Author	Kassandra Polyzoides – Interim Service Director Place Shaping
Officer contact details	01743 254797 – kassandra.polyzoides@shropshire.gov.uk
Electoral Divisions Affected	All
Key Decision?	Non-key
Cabinet Forward Plan	Not applicable
Report considered by	None

1. Purpose of the Report

1.1 This covering report provides the Audit and Governance Committee with an update in relation to the Council's approach to asset management, governance and assurance.

1.2 Rather than duplicate material already being considered through the Council's formal governance arrangements, Appendix A provides a link to the Asset Strategy and

Corporate Landlord Transformation Programme report being presented to Cabinet on 18 November 2026.

1.3 The Cabinet report provides the substantive update on the work undertaken to strengthen the Council's strategic approach to its estate, including the governance, oversight and assurance arrangements supporting asset management and disposal activity.

2. Recommendations

2.1 The Committee is invited to note the Cabinet report and the progress set out within it. Relevant officers will be in attendance at the meeting and will be available to respond to Members' questions and provide any further clarification or assurance required.

3. Appendices

Appendix A – Cabinet Report 18 November 2026: Asset Strategy and Corporate Landlord Review Transformation Programme/Appendix

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Shropshire Council

Auditor's Annual Report
Year ending 31 March 2026

November 2026



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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 2025/26 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.

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 2026 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 2025/26.
- 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 the Local Audit and Accountability Act 2014, auditors of an Authority have a duty to consider whether there are any issues arising during their work that require the use of a range of auditor's powers. These powers are set out on page 17 with a commentary on whether any of these powers have been used during this audit period.

In particular, auditors may issue:

- Statutory recommendations to the full Authority 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. During 2024/25, the NAO consulted on and updated the Code to align it with 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. The deadline requirement for 2025/26 AARs is 30 November 2026.

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Local government – context

Local government has remained under significant pressure in 2025/26

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

Despite the Fair Funding Review 2.0, many councils continue to face significant financial challenges, including social care, SEND and temporary accommodation 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



Digital change

AI and digital change are automating routine processes and enabling more personalised services for residents. This is shifting workforce skills as councils seek productivity gains. Risks around digital exclusion, data quality, ethics, and governance mean strong leadership and controls are increasingly important.



Reorganisation and Devolution

Many councils in England are 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. 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. There was also significant change in senior officer leadership in 2025/26 with a new Chief Executive and a new S151 Officer.

It is within this context that we set out our commentary on the Council's value for money arrangements in 2025-26.

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02 Executive Summary

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Executive Summary

2025-26 was a year of significant change for the Council with early signs of recovery later in the year. It is in this context that we set out our commentary on the Council's value for money arrangements in 2025-26. We will continue to monitor the Council's progress and will need to consider further use of our statutory powers if appropriate progress is not made.

We identify nine significant weaknesses in the Council's arrangements for Value for Money resulting in two statutory and seven key recommendations.

The statutory recommendations relate to financial sustainability and to governance.

In addition, we have retained two key recommendations relating to financial sustainability relating to savings and DSG and two key recommendations relating to governance relating to internal audit and risk management and made three key recommendations in economy, efficiency and effectiveness relating to corporate capacity, housing governance and procurement and contract management.

Recommendations made under section 24 schedule 7 of the Local Audit and Accountability Act 2014

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 Council's use of resources, we have additional powers and duties under the Local Audit and Accountability Act 2014. These include powers to issue 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 Council's accounts and to 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 inadequate arrangements relating to the Council's financial sustainability and corporate governance. Further details are set out on pages 8 to 10.

What does the Council need to do next? Schedule 7 of the Local Audit and Accountability Act 2014 requires the following actions: the Council 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 Council.

At that public meeting, the Council 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 Council must comply with.

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Statutory recommendations

SR1: Significant weakness identified in relation to financial sustainability

Key Finding: The Council faced significant financial sustainability and delivery risks in 2025-26 arising from a poorly constructed budget, failure to deliver planned savings and weak financial management arrangements. The scale of the financial challenge led the newly appointed Cabinet to declare a financial emergency in September 2025, introduce spending controls, and seek substantial EFS approval from the Government. Although the Council has made progress to strengthen financial management and reduce projected EFS, it remains exposed to significant financial risks, and it has substantial medium-term funding gap.

Evidence: The 2025-26 budget did not adequately reflect underlying demand pressures or contain deliverable savings plans for key services. Undelivered savings contributed £33.4m to the in-year overspend and the cost of a voluntary redundancy programme was not budgeted for. Capacity constraints further limited the Council's ability to control expenditure. The deterioration in the Council's financial position subsequently resulted in EFS. On 10 June 2026, the Cabinet received the 2025-26 outturn report, which showed a £49.43m adverse variation against the net budget.

Government approved up to £71m of EFS for 2025-26 and £130m for 2026-27, including support to address the revenue overspend and underwrite costs associated with the cancelled North-West Relief Road. The 2026-27 requirement was subsequently reduced to £121m and, following the appointment of an Interim Section 151 Officer in late 2025-26, further reductions were reflected in the July 2026 MTFP. By July 2026, the estimated EFS requirement for 2025-26 reduced to £61m, while the 2026-27 requirement reduced to £87m. The revised MTFP also showed a reduction in the projected EFS requirement for 2027-28 to £99m and to £121m in 2028-29. The Council's financial resilience deteriorated significantly in 2025-26. The General Fund Balance reduced from £34.28m on 31 March 2025 to £5m by 31 March 2026, leaving the Council with very limited reserves to respond to unforeseen financial pressures or emergencies. In July 2026, the Cabinet agreed to build reserves by £5m a year over the medium-term.

Impact: The scale of the projected funding gap, depleted reserves, rising borrowing requirements and related governance weaknesses indicate that financial sustainability is a significant risk.

Continued

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Statutory recommendations

SR1: Significant weakness identified in relation to financial sustainability

Statutory recommendation 1

Continued

SR1: The Council must develop and deliver, a programme of financial recovery with significant progress being made by March 2028 with full financial recovery by March 2029. This should be by achieving a balanced and resilient financial position and having a clear strategy for reducing and ultimately removing reliance on EFS. The goal should be for the Best Value Notice to be withdrawn. In particular, the Council must:

- Continue to identify, quantify and address the imbalance between recurring expenditure and available income through delivery of sustainable savings and the maximisation of appropriate income generation opportunities.
- Maintain robust financial challenge, oversight and spend controls, ensuring resources are allocated in accordance with statutory responsibilities, affordability considerations and agreed strategic priorities.
- Embed a culture of evidence-based financial planning, budgeting and forecasting, supported by robust assumptions and effective challenge processes which minimises the risk of optimism bias and ensure this is reported to elected members in a timely way.
- Implement a comprehensive Financial Sustainability and Recovery Strategy, supported by clear and measurable milestones, performance measures, reporting, and accountability arrangements that demonstrates a clear pathway to long-term financial resilience.
- Ensure transparent and regular reporting of progress to elected members, the Independent Improvement Board and MHCLG, in line with the Best Value Notice expectations.

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Statutory recommendations

SR2: Significant weakness identified in relation to governance

Key Finding: The Council's severe financial challenges are linked, at least in part, to longstanding weaknesses in its governance and control environment. The Head of Policy and Governance has issued a Limited Assurance opinion on the Council's control environment for seven consecutive years, demonstrating that previous improvement activity has not sufficiently addressed the underlying causes of governance weaknesses. In 2025-26, risk management was identified as a significant weakness, limiting the Council's ability to effectively identify, assess, monitor and mitigate strategic and operational risks. These issues are compounded by persistent capacity and capability pressures across key enabling services, including ongoing recruitment and retention difficulties in critical roles. Collectively, these factors have reduced organisational resilience, weakened corporate leadership and support functions, and increased the risk that governance weaknesses will persist, improvement activity will be delayed, and strategic objectives will not be achieved.

Evidence: The Head of Policy and Governance issued a Limited Assurance opinion on the Council's control environment for the seventh consecutive year, indicating that fundamental governance weaknesses remain unresolved despite previous recommendations and improvement actions.

In 2025-26, risk management was identified as a significant weakness to the Council's overall control environment, reducing assurance that risks are being consistently managed across the Council.

An unsatisfactory internal audit opinion for budget monitoring was reported to the February 2026 Audit and Governance Committee. The review identified fundamental weaknesses in budget monitoring arrangements and concluded that significant revisions were required to the budget-setting process and timetable. In May 2026, work was ongoing to strengthen financial monitoring and budget-setting arrangements as part of wider efforts to improve financial governance and long-term financial sustainability. The implementation date for the key management action arising from the budget monitoring review was set for February 2027, indicating that resolution of the underlying control weaknesses will take time.

The Council continues to experience persistent recruitment, retention, capacity and capability challenges across key services, affecting its ability to maintain effective governance arrangements, deliver improvement programmes, manage risk, and provide consistent corporate support. These workforce pressures have contributed to reduced organisational resilience and increased the risk of delayed improvements and continued governance weaknesses.

Continued.

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Statutory recommendations

SR2: Significant weakness identified in relation to governance

Continued

Impact: The scale of the projected funding gap, depleted reserves, rising borrowing requirements and related governance weaknesses indicate that financial sustainability is a significant risk.

Statutory recommendation 2

SR2: The Council must get an urgent grip on its corporate governance to improve its internal assurance arrangements by ensuring:

- Significant improvements are made to the timely implementation of internal audit recommendations.
- Risk management is enhanced by undertaking a comprehensive review and redesign of its corporate risk management framework to ensure risk management is embedded, effective and supports informed decision-making. This should include Officers establishing a clear responsibility and accountability for corporate risk management and updating and publishing the Risk Management Strategy and implementing a Council-wide Risk Assurance Model, with clear roles, responsibilities, reporting and review cycles.
- Improvements to budget monitoring, financial reporting, governance and assurance arrangements are fully embedded across the Council.
- The Council has sufficient capacity to deliver its Best Value responsibilities, and improving compliance with policies and procedures.
- Transparent and regular reporting of progress to elected members, the Independent Improvement Board and MHCLG, in line with the Best Value Notice expectations.

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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	2024/25 Assessment of arrangements		2025/26 Risk assessment	2025/26 Assessment of arrangements	
Financial sustainability	R	We made a statutory recommendation relating to pervasive weaknesses in the Council's financial position, Two key recommendations and one improvement recommendation.	Three risks of significant weakness identified in relation to financial sustainability, savings and DSG.	R	Our statutory recommendation is revised given the significant weakness in arrangements for financial sustainability we identified. Key recommendations were retained for savings and DSG deficit. One prior year key recommendation for savings closed and one improvement recommendation closed.
Governance	R	One key recommendation made relating to the "Limited Assurance". The statutory recommendation also related to governance issues with budget monitoring and reporting.	Four risks of significant weakness identified in relation to internal audit, risk management, budget monitoring and reporting and senior staff capacity.	R	Statutory recommendation made for governance including budget monitoring and reporting. One key recommendation retained relating to internal audit "Limited Assurance". Key recommendation made for risk management. Improvement recommendation made for scrutiny.
Improving economy, efficiency and effectiveness	A	An improvement recommendation made in relation in the LGA Peer Review action plan.	No risks of significant weakness identified	R	Significant weaknesses in arrangements for corporate capacity, housing governance, procurement and contract management were identified and three key recommendations made. Two improvement recommendation made to support the Council in improving arrangements for performance management and special educational needs and disabilities (SEND) services. One improvement recommendation closed.

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.

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Executive Summary

2025-26 was a year of significant change for the Council with early signs of recovery later in the year. It is in this context that we set out our commentary on the Council's value for money arrangements in 2025-26.

Context - In 2025-26, there was a significant shift in the Council's leadership and organisational culture. Following the local elections in May 2025, political control of the Council changed. One of the new Council Leader's first actions was to commission a Local Government Association (LGA) Corporate Peer Challenge (CPC), which reported in July 2025, providing an independent assessment of the Council's performance, governance and capacity for improvement. In September 2025, Full Council received a report from the Interim Chief Executive setting out the scale of the challenges facing the Council and the need for substantial improvement. The findings of the CPC report and the subsequent organisational review led to significant changes in senior leadership. The previous Chief Executive left the Council in September 2025, followed by the departure of the former Section 151 Officer in January 2026. These changes coincided with the Council's declaration of a financial emergency in September 2025 and marked the start of a wider programme to strengthen governance, accountability and organisational culture. We issued our statutory recommendation to the Council in November 2025 in our Auditor's Annual Report (AAR) 2024-25 relating to financial sustainability. This statutory recommendation is revised on page 9. We make a new statutory recommendation relating to governance on page 11 to reflect that the Council's severe financial challenges are linked, at least in part, to longstanding weaknesses in its governance and control environment.

The appointment of the Interim Chief Executive, who is now permanent, and the new interim S151 officer later in the year, represented a significant turning point for the Council. The Chief Executive introduced a Statutory Officers Group to establish stronger corporate oversight and a renewed focus on governance, compliance and accountability. An Improvement and Assurance Board was also established in November 2025, which is independently chaired. For much of 2025-26, budget monitoring and financial control across the Council was weak, this in part led to the financial emergency. However, performance improved in Quarter 4 of 2025-26. Progress was recognised through the LGA's follow-up review in May 2026, which identified clear evidence of renewed energy, pace and commitment from both political and officer leadership. The review highlighted improved relationships between members, officers and staff, greater visibility of leadership and the emergence of a more positive and collaborative organisational culture. However, the Council remains at an early stage of its improvement journey but has started establishing the foundations for recovery, although financial sustainability will take time to improve.

While progress was recognised by the LGA, which we support, the scale of the Council's financial and governance challenges remains significant. In July 2026, the Ministry of Housing, Communities and Local Government (MHCLG) issued the Council with a non-statutory Best Value Notice. The Notice highlighted concerns with the Council's financial sustainability, governance, leadership capacity and organisational culture, while also acknowledging the improvement activity already underway. The Council's political and managerial leadership must maintain the pace of changes already underway and sustain momentum so that changes are concluded and become embedded. We now summarise our key findings on the next pages.

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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

In our AAR 2024-25 we made a statutory recommendation relating to financial sustainability, the Council's financial position and financial governance in budget setting. This year we have revised this recommendation see page 9. In 2025-26, Adult Social Care and Children's Services accounted for 62% of the Council's £49.4m overspend on its net budget of £288.59m. Reviews by the Interim S151 Officer, found demand pressures and structural budget deficits were not fully reflected in budgets, forecasts lacked robustness, and financial challenge and oversight were insufficient. The Council has strengthened governance arrangements, improved collaboration between finance and services, and progressed transformation programmes to improve financial sustainability but these improvements need to embed.

The Council's medium-term financial sustainability is highly uncertain and continues to rely on Exceptional Financial Support (EFS). Although EFS usage in 2025-26 was lower than originally anticipated at £61.9m compared to the £71m approved, significant structural budget pressures remain. The 2026-27 budget was underpinned by a council tax increase of 8.99% and £121m of EFS both approved by the Government. However, a review of the assumptions underpinning the Medium-Term Financial Plan (MTFP) by the interim Section 151 Officer, resulted in a revised estimated EFS requirement of £87m in July 2026. While this demonstrates improved financial grip, the revised MTFP continues to identify substantial funding gaps over the medium-term. The most likely scenario is a budget gap for 2027-28 is £99m while the forecast EFS requirement for 2028-29 is £121m. This highlights the scale of the financial challenge facing the Council as it works towards long-term financial sustainability. Related to EFS, the Council's borrowing requirements is increasing significantly. In February 2026, total net borrowing stood at £465m, but is forecast to be £959m by 2028-29, increasing the Council's exposure to debt financing costs.

In February 2026, the MTFP for 2026-27 to 2030-31 included growth of £43.47m to offset unachieved savings in 2025-26 and just £5m of new savings for 2026-27. We note a gap of £123m for 2027-28. We make a revised key recommendation related to savings on page 32.

In 2024-25 we made a key recommendation relating to the Dedicated Schools Grant (DSG) deficit. This is retained on page 33. The DSG deficit increased from £17.65m in 2024-25 to £45.66m in 2025-26 and is forecast to be £50.94m by 2028-29 after allowing for the anticipated 90% grant support to cover the 2025-26 position. In our AAR 2024-25 we made an improvement recommendation for the Council to review its approach to reporting on slippage against the capital programme. The Council did improve monitoring in 2025-26. We close this recommendation.

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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.

Governance

Our AAR 2024-25 made a key recommendation that 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 opinion on the control environment has now been "Limited" for the last seven years. In 2024-25, we also retained a prior year improvement recommendation that the Council should develop a plan to demonstrate how it will move to improve its Internal Audit overall assessment of "Limited Assurance". This prior year key recommendation is closed; however, this is incorporated in our new statutory recommendation relating to governance on page 11 and and our key recommendation relating to internal audit controls on page 39.

In our AAR 2024-25 we retained a prior year improvement recommendation that the Council should address the minor control weaknesses identified in the Internal Audit risk management report in a timely manner. The Council's arrangements for risk management were a significant weakness to its control environment in 2025-26, and we escalate this to key recommendation on page 41.

Budget proposals were considered by the Transformation and Improvement Overview and Scrutiny Committee in January 2025 and were informed by public consultation and input from the Collaborative Budget Group, a cross-party forum. However, the 2025-26 budget did not reflect costs associated with known service users, and other cost pressures. An unsatisfactory internal audit assurance opinion for budget monitoring in February 2026 identified the need to review the budget-setting process and timetable, with improvement actions extending into 2027-28. We include budget setting and monitoring in our statutory recommendation on governance on page 11.

The Council's overview and scrutiny arrangements were limited in 2025-26, reducing the extent to which scrutiny supported informed decision-making, financial oversight and organisational improvement. We make an improvement recommendation on page 42.

We have identified a significant weakness in relation to procurement and contract management arrangements and a key recommendation on page 51.

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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.

Improving economy, efficiency and effectiveness

In 2025-26 and early 2026-27, the Council has strengthened its performance management arrangements including the new Corporate Plan for 2026-2030, a strategic performance framework and a suite of corporate key performance indicators (KPIs). However, key elements of the framework remained under development, including performance targets, benchmarking information, integrated business planning arrangements and the proposed balanced performance dashboard. We make an improvement recommendation on page 52.

The Council has experienced significant and persistent capacity and capability challenges across key corporate and enabling services and has challenges recruiting to key posts. These challenges have affected its ability to maintain effective governance, deliver transformation and improvement programmes, manage risk effectively and provide consistent support to operational services. We have identified a significant weakness in the Council's organisational capacity and capability and have included this in our statutory recommendation on page 10 (subject to PSA consultation) and a new key recommendation on page 47.

The Council performs strongly in key people-focused services. In February 2025, the Care Quality Commission (CQC) rated the Council's Adult Social Care services as Good, and this was followed by an Outstanding Ofsted judgement for Children's Services in June 2025. The latest special educational needs and disabilities (SEND) monitoring review recognised strong partnership leadership, a clear SEND and Alternative Provision Strategy but it made further recommendations to strengthen delivery and address remaining areas for improvement. We make an improvement recommendation on page 52.

We close our prior-year improvement recommendation for the Council to develop an action plan in response to the LGA report following the CPC in July 2025.

We have identified a range of weaknesses in our assessment in the Council's governance and oversight of its housing-related companies, Shropshire Towns and Rural Housing (STAR) (STAR is the Council's Arm's Length Management Organisation (ALMO) responsible for managing the Council's housing stock and delivering landlord services on its behalf) and Cornovii Developments Ltd (CDL). We therefore raise a significant weakness and make a key recommendation on page 49.

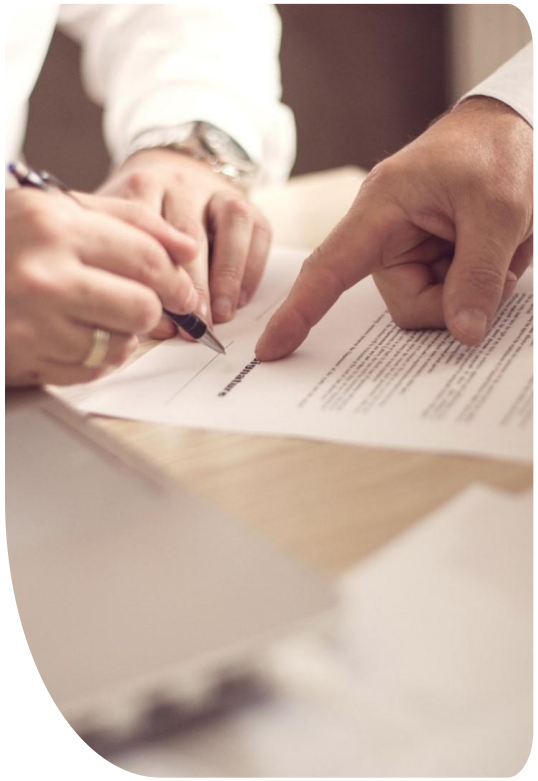
The Council recognised significant weaknesses in its procurement and contract management arrangements in 2025-26 and started an improvement programme. It adopted a revised Procurement Strategy in June 2026, established the Commissioning and Procurement Board, and invested in new contract management systems, processes and staff training. These improvements are yet to be embedded. We make a key recommendation on page 51.

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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	2025/26 outcome
Opinion on the Financial Statements	We anticipate to complete our audit of your financial statements and issued an unqualified audit opinion by the 30 November 2026, following the Audit Committee meeting on 26 November 2026. Our findings are set out in further detail on the proceeding pages.
Use of auditor's powers	We 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.



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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 November 2026.

The full opinion is included in the Council's Annual Report for 2025/26, 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 2026 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 2025/26
- 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 NAO Code of Audit Practice (2024, 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 2026 however failed to publish the supporting Annual Governance Statement (AGS) alongside the financial statements. The AGS was published in July 2026.

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 will be presented to the Council's Audit Committee on 26 November 2026. Requests for this Audit Findings Report should be directed to the Council.

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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

The Pension Fund is required to publish its Annual Report by 1 December 2025. We issue an auditor's consistency report which includes our opinion that the 2025/26 Shropshire Pension Fund financial statements within the Pension Fund Annual Report are consistent, in all material aspects, with those within the audited administering authority's Financial Statements.

We anticipate to issue an unqualified consistency report on the pension fund financial statements contained within the Pension Fund's Annual Report.

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 Pension Fund as at 31 March 2026 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 2025/26.
- 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

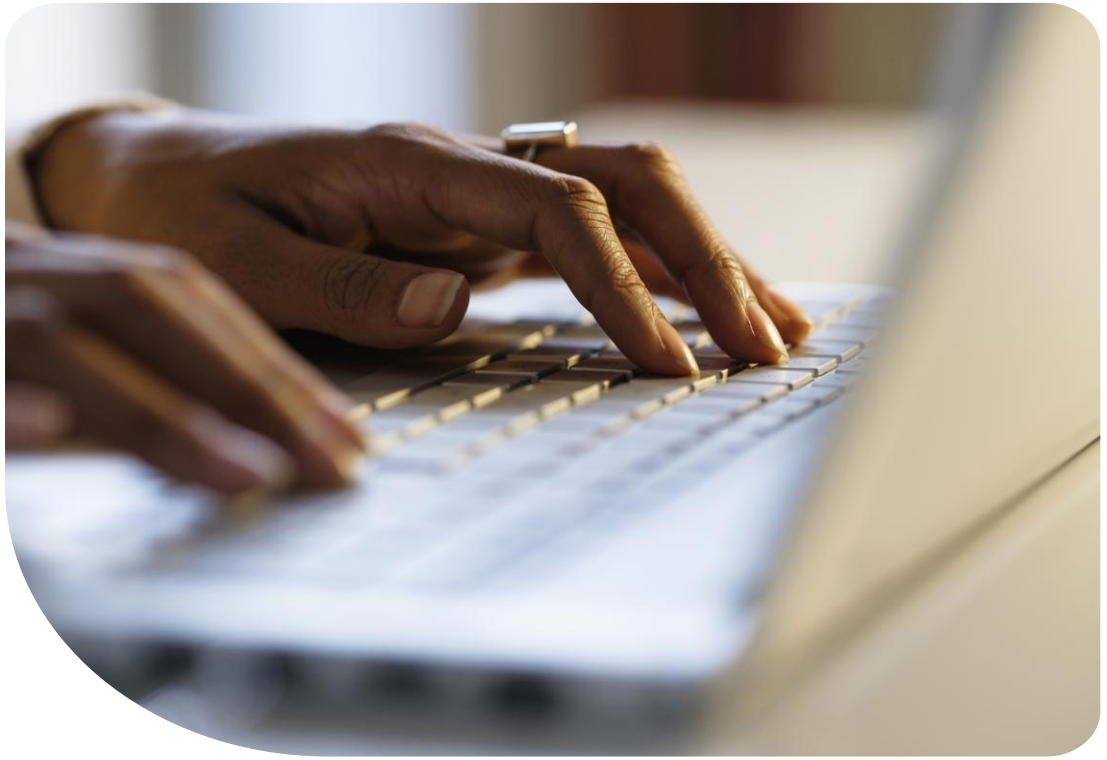
The Pension Fund provided draft accounts in line with the national deadline. Draft financial statements were of a reasonable standard and supported by detailed working papers.

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Opinion on the pension fund statements (continued)

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 Pension Fund's Audit Committee on 18 September 2026. Requests for this Audit Findings Report should be directed to the Council.



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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.

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.



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Use of auditor's powers

We bring the following matters to your attention:

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 made written recommendations under Section 24 of the Local Audit and Accountability Act 2014 given inadequate arrangements relating to the Council's financial sustainability and corporate governance. Further details are set out on pages 8 to 11.

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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.

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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 our AAR 2024-25 we made a statutory recommendation relating to financial sustainability, the Council's financial position and financial governance in budget setting. Although the Council has made progress to strengthen financial management and reduce projected EFS, it remains exposed to significant financial risks, it has substantial medium-term funding gap and has identified weaknesses in its governance arrangements. We make a revised statutory recommendation on page 9. The Council's medium-term financial sustainability remains highly uncertain and is reliant on Exceptional Financial Support (EFS). While the Council required a lower than anticipated use of EFS in 2025-26 (£61.9m compared to £71m approved), significant structural budget pressures remain, particularly in adults' and children's services, alongside challenges in delivering planned savings and transformation benefits. For 2026-27, the Council's budget was underpinned by £121m of EFS and an 8.99% council tax increase (we note this reduced to £87m in July 2026). In 2026-27, the Council undertook a review of assumptions underpinning its Medium-Term Financial Plan (MTFP), supported by CIPFA, resulting in lower forecast EFS requirements than previously expected. However, the revised MTFP still identified substantial funding gaps over future years, with EFS a key component of the Council's financial strategy. The most likely funding gap for 2027-28 is estimated at £99m (in a range of £82m to £125m). The forecast EFS requirement for 2028-29 is substantial at £121m, indicating continued dependence on government support and ongoing challenges in achieving long-term financial sustainability. The Council's borrowing requirements continue to increase significantly. In February 2026, total net borrowing stood at £465m, while the Capital Financing Requirement increased by £145m during 2025-26. Borrowing was forecast to rise further to £959m by 2028-29, increasing the Council's exposure to debt financing costs and placing additional pressure on long-term financial sustainability. Continued...	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.

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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	...Continued The LGA CPC report from July 2025, highlighted the need for a clearer and more quantified pathway to financial sustainability, including detailed savings plans, deliverable transformation benefits and a credible strategy to reduce reliance on EFS. The Council has begun to strengthen its financial planning assumptions and improve the robustness of its forecasts, but it has not yet demonstrated a sustainable route to longer-term financial recovery without EFS. In 2025-26, Adult Social Care and Children's Services accounted for 62% of the Council's £49.4m overspend on its net budget of £288.59m. Reviews found that demand pressures and structural budget deficits were not fully reflected in budgets, forecasts lacked robustness, and financial challenge and oversight were insufficient. The Council has strengthened governance arrangements, improved collaboration between finance and services, and progressed transformation programmes to improve financial sustainability. The Council also faced significant challenges in income collection and debt recovery. At Period 11, outstanding debt owing to the Council was £28m. An external review of the Revenue and Benefits Service undertaken in November 2025 found the service lacked sufficient capacity to manage debt arrears and required a two-year improvement programme to achieve compliance with its statutory responsibilities. The review highlighted management and staffing shortages of 25 posts. In response, the Council committed to delivering a comprehensive finance improvement programme in 2026-27 aimed at strengthening financial literacy and discipline, including improvements to forecasting, income collection and debt recovery. We have included capacity and capability weaknesses in our statutory recommendation on governance on page 11 and make a capacity and capability key recommendation on page 48. In 2024-25 we made a key recommendation relating to the Dedicated Schools Grant (DSG) deficit. This is retained on page 33. The DSG deficit increased from £17.65m in 2024-25 to £45.66m in 2025-26 and is forecast to be £92m by 2028-29 before allowing for the anticipated 90% grant support to cover the 2025-26 position which reduces the deficit to £50.9m.	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.

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Financial sustainability – commentary on arrangements

We considered how the Council:	Commentary on arrangements	Rating
Plans to bridge its funding gaps and identify achievable savings	In our AAR 2024-25 we made a statutory recommendation relating to financial sustainability and budget monitoring. This is revised on page 9 and a new statutory recommendation on governance is made on page 11 that includes monitoring. We also made a key recommendation that the Council should review all savings programmes to scrutinise deliverability and ensure that, when setting the budget for 2026-27 the savings programmes included are deliverable and achievable. In 2025-26, the Council planned to save £59.87m with support from its transformation partner PWC. The 2025-26 outturn showed £42.15m of unachieved savings, with just £17.72m (30%) of savings delivery achieved, of which £2.55m were one-off savings. In May 2026, the Council Commissioned Local Partnerships to undertake a lessons learnt review. It found PWC's role in supporting the Council to deliver its savings target was focused on identifying savings opportunities considered realisable. Responsibility for determining, designing and implementing the service, process and workforce changes necessary to achieve those savings remained with the Council. The lessons learnt review suggests the Council was unable to deliver these changes effectively, owing to a combination of capacity and capability constraints. In February 2026, the MTFP for 2026-27 to 2030-31 included growth of £43.47m to offset unachieved savings in 2025-26 and just £5m of new savings for 2026-27. We note an estimated gap of £99m for 2027-28. We make a revised key recommendation on page 32.	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.

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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	The Council's new People Plan 2025-2030, approved by Full Council in December 2025, is not costed. Given both the scale of this plan and the Council's medium-term financial challenge it is critical this is fully costed and supported with sufficient capacity and capability. We include this in our key recommendation regarding corporate capability and capacity on page 47. In our AAR 2024-25 we made an improvement recommendation for the Council to review its approach to reporting on slippage against the capital programme. The Council did improve monitoring in 2025-26. We close this recommendation. The Council started a significant redesign of its services in 2025-26 which led ta a full Council restructure which is ongoing in 2026-27. This is part of the Council's financial recovery plan and followed a change of Chief Executive in mid 2025-26.	R
plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities	Following the declaration of the financial emergency in September 2025 and changes to the top team the Council has started to progress the improvements needed to financial control, but these were in early stages in March 2026. On this basis, we consider there to be a risk of significant weakness in the Council's arrangements for securing value for money. We our have revised our prior year statutory recommendation on page 9. Securing financial sustainability is critical for the Council to deliver on its strategic priorities. The development of the new Shropshire Plan from 2026, alongside the MTFP, offers an opportunity to align strategic priorities with financial planning and this places financial sustainability as central to its five-year delivery.	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.

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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 faced significant financial risk in 2025-26 due to demand pressures and a budget that was not fully deliverable. These pressures led to the declaration of a financial emergency in September 2025 and the introduction of spending controls. Savings built into the budget were not fully supported by delivery plans, contributing £33.38m to the 2025-26 overspend. Additional pressures arose from the costs of the voluntary redundancy programme and limited organisational capacity to contain expenditure. The Council continues to face a substantial structural budget challenge. The MTFP forecasts a budget gap of between £82m and £125m in 2027-28, with a central estimate of £99m. Achieving financial sustainability will require the delivery of significant savings and transformation programmes and is likely to extend beyond the current MTFP period. We our have revised our prior year statutory recommendation on page 9.	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.

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Financial sustainability (continued)

Significant weakness identified in relation to savings delivery

Key Finding: In 2025-26, the Council planned to save £59.87m with support from its transformation partner PWC. The 2025-26 outturn showed £42.15m of unachieved savings, with just £17.72m (30%) of savings delivery achieved over the year, of which £2.55m were classed as one-off.

Evidence: PWC was commissioned by the Council between 2023-24 to September 2025 to help the Council identify 'realisable' savings with the Council responsible for implementing the process and workforce changes to release these savings. The Council lacked the capacity and capability to support this programme. A lessons learnt review undertake and reported to elected members in June 2026. The Council did not have a consultative approach to identifying savings with key services in 2025-26. Savings were mainly carried forward from the £41.8m of undelivered savings in 2024-25.

In February 2026, the MTFP for 2026-27 to 2030-31 included growth of £43.47m to offset unachieved savings in 2025-26 and just £5m of new savings for 2026-27. These new savings were not fully in place in March 2026, but the Budget, Transformation and Change Review Panel with key directors was in place in Q1 2026-27 and starting to receive savings proposals. We note an estimated gap of £99m for 2027-28. In May 2026, the assessment of the status of realisable savings identified by PwC was ongoing.

In July 2026, the revised MTFP included savings of just £5m (worst) to £10m (likely) in 2027-28 and £10m in 2028-29, compared with a budget gap of between £125m and £82m, in 2027-28 and a gap of £121m in 2028-29.The 2027-28 were yet to be identified.

Impact: If the Council cannot effectively manage demand to reduce costs, and deliver all planned savings, it will not be able to achieve financial sustainability.

Continued

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Financial sustainability (continued)

Significant weakness identified in relation to savings delivery

Key recommendation 1

KR1: The Council should develop and implement its transformation programme at scale and pace to address the significant structural budget deficit. This should include:

- ensuring it has effective overview and control of its transformation programme which is sufficiently focused on budget savings.
- ensuring there is sufficient capacity and skills in the organisation to effectively deliver the required savings, including change management and programme management.
- ensuring the reprioritisation of the programme includes a review of both discretionary spending and the levels at which statutory services are provided and is informed by appropriate stakeholder consultation.
- developing robust and transparent monitoring arrangements for benefits realisation and tracking savings as a whole programme.

Continued

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Financial sustainability (continued)

Significant weakness identified in relation to Dedicated Schools Grant (DSG)

Key Finding: The Council's DSG deficit was £17.65m in 2024-25 and increased by 159% to £45.66m in 2025-26 driven by an overspend of £28.03m in high needs. The Council forecast the DSG deficit increasing to £67m by 2027-28 and to £92m by 2028-29. With the 90% grant the deficit is forecast as £50.9m by 2028-29 significantly more than general fund reserve.

Evidence: In February 2026, the Government announced a national package of support for local authorities with accumulated High Needs deficits. Under the arrangements, if the Department for Education approves the SEND plan, the Council will receive a High Needs Stability Grant in Autumn 2026 equivalent to 90% of eligible High Needs deficits that had accrued up to 31 March 2026. The grant, expected to be paid in 20226-27, will apply only to deficits relating to High Needs expenditure and will not cover deficits associated with the Early Years Block or the Central Schools Services Block of the DSG. Local authorities will remain responsible for funding the residual 10% of eligible deficits. Additional government support for post-2026 deficits may depend on demonstrating effective SEND reform and financial sustainability. The 90% Grant would reduce the 2025-26 deficit to £4.6m which would reduce the 2028-29 forecast to £50.94m. This is still significantly more than the Council's General Fund balance which is not expected to reach sustainable levels until 2030-31.

In May 2026, the Council was recruiting additional finance capacity to support DSG recovery and strengthen accountability for the impact of investment and was working with the DfE financial advisor to develop DSG financial planning. Note the High Needs Monitoring Group of the Schools Forum established in late 2025-26 was yet to meet. In July 2026, the Council was yet to a finance business partner for education.

Impact: If the Council cannot effectively reduce the residual DSG deficit and other accrued DSG deficits before 31 March 2028, these will need funding from the Council's own reserves. Reserve levels are already putting the medium-term financial sustainability of the Council at risk.

Key recommendation 2

KR2: The Council should mitigate the growth of the DSG deficit while 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 and reported to Cabinet as part of the Council's financial monitoring reporting.

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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	Our AAR 2024-25 made a key recommendation that 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). We saw no progress on our prior year key recommendation. We also retained a prior year improvement recommendation that the Council should develop a plan to demonstrate how it will move to improve its Internal Audit overall assessment of "Limited Assurance". This recommendation is closed and included in our new statutory recommendation on governance on page 11 and our key recommendation relating to internal audit controls on page 39. In June 2026, the Audit and Governance Committee (ACG) received the Internal Audit Annual Report 2025-26. Based on 421 recommendations across 60 reports and supporting evidence the Chief Audit Executive's opinion provided 'Limited Assurance' on the Council's framework for governance, risk and internal control. The Internal Audit team delivered 90% of the revised plan with 31 good and reasonable assurances accounting for 52% of the opinions delivered. The percentage split of recommendations deteriorated, with 57% significant and fundamental in 2025-26 compared to 47% in 2024-25. Based on internal audit work completed, the opinion on the control environment has now been "Limited" for the last seven years Our AAR 2024-25 retained a prior year improvement recommendation that the Council should address the minor control weaknesses identified in the Internal Audit risk management report in a timely manner. The Council's arrangements for risk management were a significant weakness to its control environment in 2025-26, and we escalate this to key recommendation on page 40. We include these internal control weaknesses in our new governance statutory recommendation on page 11. Improvement Board data shows improving customer responsiveness, with complaints falling from 150 in January 2026 to 104 in February and 99 in March. Response times for complaints and elected member enquiries also improved in March 2026. The LGA reported in May 2026 staff engagement was positive, with 71% of staff stating they understood the Council's priorities and were happy to work for the Council, indicating improving organisational culture and communication.	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.

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Governance – commentary on arrangements

We considered how the Council:	Commentary on arrangements	Rating
approaches and carries out its annual budget setting process	Budget proposals were considered by the Transformation and Improvement Overview and Scrutiny Committee in January 2025 and were informed by public consultation and input from the Collaborative Budget Group, a cross-party forum. However, the 2025-26 budget did not reflect costs associated with known service users, and other cost pressures. An unsatisfactory internal audit assurance opinion on budget monitoring in February 2026 identified the need to review the budget-setting process and timetable, with improvement actions extending into 2027-28. We include budget setting in our new governance statutory recommendation on page 11. The 2026-27 budget was right sized to address the historic structural deficit and the process involved budget oversight meetings and a more rigorous budget development process. This approach enabled budget pressures to be identified earlier and allowed more time for challenge, consideration and decision-making.	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.

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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 our AAR 2024-25 we made a statutory recommendation relating to financial sustainability, savings, and budget monitoring. We make a revised statutory recommendation on page 9. In February 2026, an unsatisfactory internal audit assurance opinion on budget monitoring was reported to the Audit Committee, identifying fundamental weaknesses and requiring improvements to the budget-setting process and timetable, with implementation targeted for February 2027. The Council responded by strengthening financial monitoring and budget-setting arrangements, overseen by the Interim Section 151 Officer, with budget-holder compliance improving from 63% in Period 9 to 95% in Period 11. During 2025-26, the Council also sought to strengthen financial governance and accountability through enhanced scrutiny of spending and recruitment, improved oversight of financial risks and assumptions, and greater budget-holder accountability. A review of the finance function commenced in May 2026 and identified an over-reliance on key individuals, skills and capacity gaps, and weaknesses in finance business partnering that were affecting forecasting, budget setting and financial monitoring. A programme of development, training and cultural change is being implemented in 2026-27 to strengthen financial management capability and support improved decision-making.	R

Page 250

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.

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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	In 2025-26, significant changes in the Council's leadership and organisational culture were made. Following the local elections in May 2025, political control of the Council changed. The new Council Leader commissioned a LGA CPC to provide an external assessment of the Council's performance and governance arrangements. In September 2025, Full Council received a report from the Interim Chief Executive setting out the scale of the challenges facing the Council and the need for significant improvement. The CPC process and subsequent organisational review led to major changes in senior leadership. The previous Chief Executive left the Council in early September 2025, and the former Section 151 Officer left in January 2026. These changes coincided with the Council declaring a financial emergency in September 2025 and marked the beginning of a wider reset of governance, accountability and organisational culture. The Council's overview and scrutiny arrangements were limited in 2025-26, reducing the extent to which scrutiny supported informed decision-making, financial oversight and organisational improvement. While the new administration sought to strengthen it through a more open and collaborative approach, improvements took time to embed and were constrained by limited officer capacity and governance arrangements not fully aligned to effective challenge and pre-decision scrutiny. We make an improvement recommendation on page 42. In May 2026, the LGA follow-up review identified evidence of renewed energy, pace and commitment from both political and officer leadership. It concluded the Council had established a stronger grip on its financial position, improved governance arrangements and made progress against the CPC recommendations. The review also identified improved relationships between members, officers and staff, stronger leadership visibility and a more positive and collaborative organisational culture. While the Council remained at an early stage of its improvement journey, the review found that foundations were established to support longer-term transformation and recovery.	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.

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Governance – commentary on arrangements (continued)

We considered how the Council:	Commentary on arrangements	Rating
monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of staff and board member behaviour	Following the declaration of a financial emergency in September 2025, the Council took positive measures to strengthen governance, compliance and organisational oversight. These included establishing a Statutory Officers Group to improve oversight of key governance, legal and financial matters, reinforcing compliance with the Council's constitution and procedures, strengthening the monitoring of significant risks and audit findings, and enhancing engagement with the Audit and Governance Committee. However, the full impact of these changes on the Council's control environment is yet to be demonstrated. The Council's 2025-26 Annual Governance Statement (AGS) identified five significant governance weaknesses relating to financial sustainability, internal controls, financial management, programme and capital governance, and organisational capacity and culture. We have made statutory or key recommendations in each of these areas. However, we note the AGS did not report on several other important governance indicators. During 2025-26, the Council reported three data breaches to the Information Commissioner's Office and continued to experience challenges in responding to Freedom of Information requests in statutory timescales, although compliance improved from 55% to 70% during the year. We would expect significant issues relating to information governance, and regulatory compliance to be reflected in the AGS. We have identified a significant weakness in relation to procurement and contract management arrangements and a key recommendation on page 51.	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.

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Governance (continued)

Significant weakness identified in relation to Internal Audit

Key finding: The Council has not made sufficient progress in addressing the underlying causes of its long-standing weak control environment. Despite a key recommendation in our 2024-25 AAR that the Council develop and implement an action plan to tackle the pervasive issues leading to a Limited Assurance internal audit opinion, no significant progress was evident in 2025-26. The Chief Audit Executive issued a Limited Assurance opinion for the seventh consecutive year. While there were some indications of improvement in Quarter 4 2025-26, these were not yet reflected in improved arrangements. The Council must demonstrate sustained and measurable improvements in internal control arrangements in 2026-27.

Evidence: In June 2026, the Chief Audit Executive provided a Limited Assurance opinion on the Council's framework for governance, risk management and internal control for the seventh consecutive year. The opinion was based on 421 recommendations across 60 audit reports. Only 52% of audit opinions provided good or reasonable assurance (31 opinions), representing a 6-percentage point reduction compared to 2024-25. Nearly two-thirds (57%) of recommendations were classified as significant or fundamental, compared with 47% in 2024-25, demonstrating an increase in the severity of control weaknesses identified. Significant weaknesses continued to be reported in critical areas including budget monitoring, risk management and workforce resilience. Internal audit identified that controls were not operating consistently or effectively enough across the Council. Some improvement was evident in Q4 2025-26, with no unsatisfactory assurance opinions issued; and no fundamental recommendations made.

Impact: Failure to maintain robust internal control creates an environment where poor performance, fraud, irregularity and inefficiency can go undetected, leading to financial loss, poor value for money and reputational damage.

Key recommendation 3

KR3: The Council must take immediate action to demonstrate improvements in internal control in 2026-27. A plan to address this must be agreed by the Improvement Board and by the Audit and Governance Committee. This plan must be reported quarterly to these Groups and owned by the Statutory Officers Group. We recommend that a lead officer is appointed to drive this improvement.

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Governance (continued)

Significant weakness identified in relation to risk management

Key finding: In 2025-26, the Council's risk management arrangements did not operate effectively. Internal Audit issued a limited assurance opinion in February 2026, a deterioration from the reasonable assurance opinion received in 2024-25. The Council had no dedicated risk management lead, key elements of the risk framework were not implemented, and risk management was not sufficiently embedded in strategic decision-making, performance management or organisational planning.

Evidence: The Internal Audit review identified non-compliance with key controls and found that plans to implement a Council-wide Risk Assurance Model had not progressed due to organisational restructuring, capacity constraints and resource pressures. The Opportunity Risk Management Strategy had not been comprehensively updated since 2022 and required significant revision. Strategic risks were reviewed only twice a year, supported by an annual Leadership Board workshop. Compliance with operational risk register reviews was low, with fewer than 40% updated in May 2025 and fewer than 30% in November 2025. There was no clear link between risk and performance reporting, and limited evidence of regular strategic discussion of the Council's key risks. The Strategic Risk Register (SRR) contained only eight risks and one draft risk in February 2026. Six risks were assigned to the former Section 151 Officer, including several outside his direct area of responsibility. Members raised concerns that risks and mitigations showed little change over time and sought evidence that controls were reducing exposure. A further update promised for June 2026 was not provided. In March 2026, the SRR contained nine risks but lacked information we would normally expect, including clear ownership, risk scores, assurance sources and target dates. The financial sustainability risk was not updated to reflect developments in 2025-26, including the Council's financial emergency.

Impact: Ineffective risk management limits the Council's ability to make informed decisions, respond proactively to emerging challenges and deliver sustainable services, increasing exposure to financial, operational and reputational risks.

Continued

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Governance (continued)

Significant weakness identified in relation to risk management (continued)

Key recommendation 4

KR4: The Council should undertake a comprehensive review and redesign of its corporate risk management framework to ensure risk management is embedded, effective and supports informed decision-making. This should include:

- establishing a clear responsibility and accountability for corporate risk management.
- updating and publishing the Risk Management Strategy and implementing a Council-wide Risk Assurance Model, with clear roles, responsibilities, reporting and review cycles.
- establishing robust arrangements for the regular review, challenge and escalation of strategic and operational risks, with clear evidence of management actions and impact on risk exposure.
- reviewing the format and content of all strategic and operational risk registers to ensure they are consistent. They should clearly define risk, cause and impact statements, risk owners, inherent and residual scores, risk appetite/tolerance, assurance arrangements, target scores, target dates and supporting evidence for risk assessments.
- ensuring strategic risks accurately reflects the Council's key exposures, including financial sustainability, and are assigned to appropriate accountable officers.
- improving compliance with operational risk review processes through stronger monitoring and management oversight.
- Integrating risk management with performance management, strategic planning and decision-making processes, including regular strategic discussions by Leadership Board, the Improvement Board and Members on the Council's most significant risks and mitigating actions.

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Governance (continued)

Area for Improvement identified: overview and scrutiny arrangements

Key findings: The effectiveness of the Council's overview and scrutiny arrangements was limited in 2025-26, reducing the extent to which it could support informed decision-making, financial oversight and organisational improvement. While the new administration elected in May 2025 sought to strengthen it through a more open and collaborative approach, improvements took time to embed and were constrained by limited officer capacity and governance arrangements that were not fully aligned to effective challenge and pre-decision scrutiny.

Evidence: Since May 2025, the Council has promoted, increased transparency and introduced more pre-decision scrutiny of Cabinet proposals. This included the use of task-and-finish reviews, engagement with all political group leaders on budget options and appointing opposition members as scrutiny committee chairs. However, scrutiny arrangements were not fully effective in 2025-26. Committee timetables left only a short period between Overview and Scrutiny and Cabinet meetings, limiting the ability of scrutiny recommendations to influence decisions. Members receiving papers late restricted opportunities for detailed review. Financial scrutiny was particularly weak during 2025 not focusing sufficiently on underlying causes of budget failure. Scrutiny was often reactive to officer presentations rather than driven by member-led investigations, independent analysis or benchmarking. Capacity constraints limited the ability to undertake more in-depth reviews, with a Head of Scrutiny and two officers supporting five scrutiny committees, while also undertaking other corporate responsibilities.

The Council has begun to strengthen arrangements in 2026-27. Members reported improvements in work programming, scheduling and the timeliness of reporting. The Council is also working with the Centre for Governance and Scrutiny to review and refresh its Constitution and governance arrangements.

Impact: Weak overview and scrutiny arrangements reduced independent challenge and oversight, increasing the risk that poor decisions, financial issues and governance weaknesses were not identified and addressed in a timely manner.

Improvement Recommendation 1

IR1: The Council should continue to strengthen its overview and scrutiny arrangements by ensuring committees are supported by adequate officer capacity, receive timely and high-quality information, and are able to undertake forward-looking reviews of key strategic, financial and governance risks. Scrutiny work programmes should be aligned to the Council's Improvement Plan and Financial Sustainability Strategy to enable effective challenge, informed decision-making and robust accountability.

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Improving economy, efficiency and effectiveness – commentary on arrangements

We considered how the Council:	Commentary on arrangements	Rating
Uses financial and performance information to assess performance to identify areas for improvement	Following the change in administration in May 2025, the Council commenced development of a new corporate planning framework to reflect its revised political priorities. Full Council approved a phased approach comprising an Improvement Plan, a new Corporate Plan and a longer-term Partnership Plan. In 2025-26, the Council continued to report performance quarterly to Cabinet and monitored progress against its existing Corporate Plan through a range of key performance indicators (KPIs). In 2025-26 and early 2026-27, the Council took steps to strengthen its performance management arrangements through the development of a new Corporate Plan for 2026-2030, a strategic performance framework and a suite of corporate KPIs. However, key elements of the framework remained under development at the time of our review, including performance targets, benchmarking information, integrated business planning arrangements and the proposed balanced performance dashboard. We have therefore made an improvement recommendation on page 52. The Council has also experienced significant and persistent capacity and capability challenges across key corporate and enabling services. These challenges have affected the Council's ability to maintain effective governance, deliver transformation and improvement programmes, manage risk effectively and provide consistent support to operational services. We have identified a significant weakness in the Council's organisational capacity and capability and have made a key recommendation on page 47. We also include these capacity and capability challenges in our new governance statutory recommendation on page 11.	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.

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Improving economy, efficiency and effectiveness – commentary on arrangements

We considered how the Council:	Commentary on arrangements	Rating
Evaluates the services it provides to assess performance and identify areas for improvement	The Council performs strongly in key people-focused services. In February 2025, the Care Quality Commission (CQC) rated the Council's Adult Social Care services as Good, and this was followed by an Outstanding Ofsted judgement for Children's Services in June 2025. Improvement activity in SEND continues following the 2020 Local Area SEND inspection which resulted in a Written Statement of Action. Progress is subject to ongoing six-monthly monitoring. The latest review recognised strong partnership leadership, a clear SEND and Alternative Provision Strategy but it made further recommendations to strengthen delivery and address remaining areas for improvement. We make an improvement recommendation on page 53. In July 2025, the LGA undertook a CPC at the Council's invitation. The Council accepted all ten recommendations and reported an action plan to Cabinet in October 2025, including the development of a People Plan and Improvement Plan. To oversee delivery, the Council established an Improvement and Assurance Board, with an independent Chair and external specialists providing challenge and scrutiny. We therefore close our prior-year improvement recommendation for the Council to develop an action plan in response to the CPC. The approval of the Improvement Plan by Full Council in December 2025 represented a significant and positive step in strengthening the Council's approach to improvement and organisational culture. The Plan brings together a range of improvement activity within a single framework comprising three strategic themes and nine programmes of work, supported by a clear governance structure including Portfolio Boards, programme and project boards, and a Corporate Programme Management Office responsible for coordination and assurance. While these arrangements remain at an early stage, they provide a stronger framework for driving, monitoring and challenging improvement activity across the Council. (continued)	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.

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Improving economy, efficiency and effectiveness – commentary on arrangements

We considered how the Council:	Commentary on arrangements	Rating
evaluates the services it provides to assess performance and identify areas for improvement	Continued. Despite these positive developments, significant challenges remain. On 15 July 2026, the Government issued a Best Value Notice requiring the Council to accelerate financial recovery and sustainability activity, strengthen senior leadership capacity through permanent appointments, address external audit recommendations, improve governance and scrutiny arrangements, and provide regular progress updates to the Department. We have made recommendations on these issues through this report, so we do not repeat them here.	A
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	The Council has taken positive steps to strengthen partnership working and collaborative delivery arrangements. In 2025-26, it established a Partnership Working Task and Finish Group and worked with town and parish councils to explore opportunities for greater local delivery. External inspection evidence also demonstrates effective partnership working in some service areas, particularly SEND, where partners have developed strong collaborative arrangements focused on improving outcomes for children and young people. However, significant weaknesses remain in the Council's governance and oversight of its housing-related companies, Shropshire Towns and Rural Housing (STAR) which is the Council's Arm's Length Management Organisation (ALMO) responsible for managing the Council's housing stock and delivering landlord services on its behalf and Cornovii Developments Ltd (CDL). While the Council has begun to strengthen arrangements through governance reviews, enhanced scrutiny and investment in housing leadership capacity, these actions are at an early stage. We make a key recommendation on page 49. We note the Council commissioned an external report on CDL which reported in August 2026. We will consider this in our VFM 2026/27.	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.

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Improving economy, efficiency and effectiveness – commentary on arrangements (continued)

We considered how the Council:	Commentary on arrangements	Rating
commissions or procures services, assessing whether it is realising the expected benefits	The Council recognised weaknesses in its procurement and contract management arrangements in 2025-26 and started a programme of improvement, including a revised Procurement Strategy, published in June 2026, the establishment of a Commissioning and Procurement Board, and investment in new contract management systems and training. However, significant weaknesses remained in place. Internal Audit identified fundamental risks in contract management and procurement compliance, while capacity challenges in the procurement team limited the Council's ability to improve. Governance and management information arrangements were underdeveloped, contract management practices were inconsistent, and most significant contracts did not have designated contract managers. Our review also identified weaknesses in the Council's ability to operate as an informed or "smart" client. Reviews of major contracts and transformation activity highlighted shortcomings in commercial oversight, contract ownership and supplier management. Similar issues were evident in the North-West Relief Road (NWRR) project, where the Council relied heavily on external consultancy support from WSP, incurring approximately £29.1m of expenditure through the contract. Following a significant increase in estimated project costs, from £74.2m in 2018 to £162.4m in 2024, the scheme was paused in June 2025 by new the new political administration and subsequently cancelled in February 2026. Lesson learnt reviews highlighted the need for stronger in-house technical, commercial and contract management capacity to provide effective challenge, oversight and assurance over major projects. While the Council has taken positive steps to strengthen arrangements, many of the planned improvements were not yet embedded in 2025-26 and their effectiveness is yet to be demonstrated. We note the Council has an agreed budget to recruit to its performance team in 2026-27 but is struggling recruiting and has used this funding for 6 interims. We make a key recommendation on page 51.	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.

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Improving economy, efficiency and effectiveness (continued)

Significant weakness identified in relation to corporate capacity

Key finding: The Council has experienced significant and persistent capacity and capability challenges across key enabling and frontline services, affecting its ability to maintain effective governance, deliver transformation and improvement programmes, manage risk effectively and support operational service delivery.

Evidence: The Council's organisational capacity was significantly reduced through voluntary redundancies and restructuring during 2024-25 and early 2025-26, resulting in the loss of senior management, professional and specialist expertise across key functions. Capacity pressures are particularly evident in procurement, legal services, debt management, housing, project management and transformation, with areas reliant on interim staff or external support. These challenges have affected the Council's ability to deliver planned transformation, implement savings and maintain effective programme management, governance and assurance arrangements. Internal Audit identified capacity and capability issues as a recurring cause of control weaknesses, while resource constraints delayed the development of corporate risk management arrangements and contributed to weaknesses in financial management and forecasting. Although the Council has begun to address these issues in late 2025-26 through its People Plan, senior recruitment and investment in key teams, many initiatives remain at an early stage and significant risks associated with organisational capacity and capability remain. The continuing impact of these challenges was also highlighted by the LGA during its follow-up visit in May 2026.

Impact: Persistent capacity and capability gaps have reduced the Council's ability to deliver sustainable improvement, maintain effective governance and assurance arrangements, and successfully implement its transformation and financial recovery plans.

Key recommendation 5

KR5: The Council should develop and implement a fully costed workforce and organisational capacity plan that identifies the critical skills, leadership capacity and specialist expertise required to support service delivery, governance and transformation. Progress should be regularly monitored by Members and the Leadership Board, with particular focus on rebuilding capacity in finance, legal, procurement, housing, risk management, programme management and other key enabling services to ensure the Council can operate effectively and sustainably.

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Improving economy, efficiency and effectiveness (continued)

Significant weakness identified in relation to housing governance

Key finding: The Council's oversight, governance and management arrangements for Shropshire Town and Rural Housing (STAR) (STAR is the Council's Arm's Length Management Organisation (ALMO), responsible for managing the Council's housing stock and delivering landlord services on its behalf) and Cornovii Developments Ltd (CDL) were not sufficiently robust in 2025-26. Weak strategic oversight, limited client-side capacity, inappropriate governance arrangements and weaknesses in financial planning reduced the Council's ability to provide effective challenge, manage risk and ensure value for money from its housing and development activities.

Evidence: In 2025-26, the Council had no updated Housing Strategy and housing governance arrangements were fragmented, with oversight responsibilities distributed across different officers, boards and committees. The Housing Supervisory Board focused solely on CDL rather than STAR, and a dedicated housing scrutiny function was not established until 2026-27. Following the creation of STAR, the Council retained limited in-house housing expertise, reducing its ability to act as an informed client and effectively challenge performance, investment proposals and business planning assumptions. Governance arrangements were further weakened by unclear accountability arrangements, including councillors serving on company boards and the Managing Director holding leadership roles across both STAR and CDL. Strategic oversight was inconsistent, with the Asset Assurance Board meeting infrequently and limited reporting on company performance provided to elected members. Independent reviews identified significant weaknesses in the Housing Revenue Account business plan, including reserve management, borrowing assumptions, investment appraisal and viability assessment arrangements. The Council also lacked an agreed framework with STAR for assessing the viability of acquisitions and development schemes. Historical ambitions for housing growth through CDL were not matched by sufficiently mature governance, risk management and performance oversight arrangements, and there was limited evidence of sustained strategic challenge of company performance. Although the Council has begun to strengthen arrangements through additional scrutiny, external reviews, governance changes and senior housing appointments, these actions remain at an early stage.

Impact: Weak governance and oversight arrangements increase the risk that housing and development activities do not achieve intended outcomes, expose the Council to avoidable financial and operational risks, and fail to demonstrate value for money.

Continued

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Improving economy, efficiency and effectiveness (continued)

Significant weakness identified in relation to housing governance (continued)

Key recommendation 6

KR6: The Council should urgently review and strengthen its governance, shareholder and client-side arrangements for STAR and CDL. This should include establishing clear accountability and reporting lines, strengthening officer capacity and housing expertise, resolving conflicts of interest, implementing a robust performance and financial reporting framework, ensuring regular member scrutiny, and developing a clear housing strategy.

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Improving economy, efficiency and effectiveness (continued)

Significant weakness identified in relation to procurement and contract management

Key finding: In 2025-26 the Council's procurement and contract management arrangements were not operating effectively. Capacity constraints, weak contract management practices, limited management information and governance weaknesses reduced the Council's ability to secure value for money, manage supplier performance and ensure compliance with procurement requirements. Significant improvement activity was underway, but actions remained at an early stage.

Evidence: The Council's 2025-26 self-assessment identified the need for external support to improve procurement and contract management, given significant capacity challenges in the Procurement Team. Internal Audit continued to identify weaknesses in procurement and contract management arrangements, including deficiencies in contract monitoring, compliance with Contract Procedure Rules and the need to update the Procurement Strategy. In response, the Council approved a revised Procurement Strategy in June 2026 and established an improvement programme overseen by the Transformation Board and Commissioning and Procurement Board.

Governance, oversight and management information arrangements were not sufficiently developed to support effective commercial management. Although waiver reporting improved, the information provided to Members remained limited. The Council's contract management system lacked the functionality required to support effective governance, monitoring and performance reporting, and a replacement system was not expected to be fully implemented until late 2026-27. While a contract register was in place, a procurement pipeline was only introduced in June 2026, contract data required further improvement and most major contracts did not have designated contract managers.

The Council did not consistently demonstrate the characteristics of an informed or "smart" client. Reviews undertaken by Local Partnerships and through lessons learned from the PwC contract identified weaknesses in commercial oversight, contract ownership and supplier management. Similar issues were evident in the Council's management of its highways contract, where limited client-side capacity and capability reduced the Council's ability to provide effective challenge, monitor performance and hold the contractor to account. Taken together, these findings indicate that the Council lacked a sufficiently strong and consistent client function across several key commissioned services, limiting its ability to manage risk, drive performance improvement and secure value for money from its contractual arrangements.

Continued

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Improving economy, efficiency and effectiveness (continued)

Significant weakness identified in relation to procurement and contract management

Continued

Impact: Weak procurement and contract management arrangements increase the risk of poor supplier performance, non-compliance with procurement requirements, missed opportunities to achieve value for money and ineffective delivery of the Council's strategic and transformation objectives.

Key recommendation 7

KR7: The Council should accelerate the implementation of its procurement and contract management improvement programme to ensure full compliance with the Procurement Act 2023 and Contract Procedure Rules. This should include establishing robust governance arrangements, implementing the new contract management system, assigning accountable contract managers and owners to all significant contracts, strengthening performance and compliance monitoring, and delivering a comprehensive programme of training and support to build procurement and contract management capability across the organisation. Progress should be regularly reported to the Improvement Board and to ACG.

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Improving economy, efficiency and effectiveness (continued)

Area for Improvement: performance management

Key Finding: The Council has established performance monitoring arrangements and has started to strengthen its corporate planning and performance management framework. However, elements of an integrated performance management approach remain under-developed, limiting the Council's ability to obtain a comprehensive view of organisational performance, risk, financial sustainability and delivery of strategic priorities.

Evidence: In 2025-26, the Council reported quarterly performance to the Cabinet and took steps to strengthen its arrangements through the development of a new Corporate Plan for 2026-2030, a strategic performance framework and a suite of corporate KPIs. However, performance reporting remained largely focused on service measures, with limited benchmarking and target-setting, and it was not fully integrated with risk management or financial performance as we expect to see. Key components of the proposed framework, including performance targets, benchmarking arrangements, integrated business planning and a balanced performance dashboard, remain under development in early 2026-27.

Impact: Without a developed performance management framework in place, underpinned by robust data the Council will not understand the improvements required or have a golden thread to enable officers to understand how they contribute to effective outcomes.

Improvement Recommendation 2

IR2: The Council should complete the implementation of its new corporate performance framework, ensuring that performance, risk and financial information are integrated into a single reporting framework. This should include clear targets, benchmarking against peer authorities, delivery milestones and regular reporting to Members and senior management to strengthen strategic oversight and support informed decision-making.

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Improving economy, efficiency and effectiveness (continued)

Area for Improvement: SEND improvement

Key Finding: The Council and its partners have made progress in strengthening strategic leadership and oversight of SEND services. However, significant improvement is still required to address longstanding performance challenges and ensure consistent delivery against statutory requirements and planned outcomes.

Evidence: Following the Shropshire Local Area SEND inspection in January 2020, inspectors identified six significant weaknesses and required local partners to produce a Written Statement of Action. A revisit by Ofsted and the Care Quality Commission in November 2022 found insufficient progress was made in addressing three of these weaknesses, resulting in continued monitoring since then with the latest review in November 2025 recognising the establishment of a more integrated and strategic approach to SEND improvement, supported by a partnership SEND and Alternative Provision Strategy and outcomes framework. However, inspectors also made six new recommendations for improvement. In addition, the Council's SEND Reform Plan in June 2026, identified the need to improve compliance with the 20-week statutory timescale for issuing Education, Health and Care Plans (EHCPs) from 20% to 90% by 2028-29 and highlighted weaknesses in data, performance monitoring and programme management arrangements. Taken together, these findings indicate that, while improvement activity is underway, further work is required to strengthen performance management and deliver sustainable improvements in SEND services.

Impact: Weaknesses in SEND performance management and service delivery increase the risk that children and young people do not receive timely support and that the Council is unable to demonstrate sustained improvement in outcomes or compliance with statutory requirements.

Improvement Recommendation 3

IR3: The Council should continue to work together with system partners to deliver the SEND improvements required and to ensure statutory timescales for EHCP assessments are met.

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Pension Fund

The Council is the administering authority for the Shropshire 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 Valuation report shows the pension was funded at 104% at March 2025 with a solvency level of 115% and a surplus of £335m. The Fund is one of 15 funds that make up the LGPS Central pool. From 1 April 2026 LGPS Central Ltd are responsible for the oversight of all the Funds' assets.	G
Governance: appropriateness of governance arrangements	Effective arrangements are not in place for risk management, and we include this in our key recommendation relating to risk management on page 40 so do not repeat that here.	
Improving Economy, Efficiency and Effectiveness: annual report findings	The Fund took part in the 2025 CIPFA benchmarking exercise, this compared the cost for running the administration of LGPS funds across the country. It shows the scheme has a much lower cost per members than the average scheme.	

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.

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05 Summary of Value for Money Recommendations raised in 2025/26

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Statutory recommendation revised in 2025/26

	Recommendation	Relates to	Management Actions
SR1	The Council must develop and deliver, a programme of financial recovery with significant progress being made by March 2028 with full financial recovery by March 2029. This should be by achieving a balanced and resilient financial position and having a clear strategy for reducing and ultimately removing reliance on EFS. The goal should be for the Best Value Notice to be withdrawn. In particular, the Council must: • Continue to identify, quantify and address the imbalance between recurring expenditure and available income through delivery of sustainable savings and the maximisation of appropriate income generation opportunities. • Maintain robust financial challenge, oversight and spend controls, ensuring resources are allocated in accordance with statutory responsibilities, affordability considerations and agreed strategic priorities. • Embed a culture of evidence-based financial planning, budgeting and forecasting, supported by robust assumptions and effective challenge processes which minimises the risk of optimism bias and ensure this is reported to elected members in a timely way. • Implement a comprehensive Financial Sustainability and Recovery Strategy, supported by clear and measurable milestones, performance measures, reporting, and accountability arrangements that demonstrates a clear pathway to long-term financial resilience. • Ensure transparent and regular reporting of progress to elected members, the Independent Improvement Board and MHCLG, in line with the Best Value Notice expectations.	Financial sustainability (pages 26-33)	**Actions:** A Financial Sustainability and Recovery Strategy was approved by Cabinet in July 2026, which sets out the 11 areas the Council will need to focus on to reduce its reliance on EFS: 1. Reserves and Balances: Rebuild and replenish the financial reserves of the Council to prudent levels 2. Asset Disposal Policy and Corporate Landlord Programme: Rationalise assets to generate receipts and reduce costs 3. Maximisation of income generation and collection 4. Council Companies and Traded Services: Ensure commercial activity maximises returns and financial value 5. Maximise council tax income to support sustainable service delivery 6. Service Transformation, Change and Efficiency: Transform services through prevention, efficiency, modernisation and demand management 7. Strengthen financial management policy and practice In line with our Improvement Plan 8. Debt Financing Optimisation: Reduce borrowing costs through improved treasury and debt management 9. Reviewing and rationalising the capital programme 10. Fair Government funding: Advocate for funding settlements reflecting Shropshire's rural challenge 11. Inclusive Growth Strategy Continued

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Statutory recommendation revised in 2025/26

Recommendation	Relates to	Management Actions
The Council must develop and deliver, a programme of financial recovery with significant progress being made by March 2028 with full financial recovery by March 2029. This should be by achieving a balanced and resilient financial position and having a clear strategy for reducing and ultimately removing reliance on EFS. The goal should be for the Best Value Notice to be withdrawn. In particular, the Council must: • Continue to identify, quantify and address the imbalance between recurring expenditure and available income through delivery of sustainable savings and the maximisation of appropriate income generation opportunities. • Maintain robust financial challenge, oversight and spend controls, ensuring resources are allocated in accordance with statutory responsibilities, affordability considerations and agreed strategic priorities. • Embed a culture of evidence-based financial planning, budgeting and forecasting, supported by robust assumptions and effective challenge processes which minimises the risk of optimism bias and ensure this is reported to elected members in a timely way. • Implement a comprehensive Financial Sustainability and Recovery Strategy, supported by clear and measurable milestones, performance measures, reporting, and accountability arrangements that demonstrates a clear pathway to long-term financial resilience. • Ensure transparent and regular reporting of progress to elected members, the Independent Improvement Board and MHCLG, in line with the Best Value Notice expectations.	Financial sustainability (pages 26-33)	Continued….The Strategy provides the basis for the development of a range of programmes, projects and activity that will identify, quantify and address the imbalance between recurring expenditure and available income through delivery of sustainable savings and the maximisation of appropriate income generation opportunities. As programmes become fully defined there will be clear and measurable milestones, performance measures and accountability arrangements. There will be regular reporting against elements of the Strategy, and in particular the Transformation, Improvement and Change portfolio, to the Improvement Board monthly who will focus on delivery against the 6 areas of the portfolio (see KR1) to check progress, challenge plans, and validate impact. Progress will also be regularly reported to Cabinet, Finance & Improvement Overview and Scrutiny Committee, and MHCLG via the Best Value Notice monitoring meetings. In-year spend control mechanisms remain in place which, alongside a strengthened approach to budget monitoring and budget and business planning, ensure a more evidence-based approach to budget planning, supported and challenged corporately. This has been supplemented by training activity for budget holders and senior officers aimed at improving practice and developing appropriate culture and behaviours (challenge and curiosity). **Responsible Officer:** Corporate Director (Finance and Governance) **Due Date:** July 2026 and ongoing

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Statutory recommendation revised in 2025/26

	Recommendation	Relates to	Management Actions
SR2	The Council must get an urgent grip on its corporate governance to improve its internal assurance arrangements by ensuring: • Significant improvements are made to the timely implementation of internal audit recommendations. • Risk management is enhanced by undertaking a comprehensive review and redesign of its corporate risk management framework to ensure risk management is embedded, effective and supports informed decision-making. This should include Officers establishing a clear responsibility and accountability for corporate risk management and updating and publishing the Risk Management Strategy and implementing a Council-wide Risk Assurance Model, with clear roles, responsibilities, reporting and review cycles. • Improvements to budget monitoring, financial reporting, governance and assurance arrangements are fully embedded across the Council. • The Council has sufficient capacity to deliver its Best Value responsibilities, and improving compliance with policies and procedures. • Transparent and regular reporting of progress to elected members, the Independent Improvement Board and MHCLG, in line with the Best Value Notice expectations.	Governance (pages 33-42)	**Actions:** The Council's 2025/26 Annual Governance Statement recognises that governance arrangements remain in transition during a period of material financial stress and organisational change, but also identifies defined actions to address weaknesses, particularly in financial sustainability and control limitations. The Improvement Plan continues to focus on strengthening corporate governance and compliance, and a range of actions and activity are being driven by the Statutory Officers Group and wider Governance Group established in July 2026. A report to the Audit and Governance Committee in September 2026 summarises actions being taken to strengthen governance, risk management, internal control, assurance and organisational accountability across the Council. The Internal Audit Performance Report for September 2026 indicates an improved position compared with the same reporting period in 2025/26. The new Governance Group will ensure that audit recommendations are implemented, overdue actions are escalated, and learning is used to address root causes rather than individual symptoms. In addition, the Internal Audit plan flexes to respond to changes to the risk environment. ensuring that assurance work is aligned with the Council's transformation programme, Improvement Plan, Corporate Plan, financial sustainability work and external scrutiny. Risk Management is being strengthened, and a new framework and associated arrangements are being presented to Audit & Governance Committee in September 2026. Further details are in the response to KR4. continued

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Statutory recommendation revised in 2025/26

Recommendation	Relates to	Management Actions
The Council must get an urgent grip on its corporate governance to improve its internal assurance arrangements by ensuring: • Significant improvements are made to the timely implementation of internal audit recommendations. • Risk management is enhanced by undertaking a comprehensive review and redesign of its corporate risk management framework to ensure risk management is embedded, effective and supports informed decision-making. This should include Officers establishing a clear responsibility and accountability for corporate risk management and updating and publishing the Risk Management Strategy and implementing a Council-wide Risk Assurance Model, with clear roles, responsibilities, reporting and review cycles. • Improvements to budget monitoring, financial reporting, governance and assurance arrangements are fully embedded across the Council. • The Council has sufficient capacity to deliver its Best Value responsibilities, and improving compliance with policies and procedures. • Transparent and regular reporting of progress to elected members, the Independent Improvement Board and MHCLG, in line with the Best Value Notice expectations.	Governance (pages 33-42)	Continued An updated Improvement Plan will continue to focus on improvements to financial monitoring, assurance arrangements and corporate governance compliance. New senior leadership capacity has been recruited, with 5 senior positions recruited to during the summer of 2026, including a Corporate Director for Change and Improvement due to start in October 2026. This will create more capacity and capability to ensure and enable delivery of our financial recovery and organisational improvement, and the continuous improvement and value for money in accordance with best value responsibilities, Progress against the Improvement Plan – including a focus on compliance with policies and procedures, will continue to be reported to the Improvement Board, Cabinet and Finance and Improvement Overview and Scrutiny Committee. **Responsible Officer:** Chief Executive **Due Date:** September 2026 and ongoing

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Key recommendations raised in 2025/26

	Recommendation	Relates to	Management Actions
KR1	The Council should develop and implement its transformation programme at scale and pace to address the significant structural budget deficit. This should include: • ensuring it has effective overview and control of its transformation programme which is sufficiently focused on budget savings. • ensuring there is sufficient capacity and skills in the organisation to effectively deliver the required savings, including change management and programme management. • ensuring the reprioritisation of the programme includes a review of both discretionary spending and the levels at which statutory services are provided and is informed by appropriate stakeholder consultation. • developing robust and transparent monitoring arrangements for benefits realisation and tracking savings as a whole programme.	Financial sustainability (pages 26 – 33)	**Actions:** A transformation, improvement and change portfolio is being developed as a means to address the structural budget deficit and organisational improvement. The portfolio is based on six key programmes: 1. Service transformation: Redesigning Adults Social Care to reduce demand and cost by optimising processes, redesigning pathways and emphasising prevention, reablement and proportionate support. 2. Service transformation: Children's Services - Driven by national reforms, the Programme brings together Families First, early help, safeguarding, workforce and system partnership change into a single, child-centred approach – with a shift to prevention 3. Assets Programme and Corporate Landlord: resets how the Council's property is governed and managed. The initial focus is to validate the disposals pipeline, followed by a refreshed Asset Management Strategy 2026-2031, and the assessment, design and implementation of a new Corporate Landlord model 4. Digital Transformation programme: Transforming how the organisation works through better use of digital, data, automation and technology 5. Organisational Improvement: Improvement Plan and People Plan programmes and projects that strengthen how the council operates – including, improved procurement, commissioning and contract management, governance and compliance, financial management practice, service/sprint reviews. 6. Income and Commercial: The programme strengthens the organisation's financial sustainability by maximising income opportunities, improving income collection, and reviewing the performance of traded services, council companies and other commercial ventures. Continued

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Key recommendations raised in 2025/26

	Recommendation	Relates to	Management Actions
KR1	The Council should develop and implement its transformation programme at scale and pace to address the significant structural budget deficit. This should include: • ensuring it has effective overview and control of its transformation programme which is sufficiently focused on budget savings. • ensuring there is sufficient capacity and skills in the organisation to effectively deliver the required savings, including change management and programme management. • ensuring the reprioritisation of the programme includes a review of both discretionary spending and the levels at which statutory services are provided and is informed by appropriate stakeholder consultation. • developing robust and transparent monitoring arrangements for benefits realisation and tracking savings as a whole programme.	Financial sustainability (pages 26 –33)	Continued **Actions:** The delivery of the portfolio will be supported by a strengthen Corporate PMO/Transformation Team and Finance Team. The PMO will support transformation delivery and assurance through targeted project, business analysis, and change support. The level of support will reflect readiness, complexity, priority and delivery risk. In terms of developing robust and transparent monitoring arrangements, learning from Improvement Plan delivery and assurance will inform the approach, including a new internal Assurance Board. Three connected registers will underpin the approach to assurance - including: • Project Register: single view if approved and proposed activity, ownership, milestones and current delivery status • Benefits Register: sets out owners, measures, baselines, targets, forecasts and evidence that benefits are being achieved • Portfolio Risk Register: Brings together material risks, dependencies, controls, required interventions and escalation The Budget, Transformation and Change Panel will continue to provide early challenge and review of change proposals, ensuring strategic alignment and realism including the corporate support required to ensure and enable delivery. **Responsible Officer:** Corporate Director (Change & Improvement) **Due Date:** December 2026 and ongoing

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Key recommendations raised in 2025/26

	Recommendation	Relates to	Management Actions
KR2	The Council should mitigate the growth of the DSG deficit while 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 and reported to Cabinet as part of the Council's financial monitoring reporting.	Financial sustainability (pages 26 – 33)	**Actions:** Recognising the need to ensure that the education sector was cognisant of the challenges in relation to DSG deficits, a High Needs Monitoring Group was established through Schools' Forum in Autumn 2025 to strengthen oversight of high needs expenditure and support development and delivery of the Dedicated Schools Grant (DSG) management plan. The group met in early Spring 2026 and began considering key areas of focus relating to demand, sufficiency and financial sustainability across the high needs system. Following these initial discussions, work was paused to enable capacity and focus to be directed towards the development of the SEND Reform Plan and the associated programme of activity. This necessitated considerable resource to develop, working to a very tight deadline set by the Department of Education. As a result, the group did not meet in this period in order to enable officer time to be directed towards this piece of work. It is proposed that the future role and remit of the group is developed alongside the wider review of Schools Forum arrangements planned for Summer 2026. Additionally, and recognising the need to further strengthen governance, DSG oversight has been strengthened through the planned development of a new Education Sufficiency Group, This will support the development of inclusive state-funded provision and reduced the reliance on high-cost independent places. This arrangement also provides a clear link to the monitoring and delivery of the DSG management plan, ensuring that financial oversight, sufficiency planning and SEND reform activity are considered in a coordinated way. Schools Forum will be closely involved in both these pieces of work which will be planned as part of the 2026/27 work programme which is being developed in readiness for the new school year. Additional financial support has been engaged prior to the restructure and strengthening of the finance structure and business partner functions currently in progress. **Responsible Officer:** Director of Children's Services **Due Date: Ongoing**

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Key recommendations raised in 2025/26

	Recommendation	Relates to	Management Actions
KR3	The Council must take immediate action to demonstrate improvements in internal control in 2026-27. A plan to address this must be agreed by the Improvement Board and by the Audit and Governance Committee. This plan must be reported quarterly to these Groups and owned by the Statutory Officers Group. We recommend that a lead officer is appointed to drive this improvement.	Governance (pages 34 –42)	**Actions:** The Improvement Plan continues to have a focus on strengthening the internal control environment, and an updated Plan will incorporate further actions that enable improvements in internal controls – through a dedicated priority programme. A report to the Audit and Governance Committee in September 2026 summarises actions being taken to strengthen governance, risk management, internal control, assurance and organisational accountability across the council. These include: Fortnightly Statutory Officer meetings – strengthening oversight and focus on internal controls A new Governance Group, chaired by the Chief Executive – providing strategic oversight of corporate governance arrangements An Internal Audit plan more aligned to the Council's changing risk environment, transformation programme, Improvement Plan, Corporate Plan, financial sustainability work and external scrutiny. Strengthened budget monitoring with sustained improvements in levels of completion and compliance Further a new Council Constiution is due to be presented to Council for their agreement in the coming months **Responsible Officer:** Chief Executive, Monitoring Officer and s151 Officer **Due Date: In Progress and ongoing**

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Key recommendations raised in 2025/26

	Recommendation	Relates to	Management Actions
KR4	The Council should undertake a comprehensive review and redesign of its corporate risk management framework to ensure risk management is embedded, effective and supports informed decision-making. This should include: • establishing a clear responsibility and accountability for corporate risk management. • updating and publishing the Risk Management Strategy and implementing a Council-wide Risk Assurance Model, with clear roles, responsibilities, reporting and review cycles. • establishing robust arrangements for the regular review, challenge and escalation of strategic and operational risks, with clear evidence of management actions and impact on risk exposure. • reviewing the format and content of all strategic and operational risk registers to ensure they are consistent. They should clearly define risk, cause and impact statements, risk owners, inherent and residual scores, risk appetite/tolerance, assurance arrangements, target scores, target dates and supporting evidence for risk assessments. • ensuring strategic risks accurately reflects the Council's key exposures, including financial sustainability, and are assigned to appropriate accountable officers. • improving compliance with operational risk review processes through stronger monitoring and management oversight. • Integrating risk management with performance management, strategic planning and decision-making processes, including regular strategic discussions by Leadership Board and Members on the Council's most significant risks and mitigating actions.	Governance (pages 34 –42)	**Actions:** Responsibility for corporate Risk Management is moving under Policy and Governance (part of Legal and Governance) from 1 October 2026. This links to risk culture and should be part of the risk management improvements we are making. The Role of the Manager and Senior Leaders Forum sessions reinforce this is part of their role in managing risk. Good conversations, service workforce board and spending control boards, provide an opportunity to raise risks, curiosity and challenge. The updated Risk Management Strategy and Framework is being reported to the 25th September Audit and Governance Committee meeting. Once approved this will be rolled out between October and the end of the 2026/27 financial year. The new framework for risk includes strategic, operational and project risk, with training autumn. A new '10x10' scoring matrix will be implemented in the autumn. All risk registers will be reassessed using this methodology. Continued

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Key recommendations raised in 2025/26

	Recommendation	Relates to	Management Actions
KR4	The Council should undertake a comprehensive review and redesign of its corporate risk management framework to ensure risk management is embedded, effective and supports informed decision-making. This should include: • establishing a clear responsibility and accountability for corporate risk management. • updating and publishing the Risk Management Strategy and implementing a Council-wide Risk Assurance Model, with clear roles, responsibilities, reporting and review cycles. • establishing robust arrangements for the regular review, challenge and escalation of strategic and operational risks, with clear evidence of management actions and impact on risk exposure. • reviewing the format and content of all strategic and operational risk registers to ensure they are consistent. They should clearly define risk, cause and impact statements, risk owners, inherent and residual scores, risk appetite/tolerance, assurance arrangements, target scores, target dates and supporting evidence for risk assessments. • ensuring strategic risks accurately reflects the Council's key exposures, including financial sustainability, and are assigned to appropriate accountable officers. • improving compliance with operational risk review processes through stronger monitoring and management oversight. • Integrating risk management with performance management, strategic planning and decision-making processes, including regular strategic discussions by Leadership Board and Members on the Council's most significant risks and mitigating actions.	Governance (pages 34 –42)	Continued An Interim Risk Manager is being recruited with permanent recruitment to take place before the end of the financial year. A full strategic risk review has been undertaken by Leadership Board with a further review by Statutory Officers during August 2026. Additional controls are being documented, and scoring will be completed in September 2026. All operational risk registers will be updated by the end December 2026 to feed into the consideration of significant risks as part of the 2026/27 AGS process. Ongoing monitoring and review of strategic risks within the Governance and Statutory Officer Groups. **Responsible Officer:** Director of Legal and Governance **Due Date:** In Progress and Ongoing

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Key recommendations raised in 2025/26

	Recommendation	Relates to	Management Actions
KR5	The Council should develop and implement a fully costed workforce and organisational capacity plan that identifies the critical skills, leadership capacity and specialist expertise required to support service delivery, governance and transformation. Progress should be regularly monitored by Members and the Leadership Board, with particular focus on rebuilding capacity in finance, legal, procurement, housing, risk management, programme management and other key enabling services to ensure the Council can operate effectively and sustainably.	Improvement economy, efficiency and effectiveness (pages 43-53)	**Actions:** The People Plan will be updated and will include a focus on defining future workforce capacity and skills requirements, as well as activity to ensure the workforce is supported and enabled to excel, and the cultural change associated with that. In the meantime, the following actions have been taken during 2026/27 to ensure critical skills to support service delivery, governance and transformation: Additional leadership capacity and capability has been recruited, including a Service Director for Housing and a Corporate Director for Change and Improvement. More officer capacity is being added to the risk management team, information governance, complaints, and procurement/contract management – strengthening core corporate governance functions The corporate PMO is being strengthened following a 'health check' undertaken by Local Partnerships – ensuring that transformation is supported The finance function is being restructured The formation of a wider transformation team, building on the PMO, to include other key enabling capacity (e.g. finance, HR, business analysis) Building the capacity in the Strategy & Change function in terms of policy, public affairs, performance and business planning expertise. Additional capacity in the Revenues and Benefits service – to increase/maximise income collection and support financial recovery. **Responsible Officer:** Director of People and Culture **Due Date:** April 2027

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Key recommendations raised in 2025/26

	Recommendation	Relates to	Management Actions
1	The Council should urgently review and strengthen its governance, shareholder and client-side arrangements for STAR and CDL. This should include establishing clear accountability and reporting lines, strengthening officer capacity and housing expertise, resolving conflicts of interest, implementing a robust performance and financial reporting framework, ensuring regular member scrutiny, and developing a clear housing strategy.	Improvement economy, efficiency and effectiveness (pages 43-53)	**Actions:** On 9 September 2026 Cabinet approved the structured closure of CDL as property development company. Closure Plan will ensure the safe and careful exit of the business. This addresses significant conflicts of interest between the Joint MD of CDL and Star Housing. A governance review of Housing completed. This led to a new Housing Oversight & Scrutiny Committee being established in May 2026. A new full-time Service Director for Housing role has been established in the Leadership Board structure, with successful recruitment completed and postholder due to commence December 2026. The client and contract management arrangements for the ALMO have been reviewed and strengthened, to include KPIs, ALMO Board and Sub-Committee attendance and impact reviewed for Council staff, and a revised meeting agenda, structure and standard agenda for Council with Almo in place and agreed. An independent review of the HRA identified overall the HRA is in a sound position. The Council's action plan has been progressed in full. A draft HRA policy was presented to 9th Cabinet Sept 26, 23rd September Housing Scrutiny Committee ahead of presenting final version to full Council later this year. Performance management across Housing functions is strong. Latest Bed and Breakfast numbers (as of 18/09/26) is 14 households with zero children over 6 weeks. 2026-27 self-assessment retains C2 projection, plus tenancy satisfaction measures strong performance in the top quartile for over 90% of measures. Review of the HRA Business Plan is ongoing to ensure robust provision included in the plan to meet enhanced housing regulations in line with the consumer standards requirements. An update to the plan presented to Cabinet 9th September, work continuing ahead of revised Business Plan for 2027-28 planned March 2027. This will be presented to Housing Scrutiny alongside Cabinet and Full Council. Housing strategy is in draft for review by the new Service Director once in post ahead of consideration at Scrutiny and then Council for approval to go out to public consultation. Further restructuring of the Finance function to be completed during 2026/27 includes provision for specialist housing finance capacity within the team. **Responsible Officer:** Service Director for Housing, **Due Date: March 2027**

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Key recommendations raised in 2025/26

	Recommendation	Relates to	Management Actions
KR7	The Council should accelerate the implementation of its procurement and contract management improvement programme to ensure full compliance with the Procurement Act 2023 and Contract Procedure Rules. This should include establishing robust governance arrangements, implementing the new contract management system, assigning accountable contract managers and owners to all significant contracts, strengthening performance and compliance monitoring, and delivering a comprehensive programme of training and support to build procurement and contract management capability across the organisation. Progress should be regularly reported to the Improvement Board and to ACG.	Improvement economy, efficiency and effectiveness (pages 43-53)	**Actions:** A revised operating model for Procurement and Contract Management was agreed in July 2025, with an associated improvement plan (incorporated into the Council's overall Improvement Plan in November 2025). Delivery of the plan has been constrained due to challenges around recruiting permanent staff. Additional action and investment has been agreed through the Budget, Transformation and Change Panel in September 2026 that will enable the accelerated delivery of the improvement programme and ensure improved compliance with the Procurement Act 2023 and 2024 Procurement Regulations through: Creation and rollout of a Contract Management Framework across the council Implementation of a defined procurement and contract management assurance model to improve legislative compliance, reduce risk and drive continuous improvement Development of Commercial Principles (already drafted on the basis of the new Commissioning and Procurement Strategy) into an updated Contract Rules document and supporting procedures Additional interim capacity – focussed on contract management, governance and compliance, and transformation Recent progress includes: A new contracts and procurement system has been procured. A new Commissioning and procurement strategy was approved by Cabinet in June 2026 The procurement and contract management improvement programme will remain an element of the overall Council Improvement Plan, and progress will continue to be reported regularly to the Improvement Board. **Responsible Officer:** Director of Legal and Governance **Due Date:** Ongoing

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Improvement recommendations raised in 2025/26

Recommendation	Relates to	Management Actions
The Council should continue to strengthen its overview and scrutiny arrangements by ensuring committees are supported by adequate officer capacity, receive timely and high-quality information, and are able to undertake forward-looking reviews of key strategic, financial and governance risks. Scrutiny work programmes should be aligned to the Council's Improvement Plan and Financial Sustainability Strategy to enable effective challenge, informed decision-making and robust accountability.	Governance (pages 34 –42)	**Actions:** The Annual Scrutiny report presented to Full Council in September 2026 provides an update on the development of overview and scrutiny function. This development will continue throughout 2026/27 and includes: • More joined-up governance through the new Scrutiny, Audit and Governance Chairs Group • Better alignment of work programme with council priorities through an annual workshop including all O&S committees, cabinet and leadership board • Earlier influence on decisions through increased use of pre-decision scrutiny • Stronger follow-up and impact tracking, with revised arrangements aligned to the Corporate Plan and Improvement Plan for 2026/27 The number and scope of committees has been updated for 2026/27 to better align with the Corporate Plan priorities, improvement agenda and financial recovery and sustainability strategy, including a Finance and Improvement O&S Committee and a Housing focused committee. **Responsible Officer:** Service Director (Strategy & Change) **Due Date:** June 2026 and ongoing :

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Improvement recommendations raised in 2025/26

	Recommendation	Relates to	Management Actions
R2	The Council should complete the implementation of its new corporate performance framework, ensuring that performance, risk and financial information are integrated into a single reporting framework. This should include clear targets, benchmarking against peer authorities, delivery milestones and regular reporting to Members and senior management to strengthen strategic oversight and support informed decision-making.	Improvement economy, efficiency and effectiveness (pages 43-53)	**Actions:** A new Corporate Plan was approved by Full Council on 14 May 2026 and a new performance framework, aligned to the Plan's six strategic ambitions, was agreed by Cabinet in June 2026. This includes both KPIs with benchmarking and targets, and delivery commitments with milestones. The Quarter 1 report against the framework was presented to Finance and Improvement Overview and Scrutiny Committee (07/09/26) and Cabinet (09/09/26) September 2026. Further implementation of the framework will continue throughout 2026/27, including a more structured approach to performance discussions at leadership board and service leadership teams, focusing on financial, compliance, and reputational risk. Consideration will be given to how financial, performance, and risk information can be further integrated into a single framework. The 2025/26 Annual Governance Statement (AGS) identifies the need to consolidate a single performance dashboard aligned to Corporate Plan outcomes, with oversight by the Improvement Board and Audit and Governance Committee. It also recognises performance, risk and financial management as a core component of the governance framework, supported by monthly financial monitoring, strengthened budget assurance and risk oversight reporting **Responsible Officer:** Service Director (Strategy & Change) **Due Date:** February 2027

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Improvement recommendations raised in 2025/26

	Recommendation	Relates to	Management Actions
23	The Council should continue to work together with system partners to deliver the SEND improvements required and to ensure statutory timescales for EHCP assessments are met.	Improvement economy, efficiency and effectiveness (pages 43-53)	**Actions:** The Council is continuing to work with system partners across education, health and care to deliver the required SEND improvements through the SEND and Inclusion Partnership arrangements. The partnership has developed a SEND and Alternative Provision Strategy and outcomes framework, and work has been prioritised to complete the local SEND reform plan for Shropshire with input from the DfE SEND Advisor, DfE SEND Finance Advisor and senior leaders across the partnership. The plan is being developed through the SEND and Inclusion Partnership Board, People Overview and Scrutiny Committee and One Shropshire Board routes, providing clearer shared oversight and accountability for improvement activity. The Council commissioned an LGA SEND Peer Review to provide independent challenge across the local area SEND partnership, including leadership and governance, capacity and commissioning, identification and assessment, timeliness of support, inclusion, placements and the lived experience of children, young people and families. The findings have identified the need to strengthen strategic oversight, develop a single performance dashboard, prioritise and sequence improvement activity, improve EHCP quality, strengthen health and social care contributions to plans, address commissioning gaps and reset co-production arrangements with PACC. Strengthening strategic oversight, development of a single performance dashboard and prioritise and sequence improvement activity has already been completed since the LGA SEND Peer Review in February 2026, with these areas noted as being stronger during the Ofsted/CQC Area SEND Thematic Visit in May 2026. Specific recovery activity has been implemented to improve statutory compliance with EHCP timescales and plan quality. This included increasing Educational Psychology and EHCP Team capacity to support the delivery of EHCPs within the 20-week statutory timescale along side annual review of plans. The Council is also engaging with Wakefield Council through focused sector-led improvement support on EHCP timeliness, quality and sufficiency. Collectively this activity is showing emerging, but encouraging, improvement in recovery work across the EHCP Team. continued

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Improvement recommendations raised in 2025/26

	Recommendation	Relates to	Management Actions
R3	The Council should continue to work together with system partners to deliver the SEND improvements required and to ensure statutory timescales for EHCP assessments are met.	Improvement economy, efficiency and effectiveness (pages 43-53)	Continued Performance and assurance arrangements are being strengthened through regular reporting to the SEND and Inclusion Partnership Board, People Overview and Scrutiny Committee, Directors Assurance meetings and Schools Forum. The Council is seeking to improve the quality and use of SEND performance data, including monitoring of EHCP timeliness, annual review recovery, demand, caseloads, backlog and the impact of mitigations. This will support clearer escalation, prioritisation and decision-making across the SEND system. The Council is also working with partners to strengthen early support, inclusion and co-production. This includes expanding the role of Education Quality Advisors, supporting mainstream inclusion and SEND hubs, improving communication with parents, young people and professionals through regular SEND updates. These actions are intended to improve statutory compliance, reduce delays, strengthen assurance and deliver more consistent outcomes for children and young people with SEND. **Responsible Officer: Director of Children's Services** **Due Date: December 2026 and then ongoing**

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06 Follow up of previous Statutory and Key recommendations

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Follow up of 2024/25 Statutory recommendation

	Prior Recommendation	Raised	Progress	Current status	Further action
SR1	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.	2024/25	Limited progress in 2025-26. New Section 151 Officer in late 2025-26. Reduced EFS needs in 2025-26 and 2026-27 but significant financial challenges remain in place in 2026-27 and the medium-term.	Limited progress made	We revise this statutory recommendation on page 9.

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Follow up of 2024/25 Key recommendations

	Prior Recommendation	Raised	Progress	Current status	Further action
KR1	The Council should: review all savings programmes to scrutinise deliverability and ensure that, when setting the budget for 2026/27 the savings programmes included are deliverable and achievable. There is likely to be slippage in savings delivery due to a number of factors but the Council should set out plans that are clearly deliverable to support the financial position. The Council should also review the outputs from the PwC transformation work and identify initiatives that can be implemented at pace to support savings delivery.	2024/25	In 2025-26, the Council planned to save £59.87m with support from its transformation partner PWC. The 2025-26 outturn showed £42.15m of unachieved savings, with just £17.72m (30%) of savings delivery achieved over the year, of which £2.55m were as one-off.	Limited progress made	Key recommendation revised on page 32.
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. 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.	2024/25	The 2024-25 DSG outturn was a deficit of £17.65m, it increased during 2025-26 to £45.66m driven by an overspend of £28.03m in high needs. The Council forecasts the DSG deficit increasing to £67m by 2027-28 and to £92m by 2028-29. This did not take the 90% which would reduce the 2025-26 deficit to £4.6m. This would reduce the 2028-29 forecast to £50.94m.	Limited progress made	Key recommendation retained on page 33.

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Follow up of 2024/25 Key recommendations

	Prior Recommendation	Raised	Progress	Current status	Further action
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). 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.	2024/25	In June 2026, the Chief Audit Executive's opinion was 'Limited Assurance' on the Council's framework for governance, risk and internal control for the seventh year. This was based on 421 recommendations across 60 reports. In 2025-26, 57% of the recommendations were significant and fundamental compared with 47% in 2024-25. These weaknesses were significant, particularly in key systems such as budget monitoring, risk management and workforce resilience, and indicate that controls are not yet operating consistently or effectively in the Council.	No progress made	Key recommendation revised on page 39.

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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 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.	2024/25	Progress is identified in the statutory recommendation update and the savings updates for 2024-25 so not repeated here.	No progress made	Closed. Included in the statutory recommendation on page 9 and our revised key recommendation relating to savings on page 32.

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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.



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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 Internal Audit annual opinion

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Appendix C: Follow up of 2024/25 improvement recommendations

	Prior Recommendation	Raised	Progress	Current position	Further action
IR1	The Council should: review its approach to reporting on slippage against the capital programme and, as appropriate, enhance the detail of reporting.	2024/25	The Council did improve monitoring in Q42025/26 and performance against the revised capital programme achieved 89%. We close this recommendation.	Implemented	Closed
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.	2024/25	In July 2025, the Local Government Association (LGA) carried out a Corporate Peer Challenge (CPC) at the invitation of the Council. The CPC report made ten recommendations that were all accepted, and an action plan was reported to the Cabinet on 15 October 2025 which included the development of a People Plan and Improvement Plan. To support this improvement, the Council established an Improvement Board with an Independent Chair which first met in November 2025.	Implemented	Closed

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Appendix C: Follow up of 2024/25 improvement recommendations

	Prior Recommendation	Raised	Progress	Current position	Further action
IR3	The Council should ensure that it address the minor control weaknesses identified in the Internal Audit risk management report in a timely manner.	Retained from 2023/24	In February 2026, the AGC received a limited assurance opinion for risk management with evidence of non-compliance with key controls identified. Plans to implement a Council-wide Risk Assurance Model for operational risks from January 2025 were not progressed and the Opportunity Risk Management Strategy was not fully redrafted since 2022. The Strategy in place in March 2025 needs a significant focus on risk management.	Escalated to key recommendation on page 40.	Escalated to key recommendation on page 41.
IR4	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.	Retained from 2023/24	In June 2026, the Chief Audit Executive's opinion was 'Limited Assurance' on the Council's framework for governance, risk and internal control for the seventh year. This was based on 421 recommendations across 60 reports, of which 31 were good and reasonable assurances accounting for 52% of the opinions delivered - a 6% decrease in higher levels of assurance compared to 2024-25. In 2025-26, 57% of the recommendations made were significant and fundamental recommendation compared with 47% in 2024-25. These weaknesses were significant, particularly in key systems such as budget monitoring, risk management and workforce resilience, and indicate that controls are not yet operating consistently or effectively enough in the Council.	Closed and incorporated into key recommendation about internal audit on page 38.	Closed and incorporated into key recommendation about internal audit on page 39.

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Grant Thornton

Audit Findings for Shropshire Council

Year ended 31 March 2026

November 2026

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Shropshire Council

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November 2026

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Dear Members of the Audit & Governance Committee

Audit Findings for Shropshire Council for the 31 March 2026

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-2025-.pdf (grantthornton.co.uk).

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

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Headlines

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 2026 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
- 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), Narrative Report and Pension Fund Financial Statements), 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 completed during July-November as planned. Our findings are summarised on pages 17 to 26. We identified one adjustment to the financial statements, which does not impact the Authority's Comprehensive Income and Expenditure Statement. We have identified one adjustment which you are not adjusting for as they are not material. Details of audit adjustments are provided on page 33 to 35.

We have also raised recommendations for management, set out on page 36, and reported our follow up of prior year recommendation on page 38.

Our work is substantially complete and there are no matters of which we are aware that would require modification of our audit opinion, subject to the following outstanding matters:

- Completion of testing for remaining samples for expenditure, creditors, debtors, fees and charges, grant income, PFI, assets under construction, accounting for NWRR project costs, capital commitments, journal entry testing and CDL component auditor review on specific balances.
- Receipt of final capitalisation direction from MHCLG without which we cannot sign the accounts.
- receipt of management representation letter
- 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 the Authority and with the audited financial statements.

Our anticipated financial statements audit report opinion will be unmodified.

We anticipate issuing the auditors report on 30/01/2027.

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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:

- Governance
- Financial sustainability
- Improving economy, efficiency and effectiveness

We have completed our VFM work. Detailed commentary is set out in the separate Auditor's Annual Report, which was presented to Council on 5th November 2026. We have raised two statutory recommendations 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, two relating to governance and three relating to the Authority's arrangements for improving economy, efficiency and effectiveness. We also reported some improvement recommendations.

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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
- 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.

We have completed the majority of our 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 the following matter(s) are resolved:

- confirmation has not been received from the NAO that the group audit (Whole of Government Accounts) has been certified by the Comptroller and Audit General, 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 and

- Outstanding work to be performed in relation to an objection from a member of the public.

We are satisfied that this work does not have a material effect on the financial statements for the year ended 31 March 2026.

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.

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2 Group Audit

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, as well as the status of work on each component.

Component	Risk of material misstatement to the group	Scope – planning	Scope – final	Auditor	Responsible Individual	Status
Shropshire Council	Yes	Scope 1	Scope 1	Grant Thornton UK	Avtar Sohal	G
Cornovii Developments Limited	Yes	Scope 2	Scope 2	Grant Thornton UK	Amy Done	R
Shropshire Towns and Rural Housing	No	Out of scope	Out of scope	Grant Thornton UK	James McLarnon	G
West Mercia Energy	No	Out of scope	Out of scope	WR Partners	N/A – not GT	G
West Mercia Supplies (pensions)	No	Out of scope	Out of scope	Not subject to Audit	N/A – not GT	G
Biodynamic Carbon Limited	No	Out of scope	Out of scope	WR Partners	N/A – not GT	G

Key

Scope 1	Audit of entire financial information of the component, either by the group audit team or by component auditors (full-scope)
Scope 2	Specific audit procedures designed by the group auditor (specific scope)
Scope 3	Specific audit procedures designed by a component auditor (specific scope)
Out of scope	Out of scope components are subject to analytical procedures performed by the Group audit team to group materiality

G	Planned procedures are substantially complete with no significant issues outstanding.
A	Planned procedures are ongoing/subject to review with no known significant issues.
R	Planned procedures are incomplete and/or significant issues have been identified that require resolution.

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Involvement in the work of component auditors

Component	Component auditors involved	Summary of involvement
Cornovii Developments Limited	Grant Thornton UK	The Group Engagement Lead directed, supervised and reviewed the work of component auditors, including communicating identified risks and providing guidance on the nature, timing and extent of audit procedures. Two-way communication was maintained with component auditors throughout the audit, to discuss risks, findings and progress as appropriate. At the time of writing this report, we are still completing our review of component auditor's audit documentation and underlying working papers in respect of significant risk areas.

- We 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 communicate to them your policy on non-audit services. You will ensure that each component entity within your group is aware of your policy.

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3 Our approach to materiality

Our approach to materiality

As communicated in our Audit Plan dated 30 June 2026, we determined materiality at the planning stage as £16.34m and group materiality as £17.2m based on 2% of prior year group gross expenditure. At year-end, we have reconsidered planning materiality based on the draft consolidated financial statements and have not adjusted from levels set at planning.

A recap of our approach to determining materiality is set out below.

Basis for our determination of materiality

We have determined materiality at £16.34 million and group materiality at £17.2 million based on professional judgement in the context of our knowledge of the Authority and the group.

We have used 2% of gross expenditure as the basis for determining materiality for the group. We have used 95% of the group as a baseline for determining the authority's materiality.

Performance materiality

We have determined performance materiality at £12.255m, based on 75% of headline materiality.

This reflects our risk-assessed knowledge of potential for errors occurring. Performance materiality is used for the purposes of assessing the risks of material misstatement and determining the nature, timing, and extent of further audit procedures. This is the amount we set at less than materiality for the financial statements as a whole, to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.

Specific materiality

We have identified senior officer remuneration as a balance where we will apply a lower materiality level, as these are considered sensitive disclosures. We have set a materiality of £0.021m.

Reporting threshold

We will report to you all misstatements identified in excess of £0.860m for the group and £0.817m for the authority, in addition to any matters considered to be qualitatively material.

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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	17,200,000	16,340,000	Group benchmark is determined as a percentage (2%) of the Council's group gross expenditure in 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. On receipt of draft 2025/26 financial statements, we have reconsidered materiality and have not adjusted from levels set at planning.
Performance materiality	12,900,000	12,255,000	Performance materiality has been set at 75% of financial statements materiality. This reflects our risk-assessed knowledge of potential for errors occurring. Performance materiality is used for the purposes of assessing the risks of material misstatement and determining the nature, timing, and extent of further audit procedures. This is the amount we set at less than materiality for the financial statements as a whole, to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.
Specific materiality for Senior officer remuneration disclosures	21,090	21,090	Due to the public interest in senior officer remuneration disclosures, we apply specific audit procedures to this work and set a lower materiality level for this area. We design our procedures to detect errors in specific accounts at a lower level of precision which we have determined to be applicable for senior officer remuneration disclosures. We evaluate errors in this disclosure for both quantitative and qualitative factors against this lower level of materiality. We will apply heightened auditor focus in the completeness and clarity of disclosures in this area and will request amendments to be made if any errors exceed the threshold we have set or would alter the bandings reported for any individual.
Reporting threshold	860,000	817,000	We have used 5% of materiality level for the group and council as our threshold for reporting issues.

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4 Overview of significant and other risks identified

Overview of 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	🟢
Risk of fraud in revenue recognition (rebutted)	Significant	↔	✓	Low	🟢
Risk of fraud in expenditure recognition (rebutted)	Significant	↔	✓	Low	🟢
Valuation of land and buildings	Significant	↔	✗	Medium	🟢
Valuation of Gross pension liability	Significant	↔	✗	High	🟢
Valuation of Investment properties	Significant	↔	✗	Medium	🟢
Valuation of Investment council Dwellings	Significant	↔	✗	Medium	🟢
Exceptional Financial Support	Other	↔	✗	Low	🟢
Capitalisation of the North-West Relief Road Project costs	Other	↔	✗	Low	🟡

↑ Assessed risk increase since Audit Plan

↔ Assessed risk consistent with Audit Plan

↓ Assessed risk decrease since Audit Plan

G Not likely to result in material adjustment or change to disclosures within the financial statements

A Potential to result in material adjustment or significant change to disclosures within the financial statements

R Likely to result in material adjustment or significant change to disclosures within the financial statements

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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	We have: • evaluated the design and implementation of management controls over journals • analysed the journals listing and determined the criteria for selecting high risk unusual journals • identified and tested unusual journals made during the year and the accounts production stage for appropriateness and corroboration • gained an understanding of the accounting estimates and critical judgements applied by management and considered their reasonableness	Our audit work has not identified any issues relating to management override of controls but as noted earlier there is still some work outstanding in this area.

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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 We are also satisfied that it is still appropriate to rebut this risk.

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Significant risks

Risk identified	Audit procedures performed	Key observations
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.	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: <u>Accounting policies and systems</u> • 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 <u>Fees, charges and other service income</u> Agreed, on a sample basis, income and year end receivables from other income to invoices and cash payment or other supporting evidence. <u>Taxation and non-specific grant income</u> • 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.	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.

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Significant risks

Risk identified	Audit procedures performed	Key observations
Valuation of land and buildings The 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 fair value (for surplus assets) at the financial statements date, where a rolling programme is used. 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.	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 • tested revaluations made during the year to see if they have been input correctly into the Council's asset register. • 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 • 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 assets that don't go through formal valuation, we reviewed the indices selected, including assessing their relevance and reasonableness for the associated asset classes. • confirmed the correct application of the indices to the underlying asset categories and verify the mathematical accuracy of the indexation calculations. • ensured the resulting valuation movements and disclosures in the financial statements are appropriate and comply with the Code	We have noted no material adjustments in relation to this significant risk. We confirmed the correct application of indices to the relevant asset categories and verified the mathematical accuracy of the indexation calculations. No issues were identified from our testing. We are satisfied that judgements made by management are appropriate and have been determined using consistent methodology.

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Significant risks

Risk identified	Audit procedures performed	Key observations
Valuation of council dwellings 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 a Significant Risk.	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 • Write 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 • considered and evaluate the reasonableness of the Beacon properties, to which other properties were allocated, and the appropriateness of variances thereto • tested revaluations made during the year to see if they have been input correctly into the Council's asset register.	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.

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Significant risks

Risk identified	Audit procedures performed	Key observations
Valuation of Investment Property The Council carries out a rolling programme that ensures that all Investment Properties required to be measured at current value is revalued at least every 5 years and are subject to an annual desktop review, in year where a full valuation is not undertaken. 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.	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 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	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.

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Significant risks

Risk identified	Audit procedures performed	Key observations
Valuation of Gross 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.	To address this risk we: • Updated our understanding of the processes and controls put in place by management to ensure that the Council's pension fund 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 • Assessed 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 liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary • Undertake 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 County 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	We had no significant findings. The Pension Fund Auditor (PFA) reported an unadjusted misstatement of £5,510,848 relating to estimation difference identified in the valuation of Investments (understated). The proportion relating to the Council is approximately £2,378,970. 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. Based on our testing we are satisfied that the IFRIC 14 application is appropriate.

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Other risks

Risk identified	Audit procedures performed	Key observations
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 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.	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	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.
Capitalisation of the North-West Relief Road project costs Included in the Council's Assets Under Construction balance as at 31 March 2025 are costs relating to the North-West Relief Road project of £32.2m. The project was initially paused on 23 June 2025, and approval was sought from the Council on 26 February 2026 to formally cancel the project. Under the CIPFA Code of Practice, expenditure may only be capitalised where it meets the definition and recognition criteria of an asset. Expenditure relating to cancelled or abandoned projects must be written off to revenue and cannot remain on the Balance Sheet as AUC. Given the material value of the balance, the judgement involved in determining whether any element remains recoverable, and the requirement to fully derecognise and expense the cancelled project, there is a risk of material misstatement relating to the classification, valuation and presentation of AUC.	We: • Obtained and evaluate management's assessment of the project cancellation and the resulting accounting treatment. • Reviewed supporting evidence (e.g., decision papers, Cabinet reports, capital programme updates) confirming cancellation. • Confirmed that the full value of non-recoverable spend is written off to revenue in accordance with the Code. • Reviewed accounting entries, impairments and derecognition adjustments for accuracy. • Assessed adequacy of disclosures relating to project cancellation and associated financial impact	Work is currently in progress as we are awaiting information on the accounting treatment from the Council.

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5 Other Findings

Other findings – Information Technology

This section provides an overview of results from our assessment of the Information Technology (IT) environment and controls therein which included identifying risks from IT related business process controls relevant to the financial audit. This table below includes an overall IT General Control (ITGC) rating per IT application and details of the ratings assigned to individual control areas. Further detail of the IT audit scope and findings, please see separate 'IT Audit Findings' Report

			ITGC control area rating			
IT application	Level of assessment performed	Overall ITGC rating	Security management	Technology acquisition, development and maintenance	Technology infrastructure	Related significant risks/other risks
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:

- [Red] Significant deficiencies identified in IT controls relevant to the audit of financial statements
- [Amber] Non-significant deficiencies identified in IT controls relevant to the audit of financial statements/significant deficiencies identified but with sufficient mitigation of relevant risk
- [Green] IT controls relevant to the audit of financial statements judged to be effective at the level of testing in scope
- [Black] Not in scope for assessment

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6 Communication requirements and other responsibilities

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.
Written representations	• We draw your attention to the draft Letter of Representation which is appended.
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 matters	• No other matters have been identified.

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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)

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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 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 the environment in which it operates • the Authority's financial reporting framework • The Authority'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.

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Other responsibilities

Issue	Commentary
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, Narrative Report and Pension Fund Financial Statements), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. No inconsistencies have been identified. We plan to issue an unmodified opinion in this respect.
Matters on which we report by exception	We are required to report on 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 two statutory written recommendations under Section 24 of the Local Audit and Accountability Act 2014 in our Auditors Annual Report. These are 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. The local government WGA instructions for 2025/26 have not been received. Accordingly, the WGA procedures cannot be completed.
Certification of the closure of the audit	We intend to delay the certification of the closure of the 2025/26 audit of Shropshire Council Authority in the audit report, n 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 one objection from the public from prior years.

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7 Audit adjustments

Audit adjustments

We are required to report all non-trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Impact of adjusted misstatements

All adjusted misstatements are set out in detail below, along with the impact on the key statements.

Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £'000	Impact on total net expenditure £'000	Impact on general fund £'000
Prepayments overstatement				
An amount which does not meet the definition of prepayment was incorrectly included as a prepayment				
Dr Debtors		Dr 1,710		
Cr Prepayments		Cr 1,710		
Overall impact	**0**	**0**	**0**	**0**

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Audit adjustments

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 £'000	Balance Sheet £'000	Impact on total net expenditure £'000	Impact on general fund £'000
Infrastructure assets additions			TBC	
As part of the infrastructure additions testing, we noted that an item which relates to works completed in March 2025 was not accrued into the financial statements and was incorrected accounted for in 2025/26.				
Dr Cash		TBC		
Cr PPE Additions – Infrastructure	TBC			
Overall impact	TBC	TBC	TBC	

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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?
Throughout	A number of typographical errors have been identified throughout the financial statements.	Yes
Note 16	We have found two assets whose useful lives are 3 years while the minimum as per the note is 5 years. The council has agreed to change the accounting policy.	TBC

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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.

Assessment	Issue and risk	Recommendations
● Medium	**Issue – Incorrect recognition of prepayments** During testing of prepayments, it was identified that a number of expenditure items had been recognised as prepayments at year-end despite the related cash payments not being made until after the financial year-end. As a result, expenditure was recognised as a prepayment when the Council did not have a valid asset at the balance sheet date, leading to an overstatement of prepayments. **Risk** There is a risk that prepayments are incorrectly recognised at year-end where accounting entries are processed without sufficient evidence that the goods or services have been paid for, or that the recognition criteria for a prepayment have been met. This may result in the overstatement of current assets, understatement of expenditure, and material misstatement of the financial statements	Management should strengthen the year-end review process for prepayments to ensure that expenditure is only recognised as a prepayment where the recognition criteria have been met at the balance sheet date. Particular attention should be given to payments processed close to year-end to ensure that amounts are not recorded as prepayments where the related cash has not been credited from the bank account by year-end. **Management response** Agreed. The closedown timetable and procedures will be reviewed to ensure that payment files processed close to year end are appropriately reflected as either a prepayment, or a reversing creditor.

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

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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.

Assessment	Issue and risk	Recommendations
● Medium	**Issue - Requirements of the inspection period** Under the Accounts and Audit Regulations 2015, local authorities are required to make available for public inspection the relevant documents associated with the statement of accounts, including the Annual Governance Statement (AGS), before or at the commencement of the public inspection period. We noted that the draft unaudited financial statements for both the Council and the Pension Fund were published on the Council's website on 30 June 2026, together with the notice of public rights. However, we noted that the Annual Governance Statement had not been published on the Council's website by 30 June 2026. As a result, we are unable to conclude that all statutory requirements relating to the commencement of the public inspection period had been met when the inspection period began.	The Council should strengthen its year-end financial reporting timetable and quality assurance procedures to ensure that all statutory documents, including the Statement of Accounts, Annual Governance Statement and Notice of Public Rights, are reviewed and published simultaneously before the commencement of the public inspection period. A documented pre-publication checklist should be implemented and formally signed off by the responsible officers prior to publication. **Management response** Agreed, procedures for publication of the relevant documents for the public inspection will be reviewed to ensure these are all published in line with statutory deadlines.

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Follow up of prior year recommendations

We identified the following issues in the audit of the Authority's 2024/25 financial statements, which resulted in 3 recommendations being reported in our 2024/25 Audit Findings Report. We are pleased to report that management have implemented our recommendation.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	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	**Management Comment** This was resolved during the 2024/25 audit and has not been an issue since. **Audit comments** Our testing in the current financial year has not identified issues with reconciliating items within the council's bank reconciliation.
✓	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.	**Management Comment** When new leases are entered into by the business support partners, the surveyor who oversaw the transaction then checks that the information has been placed on the system correctly, and so the data can be relied upon. When data is sourced from other places, e.g. sales, copies of the offer letter, Heads of Terms etc are now requested and supplied. **Audit comments** Our testing in the current has not identified issues with investment property valuations.

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Follow up of prior year recommendations (Continued)

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	Where a full revaluation of any land and buildings is not carried out in year, the internal valuation team carry out a desk top valuation in accordance with RICS requirements. This helps ensure the assets are not materially misstated. The valuer did not retain their detailed workings of this exercise for audit review.	**Management Comment** Copies of the Indices used as supplied by the valuer are being retained within SharePoint folder. **Audit comments** Our testing in the current year did not identify issues with the indices and the work relating to indexation of assets was performed by an external valuer in the current year

Assessment

✓ Action completed

X Not yet addressed

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8 Value for Money arrangements

Value for Money arrangements

Approach to Value for Money work for the year ended 31 March 2026

The National Audit Office issued its latest Value for Money guidance to auditors in March 2026. 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 2025-26. Our draft AAR will be reported to you on November audit committee.

In undertaking our work, we are required to have regard to three specified reporting criteria. These are as set out below.



Governance

How the body ensures that it makes informed decisions and properly manages its risks.



Financial sustainability

How the body plans and manages its resources to ensure it can continue to deliver its services.



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.

In undertaking this work we have identified significant weaknesses in arrangements.

Details are included in our Auditor's Annual Report which accompanies this report to the November Audit Committee

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9 Independence considerations

Independence considerations

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 [and network firms]).

The only matter we wish to bring to your intention 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 requirement of the Financial Reporting Council's Ethical Standard

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in February 2025 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

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Independence considerations

As part of our assessment of our independence we note the following matters:

Matter	Conclusions
Relationships with Grant Thornton	We are not aware of any relationships between Grant Thornton and the Authority or group 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 Authority or 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 Authority or 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 Authority or 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 Authority/group, 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 [and network firms] 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.

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Fees and non-audit services

The following tables below sets 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.

The below non-audit services are consistent with the group's policy on the allotment of non-audit work to your auditor.

None of the below services were provided on a contingent fee basis

We confirm that the fees from non-audit services to the audited entity and its controlled entities do not exceed 70% of the total audit fee for the year.

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 Shropshire Council. 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.

Audit fees	Fee per audit plan £	Proposed Fee £
Audit of Shropshire Council – per audit plan	420,970	420,970
Additional Group procedures	9,000	9,000
VFM additional procedures and stat rec	TBC	15,000*
Extended procedures on EFS and Going concern	TBC	10,000*
Review of accounting for NWRR	TBC	5,000*
Audit of Cornovii Developments Limited	TBC	41,500
Audit of Shropshire Towns and Rural Housing Limited	TBC	39,750
Total	**429,970**	**541,220**

*** These fees are subject to approval by PSAA**

This covers all services provided by us and our network to the group /Authority, its senior officers and its affiliates, and other services provided to other known connected parties that may reasonably be thought to bear on our integrity, objectivity or independence.

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Fees and non-audit services

Audit-related non-audit services

Service	2023/24 £	2024/25 £	2025/26 £	Threats Identified	Safeguards applied
Certification of Housing Benefits Subsidy claim	53,827	56,540	52,700	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 is low 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. To mitigate against the management threat, ie acting in the capacity of management, the scope of the work does not include making decisions on behalf of management or recommending or suggesting a particular course of action for management to follow
Certification of Pooling of Housing Capital Receipts claim	10,000	10,000	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 is low 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. To mitigate against the management threat, ie acting in the capacity of management, the scope of the work does not include making decisions on behalf of management or recommending or suggesting a particular course of action for management to follow

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Fees and non-audit services (continued)

Audit-related non-audit services

Service	2023/24 £	2024/25 £	2025/26 £	Threats Identified	Safeguards applied
Teachers' Pension Return	12,500	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 is low 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. To mitigate against the management threat, ie acting in the capacity of management, the scope of the work does not include making decisions on behalf of management or recommending or suggesting a particular course of action for management to follow
Total	76,327	79,040	75,200		

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Fees and non-audit services (continued)

Total audit and non-audit fees for 2025/26

Group audit fees £541,220	Non-audit fees £75,200

The above fees are exclusive of VAT.

The fees reconcile to the financial statements as follows:

• fees per financial statements note 35	£430,000
• Estimated fees for Non- audit fees note 35	£70,000
Total Amount in Note 35	**£500,000 (rounded)**
Other items included in the Group fee but not included in note 35	
• Audit fees for CDL	£41,500
• Audit Fees for STARH	£39,750
• Items not accrued - additional work by audit team	£30,000
• Items not accrued – estimated for non audit fees	£5,170
Total Fee as per above	**£616,420**

Note 35 in the financial statements does not show audit fees relating to CDL and STARH as these are not paid by the council. The amount in the financial statement is an estimate as the 2025/26 fee was not agreed at the time the draft financial statements were published

This covers all services provided by us and our network to the group /Authority, its senior officers and its affiliates, that may reasonably be thought to bear on our integrity, objectivity or independence.

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10 Appendices

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	●	
Planned use of internal audit	●	
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		●

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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		●

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 senior officers 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	Audit and Governance Committee
Date and Time	26 November 2026 10:00am
	Public

Internal Audit Performance Report 2026/27

Cabinet Member	Councillor Roger Evans – Portfolio Holder for Finance
Lead Director	Duncan Whitfield - Interim Section 151 Officer
Service Area	Internal Audit
Report Author	Barry Hanson - Head of Policy and Governance
Officer contact details	07990 086409 barry.hanson@shropshire.gov.uk
Electoral Divisions Affected	All Divisions
Key Decision?	Not a Key Decision
Cabinet Forward Plan	Not applicable
Report considered by	Not applicable

1. Purpose of Report

1.1. This report supports the Committee in discharging its governance oversight responsibilities in relation to Internal Audit. By considering the reported performance against the approved Internal Audit Plan. By considering performance against the approved Internal Audit Plan, the Committee can assess the extent to which planned work is being delivered and whether it provides sufficient assurance over the Council's key risks, controls and governance arrangements.

1.2. This report also enables the Committee to assess the significance of audit outcomes and determine whether further comment or action is required, particularly in response to low assurance opinions and fundamental recommendations. This is critical where issues are repeated, as it supports appropriate management challenge and oversight of timely and effective remedial action.

2. Recommendations

2.1. The Committee is asked to:

- Note the reported performance against the 2026/27 Internal Audit Plan and approve the proposed revisions as set out in Appendix A.
- Consider whether any further action or assurance is required in response to low assurance opinions, particularly where issues are repeated.

3. Background

3.1. Management is responsible for the system of internal control and should put 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 and Governance Committee is the governing body with delegated authority under the Constitution to monitor progress on the work of Internal Audit.

3.2. The Internal Audit Plan supports delivery of the Council's internal audit responsibilities under the Accounts and Audit Regulations 2015 and is prepared with reference to the Global Internal Audit Standards (GIAS) and the accompanying UK public sector Application Note. The Accounts and Audit Regulations set out the requirements on all relevant authorities in relation to internal control, including requirements in respect of accounting records, internal audit and review of the system of internal control. Specifically, regulation 5(1) states:

> '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.'

3.3. The 2026/27 Internal Audit Plan was presented to and approved by the Audit and Governance Committee at its meeting on 5 February 2026, with subsequent revisions approved in September 2026. This report provides an update on progress made against the plan up to 31 October 2026 and includes revisions to the plan.

4. Summary of Main Proposals

4.1. Details of Internal Audit's performance are shown in **Appendix A**. Five final audit reports were issued during September and October 2026; three received reasonable assurance opinions (60%) and two received limited assurance opinions (40%). No good or unsatisfactory assurance opinions were issued during the period. The proportion receiving good or reasonable assurance was lower than in the equivalent period in 2025/26 (71%), but higher than the 2025/26 full-year outturn (52%).

4.2. The appendix also sets out proposed revisions to the 2026/27 Internal Audit Plan, bringing total planned activity to 1,533 audit days, an increase of 49 days compared with the revisions approved in September. Changes to the planned activity are required following the appointment of a Principal Auditor to fill the

vacancy. Audit delays and overruns on audits have also impacted delivery of the plan.

4.3. The results of completed and ongoing audit work will continue to be reported to the Committee and will contribute to the Chief Audit Executive's year-end opinion on the Council's governance, risk management and internal control environment.

5. Alternative Options

5.1. The Committee may approve the proposed revisions to the Internal Audit Plan or request amendments or further information before approval. It may also identify additional actions in response to the performance and assurance outcomes reported.

6. Key Risks and Opportunities

6.1. Through its independent, risk-based reviews, Internal Audit identifies weaknesses in risk management, control and governance arrangements that may expose the Council to financial, operational or reputational risk. By bringing these to management's attention, Internal Audit supports informed decision-making and contributes to the continuous improvement of the Council's overall control environment and organisational performance.

6.2. Internal Audit activity is risk-based and planned to provide sufficient coverage to support the Chief Audit Executive's annual opinion. Critical risks identified through audit work will be reported promptly, with agreed actions monitored through established follow-up and escalation arrangements. Areas to be audited within the plan have been considered using risk register information at both operational and strategic levels in addition to liaison with key members and officers. In this way, Internal Audit contributes to assurance over the Council's strategic risks, proportionate to the scope of the approved plan. Key risks associated with the performance of Internal Audit are identified in the table below.

Risk	Mitigation	Link to Strategic Risk
Failure to deliver the approved Internal Audit Plan.	Regular monitoring of progress, reprioritisation of work, and escalation of resourcing issues.	Governance, assurance and value for money.
Insufficient internal audit coverage of key strategic, financial or operational risks.	Regular refresh of the audit plan and continued alignment to strategic and operational risk priorities.	Governance, assurance and value for money.
Delayed implementation of agreed actions.	Recommendation tracking, deadline monitoring, and escalation of overdue high-risk actions.	Governance, assurance and value for money.
Persistent control weaknesses remain unresolved, exposing the Council to recurring	Formal management responses, targeted follow-up, and Audit and Governance	Governance, assurance and value for money.

Risk	Mitigation	Link to Strategic Risk
risks and adverse audit findings.	Committee challenge where issues persist.	
Resource and skills constraints within Internal Audit.	Workforce planning, training, resilience arrangements, and use of specialist support where needed.	Workforce capacity and capability.

6.3. Internal Audit findings can highlight opportunities to strengthen processes, improve efficiency and enhance value for money.

6.4. Retaining an advisory contingency enables Internal Audit to respond to emerging risks and provide timely independent advice on new initiatives, control design and risk mitigation.

7. Council Priorities

7.1. Internal Audit activity is aligned to the Council's Corporate Plan 2026–2030 and supports its core ambitions of financial sustainability, organisational improvement and effective use of resources. Through its risk-based work, Internal Audit provides assurance over governance, control and transformation activity, helping ensure that key priorities are delivered effectively, risks are managed, and the Council operates in a way that supports its ambition to be sustainable, resilient and efficient.

8. Financial Implications

8.1. The Internal Audit service operates within an approved budget agreed by the Council, and its activities are planned to maximise the value of this resource in providing independent assurance. The proposed revisions to the Internal Audit Plan can be delivered within the approved service budget.

8.2. Through its programme of risk-based audit work, the team contributes directly to financial assurance by evaluating the effectiveness of financial controls, identifying weaknesses, and making recommendations to prevent loss, inefficiency or non-compliance. This provides assurance to management, the Committee, the Council and the public on the effectiveness of arrangements for safeguarding public funds and supports the Council in maintaining sound financial management and governance arrangements.

9. Legal and HR Implications

9.1. There are no legal or human resource implications arising from this report; however, the work of Internal Audit supports the Council in maintaining compliance with relevant legislation, policies and employment practices, and in identifying and addressing any control weaknesses that could give rise to legal or workforce-related risks.

10. Electoral Division Implications

10.1. There are no direct electoral division implications arising from this report, as it relates to the corporate governance, risk management and internal control arrangements of the Council as a whole rather than impacts on specific localities.

11. Health, Social (including "Child Friendly Shropshire") and Economic Implications

11.1. This report does not have any direct health, social or economic implications. Internal Audit considers these matters where relevant to the governance, risk management and control arrangements within the scope of its work.

12. Equality and Diversity Implications

12.1. There are no direct equality and diversity implications arising from this report; however, effective internal audit activity supports the Council in ensuring that its policies, procedures and controls operate fairly and consistently, including compliance with equality legislation and the promotion of inclusive practices across all services.

13. Climate Change, Biodiversity and Environmental Implications

13.1. There are no direct climate change, biodiversity or environmental implications arising from this report; however, through its risk-based approach, Internal Audit may review and provide assurance over areas such as environmental compliance, climate-related risks and sustainability initiatives, thereby supporting the Council's wider environmental objectives and statutory responsibilities.

14. Background Papers

14.1. Internal Audit Performance Report and Revised Internal Audit Plan 2026/27 – Audit and Governance Committee, 25 September 2026
14.2. Draft Internal Audit Risk Based Plan 2026/27 – Audit and Governance Committee, 5 February 2026
14.3. Global Internal Audit Standards (Institute of Internal Auditors 2024)
14.4. Application Note Global Internal Audit Standards in the UK Public Sector – Relevant Internal Audit Standard Setters, December 2024 (reviewed November 2025)
14.5. The Accounts and Audit Regulations 2015 (as amended)
14.6. Internal Audit Charter and Mandate

15. Appendices

Appendix A - Internal Audit Performance Report

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Shropshire Council

Appendix A

Internal Audit Performance Report

September to October 2026

1. Introduction

1.1. This report provides the Audit and Governance Committee with an update on Internal Audit activity between September and October 2026. It summarises progress in delivering the approved 2026/27 Internal Audit Plan, highlights revisions required in response to changes in resources, risk and Council priorities, and reports the outcomes of completed audit work, including assurance opinions and recommendation themes. The report supports the Committee in maintaining oversight of Internal Audit delivery and in considering whether the work undertaken to date is sufficient, proportionate and appropriately focused on the Council's key risks, governance arrangements and control environment. The results of completed and ongoing audit work will contribute to the Chief Audit Executive's (CAE's) year-end opinion.

2. Revisions to the 2026/27 Plan

2.1. The original Internal Audit Plan for 2026/27 was approved by the Audit and Governance Committee in February 2026, with subsequent adjustments approved in September 2026.

2.2. The Internal Audit Plan is intended to remain responsive throughout the year so that audit resources continue to be directed to the areas of greatest risk and value to the Council. Revisions may therefore be required where there are changes in available resources, emerging risks, changes to Council priorities, delays or overruns in planned audit work, or requests for additional advisory, project or assurance support. Any proposed changes are considered in the context of maintaining sufficient and appropriate audit coverage to support delivery of the plan and enable the CAE to provide a robust year-end opinion on the Council's governance, risk management and control environment.

2.3. Revisions to the 2026/27 plan provide for a total of 1,533 audit days, an increase of 49 days from the revisions approved in September. Revisions to the plan are targeted to provide sufficient audit coverage to support the CAE's year-end opinion. Changes to the planned activity are required following the appointment of a replacement Principal Auditor. Delays and overruns on audits have also affected delivery of the plan.

2.4. Results of all audit work undertaken will be reported to the Committee following completion and will contribute directly to the CAE's year-end opinion.

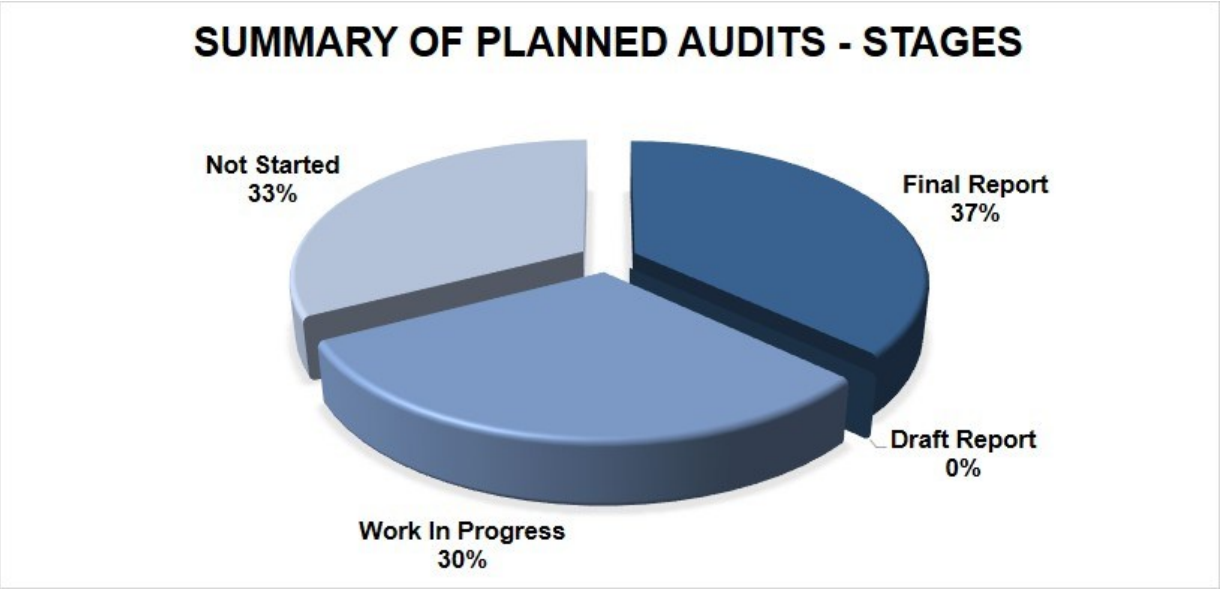
3. Performance Against the Plan 2026/27

3.1. In total, five final reports were issued in the period from 1 September to 31 October 2026. Recommendations have also been made as part of three briefing notes issued in the period. The reports and briefing notes are listed below, with assurance opinions and direction of travel shown where applicable, together with recommendation ratings.

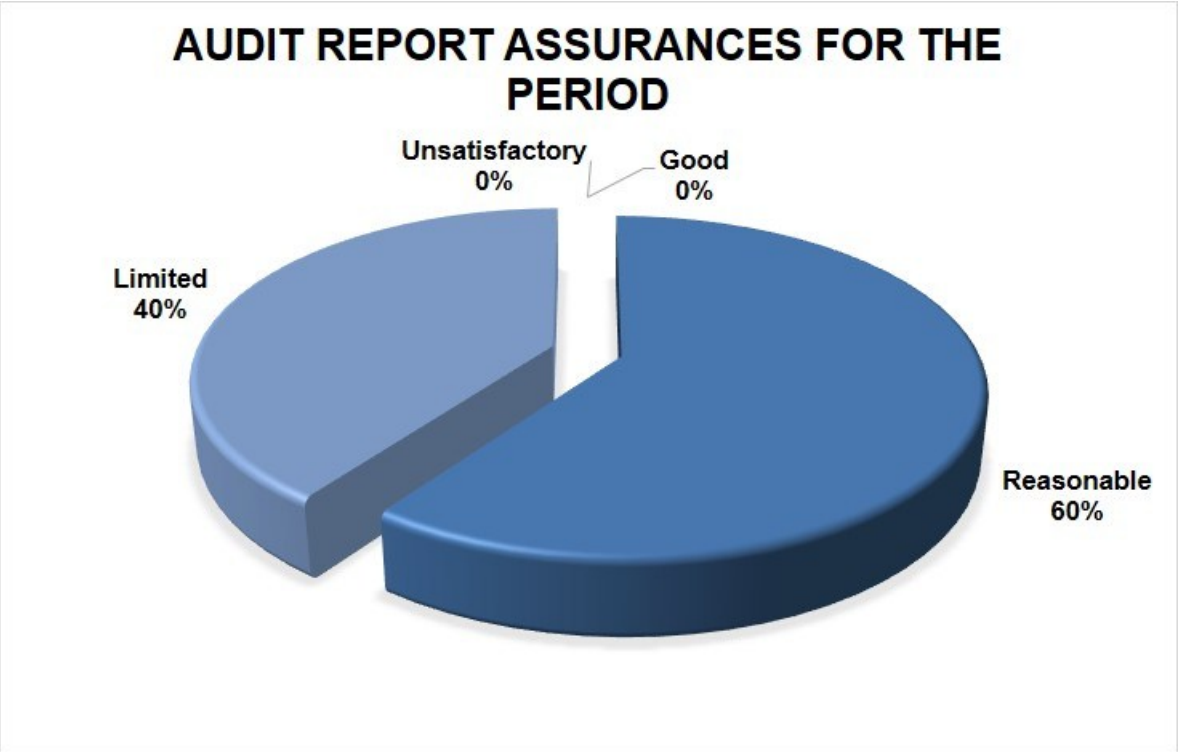
Audit Name	Audit Opinion					Recommendations				Direction of Travel
	Good	Reasonable	Limited	Unsatisfactory		Fundamental	Significant	Requires Attention	Best Practice	
Adoption Process Including Allowances		1					2	2		↑
Agency Workers and Consultants Follow Up 2025/26			1				5	4		↑
HR Casework and Employee Relations - Data Analysis		1					4	2		N/A
HR Casework and Employee Relations - Framework Design, Process and Consistency			1				3	5		N/A
Unified Communications		1						2		N/A
Grey Fleet Briefing Note								3		N/A
Children's Home Imprest Accounts Briefing Note							7			N/A
Savings - Cleaning Briefing Note								1		N/A
Total	**0**	**3**	**2**	**0**		**0**	**21**	**19**	**0**	
Percentage	**0%**	**60%**	**40%**	**0%**		**0%**	**52%**	**48%**	**0%**	

Question 1: Do Members wish to receive any updates from the service areas in relation to the limited assurance opinions?

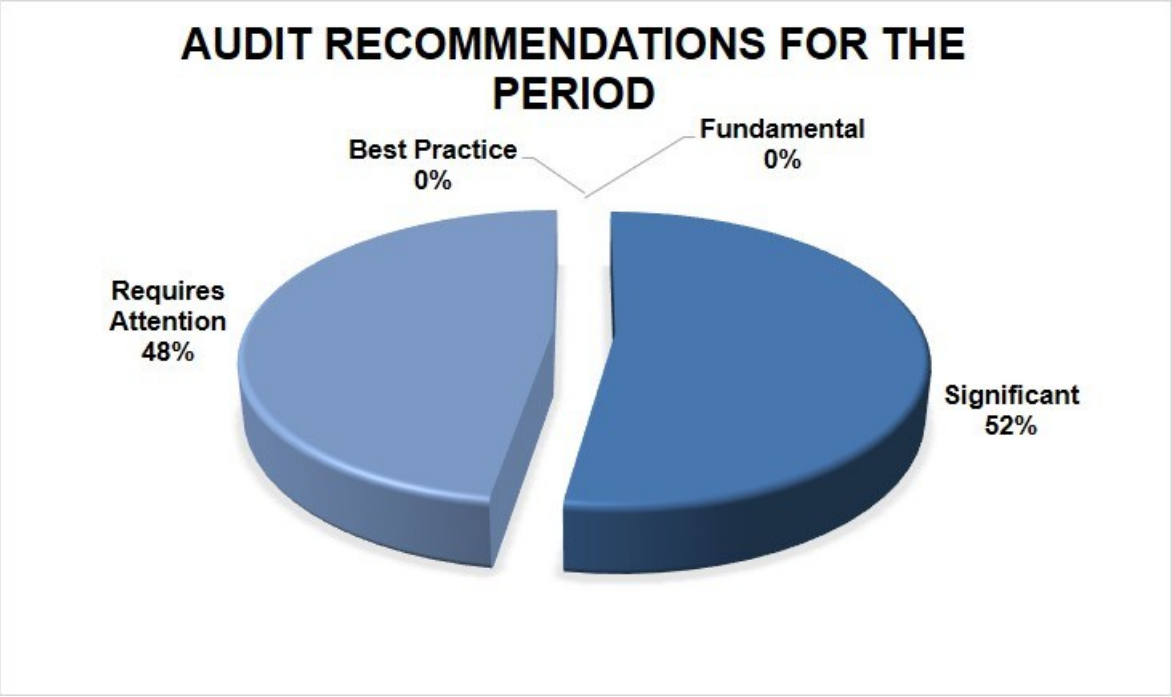
3.2. The following chart shows performance against the approved Internal Audit Plan for 2026/27:



3.3. The assurance opinions awarded to each completed audit in this period appear in the chart below:



3.4. The breakdown of recommendation classifications made as part of each audit in this period appears in the chart below:



3.5. Of the five final audit reports issued during September and October 2026, three received reasonable assurance opinions (60%) and two received limited assurance opinions (40%). No good or unsatisfactory assurance opinions were issued during the period. The proportion receiving good or reasonable assurance was lower than in the equivalent period in 2025/26 (71%), but higher than the 2025/26 full-year outturn (52%). These comparisons should be interpreted cautiously, given the small number and differing scope of audits completed. A significant proportion of planned work remains outstanding, including audits of fundamental controls and key financial systems.

3.6. The results present a mixed picture of control effectiveness. No unsatisfactory assurance opinions were issued and no fundamental recommendations were raised during the reporting period. However, given the small number of final reports issued, caution should be exercised when drawing wider conclusions about the overall control environment.

3.7. A total of 40 recommendations have been made in the five final audit reports and three briefing notes issued during this period; a breakdown by audit and recommendation rating is shown at paragraph 3.1. No fundamental recommendations have been made in the period.

3.8. It is the identified manager's responsibility to ensure accepted audit recommendations are implemented within an agreed timescale. The approach to following up recommendations, including the Committee's role, is explained later in this report at page 13.

3.9. Work has also commenced for external clients in and the certification of grant claims for Shropshire Council.

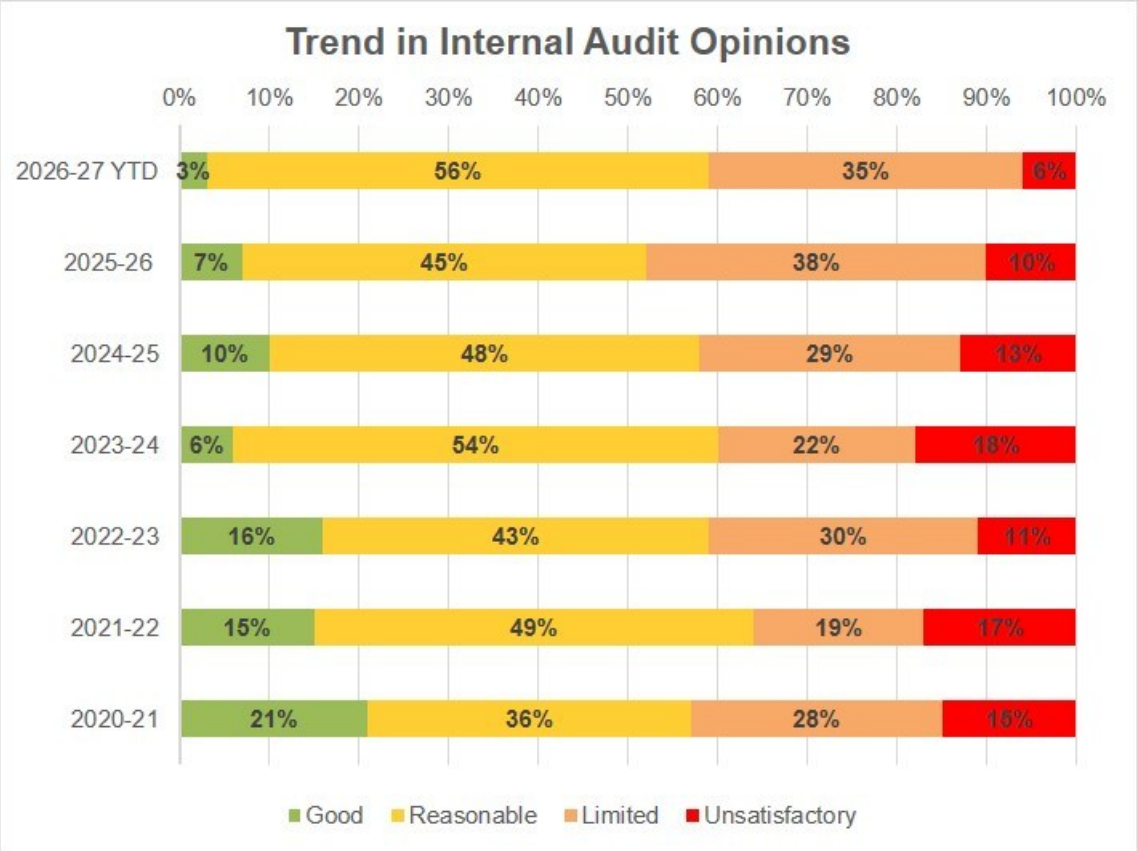
3.10. The following examples illustrate Internal Audit's contribution through unplanned, project or advisory work, not included in the original plan.

- **Grey Fleet Mileage -** A review of grey fleet mileage claims was undertaken following a request from the Service Director for Infrastructure. The review considered management oversight of grey fleet mileage, the identification of high users, the reasonableness of claims and opportunities for alternative travel or vehicle arrangements to provide better value for money. Whilst the review identified no claims exceeding 20,000 miles, weaknesses were found in the recording and oversight of high and bulk mileage claims. Three recommendations have been made to strengthen review and verification and consider whether alternative vehicle arrangements could provide better value for money.
- **Fraud Risk Assessment –** A review of the Council's fraud risks was undertaken by the Internal Audit team to provide an up-to-date assessment of fraud risks, mitigating controls and the sources of assurance used to assess control effectiveness. The outcomes and detailed risk register were reported to the Statutory Officer Group. Fraud risks are managed operationally by each service area. Internal Audit uses this information to inform its programme of counter fraud work.
- **National Fraud Initiative (NFI) 2026/27 –** Data for the next full matching exercise was successfully submitted in October 2026, covering the Council's required datasets. The submission enables the Council's data to be matched against records held by other participating bodies to help identify potential fraud, error and data quality issues. The results of the 2026/27 exercise are expected in December 2026 and will replace the previous matching results. Relevant service areas will review the new results, with progress and identified outcomes monitored through Internal Audit.
- **Cleaning Savings -** A review of cleaning related expenditure was requested by the Section 151 Officer to identify any areas for potential savings. This identified procurement compliance and value-for-money risks from fragmented provision. Of £1.074 million spent in 2025/26, £172,007 was outside Shire Services after excluding a wider facilities management contract; this is expenditure and not an identified or validated saving. One recommendation was made to clarify the

operating model, review alternative provision and strengthen procurement guidance. Management's agreed review and guidance are due by 31 March 2027, with implementation and any validated savings requiring continued oversight.

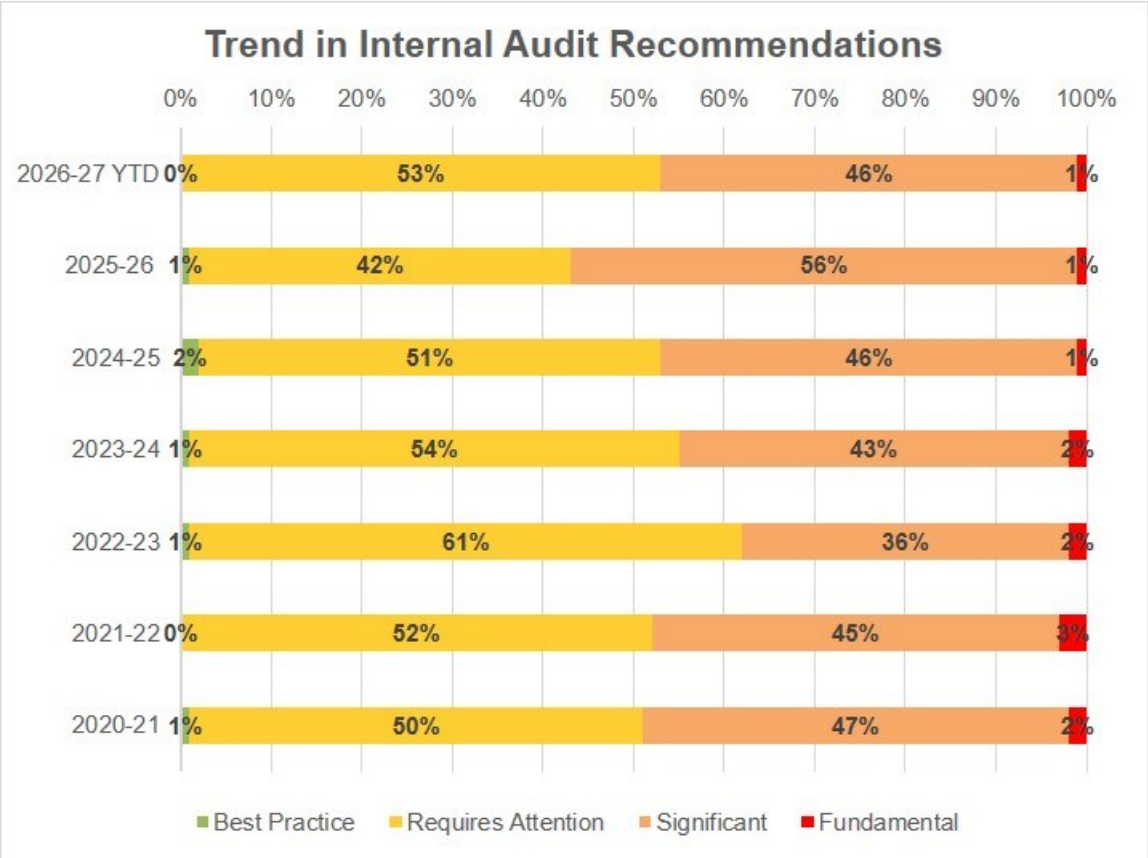
4. Direction of travel

4.1. The proportion of audits receiving limited or unsatisfactory assurance opinions for the year to date is 41%. [1]



4.2. The reduction in limited or unsatisfactory opinions from 48% in 2025/26 to 41% in the current year to date represents a reduction of seven percentage points. The overall movement should therefore be viewed as encouraging rather than evidence of sustained Council-wide improvement, particularly as the year-to-date audit coverage differs from the previous full year and significant planned work remains outstanding.

[1] The Internal Audit Opinion % only includes completed audits receiving an assurance opinion, excluding briefing notes and other unrated work.



4.3. The recommendation profile should be interpreted alongside the assurance opinions and the nature of audits completed to date. Most recommendations fall within the Significant and Requires Attention categories, which indicates a continuing need to strengthen control design, compliance and management oversight across a range of service areas. Although no fundamental recommendations have been raised during the reporting period, the overall volume of recommendations means that timely implementation and effective follow-up remain important. At this stage of the year, it would be premature to draw firm conclusions about a sustained trend, but the current pattern supports continued Committee oversight of high-priority recommendations and recurring themes emerging from limited assurance reviews.

4.4. Full details of the audits completed and their assurance opinions can be found in the Audit Plan Performance table later in this report.

5. Approach to Performance Monitoring

5.1. Internal Audit work is completed in accordance with agreed plans and the findings of final reports are presented to the Committee. Performance is also assessed through progress against the revised audit plan, timely issue of final reports, management response and implementation of recommendations, completion of follow-up work, and the continued alignment of audit activity to key Council risks and priorities. This helps the committee assess not only on delivery of audit work, but also on whether audit activity is contributing to improvements in governance, risk management and internal control.

AUDIT PLAN PERFORMANCE REPORT FROM 1 APRIL TO 31 OCTOBER 2026

Audit Name	Original Plan Days	September Revision	November Revision	Revised Plan Days	31 October 2026 Actual	Status	Audit Opinion	Recommendations				Direction of Travel
								Fundamental	Significant	Requires Attention	Best Practice	
ASC Outturn Follow Up 25/26						Complete	Limited		4	1		N/A
Assistive Technologies 25/26						Complete	Reasonable		3	4		N/A
Shrewsbury Riverside Development 25/26						Complete	Limited		7	6		N/A
Bishops Castle Community College Follow up 25/26						Complete	Limited	1	6	8		↑
BluPrint - Print Unit Operations 25/26						Complete	Limited		4	4		←→
Chipside Parking System Application Review 25/26						Complete	Reasonable			4		↑
Corporate Governance 25/26						Complete	Reasonable			9		←→
Children's Direct Payments 25/26						Complete	Unsatisfactory		8	3		←→
Emergency Planning 25/26						Complete	Reasonable		4	4		←→
Health and Safety Governance 25/26						Complete	Limited		7	3		↓
Highways Maintenance - Term Maintenance - Kier 25/26						Complete	Reasonable		1			↑
Homelessness Follow Up 25/26						Complete	Limited		2	7		←→
ICT Project Financing and Recharges 25/26						Complete	Limited		4	1		←→
IDOX Application 25/26						Complete	Reasonable		1	4		←→
Magic Notes AI 25/26						Complete	Reasonable		3	4		N/A
Members Development Training 25/26						Complete	Limited		4	0		N/A
Payroll System Follow up 25/26						Complete	Limited		12	15		←→
Performance Management Framework 25/26						Complete	Reasonable		2	6		N/A
Public Sector Network (PSN) Accreditation 25/26						Complete	Reasonable		1	1		N/A
Remote Support 25/26						Complete	Reasonable		2	2		↑
The Lantern Follow Up 25/26						Complete	Briefing Note					N/A
Garden Waste Collections Follow Up 25/26						Complete	Briefing Note					N/A
Agency Workers and Consultants Follow Up 25/26						Complete	Limited		5	4		↑
Direct Payments Root Cause Briefing Note	0	1		1	1.3	Complete	Briefing Note		4	1		N/A
DOLS Deprivation of Liberty Safeguards	10		-5	5	5.0	Complete	Briefing Note					N/A
Adoption Process Including Allowances	0	19		19	18.7	Complete	Reasonable		2	2		↑
Monitoring of Schools Deficit/Surplus Budgets	8	9		17	16.8	Complete	Unsatisfactory	1	6	3		N/A
Purchasing Cards - Children's Residential Homes	8	14		22	21.8	Complete	Limited		5	5		N/A
SFVS - Schools Financial Value Statement	2			2	1.6	Complete	N/A					N/A
Food Standards and Hygiene	10			10	8.9	Complete	Reasonable		1	3		↓
Annual Governance Statement (AGS) 25/26	0			0	0.4	Complete	N/A					N/A
Statutory Officers - Recommendation Status Briefing Note	0			0	0.3	Complete	Briefing Note					
Database Access, Admin and Management	0	8		8	7.2	Complete	Reasonable			3		↑
Shirehall Data Centre Decommissioning Project	10			10	9.4	Complete	Reasonable		2	4		N/A
HR Casework and Employee Relations - Framework Design, Process and Consistency	15			15	15.8	Complete	Limited		3	5		N/A
HR Casework and Employee Relations - Data Analysis	0	20		20	18.3	Complete	Reasonable		4	2		N/A
Payroll Data Analytics (IDEA) Q4 25/26	1			1	1.3	Complete	N/A					N/A

Audit Name	Original Plan Days	September Revision	November Revision		Revised Plan Days	31 October 2026 Actual	Status	Audit Opinion	Recommendations				Direction of Travel
									Fundamental	Significant	Requires Attention	Best Practice	
Payroll Root Cause Briefing Note	0				0	0.0	Complete	Briefing Note					N/A
Unified Communications	7			1	8	7.9	Complete	Reasonable			2		N/A
Grey Fleet	8			-4	4	3.5	Complete	Briefing Note			3		N/A
Committee Reporting and Management	10				10	10.3	Complete	Reasonable		1	2		N/A
NFI Declarations of Interest Review	0				0	0.6	Complete	Briefing Note		1			N/A
Multiple Same Day Orders	0				0	1.4	Complete	Briefing Note					N/A
Fraud Risk Assessment	0				0	2.7	Complete	Briefing Note					N/A
Freedom of Information (FOI) and Subject Access Requests (SAR)	10		-1		9	8.4	Complete	Good			1		↑
Members Allowances and Expenses	8		2		10	9.4	Complete	Reasonable		1	2		←→
Warm Homes Local Grant	0				0	4.1	Complete	N/A		2	6		N/A
Savings 2026/27 – Cleaning	0				0	12.2	Complete	Briefing Note			1		N/A
Savings 2026/27 – Vehicle Fleet	0				0	3.0	Complete	Briefing Note					N/A
Social Media	10		4		14	14.0	Complete	Reasonable			2		↑
Grant Lessons Learnt	0				0	0.3	Complete	Briefing Note					N/A
Savings 2026/27 – Taxi Usage	0				0	5.7	Draft	Briefing Note					
Pyrolysis Project Governance	0		15		15	10.4	Draft	Briefing Note					
Aquamira Comforts Fund	3				3	1.8	In Progress						
Adult Social Care - Systems and Forecasting	0		18	7	25	23.6	In Progress						
Schools Self Assessments (Audit Provided)	8				8	6.7	In Progress						
SEND Statutory and Regulatory Framework	0		15	7	22	21.1	In Progress						
Financial Evaluations	30			-5	25	9.4	In Progress	N/A					
Personal Budgets - Deferred Payments	10				10	7.6	In Progress						
Supported Living Contract Management	8				8	2.1	In Progress						
Regulator for Social Housing Compliance	10				10	1.4	In Progress						
All Staff Communication Verification	0		5	11	16	15.0	In Progress						
Best Value Framework	0		10		10	7.7	In Progress						
Statutory Officers - Recommendation Status Briefing Note	0				0	0.2	In Progress						
BluPrint - Print Unit Operations	6				6	3.1	In Progress						
Chatbots and Microsoft Power Apps Development and Management	10				10	1.5	In Progress						
Digital Mailroom	8				8	0.7	In Progress						
Digital Transformation Board	5				5	1.3	In Progress						
Management of Recruitment and Retention of New Employees	8			3	11	9.5	In Progress						
IT Asset Management	8			8	16	15.1	In Progress						
Out of County IT Equipment Delivery	5		2	6	13	11.5	In Progress						
Payroll Data Analytics (IDEA) Q1	1				1	3.2	In Progress						
Property Sales and Acquisitions	10			3	13	10.8	In Progress						
Employment Vetting	6				6	0.5	In Progress						
Remote Access, Citrix & VPN	8				8	1.9	In Progress						
Shirehall Disposal	7				7	1.2	In Progress						
CONFIRM-Highways Management System	10				10	8.2	In Progress						
Transport Contract Payments	0		8		8	1.9	In Progress						
			8										

Audit Name	Original Plan Days	September Revision	November Revision	Revised Plan Days	31 October 2026 Actual	Status	Audit Opinion	Recommendations				Direction of Travel
								Fundamental	Significant	Requires Attention	Best Practice	
Local Transport Plan (LTP) Grant	0		2	2	0.4	In Progress						
Street Scene	10			10	0.7	In Progress						
WSP Contract	6			6	1.6	In Progress						
Counter Fraud Work	20			20		In Progress	N/A					
Housing Tenancy Fraud Review	0			0	0.8	In Progress						
Contract Management Counter Fraud Review	0			0	12.1	In Progress						
Payroll - Leaver and Sickness Verification	0			0	0.2	In Progress	N/A					
Counter Fraud, Policies and Training	4			4		In Progress	N/A					
Anti Money Laundering Policy Review	0			0	0.4	In Progress	N/A					
National Fraud Initiative (NFI) Main Exercise 2026/27	20			20	2.3	In Progress	N/A					
NFI Main Exercise 2024/25	0			0	5.0	In Progress	N/A					
Planning Enforcement	0		10	10	0.1	In Progress						
Property Services Group (PSG)	0	15		15	0.5	In Progress						
Community Covenant	10			10	5.5	In Progress						
ASC Outturn Follow Up	0	5		5	0.4	In Progress						
Business Rates / NDR	20			20	0.5	In Progress						
Finance - Final Grant Claims	8			8		In Progress	N/A					
SHF Wave 3	0			0	0.2	In Progress						
Income Collection	8		7	15	11.3	In Progress						
Savings Projects	12	13		25	7.4	In Progress						
Savings 2026/27 – Leases	0			0	0.3	In Progress						
Savings 2026/27 – Software Licenses	0			0	0.4	In Progress						
Directorate Spend Control Effectiveness	0	8		8	2.4	In Progress						
Treasury Management	8	4	12	24	22.4	In Progress						
Business Continuity Planning (Guildhall)	10			10	0.7	In Progress						
Data Quality Strategy	5			5	2.4	In Progress						
Transformation and Improvement Contingency	150	-140		10		In Progress	N/A					
Role of the Manager Sprint Reference Group	0			0	0.6	In Progress	N/A					
Role of the Manager Stakeholder Group	0			0	0.5	In Progress	N/A					
Transformation and Improvement Contingency - Improvement Plan Project 8 Work	0			0	2.3	In Progress	N/A					
Adults with Learning Disabilities Day Services	10			10		Not Started						
Controcc Application	15			15		Not Started						
Direct Payments Children	5			5		Not Started						
Home to School Transport and SEND Transport	15			15		Not Started						
Contracts Register System Implementation	8			8		Not Started						
Annual Governance Statement (AGS)	1			1		Not Started						
Corporate Governance	8			8		Not Started						
Ethics / Culture	10			10		Not Started						
Back-up arrangements	5			5		Not Started						
Corporate Networking - Active Directory	10			10		Not Started						

Audit Name	Original Plan Days	September Revision	November Revision	Revised Plan Days	31 October 2026 Actual	Status	Audit Opinion	Recommendations				Direction of Travel
								Fundamental	Significant	Requires Attention	Best Practice	
Cyber Security Contract Management (Normcyber / WAN / Data Centre)	10			10		Not Started						
Cyber Threat / Incident Response Plan	10			10		Not Started						
Disaster Recovery	5			5		Not Started						
Diversity Arrangements	4			4		Not Started						
Holiday Pay Follow Up	0		4	4		Not Started						
Microsoft Azure (Office 365)	10			10		Not Started						
Nutanix Data Centre Solution	10			10		Not Started						
Payroll Data Analytics (IDEA) Q2	1			1		Not Started						
Payroll Data Analytics (IDEA) Q3	1			1		Not Started						
Robotic Process Automation (RPA)	5			5		Not Started						
Security of Council Buildings Health & Safety	10			10	0.3	Not Started						
Telecommunications - Contracts, Procurement and Monitoring	10			10		Not Started						
Travel and Subsistence	8			8		Not Started						
WhatsApp	3			3	0.0	Not Started						
BSOG Grant Bus Subsidy	2			2	0.9	Not Started						
Coroners and Mortuary Service	5			5		Not Started						
NFI Declarations of Interest Follow Up	0	5		5		Not Started						
Payroll Leaver and Sickness Verification	0	8		8		Not Started						
Section 38 Road Adoption	6			6		Not Started						
Capital - Management and Monitoring	8			8		Not Started						
Sales Ledger	15			15	0.2	Not Started						
Corporate Plan - Service Plans	12	3		15		Not Started						
Improvement Plan	15			15		Not Started						
PMO Project Management	12			12		Not Started						
Power BI Reporting and Development	7			7		Not Started						
Power BI Data Validation	0	12		12		Not Started						
Risk Management	10			10	0.9	Not Started						
PDR Compliance	0		5	5		Not Started						
Meole Brace Park and Ride	0		5	5		Not Started						
CQC Continuous Improvement Plan	12	-12		0		Cut	N/A					
Shropshire Carers Support Team	10	-10		0		Cut	N/A					
Bishops Castle Community College	10	-10		0		Cut	N/A					
Care Leaver Allowances	10	-10		0		Cut	N/A					
Domiciliary & Respite Services (Short Breaks)	8	-8		0		Cut	N/A					
Early Help	10	-10		0		Cut	N/A					
Elective Home Education	10	-10		0		Cut	N/A					
Foster Care Project	10	-10		0		Cut	N/A					
Stepping Stones	12	-12		0		Cut	N/A					
Key Supply Contracts	10	-10		0		Cut	N/A					
Procurement Act Compliance	10		-10	0		Cut	N/A					
Parking - Enforcement and issue of NPOs & Fixed Penalty Notices	10	-10		0		Cut	N/A					
		10										

Audit Name	Original Plan Days	September Revision	November Revision	Revised Plan Days	31 October 2026 Actual	Status	Audit Opinion	Recommendations				Direction of Travel
								Fundamental	Significant	Requires Attention	Best Practice	
Private Renters Rights Act	10	-10		0		Cut	N/A					
Code of Practice for Statutory Officers	8	-8		0		Cut	N/A					
Improvement and Assurance Framework for Local Governance	8	-8		0		Cut	N/A					
Partnerships	12	-12		0		Cut	N/A					
Growth and Skills Levy	10	-10		0		Cut	N/A					
Conditional Access	8	-8		0		Cut	N/A					
Digital Transformation Plan	10		-10	0		Cut	N/A					
Human Resources - Workforce Planning	10	-10		0		Cut	N/A					
Organisational Workforce Resilience	15	-15		0		Cut	N/A					
Privileged Account Management	5	-5		0		Cut	N/A					
Resourcelink- HR Application Review	8	-8		0		Cut	N/A					
Service Accounts	10	-10		0		Cut	N/A					
Economic Growth Projects	10	-10		0		Cut	N/A					
Highways Development Control	10	-10		0		Cut	N/A					
Project Management	12	-12		0		Cut	N/A					
Information Classification / Handling / Data Loss	10		-10	0		Cut	N/A					
Planning Service Review	12	-12		0		Cut	N/A					
CIPFA Financial Management Self Assessment	10	-10		0		Cut	N/A					
Debt Recovery	15	-15		0		Cut	N/A					
Purchase Ledger P2P	26	-26		0		Cut	N/A					
Revenues and Benefits Service Delivery	8	-8		0		Cut	N/A					
Complaint Handling Code	10	-10		0		Cut	N/A					
New Operating Model	10	-10		0		Cut	N/A					
Performance Data	12	-12		0		Cut	N/A					
Total Shropshire Council Planned Work	**1,216**	**-265**	**43**	**994**	**471.4**							
CONTINGENCIES												
Advisory Contingency	20	0	0	20	13.4							
Fraud Contingency	150	0	0	150	97.2							
Unplanned Audit Contingency	60	0	0	60	94.7							
Other non audit Chargeable Work	166	-7	6	165	89.9							
CONTINGENCIES	**396**	**-7**	**6**	**395**	**295.2**							
Total for Shropshire	1,612	-272	49	1,389	766.6							
EXTERNAL CLIENTS	**158**	**-14**	**0**	**144**	**78.0**							
Total Chargeable	**1,770**	**-286**	**49**	**1,533**	**844.6**							

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.

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

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.

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).

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 and Governance Committee for consideration.

Committee	Audit & Governance Committee 26 November 2026 Cabinet 2 December 2026 Council 10 December 2026 Public

Treasury Strategy 2026/27 Mid-Year Review

Cabinet Member:	Councillor Roger Evans – Portfolio Holder for Finance
Lead Director:	Duncan Whitfield, Section 151 Officer
Service Area:	Finance
Report Author	Cheryl Sedgley, Head of Finance Management & Reporting
Officer contact details	cheryl.sedgley@shropshire.gov.uk
Electoral Divisions Affected	All Divisions
Key Decision?	Key Decision
Cabinet Forward Plan	Yes – 12 May 2026
Report considered by	Audit & Governance Committee – 26 November 2026 Cabinet – 2 December 2026 Full Council – 10 December 2026

1. Purpose of Report

1.1. This mid-year Treasury Strategy report has been prepared in compliance with CIPFA's Code of Practice on Treasury Management (revised 2021) to provide members with the following:

- An economic update for the first half of the 2026/27 financial year;
- A review of the Treasury Management Strategy Statement and Annual Investment Strategy;

- The Authority's capital expenditure, as set out in the Capital Strategy, and prudential indicators;
- A review of the Authority's investment portfolio for 2026/27;
- A review of the Authority's borrowing strategy for 2026/27;
- A review of any debt rescheduling undertaken during 2026/27;
- A review of compliance with Treasury and Prudential Limits for 2026/27.

2. Recommendations

2.1. Audit and Governance Committee, Cabinet and Council are recommended to:

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

3. Background

3.1. 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.

3.2. 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.

3.3. 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.

4. Summary of Main Proposals

4.1. The Treasury Management Strategy (TMS) for 2026/27 was approved by Full Council on 26 February 2026. 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.

4.2. Since the Council's Treasury and Capital strategies were agreed in February 2026, there have been further changes in terms of the economic environment. Inflation, particularly relating to fuel and energy costs have increased as a direct consequence of the conflict in the Middle East. Whilst the Bank Rate remained static during the first six months of the year at 3.75% it was suggested that if the Middle East conflict remained, the Bank of England may need to consider rate increases later in the year. A detailed commentary can be found in Appendix D.

4.3. 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.

4.4. The average level of funds available for investment purposes during the first half of the financial year was £57.307m. 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.

4.5. In the first six months of 2026/27 the internal finance team's return achieved was marginally higher than its benchmark by 0.091%. The gross investment return was 3.821% compared to the benchmark of 3.730%. 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. However, during August and September cash balances have enabled some investments to be made with other local authorities or banks spanning a full month, which have resulted in a better interest return.

4.6. A full list of investments held as at 30 September 2026, 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 A. None of the approved limits within the Annual Investment Strategy were breached during the first half of 2026/27. 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.

4.7. The interest receivable budget has delivered net income of £1.081m in the first six months of the year. Projections on income are reviewed monthly and estimates for the remainder of the year will be dependent on the value of investment balances available and interest rates available for investments.

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

5. Key risks and Opportunities

5.1 The assessment and management of risk are key considerations for any Treasury Management approach. Compliance with the CIPFA Code of Practice on Treasury Management, the Council's Treasury Policy Statement and Treasury Management Practices and the Prudential Code for Capital Finance together with the rigorous internal controls will enable the Council to manage the risk associated with Treasury Management activities and the potential for financial loss.

Risk	Mitigation	Link to Strategic Risk
Security of funds	The Council maintains an Annual Investment Strategy which ensures that minimum acceptable credit criteria is applied for all investments to ensure that only highly creditworthy counterparties are used which enables	Governance and performance

	diversification across all investments. The Council uses a treasury advisor, MUFG Corporate Markets/Link Asset Services to provide a creditworthiness service of all potential investment counterparties, which is continuously monitored and updated as needed	
Managing liquidity	The Council undertakes cash flow monitoring which highlights anticipated cash transactions for the upcoming 18 months. All departments are requested to provide details of large value income and expenditure transactions that may impact on the authority's cash flow position. This is tracked daily and continuously updated to ensure appropriate liquidity to match this profile.	Impact of financing Exceptional Financial Support (EFS)
Achievement of investment benchmark	Investments undertaken by the Finance team are benchmarked against the 3 Month Sterling Overnight Index Average (SONIA). The key factors in tracking performance of investments, is the cash balance available to invest and the return that is achieved on investments made. When interest rates are rising in the economy, it may be that previous investments that were fixed have now become less favourable, and so there is a higher risk that the benchmark may not be achieved. The availability of cash for investing has also become a key factor, especially in a period where reserves and hence cash balances have reduced. During the months of February and March the Council does not collect Council Tax and so cash balances reduce during	Effective and transparent decision making and scrutiny arrangements

	these months. To manage this period, cash is held in call accounts or highly liquid investments rather than being placed into longer term fixed interest investments. The main priority for the Council is always to maintain security and liquidity of funds in preference to investment returns.	

6. Council Priorities

6.1. The requirement to manage the Council's cashflow position, treasury investments and borrowing efficiently and effectively is a key requirement in helping to deliver a financially sustainable council. By ensuring that any surplus monies are invested, this will generate essential additional income for the Council. Also by carefully managing the timescale and need to borrow funds, this can keep associated borrowing costs to a minimum for the Council.

7. Financial Implications

7.1. The Council makes assumptions about the levels of borrowing and investment income over the financial year. Reduced borrowing because 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.

7.2. The 2026/27 six-month performance is marginally above benchmark and has delivered net income of £1.081m.

8. Legal and HR implications

8.1. The Local Government Act 2003 and supporting regulations require the Council to determine and keep under review the Prudential and Treasury Indicators as set out in the CIPFA Prudential Code and CIPFA Treasury management Code of Practice.

8.2. The s151 Officer, as the Council's Chief Financial Officer, has a wide range of obligations set out in Part 8 of the Council's Constitution – Shropshire Scheme for Officer Decision Making, to ensure that the Council's finances are well managed, and to uphold the highest standards of governance, probity, audit and risk management are upheld. This report is but one demonstration of the discharge of these duties, and allow the Council to demonstrate it is adhering to the requirement of the Local Government Finance Act 1992 to appoint an Officer responsible for the good financial administration of the authority.

9. Electoral Division Implications

9.1. None.

10. Health, Social (including “Child Friendly Shropshire”) and Economic Implications

10.1. None

11. Equality and Diversity Implications

11.1. None

12. Climate Change, Biodiversity and Environmental Implications

12.1. There are no direct climate change consequences arising from this report.

13. Background Papers

1. Treasury Strategy 20206/27 – Council, 26 February 2026

14. Appendices

Appendix A – Investment Report as at 3- September 2026
Appendix B – Prudential Limits
Appendix C – Prudential Borrowing Schedule
Appendix D – Economic Background and Borrowing Update

Shropshire Council

Monthly Investment Analysis Review

September 2026

Shropshire Council

Monthly Economic Summary

General Economy
The UK economic outlook was mixed through September, with continued private-sector expansion and firmer household indicators alongside higher inflation and a loosening labour market. Meanwhile, the Bank of England left Bank Rate at 3.75% and announced that it will reduce its holding of gilts by £368bn over the next eight years through revisions to its Quantitative Tightening programme. While Bank Rate was unchanged, the result was a "hawkish hold", with the Bank raising its own inflation forecasts to a peak over 4% in the first quarter of next year. The tone and contents of the meeting's minutes suggested that unless energy prices fall back and a resolution to the Middle East occurs, the Committee could see a majority voting for tighter monetary policy despite the current lack of second-round effects, given how elevated energy costs could see these develop.

Business surveys remained resilient, although momentum softened. The Composite and Services PMIs both fell to 51.7 in September from 52.5 in August, while Manufacturing PMI rose to 51.9 from 51.7 - matching expectations. Contrasting this, construction activity continued to contract, with its PMI falling to 44.3 in August from 44.7, the twentieth successive month below 50.

Headline consumer-level inflation rose to 3.1% in August from 2.9% in July, while prices increased 0.5% m/m after 0.3% previously, driven mainly by a 6.9% increase in fuel which alone added 0.2%. On a more positive note, core inflation held at 2.6% and services inflation at 3.4%.

Growth data was stronger than expected, rising 0.4% in July after 0.3% in June to leave the annual rate at an improved 1.4%. Within the headline reading, services improved 0.4%, production 0.2% and construction 0.1%. Alongside the July figures, there was also an upward revision to GDP growth in Q2, from 0.4% q/q to 0.5% q/q, suggests that the economy has been a bit more resilient to higher energy prices in the first half of the year than previously thought. Elsewhere, the trade deficit narrowed to £3.45 billion from £5.54 billion as exports rose 2.1% m/m and imports to the UK edged down 0.4% m/m to a five-month low of £85.37 billion in July 2026. The figures pointed to firmer activity at the start of Q3, although elevated inflation and subdued new orders continue to cloud the outlook.

The labour market continued to loosen as although unemployment remained at 4.9% in the three months to July, HMRC payrolled employment fell by 26,000 in August after a revised 19,000 decline previously. Meanwhile, vacancies decreased to 702,000 in the three months to August and wage data showed total pay slowing to 3.9% y/y from 4.2% with that excluding bonuses unchanged, as were private sector earnings.

Retail sales rose 0.5% m/m in August after a 0.5% fall in July, beating expectations for a 0.2% decline, and were 2.4% higher y/y. Consumer confidence improved for a third month, rising to -13 in September from -14, its strongest reading since August 2024.

Public finances remained constrained, with net borrowing of £18.3 billion in August, above £15.4 billion a year earlier and expectations of £15.7 billion. Public Sector Net Debt to GDP in the United Kingdom decreased to 93.80% of GDP in August from 94%. The figures reinforced market concerns over the government's fiscal headroom, with attention now moving towards the 28th October Budget.

US Economy
The US economy remained resilient through September, despite inflation remaining firmly above target and GDP growth slowing. Non-farm payrolls rose by 162,000 in August after an upwardly revised gain of 23,000 in July, well above expectations of 56,000. Headline inflation rose 0.4% on the month in July, with the annual rate unchanged at 3.4%. However, core inflation eased to 2.4%. The US economy expanded at an annualised rate of 2.2% in Q2 2026, revised up by 0.7 percentage point from the 2nd estimate, following an upwardly revised 2.5% growth in Q1. The Federal Reserve' Open Market Committee unanimously voted to raise its target range by 25 basis points to 3.75%–4.00%, responding to persistent above target inflation and a resilient economy.

EU Economy
Eurozone economic releases showed continued expansion alongside higher headline inflation. For the latter, annual headline inflation rose to 3.2% in August from 2.9%, although the core reading eased to 2.4%. Meanwhile, Q2 GDP rose 0.6% q/q and annual growth accelerated to 1.2% from the 0.6% seen in the first quarter of the year. The ECB raised its Main Refinancing Rate by 25 basis points to 2.65% and the Deposit Rate to 2.50%, with President Lagarde describing the decision as a "no brainer" as the recent developments in the Middle East conflict threatens to keep inflation above target for a prolonged period and thus raised the risk of second-round wage and price effects.

Housing
UK Housing data was mixed in the latest releases. The UK Nationwide House Price Index rose by 0.8% y/y in September, slowing from a 1.6% increase in August and falling short of the expectations for a 1.3% rise. On a monthly basis, prices fell by 0.2%. Meanwhile, the Lloyds House Price Index (rebranded from Halifax) reported an average house price of £298,468 in August, representing a 0.4% decline compared with a year earlier. Overall, the unexpected monthly decline, alongside the prospect of a further rise in mortgage rates and uncertainty over possible tax increases in the Budget, suggests that house price growth could remain subdued in the coming months.

Currency
Over the month, Sterling rose against the Euro and fell against the USD

September	Start	End	High	Low
GBP/USD	$1.3516	$1.3267	$1.3547	$1.3219
GBP/EUR	€1.1657	€1.1708	€1.1708	€1.1617

Interest Rate Forecast
Whilst Capital Economics altered their Bank Rate forecasts on 17/09/2026. MUFG Corporate Markets altered their Bank Rate forecasts on 21/09/2026.

Bank Rate	Now	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27	Mar-28	Jun-28	Sep-28	Dec-28	Mar-29	Jun-29	Sep-29
MUFG Corporate Markets	**3.75%**	4.00%	4.00%	4.00%	3.75%	3.50%	3.25%	3.25%	3.25%	3.25%	3.25%	3.25%	3.25%
Capital Economics	**3.75%**	4.00%	4.25%	4.25%	4.25%	4.00%	3.75%	3.75%	3.50%	3.50%	-	-	-

Shropshire Council

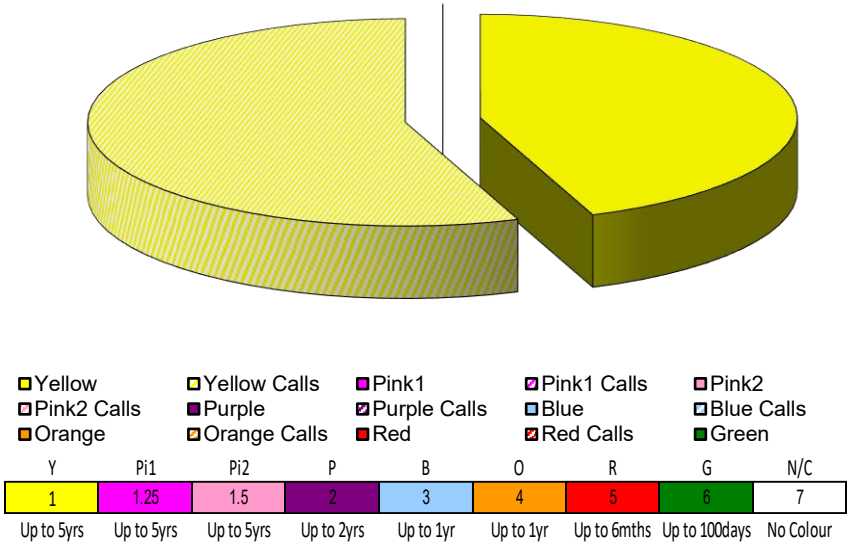
Current Investment List

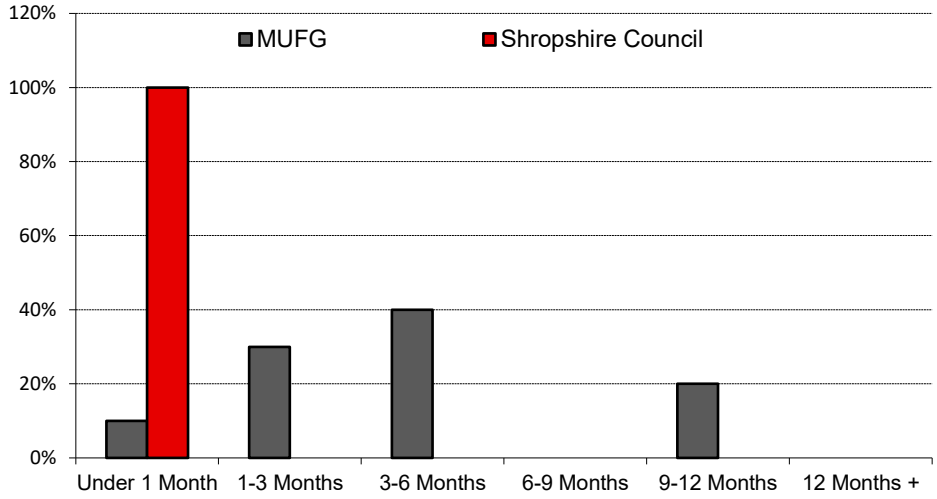
Borrower	Principal (£)	Interest Rate	Start Date	Maturity Date	Lowest LT / Fund Rating	Historic Risk of Default	Expected Credit Loss (£)
MMF Aberdeen Standard Investments	15,000,000	3.86%		MMF	AAAm		
MMF Insight	15,000,000	3.88%		MMF	AAAm		
DMO	4,400,000	3.71%	29/09/2026	06/10/2026	AA-	0.000%	0
DMO	9,400,000	3.73%	30/09/2026	15/10/2026	AA-	0.001%	0
Bournemouth, Christchurch and Poole Council	10,000,000	4.90%	28/09/2026	30/10/2026	AA-	0.002%	0
Total Investments	**£53,800,000**	**4.02%**					£0

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 1990-2025 for Fitch, 1983-2025 for Moody's and 1981-2025 for S&P.
Where MUFG Corporate Markets have provided a return for a property fund, that return covers the 12 months to June 2026, which are the latest returns currently available.

Shropshire Council

Portfolio Composition by MUFG's Suggested Lending Criteria





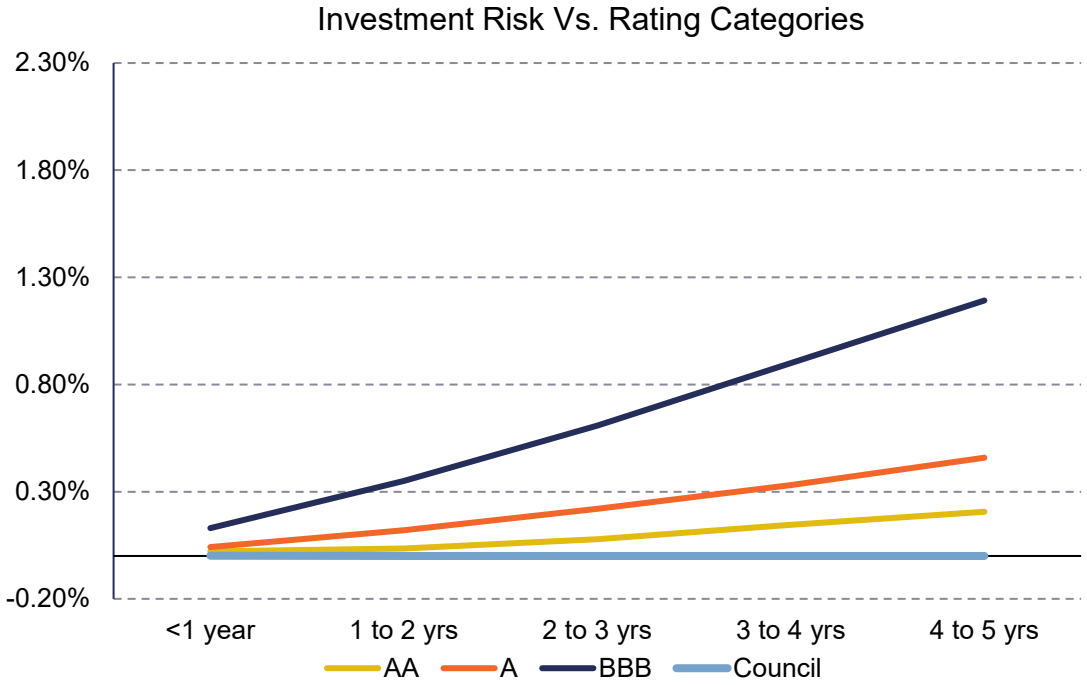
Portfolios weighted average risk number = 1.00

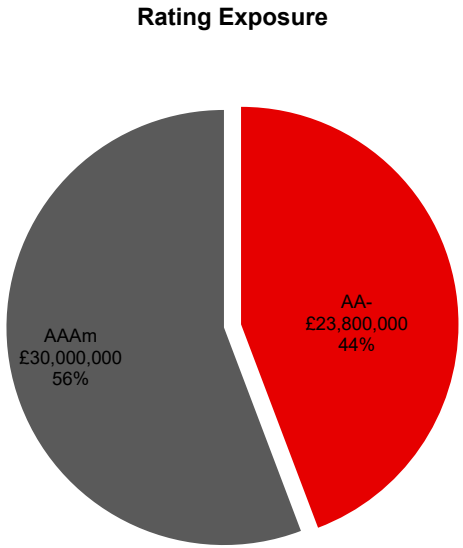
WARoR = Weighted Average Rate of Return
WAM = Weighted Average Time to Maturity

	% of Portfolio	Amount	% of Colour in Calls	Amount of Colour in Calls	% of Call in Portfolio	WARoR	WAM	WAM at Execution	Excluding Calls/MMFs/USDBFs WAM	WAM at Execution
Yellow	100.00%	£53,800,000	55.76%	£30,000,000	55.76%	4.02%	9	9	20	21
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	0.00%	£0	0.00%	£0	0.00%	0.00%	0	0	0	0
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
	100.00%	**£53,800,000**	**55.76%**	**£30,000,000**	**55.76%**	**4.02%**	**9**	**9**	**20**	**21**

Shropshire Council

Investment Risk and Rating Exposure





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%	0.08%	0.15%	0.21%
A	0.04%	0.12%	0.22%	0.33%	0.46%
BBB	0.13%	0.35%	0.61%	0.90%	1.19%
Council	0.00%	0.00%	0.00%	0.00%	0.00%

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
07/09/2026	2146	Qatar (Sovereign)	Qatar	The Negative Watch on the Sovereign Rating was removed and the Sovereign Rating was placed on Negative Outlook.
10/09/2026	2147	Qatar National Bank	Qatar	The Negative Watch on the Long Term Rating was removed and the Long Term Rating was placed on Negative Outlook.
17/09/2026	2148	Coventry Building Society	United Kingdom	The Long Term Rating was downgraded to A from A+.
17/09/2026	2148	Co-operative Bank PLC (The)	United Kingdom	The Long Term Rating was downgraded to A from A+.

Shropshire Council

Monthly Credit Rating Changes
S&P

Date	Update Number	Institution	Country	Rating Action
01/09/2026	2145	Danske A/S	Denmark	The Outlook on the Long Term Rating was changed to Positive from Stable.
17/09/2026	2149	Cooperatieve Rabobank U.A.	Netherlands	The Outlook on the Long Term Rating was changed to Positive from Stable.
30/09/2026	2151	Clydesdale Bank PLC	United Kingdom	All ratings were withdrawn.

Shropshire Council

Monthly Credit Rating Changes
MOODY'S

Date	Update Number	Institution	Country	Rating Action
18/09/2026	2150	HSBC Bank PLC (NRFB)	United Kingdom	The Outlook on the Long Term Rating was changed to Positive from Stable.
18/09/2026	2150	HSBC UK Bank Plc (RFB)	United Kingdom	The Outlook on the Long Term Rating was changed to Positive from Stable.

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APPENDIX B – PRUDENTIAL INDICATORS FOR QUARTER 2, 2026/27

Prudential Indicator	2026/27 Indicator £m	Quarter 1 – Actual £m	Quarter 2 – Actual £m	Quarter 3 – Actual £m	Quarter 4 – Actual £m
Non HRA Capital Financing Requirement (CFR)	602	352	367		
HRA CFR	136	103	118		
Gross borrowing	738	455	485		
Investments	50	23	54		
Net borrowing	688	432	431		
Authorised limit for external debt	929	455	485		
Operational boundary for external debt	831	455	485		
Limit of fixed interest rates (borrowing)	929	455	485		
Limit of variable interest rates (borrowing)	464	0	0		
Internal Team Principal sums invested > 364 days	70	0	0		
Maturity structure of borrowing limits	%	%	%	%	%
Under 12 months	25	19	22		
12 months to 2 years	25	16	16		
2 years to 5 years	50	16	15		
5 years to 10 years	75	19	15		
10 years to 20 years	100	15	14		
20 years to 30 years	100	14	14		
30 years to 40 years	100	2	2		
40 years to 50 years	100	1	0		
50 years and above	100	2	2		

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APPENDIX C -PRUDENTIAL BORROWING APPROVALS

Capital Financing Summary

Prudential Borrowing Approvals	Date Approved	Amount Approved	Applied (Spent) 2006/07 - 2025/26	Budgeted 2026/27	Budgeted 2027/28	Budgeted 2028/29	Budgeted 2029/30	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					2007/08	25	2031/32
William Brooks			3,580,000					2011/12	25	2035/36
Tern Valley			2,000,000					2010/11	35	2044/45
		8,580,000	**8,580,000**	**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	450,000					2007/08	6	2012/13
Accommodation Changes - Saving	31/03/2007	(200,000)								
		450,000	**450,000**	**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						25	
- Desktop Virtualisation			187,600					2010/11	5	2014/15
Carbon Efficiency Schemes/Self Financing	25/02/2010	1,512,442	1,512,442					2011/12	5	2017/18
Transformation schemes		92,635	92,635					2012/13	3	2014/15
Renewables - Biomass - Self Financing	14/09/2011	92,996	92,996					2014/15	25	2038/39
Solar PV Council Buildings - Self Financing	11/05/2011	56,342	56,342					2013/14	25	2038/39
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 Acqusition	26/02/2015	4,160,000	4,160,000					2015/16	25	2039/40
Mardol House Adaptation and Refit	26/02/2015	3,340,000	3,340,000					2016/17	25	2041/42
Oswestry Leisure Centre Equipment - Self Financing	01/08/2012	290,274	290,274					2018/19	5	2022/23
Car Parking Strategy Implementation	17/01/2018	590,021	590,021					2020/21	5	2024/25
JPUT - Investment in Units re Shrewsbury Shopping Centres	13/12/2017	55,299,533	55,299,533					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 Residental Care	28/02/2019	1,999,999	1,999,999					2020/21	25	2044/45
Pride Hill Shopping Centre Reconfiguration - LEP Match	19/12/2019	1,928,978	1,928,978					AUC	45	2070/71
Pride Hill Shopping Centre Reconfiguration - Feb 22 approval	01/02/2022	1,863,045	1,530,270		332,775			AUC	45	2070/71
Pride Hill Phase 1 Enabling Works	01/02/2022	13,955	13,955					AUC	45	2070/71
Multi Agency Hub - Feb 22 approval	01/02/2022	3,364,961	0	2,364,961	1,000,000			AUC	45	2070/71
Bishops Castle Business Park	19/09/2019	2,874,695	2,874,695					2023/24	25	2044/45
Whitchurch Medical Practice (Pauls Moss Development)	26/07/2018	3,778,229	3,540,979	237,250				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	4,013,702	1,386,298				AUC	25	
Maesbury Solar Farm		2,100,000	128,097	1,971,903				AUC	25	
Commercial Investment Fund	Fin Strat 19/20	0	0	0	0			2021/22	25	2044/45
The Tannery Development Block A - Land Acqusition		657,253	657,253					2022/23	25	2045/46
The Tannery Development Block A		6,356,606	12,735	4,293	6,339,578			AUC		
The Tannery Development - Block B & C		7,471,561	7,471,561					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

Prudential Borrowing Approvals	Date Approved	Amount Approved	Applied (Spent) 2006/07 - 2025/26	Budgeted 2026/27	Budgeted 2027/28	Budgeted 2028/29	Budgeted 2029/30	First year MRP Charged	Asset Life	Final year MRP Charged
		£	£	£	£	£	£			
Biochar Pyrolysis - Project 2		3,296,000	2,731,880	564,120				2026/27	25	
Biochar Pyrolysis - Project Framework		4,000	4,000					2025/26		
Recycling Bin Roll Out Programme		2,029,778	2,029,778					2022/23	10	2032//33
Highways Investment Programme	Capital Strat Feb 22	22,954,755	22,954,755					2022/23	25	2046/47
Oswestry Innovation Park		10,028,332	8,097,063	894,976	1,036,293			2022/23	25	2046/47
Cambrian Building Oswestry - UKSPF		270,107	258,039	12,068				2022/23	25	2046/47
Whitchurch Swimming & Leisure Facility	22/09/2022	13,100,282	13,078,251	22,031				2026/27	40	2065/66
Previous NSDC Borrowing		955,595	955,595					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	2,047,999	1,907,760	140,239				AUC		
Ptarmigan Building FRA & Refurbishment Works		415,306	415,306					2025/26	10	2035/36
Transformation Programme 2024-25 Expenditure Funded Through Borrowing Under EFS Approval		26,819,527	26,819,527					2025/26	20	
Transformation Programme 2025-26 Expenditure Funded Through Borrowing Under EFS Approval		61,857,070	61,857,070					2025/26	20	
Transformation Programme 2026-27 Expenditure Funded Through Borrowing Under EFS Approval		121,000,000	0	121,000,000				2025/26	20	
		226,300,096	**269,864,337**	**128,598,139**	**8,708,646**	**0**	**0**			

Appendix D

Economic Background and Borrowing Update

Economic Background

The first half of 2026/27 (April to September) saw:

- Continued resilience in the face of the ongoing energy shock, with real GDP up 0.4% m/m in July, following on from GDP of 0.5% q/q (1.4% y/y) for the quarter ending 30 June 2026.
- The 3myy rate of average earnings growth excluding bonuses remained stable throughout the period under review, initially stagnating at 3.4% in April and more latterly holding steady at 3.5% in July.
- CPI inflation stuck at 2.8% in May, but is now ticking upwards, standing at 3.1% in August and forecast to rise to 4.3% by January 2027.
- The Bank of England left interest rates unchanged at 3.75% although it intimated in its September meeting that rates will be hiked in November or December if a resolution to the conflict in the Middle East is not forthcoming before then.
- The 10-year gilt yield fluctuated between 5.43% and 4.69%, ending September at 5.43%.

The economy has continued to surprise to the upside, with real GDP growth of 0.6% q/q for the period January to March, followed by a resilient 0.5% q/q rise through to the end of June. That has been followed by another strong monthly increase of 0.4% m/m in July. That marked the biggest rise since the Middle East conflict started and suggests the resilience of the economy in the first half of the year continued into the early stages of the second half. That rise in July was broad-based with services output up by 0.4% m/m, industrial production 0.2% m/m higher and construction output rising by 0.1% m/m. The Office for National Statistics also noted that businesses reported stronger activity related to AI and cloud computing.

If real GDP were flat in both August and September, a further healthy rise of 0.6% q/q is anticipated. However, the economy's prolonged resilience is unlikely to last as the drag from rising energy prices (the January energy cap is projected to increase by c20%) and borrowing costs will be felt before long.

The fall in the composite Purchasing Manager Index (PMI) from 49.7 in May to a 14-month low of 49.4 in June was entirely driven by services activity. Indeed, the services activity PMI fell from 49.3 to a 41-month low of 48.7 due to rising costs and political uncertainty weighing on consumer confidence. That weakness was partly offset by a rise in the manufacturing output for a third consecutive month but that was due to fears of shortages causing businesses to build stocks. Overall, the composite PMI suggested the strong start to the year would be followed by tepid growth at best.

By September, the composite PMI stood at 52.0. While this was still indicative of expanding activity, it was weaker than August's 52.5 and the lowest level in three months, suggesting the latest leap in energy prices and the prospect of another tax-

raising Autumn Budget are weighing on activity. Within the composite report, employment contracted (i.e., a reading below 50) for the twenty-fourth consecutive month while higher fuel and payroll costs contributed to the sharpest rise in prices charged since May. The services PMI fell from 52.5 to 52.1, reportedly due to subdued domestic economic conditions and ongoing geopolitical uncertainty. Meanwhile, weak consumer demand constrained production, bringing the manufacturing output subcomponent balance down from 52.1 to a six-month low of 51.5. The press release also noted that weaker consumer demand was partly offset by AI investment and greater defence spending.

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.

Retail sales volumes were up in every major category except “other stores” and fuel in August, leaving the headline figure up 0.5% m/m. That fully reversed the 0.5% m/m decline in July and left the level of retail sales 2.4% higher than last August. Even if retail sales volumes were flat in September, volumes for the quarter as a whole would still rise by 0.5% q/q, higher than the 0.2% q/q rise in the previous quarter. August’s figure suggests that other factors are offsetting the drag on real incomes from higher energy prices and borrowing costs, or that households remain able and willing to reduce their saving rate to sustain recent spending growth. That said, with inflation yet to peak, the biggest drag on households’ real income has yet to come.

The public finances have been challenged for several months now. Public sector net borrowing of £23.3bn in May was above the Office for Budget Responsibility’s (OBR’s) forecast of £17.7bn and £5.4bn above the corresponding figure last year. The weak performance in May was mainly due to the strength of government spending, as the rise in Retail Prices Index inflation in March meant debt interest payments were £4.1bn higher than in May 2025, £3.3bn higher than the OBR anticipated in March and the highest in any May on record. Tax receipts of £85.5bn were also below OBR predictions.

More recently, public sector net borrowing of £18.3 billion in August was once again higher than the OBR’s forecast of £14.8 billion. It also marked the second highest August borrowing figure since records began in 1993. At £12.4 billion, current borrowing (i.e., excluding investments) which is important for the Chancellor’s fiscal mandate, was also above the OBR’s forecast of £10.4 billion. Higher central government tax receipts were not enough to offset the effect of higher government spending. Central government expenditure overshot the OBR’s forecast by £2.3 billion, partly due to higher inflation pushing up debt interest payments and government spending on public services.

Regarding employment, the latest PAYE employment figure for August saw a 26,000 fall, leaving employment 95,000 lower than before the start of the Iran War in February and 0.5% lower than a year ago. The number of job vacancies continued to fall, edging down from 706,000 in the three months to July to 702,000 in the three months to

August. While alternative measures of employment show a slightly stronger picture, the unemployment rate stayed at 4.9% in July for the fourth consecutive month.

That recent further weakening of the labour market continues to weigh on pay growth. The 3myy growth rate of average earnings including bonuses eased from 4.2% in June to 3.9% in July entirely off the back of a slowdown in private sector bonus growth. By contrast, a jump in public sector bonus growth meant that total public sector pay growth rose from 6.2% to 6.6%. The timelier HMRC median PAYE measure of pay tells a similar story, with the 3myy growth rate falling from 4.5% in July to a seven-month low of 4.1% in August. That points to a further fall in average earnings growth from 3.9% to around 3.6%.

The knock-on impact from surging energy prices is now being felt, pushing CPI inflation up from 2.9% in July to 3.1% in August. That increase was entirely due to the 6.9% m/m rise in fuel prices, which lifted annual fuel inflation from 15.3% to 23.0%. Even so, higher energy costs do not yet seem to be boosting other items of the CPI just yet. For example, food and drink inflation stayed at 1.3%. That said, the combination of the current levels of energy prices, with brent crude still around $100pb, and the eventual “first-round” effect of businesses passing on some of their higher energy costs will likely result in CPI inflation rising to around 3.6% in September and to a peak of about 4.3% in January based on forecasts from Capital Economics.

April through to September brought more volatility for the gilt market. For example, after ending March at 4.92%, the 10-year Gilt shot up to 5.18% in mid-May, its highest level since 2008. Its movement since has reflected sentiment in the Middle East, falling back to 4.7% in June but finishing September at 5.43% as US/Iran relations remain sour.

The FTSE 100 started April below 10,200, below its record high of around 10,900 in late February. Nonetheless, the index surged to just shy of that level in late July. More recently, it has struggled, ending September at 10,606. Moreover, it materially underperformed the broader more domestic-focused FTSE 250 and most other international indices over this period, weighed down by weightings towards energy, mining, financials and pharmaceuticals and lack of exposure to tech stocks which generally outperformed globally.

A summary overview of the future path of Bank Rate

There were four Monetary Policy Committee (MPC) meetings held in the first half of the financial year. In April, the Committee voted 8-1 to keep rates at 3.75%, with one dissenter voting for 4%. By June, the split had become 7-2, with concerns that rising energy prices, emanating from the conflict in the Middle East, would lift inflation and potentially give rise to second round inflation effects reflected in higher wages.

As the year has progressed, the split has grown further. The July and September meetings both recorded a 6-3 split, with 3 members voting for a hike in rates to 4% at both meetings. As noted, several other members of the committee have intimated that they are likely to vote for an increase in November or December if there is no resolution to the conflict in the Middle East.

Borrowing
The Authority's capital financing requirement (CFR) for 2026/27 is £660m. 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.

Due to the overall financial position and the underlying need to borrow for capital purposes (the CFR), new external borrowing of £75m was undertaken. The capital programme is being kept under regular review due to the effects of on-going budgetary pressures. Our borrowing strategy will, therefore, also be regularly reviewed and then revised, if necessary, to achieve optimum value and risk exposure in the long-term.

General Fund

Lender	Principal	Date	Type	Interest Rate	Maturity
PWLB	10,000,000	30/04/26	Fixed Interest Rate	4.97%	12 months
West Yorkshire Combined Authority	5,000,000	27/05/26	Fixed Interest Rate	4.40%	10 months
West Yorkshire Combined Authority	10,000,000	29/05/26	Fixed Interest Rate	4.40%	10 months
Liverpool City Region Combined Authority	10,000,000	29/05/26	Fixed Interest Rate	4.40%	10 months
South Derbyshire District Council	5,000,000	29/05/26	Fixed Interest Rate	4.40%	9 months
PCC for West Mids	10,000,000	30/07/26	Fixed Interest Rate	4.35%	8 months

HRA

Lender	Principal	Date	Type	Interest Rate	Maturity
PWLB	15,000,000	30/07/26	Fixed Interest Rate	4.72%	18 months
Liverpool City Region Combined Authority	10,000,000	31/07/26	Fixed Interest Rate	4.30%	8 months

Gilt yields and PWLB Certainty Rates have remained volatile throughout the six months under review, but the general trend has been for the whole curve to shift higher on the back of inflation concerns and a pessimistic outlook for fiscal aspects, both domestically and internationally.

At this juncture, forecasts predict rates to fall back over the next one to three years as inflation dampens, but in the near-term there are upside risks should the second-round effects of inflation, primarily from energy price shocks emanating in the Middle East, become embedded. That scenario could lead to wage increases becoming more challenging from an inflation-management perspective, resulting in monetary policy tightening further than currently forecast (one increase in Bank Rate of 0.25% in either November or December 2026). Conversely, a swift resolution to the conflict in the Middle East could see energy prices fall back swiftly and, therein, an easing in inflation concerns and monetary policy respectively. Currently, the CPI measure of inflation is expected to hit a high of 4.3% in early 2027 before falling back towards the 2% target rate by 2028.

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
01/04/2026	4.93%	5.16%	5.62%	6.20%	6.00%
30/09/2026	5.29%	5.80%	6.17%	6.67%	6.37%
Low	4.74%	5.04%	5.50%	6.09%	5.89%
Low date	06/07/2026	08/04/2026	08/04/2026	08/04/2026	08/04/2026
High	5.35%	5.85%	6.21%	6.70%	6.48%
High date	15/09/2026	15/09/2026	15/09/2026	15/09/2026	14/09/2026
Average	4.98%	5.34%	5.81%	6.40%	6.19%
Spread	0.61%	0.81%	0.71%	0.61%	0.59%

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. The Council has also taken the decision to repay one of its Lender Option Borrower Option Loans at a value of £5.7m. These loans were taken out a number of years ago and allow the lender the option to increase the interest rate charged on the loan at a predetermined reset date. Theis was enacted by the bank to a level much higher than the current market rates, so a decision was taken by the Council to repay this loan.

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Committee:	Audit and Governance Committee
Date and Time:	26th November 2026 10:00am
	Public

Audit Committee Self-Assessment 2026

Cabinet Member:	Councillor Roger Evans – Portfolio Holder for Finance
Lead Director:	Duncan Whitfield – Interim Section 151 Officer
Service Area:	Internal Audit
Report Author	Barry Hanson, Head of Policy and Governance
Officer contact details	07990 086409 barry.hanson@shropshire.gov.uk
Electoral Divisions Affected	All
Key Decision?	Not a Key Decision
Cabinet Forward Plan	Not applicable
Report considered by	Not applicable

1. Purpose of Report

1.1. The purpose of this report is to present the findings from the Committee's self-assessment of compliance with the Chartered Institute of Public Finance and Accountancy's guidance on the function and operation of audit committees. There is a high level of alignment with the guidance and an improvement plan to address partial compliance.

1.2. Members are asked to review and comment on the completed 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 further opportunities to improve its effectiveness. There are some areas of partial compliance with good practice; these are separately identified at **Appendix B** for consideration and agreement of appropriate action.

2. Recommendations

2.1. The Committee is asked to:

- review the self-assessment at Appendices A and D and agree any amendments;
- agree the improvement actions at Appendix B, including action owners and target dates; and
- consider the development needs identified in Appendix C and agree how progress will be monitored.

3. Background

3.1. 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. An updated version of the guidance was released by CIPFA in October 2026 which was after the Committee had completed the self-assessment. The updated guidance will be used as a basis for the assessment in 2027.

3.2. Shropshire Council has used CIPFA's 2022 guidance to assess the Audit and Governance Committee arrangements against recommended practice and identify opportunities for improvement. **Appendices A and D** are the updated versions with the responses mapped across. **Appendix D** includes reference to evidence supporting the assessment. **Appendix B** sets out the proposed improvement actions.

4. Summary of Main Proposals

4.1. Audit and Governance Committee members were asked to complete two questionnaires in August 2026, the first relating to the Audit Committee Self-Assessment and the second relating to the skills framework. A session was held with Members in September 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 and C**.

4.2. 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 receive updates on Internal Audit activity and issues arising.

4.3. There has been significant change to the membership of the Audit and Governance Committee following the elections in May 2025, including a change of Chair in May 2026. 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.

4.4. Training sessions provided since November 2025 include:

- Risk Management

- Treasury Management
- LGA Audit Committee training
- Grant Thorton webinar on the role of the Audit Committee
- Interpreting Financial Statements
- Improvement Plan and the mechanisms for delivery and assurance
- Audit Committee Knowledge and Skills Framework
- Audit Committee Effectiveness Self Assessment

4.5. In addition to training sessions, the following information has been shared with and between members:

- CIPFA Better Governance Forum updates on sector-wide 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 Vice-Chair attended a CIPFA Training session on an Introduction to the knowledge and skills of the Audit Committee. The new Chair is attending this session in December 2026.

4.6. Following the current review of the Audit Committee self-assessment of good practice, six 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 reflect the recent changes in committee membership.

4.7. 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

5. Alternative Options

5.1. As this report seeks approval of the self assessment, the alternative option would be not to approve it.

6. Key Risks and Opportunities

6.1. The Audit and Governance Committee has a key function in ensuring that effective corporate governance arrangements are maintained in the Council.

Risk	Mitigation	Link to Strategic Risk
Failure to follow CIPFA's recommended committee remit and independence arrangements could weaken objective oversight, leaving	Review the Committee's terms of reference and operating arrangements against CIPFA guidance; safeguard independence from executive decision-making, manage	Governance, assurance and value for money.

Risk	Mitigation	Link to Strategic Risk
governance and control weaknesses unchallenged.	conflicts of interest and clarify reporting to full Council.	
Failure to maintain the Committee's collective knowledge and skills could limit informed challenge of financial reporting, risk management and assurance, allowing significant issues to go unidentified.	Use CIPFA's knowledge and skills framework to assess collective development needs and deliver targeted induction, training and briefings, prioritising risk management, treasury management and the Annual Governance Statement.	Governance, assurance and value for money.
Failure to discharge CIPFA's core assurance and audit oversight functions could leave gaps in scrutiny of governance, risk, internal control and financial reporting, increasing exposure to loss, fraud and poor value for money.	Maintain a risk-based work programme covering the Committee's core functions; seek sufficient evidence from management and assurance providers, oversee internal and external audit, and track significant recommendations with overdue actions escalated.	Governance, assurance and value for money.
Failure to review effectiveness and address departures from CIPFA guidance could allow weaknesses to persist, reduce accountability to full Council and undermine public confidence. Departure from guidance does not, by itself, establish a statutory breach.	Undertake an annual evidence-based effectiveness review; document and explain departures from CIPFA guidance, agree improvement actions with owners and deadlines, monitor delivery and report outcomes to full Council through the Committee's annual report.	Governance, assurance and value for money.

7. Council Priorities

7.1. Assessing compliance with CIPFA's audit committee guidance and addressing areas of partial compliance supports delivery of the Council's Corporate Plan 2026–2030 by strengthening the Audit and Governance Committee's oversight of governance, risk management, internal control and the effective use of resources. The self-assessment and resulting improvement actions support informed challenge, transparency and accountability, contributing to financial sustainability

and organisational improvement. Demonstrating progress through supporting evidence and delivery of agreed actions, rather than assuming compliance from the assessment alone, helps strengthen the assurance arrangements that underpin sustainable, efficient and resilient services for Shropshire's communities.

8. Financial Implications

8.1. The self-assessment of compliance with CIPFA's audit committee guidance does not give rise to direct financial implications. However, identifying and addressing areas of partial compliance supports the Committee's effectiveness in overseeing financial reporting, risk management and internal control, contributing to the effective use of the Council's resources.

9. Legal and HR Implications

9.1. There are no direct legal or human resource implications arising from this report. The self-assessment supports the Audit and Governance Committee in reviewing its compliance with CIPFA's audit committee guidance and identifying improvements to its effectiveness. Addressing areas of partial compliance, including through targeted member training and development, supports effective oversight of the Council's governance, risk management and internal control arrangements. Compliance should be evidenced through the assessment and delivery of agreed improvement actions, rather than assumed from the review alone.

10. Electoral Division Implications

10.1. There are no direct electoral division implications arising from this report, as it relates to the corporate governance, risk management and internal control arrangements of the Council as a whole rather than impacts on specific localities.

11. Health, Social (including "Child Friendly Shropshire") and Economic Implications

11.1. This report does not have any direct health, social or economic implications. However, by supporting effective governance, risk management and internal control, the Audit and Governance Committee contributes to the arrangements that underpin sound decision-making and effective service delivery across the Council, including services that affect wider health, social and economic outcomes.

12. Equality and Diversity Implications

12.1. There are no direct equality and diversity implications arising from this report. However, the Audit and Governance Committee supports transparency, accountability and effective governance across Council services, which contributes to fair and evidence-based decision-making.

13. Climate Change, Biodiversity and Environmental Implications

13.1. There are no direct climate change, biodiversity or environmental implications arising from this report; however, it supports the Council's wider governance and

assurance framework, including oversight of environmental risks, sustainability commitments and compliance with relevant legislation and policy requirements.

14. Background Papers

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

15. Appendices

Appendix A - Self-assessment of good practice November 2026
Appendix B - Improvement plan for an effective Audit Committee
Appendix C - Knowledge and Skills Baseline Assessment November 2026
Appendix D - Self-assessment of good practice showing evidence November 2026

Appendix A: Self-assessment of Good Practice – November 2026

	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 unwieldly 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
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.
14	Have all committee members been appointed or selected to ensure a committee membership that is knowledgeable and skilled?	Training needs have been identified as part of this process and these are delivered through three Audit Committee training sessions each year.
17	Across the committee membership, is there a satisfactory level of knowledge, as set out in the 2022 guidance?	Membership of the Committee has 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 and Governance 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 seven years and the Leader and Chief Executive have provided updates on what management action is being taken to address this.

[1] SAR = Self-assessment reference

SAR[1]	Partial compliance	Proposed action
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 2026 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 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.	4	3	0	Confident
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.	4	2	1	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.	2	3	2	Comfortable
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 officer, as required by the CIPFA Statement on the Role of the Chief Financial Officer in Local Government.	2	4	1	Comfortable

Knowledge Area / Skills	Confident	Comfortable	Not Confident	Overall score
An overview of 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.	3	4	0	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 risk maturity of the organisation and any key areas of improvement.	3	4	0	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.	2	5	0	Comfortable
Knowledge of the Seven Principles of Public Life. Knowledge of the authority's key arrangements to uphold ethical standards for both members and staff. e.g. code of conduct. Knowledge of the whistleblowing arrangements in the council.	5	1	1	Confident
Aware that the Effectiveness Scrutiny of Treasury Management is an assessment tool for reviewing the	1	6	0	Comfortable

Knowledge Area / Skills	Confident	Comfortable	Not Confident	Overall score
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.				
Able to focus on material issues and overall position, rather than being side-tracked by detail.	6	1	0	Confident
Able to frame questions that draw out relevant facts and explanations, challenging performance and seeking explanation while avoiding hostility or grandstanding.	7	0	0	Confident
Ensuring there is a clear plan of action and allocation of responsibility.	6	1	0	Confident
Able to understand the practical implications of recommendations to understand how they might work in practice.	6	1	0	Confident
Support the use of plain English in communications, avoiding jargon, acronyms, etc.	6	0	1	Confident
Evaluate information based on evidence presented avoiding bias or subjectivity.	7	0	0	Confident
Chair the meeting effectively: summarise issues raised, ensure all participants can contribute and focus on the outcome and actions from the meeting.	5	1	1	Confident

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 2026 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. **Chair identified an action to query the role of the committee in the approval of the accounts.**
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 2026 Audit and Governance Committee.
5.	Do all those charged with governance and in leadership roles have a good understanding of the role and purpose of the committee?	Yes	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. **Chair identified an action to meet with statutory officers to set the expectations of the committee and engage.**

	Good practice questions	Yes/ No/ Partially	Evidence
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. **Improvement to reporting of overdue recommendations to be enhanced through the development of a dashboard.**
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			

	Good practice questions	Yes/ No/ Partially	Evidence
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 • Financial reporting • Assurance framework • Internal audit • External audit	Yes	Detailed within the Terms of Reference which are reviewed annually.
10.	Over the last year, has adequate consideration been given to all core areas?	Yes	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	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.

	Good practice questions	Yes/ No/ Partially	Evidence
			• 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. *However, the Committee supports standards and ethics.* • Treasury Management – The Committee covers this responsibility as evidenced by its ToR.
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 unwieldly and avoids the use of substitutes • Inclusion of lay/co-opted independent members in accordance with legislation or CIPFA's recommendation	Yes	The committee is politically balanced and substitutes are rare. An Independent member recruitment is required. The membership of the Committee has 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	Membership of the Committee has been expanded. Training needs have been identified as part of this process and these are delivered through three Audit Committee training sessions each year.

	Good practice questions	Yes/ No/ Partially	Evidence
			This will also be evidenced by attendance and behaviour at Committee and resulting recommendations and minutes, available publicly. **Consider minimum training for substitutes. Understand which committee members have attended training and meetings in the last two years.**
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?	Yes	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.
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	Membership of the Committee has 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.

	Good practice questions	Yes/ No/ Partially	Evidence
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.
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.
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 on missed deadlines for implementation of recommendations.

	Good practice questions	Yes/ No/ Partially	Evidence
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 seven years and have invited the Leader and Chief Executive to provide an updates 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?	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 2026 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	Membership of the Committee has 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	Membership of the Committee has been expanded. Training needs have been identified as part of this process and these are delivered through three Audit Committee training sessions each year.

Committee	Audit and Governance Committee
Date and Time	26 November 2026 10:00am
	Public

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

Cabinet Member:	Councillor Roger Evans – Portfolio Holder for Finance
Lead Director:	Duncan Whitfield – Interim Section 151 Officer
Service Area:	Internal Audit
Report Author	Barry Hanson, Head of Policy and Governance
Officer contact details	07990 086409 barry.hanson@shropshire.gov.uk
Electoral Divisions Affected	All
Key Decision?	Not a Key Decision
Cabinet Forward Plan	Not applicable
Report considered by	Not applicable

1. Purpose of Report

1.1. This report outlines the measures undertaken to assess fraud risks, and how the Council manages these risks to prevent, detect, investigate and report fraud, bribery and corruption.

1.2. 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. This demonstrates the continuing and important role the strategy plays in the corporate governance and internal control framework. This report also provides an update to members on national and local fraud-related issues.

1.3. Whilst the Council can never be free from fraud, it continues to be focused on acknowledging, preventing and pursuing fraud, bribery and corruption. The Audit

and Governance Committee is asked to reaffirm its support for the Council's Counter Fraud, Bribery and Anti-Corruption Strategy.

2. Recommendations

2.1. The Committee is asked to:

- Consider and endorse the revised Counter Fraud, Bribery and Anti-Corruption Strategy.
- Note progress in implementing the Council's counter-fraud arrangements and the outstanding improvement actions.
- Comment on the proposed approach to strengthening counter-fraud provision.

3. Background

3.1. The Council sets itself high standards for both members and officers in the operation and administration of the Council's affairs and has established arrangements for responding promptly to allegations or suspicions of fraud, bribery and corruption. 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.

3.2. The Counter Fraud, Bribery and Anti-Corruption Strategy forms part of part five of the Constitution and was last reviewed and updated in November 2025. In reviewing the Strategy, only minor adjustments have been made to reflect organisational changes at the Council and the move to a more digital approach. All proposed changes are identified in the Strategy in bold, italic and underlined font.

3.3. 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.

4. Summary of Main Proposals

4.1. 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.

4.2. 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).

4.3. 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).

4.4. An integrated approach is required, with activity prioritised according to risk and evaluated by outcomes rather than activity alone.

4.5. 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 and is supported by 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 the threat of fraud and assess the associated risks.
- 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 2026

4.6. 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. For Shropshire Council, these findings provide an important national context for reviewing fraud risks across payments, procurement, recruitment and applications for financial support or services, rather than evidence of the incidence or value of fraud locally. They reinforce the importance of robust identity and eligibility checks, independent verification of changes to supplier bank details, effective information security, staff awareness and lawful data sharing. In line with the Council's Counter Fraud, Bribery and Anti-Corruption Strategy, the report supports a proactive, risk-based approach to prevention, detection and

investigation, helping to protect public funds, sustain services and maintain public confidence.

4.7. Over 444,000 cases were recorded on the National Fraud Database (NFD) in 2025 which is a record number of cases and a 6% increase on the previous year. High risk areas of fraud identified by them in 2026 include:

- Identity fraud is still the most commonly reported fraud risk type. Although identity fraud filings fell by 3% year-on-year it accounts for over half of all reports. This modest reduction is accounted for by a shift in criminal tactics rather than a reduction in harm, with fraudsters increasingly targeting account takeovers, particularly via mobile phones.
- Over 78,000 cases of facility (account) takeover were recorded on the NFD in 2025. Nearly 1 in 5 (18%) of all fraud-risk cases reported to the Cifas are now account takeovers. The telecommunications sector recorded the greatest volume of account takeover cases. It now accounts for the majority of such cases (62%, previously 48%), driven by the sustained rise in mobile phone-related filings.
- In 2025, over 106,000 cases of misuse of facility[1] were recorded on the NFD, a 43% increase on 2024. Increasing bank account misuse reflects the evolving recruitment tactics of fraudsters, with victims encouraged to pass on funds or share banking details. In some cases, personal information is being sold to criminal networks to support account opening and misuse.
- In 2025, more than 22,000 incidents of money muling[2] were recorded on the NFD, following the introduction of a new money mule filing category. Cases primarily involved personal bank accounts, which accounted for 89% of money muling filings, as well as business bank accounts, which comprised 4% in 2025. This newly introduced Cifas filing category now enables muling activity to be more reliably tracked across an expanding range of facilities, such as personal credit cards, pre-paid cards and money transfer accounts.
- Over 16,000 cases of false application were recorded on the NFD in 2025, a 24% fall on 2024. Reductions were observed across many sectors, with the largest decline in relation to bank account cases (-27%). Among those Cifas members who submitted cases in both 2024 and 2025, the majority (55%) reported a decrease.
- In 2025, 288 were recorded on the Insider Threat Database (ITD), a 21% increase on 2024. Dishonest action by staff to obtain a benefit by theft or deception is the most common case type and again accounts for the largest share of filings made to the ITD. Volumes increased by 28%, rising from 116 to 148. It now accounts for 48% of all cases. The most frequent filing reasons were abuse of company time or privilege (15%), false expenses submissions (13%), and theft of IT equipment (11%).

4.8. The full report is available at:
Cifas Fraudscape 2026 Report

Government Counter Fraud Functional Strategy 2024-2027

[1] Misuse of Facility refers to the improper use of an account, services or resource by someone who has legitimate access.
[2] Money muling is a form of money laundering where an individual transfers illegally obtained money through their personal bank account on behalf of others, often keeping a commission

4.9. 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

4.10. 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

4.11. 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.

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

4.12. The Fighting Fraud and Corruption Locally Strategy (FFCL)[3] is England's counter fraud and corruption strategy for local government. It acts as a 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 completed a review against the Fighting Fraud Locally Assessment and the results from this were fed into the wider review of the Council's fraud risks.

4.13. The LGA published Fighting Fraud and Corruption Locally 2026[4] on 22 October 2026. The recommendations in the new strategy will be considered in the coming months.

National Fraud Initiative (NFI)

4.14. The National Fraud Initiative (NFI), led by the Public Sector Fraud Authority, matches electronic data within and between public and private sector bodies to help prevent and detect fraud and error. The Council is mandated to take part in this exercise. Relevant services review the resulting matches to identify fraud or error.

4.15. As at 4 November 2026 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 amounts to be recovered relate to pensions and the Council Tax Reduction Scheme. The estimated future savings relate to deceased concessionary travel pass holders and resident's parking permits.

4.16. The data for the 2026/27 NFI exercise has been submitted and the results are expected to be received by the Council in December 2026.

[3] Fighting Fraud and Corruption Locally | Insights | Cifas
[4] Fighting fraud and corruption locally 2026 | Local Government Association

Transparency Requirements

4.17. To comply with the Local Government Transparency Code 2015, the council is required to publish identified data sets.

4.18. The Council has a 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.[5]

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

4.19. 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 updated in February 2022 and approved by Cabinet[6]. 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.

4.20. 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.

4.21. All Council applications to acquire communications data are processed through the National Anti-Fraud Network which acts 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.

4.22. The Investigatory Powers Commissioner's Office (IPCO) is no longer routinely undertaking annual inspections. It has 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.

4.23. The Chief Executive has been notified that, during 2026, the Council is scheduled to receive its inspection by the Investigatory Powers Commissioner's Office (IPCO). The inspection will assess the Council's compliance with the Regulation of Investigatory Powers Act 2000 and the Investigatory Powers Act 2016. IPCO requested preliminary high-level information, which the Council has provided.

[5] https://shropshire.gov.uk/open-data/

[6] RIPA POLICY AND GUIDANCE (shropshire.gov.uk)

4.24. The Council has engaged a specialist to undertake an independent review of its RIPA procedures. The review will assess the Council's policy and procedures and will include a specific training needs analysis. This work commenced in August 2026 and is expected to be completed in December 2026. Formal training is scheduled for relevant Officers in December 2026. The allocation of responsibilities for the RIPA Coordinator and Authorising Officers is currently being reviewed. The Service Director, Legal and Governance, remains the Senior Responsible Officer for the Council's RIPA arrangements. These actions are intended to provide additional assurance that the Council's RIPA arrangements remain compliant, proportionate and subject to appropriate governance and oversight.

Whistleblowing Policy

4.25. 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. No changes are proposed to the reporting process. An annual reminder is circulated to all employees to raise awareness as to the availability of this policy.

4.26. Both policies are publicly available on the Council's website, enabling staff to access them privately outside the workplace.

Anti-Money Laundering (AML) Procedure

4.27. 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 remain aware of their responsibilities. In addition, 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

4.28. 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.

4.29. The Home Office Serious and Organised Crime report and checklist provide a methodology to help the Council identify vulnerabilities and strengthen safeguards. 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

4.30. 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 2026.

Awareness and training

4.31. 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

4.32. 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. Lessons learnt from investigations are used to inform management of control issues and the need for improvements to prevent recurrence. These reports are shared with Directors.

Shropshire Council counter fraud risks and plans

4.33. 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 recently completed a review against the Fighting Fraud Locally Assessment and the results from this were fed into a wider review of the Council's fraud risks.

4.34. The following measures are in place or planned to identify and mitigate fraud risks:

- Housing benefit investigations are referred to the Department for 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 data for the 2026/27 NFI exercise has been submitted and the results are expected to be received by the Council in December 2026.
- 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. 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
  - Personal budgets, deferred payments
  - 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 August 2026 a complete independent review of the Council's fraud risks was undertaken by the Internal Audit team. The Fraud risk register was updated as part of this process.

Counter Fraud management options from 2026 onwards.

4.35. The Section 151 Officer is assessing options for future corporate counter-fraud provision, including an internal team, outsourced, co-sourced and partnership arrangements. The assessment is expected to conclude by December 2026 and will inform the 2027/28 budget process. Implementation is provisionally intended from 1 April 2027, subject to funding, procurement requirements and the necessary approvals. Existing arrangements will continue in the interim.

4.36. To strengthen current arrangements and inform the longer-term delivery model, the Council has reviewed its fraud risk registers and developed a proposed programme of proactive counter-fraud and fraud-related assurance work. This targets areas of higher fraud exposure and known control weakness, including cyber-enabled fraud, direct payments, adult social care, internal fraud, procurement and contracts, revenues, National Fraud Initiative matches, mandate fraud and duplicate payments. The programme will support market engagement to test external capacity, expertise and indicative costs, refine the scope and prioritisation of work, and provide further evidence to determine the most appropriate and sustainable future delivery model.

5. Alternative Options

5.1. The alternative option would be for the Committee not to endorse the Counter Fraud, Bribery and Anti-Corruption Strategy. This would reduce formal member assurance and oversight of the Council's strategic approach to preventing, detecting and responding to fraud, bribery and corruption, and could weaken the clarity of the Council's commitment, responsibilities and planned improvement activity.

6. Key Risks and Opportunities

6.1. The Audit and Governance Committee has a key function in ensuring that effective corporate governance arrangements are maintained in the Council.

Risk	Mitigation	Link to Strategic Risk
Failure to maintain and implement an effective Counter Fraud Strategy could leave the Council more exposed to fraud, bribery and corruption, resulting in financial loss, service disruption and reduced public confidence.	Review and refresh the Counter Fraud Strategy regularly; maintain clear responsibilities, proportionate preventative controls and arrangements for reporting, investigating, sanctioning and recovering losses.	Governance, assurance and value for money.
Failure to identify and assess emerging fraud risks could mean that preventative and detective controls are not targeted at the areas of greatest exposure.	Maintain an up-to-date fraud risk assessment and fraud risk register, informed by internal intelligence, investigations, the National Fraud Initiative and relevant national guidance; ensure identified risks have named owners and proportionate actions.	Governance, assurance and value for money.
Insufficient fraud awareness, training or accessible reporting routes could delay the identification and escalation of suspected wrongdoing and weaken the Council's counter-fraud culture.	Provide proportionate fraud-awareness training and regular communications; promote clear confidential reporting routes and whistleblowing arrangements; and ensure concerns are assessed promptly by suitably trained officers.	Governance, assurance and value for money.
Failure to monitor delivery of the Strategy and act on identified weaknesses could allow losses, control failures or recurring fraud risks to persist without effective oversight.	Monitor delivery, investigations, recoveries and lessons learned; report progress and significant issues to senior management and the Audit and Governance Committee; and escalate overdue actions.	Governance, assurance and value for money.

7. Council Priorities

7.1. The Counter Fraud Strategy supports delivery of the Council's Corporate Plan 2026–2030 by strengthening the protection and effective stewardship of public resources. Its focus on preventing, detecting and responding to fraud, bribery and corruption, supported by proportionate controls, clear accountability, staff awareness and effective investigation, helps reduce avoidable losses and

supports financial sustainability. By targeting activity towards areas of greatest risk, learning from identified incidents and monitoring delivery through the counter-fraud action plan, the Strategy contributes to transparent decision-making, organisational resilience and the efficient delivery of services for Shropshire's communities.

8. Financial Implications

8.1. Approval of the Counter Fraud Strategy does not, in itself, give rise to direct financial implications. Its effective implementation will, however, help protect public funds by strengthening arrangements to prevent and detect fraud, support the recovery of losses and target counter-fraud activity towards areas of greatest financial exposure. Any additional resources required to deliver a future corporate counter-fraud model will be subject to the Council's normal budget-setting and approval processes, with a dedicated team being considered as part of the 2027/28 budget process, subject to an appropriate budget being identified.

9. Legal and HR Implications

9.1. There are no direct legal or human resource implications arising from approval of the Counter Fraud Strategy. Its implementation will, however, support compliance with relevant legislation and Council policies relating to fraud, bribery, corruption, money laundering, data protection, investigatory powers, employment and whistleblowing. Any counter-fraud enquiries, investigations or sanctions involving employees will be undertaken lawfully, fairly and proportionately, in accordance with established HR procedures, employment rights, confidentiality requirements and appropriate professional advice.

10. Electoral Division Implications

10.1. There are no direct implications for any specific electoral division arising from the Counter Fraud Strategy, as it establishes a Council-wide framework for preventing, detecting and responding to fraud, bribery and corruption. Its effective implementation supports all electoral divisions by protecting public funds, promoting consistent controls across services and helping ensure resources are available for their intended purposes across Shropshire.

11. Health, Social (including "Child Friendly Shropshire") and Economic Implications

11.1. There are no direct health, social or economic implications arising from the Counter Fraud Strategy. However, effective counter-fraud arrangements help protect public funds and services, including those supporting vulnerable adults, children and families, by reducing losses and ensuring resources are used for their intended purpose. Proportionate prevention, detection and investigation activity also supports fair access to services, protects the local economy and maintains confidence in the Council's stewardship of public resources.

12. Equality and Diversity Implications

12.1. There are no direct equality and diversity implications arising from the Counter Fraud Strategy. Its implementation will, however, be undertaken fairly, consistently and proportionately, with due regard to the Council's equality duties, accessibility

requirements and the need to avoid bias or discrimination. Counter-fraud controls, data matching, investigations and sanctions will be evidence-based and subject to appropriate safeguards, helping to protect public resources and support fair access to Council services.

13. Climate Change, Biodiversity and Environmental Implications

13.1. There are no direct climate change, biodiversity or environmental implications arising from the Counter Fraud Strategy. However, effective counter-fraud arrangements help safeguard public resources, support compliance with environmental legislation and grant conditions, and reduce the risk of fraud or misuse within procurement, contracts, grants and programmes connected with the Council's environmental and sustainability commitments.

14. Background Papers

- 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 2026 Full Digital Report

15. Appendices

Appendix A - Counter Fraud, Bribery and Anti-Corruption Strategy 2026

Counter Fraud, Bribery and Anti-Corruption Strategy

POLICY STATEMENT AND STRATEGY

Document Details:

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

Date: *November 2026*

Review Arrangements: Next Review Date – November *2027*

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 Counter Fraud Strategy supports delivery of the Council's Corporate Plan 2026–2030 by strengthening the protection and effective stewardship of public resources. Its focus on preventing, detecting and responding to fraud, bribery and corruption, supported by proportionate controls, clear accountability, staff awareness and effective investigation, helps reduce avoidable losses and supports financial sustainability. By targeting activity towards areas of greatest risk, learning from identified incidents and monitoring delivery through the counter-fraud action plan, the Strategy contributes to transparent decision-making, organisational resilience and the efficient delivery of services for Shropshire's communities.***

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.

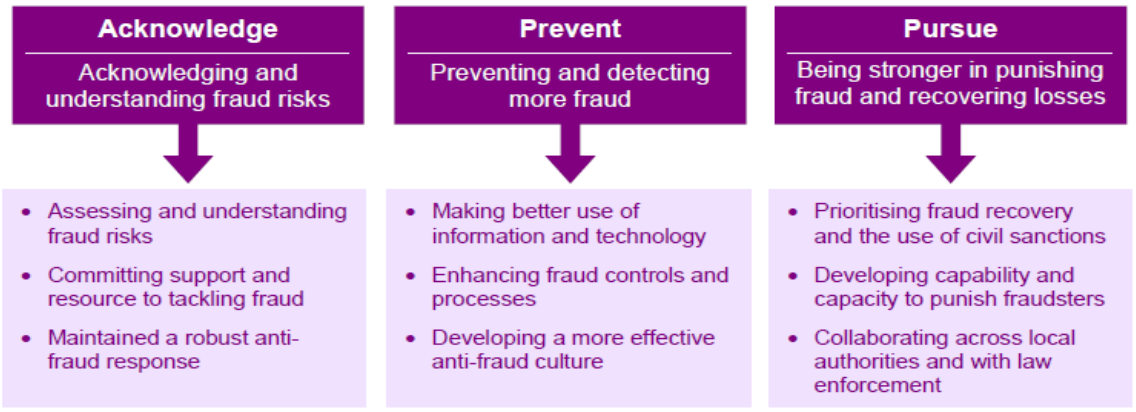
This Strategy adheres to the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Managing the Risk of Fraud and Corruption 2014 (the Code). The Code requires leaders of public sector organisations to have a responsibility to embed effective standards for countering fraud 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 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 ***led*** 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 Director, Legal and Governance (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 ***Interim*** Section 151 Officer, ***Duncan Whitfield*** 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

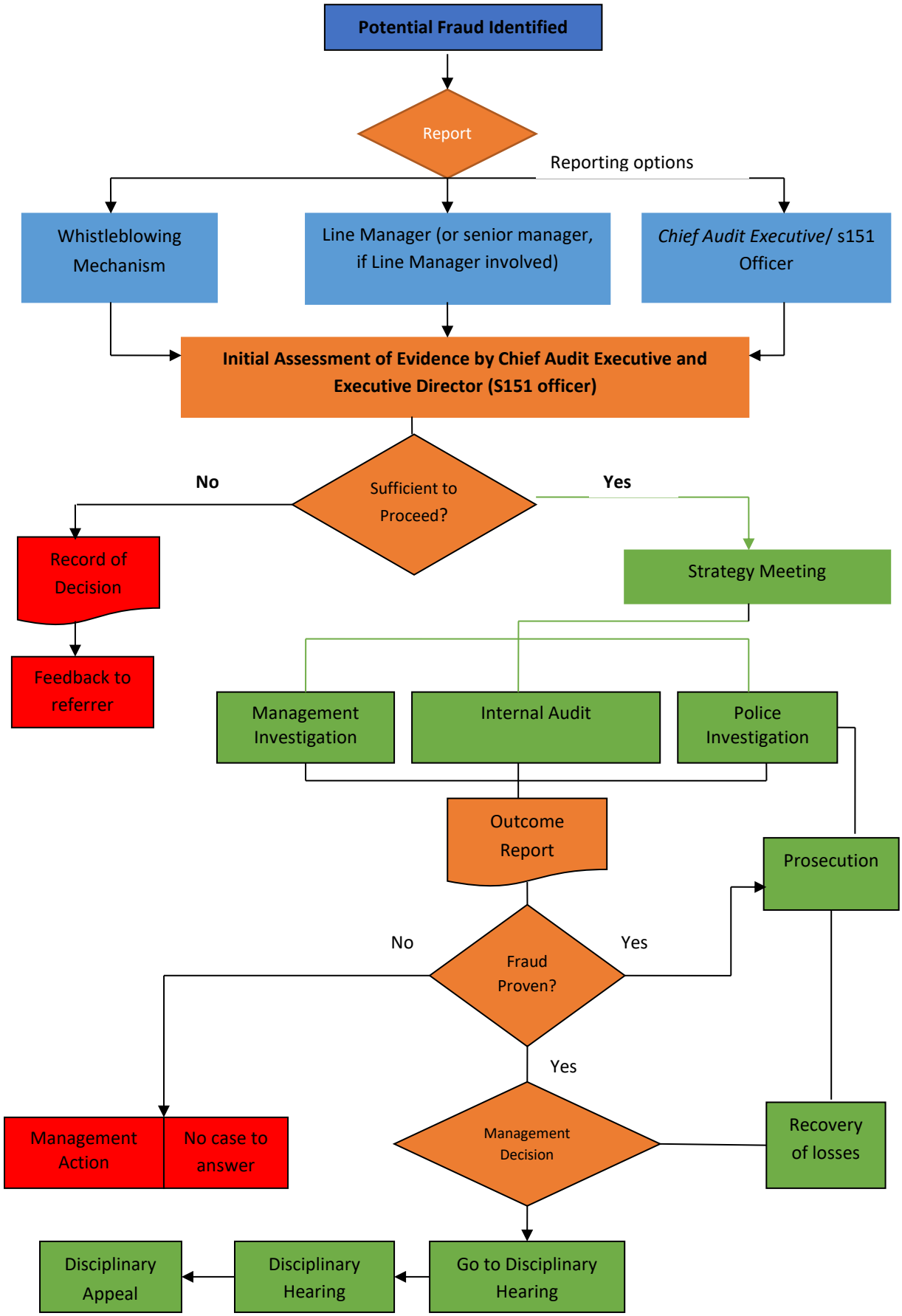
18. **Criminal Prosecution** – the Section 151 Officer, in consultation with the appropriate Executive Director and Chief Audit Executive will authorise the referral to the police for investigation.

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 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 orders[1].

(3) There are statutory limits[2] 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'.

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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