

Shropshire Council

Interim Auditor's Annual Report for the
year ended 31 March 2024

22 November 2024



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We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our commentary relating to proper arrangements.

We report if significant matters have come to our attention. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.



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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Introduction



Purpose of the Auditor's Annual Report

This report brings together a summary of all the work we have undertaken for Shropshire Council (the Council) during 2023/24 as the appointed external auditor. The core element of the report is the commentary on the value for money (VfM) arrangements.

All Councils are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in the use of 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. The Council's responsibilities are set out in Appendix A.

Councils report on their arrangements, and the effectiveness of these arrangements as part of their annual governance statement.

Responsibilities of the appointed auditor

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 2024 and of its expenditure and income for the year then ended, and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2023/24
- 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.

Value for money

We report our judgements on whether the Council has proper arrangements in place regarding arrangements under the three specified criteria:

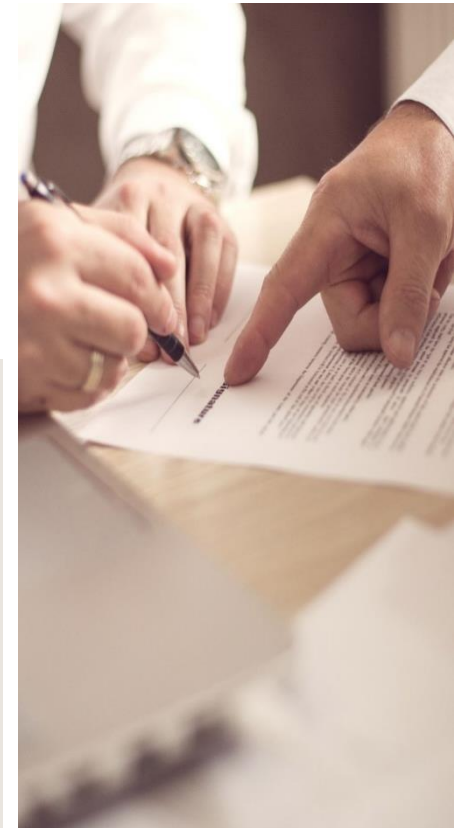
- financial sustainability
- governance
- Improving economy, efficiency and effectiveness

The Value for Money auditor responsibilities are set out in Appendix B.

Auditor powers

Auditors of a local 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 13 with a commentary on whether any of these powers have been used during this audit period.



Executive summary



Executive summary

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. The NAO, in its consultation of February 2024, has indicated that it will in future require auditors to share a draft Auditors Annual Report ("the Report") with those charged with governance by a nationally set deadline each year and for the audited body to publish the Report thereafter. This is now delayed by the calling of a general election on 4 July 2024 and the outcome will be dependent of the decisions made by the new government. As a firm, we are committed to reporting the results of our local audit work on as timely a basis as possible. We are therefore sharing this report with you in advance of the National Audit Office's new Code being introduced. In the event that any new audit requirements are introduced when the Code is published, we will revisit these before finalising this report. Our summary findings are set out below.



Financial sustainability

The financial position and sustainability of the Council remains difficult with overspends in the past 3 years (£2m, £8.5m and £7.9) and diminishing levels of General Fund reserves (reserves at 31 March 2024 were as low as £8.2m and required an injection of £30.6m from prior years budgets). Escalating cost pressures, largely due to huge and increasing demand for Adults and Children's Social Care services have stretched the Council's finances to the limit. Alongside its Transformation strategic partner, PwC, the Council has put in place a programme to radically review the way it works (known as its Target Operating Model (TOM)) and this programme is starting to see results as savings are being identified and are starting to be delivered. Alongside a determined and targeted focus on financial savings via the establishment of the Savings Delivery Group (SDG) and access to a new financial dashboard, the Council now has much more visibility and transparency on its financial position and this is shared regularly with members through monthly Cabinet reports and member briefings.

However, in our experience, Transformation programmes and targeted savings approaches of this nature can take time to bear fruit and fully deliver the savings promised and while we note good progress in savings being identified, these are not being delivered at a pace or scale which is going to reduce the Council's deficit in the short term (for example as at September 2024 the Council forecasts that it will only deliver 53% of its £90m savings target for 2024-25). As it stands the Council is in a "precarious though not yet catastrophic" position and is forecasting a year end overspend of £35m. This will need to be rolled forward to 2025/26 to add to the current forecast £37m deficit in 2025-26 budget putting significant pressure on next year's finances. The Council has expressed believe that the position will improve over the remaining months of this financial year, but even if this is the case the Council is facing significant financial challenges. The overspend will need to be met from the Council's reserves which are already low and will lead to the Council being at risk of not being able to fund any further overspends moving forward and in a very difficult financial position.

The council is holding ongoing discussions with the Ministry for Housing, Culture and Local Government (MHCLG) around the potential for Exceptional Financial Support (EFS) should this be necessary. One alternative option being explored relates to an Income Strip deal or "sale and leaseback" model relating to its car parks which would generate a capital receipt that can be used for revenue budget purposes. The Council is currently checking the accounting legality of treating such a deal as a capital receipt that can be used to fund revenue transformation costs.

The financial position as described above has led to a significant level of pressure on the Council's reserves balances. The General Fund reserve stood at £38.8m as at 1 April 2024 (this included contributions from previous year's budgets of £30.6m to replenish reserves which had been used to plug financial gaps in previous years) but this balance of £38.8m could be depleted to £3.7m if current year end forecast overspends materialise. There are a number of earmarked reserves (total value in Earmarked Reserves as at 1 April 2024 was £28.1m excluding schools related reserves) which could be re-purposed to support the revenue budget but at their current levels the Council's reserves are significantly below the generally accepted level required of Public sector namely 3-5% of net Revenue expenditure. The fact the Council is struggling to maintain levels at even 1% is indicative of the severe financial stress the Council finds itself under and is a significant concern in the MTFS.

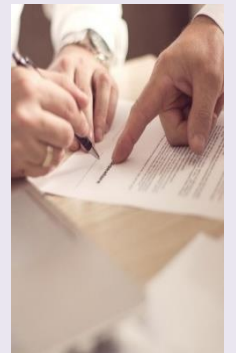
We are proposing to roll forward our key recommendation in relation to the Council's financial planning and sustainability from the audit report of 2021/22 & 2022/23 (Combined year report) while acknowledging that certain elements of this recommendation have now been addressed (see p.17 for detail)



2023/24

Our work on the Council's 2023/24 financial statements is in progress.

We anticipate issuing our audit opinion by the end of December 2024.



Executive summary (continued)



Governance

The Head of Internal Audit's opinion is of "Limited Assurance" on the adequacy and effectiveness of the Council's internal control framework. This has been the case for the past 5 years now and the Council does not appear to be making any significant progress in improving this opinion. This is a concern and points to lack of seriousness on the part of the Council or lack of firmness on the part of Internal Audit in terms of changing the Council's internal control regime. As such, we have raised an improvement recommendation for the Council to develop a plan to demonstrate how it will move to improve its Internal Audit overall assessment of "Limited Assurance". We have also made an improvement recommendation relating to Internal Audit's report on risk management. Details of both recommendations can be found on p.22 of this report.

At the planning stage of this work we identified a potential significant weakness in the Council's arrangements for securing value for money with regards to the North West Relief Road ('NWRR') project. As a result we undertook a targeted review of the project to assess the arrangements in place. The full report from this targeted review can be found at Appendix D of this report. Our review has identified a number of governance issues with regards to the governance arrangements in place relating to the project and, as such, we have raised a significant weakness and a key recommendation relating to governance.



Improving economy, efficiency and effectiveness

The Council had a focused Ofsted inspection of its Children's services in Autumn 2023 and received a letter from Ofsted in January 2024 which highlighted a deterioration in the quality of social work practice for those children subject to child protection plans. They identified serious and widespread systemic failings, leading to weaknesses in child protection practice, which left children at risk of inadequate protection and significant harm. These concerns were known to senior leaders at the time of this visit, but the plans for improvement outlined in the self-evaluation had not had the necessary impact on the quality of practice to ensure that children's needs are sufficiently addressed at the time of the Ofsted inspection. The Council has since then developed a detailed action plan to address the issues and is actively managing this plan. We have raised an improvement recommendation for the Council to ensure it maintains a focus on completing all the actions included in their Action plan (see p. 25)

The Council's procurement strategy has been revised in 2023 but is currently awaiting the outcome of the PwC Transformation programme which has included procurement, commissioning and contract management as part of that programme. Contract management is currently carried out by service managers and while there is a central contract register (CR) in existence this does not allow for easy tracking and monitoring of contracts nor does it flag up contracts which are coming up for renewal. We have made an improvement recommendation to highlight that the PwC review needs to address these concerns in its revised TOM (see p. 25).

We have also made an improvement recommendation relating to the Council's recording and reporting of tender waivers/exemptions (see p. 25)

Overall we are satisfied that the Council has arrangements in place to ensure it is securing economy, efficiency and effectiveness in its services

Executive summary (continued)



Overall summary of our Value for Money assessment of the Council's arrangements

Auditors are required to report their commentary on the Council's arrangements under specified criteria and 2023/24 is the fourth year that these arrangements have been in place.

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. A summary of our judgements are set out in the table below.

Criteria	2022/23 Auditor judgement on arrangements	2023/24 Risk assessment	2023/24 Auditor judgement on arrangements	Direction of travel
Financial sustainability	R Significant weakness identified and one key recommendation raised.	Risk of significant weakness identified.	R Significant weakness identified in relation to the Council's financial sustainability in the medium term and one key recommendation raised	↔
Governance	A No significant weaknesses in arrangements identified but three improvement recommendations raised.	No risk of significant weakness identified.	R Significant weaknesses in arrangements identified in relation to the NWRR project and two improvement recommendations raised.	↓
Improving economy, efficiency and effectiveness	A No significant weaknesses in arrangements identified, but one improvement recommendation made.	No risk of significant weakness identified.	A No significant weaknesses in arrangements identified but three improvement recommendations raised.	↔

- G** No significant weaknesses in arrangements identified or improvement recommendation made.
- A** No significant weaknesses in arrangements identified, but improvement recommendations made.
- R** Significant weaknesses in arrangements identified and key recommendations made.

Opinion on the financial statements and use of auditor's powers



Opinion on the financial statements



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 2024 and of its expenditure and income for the year then ended, and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2022/23
- 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 (2020) 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.

Audit opinion on the financial statements

The Council provided draft accounts in line with the national deadline of 31 May 2024.

Our work on the Council's 2023/24 financial statements is in progress. We anticipate issuing our audit opinion by the end of December 2024



Use of auditor's powers

We bring the following matters to your attention:

We do not currently anticipate:

Statutory recommendations

Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors can make written recommendations to the audited body which need to be considered by the body and responded to publicly.

- making any written recommendations under Schedule 7 of the Local Audit and Accountability Act 2014.

Public Interest Report

Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors have the power to make a report if they consider a matter is sufficiently important to be brought to the attention of the audited body or the public as a matter of urgency, including matters which may already be known to the public, but where it is in the public interest for the auditor to publish their independent view.

- issuing a public interest report.

Application to the Court

Under Section 28 of the Local Audit and Accountability Act 2014, if auditors think that an item of account is contrary to law, they may apply to the court for a declaration to that effect.

- making an application to the Court.

Advisory notice

Under Section 29 of the Local Audit and Accountability Act 2014, auditors may issue an advisory notice if the auditor thinks that the authority or an officer of the authority:

- is about to make or has made a decision which involves or would involve the authority incurring unlawful expenditure,
- is about to take or has begun to take a course of action which, if followed to its conclusion, would be unlawful and likely to cause a loss or deficiency, or
- is about to enter an item of account, the entry of which is unlawful.

- issuing any advisory notices.

Judicial review

Under Section 31 of the Local Audit and Accountability Act 2014, auditors may make an application for judicial review of a decision of an authority, or of a failure by an authority to act, which it is reasonable to believe would have an effect on the accounts of that body.

- making an application for judicial review.

Value for Money Commentary on arrangements



The current local government landscape

It is within this context that we set out our commentary on the Council's value for money arrangements in 2023/24 and make recommendations where any significant weaknesses or improvement opportunities in arrangements have been identified.



National context

Local government in England remains a challenged sector. In recent years, generationally significant levels of inflation put pressure on Councils' General Fund revenue and capital expenditure. The associated cost of living crisis drove an increase in demand for Council services such as social care and homelessness. At the same time, the crisis impacted adversely on key areas of Council income that were needed to service the increase in demand, for example fees and charges and the collection rates for Council tax, business rates and rents. In January 2024, the UK government announced an additional £600 million for local government, but the Spring Budget for 2024 brought little in the way of any further support. Rising costs of delivering services, coupled with workforce shortages in key areas, supply chain fragility, and rising interest rates for servicing debt, brought a level of crisis to the local government sector perhaps never experienced before. Current warning signs of difficulty include:

- Seven Councils issuing eleven section 114 notices between 2019 and 2023, compared with two Councils issuing notices between 2001 and 2018, with an increasing number of other Councils publicly warning of a section 114 risk;
- Twenty Councils being with government approval for exceptional financial support during 2024/25, totalling approximately £1.5 billion. Only six of these Councils had previously issued a section 114 notice; and
- The Local Government Association warning that Councils in England face a funding gap of £4 billion over 2023/24 and 2024/25.



Local government is coming under an increased spotlight in terms of how the sector responds to the financial challenge it faces. Since the start of 2024, the UK government has emphasised the need for increased productivity rather than increased funding. New plans were announced by the Chancellor in March 2024 for public sector productivity to deliver up to £1.8 billion worth of benefits by 2029. Councils have subsequently been asked to submit productivity plans, showing how they will improve service performance and reduce wasteful spend. Given the general election took place on 4 July 2024, any changes to government policy relating to the sector are at present uncertain. The Budget on 30 October 2024 has not delivered any further certainty of funding for the Local Government sector, beyond some additional funding for specific pressure areas of social care and housing/homelessness. The distribution of the funding is yet to be determined.

Local context

Shropshire Council was formed on 1 April 2009 as a unitary authority covering the geographical area of Shropshire, excluding the area that is covered by Telford & Wrekin Borough Council. The way the changes were implemented was that the five remaining districts in the non-metropolitan county were abolished and merged into a single district called Shropshire, but with there being no separate district Council. Instead, the existing county Council also took on the functions that legislation assigns to district Councils. The county Council was given the option of omitting the word 'county' from its name as part of the reforms, which it took, becoming 'Shropshire Council'. As a unitary authority, Shropshire Council provides both county-level and district-level functions. The whole county is also covered by civil parishes, which form a second tier of local government.

Shropshire is a rural county covering 1,235 square miles and is the second largest inland Council with a population of 327,200, 25% of who are over 65. Of the population 57% live in rural areas and 43% in urban areas. There are 139,000 households in the county and it is relatively affluent but there are pockets of deprivation, growing food poverty and rural isolation. Of the 175 schools in the county 89% are rated Good or Outstanding by Ofsted.

The Council is under Conservative control and has been since 2009. There are a total of 74 councillors that serve Shropshire with 39 Conservative, 18 Liberal Democrat, 10 Labour, 4 Green and 3 Independent. The next election is due in May 2025.

Financial sustainability



We considered
how the Council:

Commentary on arrangements

Assessment

Ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them;

The Council has a structured organisational approach to financial planning. However, there is a significant weakness in the Council's arrangements for financial sustainability as evidenced in the 2021/22 & 2022/23 VfM report (presented to Audit Committee in July 2024) where we highlighted that the significant risks the Council faces in respect of its financial sustainability. Consistent overspends over the past 3 financial years of £2m, £8.5m and £7.9m have put the Council on the brink in terms of financial sustainability. The General Fund reserve stood at £38.8m as at 1 April 2024 but this balance could be depleted to £3.7m if current year end forecast overspends materialise meaning the Council is potentially exposed to significant financial risk.

The 2024/25 budget included a very challenging savings target of £62m. The Council also boosted its General Fund reserves balance by £30.6m to take it to £38.8m at the start of 2024/25 to give it significant contingency in the event of it not being able to keep its spending within budget. In short, the Council is yet to produce a balanced budget for 2025/26 and a formal report under section 114 of the Local Government Finance Act 1988 remains a possibility.

Work has been ongoing during 2024/25 to develop a sustainable plan for reducing the financial gap for the 2025/26 and rebuilding the Council's reserves balances and the Council is in the process of finalising its MTFS which it will present to members in December 2024 before seeking Council approval in February 2025 as part of the 2025/26 budget planning round. The Council has identified all the key financial pressures including reduced achievement of required savings in 2024/25, increased demand in Adults and Children's Social Care (ASC/CSC) and reduced expected capital receipts as well as the usual types of pressures which are associated with the capital projects the Council has embarked on plus unforeseen costs coming from regulator visits and inspections. The Council has taken all these costs into account in its planning.

In order to make the financial position more visible and transparent, working with its strategic partner, PwC, the Council has developed a financial dashboard which is reviewed on a monthly basis and is shared with members at Cabinet on a monthly basis so there are "no surprises" as the financial year comes to an end. This has had the effect of galvanising the whole of the Council senior management team and members and has created a sense of "being in it together" which will be important to harness as they develop their financial plans moving forward. We have seen the financial dashboard and can confirm that it is a useful tool for monitoring and sharing progress on the Council's savings targets

We are satisfied that the Council is identifying all the financial pressures and including these in its financial plans. However, there is no doubt that the financial plans leave the Council in a "precarious though not yet catastrophic" position (to quote the LGA Financial Challenge review). As highlighted above the council's reserves could be depleted by the end of 2024/25. At the time of this report the 2025/26 budget position was not balanced and we have not seen evidence of how this will be achieved. We must express concern over the financial sustainability of the Council, given the potential overspend in current year (£35m as at end September 2024) and the projected £37m funding gap for 2025/26 included in the latest MTFS (October 2024)

Given the Council has yet to formally agree the MTFS and given the mounting financial pressures as outlined above (ASC, CSC), we propose to roll forward the key recommendation from the 2021/22 & 2022/23 AAR into this year (see page 17 for detail of key recommendation). The financial sustainability of the Council is clearly still precarious and, prudently, the Council has no assumption of additional central government funding in its forward plans.

R

G	No significant weaknesses in arrangements identified or improvement recommendation made.
A	No significant weaknesses in arrangements identified, but improvement recommendations made.
R	Significant weaknesses in arrangements identified and key recommendations made.

Financial sustainability



We considered how the Council:

Commentary on arrangements

Assessment

The Council’s MTFS is forecasting funding gaps of £37m at the end of 2025/26 rising to £77m at the end of the 2029/30 financial year. The current year end forecast for 2024/25 as at the September 2024 is indicating an overspend of cumulatively £35.1m. With the General Fund Reserve sitting at a level of £38.8m in our opinion this leaves minimal margin of error for the forecasts and leaves the Council very exposed.

The savings included within that plan are based on a number of different projects and initiatives which total £90m (note this includes £20.8m savings targets rolled forward from 2023/24 when these were not achieved). Savings targets for 2024/25 totals £62.5m plus £6.7m to mitigate growth in ASC. These are proving very challenging to deliver and as at end August 2024 the position re savings is summarised in the table below. This indicates that the Council will be short of their savings delivery target and, as a result, will require the use of reserves to plug the gap.

£90,006,406 Savings Target	£37,105,305 Delivered	£47,987,073 Projected Delivery	£4,054,905 Indicative Plans	£37,964,428 Not Yet Planned	£46,264,338 25/26 Full Year Savings	£43,742,068 25/26 Savings Outstanding
	41.23% % Delivered	53.32% % Projected Delivery	4.51% % Indicative Plans	42.18% % Not Yet Planned	51.40% % 25/26 Full Year Savings	48.60% % 25/26 Savings Outstanding

Plans to bridge its funding gaps and identifies achievable savings

In order to support its drive to find sufficient savings the S151 officer has established the Savings Delivery Group (SDG). This group has focused on 5 key areas of saving and has Assistant Directors leading each area of focus – Resizing the organisation, income generation, property rationalisation, third party spend and demand management for social care. These governance arrangements have ensured a focused effort as the SDG meets on a weekly basis to review progress and maintain the pressure on savings delivery.

The Council is exploring the development of an ‘income strip’ option which could yield a substantial receipt through an alternative approach to the treatment of car parks as an asset and surplus income relating to controlled parking. External advice has been that, due to the nature of the transaction, this may not be appropriate. Therefore, the Council is exploring alternative options, such as “sale or leaseback”, and is liaising with MHCLG with regards to these options.

Other savings include a number of one-off items such as the use of other capital receipts to fund transformational revenue spend and use of reserves. This approach still does not allow the Council to balance its budget in 2025-26 and up to the end of the 5-year MTFS period in 2029-30 and it does not address the structural deficit which clearly exists.

We therefore re-iterate our key recommendation from the 2021/22 & 2022-23 audit report in relation to the Council’s financial planning and sustainability (see key recommendation on page 17 for detail).

R

- G** No significant weaknesses in arrangements identified or improvement recommendation made.
- A** No significant weaknesses in arrangements identified, but improvement recommendations made.
- R** Significant weaknesses in arrangements identified and key recommendations made.

Financial sustainability (continued)



We considered how the Council:

Commentary on arrangements

Assessment

Plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities

The Shropshire Plan includes the Council’s four main strategic priorities of “Healthy People, Healthy Economy, Healthy Environment and Healthy Organisation”. The Council has kept these 4 objectives within its sights as it deals with the financial challenges. Despite the challenges encountered through the year, the objectives and overarching vision of The Shropshire Plan remained a clear guide to the priorities for the 2024/25 budget and the MTFS period following to 2028/29. The challenges are, however, more severe than previously anticipated, and the Council’s response has had to be necessarily robust. There is little doubt that the Council has started to address the financial challenges facing them in the medium and long term and this has necessarily had a bearing on the strategic objectives and direction of the Council with increased focus on the finances supporting the Plan. The Council's focus has been on plugging financial gaps and ensuring it is financially sustainable in order to drive through the plan in the long term. And this is the correct focus.

The Council’s internal Treasury team, supported by its advisers, Link Asset Services, outperformed their investment benchmark by 0.79% in 2023/24 achieving a return of 4.79%.. During 2023/24, the Council continued to maintain an under-borrowed position consistent with the position in previous years. This meant that the Capital borrowing need or Capital Financing Requirement (CFR), was not fully funded with loan debt as cash supporting the Council’s reserves, balances and surplus cash flow was available to be used instead, thereby deferring external borrowing and the associated financing costs. The Council’s borrowing requirement identified within the capital programme 2023/24 to 2025/26 was self-financing prudential borrowing of £81.3m and the need to borrow externally was considered against the Council’s current under/over borrowed position and the level of cash balances held within the authority.

We are satisfied that the financial planning process considers the key strategic priorities of the Council

G

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 operates with a system that aligns the key elements of financial planning. Senior officers across the Council have had significant input to the development of the MTFS.

The Council has a significant capital programme of £138.2m for 2024/25 and this has been developed in conjunction with services. Outturn for the 2022/23 and 2023/24 financial years was running at just over 90% of the budget figures for those years of £111m and £100m respectively. The Council has been finding it increasingly difficult to generate the capital receipts required to maintain the programme at these levels.

The Council is engaging in a redesign of its Target Operating Model (TOM) with the support of its Transformation partner PwC. At the time of this report the final TOM had yet to be confirmed though the CEO advised that it will be shared internally in December 2024.

We are satisfied that the financial planning process considers other plans.

G

- G No significant weaknesses in arrangements identified or improvement recommendation made.
- A No significant weaknesses in arrangements identified, but improvement recommendations made.
- R Significant weaknesses in arrangements identified and key recommendations made.

Financial sustainability (continued)



We considered how the Council:

Commentary on arrangements

Assessment

Identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans

The Council has been clear in its identification of financial risk. These were reported via the Budget monitoring process during the 2023/24 and 2024/25 financial year to date. This year the 2025/26 budget process is a collaborative one meaning all political parties are working together in supporting development of the budget. This has ensured maximum transparency. Additionally the newly developed financial dashboards are highlighting, on a monthly basis, the financial forecasts and associated risks. This means that the major financial risk has been in view to Members for some time now, namely the financial sustainability of the Council over the medium to long term and Members have been left in no doubt about the Council’s position in relation to the issue of a s114 notice.

Each budget monitoring report has a summary of the key financial pressures and clearly highlights the emerging risks to the longer term financial sustainability of the Council along with the measures being taken and the savings being identified to mitigate the pressures. The reports include the assumptions the Council has been working to plus year end forecasts of expenditure and the latest measures being taken to increase savings, manage costs down and address any demand pressures.

The Council’s reserves position is at best “precarious”, based on the LGA Financial Challenge review, echoed by a recent CIPFA review. This is also our view of the Council’s financial position. As at end September 2024 the projected overspend for 2024/25 was £35.1m. There is a General Fund reserve balance of £38.8m to offset this but that, in essence, exhausts most of the Council’s reserves. The Council is in early discussions with MHCLG about applying for Extraordinary Financial Support (EFS) via the government scheme and meetings are ongoing (see p.14 re detail of the options being explored). In summary, we are satisfied that the Council is exploring all options to bolster its financial resilience in the face of the severe pressures facing it. We do not underestimate the difficulty of this challenge but we are satisfied that the Council has put in place arrangements to ensure that the risks to the Council’s financial resilience are both visible and managed.

We therefore re-iterate our key recommendation from the 2021/22 & 2022-23 audit report in relation to the Council’s financial planning and sustainability (see key recommendation on page 17 for detail).

R

- G No significant weaknesses in arrangements identified or improvement recommendation made.
- A No significant weaknesses in arrangements identified, but improvement recommendations made.
- R Significant weaknesses in arrangements identified and key recommendations made.

Financial sustainability (continued)



Significant weaknesses identified in Financial Sustainability arrangements

Medium-term financial challenge to close the budget gap

The Council has a structured organisational approach to financial planning. However, there is a significant weakness in the Council's arrangements for financial sustainability as evidenced in the 2021/22 & 2022-23 VfM report (presented to Audit Committee in July 2024) where we highlighted the significant risks the Council faces in respect of its financial sustainability. Overspends over the past 3 financial years of £2m, £8.5m and £7.9m and lower levels of reserves have put the Council on the brink in terms of financial sustainability. The 2024/25 included a very challenging savings target of £62m. The Council also boosted its General Fund reserves balance by £30.8m via prior year contributions from 2022-23 and 2023-24 budgets to the General Fund reserve to take it to £38.8m at the start of 2024/25. The Council faces the possibility of not being able to balance their budget in 2025/26, which, if it came to pass, would necessitate a formal report under section 114 of the Local Government Finance Act 1988.

Work has been ongoing during 2024/25 to develop a sustainable plan for reducing the financial gap for the 2025/26 and rebuilding the Council's reserves balances and the Council is in the process of finalising its MTFS which it will present to members in December 2024 before seeking Council approval in February 2025 as part of the 2025/26 budget planning round. The Council's MTFS is forecasting funding gaps of £37m at the end of 2025/26 rising cumulatively to £77m at the end of the 2029/30 financial year. As at the September 2024, year end forecasts are indicating an overspend of £35.1m on the 2024/25 budget. With the General Fund Reserve sitting at a level of £38.8m that leaves minimal margin of error for the forecasts and leaves the Council exposed.

The savings included in the 2024/25 Revenue budget totalled £90m (note this included savings targets rolled forward from 2023/24 when these were not achieved with savings targets for 2024/25 totalling £62m). These are proving very challenging to deliver with only 53% of the savings achieved as at September 2024. Any savings not achieved will then need to be carried forward to 2025/26. As at October 2024 this means the deficit forecast in the MTFS for 2025/26 could be circa £80m. Given the Council has yet to formally agree the MTFS and the ongoing challenge in delivering in-year savings targets we propose to roll forward the key recommendation from the 2021/22 & 2022/23 audit report into this year. The financial sustainability of the Council is clearly still parlous and, as we know now, the Budget on 30th October did not include any new funding sources to help the Council so consequently the Council, quite prudently, has no assumption of additional central government funding in its forward plans.

We therefore re-iterate the 2022/23 key recommendation as below though we acknowledge that certain elements (transformation costs transparency, LGA Finance peer review, 2024/25 savings requirements and Adults and children forecast models) have been addressed and the key outstanding recommendations rolled forward remaining in place are :

Key recommendation 1: The Council should re-consider all aspects of service delivery in order to ensure financial sustainability with efforts being directed toward:

- The identification and delivery of savings that reduce the indicative budget gaps in 2025/26 and in future years along with supporting the replenishment of reserves. These savings 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

Governance



We considered how the Council:

Commentary on arrangements

Assessment

<p>Monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud</p>	<p>The Council has an Opportunity Risk Management Strategy which is reviewed annually by the CEO. Operational risks are reported on biannually (May and November)</p> <p>At June 2024 as reported in the Risk Annual report to the Audit Committee there were 11 strategic risks on the Corporate Risk Register. Following an Internal Audit review of the Risk Management system during the 2023-24 financial year, the overall control environment is assessed as Reasonable, with minor control weaknesses identified. The focus of the review was on user compliance with processes around operational and project risks.</p> <p>Internal Audit reviewed the Council’s processes for reviewing and updating operational risk registers and to ensure that projects risks are captured and risks are reported to Senior Management on a regular basis in line with the Opportunity Risk Management Strategy. Evaluation and testing confirmed that there is generally a sound system of control in place but there is evidence of non-compliance with some of the controls. Given the importance of risk management we recommend that the Council quickly addresses the control weaknesses identified which relate to 27% of project risks not being updated in 2023 and 21% of operational risks not being updated in 2023 and incomplete fields being identified with some of the registers.</p> <p>We are content that the Council’s arrangements for managing risk are sound but we make one improvement recommendation</p> <p>Improvement recommendation 1: The Council should ensure it addresses the control weaknesses identified in the Internal Audit risk management report in a timely manner</p>	<p style="text-align: center; font-size: 2em; font-weight: bold;">A</p>
<p>Approaches and carries out its annual budget setting process</p>	<p>The Council has a robust budget setting process. The 2025/26 budget process started in February 2024 with Strategic Directors given targets for savings. To help support the 2025/26 budget process the S151 has introduced the Savings Delivery Group (SDG) during the 2024/25 financial year. As well as monitoring expenditure against the 2024/25 budget the SDG also supports the development of the 2025/26 budget.</p> <p>We are content the Council has a sound budget process in place</p>	<p style="text-align: center; font-size: 2em; font-weight: bold;">G</p>

Governance (continued)



We considered how the Council:

Commentary on arrangements

Assessment

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

The Council's budget monitoring reports provide Cabinet with a clear understanding of the Council's financial position in-month and year to date, as well as forecasts for the year-end. Historically these reports were provided on a quarterly basis. Given the financially challenging environment the Council finds itself in, however, the S151 officer is now providing monthly updates of the financial position throughout 2024/25. These are shared at both the SDG and also at the EMT and at the Cabinet meetings. Additionally, Cabinet is provided with more detailed quarterly updates

The Council is working with MHCLG (Ministry of Housing, Communities and Local Government) to agree alternative approaches to managing the budget and is considering a capitalisation directive to allow it to generate income from capital receipts to be used to fund transformational revenue costs in 2024/25. This will be a one-off measure and, as indicated in our key recommendation in the Financial Sustainability section of this report, the Council will need to plan to replenish reserves balances to ensure future financial sustainability

G

Ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency, including from audit committee

The Head of Internal Audit's (IA) opinion is of "Limited Assurance" on the adequacy and effectiveness of the Council's internal control framework. This is driven by weaknesses across the whole spectrum of the Internal Audit programme and this opinion has been the conclusion for the past 5 years now. The Council does not appear to be making any significant progress in improving this opinion. The longevity of this opinion is a concern as it illustrates that either the Council is not taking the IA assessments seriously enough or that IA is not firm enough in its enforcement of actions following a "Limited Assurance" opinion.

The Council does have arrangements in place to ensure it makes properly informed decisions, supported by appropriate evidence, which allow for challenge and transparency. The Cabinet handles strategic decisions after considering detailed reports to Council. The Scrutiny Committees investigate local policies, risk and performance, leading to reports and recommendations for the Council. The Council's Monitoring Officer ensures public access to decisions and relevant reports. Cabinet papers show sufficient detail to support key decisions. The Council's governance arrangements, including the roles of the Council, the Cabinet, the Scrutiny Committees, the Audit Committee and regulatory committees, are detailed in the Constitution. The Audit Committee self-assessment for 2023 was reported to the Audit Committee in November 2023. The Audit committee has had good attendance in 2023/24 and appears to carry out its role of challenge effectively. A recent appointment of an independent member is a good addition to the committee and fits with CIPFA guidance.

In summary we are satisfied that the Council makes properly informed decisions which are evidence based and subject to rigour and challenge. We make one improvement recommendation in relation to the Internal Audit opinion of "Limited Assurance".

Improvement recommendation 2: the Council should develop and agree a plan with Audit Committee to demonstrate how it will move to improve its Internal Audit overall assessment of "Limited Assurance". This has been in place for five 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.

A

Governance (continued)



We considered how the Council:

Commentary on arrangements

Assessment

Monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of staff and board member behaviour and where it procures and commissions services.

The Standards Committee ensures that all Councillors and officers of the Council perform their duties within agreed codes of conduct. Members of the Committee work together to promote the importance of high standards of behaviour and systems of governance to create a climate where complaints or problems are rare.

We have made an improvement recommendation in relation to tender waivers/exemptions. This has been reported on p.22 of this report.

A

Arranged the governance and funding of the North West Relief Road (NWRR) project

Our review identified weaknesses in the governance, particularly in relation to the funding of the NWRR project. These weaknesses are as follows:

- Internal Audit raised governance issues including the lack of an NWRR Executive Board meeting formally. We have not seen any formalised minutes of a board since this recommendation was made by Internal Audit.
- The NWRR Executive Board has not included standing members, such as the S151 Officer and the Council Leader
- Internal Audit raised the issue of the exceeding of delegated budgets whilst progressing the NWRR project
- Funding of the NWRR is reliant on the receipt of the Department for Transport’s (DfT) Local Transport Fund (LTF) funding. This could take the form of DfT Local Transport Fund (LTF) funding. The DfT’s LTF letter dated 1 March 2024 confirms the funding amount of £136m, it does not state the profile of funding to be received, nor any potential conditions which could be attached to it.
- We consider the reporting of cost increases between the approval of the Outline Business case and the submission of the Full Business Case and funding arrangements to be unsatisfactory, especially via Cabinet and Full Council. Where significant cost forecast increases have occurred, these should have been reported more formally through the Council’s governance structures, alongside a credible funding strategy to bridge any gaps identified. Whilst regular reporting of cost increases is apparent, including to DfT, there is no evidence of a formal funding plan and only limited evidence of formal reporting of credible options to fund the gap arising.
- Within the project risk register there is no reference to the cost of aborting the project. From our work we understand the cost of aborting the project could be up to £23m, which would have a significant impact on the Council’s financial position and financial sustainability.

Based on our detailed review of the governance and funding of the NWRR project we consider there to be a significant weakness in the Council’s arrangements for securing value for money. We have raised a key recommendation relating to our findings and this is detailed on page 21 of this report

R

Governance (continued)



Significant weaknesses identified in Governance arrangements

Governance and funding arrangements of the North West Relief Road project

Following the identification of a potential significant weakness in the Council's arrangements for securing value for money relating to the NWRR project we undertook a detailed review of the project. Our review identified a number of weaknesses and issues relating to the governance and funding arrangements of the project. The full review can be found in Appendix D of this report. The weaknesses identified during this review are;

- Internal Audit raised governance issues including the lack of an NWRR Executive Board meeting formally. We have not seen any formalised minutes of a board since this recommendation was made by Internal Audit.
- The NWRR Executive Board has not included standing members, such as the S151 Officer and the Council Leader
- Internal Audit raised the issue of the exceeding of delegated budgets whilst progressing the NWRR project
- Funding of the NWRR is currently understood to be reliant on the receipt of the Department for Transport's (DfT) Local Transport Fund (LTF) funding. The DfT's LTF letter dated 1 March 2024 confirms the funding amount of £136m, it does not state the profile of funding to be received, nor any potential conditions which could be attached to it.
- We consider the reporting of cost increases between the approval of the OBC and the submission of the FBC and funding arrangements to be unsatisfactory, especially via Cabinet and Full Council. Where significant cost forecast increases have occurred, these should have been reported more formally through the Council's governance structures, alongside a credible funding strategy to bridge any gaps identified. Whilst regular reporting of cost increases in apparent, including to DfT, there is no evidence of a formal funding plan and only limited evidence of formal reporting of credible options to fund the gap arising.
- Within the project risk register there is no reference to the cost of aborting the project. From our work we understand the cost of aborting the project could be up to £23m, which would have a significant impact on the Council's financial position and financial sustainability.

Based on these findings we consider there to be a significant weakness in the Council's arrangements for securing value for money and have raised a key recommendation accordingly.

Key recommendation 2 : The Council should review its governance and reporting arrangements relating to the NWRR and formalise these arrangements more effectively. Specifically the Council should:

- Formalise the NWRR Executive Board with; terms of reference; standing attendees, including S151 Officer, Executive Director – Place, Executive Manager – Strategic Projects, Portfolio Holder for Highways, and Council Leader. The board should meet on a monthly basis with formal minutes taken and action log maintained. Risk should remain a standing item for each meeting, including the risk of cancellation of the project. This will ensure that key stakeholders are sighted on project status.
- Formalise the funding plan as a matter of urgency. This should detail options for funding the scheme, including associated cost of borrowing, and scenario planning in relation to LTF funding, assuming different funding profiles.
- Monitoring of budget delegations. The Project Lead should ensure that arrangements are made within financial reporting for robust management of delegations, approved by Members. The Project Lead should seek appropriate advice from the Capital Finance Business Partner / s.151 Officer and keep track of spend against delegated funding approved by Council, reporting variances and obtaining further delegations when required, ahead of delegated money depleting..
- Reporting of the project status with respect to the funding plan. The plan to close the funding gap (once devised) should be discussed and agreed with the S151 officer and considered at these forums. Consideration should also be made, with formal minutes, for wider reporting within the Council's formal governance structures.
- Formalise plan to manage abortive costs. The Project Lead should devise a formal plan for the management of abortive costs against identified options were the project not to go to ahead. This plan should seek to mitigate costs materialising within the Council's revenue budget were the project to not go ahead. This should be discussed and agreed with the s.151 Officer.

Governance (continued)



Areas for improvement

Address issues from Internal Audit report on risk management

Internal Audit reviewed the Council's the processes for reviewing and updating operational risk registers and to ensure that projects risks are captured and risks are reported to Senior Management on a regular basis in line with the Opportunity Risk Management Strategy. They found there is evidence of non-compliance with some of the controls. The control weaknesses identified which relate to 27% of project risks not being updated in 2023 and 21% of operational risks not being updated in 2023 and incomplete fields being identified with some of the registers.

Improvement recommendation 1: Address Internal Audit recommendations

We recommend that the Council should ensure it addresses the minor control weaknesses identified in the Internal Audit risk management report in a timely manner

Areas for improvement

Improve the Internal Audit rating of "Limited Assurance" over internal controls

The Head of Internal Audit's opinion is of "Limited Assurance" on the adequacy and effectiveness of the Council's internal control framework. This is driven by weaknesses across the whole spectrum of the Internal Audit programme. This has been the case for the past 5 years now and the Council does not appear to be making any significant progress in improving this opinion. The longevity of this opinion is a concern as it illustrates that either the Council is not taking the IA assessments seriously enough or that IA is not firm enough in its enforcement of actions following a Limited assurance opinion.

Improvement recommendation 2: addressing the Internal Audit "Limited Assurance" opinion of the Council's internal control framework

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 five 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.

Improving economy, efficiency and effectiveness



We considered how the Council:

Commentary on arrangements

Assessment

<p>Uses financial and performance information to assess performance to identify areas for improvement</p>	<p>The Council introduced its Performance Management Framework (PMF) in 2023/24. The PMF aims to provide a joined-up view across the Council that demonstrates progress using milestones for key deliverables, evidencing impact using performance indicators and targets that set the direction of travel for services with narrative on progress and actions taken to rectify divergence away from targets. This monitors progress against the Shropshire Plan and Service Improvement Plans. Reporting provides challenge, reviews exceptions quarterly and addresses under or over performance and identifies corrective actions. Public reporting is through dashboards available on the Council’s website and through reports to committee meetings held in public. These will primarily reflect the delivery of the priorities in the Shropshire Plan. Cabinet receives quarterly updates with key exceptions highlighted and mitigating actions explained.</p>	<p>G</p>
<p>Evaluates the services it provides to assess performance and identify areas for improvement</p>	<p>The Council has established a wide-ranging Transformation programme to support a fundamental review of its service delivery in the light of the extreme financial challenges. PwC have been engaged and are redesigning the Council’s Target Operating Model (TOM). This has involved a detailed review of <u>all</u> services. As we report the work has yet to be finalised so we are not sighted on its contents though it is imminent.</p> <p>The Council had a focused Ofsted inspection of its Childrens services in Autumn 2023 and received a letter from OFSTED in January 2024 which highlighted a deterioration in the quality of social work practice for those children subject to child protection plans. They identified serious and widespread systemic failings, leading to weaknesses in child protection practice, which left children at risk of inadequate protection and significant harm. These concerns were known to senior leaders at the time of this visit, but the plans for improvement outlined in the self-evaluation had not had the necessary impact on the quality of practice to ensure that children’s needs are sufficiently addressed at the time of the Ofsted inspection. The Council has since then developed a detailed action plan to address the issues and is actively managing this plan. The Council is keeping this plan under regular review and established a Childrens Improvement Board (chaired by CEO and including independent LGA representation) in November 2023 to ensure that the issues raised are being addressed. They review the action plan on a monthly basis and report to Cabinet.</p> <p>Childrens services had an inspection in July 2024 re the Council’s arrangements for children in care, including unaccompanied asylum-seeking children. The inspection was, in summary, very positive about the changes that had been made including strengthening senior management capacity, effective partnership working, more children are being returned closer to home, through increased fostering and residential capacity and investment in frontline staff has led to the creation of an additional social work team reducing caseloads for social workers so they have more time to spend with children in care, we note this as a positive development.</p> <p>Improvement Recommendation 3: The Council should maintain its focus on addressing all the issues identified by Ofsted and addressed in their subsequent action plan with a view to improving the assessment rating at the next Ofsted</p>	<p>A</p>

- G No significant weaknesses in arrangements identified or improvement recommendation made.
- A No significant weaknesses in arrangements identified, but improvement recommendations made.
- R Significant weaknesses in arrangements identified and key recommendations made.

Improving economy, efficiency and effectiveness (continued)



We considered how the Council: **Commentary on arrangements**

Assessment

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 engages positively and sets out to work in a collaborative open partnership approach with several strategic partners including Central Government departments (Cities and Local Growth Unit, Homes and Communities Agency) and neighbouring local authorities. It is a non-constituent member of the West Midlands Combined Authority; has a proactive Business Board which it services and engages with on key initiatives and policies, which in turn has informed the Local Economic Growth Strategy. The management of One Public Estate continues with other public-sector partners. A multi-agency high-cost placement funding panel with Children’s Services, Education Services and the Integrated Care Board (ICB) is established to manage high cost placements efficiently.

Many Council services are delivered in partnership with other organisations such as the Local Strategic Partnership, STaR Housing, West Mercia Energy, Shropshire County Pension Fund, town and parish Councils, voluntary bodies and trusts. The Safeguarding Executive Board comprises of NHS, police and the third sector creating a strategic forum for planning and delivering services.

G

Commissions or procures services, assessing whether it is realising the expected benefits

The Council's Financial Regulations and Contract Standing Orders are documented in the Council's Constitution. Staff must comply with these rules when spending money with external providers. The Council has a Head of Procurement and a small procurement support team of 4 staff. The Council has a procurement strategy which was reviewed in 2023. Currently the service is being reviewed as part of the Transformation programme being run by PwC. This is likely to change the organisational structure and this will impact specifically on procurement, contract management and commissioning. At the time of this report the proposals are yet to be finalised.

Contract management is currently carried out by service managers and while there is a central contract register (CR) in existence this does not allow for easy tracking and monitoring of contracts nor does it flag up contracts which are coming up for renewal. It is important that the PwC review addresses these concerns in its revised Target Operating Model (TOM).

Improvement Recommendation 4: We recommend that the Council should ensure that the PwC review needs to address the current weaknesses in the Contracts Register in its revised Target Operating Model (TOM).

The Council has a process for tender waivers which sees the Monitoring Officer reviewing each one before they can be formally approved. There is no simple way of separately identifying the tender waivers on the Contracts register nor are these waivers reported to Audit committee as good practice guidance advises.

Improvement Recommendation 5: We recommend that the Council’s tender waivers are logged separately and reported to the Audit committee on a quarterly basis.

A

Improving economy, efficiency and effectiveness (continued)



Areas for improvement

Childrens Social Care – response to Ofsted letter from January 2024

The Council had a focused Ofsted inspection of its Childrens services in Autumn 2023 and received a letter from Ofsted in January 2024 which highlighted a deterioration in the quality of social work practice for those children subject to child protection plans. They identified serious and widespread systemic failings, leading to weaknesses in child protection practice, which left children at risk of inadequate protection and significant harm.

Improvement recommendation 3: Addressing CSC issues re deterioration in the quality of social work practice for those children subject to child protection plans raised by Ofsted

The Council should maintain its focus on addressing all the issues identified by Ofsted and addressed in their subsequent action plan with a view to improving the assessment rating at the next Ofsted

Establishing a more proactive Contract management function

The Council's Contracts register is not fit for purpose as it does not easily allow for tracking and monitoring of contract end dates and does not provide alerts to contract managers about when contract end dates are approaching

Improvement recommendation 4: Development of an improved contracts register to facilitate contract monitoring and tracking

The Council should as part of the revised Target Operating Model work being carried out by PwC ensure that the contract management tool has the necessary functionality to be able to track and monitor contracts and highlight contract end dates in a timely manner.

Logging and Reporting of Tender waivers

The Council's process for logging and reporting tender waivers is not well developed. Although tender waivers are reviewed by the Monitoring Officer (MO) they are not formally logged separately and are not routinely shared with the Audit Committee.

Improvement recommendation 5: Recording and reporting tender waivers/exemptions

The Council should keep a separate record of tender waivers issued and should report on these quarterly to the Audit committee..

Shropshire County Pension Fund



We considered :

- How the pension fund plans and manages its resources to ensure it can continue to deliver its services
- How the pension fund ensures that it makes informed decisions and properly manages its risk; and
- How the pension fund uses information about its costs and performance to improve the way it manage an delivers its services

Financial sustainability

The primary resources of the Pension Fund can be categorised broadly into two areas, contributions received from active members and returns on investments (interest, dividends, profit on disposal etc).

In line with regulations, the Fund is required to be formally valued every three years (triennial valuation) by a qualified actuary. As part of this exercise, the actuary will undertake an in-depth review of the Fund based on its current funding plans i.e. the level of assets required to meet future benefit payments, the time period over which it aims to achieve this and then determines the contribution rate at which employer bodies must contribute for the following three years. This also outlines that for major employers, rates may be paid in advance to the fund to cover the three year period. This should be considered in line with the funding strategy statement.

The investment activity of the Fund is dictated by the investment strategy statement which sets out the type of investments that Pension Fund money should be invested in, indicative allocations and expected returns and volatilities. The performance of these investments is then monitored by the Pensions Committee and copies of the reports sent to the Pension Board for information.

Governance

The operation of the Pension Fund is overseen and scrutinised by a number of committees, namely:

- The Local Pension Board was established by Council to meet the requirements of the Public Services Pension Act 2013 for each Local Government Pension Scheme to set up a Local Pension Board to assist the administering authority in ensuring compliance with legislation and the Pension Regulator's requirements. Members consider reports on policy, regulation, codes of practice, risk and fund performance (both investment and administrative).
- The Pensions Committee has a primary focus on the oversight of the general framework within which the Fund's investments are managed and the investment policy. Members are responsible for monitoring the work of the fund managers and the investment pool, LGPS Central Limited, and holding these external bodies to account for performance.

All of the above have met a number of times during the financial period. In line with other meetings of the Council, once a legal precedent was established, these were held virtually during the pandemic. Review of the minutes of meetings demonstrates that members discharge their responsibilities and make informed decisions based on sufficient and appropriate information.

Improving Economy, efficiency, effectiveness

As noted above, the Pension Committee monitor investment performance on a quarterly basis in arrears in line with the reporting provided by fund managers. Copies of all Pension Committee reports are also circulated to the Pension Board and included as agenda items for discussion at the next meeting.

The Local Pensions Board are provided with all Pension Committee reports and are also invited to Pension Committee meetings. A more detailed analysis of funding and performance is considered by the Pensions Committee and this is prepared by the actuary and reviewed in both the public and private sessions due to some content being of a commercially sensitive nature.

The detailed report provides members with information on valuation, sensitivity and benchmarking, in order to determine potential areas for improvement in investment activity.

The Fund produce quarterly reports to update the Local Pensions Board on the key developments affecting pensions administration and the performance of the Pensions Administration Service. This covers a suite of KPIs and measure of performance against these indicators, therefore identifying areas for improvement. The report also monitors workloads, breaches of policy and other projects ongoing to improve the service. The output of the performance of the Fund in the year is captured in the Pension Fund annual report.

Conclusion

Overall, we are satisfied the Council as administering authority has appropriate arrangements in place to ensure the appropriate governance and management of the Pension Fund. It should be noted that the nature of the LGPS is such that the scheme is highly regulated under various Pensions Regulations and compliance with these regulations will ensure adequate arrangements to provide value for money.

**Value for Money
Recommendations raised in
2023/24**



Recommendations raised in 2023/24

Recommendation	Type of recommendation *	Actions agreed by Management
Financial Sustainability		
KR1	Key	<p>The Council should re-consider all aspects of service delivery in order to ensure financial sustainability with efforts being directed toward:</p> <p>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 savings should be realistic, evidence-based targets rather than optimistic ones that may not be achievable in practice</p> <p>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.</p> <p>Actions: Develop and implement a new operating model to remove complexity and “right-size” the Council to deliver its key outcomes and strategic objectives within its available financial envelope.</p> <p>Responsible Officer: Andy Begley, CEO</p> <p>Due Date: Operating model approved by council prior to 31 March 2025</p>
Governance		
KR2	Key	<p>The Council should review its governance and reporting arrangements relating to the North West Relief Road and formalise these arrangements more effectively. The specific recommendations are detailed in the body of this report.</p> <p>Actions: The Council has provided a detailed response to the findings in relation to the NWRR governance. The Council will address each of these recommendations in line with this response. See page 49 onwards of this report for more detailed information.</p> <p>Responsible Officer: Mark Barrow, Executive Director of Place</p> <p>Due Date: 31 March 2025</p>
Address issues from Internal Audit report on risk management		
IR1	Improvement	<p>We recommend that the Council should ensure it addresses the minor control weaknesses identified in the Internal Audit risk management report in a timely manner</p> <p>Actions: These will be addressed</p> <p>Responsible Officer: James Walton, s151 officer</p> <p>Due Date: 31 March 2025</p>

* Explanations of the different types of recommendations which can be made are summarised in Appendix B.

Recommendations raised in 2023/24 (continued)

Recommendation	Type of Recommendation*	Actions agreed by Management
<p>IR2 Improve the Internal Audit rating of “Limited Assurance” over internal controls</p> <p>We recommend that 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 five 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 stratitened times mean that there will be pressure on staffing capacity so potentially less staff to carry out internal control and monitoring functions</p>	Improvement	<p>Actions: Develop a plan for Audit committee that seeks to address the current issues with the Council’s internal control framework. This will need to be addressed as part of the new operating model</p> <p>Responsible Officer: Andy Begley, CEO</p> <p>Due Date: 31 March 2025</p>
Improving economy, efficiency and effectiveness		
<p>IR3 Childrens Social Care – response to Ofsted letter from January 2024</p> <p>We recommend that the Council had a focused Ofsted inspection of its Childrens services in Autumn 2023 and received a letter from Ofsted in January 2024 which highlighted a deterioration in the quality of social work practice for those children subject to child protection plans. They identified serious and widespread systemic failings, leading to weaknesses in child protection practice, which left children at risk of inadequate protection and significant harm.</p>	Improvement	<p>Actions: The Children’s improvement Board is in place to resolve these issues</p> <p>Responsible Officer: Tanya Miles, Director of Social Care</p> <p>Due Date: 31 March 2025</p>
<p>IR4 Establishing a more proactive Contract management function</p> <p>We recommend that The Council should as part of the revised Target Operating Model work being carried out by PwC ensure that the contract management tool has the necessary functionality to be able to track and monitor contracts and highlight contract end dates in a timely manner.</p>	Improvement	<p>Actions: As above, this will be linked to the development of the operating model</p> <p>Responsible Officer: Andy Begley, CEO</p> <p>Due Date: 31 March 2025</p>
<p>IR5 Logging and Reporting of Tender waivers</p> <p>We recommend that the Council should keep a separate record of tender waivers issued and should report on these quarterly to the Audit committee.</p>	Improvement	<p>Actions: This will be actioned</p> <p>Responsible Officer: Tim Collard, Monitoring Officer</p> <p>Due Date: 31 December 2024</p>

* Explanations of the different types of recommendations which can be made are summarised in Appendix B.

Appendices

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.

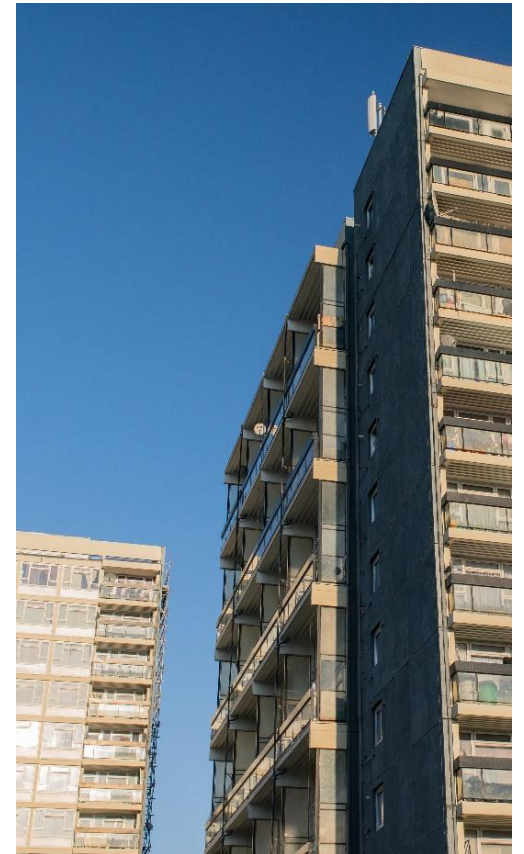
Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records 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 Chief Financial Officer (or equivalent) is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Chief Financial Officer (or equivalent) determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Chief Financial Officer (or equivalent) is required to prepare the financial statements in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom. In preparing the financial statements, the Chief Financial Officer (or equivalent) is responsible for assessing the Council's ability to continue as a going concern and use the going concern basis of accounting unless there is an intention by government that the services provided by the Council will no longer be provided.

The Council is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.



Appendix B: Value for Money Auditor responsibilities



Value for Money arrangements work

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. The audited body's responsibilities are set out in Appendix A.

Councils report on their arrangements, and the effectiveness of these arrangements as part of their annual governance statement.

Under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that 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 management, risk management, and ensuring the Council makes 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.

2023/24 is the fourth year of the Code, and we undertake and report the work in three phases as set out in the Code.

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

Information which informs our risk assessment	
Cumulative knowledge and experience of the audited body	Annual Governance Statement and the Head of Internal Audit annual opinion
Interviews and discussions with key stakeholders	The work of inspectorates and other regulatory bodies
Progress with implementing recommendations	Key documents provided by the audited body
Findings from our opinion audit	Our knowledge of the sector as a whole

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** – actions which should be taken where significant weaknesses are identified with arrangements. These are made under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014 and require discussion at full Council and a public response.
- **Key recommendations** – actions which should be taken by the Council where significant weaknesses are identified within arrangements.
- **Improvement recommendations** – actions which should improve arrangements in place but are not a result of identifying significant weaknesses in the Council's arrangements.

Appendix C: Follow-up of previous recommendations

Recommendations	Type of recommendation *	Date raised	Progress to date	Addressed?	Further action?	
Financial Sustainability						
The Council should re-consider all aspects of service delivery in order to ensure financial sustainability with efforts being directed toward:						
KR 1	Key	July 2024	All issues par bullet points 3 and 5 have been addressed during 20024/25 to date	Partially. Note that Key recommendation carried forward into 2023-24 report	Council to address the key recommendation as part of its 2025-26 Budget and MTFS planning round	
						1. Ensuring that Transformation associated costs and savings are transparent and reported to members
						2. Review the level of savings requirement in 2024/25 and ensure they are realistic, evidence-based and supported by clear delivery plans
						3. 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 savings should be realistic, evidence-based targets rather than optimistic ones that may not be achievable in practice
						4. Ensure the LGA Finance Peer recommendations are fully implemented
						5. 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.
6. Ensure that Adults and Childrens forecast models are updated to reflect demand and costs						


*Explanations of the different types of recommendations which can be made are summarised in Appendix B.

Appendix C: Follow-up of previous recommendations

Recommendations	Type of recommendation *	Date raised	Progress to date	Addressed?	Further action?
 Financial Sustainability					
1 The Council should ensure that Medium-Term Financial Strategy (MTFS) is aligned with the Shropshire Plan and distinguishes between statutory and discretionary spend, and aligns to Corporate Priorities.	Improvement	July 2024	Council accepted the principle and every effort has been made to ensure the MTFS does not contradict the Shropshire Plan.(TSP) The MTFS is developing as the short term financial survival of the Council is delivered and a financially sustainable future can be reflected in TSP	Yes	No
2 The Council should ensure that there is an action plan in relation to the Local Government Association (LGA) Finance Peer Review and that recommendations are considered with a clear project plan of implementation	Improvement	July 2024	The action plan is reviewed regularly and all recommendations are completed or are in progress. Progress will be reported as requested by members	Yes	No
3 The Council should ensure it has sufficient Capital receipts to fund is Capital Programme. Further it is critical that Council robustly scrutinises any proposals to take on additional debt and ensure it is affordable, prudent, and sustainable.	Improvement	July 2024	Capital receipts are regularly reported in the Financial monitoring reports to cabinet. Monthly reports have been produced so far in 2024-25	Yes	No

*Explanations of the different types of recommendations which can be made are summarised in Appendix B.


Appendix C: Follow-up of previous recommendations

Recommendations	Type of recommendation *	Date raised	Progress to date	Addressed?	Further action?
 Governance					
4 The Council should ensure that both Adults and Childrens services demographic models are updated to consider changes in costs and inflation pressures plus the latest outturn and activity figures.	Improvement	July 2024	Director of Social Care (DSC) has confirmed the council has a model that is helping them to predict demand and will help with future forecasting.. This has taken a while to develop. DSC has asked the LGA to support the Council with two finance bench marking reports into ASC ad CSC following the CIPFA recommendation in the summer. This will be completed by 24th November 2024	Yes	No
5 The Council should ensure: <ul style="list-style-type: none"> • The cost and funding of the transformation programme are transparent • Savings due to transformation are clearly distinguished from operational savings and clearly reported • Transformation costs are clearly mapped to the Shropshire Plan and clearly detailed in the MTFS 	Improvement	July 2024	Costs and funding for transformation were clearly reported in the 2023-24 year end outturn report and have continued to be reported to cabinet on a regular basis throughout 2024-25	Yes	No

*Explanations of the different types of recommendations which can be made are summarised in Appendix B.


Appendix C:

Follow-up of previous recommendations

Recommendations	Type of recommendation *	Date raised	Progress to date	Addressed?	Further action?
 Improving economy, efficiency and effectiveness					
6	Improvement		Work is on going to address the 3 remaining areas	Yes	.No
7	Improvement		All expenditure is reported in financial monitoring reports as part of the capital programme and the delivery of savings and/or income is reported as part of regular revenue reporting	Yes	No

*Explanations of the different types of recommendations which can be made are summarised in Appendix B.

Appendix C: Follow-up of previous recommendations

Recommendations	Type of recommendation *	Date raised	Progress to date	Addressed?	Further action?
 Improving economy, efficiency and effectiveness					
8 The Council should ensure that the full range of improvement recommendations made by internal Audit iro project management of the Shrewsbury North West Relief Road project are responded to quickly and positively in order to provide the best environment for the success of the project	Improvement		GT team has carried out a full report on this scheme and this has been submitted which forms part of tis year's report	Yes	No

*Explanations of the different types of recommendations which can be made are summarised in Appendix B.

Appendix D:

North West Relief Road review

1. Introduction

Project Background

1.1 The North West Relief Road (NWRR) is a project to the north east of Shrewsbury in Shropshire, which has been discussed since the mid-1980s. Having previously been rejected in December 2007, the project has been revisited, with a Full Business Case (FBC) currently under preparation by Shropshire Council.

1.2 The term 'NWRR' refers to two distinct projects:

- The Oxon Link Road (OLR), which is to be part-funded by the Sustainable Urban Extension (SUE) West developers, and the Growth Deal / Midlands Engine Fund, via the Marches LEP
- The North West Relief Road, which is to be part funded by the Department for Transport (DfT)

For reporting and procurement purposes, these two projects were combined in February 2020, with Shropshire Council (the Council) opting to procure a primary contractor across both projects. For the remainder of this report, use of the term 'NWRR' refers to both projects in conjunction with one another unless stated otherwise.

1.3 In 2019, the Outline Business Case (OBC) was approved, with the DfT confirming Programme Entry for the NWRR within the Large Local Major schemes programme. At this stage, the total cost of the project was estimated to be approximately £87.1 million. The project at this stage was understood to be funded via multiple sources, as follows:

Table 1 – Funding of the NWRR

Funding Source	Value (£ million)
Marches LEP	4.2
Community Infrastructure Levy	0.3
Section 106 contributions	8.2
New Homes Bonus	0.2
DfT's Large Local Majors Fund	54.4
Match funding from Shropshire Council	19.8
Total	87.1

1.4 Since then, the project has seen a significant increase in forecast outturn cost, with latest cost estimate being approximately £178 million, per the Council's Board Finance report dated 15 July 2024. The NWRR cost increases are understood to have occurred for several reasons including delays in planning, unforeseen complexities in planning conditions, delays as a result of the COVID-19 pandemic, and significant construction inflation.

1.5 The Council is continuing with the delivery of the project, with the Council approving a budget of approximately £17 million for advance works in February 2024, whilst also releasing an invitation to tender for the build element of the project for a stated value of £110 million. Tenders have now been received and are being evaluated by the Council. Construction is planned to begin in 2025, subject to the approval of the FBC at the end of 2024.

Background of Review

1.6 As part of our value for money planning we identified a potential risk for significant weakness in relation to the governance and funding arrangements of the NWRR project. We have undertaken a detailed review to consider the risks that have been brought to our attention. Specifically, a complaint from an opposition Member with a number of allegations relating to the project. These allegations are;

- That the Council has not followed its own procedures around the approval of capital expenditure by approving £17 million of advanced works ahead of approval of the FBC;
- Starting construction of the NWRR before funding has been guaranteed exposes the Council to a serious risk of bankruptcy;
- Committing £17 million to a project which is unlikely to be completed exposes the Council to a level of risk which is unacceptable;
- Circulating tender documentation before planning conditions have been agreed risks a serious underestimation of the project's costs.

1.7 We note that the NWRR project is politically sensitive and the purpose of this review is to consider the risks in relation to our value for money conclusion for 2023/24.

Appendix D: North West Relief Road review (cont'd)

2. Scope & methodology

Scope

2.1 The review took place from 19 June to 30 August 2024 and this report summarises the findings of the review, in particular any significant findings relevant to the Value-for-Money audit of Shropshire Council.

2.2 We requested and received a large amount of documentation to supplement the meetings held with officers, including minutes from meetings, communications with the DfT and documentation to support the Council's funding of the project. However, it is noted that not all requested information was received.

2.3 Using the information received both in interviews and via documentation received, we have compiled an objective version of events, alongside the associated evidence to support this chronology. We have then set out our findings, highlighting any issues noted both in terms of the Council's project governance arrangements, and in terms of the Council's proposed funding arrangements, including any potential financial sustainability risks to the Council as a whole.

Areas not in scope

2.4 This review has taken place in line with the scope outlined above, All conclusions have been reached solely using evidence provided by the Council and through interviews. This report does not comment upon the political environment surrounding the project or seek to determine the appropriateness of the direction of the Council from a political perspective.

2.5 This report has not evaluated issues around the delivery of the project, including validating any reasons for cost increases nor providing any views on the estimation of the project's outturn costs. We have not sought or verified detailed information surrounding cost increases or the delivery of the project; it has instead focused upon the funding and governance arrangements in place

2.6 Commentary within this report surrounding the funding of the project is based upon evidence provided by the Council and no further verification of funding sources has been performed. We have not sought any communication with proposed funders, not performed any calculations in relation to borrowing or any other means of funding the project.

Appendix D:

North West Relief Road review (cont'd)

3. Findings

3.1 We received and reviewed several documents and engaged with officers at the Council in line with the methodology set out in section 2. The table below sets out a timeline of events in relation to this project, alongside the documentation which was requested from the officers at the Council for each key event.

Table 2 – Timeline of Events Relating to NWRR

Key Event	Description	Documents Reviewed	Grant Thornton Commentary
Approval of OBC by Council – 13 December 2017	<p>Approval of OBC of scheme costs: <i>The OBC supports a funding request to the Department for Transport (DfT) from Shropshire Council and the Marches Local Enterprise Partnership (LEP), the scheme promoters.</i> <i>The cost of constructing the NWRR is estimated to be £71,399,500. Shropshire Council is asking the Government to contribute a fixed sum of £54,406,419 from the DfT's Large Local Major Schemes Fund. Shropshire Council will provide the balance of the cost, estimated at £16,993,081, and accepts responsibility for any cost increase.</i> <i>Note: £87m is split £74.4m for NWRR & £12.9m OLR.</i></p>	<p>OBC dated December 2017 OBC approval in Cabinet 13 December 2017 S151 Officer Letter dated 18th December 2017.</p>	<p>OBC refers to scheme costs of £74.1m, funded by a DfT capital grant of £54.4m and £16.9m from Shropshire Council funding. Minutes from the Cabinet meeting 13 December 2017 confirmed the approval of the submission of the OBC by a deadline of 22 December 2017. s.151 Officer Letter dated 18th December 2017 confirms approval of OBC by Council on 13 December 2017 and confirms maximum Council funding contribution of £25m.</p>
Approval of OBC by DfT and movement into Programme Entry in March 2019.	<p>DfT's approval of OBC and confirmation of capped funding. This funding offer was subsequently accepted by the Section 151; however, we have not received a copy of letter of acceptance at the time of this review.</p>	<p>DfT letter dated 21st March 2019 confirming approval and its funding contribution. Report to the Council dated 16 May 2019 confirming Programme Entry.</p>	<p>DfT states the terms of its £54.4 million (capped) funding (payable as a grant) towards scheme costs estimated at £71.4 million (this does not include the OLR section of the project). The letter requests confirmation by s.151 officer, however confirmation has not been located. Report to Council 16 May 2019 confirms Programme Entry into the Large Locals Majors (LLM) programme and authorises s.151 officer to accept DfT funding conditions (£54.4 million (capped)) and states Council matched funding of £16.993 million and notes the Council's matched funding maximum is set at £25 million.</p>

Appendix D:

North West Relief Road review (cont'd)

Key Event	Description	Documents Reviewed	Grant Thornton Commentary
Formal merger of the OLR and NWRR projects for procurement and reporting purposes 27 February 2020.	<i>The OLR and NWRR projects were formally merged by the Council, forming what is now known as the NWRR.</i>	Approval of merger in Council meeting minutes.	Documentation shows that the Council approved the merger of OLR and NWRR on 27 February 2020.
Planning application submitted 19 February 2021. Revised planning application was submitted 26 August 2021. Planning permission granted and approved subject to conditions at planning committee 15 February 2024.	Planning application was submitted for the NWRR project including both the NWRR and the OLR Planning was then approved for the project subject to the agreement of the Section 106 and conditions (62 in total).	Planning approval Approval of the conditions by the planning committee.	It is noted that the Council is both the planning applicant and planning authority responsible for granting or otherwise the application. As a result, officers noted the need to ensure appropriate separation between the project team and those involved in assessing the planning application. The grant of Planning Permission was achieved on 15 February 2024 including Pre-Commencement Planning Conditions.
Approval of additional funding by the Council 29 February 2024, which triggered the Member complaint.	Approval of additional funding of approximately £16.9 million for advance works. It is this that prompted the Member complaint detailed in Section 2 of this report.	Council meeting minutes 29 February 2024.	Advance works is part of the strategy to deliver the works, and includes works such as early diversions of utilities. Advance works or enabling works are often let in advance of major projects to enable delivery. This approval was brought to Council as a recommendation from Internal Audit to clarify delegations in place between the OLR and NWRR projects. It had been noted that the project team had overspent its original budget for advanced works and required Council approval for an additional delegation to continue the work. This additional funding was approved by the Council on 29 February 2024, with this approval prompting the letter received by Grant Thornton from a Council Member. As per the 15 July 2024 NWRR Board Finance Report, approximately £4 million of this additional budget has been spent, much of which has been drawn down from DfT.

Appendix D:

North West Relief Road review (cont'd)

Key Event	Description	Documents Reviewed	Grant Thornton Commentary
Release of Invitation To Submit Initial Tender (ISIT) documentation 01 May 2024.	<i>Release of tender documentation for a main contractor to deliver the build-phase of the project.</i>	Tender documentation Prior information notice Email confirmation from Executive Director of Place. Budget Review Meeting minutes 26 July 2024	Email from the Executive Director of Place dated 09 February 2024 was viewed, showing approval of PIN & subsequent release of ISIT under his delegated powers. The Budget Review meeting minutes for 26 July 2024 suggest a spread of tenders ranging from £99 - £110 million, which was consistent with the £90 - £110 million estimated within the Council's Prior Information Notice. ISIT Sections 4.12 and 9.35 to 9.39 state Council is under no obligation to award the contract, and is under no liability to cover tenderers' costs. 9.32 further clarifies Council's "No Liability for Costs".

3.2 In addition to the key events set out in Table 2, we identified key issues relating to the project and associated governance. Table 3, below, sets out the key issues relating to the project alongside the information requested and received by us:

Key Issue	Description	Documents Reviewed	Grant Thornton Commentary
Acknowledgement of increases to estimated capital costs (from OBC to present estimates).	<i>Acknowledgement from the Council's governance forums of increases to estimated costs as a result of issues such as challenge from the Environment Agency, the COVID-19 pandemic and a period of high inflation.</i>	NWRR Board Finance Reports 18 March 2024, 31 March 2024, 10 June 2024 and 15 July 2024. Budget review minutes 11 January 2024 – 26 July 2024	Evidence of the reporting of increases in cost of project has been viewed by us, for example through NWRR Board Finance Reports and Budget Review minutes. As per NWRR Board Finance Reports, the forecast cost was reported at £186 million 18 March 2024, £169 million 31 March 2024 and £171 million on 10 June 2024, each against an original budget of £87 million. The most recent report provided in evidence, dated 15 July 2024, showed forecasted costs at £178 million, with £32 million having been spent so far. Minutes of this meeting were provided in email format. This put the current funding gap at £91 million compared with initial budgets. The Council's Capital Finance Business Partner accepted the proposal that no financial reporting to the Cabinet / Council would be made until the FBC as recommended by the Project Lead and that there is no requirement to do so per the programme entry letter. However, we note that the forecast project costs have since more than doubled and a significant funding gap now exists since the OBC approval. The NWRR Board Finance reports show evidence of the reporting of increases in forecast outturn cost and the funding gap created. The reports show the known funding sources (consistent with those summarised in Section 1 of this report), alongside an associated risk rating for each source. However, other than a reference to impact of borrowing £91 million on the Council's Minimum Revenue Provision (MRP) of £4.4m, based on 4% over 45 years, there is no plan reported for closing the identified funding gap. Shropshire Council's Internal Audit carried out an audit into the NWRR Project which was taken to Audit Committee 22 February 2024. This recommended re-establishment of the NWRR Executive Board, with the Council confirming the inclusion of the s.151 Officer as a standing attendee moving forward. No NWRR Executive Board meeting minutes have been provided for any meetings since the Audit Committee in February 2024, however, we have anecdotal evidence from interviews with officers that they have taken place. However, from interviews it is understood that s.151 Officer had not been invited to these meetings. Given no formal minutes have been provided, it is unclear who attended these meetings, however, anecdotally, we understand that the Portfolio Holder is in attendance and that the Capital Finance Business Partner attends budget review meetings, updating the s.151 Officer on key issues via monthly capital steering group meetings.

Appendix D:

North West Relief Road review (cont'd)

Key Issue	Description	Documents Reviewed	Grant Thornton Commentary
Ongoing reporting to DfT of costs.	Ongoing quarterly reporting to DfT highlighted during officer interviews.	DfT Quarterly Returns (Quarters 2, 3 and 4 of 2023-24)	Evidence of Quarterly Returns prepared by the Council and submitted to the DfT have been reviewed. These quarterly returns are completed by the Place team in conjunction with the Capital Finance Business Partner. These Quarterly Returns report on the status of the project including latest forecast outturn costs. We understand that meetings are held with the DfT to discuss the project but no formal minutes are prepared.
Preparation and reporting of "funding plans" to address current forecast outturn costs.	Evidence of funding options considered by the Council to bridge the funding gap identified and reported internally.	DfT Local Transport Fund letter dated 01 March 2024. Minutes of discussions at Corporate Steering Group 05 June 2024. NWRR Board Finance Reports 18 March 2024, 31 March 2024, 10 June 2024 and 15 July 2024.	<p>The Full Business Case (FBC) will need to include in the Financial Case a credible funding plan for the project. However, there is no evidence of any formal funding plan documentation despite significant increases in forecast outturn costs since OBC approval in 2019.</p> <p>We note that there existed speculation regarding potential full funding of the project by the DfT, based upon statements previously made by the previous Secretary of State. However, given these statements have not been given in writing and that there has since been a change in government, the funding contribution from DfT is formally capped at £54.4 million (as per the DfT letter dated 21 March 2024), and the Council's reporting of funding recognises this.</p> <p>Given the significant increases in the project's costs and DfT's formal funding commitment being capped at £54.4m, a formal funding plan with regular reviews and updates would be expected to be in place to set-out options for addressing the funding gap coupled with effective governance including reporting and meetings as per the project's stated governance structure.</p> <p>From evidence, it is understood that the Council are considering using DfT Local Transport Fund funding to fund the gap which has arisen due to the significant increases in cost to the project since 2019. The DfT Local Transport Fund (LTF) letter (dated 01 March 2024) sets-out extra (mainly capital) funding to Shropshire Council of £136m between 2025 and 2032, but it is not specific about the profile of funding. It is also noted that this letter was received by the Council in March 2024, so before this date it is unclear what credible options the Council had to address the funding gap.</p> <p>Whilst there is no evidence of a formal funding plan there is evidence of funding options having been discussed with s.151 Officer at Corporate Steering Group (e.g. 05/06/2024). The Corporate Steering Group occurs bi-monthly with the NWRR discussed by exception when escalation is needed.</p> <p>It is understood that borrowing is not considered to be a viable option by the Council at this stage. The notes from the Corporate Steering Group (which the s.151 officer and Business Finance Partner attend) includes recognition of the risks around cancellation of the project and the conversion of capital spend into revenue. It is understood that the risk of cancellation of the NWRR project is also reported to the Cabinet by Finance, however, this risk is not found on the project risk register provided in evidence.</p> <p>From interviews, we recognise that the Executive Director - Place, Executive Manager - Strategic Projects, and the s.151 Officer understand the risks associated with aborting the project. However, it has not seen evidence of reporting this risk or discussions with the Council Leader or Portfolio Holder for Highways.</p>

Appendix D:

North West Relief Road review (cont'd)

Key Issue	Description	Documents Reviewed	Grant Thornton Commentary
Briefing of the Portfolio Holder, Leader and other Cabinet Members.	<i>Ongoing updates being provided to Members, including forecast costs and spend to date.</i>	Conversations held with the Executive Director of Place, Executive Manager – Strategic Projects and the s.151 Officer. Minutes from Executive Board meetings from 2022 - 2023 Description of Governance structure (see Appendix 2).	As per the governance structure provided to us shown in Appendix 2, and through discussion with officers, it is understood that regular meetings are held with the Portfolio Holder for Highways and the Council Leader. From prior NWRR Executive Board minutes, it is understood that the Portfolio Holder is in attendance, however, minutes from meetings in 2024 have not been received by us which would confirm attendance and issues discussed. It is also understood that issues related to the NWRR are discussed informally with the Cabinet. However, no evidence of such meetings has been provided such as minutes or actions, nor any evidence of private briefing papers for example on funding options and key risks.

Appendix D:

North West Relief Road review (cont'd)

Summary of Findings

3.3 The table above sets out the key events in relation to the NWRR chronologically. These events have been agreed with officers at the Council through interviews. We recognise the difficulties Council's face in delivering large infrastructure projects, especially allowing for the additional complications of unforeseen planning issues and the COVID-19 pandemic, which brought most of the construction industry to a standstill. We further recognise the market and political sensitivities associated any public communication regarding the status of the project and in particular its costs.

3.4 However, we consider that there are weaknesses in relation to the governance particularly in relation to the funding of the NWRR project. These weaknesses have been summarised in the table below, alongside recommendations for the Council's consideration:

Table 4 – Weaknesses Identified

Weakness Identified	Recommendation
Internal Audit raised governance issues including the lack of an NWRR Executive Board meeting formally. We have not seen any formalised minutes of a board since this recommendation was made by Internal Audit.	It is recommended that this NWRR Executive Board is formalised as a core part of the project's governance arrangements. It is recommended that all meetings have formal minutes alongside a clearly defined actions attributed to the relevant individuals.
As noted above, we have not seen evidence that NWRR Executive Board has met formally since the report from Internal Audit. However, it is also noted that the Board had previously not included standing members such as the s.151 Officer and the Council Leader.	It is also recommended that the s.151 is invited to the NWRR Executive Board meetings, along with the Council Leader, Portfolio Holder of Highways, Executive Director – Place, Executive Manager – Strategic Projects and any other key personnel as required.

Weakness Identified	Recommendation
Internal Audit raised the issue of the exceeding of delegated budgets whilst progressing the NWRR project.	We recommend that budgetary delegations are monitored closely by the Project Lead alongside budget / spending reports and that delegations are sought prior to spend passing previously delegated budgets.
The Council's funding of the NWRR is currently understood to be reliant on the receipt of DfT's LTF funding in addition to other reported sources, including DfT funding (£54.4m). Whilst the DfT's LTF letter dated 01/03/24 confirms an amount (£136m) which would in theory cover the current forecast cost (when combined with other funding streams), we note that this letter does not state the profile of funding to be received, nor any potential conditions which could be attached to it.	It is recommended that the Project Lead develops a formal funding plan as a matter of urgency. This funding plan should assume that the DfT's committed funding to the project is capped at the known £54.4 million and should include risk ratings and sensitivities relating to other known funding sources. (It is noted that current project finance reports do assume DfT NWRR-specific funding capped at £54.4 million and shows risk ratings for known funding sources). The plan should set out in detail the different funding options available to the Council to bridge the funding gap, alongside any associated costs, such as the cost of borrowing. The funding plan should also include scenario planning surrounding receipt of the LTF, including costs associated with any short-term borrowing which could be required once the Council understands the profile of the LTF. Support from the Council's Capital Finance Business Partner and / or the s.151 Officer should be sought to help produce the funding plan, options appraisal and risk assessment

Appendix D:

North West Relief Road review (cont'd)

Weakness Identified	Recommendation	Weakness Identified	Recommendation
<p>It is noted that the Council has stated that it has no obligation to report on cost increases between the approval of the OBC and the submission of the FBC, especially via cabinet / full council given the commercial sensitivities surrounding the project.</p> <p>However, given the significance of cost increases seen, we consider that reporting has been unsatisfactory, specifically in relation to the funding arrangements to support the project.</p> <p>We consider that when significant cost forecast increases have occurred, they should have been reported more formally through the Council's governance structures, alongside a credible funding strategy to bridge any gaps identified. Whilst regular reporting of cost increases is apparent (including to DfT), there is no evidence of a formal funding plan and only limited evidence of formal reporting of credible options to fund the gap arising.</p>	<p>As above, it is recommended that the Project Lead develops a formal funding plan and options appraisal, in conjunction with the Capital Finance Business Partner and s.151 Officer, as a matter of urgency. The Council should formally report on this funding plan (alongside updates to outturn cost changes) to the project's governance forums.</p> <p>These governance forums should record minutes, attendees, actions and evidence of discussing the associated risk register. Recognising the significant increase in cost of the scheme since OBC and the associated funding gap, it is recommended that the project team presents the funding plan to the NWRR Executive Board on a formal basis and the Board (including the s.151 Officer and Portfolio Holder), and considers and records via formal minutes what can be shared with the Council's formal governance structures (Cabinet, Committees and Council) prior to the FBC, ensuring appropriate transparency but recognising commercial and political sensitivities.</p>	<p>It has been noted that there is currently no reference to the cost of aborting the project within the project's risk register. We have been informed that abortive costs for the project could be up to £23 million, which could significantly impact the Council's financial sustainability. The most recent summary of spend reviewed (from the NWRR Board Finance Report 15/07/2024) showed spend of £32 million, however it is recognised that the OLR could still be delivered without the NWRR project element. This means that some of this spend would be of value and would remain as capital were the further NWRR project to be cancelled. However, the risk of cancellation is understood to be c. £23m per interviews with Council officers.</p>	<p>It is recommended that this risk is added to the project risk register and that "risk" is made a standing item at each NWRR Executive Board meeting.</p> <p>Anecdotally, we are aware of officer discussions regarding contingencies for abortive costs. However, it is understood that these are not formalised at this stage. We recommend that the funding plan and options appraisal includes a plan for the handling of risk associated with abortive costs related to project cancellation against each option. This should be formalised as a matter of urgency, in discussion with the s151 Officer, who will be accountable for ensuring adequate provision for the identified risk is made. This risk should be monitored by the Project Lead in conjunction with the s.151 Officer.</p>

Appendix D:

North West Relief Road review (cont'd)

4. Conclusions

Risks relating to the Member Complaint

4.1 As noted in Section 1 of this report, the risks relating to NWRR were raised to us through a complaint from an opposition Member. Whilst this report is focused on informing our 2023/24 value for money conclusion we have commented on our findings from the review relating to the risk arising from the Member complaint.

Table 5 – Commenting on risks identified in Member complaint

Risk from Member complaint	Findings from review
The Council has not followed its own procedures around the approval of capital expenditure by approving £17 million of advanced works ahead of approval of the FBC.	<p>The delivery of delivery of advanced works ahead of FBC approval is not unusual in large construction projects.</p> <p>We have not identified any instance of the Council failing to follow its own procedures, with the exception of exceeding delegated limits, which was previously identified by Internal Audit and reported to Audit Committee, and which prompted a further delegation approval.</p>
Starting construction of the NWRR before funding has been guaranteed exposes the Council to a serious risk of bankruptcy.	<p>The Council does not have a robust funding plan approved and in place - It is noted that only advanced works have been started and that the main works are still subject to the approval of the FBC. However, should the NWRR project not be approved, there are potentially cancellation costs associated with the advance works which could crystallise.</p> <p>It is recognised that the DfT LTF to be received potentially provides a credible funding option (alongside other reported funding streams), although there are uncertainties with this, such as the profile and mechanism for the receipt of the funding.</p> <p>We recommend a formal funding plan and options appraisal is developed and approved as a matter of urgency, alongside appropriate contingencies were the project to be cancelled, and abortive costs be realised. This funding plan should be maintained and reported regularly through the project's governance to ensure stakeholders are sighted on plans and risks.</p> <p>With regard the risk of cancellation, it is recommended that a formal plan is developed to address the consequences of this. We recommend that the funding plan and options appraisal includes a plan for the handling of the risk associated with abortive costs related to project cancellation against each option. This should be formalised as a matter of urgency, in discussion with the s.151 Officer, who will be accountable for ensuring adequate provision for the identified risk is made. This risk should be monitored by the Project Lead in conjunction with the s.151 Officer.</p>
Committing £17 million to a project which is unlikely to be complete exposes the Council to a level of risk which is unacceptable.	<p>It is not within the remit of external auditors to speculate upon the likelihood of completion of an infrastructure project, either from a deliverability or political perspective.</p> <p>However, it is not unusual for funding to be used for advanced works ahead of the main construction starting, as the Council has done for the NWRR. However, the risk of cancellation costs should the project not proceed is recognised and noted above. Delivery of the NWRR is Council policy and it is understood that the Council intends to complete the project at this stage.</p>

Appendix D:

North West Relief Road review (cont'd)

Risk from Member complaint	Findings from review
<p>Circulating tender documentation before planning conditions have been agreed risks a serious underestimation of the project's costs.</p>	<p>As per the timeline of key events documented above in Table 2 (of Section 3), planning has been approved by the planning committee. The planning approvals is subject to various conditions.</p> <p>We have not seen any evidence that would suggest that planning conditions are not understood by the Council, with planning conditions included within the tender documentation so that tenderers can fully reflect the impact of planning conditions on their tenders.</p> <p>Release of tender documentation ahead of submission of the FBC is in line with expectations, as the result of the tender will inform the FBC. On assessment of the tender ISIT documentation, we are satisfied that the Council has not committed itself to any main construction contract spend until the award and signature of the final contract. Furthermore, the Council can cancel the tender without incurring any bidders' tendering costs. Specifically, ISIT Sections 4.12 and 9.35 to 9.39 state Council is under no obligation to award the contract and is under no liability to cover tenderers' costs. 9.32 further clarifies Council's "No Liability for Costs".</p>

Summary Recommendations

4.2 Based on our review we have identified a significant weakness in the Council's arrangements for securing value for money in relation to the NWRR. Based on this we have identified a key recommendation that the Council formalises its governance and reporting arrangements relating to the project. The detailed recommendations are as follows:

- 1) Formalisation of the NWRR Executive Board: the board should be formalised with terms of reference, standing attendees including the following, or equivalent: s.151 Officer, Executive Director – Place, Executive Manager – Strategic Projects, Portfolio Holder for Highways, and Council Leader. This board should meet monthly, with formal minutes taken, and action log maintained. Risk should remain a standing item for each meeting, including the risk of cancellation of the project. This will ensure that key stakeholders are sighted on the status of the project and facilitate strategic alignment between the Resources and Place directorates.
- 2) Formalisation of a funding plan: the Project Lead should devise a formalised funding plan for the project as a matter of urgency. The funding plan should detail options for funding of the scheme, including any associated costs of borrowing, and scenario planning in relation to the LTF funding, assuming different potential funding profiles.
- 3) Monitoring of budget delegations: the Project Lead should ensure that arrangements are made within financial reporting for robust management of delegations, approved by Members. The Project Lead should seek appropriate advice from the Capital Finance Business Partner / s.151 Officer and keep track of spend against delegated funding approved by Council, reporting variances and obtaining further delegations when required, ahead of delegated money depleting.
- 4) Reporting of the status of the project with respect to the funding plan: whilst the Project Lead reports forecasted costs within the project's governance forums, it is recommended that the plan to close the funding gap (once devised) is discussed and agreed with the s.151 Officer and considered at these forums. Consideration should be made, with formal minutes, for wider reporting of the project's financial status within the Council's formal governance structures (Cabinet, Committees and Council).
- 5) Formalisation of a plan to manage abortive costs: the Project Lead should devise a formal plan for the management of abortive costs against identified options were the project not to go ahead. Cancellation of the project could lead to significant costs materialising within the Council's revenue budget, and a plan to mitigate the impact of this is required and should be discussed and agreed with the s.151 Officer.

Appendix D: North West Relief Road review (cont'd)

5. Management Response to recommendations

Following the completion of our report on the North West Relief Road, it was shared with management for comment and management issued a response on 1 November 2024. The management responses to the recommendations raised are as follows:

Recommendation 1

Formalisation of the NWRR Executive Board: the board should be formalised with terms of reference, standing attendees including the following, or equivalent: s.151 Officer, Executive Director – Place, Executive Manager – Strategic Projects, Portfolio Holder for Highways, and Council Leader. This board should meet monthly, with formal minutes taken, and action log maintained. Risk should remain a standing item for each meeting, including the risk of cancellation of the project. This will ensure that key stakeholders are sighted on the status of the project and facilitate strategic alignment between the Resources and Place directorates.

Project Response

The project governance structure hierarchy is currently established as below



In the light of the report recommendations, the constituents of the Executive Steering Group will be updated in advance of the next meeting. A revised Terms of Reference for this group will also be developed as an early priority for the group. These Terms of Reference will cascade through the projects wider governance structure to ensure that opportunities, synergies and whole Council reporting is ensured. The risk register update exists as a standing item on the group agenda, and this will now be further developed to ensure that the associated action log is captured at, and reviewed within, each meeting going forward. Agendas and minutes for the Executive Steering Group will continue to be placed within the dedicated internal SharePoint site for internal reference, along with the risk register and finance updates. This will continue to ensure that full visibility is available

internally across the whole council on a “self-serve” basis for all officers associated with the project. The structure shown above will adapt to its imminent delivery function at the point of Main Contractor appointment (post Full Business Case approval by DfT, programmed for Feb 2025), and the terms of reference will be further developed at this stage to ensure ongoing effective project management across all areas of the council concerned.

Appendix D:

North West Relief Road review (cont'd)

Recommendation 2

Formalisation of a funding plan: the Project Lead should devise a formalised funding plan for the project as a matter of urgency. The funding plan should detail options for funding of the scheme, including any associated costs of borrowing, and scenario planning in relation to the LTF funding, assuming different potential funding profiles.

Project Response

The project will have completed its Full Business Case for the delivery of the scheme by December 2024. Within this is the requirement to comprehensively set out the route to project funding across both external grant opportunities, and the provision of required local match contributions. The project, with the oversight of the Executive Board have already considered a strategic approach to this at a high level, and this is now being developed in full to encompass a wider range of local fundings sources. These include the opportunity to use local developer contributions, CiL, land asset receipts, and the internal allocation of other national capital funding sources. The approach will be ratified by Full Council in December 2024 as part of its consideration of the Full Business case.

The project fully acknowledges the value in the development of this work further into a standalone Funding Plan. The Executive Board will task the Project Manager with the support of the Capital Finance Business Partner to complete the collation of this and then take it through internal and associated Member forums for ratification and adoption.

Close alignment with the existing and future Council Capital Strategy will be ensured. The associated risks and opportunities within this plan will also, on completion, be further integrated into the existing project risk register for allocation to specific owners and the continuing development of mitigation approaches as the scheme matures into its delivery phase.

Recommendation 3

Monitoring of budget delegations: the Project Lead should ensure that arrangements are made within financial reporting for robust management of delegations, approved by Members. The Project Lead should seek appropriate advice from the Capital Finance Business Partner / s.151 Officer and keep track of spend against delegated funding approved by Council, reporting variances and obtaining further delegations when required, ahead of delegated money depleting.

Project Response

The project will continue to receive regular reports at both Officer and Executive Board levels on approved spend against existing delegated limits. These reports are also contributed to by the projects Commercial Manager, who reviews payment requests and applications for payment on receipt, to ensure works are completed as described and to the required level of performance / quality. With reference to the forward programme for the project, existing delegations will be revised as part of the Full Business Case consideration by Full Council in December 24, and then again early in 2025 as regards the award of the Main Works contract. The fully resolved costs of these elements of the project to completion will be established at these milestones, along with the required and proportionate levels of risk and contingency allocation, in order to make further requests for delegated spend robust against project risks as captured in the risk register. The spend against current and future delegations will continue to be actively monitored by the Project Lead (supported by the Capital Finance Business Partner), and the reporting to the section 151 Officer / Council Capital Strategy will continue and be enhanced further in line with the report recommendations. This approach will continue to allow the required visibility of spend against forecast and allow further timely amendments to delegations to be made as and if required up to project completion.

Appendix D:

North West Relief Road review (cont'd)

Recommendation 4

Reporting of the status of the project with respect to the funding plan: whilst the Project Lead reports forecasted costs within the project's governance forums, it is recommended that the plan to close the funding gap (once devised) is discussed and agreed with the s.151 Officer and considered at these forums. Consideration should be made, with formal minutes, for wider reporting of the project's financial status within the Council's formal governance structures (Cabinet, Committees and Council).

Project Response

As per the response to recommendation 2, the funding plan will be developed under liaison with the Capital Finance Team and the Section 151 Officer. The project acknowledges that the plan will necessarily be a council wide funding approach, and that many contributing areas of the council are not under the direct control of the project alone. For this reason, the project fully supports a collaborative approach to developing its approach to any funding gap identified in specific scenarios and will fully implement this recommendation under the guidance of the Executive Board.

Recommendation 5

Formalisation of a plan to manage abortive costs: the Project Lead should devise a formal plan for the management of abortive costs against identified options were the project not to go ahead. Cancellation of the project could lead to significant costs materialising within the Council's revenue budget, and a plan to mitigate the impact of this is required and should be discussed and agreed with the s.151 Officer.

Project Response

In line with the response to recommendation 4, the project recognises that any reversion to revenue around the project becoming partly or wholly abortive requires a council wide approach, given the potential impact in areas of spend outside of the projects immediate power of control or mitigation. To deliver on this recommendation, abortive cost scenarios will be developed within the project Finance Team. As part of the council's wider budget considerations and management, these will be played through to assess wider impacts and potential required interventions across the council. The project welcomes this recommendation as part of its role in not only delivering on a wider range of council priorities outside of the immediate project outputs itself, but also to establish a stronger understanding of the synergies, opportunities, and risks that the project presents for that wider council activity. It will be key to developing further confidence in the councils' own abilities to deliver a project of this size for local residents, Members and external funders and stakeholders. Referencing this recommendation to the current programme, it will be key that this is developed and agreed in parallel with the Full Business Case submission, and the Executive Board will be overseeing its production as a key activity up to the point of Main Contractor appointment in February 2025.

