


# LGA Finance Peer Challenge

Shropshire Council

13<sup>th</sup> – 15<sup>th</sup> June 2022

Feedback report





1. Executive summary.....	3
2. Key recommendations .....	6
3. Summary of the peer challenge approach .....	7
4. Feedback .....	10
5. Next steps.....	26


## 1. Executive summary

Shropshire Council has publicly declared itself in a serious financial position, with sustainability dependent on lobbying for additional funding from government, and with its reserves becoming exhausted. In assessing this position, the peer team finds that Shropshire Council's finances are not immediately catastrophic - but they are in a precarious position. The council is facing a challenging financial situation, but the peer team does not consider that Shropshire is in imminent danger of issuing a s114 notice, provided it takes urgent steps and corrective action now, alongside a credible medium-term plan to return to financial sustainability.

The focus of moving towards a sustainable financial position is urgent and essential for the council. The scale of the financial challenge is significant, but the council can meet it - as there are mechanisms and opportunities at its disposal provided it takes urgent action. Importantly, Shropshire has the capability to address this and has the tools required to deliver on its ambitions within a reduced financial envelope. Therefore, the council should be confident in its ability to deliver on these fronts.

Shropshire Council set its 2022/23 budget in February and is meeting the underlying c.£20m gap in 2022/23 from savings (£10.7m) and reserves (£9.9m). The council has made very public its budget gaps in 2023/24 and 2024/25 and beyond, referencing a c.£60m funding gap. The peer team concluded that this assessment overstates the scale of the funding gap, since it assumed that the government will discontinue a number of vital local government funding streams without replacing them; a worst-case assumption which other councils have not built into their central financial projections. However, taking this into account, the underlying budget gap for 2023/24 is still likely to be at least £30m, with further upward pressure on this figure from rising costs. The council will need to focus on what action it will take and the tools it will utilise to address this.

Similar to other councils, Shropshire council is facing immediate pressures including




new legislation in social care, contractor/provider challenges, unbudgeted pay increases, energy costs and recruitment issues. This will place increased pressure on already pressurised budgets and the council will need to understand and factor these into its budget position. For example, the council is currently assuming a 2% increase in pay awards for the next five financial years, and with future awards very likely to be far higher than this, these assumptions now need urgent review.

Contrary to some external perceptions the council's reserves are not exhausted but they are now lower than they should be for a council of this size and level of ambition. In 2022/23 with a £224.6m net revenue budget, earmarked reserves are £68.3m and general reserves are £9.7m – meaning they are low for a council of this size. Critically, these should not be relied upon to cushion underachievement of budget targets. Therefore, as well as a strategy to meet the current financial gap, the council will need a medium-term plan for the recovery of its reserves position; including within that a review of the earmarking of reserves and a four year projection of contribution and use.

Significant action is needed now. The 2021/22 outturn was £2.5m overbudget, an indication that if suitable action is not taken then the problems which the council faces will only escalate and the measures needed to be taken to rectify it will only become more difficult. Shropshire Council needs to take ownership of the current situation and focus on addressing this through direct action. The peer team was concerned that Shropshire Council had in the past adopted an overly passive approach to its finances, and it is clear this approach now needs to radically change with action being identified and delivered upon.

In this spirit, the council should reconsider how it positions itself when lobbying in the interests of the County. Whilst it should continue to make the case for Shropshire and put forward strong propositions for external investment, it needs to avoid a perception that it is relying on this as the strategy to resolve its financial challenges. Government is not going to change its national financial policies in the timescales the council needs to act within, and there can be no presumption that the circumstances




of Shropshire (for example its rural character) will necessarily lead to a better outcome from future government spending decisions. There is also a risk that, by presenting its financial sustainability as dependent on fairer funding from government, the Council actually reduces its reputation as a secure partner with government and other external funding partners.

The council should therefore separate its lobbying strategy for additional investment, from the need to set projections for the purposes of financial planning. By addressing and owning its financial challenge the council will demonstrate it is confident, capable and sustainable and this will strengthen the reputation and the case for additional investment in Shropshire.

The peer team found that the actual underlying budget gap and reserve position figures for the council were unclear to many people outside of the leadership team. This needs to be resolved swiftly and clearly set out, to present one version of the truth, which is understood internally and externally. This will confirm the scale of the financial challenge, and help to mobilise action to address it. Shropshire Council can then focus on resolving the challenge with urgency and develop a clear timetable of the necessary policy and operational changes.

The peer team have seen how the council has made positive steps in articulating its vision and priorities through the development of the Shropshire Plan and will shortly launch a new target operating model. From the team's discussions, the target operating model is viewed positively across the organisation as a major step forward. These now need to be accompanied by clear cashable savings or invest to save plans to deliver against. The team recognise that this will mean a difficult period for Members, officers and partners, delivering changes that may be politically challenging and counter to the council's values. However, by acting swiftly and with purpose, the council will reduce the need for even harder decisions in future, and avoid any requirement for intervention which would reduce their decision-making autonomy.




For its staff, councillors, partners and the people of Shropshire the council needs to articulate how it will look in future. The council recognises that to be sustainable it will be of a reduced size and shape and it will be focusing its resources to deliver on the Strategic Plan. By setting this out clearly and confidently the council will gain the confidence of the community and external agencies.

## 2. Key recommendations

There are a number of observations and suggestions within the main section of the report. The following are the peer team's key recommendations to the council:

1. Consider and implement the management action needed in 2022/23 to address the in-year budget challenges
2. Clearly set out the budget gaps faced by the council over the Medium Term Financial Strategy (MTFS) period and how the council intends to secure a financially sustainable future
3. Invest time and capacity in communicating the budget gaps and embedding it across the council, and with partners
4. Take ownership of the current financial situation and determine to resolve it through its own action – and explain this across the council and with partners
5. Develop a reshaped and deliverable MTFS
6. Ensure the organisation is prioritising realisable cashable budget savings, with political and operational support to see these through to implementation
7. Ensure the Project Initiation Documents (PIDs), or further measures as necessary, are developed quickly into deliverable savings options
8. Enhance and develop the skills needed within the council to deliver the required action, including project management capacity, business case development and use of data/intelligence
9. Consider the council's approach to bid writing and attracting funding, including the



skills and resource requirements

10. Articulate how the council will look in future: its size and shape and how it will focus resources to deliver its Strategic Plan
11. Move away from transactional monitoring to risk-based monitoring and align available technical resources to priority activities
12. Demonstrate that the council is confident, capable and sustainable. This will enhance its reputation and thus strengthen the case for additional investment
13. Pursue stronger engagement with national networks, to enhance the council's intelligence on national policy and best practice in other councils
14. Be confident not passive. The organisation has capability and can meet the financial challenge head-on.

### 3. Summary of the peer challenge approach


#### 3.1. The peer team

Peer challenges are delivered by experienced elected member and officer peers. The make-up of the peer team reflected the focus of the peer challenge and peers were selected on the basis of their relevant expertise. The peers were:

- **Andrew Lewis** - Chief Executive (Cheshire West and Chester Council)
- **Cllr Rob Waltham MBE** – Leader (North Lincolnshire Council)
- **Tracie Langley** – Chief Operating Officer and s151 Officer (Cornwall Council)
- **Nina Philippidis** – Head of Financial Services and s151 Officer (South Gloucestershire Council)
- **James Millington** - Peer Challenge Manager (LGA)

#### 3.2. Scope and focus

The peer team considered the following five themes which form the core components of all Finance Peer Challenges. These areas are critical to councils' performance



and improvement.

1. **Financial leadership** – Does the authority have plans for its long-term financial sustainability, which are owned by its members and officer leaders?
2. **Financial strategy, planning & forecasting** - Does the authority understand its short and long term financial prospects?
3. **Decision-making and governance** – Are key decisions taken in the understanding of the financial implications, risks, and options?
4. **Financial outcomes and reporting** – Are financial results (including those of the Council's investments and transformation projects) monitored and acted upon to realise the authority's intentions?
5. **Partnership and innovation** – Is finance at the cutting edge of what the authority is working to achieve, working with partners, and seeking innovative approaches?

In addition to these components, Shropshire Council asked the peer team to provide feedback on the following questions:

Q1: Why is Shropshire not securing the right level of funds to support its demography and local demands?


Q2: What can we learn from councils who have fully adopted and resourced a prevention agenda as a corporate and system driver delivering reduced social care spend and improved outcomes for their residents?

Q3: Considering the plans for ongoing financial management and resource allocation to financial processes and procedures, particularly within the finance team itself, are these adequate to support the ambitions of the council's Vision and those of a modern, effective council in general?

### **3.3. The peer challenge process**

Peer challenges are improvement focused; it is important to stress that this was not an inspection. The process is not designed to provide an in-depth or technical





assessment of plans and proposals. The peer team used their experience and knowledge of local government to reflect on the information presented to them by people they met, things they saw and material that they read.

The peer team prepared by reviewing a range of documents and information in order to ensure they were familiar with the council and the challenges it is facing. The team then spent 2.5 days onsite in face-to-face, virtual and hybrid meetings in Shropshire, during which they:

- Gathered information and views from around 25 meetings onsite and virtually, in addition to further research and reading.
- Spoke to more than 80 people including a range of council staff together with members and external stakeholders.

This report provides a summary of the peer team's findings. In presenting feedback, they have done so as fellow local government officers and members.

## 4. Feedback

### 4.1. Financial Leadership

The peer team felt that Shropshire Council has a good awareness of its challenges, recognising it faces significant financial issues in-year and in future years. The council acknowledged that this has been exacerbated further due to more recent events including inflationary pressures, rising energy prices and the broader cost of living crisis. However, there was positivity and confidence in the Leader and CEX from people the peer team met during the review who considered their working partnership as strong. The peer team recognise this as being an important cornerstone for change in any council and there is confidence that they can “get the job done” in ensuring the budget position is sustainable.

In May 2021 the council’s Resources Directorate was formally established. The council’s Executive Director of Resources (and s151 Officer) is a full member of the Senior Management Team, and this is critical for the prominence and the governance of the finance function. The peer team observed a dedicated and competent Finance Team who are keen to play an active part in supporting the council meet its financial challenges and deliver on its ambitions. The directors, assistant directors and budget managers from across the council the peer team met with were capable and experienced, demonstrating enthusiasm and ideas for meeting the financial challenge.

The council does recognise that there is a legacy of silo working and at times there has been poor cross-council collaboration. However, senior leaders are investing in creating a new culture of collaboration and common purpose and lead this from the top of the organisation. This has included the development of the ‘Getting it Right Map’ designed to facilitate cross-council cooperation, knowledge sharing and experience and the Employee Reference Group to test and encourage new approaches to working across the council. The peer team heard about the journey the council has been on to create this ethos and supports the council with its



continued focus on this.

The peer team spoke to a range of councillors from within the administration and cross-party and heard how there was good Member understanding of the financial issues and an acknowledgment that this needs to be addressed. It was recognised that this will involve measures that are likely to prove difficult to secure support for publicly, and which may challenge the values of the council's Members. This is important as, when difficult propositions are brought forward, there will need to be a sound understanding politically about the context, and a basis for consensus, as far as is possible.

The peer team believe there are fundamental issues in how the council is now perceived based upon its presentation of the financial challenge it is facing. Shropshire Council has been presenting a £50-60m gap in 2023/24 onwards, coupled with a significant reduction in available reserves. The peer team concluded that this assessment overstates the scale of the funding gap, since it assumed that the government will discontinue a number of vital local government funding streams without replacing them; a worst-case assumption which other councils have not built into their central financial projections. This has been done largely to strengthen the council's arguments about the need for fair funding, but the peer team contest that this is not a helpful basis for forward planning and is in danger of undermining confidence in the council's ability to address it. The peer team estimate the adjusted budget gap is between c.£20-£30m – assuming grants including the Integrated Better Care Fund (£11.9m), Rural Services Delivery Grant (£6.9m) and the Social Care Grant (£12.6m) continue. However, there is a need for the council to provide clarity about the genuine core financial challenge as currently there is not a shared understanding of the budget gaps or available reserves.

In setting out the council's position the peer team recommend it structures its response in developing a shared financial strategy in the following ways:


- **Short term** - create confidence in the council's immediate financial viability given cost pressures and the reserves position
- **Medium term (3yrs)** - restore financial sustainability, implement transformational changes and preparation for the legislative changes e.g. adult social care
- **Long term** - focus on economic growth, early intervention and prevention and delivery of long term strategic plans within the Shropshire Plan

It was apparent to the peer team that Shropshire had felt strongly that its financial position was as a result of its unique demographics and therefore should be funded differently to other authorities. The peer team were clear that this strategic approach has not been used for a number of years as it is evident that the government will not and cannot change funding formulae to suit single authorities. It is therefore important that the council invests time in developing stronger engagement with national networks. External networks and societies, such as the Society of Unitary Treasurers will assist the council to consider how Shropshire is not in a unique and isolated position and the challenges being faced are common with many others part of local government. This provides an opportunity to discuss the national funding context and share approaches to budget management with other councils. This will be valuable, for instance, when the council is considering future local government finance it can share this thinking with other parts of local government to gain confidence in forward assumptions.

By taking a more externally facing view of financial planning across the sector, the council will be better informed as to approaches taken to manage uncertainty in resource forecasting and be better equipped to articulate sector wide challenges, for example, the overall funding pot for local government.

#### **4.2. Financial Strategy, Planning and Forecasting**

The peer team found that the Finance Team is strong on its approach to technical accounting and reporting. This is a fundamental core requirement of any change programme and Shropshire should be confident that it has some key building blocks




in place. The financial reports are considered by the peer team to be technically correct, however the presentation of the position is overly prudent and the council will want to give this further consideration.

Treasury Management plans are in place and regular reviews are undertaken as a matter of course. This is regularly reported to Cabinet and Audit Committee and cash balances are strong - the council is not in a position where it faces cash flow challenges.

The council has recently undertaken an important process to review its capital programme. This has been done to not reduce the ambition but to remove schemes which are not the highest priority or deliverable within the 5 year programme. This is important to ensure there is confidence that the capital and the revenue programme are synchronised, and the Minimum Revenue Provision (MRP) is accommodated within the council's plans. The peer team consider that there will be further opportunities through longer term invest to save options to make stronger links between the revenue and capital programmes. For instance, where there are opportunities for the council to invest in facilities for vulnerable people which should then mitigate against higher costs which would otherwise be borne by existing services. This will require some more sophisticated financial modelling using capital and revenue funding streams together to reduce future revenue costs.

The peer team considered the council's Big Town Plan for Shrewsbury and linked plans for the future of the Shire Hall site. This opportunity reflects the ambition for the future of Shrewsbury alongside embedding modern ways of working for the council. The council moving into smaller and more efficient office space in the town centre has the benefit of reducing energy costs, reducing the cost of carry for redundant space and supporting culture change through the council as a whole as part of the Refocus Programme. The peer team encourage the council to continue with this joined-up thinking.




The Financial Strategy is based on 3 assumptions – one of which (unsustainability assumption, pg. 51 of the 2022/23 Financial Strategy) is quoted by the section 151 officer as:

*The basic principle of the ‘Unsustainability Assumption’ element of the Financial Strategy is that Fair Funding, or an equivalent national funding methodology, will be implemented from 2023/24 and will accurately reflect the costs and future annual growth in costs of (predominantly) delivering social care services, resolving the structural funding gap within Shropshire.*

This statement is interpreted as an assumption, built into the council’s financial strategies, that central government will resolve the council’s financial challenges by implementing a new national funding regime. This is inappropriate, and has served to increase concerns about Shropshire’s solutions to resolve its finances. The Fair Funding review has been frequently delayed by government, and there can be no presumption that any changes in national policy will advantage Shropshire. While the council is right to lobby on behalf of its interests, it should be careful to avoid either expressing an overly pessimistic financial position to support this lobbying, or build the assumption of a successful outcome of its lobbying into its future financial strategy. A more appropriate assumption is to take existing government policy “as is”, and thereby motivate the policy changes necessary for the council to meet that challenge through its own endeavours.

The peer team understands that this is now well understood by the council’s leadership, who have recently made plans to revisit and bring up to date its Medium Term Financial Strategy (MTFS) mid-year. The peer review team welcomed this initiative.

The peer team noted that the Financial Strategy is not yet clearly aligned to the Shropshire Plan or the target operating model. It is recognised that this is a sequencing issue but now the Shropshire Plan is in place this needs to be developed



so that the council has confidence to invest and deliver on those areas which are highlighted as priorities and can also make deliberate choices to disinvest in any areas which are lesser priorities.

In common with the wider public sector, urgent work is now required for clarity on additional budget pressures faced by Shropshire, given inflationary pressures. This includes unbudgeted pay increases, energy costs and recruitment issues. The council should immediately undertake a comprehensive review and, if needed, give further consideration to implementing in-year spending controls to address the 2022/23 budget gap. Moving forward, the council should consider its “toolbox” to respond to in-year financial challenges ensuring there is timely co-ordination between identification of issue and agreed action to address, both at Member and officer level.

The council has an emphasis on the 70+ emerging PIDs which set out proposals for savings to be delivered. While the peer team did not have the opportunity to review these in detail, they heard positive commitments from across the organisation to take this process seriously and use it to deliver real change. They also demonstrate the breadth of ideas which are emerging from within the council. However, the opportunities identified within these so far are only estimated to generate c.£8m of savings, meaning further work is required and it is important to have a clear focus on the cashable savings which can be delivered. For delivery, this will require RAG rating against political, reputational and operational considerations. The peer team also recommend guarding against optimism bias for the programme, by ensuring it is reviewed objectively with appropriate contingencies, governance and resource identified to ensure success

The peer team heard from a number of officers that project management and expertise on legal, finance and communications are needed within services across the council. It is critical that capacity is provided to ensure savings are properly assessed, managed and delivered.



## **Headline Opportunities**

Following conversations across the council the peer team has identified some opportunities to address the financial challenge which may merit consideration:

**Review of the Council Tax Base:** the council could review the current discounts and policies in place and their appropriateness; review the growth in tax base (1% is assumed currently, could this be reviewed to capture the forecasted growth?); and the collection rate assumptions and activity (Shropshire is currently at 97.9% vs the standard 98.5%) – the council may want to look at the assumption and opportunities to increase collections.

**Review Collection Fund surplus:** the council has a surplus of c.£4m per annum on the council tax and business rates. If changes are made as part of the review of the council tax base then this could positively impact on the MTFS.

**Core Spending Grants:** the council should consider its planning assumptions. There is a reasonable assumption that its Core Spending Power will be maintained at an individual level e.g. Improved Better Care Fund, Social Care Grants, New Homes Bonus taper down, Rural Services Delivery Grant taper down. This could equate to around £30-35m which can be factored into the council's budget.


**"Right sizing" budgets:** a deep dive review to create a level baseline for the council's current position; consideration of income and expenditure; and recharges.

**Review the approach to concessions and discounts:** the council may want to review this across the council and ensure they are serving the right purpose and is aligned to the Shropshire Plan and policy direction.

**Review reserves plan and strategy:** the council may want to review unspent allocations. Review the reserves which are embedded in service budgets – the council will want to consider the corporate need.

**Review use of grants and capital programme:** The council will want to ensure that these are being optimised, that costs are being recovered and whether there are other opportunities.






**Income collection:** The council has a bad debt provision of £18.4m – to cover invoices held in system which have not yet been collected. This can be explored further to determine whether to write off or collect this, and whether this figure is overly prudent. There may be an invest to save initiative available facilitating the release of the provision.

**Build capacity:** When national funding opportunities are announced the council should consider how to respond and tailor their bids to meet its ambitions.

### **4.3. Decision-making and Governance**

The peer team consider the council to have effective governance arrangements in place which provide a good framework to support decision-making. This includes the council reviewing its approach to developing the Annual Budget with Cabinet. In the previous round this commenced in July and for 2023/24 has started pre-April 2022. This is a positive step and provides additional opportunities in the timetable to ensure good engagement with lead Members and supports the ambition of the Cabinet to involve councillors on a cross-party basis. This is being furthered through the development of ‘green papers’ within Scrutiny to encourage and improve engagement with councillors and the public in the budget setting process. In times of great change there is real public interest in the outcomes of this process and how the public are actively engaged is critically important.

The peer team found that across the council there is good understanding of its high cost and impact areas in Adult Social Care and Children’s Services. This includes the number of looked after children - more than 600 – which appears significantly higher than other comparable councils, has risen dramatically in a short period, and includes a high proportion of new cases not previously known to the council. While it was outside the peer review team’s remit to consider the reasons for this, they heard concerns about the impact of past decisions to de-prioritise early support for families, which the council was now seeking to partially reverse. There is a good appreciation of these issues and a willingness to look critically at how these challenges can be addressed across the council. As the single largest element of the council’s cost




base, it was also recognised that Adult Social Care would need to contribute significantly to the savings challenge.

The Cabinet is right to ensure the development of efficiency proposals is politically-led and accompanied by a strong rationale, and a communications strategy which includes public engagement and consensus building with partners, as needed. However, this needs to be done without sacrificing the urgency of moving at an appropriate pace to deliver the results required and the peer team encourages officers to ensure councillors are supported effectively as part of this process.

The council will want to ensure that all councillors are provided with suitable information to understand the financial position. Whilst there will obviously be differing political views of solutions to meet the challenge all councillors should be able to appreciate the ongoing financial context and why proposals are being brought forward.

Financial planning assumptions and forecasts need to be linked with organisational action. If the council states that it has a budget gap it needs to develop proposals which are of equivalent scale – where the two are out of alignment this impacts on the credibility of the council's budget. The council will also need to ensure that there is ongoing managed oversight of these savings proposals. This will be essential to mitigate against non-delivery which has been a feature of recent savings activity planned by the council. For instance, in 2021/22 38% of the savings proposals - representing £3.75m – were undelivered. To support this from the start it is important to have consensus based on evidence and a focus on delivery. The council needs to avoid any situation where theoretically it anticipates it is meeting the financial challenge only to later realise that the proposals are undeliverable.

The council should consider outcomes required from financial reporting and whether it is presenting the right level of detail to support decision makers. Finance reporting can be hugely complex but needs to be understood across the organisation from



finance professionals to all parts of the council and beyond. The council needs to consider where the appropriateness of succinct reporting of key variables can be more helpful than the comprehensive analysis of the wider budget.


Training is regularly provided for Members of the Audit Committee, who receive reports covering risk management, internal and external audit activity, treasury management and progress with the accounts. The council had previously determined that having an independent member as part of the Committee was not required. The peer team would urge this position to be reconsidered and the merits of such an appointment for making productive and helpful contributions to the Committee – as this would align with the thinking of other councils and the government's direction of travel.

The council is planning to undertake a review of its constitution. The peer team agree that there is an opportunity now to make it simpler, more streamlined and accessible, including on financial decision making where the council will want to ensure that this supports taking forward decisions in the most appropriate way. Following this it needs to be supported by a process to ensure it is communicated widely and well understood both within the council and externally.

#### **4.4. Financial outcomes and reporting**

The view from the council's external auditor Grant Thornton is that the council has performed well in the past with a prudent approach to its financial strategy and this has previously provided resilience. The 2019/20 accounts had an unqualified opinion and for the 2020/21 accounts, subject to some areas identified relating to IT being completed, the auditors anticipate again giving an unqualified audit opinion, with no major issues on the accounts or value for money.

The peer team heard across the council how the Finance Team has a good and well




regarded relationship with service areas and the business partnering model seems to be working well. The peer team heard that there is clarity on budget ownership across the council, with budget managers, including directors and assistant directors. This is supported by the regular monitoring of financial information.

The council implemented Unit 4 as its Enterprise Resource Planning (ERP) system in 2018 as its primary finance, payroll and HR management system. This is designed to provide budget managers with the information they need for self-service and having this in place this is a positive step forward for the organisation and its drive to rationalise its IT systems. However, for clarity on the financial position the use of the ERP system must be owned by all budget managers. The peer team heard that there is currently a gap between the functionality of the system and the practical usage - with the Finance Team needing to complete updates on behalf of some areas. Working this through with budget managers to ensure that the system is used as intended and required should be a focus over the coming period.

The council's 2021/22 outturn was £2.5m over budget. This is a reduction of £1.8m than had previously been forecast in Q3 but does indicate that if this financial position continues then the problems which the council faces will only escalate and the measures needed to be taken to rectify it will only become more difficult. This reinforces the need for urgency, and for appropriate action when issues are reported, pulling into sharp focus what is needed to be done in future to put the council in a better position.

Shropshire Council will want to ensure that it harnesses councillor capacity and ideas to meet its challenges. Councillors of all parties have views about how to reduce waste, inefficiency and to improve processes. The council currently has a good process to bring ideas through from services in the development of the PIDs and so will want to consider how to gather the views of councillors as part of this process too.



The peer team heard much about the different and important beneficial outcomes which can be delivered through transformational changes. The council will need to consider prioritising the importance of those cashable benefits over other factors at the moment. As the council moves to a sustainable budget position the focus may shift but currently those cashable savings will need to be prioritised.

The council has stated its ambition to be 'data driven' and the peer team have seen evidence of this and how this is impacting on the wider culture of the council. For example, monitoring includes moving away from static monthly reporting to more interactive live scorecards and dashboards in a risk management approach. These are being finalised for implementation in Q1 and have been developed with officer and Member input and the peer team support the council's move to this approach. The peer team also recommend considering a move away from transactional monitoring to risk based monitoring and aligning available technical Finance Team resources to priority activities. This should be kept under review as it will shift over time.

#### **4.5. Partnership and Innovation**

The peer team notes that in the summer of 2021, a Financial Management Improvement Programme was instigated to deliver improvements in financial management throughout the organisation. The main objectives of the programme are to:

- Align Financial Management to the Organisational Principles and the Council's Corporate Values.
- Optimise the utilisation of the digital system to deliver quality data that supports robust strategic and operational decision making.
- Improve collaborative working between Finance and Budget Holders


- Strengthen the quality of the service we provide as an organisation
- Improve efficiency and effectiveness

The focus on implementing this Programme should be maintained to drive improvement and innovation and enhance the Finance Team's work with budget holders further to take advantage of the investment made in the ERP system. The peer team also encourages the council to recognise and celebrate the successes which are delivered by the Programme and to continue to highlight and communicate the ways in which the finance function plays a critically important enabling role for the organisation.

The peer team heard partners mostly describing good relationships with the council and as "the best they had ever been". Partners we met were aware of the council's financial challenges, if not always the exact scale of this and this is partly as a result of how Shropshire has outwardly communicated its financial challenges.

Relationships with the local NHS has been subject to change recently with the NHS Integrated Care System (ICS) reforms coming in July through establishing NHS Shropshire, Telford and Wrekin (NHS STW) replacing the previous Clinical Commissioning Groups (CCGs). The peer team recognises that serious financial and performance issues within parts of the local NHS create a challenging backdrop for integrated care locally. The council is a well performing part of the system and has scope to play a stronger and more active leadership role within the new arrangements, including through establishing shared governance arrangements, single strategies, joint roles, joint commissioning and pooled budgets. The peer team recommend that the council work with Telford and Wrekin Council, the local NHS and other partners, to promote a more integrated, and therefore more cost effective, model for the interface between health and social care.

It was clear there is goodwill and an understanding from within the local NHS that reductions in social care funding would exacerbate pressures within the acute sector.



Currently the scope for integration to generate immediate financial benefits to the council may be limited, but the importance to the long-term viability of the system cannot be underestimated.

There may be other opportunities to build on the relationships through integration in regard to partner capital programmes and assets, where the council can utilise the skills it has in assisting partners to address their issues. Joint work on local procurement to retain the 'Shropshire pound' within the county through local businesses and the local voluntary and community sector where possible supports local priorities and is especially important during the current economic climate.


The county is heavily parished and includes the largest town council in the county, Shrewsbury Town Council, as well as some very small parishes as part of its 154 parish or town councils. The peer team would recommend considering the council's relationship with town and parish councils and look at the opportunities to harness their capability and capacity for delivery and empowering them to take on more responsibility where this is welcomed. This may help to alleviate some of the pressures the council is facing at the same time as supporting ambitions for the localised delivery of services across the huge geographical area of the county.

#### Additional Questions posed by Shropshire Council

#### **Q1: Why is Shropshire not securing the right level of funds to support its demography and local demands?**

The whole of local government is under-funded for its responsibilities and the demands placed upon it. All councils share this serious concern, and this is not unique to Shropshire.

The council will want to lobby for its own specific characteristics. However, it should beware that its prevailing external narrative of financial risk impacts on its credibility



in securing any investment from external sources, including the government. By highlighting the financial challenges in the hope of securing additional financial resources will undermine the council's argument for additional resources as it will not be viewed as a sustainable partner to invest with.

The council should confidently communicate its vision for Shropshire and focus on attracting funding opportunities which align with this. The council may need to refine this to meet the particular objective of the funding arrangement but it will need to maintain focus on delivering its vision. Additionally, in order to attract funding, quality bids are critical with strong propositions and capacity to deliver. Outcomes and performance information also then needs to be systematically collected to evidence the organisation's success.

*Lift up the narrative, success breeds success,  
if you are confident about your place others will want to invest here.*


**Q2: What can we learn from councils who have fully adopted and resourced a prevention agenda as a corporate and system driver delivering reduced social care spend and improved outcomes for their residents?**

The peer team agree that this is crucially important and needs to form a key part of the future longer term transformation of the council. Early help prevents high costs and poor outcomes and this is a challenge for all councils. There is no one size fits all solution and the council will need to develop a solution which works for its particular set of circumstances.

However, there are examples available within our networks and opportunities to share experiences across local government including from across the peer team's councils:

- **Looked After Children** - support children ahead of statutory intervention  
Many of these had not previously been engaged in services to help divert them from that position and this supports a business case within Children's






Services around the spectrum of need to head off some of the interventions which would be required if the council does not intervene early

- **Communities** - make use of the strong communities in Shropshire, many of them will know what's needed of them and will act. For example, the council has a good existing track record of diverting adult social care cases into community responses and social prescribing which help to avoid costly intervention later on
- **'Enable and Empower'** is far more effective than 'Do or Delay'
- **Partnerships are critical** – an early intervention strategy needs to be multi partner, particularly with the NHS but with other partners too. Solutions cannot be found solely within the council
- **Impact** - local systems need to be able to track the ongoing impact of the prevention agenda and identify the cashable savings of the programme over the medium to longer term.

**Q3: Considering the plans for ongoing financial management and resource allocation to financial processes and procedures, particularly within the finance team itself, are these adequate to support the ambitions of the council's vision and those of a modern, effective council in general?**

The peer team do not consider there to be insufficient resource with the Finance Team. There is a need for the Finance Team to refocus activities from a transactional basis to a risk managed basis and to build strategic capability to meet the financial challenges. The council needs to allow the Team to stop doing some activity which does not add value and provide direction that this is the expectation.

The Finance Team do need to identify ways to appropriately streamline financial planning, monitoring and reporting processes. The Team would benefit from considering the purpose of activity, why this is needed and who the end user is. This process will help identify how to concentrate Team resources on the activity which is now required to deliver the council's ambitions. Finance staff need to be able to support the strategic thinking of the council and the delivery of the savings



programmes. The finance business partners and their knowledge are critical to this and will be well equipped to help deliver - so releasing this capacity is important.

The Finance Team need authority within the council to effectively challenge and support budget managers. This should be done in a constructive and supportive way and will support the the development of solutions to meet the financial challenges and further realise the potential of the ERP system.

The Financial Improvement Plan should continue to be implemented. Additionally, the council could undertake an activity to review the skills in the Finance Team to assure itself that there is appropriate capacity and capability to support the future scale of ambition as an effective enabling function.

## 5. Next steps

It is recognised that senior political and managerial leadership will want to consider, discuss and reflect on these findings.

Both the peer team and LGA are keen to build on the relationships formed through the peer challenge. The Finance Peer Challenge process includes a review meeting. This will be a short, facilitated session in 6 months which creates space for the council's senior leadership to update peers on its progress against the action plan and discuss next steps.

In the meantime, Helen Murray, Principal Adviser for the West Midlands, is the main contact between your authority and the LGA. Helen is available to discuss any further support the council requires [Helen.murray@local.gov.uk](mailto:Helen.murray@local.gov.uk).