Committee and Date

Audit Committee
27th November 2025

Item

Public

ASC Outturn Update (Period 13)

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

1. Synopsis

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

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

2. Executive Summary

2.1. This report provides an update to the Committee on progress made to date with addressing the issues that contributed to the significant change in financial monitoring positions between period 11 and period 12 during 2024/25.

2.2. Throughout the year, financial monitoring is undertaken each month and is a collaborative process between the budget holders for each service area and also the Finance team. During 2024/25, monthly financial monitoring reports were received by Cabinet, Leadership Board and budget holders. This reporting focused on the movement between periods and actuals were not recorded until the end of the year. The absence of actuals throughout the year prevented the opportunity to assess the robustness of forecasts and significant variances between forecasts and actuals throughout the year.

2.3. Within the People Directorate, Adult Social Care budgets were under pressure throughout the year, largely due to increasing demand and increasing complexity of service user needs. As at period 11, the People Directorate was forecasting an overspend at outturn of £16.1m, However, at period 12, following year-end reconciliation of expenditure, income and savings, this variance increased to a total of £31.2m, of which £15m of this movement was within ASC budgets.

2.4. In light of this significant variance occurring within a short reporting period, the former Chief Executive requested a review to be undertaken by Internal Audit to understand what had contributed to this and what action was required for the future to mitigate the risk of reoccurrence.

2.5. Key findings from the review determined there was a misalignment of savings delivery monitoring and reporting between the monthly monitoring data reviewed by budget holders and the Finance Team and the reflection and updating of this information within the Council's financial management system (ERP) from which the financial monitoring reports are generated. Whilst significant mitigation savings were being delivered / on target for delivery by ASC during the course of the year, these were offset by the increasing demand. The resultant issue was not spotted until a reconciliation of actual expenditure/income was undertaken at the end of the year and £11.7m of projected savings was at that point identified as not being "cashable".

2.6. Overall, the Internal Audit review resulted in six recommendations which have been accepted by officers and implementation of these is underway. The recommendations can be found at Appendix 1.

2.7. Included within the six recommendations was one "fundamental" recommendation relating to the reporting of actual expenditure/income in addition to the forecast expenditure/income. This recommendation was implemented in period 6 and reflected in the Quarter 2 Finance Monitoring report presented to Cabinet for the meeting on 19th November. As a direct result of this recommendation being implemented, not only in Adult Services but across all areas of the Council, the projected position from the previous period, in several other areas, shifted significantly. It should be stated, however, that this shift was also reflective of an approach to remove optimism bias in projections. A further four recommendations are rated "significant" and one "requires attention" and work is underway to implement each of these, the majority of which are expected to be fully implemented by the end of Quarter 3.

2.8. During 2025/26 closer collaboration between ASC Service Managers and budget holders and Finance colleagues has resulted in an improved understanding of the end-to-end process, the challenges arising from data transfers between different systems and the resultant impact on accurately forecasting the year-end position. However continued work is necessary to enable both the budget holders and Finance team to have complete assurance of the basis of budget assumptions and the realisation of savings targets.

2.9. Other key changes and improvements underway include;

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

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

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

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

3. Recommendations

3.1 The Committee is asked to;

a. Note with appropriate comment the update provided in this report.

b. Consider future updates to Audit and Governance Committee in 2026/27.

Report

4. Risk Assessment and Opportunities Appraisal

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

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

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

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

5. Financial Implications

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

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

5.2. Current Financial Monitoring reports to Cabinet set out the challenging position of the Council and the pressures on budgets and reserves. Ensuring robust financial monitoring is essential to operating within agreed budgets and taking corrective action where necessary. The implementation of the recommendations arising from the review will support the strengthening of the current financial monitoring process.

6. Climate Change Appraisal

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

7. Background

7.1. Year-end Financial Monitoring for 2024/25 resulted in a significant variance compared to period 11 monitoring for the People Directorate, changing from a forecast overspend of £16.1m to £31.2m. The former Chief Executive subsequently requested for a review to be undertaken by Internal Audit to ascertain the reasons and identify mitigations against reoccurrence.

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

7.3. Appendix 1 details the six recommendations following the review; of which one was rated “fundamental”, four rated “significant” and one “requiring attention”. All six recommendations are in progress and implementation of the “fundamental” recommendation, took effect from Quarter 2 in the current year. This recommendation relates to the reporting of actual expenditure/income alongside projections within the financial monitoring reports and as can be seen from the Quarter 2 Financial Monitoring report presented to Cabinet on 19th November, actual expenditure/income is now included. The recommendation has, in practice, been applied to all areas of the Council, not just Adult Services.

7.4. Adult Social Care is a complex service area, providing support to Shropshire’s residents whose needs can vary significantly in complexity. Furthermore, the support required for some service users is not always solely the responsibility of the Council. Care packages can be funded through contributions from multiple sources, including Health and the service user themselves, which are often subject to various legal contracts and negotiations. Inevitably this builds in a degree of unpredictability into the financial monitoring projections, which can only be a reasonable best estimate based on the information available. Budgets comprise of expenditure and income and in light of increasing demand, inflationary pressures plus insufficient grant funding, savings targets have been necessary to support the Council to set an overall balanced budget.

7.5. Monthly financial monitoring of budgets and savings targets took place during 2024/25 between ASC budget holders and the Finance Team. In year monitoring comprised of information from multiple systems and spreadsheets which showed that significant mitigation savings were being delivered by ASC, plus it also showed the increasing demand pressures on the service budgets. Projections based on this information were reflected within the Council’s financial management system (ERP), which forms the basis of financial monitoring reports produced for Leadership Board and Cabinet. During the year People Directorate budgets reflected a projected overspend to year-end and at period 11 this was estimated to be £16.1m. Following a reconciliation of actual expenditure/income undertaken at year-end, it was discovered that £11.7m of savings for ASC were not actually “cashable” and that in-year mitigation savings realised were largely offset by the increase in demand pressures. The resultant impact of this and other “actuals” that came to light, was a £31.2m overspend for the People Directorate and the need to utilise financial reserves to offset this variance.

7.6. Subsequently Internal Audit undertook their review during the summer and presented the above-mentioned recommendations. Alongside progression of these recommendations, both teams have continued to evolve the budget and savings monitoring process to improve understanding and accuracy of the information, including the actions highlighted in paragraph 2.8. This work will continue during the coming year and also support the budget setting process for 2026/27.

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

8. Conclusions

8.1. Implementation of the recommendations is underway and anticipated to be complete during the current year.

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

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

Financial Outturn 2024/25 Council 17th July 2025

Local Member:

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

Appendices [Please list the titles of Appendices]

Appendix 1 – Recommendations and Management Action Plan