



Committee and Date

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Item

Public



Capital Strategy 2025/26 In-Year review

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1. Synopsis

- 1.1 Further to the adoption of the Capital Strategy by Council in February 2025, this report provides an update on the on-going review by Cabinet of the Capital Strategy and the current Capital Programme following the change in Administration and the declaration of the Council's financial emergency on 10th September 2025.
- 1.2 The review has sought to prioritise those capital schemes which improve the Council's financial position across the Medium-Term Financial Strategy and/or enables maximisation of external funding opportunities.
- 1.3 Key principles of the review include;
 - Ensuring the Council can meet its operational and statutory compliance responsibilities.
 - Prioritise income generating projects; both those which generate on going revenue income but also those which generate a capital receipt for the Council.
 - Prioritise revenue reduction projects that support the Council to reduce annual running costs.

- Pause / reconsider projects where the financial implications add an unsustainable revenue pressure to the Council's budgets and effectively increase the need for exceptional financial support from the Government.
- Maximise Government and other grant funding to ensure Shropshire's residents continue to benefit from opportunities to improve services but at a minimised direct cost to the Council.

1.4 Schemes in the current capital programme that require direct investment by the Council have been reviewed and Appendix A sets out the next steps for these. The review will continue during the next few weeks, and a final position will be presented to Council for consideration in February 2026 as part of the budget setting process.

1.5 In addition, priority schemes within the current Capital Strategy have also been reviewed and all previously identified projects requiring direct council investment are proposed to be paused for the short term, pending further due diligence during 2026/27, with the exception of those identified in Appendix B. Updates and proposed next steps for the paused schemes will be presented to Cabinet and Council meetings during 2026/27, with a view to either removal or incorporation into the Capital Strategy.

1.6 During 2026/27 acceleration of the Council's asset disposal programme is required alongside an overall review of all council owned and leased assets to determine how best they can support a return to financial stability. The findings from the review, alongside key principles as set out above and also the public budget consultation feedback will shape the forthcoming Capital Strategy for the Council, with a view to creating a 5-year programme that supports the generation of income for the Council and / or a reduction in expenditure. This will be presented to Members during the year in order to inform 2027/28 budgets and where possible to make financially advantageous decisions during 2026/27. It is recognised that potential impact on partner organisations including the voluntary and community sector and multi-agency partnership working would need to form a key consideration including within future impact assessment of specific asset disposals where relevant. The latest capital receipts forecast is attached at Appendix C.

2. Executive Summary

- 2.1. Following the May 2025 elections, Shropshire Council is moving in a new direction, with a new Liberal Democrat administration which is committed to building a Council that values its residents and staff, delivers services with pride and respect, and operates with transparency and strong financial discipline.
- 2.2. Subsequent to the LGA Corporate Peer Challenge in July 2025, and following a deterioration in the Council's financial position, Cabinet declared a Financial Emergency on 10 September 2025. This was not an easy decision but was necessary to remediate the Council's deteriorating financial position owing to undeliverable budgeted savings and demand pressures. It is in this context a review of the current Capital Programme and Capital Strategy as approved by Council in February 2025 has been undertaken, focussing on the principles as set out above and effectively providing a stock take in order to develop a sustainable capital strategy which is affordable for Shropshire's residents.

- 2.3. In the context of the Council's financial emergency and the need for exceptional financial support from the Government to set a balanced budget for 2026/27, it is essential that all council funded capital investment is made in line with improving the Council's financial position or is limited to operationally essential projects. The Council will however continue to progress projects which are fully externally funded.
- 2.4. Cabinet have undertaken a review of the current 2025/26 Capital Programme, as approved in February 2025 and next steps for the schemes are identified in Appendix A. Priority schemes in the current Capital Strategy have also been reviewed and a limited number of these are proposed to be included in the 2026/27 capital programme; these are limited to ensuring the ongoing operations of the Council or meeting the Council's statutory compliance (health & safety) responsibilities and are shown in Appendix B. This review is ongoing and any further changes will be presented to Council for consideration in February 2026 as part of the budget setting process and will also incorporate feedback from the current public consultation, which is intended to shape the future direction of the Council's Capital Strategy. Appendix C provides an updated forecast of capital receipts.

3. Recommendations

That Cabinet:

- 3.1. Approve progression of next steps as identified in Appendix A for Council funded capital schemes within the Capital Programme.
- 3.2. Approve progression of next steps as identified in Appendix B for Priority schemes within the Capital Strategy.
- 3.3. To commence work in Quarter 1 of 2026/27 on an accelerated review of all Council owned and leased land and building assets, in order to inform a refreshed Capital Strategy for the next 5 years which is aligned to enabling financial stability for the Council.

Report

4. Risk Assessment and Opportunities Appraisal

- 4.1. The monthly financial monitoring report for 2025/26 presented to Cabinet have detailed the challenging projected revenue position for the Council, this includes the financial implications of approved capital schemes in the Capital Programme. The ongoing review of current capital schemes provides an opportunity to alleviate financial pressures and accelerate financial benefits where possible and appropriate.
- 4.2. The review of the Capital Strategy provides an opportunity to ensure that the Council uses its ability to invest in the long term to support the delivery of the Medium-Term Financial Strategy and create an investment plan that meets the needs of Shropshire's residents.

- 4.3. A refreshed Capital Strategy that is focussed on reducing the need for exceptional financial support from the Government in future years creates the opportunity to enable the Council to return to a financially stable position sooner. Prioritising income generating and revenue reducing projects will enable the Council to maximise the use of its limited financial resources.
- 4.4. For individual asset disposals, whilst the opportunity arises to realise a capital receipt, it is equally important to give consideration to the potential impact on other partners including multi-agency partners, voluntary and community sector partners and the wider community when decisions are made as decisions may pose a risk to joined up working to support Shropshire's residents.

5. Financial Implications

- 5.1. Shropshire Council continues to manage unprecedented financial demands and a financial emergency was declared by Cabinet on 10 September 2025. The overall financial position of the Council is set out in the monitoring position presented to Cabinet on a monthly basis. Significant management action has been instigated at all levels of the Council reducing spend to ensure the Council's financial survival. While all reports to Members provide the financial implications of decisions being taken, this may change as officers and/or Portfolio Holders review the overall financial situation and make decisions aligned to financial survivability. All non-essential spend will be stopped and all essential spend challenged. These actions may involve (this is not exhaustive):
 - scaling down initiatives,
 - changing the scope of activities,
 - delaying implementation of agreed plans, or
 - extending delivery timescales.
- 5.2. The Capital Programme and Capital Strategy will continue be reviewed and an update presented to Council in February 2026 as part of the budget setting process.

6. Climate Change Appraisal

- 6.1. Determination of the updated prioritised capital schemes will include consideration of the climate impact of individual projects and contribution to the Council's objective of net-zero corporate carbon performance by 2030.

7. Background

- 7.1. In February 2025 Council considered and approved the Capital Strategy for 2025/26-2029/30 as part of the budget setting process, which included the schemes incorporated in the current capital programme and reflected the previous Administration's priorities.
- 7.2. Following the May 2025 elections, the new Liberal Democrat Administration has set a new direction for the Council and subsequently on 10th September 2025

declared a financial emergency. This report reconsiders the position approved by the previous Administration and identifies next steps for existing capital schemes.

7.3. Revenue implications of the capital programme are reflected in current budgets and the draft 2026/27 Medium-Term Financial Strategy. However as reported to Cabinet within the monthly financial monitoring reports the Council's current projected revenue position is of significant concern and has also resulted in significant pressure for future years, therefore a review of the capital programme and priority schemes in the current Capital Strategy has been undertaken by Cabinet in line with the following principles;

- Ensuring the Council can meeting its operational and statutory compliance responsibilities.
- Prioritise income generating projects; both those which generate on going revenue income but also those which generate a capital receipt for the Council.
- Prioritise revenue reduction projects that support the Council to reduce annual running costs.
- Pause / reconsider projects where the financial implications add an unsustainable revenue pressure to the Council's budgets and effectively increase the need for exceptional financial support from the Government.
- Maximise Government and other grant funding to ensure Shropshire's residents continue to benefit from opportunities to improve services but at a minimised direct cost to the Council.

7.4. Schemes in the current capital programme that require direct investment by the Council have been reviewed and Appendix A sets out the next steps for these. The review will continue during the next few weeks, and a final position will be presented to Council for consideration in February 2026 as part of the budget setting process.

7.5. In addition, priority schemes within the current Capital Strategy have also been reviewed and all previously identified projects requiring direct council investment are proposed to be paused for the short term, pending further due diligence during 2026/27, with the exception of those identified in Appendix B. Updates and proposed next steps for the paused schemes will be presented to Cabinet and Council meetings during 2026/27, with a view to either removal or incorporation into the Capital Strategy.

Capital Receipts Forecast

7.6. Since the Period 7 Financial Monitoring Report presented to Cabinet in November, the capital financing requirements have been reviewed to reflect anticipated slippage of current capital schemes and an updated position on asset disposals. A capital receipts forecast is therefore presented at Appendix C. This shows the current anticipated shortfall in-year is approximately £0.7m, however this position will continue to fluctuate over the coming weeks based on progress of capital schemes and associated expenditure. For 2026/27, based on the anticipated level

of “green” disposals, there is an anticipated surplus balance of £2.5m, however this does not take into account financing requirements for the limited number of capital schemes showing in Appendix B that are proposed to be progressed. Work to analyse the anticipated timing of capital receipts and finalise the costings is still on-going and will be presented within the February budget setting reports.

- 7.7. Use of capital receipts also includes the funding of transformation activity across the Council. To date this has included the work undertaken by PWC, the capitalisation of project specific staff time, and the capitalisation of voluntary and compulsory redundancy costs. These costs would otherwise be chargeable to revenue budgets, but are a legitimate use of capital receipts, however, in order to mitigate the risk of a shortfall in capital receipts to enable funding of the estimated £13.3m for 2025/26 transformation spend, a total of £10m has been included within the Council's 2025/26 application for exceptional financial support submitted in December 2025. Should the Council be successful in its EFS request for 2025/26, the forecast use of capital receipts will be adjusted accordingly.
- 7.8. For 2026/27 onwards, it can be seen that the Council is heavily reliant on the timing of future capital receipts in order to meet funding commitments, a timing difference in realisation of capital receipts would result in a short term need to incur borrowing until such time the assets disposals take place, however in the context of the Council's financial emergency and need for exceptional financial support, it may be necessary to pause live projects over the coming year in order to manage this timing difference. It is essential therefore that the Council accelerates its asset disposal programme with the aim of 1) preventing a timing difference in the use of capital receipts for current schemes and 2) to enable consideration of a capitalisation direction request to the Government to convert capital receipts to revenue resources. This would improve the currently depleted General Fund Balances, as reported in the monthly financial monitoring reports, which would otherwise need to be met from borrowing and form part of the necessary exceptional financial support from the Government.

External Funding

- 7.9. Ensuring the Council continues to seek external funding opportunities and fully and efficiently utilises Government grant allocations will continue to be a priority and proactively the Council will seek to develop a pipeline of projects to enable grant applications to be made as funding opportunities arise. Such projects will continue to be subject to robust due diligence to ensure the costs to the Council of construction and on an ongoing basis are kept to a minimum and are affordable.
- 7.10. The Annual Infrastructure Funding Statement for 2025 was presented to Cabinet in December 2025, this is a key funding source for significant capital projects across Shropshire. In addition to details on the value of CIL and Section 106 contributions, the statement also provided a list of infrastructure projects for which allocations have been made and also a list of future projects which would benefit from future developer contributions. As stated in the report, the list of potential future projects will continue to be kept up to date.
- 7.11. In November Cabinet received the Phase 4 Educational Place Planning report which outlined 13 projects for approval totalling £24.5m with a recommendation to Council as part of the February budget setting process to approve CIL funding allocations accordingly. Appendix A provides a summary of the funding, of which

£24.1m is from external funding sources and £0.4m from ring-fenced capital receipts. Appendix D provides a summary of projects for the phase 4 programme.

- 7.12. In November the Department for Transport (DfT) announced Highways Infrastructure funding allocations for 2026/27 to 2029/30. The Council will receive £34.7m funding in 2026/27, increasing to £49.7m by 2029/30. This funding will support revenue and capital investment in infrastructure schemes and further details on these will be presented within the February budget reports.

Capital Strategy 2026/27-2030/31

- 7.13. In light of the Council's challenging financial position it has been essential to keep to a minimum the Council's direct capital investment for 2026/27 and therefore the proposals set out in this report for current and proposed capital schemes are in line with the principles set out in 7.3 above.
- 7.14. During 2026/27 further due diligence will be undertaken on the paused schemes in the Capital Strategy, to determine how they should proceed. It is essential decisions to proceed are in line with the principles set out above and the feedback from the current public consultation. Results from the public consultation will be presented as part of the budget setting process and in relation to the Capital Strategy views have been sought to help prioritise the key areas of investment for the future.
- 7.15. Ensuring the Council's capital programme can support the financial stability of the Council is fundamental to reducing the need for exceptional financial support in future years. In December Council received a report on the strategic review of Shirehall, which will aid determination of the next steps and opportunities to generate an income whether capital or revenue for the Council. It is necessary for the Council to accelerate its review of all other council owned assets during 2026/27, alongside the leases which the council has entered into for other land and building assets to deliver operational services. This will help determine how these assets can best aid the Council's return to financial stability alongside serving the best interests of Shropshire's residents and businesses. The findings from this review will inform the future capital strategy, with a view to creating a 5-year plan of investment that enables the Council to eliminate the need for exceptional financial support.

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

Financial Strategy 2025/26 - 2029/30 – Council 27th February 2025

Education Place Planning Phase 4 – Cabinet 19th November 2025

Finance Monitoring Period 7 – Cabinet 3rd December 2025

Annual Infrastructure Funding Statement 2025 – Cabinet 3rd December 2025

Local Member: A//

Appendices

Appendix A: Cabinet review of Council Funded Capital Programme schemes as at February 2025 and next steps

Appendix B: Cabinet review of priority schemes within the Capital Strategy as at February 2025 and next steps

Appendix C: Capital receipts forecast

Appendix D: Phase 4 Educational Space Planning Projects
