Committee	Cabinet 18th November 2026
Date and Time	Finance & Improvement Scrutiny 30th November 2026
	Public

Financial Monitoring Report Quarter 2 2026/27

Cabinet Member:	Councillor Roger Evans – Portfolio Holder for Finance
Lead Director:	Duncan Whitfield, Section 151 Officer
Service Area:	Finance
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Electoral Divisions Affected	All / Name of individual Electoral Division(s)
Key Decision?	Key
Cabinet Forward Plan	Yes – 12th May 2026
Report considered by	*List any Committees the report has been to **prior** to the final committee INSERT COMMITTEE AND DATE (don't list any **future** committee dates here)*

1 Purpose of Report

1.1. The purpose of this report is to provide Members with an update on the Council's quarter two financial position for the current financial year 2026/27 and to report the latest revenue and capital budget forecasts.

1.2. The report highlights the main variations from budgets, identifies emerging financial risks and pressures, and outlines the actions being taken to manage these within the approved budget approved by Council in February 2026.

1.3. It also provides assurance on the effectiveness of budget monitoring arrangements and enables Cabinet to assess the Council's progress in delivering a balanced budget whilst maintaining essential services and achieving the objectives set out in the Medium Term Financial Plan.

2 Recommendations

2.1. It is recommended that Cabinet:

A. Support the Q2 favourable revenue outturn forecast of £0.051m.
B. Support the significant adverse variation forecast for Children's Services and the mitigations in place to contain and reduce this over the remainder of the financial year.
C. Instruct the Chief Executive and s151 Officer to continue to take all necessary steps to ensure that directorates remain within their budgets and appropriate mitigating action are taken where adverse variations are arising.
D. Support the forecast level of savings achieved of £4.052m to date and £5.368m to be delivered by the end of the financial year.
E. Support the forecast General Fund Balance as at 31 March 2027 of £15.051m and the strategy to continue to restore this balance over time.
F. Note work in progress through the officer led Budget, Transformation and Change Panel (BTCP) and Workforce Review Board to give provisional approval to projects designed to transform the Council, achieve further savings and to rebuild capacity and capability, subject to further oversight by Cabinet and the Finance and Improvement Scrutiny Committee.
G. Approve the provisional allocations of transformation funds to date of £3.532m for 2026/27.
H. Support the Capital programme and forecast outturn position at quarter 2.
I. Approve the adjustments necessary to the Capital Programme.
J. Approve the Revenue and Capital budget virements as set out in Appendix B and D.
K. Agree that a provisional Q3 report will be submitted to Cabinet in January 2027, based on period 8 actuals as adjusted for more current information.

3 Background and Overview

3.1. The Council approved the budget for 2026/27 and Financial Strategy 2026/27 – 2030/31 on 26 February 2026. This outlined the revenue and capital budgets for 2026/27 and set Council Tax for the year.

3.2. The 2026/27 budget is supported by up to £121m of Exceptional Financial Support (EFS) that was approved by MHCLG in principle subject to an independent review commissioned by them. This review was carried out by CIPFA between April and May and subsequently led to a Non Statutory Best Value Notice being issued MHCLG in August.

The Council's application for EFS was necessary due to the significant financial pressures facing the Council and the inability to deliver a balanced budget. This was due principally to significant structural deficits in departmental budgets and undeliverable savings established within the previous budget set in February 2025. This position had been compounded by pressures building over a number of years and the serious reduction in the level of reserves and balances.

3.3. In July 2026, Cabinet received an updated MTFP report which identified three options being the best, worst, and most likely case of the financial position looking forwards on the basis of revised assumptions. A further update is being presented to Cabinet at this meeting.

Importantly, the previous update of the MTFP set out a revised EFS requirement for 2026/27 of around £87m, £34m less than the original requirement. This revised estimate is dependent on delivering a balanced outturn position for 2026/27 against the departmental and corporate budgets. This report forecasts a positive outturn position with a small surplus of £0.051m. This position contains a number of significant variations that should be expected in a year of stabilisation for the financial affairs of the Council as budgets have been reset and financial management arrangements enhanced.

3.4. However, a number of positive variations are overshadowed by significant adverse budget variations within Children's services. The extent of the variation, which continues to be subject to service demand and price pressures, creates a special risk to the Council's overall financial position, The Chief Executive has established a Children's Service Budget Recovery Board chaired by the s151 Officer to give clear oversight of the causes of the variation and the actions being taken to prevent further forecast variations and to reduce the scale of the current forecast.

3.5. While Children's Services remains the biggest single risk at present to achieving a balanced outturn, this report is for only the first half of the year. The Council will remain conscious of any unforeseen events or activity which, as they arise, will need further mitigations. These include any impacts arising from, for example, winter pressures on the Adult Social Care.

3.6. Monthly revenue budget monitoring reports are presented to Leadership Board to enable appropriate actions to be taken to support the Council keeping within the budget allocation. Quarterly updates will continue for Cabinet. Monitoring arrangements continue to be enhanced and budget accountability statements will be introduced across the Council in the second half of the year. Financial training programmes continue to be developed with external support from CIPFA.

3.7. The Capital budget is reporting a balanced position at quarter 1 however there has been a net budget increase of £5.654m for 2026/27, compared to the revised budget at Quarter 1. The budget increase is due to changes in funding and reprofiling of schemes within the capital programme.

4 Forecast Outturn Position as at Quarter 2

4.1. At Quarter 2 (1st April – 30th September), the Council is reporting an overall forecast favourable variation for 2026/27 of £0.051m against the approved budget of £489m. At this time this position is considered by the s151 officer to be reasonable although requiring careful management throughout the rest of the year. He is also minded that 2026/27 remains a year of stabilisation for the Council as departmental budgets are reestablished at appropriate levels to reflect the costs of actual demand for services.

4.2. Summarised departmental positions are set out in Table 1; details of the variances are set out below.

Table 1 – Quarter 2 Forecast Outturn by Service Area

Service Area	2026/27 Budget £'000	YTD Actuals £'000	2026/27 Forecast Outturn £'000	Forecast Variance (Favourable) / Adverse £'000
Care & Wellbeing	169,704	106,463	169,921	217
Children & Young People	133,106	134,071	141,985	8,879
Commissioning	12,070	6,061	11,590	(479)
Communities & Customer	11,848	4,258	11,633	(215)
Enabling	1,007	(4,679)	836	(171)
Executive Management Team	299	(216)	176	(123)
Infrastructure	27,481	12,867	26,689	(791)
Legal & Governance	3,494	(2,110)	2,497	(996)
Pensions	248	1,541	248	0
Place Shaping	45,059	25,761	41,909	(3,149)
Public Health - Non-Ringfenced	2,458	2,008	2,452	(6)
Public Health – Ringfenced	334	7,472	334	0
Section 151 – Finance	6,399	14,189	5,645	(754)
Strategy	1,030	813	894	(136)
Service Delivery Budgets	**414,535**	**308,499**	**416,809**	**2,274**
Corporate Budgets	50,208	6,309	50,410	202
Debt Management Costs	24,416	7,756	21,889	(2,527)
Grand Total:	**489,159**	**322,563**	**489,108**	**(51)**

4.3. It is recognised that the 2026/27 budgets are only achievable with significant support from government in the form of EFS. This represents the facility for the Council to borrow for revenue purposes. For 2026/27, the Council's requirement for EFS is one of the highest in the country and cannot be sustained at the current levels, not least given the cost of financing the additional debt each year. There is therefore a critical need to reduce the Council's cost base while maintaining statutory services at least at minimum levels. The Council is also aware that many discretionary services are supportive of statutory requirements and cannot simply be reduced without some side effects on statutory provisions.

4.4. It is noted that this forecast position is achieved despite a significant overspend within Children's Services of £8.879m including additional pressures on Home to School Transport of around £2m. Mitigations are in place to contain and to reduce these variations and support being made available through the Local Government Association (LGA), the Improvement Board and through peer challenge.

4.5. Adverse Variations are being offset currently by a number of favourable variations, including Finance and Governance, Place Shaping and Corporate Budgets, including debt financing. the most significant within Place Shaping and Finance and Governance. Corporate Budgets also report a positive position at this time. Many of these savings represent the impact of difficulties in rebuilding capacity and capability for which provision was made within the 2026/27 base budget (e.g. revenues and benefits). These delays are due to a number of factors, not least shortage of availability in various labour markets. Work continues to fill these gaps and it is still

expected to complete these recruitments, although in some cases using different models. Therefore, these positive variations will not be available indefinitely.

4.6. At this time, there are a number of transformation projects and programmes that have been agreed in principle to proceed subject to the finalisation of detailed plans and financial costs and benefits. Some of these projects (e.g. Children's Services Adults Services) span a number of years and will take some years to yield financial benefits. The total transformation funding committed for 2026/27 as at Quarter 2 is £3.532m and contained within transformation funding identified within the base budget. Any unallocated transformation funds at the end of the year will be subject to review at the end of the financial year with a view to retaining funds for future years, reducing calls on EFS or returning to earmarked reserves.

4.7. Departmental commentaries of the main variations from budget as at Quarter 2 are detailed below:

Care & Wellbeing

4.8. Care & Wellbeing remains broadly within budget with a minor variance to budget at Period 6 of £0.217m overspend. This is mainly driven by purchasing within Adult Social Care Operations, which is being offset by underspends across some services, mitigations, staff vacancies and income This position includes growth and built in assumptions on winter pressures included in the budget. A range of mitigating actions have been implemented to manage these pressures to stay within budget and maintain financial stability, enabling the service to remain on track against its budget position. Work continues to develop on the wider transformation programme some of which are currently in progress and supporting the current forecast position.

Children & Young People

4.9. The Children & Young People forecast spend over budget position at Period 6 is reported as a total adverse variation of £8.879m. The Children and Young People's Budget is made up of services across Children's services which includes Early Help, Children's Social Care including the cost for children who are in our care, SEND and education services including Home to School Transport. The budget for Children's Social Care is £98.8 million but projecting an overspend of £6.021m. The single largest contributing factor is the increase in External Residential placements and related costs which is reporting £7.363m overspent. The increase is directly related to a sufficiency deficit in foster placements, especially for younger children with more complex needs. This is a national challenge. Whilst we have increased significantly our foster carer numbers over the last 2 years, we still need more, especially those with the skills and experience to support children with more complex needs.

4.10. Work is currently underway, with external support and challenge , to review the cohort of children in care whilst developing a programme of work focussed on the outcome of children living at home, including a range of activities aimed at strengthening the way we work with the market to achieve best value. This is built around a significant project plan, integrated within the Children's Transformation plan, that focuses on the development of the commissioning service and working with the fostering and residential market to improve placement sufficiency. As a result of the increasing overspend a Children's Services Recovery Board has been set up which meets weekly to oversee the strategy to curtail costs in the current financial

year and transformation plans to mitigate future years budget pressures and reduce costs overall. Further mitigation actions include making improvements to the tracking and oversight of permanence plans and ensuring that they are accurately costed and projected, including a detailed review of every child in residential care, ensuring there is an accurate financial projection. Alongside this the Commissioning Team are working with providers to address additional spend factors, such as additional staffing requests when complex behaviours are present.

4.11. In Q2 2026, 11 children stepped down from external residential homes; 1 moved to supported accommodation, 4 children went home and 4 children moved from external residential to internal children's homes. In addition, 2 children became 18 years old, which reduces the forecasted cost to Children's Social Care of £1.868m.

Commissioning

4.12. The Commissioning service budgets include Leisure services, Commissioning Development & Procurement, bereavement services, business support, insurance, and armed forces support. Overall, the budget is forecasting an underspend at Period 6 of £0.479m however there are a number of variances within this position. A shortfall on expected income exists from purchasing rebates as a result of changing providers, however this has now been offset by cost savings in agency placements across services in the Council. Growth to remove the income budget for the purchasing rebate has been built into the 2027/28 budget. Another shortfall of income relating to the swimming pool closure at Market Drayton of £0.109m, is offset by underspends on grounds maintenance and utility costs across various leisure facilities of £0.368m. The remaining underspend of £0.443m against budget relates to staff salaries across the service areas.

Communities & Customer

4.13. The Communities and Customer service budgets include Housing services, Libraries, Museums, Corporate Records Management, Shropshire Archives Service, Theatre Services and Customer Services. Overall, the budget is forecasting an underspend of £0.215m, however there are a number of variances the most significant of which are Theatre Services £0.205m favourable due to better income performance than budgeted, Housing Services £0.171m favourable which is the net position after some pressures from increasing presentations of homeless people recorded here. These are offset by adverse variances in Libraries, Museums and Archives which include £0.100m of additional storage costs regarding museum storage. The savings target for this directorate was £0.422m of which £0.143m is outstanding: £0.050m in Museums and £0.093m in libraries. Service reviews are ongoing for libraries and museums to Support options for delivery of savings on a permanent basis.

Enabling

4.14. The Enabling service area includes Training & Development, Technology, Human Resources, Recruitment and Payroll, Health & Safety and Personal Assistants. The overall Period 6 underspend forecast is £0.171m under budget however there are variances within this position. Pressures on the budget identified include renewal of the ERP contract, reduction of forecasted income from external clients, and overspends across IT hardware, software licences, maintenance and support and

other supplies and services. This is being offset by underspends across multiple services on staffing.

Executive Management Team

4.15. The Executive Management Team is currently forecast to be £0.123m under spent against budget for the year. This mostly relates to periods in the financial year where vacant positions were held. These have now been filled and assumed in the monitoring position.

Infrastructure

4.16. The Infrastructure forecast spend under budget position at Period 6 is reported as £0.791m. This includes variances across the area including adverse variances relating to the extension of the Kier contract, and the delayed implementation of the car parking prices increase following the requirement for consultation. These are offset by favourable variances for devolution in street cleansing and grounds maintenance, increase income assumptions in Streetworks, and spend below budget on concessionary fares and staffing costs.

Legal & Governance

4.17. The Legal & Governance service area includes Business and Consumer Protection, Registrars and Coroners, Democratic Services, Elections, Legal Services, Policy & Governance, Overview & Scrutiny, and Feedback and Insights. Overall the service is forecasting to be £0.996m under budget as at Period 6. The vast majority of the variance relates to spend under budget against staffing across Policy & Governance, Business and Consumer Protection and Legal Services.

4.18. Recruitment is actively underway across these areas. A number of posts require specialist professional skills and experience and, in some areas, the Council is operating in particularly challenging recruitment markets where there is significant competition for suitably qualified people and material differences in market pay. The service is therefore taking a proactive and flexible approach to recruitment, exploring different routes to market, strengthening how opportunities are promoted and engaging directly with potential candidates. The focus is not simply on filling vacancies, but on attracting and appointing high-quality people with the skills, experience and approach needed to strengthen services and meet the Council's current and future challenges.

Place Shaping

4.19. The Place Shaping service area brings together Assets and Estates, Economic Growth and Strategic Partnerships, Planning and Building Control, Waste Management and Climate Change. At Quarter 2, the service area is forecasting an underspend of £3.149m against a revised revenue budget of £45.059m. This reflects a combination of expenditure controls, vacancy management, income performance and timing differences across the services. The largest variance in this service area relates to Waste management where the forecasted position includes favourable variances against budget on the PFI contract due to inflationary assumptions from the prior year being higher than anticipated, and greater grant income assumptions. A large proportion of the remaining underspends relates to vacancy management

across multiple services. The position will continue to be monitored throughout the year.

Finance

4.20. The Finance directorate includes Finance and Revenues and Benefits. At Quarter 2, the overall directorate is forecasting an underspend of £0.754m, comprising £0.084m within Finance and £0.671m within Revenues and Benefits. The Finance underspend is mainly due to staffing vacancies, offset partially by agency spend. Revenues and Benefits is reporting a £0.500m staffing underspend, due to recruitment proving to be challenging. Agency quotes have been provided due to recruitment delays. In addition, income is £0.137m above budget following receipt of DWP funding, which was not known at the time the budget was set.

Strategy

4.21. The Strategy forecast spend under budget position at Period 6 is reported as £0.136m.

4.22. This position is due to time taken to recruit to budgeted posts (£0.243m) offset by a shortfall in commercial services of £0.100m. There is likely to be an increase in expenditure for programme management as we utilise additional interim capacity to support transformation programme delivery in the short term. Recruitment has also been completed in the BI and Feedback & Insights Teams, meaning increased expenditure on those budget lines over the next periods.

Corporate Budgets

4.23. Corporate service budgets include all income budgets that support the revenue budget, including Council Tax, Revenue Support Grant, Specific and s31 Grants, internal market budgets, external audit costs, pension costs, PFI, transformation and capital financing (inc. MRP).

4.24. There are a number of minor variations across the budget including additional costs relating to external audit.

4.25. The transformation budget £15m is included within the Corporate Budget but, as set out below, remains subject to significant activity and detailed proposals. Indicative commitments received to date by BTCP for 2026/27 amount to approximately £3.532m and will continue to be monitored closely.

4.26. The current forecast assumes the full budget for transformation will be used by the end of the financial year. In the event that the budget is not fully required, the shortfall will be available to reduce the Council's ESF request.

The budget included a savings target of £5m however during quarter 1 this was increased to £5.7m due to additional savings identified. As at quarter 2, savings delivery is reporting an adverse variance of £0.393m with mitigating actions being sought with the expectation they will be delivered in full by the end of the financial year.

Debt Management Costs

4.27. Debt Management Costs include the budgets relating to Treasury Management, which is the interest received on cash balances held and any principal and interest payments provided for on outstanding debt held by the Council.

The Debt Management Costs budget is showing an underspend of £2.527m as at Quarter 2, which is due to delayed and reduced PWLB borrowing as a result of a reduced requirement for Exceptional Financial Support in 2026/27 than originally budgeted for in 2026/27 and the impact of pausing capital projects during the year, which has reduced the effect on available cash balances. Borrowing taken out during the year have been managed through temporary borrowing at lower interest rates than available PWLB rates.

Transformation and Change

4.28. The 2026/27 budget approved by Council in February 2026 included a base budget provision of up to £15m to support service transformation that will help enable a reduced reliance on EFS over the Medium Term Financial Plan period. The July MTFP considered a reduction in the transformation funding to £10m to reduce the EFS requirement.

4.29. Governance arrangements for approving transformation funding are managed through the Budget, Transformation and Change Panel (BTCP), which meets weekly to ensure value for money, improve outcomes, reduce risk and deliver budget savings and will be subject to separate reports to Cabinet and Finance and Improvement Scrutiny Committee for oversight and agreement.

4.30. As at Quarter 2, £3.532m has been committed against the transformation funding for 2026/27.

Savings

4.31. The base budget for 2026/27 estimated savings of £5m. To date, £5.7m has been identified. Indirectly, this reduces the call on EFS for 2026/27 and will be incorporated, subject to any variations before the end of the end of the financial year.

4.32. Details of the savings are set out in Appendix A and Table 2 of which 93% is forecast to be delivered by the end of the financial year.

4.33. The reason for the shortfall in forecast savings is set out below:

Table 2 - Savings delivery by Service Area

Service Area	Savings Target (£'000)	30th September Forecast Delivery (£'000)	30th September Forecast Delivery (%)
Care & Wellbeing	3,675	3,675	100
Commissioning	379	379	100
Communities & Customer	422	279	66
Infrastructure	650	400	62
Legal & Governance	10	10	100

Place Shaping	500	500	100
Section 151 – Finance	125	125	100
Total Savings	**5,761**	**5,368**	**93**

Reserves and General Fund Balance

4.34. The Council's total reserves are projected to be £49.583m as at 31 March 2027, as set out in Appendix 3. The Council holds both earmarked reserves and a General Fund Balance. At the start of 2026/27, earmarked reserves totalled £25.113m, excluding school balances, and the General Fund Balance was £5m. Earmarked reserves are held for specific purposes and generally cannot be used for other purposes without affecting the delivery of Council commitments.

4.35. The Councils General Fund Balance (GFB) as at 31 March 2026 was £5m, subject to any changes which may occur during the audit of 2025/26 accounts. The 2026/27 budget included a contribution to reserves of £42.675m in 2026/27 to replenish reserve to a moderate level considered the required level at that time.

4.36. During Quarter 1, the Council reviewed its current financial position, year-end forecast and associated financial risks. The draft MTFP presented to Cabinet on 8th July included the Quarter 1 risk assessment and proposed deferring the full 2026/27 transfer to reserves by £32.675m. Subject to delivery of the in-year budget, this revised strategy would increase the General Fund Balance to £35m by 2028/29. It would also defer the occurrence of debt financing costs to pay for the accumulation of those balances.

4.37. The updated reserves position is summarised in the table below and in Appendix C.

Table 3 – General Fund Balance

General Fund	£'000
Balance as at 1st April 2026	5,000
Budgeted Contribution as agreed in revised MTFP presented to Cabinet in July 2026	10,000
Budgeted General Fund Balance as at 31st March	**15,000**
2026/27 projected outturn position	51
Balance as at 31 March 2027	**15,051**

Capital

4.38. The current capital programme and actual spend is detailed in Table 4 below, including updated projections on financing of the programme. Further detail is provided in Appendix D.

Table 4 – Capital Programme as at Quarter 2

Service Area	2026/27 Revised Capital Programme (£'000)	2026/27 Actual Spend (£'000)	2026/27 Proportion of Budget Spent (%)	2027/28 Capital Programme (£'000)	2028/29 Capital Programme (£'000)
Care & Wellbeing	162	21	12.82	0	0

Children & Young People	20,659	4,683	22.67	16,339	11,700
Commissioning	2,256	1,806	80.04	790	0
Communities & Customer	11,894	4,749	39.93	7,827	4,500
Enabling	2,846	1,243	43.69	2,480	1,610
Infrastructure	63,940	15,176	23.73	59,747	57,084
Place Shaping	18,090	7,430	41.07	11,825	1,500
Strategy	0	0	0.00	0	0
Total	**119,847**	**35,108**	**29.29**	**99,009**	**76,394**
Housing Revenue Account	20,036	2,169	10.83	33,688	17,621
Total Capital Programme	**139,883**	**37,277**	**26.65**	**132,697**	**94,015**
Financed By*:					
Borrowing	11,276			16,218	5,121
Government Grants	90,993			87,036	66,879
Other Grants	387				
Other Contributions	11,390			2,385	5,435
Revenue Contributions	7,151			4,780	3,000
Major Repairs Allowance	5,000			5,000	5,000
Capital Receipts	13,686			17,278	8,580
Total Financing	**139,883**			**132,697**	**94,015**

4.39. Capital schemes within the capital programme are monitored on a regular basis and at Quarter 2 the forecast outturn against budget is a balanced position.

4.40. A review of the capital programme took place as part of setting the 2026/27 budget and a number of projects was paused and approved by Council. A number of the projects paused had incurred expenditure in previous years which has not yet been written out of capital expenditure to revenue.

4.41. The Capital budget is reporting a balanced position at quarter 2 however there has been a net budget increase of £5.654m for 2026/27 during Quarter 2 in relation to the reprofiling of capital grants and additional grants and contributions received towards schemes in the year. Further details are set out in Appendix D.

4.42. The current capital programme assumes a level of capital receipts to finance the capital programme. Appendix E summarises the current capital receipt position and highlights the need to identify further assets for disposal in future years to contribute to the funding of the capital programme.

Housing Revenue Account (HRA)

4.43. The 2026/27 HRA budget sets out a planned net deficit of £2.072m, representing a net draw on HRA reserves. The Quarter 2 forecast indicates that at the year-end the HRA will be in a £1.149m deficit position, a favourable variation of £0.923m.

4.44. The main variances from budget include a projected reduction in rents received due to the 62 new additions to stock that were included as part of the budget not going ahead. This is partly offset by potential savings on supplies and services, however further work will be undertaken during the next period to fully understand spend in

this area to provide more certainty around the expected outturn position. Also given the level of balances held within the HRA and a delay in capital expenditure during the year, interest received on surplus balances is greater than originally budgeted for.

4.45. This has helped to deliver an overall projected surplus on the original budget for 2026/27.

Dedicated Schools Grant

4.46. The overall 2026-27 outturn against centrally retained DSG is forecast to be £40.112m in deficit as at the end of September 26. It should be noted that this figure is the in-year deficit and will increase the year end deficit carried forward from 2025-26 in order to give an overall forecast cumulative DSG deficit position of £45.668m. During October the council received notification that 90% of the DSG deficit will be funded through the High Needs Stability Grant, following successful approval of the SEND Reform Plan, and this has been taken into account leaving a cumulative deficit of £45.668m. This figure is currently managed through a Statutory Override agreed nationally by government for DSG deficits through to March 2028.

4.47. In 2026/27, Shropshire continues to face many of the same budget pressures as other Councils, with sustained high numbers of new requests for EHCPs combined with the ongoing duties for children and young people with existing EHCPs. There are three main areas of spend over budget, namely an increase in "top-up" funding to mainstream schools and SEND Hubs attached to mainstream schools, increases to state-funded special school funding through increased top-up funding, and further growth in children and young people placed with Independent Providers e.g. Independent Special Schools, Specialist Post 16 Institutions and independent alternative provision. These 3 budget pressures account for £35.606m of the in-year deficit.

4.48. With the increased funding levels to mainstream schools, SEND Hubs and state-funded special schools, the Council is striving to minimise the increase in demand in the independent sector by building capacity in our mainstream settings through investing in SEND Hubs attached to mainstream schools. The number of Commissioned places at these Hubs has increased from 227 to 268 during this financial year. The Council has also been increasing top-up funding to our state-funded Special Schools; Severndale School, Woodlands School and Keystones School.

4.49. A Local SEND Reform plan has been produced as part of the conditions of receiving the High Needs Stability Grant. £1.944m of Experts at Hand SEND Transformation grant funding has been received with the primary purpose of strengthening the capability of mainstream education settings to meet the needs of children with SEND more effectively and inclusively. This is through early identification, closer collaboration between Health and Education, and direct access to professionals such as educational psychologists, speech and language therapists, occupational therapists, and specialist teachers.

5 Key risks and Opportunities

5.1 The 2025/26 Annual Governance Statement set out 12 key strategic risks many of which refer to the financial challenges of the Council. These are set out below together with high level mitigations.

5.2 Below the strategic risks sit departmental risk registers. These contain specific service pressure insofar as they impact of finance. The departmental registers provide the detail necessary to assess the strategic risks. The arrangements for risk management are currently being refreshed and new arrangements reported to Audit and Governance Committee in September.

Risk	Mitigation	Link to Strategic Risk
The Council has reported Limited Assurance on the Internal Audit Control Framework for seven years, limiting confidence in the standards of governance in place within the organisation.	Leadership Board regular reviews the status of audit recommendations and the Statutory Officers Group, introduced in October 2025, further monitors the implementation of Internal Audit recommendations and provides direction as necessary to improve overall responsiveness.	Effective internal control framework
The external auditor felt bound to issue statutory recommendations as part of their annual audit for 2024/25 which cast doubt on the integrity of the Council's value for money arrangements.	The Improvement Plan included actions and activity that responded to the statutory recommendations. An updated response to the recommendations (which included activity undertaken during 2025/26) was reported to the Finance and Improvement Overview and Scrutiny Committee and Cabinet in June 2026 as part of an Improvement Plan update report. Some recommendations require extensive and ongoing work; others have been independently reviewed in specific functional areas such as children's and adult social care. The recommendations will continue to be reflected in the improvement plan for some time to come, especially insofar as they impact on the Council's budget and business planning process.	Governance, assurance and value for money

Risk	Mitigation	Link to Strategic Risk
Exceptional Financial Support (EFS) incurs costs of debt for both interest and principal of a fixed number of years and creates an additional overhead over and above the costs of additional demands for services and the inflation that goes with it.	This is a specific additional dimension of the risk of an inability to contain overall committed expenditure within the current available resources within this financial year. As part of its Medium-Term Financial Plan, approved by Full Council in February 2026, the Council committed to developing a Financial Sustainability Strategy (due for Cabinet consideration in July 2026) that sets out how the Council will take steps to reduce reliance on EFS. In any event in order to pay for the additional costs of debt, the Council will be prioritising Council Tax increases up to the maximum allowed and will need to find offset savings in the cost of services to balance the budget without recourse to further EFS.	Impact of financing Exceptional Financial Support
Despite a three-year settlement, government funding continues to reduce as a proportion of public sector investment in real terms and continues to transfer additional burden to local taxpayers.	The additional increase in Council Tax for 2025/26 is one manifestation of mitigation necessary to address this risk, and there is likely to be further impacts as the Council reduces its expenditure. The Improvement Plan acknowledges the risk that residents see service performance reducing rather than improving as the Council implements the plan. Looking forward, the Council will need to stress on Government the need for funding to tackle sparsity and rurality and the demographic and geographical dynamics of the borough. The Council does, however, recognise that in the context of a new three-year settlement and the recent fair funding changes, short-term solutions seem unlikely.	Achieving long term financial sustainability
The national and global economy remains volatile and continues to present	Persistent inflationary pressures, rising energy and fuel costs, interest rate fluctuations and wider economic uncertainty can create additional unfunded	Increasing demand for services and economic uncertainty

Risk	Mitigation	Link to Strategic Risk
significant financial risks to the Council.	burdens on Council budgets. Continued economic instability may also impact residents' financial resilience, increasing demand for Council services at a time when resources remain constrained. The Council will continue to make best assumptions in MTFPs to cover such risks although events such as the Gulf issues do nothing but increase uncertainty.	
Cyber security remains as an ongoing threat to all organisations, not least the public sector and local government, in terms of the impact of lost, corrupted or stolen data with serious implications for potential financial loss and reputational damage.	As the Council continues to rely on digital technologies to deliver and transform services and hold sensitive information, maintaining effective cyber security controls, staff awareness and incident response arrangements will remain essential to mitigating this risk.	Maintaining cyber resilience and information security
Workforce capacity and capability must be in place to deliver existing services to minimum standards but also to support the significant transformation and improvement activity required to address the Council's financial challenges.	Maintaining a stable, skilled and resilient workforce remains critical to achieving financial sustainability and delivering the Council's strategic objectives – and is at the heart of the Improvement Plan and People Plan. Budget has been applied in 2026/27 budgets to restore capacity previously removed. While this mitigates some risk, it is recognised that recruitment and retention remains a concern and that in some cases capacity and capability may need to be sought from other third parties.	Workforce capacity and capability
Abnormal financial position compromising decision making processes.	The necessity to deliver significant savings, reduce expenditure and reliance on EFS may limit strategic flexibility and increase the risk that decisions prioritise immediate financial outcomes over longer-term service sustainability and demand prevention. Robust governance, decisive and transparent decision	Challenging financial position compromising decision making and governance arrangements

Risk	Mitigation	Link to Strategic Risk
	making and effective scrutiny arrangements will be essential to ensuring that financial pressures do not detract from long-term strategic decision making although there will inevitably be some compromises, not least around asset management and disposal, recovery of Council balances over time, etc.	
External scrutiny and threat of intervention	A consequence of EFS is an increased likelihood of external scrutiny over and above the Improvement Board arrangements established in November 2025. There remains an ongoing risk of Government intervention, including the appointment of envoys or commissioners, should the Council be unable to provide assurance that it has a credible strategy to reduce its reliance on EFS and achieve financial sustainability. The Council is very aware of this risk and would wish to retain control of its own decisions and direction; it is, however, aware of intervention in other authorities where Government have thought it to be necessary. Continued delivery of outcomes from the Improvement Plan and clear evidence of progress will be essential in mitigating this risk.	Governance, performance and financial weaknesses
Breakdown of major contract arising from provider insolvency, poor performance, workforce shortages, contractual disputes or market instability, resulting in service disruption, financial loss, reputational damage and additional management costs.	Given the Council's reliance on a number of significant contracts to deliver statutory and essential services, effective contract management and performance monitoring (part of the Improvement Plan) and business continuity arrangements are critical to reducing the likelihood and impact of this risk.	Breakdown of critical contracts, providers or strategic partnerships

Risk	Mitigation	Link to Strategic Risk
A catastrophic physical, climatic or pandemic event severely disrupts the delivery of Council services and compromises the Council's ability to meet statutory requirements.	While these events are largely beyond the control of the Council, there is a continued need for emergency planning capacity and fully tested business continuity plans. These will continue to be subject to continuous review across all Council departments to confirm that they remain current and complete.	Major emergency, pandemic or climate related events
Transformation programmes and significant projects are delayed, deferred or fail to deliver on their objectives leading to loss of opportunities and adverse financial impacts.	EFS has allowed the Council to set aside finance for investments in major transformation programmes. These will need to be created and challenged through the Budget, Transformation and Change Panel, a group of senior Council Officers. Transformation and other projects will be subject to oversight of the new Programme Management Office with regular reports to Cabinet and Finance and Improvement Scrutiny. Risk management arrangements for major projects are being reviewed, and it is recognised that, for some projects, these have been less than successful in the past.	Transformation programmes and significant projects

These risks are now being contained and managed within Improvement Plan which also include responses to MHCLG and CPC recommendations. They also form an integral part of the Council's Annual Governance Statement.

6 Council Priorities

6.1 A new Corporate Plan for 2026-2030 was approved by Cabinet and Full Council in May 2026. The Plan summarises the priority ambitions the Council will focus on – including the ambition to be a Council that is financially sustainable, with clear priorities and purpose, and a workforce that is supported to excel. This report outlines the management of the current year's budget which is an important step in moving towards this ambition.

7 Financial Implications

7.1 This report sets out the financial projections for the Council in the 2026/27 Financial Year as at Quarter 2. Although the position is reporting an overall balanced there are significant overspends which need to be mitigated to prevent further budget pressures on the MTFP.

7.2 Given that this is half way through the financial year, budget holders must continue to keep within their budgets and identify opportunities to reduce costs in year and consequently reduce the amount of EFS required at the end of the financial year.

8 Legal and HR implications

8.2 The Section 151 Officer has a statutory duty to monitor income and expenditure and ensure that the Council takes action if overall net overspends /shortfalls emerge. There is also a legal requirement to ensure that the statutory service provision meets demands.

8.3 Legal services will provide ongoing advice in relation to specific proposals relating to the making of savings, including on any requirement to undertake consultation as such proposals are brought forward for consideration, the impact of any proposed savings on the delivery of statutory services and any other legal matter arising.

9 Electoral Division Implications

9.2 None

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

10.2 None

11 Equality and Diversity Implications

11.2 There are no equality and diversity implications arising directly from this report.

12 Climate Change, Biodiversity and Environmental Implications

12.2 The Council's Financial Strategy supports its strategies for Climate Change and Carbon Reduction in several ways. A specific climate change revenue budget is held. The climate change schemes involving the Council's assets or infrastructure are included within the capital programme. These two areas of expenditure are anticipated to have a positive contribution towards climate change outcomes.

13 Background Papers

1. Draft 2026/27 General Fund budgets and Medium-term Financial Plan 2026/27 – 2030/31
2. Financial Monitoring Report Quarter 1 2026/27
3. Draft Medium Term Financial Plan 2027-28 to 2031-32

14 Appendices

Appendix A – Delivery of 2026/27 Savings Proposals
Appendix B – Amendments to Original Budget 2026/27
Appendix C – Reserves 2026/27
Appendix D – Projected Capital Programme Outturn 2026/27 – 2028/29
Appendix E – Projected Capital Receipts
Appendix F – Housing Revenue Account Projected Outturn

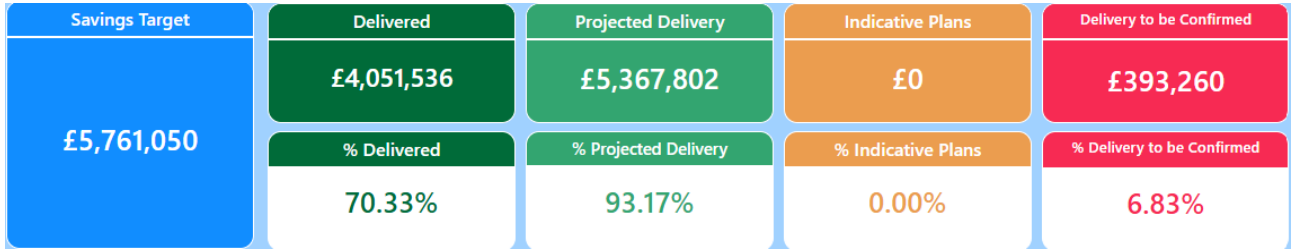
APPENDIX A

DELIVERY OF 2026/27 SAVINGS PROPOSALS

Summary

The savings projections for 2026/27 are being tracked monthly with savings delivery being mapped against projected delivery during the course of the year. The current position indicates projected delivery of £5.368m against the £5.761m, representing 93% projected delivery of savings.

The snippet below summarises the position as at 30th September 2026.



A more detailed individual savings list is below:

Shropshire Council 26/27 Individual Savings List

Individual Savings List 26/27

Service Area	Savings Target	Delivered to Date (One-Off)	Delivered to Date (Ongoing)	Delivered to Date Total	Projected Delivery (One-Off)	Projected Delivery (Ongoing)	Projected Delivery Total	Indicative Plans In Place	Delivery To Be Confirmed
⊟ **Care & Wellbeing**	**£3,675,000**	**£0**	**£3,300,000**	**£3,300,000**	**£375,012**	**£3,300,000**	**£3,675,012**	**£0**	**£0**
CW001 - Market Management	£3,300,000	£0	£3,300,000	£3,300,000	£0	£3,300,000	£3,300,000	£0	£0
CW002 - ICB/CHC Increase in base budget (offset by growth)	£375,000	£0	£0	£0	£375,012	£0	£375,012	£0	£0
⊟ **Commissioning**	**£379,000**	**£0**	**£306,081**	**£306,081**	**£125,000**	**£254,000**	**£379,000**	**£0**	**£0**
CM001 - Capacity Increase underspend One Off while recruiting	£125,000	£0	£52,081	£52,081	£125,000	£0	£125,000	£0	-£0
CM002 - Implementation of management changes at Much Wenlock Leisure Centre and Church Stretton Leisure Centre, and removal of subsidies at Ludlow and Cleobury Mortimer Leisure Centres; also, agreement of additional funding support from local councils. Additional income also planned at Meole Brace golf course further to improved greenkeeping standards.	£254,000	£0	£254,000	£254,000	£0	£254,000	£254,000	£0	£0
⊟ **Communities & Customer**	**£422,050**	**£0**	**£278,790**	**£278,790**	**£0**	**£278,790**	**£278,790**	**£0**	**£143,260**
CC001 - Theatre Severn Subsidy	£120,000	£0	£120,000	£120,000	£0	£120,000	£120,000	£0	£0
CC002 - Housing scheme	£130,000	£0	£130,000	£130,000	£0	£130,000	£130,000	£0	-£0
CC003 - Continue to deliver spending reductions in Library Services through ongoing improvements to overall efficiency including increased income and enhanced partnership working with services in communities. Further, separate, plans are being prepared for 2026-27, and appropriate consultation will take place in line with our statutory duties when required.	£112,050	£0	£18,790	£18,790	£0	£18,790	£18,790	£0	£93,260
CC004 - Expand the Handy Person service to a wider range of customers, including fee payers, supporting independent living	£10,000	£0	£10,000	£10,000	£0	£10,000	£10,000	£0	£0
CC005 - Review and Minimise Museums and Archives service costs	£50,000	£0	£0	£0	£0	£0	£0	£0	£50,000

Infrastructure	**£650,000**	**£0**	**£166,665**	**£166,665**	**£0**	**£400,000**	**£400,000**	**£0**	**£250,000**
IN001 - Streetworks Unbudgeted income	£250,000	£0	£104,165	£104,165	£0	£250,000	£250,000	£0	-£0
IN002 - Localities (re Streetscene Pilots)	£50,000	£0	£20,835	£20,835	£0	£50,000	£50,000	£0	£0
IN003 - Streetworks	£100,000	£0	£41,665	£41,665	£0	£100,000	£100,000	£0	£0
IN004 - Parking / Traffic Management	£250,000	£0	£0	£0	£0	£0	£0	£0	£250,000
Legal & Governance	**£10,000**	**£0**	**£0**	**£0**	**£10,000**	**£0**	**£10,000**	**£0**	**£0**
LG001 - Increase income from an enhanced memorial and ceremony offer at Council sites	£5,000	£0	£0	£0	£5,000	£0	£5,000	£0	£0
LG002 - Increase income from an improved range of wedding and partnership ceremony packages	£5,000	£0	£0	£0	£5,000	£0	£5,000	£0	£0
Place Shaping	**£500,000**	**£0**	**£0**	**£0**	**£500,000**	**£0**	**£500,000**	**£0**	**-£0**
PS001 - Planning Income	£500,000	£0	£0	£0	£500,000	£0	£500,000	£0	-£0
Section 151 - Finance	**£125,000**	**£0**	**£0**	**£0**	**£125,000**	**£0**	**£125,000**	**£0**	**£0**
SF001 - Capacity Increase underspend One Off while recruiting	£125,000	£0	£0	£0	£125,000	£0	£125,000	£0	£0
Total	**£5,761,050**	**£0**	**£4,051,536**	**£4,051,536**	**£1,135,012**	**£4,232,790**	**£5,367,802**	**£0**	**£393,260**

APPENDIX B

AMENDMENTS TO ORIGINAL BUDGET 2026/27

	Total £' 000	Care & Wellbeing £' 000	Children & Young People £' 000	Commissioning £' 000	Communities & Customer £' 000	Corporate £' 000	Enabling £' 000	Executive Management Team £' 000	Infrastructure £' 000	Legal & Governance £' 000	Pension £' 000	Place Shaping £' 000	Public Health Non-Ringfenced £' 000	Public Health – Ringfenced £' 000	Section 151 Finance £' 000	Strategy £' 000
Original Budget 2026/27	**489,159**	**173,315**	**114,616**	**45,290**	**16,815**	**69,121**	**10,671**	**498**	**51,128**	**5,189**	**244**	**0**	**-**	**-**	**0**	**2,271**
Quarter 1 Virements	**0**	**(3,350)**	**(345)**	**(213)**	**(248)**	**5,320**	**(114)**	**(170)**	**(760)**	**(402)**	**4**	**142**			**0**	**136**
Quarter 1 Structure Changes	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**			**0**	**0**
Quarter 2 Virements:	**0**															
Correct savings for posts left via Voluntary Redundancy	0				(104)	183	(48)			(31)						
Correction of revenue expenditure funded by capital under statute, reversing old virement	0				261				(261)							
Quarter 2 Structure Changes	**0**	**(261)**	**18,835**	**(33,008)**	**(4,875)**	**0**	**(9,502)**	**(29)**	**(22,627)**	**(1,262)**	**0**	**44,916**	**2,458**	**334**	**6,399**	**(1,378)**
Q2 structure changes to align to new Council Structure	0	(261)	18,835	(33,008)	(4,875)	0	(9,502)	(29)	(22,627)	(1,262)	0	44,916	2,458	334	6,399	(1,378)
Final Revised Budget 2026/27	**489,159**	**169,704**	**133,106**	**12,070**	**11,848**	**74,624**	**1,007**	**299**	**27,481**	**3,494**	**248**	**45,059**	**2,458**	**334**	**6,399**	**1,030**

APPENDIX C

RESERVES 2026/27

General Fund

The general fund reserve on 31st March 2026 stood at £5.000m, significantly below its optimum desired balance.

The 2026/27 budget strategy included a contribution of £42.675m to the General Fund balance which would then reach £47.675m, which is a safer level given the current profile of financial risks.

It is essential that the council maintains the General Fund Balance as assumed within the medium-term financial plan, otherwise it would limit the ability of the council to mitigate any further unforeseen shocks such as ongoing inflationary increases, climate events such as flooding and drought, or rapid reductions in available resources due to changed national policy.

Independent advice is that general fund un-earmarked reserves should equate to 5%-10% of net spending.

In the Adequacy of Reserves assessment within the Financial Strategy approved by Council in February 2026, the Council identified the need to target a risk assessed level of £45.815m within the General Fund Balance.

The updated MTFP presented to Cabinet in July considered the potential for reducing the contribution to the General Fund Balance which would reduce the EFS required in 2026/27. This will be considered further as 2026/27 progresses, against the projected financial position for the year, and other financial risks as they arise however we have adjusted for the reduction in Q2.

General Fund	**£'000**
Balance as at 1st April 2026	5,000
Budgeted Contribution as agreed in revised MTFP presented to Cabinet in July 2026	10,000
Budgeted General Fund Balance as at 31st March 2027	**15,000**
2026/27 projected outturn position	51
Balance as at 31 March 2027	**15,051**

Earmarked Reserves

The council held balances of £25.113m (excluding school balances) in earmarked reserves as at 1 April 2026. There are a number of transactions planned from earmarked reserves during the course of the year. The current projections for the year end balance in earmarked reserves is £34.532m (£29.831m excluding school balances) as set out in the table below.

Reserves	Purpose of Balance	Balance Brought Forward	Movement Out 2025/26	Movement In 2025/26	Balance Carried Forward
		(£'000)	(£'000)	(£'000)	(£'000)
Corporate Reserves					
Redundancy	Required to meet one-off costs arising from approved staffing reductions, allowing the full approved savings in salaries or wages to reach the revenue account.	0	0	0	0
Development Reserve	Required to fund development projects or training that will deliver efficiency savings.	4,919	-5	0	4,914
Invest to save Reserve	Required to fund invest to save projects in order to deliver the service transformation programme.	567	0	164	731
External Fund Reserve	Reserves held where the Council is the administering body for trust funds or partnership working.	2,455	-256	130	2,329
		7,941	**-261**	**294**	**7,973**
Reserves retained for service departmental use					
Building Control	Required to manage the position regarding building control charges.	272	0	0	272
Care Act & IBCF Reserve	Required to fund the costs of implementing the Care Act requirements within the Council. This will be committed to the costs of one off posts required to implement the changes and training costs for staff within Adult Services. Plus unspent IBCF monies required to fund the IBCF programme in future years.	271	-147	7	130
Debt Recovery Reserve	Established to provide resources for improving the recovery of debts across the Council and Collection Fund.	253	0	0	253
Economic Development	Established to meet the costs of major maintenance of Economic Development Workshops.	163	0	0	163
Education Welfare Reserve	Eastblished from the traded Education Welfare Service for reivestment in the service.	110	0	0	110
Highways Development & Innovation Fund	Set aside funds for pump priming the Development and Innovation programme.	100	0	0	100
Housing Reserve	To fund known housing developments that will suppot the General Fund.	99	0	0	99
Improvement Plan Reserve	Established from external funds received towards the Improvement Plan	115	0	0	115
Planning Reserve	Set aside to fund developments within the Local Plan and any planning inquiry costs.	79	0	0	79
Public Health Reserve	This reserve includes balances committed to specific public health projects.	3,389	-14,111	13,475	2,753
Repairs & Maintenance Reserve	Set aside for known repairs and maintenance required to Council owned properties.	214	0	0	214
Revenue Commitments from Unringfenced Revenue Grants	Established from unapplied unringfenced Grant balances. Commitments have been made against these balances in 2024/25	4,620	-371	2	4,252
Schools Building Maintenance Insurance	The schools building maintenance insurance scheme is a service provided by Property Services for schools. In return for an annual sum all structural repairs and maintenance responsibilities previously identified as the "authority's responsibility" are carried out at no additional charge to the school.	1,527	0	0	1,527
Severe Weather	Required to meet unbudgeted costs arising from the damage caused by severe weather. The policy of the Council is to budget for an average year's expenditure in the revenue accounts and transfer any underspend to the reserve or fund any overspend from the reserve.	0	0	0	0
Shire Catering and Cleaning Efficiency	Built up from trading surpluses to invest in new initiatives, to meet exceptional unbudgeted costs or cover any trading deficits.	0	0	0	0
Streetworks Reserve	Established from additional income generated within the service to be reinvested in the service	439	-211	0	228
TMO Vehicle Replacement	Set up to meet the costs of replacement vehicles by the Integrated Transport Unit.	37	0	0	37
		11,688	**-14,840**	**13,483**	**10,331**

Reserves	Purpose of Balance	Balance Brought Forward	Movement Out 2025/26	Movement In 2025/26	Balance Carried Forward
		(£'000)	(£'000)	(£'000)	(£'000)
Capital Investment Reserves					
Revenue Commitments for Future Capital Expenditure	Comprises of underspends against budgeted revenue contributions available for capital schemes. The underspends have arisen due to slippage in capital schemes or because other funding streams were utilised during the year so as to maximise time limited grants.	1,740	0	0	1,740
		1,740	**0**	**0**	**1,740**
Insurance Reserves					
Fire Liability	Required to meet the cost of excesses on all council properties.	526	-431	464	558
Motor Insurance	An internally operated self-insurance reserve to meet costs not covered by the Council's Motor Insurance Policy.	570	0	80	650
		1,096	**-431**	**544**	**1,208**
Financial Risks					
Financial Strategy Reserve	Established specifically to provide one off funding for savings proposals in the Financial Strategy	1,049	0	5,930	6,979
Financial Risk - Adult Social Care	Established to address the financial risk of additional unforeseen Adult Social Care Demand	700	0	0	700
Financial Risk - Children's Social Care	Established to address the financial risk of additional unforeseen Children's Social Care Demand	400	0	0	400
Financial Risk - Economic Risk	Established to address the financial risk arising from changing economic conditions that may impact on the Council	500	0	0	500
		2,649	**0**	**5,930**	**8,579**
School Balances					
Balances held by schools under a scheme of delegation	Schools' balances have to be ringfenced for use by schools and schools have the right to spend those balances at their discretion.	4,701	0	0	4,701
		4,701	**0**	**0**	**4,701**
Total Reserves		**29,814**	**-15,533**	**20,251**	**34,532**

APPENDIX D

PROJECTED CAPITAL PROGRAMME OUTTURN 2026/27 – 2028/29

The capital budget for 2026/27 is monitored on a regular basis and changed to reflect the nature of capital projects which can be profiled for delivery over several years. In Quarter 2 there has been a net budget increase of £5.654m for 2026/27, compared to the revised budget reported at Quarter 1. The budget increase is entirely due to virements.

Virements in Quarter 2 arose primarily due to reprofiling of DofE Grants and CIL contributions to School Future Place Planning schemes of £5.325m, additional DEFRA grant relating to Farming in Protected Landscapes of £1.275m, additional S106 contributions to Affordable Housing Schemes of £0.639m offset by a slippage of £1.649m for the Temporary Accommodation Programme within the Housing Revenue Account.

The tables below summarise the overall movement, between the budget approved in February and changes up to Quarter 2.

Service Area	Revised Budget Quarter 1 £	Budget Virements Quarter 2 £	Revised Budget Quarter 2 £	Actual Spend £	Spend to Budget Variance £	% Budget Spend	Outturn Projection £	Outturn Projection Variance £	2027/28 Revised Budget £	2028/29 Revised Budget £
General Fund										
Care & Wellbeing Capital	162,162	0	162,162	20,793	141,369	12.82%	162,162	0	0	0
Children & Young People & Children's Social Care (CSC)	15,320,331	5,338,954	20,659,285	4,682,613	15,976,672	22.67%	20,659,285	0	16,339,437	11,700,000
Commissioning Capital	2,230,976	25,000	2,255,976	1,805,594	450,382	80.04%	2,255,976	0	789,916	0
Communities & Customer Capital	11,893,416	130	11,893,546	4,749,367	7,144,179	39.93%	11,893,546	0	7,826,918	4,500,000
Enabling Capital	2,846,000	0	2,846,000	1,243,290	1,602,710	43.69%	2,846,000	0	2,480,000	1,610,000
Infrastructure Capital	62,311,455	1,628,001	63,939,456	15,175,688	48,763,768	23.73%	63,939,456	0	59,747,333	57,084,433
Place Shaping Capital	17,237,186	853,214	18,090,400	7,430,344	10,660,056	41.07%	18,090,400	0	11,825,000	1,500,000
Strategy Capital	0	0	0	0	0	0.00%	0	0	0	0
Total General Fund	**112,001,526**	**7,845,299**	**119,846,825**	**35,107,688**	**84,739,137**	**29.29%**	**119,846,825**	**0**	**99,008,604**	**76,394,433**
Housing Revenue Account	22,227,379	-2,190,861	20,036,518	2,169,145	17,867,373	10.83%	20,036,518	0	33,687,936	17,621,182
Total Approved Budget	**134,228,905**	**5,654,438**	**139,883,343**	**37,276,833**	**102,606,510**	**26.65%**	**139,883,343**	**0**	**132,696,540**	**94,015,615**

The actual capital expenditure at Quarter 2 is £37.277m, which represents 26.65% of the revised capital budget at Quarter 2, 50% of the year. This is slightly low in comparison to the total budget, but in line with the average expenditure percentage at this period in previous years. All budgets are fully allocated to projects and will be monitored for levels of spend throughout the remainder of the year. Based on recent years, the capital programme has out turned at around 85% of the outturn budget, which on average has been around 20% lower than the budget at this point in the year, due to further re-profiling later in the year.

The level of spend is slightly low across the programme in some areas, but equal to the level of spend in the previous year at this period. In terms of the major areas the spend position is as follows: Care & Wellbeing 12.82% (budget £0.162m), Children & Young People 22.67% (budget £20.659m), Commissioning 80.04% (budget £2.256m), Communities & Customer 39.93% (budget £11.893m), Enabling 43.69% (budget £2.846m), Infrastructure 23.73% (budget £63.939m), Place Shaping 41.07% (budget £18.090m), and HRA Major Repairs & New Build Programme 10.83% (budget £20.037m).

Service Area	Revised Budget Quarter 1 £	Budget Virements Quarter 2 £	Revised Budget Quarter 2 £	Actual Spend £	Spend to Budget Variance £	% Budget Spend	Outturn Projection £	Outturn Projection Variance £	2027/28 Revised Budget £	2028/29 Revised Budget £
General Fund										
Care & Wellbeing	**162,162**	**0**	**162,162**	**20,793**	**141,369**	**12.82%**	**162,162**	**0**	**0**	**0**
Adult Social Care Operations Capital	162,162	0	162,162	20,793	141,369	12.82%	162,162	0	0	0
Children & Young People & Children's Social Care (CSC)	**15,320,331**	**5,338,954**	**20,659,285**	**4,682,613**	**15,976,672**	**22.67%**	**20,659,285**	**0**	**16,339,437**	**11,700,000**
Children's Residential Care Capital	42,822	0	42,822	0	42,822	0.00%	42,822	0	0	0
Non Maintained Schools Capital	7,632,594	4,364,115	11,996,709	3,468,363	8,528,346	28.91%	11,996,709	0	7,750,000	8,700,000
Primary School Capital	3,031,679	1,824,782	4,856,461	987,954	3,868,507	20.34%	4,856,461	0	1,800,000	2,000,000
Primary School Managed Capital	1,044,444	47,332	1,091,776	163,288	928,488	14.96%	1,091,776	0	0	0
Secondary School Capital	782	0	782	0	782	0.00%	782	0	0	0
Secondary School Managed Capital	71,112	0	71,112	15,582	55,531	21.91%	71,112	0	0	0
Shropshire Music Service Capital	51,443	0	51,443	3,358	48,085	6.53%	51,443	0	0	0
Special Schools Capital	12,804	18,029	30,833	5,067	25,766	16.43%	30,833	0	0	0
Special Schools Managed Capital	10,151	0	10,151	0	10,151	0.00%	10,151	0	0	0
Unallocated School Capital	3,422,500	-915,304	2,507,196	0	2,507,196	0.00%	2,507,196	0	6,789,437	1,000,000
Youth Support Services Capital	0	0	0	39,000	-39,000	0.00%	0	0	0	0
Commissioning	**2,230,976**	**25,000**	**2,255,976**	**1,805,594**	**450,382**	**80.04%**	**2,255,976**	**0**	**789,916**	**0**
Leisure Capital	2,230,976	25,000	2,255,976	1,805,594	450,382	80.04%	2,255,976	0	789,916	0
Communities & Customer	**11,893,416**	**130**	**11,893,546**	**4,749,367**	**7,144,179**	**39.93%**	**11,893,546**	**0**	**7,826,918**	**4,500,000**
Community Hubs & Libraries Capital	320,841	0	320,841	17,727	303,114	5.53%	320,841	0	0	0
Housing Services Capital	11,137,504	0	11,137,504	4,394,146	6,743,358	39.45%	11,137,504	0	7,826,918	4,500,000
Museums & Archives Capital	1,509	130	1,639	7,086	-5,447	432.31%	1,639	0	0	0
Theatre Services Capital	433,562	0	433,562	330,408	103,154	76.21%	433,562	0	0	0
Enabling	**2,846,000**	**0**	**2,846,000**	**1,243,290**	**1,602,710**	**43.69%**	**2,846,000**	**0**	**2,480,000**	**1,610,000**
ICT Infrastructure Capital	2,846,000	0	2,846,000	1,243,290	1,602,710	43.69%	2,846,000	0	2,480,000	1,610,000
Infrastructure	**62,311,455**	**1,477,967**	**63,789,422**	**15,025,654**	**48,763,768**	**23.56%**	**63,789,422**	**0**	**59,747,333**	**57,084,433**
Environment and Transport (Public Transport) Capital	2,773,274	27,775	2,801,049	741,907	2,059,142	26.49%	2,801,049	0	1,453,400	1,482,100
Highways - Central Area Division Capital	270,000	0	270,000	39,192	230,808	14.52%	270,000	0	0	0
Highways - Flood Defence & Water Management Capital	3,967,370	0	3,967,370	953,541	3,013,829	24.03%	3,967,370	0	0	0
Highways - Integrated Transport Capital	17,302,101	-3,828,124	13,473,977	986,245	12,487,732	7.32%	13,473,977	0	16,999,900	11,329,300
Highways - North West Relief Road (NWRR)	0	0	0	-2,007	2,007	0.00%	0	0	0	0
Highways - Northern Area Division Capital	270,000	0	270,000	1,992	268,008	0.74%	270,000	0	0	0
Highways - Oxon Relief Road (OLR)	45,856	0	45,856	0	45,856	0.00%	45,856	0	0	0
Highways - Southern Area Division Capital	270,000	0	270,000	139,615	130,385	51.71%	270,000	0	0	0
Highways - Street Lighting Capital	1,100,000	0	1,100,000	-44,548	1,144,548	-4.05%	1,100,000	0	0	0
Highways - Structural Maintenance of Bridges Capital	2,500,000	0	2,500,000	218,266	2,281,734	8.73%	2,500,000	0	0	0
Highways - Structural Maintenance of Roads Capital	32,697,285	4,000,000	36,697,285	11,198,143	25,499,143	30.51%	36,697,285	0	40,504,000	43,492,000
National Landscapes and Outdoor Partnerships Capital	1,115,569	1,278,316	2,393,885	793,308	1,600,577	33.14%	2,393,885	0	790,033	781,033
Place Shaping	**17,237,186**	**1,003,248**	**18,240,434**	**7,580,378**	**10,660,056**	**41.56%**	**18,240,434**	**0**	**11,825,000**	**1,500,000**
Climate Change Capital	564,120	0	564,120	116,479	447,641	20.65%	564,120	0	0	0
Growth & Development Capital	1,540,016	0	1,540,016	683,665	856,351	44.39%	1,540,016	0	7,000,000	0
Property & Asset Capital	12,984,859	371,680	13,356,539	5,765,043	7,591,496	43.16%	13,356,539	0	4,000,000	1,500,000
Broadband Capital	1,575,891	0	1,575,891	153,884	1,422,007	9.76%	1,575,891	0	500,000	0
Waste Capital	0	0	0	0	0	0.00%	0	0	325,000	0
Development Management Capital	36,687	-8,412	28,275	1,327	26,948	4.69%	28,275	0	0	0
Planning Policy Capital	535,613	639,980	1,175,593	859,980	315,613	73.15%	1,175,593	0	0	0
Strategy	**0**	**0**	**0**	**0**	**0**	**0.00%**	**0**	**0**	**0**	**0**
Communications and Engagement Capital	0	0	0	0	0	0.00%	0	0	0	0
Transformation Capital	0	0	0	0	0	0.00%	0	0	0	0
Total General Fund	**112,001,526**	**7,845,299**	**119,846,825**	**35,107,688**	**84,739,137**	**29.29%**	**119,846,825**	**0**	**99,008,604**	**76,394,433**
Housing Revenue Account	**22,227,379**	**-2,190,861**	**20,036,518**	**2,169,145**	**17,867,373**	**10.83%**	**20,036,518**	**0**	**33,687,936**	**17,621,182**
HRA Dwellings Capital	22,227,379	-2,190,861	20,036,518	2,169,145	17,867,373	10.83%	20,036,518	0	33,687,936	17,621,182
Total Approved Budget	**134,228,905**	**5,654,438**	**139,883,343**	**37,276,833**	**102,606,510**	**26.65%**	**139,883,343**	**0**	**132,696,540**	**94,015,615**

APPENDIX E

PROJECTED CAPITAL RECEIPTS

The current capital programme is heavily reliant on the Council generating capital receipts to finance the capital programme. There is a high level of risk in these projections as they are subject to changes in property and land values, the actions of potential buyers and being granted planning permission on sites. The table below summarises the current allocated and projected capital receipt position across 2026/27 to 2029/30. A RAG analysis has been included for capital receipts projected, based on the current likelihood of generating them by the end of each financial year. Disposals rated marked “Green” are highly likely to be completed by the end of the financial year, those rated “Amber” are achievable but challenging and thus there is a risk of slippage, and those rated “Red” are highly unlikely to complete in year and thus there is a high risk of slippage. However, no receipts are guaranteed to complete in any financial year as there may be delays between exchanging contracts and completing.

	2026/27	2027/28	2028/29	2029/30	2030/31
Corporate Resources Allocated in Capital Programme	13,685,685	17,478,508	8,580,000	4,326,000	-
Capital Programme Ring-fenced receipt requirements	450,000	7,682,095	10,500,000	8,181,991	5,164,303
Transformation activities	-	-	-	-	-
Total Commitments	**14,135,685**	**25,160,603**	**19,080,000**	**12,507,991**	**5,164,303**
Capital Receipts in hand/projected:					
Brought Forward in hand	22,379,581	16,491,303	- 7,329,301	- 26,344,301	- 38,852,292
Generated 2026/27 YTD	4,370,287	-	-	-	-
Projected - 'Green'	3,877,120	1,340,000	65,000	-	
Total in hand/projected	**30,626,988**	**17,831,303**	**- 7,264,301**	**- 26,344,301**	**- 38,852,292**
Shortfall to be financed from Prudential Borrowing / (Surplus) to carry forward	**- 16,491,303**	**7,329,301**	**26,344,301**	**38,852,292**	**44,016,595**
Further Assets Being Considered for Disposal (Amber/Red)	596,000	39,553,709	4,753,080	-	-

In 2026/27 there is currently a projected surplus of capital receipts of £16.491m and in 2027/28, 2028/29 and 2029/30 there are currently projected cumulative shortfalls of capital receipts of £7.329m, £26.344m and £38.852m respectively.

These surpluses are generated and shortfalls mitigated by the capital receipts surplus position in relation to the Housing Revenue Account (HRA). Analysis of the General Fund and HRA requirement for capital receipts is shown in the tables below.

General Fund	2026/27	2027/28	2028/29	2029/30	2030/31
Corporate Resources Allocated in Capital Programme	12,339,116	14,778,508	4,580,000	3,326,000	-
Capital Programme Ring-fenced receipt requirements	450,000	3,554,000	8,500,000	6,181,991	5,164,303
Transformation activities	-	-	-	-	-
Total Commitments	**12,789,116**	**18,332,508**	**13,080,000**	**9,507,991**	**5,164,303**
Capital Receipts in hand/projected:					
Brought Forward in hand	12,643,100	5,640,250	- 11,352,258	- 24,367,258	- 33,875,249
Generated 2026/27 YTD	2,902,346	-	-	-	-
Projected - 'Green'	2,883,920	1,340,000	65,000	-	-
Total in hand/projected	**18,429,365**	**6,980,250**	**- 11,287,258**	**- 24,367,258**	**- 33,875,249**
Shortfall to be financed from Prudential Borrowing / (Surplus) to carry forward	**- 5,640,250**	**11,352,258**	**24,367,258**	**33,875,249**	**39,039,552**
Further Assets Being Considered for Disposal (Amber/Red)	596,000	39,553,709	4,753,080		

HRA	2026/27	2027/28	2028/29	2029/30	2030/31
Corporate Resources Allocated in Capital Programme	1,346,569	2,700,000	4,000,000	1,000,000	-
Capital Programme Ring-fenced receipt requirements	-	4,128,095	2,000,000	2,000,000	-
Transformation activities	-	-	-	-	-
Total Commitments	**1,346,569**	**6,828,095**	**6,000,000**	**3,000,000**	**-**
Capital Receipts in hand/projected:					
Brought Forward in hand	9,736,481	10,851,053	4,022,958	- 1,977,042	- 4,977,042
Generated 2026/27YTD	1,467,941	-	-	-	-
Projected - 'Green'	993,200	-	-		
Total in hand/projected	**12,197,623**	**10,851,053**	**4,022,958**	**- 1,977,042**	**- 4,977,042**
Shortfall to be financed from Prudential Borrowing / (Surplus) to carry forward	**- 10,851,053**	**- 4,022,958**	**1,977,042**	**4,977,042**	**4,977,042**
Further Assets Being Considered for Disposal (Amber/Red)	-	-	-		-

These tables demonstrate that capital receipts for the HRA are in a comparatively healthy surplus position over the period, however, there is significant pressure arising from the capital receipts requirement of the General Fund. In 2027/28, 2028/29 and 2029/30 there are currently projected cumulative shortfalls of capital receipts of £11.352m, £24.367m, and £33.875m respectively.

Assets currently being considered for disposal total £44.903m which if realised will still fall short of the total capital receipts required within the capital programme. It is therefore necessary for the asset base to be reviewed in detail to identify further assets that can be considered for disposal and all capital receipts planned are maximised. Considerable work is required to realise these receipts, with generally a lead in time of at least 12 to 18 months on larger disposals.

APPENDIX F

HOUSING REVENUE ACCOUNT

	2026/27 Budget £	Period 1-6 Actual £	Period 7-12 Forecast £	Full year Projection £	Favourable/ (Adverse) Variance £
Income					
Dwellings Rent	(23,684,000)	(11,411,827)	(11,411,827)	(22,823,654)	(860,346)
Garage Rent	(108,000)	(46,114)	(46,114)	(92,228)	(15,772)
Other Rent	(35,000)	(22,342)	(22,342)	(44,683)	9,683
Charges for Services	(1,912,585)	(780,313)	(1,255,701)	(2,036,014)	123,429
Total Income	**(25,739,585)**	**(12,260,596)**	**(12,735,983)**	**(24,996,579)**	**(743,006)**
Expenditure					
ALMO Management Fee	11,199,832	8,509,180	2,690,652	11,199,832	-
Supplies and Services	2,719,134	723,652	1,688,987	2,412,639	306,495
Capital Charges - Dwelling Depreciation	5,072,000	2,536,000	2,536,000	5,072,000	-
Capital Charges - Depreciation Other	298,000	149,000	149,000	298,000	-
Impairment	-	-	-	-	-
Repairs charged to revenue	635,000	341,354	75,907	417,261	217,739
New Development Feasibility	150,510	2,777	67,223	70,000	80,510
Increase in Bad Debt Provision	114,656	57,328	57,328	114,656	-
Corporate & Democratic Core	635,180	317,590	317,590	635,180	-
Total Expenditure	**20,284,312**	**12,636,881**	**7,582,687**	**20,219,568**	**604,744**
Net Cost of Services	**(1,262,273)**	**376,285**	**(5,153,296)**	**(4,777,011)**	**(138,262)**
Revenue Financing Capital Expenditure	3,558,000	-	2,841,170	2,841,170	716,830
Loan repayments	-	-	-	-	-
Interest Paid	3,653,000	1,758,123	2,278,379	4,036,502	(383,502)
Interest Received	(224,000)	(112,000)	(839,580)	(951,580)	727,580
1'(Gain) or loss on sale of HRA non-current assets	-	-	-	-	-
I&E in relation to investment properties & changes in fair values	-	-	-	-	-
Net Operating (Income)/Expenditure	**2,071,727**	**2,022,408**	**(873,327)**	**1,149,081**	**922,646**
Net Cost of Service/(Surplus) for Year	**2,071,727**	**2,022,408**	**(873,327)**	**1,149,081**	**922,646**

	2026/27 Budget £	Period 1-6 Actual £	Period 7-12 Forecast £	Full year Projection £	Favourable/ (Adverse) Variance £
HRA Reserve					
B/fwd 1 April	(16,232,153)	(16,232,153)	-	(16,232,153)	
(Surplus)/Deficit for year (Estimated)	2,071,727	1,149,081	-	1,149,081	
2'(Gain) or Loss on sale of HRA non-current assets	-	-	-	-	
Transfer to/from the Capital Adjustment Account	-	-	-	-	
Transfer to/from Reserve	-	-	-	-	
Carried Forward 31 March (Estimated)	**(14,160,426)**	**(15,083,072)**	**-**	**(15,083,072)**	