Capital Strategy

2024/25 to 2029/30

Contents

Foreword

Shropshire Council's Capital Strategy considers the local authority's long-term aspirations taking account of corporate objectives, affordability criteria and available resources to guide capital investment decisions over the next five years.

Capital expenditure relates to long term investment in assets and differs completely from the Council's revenue budget as set out in the Council's Medium Term Financial Strategy. We receive capital grants, apply for capital funding, and can raise capital finance ourselves in several ways such as selling property and other assets that we no longer need or by borrowing funds to support long-term investment in assets.

The Council has a limited amount of capital receipts to fund the capital programme. Furthermore, any borrowing undertaken needs to be repaid, with interest, and this creates a revenue burden. Together, and in the light of a difficult financial position, these shift the Council's capital strategy towards a more commercial footing, that being a trend towards investments that generate a return, or cover their annual costs, rather than a net revenue cost to the authority.

We have a robust process in place to test and consider all capital investment proposals with the underlying requirement that all decisions taken are affordable. The Council's Asset Management Strategy, Economic Growth Strategy and Commercial Strategy are important documents that link together with the Capital Strategy and Treasury Strategy to enable the Council to take long term and large-scale investment decisions in a balanced and well-considered manner.

James Walton

Executive Director of Resources (Section 151 Officer)

1. Introduction

1.1 The Prudential Code requires the production of a Capital Strategy approved by full Council each year. Section 15(1) of the Local Government Act 2003 states that in carrying out its capital finance function under the Act (including the power to invest), a local authority shall have regard to guidance issued by the Secretary of State, which includes the Statutory Guidance on Local Government Investments. This Guidance states that for each financial year, every local authority should prepare at least one Investment Strategy the content of which complies with the Guidance. The Council publishes the requirements for its Investment Strategy within the Capital Strategy in accordance with the Guidance.

1.2 The Chartered Institute of Public Finance and Accountancy (CIPFA) published a revised Prudential Code for Capital Finance in Local Authorities (The Code) in 2017. The objectives of the Code are to ensure that the capital expenditure plans of local authorities are affordable, prudent, and sustainable, and that treasury management decisions are taken in accordance with good professional practice and in full understanding of the risks involved and how these risks will be managed to levels that are acceptable to the organisation.

1.3 In order to demonstrate that the authority takes capital expenditure and investment decisions in line with service objectives and properly takes account of stewardship, value for money, prudence, sustainability, and affordability authorities should have in place a capital strategy that sets out the long-term context in which capital expenditure and investment decisions are made and gives due consideration to both risk and reward and impact on the achievement of priority outcomes.

1.4 Over the last five years there has been a growing trend for authorities to acquire land and buildings with the effect of supplementing their revenue budgets with rental income. Often these acquisitions have been supported by borrowing cheaply from the Public Works Loan Board (PWLB).

1.5 Questions have been asked about how these transactions fit with the guidance that has been traditionally given that borrowing to make an investment return is not permissible. The Ministry of Housing, Communities and Local Government's (MHCLG) Statutory Guidance on Local Government Investments and CIPFA's Prudential and Treasury Management codes have all been updated recently to address the implications of investment in property.

1.6 Alongside these updates, in November 2019 CIPFA issued additional guidance ("Prudential Property Investment") to explain the provisions in the updated Prudential Code and Framework that relate to the acquisition of properties intended to make investment returns and confirm their implications in the light of the growing activity and the changes to statutory guidance.

1.7 "In February 2020 Parliament reformed the statutory basis of the PWLB, transferring its lending powers to HM Treasury. In March 2020, the government consulted on revising the PWLB's lending terms to reflect these new governance arrangements, and to end the situation in which a minority of local authorities used PWLB loans to support the acquisition of investment assets primarily for yield. The government published its response to this consultation and implemented these reforms in November 2020."

1.8 "The government has chosen to issue guidance rather than strict definitions because of the challenges of developing strict definitions that reliably give the intended categorisation when applied to something as diverse as local government. This is in line with the wider approach of the prudential system of recognising the complexity of the sector and drawing on the expertise of the finance director (s151 officer or equivalent) of each LA."

1.9 "Each local authority that wishes to borrow from the PWLB should submit a high-level description of their capital spending and financing plans for the following three years, including their expected use of the PWLB. Local authorities will be able to revise these plans in-year as required."

1.10 "The PWLB guidance specifies investment assets bought primarily for yield would usually have one or more of the following characteristics:

a. buying land or existing buildings to let out at market rate.

b. buying land or buildings which were previously operated on a commercial basis which is then continued by the local authority without any additional investment or modification.

c. buying land or existing buildings other than housing which generate income and are intended to be held indefinitely, rather than until the achievement of some meaningful trigger such as the completion of land assembly".

From PWLB Guidance to Local Authorities

1.11 Shropshire Council will continue to ensure that focus will be on securing sustainable capital projects that fit with regeneration objectives.

1.12 The capital strategy has been revised to accommodate these updates and additional guidance.

1.13 In response to the National Audit Office (NAO) Local Authority Investment in Commercial Property" report (February 2020), recommendation by the Public Accounts Committee in July 2020 that the Prudential Framework should be reviewed and the substantial increase in commercial investment, CIPFA launched its "Proposed Changes to the Prudential Code" consultation: an initial consultation on proposals to strengthen the provisions within "The Code". Following this consultation, a revised CIPFA Prudential Code for Capital Finance in Local Authorities was issued on 20 December 2021.

1.14 The updated Prudential Code includes the following as the focus for substantive changes:

- The provisions in the code, which present the approach to borrowing in advance of need in order to profit from additional sums borrowed, have been strengthened. The relevant parts of the code have augmented to be clear that borrowing for debt-for yield investment is not permissible under the Prudential Code. This recognises that commercial activity is part of regeneration but underlines that such transactions do not include debt-for-yield as the primary purpose of the investment or represent an unnecessary risk to public funds.
- Proportionality has been included as an objective in the Prudential Code. New provisions have been added so that an authority incorporates an assessment of risk to levels of resources used for capital purposes.
- A new requirement has been added so that capital strategies are required to report investments under the following headings: service, treasury management and commercial investments.

1.15 The capital strategy is intended to give a high-level overview of how capital expenditure; capital financing and treasury management activity contribute to the provision of services along with an overview of how associated risk is managed and the implications for future financial sustainability.

1.16 Capital expenditure is technically described as “Expenditure on the acquisition, creation, or enhancement of ‘long term assets’”. This is items of land, property and plant which have a useful life of more than 1 year.

1.17 The definition of capital investment is wider than that of capital expenditure. The Ministry of Housing, Communities & Local Government (MHCLG) Guidance on Local Authority Investment states “The definition of an investment covers all of the financial assets of a local authority as well as other non-financial assets that the organisation holds primarily or partially to generate profit, for example, investment property portfolios. For the avoidance of doubt, the definition of an investment also covers loans made by a local authority to one of its wholly owned companies or associates, to a joint venture, or to a third party.”

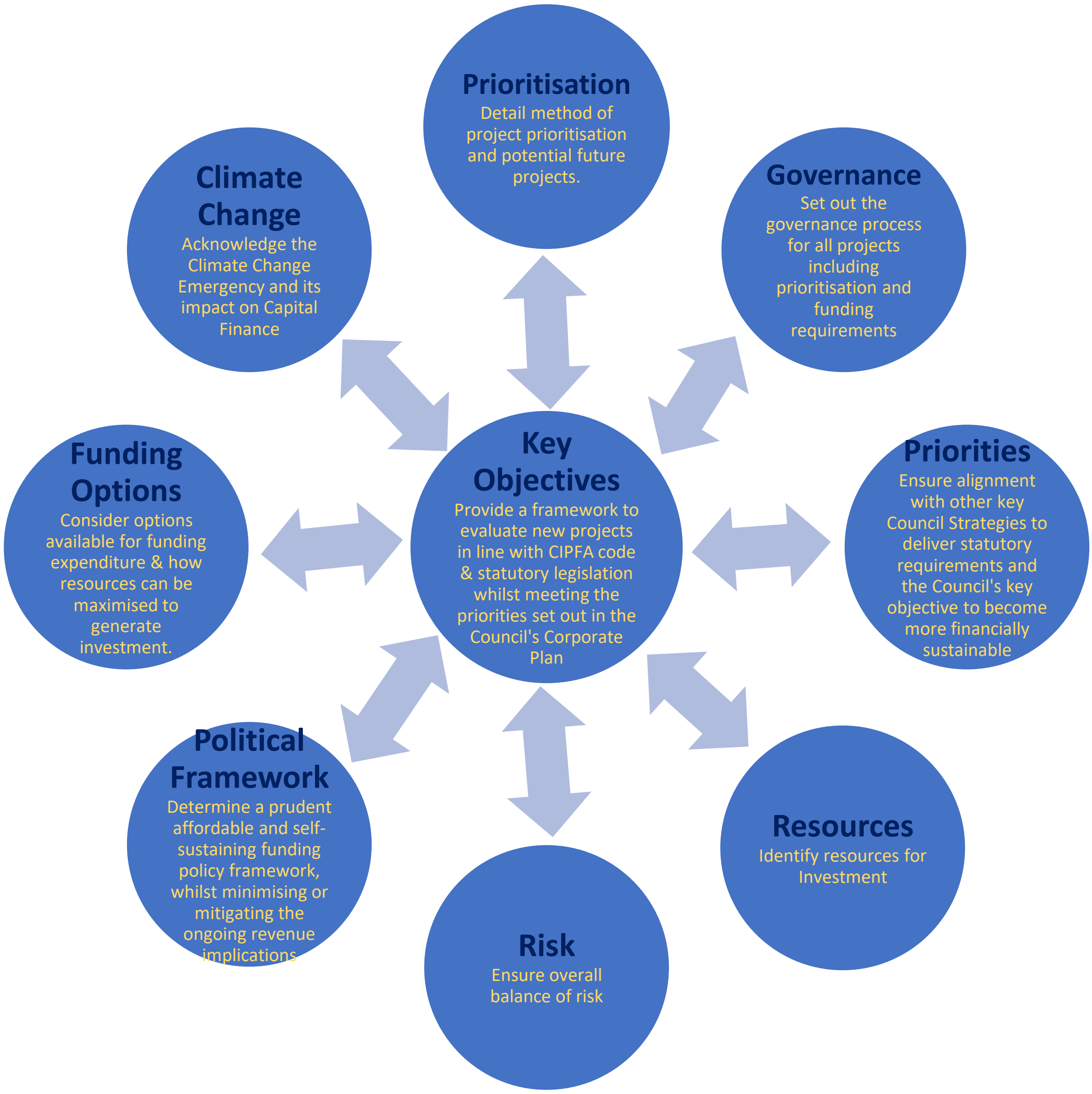
1.18 This iteration of the Capital Strategy details the outturn position for 2023/24, the current approved Capital Programme covering the period 2024/25 to 2027/28 and summarises future proposed but currently unapproved capital schemes anticipated to commence over the period 2025/26 to 2029/30.

1. 19 The Capital Strategy will continue to develop over the coming years as greater certainty over Council resources and responsibilities is ascertained. In the interim, Shropshire Council will continue to adopt a strategic approach to address challenges in relation to Capital Schemes. It is anticipated that, in the fulness of time, the arrangements and ambitions set out in this document will be refined to appropriately reflect the nature of Shropshire Council’s Capital Strategy over a 5 to 20-year planning horizon.

2. Objectives

On 12th May 2022, the Council approved The Shropshire Plan which sets out its vision and key priorities for the coming years. This document will now help shape where the Council prioritises its activities and the Capital Strategy will be closely aligned to the Shropshire Plan to ensure that the Council resources are deployed to only those areas of priority.

The Council's Capital Strategy has the following objectives.



3. Asset Management Planning

3.1 The overriding objective of asset management within the council is to achieve a corporate portfolio of property assets that is appropriate, fit for purpose and affordable. The latest Asset Management Strategy 2020 – 2025 sets out a portfolio approach and defines five key areas. The five portfolios set out the definition of how and why the property and land is held and for what purposes:

- **Operational** - Efficient, suitable, and fit for purpose accommodation for the future delivery of public services.
- **Heritage** - Community infrastructure for the future, the Council as custodian, manages and invests in these assets for future generations.
- **Development and regeneration** - Appropriate intervention and enablement to deliver economic growth.
- **Investment** - In support of the Council's Commercial Strategy, maximising income generating opportunities through appropriate and effective property investment.
- **Disposal** - To divest, reduce revenue burden and fuel the Council's capital programme.

3.2 Asset management is an important part of the council's business management arrangements and is crucial to the delivery of efficient and effective services, the ongoing management and maintenance of capital assets will be considered as part of the strategy. The asset management planning includes an objective to optimise the council's land and property portfolio through proactive estate management and effective corporate arrangements for the acquisition and disposal of land and property assets.

3.3 The Council's Asset Management Strategy sets out the requirements for the continued capital investment in its estate to ensure that it is maintained appropriately to manage and mitigate against financial risk from health and safety breaches and / or failure of its landlord responsibilities incurring significant financial burden.

3.4 The Council's Asset Management Strategy sets out the requirement for the continued capital investment in its estate to ensure that the revenue income emanating from its property is protected and durable for future years.

3.5 The council will continue to realise the value of any properties that have been declared surplus to requirements in a timely manner, having regard to the prevailing market conditions.

3.6 When a capital asset is deemed as surplus, it may be sold so that the proceeds, known as capital receipts, can be spent on planned capital expenditure. Repayments of capital grants, loans and investments also generate capital receipts. The Council already has budget commitments within the current capital programme of projects expected to be funded from capital receipts. At Quarter 3 2023/24 the current position of expected capital receipts against budget commitments is as follows:

	2024/25	2025/26	2026/27	2027/28
Corporate Resources Allocated in Capital Programme	198,888	12,726,774	8,564,314	1,027,267
Capital Programme Ring-fenced receipt requirements	200,000	20,824,029	4,250,000	4,000,000
Transformation activities	26,008,531	13,167,607	-	-
Total Commitments	**26,407,419**	**46,718,410**	**12,814,314**	**5,027,267**
Capital Receipts in hand/projected:				
Brought Forward in hand	15,175,259	2,292,247	- 29,356,905	- 42,106,219
Generated 2024/25 YTD	1,669,030	-	-	-
Projected - 'Green'	11,855,377	15,069,258	65,000	65,000
Total in hand/projected	**28,699,666**	**17,361,505**	**- 29,291,905**	**- 42,041,219**
Shortfall to be financed from Prudential Borrowing / (Surplus) to carry forward	**- 2,292,247**	**29,356,905**	**42,106,219**	**47,068,486**
Further Assets Being Considered for Disposal (Amber/Red)	354,630	42,739,000	8,550,750	5,531,170

"Green" indicates disposals that are highly likely to be completed by the end of the financial year.

3.7 In 2024/25 there is currently a projected surplus of capital receipts of £2.292m, however, in 2025/26, 2026/27 and 2027/28 there are currently projected cumulative shortfalls of capital receipts of £29.357m, £42.106m and £47.068m respectively.

3.8 These surplus and shortfall positions are 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 are shown in the tables below.

Totals (General Fund)	2024/25	2025/26	2026/27	2027/28
Corporate Resources Allocated in Capital Programme	37,288	12,726,774	7,342,994	1,027,267
Capital Programme Ring-fenced receipt requirements	-	11,107,934	4,250,000	4,000,000
Transformation activities	26,008,531	13,167,607	-	-
Total Commitments	**26,045,819**	**37,002,315**	**11,592,994**	**5,027,267**
Capital Receipts in hand/projected:				
Brought Forward in hand	3,782,496	- 11,299,156	- 34,600,330	- 46,128,324
Generated 2024/25 YTD	476,907	-	-	-
Projected - 'Green'	10,487,260	13,701,141	65,000	65,000
Total in hand/projected	**14,746,663**	**2,401,985**	**- 34,535,330**	**- 46,063,324**
Shortfall to be financed from Prudential Borrowing / (Surplus) to carry forward	**11,299,156**	**34,600,330**	**46,128,324**	**51,090,591**
Further Assets Being Considered for Disposal (Amber/Red)	354,630	42,739,000	8,550,750	5,531,170

Totals (HRA)	2024/25	2025/26	2026/27	2027/28
Corporate Resources Allocated in Capital Programme	161,600	-	1,221,320	-
Capital Programme Ring-fenced receipt requirements	200,000	9,716,095	-	-
Transformation activities				
Total Commitments	**361,600**	**9,716,095**	**1,221,320**	**-**
Capital Receipts in hand/projected:				
Brought Forward in hand	11,392,762	13,591,402	5,243,424	4,022,104
Generated 2024/25 YTD	1,192,123	-	-	-
Projected - 'Green'	1,368,117	1,368,117	-	
Total in hand/projected	**13,953,002**	**14,959,519**	**5,243,424**	**4,022,104**
Shortfall to be financed from Prudential Borrowing / (Surplus) to carry forward	**- 13,591,402**	**- 5,243,424**	**- 4,022,104**	**- 4,022,104**
Further Assets Being Considered for Disposal (Amber/Red)	-	-	-	-

3.9 These tables clearly demonstrate that capital receipts for the HRA are in a healthy surplus position over the period, however, there is severe pressure arising from the capital receipts requirement of the General Fund. In 2024/25, 2025/26, 2026/27 and 2027/28 there are currently projected cumulative shortfalls of capital receipts of £11.299m, £34.600m, £46.128m and £51.091m respectively. Measures are in place to secure alternative funding if planned receipts are not sufficient. This could include use of earmarked reserves or borrowing if an additional capitalisation direction were applied.

3.10 The requirement for capital receipts arising from the approved 2024/25 capital programme has been mitigated as far as possible by reprofiling and the use of alternative funding; the current projection now being only £0.037m in-year. The significant requirement for capital receipts in 2024/25 is primarily due to the Council's transformational investment to deliver ongoing financial savings in the revenue account. This projection currently includes £10.863m for the Council's Voluntary Redundancy Programme (with a further £3.468m being required in 2025-26), £0.226m for compulsory redundancy costs, £7.844m for transformation projects and £7.075m for the Council's Strategic Transformation Partner (including prior year payments). The capital receipts requirement of actual voluntary redundancies is updated monthly as individual redundancy costs are finalised. Compulsory redundancies expenditure of £0.226m represents actual payments to the end of November 2024. All capital receipts requirement estimates are refined as further details on actual costs are determined.

3.11 The 2024/25 estimated capital receipts shortfall of £11.299m in the General Fund is dependent on the realisation of disposals totalling £10.487m by the 31st March 2025. Failure to deliver any of these disposals would extend the estimated capital receipts shortfall.

3.12 The 2024/25 capital receipt requirement is primarily needed to fund transformational activities by utilising the flexible use of capital receipts legislation (as detailed elsewhere). Work is in hand to manage the level of transformational investments being made and how this can be balanced against available funding. To ensure the revenue budget is not impacted by these investment costs in 2024/25, resulting from underachievement of Capital Receipts in-year, the Council has applied for a Capitalisation Direction from MHCLG for £26.9m in 2024/25. This will enable the delivery of capital receipts in

2025/26 to cover costs made in 2024/25. Details of this will be included within monthly monitoring reports for the remainder of 2024/25.

3.13 The shortfall in capital receipts from 2025/26 onwards may need to be financed from Prudential Borrowing if it cannot be addressed by progressing the disposals programmed for future years and will incur future year revenue costs that are not budgeted for in the revenue financial strategy. Transformation spending in 2025/26 will cover the same areas as 2024/25 i.e. eligible redundancy costs, plus staff and transformation partner costs chargeable to capital. Total, in year transformation costs will be capped to expected in-year capital receipts delivery (£13.7m) as a maximum. This would ensure a capitalisation direction in 2024/25 is sufficient to manage investment into 2025/26, with other assumed capital receipts usage funded from borrowing without such an instrument, as necessary.

3.14 The original tender process was for a transformation partner to work with the Council over a three year period. Our transformation partner, PwC, has completed two of those three years and helped delivered significant savings, the majority of which have not resulted in impacts on the public through reduction in service delivery. Furthermore, this investment has been ‘capitalised’ and as such, has not impacted on the budgets available to deliver the Council’s day to day services.

3.15 Funding is available to continue the transformation programme into year three and an overarching contract with PwC is in place for 2025/26. As part of the original engagement, PwC were required to produce an exit plan, to ensure there is no legacy reliance created and the contract for year three includes a break clause enabling the engagement with PwC to be ended at any time in-year as needed. At the present time, for practical purposes, commitments will not extend beyond the first quarter of 2025/26.

3.16 The budget as presented enables twelve month’s transformation investment alongside the associated benefits of delivery over 2025/26 with support from our transformation partner. Investment can be reduced or stopped in year, and a commensurate reduction in transformation delivery and therefore associated savings would need to be ascertained and replaced with an alternative approach.

3.17 Funding for transformation is planned for as a capital cost as the benefits extend over multiple years. The costs, capped at a maximum of £13.7m, are included here as they relate to capital receipts.

3.18 Assets currently being considered for disposal total £57.176m which if realised would be sufficient to resolve the currently projected shortfall in capital receipts peaking at £51.091m in 2027/28. Of these disposals £3.118mm and £54.058m are currently RAG rated “Amber” and “Red” respectively, meaning that they are either achievable but challenging or highly unlikely to complete within the relevant financial years. Nevertheless, the profile provides a plan whereby spending and funding in any particular year can be flexed and alternative short-term funding used to smooth in-year variances.

3.19 There is, however, significant and urgent pressure to progress the disposals programmed for future years, to ensure that they are realised and alternative funding minimised, together with realising the revenue running cost savings from some of the properties. Considerable work is required to realise these receipts, requiring a lead in time of at least 12 to 18 months on larger disposals.

3.20 Asset Management Planning needs full consideration as part of the Capital Strategy to fund future projects that are deemed unsuitable to be funded from Prudential Borrowing as they neither generate new income nor create revenue savings that will fund the resulting MRP requirement. At the point of considering such projects for inclusion in the Capital Programme, asset disposals to fund these projects will form part of the full appraisal process.

4. Governance Arrangements

4.1 To ensure that available resources are allocated optimally and deliver value for money, investment programme planning is, whilst having its own approval process, determined in parallel with the service and revenue budget planning process within the framework of the Financial Strategy.

4.2 New programmes of expenditure will be appraised along with other investments and grant allocation programmes following a clearly defined gateway process. The authority will make use of internal officer experience supported by external professional advisors where necessary to ensure robust investment decisions are made. This advice will cover financial, legal, property and economic outcomes through appropriate appointments.

4.3 The authority has an appraisal mechanism in place which will seek to ensure that there is an integrated approach to addressing cross-cutting issues, both internal and external to the authority, developing and improving service delivery through transformation and its investment in pursuance of the authority's over-arching aims. The appraisal mechanism and governance process are currently under review, however in the meantime, the governance arrangements as listed below will continue. This includes Officer Groups which bring together a range of service interests and professional expertise, including:

- Democratic decision-making and scrutiny processes which provide overall political direction and ensure accountability for the investment in the Capital Programme.
- The Council's senior officers oversee the investment portfolio. It is supported by a matrix group of officers of all specialities that will continue to appraise all business plans using independent external advisors if necessary. This will assist the making of investment decisions based on full site investigations, due diligence, funding package, undertaking full risk and reward assessments, lifetime costings, asset replacement and monitoring the outcome and reviewing those projects already in progress.
- The Strategic Programme Officer Group (SPOG) overseeing and reviewing business cases for investments prior to sign off and for submission to Capital Investment Board and Cabinet/Council approval.
- Specific Project boards of management groups with wide ranging membership to oversee significant development projects as required.

4.4 For projects and programmes an Expression of Interest (EOI) will be submitted that needs to include the investment levels required, source of funding, outcomes to be delivered, risk assessments, appropriate due diligence, repayment mechanisms, revenue impacts and full lifetime costings. These will be scored against an agreed weighting and appropriate recommendations made to the SPOG.

4.5 Subject to the EOI proposal being approved a detailed Outline Business Case (OBC) will be submitted and appraised in line with the Council approved methodology of the Treasury 5-case model, prior to a Full Business Case being completed and appended to a Council report. A suite of template documents is appended to the OBC to ensure a consistent approach to project delivery. These include:

- Risk Register.
- Cash Flow Modelling.
- Gantt Chart for project timeline.
- Project Board Terms of Reference and Agenda.
- Procurement considerations.
- Project closure report.

4.6 Under certain circumstances, as specified in the Commercial strategy, an alternative approach is necessary for spending decisions from the approved regeneration investment fund. Officers negotiating commercial deals are aware of the core principles of the Prudential Framework and the regulatory regime through the provision of appropriate training and advice.

4.7 Officers and Members involved in the decision-making process in relation to proposed projects and programmes will have the appropriate capacity, skills, and information to enable them to take informed decisions to acquire specific investments, to assess investments in the context of the Council's strategic objectives and risk profile and to understand how decisions have changed the overall risk exposure of the Council.

4.8 This assurance will be secured through the provision of relevant training and advice, detailed scheme business cases, financial appraisals and regular monitoring and review of the Council's overall investment position.

4.9 A summary of the programme governance is detailed in Appendix A.

4.10 Future monitoring of the programmes will include more rigorous expenditure profiling, outcome achievements, delivery against timetable, returns, risk assessments and completion reviews for each project.

4.11 Quarterly Capital Programme reports will continue to be submitted to Cabinet that identify changes to the approved programme to reflect:

- New resource allocations
- Rescheduling in programme delivery
- Programmes reduced or removed
- Virements between schemes and programmes to maximise delivery.

- Revisions to spend profile and funding to ensure ongoing revenue costs are minimised.
- Monitor the funding of the programme
- Capital receipts generated

5. Investment Approach

5.1 Underlying the Capital Strategy is the recognition that the financial resources available to meet capital expenditure priorities are constrained by a significant reduction in financial resources. The Council must therefore rely on internal capital resources including borrowing or external funds and seek ways in which all investment decisions, relating to either single schemes or defined programme of schemes, are no less than self-sustaining financially whilst generating significant positive returns in terms of meeting priorities.

5.2 The Council's approach to investment will reflect those investments made into the delivery of services and those designed for a wider economic basis. A balanced portfolio approach to investment will ensure an overall net average return reflecting some investments will yield higher returns than others and limit exposure to volatility in any one area.

5.3 All potential projects identified for investment can be classified in one of the following three categories:

- Commercial
- Transformation
- Economic Growth

5.4 The priority capital investments as identified in Sections 8 and 10 are summarised in these 3 categories of investment below which demonstrates the balanced approach to investment within the capital strategy.

Table 5.1: Capital Schemes Analysed By Investment Category

Investment Category	Estimated Capital Cost £m
Commercial	12.300
Transformation	171.212
Economic Growth	167.744

6. Current Capital Programme

6.1 The current projected capital programme is shown below in summary with the full detailed programme included as Appendix B. It includes all projects that have proceeded to approval stage, either via delegated powers or full Cabinet and Council recommendation approvals. It also includes estimates for capital grants for 2025/26 and beyond where there is an expectation that grant funding will continue, such as Highways Maintenance and School Maintenance Grants.

Table 6.1: Current Capital Programme Expenditure Budget

	2023/24 Actual £ m	2024/25 Projection £ m	2025/26 Estimate £ m	2026/27 Estimate £ m	2027/28 Estimate £ m
Non HRA Capital Expenditure	77.3	91.9	120.5	52.0	37.3
HRA Capital Expenditure	15.1	18.8	18.2	20.6	7.0
Total Capital Expenditure	**92.3**	**110.7**	**138.8**	**72.7**	**44.3**

6.2 Table 6.1 above shows the expected capital programme budget as at Quarter 3 2024/25. It will be revised following completion of the 2024/25 capital closedown procedure when final figures are established, which may result in slippage of budgets from 2024/25 into 2025/26.

6.3 The Council may also receive additional grant notifications throughout the financial year or if bids are submitted for additional grant funding as the year progresses. These changes will be reported as part of the quarterly finance strategy reporting.

6.4 There are several projects being considered that are being processed via the appraisal mechanism that is in place. As these projects have not completed the full cycle of appraisal, they are not included in the capital programme budget above but are informed as part of the prioritised projects discussed in section 8, where the impact of having additional budget requirements, and the resulting effect on the Capital Financing Requirement against prudential indicators is fully assessed. As these projects progress through both the appraisal process and the Councils governance requirements they will be added into the capital programme.

7. Funding the Current Capital Programme

7.1 There are several sources of funding the Council can use to finance its Capital Programme. The Current Programme is funded from the following sources:

- Capital Receipts
- Prudential Borrowing
- Developers Contribution (S106, CIL)
- Revenue Contributions
- Capital Grants
- Cash Balances / Internal Borrowing

7.2 **Capital Receipts**

Capital Receipts come from the sale of the Council's assets. If the disposal is Housing Revenue Account land or property, then the whole receipt is not available to support the capital programme as a percentage must to be paid over to the MHCLG. Where the sale of an asset leads to the requirement to repay grant, the capital receipt will be utilised for this purpose. Once this liability has been established and provided for, capital receipts will be available to support the capital programme as a corporate resource. Where the asset has been funded from prudential borrowing a review will be undertaken to determine whether the most cost-effective option is to utilise the receipt to repay debt, considering the balance sheet position of the authority.

7.2.1 **Flexible use of Capital Receipts**

The 2015 Comprehensive Spend Review (CSR) announced that local authorities will be allowed to spend up to 100% of capital receipts (excluding Right to Buy receipts) on the revenue costs of reform projects. Instead of holding assets that could be made surplus, councils will be able to sell them to reinvest in their services. Guidance relating to specific conditions, number of years that this will be offered and the qualifying criteria for a 'reform' project was issued as part of the Final Local Government Settlement on 11th March 2016. The key points included:

- The direction originally only related to new receipts received in the period 1st April 2016 to 31st March 2019 that could be applied to meet the revenue costs of reform incurred in the same timeframe. This has since been extended to 31st March 2030.
- The key criteria to use when deciding whether expenditure can be funded by the capital receipts flexibility is that it is forecast to generate ongoing savings to the authority's net service expenditure and is expenditure on a project where incurring upfront costs will generate ongoing savings; and

- Individual authorities demonstrate the highest standards of accountability and transparency.
- Examples of qualifying expenditure include the sharing of back office and administrative services; investment in service reform feasibility work; collaboration between central and local government to free up land for economic use; funding the cost of service reconfiguration or restructuring leading to ongoing efficiencies; sharing Chief Executives; driving a digital approach; aggregating procurement on common goods; improving systems and processes to tackle fraud; setting up commercial or alternative delivery models to deliver services more efficiently or increase revenue income; and integrating public facing services across two or more public sector bodies

7.2.2 HRA Right to Buy Receipts

In most cases there will be no ring fencing of capital receipts to specific projects. One exception to this is the retained Right to Buy (RTB) receipts held by the Council under the agreement signed in June 2012 and amended in June 2013. Under this agreement any retained RTB receipts, which are not used for the specific purpose of providing replacement affordable housing, must be returned to MHCLG.

7.3 Prudential Borrowing

The Council will investigate opportunities to resource capital projects using prudential borrowing where plans are sustainable, affordable, and prudent. Full appraisal will take place to ensure that, where appropriate, sufficient revenue returns are generated to cover the cost of borrowing.

Where it is considered that prudential borrowing is the appropriate method of funding, but it requires additional revenue financing, the cost will be built into the revenue budget planning process. There are various debt instruments available for financing prudential borrowing and these are explored in detail in the Treasury Management Strategy.

The PWLB remains the Council’s preferred source of long-term borrowing given the transparency and control that its facilities continue to provide. The Council qualified for borrowing at the ‘Certainty Rate’ (20 basis points, i.e., 0.20%, below the PWLB standard rate for the General Fund and 60 basis points, i.e. 0.60% below the PWLB standard rate for the Housing Revenue Account (HRA) for a twelve-month period from 01/04/2024 to 31/03/2025, through submission of its PWLB Lending Access Form 2024-25 application to MHCLG.

7.4 S106 Developer Contributions

S106 agreements are made with developers / landowners as part of the planning approval process to ensure that new development mitigates its own impact and provides the necessary infrastructure to support it.

These contributions are site specific or can be ‘pooled’ for a maximum of 5 site specific projects. Any contributions received are ‘ring-fenced’ for the purpose as set out in the relevant S106 agreement and are applied to fund schemes within the relevant capital programme once an eligible scheme has been identified.

S106 contribution agreements have covered all types of infrastructure including transport, affordable housing, play areas, open spaces, playing fields, public realm, and public art. However, since the Council adopted CIL the planning obligations sought within S106 agreements have been scaled back to deal with only site-specific requirements, as required by the CIL Regulations. Pooled contributions previously sought for strategic transport, public realm and public open space related obligations are now dealt with by CIL.

The S106 contributions are time limited in that if they are not spent within an agreed timescale, typically 5 - 10 years, dependent on what has been agreed in the S106 agreement and any funds not spent in line with the agreement would have to be repaid to the developer, which, may include interest.

Consideration of available S106 funding should be taken into account when agreeing, for example, the roads programme for future years to maximise the use of the available funding and reduce the reliance on other sources of funding, predominantly borrowing. With the exception of funding for affordable housing the other pooled S106 obligations, such as Strategic Transport, Public Realm and Public Open Space will become zero over time as the CIL continues to be applied.

7.4.1 Proposals for a New Levy on Developer Contributions

The government has consulted on plans to radically shake-up the process of negotiating developer contributions via an overhaul of the current system. The proposals would introduce a new infrastructure levy to replace the system of securing developer contributions towards affordable housing, roads, and schools. The proposed levy would replace planning obligations, negotiated with developers through S106 agreements and CIL with a rate set nationally as a fixed proportion of a developments final value and charged at the point of occupation. Developments below a certain threshold would be exempt to protect the viability of smaller sites.

7.4.2 Community Infrastructure Levy (CIL)

CIL contributions are determined by set rates as detailed within the Council's CIL Charging Schedule and based on the amount of floor space being created by the development. CIL can be used to fund a wide range of infrastructure that is needed as a result of new development but is not site specific, giving more flexibility in where the funding can be used in geographical terms.

The CIL does not replace the requirement of S106 contributions. S106 contributions will still be relevant and will be sought alongside CIL.

The Planning Act and subsequent Community Infrastructure Levy Regulations 2010 (as amended) says that authorities can only spend CIL on providing infrastructure to support the development of their areas. This includes flood defence, open space, recreation and sport, roads and transport facilities, education, and health facilities. However, it does not include affordable housing, which will continue to be funded by S106 obligations.

7.5 Revenue Contributions

An element of the revenue budget can be set aside to fund the capital programme (Direct Revenue Financing). However, with increasing General Fund revenue pressures these amounts available are reducing. A service or school may wish to offer some of its revenue budget to support the financing of a capital project. This is acceptable if it can be demonstrated that this funding is unfettered.

7.6 Capital Grants

7.6.1 Government Grants

Capital resources from Central Government can be split into two categories:

- *Non-ring fenced* - resources which are delivered through grant that can be utilised on any project (albeit that there may be an expectation of use for a specific purpose). This now encompasses the vast majority of Government funding, and the Council will initially allocate these resources to a general pool from which prioritised schemes can be financed.
- *Ring-fenced* - resources which are ring fenced to particular areas and therefore have restricted uses, specified by the funder.

7.6.2 Non-Government Contributions

Where there is a requirement to make an application to an external agency to receive external funding, and when appropriate to commit Council resources as matched funding to any bid for external resources, a business case should first be presented for consideration to EMT. The business case must demonstrate how the project aligns to Council's priorities and how matched funding and any revenue consequences can be managed within the context of the capital and revenue budget.

7.7 **Cash Balances/Internal Borrowing**

The term Prudential Borrowing above does not automatically lead to external borrowing as the Council may be able to use cash it holds in reserves and as working capital which is usually termed internal borrowing.

7.8 **Funding Summary of the Current Capital Programme 2023/24 - 2027/28**

The current projected capital programme is financed as follows:

Table 7.1: Financing of the Capital Programme

	2023/24 Actual £ m	2024/25 Projection £ m	2025/26 Estimate £ m	2026/27 Estimate £ m	2027/28 Estimate £ m
Capital Receipts	-2.1	0.2	12.7	8.6	1.0
Capital grants	53.7	61.3	84.1	37.2	29.9
Other Contributions	5.2	16.5	9.2	1.4	1.4
Major Repairs Allowance	6.5	9.5	5.6	5.0	5.0
Revenue Contributions	3.3	0.6	0.9	0.3	0.0
Prudential Borrowing	25.8	22.6	26.3	20.1	7.0
Total Financing	**92.3**	**110.7**	**138.8**	**72.7**	**44.3**

Over time all debt whether it be internal or external borrowing must be repaid, and this is therefore replaced over time by other financing, usually from revenue which is known as minimum revenue provision (MRP). The Council is required to make an annual MRP statement which is included within the annual Treasury Management Strategy report. The project appraisal process ensures that all projects that are not fully funded from secured grants or capital receipts are assumed to be funded from Prudential Borrowing and must demonstrate that any future borrowing requirement is affordable and sustainable within the requirements of the project.

The current MRP budget requirements based on the estimated capital programme above are as follows:

Table 7.2: Capital Programme MRP Budget Requirement					
	2023/24 Actual £ m	2024/25 Projection £ m	2025/26 Estimate £ m	2026/27 Estimate £ m	2027/28 Estimate £ m
MRP (Excluding PFI / Finance Leases)	6.2	6.3	6.5	7.1	7.5

8. Capital Project Prioritisation & Future Schemes

8.1 The main objective for the introduction of the Capital Strategy requirement was in response to the major expansion of local authority investment activity into the purchase of non-financial investments, particularly property. The capital strategy therefore requires local authorities to assess investments over the long-term as opposed to the usual three years that planning has been conducted over.

8.2 Section 6 of this strategy summarises the current approved capital programme for the three years to 2027/28. The projects included within this programme have progressed through the governance process and are deemed to have been assessed fully to ascertain the outcomes of the project against criterion of risk and reward.

8.3 In order to comply with the requirement to consider capital expenditure over a medium to long-term period and to determine the financial sustainability of the authority, focusing on the affordability of the capital programme, Shropshire Council has compiled a planned programme of capital schemes that are proposed but have yet to complete the full due diligence process.

8.4 The prioritised list of projects included in the February 2024 Capital Strategy has been reviewed and agreed with Members, Directors and Assistant Directors and had an original estimated capital cost of £238.743m, of which £59.083m was anticipated to be funded through borrowing. Of this borrowing £33.000m related to the Housing Revenue Account (HRA), the costs of which would be borne by the HRA rather than the General Fund.

8.5 A revised schedule of prioritised schemes was reviewed by the Collaborative Budget group and necessary amendments made between the Cabinet and final Council Report. This agreed schedule has been updated for occurrences such as revisions to cost estimates, successful progression of schemes, new schemes, schemes now included in the approved Capital Programme, etc. This latest schedule has an estimated capital cost of £338.959m of which £76.342 is anticipated to be funded through borrowing. Of this borrowing £53.807m relates to the HRA the costs of which would be borne by the HRA rather than the General Fund. The schemes included in this prioritised schedule are detailed in Appendix C and are summarised by Portfolio Holder in Table 8.1 below. Movements from the Priority Schemes schedule detailed in the 2024-25 Capital Strategy through to the schedule presented to EMT / Informal Cabinet in October 2024 to the latest schedule contained in this Capital Strategy are tracked in Appendix C.

Table 8.1: Priority Schemes Estimated Costs	
Portfolio Holder	**Estimated Scheme Costs £m**
Culture & Digital	**37.715**
Children & Education	**9.500**
Adult Social Care & Public Health	**0.000**
Growth & Regeneration	**33.734**
Highways	**128.130**
Housing & Assets	**129.878**
Total	**338.956**

8.5 The total scheme costs detailed in Table 8.1 are initial estimates only and these are highly likely to change as more work is undertaken to develop robust business cases on an individual project basis including full options appraisal and detailed costings.

8.6 Table 8.2 below summarises the projected borrowing requirements associated with the capital schemes detailed in Appendix C together with the revenue impact of these schemes as reflected by an additional MRP requirement.

Table 8.2: Projected Borrowing Requirement & MRP Liability of Agreed Prioritised Capital Schemes						
	2025/26 £ m	**2026/27 £ m**	**2027/28 £ m**	**2028/29 £**	**2029/30 £**	**Total £ m**
Projected Borrowing Requirement	0.425	10.025	10.170	1.915	0.000	22.535
Projected Year on Year MRP Liability	0.025	0.580	0.588	0.111	0.000	1.303
Projected Cumulative MRP liability	0.025	0.604	1.192	1.303	1.303	

The revenue impact of this level of borrowing will be £1.303m by 2028/29 assuming an interest rate of 4.0% over 30 years.

8.7 The projected borrowing costs of £1.303m associated with borrowing of £22.535m is ostensibly a revenue pressure, although it is likely that projects may generate additional capital receipts, other income or reduce existing costs to reduce the estimated borrowing costs. The prioritised projects are not sufficiently developed at this stage to provide any clarity in relation to potential capital receipts, additional income or existing revenue budget savings or pressures. These factors will be identified during the development of the project business cases. Consequently, the currently calculated revenue impact of borrowing has not been adjusted for any of these factors and should represent the maximum revenue impact. The additional MRP requirements identified in Table 8.2 above will need to be incorporated in revenue budget setting from 2026/27 onwards in line with the profile identified in the Table 8.2. The affordability of this impact must be realistically appraised in light of other competing budget pressures.

8.8 Borrowing is only one element of the funding required to finance the prioritised projects. Other additional funding sources are targeted to finance these projects as detailed in Table 8.3.

Table 8.3: Targeted Funding Sources

	Total £'000s
External Grants	176.170
S106 Developer Contributions	9.500
CIL Developer Contributions	0.500
External Contributions	0.450
Borrowing	76.342
Capital Receipts (Asset Disposals)	19.350
Revenue Contributions	26.330
Alternative Funding Options	30.314
Total Funding	338.956

8.9 The targeted funding sources includes a significant level of capital receipts (£19.350m) to be realised from asset disposals. These capital receipt requirements are additional to those highlighted at paragraph 3.6 of Section 3: Asset Management Planning.

8.10 Alternative funding sources totalling £30.314m are being targeted as a funding source for the Pride Hill Repurposing scheme. These alternative funding sources will be investigated and assessed by the project board and must be a key consideration during development of the business case.

8.11 The schemes identified in Appendix C must progress through the approved capital scheme governance process as normal, with robust business cases being developed for each project. These projects and business cases must be presented and approved by Cabinet and /or Council prior to their inclusion in the Council's capital programme.

8.12 Progression of schemes detailed in Appendix C will provide the Council with a set of prioritised capital projects to progress over the medium term (2025/26 to 2029/30) and those not included on Appendix C will provide a set of aspirational pipeline projects for consideration and development over the longer term (2030/31 onwards). The original estimated capital cost of these schemes again as reviewed and agreed at 16th October Cabinet was £143.286m. This agreed schedule has been updated for occurrences such as successful progression of schemes, new schemes, etc. This latest schedule has an estimated capital cost of £145.756m, however, there are currently no cost estimates available for around half of the schemes included in this schedule.

<u>North West Relief Road Project</u>

8.13 Within the Prioritised Schemes schedule is the North West Relief Road Project. It is currently intended that the full cost of the scheme (£215.12m), based on the latest cost estimate (pre Full Business Case) will be met from a combination of External Grants and other funding. Several scenarios have been considered for this scheme which may impact how much is required to be funded, and from what source. These include:

1. Project continues (NWRR and the Oxon Link Road)
2. Project fails (e.g. does not receive planning permission) but the Oxon Link Road continues
3. Council decision to not continue with NWRR, but continue with Oxon Link Road
4. Council decision to not continue with either the NWRR or the Oxon Link Road.

The current funding assumptions surrounding the project, is that the bulk of the cost for the NWRR will be financed through government funding. It is still unclear what this would mean in practice, but could mean:

1. Additional funding provided by central government
2. Redirection of existing government funding (e.g. Local Transport Fund, currently anticipated at £132m over seven years)
3. Retention of LTF Funding *only* if the NWRR progresses

At present no confirmation has been provided by Department for Transport and is unlikely until a Full Business Case is provided. For planning purposes, however, the third option appears the more likely. This option is similar to option 1 in the sense that government funding would not be available for other purposes, and cancellation of the project would result in loss of funding for the project and for the Council as a whole.

Regardless of the options above, the balance of costs for the Oxon Link Road needs to be funded. As option 2 is unlikely, prudential borrowing may be required for this balance (£39.9m) resulting in additional revenue costs of £1.856m to complete OLR as part of the larger project, or likely more if delivered as a standalone project. This is worst case and there may be other funding options that could be considered such as Capital Receipts.

Should government funding not be available for the NWRR project then there is a risk that prudential borrowing may need to increase, beyond that for just OLR, by a further £88.2m. This would result in total revenue costs of borrowing increasing from £1.856m (OLR only) to £5.958m (NWRR including OLR).

Similar to the points above, if the project fails but the Council continues with the Oxon Link Road, it is anticipated that prudential borrowing of at least £39.9m will be required for OLR, generating a revenue cost of £1.856m to meet the cost of the borrowing. Under this scenario, however, there would be the need to potentially write off between £11.5m and £31.9m to revenue for the abortive costs incurred to date on the NWRR.

Alternatively, if there were a Council decision to stop the NWRR project but continue with the Oxon Link Road the full write off cost of £31.9m would be invoked and funding for the OLR only project would still need to be funded.

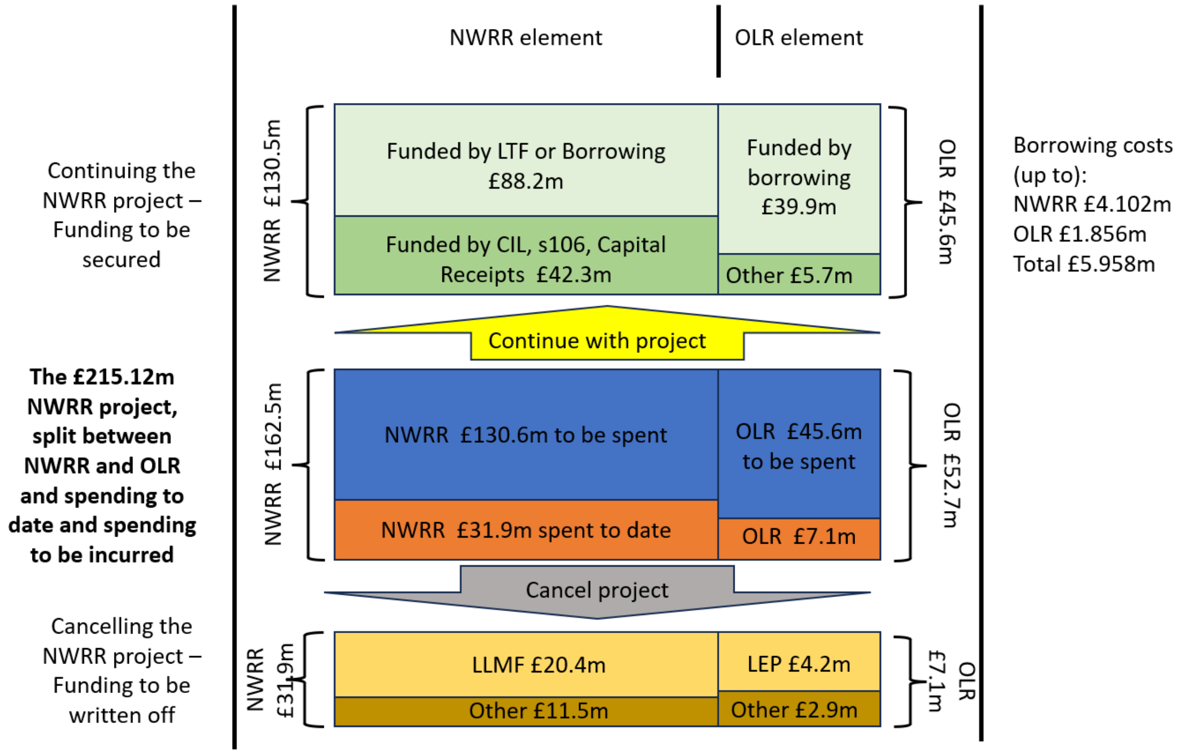
Should the Council decide to abort both the NWRR and the Oxon Link Road, all funding currently used to fund costs incurred to date on both schemes would need to be repaid and so the full cost of £38.9m would fall to the Council in the revenue budget to fund.

Note, should a capitalisation Direction be applied for to fund any write off costs, borrowing would need to be factored into the revenue account regardless, but with no capital asset delivered as a result.

These costs are summarised in the table below.

Scenario	NWRR Section Cost (£m)	OLR Cost (£m)	Total Cost (£m)	Revenue Implications
1. Project continues (NWRR and the Oxon Link Road)	£130.5m	£45.6m	176.1m	If borrowing is required, between £1.856m and £5.958m pa
2. Project fails (e.g. does not receive planning permission) but the Oxon Link Road continues	Between £11.5m and £31.9m depending on clawback of grant	£45.6m	Between £57.1m and 77.5m	Write off between £11.5m and £31.9m in one year (or borrowing?) Plus borrowing up to £1.856m pa for OLR
3. Council decision to not continue with NWRR, but continue with Oxon Link Road	£31.9m	£45.6m+	£77.5m	Write off £31.9m in one year (or borrowing?) Plus borrowing up to £1.856m pa for OLR
4. Council decision to not continue with either the NWRR or the Oxon Link Road.	£31.9m	£7.1m	£39m	Write off £39m in one year (or borrowing?)

This schematic below describes the costs under the various scenarios.



9. Commercial Activity & Investment

9.1 The Chartered Institute of Public Finance and Accountancy (CIPFA) defines investment property as property held solely to earn rentals or for capital appreciation or both. Returns from property ownership can be both income-driven (through the receipt of rent) and by way of appreciation of the underlying asset value (capital growth). The combination of these is a consideration in assessing the attractiveness of a property for acquisition.

9.2 The principal reasons for Shropshire Council to buy and own property investments are to secure a continuing service objective, to directly deliver service benefits and to promote economic development and regeneration activity in the Council's area: not primarily to take advantage of market and economic opportunities. Generation of financial returns from a property investment will normally be secondary to these principal reasons and the monies generated utilised to fund services to residents. This is in line with the new PWLB reform on borrowing in Local Authorities as mentioned earlier.

9.3 The Council may also undertake other types of investment, such as investment property portfolios, loans to wholly owned companies or associates, to joint ventures, to local charities, or to third parties, where this is relevant to the Council's functions or management of its finances and generate income.

9.4 Local authorities have a range of powers available to them permitting the acquisition of property, powers to undertake income generating and commercial activity and to invest for purposes relevant to their functions, or for the purposes of the prudent management of their financial affairs (Section 12 of the Local Government Act 2011).

9.5 Before undertaking any commercial or investment activity, the Council will need to make sure that its proposals are legally compliant: consider any increased risk to the Council; take account of the requirement of its published strategies relevant to the project; and are compliant with other relevant statutory requirements, such as "state aid" rules, i.e., to ensure public funding is not used to subsidise commercial entities operating in a market economy.

9.6 Legal advice will be an early aspect of any development of commercial activities or investment projects to ensure the Council will be acting within the legislative framework in undertaking the activity and to inform good decision making. Specialist external advice will be sought as appropriate.

9.7 Identification of the relevant statutory powers to be relied upon may impact upon the funding available for a project, including whether the Council is permitted to borrow to fund the investment. The Council will consider the requirements of the statutory codes that comprise the CIPFA prudential framework, including the Prudential Code for Capital Finance in Local Authorities, in addition to the CIPFA guidance on Prudential Property Investment.

9.8 In summary, the ability to borrow for an investment will depend on the powers utilised for the acquisition. Where the Council acquires an investment property utilising a power permitting the acquisition of land and building, borrowing will be considered to fund the acquisition, however, where a power permitting the acquisition of investments has been utilised, borrowing will not be considered as a funding option where this constitutes borrowing in advance of need.

9.9 Although local authorities are able to acquire land and property both inside and outside their own administrative areas, the Council will limit investments to within its own administrative area.

9.10 Property investment is not without risk as property values can fall as well as rise and changing economic conditions could cause tenants to leave with properties remaining vacant as has happened during the national pandemic. An example of this, within Shropshire Council's portfolio, is the Shrewsbury Shopping Centres. The pandemic has significantly impacted on the retail sector, thus impacting on Shropshire Council due to its interest in the assets.

9.11 The strategy makes it clear that the Council will continue to invest prudently to support service delivery and provide additional sources of income and to take advantage of opportunities as they present themselves, supported by our robust governance process.

10. Regeneration Investment Fund & Climate Change

10.1 The Council allocated an Investment Fund to facilitate regeneration of strategic assets and contribute towards the Council's revenue outturn position. An income target of £2m per year from 2019/20 to 2022/23 was initially included in the Council's 2019/20 Financial Strategy equating to investment of £80m and cost of investment of £4.4m. The fund and income targets were revised and reprofiled to £45m and £4.5m respectively over the period 2020/21 to 2022/23 to align with actual investments undertaken to date and anticipated income realisation profiles. The total of the Regeneration Investment Fund will continue to be reviewed in light of other Council priorities.

10.2 The following table summarises the investments made to date and the remaining balance on the Investment Fund.

	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	Total
Approved budget allocation	20,000,000	20,000,000	5,000,000							45,000,000
Unutilised Fund Carry Forward:	0	9,609,897	25,908,427	30,817,386	22,721,932	21,024,261	15,779,479	9,479,479	5,979,479	
Drawn down into capital programme:										
Tannery Block C & B	(7,133,862)	(311,325)	(16,614)	(3,847)	(5,912)					(7,471,560)
Whitchurch Medical Practice				(171,509)	(1,392,326)	(2,214,393)				(3,778,228)
Oswestry Morrisons Site		(3,390,145)								(3,390,145)
Oswestry Castleview	(3,256,241)									(3,256,241)
Maesbury Tip Solar PV				(19,682)	(26,876)	(494,615)	(1,000,000)	(500,000)		(2,041,173)
Tannery Development - Block A			(62,500)	(594,752)		(56,606)	(1,300,000)	(2,500,000)	(2,500,000)	(7,013,858)
Shrewsbury Pitch and Putt			(11,927)	(136,349)	(263,136)	(1,988,588)	(2,500,000)	(500,000)		(5,400,000)
15-18 English Walls, Oswestry				(3,332,304)						(3,332,304)
7-9 Pride Hill, Shrewsbury				(3,837,011)						(3,837,011)
Biochar Pyrolysis Project					(9,420)	(490,580)	(1,500,000)			(2,000,000)
Balance of unutilised fund	**9,609,897**	**25,908,427**	**30,817,386**	**22,721,932**	**21,024,261**	**15,779,479**	**9,479,479**	**5,979,479**	**3,479,479**	

10.3 The table shows that around 8% of the £45m regeneration investment fund is currently unallocated. The current remaining balance is £3,479,479.

10.4 All of the projects listed in the table have been approved and are included in the Capital Programme. It is expected that the projects agreed in the capital programme will generate in excess of £1.5m in 2025/26, rising to around £3.0m by 2027/28.

10.5 Details on progress to date for each of these approved capital projects is summarised below.

10.6 **Tannery Block C and Tannery Block B** were completed in full within the 2020/21 financial year. Block C, formerly student accommodation, is being repurposed for temporary accommodation to deliver revenue savings following the university's exit from Shrewsbury.

10.7 **Whitchurch Medical Practice** project was approved in July 2018 to provide NHS facilities in the area. Following a lengthy pause due to judicial review, construction commenced during 2022/23 and The project is on track to be completed in 2025/26 and so generate revenue income.

10.8 **Oswestry Morrisons Site** acquisition was completed halfway through the 2020/21 financial year. Morrisons surrendered their lease early in 2021/22 and the site has subsequently been re-leased to another tenant

10.9 **Castle View, Oswestry** was acquired at the end of the 2019/20 financial year and has provided a gross yield in excess of 5%.

10.10 **Maesbury Tip Solar PV scheme** for installation of Solar PV was approved in 2021/22 for £1.100m. This scheme was reviewed and expanded to increase energy capacity and financial returns at the site and a revised budget of £2.041m was approved by Council in 2022/23. An anchor Power Purchase Agreement (PPA) has now been finalised and a Project Manager is currently being sourced to facilitate the scheme.

10.11 **Tannery Block A project** received Council approval for a land acquisition alongside future development. Options for the development of the site continue to be explored.

10.12 **Shrewsbury Pitch & Putt scheme** for the development of a small retail park was approved in 2021/22. The project is currently going through a second planning application, construction anticipated to start in 2025/26.

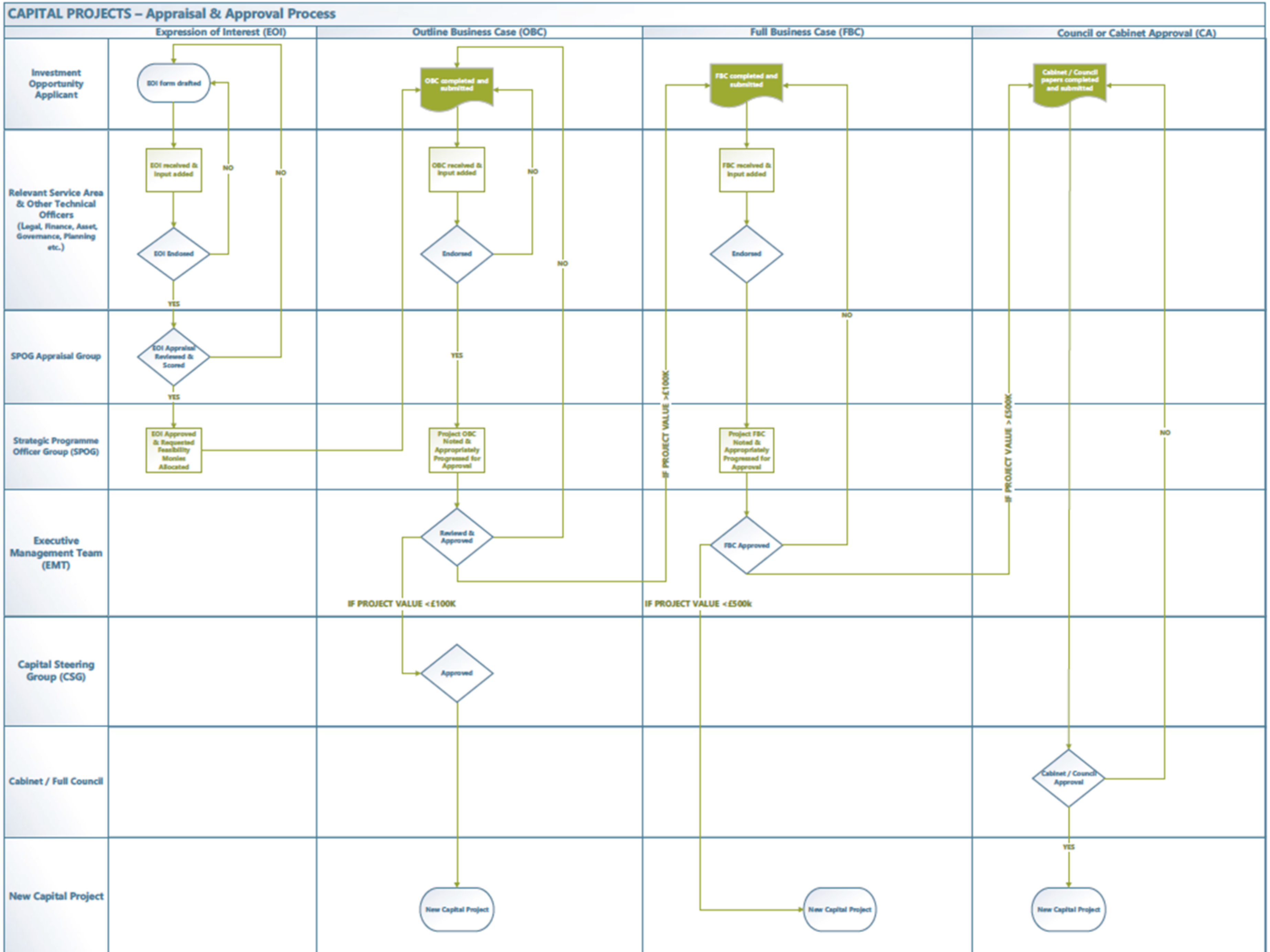
10.13 **15-18 English Walls, Oswestry** strategic acquisition was undertaken during 2022/23, generating further income against the regeneration investment fund.

10.14 **7-9 Pride Hill, Shrewsbury** strategic acquisition was undertaken during 2022/23. This is a key site linked to the redevelopment of the Pride Hill Shopping Centre.

10.15 **Biochar Pyrolysis Project** was approved in 2023/24 for £2.000m and a subsequent approval of £0.520m was obtained in 2024/25 to engage in a Joint Venture (JV). The JV commenced operation in December 2024 and, though not yet at full capacity, outcomes are better than anticipated, with initial Carbon Dioxide Removal Certificates (CORCs) due to be sold around 6 months after the biochar has been tested.

10.16 **Climate Change Emergency**

Following approval of Shropshire Council's Corporate Climate Emergency Strategy, which included an Action Plan and Project Pipeline climate change projects have been progressing. In addition to the Maesbury Solar PV and the Biochar Pyrolysis projects mentioned above there have been further projects being undertaken and embedded within the whole Capital Programme such as decarbonisation of buildings, Electric Vehicle Charging Points and improving energy efficiency across the Council’s asset portfolio. The Council have been successful with obtaining external sources of funding to assist in the delivery of these Climate Change schemes and are continuing to seek further options for funding future projects.


CAPITAL PROJECTS – Appraisal & Approval Process
Expression of Interest (EOI)
Outline Business Case (OBC)
Full Business Case (FBC)
Council or Cabinet Approval (CA)
Investment Opportunity Applicant
Relevant Service Area & Other Technical Officers (Legal, Finance, Asset, Governance, Planning etc.)
SPOG Appraisal Group
Strategic Programme Officer Group (SPOG)
Executive Management Team (EMT)
Capital Steering Group (CSG)
Cabinet / Full Council
New Capital Project
EOI form drafted
EOI received & input added
EOI Endosed
EOI Appraisal Reviewed & Scored
EOI Approved & Requested Feasibility Monies Allocated
OBC completed and submitted
OBC received & input added
Endorsed
Project OBC Noted & Appropriately Progressed for Approval
Reviewed & Approved
Approved
FBC completed and submitted
FBC received & input added
Endorsed
Project FBC Noted & Appropriately Progressed for Approval
FBC Approved
Cabinet / Council papers completed and submitted
Cabinet / Council Approval
New Capital Project
New Capital Project
New Capital Project
YES
YES
YES
YES
NO
NO
NO
NO
NO
NO
IF PROJECT VALUE <£100K
IF PROJECT VALUE <£500k
IF PROJECT VALUE >£100K
IF PROJECT VALUE > £500K

CAPITAL PROGRAMME 2024/25 TO 2027/28 AS AT PERIOD 9 2024/25 APPENDIX B

Directorate Service Area	Revised Budget Quarter 3 2024/25 £	2025/26 Revised Budget £	2026/27 Revised Budget £	2027/28 Revised Budget £
General Fund				
Health & Wellbeing	**1,735,974**	**563,706**	**150,000**	**200,346**
Public Health Capital	0	0	0	0
Regulatory Services Capital	0	0	0	0
Planning Policy Capital	1,180,669	471,486	150,000	200,346
Development Management Capital	167,794	40,500	0	0
Libraries Capital	387,511	51,720	0	0
People	**9,604,306**	**9,084,750**	**8,479,287**	**3,550,000**
Adult Social Care Contracts & Provider Capital	0	0	0	0
Adult Social Care Operations Capital	539,715	150,000	0	0
Children's Residential Care Capital	169,426	130,000	0	0
Non Maintained Schools Capital	3,322,078	900,000	0	0
Primary School Capital	3,457,660	434,827	800,000	0
Secondary School Capital	68,538	0	0	0
Special Schools Capital	131	0	0	0
Unallocated School Capital	324,722	7,469,923	7,679,287	3,550,000
Primary School Managed Capital	1,657,885	0	0	0
Secondary School Managed Capital	52,971	0	0	0
Special Schools Managed Capital	11,180	0	0	0
Environment and Transport (Public Transport) Capital	0	0	0	0
Place Capital - Growth & Infrastructure	**59,611,581**	**99,699,426**	**37,884,503**	**27,596,621**
Property & Asset Capital	12,827,225	21,067,384	7,800,000	3,979,479
Broadband Capital	4,519,432	2,162,045	1,500,000	1,380,142
Growth & Development Capital	6,174,322	6,840,112	5,000,000	0
Highways Capital	36,090,602	69,629,885	23,584,503	22,237,000
Environment & Transport Capital	0	0	0	0
Place Capital - Homes & Communities	**20,707,862**	**11,164,967**	**5,535,278**	**5,925,000**
Leisure Capital	7,384,640	5,047,303	633,261	0
National Landscapes and Outdoor Partnerships Capital	1,598,883	85,018	0	0
Visitor Economy Capital	115,862	0	0	0
Housing Services Capital	11,519,557	6,032,646	4,902,017	5,600,000
Waste Capital	0	0	0	325,000
Theatre Services Capital	88,920	0	0	0
Resources	**100,000**	**0**	**0**	**0**
ICT Digital Transformation - CRM Capital	100,000	0	0	0
ICT Digital Transformation - ERP Capital	0	0	0	0
ICT Digital Transformation - Infrastructure & Architecture Capital	0	0	0	0
ICT Digital Transformation - Social Care Capital	0	0	0	0
ICT Digital Transformation - Unallocated Capital	0	0	0	0
Strategic Management Board	**165,000**	**0**	**0**	**0**
Communications & Engagement Capital	165,000	0	0	0
Total General Fund	**91,924,723**	**120,512,849**	**52,049,068**	**37,271,967**
Housing Revenue Account	18,768,515	18,247,047	20,643,049	7,000,000
HRA Dwellings Capital	18,768,515	18,247,047	20,643,049	7,000,000
Total Approved Budget	**110,693,238**	**138,759,896**	**72,692,117**	**44,271,967**

PRIORITY CAPITAL SCHEMES SCHEDULE

APPENDIX C

			Proposed Sources of Finance (£m)									Anticipated Borrowing Requirement Profile (£m)						
Proposed Scheme	Scheme Description	Estimated Capital Cost (£m)	External Grants	Section 106 Developer Contributions	CIL Developer Contributions	Revenue Contributions	Alternative Funding Option	External Contributions	Borrowing	Capital Receipts	Total	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	Total
Swimming in Shrewsbury	Design and build an extension to the Shrewwsbury Sports Village to include a range of new fitness, wellbeing and swimming facilities.	26.615			0.500				21.115	5.000	26.615		9.600	9.600	1.915			21.115
Shrewsbury Museum - British Museum Gallery	Development of new British Museum Partnership Gallery at Shrewsbury Museum, to develop a major new visitor attraction (only 7 other Partnership Galleries in the UK) and thus drive income generation.	1.750	1.500							0.250	1.750							
SpArC Leisure Centre Bishop's Castle	Reprofiling of swimming pool, with new pool liner and new filtration system. Health and Safety issue. Requirement for major investment for De-carbonising building	4.750	4.000					0.450		0.300	4.750							
SpArC Leisure Centre Bishop's Castle	Decarbonisation (PSDS phase 4 application)	2.800	2.500			0.300					2.800							
Shrewsbury Castle	Remedial works required to the west elevation of the Castle.	1.800	1.500							0.300	1.800							
ICT Digital Transformation Progra	Investment requirement in ICT Digital Technologies and Hardware Infrastructure requirements to support the Councils systems.	TBC																
SUBTOTAL: PORTFOLIO HOLDER FOR CULTURE & DIGITAL		**37.715**	**9.500**	**0.000**	**0.500**	**0.300**	**0.000**	**0.450**	**21.115**	**5.850**	**37.715**	**0.000**	**9.600**	**9.600**	**1.915**	**0.000**	**0.000**	**21.115**
Buildwas Primary	New Primary School requirement on former power station site subject to planning approvals.	5.100		5.100							5.100							
William Brookes School	As above, expansion linked to Secondary pupils from power station site subject to planning approvals.	4.400		4.400							4.400							
SUBTOTAL: PORTFOLIO HOLDER FOR CHILDREN & EDUCATION		**9.500**	**0.000**	**9.500**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**9.500**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**
SUBTOTAL: PORTFOLIO HOLDER FOR ADULT SOCIAL CARE & PUBLIC HEALT		**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**
Pride Hill - Repurposing	Future development of the former Pride Hill shopping centre and adjacent gap site	30.314					30.314				30.314							
SUBTOTAL: PORTFOLIO HOLDER FOR GROWTH & REGENERATION		**30.314**	**0.000**	**0.000**	**0.000**	**0.000**	**30.314**	**0.000**	**0.000**	**0.000**	**30.314**	**0.425**	**0.425**	**0.570**	**0.000**	**0.000**	**0.000**	**1.420**
North West Relief Road (NWRR)	Budget uplift requirement for funding gap	88.300	88.300								88.300							
Oxon Link Road (OLR)	Budget uplift requirement for funding gap	39.800	39.800								39.800							
Ravens Meadow permanent barrier installation	Installation of a permanent barrier to the top floor of the Car Park for health and safety measures.	0.030				0.030					0.030							
SUBTOTAL: PORTFOLIO HOLDER FOR HIGHWAYS		**128.130**	**128.100**	**0.000**	**0.000**	**0.030**	**0.000**	**0.000**	**0.000**	**0.000**	**128.130**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**
Whitchurch Civic Centre - RAAC	Costs will be dependent on the option adopted around addressing the RAAC issue at the Civic Centre.	9.000	5.000							4.000	9.000							0.000
HRA - Social Decarbonisation Programme	Required for the HRA stock.	35.000	14.000						21.000		35.000	5.000	9.000	3.000	4.000			21.000
HRA - New Build & Property Acquisition Programme	Further development planned for increasing housing stock to address need.	41.378	19.570						21.807		41.378	0.000	0.000	6.000	15.807			21.807
HRA - Property Investment & Compliance	Planned repairs and improvements programme driven by the HRA Property Ionvestment Plan (PIP)	37.000				26.000			11.000		37.000		4.000		3.000	4.000		11.000
Conservation Management Plan - Rowleys House, Shrewsbury	First Phase Stabilisation requirement before future use investment	2.000								2.000	2.000							
Oswestry - Cambrian Railway Building	Renovation of Cambrian Railway Building, Oswestry and reconfiguration for future use.	0.570							0.570		0.570			0.570				0.570
White Horse, Wem	Repurpose and restoration following successful auction bid. Aiming to attract external funding - English Heritage potentially.	0.850							0.850		0.850	0.425	0.425					0.850
Corporate Landlord Capital R&M	Budget requirement beyond 2026-27	5.000								5.000	5.000							
Corporate Landlord Suitability	Budget requirement beyond 2026-27	2.500								2.500	2.500							
SUBTOTAL: PORTFOLIO HOLDER FOR HOUSING & ASSETS		**133.297**	**38.570**	**0.000**	**0.000**	**26.000**	**0.000**	**0.000**	**55.227**	**13.500**	**133.297**	**5.425**	**13.425**	**9.570**	**22.807**	**4.000**	**0.000**	**55.227**
		338.956	**176.170**	**9.500**	**0.500**	**26.330**	**30.314**	**0.450**	**76.342**	**19.350**	**338.956**	**5.425**	**23.025**	**19.170**	**24.722**	**4.000**	**0.000**	**76.342**

SUMMARY OF PRIORITY CAPITAL SCHEME MOVEMENTS APPENDIX C

Capital Strategy - February 2024 (£m)	239.223	Member Presentation - Informal Cabinet	238.743	
	Updates	Comments	Updates	Comments
Swimming in Shrewsbury	0.860	Latest estimated capital cost	(2.248)	Council approval in September 2024 - 2024-25 spend now included in Capital Programme (£248k in 2024-25 and £2.000m in 2025/26 funded by borrowing)
Library Self Service Machines	(0.152)	Service area advice that scheme no longer progressing		
Coleham Pumping Station	(0.400)	Required works progressing through Corporate Landlord		
Whitchurch Library Relocation	0.500	Possible budget requirement for relocation of Whitchurch Library from the Civic Centre to allow continued operation. No resolution yet identified but indicative budget set aside to facilitate move if required.	(0.500)	A temporary resolution has been identified for this relocation and no works are required
Shrewsbury Castle	1.800	Potential budget requirment to stabilise west walls - funding options being considered		
Nils Yard Redevelopment			(0.500)	Scheme has been managed through Corporate R&M and Suitability
Old Market Hall & Square			(0.100)	No progress at present so reallocated to "Aspirational" scheme schedule
SpArC Leisure Centre Bishop's Castle			2.800	NEW - Public Sector Decarbonisation Scheme bid submitted to BEIS requiring £0.300m match funding currently identified as capital receipts
Bayston Hill Library Refurbishment			(0.300)	Service area advice that scheme is no longer required
ICT Digital Transformation Programme Phase 2			TBC	Reallocated from "Aspirational" scheme schedule
SUBTOTAL: PORTFOLIO HOLDER FOR CULTURE & DIGITAL				
Childrens - LCS Portals	0.049	Possible budget requirement setaside to fund new IT Software acquisition.	(0.049)	Now resolved utilising historic grants
SUBTOTAL: PORTFOLIO HOLDER FOR CHILDREN & EDUCATION				
Greenacres Development			(1.000)	Scheme cancelled as site deemed unsuitable
SUBTOTAL: PORTFOLIO HOLDER FOR ADULT SOCIAL CARE & PUBLIC HEALTH				
UKSPF	(1.100)	Now in Capital Programme		
UKSPF	(0.370)	Now in Capital Programme		
UKSPF	(0.100)	Now in Capital Programme		
Shrewsbury Riverside Development - Demolition	(4.287)	Now in Capital Programme		
Shrewsbury Riverside Enabling Works - LUF Round 2 Project 1	(19.464)	Now in Capital Programme		
Shrewsbury Town Centre Public Realm - LUF Round 2 Project 2	(4.280)	Now in Capital Programme		
Pride Hill - Repurposing	(2.260)	Now in Capital Programme	0.817	Cost estimate update as per latest RH Financial Appraisal (November 2024)
Shrewsbury Riverside Development	(53.619)	Wider development scheme reallocated to aspirational schemes schedule as potential to secure external funding is explored		
Oswestry Innovation Park	(2.969)	Worst case scenario to identify budget risk within Oswestry Innovation Park project as assumed income from Electricty Rebate Scheme may no longer be viable option. Awaiting outcome of full option appraisal until resolution identified		
SUBTOTAL: PORTFOLIO HOLDER FOR GROWTH & REGENERATION				
NWRR / OLR	99.226	Budget uplift required for funding gap	16.616	Further budget uplift for funding gap
Oteley Road, ShrewsburyTraffic Management Improvements	(1.000)	Now in Capital Programme with cost contained within Developer Contributions received		
Shropshire Safety Road Fund	(0.650)	Now in Capital Programme		
Ravens Meadow permanent barrier installation	0.030	New scheme identified as heaLth and safety priority to provide barrier and meshing to top floor of car park.		
Oswestry Leisure Centre Car Park	0.200	New priority scheme identified to re-surface whole car park at Oswestry Leisure Centre	(0.200)	Scheme has been managed through Corporate R&M
Development of New Multi-Agency Hub (MAH)	(56.501)	Development reallocated to aspirational schemes schedule as awaiting outcome of Council resizing programme and associated accommodation requirements		
Shirehall Decant & Decommission	(0.994)	Budget identified from transformation reserves to cover cost		
SUBTOTAL: PORTFOLIO HOLDER FOR HIGHWAYS				
Whitchurch Civic Centre - RAAC	TBC	To note addition of scheme requirement within Capital Programme awaiting option appraisal outcome and estimated resulting costs	9.000	Included option with highest cost pending Council decision
HRA - Social Decarbonisation Programme	30.000	Required for the HRA stock	5.000	Alignment with HRA Business Plan 2025
HRA - New Build Programme	15.000	Further development planned for increasing housing stock to address need	26.378	Alignment with HRA Business Plan 2025
HRA - Property Investment & Compliance Programme			37.000	Alignment with HRA Business Plan 2025
Corporate Landlord Capital R&M			5.000	Additional funding of ~£1.000m per annum required from 2027/28 onwards as provision in currently approved Capital Programme funding ceases in 2026-27
Corporate Landlord Capital Suitability			2.500	Additional funding of ~£0.500m per annum required from 2027/28 onwards as provision in currently approved Capital Programme funding ceases in 2026-27
SUBTOTAL: PORTFOLIO HOLDER FOR HOUSING & ASSETS				
Member Presentation - Informal Cabinet	**238.743**	**Capital Strategy - February 2025 (£m)**	**338.956**	