Appendix B

Analytical Review of Shropshire Council's Statement of Accounts for 2025/26

1. The analytical review for 2025/26 highlighted a number of areas where there were material changes (Variances over £8m or over 10%), the most significant are detailed below along with an explanation of why these changes have occurred:

- **Comprehensive Income and Expenditure Statement, Expenditure on Continuing Services – Care & Wellbeing**

	2025/26 £000	2024/25 £000	Movement £000	Movement %
Gross Expenditure	247,512	220,873	26,639	12
Income	(87,862)	(72,168)	(15,694)	22

Within Care & Wellbeing there has been an increase in the demand and cost of care packages which have increased expenditure by £21.1m. Also, the costs of the Integrated Community Equipment Loan Service are now included within Care & Wellbeing in 2025/26 and this accounts for total expenditure of £5.1m.

Income has increased as a result of the inclusion of the Market Sustainability and Fair Cost Fund of £6.1m in 2025/26 which had previously been credited to Commissioning Services, and additional service user and Continuing Healthcare contributions totalling £4.7m. Funding for the Integrated Community Equipment Loan Service of £5.1m has also been included to offset the increase in expenditure highlighted above.

- **Comprehensive Income and Expenditure Statement, Expenditure on Continuing Services – Children & Young People's Service**

	2025/26 £000	2024/25 £000	Movement £000	Movement %
Gross Expenditure	293,697	259,843	33,854	13
Income	(169,603)	(159,735)	(9,868)	6

Expenditure has increased by £21.6m in relation to payments to third parties for SEN & Disability Services within the Dedicated Schools Grant. Also, payments to Early Years settings have increased by £11.9m and the costs of External Residential Placements within Children's Social Care have increased by £12.1m.

Income within Children and Young People Services has increased due to an increase in grant income, the most significant being an increase of £7.8m for the Dedicated Schools Grant. Other increases include £1.0m Core Schools Budget grant, £0.7m Household Support Fund and £0.7m Unaccompanied Asylum Seeking Children Grant.

- **Comprehensive Income and Expenditure Statement, Expenditure on Continuing Services – Commissioning**

	2025/26 £000	2024/25 £000	Movement £000	Movement %
Income	(18,074)	(20,598)	2,524	12

The reduction in income is a result of the Market and Sustainability and Fair Cost Fund now being credited to Care & Wellbeing in 2025/26 rather than Commissioning in 2024/25. This has been partially offset by additional income from green waste collection.

- **Comprehensive Income and Expenditure Statement, Expenditure on Continuing Services – Communities & Customer**

	2025/26 £000	2024/25 £000	Movement £000	Movement %
Gross Expenditure	39,985	44,572	(4,587)	10

Expenditure relating to the Ukrainian Refugee Resettlement programme has reduced by £1.5m with a corresponding reduction in income. Grants that are made in relation to Warm Homes Fund and Independent Living have reduced by £1.4m. Employee related costs across the service have reduced by £0.9m which includes a reduction in salary costs and redundancy costs.

- **Comprehensive Income and Expenditure Statement, Expenditure on Continuing Services – Enabling**

	2025/26 £000	2024/25 £000	Movement £000	Movement %
Gross Expenditure	60,214	97,927	(37,713)	39
Income	(48,388)	(58,299)	9,911	17

Charges to services within Enabling for depreciation and revaluation losses have decreased by £22.3m. The main movement of £15.0m relates to the Waste PFI sites of which £11.2m relates to revaluation gains reversing out previous losses. Costs relating to Housing Benefit Subsidy payments reduced by £5.9m, Household Support Fund payments reduced by £1.3m, costs within

Corporate Landlord have decreased by £4.0m mainly due to a reduction in costs relating to the multi-agency hub and Whitchurch Medical Practice.

Grant income has reduced by £1.8m in relation to the HSF and £6.8m Housing Benefits. Income within Corporate Landlord has decreased by £1.2m mainly due to decreased funding for the multi-agency hub.

- **Comprehensive Income and Expenditure Statement, Expenditure on Continuing Services – Infrastructure**

	2025/26 £000	2024/25 £000	Movement £000	Movement %
Gross Expenditure	132,631	105,034	27,597	26

Expenditure has increased mainly due to the transfer of costs incurred in relation to the North West Relief Road from capital to revenue (£32.2m). There has been a reduction in expenditure of £4.2m in relation to grants schemes including UK Shared Prosperity Fund and Farming in Protected Landscapes, this is offset by a reduction in grant income.

- **Comprehensive Income and Expenditure Statement, Expenditure on Continuing Services – Local Authority Housing**

	2025/26 £000	2024/25 £000	Movement £000	Movement %
Gross Expenditure	31,356	16,190	15,166	94

In 2024/25 there was a revaluation gain of £1.8m compared to a revaluation loss of £11.9m in 2025/26 resulting in a £13.643m swing in expenditure. This related to the significant amount of additions during 202526, where 49 dwellings were then valued on a Existing Use Value – Social Housing compared to the cost of developing the properties resulting in a loss of £8.2m. This was also the case for the three supported accommodation properties that were developed during the year with a loss of £3.6m.

- **Comprehensive Income and Expenditure Statement, Expenditure on Continuing Services – Corporate**

	2025/26 £000	2024/25 £000	Movement £000	Movement %
Gross Expenditure	12,716	17,885	(5,169)	29
Income	(51,114)	(41,474)	(9,640)	23

The most significant decrease within Corporate Services relates to Curtailments for Pensions which has decreased from £8.3m in 2024/25 to £3.7m in 2025/26. Curtailment costs are normally the result of increased benefits being awarded in the event of members retiring early during the year.

Income within Corporate Services has increased due to an increase in government grants (£2.8m Better Care Fund and £4.7m Social Care Grant) and £2.4m income from the BT gainshare proceeds.

- **Comprehensive Income and Expenditure Statement – Other Operating Expenditure**

2025/26 £000	2024/25 £000	Movement £000	Movement %
16,957	37,596	(20,639)	55

Loss on disposal of non-current assets reduced from £26.5m in 2024/25 to £4.4m in 2025/26. Areas of significant change were in relation to the write out of previous components where replacement expenditure took place (£1.8m) and in 2025/26 three schools in SC ownership, plus playing fields/associated facilities at six others transferred to Academy Schools, the value of assets written out was £6.3m. This compares with 2024/25, where eight schools in SC ownership/part ownership, plus playing fields at three others transferred to Academy Schools and The Centre, youth facility in Oswestry was transferred to Oswestry Town Council, the value of assets written out was £24.2m.

- **Comprehensive Income and Expenditure Statement – Financing and Investment Income and Expenditure**

2025/26 £000	2024/25 £000	Movement £000	Movement %
31,235	22,165	9,070	41

The movement in valuation of Investment Properties, increased from a gain of £3.5m in 2024/25 to a loss of £2.1m in 2025/26. This relates to specific movements in the value of assets in this category and represents the net position. There were losses as well as gains experienced at the individual asset level.
Interest payable has also increased by £4.8m due to an increase in PWLB borrowing.

- **Comprehensive Income and Expenditure Statement – Surplus or Deficit on Revaluation of Property, Plant and Equipment Assets**

2025/26 £000	2024/25 £000	Movement £000	Movement %
(48,042)	(898)	(47,144)	5,250

This figure is the value of upward or downward revaluations that are debited/credited directly to the Revaluation Reserve, rather than to service revenue accounts, this can only be done where there is a balance on the revaluation reserve for the asset. The increase recorded in 2024/25 was £0.9m, but this increased to £48.0m in 2025/26. This reflects the movement in market values, change in build costs (DRC valuations) and the latest property information provided to the Valuers and valuation approach taken.

- **Comprehensive Income and Expenditure Statement – Impairment Losses on Non Current Assets Charged to the Revaluation Reserve**

2025/26 £000	2024/25 £000	Movement £000	Movement %
919	3,088	(2,169)	70

Impairment losses charged to the revaluation reserve decreased from £3.1m in 2024/25 to £0.9m. These are asset specific and can only be charged here where there are balances on the Revaluation Reserve relating to that asset. The charges in 2025/26 were £0.1m in relation to the damage at Ludlow Youth Centre after it was hit by a lorry and £0.8m at Rowleys House, which due to the condition of the property, works required and no identified use for the building, the Valuers consider it to have nominal value.

- **Comprehensive Income and Expenditure Statement, Remeasurement of the Net Defined Benefit Liability**

2025/26 £000	2024/25 £000	Movement £000	Movement %
(118)	(19,418)	19,300	99

The movement in the remeasurement of the net defined benefit liability is due to movements in several figures affecting the pension assets and liabilities. The liability element has moved from a net gain of £157.6m in 2024/25 to a net gain of £18.1m. The discount rate increased in 2025/26 resulting in a gain however the increase was lower than the previous year therefore reducing the gain. The assets element has moved from a gain of £3.8m in 2024/25 to a gain of £22.1m due to higher positive returns on investments than the prior year. In 2025/26 an asset ceiling has been applied to adjust the net surplus on the pension asset/liability to limit any surplus based on economic benefits available in the form of refunds from the plan or reduction in future contributions to the plan. The effect of the asset ceiling applied in 2025/26 was a debit of £40.1m giving a net remeasurement gain of £0.1m.

- **Balance Sheet Non-Current Assets – Property, Plant and Equipment**

2025/26 £000	2024/25 £000	Movement £000	Movement %
1,179,403	1,156,403	23,269	2

This reflects the overall movement in property, plant and equipment. The movement consists of additions, disposals, revaluations (upwards and downwards), depreciation charges and impairments. The main reason for the increase is a £26.3m increase in Other Land and Buildings due to the revaluation of assets, particularly car parks which the valuer has stated an increase in value of £32m. This has been offset by other movements, including disposals and some downwards revaluations. There has also been a £5.3m increase in Vehicles, Plant, Furniture & Equipment where there has been significant expenditure under the waste PFI contract. There has also been a significant reduction in the value of Assets under Construction resulting from the removal of previous years expenditure for the North-West Relief Road.

- **Balance Sheet Long Term Assets – Intangible Assets**

2025/26 £000	2024/25 £000	Movement £000	Movement %
167	1,078	(911)	85

The reduction in the balance sheet value of intangible assets in 2025/26 reflects the reduction in expenditure under the Digital Transformation Programme which had resulted in a higher level of expenditure on intangible assets in previous years. As intangible assets are subject to a relatively short asset life, the annual amortisation charge leads to a significant reduction in the net book value annually.

- **Balance Sheet Long Term Assets – Long Term Debtors**

2025/26 £000	2024/25 £000	Movement £000	Movement %
27,480	23,999	3,481	15

The increase in long term debtors is mainly due to an increase in the loan provided to Cornovii Developments Limited (CDL) (£4.3m) that is categorised as long term. The total value of the loan to CDL remained at a similar level.

- **Balance Sheet Current Assets – Short Term Debtors**

2025/26 £000	2024/25 £000	Movement £000	Movement %
134,449	151,120	(16,671)	11

The decrease in short term debtors relates to several areas. Revenue grant debtors have decreased from £9.2m to £3.9m. In 2024/25 the Council were due £4.2m for Housing Benefit Subsidy, in 2025/26 this is a creditor. The Council had a debtor balance of £2.0m in relation to the Shared Prosperity Grant Scheme, in 2025/26 the Council are holding a grant receipt in advance balance for this scheme. Capital grant debtors have decreased from £2.8m to £0.1m which mainly relates to the capital element of the Shared Prosperity Grant Scheme. NHS debtors have decreased by £4.0m due to the payment of outstanding invoices. Loans to third parties has decreased by £5.7m due to a decrease in the level of CDL debt classified as short term at the balance sheet date, total level of CDL debt (i.e. including long term) remains at a similar level.

- **Balance Sheet Current Assets – Cash & Cash Equivalents**

2025/26 £000	2024/25 £000	Movement £000	Movement %
54,299	50,725	3,574	7

- **Balance Sheet Current Liabilities – Bank Overdraft**

2025/26 £000	2024/25 £000	Movement £000	Movement %
(39,209)	(19,938)	(19,271)	97

The net decrease in cash and cash equivalents and the bank overdraft needs to be considered together to explain the true difference in cash balance during the two years. There are two elements that detail the difference in cash balances:

i. Increase in borrowing (increase in cash) - There was a net £39.1m increase in borrowing during 2025/26 reflecting the need to borrow for Exceptional Financial Support, offset by some loans maturing during the year.
ii. Outturn position (reduction in cash) – The year end outturn position was a £49.4m overspend to the budget.

- **Balance Sheet Current Liabilities – Short Term Creditors**

2025/26 £000	2024/25 £000	Movement £000	Movement %
(99,663)	(108,032)	8,369	8

Amounts due to central government bodies decreased by £5.3m due to a decrease of £3.2m in the amounts owed to Central Government in relation to the Business Rates Collection Fund. The value of grants due to be repaid reduced by £1.6m mainly due to the s31 Business Rates grant. A reduction of £0.9m in relation to the Marches LEP creditor has reduced the amount due to Other Entities and Individuals.

- **Balance Sheet Current Liabilities – Provisions**

2025/26 £000	2024/25 £000	Movement £000	Movement %
(3,227)	(5,109)	1,882	37

The most significant reduction in short term provisions relates to the provision for termination benefits. In 2024/25 the Council had legally committed to a number of redundancies that had 2025/26 implementation dates as the Council had committed to resize during 2024/25. For 2025/26 there are a small number of agreements that the Council is committed to, but this is £1.5m lower than the figure for 2024/25.

- **Balance Sheet Current Liabilities – Grants Receipts in Advance - Revenue**

2025/26 £000	2024/25 £000	Movement £000	Movement %
(6,349)	(4,948)	(1,401)	28

Revenue grants receipts in advance have increased due to a number of grants being received in 2025/26 which were not fully spent in the financial year but have terms which mean they can be spent in future years. If they are not spent by the end of the grant term they will need to be repaid to the funding body.

- **Balance Sheet Current Liabilities – Grants Receipts in Advance - Capital**

2025/26 £000	2024/25 £000	Movement £000	Movement %
(39,834)	(18,667)	(21,167)	113

The bulk of the increase in this balance relates to the DfT Local Majors Fund grant which was previously planned to be used against the North-West Relief Road. As the scheme has now been cancelled the use of funding has been reversed, and is held against this balance whilst discussions are ongoing with DfT regarding the potential re-allocation of the grant.

- **Balance Sheet Long Term Liabilities – Long Term Borrowing**

2025/26 £000	2024/25 £000	Movement £000	Movement %
(400,302)	(364,866)	(35,436)	10

Long term borrowing has increased following the Council securing additional external borrowing specifically for Exceptional Financial Support and in line with the Treasury Strategy. Whilst the Council has borrowed £61.8m for Exceptional Financial Support during 2025/26, the Council has also had some loans mature during the period, therefore the increase in the balance was only £35.4m.

- **Balance Sheet Long Term Liabilities – Other Long Term Liabilities**

2025/26 £000	2024/25 £000	Movement £000	Movement %
(112,078)	(124,212)	12,134	10

The PFI lease liability has decreased due to the recalculation of the liability in line with IFRS 16. This recalculation and the reallocation of the short team element of the liability has resulted in a reduction in the closing liability of £12.1m.

- **Balance Sheet Long Term Liabilities – Pensions Liability**

2025/26 £000	2024/25 £000	Movement £000	Movement %
(15,202)	(20,246)	5,044	25

The deficit on the pension liability has decreased due to a gain on financial assumptions as a result of the increase in the discount rate.

- **Balance Sheet Long Term Liabilities – Provisions**

2025/26 £000	2024/25 £000	Movement £000	Movement %
(7,460)	(6,116)	(1,344)	22

The increase in long term provisions is due to an increase in the provision for Business rate appeals as a result of an update to the business rate valuation for 2026.

- **Balance Sheet Financing – Usable Reserves**

2025/26 £000	2024/25 £000	Movement £000	Movement %
124,971	100,353	24,618	25

Usable reserves have increased in the main due to an increase in the Capital Grants Unapplied Reserve with significant balances such as the Local Transport grant of £6.8m, Basic Needs Capital grant £3.1m, School Condition grant of £2.672m and SEN High Needs Capital Fund of £1.3m. Also there has been an increase in CIL received of £9.1m.

- **Balance Sheet Financing – Unusable Reserves**

2025/26 £000	2024/25 £000	Movement £000	Movement %
551,632	622,462	(70,830)	11

The decrease in Unusable Reserves is due to changes in the Revaluation Reserve, the Capital Adjustment Account and the Dedicated Schools Grant Adjustment Account. The Revaluation Reserve increased by £39.5m (25%) in 2025/26 which reflects the increase in asset values during the year. The Capital Adjustment Account reduced by £81.7m (16%). The movement reflects the capital charges, movement in asset values, disposals and capital expenditure financing in 2025/26. The reduction reflects that the movement in values and capital charges were greater than the contributions applied to finance capital expenditure. This included £90.8m in Revenue expenditure funded from capital statute, this figure was higher than previous years due to the increase Exceptional Financial Support for 2025/26, which is to be funded by borrowing and hence has not been financed within the Capital Adjustment Account. The reduction in the Dedicated Schools Grant Adjustment Account is as a result of increased expenditure on the High Needs Block of the Dedicated Schools Grant (DSG). This has resulted in an overspend of £28.0m in 2025/26 against the DSG. Any deficits in relation to DSG are kept separate from the General Fund and transferred to the DSG Adjustment Account to be recovered over future years.

2. The analytical review will be part of the papers to be considered by the external auditors during the annual audit and will be used in forming their opinion on the Statement of Accounts that will be reported in the Audit Opinion and Certificate.