Telford & Wrekin Co-operative Council

Protect, care and invest to create a better borough

Borough of Telford and Wrekin

Full Council

26 February 2026

2026/27 Capital Strategy

Cabinet Member:	Cllr Zona Hannington - Cabinet Member: Finance, Governance & Customer Services
Lead Director:	Michelle Brockway - Director: Finance, People & IDT
Service Area:	Finance, People & IDT
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Wards Affected:	All Wards
Key Decision:	Not Key Decision
Forward Plan:	11 September 2025
Report considered by:	SMT – 13 January 2026 Business Briefing – 22 January 2026 Cabinet – 12 February 2026 Full Council – 26 February 2026

1.0 Recommendations for Decision/Noting

1.1 It is recommended that Full Council approves the Capital Strategy for 2026/27.

2.0 Purpose of Report

2.1 The aim of the strategy is to give an overview of the long-term context in which capital expenditure and investment to highlight the consideration given to risks and rewards as well as the achievement of Council priorities.

3.0 Background

3.1 The Capital Strategy is a requirement of the Prudential Code for Capital Finance in Local Authorities.

3.2 The Capital Strategy forms part of the suite of Medium-Term Financial Strategy Reports to be approved by Council. The strategy aims to provide an overview of total investments and borrowing undertaken by the Council, providing context and showing how these meet the Council's overall objectives.

4.0 Summary of main proposals

4.1 The detailed capital strategy is attached at Appendix A.

5.0 Alternative Options

5.1 Not Applicable.

6.0 Key Risks

6.1 Risks and opportunities are considered in the Strategy.

7.0 Council Priorities

7.1 Delivery of all priorities depend on the effective use of available resources.

8.0 Financial Implications

8.1 The financial implications arising from the Capital Strategy are included in the Medium-Term Financial Strategy 2026/27 – 2029/30.

9.0 Legal and HR Implications

9.1 The Council is required to have a Capital Strategy to meet the requirements of the Prudential Code for Capital Finance. It is important because it sets out the Council's considerations when formulating its capital programme. It should be seen as one part of the wider budget setting process.

10.0 Ward Implications

10.1 Borough Wide

11.0 Health, Social and Economic Implications

11.1 Implications are covered in the individual papers within the overall Medium Term Financial Strategy suite of papers.

12.0 Equality and Diversity Implications

12.1 Implications are covered in the individual papers within the overall Medium Term Financial Strategy suite of papers.

13.0 Climate Change and Environmental Implications

13.1 Implications are covered in the individual papers within the overall Medium Term Financial Strategy suite of papers.

14.0 Background Papers

1 2026/27 Treasury Management Strategy
2 2026/27 Prudential Indicator Report
3 2026/27 Investment Strategy
4 2026/27 – 2029/30 Medium-Term Financial Strategy

15.0 Appendices

Appendix A Capital Strategy

16.0 Report Sign Off

Signed off by	Date sent	Date signed off	Initials
Finance	05/01/2026	05/01/2026	ER
Director	05/01/2026	06/01/2026	MLB
Legal	05/01/2026	06/01/2026	RP

APPENDIX A

CAPITAL STRATEGY OVERVIEW – 2026/27

1.0 INTRODUCTION

1.1 The Prudential Code for Capital Finance in Local Authorities includes the requirement for authorities to produce a Capital Strategy. The aim of the Capital Strategy is to give an overview of the long-term context in which capital expenditure and investment decisions are made, showing their contribution to the achievement of priority outcomes for the community and to highlight that due consideration is given to both risk and reward together. To do this, the Capital Strategy brings together information from a number of key areas which form its structure, with the clear acknowledgement that investments can be made for policy reasons outside of Treasury Management.

The strategy is structured as follows:

Strategic Overview
Balance Sheet Position
Capital Expenditure & Financing
Debt. Borrowing and Treasury Management
Investments for Service Purpose Including Those with some Commercial Benefits
Other Long-Term Liabilities
Revenue Budget Implications
Knowledge & Skills
Chief Financial Officer Comment

We have sought to write the Strategy in an accessible style to assist understanding of some technical issues.

Decisions made this year on capital and treasury management will have financial consequences for the Authority.

1.2 The Capital Strategy forms part of the Council's suite of Service & Financial Planning Strategy Reports to be approved by Council prior to the start of the financial year. These reports take the following structure:

CAPITAL STRATEGY:

(Intended as a "Brief Overview Report" for the capital and treasury management related service & financial planning reports).

Detailed Capital & Treasury Management Reports			
Capital Programme	**Treasury Strategy**	**Prudential Indicators**	**Investment Strategy**
• Capital Expenditure • Capital Financing • Asset Management Plan • Highways & Transport Capital Programme	• Economic & Interest rate forecasts • Treasury Investment Strategy • Treasury Borrowing Strategy • MRP Statement	• Setting Indicators required under the Prudential Code for Capital Finance	• Service Investments with some commercial benefits

2.0 STRATEGIC OVERVIEW

2.1 As a progressive Council, we will work with our communities to deliver a Programme:

"to Protect, Care and Invest to create a better borough"

To drive delivery of its commitments and ambition, the Council Plan sets out a borough vision with 5 priorities:

- **Every child, young person and adult lives well in their community**
- **Everyone benefits from a thriving economy**
- **All neighbourhoods are a great place to live**
- **Our national environment is protected, we take a leading role in addressing the climate emergency**
- **A Community-focussed, innovative council providing efficient, effective and quality services**

2.2 Being a Co-operative Council, the Council is committed to listening to and involving residents in developing our plans to protect, care and invest to create a better borough. From the ongoing engagement with local people over many years, we are clear that people and their families have some fundamental priorities which we as a council will work with them to achieve. We know that the people in Telford & Wrekin want to live:

- In a Safe Community
- In a Clean Environment
- In a Place with good roads and pavements
- Where there are first class schools and education facilities

- Where there are excellent and accessible Hospital, GP and other Health and Care Services
- Where they have a job and there is a thriving economy

We will work together with the community and partners to collectively deliver the best we can for Telford & Wrekin with the combined resources we have.

2.3 In the short to medium term, Telford & Wrekin Council continues to be in a period of significant challenge and uncertainty due to:

- The escalating costs of, and demand for, many Council services but particularly Adult Social Care and Children's Safeguarding,
- Reductions in interest rates set by the Bank of England have been slower than anticipated. This could impact on the generation of assumed capital receipt values and on Council budgets for local Council Tax support (if unemployment increases or household incomes fall) and the budgets for homelessness, housing benefit etc.,
- The impact on commercial income from loss of business through external factors,
- The impact of the significant changes to the Business Rates Retention system from 2026/27 including the introduction of 3 new multipliers, a system reset and revaluation which could result in an increase in level of appeals, and
- Other legislative changes that will impact the Council such as the Renters Rights Act and the extension of free school meals eligibility.

The Council has faced the challenge of making significant savings, totalling £195.3m since 2010 whilst trying to protect front-line services as far as possible.

Our Medium-Term Financial Strategy sets out our response to this challenge and how these savings are being identified and delivered.

Despite the financial challenges, Telford & Wrekin Council has a clear investment programme and will continue to prudently invest to create jobs and safeguard the future prosperity of the Borough and its residents.

Proposed Medium Term Financial Strategy 2026/27 to 2029/30 Agenda Item 6 Final Medium Term Financial Strategy – Full Council 26 February 2026 Including: Revenue Budget Strategy; Capital Strategy; Capital Programme; Treasury Strategy; Prudential Indicators	Agenda for Cabinet on Tuesday 6 January 2026, 5.00 pm - Telford & Wrekin Council

2.4 Capital investment clearly plays a key role in the achievement of our local priorities. Through our Capital Strategy we seek to maximise the value and opportunities of

our assets to take forward the delivery of emerging strategic priorities whilst being mindful of stewardship, prudence, sustainability and affordability.

2.5 Our Capital Strategy is not, however, just about 'concrete, tarmac, buildings etc.', it is about making a positive difference to the quality of local people's lives through specific projects, services, technology and facilities. In recent years, key initiatives have been progressed/delivered through targeted capital investment. Further information can be found in the Council Plan.

Council Plan	Telford & Wrekin Council | Council Plan and priorities

2.6 Reducing dependency on Government Grants is an essential part of our financial strategy and we have actively sought out opportunities that primarily deliver service objectives but also have some commercial benefits to achieve this. While debt repayments represent a long-term commitment against the revenue budget, there are some "good" capital investments which can fund assets which will increase in value over the longer term and generate a revenue return greater than the cost of the associated debt charges.

Invest-to-Save schemes such as the solar farm or the Housing Investment Programme and investment in the Property Investment Portfolio represent "good capital investment" as not only do they deliver environmental, social and economic benefits but they also earn a surplus which can be used to help protect front line services as the surplus generated helps to reduce the impact on the revenue budget of Government cuts to our grants.

The Council will, however, carefully assess each potential new investment through a proper due diligence and business case process to ensure that it does not expose the Council to an unacceptable level of risk either on an individual basis or when considering the entire investment portfolio of the Council. The Council will not borrow to invest primarily for financial return.

3.0 BALANCE SHEET POSITION

3.1 An extract from the Council's unaudited Balance Sheet at 31 March 2025 is shown below:

	£m	Adjustment for Infrastructure assets £m	£m
Long-term Assets			
Property, Plant & Equipment (excluding PIP shown below)	605.628	(239.774)	365.854
Right of Use Assets	11.932	0.000	11.932
Property Investment Portfolio	191.512	0.000	191.512
Intangible Assets	7.887	0.000	7.887
Long Term Investments (Nuplace Equity)	27.300	0.000	27.300

	£m	Adjustment for Infrastructure assets £m	£m
Long Term Debtors (of which the loan to Nuplace is £62.257m)	63.119	0.000	63.119
Total Long-term Assets	**907.378**	**(239.774)**	**667.604**
Current Assets			
Assets Held for Sale	1.536	0.000	1.536
Short-term Investments – call accounts/bank & cash	22.173	0.000	22.173
Total Current Assets	**23.709**	**0.000**	**23.709**
Borrowing			
Short-Term Borrowing	187.257	0.000	187.257
Long -Term Borrowing	247.646	0.000	247.646
Total Borrowing	**434.903**	**0.000**	**434.903**
Loan to Asset Ratio	**45.4%**		**61.7%**

Total borrowing at 31 March 2025 was £434.9m which was an increase of £64m compared to 31 March 2024 which related to the funding the approved capital programme. It is evident from the Balance Sheet extract above, that the value of long-term assets outweighed the total borrowing at 31 March 2025.

4.0 CAPITAL EXPENDITURE & FINANCING

4.1 Capital expenditure is where the Council spends money on assets, such as property or vehicles, which will be used for more than one year. In local government this includes spending on assets owned by other bodies, and loans and grants to other bodies enabling them to buy assets and can also include the acquisition of property which is held primarily for financial return. Capital expenditure is defined in regulation.

4.2 The Council has planned capital expenditure of **£436.5m** in the period 2025/26 to 2029/30 which is shown below:

Table 1: Prudential Indicator: Estimates of Capital Expenditure in £ millions

	2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m	2029/30 £m	Later Years £m
General Fund Services	62.857	44.310	65.543	31.158	29.573	13.560
Housing Investment Programme (NuPlace)	25.718	17.591	16.616	13.000	0.000	0.000

	2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m	2029/30 £m	Later Years £m
Property Portfolio	15.831	24.636	12.436	7.000	0.000	0.000
Local Regeneration Fund	19.911	29.780	7.000	0.000	0.000	0.000
Total	**124.317**	**116.316**	**101.594**	**51.158**	**29.573**	**13.560**

4.3 Over the medium term, the main General Fund capital projects are:

- Over £103m invested in transport and Highways schemes to repair, improve and maintain our roads and pavements. We have also secured significant amounts of Government funding to improve many roads, roundabouts and junctions.
- Over £41m for education capital projects including investment in school expansion projects to increase pupil places
- £16.1m for affordable and specialist housing programmes
- Over £5.5m for a range of housing initiatives, including affordable warmth, empty properties, rough sleeper, disabled facility grants and temporary accommodation.
- £16.3 for Leisure & Cultural Schemes including a new swimming pool, new gym equipment and amphitheatre improvements
- Over £56m Local Regeneration Fund (formerly Towns Fund and Levelling Up Fund).
- Over £22m Pride in Place Programme.

Other Investments, 2025/26 onwards, covered later in this report and included in the Investment Strategy, are:

- In the Housing Investment Programme, Nuplace (£72.9m),
- Property Investment Portfolio (£59.9m)

The detailed capital programme can be accessed via Medium-Term Financial Strategy link in section 2.3.

4.4 **Governance**: capital budgets are approved as part of the Medium-Term Financial Strategy presented to Cabinet in February and then Full Council. Additions to the capital programme are either considered by the Council's Service & Financial Planning Officer Group (consisting of the Chief Executive, Executive Directors and Chief Financial Officer) and when agreed fed into the overall budget strategy to be approved at Full Council; or may be subject of a separate report to Cabinet/Full Council and incorporated into the budget at that point. The route depends on the phasing of the spend and the value of investment. The financial implications, including the associated debt charges and risks, are included in any separate reports taken forward and in the overall budget strategy report. Capital allocations are considered against the Council priorities, funding and payback, dependent on the nature of the scheme.

4.5 All capital expenditure must be financed, either from external sources (government grants and other contributions), the Council's own resources (revenue, reserves and capital receipts) or debt (borrowing, leasing, Private Finance Initiative). The planned financing of the above expenditure is as follows:

Table 2: Capital financing in £ millions

	2025/26	2026/27	2027/28	2028/29	2029/30	Later Years
	£m	£m	£m	£m	£m	£m
Capital Receipts	6.877	3.571	1.340	6.000	0.000	0.000
Government Grants	49.777	36.457	40.680	22.776	25.191	7.560
Revenue & External Contributions	4.389	1.676	0.000	0.000	0.000	0.000
Borrowing	63.274	74.612	59.574	22.382	4.382	6.000
Total	**124.317**	**116.316**	**101.594**	**51.158**	**29.573**	**13.560**

4.6 Debt is only a temporary source of finance, since loans and leases must be repaid, and this is therefore replaced over time by other financing, usually from revenue which is known as minimum revenue provision (MRP). Alternatively, proceeds from selling capital assets (known as capital receipts) may be used to replace debt finance. Planned MRP is as follows:

Table 3: Replacement of debt finance in £ millions

	Projected 2025/26	2026/27	2027/28	2028/29	2029/30
	£m	£m	£m	£m	£m
MRP	7.310	6.947	8.030	9.712	10.254

The Council's minimum revenue provision policy can be found in the Treasury Strategy which can be accessed via the Medium-Term Financial Strategy link above.

4.7 The Council's cumulative outstanding debt is measured by the "capital financing requirement" (CFR). The CFR increases with new debt-financed capital expenditure and reduces with MRP and capital receipts used to replace debt. Based on current plans, the CFR is expected to increase in the short term to fund the capital programme as shown in the table below. Based on the above figures for expenditure and financing, the Council's estimated CFR is as follows:

Table 4: Prudential Indicator: Estimates of Capital Financing Requirement in £ millions

	31.03.2025	31.03.2026	31.03.2027	31.03.2028	31.03.2029	31.03.2030
	£m	£m	£m	£m	£m	£m
General Fund Services	460.005	478.740	508.366	533.284	526.547	521.112

	31.03.2025 £m	31.03.2026 £m	31.03.2027 £m	31.03.2028 £m	31.03.2029 £m	31.03.2030 £m
Housing Investment Programme	89.557	115.275	132.866	149.482	162.482	162.482
Property Portfolio	64.931	78.263	101.701	111.645	118.645	118.645
Solar Farm	3.800	3.800	3.800	3.800	3.800	3.800
Total CFR	**618.293**	**676.078**	**746.733**	**798.211**	**811.474**	**806.039**

Note, the breakdown between Housing Investment Programme, Property Portfolio and Solar Farm are based on the original prudential borrowing requirement and are for illustration purposes.

4.8 **Asset management:** To ensure that capital assets continue to be used over the long-term, the Council has an Asset Management Plan which can be accessed via the Council's website. The Asset Management Plan sets out the proposals to effectively manage our assets with its key objectives being to:

- Ensure assets are fit for purpose
- Maximise the use of assets
- Ensure assets are located in appropriate locations for service delivery
- Deliver an integrated approach to Asset Management across the Authority
- Reinforce a corporate approach for holding property and outline objectives
- Ensure Asset Management decisions are co-ordinated and consistent with council priorities
- Manage a simple and robust performance measurement system
- Provide comprehensive and accurate data to assess property performance and to support and facilitate the changing patterns of service delivery
- Provide comprehensive and accurate data to assess property performance and to support and facilitate the changing patterns of service delivery
- Use land and buildings to facilitate the "growth" agenda and be the enabler of regeneration
- Optimise and prioritise the level of property investment, to meet the Council's current and future service needs
- Promote the innovative use of property together with partners and stakeholders

4.9 **Asset disposals:** When a capital asset is no longer needed, it may be sold so that the proceeds, known as capital receipts, can be spent on new assets or to repay debt. The Council is currently also permitted to spend capital receipts on service transformation projects until 2030, please see section 4.10 for further information. Repayments of capital grants, loans and investments also generate capital receipts. The Council expects to receive capital receipts in the medium terms as follows:

Table 5: Capital receipts in £ millions

	Projected 2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m	2029/30 £m
Capital Receipts	6.877	3.571	1.340	6.000	0.000
Total	**6.877**	**3.571**	**1.340**	**6.000**	**0.000**

4.10 **Flexible Use of Capital Receipts**: The Government have offered Councils the ability to fund the one-off costs of service reform projects from new capital receipts generated from 1st April 2016 up to 31 March 2030. This has enabled some funds previously committed to fund one-off invest to save initiatives and severance costs etc. to be released but will result in higher levels of debt than would have otherwise been the case as all capital receipts would otherwise be used to fund planned capital projects. However, whilst the debt charges are ongoing, they will be more than offset by the ongoing savings generated from the invest to save measures. The Council's approach to using this flexibility is explained in the Medium-Term Financial Strategy approved by Full Council.

5.0 DEBT, BORROWING AND TREASURY MANAGEMENT

5.1 Treasury management is concerned with keeping sufficient but not excessive cash available to meet the Council's spending needs, while managing the risks involved. Surplus cash is invested until required, while a shortage of cash will be met by borrowing, to avoid excessive credit balances or overdrafts in the bank current account. The Council is typically cash rich in the short-term as revenue income is received before it is spent, but cash poor in the long-term as capital expenditure is incurred before being financed. The revenue cash surpluses are offset against capital cash shortfalls to reduce overall borrowing.

5.2 As at the 31 December 2025, the Council had £460.4m borrowing at an average interest rate of 3.83% and £24.9m treasury investments, and the average rate earned was 4.13% (with the paramount aim of ensuring security of the principal invested, rather than yield).

5.3 **Borrowing strategy:** The Council's main objective when borrowing is to achieve a low but certain cost of finance while retaining flexibility should plans change in future. These objectives are often conflicting, and the Council therefore seeks to strike a balance between cheaper short-term loans and longer-term borrowing.

5.4 Projected levels of the Council's total outstanding debt (which comprises borrowing, PFI liabilities and leases are shown below, compared with the Capital Financing Requirement (CFR) (see above).

Table 6: Prudential Indicator: Gross Debt and the Capital Financing Requirement in £ millions

	31.03.2025 £m	31.03.2026 £m	31.03.2027 £m	31.03.2028 £m	31.03.2029 £m	31.03.2030 £m
Debt (incl. PFI & Leases)	476.073	530.208	604.365	659.969	677.748	677.120
CFR	604.910	662.695	733.350	784.35	798.091	792.656

The CFR is the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's indebtedness and so it's underlying borrowing need.

Statutory guidance is that debt should remain below the CFR, except in the short-term. As can be seen from table 6, the Council expects to comply with this requirement by a significant margin.

5.5 **Affordable borrowing limit:** The Council is legally obliged to set an affordable borrowing limit (also termed the authorised limit for external debt) each year. In line with statutory guidance, a lower "operational boundary" is also set as a warning level should debt approach the limit.

Table 7: Prudential Indicators: Authorised limit and operational boundary for external debt in £m

	2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m	2029/30 £m
Authorised Limit Borrowing	665	760	830	840	850
Authorised Limit PFI & Leases	54	50	40	40	30
Authorised Limit Total	**719**	**810**	**870**	**880**	**880**
Operational Boundary Borrowing	635	740	810	820	830
Operational Boundary PFI & Leases	50	45	35	35	25
Operational Boundary Total	**685**	**785**	**845**	**855**	**855**

The Council expects to operate well within both the authorised and operational limits as it has successfully done for many years. Further details on borrowing can be found in the Treasury Strategy which can be accessed via the Medium-Term Financial Strategy Link above.

5.6 Liability Benchmark: the authority uses a liability benchmark as a tool to assist with future borrowing needs. The benchmark shows that the Council's current level of external borrowing is below the amount needed to fund future commitments and therefore future borrowing is required. Further information about the Liability Benchmark can be found in the Treasury Management Strategy.

5.7 The Council will not borrow to invest primarily for financial return and spending plans do not include acquisition of assets primarily for yield; for clarity spending plans relate to the functions of the authority. This ensures that the Council is able to access borrowing from the PWLB (the Government's lending facility) which provides long term liquidity. The Council does have investments whose primary aim is to deliver service benefits which also deliver an income stream, which are detailed in Sections 6- 9 below.

5.8 **Investment strategy:** Treasury investments arise from receiving cash before it is paid out again. Investments made for service reasons or that provide an element of financial gain in addition to service-related benefits are not generally considered to be part of treasury management.

The Council's policy on treasury investments is to prioritise security and liquidity over yield, i.e. to focus on minimising risk rather than maximising returns. Cash that is likely to be spent in the near term is invested securely, for example with the government, other local authorities or selected high-quality banks, to minimise the risk of loss. External specialist Treasury management Advisors advise the council on the credit worthiness of banks. Money that will be held for longer terms can be invested more widely, including in bonds, Nuplace shares and property, to balance the risk of loss against the risk of receiving returns below inflation. Both near-term and longer-term investments may be held in pooled funds, where an external fund manager makes decisions on which particular investments to buy and the Council may request its money back at short notice.

Table 8 - Treasury Management investments

	31.03.25 £m	31.03.26 £m	31.03.27 £m	31.03.28 £m	31.03.29 £m	31.03.30 £m
Short-term investments	22.062	15.000	15.000	15.000	15.000	15.000

Further details on treasury investments can be found in the Treasury Strategy which can be accessed via the Medium-Term Financial Strategy link above.

5.9 The effective management and control of risk are prime objectives of the authority's treasury management activities. The treasury management strategy sets our various indicators and limits within which the function operates.

5.10 **Governance:** Decisions on treasury management investment and borrowing are made daily and are therefore delegated to the Chief Financial Officer and staff designated by her, who must always act in line with the treasury management strategy approved by Full Council. Reports on treasury management activity are presented to the Audit Committee twice a year. The Audit Committee is responsible for scrutinising treasury management decisions and receive training direct from the

Council's specialist external treasury management advisors. Cabinet also receives supplementary updates as part of the financial monitoring.

6.0 KEY ACTIVITIES WITH SERVICE BENEFITS WHICH ALSO DELIVER SOME COMMERCIAL BENEFITS

6.1 A number of investments, such as property, Nuplace, our wholly owned Housing Company, and the Solar Farm deliver key service benefits, such as retention and creation of jobs and increasing the supply of good quality private rented accommodation which would not otherwise be available. These investments also deliver a net financial gain which supports the Council's overall funding position as central government financial support for local public services has been declining.

6.2 There are risks associated with all investments. The Council must accept that there are risks associated with projects with some commercial elements which are different to the risks associated with treasury investments. The principal risk exposures are outlined below and are monitored and managed by the relevant Service Area.

6.3 A key focus of the budget strategy is on income generation. All projects with a commercial element are subject to a rigorous business case process to manage and mitigate risks as far as possible and are funded in accordance with the Council's approved Treasury Strategy and included in the Capital Programme, after taking advice from professional advisors as required. The Chief Financial Officer and Chief Executive, together with the wider Senior Management Team, will seek to ensure the proportionality of all investments with some commercial element so that the Council does not undertake a level of investment which exposes itself to an excessive level of risk compared to its financial resources. However, it has to be accepted that there is a degree of risk to such initiatives and that not all will be successful.

6.4 Sections 7, 8 and 9 provide more detail on the Property Investment Portfolio, Nuplace and the Solar Farm.

7.0 PROPERTY INVESTMENT PORTFOLIO (PIP) / GROWTH FUND

7.1 The Authority holds a number of individual sites for investment, regeneration and economic development purposes: the Property Investment Portfolio (PIP). The PIP was valued at £191.5m at 31 March 2025 and is anticipated to generate around £10.3m rental income in 2025/26 which supports the overall revenue budget and therefore the delivery of front-line services.

7.2 As part of the 'Enterprise Telford: Driving Growth and Prosperity" strategy the Council established a Growth Fund as continued investment to strengthen and grow the Property Investment Portfolio. This is being used to invest directly into land and property enabling local businesses to expand and attracting new investors which boosts jobs, the economy and generates additional income for the Council both directly through rental income but also through income from business rates which is retained by the Council between system resets.

The Council's Growth Fund, which has now operated for 10 years and:

- Enables the Council to provide land, build and lease bespoke properties and offer full turnkey solutions, and continues to drive a high number of investment enquiries drawing in new investors.
- The Fund in conjunction with locally retained profit share from the Telford Land Deal has additionally supported a range of public sector development schemes. This includes the wider development within Telford Town Centre at Station Quarter. This investment will support the delivery of enhanced access routes and high-quality public realm across the area and the new 4000sqm (43,055sqft) Digital Skills and Enterprise Hub (The Quad) accommodating a coordinated offer for both education and flexible space for new businesses.
- Cumulatively, £136.1m has been allocated to date through the Growth Fund, including the investment in the Quad, which will deliver an ongoing return, including additional business rates income and attract and retaining jobs for residents of the Borough.
- The funding committed to date into a range of investments is anticipated to help deliver approximately 1,445 new jobs.

As part of the Councils continued commitment to the Property Investment Portfolio, the Medium-Term Financial Strategy includes investment of £59.9m into the Growth Fund between 2025/26 and 2029/30.

7.3 Governance

The Director: Prosperity & Investment has delegated authority to manage the Property Investment Portfolio and to make decisions in relation to PIP property investments and disposals.

Delegated authority has also been granted to the Director: Prosperity & Investment, after consultation with the Director: Finance, People & IDT and the Cabinet Lead: Finance, Governance & Customer Services to approve individual business cases in relation to the Growth Fund.

Specific factors considered as part of the decision-making process are:

- Regeneration opportunities

- Local market needs/demand for properties
- Future proofing the local economy by attracting new investment
- Job creation for local people
- Sustaining revenue rental income
- generating additional rental income / business rates (between system resets)
- Maintaining or increasing capital value of assets
- Return on Capital
- Running Costs

7.4 Risks

Risks in relation to the PIP include voids and consequential service and business-related changes and bad debt. The market for inward investment opportunities is also competitive although the growth fund has proved to be a considerable incentive for investors and existing businesses expansion. At a macro level risk exists linked with changes in the commercial market and Telford's heavy reliance on the manufacturing sector. The economic strategy aims to address this including supporting diversification into new sectors.

The risks associated with each individual investment (and indeed to any 'commercial development') are considered as part of the business case approval process. Where proactive (i.e. where no specific end-user has been identified) industrial unit development is proposed in order to respond quickly to enquiries and be able to maximise opportunities the level of risk associated with void periods increases and to minimise such exposure a cap on revenue liability from new build proactive investments has been set at £350,000 per annum. The ability to exceed this limit would be on the basis of a specific business case to be approved by the Director: Prosperity & Investment after consultation with the Director: Finance, People & IDT and the Lead Cabinet Member for Finance, Governance & Customer Services.

7.5 Regular updates are provided to Cabinet which are available on the Council's website.

8.0 NUPLACE LIMITED / HOUSING INVESTMENT PROGRAMME

8.1 Nuplace Limited, the Council's wholly owned housing company, was incorporated in April 2015. Its purpose is :

- the construction and management of private and affordable, quality residential properties for rent responding to the housing needs in the Borough

- to regenerate brown field sites that the Council has been unable to sell
- increasing the quality of the private rented sector, providing a long-term responsive landlord
- incidentally, the generation of income streams for the Council, both short term and long term, which will protect frontline services, otherwise affected by budgetary constraints
- to stimulate economic growth through job creation during construction and afterwards

8.2 A detailed business case was presented to Cabinet in 2015 and subsequently updated in June 2017 and November 2020.

8.3 Nuplace has seen: 608 homes delivered, across thirteen sites with a further 56 refurbished properties across the Borough, bringing the total number of houses delivered to 664. Of these properties, 97 are for affordable rent or built to an adaptable standard, with the remainder being rented on the open market.

8.4 The Council has invested in Nuplace through a combination of equity, in the form of share capital and debt finance, both of which will generate a return. At 31 March 2025 the Council had £27.3m equity invested in Nuplace and the loan totalled £62.26m. In the long term, Nuplace will generate a surplus to the Council over the 30-year period of the project due to the expectation that the value of the assets will increase over the long-term as well as the development gain usually made when the properties are completed.

8.5 In 2024/25 Nuplace made a net profit of £0.448m after taxation and had net assets of £59.2m at 31 March 2025 (in total, assets have been revalued upwards by £29.8m since 2017/18). Since 2015/16, the Council has received net income totalling £13.8m from services supplied, dividend and interest on debt finance. Further, there are benefits from Council Tax (between system resets) and New Homes Bonus.

8.6 The Medium-Term Financial Strategy includes investment of £72.9m from 2025/26 to 2029/30 to further develop Nuplace. Capital is allocated to sites based upon feasibility criteria. The rate of return for each investment is dependent upon a range of parameters and is reviewed by the Council's finance department on a case-by-case basis. Nuplace is funded through a combination of debt and equity and the council receives a return on both. Net income from Nuplace, including loan interest, was £2m in 2024/25 and is projected to be around the same level in 2025/26. The long-term return on the equity investment is forecast to be around 6%. The governance arrangements are set out in the detailed business case and consist of 3 directors, with clear lines of reporting and monitoring procedures and a Housing

Investment Programme Board is in place which is made up of Council Officers and Elected Members.

8.7 **Risks** and Governance are managed through the Housing Investment Programme Board

8.8 Regular updates are provided to Cabinet which are available on the Council's website.

9.0 SOLAR FARM

9.1 Following a business case appraisal and approval by Cabinet in September 2013, the Council invested in developing a new solar farm within the Borough which became operational in 2015/16. The total capital investment was £3.8m.

9.2 The aims of the solar farm were:

- Generation of renewable energy to provide an inflation linked income stream guaranteed by the Government for the council
- Environmental benefits - reducing greenhouse gas emissions and generating more electricity from renewable energy.

The solar farm is anticipated to deliver £0.7m net additional income in 2025/26; and is projected to generate a net cumulative operating surplus of £4.4m over the 25 year project life.

In terms of risk management, a risk register is in place for the solar farm which is monitored and updated on a regular basis by the Council's Commercial Projects Team.

10.0 OTHER SIGNIFICANT INVESTMENTS FOR SERVICE PURPOSES

HCA Land Deal

10.1 The Council entered a unique 10-year Land Deal with Homes England (HE) (formerly known as Homes & Communities Agency) which took effect from April 2015. This is set to see land receipts from the sale of agreed HE land assets in Telford recycled back into the local area, supporting the delivery of new homes, jobs and commercial floor space over the life of the Deal.

10.2 The unique model allows the disposal of public land (former new town assets set aside for development) through upfront investment into site preparation and

marketing of sites. Underpinned by the Council's business support offer of Invest Telford and through its Growth Fund, it has delivered an acceleration in commercial and residential sites sold and raised land values.

10.3 During the past nine years, the Deal has cumulatively delivered the sale of a total of 35 commercial sites and 25 sites for residential development, achieving a gross sales income of £60.3m. The sites have enabled the delivery of Employment Floor Space of 209,038sqm (2,250,066sqft), 1,583 new homes and supported commercial premises delivering 2,493 new jobs, many in engineering and manufacturing adding skilled job opportunities for the Borough's communities. The financial successes of the Land Deal has meant that a cumulative profit of £18.5 has been achieved by the Land Deal partners up to 31 March 2025. The Council's proportion of this cumulative profit share is £15.7m, (£13.7m after £2m agreed set aside for constrained/liability sites).

10.4 In March 2024 the Marches LEP, who have been an integral part of the Land Deal Board, ceased trading and transferred all its functions to a Joint committee made up of Shropshire Council, Telford and Wrekin Council and Herefordshire Council, in line with the UK Governments plans for devolution. The three partners have agreed that Land Deal Profit Share monies held by the LEP will be returned to the Council. Outputs will continue to be monitored by the Joint Committee with the functions of the Land Deal Board being delegated to the Council and Homes England.

10.5 The Investment and Disposal plan is continually reviewed with agreement of the Land Deal Board.

10.6 Capital allocations totalling £1.1m are included in the Medium-Term Financial Strategy. This includes investment of profit share; spend to bring sites to disposal and spend on the liability sites.

10.7 Further information about the Land Deal can be found in a separate update report to Cabinet 12 February 2025.

Telford Land Deal Update	

Local Regeneration Fund

10.8 In 2019, the government formed the Towns Fund, a £3.6 billion programme to regenerate towns across the country. Telford was successful in being awarded £22.3m grant funding to regenerate Telford Town Centre (Station Quarter), Wellington Conservation Area and Oakengates Theatre Quarter.

10.9 This investment, together with match funding from the Council will deliver a transformational programme over the next 3 years. A Town Deal Board has been

established which includes representatives from the public, private and community and voluntary sectors. The Board is responsible for overseeing the delivery of the Towns Fund Programme.

10.11 The Council were also successful in securing £20m Government Levelling Up Funding and £9.8m Capital Regeneration Projects funding during 2023. This funding, together with council investment, will deliver two major projects:

(i) Remodelling of Telford Theatre and the creation of a new educational facility in Telford Station Quarter, the Digit Skills Hub (The Quad); and

(ii) remodelling of Wellington Town Centre, including the acquisition and restoration of Wellington indoor Market, acquisition and refurbishment of the Orbit and public realm/highways improvements.

10.12 The Medium-Term Financial Strategy includes capital allocations of £56.7m related to the Local Regeneration Fund, phased across 2025/26 to 2029/30, which includes Towns Funds grant, Levelling Up grant, Capital Regeneration grant and council investment.

10.13 Further information about the Telford Towns Fund, Levelling Up Fund and Capital Regeneration Fund can be found at the following web page:

10.14 Further information about the Telford Towns Fund, Levelling Up Fund and Capital Regeneration Fund can be found at the following web page:

Telford Towns Fund Web Page	Telford Towns Fund

Pride in Place Programme

10.15 In 2025, the government announced its Pride in Place programme. The programme will see up to £5 billion nationally provided to fund and support long-term improvements in disadvantaged neighbourhoods, empowering local residents and community groups to lead long-term regeneration over the next 10 years. The Council was successful in being award £20m grant funding. The grant, along with match funding provided by the Council, will be used to shape local priorities and improve high streets and local infrastructure to areas in south Telford.

10.16 The Medium-Term Financial Strategy includes capital allocations of £22.6m related to the Pride in Place programme.

11.0 OTHER LIABILITIES

11.1 In addition to debt detailed above, the Council is committed to making future payments to cover its pension fund deficit (valued at £14.4m on 31 March 2025) and has agreed a long-term arrangement with the Pension Fund, which is reviewed every three years, to ensure that the deficit is fully repaid within a timeframe acceptable to the Pension Fund and its actuaries. The latest triennial valuation, which took place in October 2025, resulted in the Fund being in a surplus position. This will positively affect the Councils contribution rates from 2026/27 onwards.

The Council created provisions totalling £2.2m in the 2024/25 Draft Statement of Accounts, which includes NDR Appeal costs. At 31 March 2025 the Council had contingent liabilities relating to Reinforced Autoclaved Aerated Concrete (RAAC), the Telford Child Sexual Exploitation Inquiry and Single Status.

11.2 **Governance:** Decisions on incurring new discretional liabilities are taken by Directors in consultation with the Chief Financial Officer. New liabilities are reported to Members for approval/notification as appropriate.

12.0 REVENUE BUDGET IMPLICATIONS

12.1 Although capital expenditure is not charged directly to the revenue budget, interest payable on loans and MRP are charged to revenue, offset by any investment income receivable. The net annual charge is known as financing costs; this is compared to the net revenue stream i.e. the amount funded from Council Tax, business rates and general government grants.

Table 9: Prudential Indicator: Proportion of financing costs to net revenue stream

	2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m	2029/30 £m
Financing Cost as a proportion of net revenue stream	7.09%	7.64%	8.14%	7.96%	7.06%

12.2 The ratio is lower in 2025/26 which reflects capital programme re-profiling during the year.

12.3 Within the MTFS a prudent interest rate of 4.5% has been assumed for new borrowing in 2026/27, 4.3% for 2027/28, 4.0% for 2028/29 and then 3.5% for all future borrowing requirements from 2029/30 onwards. During the year, the Council

will seek to reduce the amount of interest paid through using a mixture of long-term borrowing (mainly using PWLB) when rates are favourable (and cheaper temporary borrowing when available). However, there is of course a risk of exposure to interest rate increases in excess of the budget assumptions. Prudential borrowing 2025/26 to 2029/30 totals £230m (excluding refinancing existing loans maturing); 1% interest on this would in total be £2.3m.

13.0 KNOWLEDGE AND SKILLS

13.1 The Council employs professionally qualified and experienced staff in senior positions with responsibility for making capital expenditure, borrowing and investment decisions. For example, the Chief Financial Officer is a qualified accountant with over 27 years' post qualification experience, the Director: Prosperity & Investment and the Director: Housing, Commercial & Customer Services are both highly experienced senior officers with extensive relevant experience. The Council pays for junior staff to study towards relevant professional qualifications including AAT and specific specialist technical training.

13.2 Where Council staff do not have the knowledge and skills required, use is made of external advisers and consultants that are specialists in their field. The Council currently employs MUFG Corporate Markets as treasury management advisers, a range of property consultants and PWC as taxation advisors. This approach is more cost effective than employing such staff directly and ensures that the Council has access to knowledge and skills commensurate with its risk appetite.

14.0 CHIEF FINANCIAL OFFICER COMMENT

14.1 Due to the very long-term nature of capital expenditure and financing, the revenue budget implications of expenditure incurred in the next few years will extend for up to 50 years, or longer, into the future. The Chief Financial Officer is satisfied that, whist capital charges are a long-term commitment against the revenue budget, the proposed capital programme is prudent, affordable and sustainable. This is due to:

- the continued track record of sound financial management including delivering revenue budget outturn within budget
- delivering annual budget savings which now total £195.3m
- long-term service redesign
- the proportion of capital schemes that create assets that generally increase in value over time, and which could be sold if required and which generate revenue which offsets or exceeds associated capital charges
- the current level of reserves and provisions

- the planned approach to treasury management which is to lock in to long term fixed rates of interest when appropriate giving increased certainty over costs in the long-term.