COUNCIL

27th February 2025

Title	**Estimated 2025/26 to 2028/29 Capital Programme**
Purpose of the report	To make a key decision
Report Author	Prithiva Janaka Treasury Management and Capital Accountant
Ward(s) Affected	All Wards
Exempt	No
Corporate Priority	Community, Affordable Housing, Recovery, Environment, Service Delivery
Recommendations	**Council is asked to approve the proposed Capital Programme for 2025/26 to 2028/29**
Reason for Recommendation	As part of the 2025/26 budget setting process and to ensure that the Council has a planned approach to its Capital expenditure and that it is financially sustainable.

Summary of the report

What is the situation	Why we want to do something
Councils have a statutory responsibility to refresh and approve a Capital programme each year before the start of the financial year. Moving forwards there continues to be a number of capital pressures on the Council including financing the leisure centre, mitigating climate change, investing in technology and transformation. It has become more challenging to finance capital expenditure as a result of the recent rises in interest rates.	Scrutinise the report, make recommendations, questioning the officers where appropriate. Having a medium to long term strategy which identifies need to incur capital expenditure and how we will finance on a sustainable basis.
This is what we want to do about it	**These are the next Steps**
Carry out the projects with minimum borrowing as possible by using the available capital receipts, capital financing and Grants and internal borrowing.	Even though the Capital Estimates are set from 2025/26 to 2028/29 the Capital Programme will be reviewed annually. Council has asked to review and approve the capital estimates which is set out in Appendix A.

1. Key issues

1.1 The estimated Capital Programme forms an integral part of the Council's Capital Strategy.

1.2 The Council is being asked to approve a multi-year Capital Programme of £18.45m gross and £14.7m net of receipts and grants detailed in Appendix A.

1.3 Also included are two estimated multiyear expenditure items for the leasing, and the purchase of, multiple waste vehicles and Garden bins for £448k and £2.9m Carbon Reduction initiatives. The new schemes are included to provide a holistic view of the Council's estimated Capital Programme, and to allow officers to plan their medium-term financial strategy.

1.4 The aggregate estimated Capital Programme attributable to each committee for 2025/26, before funding is applied, is shown in the table below.

	2025/26	2026/27	2027/28	2028/29	Total
	Estimated £m	**Estimated £m**	**Estimated £m**	**Estimated £m**	**Estimated £m**
Community Wellbeing & Housing- DFG	0.94	0.94	0.94	0.94	3.77
Environment & Sustainability	0.78	3.36	2.99	0.60	7.73
Corporate Policy & Resources - Assets	5.25	0.00	0.00	0.00	5.25
Corporate Policy & Resources - ICT	0.50	0.80	0.39	0.01	1.70
Total before funding	**7.47**	**5.11**	**4.33**	**1.55**	**18.45**

1.5 Other elements of the Council's Capital Programme include several smaller initiatives to reduce our carbon footprint including utilising the Green Initiatives Fund, the Solar Canopy project in Eclipse Leisure Centre Car Park, Information Technology (IT) projects such as equipment refresh, upgrades to systems and improvements to ways of working which will help facilitate efficiencies.

1.6 The majority of our Capital Programme will be funded by capital receipts, capital reserves and capital grants in order to minimise further borrowing from the Public Works Loan Board (PWLB).

1.7 Under the Chartered Institute of Public Finance and Accountancy's (CIPFA) Prudential Code regime, Councils have a requirement to set out how the financing of their Capital Programme is prudent and affordable and to publish prudential indicators. Any new borrowing would result in a charge to the General Fund for principal and interest on completion of schemes borrowing is not undertaken the programme would need to be financed from additional capital receipts through the selling of assets or a significant revenue contribution to Capital from the services proposing the capital works. The Council is currently looking to dispose of couple of properties, which means that capital receipts will be available to fund the projects. There will still be a small of amount of receipts from the Council's share of Right to Buy, as we come to the end of the contract to improve the resiliency of the Capital Programme.

2. Operational Boundary

2.1 The Operational Boundary for External Debt is not a limit, and actual borrowing could vary around this boundary for short times during the year. It acts as an early warning indicator to ensure the authorised limit is not breached.

2.2 The Operational Boundary links directly to the Council's Capital Finance Report (CFR) and estimates of other cashflow requirements. The Council intends to keep the Operational Boundary at £1,170m for 2025/26, through to for 2027/28, as detailed in the Treasury Management Strategy Report.

Authorised Limit

2.3 Another key indicator is the Authorised Limit which represents the maximum level of borrowing beyond which further external debt is prohibited, without Council approval.

2.4 This is a statutory limit determined under Section 3 (1) of the Local Government Act 2003, and it has been set at £1,270m for 2025/26 through to 2027/28, as detailed in the Treasury Management Strategy Report.

2.5 Council will approve the Authorised Limit and Operational Boundary via the Treasury Management Strategy Report.

Estimates of financing costs to net revenue stream

2.6 This indicator compares the total principal and net interest payments on external debt to the revenue spending of the Council that is funded by government grants and local taxpayer. It is a measure of affordability of borrowing and is shown in **Table 1** below.

2.7 As the Council continues to repay its loans, the interest charge will start to reduce, and the capital repayment element will increase, and therefore the ratio will start to fall over the coming years and highlights the importance of the Council continuing with its policy to build its reserves as well as using the net investment income to support its service deliver and regeneration programme.

2.8 If our net investment income from our property portfolio were included (which was why Council took out the loans) the ratios would be as follows:

Table 1 - Financing costs to net revenue stream

	2025/26	**2026/27**	**2027/28**	**2028/29**
	£m	**£m**	**£m**	**£m**
Net Revenue Stream and Investment Portfolio Rent	15.10	18.00	13.40	16.80
Financing costs	39.34	39.97	40.04	40.10
Ratio	2.60	2.22	2.98	2.38

Commercial income, related costs, and net contributions to future costs

2.9 The Council's commercial income, as per the table below shows, a strong net income position after allowing for landlord costs, financing costs and net contributions to the reserves (sinking funds) from 25/26 onwards.

	2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m
Commercial income	(49.07)	(53.47)	(51.59)	(51.11)
Landlord costs	7.87	7.89	3.71	6.94
Contribution from sinking funds	(6.75)	(1.60)	0.00	(3.20)
Financing costs	39.34	39.97	40.04	40.10
Net income after landlord & financing costs & net contributions to sinking fund	**(8.61)**	**(7.20)**	**(7.84)**	**(7.27)**

3. Financial implications

3.1 The planned financing of the 2025/26 proposed Capital Schemes is as follows in £000s:

Type of Funding	**2025/26 Estimated £m**	**2026/27 Estimated £m**	**2027/28 Estimated £m**	**2028/29 Estimated £m**	**Total Estimated £m**
Capital Receipts, CIL, S106 funding and grant	7.47	5.10	4.33	1.55	18.45
Total	**7.47**	**5.10**	**4.33**	**1.55**	**18.45**

.

4. Sustainability/Climate Change Implication

The Council will be investing £4.2m on efficiency, being £2.9m on Carbon Reduction initiatives, and a further £1.3m on the Solar Canopy for the Eclipse Leisure Centre.

Timetable for implementation

4.1 Schemes included in the Capital Programme are programmed to commence in 2025/26 and will be monitored monthly by officers to ensure that any slippage of schemes is identified at an early date and the programme is adjusted accordingly.

4.2 Bi-monthly reports are also provided to the Development Subcommittee for discussion and review.

4.3 Any schemes incomplete at the end of March 2025 may be incorporated as part of the revised programme for 2025/26.

4.4 Quarterly reports are prepared by the Finance Team as part of the Capital monitoring process, to show the status of the schemes and presented to Committees and Council the expected variance from the approved budget, along with the appropriate narrative.

Appendices:

A – 2025/26 to 2028/29 Capital Programme.