

## Appendix 9

### Capital Strategy for 2026/27 and Capital Programme 2026/27 to 2029/30

#### 1. Executive Summary

- 1.1. Capital expenditure relates to spending on longer-term assets and infrastructure (such as property, equipment, vehicles, roads etc.). The Council's Capital Programme is therefore an important element of the Council's overall financial planning arrangements as appropriate investment can enable the transformation of service delivery and improve the quality of services to the local community. The schemes included in the Capital Programme need to be appropriate in meeting the Council's objectives, be affordable and represent value for money.
- 1.2. The Council must consider how capital expenditure is paid for and what the long-term financial implications are of undertaking this investment. The Council is permitted to borrow funds to finance the Capital Programme under the Local Government Act 2003. It needs to consider the impact on the revenue budget in relation to repayment of borrowing proposed, how it funds the repayment of this debt and the period over which it is repaid.
- 1.3. The Council operates a strict approach to considering and prioritising schemes for inclusion in the Capital Programme set against available resources including a technical review process, as set out in the Capital Strategy.
- 1.4. The Council's Capital Programme is reviewed each quarter via the quarterly budget monitoring reports. A review of the Council's Capital Programme has taken place as part of the MTFP update. This involved plans for the addition of new schemes and extension of schemes deemed as Business as Usual in order to ensure the Capital Programme provided essential expenditure required to support the delivery of the Council's objectives and priorities. Directors in consultation with Executive Members submitted bids to the capital programme for the MTFP period commencing 2026/27 as part of a process agreed by the Corporate Capital Board. As there was a limited amount of capital available, bids were prioritised as follows:
  1. Urgent Works
  2. Health and Safety / Legislative Compliance
  3. Asset Protection / Enhancement
  4. Other – Must align to the Council Plan

In addition to the above, any bids that prove that there will be a revenue return on the capital investment will be considered separately.

- 1.5. The Corporate Capital Board met on 12 September 2025 to discuss the bids received and agreed to propose new capital schemes and additions to current schemes and an extension of schemes deemed Business as Usual totalling £16.310m in 2026/27 and rising to £56.173m by 2029/30 to be included in the revised Capital Programme for the MTFP period commencing 2026/27 as detailed in Appendix 4 of the 2026/27 Draft Budget and Medium Term Financial Plan 2026/27 to 2029/30 report to Executive on 17 December 2025.

- 1.6. The proposed new schemes have been subject to the same consultation as the revenue budget to enable stakeholders to submit their views with respect to the proposed new capital schemes. Further work has also been undertaken with respect to reviewing the profiling for the proposed new capital schemes in order to ensure stated work to be undertaken in the various years is realistic, and that this does not lead to future slippage in the revised Capital Programme in the future. This has led to the proposed inclusion of new capital schemes and additions to current schemes and an extension of schemes deemed Business as Usual totalling **£11.735m in 2026/27 and rising to £56.633m by 2029/30** as summarised in **Tables 2 and 3** and detailed in paragraphs 3.4 to 3.19.
- 1.7. This report sets out the proposed Capital Programme for 2026/27 of **£79.483m**, with a total of **£183.741m** for the period 2026/27 to 2029/30, together with the financing statement as summarised in **Table 1**.
- 1.8. The Council's Capital Financing Requirement (CFR) is the underlying need to borrow in relation to historical borrowing plus future planned borrowing to fund the Council's capital investment in assets. This is expected to increase to **£333.755m** in 2026/27. Further details can be found in the Prudential Indicators and Treasury Management Strategy 2026/27 report elsewhere on this agenda. A summary of the prudential indicators which regulate the Council's capital financing activities - CFR, borrowing limits and planned borrowing, together with the revenue cost of borrowing is summarised in **Table 4**. This is an integral part of setting a balanced revenue budget and Medium Term Financial Plan (MTFP) for the Council.
- 1.9. The Capital Programme detailed in **Annex 1**, whilst affordable, must be managed strictly within budget in order to manage the revenue costs of servicing the historic external debt from previous financing decisions and future plans that are to be funded by borrowing.
- 1.10. The Capital Programme has been prioritised as follows:
- Urgent works
  - Health and safety / legislative compliance
  - Asset protection / enhancement
  - Alignment to the Council Plan
  - In progress schemes that cannot be stopped
  - Return On Investment
  - Funding transformation that will deliver ongoing revenue expenditure savings on the basis of invest to save, for which an appropriate rate of return will be determined within the transformation programme.
  - Partially externally funded schemes that require Council to match resources where there is a robust business case that meets Council Plan objectives and is approved in accordance with constitutional delegations.
  - Repayment of borrowing to reduce revenue capital financing costs.
- 1.11. The governance arrangements for managing and monitoring the delivery of the programme to plan and to budget were strengthened during 2024/25, and these will be continued during 2026/27 and future years.

- 1.12. This report should be read in conjunction with the Flexible Use of Capital Receipts Strategy 2026/27 in Appendix 10 of this report and the Prudential Indicators 2026/27 to 2029/30 and Treasury Management Annual Strategy Report 2026/27 report elsewhere on this agenda.

## **2. Introduction**

- 2.1. The Council Plan for Middlesbrough acknowledges that a sustainable Capital Programme, and the strategy and controls to shape and manage it, is a critical contributor to the future ambitions, overall service delivery, and financial position of the Council going forwards.
- 2.2. The Capital Strategy assists in the Council meeting its '*Recover, Rest and Deliver*' approach by ensuring:
- Capital investment is strictly prioritised and meets the Council's objectives within a set funding limits from within its revenue budget and MTFP.
  - Investment meets the CIPFA criteria of being prudent, sustainable, affordable and value for money.
  - The Council is appropriately responding to the statutory recommendations raised by its external auditor.
  - The Capital Programme does not include any schemes that are not permitted under the HM Treasury's definition of commercial activity and using external debt to solely generate ongoing revenue income.
  - Capital projects are delivered within budget and in a timely manner and meet the objectives of their business cases.
  - Members and Senior Officers have a common understanding of the financial context the Council is operating in and the capital principles underpinning capital decisions within the Council.

## **3. Capital Programme 2026/27 to 2029/30**

- 3.1. **Table 1** summarises the proposed Capital Programme by Directorate for consideration and approval by Council. This shows the proposed Capital Programme **for 2026/27 of £79.483m, with a total of £183.741m for the period 2026/27 to 2029/30**, together with the financing statement as summarised in Table 1. It includes an upper financial limit within which Transformation and redundancy costs will need to be delivered (£26.7m from 2024/25 to 2028/29). It also shows the level of capital receipts over the MTFP period. A Flexible Use of Capital Receipts Strategy for 2026/27 totaling £5.789m is attached at Appendix 10 for consideration and approval by Council on 18 February 2026. A further report will be submitted to Executive in March 2026 updating on progress on the Transformation Programme.

**Table 1: Summary of Capital Programme 2026/27 to 2029/30**

Directorate	2026/27 £m	2027/28 £m	2028/29 £m	2029/30 £m	Total £m	Council Funding £m	External Funding £m
Regeneration and Housing	36.431	38.748	18.208	7.410	100.797	67.147	35.150
Environment, Communities and Culture	21.901	7.008	8.306	11.808	49.023	40.445	7.078
Education and Partnerships	8.508	0.077	0.078	-	8.663	0.151	8.512
Adult Social Care and Health	1.733	1.050	1.120	1.120	5.023	4.331	0.692
Legal and Corporate Services	4.723	3.685	2.185	2.185	12.778	12.778	-
Finance	0.398	-	-	-	0.398	0.398	-
Transformation Programme	5.789	1.270	-	-	7.059	7.059	-
<b>Total EXPENDITURE</b>	<b>79.483</b>	<b>51.838</b>	<b>29.897</b>	<b>22.523</b>	<b>183.741</b>	<b>132.309</b>	<b>51.432</b>
<b>Funded by</b>							
Borrowing	26.741	22.260	11.475	9.645	70.121	70.121	-
Capital Receipts	11.960	16.060	14.231	12.878	55.129	55.129	-
Flexible Use of Capital Receipts	5.789	1.270	-	-	7.059	7.059	-
Grants	29.498	6.363	0.078	-	35.939	-	35.939
Contributions	5.495	5.885	4.113	-	15.493	-	15.493
<b>Total FUNDING</b>	<b>79.483</b>	<b>51.838</b>	<b>29.897</b>	<b>22.523</b>	<b>183.741</b>	<b>132.309</b>	<b>51.432</b>

Capital Receipts Memo	2026/27 £m	2027/28 £m	2028/29 £m	2029/30 £m
Capital receipts carried forward from previous year	13.250	17.687	15.659	5.878
Total capital receipts expected in year	22.186	15.302	4.450	7.000
<b>Total capital receipts available in year</b>	<b>35.436</b>	<b>32.989</b>	<b>20.109</b>	<b>12.878</b>
Capital receipts to finance above programme	11.960	16.060	14.231	12.878
Flexible receipts to finance transformation	5.789	1.270	-	-
<b>Capital receipts to carry forward</b>	<b>17.687</b>	<b>15.659</b>	<b>5.878</b>	<b>-</b>

- 3.2. **Annex 1** details the proposed Capital Programme for approval, incorporating the capital budgets for 2026/27 to 2029/30. The capital budget is aligned to the Capital Strategy. It presents in financial terms, the Council's plan for meeting the costs of Transformation and Redundancies together with investment related to the purchasing, building and improvement of capital assets, together with the implications of any major capital projects or investments within the Middlesbrough boundary. It also provides a framework for ensuring the programme is affordable within the current medium term financial plan.
- 3.3. The Capital Programme for 2026/27 to 2029/30 includes new Council funded schemes and additions to schemes that are within the current approved Capital Programme. **Table 2** represents the new Council funded schemes added to the Capital Programme and additional funding to currently approved schemes where required, with further details of the new schemes being provided in paragraphs 3.4 to 3.18. Further reports will be submitted to Executive where appropriate, for example where details have not currently been fully worked up and further detailed work is required to implement the scheme or where the scheme may have an effect on service provision. **Table 2** excludes schemes which are deemed to be Business as Usual which are shown in **Table 3** below.

**Table 2: New Council Funded Schemes and additional funding to currently approved schemes 2026/27 to 2029/30**

New Council Funded Schemes And Additional Council Funding To Current Schemes							
Directorate	Capital Project Description	2026/27 £m	2027/28 £m	2028/29 £m	2029/30 £m	Total £m	Priority
Regeneration and Housing	Repairs To Broadcasting House	1.500	-	-	-	1.500	1, 2 & 3
Regeneration and Housing	Neptune Centre Roof Repairs And Wall Cladding		1.800	-	-	1.800	2 & 3
Regeneration and Housing	Investment / Commercial Properties - Occupancy And Compliance	0.500	1.000	0.500	-	2.000	3 & ROI
Regeneration and Housing	Property Asset Investment Programme	0.500	0.500	0.500	-	1.500	1, 2 & 3
Regeneration and Housing	Acquisition of Whorlton Road Industrial Estate	2.615	-	-	-	2.615	1 & ROI
Regeneration and Housing	Town Hall Roof	-	4.000	4.000	4.000	12.000	1 & 2
Regeneration and Housing	Tackling Homelessness	0.500	0.500	-	-	1.000	4 & ROI
Regeneration and Housing	Asset Review - Accommodation Works	0.300	1.200	-	-	1.500	2 & 3
Regeneration and Housing	Repair and Refurbishment of the Council Depot Facility	0.500	1.400	4.100	-	6.000	3 & 4
Regeneration and Housing	Dorman Museum Roof And Window Replacement	0.000	-	1.325	-	1.325	1
	<b>Total Regeneration and Housing</b>	<b>6.415</b>	<b>10.400</b>	<b>10.425</b>	<b>4.000</b>	<b>31.240</b>	
Environment, Communities and Culture	Purchase of New Vehicles	1.820	-	0.400	-	2.220	2
Environment, Communities and Culture	Repair Or Replace Longlands Road Overbridge	0.100	0.300	0.450	9.150	10.000	1, 2 & 3
Environment, Communities and Culture	Extension of Fleet Workshop	1.400	-	-	-	1.400	3
Environment, Communities and Culture	Replacement And Improvement To Equipment In Play Areas	0.500	0.200	0.200	0.200	1.100	2, 3 & 4
Environment, Communities and Culture	Town Hall And Theatre Equipment Renewal	1.500	-	-	-	1.500	2, 4 & ROI
	<b>Total Environment, Communities and Culture</b>	<b>5.320</b>	<b>0.500</b>	<b>1.050</b>	<b>9.350</b>	<b>16.220</b>	
	<b>Total All Directorates</b>	<b>11.735</b>	<b>10.900</b>	<b>11.475</b>	<b>13.350</b>	<b>47.460</b>	

**Priority Key**

1. Urgent Works.

2. Health & Safety / Legislative

Compliance

3. Asset Protection / Enhancement.

4. Other - Must align to the Council Plan

ROI - Return On Investment

### 3.4. **Repairs To Broadcasting House - £1.500m**

Due to Broadcasting House being included in the Middlesbrough Development Company (MDC) asset transfer arrangement and cited as a development opportunity, as such, repairs and maintenance have been minimised to manage costs for a building that may not have a significant lifespan. As the MDC asset transfer is indefinitely on pause, investment in the building for basic protection from the elements is required. Failure to invest will result in the Council having to provide a funded relocation package to the buildings tenants, one of which's lease does not expire until 2044. Therefore, investing in the building will ensure continuing revenue income and negate the need to fund relocation packages relating to existing tenants and make the building a more attractive venue for attracting future tenants.

The extent of the repairs include a full replacement of the roof coverings and structure. Works to the external stonewall cladding is required and the expansion joints to the wall cladding require replacing to prevent water ingress to accommodation on all floors.

The current heating system has reached its end of life and will need require replacing within 12 months. Opportunities for grant funding will be explored but it is assumed that the Council will be required to fund the replacement cost. Finally, ceiling areas require fire compartmentation to meet current building regulations.

### 3.5. ***Neptune Centre Roof Repairs And Wall Cladding - £1.800m***

The Neptune Centre is managed by the Council's contracted leisure service provided. However, the responsibility for major repairs rests with the Council and should the building become inoperable, the Council could be subjected to loss of income earning claims from the provider.

The metal roofing sheet and wall cladding are at their end of life and showing signs of failure and water ingress. Recent inspections and maintenance have identified that the main fixings are no longer purposeful, and roofing sheets are at risk of lifting in high winds, which would cause significant damage to the building structure, surrounding buildings and pose a high level of risk to the public. The level of work required to repair or replace is subject to a final specialist condition report. Recent inspections and maintenance have shown that the main fixings are no longer purposeful, roofing sheets are at risk of lifting in high winds which will cause significant damage to the building structure, surrounding buildings and a high-level risk to the public. The level of works required is subject to a final specialist condition report.

### 3.6. ***Investment / Commercial Properties – Occupancy And Compliance - £2.000m***

The Council has a significant portfolio of Investment / Commercial properties, including the Cleveland Centre, Captain Cook Precinct, Centre Square Buildings 1 & 2 and the Boho complex.

Inevitably there are / will be vacant units within the portfolio, which depending on current market conditions may not be entirely fit for tenant requirements. The ability to achieve tenancies can be enhanced with capital investment to reconfigure some of the larger spaces to adapt to smaller lettings, where there is more demand and tenancy turnover. As such the floorplates need to be adapted for smaller tenancies and this involves the investment in additional mechanical ventilation, electrical services, partitioning and adaptations for means of escape. Therefore, there is a need for a flexible capital allocation to allow for adaptation of space to enable lettings.

In addition, some of the stock is at an advanced age and needs periodic investment to ensure compliance with current safety legislation and investment to increase the longevity of the stock. This entire programme has the aim of protecting and enhancing the income streams associated with the strategic commercial estate.

### 3.7. ***Property Asset Investment Programme - £1.500m***

The Property Asset Investment Programme is the budget that is used to undertake all necessary major repairs, maintenance and renewal for all of the Council's premises. An annual budget of £1.500m is allocated to the programme as part of the Business As Usual increases to the Council capital programme. There is a significant backlog of works that are required across the portfolio, this added to inflationary increases means that the allocation of £1.500m is no longer adequate. Therefore an additional £0.500m has been added to the Council capital programme

for each of the years 2026/27 to 2028/29, with the annual Business As Usual allocation increasing to £2.000m from 2029/30.

### 3.8. ***Acquisition of Whorlton Road Industrial Estate - £2.615m***

Acquisition of Whorlton Road Industrial Estate will enable the Council to merge the respective legal interests in the property & secure the unencumbered freehold title clear of other third party legal interests.

The current lease agreement is set to expire, the capital investment for the acquisition would remove the Council's current dilapidation liability, which is estimated at £2.419m, this though is subject to a further final valuation. The dilapidation liability results from a contractual requirement to return the premises back to the landlord in accordance with the terms of the Council's current occupation agreement.

The Council currently utilises a number of the units for storage purposes, acquiring the estate negates the need to identify alternative sites for the storage. Additionally, there are other tenants within the estate, those tenancies will transfer to the Council. Therefore, through acquisition, savings will be achieved through not renting other properties for Council use and income will be achieved through the existing tenancies.

### 3.9. ***Town Hall Roof - £12.000m***

Middlesbrough Town Hall roof is at the end of its operational life. This includes the roof, rainwater products and some of the ornate stonework on the building. Similarly, the roof space of this heritage asset does not have any fire compartmentation - making it a significant risk for catastrophic loss in the event of a meaningful fire event. This work has been deferred previously as a consequence of affordability and disruption to services. However, the work is now of an urgent nature and cannot be further delayed.

The nature of the Town Hall's structure means that the work can be programmed in order of priority and urgency. It is currently assumed that the work will take up to three years to complete with the concert side of the building being the priority, followed by the municipal element.

The relevant areas of the building will require complete closure whilst the works are being undertaken. It is envisaged that works on the concert side will commence in January 2027 and conclude in December 2027. The venue manager is assuming that timetable and will not take any bookings for performances during this time. Works on the municipal side of the roof will take place thereafter but similarly, the Council's political function will require relocating and the Registrar's requires closing. Alternative options for the facilitation of both functions are being explored.

In addition, there is a requirement to undertake a level of investment to address the condition and appearance of the Municipal Buildings internal fabric.

There will inevitably be a revenue cost due to the closure from lost income within the concert facility and potentially the Registrar's Office. This will be addressed as part of the Medium Term Financial Plan refresh.

### 3.10. ***Tackling Homelessness - £1.000m***

The Homelessness Act 2002 requires that all councils in England provide a homelessness service. Homeless temporary accommodation budgets are working to huge pressures as we see national housing pressures lack of suitable housing, increase in homelessness, increase in clients with support needs, reduced services and budgets to support vulnerable clients manifest within Middlesbrough placing pressure on our budgets and services. This bid is crucial to ensure we have funds available to positively and proactively respond to pressures for both Adult and Children's social care and working to legislation.

On 21 January 2026, Executive approved the "Investment Into Housing to Reduce Temporary Accommodation Costs" report. This report approves a menu of options to positively address homelessness within the Borough, with £6.141m of grant and Section 106 contributions being assigned to fund the proposals. This in itself will not eradicate the issue, therefore an additional £1.000m of Council capital is provided as additional funding for other initiatives that will further reduce homelessness within Middlesbrough.

Whilst not the primary driver, preventing homelessness does reduce the burden on the Council's revenue resources.

### 3.11. ***Asset Review – Accommodation Works - £1.500m***

An asset review was undertaken in 2023 to identify Council owned land and property that could be utilised differently to assist in supporting the Council's financial recovery. In November 2023 Executive approved a report which recommended the rationalisation of some Council properties in order to make savings and align the portfolio with the strategic needs and direction of the Council. The investment of £1.5m in existing Council buildings to accommodate additional staff was approved.

One of the report's recommendations was the closure and sale of Middlesbrough House, amongst other properties.

Following the report, further due diligence on the approved closures and moves has led to a re-evaluation of the Council's operational estate to determine the preferred options. Finding accommodation for the Pathways (care leaver's) and Homeless Teams were identified as priorities. The Homeless Team will be relocated to Broadcasting House, with options being considered for the Pathways Team. The original budget provided will be required to fund the costs for these relocations.

The report recommended the closure and sale of Middlesbrough House. Extensive modelling has been undertaken to ascertain if decanting the remaining Council occupants into other buildings was feasible, with the conclusion being that it is not possible. Therefore, the additional £1.500m will be utilised primarily for repairs and refurbishment of the building to create a fit for purpose Children's Care Hub. This may result in other Council accommodation being freed up for potential sale.



### 3.12. ***Repair And Refurbishment of the Council Depot Facility - £6.000m***

The Council's main depot at Cargo Fleet is in a significant state of disrepair and is presenting serious maintenance and occupational issues.

The depot roof is end of life and contains managed asbestos. This is providing significant limitations to the service operations and is requiring cumulatively expensive patch repairs. The accommodation is poor and does not meet service requirements. The roof replacement is anticipated to cost C. £3.000m alone and this would not necessarily address the services full extent of operational limitations.

A complete replacement of the windows and an extensive internal refurbishments are also required in order to bring the facility back into an appropriate state.

The alternative of building a new facility has been considered but the assumptions are that this could cost up to £20.000m. Therefore, investment in the current premises, which will ensure operational functions can remain here for a number of years is considered to be the most appropriate solution when considering value for money.

### 3.13. ***Dorman Museum Roof and Window Replacement - £1.325m***

Urgent works are required at the Dorman Museum to address significant deterioration of the roof and windows of the building.

A feasibility study was completed in 2025 for a full replacement of the Dorman Roof. The latest condition survey, received in March 2025 describes the roof condition as poor and found that in all cases existing roof systems have either exceeded their serviceable life or are reaching end of life stage and should be refurbished within 2 years. There are major defects and parts of the roof are saturated. Rainwater regularly leaks into the building damaging the internal fabric, putting collections at risk and compromising the visitor experience. The report also identifies the single-glazed sash windows on the building's front and side-wing elevations as Poor, with swollen timber resulting in some windows being jammed open causing heat loss and risks in terms of security and pest invasion.

### 3.14. ***Town Hall and Theatre Equipment Renewal - £1.500m***

Investment is urgently required in a range of failing and / or end of life equipment at the Town Hall and Theatre, including LED lighting, public address (PA) systems, sound and communication systems. Failure to invest in the equipment will cause inefficiencies, detrimentally impacting production quality and the Council's ability to attract more commercially successful shows, resulting in the venues not optimising their performance capacity and as such representing lost revenue income opportunities. Additionally, accessibility improvements such as a lift to the Town Hall main stage are urgently required.

3.15. ***Purchase of New Vehicles - £2.220m***

The Government has introduced the Simpler Recycling initiative which includes additional refuse collection. Whilst the Government provided funding for initiative, there was a shortfall regarding the number of refuse vehicles that were required to comply. £1.600m of the funding is for the acquisition of six additional refuse vehicles. The remaining allocation of £0.620m is required to renew the wider fleet as vehicles come to the end of their useful life.

3.16. ***Repair or Replace Longlands Road Overbridge - £10.000m***

Longlands Road Overbridge is of considerable strategic importance to Middlesbrough's highways network, with the structure carrying the traffic on Longlands Road A1085 over the Middlesbrough to Whitby railway line.

The bridge is known for having historic structural problems associated with rotation and movement in the foundations. Remedial work was undertaken to address the issue in the 1970's, however, the movement has persisted. Furthermore, inspections over the last decade have shown progressive deterioration of the superstructure.

A comprehensive repair or full replacement of the overbridge will be required, this will address the root causes of the structural deficiencies, eliminating the reliance on short term, reactive maintenance. These reactive measures are not only costly but fail to resolve the underlying issues, leading to recurring expenditure and increased risk of unplanned closure.

The Council has commissioned expert advice regarding the most appropriate level of intervention to address the issues. The £10.000m proposed budget assumes a comprehensive repair, with the physical works commencing during 2029/30, however, this is subject to change depending upon the recommendations of the external advisor.

3.17. ***Extension to Fleet Workshop - £1.400m***

Following Government legislation change, and the requirement to collect food waste and make provision for dedicated cardboard and paper recycling collection, the Council has had to purchase an additional 13 refuse collection vehicles, which, in addition to the existing heavy goods fleet require safety inspection and servicing on an 8 weekly cycle.

The current workshop does not have the capacity to facilitate the safety inspection and servicing requirements of the new vehicles. The extension will enable Fleet Services to need to expand the existing workshop to provide an additional pit and service ramp.

The works will include upgrading the current storage facility adjacent to the workshop to provide lighting, compressed air and power supply. Structural and Civil engineering works are also required to add an additional roller shutter door and strengthen the existing floor.

The capital investment will enable Fleet Services to continue to service and maintain our heavy goods vehicles to comply with our Operator Licence undertakings and allow the Council to meet its statutory requirements for waste collection and highway maintenance.

### 3.18. ***Replacement and Improvement to Equipment in Play Areas - £1.100m***

A number of the town's play areas are currently in poor condition. £0.500m is allocated to 2026/27 to bring all play areas up to an acceptable standard. A further £0.200m has been allocated for each subsequent year to ensure that funds are available to replace damaged or vandalised equipment.

- 3.19. In addition to the above, **£9.173m** of Council resources have been added to the Capital Programme in financial years 2029/30 to extend schemes deemed Business as Usual. This continues allocations to these schemes as in previous years, and is required as the Capital Programme has been extended to cover the MTFP period to 2029/30. **Table 3** below shows the relevant schemes and the amount of funding provided.

***Table 3: Council funding provided to schemes deemed Business as Usual 2029/30***

<b>Council Funding Provided To Schemes Deemed Business As Usual</b>		
<b>Directorate</b>	<b>Capital Project Description</b>	<b>2029/30 £m</b>
Regeneration and Housing	Capitalisation Of Major Schemes Salaries	0.530
Regeneration and Housing	Capitalisation Of Planning Services Surveys	0.040
Regeneration and Housing	Derisking Sites	0.500
Regeneration and Housing	Property Services Building Investment	0.340
Regeneration and Housing	Property Asset Investment Programme	2.000
	<b>Total Regeneration and Housing</b>	<b>3.410</b>
Environment, Communities and Culture	Members Small Schemes	0.060
Environment, Communities and Culture	Purchase Of New Vehicles	1.200
Environment, Communities and Culture	Capitalisation Of Wheeled Bin Replacement	0.100
Environment, Communities and Culture	Capitalisation Of Street Furniture / Dog Fouling & Litter Bins	0.055
Environment, Communities and Culture	Capitalisation Of Highways Maintenance	0.575
Environment, Communities and Culture	Street Lighting Maintenance	0.468
	<b>Total Environment, Communities and Culture</b>	<b>2.458</b>
Adult Social Care and Health	Chronically Sick & Disabled Persons Act - All Schemes	1.070
Adult Social Care and Health	Capitalisation Of Staying Put Salaries	0.050
	<b>Total Adult Social Care and Health</b>	<b>1.120</b>
Legal and Corporate Services	ICT Essential Refresh & Licencing	2.185
	<b>Total Legal and Corporate Services</b>	<b>2.185</b>
<b>Total Council Funding Provided To Schemes Deemed Business As Usual</b>		<b>9.173</b>

#### **4. Financing approach for the Capital Programme**

- 4.1. All capital expenditure has to be financed, from either external sources (government grants and other contributions), the Council's own resources (revenue budget, reserves or capital receipts) or debt (borrowing or leasing).
- 4.2. In terms of affordability, receiving capital funding from a partner organisation in the form of a contribution or from central government via an approved grant is always the Council's preferred route of financing. There is no initial cost of the capital investment, with only the ongoing revenue consequences to consider.
- 4.3. When the Council puts its own funding into a capital project, there is an opportunity cost of this investment. If it sells a capital asset to generate a receipt, it releases the asset and possibly revenue income that is generated. If it uses prudential borrowing, there is an ongoing revenue costs of principal and interest of between 8% - 10% per annum over the estimates useful life of the asset being financed. The final option of funding from the revenue budget has not been used in recent years due to the pressures on the revenue budget position and the low level of revenue reserves currently. The Council would therefore prioritise its own financing resource as capital receipts first, prudential borrowing last. Direct revenue financing is not recommended within the period of this MTFP.
- 4.4. In addition, there would be restrictions on the level of capital receipts in any financial year, based on the availability of buyers for specific assets, the need to demonstrate best value on any sale and the legal processes required for any sale. The amount of prudential borrowing will be restricted by the impact on the revenue budget of servicing the debt costs of principal (minimum revenue provision) and interest (on any loans drawn down to finance the asset).
- 4.5. The Council must ensure that any approach to financing the Capital Programme is affordable, sustainable, and prudent in line with the requirements of the CIPFA Prudential Code on Capital Finance. It does this by setting and monitoring a set of prudential indicators each year. These are key metrics for the Corporate Director of Finance and for elected members when setting a budget for each financial year and when considering any changes that may occur during the financial year.
- 4.6. More details on this can be seen with reference to the Council's Prudential Indicators and Treasury Management Strategy 2026/27 report included elsewhere on this agenda. Some key Prudential Indicator values on the current position of the Council are shown in **Table 4** below for reference purpose.

**Table 4: Key prudential indicators**

<u>Prudential Indicator</u>	2025/26 (£m)	<b>2026/27 (£m)</b>	2027/28 (£m)	2028/29 (£m)	2029/30 (£m)
<b>Capital Financing Requirement (underlying need to borrow)</b>	<b>312.383</b>	<b>333.755</b>	<b>350.350</b>	<b>355.651</b>	<b>358.733</b>
External Borrowing	289.360	<b>326.028</b>	347.623	350.651	351.233
Internal Borrowing	23.023	<b>7.727</b>	2.727	5.000	7.500
% of Net Revenue Budget on debt costs	8.4%	<b>7.1%</b>	7.1%	7.0%	7.0%
Authorised limit for External Debt	331.000	<b>354.000</b>	371.000	376.000	379.000

## **5. Risk & Governance**

- 5.1. The proposed four year Capital Programme will require the Council to use a higher proportion of available resources but without recourse to any more borrowing than is necessary to meet existing commitments. Investment of this nature will result in the Council being exposed to additional inherent risks as follows:
- economic risks on capital projects such as rising inflation and extended leading times for orders.
  - the impact of increases in construction costs.
  - major schemes have a long pay-back period, which will require the use of reserves in the early years to fund short term deficits in business plans.
  - Any unforeseen events occur which effect the overall cost or delivery times for specific schemes.
- 5.2. The management of risk on projects within the Capital Programme is managed by individual service directors as part of their own risk processes but is overseen by the Leadership Management Team as part of its corporate governance responsibilities.
- 5.3. The governance arrangements for managing and monitoring the delivery of the programme to plan and to budget were strengthened during 2024/25 as detailed in the [Capital Programme Governance Improvement](#) report to Executive on 13 November 2024. This involved the creation of a Strategic and Corporate Capital Programme Board framework consisting of elected members and senior officers to oversee and support the delivery of the Capital Programme as part of its governance improvement. This will take the lead role for the organisation on both programme planning, scheme delivery and financing.
- 5.4. Future budget planning rounds will be subject to improved programme governance through the above to ensure that new projects align to the priorities of the Council plan and available resources to ensure value for money and affordability.

**Annex**

1	Proposed Revised Capital Programme 2026/27 to 2029/30
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