

FINANCE, AUDIT AND RISK COMMITTEE
10 September 2025

***PART 1 – PUBLIC DOCUMENT**

TITLE OF REPORT: FIRST QUARTER CAPITAL BUDGET MONITORING REVIEW 2025/26

REPORT OF: DIRECTOR - RESOURCES

EXECUTIVE MEMBER: RESOURCES

COUNCIL PRIORITY: SUSTAINABILITY

1 EXECUTIVE SUMMARY

- 1.1 To update Cabinet on progress with delivering the capital programme for 2025/26, as at the end of June 2025.
- 1.2 To update Cabinet on the impact upon the approved capital programme for 2025/26 – 2034/35. The current estimate is a decrease in spend in 2025/26 of £0.412M and an increase in spend in future years of £1.446M (£0.838M in 2026/27 and £0.608M 2027/28). The most significant individual changes to the forecast spend in 2025/26 is the removal of the £0.563M budget for Solar for Business, the addition of the Government's new energy efficiency scheme – Warm Homes £0.319M, reprofiling £0.250M into 2026/27 for resurfacing Broadway Gardens and increasing phase 2 of the Decarbonisation project by £0.122M.

2 RECOMMENDATIONS

That Finance, Audit and Risk Committee consider any governance and risk issues in relation to the Cabinet recommendations, which are:

- 2.1 That Cabinet notes the forecast expenditure of £27.624M in 2025/26 on the capital programme, paragraph 8.3 refers.
- 2.2 That Cabinet approves the adjustments to the capital programme for 2026/27 onwards, as a result of the revised timetable of schemes detailed in table 2 and 3, increasing the estimated spend in 2026/27 by £0.838M and £0.608M in 2027/28.
- 2.3 That Cabinet notes the position of the availability of capital resources, as detailed in table 4 paragraph 8.6 and the requirement to keep the capital programme under review for affordability.
- 2.4 That Cabinet recommends to Council that they approve a capital budget of £1.275M (£0.319M in 25/26, £0.478 in 26/27 and £0.478M in 27/28) for the Government's new energy efficiency Warm Homes Scheme. This will be fully funded from Government grants, paragraph 8.5 refers.

3. REASONS FOR RECOMMENDATIONS

- 3.1 Cabinet is required to approve adjustments to the capital programme and ensure the capital programme is fully funded.

4. ALTERNATIVE OPTIONS CONSIDERED

- 4.1 Options for capital investment are considered as part of the Corporate Business Planning process.

5. CONSULTATION WITH RELEVANT MEMBERS AND EXTERNAL ORGANISATIONS

- 5.1 Consultation on the capital expenditure report is not required. Members will be aware that consultation is incorporated into project plans of individual capital schemes as they are progressed.

6. FORWARD PLAN

- 6.1 This report contains a recommendation on a key Executive decision that was first notified to the public in the Forward Plan on the 25th July 2025.

7. BACKGROUND

- 7.1 In February 2025, Council approved the Integrated Capital and Treasury Strategy for 2025/26 to 2034/35. The reports for Capital and Treasury have been split for the quarterly monitoring updates.

8. RELEVANT CONSIDERATIONS

- 8.1 The Council has £127.0M of capital assets that it currently owns. The Investment Strategy set out the reasons for owning assets that are not for service delivery, including an assessment of Security, Liquidity, Yield and Fair Value. There have been no significant changes in relation to these since the last quarter.

Capital Programme 2025/26

- 8.2 The full capital programme is detailed in Appendix A and shows the revised costs to date, together with the expected spend from 2025/26 to 2035/36 and the funding source for each capital scheme.
- 8.3 Capital expenditure for 2025/26 is estimated to be **£27.624M**. This is an increase of **£6.561M** on the forecast in the Investment Strategy 2025/26 report (reported to Council 27th February 2025). Table 1 below details changes to capital programme.

Table 1- Current Capital Estimates

	2025/26 £M	2026/27 £M	2027/28 to 2035/36 £M
Original Estimates approved by Full Council February 2025	21.063	5.147	18.413
Changes approved by Cabinet in 3rd Qrt 2024/25	0.627		
Public Sector Decarbonisation project	1.143		
Changes approved by Cabinet in 2024/25 Capital Outturn report	5.203		
Executive Member – Finance and I.T. approved additional Expenditure	0.040		
Changes at Q1	-0.452	0.838	0.608
Current Capital Estimates	27.624	5.985	19.021

- 8.4 Table 2 lists the schemes in the 2025/26 Capital Programme that will now start or continue in 2026/27 and onwards:

Table 2: Scheme Timetable Revision:

(Key: - = reduction in capital expenditure, + = increase in capital expenditure)

Scheme	2025/26 Working Budget £'000	2025/26 Forecast £'000	Difference £'000	Reason for Difference	Estimated impact on 2026/27 onwards £'000
Bancroft Lighting	45	0	-45	A review of all Green Space projects planned for 25/26 was undertaken to prioritise which schemes were achievable in this financial year. Based on staff capacity, the schemes listed here have been reprofiled into future years to allow more time to plan thoroughly.	45
Swinburne Recreation Ground Hitchin	30	0	-30		30
KGV Muga Hitchin	55	0	-55		55
Baldock Road Recreation Ground Letchworth	30	0	-30		30
Broadway Gardens Resurfacing	250	0	-250		250
Instal On Street Charging	50	0	-50	Other projects have taken priority this year, so on street charging will not be reviewed until next financial year.	50
Other minor changes			-30		30
Total Revision to Budget Profile			-490		490

- 8.5 There are also changes to the overall costs of schemes in 2025/26. These changes total a net decrease of £0.281million and are detailed in Table 3

Table 3: Changes to Capital Schemes Commencing in 2025/26:

(Key: - = reduction in capital expenditure, + = increase in capital expenditure)

Scheme	2025/26 Working Budget £'000	2025/26 Forecast Spend £'000	Difference £'000	Comments
Solar for Business	563	0	-563	The project oversight group for Solar for Business concluded that continuing with the pilot project of Solar for Business would not constitute best use of resources, due to the challenges of attracting suitable business interest and businesses being able to take up our offer. Particularly as the focus of the project was to contribute towards our emissions targets, it is the oversight group's view that there are actions with better carbon outcomes in the sustainability strategy that we should be using our limited resources on.
S106 Projects	193	333	+140	In addition to the £193K Original budget allocated for Funding for Additional Social Housing, to date a total of £140K of S106 funds have been released for community schemes.
Public Sector Decarbonisation Fund Phase 2	730	852	+122	Due to the technical nature of the project and limited officer technical expertise and resource, it is recommended that the Council appoint an external Quantity Surveyor for the Decarbonisation Phase 2 project to oversee North Herts Council's interests. Services would include producing the project programme, providing cost input into key design decisions, reviewing Contractor cost plan, administering the construction contract, leading any necessary value engineering, managing completion and handover process. The cost of appointing a QS to the project is £92,000. Under the Building Safety Act, the Council are also required to appoint a "Principal Designer" (PD), in addition to the Principal Designer required within the Construction Design Management Regs 2015 (CDM). The principal designer will plan, manage and monitor the design work during the design phase, as well as appraise and challenge design work in a way that helps designers to reach consensus and ensure that the council's interests are looked after. The budget required for this role is £30k.

Scheme	2025/26 Working Budget £'000	2025/26 Forecast Spend £'000	Difference £'000	Comments
Infrastructure Hardware	375	395	+20	The extra cost is for additional software that is needed to make us legally compliant with the DWP. £20K increase will be funded from new burdens
Other minor changes			0	
Total revision to scheme spend			281	

In addition to the above is the £0.319M budget for the Government's new energy efficiency Warm Homes Scheme. Warm Homes Local Grant is a government funded scheme aiming to provide energy efficiency improvements to low income households with the aim of tackling fuel poverty and reducing emissions. NHC was awarded £1.5m over three years to support this project with up to £318,750 of capital spend in 2025/26. This would relate to installing energy efficiency measures, such as insulation, and low carbon heating, such as heat pumps, at around 26 homes in North Herts. We have appointed the National Energy Foundation to deliver the scheme locally.

8.6 Table 4 below shows how the Council will fund the 2025/26 capital programme.

Table 4: Funding the Capital Programme:

	2025/26 Balance at start of year £M	2025/26 Forecast Additions £M	2025/26 Forecast Funding Used £M	2025/26 Balance at end of year £M
Useable Capital Receipts and Set-aside Receipts	1.273	0.0	(1.263)	0.010
S106 receipts			(0.360)	
Other third party grants and contributions			(2.702)	
Revenue Contribution			(3.230)	
Borrowing			(20.069)	
Total			(27.624)	

8.7 The availability of third-party contributions and grants to fund capital investment is continuously sought in order to reduce pressure on the Council's available capital receipts and allow for further investment. Additional capital receipts are dependent on selling surplus land and buildings. Ensuring that the Council gets best value from the disposal of land and buildings can take a long time and therefore the amounts that might be received could be subject to change.

- 8.8 The Council's Capital Financing Requirement (CFR) at 31st March 2025 was negative £0.59M. Based on current forecasts it will become positive during 2025/26 as the Council does not have sufficient funding (e.g. Capital Receipts) to finance the Capital programme. This means the Council will have to borrow to fund the programme in this year, with MRP (Minimum Revenue Provision) charged to the General Fund in 2026/27.

9. LEGAL IMPLICATIONS

- 9.1 Finance, Audit and Risk Committee's Terms of Reference (Constitution section 10, paragraph 10.1.5 (f) include "[t]o review the financial performance of the Council in relation to its policy objectives, and budgetary amounts, and to make recommendations to Cabinet (unless legally reserved to Full Council) on any matter arising out of the finance monitoring and review process within the terms of this Committee".
- 9.2 Cabinet's terms of reference under 5.6.7 specifically includes "to monitor expenditure on the capital programme and agree adjustments within the overall budgetary framework". The Cabinet also has a responsibility to keep under review the budget of the Council and any other matter having substantial implications for the financial resources of the Council. Asset disposals must be handled in accordance with the Council's Contract Procurement Rules within the Constitution.
- 9.3 Paragraph 4.4.1 c) of the constitution details that Council will approve the budget. Therefore any significant additions to the budget should be approved by Council. Therefore the decision to add the Warm Homes capital budget is referred to Council.
- 9.4 The Council is under a duty to maintain a balanced budget as set out in Section 151 of the Local Government Act 1972 which states:
"every local authority shall make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs."
- 9.5 Further, Section 28 of the Local Government Act 2003 requires the Council to periodically conduct a budget monitoring exercise of its expenditure and income against the budget calculations during the financial year. There is no statutory requirement of the regularity of such reviews, but quarterly seems to be entirely appropriate. By considering monitoring reports throughout the financial year Cabinet is able to make informed recommendations on the budget to Council. If the monitoring establishes that the budgetary situation has deteriorated, the Council must take such remedial action as it considers necessary to deal with any projected overspends. This report allows for the periodic monitoring of the budget thereby discharging the Council's statutory obligations.

10. FINANCIAL IMPLICATIONS

- 10.1 The main financial implications are covered in section 8 of the report.
- 10.2 The Council operates a tolerance limit on capital projects that depends on the value of the scheme and on this basis over the next ten-year programme it should be anticipated that the total spend over the period could be around £4.1M higher than the budgeted £52.630M.

- 10.3 The capital programme will need to remain under close review due to the limited availability of capital resources and the affordability in the general fund of the cost of using the Council's capital receipts. When capital receipts are used and not replaced the availability of cash for investment reduces. Consequently interest income from investments reduces. £1.0M currently earns the Authority approximately £40k per year in interest. The general fund estimates are routinely updated to reflect changes in income from investments. When the Capital Financing Requirement (CFR) reaches zero the Council will need to start charging a minimum revenue provision to the general fund for the cost of capital and will need to consider external borrowing for further capital spend. The CFR at the 31 March 2025 was negative £0.59M.
- 10.4 The Council also aims to ensure that the level of planned capital spending in any one year matches the capacity of the organisation to deliver the schemes to ensure that the impact on the revenue budget of loss of cash-flow investment income is minimised.

11. RISK IMPLICATIONS

- 11.1 Good Risk Management supports and enhances the decision-making process, increasing the likelihood of the Council meeting its objectives and enabling it to respond quickly and effectively to change. When taking decisions, risks and opportunities must be considered.
- 11.2 The inherent risks in undertaking a capital project are managed by the project manager of each individual scheme. These are recorded on a project risk log which will be considered by the Project Oversight Group (if applicable). The key risks arising from the project may be recorded on IdeaGen (the Council's Performance & Risk management software).

12. EQUALITIES IMPLICATIONS

- 12.1. In line with the Public Sector Equality Duty, public bodies must, in the exercise of their functions, give due regard to the need to eliminate discrimination, harassment, victimisation, to advance equality of opportunity and foster good relations between those who share a protected characteristic and those who do not.
- 12.2 There are no direct equalities implications directly arising from the adoption of the Capital Programme for 2025/26 onwards. For any individual new capital investment proposal of £50k or more, or affecting more than two wards, an equality analysis is required to be carried out. This will take place following agreement of the investment proposal.

13. SOCIAL VALUE IMPLICATIONS

- 13.1. The Social Value Act and "go local" requirements do not apply to this report.

14. ENVIRONMENTAL IMPLICATIONS

- 14.1. There are no known Environmental impacts or requirements that apply to recommendations of this report. The projects at section 8.4 may have impacts that

contribute to an adverse impact. As these projects go forward, an assessment will be made where necessary.

15. HUMAN RESOURCE IMPLICATIONS

15.1 There are no direct human resource implications.

16. APPENDICES

16.1 Appendix A, Capital Programme Detail including Funding 2025/26 onwards.

17. CONTACT OFFICERS

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18. BACKGROUND PAPERS

18.1 Investment Strategy (Integrated Capital and Treasury Strategy)

<https://srvmodgov01.north-herts.gov.uk/mgChooseDocPack.aspx?ID=3597&SID=12127>