

CABINET
20 January 2025

***PART 1 – PUBLIC DOCUMENT**

**TITLE OF REPORT: SECOND 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 September 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 £1.348M and an increase in spend in 2026/27 £1.773M. The most significant individual changes to the forecast spend in 2025/26 for reprofiling into 2026/27: £0.600M The Museum and Commercial Storage project, £0.346M Resurface Lairage Car Park, £0.300M Charnwood House, £0.235M Parking Charging Payments Management System and £0.201M Home Repair Assistance Grants.

2 RECOMMENDATIONS

- 2.1 That Cabinet notes the forecast expenditure of £26.366M 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, as a result of the revised timetable of schemes detailed in table 2 and 3, increasing the estimated spend by £1.773M.
- 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.

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 21st November 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 **£26.366M**. This is a decrease of **£1.348M** on the forecast in the 1st quarter report (reported to Cabinet on 23rd September 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		

	2025/26 £M	2026/27 £M	2027/28 to 2035/36 £M
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
Shared Prosperity Grant Funding	0.090		
Changes at Q2	-1.348	1.773	
Current Capital Estimates	26.366	7.758	19.021

8.4 Table 2 lists the schemes in the 2025/26 Capital Programme that will now start or have an impact on the budget 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
Museum and Commercial Storage	2,000	1,400	-600	2 Year project with £2m originally profiled to be spent in each year. Now the site has been acquired better understanding of how the profiling will sit.	600
Resurface Lairage Car Park	346	0	-346	Complications with appointing contractors due to poor access.	346
Lairage Stairwells Windows and Doors	69	0	-69	Anticipated the work would be tied in with resurfacing of Lairage car park top deck.	69

Scheme	2025/26 Working Budget £'000	2025/26 Forecast £'000	Difference £'000	Reason for Difference	Estimated impact on 2026/27 onwards £'000
Charnwood House	371	71	-300	The Council remain committed to delivering its ambition to revitalise Charnwood House for the benefit of Hitchin and the wider district. Estates continue to undertake a review of the work done to date and the reports on the building, and will be bringing forward options for Executive Members to confirm the next steps. This is likely to recommend a new marketing of the property to let on a long lease with the Council and tenant undertaking works as part of the terms. £300k of the budget has been re profiled to 26/27 to align with the timing	300
Parking Charging Payments Management System	235	0	-235	Review of parking systems provider and current contracts have been reviewed and extended this year which has resulted in a delay in looking at a single provider.	235
Home Repair Assistance	227	26	-201	Strict eligibility criteria and the £5,000 cap per grant have made it difficult for Environmental Health to fully allocate the budget. Environmental Health intends to review eligibility criteria and the £5,000 limit to allow the Home Repair Assistance budget to be fully paid out in 2026/27.	201
WiFi Upgrade	40	0	-40	This will not be done this year due to officers working on other projects.	40
Wilbury Hills Cemetery Paths	0	30	30	Budget originally profile in 26/27 but an opportunity arose to complete the works in 25/26.	-30
Other minor changes			-12		12
Total Revision to Budget Profile			-1,773		1,773

8.5 There are also changes to the overall costs of schemes in 2025/26. These changes total a net increase of £0.425million 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
Decarbonisation Project	9,829	10,303	474	The latest project cost report details the current forecast as £16.758M. The increase in costs relate to unforeseen construction variations and increased direct project costs.
Roston Leisure Centre Members Changing Refurbishment	73	13	-60	Unspent budget from 24/25 was slipped into 25/26, to complete the works on the accessible changing rooms. These were completed resulting in an underspend.
Other minor changes		11		
Total revision to scheme spend		425		

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	(1.273)	0.000
S106 receipts			(0.360)	
Other third party grants and contributions			(2.793)	
Revenue Contribution			(3.230)	
Borrowing			(18.710)	
Total			(26.366)	

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. It has 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 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.

9.2 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.

9.3 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."

9.4 Further, Section 28 of the Local Government Act 2003 requires to 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 £4.2M higher than the budgeted £53.145M.

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. In the year after the Capital Financing Requirement (CFR) reaching zero (i.e. from 2026/27) 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 current strategy is that the Council will borrow against internal funds for its capital programme. The CFR at the 31 March 2025 was negative £0.59M but is now positive.

- 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/mqChooseDocPack.aspx?ID=3597&SID=12127>