

CABINET
14 April 2026

***PART 1 – PUBLIC DOCUMENT**

TITLE OF REPORT: THIRD 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 December 2025.
- 1.2 To update Cabinet on the impact upon the approved capital programme for 2025/26 – 2035/36. The current estimate is a decrease in spend in 2025/26 of £3.066M and an increase in spend in 2026/27 £3.011M. The most significant individual changes to the forecast spend in 2025/26 for reprofiling into 2026/27: £0.732M Public Sector Decarbonisation Fund Phase 2, £0.315M Oughtonhead Common Weir, £0.278M Cycle Strategy Implementation, £0.250M Transport Plans Implementation, £0.185M Green Infrastructure Implementation, £0.155M Museum and Commercial Storage, £0.146M Parking Machines Replacement. The most significant underspend in 2025/26 is £0.229M Fibre Waste Bins, while there is an increase in forecast expenditure in 2025/26 of £0.160M for S106 funded projects.

2 RECOMMENDATIONS

- 2.1 That Cabinet notes the forecast expenditure of £23.350M 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 £3.011M.
- 2.3 That Cabinet approves a change of scope to the Priory Gardens Bandstand project from renovation to rebuild and an increase of the budget in 2026/27 by £0.025M.
- 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 19th December 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 **£23.350M**. This is a decrease of **£3.066M** on the forecast in the 2nd quarter report (reported to Cabinet on 20th January 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
Shared Prosperity Grant Funding	0.090		
Changes at Q2	-1.298	1.773	
Changes approved by Full Council 26/02/2026 - Investment Strategy 2026-36		1.374	4.784
Changes at Q3	-3.066	3.011	
Current Capital Estimates	23.350	12.143	23.085

- 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
Public Sector Decarbonisation Fund Phase 2	852	120	-732	The Project Board for the Decarbonisation Phase 2 project agreed at their meeting in September 2025 to a change in delivery approach moving from having a single tier one contractor managing the whole project to directly appointing individual services to produce designs and then a specialist mechanical and electrical contractor to deliver the works. The change in approach will give the council greater control as the project develops and may provide better value for money. This change in approach, followed by the project board agreeing to appoint services for producing designs at their November 2025 meeting, had led to the project programme being adapted with greater emphasis on delivery in 2026/27 and 2027/28. Moving a significant proportion of the 2025-26 project budget into the following years reflects this.	732
Oughtonhead Common Weir	323	8	-315	Waiting for HCC to confirm if the project can be externally funded.	315
Cycle Strategy Implementation	278	0	-278	Due to lack of resources and other projects taking priority these budgets will not be spent in 2025/26. The Transport Officer post has recently been recruited to and is now in post. They will start looking at relevant projects which could be funded from these budgets.	278
Transport Plans Implementation	250	0	-250		250

Scheme	2025/26 Working Budget £'000	2025/26 Forecast £'000	Difference £'000	Reason for Difference	Estimated impact on 2026/27 onwards £'000
Green Infrastructure Implementation	185	0	-185	The Ecologist Officer will be looking at projects that are associated with the green management and master planning strategies, due to other priorities this will be done in 2026/27.	185
Museum and Commercial Storage	1,400	1,244	-156	Professional design consultants have produced a finalised fee proposal and indicative project programme which offers greater clarity as to the phasing of design work. This has in turn resulted in the reprofiling of the available budget as officers now have greater technically informed understanding of the phasing of the project.	156
Parking Machines Replacement	151	5	-146	Accrual outstanding, will not pay invoice until hardware issues with the machines are resolved, so may need to accrue again in 2025/26. This budget will also contribute towards funding the new tariff boards for installation in 2026/27 in accordance with the new parking tariffs for 2026/27 to be agreed by Cabinet, request to carry forward into 2026/27.	146
Air conditioning at Hitchin Town Hall	100	0	-100	These works will now be delivered through the decarbonisation works on the Town Hall and Museum facility in 2026/27. However the budgets are still required to cover these elements.	100
Replacement Chiller for the Museum	80	0	-80		80

Scheme	2025/26 Working Budget £'000	2025/26 Forecast £'000	Difference £'000	Reason for Difference	Estimated impact on 2026/27 onwards £'000
Avenue Park Splash Park	70	0	-70	The project is under review while further investigation is undertaken. We are reviewing how splash parks are typically designed/operated and in particular the water source. This current proposal relies on mains water, whereas most modern splash parks are designed to use recycled or recirculated water systems. The funding has not been spent whilst we assess if the project is viable. Will progress these investigations this Spring.	70
Playground Renovation 25/26	180	110	-70	The slippage relates to the Howard Park project - the project will be completed in May 2026 and the full budget used.	70
Charnwood House	71	1	-70	This remains a Council Priority. Options paper has been prepared and agreed plan for remarketing during 2026. Works will be delivered in advance of lettings. Will go back to market to get on long lease.	70
Newark Close Road Replacement	65	9	-56	Undertaken interim repairs pending potential more extensive roadworks in 2026/27.	56
Norton Common Bowls Pavilion	55	0	-55	Awaiting lease agreement with the Bowls club before commencing with this project.	55
NHLC Lift Replacement	90	35	-55	Lift procurement is underway, installation works due to take place 2026/27.	55

Scheme	2025/26 Working Budget £'000	2025/26 Forecast £'000	Difference £'000	Reason for Difference	Estimated impact on 2026/27 onwards £'000
Priory Gardens bandstand	50	0	-50	The original budget was to renovate the Bandstand. The bandstand however needs replacing and the budget needs increasing to allow this project to proceed in 2026/27.	75
Norton Common Tennis Courts	49	0	-49	There has not been the capacity within the team to commence this project in 2025/26.	49
Property Improvements	176	128	-48	Pipework obstruction needs to be removed before undertaking work at the DCO. This cannot be accommodated in 2025/26.	48
Museum Services Development	48	0	-48	We have completed a procurement process and chosen a design for the remaining Terrace works, however this will require a planning application and listed building consent once formal appointment is completed, taking us into the next financial year.	48
Riverside walkway Biggin Lane	53	8	-45	Detailed drawings are being prepared with an expectation to undertake the work in summer/autumn 2026.	45
Upgrade 25 Parking Machines	38	0	-38	This budget will fund the implementation of the tariff boards as part of the overall project associated with the installation of the new parking machines. Requested to be carried forward to 2026/27 to align with the anticipated implementation of changes to parking tariffs for 2026/27.	38
Meltax Offices, Royston	25	0	-25	Proposals for letting the property are planned for later in 2026.	25
Other minor changes			-65		65
Total Revision to Budget Profile			-2,986		3,011

- 8.5 There are also changes to the overall costs of schemes in 2025/26. These changes total a net decrease of £0.81million 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
S106 Projects	333	493	160	In addition to the £193K Original budget allocated for Funding for Additional Social Housing, to date a total of £300K of S106 funds have been released for community schemes.
SPF Sustainable Communities Grants	51	64	13	Additional funding was requested for the Sustainable Communities Fund (SCF) as the total value of applications significantly exceeded the original allocation. The level of interest and engagement from community groups was substantial, demonstrating a strong demand for support. Once unallocated funding had been identified from within the overall allocation of UKSF monies, it was deemed appropriate to reallocate this from one allocation to another (SCF) to ensure all the funding was spent.
Fibre Waste Bins	1,170	941	-229	The final cost of container purchases came in under budget due to a thorough and well-managed procurement process, which secured prices lower than originally anticipated.
EV charging at the existing Letchworth depot	100	49	-51	All EV chargers have now been installed at a reduced cost, achieved by adapting the delivery model and utilising our waste contractor's EV team rather than commissioning an external provider.
Other minor changes			27	
Total revision to scheme spend			-80	

- 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			(0.493)	
Other third party grants and contributions			(2.020)	
Revenue Contribution			(3.230)	
Borrowing			(16.334)	
Total			(23.350)	

- 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 £4.6M higher than the budgeted £59.298M.
- 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/mgChooseDocPack.aspx?ID=3597&SID=12127>