

CABINET
TUESDAY, 16 JUNE 2026

***PART 1 – PUBLIC DOCUMENT**

TITLE OF REPORT: Capital End of Year Review 2025/26

REPORT OF: Director - Resources

EXECUTIVE MEMBER: Executive Member - Resources

COUNCIL PRIORITY: Sustainability;

1. EXECUTIVE SUMMARY

1.1 To consider the Capital End of Year Outturn Review.

1.2 As at the end of financial year 2025/26, there is a reduction in Capital spend compared to quarter 3 of **£1.447 million**. The majority of this change is due to revisions to the profile of planned project spend, with **£1.111million** that will now instead be incurred in 2026/27.

1.3 There is an increase in forecast spend by £839k on the leisure centre decarbonisation project. The main cause (around £600k) is third party delays in completion of legal agreements for cables to go across their land. This leads to increased contractor and temporary boiler costs.

2. RECOMMENDATIONS

2.1 That Cabinet notes expenditure of £22.002million 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 and other adjustments detailed in table 2, increasing the estimated spend by £1.950million.

2.3 That Cabinet notes the position of the availability of capital resources, as detailed in table 4 paragraph 8.7 and the requirement to keep the capital programme under review for affordability.

2.4 That Cabinet approves the application of £1.057million of capital receipts/set aside towards the 2025/26 capital programme, paragraph 8.7 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 15th May 2026.

7. BACKGROUND

7.1 In February 2025, Council approved the Integrated Capital and Treasury Strategy for 2025/26 to 2034/35.

7.2 The Council will seek opportunities to utilise capital funding for 'invest to save' schemes. This is one way the Council will allocate resources to support organisational transformation that will reduce revenue expenditure. Capital spend will also be necessary to ensure the continued provision of services and delivery of priorities.

8. RELEVANT CONSIDERATIONS

8.1 The Council has £127million of capital assets that it currently owns (as at 31 March 2025). 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 Strategy was set.

8.2 The full capital programme is detailed in Appendix A and shows the revised costs to date, together with the actual spend from 2025/26 to 2035/36 and the funding source for each capital scheme.

8.3 The Outturn Capital expenditure for 2025/26 is **£22.002million**. This is a reduction of **£1.448million** on that reported at the end of the third quarter. The decrease in spend is largely due to re-profiling spend into 2026/27. Table 1 below details the changes from what was reported at Quarter 3.

Table 1- Current Capital Estimates

| | 2025/26 £M | 2026/27 £M | 2027/28 to 2035/36 £M |
|------------------------------|---------------|---------------|-----------------------------|
| Budget Reported at Q3 | 23.350 | 12.143 | 23.805 |

| | 2025/26 £M | 2026/27 £M | 2027/28 to 2035/36 £M |
|---|---------------|---------------|-----------------------------|
| Executive Member – Finance and I.T. approved additional Expenditure Hitchin Lido Changing Facilities | 0.100 | | |
| Changes as detailed in this report | -1.448 | 1.950 | |
| Current Capital Estimates | 22.002 | 14.093 | 23.805 |

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

Table 2: Scheme Timetable Revision:

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

| Scheme | 2025/26 Working Budget £'000 | 2025/26 Outturn £'000 | Difference £'000 | Reason for Difference | Estimated impact on 2026/27 £'000 |
|---------------------------------------|---------------------------------|--------------------------|---------------------|--|--------------------------------------|
| Public Sector Decarbonisation Project | 10,453 | 10,008 | -445 | <p>The decarbonisation project is in progress and associated budget will be required in 2026/27 to complete the project.</p> <p>The projected final cost has also increased (by £839k), primarily due to delays from third party land owners in approving relevant legal agreements for cables to go across land at Hitchin and Letchworth. Officers are pushing the third parties to resolve the issues as quickly as possible. The additional costs (estimated at £600k, but could be lower if agreements are resolved more quickly) come from contractor costs and the hire of temporary boilers. It has been agreed that the contractor will temporarily vacate both sites to help minimise further additional costs. The remainder of the increase comes from other lower costs, including fixing seized isolation valves (£114k across the 3 sites) and the requirement for additional costs related to substation harmonics filters (£63k).</p> | 1,284 |

| Scheme | 2025/26 Working Budget £'000 | 2025/26 Outturn £'000 | Difference £'000 | Reason for Difference | Estimated impact on 2026/27 £'000 |
|------------------------------------|------------------------------|-----------------------|------------------|---|-----------------------------------|
| Museum Commercial Storage | 1,244 | 1,144 | -100 | Ongoing project so unspent budget moved in to 2026/27. | 100 |
| Laptop Refresh | 339 | 249 | -90 | Delays in the procurement has meant that the laptops had not been received by the end of the year. | 90 |
| Hitchin Lido Changing Facilities | 100 | 25 | -75 | This project is fully funded from a donation and was added to the Capital programme in January 2026 (using Resources Executive Member approval). Works commenced in March and will complete early 26/27. | 75 |
| Playground Renovations | 285 | 231 | -54 | Works at Howard Park, Letchworth are set for completion in May | 54 |
| Community Centres Flat Roof Safety | 43 | 0 | -43 | Two community centres were identified as requiring safety rail upgrade works. Since then, it was discovered that the roof at one of the community centres is in poor condition and as a consequence the roof safety rail works have been delayed. | 43 |
| Priory Gardens MUGA Fencing | 40 | 0 | -40 | The MUGA is open for use but waiting for planning approval to progress with works on the floodlights. | 40 |
| Property Improvements | 128 | 89 | -39 | Some planned works have not been completed (e.g. identified by condition surveys but further investigations have determined they are not required) or need to be treated as revenue costs. There is an ongoing pipeline of works to requested to carry-forward. | 39 |
| Off Street Car Parking | 36 | 5 | -31 | The car parks are assessed for future planed works in order to set capital budgets. However, the condition of car parks are regularly inspected and if found to be in reasonable condition capital works are pushed back. | 31 |

| Scheme | 2025/26 Working Budget £'000 | 2025/26 Outturn £'000 | Difference £'000 | Reason for Difference | Estimated impact on 2026/27 £'000 |
|---|------------------------------|-----------------------|------------------|---|-----------------------------------|
| Public Sector Decarbonisation Fund Phase 2 | 120 | 92 | -28 | Underspend of £28k due to timing of surveys at Hitchin Town Hall with some postponed to 2026/27 | 28 |
| Warm Homes | 319 | 252 | -67 | Underspend due to a delay in mobilisation for this project which had knock on issues (e.g. gaining landlord permission for Letchworth homes). This meant it was not possible to spend the whole first year allocation for Warm Homes Local Grant. However, there is a strong pipeline for delivery of year 2 funding and therefore expect to deliver the year 2 budget. | 25 |
| Total Minor (under £25k) slippage on other projects | 1,154 | 1,005 | -149 | | 149 |
| Other changes to 26/27 Budget | | | | | -8 |
| Total Revision to Budget Profile | | | -1,161 | | 1,950 |

8.5 There are also changes to the overall costs of schemes in 2025/26. These changes total a net decrease of £0.287million 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 Spend £'000 | Difference £'000 | Comments |
|---------------------------------------|------------------------------|---------------------|------------------|--|
| Microsoft Enterprise License | 679 | 768 | 89 | More licenses are required due to more staff requiring IT equipment. This will include temporary staff. |
| Hitchin Fitness Equipment | 0 | -360 | -360 | Budget was allocated for the Council to fund works planned by Everyone Active (EA) in return for an increased management fee. This project was carried out and identified for funding by the Council, but since then EA have decided to fund the project themselves and use the Council funding for different capital works. |
| Other minor changes | | | -16 | |
| Total revision to scheme spend | | | -287 | |

8.6 The following capital schemes have been completed during 2025/26:

- Renovate Skate Park KGV

- CCTV Control Room upgrade
- Bury Mead Road Transfer Facility
- Waste and Street Cleansing Vehicles
- Fibre Waste Bins
- EV charging at the existing Letchworth depot
- NHLC Lift Replacement
- RLC Members Change Refurbishment
- Hitchin Fitness Member Change and Relaxation Area Refurbishment
- NHLC Pool Flume Replacement
- RLC Dry Side Toilet Refurbishment
- RLC Gym Refurbishment
- RLC Gym Equipment
- RLC Café
- Community Facilities Refurbishments

Capital Programme 2025/26 Funding onwards

8.7 Table 4 below shows how the Council have funded 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 | 1.057 | 0.0 | (1.057) | 0 |
| S106 receipts | | | (0.485) | |
| Other third party grants and contributions | | | (2.066) | |
| Revenue Contribution | | | (3.227) | |
| Borrowing | | | (15.167) | |
| Total | | | (22.002) | |

8.8 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.

8.9 The Council's Capital Financing Requirement (CFR) at 31st March 2026 was positive £15.162 million (negative £0.592 million 31st March 2025). As the CFR is now positive the Council does have a need to borrow to fund capital spend. This will have an impact on the revenue budget by way of a Minimum Revenue Provision (MRP) charge in 26/27. We will look to borrow internally against cash reserves, so as the money is spent it will reduce the income we generate from treasury investments (which is currently around 4%, but is expected to decrease over time).

9. LEGAL IMPLICATIONS

- 9.1 Cabinet's terms of reference under Section 5.7.7 of the Constitution 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. By considering monitoring reports throughout the financial year Cabinet can make informed recommendations on the budget to Council.
- 9.2 The Council is under a duty to maintain a balanced budget. Section 151 of the Local Government Act 1972 states that:
"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." This duty is enhanced further by the Local Government Finance Act 1992, which requires a council to set an annual budget and that budget to be fully balanced or funded. The report will assist the Council in understanding its sources of revenue and assess if the annual budget is balanced, therefore enabling the Council to comply with its statutory obligations.
- 9.3 Asset disposals must be handled in accordance with the Council's Contract Procurement Rules, to ensure the Council obtains best value for its assets.

10. FINANCIAL IMPLICATIONS

- 10.1 The main financial implications are covered in section 8 of the report.
- 10.2 The Authority 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 £3.952million higher than the budgeted £37.898million.
- 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. £1.0million currently earns the Authority approximately £42k per year in interest (4.2%). The general fund estimates are routinely updated to reflect the reduced income from investments. The Capital Financing Requirement (CFR) is now positive so 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 2026 was positive £15.162million.
- 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 Board (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/documents/s24164/INVESTMENT%20STRATEGY%20INTEGRATED%20CAPITAL%20AND%20TREASURY.pdf>

<https://srvmodgov01.north-herts.gov.uk/documents/s24165/FAR%20Appendix%20A-%20Integrated%20Capital%20and%20Treasury%20Strategy.docx.pdf>