FINANCE, AUDIT AND RISK COMMITTEE
WEDNESDAY, 9 SEPTEMBER 2026

***PART 1 – PUBLIC DOCUMENT**

TITLE OF REPORT: FIRST QUARTER CAPITAL BUDGET MONITORING REVIEW 2026/27

REPORT OF: Director - Resources

EXECUTIVE MEMBER: Executive Member - Resources

COUNCIL PRIORITY: Sustainability;

1. EXECUTIVE SUMMARY

REPORT OF THE DIRECTOR – RESOURCES
To update Cabinet on progress with delivering the Capital Programme for 2026/27, as at the end of June 2026.

1.1 To update Cabinet on the impact upon the approved capital programme for 2026/27 – 2035/36. The current estimate is a decrease in spend in 2026/27 of £0.523M and an increase in spend in 2027/28 £0.670M. The most significant individual changes to the forecast spend in 2026/27 for reprofiling into 2027/28 are £0.3M Walsworth Common Pavilion and £0.25M Broadway Gardens Resurfacing.

2. RECOMMENDATIONS

2.1 That Cabinet notes the forecast expenditure of £13.570M in 2026/27 on the capital programme, paragraph 8.3 refers.

2.2 That Cabinet approves the adjustments to the capital programme for 2027/28, as a result of the revised timetable of schemes detailed in table 2 and 3, increasing the estimated spend by £0.67M.

2.3That 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 August 2026.

7. BACKGROUND

7.1 In February 2026, Council approved a capital programme (as part of the overall budget setting report) for the period 2026/27 to 2035/36.

8. RELEVANT CONSIDERATIONS

8.1 The Council has £145.0M 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 2026/27

8.2 The full capital programme is detailed in Appendix A and shows the revised costs to date, together with the expected spend from 2026/27 to 2035/36 and the funding source for each capital scheme.

8.3 Capital expenditure for 2026/27 is estimated to be **£13.57M**. This is an increase of **£4.438M** on the forecast in the budget report 2026/27 report (reported to Council 26th February 2026). Table 1 below details changes to capital programme.

Table 1- Current Capital Estimates

	2026/27 £M	2027/28 £M	2028/29 to 2035/36 £M
Original Estimates approved by Full Council February 2026	**9.132**	**5.787**	**18.018**
Changes approved by Cabinet in 3rd Qrt 2025/26	3.011		
Changes approved by Cabinet in 2025/26 Capital Outturn report	1.950		
Executive Member – Resources Additional Expenditure for Hitchin Swim Centre Entrance	0.011		

	2026/27 £M	2027/28 £M	2028/29 to 2035/36 £M
Changes at Q1	-0.534	0.670	
Current Capital Estimates	**13.570**	**6.457**	**18.018**

8.4 Table 2 lists the schemes in the 2026/27 Capital Programme that will now start or have an impact on the budget in 2027/28 and onwards:

Table 2: Scheme Timetable Revision:
(Key: - = reduction in capital expenditure, + = increase in capital expenditure)

Scheme	2026/27 Working Budget £'000	2026/27 Forecast £'000	Difference £'000	Reason for Difference	Estimated impact on 2027/28 onwards £'000
Walsworth Common Pavilion	300	0	-300	Based on staff capacity, the schemes listed here have been reprofiled into 27/28.	300
Broadway Gardens Resurfacing	250	0	-250		250
Avenue Park Splash Park	70	0	-70		70
Swinburne Rec Hitchin	30	0	-30		30
		Other minor changes	-20		20
		Total Revision to Budget Profile	**-670**		**670**

8.5 There are also changes to the overall costs of schemes in 2026/27. These changes total a net increase of £0.136million and are detailed in Table 3

Table 3: Changes to Capital Schemes Commencing in 2026/27:
(Key: - = reduction in capital expenditure, + = increase in capital expenditure)

Scheme	2026/27 Working Budget £'000	2026/27 Forecast Spend £'000	Difference £'000	Comments
S106 Projects	0	140	+140	To date a total of £140K of S106 funds have been released for community schemes.
		Other minor changes	**-4**	
		Total revision to scheme spend	**136**	

8.6 Table 4 below shows how the Council will fund the 2026/27 capital programme.

Table 4: Funding the Capital Programme:

	2026/27 Balance at start of year £M	2026/27 Forecast Additions £M	2026/27 Forecast Funding Used £M	2026/27 Balance at end of year £M
Useable Capital Receipts and Set-aside Receipts	0	0.0	0	0.000
S106 receipts	[redacted]	[redacted]	(0.168)	[redacted]
Other third party grants and contributions	[redacted]	[redacted]	(2.401)	[redacted]
Revenue Contribution			(1.150)	
Borrowing			(9.851)	
Total			**(13.570)**	

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. The Investment Strategy agreed in February 2026 assumed that the Council would generate £3m of capital receipts in this year. A review by the estates team means that no additional capital receipts are now forecast for this year. For one site this is based on letting the site instead, which generates an income and retains future options for the site. The disposal of two other sites can not be completed this year whilst ensuring that best value is achieved. This will have a revenue impact in 2027/28 as it will increase the relative need to borrow (as at 31st March 2027) and therefore lead to a higher Minimum Revenue Provision charge.

8.8 The Council's Capital Financing Requirement (CFR) at 31st March 2026 was positive £15.16M. It became positive during 2025/26 as the Council did not have sufficient funding (e.g. Capital Receipts) to finance the Capital programme. As our CFR is now positive, MRP (Minimum Revenue Provision) will be charged to the General Fund in 2026/27. The Council will have to borrow again to fund the Capital programme in this financial year, which will increase the MRP charged to the General Fund in 2027/28. The estimated impact of MRP is included in budget forecasts based on the agreed capital programme and funding assumptions. The impact on the 26/27 revenue budget of MRP will be updated as part of the Q2 revenue monitoring.

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 £3.2M higher than the budgeted £38.045M.

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 2026 was positive £15.162M.

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 2026/27 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 prior to the 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 2026/27 onwards.

17. CONTACT OFFICERS

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18. BACKGROUND PAPERS

18.1 Investment Strategy (Integrated Capital and Treasury Strategy)

https://srvmodgov03.north-herts.gov.uk/documents/s30101/BUDGET%20202627%20REVENUE%20AND%20CAPITAL%20BUDGETS.pdf
https://srvmodgov03.north-herts.gov.uk/documents/s30104/Appendix%20C%20Capital%20Programme%202026-36.pdf