Capital Programme 2025/26

Decision to be taken by: Council

Decision to be taken on: 19 February 2025

Lead director: Amy Oliver, Director of Finance

Useful information

- Ward(s) affected: All
- Report author: Kirsty Cowell
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- Report version number: 2

1. Summary

1.1 The main purpose of this report is to ask the Council to approve a capital programme for 2025/26**.**

1.2 Unusually, the report also seeks approval to change the way the current programme is being paid for. When the programme was approved, it was expected that it would be funded from a combination of grants, capital receipts and the "capital fund" – the capital fund is a pot of money we carry forward from previous years to pay for slippage and for approved schemes.. The capital fund is technically revenue, and because of the crisis facing the revenue budget it is now planned to use it to meet revenue expenditure. The extent of the crisis, and the full strategy for balancing the revenue budget over the next 3 years, is described in detail in a separate report on today's agenda. However, a critical feature of the revenue strategy is use of the capital fund. Consequently, some schemes in the current capital programme will now need to be financed by borrowing and approval is sought to this refinancing.

1.3 Capital expenditure is incurred on works of lasting benefit and is principally paid for by grant, tenants' rents, and the proceeds of asset sales (capital receipts). Money can also be borrowed for capital purposes; in the past we have done very little borrowing because of the impact on the revenue budget. Now, however, we need to borrow - not just in substitution for the capital fund, but also to pay for schemes in the 2025/26 capital programme. We also expect to borrow for schemes in the 26/27 capital programme, although it is possible that capital receipts may be available if they are not required to pay for the revenue budget (this, and the plan to seek a direction from the Government to use capital receipts for revenue, is further discussed in the revenue budget report).

1.4 For the past five years the Council has set a one-year capital programme, due to uncertainty over future resources. This uncertainty remains and is unlikely to reduce until the Government publishes its national spending review in the spring.

1.5 We are presenting another one-year programme of limited scale. This will enable capacity to be focussed on key schemes and allow time to see the long-term impact of recent inflation on construction costs. With the need to utilise the "capital fund" for revenue purposes this significantly limits available resources for capital expenditure to any capital grants, and with the use of

Prudential Borrowing. Prudential borrowing has a revenue cost which we would want to minimise.

1.6 In addition to the one-year programme any schemes approved and in the current programme will continue into 2025/26 where needed, except the schemes outlined in 4.8, if 2.1(c) is approved.

1.7 The report seeks approval to the "General Fund" element of the capital programme, at a cost of £36.4m. In addition to this, the HRA capital programme (which is elsewhere on your agenda) includes works estimated at £41.0m, £30m of which relates to the affordable homes programme.

1.8 The table below summarises the proposed spending for capital schemes starting in 2025/26, as described in this report:-

	£m
Proposed Programme	
Schemes – Summarised by Theme	
Grant Funded Schemes	15.8
Own buildings	8.3
Routine Works	4.3
Invest to Save Schemes	1.3
Other Schemes & Feasibility and Contingencies	6.7
Total New Schemes	**36.4**
Funding	
Unringfenced Resources	34.5
Monies ringfenced to Schemes	1.9
Total Resources	**36.4**

1.9 The table below presents the total spend on General Fund and Housing Revenue Account schemes:

	£m
General Fund	36.4
Housing Revenue Account	41.0
Total	**77.4**

1.10 The Council's total capital expenditure now forecast for 2025/26 and beyond is expected to be around £317m, including the HRA and schemes approved prior to 2025/26.

1.11 The capital programme is split into two parts:-

a) Schemes which are "**immediate starts**", being schemes which directors have authority to commence once the council has approved the programme. These are fully described in this report;

b) Schemes which are "**policy provisions**", where the purpose of the funding is described but money will not be released until specific spending proposals have been approved by the Executive.

1.12 Immediate starts have been split into three categories:-

a) **Projects** – these are discrete, individual schemes such as a road scheme or a new building. These schemes will be monitored with reference to physical delivery rather than an annual profile of spending. (We will, of course, still want to make sure that the overall budget is not going to be exceeded);

b) **Work Programmes** – these consist of minor works or similar schemes where there is an allocation of money to be spent in a particular year;

c) **Provisions** – these are sums of money set aside in case they are needed, but where low spend is a favourable outcome rather than indicative of a problem.

2. Recommended actions/decision

2.1 The Council is asked to:-

(a) Approve the release of the Capital Fund, a revenue reserve, to the Managed Reserve strategy of £90m. (see para 4.4);

(b) Approve the change in financing for the 2024/25 capital programme, to include prudential borrowing (see para 4.5);

(c) Approve reductions to the 2024/25 capital programme as described at paragraph 4.8;

(d) Approve the capital programme, together with the necessary prudential borrowing, for schemes described in this report and summarised at Appendices 2 to 5, subject to any amendments proposed by the City Mayor;

(e) For those schemes designated immediate starts, delegate authority to the lead director to commit expenditure, subject to the normal requirements of contract procedure rules, rules concerning land acquisition and finance procedure rules;

(f) Delegate authority to the City Mayor to determine a plan of spending for each policy provision, that may be added in-year, and to commit expenditure up to the maximum available;

(g) For the purposes of finance procedure rules:

- Determine that service resources shall consist of service revenue contributions; HRA revenue contributions; and government grants/third party contributions ringfenced for specific purposes.

- Designate the operational estate, the children's capital maintenance programme, the highways maintenance programme and the transport improvement programme as programme areas, within which the director can reallocate resources to meet operational requirements.

(e) Delegate to the City Mayor:

- Authority to increase any scheme in the programme, or add a new scheme to the programme, subject to a maximum of £10m corporate resources in each instance and to borrow whilst remaining within the prudential limits for debt which are proposed in the treasury management strategy (elsewhere on your agenda);

- Authority to reduce or delete any capital scheme, subject to a maximum reduction of £10m; and

- Authority to transfer any "policy provision" to the "immediate starts" category.

(g) Delegate to directors, in consultation with the relevant deputy/assistant mayor, authority to incur expenditure up to a maximum of £250k per scheme in respect of policy provisions, that may be added in-year, on design and other professional fees and preparatory studies, but not any other type of expenditure.

(h) Approve the capital strategy at Appendix 6.

3. Scrutiny / stakeholder engagement

N/A

4. Background and options with supporting evidence

Amendments to 2024/25 Capital Programme

1.1 This report proposes to transfer the capital fund for use in the revenue strategy. We can do this because the capital fund is technically revenue money – how it has arisen is described below.

1.2 As members will be aware, capital resources are ringfenced. Capital grants and capital receipts can only be spent on capital schemes. Revenue monies can, however, be used to support the capital programme. In practice, making a regular contribution to capital from the revenue budget has not been affordable for a long time. We have, though, made one-off contributions over recent years, the most significant being government covid grants which were set aside to support post-pandemic recovery (these were approved following the capital outturn report for 2020/21). Other occasions have included one-off monies to support the Economic Action Plan in the period up to 2016/17.

1.3 As there is always slippage, and some resources are available before we need to spend them, financing presents us with a choice: what resources do we use and what do we carry forward to meet future commitments? In practice, **we deliberately use the most restricted resources first and carry forward the least restricted**, irrespective of why schemes were put in the programme in the first place. This means that, as revenue is the least restricted, the capital fund is always carried forward to fund slippage – the fund now probably comprises most of the revenue contributions approved over the past 14 years. It is important to recognise, though, that **these monies are fully committed to fund capital schemes members have already approved** and diverting them to the revenue budget has consequences: we will need to borrow to complete the programme. Nonetheless we have deliberately engineered a situation where we have flexibility when it is needed (as it is now).

1.4 The "capital fund" amounts to £103m. Decisions have already been taken to transfer "spare" money of £7m to support the revenue budget as part of the General Fund budget for 2024/25; and an estimated £6m is required to fund current committed costs which could arguably be considered revenue. It is now proposed that remaining £90m is transferred to support the budget.

1.5 This report also proposes reductions to the programme of £13m. This means that £77m will need to be borrowed to fund the remaining 2024/25 capital programme rather than the full £90m which is being transferred. This borrowing will inevitably make the budget gap worse but buys us time to pull the revenue budget into a more sustainable position. The impact is estimated to be an additional revenue cost of £5m per year by 2026/27. This report seeks the necessary change to the financing of the 2024/25 capital programme.

1.6 In addition, this and all future capital programmes are likely to require borrowing, which means every potential capital scheme will need to be considered for revenue affordability. Where capital receipts are not needed for the revenue budget, we will be able to reduce prudential borrowing.

1.7 As stated above, it is proposed to reduce previously approved capital spending by £13m.

1.8 If capital cost is not reduced, then the amount of borrowing would be more and would increase the amount of borrowing cost in the revenue budget. Any reductions in capital cost do not themselves result in more one-off money. The reason they are proposed is to facilitate release of the capital fund described in paragraph 4.4 and 4.5 above. Releasing the capital fund will mean money previously set aside to fund the capital programme is no longer available. To maintain the previously approved level of capital spending would require us to borrow: capital cuts reduce the borrowing required. Proposed cuts are shown in the table below:

	Current Remaining Budget (£m)	**Minus Proposed Saving (£m)**	**Amount remaining after saving (£m)**
Malcolm Arcade – refurbishment scheme will not proceed.	1.3	(1.3)	0
Fleet – reduced programme based on underspends in previous years due to long lead times for delivery and change in policy to retain vehicles for longer due to improvements in vehicle lives.	10.3	(2.0)	8.3
Connecting Leicester – no further city centre improvement schemes to be committed.	4.2	(3.2)	1.0
Operational Estate – reduction has already been achieved.	6.4	(1.0)	5.4
Policy Provisions reduction – New Ways of Working, Strategic Acquisitions, Highways & Transport Infrastructure and Programme Contingency.	25.3	(5.9)	19.4
TOTAL	**47.5**	**(13.4)**	**34.1**

Key Policy Issues for the New Programme

1.9 The key focus of the 2025/26 capital programme is a limited one-year programme due to the resources constraints and its focus is to protect the revenue budget as far as possible.

1.10 The cost of Prudential Borrowing has been calculated for each scheme, and the total is included within the revenue budget report for 2025/26, and the

Prudential Indicators included in the Treasury Report 2025/26 found elsewhere on the agenda.

1.11 The programme supports the Council's commitment to tackling the climate emergency, most obviously but not exclusively within the Transport Improvement Works, Operational Estate and Children's capital maintenance programmes.

Resources

1.12 Resources available to the programme consist primarily of Government grant, borrowing and capital receipts (the HRA programme is also supported by tenants' rent monies). Most grant is unringfenced, and the Council can spend it on any capital purpose it sees fit.

1.13 Appendix 1 presents the resources required to fund the proposed programme, which total some £36.41m. The key unringfenced funding sources are detailed below.

a) £5.04m of general capital receipts. The delivery of receipts from Ashton Green disposals to fund the work to sell/develop by the end of 2025/26;

b) £13.94m of unringfenced grant funding. Some of these figures are estimated in the absence of actual allocations from the Government (the figure for 2026/27 represents a first call on that year to enable school schemes to be planned);

c) £1.00m from the Transformation Fund (Earmarked Revenue Reserve)

d) £1.00m from the ICT Reserve (Earmarked Revenue Reserve)

e) £0.33m of resources brought forward from an insurance claim.

f) £13.24m of borrowing, with an annual revenue cost.

1.14 For some schemes the amount of unringfenced resources required is less than the gross cost of the scheme. This is because resources are ringfenced directly to individual schemes. Ringfenced resources are shown throughout Appendix 2 and consist of government grant and contributions to support the delivery of specific schemes.

1.15 Only funding required to finance the schemes in this capital programme is included.

1.16 Finance Procedure Rules enable directors to make limited changes to the programme after it has been approved. For these purposes, the Council has split resources into corporate and service resources.

1.17 Directors have authority to add schemes to the programme, provided they are funded by service resources, up to an amount of £250,000. This provides flexibility for small schemes to be added to the programme without a report to the Executive, but only where service resources are identified. (Borrowing is treated as a corporate resource requiring a higher level of approval).

Proposed Programme

1.18 The whole programme is summarised at Appendix 2. Responsibility for the majority of projects rests with the Strategic Director of City Development and Neighbourhoods.

1.19 £15.80m is provided for grant funded schemes. These schemes are funded either from unringfenced grant (where we have discretion) and ringfenced resources.

a) £6.00m has been provided to continue with the **Schools Capital Improvements Programme.** This is to add the 2026/27 element as the 2025/26 element was approved in the 2024/25 capital budget. The programme will include routine maintenance and spending and is prioritised to reflect asset condition and risk. This will be a two-year programme to allow for better forward planning. The proposed programme is shown at Appendix 5. Detailed schemes will be developed following consultation with schools.

b) £5.36m is provided as part of the continued **Highway Capital Maintenance Programme**. This is a rolling annual programme and spending is prioritised to reflect asset condition, risk and local neighbourhood priorities. The proposed programme is shown at Appendix 4.

c) £2.58m is provided in 2025/26 to continue the rolling programme of works constituting the **Transport Improvement Programme**.

Some of the priority areas include:

- Delivering cross cutting cycling, walking and public transport benefits
- Local safety schemes
- Safer Neighbourhoods
- Delivery of the Local Transport Plan

d) £1.86m has been provided for **Disabled Facilities Grants** to private sector householders which is funded by government grant. This is an annual programme which has existed for many years. These grants provide funding to eligible disabled people for adaption work to their homes and help them maintain their independence.

1.20 £8.3m is provided for the Council's own buildings.

a) £1.97m has been provided to support the annual **Operational Estate Capital Maintenance Programme** of works to properties that the Council occupies for its own use. This is a rolling annual programme and spending is prioritised to reflect asset condition and risk. The proposed programme is shown at Appendix 3 but may vary to meet emerging operational requirements.

b) £1.36m is provided for the **Corporate Estate** to support the council's property portfolio. Including wall, steps & roof repairs, replacement windows. The council has a statutory responsibility to ensure business property is safe for our tenant and anybody else using the building. This will also ensure income is maintained for the revenue budget.

c) £1.00m has been provided for **Neighbourhood Services Transformation**. This focuses on the centralisation of key services to enable greater access for communities.

d) £3.79m has been provided to support the refurbishment of 86 **Leycroft Road Depot** project following fire damage, which will provide a facility for the repair and maintenance of vehicles, plant and machinery.

e) £0.14m has been provided for **Evington Park Depot Staff Welfare Facilities**.

1.21 £4.34m is provided for Routine Works.

a) £3.01m has been made available for the annual **Fleet Replacement Programme.** Wherever possible, ultra-low emission vehicles (ULEVs) will be sought to support the Council's climate emergency response.

b) £0.40m has been provided for **Local Environmental Works** in wards. This scheme will focus on local neighbourhood issues including residential parking, local safety concerns, pedestrian routes, cycleways and community lighting to be delivered after consultation with ward members.

c) £0.15m is provided for **Grounds Maintenance Equipment** This scheme is to replace ageing machinery with up to date, energy efficient models as part of our annual replacement programme.

d) £0.30m is provided to continue the **Flood & Drainage** scheme into 2025/26. The programme supports the local flood risk management strategy and action plan, and the delivery of our statutory role to manage and reduce flood risk in collaboration with the Environment Agency & Severn Trent Water.

e) £0.15m is provided for **Foster Care Capital Contribution Scheme** to support foster carers with alterations to their property to allow fostered children to remain living with their carers or to increase the capacity to look after more children**.**

f) £0.20m has been provided for the **Front Walls Replacement** Scheme and is a continuation of previous schemes. It involves the enclosure of small spaces in front of housing. Enveloping schemes can make a significant improvement to local neighbourhoods and enable occupiers to tend house fronts more effectively.

g) £0.08m has been provided for a **Historic Building Grant Programme**. This will provide match funding to city residents and organisations to support the repair of historic buildings and the reinstatement of lost original historic features.

h) £0.05m is included as part of the continued programme to refresh **Festival Decorations**.

1.22 £1.30m is provided for Invest to Save schemes.

a) £0.55m is provided for the **King Richard III Centre Cafe**. Relocating the café within the building to allow additional access and to create a dedicated schools and education hire space. The relocation would allow the café to be open separately to the exhibition and allow additional income to be generated.

b) £0.45m **Street Cleaning equipment**. To provide additional efficient sweepers and street flushers and reduce travel and fuel costs to deliver litter and detritus statutory responsibilities.

c) £0.18m **Public Toilet Automatic Locking.** Installation of an automated system for toilets located on parks and highways in 23 locations.

d) £0.06m **Southgates Underpass Lighting**. To replace fluorescent lighting tubes with LED lighting strips.

e) £0.06m **Trees and Woodland Stump Grinder**. To replace the existing grinder and avoid the need to hire.

1.23 £6.74m is provided for Other Schemes & feasibility and contingencies:

a) £5.04m **Strategic Sites**. To facilitate capital assets disposals, in particular Ashton Green.

b) £1.00m **Finance System Replacement.** To implement a system to replace the Council's existing legacy system. The finance system has come to the end of the contract, and we need to procure a system to ensure financial controls and ensure efficiency.

c) £0.7m is provided for Feasibility Studies. This will enable studies to be done, typically for potential developments not included elsewhere in the programme or which might attract grant support. For example, Gilroes Cemetery and depot modernisation.

Proposed Programme – Policy Provisions

1.24 Policy provisions are sums of money which are included in the programme for a stated purpose, but for which a further report to the Executive (and decision notice) is required before they can be spent. Schemes are usually treated as policy provisions because the Executive needs to see more detailed spending plans before full approval can be given.

1.25 Executive reports seeking approval to spend policy provisions must state whether schemes, once approved, will constitute projects, work programmes or provisions; and, in the case of projects, identify project outcomes and physical milestones against which progress can be monitored.

1.26 Where a scheme has the status of a policy provision, it is shown as such in the appendix. There is no policy provisions in this programme.

Capital Strategy

1.27 Local authorities are required to prepare a capital strategy each year, which sets out our approach for capital expenditure and financing at high level.

1.28 The proposed capital strategy is set out at Appendix 6.

5. Financial, legal, equalities, climate emergency and other implications

5.1 Financial implications

This report is exclusively concerned with financial issues. The Prudential Borrowing impact is included in the Revenue Budget Report, elsewhere on your agenda.
The revenue impact for the proposed change for 2024/25 funding and the 2025/26 capital programme is:

- 2025/26 £4.4m
- 2026/27 £7.5m
- 2027/28 £7.6m

Signed: Kirsty Cowell
Dated: 22 January 2025

5.2 Legal implications

In accordance with the constitution, the capital programme is a matter that requires approval of full Council. The subsequent letting of contracts, acquisition and/or disposal of land etc all remain matters that are executive functions and therefore there will be the need to ensure such next steps have the correct authority in place prior to proceeding. There will be procurement and legal implications in respect of individual schemes and client officers should take early legal advice.
Signed: Kevin Carter, Head of Law - Commercial, Property & Planning
Dated: 28 January 2025

5.3 Equalities implications

Under the Equality Act 2010, public authorities have statutory duties, including the Public Sector Equality Duty (PSED) which means that, in carrying out their functions they have to pay due regard to the need to eliminate unlawful discrimination, harassment and victimisation, to advance equality of opportunity between people who share a protected characteristic and those who don't and to foster good relations between people who share a protected characteristic and those who don't.

Protected characteristics under the Equality Act 2010 are age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex, sexual orientation.

People from across all protected characteristics will benefit from the improved public good arising from the proposed capital programme. However, as the proposals are developed and implemented, consideration should continue to be given to the equality impacts of the schemes in question, and how it can help the Council to meet the three aims of the Public Sector Equality Duty.

The report seeks approval for the capital programme, capital programme includes schemes which improve the city's infrastructure and contribute to overall improvement of quality of life for people across all protected characteristics. By doing so, the capital programme promotes the PSED aim of: fostering good relations between different groups of people by ensuring that no area is disadvantaged compared to other areas as many services rely on such infrastructure to continue to operate.

Some of the schemes focus on meeting specific areas of need for a protected characteristic: disabled adaptations within homes (disability), home repair grants which are most likely to be accessed by elderly, disabled people or households with children who are living in poverty (age and disability).

Other schemes target much larger groups of people who have a range of protected characteristics reflective of the diverse population within the city. Some schemes are place specific and address environmental issues that also benefit diverse groups of people. The delivery of the capital programme contributes to the Council fulfilling our Public Sector Equality Duty (PSED).

Where there are any improvement works to buildings or public spaces, considerations around accessibility (across a range of protected characteristics) must influence design

and decision making. This will ensure that people are not excluded (directly or indirectly) from accessing a building, public space or service, on the basis of a protected characteristic.
Signed: Equalities Officer, Surinder Singh
Dated: 22 January 2025

5.4 Climate Emergency implications

The Council has declared a climate emergency and set an ambition for the council and city to achieve net zero carbon emissions. The council is one of the largest employers and landowners in the city, with a carbon footprint of 15,463 tCO_2e from its own operations in 2023/24. The council therefore has a vital role to play in reducing emissions from its operations, increasing the energy efficiency of its council housing stock, working with its partners and leading by example on tackling the climate emergency in Leicester. The report notes the importance of tackling the climate emergency through the capital programme, with a number of the projects outlined directly playing a positive role in reducing or mitigating carbon emissions. There is not sufficient information within this report to provide specific details of climate change implications for individual projects, which may have significant implications and opportunities. Detailed climate emergency implications should therefore be produced for individual projects as and when plans are finalised, and engagement carried out with the council's Sustainability service where necessary. At a high level, there are some general principles that should be followed during the planning, design and implementation of capital projects, as detailed below. A toolkit is also being developed to support the achievement of reduced carbon emissions in council capital construction and renovation projects. New buildings should be constructed to a high standard of energy efficiency, and incorporate renewable energy sources and low carbon heating sources wherever possible, with projects aiming to achieve carbon neutral development or as close as possible to this. Maintenance and refurbishment works, including replacement of systems or equipment, should also seek to improve energy efficiency wherever possible. This will reduce energy use and therefore bills, delivering further benefits to the council and other occupants of its buildings. Major projects will also need to meet Climate Change policy CS2 in the Leicester City Core Strategy planning document, which requires best practice in terms of minimising energy demand for heating, ventilation and lighting, achieving a high level of fabric efficiency, and the use of low carbon or renewable sources of energy. Projects involving procurement, including for construction works, should follow the Council's sustainable procurement guidelines. This includes the use of low carbon and sustainable materials, low carbon equipment and vehicles and reducing waste in procurement processes. Transport projects should seek to enable a greater share of journeys to be safely and conveniently undertaken by walking, cycling or public transport wherever possible, and many of the planned works will directly contribute to this. Flood risk and environmental works are also a key part of increasing resilience to a changing climate in the city.
Signed: Duncan Bell, Change Manager (Climate Emergency), Ext 37 2249
Dated: 22 January 2025

5.5 Other implications (You will need to have considered other implications in preparing this report. Please indicate which ones apply?)

Policy	Yes	The capital programme is part of the Council's overall budget and policy framework and makes a substantial contribution to the delivery of Council policy.
Crime and Disorder	No	
Human Rights Act	No	
Elderly/People on Low Income	Yes	A number of schemes will benefit elderly people and those on low income.

6. Background information and other papers:

Draft Capital Budget 2025/26 presented to Overview Select Committee 30 January 2025.

7. Summary of appendices:

Appendix 1 Capital Resources.

Appendix 2a Grant Funded Schemes

Appendix 2b Own Buildings

Appendix 2c Routine Works

Appendix 2d Invest to Save

Appendix 2e Other & Feasibilities Schemes

Appendix 3 Operational Estate Maintenance Capital Programme

Appendix 4 Highways Maintenance Capital Programme

Appendix 5 Children's Capital Improvement Programme

Appendix 6 Capital Strategy 2025/26

8. Is this a private report (If so, please indicate the reasons and state why it is not in the public interest to be dealt with publicly)?

No

9. Is this a "key decision"? If so, why?

No – it is a proposal to Council.

Appendix 1

Capital Resources

	25/26	26/27	Total
	{£000}	*{£000}*	*{£000}*
Resources Brought Forward			
Insurance Claim	330	0	**330**
Total One Off Resources	**330**		**330**
Capital Receipts			
General Capital Receipts	5,040	0	**5,040**
Total Receipts	**5,040**	**0**	**5,040**
Unringfenced Capital Grant			
Education maintenance	0	6,000	**6,000**
Integrated Transport	2,576	0	**2,576**
Transport maintenance	5,364	0	**5,364**
Total Unringfenced Grant	**7,940**	**6,000**	**13,940**
Earmarked Reserves	2,000	0	**2,000**
Prudential Borrowing	13,237	0	**13,237**
TOTAL UNRINGFENCED RESOURCES	**28,547**	**6,000**	**34,547**
Ringfenced resources			
Disabled Facilities Grant	1,861	0	1,861
TOTAL RINGFENCED RESOURCES	**1,861**	**0**	**1,861**
TOTAL CAPITAL RESOURCES	**30,408**	**6,000**	**36,408**

Appendix 2a

Grant Funded Schemes

	Division	Scheme Type	Corporate Programme Funding	Ringfenced Funding	Total Approval
			{£000}	*{£000}*	*{£000}*
Grant Funded Schemes					
Children's Capital Maintenance Programme *	CDN (EBS)	WP	6,000	-	**6,000**
Highway Capital Maintenance	CDN (PDT)	WP	5,364	-	**5,364**
Transport Improvement Works	CDN (PDT)	WP	2,576	-	**2,576**
Disabled Facilities Grants	CDN (HGF)	WP	-	1,861	**1,861**
TOTAL			**13,940**	**1,861**	**15,801**

Key to Scheme Types : WP = Work Programme

Summary of Ringfenced Funding

	{£000}
Disabled Facilities Grant	1,861
TOTAL RINGFENCED FUNDING	**1,861**

* For 2026/27 budget

Appendix 2b

Own Buildings

	Division	Scheme Type	Corporate Programme Funding	Ringfenced Funding	Total Approval
			{£000}	*{£000}*	*{£000}*
Own Buildings					
86 Leycroft Road Depot	CDN (HGF)	PJ	3,794	-	**3,794**
Operational Estate Maintenance	CDN (EBS)	WP	1,970	-	**1,970**
Corporate Estate	CDN (EBS)	WP	1,358	-	**1,358**
Neighbourhood Services Transformation	CDN (NES)	PJ	1,000	-	**1,000**
Evington Park Depot Staff Welfare Facilities	CDN (NES)	WP	140	-	**140**
TOTAL			**8,262**	**-**	**8,262**

Key to Scheme Types : PJ = Project ; WP = Work Programme

Appendix 2c

Routine Works

	Division	Scheme Type	Corporate Programme Funding	Ringfenced Funding	Total Approval
			{£000}	*{£000}*	*{£000}*
Routine Works					
Fleet Replacement Programme	CDN (HGF)	WP	3,013	-	**3,013**
Local Environmental Works	CDN (PDT)	WP	400	-	**400**
Flood Risk Prevention	CDN (PDT)	WP	300	-	**300**
Front Walls Enveloping	CDN (PDT)	WP	200	-	**200**
Grounds Maintenance Equipment	CDN (NES)	WP	150	-	**150**
Foster Care Capital Contribution Scheme	CDN (ECS)	WP	150	-	**150**
Historic Building Grant Fund	CDN (PDT)	WP	75	-	**75**
Festival Decorations	CDN (TCII)	WP	50	-	**50**
TOTAL			**4,338**	**-**	**4,338**

Key to Scheme Types : WP = Work Programme

Appendix 2d

Invest to Save Schemes

	Division	Scheme Type	Corporate Programme Funding	Ringfenced Funding	Total Approval
			{£000}	*{£000}*	*{£000}*
Invest to Save Schemes					
King Richard III Café	CDN (TCI)	PJ	551	-	**551**
Street Cleaning Equipment	CDN (NES)	WP	445	-	**445**
Public Toilet Automatic Locking	CDN (NES)	WP	176	-	**176**
Southgates Underpass Lighting	CDN (PDT)	PJ	55	-	**55**
Trees and Woodland Stump Grinder	CDN (NES)	WP	55	-	**55**
TOTAL			**1,282**	**-**	**1,282**

Appendix 2e

Feasibilities and Other Schemes

	Division	Scheme Type	Corporate Programme Funding	Ringfenced Funding	Total Approval
			{£000}	*{£000}*	*{£000}*
Feasibilities and Other Schemes					
Strategic Sites	CDN (PDT)	PJ	5,035	-	**5,035**
Finance System Replacement	CRS	PJ	1,000	-	**1,000**
Feasibility Studies	CDN (Various)	WP	690	-	**690**
TOTAL			**6,725**	**-**	**6,725**

Key to Scheme Types : PJ = Project ; WP = Work Programme

GRAND TOTAL – ALL SCHEMES	**34,547**	**1,861**	**36,408**

Appendix 3

Operational Estate Maintenance Capital Programme

Description	Amount £000's
Building Works - Essential maintenance at the Council's operational and investment buildings. Key works include pathway replacements at parks, accessibility works at council buildings and works to heritage sites.	1,176
Compliance Works - Generally consisting of surveys to gain condition data across the estate and works arising from the various risk assessments that are undertaken.	298
Electrical Works – Installation of security gates at the council's depots	124
Mechanical Works - Ventilation systems, building management systems and heating controls.	199
Emergency Provision – Provision for emergency reactive works that could be required across the Council's estate.	173
TOTAL	**1,970**

Appendix 4

Proposed Highways Maintenance Capital Programme

Description	**Amount £000's**
Principal Roads – Stoughton Drive & The Portwey/Tailby Avenue	499
Unclassified Neighbourhood Roads, Large Area Patching & Pothole Repairs – Target large carriageway defect repairs to provide longer term repairs in readiness for surface dressing.	1,747
Footway Relays and Reconstructions – Focus on neighbourhood street scene corridor improvements in district centres; Narborough Road footways refurbishment, Melton Road uneven footway improvements.	950
Strategic Bridge Deck Maintenance & Replacement Works - Includes feasibility studies and structural surveys to assess St. Margaret's Way half joint replacement and Burleys Way Flyover maintenance.	100
Bridge Improvement & Maintenance Works – Kitchener Road & Chesterfield Road Bridge Maintenance. Various parapet replacements, structural maintenance works and technical assessment review project.	185
Traffic Signal Installations Renewals and Lighting Column Replacements – Signalling Upgrades, Lamp Column Replacements, Illuminated Bollards and Sign Replacements.	650
DfT / Whole Government Accounting Lifecycle Asset Management Development Project – Strategic asset management development, data analysis, lifecycle planning and reporting in support of DfT Challenge Funding bidding linked to asset management performance.	933
Highway Drainage– Flood mitigation schemes and Drainage improvement projects.	300
TOTAL	**5,364**

Appendix 5

Children's Capital Improvement Programme*

Description	Amount £000's
Building Works - Typical works include roof replacements, sports hall floor replacements, playground resurfacing and window replacements.	3,997
Compliance Works - This work stream will mainly be used to ensure the playing fields and pavilions used by schools are fully compliant with current regulations and to conduct health and safety works.	575
Mechanical Works - schemes being undertaken within the programme typically consist of re-piping heating systems and end of life ventilation replacements.	667
Individual Access Needs Works - This is a provision to allow works to be carried out to enable children with additional needs to access mainstream school.	194
Emergency Provision - This is provision within the programme to allow for emergency unforeseen works to be carried out.	567
TOTAL	**6,000**

*2026/27 budget

Appendix 6

Capital Strategy 2025/26

1. Introduction

1.1 It is a requirement on local authorities to prepare a capital strategy each year, which sets out our approach to capital expenditure and financing at a high level. The requirement to prepare a strategy arises from Government concerns about certain authorities borrowing substantial sums to invest in commercial property, often primarily for yield and outside the vicinity of the council concerned (something the Council has never done).

1.2 There is also a requirement on local authorities to prepare an investment strategy, which specifies our approach to making investments other than day to day treasury management investments (the latter is included in our treasury management strategy, as in previous years). The investment strategy is presented as a separate report on your agenda.

1.3 This appendix sets out the proposed capital strategy for the Council's approval.

2. Capital Expenditure

2.1 The Council's capital expenditure plans are approved by the full Council, on the basis of two reports:-

(a) The corporate capital programme – this covers periods of one or more years and is always approved in advance of the period to which it relates. It is often, but need not be, revisited annually (it need not be revisited if plans for the subsequent year have already been approved);

(b) The Housing Revenue Account (HRA) capital programme – this is considered as part of the HRA budget strategy which is submitted each year for approval.

2.2 The capital programme is split into:-

(a) Immediate starts – being schemes which are approved by the Council and can start as soon as practical after the council has approved the programme. Such schemes are specifically described in the relevant report;

(b) Policy provisions, which are subsequently committed by the City Mayor (and may be less fully described in the report). The principle here is that further consideration is required before the scheme can start.

2.3 The corporate capital programme report sets out authorities delegated to the City Mayor. Decisions by the City Mayor are subject to normal requirements in the constitution (e.g. as to prior notice and call-in).

2.4 Monitoring of capital expenditure is carried out by the Executive and the Overview Select Committee. Reports are presented on 3 occasions during the years, and at outturn. For this purpose, immediate starts have been split into three categories:-

(a) **Projects** – these are discrete, individual schemes such as a road scheme or a new building. These schemes are monitored with reference to physical delivery rather than an annual profile of spending. (We will, of course, still want to make sure that the overall budget is not going to be exceeded);

(b) **Work Programmes** – these will consist of minor works or similar schemes where there is an allocation of money to be spent in a particular year.

(c) **Provisions** – these are sums of monies set aside in case they are needed, but where low spend is a favourable outcome rather than indicative of a problem.

2.5 When, during the year, proposals to spend policy provisions are approved, a decision on classification is taken at that time (i.e. a sum will be added to projects, work programmes or provisions as the case may be).

2.6 The authority has never previously capitalised revenue expenditure, except where it can do so in compliance with proper practices: it has never applied for directions to do so. The revenue budget strategy, if approved, now envisages applying for permission to capitalise revenue expenditure, to be funded from capital receipts. It also envisages utilising a general direction to capitalise expenditure that produces revenue savings.

2.7 The table below forecasts the past and forecast capital expenditure for the current year and 2025/26. It therefore, includes latest estimates of expenditure from the 2024/25 programme that will be rolled forward.

Department / Division	**2024/25 Estimate £m**	**2025/26 & Beyond Estimate £m**
All Departments	4.0	3.4
Corporate Resources	0.7	1.0
Planning, Development & Transportation	41.2	32.2
Tourism, Culture & Inward Investment	21.6	15.5
Neighbourhood & Environmental Services	4.1	4.7
Estates & Building Services	14.7	10.3
Adult Social Care	0.0	5.9
Children's Services	18.7	30.7
Public Health	0.0	0.0
Housing General Fund	30.9	34.9
Total General Fund	**135.9**	**138.6**
Housing Revenue Account	46.7	178.0
Total	**182.6**	**316.6**

2.8 The Council's Estates and Building Services Division provides professional management of non-housing property assets. This includes maintaining the properties, collecting any income, rent reviews, ensuring that lease conditions are complied with and that valuations are regularly updated at least every 5 years. A capital programme scheme is approved each year for significant improvements or renovation.

2.9 The Housing Division provides management of tenanted dwellings. Apart from new build and acquisitions, the HRA capital programme is almost entirely funded from tenants' rents. The criteria used to plan major works are in the table below:-

Component for Replacement	Leicester's Replacement Condition Criteria	Decent Homes Standard: Maximum Age
Bathroom	All properties to have a bathroom for life by 2036	30 - 40 years
Central Heating Boiler	Based on assessed condition	15 years (future life span of new boilers is expected to be on average 12 years)
Chimney	Based on assessed condition	50 years
Windows & Doors	Based on assessed condition	40 years
Electrics	Every 30 years	30 years
Kitchen	All properties to have an upgraded kitchen by 2036	20 - 30 years
Roof	Based on assessed condition	50 years (20 years for flat roofs)
Wall finish (external)	Based on assessed condition	80 years
Wall structure	Based on assessed condition	60 years

3. **<u>Financing Capital Expenditure</u>**

3.1 For at least the last decade, most capital expenditure of the Council has been financed as soon as it was spent (by using grants, capital receipts, revenue budgets or the capital fund). The Council only incurred spending which could not be financed in this way in strictly limited circumstances. Such spending is termed "prudential borrowing" as we are able to borrow money to pay for it. Due to the parlous financial position we are in, prudential borrowing is now an inevitable requirement if we are to have all but absolutely minimal capital programmes. Capital spending proposals will consequently only be approved in the light of the revenue implications and hard choices need to be made.

3.2 The Council measures its capital financing requirement, which shows how much we would need to borrow if we borrowed for all un-financed capital spending (and no other purpose). This is shown in the table below:-

	2024/25 Estimate £m	2025/26 £m	2026/27 £m	2027/28 £m
General Fund	473	493	520	546
HRA	282	300	323	348

(The table above excludes PFI schemes, but includes estimates for leases under IFRS16).

3.3 Projections of actual external debt are included in the treasury management strategy, which is elsewhere on your agenda.

4. **Debt Repayment**

4.1 As stated above, in the past decade the Council has usually paid for capital spending as it is incurred. Prior to this however, the Government encouraged borrowing and money was made available in Revenue Support Grant each year to pay off the debt (much like someone paying someone else's mortgage payments). Now it no longer does so.

4.2 The Council makes charges to the general fund budget each year to repay debt incurred for previous years' capital spending. (In accordance with Government rules, no charge needs to be made to the Housing Revenue Account: we do, however, make charges for newly built and acquired property).

4.3 The general underlying principle is that the Council seeks to repay debt over the period for which taxpayers enjoy the benefit of the spending it financed.

4.4 Where borrowing pays for an asset, debt is repaid over the life of the asset.

4.5 Where borrowing pays for an investment, debt is repaid over the life of the Council's interest in the asset which has been financed (this may be the asset life or may be lower if the Council's interest is subject to time limits). Where borrowing funds a loan to a third party, repayment will never exceed the period of the loan.

4.6 Charges to revenue will be based on an equal instalment of principal, or set on an annuity basis, as the Director of Finance deems appropriate.

4.7 Debt repayment will normally commence in the year following the year in which the expenditure was incurred. However, in the case of expenditure relating to the construction of an asset, the charge will commence in the year after the asset becomes operational or the year after total expenditure on the scheme has been completed.

4.8 The following are the maximum asset lives which can be used:-

(a) Land – 50 years;
(b) Buildings – 50 years;
(c) Infrastructure – 40 years;
(d) Plant and equipment – 20 years;
(e) Vehicles – 12 years.

4.9 Some investments governed by the treasury strategy may be accounted for as capital transactions. Should this require debt repayment charges, an appropriate time period will be employed.

4.10 Authority is given to the Director of Finance to voluntarily set aside sums for debt repayment, over and above the amounts determined in accordance with the above rules, where they believe the standard charge to be insufficient, or in order to reduce the future debt burden to the authority.

4.11 In circumstances where the investment strategy permits use of borrowing to support projects which achieve a return, the Director of Finance may adopt a different approach to debt repayment to reflect the financing costs of such schemes where permitted by Government guidance. The rules governing this are included in the investment strategy.

4.12 The ratio of financing costs to net revenue budget is estimated to be:-

	2024/25 %	2025/26 %	2026/27 %	2027/28 %
General Fund	13.3	13.3	13.8	14.2
HRA	1.5	2.8	3.6	4.3

5. <u>Commercial Activity</u>

5.1 The Council has for many decades held commercial property through the corporate estate. It may decide to make further commercial investments in property or give loans to others to support commercial investment. Our approach is described in the investment strategy, which sets the following limitations:-

(a) The Council will not make such investments primarily to generate income. Each investment will also benefit the Council's service objectives (most probably, in respect of economic regeneration and jobs). It may, however, invest to improve the financial and environmental performance of the corporate estate properties we currently hold;

(b) The Council will not make investments outside of the Leicester, Leicestershire and Rutland area (or just beyond its periphery) except as described below;

(c) There is one exception to (b) above, which is where the investment meets a service need other than economic regeneration. An example might be a joint investment, in collaboration with other local authorities; or investment in a consortium serving local government as a whole. In these cases, the location of the asset is not necessarily relevant.

5.2 Such investments will only take place (if they are of significant scale) after undertaking a formal appraisal, using external advisors if needs be. Nonetheless, as such investments also usually achieve social objectives, the Council is prepared to accept a lower return than a commercial funder might, and greater risk than it would in respect of its treasury management investments. Such risk will always be clearly described in decision reports (and decisions to make such investments will follow the normal rules in the Council's constitution).

5.3 Although the Council accepts that an element of risk is inevitable from commercial activity, it will not invest in schemes whereby (individually or collectively) it would not be able to afford the borrowing costs if they went wrong. As well as undertaking a formal appraisal of schemes of a significant scale, the Council will take into account what "headroom" it may have between the projected income and projected borrowing costs. In practice, our ability to carry out commercial activity is now limited by our revenue position.

5.4 In addition to the above, the Council's treasury strategy may permit investments in property or commercial enterprises. Such investments may be to support environmental and socially responsible aims and are usually pooled with other bodies. For the purposes of the capital strategy, these are not regarded as commercial activities under this paragraph as the activity is carried out under the treasury strategy.

6. **Knowledge and Skills**

6.1 The Council employs a number of qualified surveyors and accountants as well as a specialist team for economic development who can collectively consider investment proposals. It also retains external treasury management consultants (Link). For proposed investments of a significant scale, the Council may employ external specialist consultants to assist its decision making.