London Borough of Haringey Capital Strategy 2025 to 2030 **Appendix 8**

1. Introduction and Background

1.1 The Capital Strategy provides the high-level framework and processes within which the Council's capital investment plans are prioritised and delivered and gives a high-level overview of how capital expenditure, capital financing, and treasury management activities contribute to the provision of public services in Haringey. It also provides an overview of how the risks of the capital programme are managed and the implications for future financial sustainability.

1.2 Capital expenditure in local government is defined in statute and accounting practices/codes and as such must be complied with. Within these rules, capital budgets and capital expenditure decisions offer the opportunity for the Council to profoundly affect the lives of its residents, businesses, and visitors in both the immediate and the longer term.

1.3 Capital expenditure is where the Council spends money on a project, with the view to derive societal, service and economic benefit from the expenditure, for a period longer than twelve months. This can also include spending on assets owned by other bodies, and loans and grants to other bodies enabling them to buy assets.

1.4 The investment ensures that the Council has the assets it requires to enable delivery of its statutory services, fulfils its legal functions and acts as an important lever to enact change and transformation in the borough to meet changing needs. Capital expenditure can also support the increasingly challenging revenue position where schemes enable income generation for the Council or reduced costs.

1.5 The key objectives for the Council's capital strategy and associated programme are to support delivery of the Corporate Delivery Plan, the Borough's Vision and its commitment to the communities of Haringey and to set out the approach for addressing the competing demands for investment across the Council. The Strategy is part of a suite of strategic financial management approaches that inform the Medium-Term Financial Strategy (MTFS).

1.6 The Capital Strategy and Capital Programme have been compiled in accordance with the Financial Management Code which:

- Reinforces the need for Local Authorities to have capital programmes that are, in the long-term, financially sustainable;
- Ensures that the capital programme and strategy conform to the CIPFA Prudential Code for Capital Finance in Local Authorities; and
- That the Capital Programme and Capital Strategy directly inform the Treasury Management Strategy Statement.

2. Principles

2.1 The key principles of the Capital Strategy are:

- That capital expenditure applies a long-term approach to service delivery.
- That capital expenditure must be aligned to the delivery of the priorities and outcomes in the Borough Vision and Corporate Delivery Plan.

- That capital expenditure is informed by the Council's Asset Management Strategy, and that maintenance of assets is vital to the integrity of the Council's approach to asset management and capital planning.
- That capital investment decisions are made within a clear governance framework ensuring value for money and have regard to all relevant costs and income over the asset life cycle.
- That funding of capital expenditure should be from sustainable sources, maximising the use of external funding and reducing the reliance on borrowing and should assess affordability against ambition.
- That the strategy sets the direction for the foreseeable future and informs the five-year capital programme.
- That the strategy is in compliance with CIPFA requirements.

3. Strategic Context

3.1 Haringey's priorities are set out in its 10-year Borough Vision and Corporate Delivery Plan and provides the strategic direction for the Capital Strategy to help shape decisions of the Council about the priorities for the Capital Programme, their scale and value.

3.2 The Borough Vision for Haringey in 2035 is a place where:

- All our residents have the opportunity to thrive and enjoy the best possible version of their life.
- The quality of life in every part of the borough is comparable to our cleanest, greenest and safest neighbourhoods.
- At a time of insecurity and change, Haringey is a place where people can put down roots and feel they really belong.

3.3 The Corporate Delivery Plan set out eight separate themes:

- Resident experience and enabling success
- Responding to the climate emergency
- Children and young people
- Adults, health and welfare
- Homes for the future
- Safer Haringey
- Culturally rich borough
- Place and economy

3.4 The Capital Strategy sets the direction for the foreseeable future and informs the five-year Capital Programme to address the Borough Vision and the Corporate Delivery Plan. The Capital Programme is reviewed and updated annually to ensure it remains focused on the Council's priorities, that it addresses routine maintenance and health and safety requirements and allows the Council to react to changes in circumstances or need.

3.5 The investment in the capital programme 2025-2030 is for service delivery purposes. The plans and aims of various external organisations and partners help inform the Council's Capital Strategy, including Transport for London, the Mayor, and the Greater London Authority (GLA). The Capital Strategy brings together the demand for capital investment and the available funding to enable the Council to set out its plan to fund the development and delivery of its priorities over the medium term through the five-year Capital Programme.

3.6 The inclusion of a scheme within the capital programme is not necessarily permission to spend. Most schemes will be subject to the completion of an approved business case that validates the high-level cost and time estimates contained within the programme. An integral part of the business case will be an assessment of the risks that a project faces and once a project is agreed, the review of the risk register is a standing item on the agenda for the project's governance arrangements.

4. Capital Budget Setting

4.1 Every year the Council reviews its capital programme and the projects within it. This is undertaken alongside the revenue budget process in order to ensure that the impact of both is considered.

4.2 The programme is developed alongside directorate service plans and link to a variety of other strategies and plans across the Council as these are reviewed and updated. This includes:

- The revenue part of the Medium-term Financial Strategy and the implications of capital spending on the Council's revenue budget.
- The Treasury Management Strategy – setting out Council's approach to borrowing to fund capital investments.
- The Asset Management Strategy; and
- The Prudential Framework – setting out key indicators to monitor the Council's funding of capital spending.

4.3 The setting of the Capital Programme is integrated with the formulation of the revenue budget to ensure that there is aligned decision making and a clear link between the impact of capital expenditure on the revenue budget. This includes the costs of borrowing but also to consider ongoing additional revenue expenditure associated with assets, such as maintenance and repairs, utility and other running costs. It also ensures that any capital investment agreed on the basis of 'invest to save' by reducing costs and increasing income can be reflected within the revenue budget and progress against the benefits can be tracked.

4.4 As part of this process, every scheme in the existing capital programme will be subject to review and considers the following within the constraints of the financial envelope:

- Alignment of schemes to priorities in the Corporate Delivery Plan and removal of any schemes that no longer are aligned or timescales for delivery are not yet known.
- Inclusion of new essential schemes that either are required on the basis of health and safety, essential enhancement or replacement (e.g. a new roof on a school), self-funded or on an invest to save basis.

- Review of all schemes in the programme to ensure that the profile of spend is accurate based on the latest delivery plan.

4.5 For the 2025/26 programme, the layout of the capital programme has been updated to separately present those schemes that are in delivery and those which are in the still at the planning stage.

- In Delivery – schemes which have an approved business case, all decision making has been completed, and the scheme has commenced. An update on progress with delivery will be provided as part of the quarterly monitoring and reporting of the capital programme.

- Pipeline – schemes which are planned and have approval to proceed to full business case development. Such projects will not move to 'in delivery' until a full business case has been approved, all decision making is complete and a robust delivery plan with timescales is in place. An update on progress with move to delivery will be provided as part of the quarterly monitoring and reporting of the capital programme. Projects will have to progress through the pipeline before being moved into the formal programme to ensure they can be reviewed in the context of the whole programme as part of the annual review process.

4.6 From 2025/26, no new scheme will be included in the Capital Programme and become fully funded until a full business case has been developed and approved by the Strategic Capital Board (see below) and until there is certainty on the delivery timescales.

4.7 Currently there are a number of different business case methods being utilised across services and work is underway to develop a consistent framework. All business cases and project changes will be subject to review through the Sub-Groups and/or Strategic Capital Board before being recommended to the decision maker for approval.

5 Governance Arrangements

5.1 During 2024/25, a review of the current arrangements for oversight and control of the Capital Programme have been subject to review. A number of factors necessitated this review, including:

- A more structured approach to prioritisation of schemes within the Capital Programme and strengthened alignment to priorities in the Corporate Delivery Plan;
- Greater control, predictability and forward planning for the programme.
- Greater assurance around business case development for all schemes within the capital programme and adopting a programme management approach to the oversight of the complete Capital Programme.
- Strengthened governance and programme management in place for individual schemes of significance, such as major regeneration and development schemes.
- Improved level of confidence in the delivery of schemes and in turn reducing the high levels of slippage reported each year.
- Improved level of monitoring and reporting against all schemes in the Capital Programme internally and externally.

5.2 Good progress has been made, and a new and strengthened approach will start to be in place from April 2025 and continue to evolve and be embedded through the year. This new governance framework will provide assurance to decision makers that all the necessary due diligence and review has been undertaken before any scheme is included within the Capital Programme and robust monitoring and reporting of progress is in place. The practical guide for officers on capital projects and property is set out in the delivery framework, which will also be subject to review in 2025/26 as part of this new governance framework.

Project / Programme Boards

5.3 Chaired by the relevant Corporate Director / Director, these groups will consider outline business cases, full business cases and any change requests before onward approval by the Strategic Capital Board and monitor and track progress on planning and delivery. A summary of the key points of discussion and any decisions required by the Strategic Capital Board will be prepared by the Chair. The sub-groups include:

- Children’s and Education
- Adults, Housing & Health
- Finance & Resources
- Culture, Strategy & Communities
- Environment & Resident Experience
- Enterprise Architecture Board
- Placemaking and Housing Board
- New Homes Board

Strategic Capital Board

5.4 This Board will be Chaired by the Corporate Director of Resources and attendance by Corporate Services, Director / Director representatives from each main service and the Chairs of the Project / Programme Boards. Other specialist officers will be invited to attend as required. This Board will maintain oversight of the whole programme. This includes the annual review process, and the development of the programme recommended to Council each year, followed by the monitoring and reporting both internally and externally in year and escalation of any issues to Corporate Leadership Team and Members as required. The Board will review and give assurance for all business cases and consider any change requests coming up from the Project / Programme Boards. Any approvals will be in line with the Council’s Constitution and Scheme of Delegation.

Risk Management

5.5 Any activity involves risk, and it is important to recognise that capital programmes are inherently risky activities and need to have appropriate risk management arrangements.

5.6 The schemes in the capital programme have risk registers that are commensurate with the scale of the project. Minor schemes, such as a rewire of a small building, will rely primarily on the method statement that the contractor would have supplied as part of their tender return as the risk register. For larger schemes, there will be several risk registers. The contractor will have a risk register for the scheme, the client will have their own risk register for the scheme and there will be a joint risk register. On larger schemes these would be reviewed regularly. Risk registers do not eliminate risk, but they greatly assist in the identification of risk and the associated risk management arrangements that need to be put in place.

5.7 To further assist in risk management, there will be a client contingency for each project. The exact amount to be held in the contingency varies from project to project. The contingency is there to address issues that could not have been foreseen at the outset of the project. The drawdown from the contingency goes through a change control process.

5.8 The Council holds a contingency for the overall capital programme. The proposed capital programme has a contingency of £5m in 2025/26 and £5m in 2026/27. Management of the contingency fund will be through the Strategic Capital Board and any approvals will be in line with the Council's Constitution and Scheme of Delegation. The table below highlights some of the risks that the council's overall capital programme faces.

Risk	Actions and Mitigation
Schemes do not align with the Borough Vision / Corporate Delivery Plan	Service Plan, MTFS and Budget all aligned to the plans.
	Annual review of the programme to ensure alignment remains.
	Member engagement in the development of the Capital Programme.
Priority and urgent schemes missed from the programme	Annual review of strategic and operational priority schemes.
	Capital contingency held for urgent schemes that may emerge in year.
Scheme costs above budget	Feasibility studies undertaken for relevant schemes.
	Business cases to be in place for all schemes from 2025/26 and additional review and due diligence through the Strategic Capital Board to test robustness of estimates.
	Budgets monitored through SRO and scheme governance.
	Regular review of monitoring of budgets through the Strategic Capital Board.
	Any change requests subject to governance process.
Unaffordability of financing costs in the revenue budget	Preparation of the Treasury Management Strategy Statement, revenue budget for 2025/26 and MTFS alongside the development of the Capital Programme each year.
Spend not in line with grant and other external contribution conditions	Ongoing monitoring of spend against conditions.
	Discussions with grant awarding organisations at earliest opportunity if a risk that conditions may not be met.
Interest rate volatility	Regular monitoring on interest rates.
	Use of external advisors – Arlingclose.
Other market volatility (including supply of labour and materials)	Regular monitoring of market conditions.

6 Monitoring and Reporting

6.1 The newly agreed senior management structure will bring together the delivery of the majority of the Capital Programme under the newly created post of Corporate Director of Finance and Resources. The Capital Programme will be monitored and reported through the Strategic Capital Board and reported as part of the quarterly finance monitoring report to Cabinet and Scrutiny Panels. This will include reporting against budget, delivery timescales and scope against the original business case assumptions.

7 2025/26 to 2029/30 Capital Programme

7.1 Following the annual review in summer 2024 and taking account of the feedback from the consultation on the proposed schemes to delete schemes from the programme and include new schemes, the total value of the Capital Programme in 2025/26 to 2029/30 Capital Programme is £2,028.5m, of which £1,406.4m relates to the Housing Revenue Account (HRA) and £622.1m relates to the General Fund (GF). The GF capital programme has reduced by £95.1m from the existing plans (including the revised Quarter two 2024/25 budget).

7.2 The main areas continue to be investment into highways, transportation, leisure services, Waste Services, Schools, the Operational Estate and IT.

7.3 The current financial position of the Council is very serious. As reported in the main report, there is a gap between expected expenditure and income of £37m which needs to be addressed for the Council to be able to agree a balanced budget for 2025/26 and therefore Government support is required. An application has been submitted. The outcome will not be known until late February 2025 when an in principle decision is expected. If agreed, then MHCLG will issue a capitalisation direction. This does not involve any new money. Instead, the Council will be allowed to capitalise its deficits on its revenue budget. The direction allows Councils to repay the EFS over a period up to 20 years. It is the intention to pay off this debt in a much shorter period through the disposal of assets and the Council will continue to abide by its best consideration duty when disposing of assets. The proposed capital programme includes £37m of EFS in 2025/26. However, it is anticipated that £10m of the 2025/26 expenditure will be funded from capital receipts.

Table 1: Capital Expenditure Plans Overview 2025/26 - 2029/30

	2024/25 Budget	2025/26 Budget	2026/27 Budget	2027/28 Budget	2028/29 Budget	2029/30 Budget	Total
	(£'000)	(£'000)	(£'000)	(£'000)	(£'000)	(£'000)	(£'000)
General Fund Account (GF)							
Originally Approved MTFS	144,178	136,781	189,425	56,375	56,701		**583,458**
Revised Qtr.2 MTFS	118,383	142,938	249,412	106,743	99,803		**717,279**
Proposed MTFS		184,996	151,198	112,518	67,720	105,711	**622,143**
Variance btw Revised Qtr. 2 & Proposed	(118,383)	42,058	(98,214)	5,775	(32,083)	105,711	**(95,136)**
Housing Revenue Account (HRA)							
Originally Approved MTFS	239,081	304,557	355,849	308,279	210,554		**1,418,321**
Revised Qtr.2 MTFS	246,331	304,557	355,849	308,279	210,554		**1,425,570**
Proposed MTFS		333,768	278,291	278,991	273,873	241,412	**1,406,335**
Variance btw Revised Qtr. 2 & Proposed	(246,331)	29,211	(77,558)	(29,288)	63,319	241,412	**(19,235)**

7.4 The full General Fund capital programme for the period 2025/26 to 2029/30 is set out in Annex 1. New schemes are denoted as NEW. There are a number of existing schemes that have had their budgets increased in 2029/30, mostly capital enhancement schemes in Children's Services and Environment & Resident Experience.

7.5 The Capital Programme could change if Cabinet agrees to carry over resources from the 2024/25 Capital Programme (slippage) when the 2024/25 outturn report is presented in July 2025. These requests will be scrutinised prior to being put forward to Cabinet to ensure that they are still required and any capital budgets for 2025/26 will be updated as part of the Quarter 1 finance monitoring report reported to Cabinet in September 2025.

7.6 The capital programme is composed of individual directorate programmes and within most schemes there are individual projects. For instance, Scheme 302, Borough Roads, will contain individual projects on individual roads.

7.7 Annex 1 provides detail on the individual schemes within each directorate's capital programme. The following section provides an overview of the proposed capital programme:

- The Children's Services capital programme concentrates on the school estate, and its upkeep (new roofs, new windows, new heating systems etc.) and provision for the delivery of the safety valve programme which is to provide additional special educational needs provision within the borough, and which will reduce cost and improve outcomes.

- The Adults capital programme is primarily concerned with delivering the aids and adaptations programme which is funded through the Disabled Facilities Grant (DFG). The purpose of the DFG is to fund aids and adaptations in people's homes so that they can stay at home for longer rather than be placed in specialist care.

- The Environment and Resident experience capital programme has a number of themes:
    - The public infrastructure of the borough (roads, pavements, lighting, flood water management, disabled parking bays, bridges);
    - The Walking & Cycling Action Plan and the reduction of road casualties;
    - Waste services; and
    - Leisure and parks.

- The Placemaking and & Housing capital programme is focused on regeneration schemes across the borough as well as the Council's operational buildings.

- The Culture, Strategy and Engagement capital programme contains the delivery of the new Civic Centre, continued investment in the Council's digital estate and investment in culture (Bruce Castle Museum, Alexandra Palace, and libraries).

- The Corporate Items are new to the programme and contains the capitalisation directive (if agreed at the end of February 2025) for Exceptional Financial Support (£37m) from Government and the capital programme contingency (£10m).

Table 2: Capital Expenditure Plans by Directorate

	2025/26 Budget (£'000)	2026/27 Budget (£'000)	2027/28 Budget (£'000)	2028/29 Budget (£'000)	2029/30 Budget (£'000)	Total (£'000)
Children's Services	28,276	12,206	5,031	5,031	5,031	**55,575**
Adults, Health & Communities	12,715	2,878	2,377	2,200	2,200	**22,370**
Environment & Resident Experience	21,438	18,420	41,104	15,827	10,880	**107,668**
Placemaking & Housing	36,140	73,322	58,110	44,662	87,600	**299,834**
Culture, Strategy & Engagement	44,427	39,373	5,896	0	0	**89,696**
Corporate Items - GF Capital Continency	5,000	5,000	0	0	0	**10,000**
Corporate Items - EFS	37,000	0	0	0	0	**37,000**
Total General Fund (GF)	**184,996**	**151,198**	**112,518**	**67,720**	**105,711**	**622,143**
Housing (HRA)	**333,768**	**278,291**	**278,991**	**273,873**	**241,412**	**1,406,335**
Overall Total	**518,764**	**429,489**	**391,509**	**341,593**	**347,123**	**2,028,478**

8 Funding Sources

8.1 In determining the level of capital investment to be undertaken, affordability and available resources are key considerations including the long-term impact of borrowing and other forms of capital funding on related revenue budgets. All capital expenditure must be financed from either an external source (government grant or other contributions), the Council's own resources (revenue, reserves, or capital receipts) or debt (borrowing, leasing, Private Finance Initiative).

8.2 The responsibility for the final funding of the Capital Programme is delegated to the Corporate Director of Finance and Resources (Section 151 Officer) who when funding the Capital Programme, will ensure that this is in accordance with the most cost-effective outcome for the Council.

8.3 Funding of the programme follows the principle of first fully utilising external sources where possible, followed by other internal council resources and with borrowing as a final option. The Council's capital programme is moving to a financing strategy that seeks to ensure that investment via the capital programme is self-financing or funded from external resources wherever possible and the draft GF capital programme for 2025/26-2029/30 shows that 64% are either self-financing or funded via external resources

8.4 The programme reflects capital spending plans at the date when the Council formally approves the 2025/26 Budget and Medium-Term Financial Strategy (MTFS). During the year additional funding (for instance, capital grants or developer contributions) may become available and will be added to the programme in accordance with the constitution. The assumption is that the spend is aligned with the value of the grant or provision and creates no further changes to pressures on the financial position.

8.5 The proposed funding of the capital programme for 2025/26 to 2029/30 is set out in Table 3. The borrowing figures are split between core capital programme and self-financing projects.

Table 3: General Fund Financing Strategy

	General Fund Borrowing		External	Capital Receipts	Community Infrastructure Levy (CIL)	Total
	Core Capital Programme	Self Financing met from Savings				
	(£'000)	(£'000)	(£'000)	(£'000)	(£'000)	(£'000)
Children's Services	16,158	5,260	34,157	0	0	**55,575**
Adults, Health & Communities	1,370	10,000	11,000	0	0	**22,370**
Environment & Resident Experience	81,672	1,066	14,064	0	10,866	**107,668**
Placemaking & Housing	42,230	11,686	245,377	0	542	**299,834**
Culture, Strategy & Engagement	25,522	64,174	0	0	0	**89,696**
Corporate Items	37,000	0	0	10,000	0	**47,000**
Total	**203,951**	**92,186**	**304,598**	**10,000**	**11,408**	**622,143**

8.6 The self-financing schemes will normally only proceed if they produce a reduction in expenditure that includes reductions enough to cover the cost of financing the investment. This is necessary to ensure that the investment contributes to meeting the financial challenges that the Council faces. It is noted however, that in some limited circumstances, that schemes may proceed even if they do not produce a reduction in expenditure enough to cover the cost of financing the investment.

8.7 As viability challenges have increased over the last few years (inflation and increases in the cost of borrowing) the number of schemes of this type have decreased significantly. The most significant one in the programme now is the Civic Centre which was last considered by Cabinet in November 2024. From 2025/26, any new schemes considered as self-financing will be regularly reviewed to ensure that the original business case assumptions that determined its self-financing nature remain valid.

8.8 The remainder of this section provides a summary of the main funding sources for capital expenditure.

Capital Receipts

8.9 When a capital asset is no longer needed, it may be sold, and the proceeds (known as capital receipts) can be spent on new assets or can be used to repay debt and in certain cases may require statutory consultation. Repayments of grants, loans and non-treasury investments also generate capital receipts. The Council is currently permitted by legislation to spend capital receipts to deliver cost reductions and/or transformation, and further details are set out in the Flexible Use of Capital Receipts Strategy 2025/26 in Annex 2.

Revenue Contributions

8.10 The Council could use revenue resources to fund capital projects, often referred to as Revenue Contribution to Capital. However, given the pressures on the General Fund revenue budget, it is unlikely this source of funding will be utilised in the short to medium term. The exception is for the HRA, where a budget is included annually for a revenue contribution to capital from the Major Repairs Reserve. Further details are set out in the HRA Business Plan.

Grants

8.11 Each year, the Council receives capital grants, mainly from central government and the Greater London Authority (GLA) but may also include other external organisations. Some of these are regular grant allocations, such as for schools and roads but others can be subject to a bidding process.

Third Party Contributions – Section 106 (S106) & Community Infrastructure Levy (CIL)

8.12 CIL and S106 are the two types of planning contributions which can be used to fund capital expenditure given the specific conditions of the contribution are met. Whilst there are no new schemes proposed in the capital programme that utilise CIL or S106, the 2024/25 capital programme has CIL allocation of c£5.0m and the proposed 2025/26 – 2029/30 capital programme has an allocation of c£11.4m Strategic CIL and c£3.9m of S106. Should this change, any further use in year will be subject to review by the Strategic Capital Board.

8.13 The continuing capital programme review has identified additional CIL of £7.55m. This CIL will be used to fund existing schemes within the proposed capital programme and will not provide funding for additional schemes, thus reducing general fund borrowing cost. Any further allocation of CIL will follow advice and agreement from the AD Planning, Building Standards & Sustainability, and from the Head of Spatial Planning. This will be addressed as part of the quarter one budget monitoring in 2025/26.

Prudential Borrowing

8.14 The Treasury Management Strategy Statement (TMSS) was presented to Audit Committee on 27 January 2025 and provides the framework for the Council to borrow to fund capital expenditure as required within affordability limits and the availability of revenue budget to fund the borrowing costs and associated MRP provision. Full Council will approve the final TMSS on 3 March 2025.

8.15 The capital plans, outlined in Annex 1, show a total borrowing requirement of £93.622m is required to finance the Council's core capital programme plan in 2025/26. This means that about 51% of the General Fund capital programme, is composed of schemes that are wholly financed by the Council's borrowing activity. These schemes largely reflect the statutory duties of the council.

8.16 The revenue impact (capital financing cost as a percentage of net revenue streams) of the recommended borrowing strategy for the Council's Capital Programme (excluding self-financing schemes, PFI and finance leases) is outlined below in Table 4.

Table 4 – Revenue Borrowing Costs

	2024/25 Budget	2025/26 Budget	2026/27 Budget	2027/28 Budget	2028/29 Budget	2029/30 Budget
	(£000)	(£000)	(£000)	(£000)	(£000)	(£000)
Borrowing Costs	14,100	19,200	25,200	28,300	30,600	32,400

8.17 As part of the capital financing cost, the Council has to make an annual contribution from revenue called Minimum Revenue Provision (MRP). The provision is required to ensure that the Council pays down debt in a prudent manner. Annex 3 sets out the Council's MRP statement for 2025/26. The estimated MRP over the MTFS period is set out in Table 5:

Table 5: Estimated MRP

	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate	2028/29 Estimate	2029/30 Estimate
	£000	£000	£000	£000	£000	£000
MRP	16,734	18,544	20,103	21,305	21,729	22,213

8.18 The Council's underlying need to borrow to finance its capital programme is measured by the capital financing requirement (CFR). This increases when new debt financed capital expenditure is incurred and reduces when MRP is made. Table 6 shows the estimated CFR over the MTFS period.

Table 6: Prudential Indicator: Estimates of Capital Financing Requirement

	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate	2028/29 Estimate	2029/30 Estimate

	£'000	£'000	£'000	£'000	£'000	£'000
CFR	1,296,520	1,565,138	1,803,682	2,033,347	2,205,787	2,359,720

9 Loans to Third Parties

9.1 The most significant loans to third parties are to the Alexandra Palace & Park Charitable Trust, which as at 31/03/2024 totals circa £6m. Within the current capital programme plans, there is a proposed loan to Alexandra Palace & Park Charitable Trust of £4.1m and will be used to improve facilities at the palace and on an invest to save basis to support income generation. However, should the Council wish to make loans to third parties it would only do so if the business case is approved.

9.2 Such loans will be considered when all of the following criteria are satisfied:

- The loan is towards expenditure which would, if incurred by the Council, be capital expenditure.
- The purpose for which the loan is given is consistent with the Council's priorities in the Corporate Delivery Plan.
- Due diligence is carried out that confirms the Council's can legally make the loan and there is a clear assessment of the risk of loss over the loan term
- A formal loan agreement is put in place which stipulates the loan period, repayment terms and loan rate; (which will be set at a level that seeks to mitigate any perceived risks of a loss and takes appropriate account of Subsidy Control Rules).

Annex's

Annex 1 – Full Capital Programme 2025/26 to 2029/30 by Directorate

Annex 2 – Flexible Use of Capital Receipts Policy 2025/26

Annex 3 – Minimum Revenue Provision Policy 2025/26

Annex 4 – Capitalisation Policy

Capital Programme 2025/26 to 2029/30 **Annex 1**

This Capital Programme is funded from: Council borrowing (**H**), Self-financing (**S**), External (**E**), Capital Receipt (**CR**) & Community Infrastructure Levy (**CIL**)

		Cabinet Member	Delivery Stage	2025/26 Budget	2026/27 Budget	2027/28 Budget	2028/29 Budget	2029/30 Budget	2025/26 - 29/30 Total	Source of Funding
SCHEME REF	**SCHEME NAME**			**£,000**	**£,000**	**£,000**	**£,000**	**£,000**	**£,000**	
101	Primary Sch - repairs & maintenance	Cllr Brabazon	Pipeline	2,450	2,000	2,000	2,000	2,000	**10,450**	**E**
102	Primary Sch - mod & enhance (Inc SEN)	Cllr Brabazon	Pipeline	9,748	4,674	2,500	2,500	2,500	**21,922**	**H & E**
110	Devolved Sch Capital	Cllr Brabazon	Delivery	531	531	531	531	531	**2,655**	**E**
114	Secondary Sch - mod & enhance (Inc SEN)	Cllr Brabazon	Pipeline	1,629	0	0	0	0	**1,629**	**H**
121	Pendarren House	Cllr Brabazon	Pipeline	457	0	0	0	0	**457**	**H**
124	In-Borough Residential Care Facility	Cllr Brabazon	Pipeline	2,900	2,360	0	0	0	**5,260**	**S**
125	Safety Valve	Cllr Brabazon	Pipeline & Delivery	8,561	2,391	0	0	0	**10,952**	**H & E**
126	EYES and Social Care developments to the LiquidLogic System	Cllr Brabazon	Delivery	2,000	250	0	0	0	**2,250**	**H**
Children's Services				**28,276**	**12,206**	**5,031**	**5,031**	**5,031**	**55,575**	

		Cabinet Member	Delivery Stage	2025/26 Budget	2026/27 Budget	2027/28 Budget	2028/29 Budget	2029/30 Budget	2025/26 - 29/30 Total	Source of Funding
SCHEME REF	**SCHEME NAME**			**£,000**	**£,000**	**£,000**	**£,000**	**£,000**	**£,000**	
201	Aids, Adap's & Assistive Tech -Home Owners (DFG)	Cllr das Neves	Delivery	2,200	2,200	2,200	2,200	2,200	**11,000**	**E**
211	Community Alarm Service	Cllr das Neves	Delivery	177	177	177	0	0	**531**	**H**
225	Locality Hub	Cllr das Neves	Pipeline	338	501	0	0	0	**839**	**H**
NEW	Initiatives under Housing Demand Programme	Cllr das Neves	Pipeline	10,000	0	0	0	0	**10,000**	**S**
Adults, Health & Communities				**12,715**	**2,878**	**2,377**	**2,200**	**2,200**	**22,370**	

SCHEME REF	SCHEME NAME	Cabinet Member	Delivery Stage	2025/26 Budget £,000	2026/27 Budget £,000	2027/28 Budget £,000	2028/29 Budget £,000	2029/30 Budget £,000	2025/26 - 29/30 Total £,000	Source of Funding
119	School Streets	Cllr Hakata	Pipeline	325	325	325	325	0	**1,300**	**E & CIL**
301	Street Lighting	Cllr Chandwani	Delivery	1,000	1,000	1,000	1,000	1,000	**5,000**	**H & E**
302	Borough Roads	Cllr Chandwani	Delivery	5,321	6,000	6,000	6,000	6,000	**29,321**	**H & E**
309	Local Implementation Plan (LIP)	Cllr Hakata	Delivery	1,000	1,000	1,000	1,000	1,000	**5,000**	**E**
310	Developer S106 / S278	Cllr Chandwani	Delivery	250	250	250	250	250	**1,250**	**E**
311	Parks Asset Management:	Cllr Arkell	Delivery	450	450	450	450	450	**2,250**	**H & CIL**
313	Active Life in Parks:	Cllr Arkell	Delivery	400	400	400	400	400	**2,000**	**H & CIL**
314	Parkland Walk Bridges	Cllr Arkell	Delivery	350	350	2,500	350	0	**3,550**	**H**
322	Finsbury Park	Cllr Arkell	Delivery	500	500	500	500	500	**2,500**	**E**
328	Street & Greenspace Greening Programme	Cllr Hakata	Delivery	75	75	0	0	0	**150**	**H & CIL**
335	Streetspace Plan	Cllr Hakata	Pipeline	3,000	0	0	0	0	**3,000**	**CIL**
336	New River Sports & Fitness	Cllr Arkell	Pipeline	533	533	0	0	0	**1,066**	**S**
338	Road Casualty Reduction	Cllr Chandwani	Pipeline	950	950	950	950	0	**3,800**	**H, E & CIL**
341	Leisure Services	Cllr Arkell	Pipeline	825	825	1,063	1,063	0	**3,776**	**H**

SCHEME REF	SCHEME NAME	Cabinet Member	Delivery Stage	2025/26 Budget £,000	2026/27 Budget £,000	2027/28 Budget £,000	2028/29 Budget £,000	2029/30 Budget £,000	2025/26 - 29/30 Total £,000	Source of Funding
342	Public Protection - To replace life expired IT system	Cllr Carlin	Pipeline	200	0	0	0	0	**200**	**H**
4013	Clean Air School Zones	Cllr Hakata	Pipeline	400	400	400	400	0	**1,600**	**H**
4014	Walking and Cycling Action Plan (WCAP) LTN delivery	Cllr Hakata	Pipeline	708	708	708	708	0	**2,832**	**H & CIL**
4015	Walking and Cycling Action Plan (WCAP) Strategic cycle route delivery	Cllr Hakata	Pipeline	1,033	1,033	1,033	1,033	0	**4,130**	**H, E & CIL**
4016	Walking and Cycling Action Plan (WCAP) Cycle Parking (Hangers) delivery	Cllr Hakata	Pipeline	118	118	118	118	0	**472**	**CIL**
NEW	Structures (Cornwall Road, Ferry Lane, & Wareham Road Bridge)	Cllr Chandwani	Pipeline	2,100	0	0	0	0	**2,100**	**H**
NEW	Flood Water Management	Cllr Chandwani	Pipeline	1,200	900	900	900	900	**4,800**	**H**
NEW	Replacement Parks and Housing Machinery	Cllr Arkell	Pipeline	300	250	100	50	50	**750**	**H**
NEW	Borough Parking Plan	Cllr Chandwani	Pipeline	250	250	250	250	250	**1,250**	**H**
NEW	Disabled Bays	Cllr Chandwani	Pipeline	150	80	80	80	80	**470**	**H**
NEW	Waste Vehicles and Bins	Cllr Chandwani	Pipeline	0	2,023	23,077	0	0	**25,101**	**H**
Environment & Resident Experience				**21,438**	**18,420**	**41,104**	**15,827**	**10,880**	**107,668**	

SCHEME REF	SCHEME NAME	Cabinet Member	Delivery Stage	2025/26 Budget £,000	2026/27 Budget £,000	2027/28 Budget £,000	2028/29 Budget £,000	2029/30 Budget £,000	2025/26 - 29/30 Total £,000	Source of Funding
402	Tottenham Hale Streets	Cllr Gordon	Pipeline	2,158	6,361	0	0	0	**8,519**	**H & E**
408	Down Lane Park	Cllr Arkell	Delivery	2,591	0	0	0	0	**2,591**	**E**
459	Wood Green Regen Sites	Cllr Gordon	Pipeline	1,355	3,675	0	0	0	**5,030**	**H, E & CIL**
474	Tottenham High Road Strategy	Cllr Gordon	Pipeline	1,061	0	0	0	0	**1,061**	**H, E & CIL**
480	Wood Green Regen (2)	Cllr Gordon	Pipeline	996	2,755	0	0	0	**3,751**	**H, E & CIL**
488	Liveable Seven Sisters (LSS)	Cllr Gordon	Delivery	3,069	0	0	0	0	**3,069**	**H**
493	Bruce Grove Yards (BGY)	Cllr Gordon	Delivery	875	4,851	0	0	0	**5,726**	**H, E & CIL**
4010	Selby Urban Village Project	Cllr Gordon	Delivery	5,000	21,081	10,526	0	0	**36,607**	**E**
4011	Commercial Property Remediation	Cllr Gordon	Pipeline	4,000	3,000	3,000	4,186	0	**14,186**	**H & S**
4012	Energy Performance Certificate improvements	Cllr Gordon	Pipeline	750	500	500	500	0	**2,250**	**H & S**
316	Asset Management of Council Buildings	Cllr Gordon	Pipeline	7,440	1,000	0	0	0	**8,440**	**H**
NEW	Asset Mgt of Council Buildings	Cllr Gordon	Pipeline	2,245	4,100	5,005	897	0	**12,247**	**H**
NEW	Dilapidations Fountayne Road	Cllr Gordon	Pipeline	0	1,000	0	0	0	**1,000**	**H**
Placemaking & Housing				**31,540**	**48,322**	**19,031**	**5,583**	**0**	**104,476**	

		Cabinet Member	Delivery Stage	2025/26 Budget	2026/27 Budget	2027/28 Budget	2028/29 Budget	2029/30 Budget	2025/26 - 29/30 Total	Source of Funding
SCHEME REF	**SCHEME NAME**			**£,000**	**£,000**	**£,000**	**£,000**	**£,000**	**£,000**	
421	HRW Acquisition	Cllr Gordon	Delivery	4,600	25,000	39,079	39,079	87,600	**195,358**	**E**
Placemaking & Housing (Enabling Budgets)				**4,600**	**25,000**	**39,079**	**39,079**	**87,600**	**195,358**	

		Cabinet Member	Delivery Stage	2025/26 Budget	2026/27 Budget	2027/28 Budget	2028/29 Budget	2029/30 Budget	2025/26 - 29/30 Total	Source of Funding
SCHEME REF	SCHEME NAME			£,000	£,000	£,000	£,000	£,000	£,000	
330	Civic Centre Works	Cllr Gordon	Delivery	28,833	29,683	1,546	0	0	**60,062**	**S**
602	Corporate IT Board	Cllr Carlin	Pipeline	860	860	860	0	0	**2,580**	**H**
604	Continuous Improvement	Cllr Carlin	Pipeline	950	662	564	0	0	**2,176**	**H**
625	CCTV Move and Replacement of end-of-Life Infrastructure	Cllr Carlin	Pipeline	1,266	733	0	0	0	**2,000**	**H**
626	Corporate Data Platform	Cllr Carlin	Pipeline	1,250	1,000	0	0	0	**2,250**	**H**
627	Hybrid AV between now and Civic Centre coming online	Cllr Carlin	Pipeline	750	450	0	0	0	**1,200**	**H**
628	Locality Hub ICT	Cllr Gordon	Pipeline	600	0	0	0	0	**600**	**H**
630	Libraries IT and Buildings upgrade	Cllr Arkell	Pipeline	500	150	0	0	0	**650**	**H**
631	Ally Pally - Counter Terrorism	Cllr Arkell	Pipeline	182	363	0	0	0	**545**	**H**
632	Ally Pally - Health & Safety Works	Cllr Arkell	Pipeline	286	293	0	0	0	**579**	**H**
633	Ally Pally - Compliance works	Cllr Arkell	Pipeline	1,194	1,006	0	0	0	**2,201**	**H**
634	Ally Pally - Invest to Earn	Cllr Arkell	Pipeline	1,628	1,128	1,356	0	0	**4,112**	**S**

SCHEME REF	SCHEME NAME	Cabinet Member	Delivery Stage	2025/26 Budget £,000	2026/27 Budget £,000	2027/28 Budget £,000	2028/29 Budget £,000	2029/30 Budget £,000	2025/26 - 29/30 Total £,000	Source of Funding
635	Mobile Replacement (Smart Phones / Devices)	Cllr Carlin	Pipeline	250	225	0	0	0	**475**	H
636	Replacing Desktop AV / Screens in Offices	Cllr Carlin	Pipeline	150	150	0	0	0	**300**	H
655	Data Centre Move	Cllr Carlin	Delivery	450	0	0	0	0	**450**	H
464	Bruce Castle	Cllr Arkell	Delivery	223	0	0	0	0	**223**	H
447	Alexandra Palace - Maintenance	Cllr Arkell	Pipeline	470	470	470	0	0	**1,410**	H
657	Corporate Laptop Refresh	Cllr Carlin	Pipeline	2,100	1,200	1,100	0	0	**4,400**	H
659	M365 Additional Functionality	Cllr Carlin	Pipeline	519	0	0	0	0	**519**	H
NEW	Capital support for Digital Outcomes	Cllr Carlin	Pipeline	1,965	1,000	0	0	0	**2,965**	H
Culture, Strategy & Engagement				**44,427**	**39,373**	**5,896**	**0**	**0**	**89,696**	

SCHEME REF	SCHEME NAME	Cabinet Member	Delivery Stage	2025/26 Budget £,000	2026/27 Budget £,000	2027/28 Budget £,000	2028/29 Budget £,000	2029/30 Budget £,000	2025/26 - 29/30 Total £,000	Source of Funding
NEW	P6 - Approved Capital Programme Contingency	Cllr Carlin	Pipeline	5,000	5,000	0	0	0	**10,000**	**H**
NEW	Exceptional Financial Support	Cllr Carlin	Pipeline	37,000	0	0	0	0	**37,000**	**H & CR**
Corporate Items				**42,000**	**5,000**	**0**	**0**	**0**	**47,000**	
TOTAL GF CAPITAL PROGRAMME				**184,996**	**151,198**	**112,518**	**67,720**	**105,711**	**622,143**	

Source of Funding						
Borrowing - Self-Financing	43,894	37,203	6,402	4,686	-	92,186
Core Capital Programme Borrowing	93,622	44,963	44,396	11,840	9,130	203,951
Capital Receipts	10,000	-	-	-	-	10,000
Community Infrastructure Levy (CIL)	4,867	2,409	2,067	2,067	-	11,408
External	32,613	66,624	59,653	49,127	96,581	304,598
	184,996	**151,198**	**112,518**	**67,720**	**105,711**	**622,143**

Flexible Use of Capital Receipts Strategy 2025/26 **Annex 2**

Since 2019/20, the Council has approved the flexibility to apply capital receipts to fund transformation projects as enabled by the Secretary of State's Direction and outlined in the Government's Statutory Guidance on the flexible use of capital receipts.

Extension of the flexibility until 2030 was announced in the Local Government Finance Policy Statement 2025/6 in November 2024 which also removed the rule that only statutory redundancy could be financed through receipts.

The Statutory Guidance published in April 2022 details that authorities must update their Flexible Use of Capital Receipts Strategy during the given year if their initial plan changes and requires additional capitalisation of expenditure. This Annex provides an update on the Capital Receipts Flexibility Strategy for 2024/25 that was agreed by Council in March 2024 and any final use will be determined as part of the year end outturn position reported to Cabinet in July 2025.

For 2025/26, the Council may propose to use the flexibility to fund up to £4.7m of qualifying transformation expenditure. The Council's flexible use of capital receipts to fund transformation projects will continue to be subject to development and approval of robust business cases. The business cases will demonstrate that the initiative will transform services, generate future savings or reduce future costs, and the costs being funded are implementation or set up costs and not on-going operational costs.

Projected outturn 2024/25 flexible use of capital receipts

Council at its budget setting meeting in March 2024 agreed a programme of investments for transformation activities in 2024/25. These are described below. The estimated outturn indicates that there will be an underspend of £1.3m. This will be confirmed as part of the closing of accounts process and reported in the outturn report to Cabinet in July 2025.

Flexible Use of Capital Receipts 2024/25 - Estimated Outturn

Title	Description	Original Budget (£'000)	Estimated Outturn (£'000)	Variance (£'000)
Corporate support	To support a broad range of transformation projects across the Council	763	763	0
London Construction Partnership (LCP) Framework	To implement the new LCP framework.	310	310	0
Counter Fraud Initiative	This covers a range of initiatives across a range of service areas to detect and deter fraud	75		(75)
Redundancy Provision	Current estimated cost of redundancies associated with organisational re-structures and staff reductions	2,000	1,055	(945)
Improvement to asset management	Support to improve the asset management function of the Council	800	800	0
Social care (adults & children)	This covers a range of transformation and change initiatives in both Adults and Children's social care to invest in prevention and reduce demand for high-cost services	1,773	1,773	0
Change framework	To develop and implement a new Change Framework to deliver transformation across the Council.	1,290	1,020	(270)
Digital Together	Completion of the Digital Together programme.	520	520	0
Temporary Accommodation Reduction Project	To invest in prevention and service re-design to reduce the overall level of demand for temporary accommodation	200	200	0
Total		**7,731**	**5,368**	**(1,290)**

The proposed use of flexible receipts in 2025/26 is set out in the table below.

Flexible Use of Capital Receipts 2025/26

Title	Description	2025/26 (£'000)	Total (£'000)
Corporate Support to all improvement programmes	To support a broad range of transformation projects across the Council	671	671
Counter fraud work	Details to be included	75	75
Strategic Asset Management	Support to improve the asset management function of the Council	1500	1500
Demand Management in Adult social Care	This covers a range of transformation and change initiatives in adults social care to invest in prevention and reduce demand for high cost services	500	500
New Change Framework	To develop and implement a new Change Framework to deliver transformation across the Council.	1790	1790
Temporary Accommodation Reduction Project	To invest in prevention and service re-design to reduce the overall level of demand for temporary accommodation	200	200
Invest to Save	To provide funding for a range of initiatives in services to either reduce costs, increase income, or both	3000	3000
Grand Total		**7,736**	**7,736**

Minimum Revenue Provision Statement 2025/26 **Annex 3**

The Council commissioned a review of the Minimum Revenue Provision arrangements from its appointed specialist treasury advisers Arlingclose. Their review has informed the statement below and has made one substantive recommendation and one substantive finding.

The first recommendation relates to debt incurred before 2008, known as pre-2008 debt. Currently the Council is making MRP on a straight-line basis. The recommendation is that the Council move to an annuity basis, as the annuity method is prudent when considering interest costs and the time value of money. The review noted a potential under provision of MRP of £94m. This is to be further investigated to ascertain the cause but, in the interim, to maintain a prudent approach, provision is to be made over the next 38 years.

Annual Minimum Revenue Provision Statement 2025/26

Where the Authority funds capital expenditure with debt, it must put aside resources to repay that debt in later years. The amount charged to the revenue budget for the repayment of debt is known as Minimum Revenue Provision (MRP), although there has been no statutory minimum since 2008. The *Local Government Act 2003* requires the Authority to have regard to the Ministry of Housing, Communities and Local Government's *Guidance on Minimum Revenue Provision* (the MHCLG Guidance) most recently issued in April 2024.

The broad aim of the MHCLG Guidance is to ensure that capital expenditure is financed over a period that is aligned with that over which the capital expenditure provides benefits.

The MHCLG Guidance requires the Authority to approve an Annual MRP Statement each year and provides a number of options for calculating a prudent amount of MRP but does not preclude the use of other appropriate methods, which is what this policy allows for. The following statement incorporates options recommended in the Guidance, as well as well as locally determined prudent methods.

MRP is calculated by reference to the capital financing requirement (CFR) which is the total amount of past capital expenditure that has yet to be permanently financed, noting that debt must be repaid and therefore can only be a temporary form of funding. The CFR is calculated from the Authority's balance sheet in accordance with the Chartered Institute of Public Finance and Accountancy's Prudential Code for Capital Expenditure in Local Authorities, 2021 edition.

- For capital expenditure incurred before 1st April 2008, MRP will be determined using the annuity basis and an average asset life of 33 years.

- For capital expenditure incurred after 31st March 2008, MRP will be determined by charging the expenditure over the expected useful life of the relevant asset as the principal repayment on an annuity equal to the average relevant PWLB rate for the year of expenditure, starting in the year after the asset becomes operational. MRP on purchases of freehold land will be charged over 50 years. MRP on expenditure not related to fixed assets but which has been capitalised by regulation or direction will be charged over up to 20 years.

- For assets acquired by leases or the Private Finance Initiative, MRP will be determined as being equal to the element of the rent or charge that goes to write down the balance sheet liability.

- Where former operating leases have been brought onto the balance sheet due to the adoption of the *IFRS 16 Leases* accounting standard, and the asset values have been adjusted for accruals, prepayments, premiums and/or incentives, then the MRP charges will be adjusted so that the overall charge for MRP over the life of the lease reflects the value of the right-of-use asset recognised on transition rather than the liability.

Asset Lives

Investment in assets generates a future flow of benefits. The overall length of those benefits (asset lives) varies for each asset type. Within the MRP policy, these asset lives are used:

	Years
Lighting Infrastructure	50
Highways Structures	50
Roads and Pavements, Street Signage, Public Realm	30
Acquisition of Property	40
Operational Property - extensive refurbishment	40
Operational Property - non extensive refurbishment	30
Parks Asset Management	20
External Equipment (e.g. park equipment, cycle hangers)	10
Waste Vehicles (Large)	8
CCTV Cameras	5
Waste Vehicles (small/medium)	4
Non waste vehicles	5
IT	7

Capital loans

For capital expenditure on loans to third parties which were made primarily for financial return rather than direct service purposes, MRP will be charged in accordance with the policy for the assets funded by the loan, including where appropriate, delaying MRP until the year after the assets become operational. This MRP charge will be reduced by the value any repayments of loan principal received during in the year, with the capital receipts so arising applied to finance the expenditure instead.

For capital expenditure on loans to third parties which were made primarily for service purposes, the Authority will make nil MRP except as detailed below for expected credit losses. Instead, the Authority will apply the capital receipts arising from the repayments of the loan principal to finance the expenditure in the year they are received.

For capital loans made on or after 7th May 2024 where an expected credit loss is recognised during the year, the MRP charge in respect of the loan will be no lower than the loss recognised. Where expected credit losses are reversed, for example on the eventual repayment of the loan, this will be treated as an overpayment.

For capital loans made before 7th May 2024 and for loans where expected credit losses are not applicable, where a shortfall in capital receipts is anticipated, MRP will be charged to cover that shortfall over the remaining life of the assets funded by the loan.

Housing Revenue Account

No MRP will be charged in respect of assets held within the Housing Revenue Account but depreciation on those assets will be charged instead in line with regulations.

Based on the Authority's latest estimate of its CFR on 31st March 2025, the General Fund budget for MRP has been set as follows:

	31.03.2025 Estimated CFR £'m	**2025/26 Estimated MRP £'m**
Capital expenditure before 01.04.2008	165.6	5.019
Supported capital expenditure after 31.03.2008	0	0.000
Unsupported capital expenditure after 31.03.2008	504.9	11.888
Leases and Private Finance Initiative	32.2	1.357
Transferred debt	0	
Capital loans to third parties	6	0.290
Voluntary overpayment (or use of prior year overpayments)	n/a	
Total General Fund	**708.7**	**18.554**
Assets in the Housing Revenue Account	**587.8**	0
HRA subsidy reform payment	**0**	0
Total Housing Revenue Account	**587.8**	**0**
Total	**1,296.5**	

Overpayments

In earlier years, the Authority has not made voluntary overpayments of MRP that are available to reduce the revenue charges in later years.

Capital receipts

Proceeds from the sale of capital assets are classed as capital receipts and are typically used to finance new capital expenditure. Where the Authority decides instead to use capital receipts to repay debt and hence reduce the CFR, the calculation of MRP will be adjusted as follows:

- Capital receipts arising on the repayment of principal on capital loans to third parties will be used to lower the MRP charge in respect of the same loans in the year of receipt, if any.
- Capital receipts arising on the repayment of principal on finance lease receivables will be used to lower the MRP charge in respect of the acquisition of the asset subject to the lease in the year of receipt, if any.
- Capital receipts arising from other assets which form an identified part of the Authority's MRP calculations will be used to reduce the MRP charge in respect of the same assets over their remaining useful lives, starting in the year after the receipt is applied.
- Any other capital receipts applied to repay debt will be used to reduce MRP in [10] equal instalments starting in the year after receipt is applied. 10 years is used because this matches the period over which discounts on the early repayment of borrowing are credited to revenue

Capitalisation Direction

The current financial position of the Council is very serious. In 2024/25 and 2025/26 the Council's 2025/26 requires Exceptional Financial Support (EFS) from government to balance and an application has been submitted. The outcome will not be known until late February 2025 when an in principle decision is expected. If agreed, then MHCLG will issue a capitalisation direction. This does not involve any new money. Instead, the Council will be allowed to capitalise its deficits on its revenue budget. The direction allows Councils to repay the EFS over a period up to 20 years. The proposed capital programme includes £37m of EFS in 2025/26, of which £10m is assumed to be funded from borrowing. MRP will be applied in the year after the borrowing occurs.

This policy is effective from 1/4/24

Capitalisation Policy **Annex 4**

Unless expenditure qualifies as capital it will normally fall outside the scope of the Prudential Framework and will be charged to revenue in the period that the expenditure is incurred. If expenditure meets the definition of capital, there may be opportunities to finance the outlay from capital receipts or by spreading the cost over future years' revenues.

There are three routes by which expenditure can qualify as capital under the Prudential Framework:

- The expenditure results in the acquisition, construction or enhancement of non-current assets (tangible and intangible) in accordance with "proper practices"
- The expenditure meets one of the definitions specified in regulations made under the 2003 Local Government Act.
- The Secretary of State makes a direction that the expenditure can be treated as capital expenditure.

Capitalisation under proper practices

Proper practices are defined to include the Code of Practice on Local Authority Accounting in the United Kingdom (the Code). The Code is published annually and its provisions relating to capitalisation are based on IAS 16 Property, Plant and Equipment.

Expenditure on acquisitions and construction work is analysed to decide whether it satisfies the accounting rules for recognising a non-current asset in the Council's Balance Sheet. The amount capitalised generally comprises the purchase price plus any expense directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Examples include:

- acquisition of land and site preparation.
- acquisition, construction, preparation or replacement of roads, buildings and other structures.
- acquisition, installation or replacement of movable or immovable plant, machinery, apparatus and vehicles.
- acquisition of non-current assets that do not have physical substance but are identifiable and are controlled by the Council as a result of past events i.e. the Council will receive future economic benefits or service potential as a result of enforceable rights, such as a legal title or licence (intangible assets)

Capitalisation can include subsequent expenditure on existing assets, where the value of the asset is enhanced by:

- lengthening substantially the life of the asset.
- increasing substantially the open market value of the asset.
- increasing substantially the extent to which the asset can be used for a function of the Council.

Assets may also be recognised (at fair value) under leases, PFI contracts and similar agreements.

The Council has some limited discretion on what is deemed capital expenditure, for example assets costing below £10,000 (the de-minimis amount) are not capitalised and are charged to revenue in the year the expenditure is incurred.

Capital Grants

The Council may wish to capitalise items of expenditure, in accordance with funding conditions, which are below the de-minimis level where expenditure is financed from grants.

Feasibility Costs Feasibility expenses must be charged to the revenue account, as costs cannot be attributed to a probable future inflow of economic benefit to the Council.

Regulations made under the Local Government Act 2003

Special arrangements exist in local government for the extension of the accounting definition of capital expenditure. Regulation 25 of the 2003 regulations (as amended) allows certain expenditure to be classified as capital for funding purposes when it does not result in the expenditure being carried on the Balance Sheet as a noncurrent asset. The purpose of this provision is to enable payments to be funded from capital resources rather than charged to the General fund and impact on that year's council tax.

Capital expenditure within the 2003 regulations includes:

- The giving of a loan, grant or other financial assistance to any person, whether for use by that person or by a third party, towards expenditure which would, if incurred by the Council, be capital expenditure (except for advances made to officers as part of their terms or conditions of employment or in connection with their appointment).
- The repayment of any grant or other financial assistance given to the Council for the purposes of expenditure which is capital expenditure.
- The acquisition of share capital in any body corporate (except for investments in Money Market Funds or an investment in a real estate investment trust).
- Expenditure incurred on works to any land or building in which the Council does not have an interest, which would be capital expenditure if the Council had an interest in that land or building.
- Expenditure incurred on the acquisition, production or construction of assets for use by or disposal to a person other than the Council which would be capital expenditure if those assets were acquired, produced or constructed for use by the council.

Revenue expenditure funded from capital under statute (REFCUS)

This term relates to payments that would otherwise be revenue expenditure but are treated as capital expenditure for the reasons above and are financed from capital resources. The underlying revenue nature of the expenditure means that it is debited or charged to the Comprehensive Income and Expenditure account when it is incurred. The statutory provision to treat the expenditure as capital allows the debit against the General Fund to be reversed and posted to the Capital Adjustment Account, so that there is no impact on the Council's "bottom line". The adjustment that is made between the accounting basis and the funding basis is reflected in the Movement in Reserves Statement within the Council's statutory accounts.

Capital Receipts

Receipts of £10,000 and above, which have been generated from the disposal of Property, Plant and Equipment will be treated as capital receipts.

In accordance with regulations, up to 4% of a disposal receipt generated from General Fund asset can be used to fund a disposal. In accordance with IAS 36 and IPSAS 21 examples of such costs are ‘legal costs, stamp duty and similar transaction taxes, costs of removing the asset, and direct incremental costs to bring an asset into condition for its sale’

Guidance and Publications

The Capitalisation Policies and Procedures set out in this document have been developed with regards to the following guidance and publications;

- Code of Practice on Local Authority Accounting in the United Kingdom – CIPFA
- The Code Guidance Notes for Practitioners - CIPFA
- Practitioner’s Guide to Capital Finance in Local Government – CIPFA
- International Accounting Standard (IAS) 16 and International Public Sector Accounting Standard (IPSAS) 17 Property, Plant and Equipment
- IAS 40 and IPSAS 16 Investment Property
- IAS 38 and IPSAS 31 Intangible Assets
- The Local Government Act 2003 and the 2003 Capital Financing Regulations (as amended)
- Financial Reporting Standard (FRS) 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland