

Report Title	General Fund Capital Programme 2026/27
Meeting	Executive
Meeting Date	19th February 2026
Report Author	Karen Spencer, Director of Resources
Directorate	Resources
Lead Executive Member(s)	Cllr David Whipp Leader of the Council
Wards Affected	All
Public. Part Exempt, or Fully Exempt	Public
Appendices (if any)	App A – Draft Capital Strategy 2026/29 App B – Proposed Capital Programme 2026/27 (with indicative programmes for 2027/28 and 2028/29) App C – Prudential Indicators 2026/27

1. Executive Summary

- 1.1 This report recommends to the Executive, the Corporate Leadership Team's proposed General Fund Capital Programme for 2026/27. Subject to the Executive's consideration here, the proposed Capital Programme for 2026/27 will be considered by Council on 26th February 2026.
- 1.2 An updated Capital Strategy 2026/29 is also provided for the Executive to consider. The Capital Programme 2026/27 is underpinned by the updated Strategy.
- 1.3 In support of the development of Capital Programme for 2026/27, information is also provided on the Council's forecast outturn for 2025/26. Further details of this are included in a report elsewhere on the Agenda for this meeting. Equally, details of the capital resources available to the Council are provided, including the amount of prudential borrowing that is considered prudent and sustainable within the context of the Council's financial position.
- 1.4 Finally, a range of Prudential Indicators related to the Capital Programme is also provided and which Members must consider and approve as part of their consideration of the Capital Programme.

2. Recommendations

For the reasons set out in this report, the Executive is recommended to make the following recommendations to Full Council on 26th February 2026:

- 2.1 note the forecast outturn position in the current financial year, details of which are set out in separate report on the Agenda;
- 2.2 approve the draft Capital Strategy for 2026/29 as presented at **Appendix A**;
- 2.3 approve the proposed Capital Programme for 2026/27 as shown at **Appendix B**;
- 2.4 grant delegated authority to the Director of Resources, as the Council's Chief Finance Officer, to determine the most appropriate method of financing the Capital Programme 2026/27 to ensure the use of capital resources is optimised by the Council;
- 2.5 note the indicative programmes for 2027/28 and 2028/29 as shown in **Appendix B** and acknowledge that these will be subject to further review as part of the development of future years capital programmes (subject, of course, to Local Government Reorganisation);
- 2.6 approve the Prudential Indicators as shown at **Appendix C**.

3. Information: the Rationale & Evidence for the Recommendations

Background

- 3.1 The budget process is a key element of the Council's strategic planning process and, as part of the service and financial planning approach adopted by the Council, is a means of ensuring that resources are best placed to enable the Council to meet its objectives as set out in the Council Plan.
- 3.2 More specifically, whereas the Revenue Budget considers day-to-day spending, the Council's Capital Programme is concerned with investment in projects that will have a long term benefit for the Borough. The development of the Programme is undertaken in accordance with the Council's Capital Strategy and Land and Asset Management Strategy, both of which inform the investment decisions of the Council.
- 3.3 A fundamental requirement of the Council's Capital Programme is that, in line with the Prudential Code for Capital Finance in Local Authorities, it should be affordable, prudent and sustainable. In essence, the Code is the basis by which Council's self-regulate their capital investments as far as being required to demonstrate that their Capital Programmes are affordable now and in the future.

Statement on the robustness of the Council's budget calculations and the adequacy of financial reserves

- 3.4 As indicated in the legal implications section below, Section 25 of the Local Government Act 2003 requires the Council's Director of Resources, as the officer having responsibility for the administration of the Council's financial affairs, to report to the Council on the robustness of the budget estimates (including the Council's Capital Programme) and the adequacy of proposed financial reserves when determining its budget requirement under the Local Government Finance Act 1992.
- 3.5 A draft copy of the statement that will be reported to Council on 26th February is provided in a report elsewhere on the Agenda for this meeting and the Executive should have regard to this when making proposals in relation to the Capital Programme. The statement has been produced based on the proposals set out in this report. It should be noted that, subject to Councillors' deliberations on the budget at Council later this month, it may be necessary for the statement to be revised to take account of the decisions taken at the Council meeting.

Forecast Capital Outturn 2025/26

- 3.6 A review of the current capital programme has been undertaken prior to the development of the draft programme for next year. This is provided so that Councillors can consider the proposed 2026/27 programme in the context of existing capital expenditure commitments.
- 3.7 Table 1 below provides a summary of the Capital Programme for 2025/26 with a more detailed analysis provided in a report elsewhere on the Agenda for this meeting. Actual expenditure at 31st December 2025 amounted to £10.185m with projected expenditure at year end being £18.522m. Comparing this with the approved programme of £29.511m gives rise to an implied underspend of £10.989m before account is taken of project slippage. This is summarised in Table 1 below:-

Table 1: Capital Programme 2025/26 – Forecast Outturn

	Revised Budget £000	Forecast Outturn £000	Variance £000	Forecast Slippage £000	Revised Variance £000
Housing Schemes	2,975	1,740	(1,234)	1,234	0
Regeneration Schemes	17,483	12,113	(5,370)	5,370	0
Engineering Schemes	1,022	1,011	(11)	17	6
Council Assets	3,822	1,417	(2,405)	2,364	(41)
IT	147	152	5	-	5
Operational Services	3,920	1,946	(1,974)	2,174	200
s106 schemes	142	142	-	-	
Total Expenditure	29,511	18,522	(10,989)	11,159	170

Source: Qtr 3 - Revenue and Capital Monitoring

- 3.8 After taking account of project slippage of £11.159m, and based on current estimates, it is envisaged that there will be a net overspend of £170k on the programme in this year. Subject to approval, the slippage on current projects will be carried forward to 2026/27. A full analysis of the variations – before and after forecast slippage – is provided in the Qtr 3 – Revenue and Capital Monitoring report elsewhere on the Agenda for this meeting.

- 3.9 Table 2 below summarises the expected available capital cash resources for 2026/27:

Table 2: Capital Programme 2025/26 – Forecast Capital Cash Resources

	Revised Budget £000	Forecast Outturn £000	Variance £000	Forecast Slippage £000	Revised Variance £000
Capital Receipts	832	584	(247)	207	(41)
Capital Grants	19,002	12,871	(6,132)	6,132	(0)
s106 Receipts	142	142	-	-	-
Revenue Contribution to Capital	51	51	-	-	-
Total Capital Resources	20,027	13,648	(6,379)	6,338	(41)

Source: Qtr 3 - Revenue and Capital Monitoring

- 3.10 As the table indicates, less capital receipts (£41k) will be required to fund programme expenditure than originally anticipated.

Prudential Borrowing in 2025/26

- 3.11 Prudential Borrowing is necessary where there are insufficient capital cash resources to finance capital expenditure. Table 3 below compares the forecast capital programme with available capital cash resources and shows the amount of prudential borrowing that is required in 2026/27 to fund the current approved programme (whether it is spent in this year or in later years).
- 3.12 The required prudential borrowing has been compared to the budgeted prudential borrowing. As the table indicates, the amount of prudential borrowing in the current year is expected to be £4.610m less than budgeted owing to delays in capital spending; however, given the overspend of £211k in the year, the amount of prudential borrowing to finance project slippage carried forward will be £4.821m.

Table 3: Prudential Borrowing 2026/27

	Revised Budget £000	Forecast Outturn £000	Variance £000	Forecast Slippage £000	Revised Variance £000
Capital Programme (Table 1)	29,511	18,522	(10,989)	11,159	170
Less: Capital Resources (Table 2)	20,027	13,648	(6,379)	6,338	(41)
Required Prudential Borrowing	9,484	4,874	(4,610)	4,821	211
Budget Prudential Borrowing	9,484	4,874	(4,610)	4,610	-
	-	-	-	211	211

Draft Capital Strategy 2026/29

- 3.13 An updated Capital Strategy for the period 2026/29 has been produced and is provided in draft at **Appendix A**. The Strategy is under ongoing review in response to the significant reduction in capital resources experienced in recent years. Amongst other matters, the Strategy sets out the Council's main capital investment priorities and the capital resourcing strategy.

Capital Investment Priorities

3.14 The Council's capital investment priorities will continue to be determined by the strategic objectives combined with a need to maintain assets for service delivery. Any capital investment undertaken by the Council must be affordable, prudent and sustainable. In recognition of this the key capital investment priorities for the Council, as set out in the Capital Strategy, comprise:-

- ***Housing-related Schemes*** – this remains a priority for the Council given the condition of the housing stock within some areas of Pendle and the ongoing focus on reducing the number of empty homes in the Borough. However, the extent to which the Council has the financial capacity to deliver the renewal of private sector housing will largely depend on the receipt of external funding from the Government or related Agencies such as Homes England. In the meantime, the Council has established a joint ventures partnership with the Barnfield Group and Together Housing (PEARL Together) and the Brookhouse Group (Penbrook Developments) to deliver new housing stock (including additional affordable housing);
- ***Promoting, Enabling and Providing Regeneration*** – the wider regeneration of Pendle remains a key capital investment priority for the Council. In previous years this has largely been driven by external funding. More recently, the Council has used its joint venture arrangement with Barnfield Investment Properties (PEARL, PEARL 2 and PEARL Brierfield Mill) and Brookhouse Group (Penbrook Developments) – as key vehicles for regeneration activity. This will continue to be the case where it remains viable to do so with these joint ventures;
- ***Engineering Improvements*** – this involves the Council working with other Local Authorities and Agencies (particularly Lancashire Combined County Authority as the Local Transport Authority, Lancashire County Council as Highways Authority and the Environment Agency) both to support improvements to connectivity within Towns of the Borough and to deal with long standing flooding issues;
- ***Corporate and Service Asset Renewal*** – where resources permit, the Council will continue investing in our own assets, primarily those employed in the delivery of services direct to the residents, e.g. cemetery provision, leisure services, parks and recreational facilities but also those that are used for administrative purposes. A key part of this is to provide adequate resources to ensure assets are safe to use and occupy;
- ***Invest to save / transformation projects*** – the Council has previously used its prudential borrowing powers to undertake projects which generate revenue savings. Past examples of this include the acquisition of parts of the ACE Centre in Nelson and the acquisition of No.1 Market Street, Nelson. In addition there is now some scope to use capital receipts flexibly to fund expenditure on transformation type projects where they also deliver revenue savings.

3.15 These priorities are considered in the context of the Council's Strategic Objectives and will be reviewed annually to ensure they continue to reflect how the Council will need to apply its capital resources.

Capital Resources Strategy

- 3.16 Councillors will be aware that the availability of capital resources remains constrained. Beyond what has already been awarded, there is little expected grant funding other than that awarded to the Council for Disabled Facilities Grants (DFG) as part of the Better Care Fund framework. As a result of the ongoing reductions in core revenue grant funding there is no longer the capacity to make general revenue contributions to support the capital programme. Likewise, the constraints on the revenue budget, as highlighted in the Medium-term Financial Plan, also mean it is unsustainable for the Council to rely on continual new borrowing to fund capital expenditure unless this generates ongoing revenue savings.
- 3.17 One source of income that has grown in significance in recent years is that of capital receipts. These arise from the disposal of surplus council land and property assets. The Council has followed a strategy of identifying and disposing of land and property deemed surplus to requirements and this has delivered significant receipts with further sums due over the medium-term plan period. This is driven by the Council's Land and Asset Management Strategy approved by Council in May 2025.

Flexible Capital Receipts

- 3.18 The Capital Strategy includes a strategy for the flexible use of capital receipts. This flexibility applies to new capital receipts arising from the disposal of property, plant and equipment in the financial years to 2025 to 2030.
- 3.19 The Government issued statutory guidance on the flexible use of capital receipts in March 2025. This stated that the flexibility could be used to fund the costs to transform services that “generate ongoing revenue savings in the delivery of public services and/or transform service delivery to reduce costs and/or transform service delivery in a way that reduces costs or demand for services in future years for any of the public sector delivery partners.”
- 3.20 The Council's Flexible Receipts Strategy is set out at Appendix 1 of the Capital Strategy provided at **Appendix A**.

Overview of Capital Resources 2026/27

3.21 Table 4 below summarises the estimate of available capital resources for 2026/27 (with 2027/28 and 2028/29 shown for information):

Table 4: Estimated Capital Resources 2026/27 (and 2027/28 and 2028/29)

	2026/27 £000	2027/28 £000	2028/29 £000
Capital Grant	9,013	3,107	2,976
Capital Receipts – In hand	1,497	-	-
Capital Receipts – In Year	12	12	12
S106 Receipts	-	-	-
Revenue Contribution to Capital	-	-	-
Total Funding (excluding Prudential Borrowing)	10,522	3,119	2,988

3.22 Details of the estimated capital resources are summarised in **Appendix C**. Other points to note about capital resources include:

- (a) **Capital Receipts** – this reflects both the use of receipts generated in year from disposals and receipts held in hand; more information on receipts is provided in **Appendix A** as part of the Draft Capital Strategy 2026/28 and those new receipts assumed for 2026/27 are shown in the table below:-
- (b) **Capital Grants** – for the purposes of developing the draft programme for 2026/27, the grant funding included at this stage comprises the following:-

Table 6: Capital Grants to 2028/29

	Draft Capital Programme 2026/27 £000	Forecast Capital Programme 2027/28 £000	Forecast Capital Programme 2028/29 £000
Nelson Town Deal	4,620	-	-
Disabled Facilities Grant	2,092	1,371	1,371
Pride in Place Impact Fund	1,500	-	-
FAS3 Flood Prevention Works Earby	400	-	-
Nelson Pride in Place	360	1,736	1,605
Levelling Up Fund - Parks Fund	18	-	-
LCC: Colne Road Path	17	-	-
Fly-Tipping Intervention	6	-	-
Total Capital Grants	9,013	3,107	2,976

The Proposed Capital Programme for 2026/27

3.23 Table 6 below summarises the proposed capital programme for 2026/27 together with the indicative programme to 2028/29. More detail is provided in **Appendix B**.

Table 6: Proposed Capital Programme

	Draft Capital Programme 2026/27 £000	Forecast Capital Programme 2027/28 £000	Forecast Capital Programme 2028/29 £000
Housing Schemes	2,605	1,371	1,371
Regeneration Schemes	6,480	1,736	1,605
Engineering Schemes	517	50	50
Council Assets	3,151	794	800
IT	156	100	100
Operational Services	3,139	351	351
s106 schemes	-	-	-
Total	16,049	4,402	4,277
Less: Estimated Resources	10,522	3,119	2,988
Prudential Borrowing	5,526	1,283	1,289

- 3.24 The following narrative provides a summary of the main items of expenditure forming the proposed capital programme for 2026/27. In total the value of capital expenditure is estimated at £16.049m (including slippage from the current year) which will require prudential borrowing of £5.526m in the year. This position will be monitored during the year to ensure spend is aligned with resources.

Housing-related Schemes

- 3.25 The Housing Capital Programme continues to focus on dealing with Empty Homes (for which funding remains in the current year and which will be carried forward into 2026/27) and Disabled Facilities Grants.
- 3.26 As set out in the table above, new spend in the year will focus on the delivery of Disabled Facilities Grant (DFG) where provision of £1.371k is made. As in the current year, the proposed expenditure on Disabled Facilities Grants (inclusive of fees) matches the assumed level of grant funding from the Better Care Fund. Any variation in funding will be mirrored in the expenditure budget once funding has been confirmed for next year.

Regeneration Schemes

- 3.27 This budget comprises three main programmes:
- The residual Nelson Town Deal Programme, with £4.620m expected to be brought forward from 2025/26 to be used towards projects within the Programme in 2026/27;
 - The Pride in Place Impact Fund, totalling £1.5m which will need to be committed by 31st March 2027; and

- The Nelson Price in Place Fund (formerly known as the Plan for Neighbourhoods) which, in total, will be £20m over a 10 year period. This will comprise c£15m for capital projects and c£5m for revenue projects. The Capital Programme for 2026/27 reflects an initial allocation of £360k in line with the funding profile.

Engineering Schemes

- 3.28 The proposed budget for Engineering Schemes is £500k and reflects, in the main, further work on flood prevention in Earby (with expenditure to be incurred to the level of grant funding available). This will be funded from grant provided by the Environment Agency. Amounts of £50k each are also provided for Trash Screens and Car Park improvements, respectively.

Council Assets Renewal

- 3.29 The Council Asset Renewal budget provides for investment in the Council's Leisure Facilities and General Property Improvements. Expenditure will be determined in line with various condition surveys with the focus on ensuring the assets remain operational and comply with health and safety obligations.

Resources Schemes

- 3.30 This comprises £19k for Computer Equipment. A further amount of £138k is provided to upgrade the Council's ICT Network Infrastructure.

Operational Services

- 3.31 A budget of £120k is provided for Parks Vehicles and Plant.
- 3.32 In addition to the £2m slippage for the new Cemetery at Halifax Road, Brierfield, £79k will be provided for work to existing cemetery sites (to add to the £150k that will be brought forward from 2025/26).
- 3.33 As in 2025/26, a budget of £162k for replacement waste containers is included in the Programme; equally, an amount of £48k has been provided for vaults in Cemeteries. Both of these were previously charged to the Council's Revenue Account but are, in fact, within the definition of capital expenditure and should be charged to the Programme accordingly.

Revenue Implications of the Capital Programme

- 3.34 Ordinarily, consideration of the capital programme would need to consider the relationship between capital investment and the revenue budget. The revenue implications that arise from capital investment decisions include the following:

(a) **the cost of borrowing** - this comprises two elements:

- an interest cost arising from either new cash borrowing or where we choose to redeem investments (and thereby forego interest receipts) in order to have sufficient cash to meet capital payments when they fall due. ***The estimated cost of interest payments in 2026/27 is £500k.***
- a principal repayment (known as the Minimum Revenue Provision or MRP) which is required to reduce the net indebtedness of the Council. Variant options exist under which the MRP liability can be calculated and the Council agrees an annual policy in this respect each year in March as part of the Treasury Management Strategy Statement. In general terms the MRP charge is aligned with the useful life of the asset for any new borrowing. ***The estimated cost of MRP in 2026/27 is £884k.***

(b) **investment income foregone** – the programme relies on the generation of capital receipts which if not used to fund capital expenditure could be retained and invested and thereby earn interest to credit to the revenue account.

(c) **revenue contribution to capital** – the General Fund revenue budget is presented elsewhere on the agenda for this meeting. ***Subject to approval, it is not expected there will be any revenue contribution to capital in the next financial year;***

(d) **operational costs/savings** – some of the capital projects proposed in the programme may have ongoing revenue implications – these might include ongoing maintenance costs or cost reduction/avoidance for example from energy efficiency measures or regulatory compliance.

3.35 An assessment of the revenue implications of the proposed capital programme for 2026/27 has been undertaken and the impact set out above has been reflected as appropriate in the General Fund Revenue Budget presented elsewhere on this agenda. However, should the proposed programme change, it may be necessary to undertake a further assessment to establish the impact on the revenue budget.

Prudential Indicators

3.36 The Prudential Code for Capital Investment in Local Authorities requires various indicators to be approved by the Council; those applicable to this council are shown in **Appendix C**. Following approval, these indicators will be monitored where required throughout the year and provide a benchmark against which actual performance will be assessed. In accordance with the requirements of the above code the level of borrowing assumed in the proposed capital programme for 2026/27 is considered to be affordable, prudent and sustainable.

4. Link to Council Plan Priorities: (Providing High Quality Services and Facilities, Proud and Connected Communities and Places, Good Growth and Housing and Healthy Communities)

- 4.1 The development of the Council's capital programme and revenue budget is undertaken within the corporate service planning and performance management framework so as to ensure that resources are directed to those activities which help achieve the council's objectives and priorities.

5. Implications

Financial Implications

- 5.1 The financial implications are as given the report.

Legal and Governance Implications

- 5.2 There are no legal implications arising directly from the contents of this report. In accordance with s32 of the Local Government Finance Act 1992 (LGFA 1992), annually the Council must calculate and approve its budget requirement for the forthcoming financial year. A report elsewhere on the Agenda for this meeting deals with the Council's General Fund Revenue Budget, whereas this report deals with the Capital Programme.
- 5.3 The Local Government Act 2003 introduced additional requirements for local authorities in respect of capital finance and accounting. Fundamental to this is the requirement to comply with the Prudential Code drawn up by the Chartered Institute of Public Finance and Accountancy (CIPFA). The Code requires local authorities to establish a range of 'prudential indicators and limits' and to monitor these on an ongoing basis. Those prudential indicators and limits that are applicable to this Council are shown at Appendix D to this report.
- 5.4 Other than these requirements, and those other matters referred to in the body of the report, there are no direct legal implications arising from the contents of this report.

Risk Management

- 5.5 In terms of the robustness of the estimates in the capital programme, all practical steps have been taken to identify and make provision for the Council's capital commitments in the proposed programme for 2026/27 within the level of resources available.
- 5.6 Councillors will appreciate that there may be additional projects identified during the year for which there is currently no provision within the proposed capital programme. In the event that any such projects come forward, and there are no additional capital resources available, there will be a need to consider how they can be funded from within the existing capital resources envelope. Invariably, this might mean schemes approved as part of the proposed programme being either delayed or not progressed at all.

- 5.7 The development of the capital programme is a complex task and is based on estimates of future income and expenditure. Councillors will appreciate that these estimates are made on the basis of the best information known when undertaking the work. It is necessary, for example, to make assumptions about the disposal of assets during the year to determine the level of capital receipts that might be available; this is a key area of risk for the Council given the extent to which receipts are required to fund the programme. Similarly, assumptions have to be made about the timing and availability of external funding.
- 5.8 Whilst every effort is made to ensure these estimates are robust, Councillors should be aware there is a risk that both internal and external factors may have an impact on the delivery of the capital programme. To minimise and control the impact of this, the Council has in place various mechanisms including for example, financial and contract procedure rules, budgetary control and monitoring arrangements, particularly through the Policy and Resources Committee.
- 5.9 The Capital Programme for 2026/27 includes a range of proposals for capital investment. These proposals have been identified through the Council's service and financial planning process and represent areas of investment that are necessary to contribute to the achievement of the Council's strategic objectives. The risk of not approving any, or all, of the service development proposals is that the Council may not be able to fulfil these requirements with a resulting impact on service delivery, customer expectations and achievement of national targets where applicable.
- 5.10 In relation to the potential risks faced by the Council, there needs to be a balance between maintaining and improving service delivery and the sustainability of the financial standing of the Council. The capital bids above exceed the Council's present resources and it is important, therefore, that these are critically reviewed and prioritised to ensure the Council's limited resources are applied most effectively. There is the risk, however, that not all policy objectives of the Council that require capital investment can be pursued.

Climate and Biodiversity Implications

- 5.11 There are no climate and biodiversity implications arising directly from the contents of this report.

Human Resources Implications

- 5.12 There are no Human Resources implications arising directly from the contents of this report.

Equality and Diversity Implications

- 5.13 There are no Equality and Diversity implications arising directly from the contents of this report.

6. Consultation

- 6.1 As outlined in the report, it is proposed to undertake consultation on budget matters to inform the development of the Budget for 2026/27.

7. Alternative Options Considered

7.1 The development of the budget may involve considering budget options.

8. Statutory Officer Sign off (please put an x in the relevant box below)

Section 151 Officer	✓
Monitoring Officer	✓

9. Background Documents

Contact Officers

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