

FAREHAM

BOROUGH COUNCIL

Report to the Executive for Decision 13 January 2025

Portfolio:	Policy and Resources
Subject:	Capital Programme & Capital Strategy 2025/26
Report of:	Assistant Director (Finance and ICT)
Corporate Priorities:	Responsive, Inclusive and Innovative Council

Purpose:

This report considers the Capital Strategy for 2025/26, prior to its submission to the Council for approval.

Executive summary:

Regulations require the Council to prepare and formally approve a Capital Strategy. The document for 2025/26 is attached as Appendix A to this report for consideration by the Executive before being submitted to Council for approval.

The Capital Strategy gives a high-level overview of how capital expenditure, capital financing, asset management and treasury management activity contribute to the provision of services along with an overview of how associated risk is managed and the implications for future financial sustainability.

The main highlights in the Capital Strategy are:

- i) The **5-year** programme contains capital expenditure of **£85.9 million** (compared to £82.3million in the previous Strategy). Key projects included are:
 - Completion of Fareham Live and demolition of Osborn Road car park
 - Construction of Assheton Court sheltered housing apartments
 - Holly Hill Woodland Park Restoration
 - Fareham Park Vision
 - Aeronautical Ground Lighting at Daedalus
 - Land purchase for Nutrient Mitigation In Stubbington
 - Vehicle purchases for the introduction of Simpler Recycling
- ii) **New schemes** that are proposed since the 2024/25 Capital Strategy are listed at paragraph 30. There is currently no provision in the programme for Town Centre Regeneration requirements which will be subject to a separate report.
- iii) The revised level of capital expenditure estimated for **2024/25** is **£30 million** (previously £16.4 million). This significant increase reflects streams of external

funding that the Council has been successful in attracting, such as from Homes England for Assheton Court housing, or is pursuing, such as Lottery Grant funding for Holly Hill Woodland Park. The current estimate is that only £2.3 million of the spend will need to be met by new borrowing.

- iv) However, there are a number of pressures highlighted in the Capital Strategy, not least for the General Fund asset management and replacement plans. In particular, the estimated provisions for vehicle replacement and ICT development are such that it is proposed that **Revenue Contributions to Capital** are now increased by £225,000 to £1.35 million a year. This is covered by the Revenue Budget report at the same meeting.
- v) There are also a number of pressures on the **HRA** element of the Capital Strategy. In particular, the value of the planned maintenance of the stock has been increased from £3million to £4million and is one of the reasons that no further funds are being put aside to repay the HRA debt at this moment. This will be covered further in the HRA budget report to the February Committee.
- vi) The **funding of the 5-year Strategy** relies on forecasts of resources that are not yet in place. These total £64 million (75% of the programme).
- vii) A high-level review of **future funding requirements** has also identified a capital funding requirement of £229 million over the next 30 years.
- viii) The Strategy proposes some **policy clarifications**. This includes expanding the capitalisation of officer salary costs that are directly attributable to capital schemes, to now be considered as part of the total project costs

A separate report proposing the Treasury Management Strategy and Investment Strategy for 2025/26 will be presented at the February meeting of the Executive. The value of the Council's **investment property portfolio** is covered in the Capital Strategy and is estimated to have a value of £66 million.

Recommendation:

It is recommended that the Executive:

- (a) endorses the draft Capital Strategy for 2025/26, attached as Appendix A to this report;
- (b) agrees the Capital Programme for the period 2024/25 to 2028/29, amounting to £85.9 million as set out in Annex 1 of the Capital Strategy; including the 2 new schemes listed at paragraph 30;
- (c) approves the use of £800,000 retained business rates in the Enterprise Zone for the Swordfish Business Park masterplan, and a further £820,000 for access road improvements.
- (d) submits the Capital Strategy for 2025/26 to Council for approval;
- (e) notes the future policy change to expand the capitalisation of permitted officer salary costs;

- (f) notes the increased projected costs and contract variations that have arisen for the AGL scheme at Daedalus, and the proposed funding source; and
- (g) approves the recommendation arising from the negotiations detailed in confidential Appendix B.

Reason:

To allow the Council to approve the Capital Strategy in accordance with the Prudential Code.

Cost of proposals:

As detailed in the report.

Appendices:

A: Capital Strategy 2025/26 (including 5-year capital programme as Annex 1 and New Schemes as Annex 2)

B: Additional information for Daedalus Construction Schemes Update (Confidential)*

** Commercially exempt from publication under Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972*

It is not in the public interest to publish this information at this time as doing so would prejudice the Council's ability to achieve best value when spending public monies

Background papers: None

Reference papers:

CIPFA Prudential Code 2021

Arlingclose Capital Strategy 2025/26 Template

Climate Change Action Plan Update – Annual Review 2023/24, Climate Change Scrutiny Panel, 15 October 2025

The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003

Enquiries:

For further information on this report please contact Caroline Hancock 01329 824589.