

## **Capital Strategy Report 2026/27**

### **Introduction**

1. The Capital Strategy Report gives a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of local public services. The report provides an overview of how associated risk is managed and the implications for future financial sustainability.
2. Decisions made this year on capital and treasury management will have financial consequences for the Council for many years into the future. They are therefore subject to both a national regulatory framework and to local policy framework, summarised in this report.

### **Capital Expenditure and Financing**

3. Capital expenditure is where the Council expends money on assets, such as property, vehicles or other assets that will be used for more than one year. In local government this includes spending on assets owned by other bodies, and loans and grants to other bodies enabling them to buy assets. The Council has some limited discretion on what counts as capital expenditure, for example assets costing below £5,000 are generally not capitalised and are charged to revenue in year. A review is currently being undertaken as to appropriate de-minimis level below which capitalisation will not take place. Details of the Council's policy on capitalisation is set out in the annual Statement of Accounts.
4. In 2026/27, the Council has a capital budget of £293.8m as summarised below:

**Table 1: Prudential Indicator: Estimates of Capital Expenditure**

<b>Capital Expenditure &amp; Financing (£m)</b>	<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>	<b>2028/29</b>	<b>2029/30</b>	<b>2030/31</b>	<b>Total 2025/26-2030/31</b>
	<b>Budget</b>	<b>Budget</b>	<b>Budget</b>	<b>Budget</b>	<b>Budget</b>	<b>Budget</b>	
Corporate Assets	48.3	50.1	31.6	23.5	14.3	3.5	<b>171.2</b>
South Kilburn	26.9	45.0	31.7	19.4	12.0	6.9	<b>141.9</b>
Infrastructure and Regeneration	84.2	68.2	21.3	29.9	25.4	0.0	<b>229.0</b>
Schools	25.5	34.3	27.0	18.6	5.0	0.0	<b>110.4</b>
Housing HRA & Management	24.5	44.9	35.5	23.4	23.0	5.0	<b>156.3</b>
Affordable Housing Supply	119.3	51.3	67.0	63.2	32.8	0.0	<b>333.7</b>

<b>Total Capital Expenditure</b>	<b>328.9</b>	<b>293.8</b>	<b>214.0</b>	<b>177.9</b>	<b>112.5</b>	<b>15.4</b>	<b>1,142.5</b>
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5. For more information and detail of budgets please refer to section 14 of the main budget and council tax report.
6. All capital expenditure must be financed, either from external sources (government grants and other contributions), the Council's own resources (revenue, reserves and capital receipts) or debt. The planned financing of the above expenditure is as follows:

**Table 2: Capital financing**

<b>Capital Financing (£m)</b>	<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>	<b>2028/29</b>	<b>2029/30</b>	<b>2030/31</b>	<b>Total 2025/26-2030/31</b>
	<b>Budget</b>	<b>Budget</b>	<b>Budget</b>	<b>Budget</b>	<b>Budget</b>	<b>Budget</b>	
Grants	83.3	46.5	27.9	18.9	9.0	5.6	<b>191.2</b>
Section 106 & CIL	43.6	43.4	29.6	30.8	24.2	3.8	<b>175.4</b>
Capital Receipts	3.6	14.5	37.4	6.0	0.4	0.0	<b>61.9</b>
Earmarked Reserves	5.3	3.0	2.5	1.0	0.1	0.7	<b>12.6</b>
Major Repairs Reserve	13.7	16.6	13.0	13.0	13.0	0.0	<b>69.3</b>
Revenue Contributions	6.5	1.4	1.6	0.6	0.6	0.0	<b>10.7</b>
Borrowing	172.9	168.4	102.0	107.6	65.2	5.3	<b>621.4</b>
<b>Total Capital Financing</b>	<b>328.9</b>	<b>293.8</b>	<b>214.0</b>	<b>177.9</b>	<b>112.5</b>	<b>15.4</b>	<b>1,142.5</b>

7. Debt is only a temporary source of finance. Since loans and leases must be repaid, they are therefore replaced over time by other financing, usually from revenue which is known as minimum revenue provision (MRP).
8. Planned MRP to 2030/31 is as set out in the table 3. Capital receipts will be used to finance the capital programme as set out in the table above rather than to repay debt. The Council's MRP Policy is set out in Appendix J to the Budget and Council Tax report 2026/27.

**Table 3: Funds available for the replacement of debt**

<b>Debt Repayments (£m)</b>	<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>	<b>2028/29</b>	<b>2029/30</b>	<b>2030/31</b>	<b>Total 2025/26-2030/31</b>
	<b>Estimate</b>	<b>Estimate</b>	<b>Estimate</b>	<b>Estimate</b>	<b>Estimate</b>	<b>Estimate</b>	

MRP on Prudential Borrowing	16.9	20.5	24.7	31.4	39.3	47.7	<b>180.5</b>
MRP on PFI Schemes & Leases	9.8	9.8	9.8	9.8	9.8	9.8	<b>58.8</b>
<b>Total MRP</b>	<b>26.7</b>	<b>30.3</b>	<b>34.5</b>	<b>41.2</b>	<b>49.1</b>	<b>57.5</b>	<b>181.8</b>

9. The Council's Minimum Revenue Policy Statement for 2026/27 is presented as an Appendix J to the annual Council Tax and Budget Setting Report.
10. The Council's cumulative outstanding amount of debt finance is measured by the capital financing requirement (CFR). This increases with new debt-financed capital expenditure and reduces with MRP used to replace debt. The CFR is expected to increase to £1,641.4m during 2026/27 and then to reduce to £1,739.1m by 2020/31. Based on the above figures for expenditure and financing, the Council's estimated CFR is as follows:

**Table 4: Prudential Indicator: Estimates of Capital Financing Requirement**

CFR Movement (£m)	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate
<b>Opening CFR</b>	1,357.1	1,503.3	1,641.4	1,708.8	1,775.3	1,791.4
Capital Expenditure	328.9	293.8	214.0	177.9	112.5	15.4
External Resources	(126.9)	(89.9)	(57.5)	(49.7)	(33.2)	(9.4)
Internal Resources	(29.1)	(35.5)	(54.5)	(20.6)	(14.1)	(0.7)
MRP (including PFI/Leases)	(26.7)	(30.3)	(34.5)	(41.2)	(49.1)	(57.5)
<b>Closing CFR</b>	<b>1,503.3</b>	<b>1,641.4</b>	<b>1,708.8</b>	<b>1,775.3</b>	<b>1,791.4</b>	<b>1,739.1</b>

### **Capital Programme Governance and Prioritisation**

11. The capital programme is updated annually for new schemes, revised profiling, slippage, and changes in expenditure projections. The capital programme and budget is set out in section 14 in the main Budget and Council Tax 2026/27 report.

### **Pipeline Schemes**

12. During the year the individual capital sub-boards developed a comprehensive list of opportunities and proposals for future aspirational capital investment to meet the

council's strategic objectives. These outline bids are then collated by the Capital Programme Management Office. Currently there are 16 schemes on the Pipeline totalling £472.2m which would potentially be funded through grants, levies, section 106 contributions or borrowing. At this stage these strategic pipeline schemes are only indicative and will proceed through Sub-boards, Capital Programme Board and or Cabinet for approval. Furthermore, Officers will be required to produce detailed business cases, undertake feasibility and consult as appropriate before getting to this stage. The capital budget includes contingency for pipeline schemes approved in the year.

### **Capital Programme Board & Governance**

13. This Board is the key governance forum for the capital programme. The Board reviews all capital investment and new opportunities, oversees and maintains the list of pipeline schemes and ensures outcomes are aligned with Council's aspirations and reflective of the circumstances within Brent.
14. Officers carried out a review of the governance of the capital programme in 2025/26 with the objectives of strengthening risk and project management and streamlining processes. Following this review, changes to the Board structure include the merger of the Public Realm Board with the Corporate Landlord Board to create a new Corporate Assets Board responsible for overseeing the management of council owned assets. The remit of the housing boards has been clarified so that the Affordable Housing Supply Board will cover the capital programme to deliver new housing whilst the HRA and Housing Management Board will cover capital investment in Brent's existing housing stock. There are no changes to the remit of the Infrastructure and Regeneration Board.

### **Prioritisation criteria**

15. The general criteria for scoring proposals are summarised below, higher scores were applied based on the following criterion:
  - **Strategic Alignment** - How the scheme meets the outcomes of a key service objective as stated in a strategy document, business plan or action plan.
  - **Statutory Obligations** - How the delivery of a scheme is essential to ensuring the Council meets the statutory need and without the project, the Council would otherwise be at risk of failing to meet.
  - **Risk** - Whether the success of the project is dependent on mitigating high associated risks.
  - **Financial Return** - Whether the scheme generates ongoing revenue savings, a capital receipt or attract external funding (partial or fully).
  - **Demand and Demographic Changes** - whether the scheme is required following a change in demographic, economic or social change that impact the borough and will reduce the demand for services in the borough.

## **Asset management**

16. To ensure that capital assets continue to be of long-term use, the Council has a Property Strategy. The Strategy sets out a proactive, data-driven framework aligned with its Borough Plan to transform its property portfolio into a sustainable, carbon-neutral, and financially viable resource that delivers social, economic, and environmental value. It classifies assets across four strategic themes of Strategic Hold, Actively Manage, Invest, and Dispose to ensuring each property is reviewed and managed according to its community benefit, condition, and alignment with council priorities.

## **Asset disposals**

17. In line with the Council's Property Strategy, the Council would dispose of a building when it no longer meets service needs, is financially unviable to maintain, or does not align with strategic objectives for community benefit and regeneration. The proceeds from a disposal are known as capital receipts and can be re-invested on new assets or to repay debt. Repayments of capital grants, loans and investments also generate capital receipts.

18. The Council expects to receive £21.2m of capital receipts in the current financial year, and a further £20.0m in 2026/27 and £28.4m in 2027/28. A significant proportion of these arise from land receipts sold to assist with a regeneration project, on the South Kilburn site as well as housing sold under the right to buy (RTB) scheme. For more information on programme budgets please refer to section 14 of the main Budget and Council Tax report. The Council is highly likely to have capital receipts in future years and this will be profiled accordingly into future strategies as the information becomes readily available. The capital receipts expected in future financial years (at this point in time) are as follows:

**Table 5: Capital receipts**

	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	Total 2025/26 - 2030/31
	Estimate (£m)	Estimate (£m)	Estimate (£m)	Estimate (£m)	Estimate (£m)	Estimate (£m)	
Capital Receipts	21.2	20.0	28.4	9.2	9.8	9.2	<b>97.8</b>

## **Treasury Management**

19. Treasury management is concerned with keeping sufficient but not excessive cash available to meet the Council's spending needs, while managing the risks involved. Surplus cash is invested until required, while a shortage of cash will be met by borrowing, to avoid excessive credit balances or overdrafts in the bank current account.

20. The Council is typically cash rich in the short-term as revenue income is received before it is spent, but cash poor in the long-term as capital expenditure is incurred before being financed. The revenue cash surpluses are offset against capital cash shortfalls to reduce overall borrowing.
21. At 31 December 2025, the Council held £1,003.2m of borrowing (£938.1m long term and £65.0m short term) at an average rate of 4.0%. The Council also held £42.0m of short term cash investments at an average rate of 4.2%.

### Borrowing strategy

22. The Council's main objectives when borrowing is to achieve a low but certain cost of finance while retaining flexibility should plans change in future. These objectives are often conflicting, and the Council therefore seeks to strike a balance between short-term loans (currently available at around 4.3% to 4.5%) and long-term fixed rate loans where the future cost is lower (PWLB Annity Standard Rate currently around 4.6% to 6.0%). The Authority does not borrow to invest for the primary purpose of financial return and therefore retains full access to the Public Works Loans Board.
23. Projected levels of the Council's total outstanding debt (which comprises borrowing, PFI liabilities and leases) are shown below, compared with the capital financing requirement.

**Table 6: Prudential Indicator: Gross Debt and the Capital Financing Requirement**

Gross Debt & the Capital Financing Requirement (£m)	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate
External Loans	1,043.1	1,211.7	1,313.6	1,421.2	1,486.4	1,491.7
PFI & Leases	24.7	22.7	20.4	17.0	15.6	15.6
<b>Total External Debt Liabilities</b>	<b>1,067.8</b>	<b>1,234.4</b>	<b>1,334.0</b>	<b>1,438.3</b>	<b>1,502.0</b>	<b>1,507.3</b>
<b>Internal Borrowing</b>	<b>435.5</b>	<b>407.0</b>	<b>374.9</b>	<b>337.0</b>	<b>289.4</b>	<b>231.8</b>
<b>Capital Financing Requirement</b>	<b>1,503.3</b>	<b>1,641.4</b>	<b>1,708.8</b>	<b>1,775.3</b>	<b>1,791.4</b>	<b>1,739.1</b>

Statutory guidance prescribes that debt should remain below the capital financing requirement, except in the short-term. As can be seen from Table 6, the Council expects to comply with this regulation.

### Affordable borrowing limit

24. The Council is legally obliged to set an affordable borrowing limit (also termed the authorised limit for external debt) each year. In line with statutory guidance, a lower "operational boundary" is also set as a warning level should debt approach the limit.

**Table 7: Prudential Indicators: Authorised limit and operational boundary for external debt**

£m	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
	Limit	Limit	Limit	Limit	Limit	Limit
Authorised Limit	1,800.0	2,000.0	2,000.0	2,000.0	2,000.0	2,000.0
Operational Boundary	1,600.0	1,800.0	1,800.0	1,800.0	1,800.0	1,800.0

25. Further details on borrowing are contained within the Council's treasury management strategy.

### Treasury Investment Strategy

26. Treasury investments balances arise from receiving cash before it is required to be paid out again. Investments made for service reasons or for pure financial gain are not generally considered to be part of treasury management.

27. The Council's policy on treasury investments is to prioritise security and liquidity over yield and to focus on minimising risk rather than maximising returns. Cash that is likely to be spent in the near term is invested securely, for example with the government, other local authorities or selected high-quality banks, to minimise the risk of loss. Money that will be held for longer terms is invested more widely, including in bonds, shares, and property, to balance the risk of loss against the risk of receiving returns below inflation. Both near-term and longer-term investments may be held in pooled funds, where an external fund manager makes decisions on which investments to buy, and the Council may request its money back at short notice.

**Table 8: Treasury management investments**

£m	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
	Counterparty Limit					
<b>Short term investments</b>	20.0	20.0	20.0	20.0	20.0	20.0
<b>Long term investments</b>						
<b>UK central Government</b>	Unlimited	Unlimited	Unlimited	Unlimited	Unlimited	Unlimited
<b>Other long term treasury investments</b>	20.0	20.0	20.0	20.0	20.0	20.0

28. Further details on treasury investments are contained within the Council's treasury management strategy.

**Risk management:** The effective management and control of risk are prime objectives of the Council's treasury management activities. The treasury management strategy therefore sets out various indicators and limits to constrain the risk of unexpected losses and details the extent to which financial derivatives may be used to manage treasury risks.

29. Decisions on treasury management investment and borrowing are made daily and are therefore delegated to the Corporate Director of Finance and Resources, who must act in line with the treasury management strategy approved by Council. Reports on treasury management activity are presented quarterly to Cabinet and Full Council, whilst the Audit & Standards Advisory Committee is responsible for scrutinising treasury management decisions.

### **Investments for Service Purposes**

30. The Council makes investments to assist local public services, including making loans to council subsidiaries to promote economic growth. In light of the public service objective, the Council is willing to take more risk than with treasury investments, however it still plans for such investments to break-even after all costs.
31. Decisions on service investments are either made by Cabinet or under delegated authority or set down in the approved investment strategy. Most loans and shares are capital expenditure and purchases will therefore also be approved as part of the capital programme. Further details on service investments are contained within the investment strategy.
32. The risk of incurred unexpected losses is managed by working closely with counterparties and through the securing the loans where necessary, which would allow the Council to recover significant funds in the event of a default. A limit of £650m is placed on total investment for service purposes, to ensure that plausible losses could be absorbed within budgets or reserves without unmanageable detriment to local services.
33. The Council issued a new loan and equity facility of £40m in 2025/26 to its subsidiary i4B Holdings Ltd for the acquisition of properties, which are then offered as affordable rented homes in line with the Council's temporary accommodation reform plan. This is an invest to save initiative as i4B Holdings Ltd alleviates affordable housing pressures for the Council. Neither the Council nor i4B Holdings Ltd anticipate a requirement for a further facility in 2026/27.

34. The Council has an existing property portfolio to support regeneration and develop community assets and these properties also secure a financial return. Such properties generate £3.3m per annum in rental income. The Council does not invest in commercial property primarily for yield and does not plan to in the future.

35. The principal risk exposures include voids, high maintenance costs and diminution of capital values. These risks are managed by the existing risk management framework. In order that property investments remain proportionate to Brent's size, they are under constant review and contingency plans are in place should expected yields not materialise.

### **Other Liabilities**

36. In addition to debt of £1,043.1m detailed in Table 6 above, the Council is committed to making future payments to cover its pension fund deficit (valued at £162.0m –latest report available Report March 2022 and revalued every three years).

37. Decisions on incurring new discretionary liabilities are taken by Service Managers in consultation with the Corporate Director, Finance and Resources. The risk of liabilities crystallising and requiring payment is monitored by Corporate Finance and reported quarterly to Cabinet.

### **Revenue Budget Implications**

38. Although capital expenditure is not charged directly to the revenue budget, interest payable on loans and MRP payments are charged to revenue, offset by any investment income receivable. The net annual charge is known as financing costs. The table below compares this to the net revenue stream (the amount funded from Council Tax, business rates and general government grants).

***Table 9: Prudential Indicator: Proportion of net revenue stream to financing costs***

Financing Costs to Net Revenue Stream	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate
	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
Financing Costs (Interest & MRP) (£m)	36.2	39.1	49.6	56.1	61.5	68.6
Net Revenue Stream (£m)	431.4	499.3	533.7	568.4	589.5	611.5
<b>Proportion of net revenue stream (%)</b>	<b>8.4%</b>	<b>7.8%</b>	<b>9.3%</b>	<b>9.9%</b>	<b>10.4%</b>	<b>11.2%</b>

39. Due to the very long-term nature of capital expenditure and financing, the revenue budget implications of expenditure incurred in the next few years will extend for up to 50 years into the future. The detailed information contained within the Treasury Management Strategy and the Budget & Council Tax Report 2026/27, as well as the

prudential indicators included above demonstrates how the Corporate Director for Finance and Resources is satisfied the proposed capital programme is prudent, affordable, and sustainable.

### **Knowledge and Skills**

40. The Council employs professionally qualified and experienced staff in senior positions with responsibility for making capital expenditure, borrowing and investment decisions. Staff working in the Capital and Treasury finance teams keep their continued professional development up to date through external training, such as that provided by CIPFA and Arlingclose Limited as well as other providers. The Council also pays for junior staff to study towards relevant professional qualifications including, for example, Chartered Institute Public Finance & Accountancy (CIPFA).
41. Where Council staff do not have the knowledge and skills required, use is made of external advisers and consultants that are specialists in their field. The Council currently employs Arlingclose Limited as treasury management advisers. This approach can be more cost effective than employing such staff directly and ensures that the Council has access to knowledge and skills commensurate with its risk appetite.