

### Capital Strategy 2026/27 to 2030/31

#### 1. Background

- 1.1. CIPFA's Prudential Code for Capital Finance in Local Authorities and Ministry of Housing, Communities and Local Government (MHCLG) Investment Guidance require all local authorities to produce a Capital Strategy. This strategy must demonstrate that the authority:
  - makes capital expenditure and investment decisions that support its service objectives;
  - considers stewardship, value for money, prudence and affordability;
  - sets out the long-term context for capital expenditure and investment planning; and
  - evaluates both risk and reward including how these decisions affect the delivery of priority outcomes.
- 1.2. The Capital Strategy aims to ensure that all Council members understand the long-term policy objectives, capital requirements, governance frameworks and risk appetite, while recognising the complex and challenging financial environment in which the Council operates.
- 1.3. The CIPFA definition of investments within the Treasury Management Code includes "non-treasury" or commercial investments. These are investments held primarily to generate financial returns, such as portfolios of investment properties. This strategy therefore covers all non-treasury investments the organisation currently holds or intends to acquire. Treasury investments and their associated risks are addressed separately in the Council's Annual Investment Strategy, which is included in Appendix 6 of the General Fund budget report.
- 1.4. The Prudential Code and Treasury Management Codes ensure that:
  - Local authorities cannot borrow for the primary purpose of commercial return;
  - Further transparency is required for non-treasury investments, including new indicators that demonstrate proportionality of non-treasury investments to the council's income and reserves.
  - Councils are required to have Investment Management Practices (IMPs), for non-treasury investments (like loans or properties). These outline how investments will be managed, monitored, and governed ensuring decisions are safe, prudent and properly overseen – like Treasury Management Practices (TMPs) used for cash and borrowing.
- 1.5. Under the Prudential Code and the Treasury Management Code, the council must establish parameters governing its borrowing and treasury management activities, including setting an authorised borrowing limit for each financial year that must not be exceeded. These parameters are detailed through the prudential indicators set out in Annex C of the Treasury Management Strategy. The indicators ensure that all borrowing undertaken by the council is prudent, affordable and sustainable.
- 1.6. CIPFA issued a consultation in August 2025 on the Prudential Code for Capital Finance in Local Authorities and Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes, seeking views on areas where the Codes can be strengthened or amended, including around commercial and service investments. The results of the consultation are yet to be published,

and are very unlikely to result in any changes to the 2026/27 reporting requirements.

- 1.7. This Capital Strategy is reported separately from the Treasury Management Strategy Statement which ensures the separation of the core treasury management function, focused on security, liquidity and yield principles, and the policy and commercial investments usually driven by expenditure on assets.
- 1.8. When the council finances capital expenditure through borrowing, it must set aside an annual charge to revenue to repay that debt, known as the Minimum Revenue Provision (MRP). The approach for calculating the MRP must comply with the guidance issued by MHCLG. The council's MRP policy for 2026/27 aligns with the current guidance and is presented in Appendix 6 of the budget report for approval.
- 1.9. The balanced budget for 2026/27 is dependent the government granting the Council £15 million in Exceptional Financial Support (EFS). This will be met in the form of a capitalisation directive, which will allow certain revenue costs to be treated as capital expenditure for the purpose of financing. Although the underlying pressures are revenue-related, the capitalisation directive enable EFS to be managed through the capital and treasury framework. Accordingly, EFS will be shown within the capital financing assumptions because it contributes to the Council's Capital Financing Requirements (CFR) and prudential indicators and will be monitored and reviewed regularly.

## 2. Governance & Risk Frameworks

- 2.1. The council's Financial Regulations provide the framework for control, responsibility and accountability in the proper administration of the council's financial affairs. In accordance with these regulations, the S151 Chief Financial Officer is responsible for ensuring a capital programme is prepared, considered by Cabinet and approved annually by full Council.
- 2.2. The council's Standard Financial Procedures set out the key controls governing the management of the council's financial affairs, including the capital programme. The principal controls for the capital programme are:
  - Full Council must give specific approval to the programme of capital expenditure, alongside the annual revenue budget process, setting out the phasing of expenditure and the associated sources of funding and financing;
  - For each significant capital project, a scheme and estimate must be prepared, including an options appraisal, project plan, progress milestones, and any related revenue implications.
  - No capital scheme may proceed without necessary approvals being obtained.
  - Proposals for improvements or alterations to buildings must be approved by the relevant Chief Officer in consultation with the Head of Strategic Property.
  - An officer-led Capital Programme Board, established in 2023/24, reviews new schemes, business plans and all variations to the Capital Investment Programme before they are submitted to Cabinet for approval. The Board is chaired by the Chief Finance Officer and attended by Directors and senior officers responsible for departmental capital programmes.
  - Major rolling capital programmes require a detailed report to Cabinet covering all schemes within each programme. This will include, but is not limited to, the

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Housing stock programme, Education, the Asset Management Fund (AMF), Corporate Planned Maintenance (PMB), Commercial Asset Investment Fund (CAIF), Digital, Data & Technology (DDaT) Strategy, the Strategic Investment Fund (SIF) and the Local Transport Plan (LTP). These may be reported either individually or through a Targeted Budget Management (TBM) report;

- The development and delivery of an Asset Management Plan.
- Clear assignment of an accountable budget holder for each scheme and /or programme component.
- Ongoing monitoring of progress against approved capital budgets with prompt corrective action taken to address any overspends; progress is reported monthly to Chief Officers and at least quarterly to Cabinet.
- Full compliance with the council's Corporate Procurement Strategy and Contract Standing Orders.

### Management of Risk

- 2.3. The council provides several critical services, and its core purpose is to meet its statutory duties for the benefit of the citizens of the city. The council's key priority is to protect the delivery of these services. Therefore, the council needs to take a measured approach to balancing the risks of any capital investment decisions with the resources available for delivering key services against the benefits accruing from the investment.
- 2.4. The council's Risk Management Process is managed by:
- (i) assigning accountability to key officers to enable review, and challenge processes and assurances;
  - (ii) using a "three lines of defence" model to map out how it gains assurance over its activities, processes and risks. This is reported within the Annual Governance Statement. An example is given below on using the three lines of defence to structure and categorise assurances for procurement.

An organisation might identify contract management as a key risk. The assurance map would then set out the sources of assurance that enable senior management and members to satisfy themselves that this risk is being managed. Under the three lines of defence, these assurances are categorised as follows:

**First line:** controls and processes followed by service managers who own and manage risks. In this case, these would be the controls and processes followed by contract managers who are responsible for procuring and managing contracts.

**Second line:** controls and processes operated by managers responsible for overseeing risks. These typically monitor the first line of defence operated by managers and in this case might include risk management and procurement compliance functions.

**Third line:** functions providing independent assurance. This is a key role for Internal Audit and is sometimes considered to include external inspectorates.

- (iii) monitoring and tracking delivery of the assurances throughout the year to help strengthen the risk management and control environment through the Risk Reporting Timetable that sets out the specific review period for risks at Directorate Leadership Teams (DLT) and the Corporate Leadership Team (CLT). Directorate and strategic risks are reviewed by DLTs, with newly identified risks, escalated risks, suggested amendments to strategic risks and the Directorate Risks reported to CLT as part of their risk review. Risks are reported to Cabinet for review at least annually.

The Audit, Standards & General Purposes Committee have oversight of the risk management process and review the Risk Management Framework annually.

2.5. Risks specific to the delivery of the capital programme and Capital Strategy are managed by a range of processes and groups:

- Financial risks (e.g. overspending, slippage and re-profiling) are managed through the council's Targeted Budget Management (TBM) process which is reported at least quarterly to Cabinet.
- The progress of major infrastructure projects is monitored through the officer led Capital Programme Board.
- Any significant changes to the direction, or financial or legal risks of any major scheme, are reported back to CLT and Cabinet.

### 3. Capital Strategy

3.1. Capital resources are available to the council for investment in assets and play a vital role in delivering Council Plan priorities. This section sets out the strategy and plans for capital expenditure. The recommended Capital Strategy outlines the process for prioritising and evaluating capital investment projects. The key priorities are as follows;

- **Protect Core Funding:** Seek to safeguard capital grant funding for education, housing, transport network and public realm investment;
- **Pool Resources:** all remaining non-ring-fenced capital resources and allocate these to priority investment areas;
- **Strategic Investment Fund (SIF)** Allocate £0.250m per annum for 'major projects' that support economic growth through regeneration of key sites, often leveraging housing development;
- **Digital Future Fund:** From 2027/28 onward, allocate £1.000m per annum to the Information Technology & Digital Future Fund to provide continued investment in the Digital Data and Technology Strategy alongside Innovation Fund resources;
- **Digital Transformation:** From 2026/27 create a 4-year fund totalling £5.000m to complement the Digital Future Fund for investment in digital and AI technology for enabling revenue savings and productivity
- **Commercial Assets Investment Fund (CAIF):** Allocate £0.500m per annum to maintain and improve existing commercial and agricultural properties to protect and potentially enhance commercial revenue income.
- **Asst Management Fund (AMF):** Allocate £1.000m per annum for essential property improvements, reduce backlog maintenance, improving sustainability

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and energy efficiency in buildings where possible, and lowering longer term maintenance costs;

- **Borrowing for Maintenance:** Commit a minimum of £2.000m per annum through borrowing to support planned maintenance in operational and social care buildings;
- **Asset Review and Social Value:** Assess surplus or underperforming assets for social versus disposal value with the aim to maximise social benefits within a across a 4-year asset management plan;
- **Capital Receipts Strategy:** Subject to social value assessment generate capital receipts from the disposal of surplus or under-performing assets and deploy proceeds as follows:
  - Investment in Transformation and change programmes
    - Use government’s ‘capital receipt flexibilities’ to fund appropriate from capital receipts where this delivers efficiencies (savings) and service improvements, or;
    - Reinvest in approved capital investment programme schemes, or;
    - Repay debt or invest to mitigate loss of rental income in the revenue budget;
  - Reinvesting into Housing Supply
    - Use net receipts from ‘Right to Buy’ council housing sales to increase housing supply;
    - Use of capital receipts to invest in council owned Temporary Accommodation;
- **Use of Unsupported Borrowing to:**
  - Fund service improvements supported by approved robust business case demonstrating value for money or return on investment, with financing costs reflected in the revenue budget.
  - Purchase vehicles and plant where an options appraisal confirms borrowing offers best value for money with financing costs included in the revenue budget;
  - Support Council plan priorities, ensuring financial impacts are treated as commitment in future years’ budgets and remain affordable;
  - Restructure funding of the approved capital programme where this improves efficiency in using capital and revenue e-sources;
- Exploring **external funding options** including partnerships and one-off bidding opportunities. For capital through funding streams such as: National Heritage Lottery Fund, Arts Council, Homes England grants or Local Authority Housing Fund (LAHF).
- **Leveraging council-owned land or property** to enable private sector or partnership-based investments including brownfield land release schemes;
- Identify and incorporate capital investment opportunities that support the City’s net zero carbon goals into future capita plans.

3.2. The financial resources used to fund the 2026/27 capital expenditure programme of £239.816m are included at Annex A and the full 5-year capital investment programme is included at Annex D.

### ***Housing Revenue Account (HRA)***

- 3.3. The HRA Capital Strategy is designed to support the priorities outlined in the Council Plan 2023-27 and Housing Strategy. The Council Plan's 'Homes for Everyone' outcome aims to: improve housing quality, increase housing supply and improve housing support for residents. To achieve these aims, the Council will:
- Invest in building and fire safety to meet new duties under the Building Safety Act
  - Ensure compliance with anticipated new social housing regulations
  - Improve the energy performance and sustainability of council homes through the capital programme.
  - Increase the number of new affordable homes delivered by the council and other registered providers
  - Buy back council homes previously sold through the right to buy policy.

These priorities inform the Housing Revenue Account Capital Investment Programme for 2026/27. An update Asset Management Strategy is currently being developed and will be considered by Cabinet. For further information, see the HRA Budget and Capital Investment Programme 2026/27 and Medium-Term Financial Strategy.

- 3.4. The Housing Capital Programme is designed to deliver significant investment in the council's housing stock, enhancing the quality and safety of homes. In response to the legislative and regulatory changes introduced after the Grenfell Tower tragedy, the programme prioritises building, health and fire safety compliance, and prepares for the enhanced oversight of the Regulator of Social Housing through strict adherence to Consumer Standards. The initiative also aims to reduce the carbon footprint of council housing and expand the supply of affordable homes to address the city's housing shortage. Capital investment will focus on:
- Health and safety Improvements
  - Delivery of planned and major works
  - Sustainability & carbon reduction initiatives
  - Development of additional council homes

- 3.5. In October 2018, the Minister for Housing, Communities & Local Government issued the Limits on Indebtedness (Revocation) Determination 2018, which came into effect on 29 October 2018. This measure removed borrowing restrictions for the Housing Revenue Account (HRA), allowing greater scope for building or acquiring additional homes and investing in the existing housing stock. Nevertheless, the HRA continues to operate within the Prudential Framework, meaning all new borrowing must be affordable, prudent, and sustainable. As such, every proposal will be subject to rigorous business case analysis and viability assessments.

- 3.6. Since 2012 the HRA has operated under 'self-financing' principles. The capital programme is financed through a combination of HRA sources, including rental income surpluses, borrowing, capital receipts, reserves, and external grants. These funds are ring-fenced for investment in council-owned housing stock. Further detail on the priorities and proposed investments can be found in the 'HRA Budget and Capital Investment Programme 2026/27 and Medium-Term Financial Strategy' report.

### 4. Capital Investment Plans 2026/27 to 2030/31

- 4.1. All capital expenditure plans are approved in line with the Council's Standard Financial Procedures. Full Council signs off the overall capital programme, while Cabinet approves detailed proposals and any amendments either through separate project reports or as part of regular Targeted Budget Management (TBM) reporting process.
- 4.2. Summary tables of showing capital investment plans by directorate for the same period are in Annex D.

### 5. Approach to Non-Treasury Investments

- 5.1. The council's primary non-treasury investments relate to its commercial property portfolio, which is described in more detail in Section 6 of the strategy.
- 5.2. The council uses its property assets - both operational and investment - to facilitate major infrastructure and regeneration projects. These assets help deliver significant facilities to the city, such as the King Alfred Leisure Centre, and support wider regeneration schemes that enable new housing and business development. Such projects, including Moulsecomb Hub development and the Black Rock site, also contribute to increasing income from council tax and business rates.
- 5.3. The council may also provide third-party loans and financial guarantees to enable external projects that support the four Council Priorities as set out in the Council Plan. Details of the current portfolio of such arrangements, along with the associated risks, are provided in Sections 7 and 8 of this strategy.
- 5.4. While income generation is an essential component of the business case for certain capital investments, the council will not invest in activities where generating yield is the primary purpose. However, the council may invest in existing commercial assets - such as its investment property portfolio - when works are necessary to maintain those assets and protect existing income streams. The Council does this through the CAIF to ensure the retained commercial properties maintain their value and therefore income streams. This approach reflects changes to PWLB lending rules made by HM Treasury and CIPFA's updates to the Prudential and Treasury Management Codes.
- 5.5. All non-treasury investment opportunities undergo a comprehensive checking process. This includes development of a full business case, risk assessment, sensitivity analysis and confirmation of legal compliance, including subsidy control considerations.
- 5.6. All proposals are subject to approval by Cabinet, with the delivery of major schemes monitored and overseen by the officer-led Capital Programme Board.

### 6. Investment Property Portfolio

- 6.1. The council holds a commercial property portfolio valued at £214 million (excluding the proportion of in-house assets partially leased, such as Hove Town Hall and Barts House), generating annual income of £13.400m (including all in-house income). This is based on valuations as of 31 March 2025. This represents a significant and reliable funding source that supports the delivery of council services. The council manages its assets through the Corporates Property Strategy and Asset Management Plan ([Asset Management Plan 2025](#)), which aligns property holdings with corporate priorities and strategic objectives. The key aims outlined in these documents are to:

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- Identify sites and capital receipts for delivery or purchase of Affordable Housing and Temporary Accommodation.
  - Ensure council operational assets and buildings are safe, well maintained and used effectively and efficiently to meet service need.
  - Deliver environmentally sustainable solutions as part of our property maintenance programme.
  - Provide accommodation to support the city economy and local businesses and city regeneration and preserve the city's culture and heritage.
  - Seek value for money and best use of our assets to achieve income and capital receipts and reduce expenditure to support the MTFS
- 6.2. There are key actions within the Asset Management Plan to rationalise our operational portfolio to reduce operational property costs by 25% by 2030, release urban fringe sites, rationalise our commercial portfolio and achieve net capital receipts of at least £50.000m by 2030 to support the MTFS. The Asset Strategy Programme has been developed to deliver these actions. Several assets from the commercial portfolio have been identified for disposal. This action also reduces risk within the portfolio and mitigates the council's liability.
- 6.3. Post pandemic there remains a high level of voids within the multi-let office properties. The future of these properties will be considered as part of the Asset Strategy
- 6.4. New England House, a central multi-let building accommodating office and light industrial tenants supporting creative and digital sectors of the local economy was closed following the identification of fire risks within the building. The closure of this building represented a significant rent loss to the commercial portfolio.
- 6.5. The table below sets out the current composition of the commercial property portfolio by both asset value and income. It highlights that the contracted property portfolio brings in half the revenue and the seafront bring in 20%. Both are predominantly retail based, showing the importance of the sector. New England House was bringing in nearly 10% of total income, so its closure will have a large impact, which has been recognised in the 2026/27 revenue budget.

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Portfolio		Income £'000	Income as a % of total income	Property Value £'000	Value as % of total Value	Average Yield of portfolio
Agricultural portfolio managed by Knight Frank	All	919	7.58%	63,820	30.77%	1.44%
Seafront	Commercial Properties	2,552	21.04%	36,743	17.72%	7.70%
	Seasonal & Concessions	155	1.28%			
	Chalets & Beach huts	121	1.00%			
Commercial property managed by Stiles Harold Williams	Contracted Property Portfolio (Predominantly Retail)	6,170	50.88%	85,710	41.33%	7.20%
	New England House*	1,175	9.69%	8,475	4.09%	13.86%
	Hove Technology Centre	111	0.91%	1,780	0.86%	6.22%
	Industrial House	281	2.32%	1,613	0.78%	17.43%
	Phoenix House	317	2.61%	3,854	1.86%	8.21%
	Lydean House	328	2.70%	5,403	2.61%	6.06%
<b>Total</b>		<b>£12,128</b>		<b>£207,399</b>		<b>5.85%</b>

\*New England House closed towards the end of 2025 and now produces no income

Note – the table excludes several sites managed “in-house” such as community centres, car parks and legacy sites owned by the council.

### 7. Loans to External Bodies

7.1. The council can provide capital loans to external bodies and organisations to support activities that align with the Council Plan and /or service objectives. These loans may, for example help fund projects that stimulate economic growth within Brighton & Hove.

#### **Governance**

7.2. Under the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003, any loan provided to an external organisation to fund expenditure that would be considered capital expenditure if it would be treated as capital if incurred directly by the council itself be treated. Consequently, all external loans are subject to the same governance framework that is applicable to the council's capital expenditure as set out in Section 2 of the strategy.

#### **Decision making & procedure**

7.3. Loans to external organisations are therefore considered on a case-by-case basis and are subject to a thorough due diligence process to ensure:

- the business plan receives adequate scrutiny by finance, legal and service officers, including external advisory where necessary, to evaluate the level of risk;
- the loan is compliant with the Subsidy Control regime;
- the recipient of the loan can afford the repayments.

7.4. As all external loans are classed as capital expenditure, Cabinet is ultimately responsible for agreeing the loan as part of the capital programme and will receive a report outlining the relative risks, benefits and financial and legal implications in each instance.

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- 7.5. The council is required to review all outstanding loans to external organisations. In line with accounting standards, the council must assess the risk of non-repayment and make an impairment provision with the likelihood that part or all the loan may not be recoverable
- 7.6. No overall cap has been set on the total loan value that may be provided to external bodies. Each loan is considered and approved based on its own merits.

### **Current portfolio**

- 7.7. The council has the following loans to external bodies outstanding as of 31 December 2025:

Organisation	Loan Value at 31 Dec 2025 £m	Purpose of loan & link to council priorities / service objectives	Meeting at which loan approved
Wave Community Bank (formerly East Sussex Credit Union)	0.250	To increase the reserves base for the organisation to increase affordable lending to local people and businesses, and to increase the provision of crisis loans to Brighton and Hove residents.	(1) PR&G Committee, 21 January 2016 (2) Extended to March 2036 by Policy & Resources Committee on 16 March 2023 (3) Additional variation in principle of £0.125m proposed in TBM Month 9 report to Cabinet on 12 February 2026. If approved and implemented, the loan will increase to a total value of £0.375m
Housing Joint Venture	0.834	Joint venture partnership with Hyde Housing Association for the delivery of 1,000 affordable homes within the city.	(1) PR&G Committee, 12 October 2017 (2) P&R Committee 21 October 2020 (3) Cabinet 21 June 2024
Royal Pavilion & Museum Trust	3.000	To provide a cash-flow loan facility for the Royal Pavilion and Museum Trust.	Cabinet, 21 June 2024 Cabinet, 11 December 2025
Brighton Dome & Brighton Festival Ltd	2.704	To support the capital redevelopment works to the Corn Exchange and Studio Theatre.	P&R Committee 13 October 2016

- 7.8. The council has provided £3.000m through a cash flow loan facility to the Royal Pavilion & Museums Trust (RPMT) to be repaid over a maximum period of 10 years. This was agreed at the Special P&R Committee of 30 July 2020 in response to the potential cash flow impacts of the pandemic. The December 2025 Cabinet report

approved deferral of loan repayments until 2031 but at the same time agreed a flat annual fee which reduced the pressure on the council's revenue budget.

- 7.9. The council has provided a loan of £2.704m to Brighton Dome & Brighton Festival Ltd toward capital works for the redevelopment of the Corn Exchange and Studio Theatre. The loan supported match funding toward a successful National Heritage Lottery and Arts Council grant for the project.

### **8. Financial and other Guarantees**

- 8.1. The council has provided guarantees relating to the performance of the following arrangements:

#### ***Brighton & Hove Seaside Community Homes (BHSCCH)***

The council has provided a rent guarantee to underwrite the rental income where Local Housing Allowance rates do not keep pace with inflation. The amount outstanding as of the 31 March 2025 under this rent guarantee was £0.849m. The contract stipulates that the rent guarantee will be returned to the council when BHSCCH achieves a level of surpluses as defined by the contract and business plan.

#### **Other schemes**

The primary purpose of the following schemes is not financial return, but rather to support the council's strategic priorities for the city. However, each project is expected to generate net revenue income for the council and is therefore included here for completeness.

#### ***Housing Joint Venture***

- 8.2. The council entered a joint venture with Hyde Housing Association to deliver 1,000 affordable homes across the city. The business plan and legal framework for Homes for Brighton & Hove LLP was updated to reflect the adoption of a new development company model. Under this model, HBH develops the homes and sells them to Council and Hyde.
- 8.3. The funding structure for these developments continues to require the council to provide loan equity to the LLP in accordance with existing loan facility agreements. These loans are issued to the LLP based on cashflow requirements and are repaid in full once the developments reach a more mature stage. The primary funding source for the council is the HRA which enters into purchase agreements when the LLP disposes of the homes. Development profits are then distributed between the council and Hyde.
- 8.4. HRA investment is included within the capital programme and is funded through HRA borrowing and where applicable external grant funding.
- 8.5. The first two development sites - Coldean Lane and Portslade – are now complete, delivering a total of 346 homes. The approval given was for 50% of the homes to be purchased by the HRA for an investment of up to £41.0m, including fees, and utilising Homes England Grant funding.
- 8.6. The next phase of developments continues to be worked on, with a further 306 homes being developed on the Sackville Trading Estate site and where the council will be purchasing 183 (60%) homes via the HRA which was approved at the June 2024 Cabinet meeting. This site is utilising Homes England Funding and will deliver homes at social rents. Further developments will continue to come forward which will require individual sign-off before progressing to the development stage.

**9. Proportionality & Summary of Risk Exposure**

- 9.1. The Capital Strategy provides single, comprehensive view of the council’s non-treasury investments, enabling transparent assessment of their overall scale, proportionality, and contribution to the council’s objectives.
- 9.2. The revised Prudential Code requires local authorities to report a new indicator comparing income from non-treasury investments with the council’s net revenue budget. This indicator is presented in the table below. compared to the net budget. This is shown in the table below.

<b>Net income from Non-Treasury Investments to Net Revenue Stream</b>	<b>2026/27 Estimate £m</b>	<b>2027/28 Estimate £m</b>	<b>2028/29 Estimate £m</b>
Income from commercial properties	12.691	12.917	13.150
<i>Net revenue budget</i>	<b>341.426</b>	<b>349.068</b>	<b>354.335</b>
<b><i>Ratio of net income from non-treasury investments to net revenue budget</i></b>	<b>3.72%</b>	<b>3.70%</b>	<b>3.71%</b>

- 9.3. The council’s underlying need to borrow is portrayed by its Capital Financing Requirement (CFR). The CFR increases where capital expenditure is financed through borrowing and reduces overtime through the application of the Minimum Revenue Provision (MRP), which is set aside to repay borrowing, as described in paragraph 1.8.
- 9.4. Any non-treasury investments funded through borrowing will therefore increase the council’s CFR. The table below shows the proportion of the General Fund CFR (excluding PFI liabilities and Rights of Use Assets) outstanding on 31 March 2025 and forecast to remain outstanding at 31 March 2026. This includes borrowing relating to the Council’s commercial investments where MRP has not yet been applied.

	<b>As at 31/03/25</b>	<b>Forecast to 31/03/26</b>
General Assets CFR	96%	97%
Phoenix House	2%	1%
Lyndean House	2%	2%
<b>Total General Fund CFR</b>	<b>100%</b>	<b>100%</b>

**10. Knowledge & Skills**

- 10.1. The council’s Section 151 Officer holds delegated responsibility for treasury and capital activities. This requires the post-holder to be a qualified accountant. The Section 151 Officer is a CIPFA-qualified, appointed by full Council, and maintains professional competence through ongoing Continuous Professional Development (CPD).
- 10.2. Treasury and capital strategies are prepared by a team of professional qualified accountants with extensive local authority experience. The council also engages MUFG (previously Link Asset Services) for specialist treasury and technical advice.

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Officers involved in treasury management maintain up-to-date knowledge through CPD.

- 10.3. All commercial projects are supported by multidisciplinary project teams drawn from relevant service areas. External specialist advice regarding commercial projects is commissioned when required.
- 10.4. The council's investment property portfolios are managed by Knight Frank (agricultural) and Stiles Harold Williams (SHW) (commercial), Both portfolios transferred to the new managing agents from July 2025. They are both leading property companies and provide dedicated teams of chartered surveyors supported by in-house specialist, ensuring that the council's Estates Management Team has access to comprehensive property expertise and services.
- 10.5. Training is provided to Members involved in decision-making and scrutiny of treasury matters to ensure their skills and knowledge remain current. The most recent took place on 19 January 2024, with an online version available on the Members' learning platform. Further training will be arranged as needed.

### **11. S151 Chief Financial Officer Assurance Statement**

- 11.1. This Capital Strategy has been prepared in accordance with the requirements of the 2021 CIPFA Prudential Code and the 2021 Treasury Management Code.
- 11.2. The Section 151 Chief Financial Officer has reviewed the Strategy with reference to CIPFA best practice and specialist external advice. The Officer is satisfied that the Strategy is prudent, sustainable and affordable within the Council's established risk framework and confirms that it is fully aligned with the of the Council's Medium Term Financial Strategy and Treasury Management Strategy Statement.

#### **List of Annexes:**

Annex A – Capital Resources 2026/27

Annex B - List of current non-treasury investments

Annex C - List of planned non-treasury investments

Annex D – Summary tables of Capital Investment Plans for 2026/27 to 2030/31

### Capital Resources 2026/27

A fully funded Capital Investment Programme is proposed for 2026/27 based on current approved project budgets and anticipating net usable capital receipts £31.521m. Table 1 sets out the proposed financing for 2026/27.

The outlook for 2027/28 and future years will be clearer after confirmation of government grant allocations. Government support continues to be provided through capital grants, most of which are un-ringfenced, except for the Devolved Schools Capital Grant, which must be allocated to schools.

TABLE 1: Capital Resources	2026/27
	£ million
Capital Grants:	
- Capital grant announcements in previous years and profiled for spend in 2026/27	22.393
- New capital grants	37.716
<b>Total Government Support</b>	<b>60.109</b>
Capital Receipts Reserve	31.521
Capital Reserves	0.184
Specific Reserves	1.000
External Contributions	3.564
Direct Revenue Funding – Housing Revenue Account	16.777
Direct Revenue Funding – Service Departments	0.500
Council Borrowing	126.161
<b>Total Capital Resources</b>	<b>239.816</b>

### Capital Grants

The Government provides capital grants to support specific areas of capital expenditure. In 2026/27, the council expects to receive £37.716m in new capital grants, as set out in Table 2, along with £22.393m from previously announced grants now reprofiled for use in 2026/27.

Additional grants may be announced during the year; these will be reported to Cabinet through TBM budget monitoring.

The new capital grants are in three main areas:

- **Education** - £4.543m (estimated, pending announcement) to support the maintenance of school buildings and Children's Centres.
- **Transport** - £5.300m (estimated, pending announcement) for transport schemes and highways maintenance, including the Highways Maintenance and Integrated Transport block grants, assumed allocations for pothole repairs, the Highways Maintenance Incentive fund, and Local Transport Plan funding.

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- **Better Care Fund** – allocation to support the Disabled Facilities Grant programme and Adult Social Care investment to be confirmed.

<b>TABLE 2: New Grants announced for 2026/27</b>	<b>£ million</b>
Education Capital Maintenance *	3.650
Schools Devolved Capital *	0.500
Basic Need Capital Grant	0.393
Disabled Facilities Grant & Better Care *	1.500
Highways Maintenance Block Allocation (LTP) *	1.974
Integrated Transport Block Allocation (LTP) *	3.326
Homes England Grant HRA	18.545
Brownfield Infrastructure Levy (HRA)	4.173
Local Authority Housing Fund (LAHF) Grant (HRA)	1.964
Brownfield Land Release Grant (HRA)	1.511
Energy Grants (HRA)	0.180
<b>Total</b>	<b>37.716</b>

\* Funding to be confirmed by government

### Capital Receipts

The funding of the capital investment programme assumes estimated net capital receipts of £31.521m in 2026/27. This includes larger receipts from the disposal of Bartholomew House, a property in Meeting house Lane and the Connaught Road Annex, amongst a range of other property disposals as reported within the Residential Property Strategy report and Commercial Investment Property Strategy report to committee in December 2023, the disposals approved by Cabinet on 27 June 2024, 24 April 2025 and 16 October 2025. These receipts are planned for investment in 2026/27 and future years' capital programmes. Progress will be closely monitored throughout the year for all receipts and reported through the regular TBM budget monitoring reports. Failure to achieve some of these receipts will require the capital allocations for future years to be reviewed.

The net receipts from 'right to buy' sales are reinvested directly in delivering additional housing. A sum of £8.895m is included for the application of receipts from right to buy sales within the 2026/27 capital programme, included in the £31.521m above.

### Capital Reserves

Capital reserves comprise of unspent resources carried forward from previous years that are already earmarked for specific schemes. These balances are monitored on a rolling basis by updating projections and comparing them with commitments in the approved Capital Investment Programme.

### Specific Reserves

Specific reserves will continue to support schemes aligned with their defined purposes or wider corporate priorities. These include:

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- **Brighton and Hove Seaside Community Homes** - funding refurbishment and maintenance in line with housing agreement.
- **Property Service Charge Reserve** - supporting investment at Phoenix House
- **Madeira Terrace Crowdfunding Reserve** - contributing to the Madeira Terraces redevelopment.
- **Sports Facilities Reserve** – funding maintenance works at Prince Regent.
- **Income Leaseholder and Earmarked Rent Reserves** - supporting delivery of the HRA Capital Investment programme.

### External Contributions

The council will utilise £3.564m of external contributions in 2026/27, comprising donations, partner and private contributions, and S106 funding. This includes £2.614m from Adur and Worthing to work in partnership to deliver The Brighton Marina to River Adur coastal protection works. Private donations will support the Royal Pavilion Estate Phase 2 development, and contributions from FMG Foundation will fund The Level – Velo Café Building.

### Direct Revenue Funding

The General Fund and Housing Revenue Account budget proposals include £17.277m of direct revenue funding. A summary of allocations is shown in the table below.

<b>TABLE 3: Direct Revenue Funding 2026/27</b>	<b>£ million</b>
Schools Services – Structural maintenance for schools	0.500
<b>Total General Fund Services</b>	<b>0.500</b>
Housing Revenue Account	16.777
<b>Grand Total</b>	<b>17.277</b>

### Council Borrowing under the Prudential Code

Council borrowing under the Prudential Code is permitted only where it can be demonstrated to be affordable - for example, when investment future service efficiencies, revenue savings or reduced budget costs. For 2026/27 it is proposed that the council undertakes borrowing of £126.161m to finance capital expenditure plans set out in Table 4.

<b>TABLE 4: Council Borrowing in 2026/27</b>	<b>£ million</b>
<b><i>Homes &amp; Adult Social Care</i></b>	
Knoll House Building Works	0.850
New Steine Mews – Health and Safety Works	0.100
Housing Needs IT System	0.073
HRA Capital Investment Programme 2026-27	73.794
<b><i>City Operations</i></b>	
<b><i>Environmental Services</i></b>	
Public Conveniences	0.555

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On-Street and Communal Bin Infrastructure	0.563
CNF - Improving the Communal Bin System	0.710
Procurement of Vehicles	2.500
<u>Place</u>	
Madeira Terraces Regeneration - Project Support	7.905
King Alfred Leisure Centre Regeneration Project	20.000
King Alfred Leisure Centre Regeneration project	3.483
<u>Culture &amp; Environment</u>	
Royal Pavilion Estate (Phase 1)	0.398
Royal Pavilion Estate Development (Phase 2 Gardens)	0.100
Brighton Centre Essential Maintenance	0.200
Parks and Open Spaces Investment	0.129
Seafront Railings Upgrade	0.280
Prince Regent Capital Works	0.378
The Level - Velo Cafe Building	0.080
Braypool Pavilion	0.075
Waterhall Sports Ground Pavilion	0.025
Happy Valley Pavilion	0.015
Victoria Rec Pavilion	0.100
Greenleas Pavilion	0.345
Stanmer Park - security	0.080
<u>City Infrastructure</u>	
Brighton Marina to River Adur Works	3.511
Valley Gardens Phase 3 (LTP)	2.557
Seafront Heritage Lighting Renewal Programme	0.800
CNF - Determining Emission Category Citywide Vehicle Fleet	0.030
Zebra 2 - Zero Emissions Buses	0.425
CCTV Expansion & Upgrade	0.150
<u>Digital Innovation</u>	
IT&D FIT Programme	0.240
IT Equipment for Members	0.040
IT&D Data Program	0.260
Local Area Network Hardware Refresh	0.380
New Digital Transformation Programme	1.250
<b>Central Hub</b>	

## Appendix 5 – Capital Strategy

<u>Property &amp; Finance</u>	
Madeira Terrace Structural Repairs	0.080
CNF - Carbon Reduction Measures to Operational Buildings	0.500
Planned Maintenance of operational buildings	1.500
Planned Maintenance - Social Services Buildings	0.500
<u>Welfare Revs and Business Support</u>	
Corporate Systems Improvement	1.200
<b>Total for Capital Programme</b>	<b>126.161</b>

## ANNEX B

**List of current non-treasury Investments**

Finance officers review these investments on an ongoing basis to monitor risks and escalate updates through the Capital Programme Board and Corporate Leadership Team (CLT) as required. The below table shows the Value as at 31 March 2025.

<b>Investment Type</b>	<b>Scheme Name</b>	<b>Value</b>
Investment Property Portfolio	Urban & Agriculture Property Portfolios	£214.000m
Loan to external body	The Wave Community Bank (formerly ESCU)	£0.250m
Loan to external body	Royal Pavilion and Museums Trust	£3.000m
Loan to external body	Corn Exchange & Studio Theatre	£2.704m
Financial Guarantee	Brighton & Hove Seaside Community Homes	£0.849m
Housing Property Joint Venture	Housing Joint Venture	£0.834m

**List of planned non-treasury Investments**

Finance officers review this list on an ongoing basis to monitor risks and escalate updates through the Capital Programme Board.

The TBM Month 9 Report 2025/26 (on this agenda) proposes an increase to the third-party loan to Wave Community Bank of £0.125m, which, if approved, would bring the loan to the total value of £0.375m. This loan variation would be approved in principle, as a variation will be subject to a Subsidy Control assessment.

*There are no other planned non-treasury investments.*

## Summary Tables for Capital Investment Programme 2026/27 to 2030/31

Families, Children & Wellbeing	Year 1 Budget	Year 2 Budget	Year 3 Budget	Year 4 Budget	Year 5 Budget
	2026/27 £000	2027/28 £000	2028/29 £000	2029/30 £000	2030/31 £000
<b>Approved Schemes</b>					
Universal Free School Meals	182	-	-	-	-
High Needs Provision Capital	1,419	-	-	-	-
<b>Identified Schemes Not Yet approved</b>					
Education Capital Maintenance Grant	3,650	3,600	3,600	3,600	3,600
Schools Devolved Formula Capital Grant	500	500	500	500	500
Structural Maintenance Contribution	500	500	500	500	500
Basic Need Capital Grant (26-27 onwards)	393	249	-	-	-
<b>Total Families, Children &amp; Wellbeing</b>	<b>6,644</b>	<b>4,849</b>	<b>4,600</b>	<b>4,600</b>	<b>4,600</b>

City Operations	Year 1 Budget	Year 2 Budget	Year 3 Budget	Year 4 Budget	Year 5 Budget
	2026/27 £000	2027/28 £000	2028/29 £000	2029/30 £000	2030/31 £000
<b>Approved Schemes</b>					
Madeira Terraces Regeneration - Project Support	7,905	300	-	-	-
Madeira Terraces Bequest Funding	30	-	-	-	-
Public Conveniences	555	640	-	-	-
On-Street and Communal Bin Infrastructure	563	563	-	-	-
CNF - Improving the Communal Bin System	710	-	-	-	-
Procurement of Vehicles	2,500	2,500	2,500	2,500	2,500

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Brighton Marina to River Adur Works	8,000	-	-	-	-
Valley Gardens Phase 3 (LTP)	2,557	-	-	-	-
Seafront Heritage Lighting Renewal Programme	800	653	-	-	-
CNF - Determining Emission Category Citywide Vehicle Fleet	30	-	-	-	-
National Highways A27 Diversion Improvement	-	(93)	-	-	-
Zebra 2 - Zero Emissions Buses	2,092	-	-	-	-
CCTV Expansion & Upgrade	150	150	-	-	-
Active Travel A259	5,000	-	-	-	-
Stanmer Pond Restoration & Access Improvement	76	-	-	-	-
Parks and Open Spaces Investment	129	254	276	-	-
Royal Pavilion Estate (Phase 1)	398	-	-	-	-
Royal Pavilion Estate Development (Phase 2 Gardens)	2,800	2,650	98	-	-
Seafront Railings Upgrade	280	-	-	-	-
Prince Regent Capital Works	500	-	-	-	-
Seafront Facilities Improvements	63	-	-	-	-
The Level - Velo Cafe Building	557	-	-	-	-
Braypool Pavilion	75	125	900	-	-
Waterhall Sports Ground Pavilion	25	75	100	1,400	-
Happy Valley Pavilion	15	25	220	-	-
Victoria Rec Pavilion	100	-	-	-	-
Greenleas Pavilion	345	-	-	-	-
Patcham Place Pavilion	-	30	180	-	-
Preston Park Pavilion	-	40	360	-	-
East Brighton Park Pavilion	-	40	360	-	-
Heath Hill Pavilion	-	200	-	-	-
Brighton Centre Essential Maintenance	200	-	-	-	-
IT&D FIT Programme	240	-	-	-	-
IT Equipment for Members	40	40	40	40	-
Laptop Refresh 2023-25	28	-	-	-	-

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IT&D Data Program	260	-	-	-	-
IT&D Projects	380	-	-	-	-
Customer Digital	1,570	1,550	1,550	1,550	-
Customer Digital Programme - Comms website	402	-	-	-	-
<b><u>Identified Schemes Not Yet approved</u></b>					
New England House - City Deal	3,483	-	-	-	-
Strategic Investment Fund	250	250	250	250	250
King Alfred Leisure Centre Regeneration Project	30,000	30,000	-	-	-
Local Transport Plan - Capital Grant	3,326	3,390	3,698	5,206	5,300
Pothole Action Fund - Capital Grant	1,974	1,910	1,602	94	-
A27 Junction Improvements	-	3,515	2,800	9,311	-
Royal Pavilion Estate Development (Phase 3 Museum)	-	4,000	-	-	-
Stanmer Park - security	80	-	-	-	-
IT&D Fund	-	1,000	1,000	1,000	1,000
New Digital Transformation Programme	1,250	1,250	1,250	1,250	-
<b>Total City Operations</b>	<b>79,738</b>	<b>55,057</b>	<b>17,184</b>	<b>22,601</b>	<b>9,050</b>

	Year 1 Budget	Year 2 Budget	Year 3 Budget	Year 4 Budget	Year 5 Budget
<b>Homes &amp; Adult Social Care - HRA</b>	<b>2026/27</b>	<b>2027/28</b>	<b>2028/29</b>	<b>2029/30</b>	<b>2030/31</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b><u>Approved Schemes</u></b>					
Disrepair Capital Works	300	200	100	100	-
Windlesham Close	1,055	-	-	-	-
Fire Safety	(4,800)	-	-	-	-
New Build Refurbishment (Converting Spaces in Existing Buildings)	3,000	-	-	-	-
Structural Repairs	15,719	-	-	-	-
Moulsecoomb Hub - Housing	10,388	-	-	-	-
Rotherfield Crescent	1,000	-	-	-	-
Eastergate Road	6,594	-	-	-	-
EICR Compliance Programme	(3,000)	-	-	-	-
Large Panel Systems	5,133	-	-	-	-
Hollingbury Library	(35)	-	-	-	-
Portslade Village Centre	239	-	-	-	-
<b><u>Identified Schemes Not Yet approved</u></b>					
HRA Capital Investment Programme 2026-27	90,746	-	-	-	-
HRA Capital Investment Programme 2027-28	-	136,586	-	-	-
HRA Capital Investment Programme 2028-29	-	-	100,239	-	-
HRA Capital Investment Programme 2029-30	-	-	-	45,348	-
HRA Capital Investment Programme 2030-31	-	-	-	-	43,505
<b>Total Homes &amp; Adult Social Care - HRA</b>	<b>126,339</b>	<b>136,786</b>	<b>100,339</b>	<b>45,448</b>	<b>43,505</b>

	Year 1 Budget	Year 2 Budget	Year 3 Budget	Year 4 Budget	Year 5 Budget
Homes & Adult Social Care	2026/27 £000	2027/28 £000	2028/29 £000	2029/30 £000	2030/31 £000
<b><u>Approved Schemes</u></b>					
Knoll House Building Works	850	-	-	-	-
New Steine Mews – Health and Safety Works	100	-	-	-	-
LDV On-Going Costs - Community Homes (B&HSCH)	500	500	500	500	500
Housing Needs System	73	-	-	-	-
<b><u>Identified Schemes Not Yet approved</u></b>					
Better Care Funding - Capital Grant	500	500	500	500	500
Disabled Facilities Grant (Better Care Funding) - Capital Grant	1,000	1,000	1,000	1,000	1,000
Temporary Accommodation	10,000	-	-	-	-
<b>Total Homes &amp; Adult Social Care - GF</b>	<b>13,023</b>	<b>2,000</b>	<b>2,000</b>	<b>2,000</b>	<b>2,000</b>

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Central Hub	Year 1 Budget	Year 2 Budget	Year 3 Budget	Year 4 Budget	Year 5 Budget
	2026/27 £000	2027/28 £000	2028/29 £000	2029/30 £000	2030/31 £000
<b>Approved Schemes</b>					
Madeira Terrace Structural Repairs	80	40	35	-	-
CNF - Carbon Reduction Measures to Operational Buildings	500	500	500	500	-
Imperial Arcade/Arcade Buildings	116	-	-	-	-
Corporate Systems Improvement	1,200	205	-	-	-
<b>Identified Schemes Not Yet approved</b>					
Managing Staff Changes (Restructure / Redundancy)	1,250	500	500	500	-
Modernisation Enablers	3,326	3,326	2,326	1,326	-
Invest to Save (4-year plans)	4,100	2,000	900	900	-
Modernisation Legacy Projects (Pre 1/4/25)	-	-	-	-	-
Asset Management Fund	1,000	1,000	1,000	1,000	1,000
Planned Maintenance of operational buildings	1,500	1,500	1,500	1,500	1,500
Planned Maintenance - Social Services Buildings	500	500	500	500	500
Commercial Asset Investment Fund (CAIF)	500	500	500	500	500
<b>Total Central Hub</b>	<b>14,072</b>	<b>10,071</b>	<b>7,761</b>	<b>6,726</b>	<b>3,500</b>