



Kingston Capital Strategy 2025 - 2029

Total Capital Programme £316m



£30.91m investment to maintain the corporate estate



£18.38m to be financed through capital receipts



HRA capital investment estimated to be £119.15m



£5.04m to be financed by through S106 & CIL income



Schools Building Programme estimated to be £6.63m



£35.01m of grant funding awarded by local & central governments



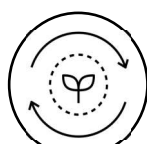
Digital & ICT capital expenditure estimated to be £7.53m



£57.24m capital investment on the Cambridge Road Estate Regeneration scheme



Highways, Transport and Infrastructure capital expenditure estimated to be £11.5m



Environment, Public Realm & Regeneration capital investment estimated to be £82.51m

Purpose of Capital Strategy

1. The Capital Strategy provides a high-level long-term overview of how capital expenditure and capital financing activities contribute to the provision of services. It provides an overview of how the risks associated with these investments will be managed and the implications for future financial sustainability.
2. The Capital Strategy is fully compliant with the Prudential Code for Capital Finance, which was revised by the Chartered Institute of Public Finance and Accountancy (CIPFA) in December 2021, in parallel with guidance to local authorities from the Department for Levelling Up Housing and Communities (DLUHC) now the Ministry of Housing, Communities and Local Government (MHCLG). The main purpose of the Code is to ensure that capital investment proposals are affordable, prudent and sustainable.
3. The aim of the Capital Strategy is to outline the overall long-term policy objectives and resulting capital strategy requirements, governance procedures and risk appetite. The Capital Strategy is reported separately from the Treasury Management Strategy Statement with non-treasury investments being reported through the former.
4. The strategy sets out in detail the recommended capital programme for the next four years for approval by Council. The Strategy also sets out the long-term context in which capital expenditure, investment and resourcing decisions are made to contribute towards the achievement of key strategic objectives and priorities.

Core Principles

5. A number of Core Principles underpin the capital strategy and its associated programme:
 - Capital investment decisions reflect the aspirations and priorities included within the Council's Corporate Plan and supporting strategies
 - Schemes to be added to the capital programme will be subject to a gateway process, prioritised according to availability of resources and corporate priorities in the Council's Corporate Plan.
 - The cost of financing capital schemes, net of revenue benefits, are profiled over the lifetime of each scheme and incorporated into the Medium Term Financial Strategy.
 - Commissioning and procuring for capital schemes will comply with the requirements of the council's constitution, financial regulations and contract standing orders.

Influences on Capital Strategy

Internal Influences

6. The Capital Strategy forms part of the **2025-29 Medium Term Financial Strategy** and is being presented for consideration at the People Committee on the 5th February 2025, the Place Committee on the 11th February 2025 and the Corporate & Resources Committee on 13th February 2025, and approval at Budget Council on 27th February 2025.
7. To ensure the direction and goals of the organisation are achieved, the capital programme is developed to closely align with the strategic priorities of the Medium Term Financial Strategy. However, in light of existing capital commitments and limited revenue resources to support additional borrowing, new schemes added to the capital programme were appraised using the following strategic objectives:
 - Invest to Save
 - Health & Safety
 - Utilisation of external funding
8. The Council Plan for 2024-28 has five strategic priorities shown below and projects are aligned to these themes as set out in Enclosure 1.

Fairer

- be an inclusive borough
- support children and young people
- promote health & wellbeing for all ages
- deliver quality homes & housing services
- support skills, training and good employment

Safer

- provide person-centred care for adults and children
- coordinate the response the emergencies and develop resilience
- work with partners to keep Kingston safe
- ensure a well-maintained and well-regulated borough

Greener

- promote sustainable transport & air quality
- reduce waste & support recycling
- improve the environment and promote biodiversity
- reduce energy use and carbon emissions

Together

- celebrate, strengthen and empower our communities
- support businesses & promote economic development
- collaborate with strategic partners & communities
- shape our borough through sustainable regeneration

Future Council

- deliver efficient services, communicating clearly with residents

- be responsible with our finances, commissioning good quality, good value services
- be led by data and insight
- invest in and transform our services
- provide the right infrastructure for the council and Kingston
- support and develop our staff

External Influences

9. **The London Plan and Mayor's Transport Strategy (MTS)** - the Mayor's London Plan sets out the strategic direction for London including the allocation of housing targets (therefore establishing growth patterns) and infrastructure investment. The London Plan adopted in 2021, provides a target of 9,640 homes for the borough over the next decade. The London Plan also designates Kingston with Opportunity Area (OA) status, which identifies potential for 9,000 new homes through improved access to public transport and 5,000 new jobs, particularly through an increase in office provision in Kingston Town Centre. The OA was designated as part of the Crossrail 2 South Growth Corridor. While the 2021 London Plan and MTS note the importance of the investment in Crossrail 2 (which has 10 stations located in Kingston), the significant loss of revenue experienced by TfL during the Pandemic has resulted in the Crossrail 2 funding being deferred, with no further information regarding reprogramming available.
10. **Economic Climate** - The economic impact of worldwide issues such as the longer term effects of the Covid-19 pandemic, the Russian invasion of Ukraine and the impact of the Israel/Gaza conflict all contribute to a more uncertain global economic outlook. The economic outlook for the country remains challenging, primarily due to the recent high levels of inflation. However, following on from this peak, inflation has levelled out and was 2.5% for the period up to December 2024, announced in January 2025.
11. **Local Economy** - the level of resources available to fund the capital programme is affected by the local economy. Payments through the Community Infrastructure Levy (CIL) and S106 are directly linked to development, together with values achieved for capital receipts from the sale of council owned vacant land, or buildings. The level of Right to Buy receipts are affected by the local housing market and government housing policy. Assumptions have been made on the total level of income and the capital programme will be adversely affected if not achieved.
12. **Austerity** - The Council's capital investment ambitions are made against a historic backdrop of austerity and past significant central government funding reductions. It is therefore vital that the Council's Capital Strategy ensures that assets are utilised in the most appropriate way to deliver corporate objectives, meet statutory requirements and sustain core infrastructure, whilst supporting the delivery of revenue savings and income generation.

13. **Shared Services** - the Council has a number of established partnerships in place for the delivery of shared services with other local authorities. The most relevant in terms of capital expenditure programmes are the shared Digital and IT and environmental services partnerships with the London Borough of Sutton and the South London Waste Partnership (SLWP), which is a partnership of four London boroughs (Kingston, Sutton, Merton & Croydon) for the delivery of improved and cost effective waste management services.

Long Term Strategic Plan

14. Kingston will see significant growth over the next 15+ years. Large parts of the borough have been designated as an Opportunity Area in the Mayor's London Plan. Opportunity Areas are areas across London, which are expected to see significant growth and change, often associated with major transport infrastructure upgrades.
15. Subsequently, the Council is reviewing opportunities across a number of large sites in the borough. Such opportunities include delivering service improvements in leisure, providing new and affordable homes and providing new commercial workspace. Capital budget provision has been included to carry out work to develop these proposals further, including viability testing of various options at each site.

Governance

16. The authority to approve the Capital Strategy rests with the Full Council, which approves it as part of the Medium Term Financial Strategy of the Council. The Corporate & Resources Committee have oversight of the capital programme during the year through in year monitoring of the capital budget position, and the review of outturn position at the end of the financial year. The committee also has delegated authority to take decisions on in year resourcing and priorities to deliver the budget policy framework.
17. Council approval of the programme gives an allocation to budget managers in the capital programme. Separate approval is required for any significant changes to the profiling or nature of that spend in-year, in line with financial rules set out in the Council's financial regulations.
18. Once approved, the programme is managed by officers and reported to the Corporate & Resources Committee on a quarterly basis. Key issues include any reported under, or over spends projected for schemes, together with changes in the profiling of spending over the four year budget period. For projects that are forecast to overspend, or for new projects within a financial year, officers are required to present a report to the Capital and Infrastructure Board prior to seeking committee approval. In all cases, the impact of scheme outcomes including timings are assessed and in the case of projected scheme overspends, options to reduce the additional expenditure are considered, including re-engineering or

scaling back projects, or trying to secure third party external funding to reduce the pressure on scheme budgets.

19. In all events, the Council will continually look to ensure that quarterly projections are as accurate as possible and a rigorous process is applied to ensure that budget managers are made accountable and the appropriate approvals are obtained (as referenced to the financial regulations) for any changes to the Council-approved four year programme.
20. A further internal scrutiny body - the Capital and Infrastructure Board ensures the Council's investment aspirations are in line with other key strategies, including but not limited to the Asset Management Plan and Housing Revenue Account Business Plan. The officer-led Capital and Infrastructure Board meets regularly to challenge and inform pipeline projects. All of the new bids and growth for capital projects put forward in this Capital Strategy has been subject to challenge and scrutiny at the Capital and Infrastructure Board.

Capital Budget Setting

21. Each year the Council reviews its capital expenditure plans and priorities for the next four years in order to agree a capital programme. This is undertaken alongside the revenue budgeting process in order that the impact of both is considered. Capital bids are submitted by services for the capital expenditure they require over the next four-year period. A rigorous, multi-stage, scrutiny process is then undertaken to review each capital bid and refine the contents where necessary.

Four Year Capital Programme 2025-26 to 2028-29

22. The capital programme sets out the Council's strategic plans for the acquisition and improvement of assets over the next four years. This includes expenditure on General Fund and Housing Revenue Account (HRA) schemes, totalling £316m, as shown in the table below. A detailed version can be found in **Enclosure 1** to this report.

Directorate	2025/26	2026/27	2027/28	2028/29	Total 2025-29
	£000's	£000's	£000's	£000's	£000's
Corporate Services	3,015	1,510	1,500	1,500	7,525
Place Residents & Communities	93,483	49,343	28,717	4,770	176,313
	2,614	1,906	5,075	3,023	12,618
GF Total	99,113	52,759	35,292	9,293	196,456
HRA	51,369	40,890	13,525	13,364	119,149
Grand Total	150,481	93,649	48,817	22,657	315,605

General Fund

23. The table below summarises that general fund capital programme by service area. Individual projects are detailed in Enclosure 1.

Service	2025/26	2026/27	2027/28	2028/29	Total 2025-29
	£000's	£000's	£000's	£000's	£000's
Digital and IT	3,015	1,510	1,500	1,500	7,525
Corporate Services Total	3,015	1,510	1,500	1,500	7,525
Housing General Fund	34,042	18,450	22,400	0	74,892
Major Developments Programme	23,025	20,703	0	0	43,728
Property	27,616	5,614	2,863	1,590	37,684
Regeneration & Economic Development	1,979	0	0	0	1,979
Shared Environment Service - Highways and Transport	6,820	4,576	3,453	3,180	18,030
Place Total	93,483	49,343	28,717	4,770	176,313
Major Contracts	2,614	1,906	5,075	3,023	12,618
Residents & Communities Total	2,614	1,906	5,075	3,023	12,618
Grand Total	99,113	52,759	35,292	9,293	196,456

General Fund Rolling Programmes

24. Within the general fund capital programme are a number of areas that require continued capital investment. In addition to the established rolling programmes, where the additional funding is being added for the new fourth year of the programme (2028/29), the proposed programme includes a rolling programme of works relating to education projects where an estimate of the available annual grant has been made across each of the four years of the programme.
25. The additional growth to the programme, required to fund these rolling programmes is summarised below:

Project	Additional Funding 2028-29
	£000
Technology Investment Fund	1,500
Corporate Services Total	1,500
Disabled Facilities Grant	840
General Fund Property Responsive Programme	400
Housing General Fund - Discretionary Grants	150
Planned Maintenance for c/w f/w works	1,750
Street Lighting Column Replacement Programme	440
Place Total	3,580
Grand Total	5,080

General Fund New Schemes

26. Additionally, a further 31 specific capital projects are proposed for inclusion, as outlined below:

Project	2025/26	2026/27	2027/28	2028/29	Total 2025-29
	£000's	£000's	£000's	£000's	£000's
TIF - Adult Social Care Digital Investment	400	0	0	0	400
Waste & Street Cleaning - Digital Improvements	210	0	0	0	210
Corporate Services Total	610	0	0	0	610
Burlington Junior School	490	0	0	0	490
Net-Zero Property Retrofit	2,758	2,221	2,143	840	7,962
Alexandra Primary School Playground works	81	0	0	0	81
Beverley House AfC Young People's Accommodation	200	0	0	0	200
Beverley Park Pavilion	337	148	0	0	485
Burlington Infant & Nursery Playground Equipment	126	0	0	0	126
Burlington Infant & Nursery Wet pour repairs	85	0	0	0	85
Churchfields Recreation Ground Pavilion	0	0	100	350	450
Ellingham School pathway relocation	99	0	0	0	99
Ellingham School pathway relocation	539	545	220	0	1,303
Fully Integrated Family Hub - Hub Development	2,596	2,134	0	0	4,730
Grand Avenue Primary School - structural collapse repairs	492	0	0	0	492
Grand Avenue Primary School - structural repairs	110	0	0	0	110
Kingston Museum and Library externals	240	0	0	0	240
Kingston Museum and Library external works	300	0	0	0	300
LED Lantern Replacement	630	0	0	0	630
LED Lighting Upgrade - Corporate Property	379	0	0	0	379
Replacement of 2 sets of outdoor play equipment	55	0	0	0	55
Strategic Cycle Route Completion - Kingston Road / Cambridge Road	2,200	1,100	0	0	3,300
Tolworth Recreation Centre -	156	0	0	0	156

ANNEX 11
(Updated)

Project	2025/26	2026/27	2027/28	2028/29	Total 2025-29
	£000's	£000's	£000's	£000's	£000's
Car park and ancillary Victoria Recreation Ground Pavilion	200	140	0	0	340
Weir Archer sports storage relocation	350	0	0	0	350
Place Total	12,423	6,288	2,463	1,190	22,364
Community Parks Programme	350	350	0	0	700
Villiers Road Redevelopment	423	251	5,075	3,023	8,772
Hogsmill Bridges	350	0	0	0	350
Leisure Centres - Outdoor Sports Pitches	274	100	0	0	374
Playzones	854	854	0	0	1,709
Queens Promenade	0	350	0	0	350
Residents & Communities Total	2,251	1,906	5,075	3,023	12,255
Grand Total	15,285	8,193	7,539	4,213	35,230

27. Every Council is required to prepare a schedule of Prudential Indicators in respect of the capital budget to demonstrate that capital investment is prudent, sustainable and affordable. These are included as part of the Treasury Management Strategy.

Strategic Priorities - General Fund

28. The 2025-29 capital programme has been mapped to the strategic priorities detailed in the 2024-28 Corporate Plan:

Strategic Priority	2025/26	2026/27	2027/28	2028/29	Total 2025-29
	£000's	£000's	£000's	£000's	£000's
Fairer	80,175	42,232	1,912	1,912	150,214
Future Council	5,766	1,510	1,500	1,500	10,276
Greener	12,153	8,017	10,490	10,490	44,846
Safer	15,002	12,009	8,405	8,405	42,554
Together	37,384	29,881	350	350	67,715
Grand Total	150,481	93,649	22,657	22,657	315,605

Capital Programme by Service

29. Some key highlights to this capital programme are captured as followed:

Education

Capital requirements for 2025-26 to 2028-29 include:

- Continue with the expansion of Burlington Junior School and Willow Centre of St Philip's School.



Schools Building Programme
estimated to be £6.63m

General Fund Property

- New CCTV hub and infrastructure
- Development of a new children's home
- Essential works and improvements to operational properties



General Fund Property
Programme estimated to be
£31.05m

Housing General Fund

- Housing General Fund planned expenditure includes £57.24m on the Cambridge Road Estate.
- £17.65m planned investment for the Temporary Accommodation Acquisition



Housing General Fund
Programme estimated to be
£74.89m

ICT

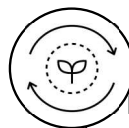
- Continued investment into device refresh and data centre replacement programmes
- £1.5m p/a rolling Technology Investment Fund
- Other ICT projects £0.26m



ICT capital expenditure
estimated to be £7.52m

Regeneration & Environment

- Delivery of the new community leisure centre £42.83m
- £4.76m investment in parks and local spaces
- £8.77m invested in the Villiers Road waste redevelopment scheme



Regeneration investment is estimated to be £58.32m

Highways, Transport & Regulatory Services

Existing Projects -Delivering more School streets, Planned Maintenance for carriageway and footway works and Street Lighting Column Replacement Programme



Highways, transport & regulatory services capital expenditure totalling £18.03m

Rolling Programmes

30. Rolling programmes of expenditure ensure that assets are replaced, or maintained in an appropriate and timely fashion. This represents a significant underlying, ongoing capital expenditure pressure for the council to continue business as usual. Each year the cost of rolling programmes is approximately £5.08m.
31. As part of the annual capital programme review process, services are required to submit capital bids for all rolling programmes, including the continuation of programmes into the fourth year of the budget (currently 2028-29) and any growth over normal levels. These programmes are then assessed alongside any new capital schemes.
32. The general fund property programme has a rolling programme of £0.4m per annum to carry out improvements and major repairs across the Council's property portfolio.
33. The Technology Investment Fund enables the Council to support service transformation and efficiency, and to replace and upgrade key equipment, as required.
34. The Highways capital programme has two rolling budgets; street lighting renewal at £0.44m per year and highways maintenance at £1.75m per year.
35. The Housing General Fund programme has a rolling budget of £0.15m p/a for discretionary grants.

36. The Disabled Facilities Grant rolling budget is £0.84m p/a. This programme provides grant payments to fund adaptations and disabled facilities to resident's homes.

Capital Pipeline

37. Capital schemes that are still in development, but likely to proceed subject to the necessary business case review are included within the capital pipeline. The total costs for these schemes have yet to be determined, but early stage feasibility work is already being undertaken. The capital pipeline is considering the investment needed to deliver the Council Plan and objectives. The capital pipeline includes the following areas:

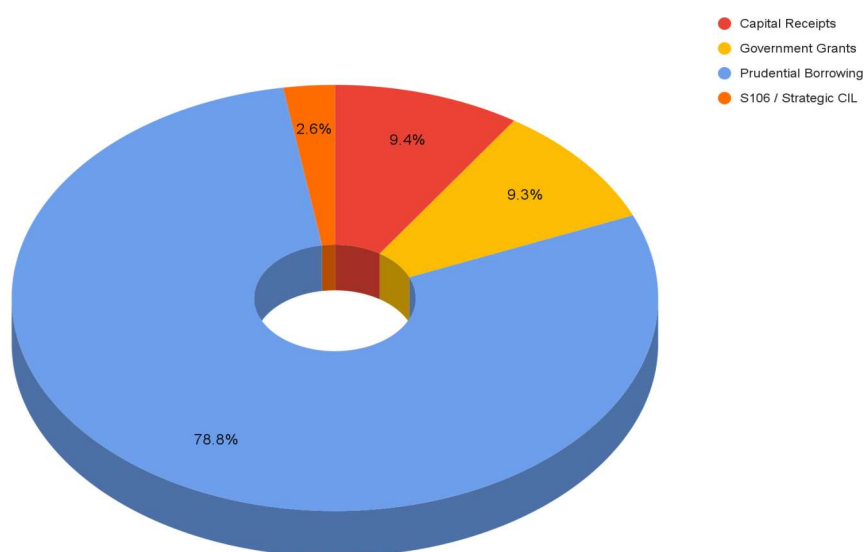
- Carbon reduction work such as the development of a District Heat Network
- Decarbonisation of the Council's property estate

General Fund Capital Resources

38. A summary of the proposed funding of the General Fund capital programme 2025-29 is shown in the table below:

Funding Source	2025/26	2026/27	2027/28	2028/29	Total 2025-29
	£000's	£000's	£000's	£000's	£000's
Capital Receipts	12,309	2,042	2,093	1,940	18,384
Government Grants	14,550	2,057	840	840	18,288
Prudential Borrowing	67,613	48,259	32,359	6,513	154,744
S106 / Strategic CIL	4,640	401	0	0	5,041
Grand Total	99,113	52,759	35,292	9,293	196,456

A visual representation of the Council's General Fund capital resources:



39. Funding can take place from a number of resources including borrowing, capital receipts, grants, reserves, external contributions and contributions from the revenue budget. Such resources available over the next four years to fund the programme have been projected.
40. **Capital Receipts** - As the sale and disposal of assets can be protracted and difficult to forecast, the final allocation of capital receipts to resource the programme is continually reviewed in-year. This four year programme expects to utilise **£18.38m** of capital receipts. The utilisation of these receipts will depend on the exact profile received and how they can best be utilised to minimise borrowing costs.
41. **Government Grants** - Almost 9.5% of the capital programme is funded from grants awarded by local and central governments. Grant funding is allocated to capital schemes according to the specific grant conditions attached to the funding. This capital programme will utilise **£18.29m** of grant funding, including the Disabled Facilities Grant (DFG) of £3.36m and Education Funding Agency grants just over **£11.33m**.
42. **Prudential Borrowing** - Planned prudential borrowing of **£154.74m** is being used to fund general fund expenditure in this capital programme. Sufficient provision has been made in the revenue budget over the medium term financial plan period for the annual cost of this borrowing. Expenditure on many of these schemes is subject to a financially viable business case being developed whereby sufficient revenue income or savings are generated to cover the cost of the planned borrowing.
43. A combined £154.74m of capital schemes will be funded from prudential borrowing, with £57.24m for Phase 1 of the CRE programme. Phase 1 CRE (£39.47m) is actually a loan provided to the CRE joint venture which will be fully reimbursed via capital receipts during the course of the project. The council includes this loan in the capital programme in line with proper accounting practices. Cambridge Road Acquisitions (£17.77m) is the buyback programme which again will be reimbursed by the joint venture on drawdown of the relevant phase/subphase. Borrowing requirements are dependent on forecast income from capital receipts and Community Infrastructure Levy agreements.
44. **Minimum Revenue Provision** - Where capital expenditure has been funded through the use of borrowing, the Council is required to set aside an amount from revenue each year to provide for the eventual repayment of this debt. The Minimum Revenue Provision policy is set out in Enclosure 2 of the Treasury Management Strategy. There is no requirement for the HRA to make a minimum revenue provision, but there is a requirement for a charge for depreciation to be made.
45. **CIL/S106** - Community Infrastructure Levy (CIL) and Section 106 (s106) are types of 'developer contributions', used to help fund the provision of infrastructure in

association with new development schemes. £4.64m is available to fund the General Fund capital programme in 2025-26, with a further £0.40m in 2026-27.

Education Grants

46. The **Basic Needs Grant** allocation for 2024-25 was received, which totals £7.01m. No allocation has been received yet for the future years so there is no assumption for future years. There is c. £3.2m in reserves to continue the completion of the Burlington School Expansion scheme and the voluntary-aided Church of England secondary school. A prioritised programme of works for future years will be developed.
47. **School Condition Allocation** - Works to maintain school buildings are funded from the capital maintenance grant received annually from the Government. These works are funded on a priority basis. No funding has been awarded for the period of the capital programme. However, c.£0.53m is available in reserves to fund schemes at St Luke's and Lovelace schools.
48. The **High Needs Provision** - No funding allocation has been confirmed for the period. Including reserves, the total available is c. £6.2m, which is allocated to fund the AfC Post-16 Campus bid and the Willow Centre at St Phillip's school.
49. **Transport for London** -In 2024/25 core LIP funding of £1.6m was agreed. Applications for 2025/26 were submitted in Q3 however as yet no confirmation of funding has been received but it is anticipated that it will be at a similar level to 2024/25. The annual programme and funding has not been captured in this budget and it is expected that funding allocations will be confirmed in February/March 2025 following which the corresponding budgets will be added to the capital programme.

Disabled Facilities Grant

50. Disabled Facilities Grants are funded by the Department for Levelling Up, Housing & Communities to make adaptations to disabled residents homes. The Council was awarded £1,658,063 in 2024/25 and the government has committed to similar levels of funding until 2025.

GLA Loan

51. As part of the Cambridge Road Estate regeneration programme, the GLA has made a £26m interest free loan to RBK. The loan will support the cost of land assembly, right of light compensation and staffing costs (RBK). The loan is to be used only for qualifying expenditure and the business plan assumes a reallocation between phases, in order to mitigate funding costs along the lifetime of the project.

Housing Revenue Account

52. The Council's 30 year HRA Business Plan sets out plans for maintaining and investing in its housing stock of rented and leaseholder properties. The HRA is investing in maintaining the housing stock to the levels in the 2021 stock condition survey from our external partner.
53. In addition to planned maintenance, which includes a component replacement schedule to achieve SAP C energy ratings for our existing housing stock, £9.8m has been included for decarbonisation and retrofit works over the next four years.
54. Each year, the 30 year housing revenue account business plan is reviewed to take account of any changes to factors including reflecting changes to housing policy, economic assumptions such as new homes, both acquired and new build, inflation and interest rate forecasts, stock condition and levels of RTB sales.
55. The HRA Programme of capital expenditure over the next four years 2025-26 to 2028-29 is £119.15m. Overall the HRA capital programme is set to improve existing HRA assets, increase supply, address a programme of planned works to estates and other demand driven projects.
56. The HRA capital programme covers four years and includes the cost of annual rolling programmes to repair and maintain the housing stock. Table 7 shows the amounts in 2028/29 which are the final year year of the new programme and represent the planned investment on the housing stock, including £9.8m for the retrofit and decarbonisation programme within HRA Asset Improvements over the four year period.

HRA	2025/26	2026/27	2027/28	2028/29	Total 2025-29
	£000's	£000's	£000's	£000's	£000's
1-4-1 Developments	8,160	7,007	0	0	15,167
Cambridge Road Estate Development	19,922	16,249	2,993	1,412	40,577
HRA Asset Improvements	7,054	6,360	6,752	7,672	27,837
HRA Health & Safety	50	50	50	50	200
HRA Housing Conversion	500	500	500	500	2,000
HRA Major Capital Works	2,500	3,055	2,200	2,200	9,955
HRA Refurbishment	1,100	659	550	1,050	3,359
HRA Statutory Compliance	2,527	1,061	480	480	4,549
New Homes Delivery	9,273	5,950	0	0	15,223
Other HRA Projects	282	0	0	0	282
Grand Total	51,369	40,890	13,525	13,364	119,149

New schemes for 2025/26

57. After reviewing affordability against the 30 year business plan, only 1 scheme has been added to the HRA capital Programme for the 2025/26 refresh. The CRE Rehousing programme is the requirement to facilitate the relocation of current tenants within the CRE (Cambridge Road Estate Area) in alignment with the scheduled regeneration redevelopment, in adherence to the CRE rehousing and decant policies, all while maintaining a flexible, transparent, and fair approach.

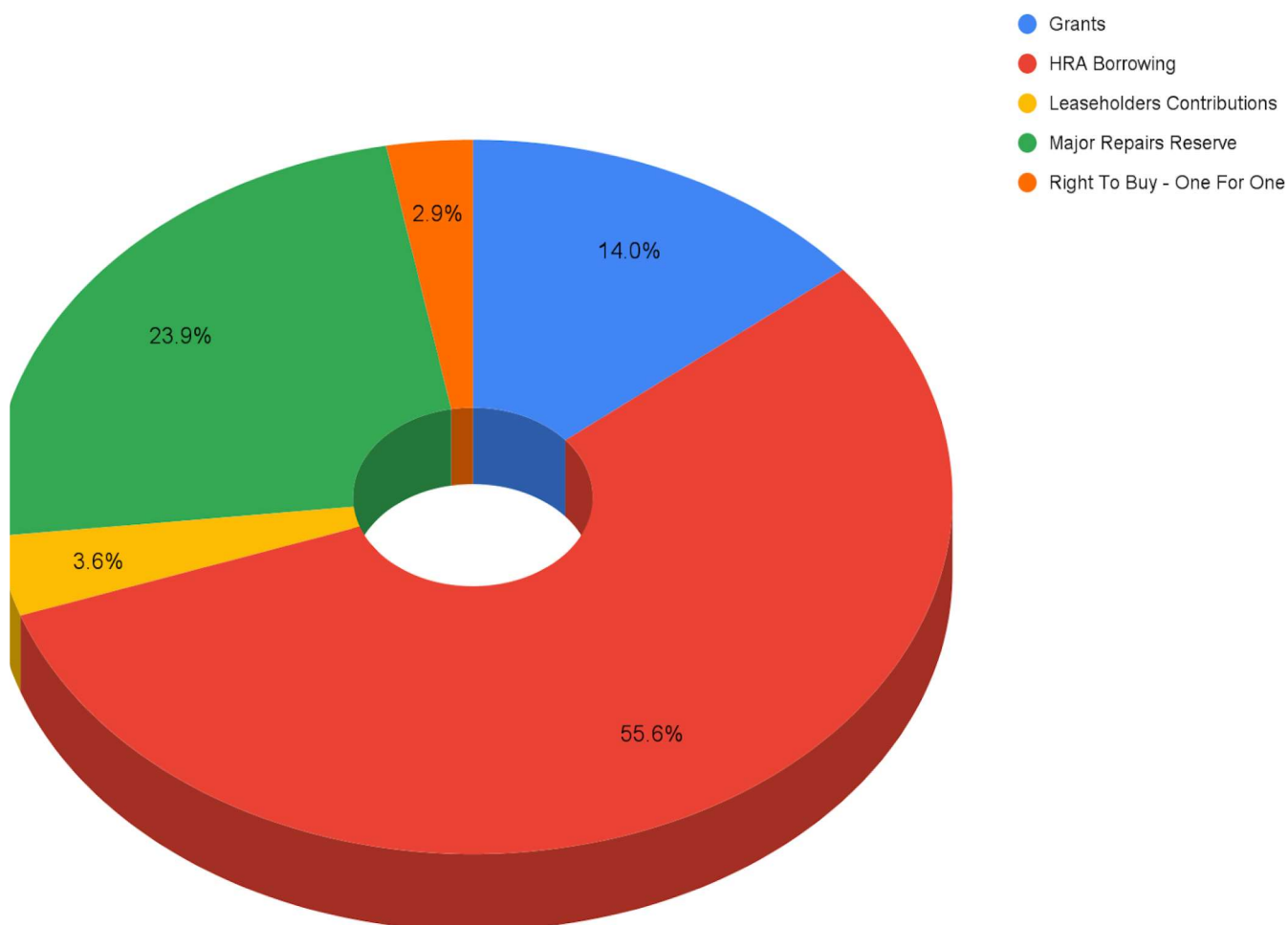
HRA	2025/26	2026/27	2027/28	2028/29	Total 2025-29
	£000's	£000's	£000's	£000's	£000's
CRE Rehousing Programme	984	412	100	1,412	2,908
Grand Total	984	412	100	1,412	2,908

Funding the HRA Capital Programme

58. The funding for this programme of works is shown in the table and chart below:

HRA Funding	2025/26	2026/27	2027/28	2028/29	Total 2025-29
	£000's	£000's	£000's	£000's	£000's
Grants	11,322	5,398	0	0	16,719
HRA Borrowing	25,485	26,825	7,745	6,164	66,220
Leaseholders Contributions	1,039	1,090	1,100	1,100	4,329
Major Repairs Reserve	10,063	7,577	4,680	6,100	28,420
Right To Buy - One For One	3,460	0	0	0	3,460
Grand Total	51,369	40,890	13,525	13,364	119,149

ANNEX 11 (Updated)



59. The HRA borrows to fund the remainder of the capital programme for which the 30 HRA Business Plan is used to ensure the affordability of borrowing levels, both in terms of interest cover and the ability to repay the debt. Following the abolition of the debt cap in 2018, the HRA is free to borrow against the future rental streams generated from the stock, monitored by key indicators within the HRA Business Plan.

Major Works to Council Housing Stock

60. Ongoing works to improve HRA properties are being funded through the Major Repairs Reserve (MRR) funding of £28.420m. In addition, leaseholder contributions are expected to cover the cost of the works programme to leaseholder units. The Major Repairs Reserve is increased each year by the level of depreciation charged on existing assets, which is budgeted at £6.4m in 2024/25.
61. The MRR is restricted to being applied to new capital investment in HRA assets or the financing of historical capital expenditure by the HRA (i.e. debt). The majority of

Kingston's HRA capital expenditure on repairs and maintenance is funded by the MRR with an element of leaseholder contributions.

62. Leaseholders are charged for works to their properties or block when the HRA carries out works on their behalf, and form an element of funding within the capital programme to offset the costs of the works.
63. Under the agreement with our development partner, the HRA makes scheduled payments for the new affordable properties being built under the Cambridge Road Estate scheme, which are partially funded by GLA Grant.

Right to Buy (RTB) Receipts

64. Under the new RTB arrangements first introduced in 2012/13 and modified in July 2024, the Council signed up to an agreement with the Government for the use of net RTB receipts for the provision of new affordable housing. Further flexibilities were provided in July 2024, including, in 2024/24 and 2025/26, the maximum permitted contribution from RTB receipts to replacement affordable housing has increased from 50% to 100%.

Capacity to Deliver Schemes

65. The capacity to deliver capital schemes is initially assessed through the capital programme review bidding process. Services are required to highlight key risks for the scheme and capacity would be part of this assessment. The finance team also has regular meetings with project managers delivering schemes. Any capacity issues are highlighted and followed up through the in year capital monitoring processes to find appropriate solutions.

Capital Risk Management

66. There are a number of risks surrounding the capital programme, which inevitably increase at a time of economic uncertainty. These risks are reviewed and managed as part of the capital programme review process, in-year capital monitoring and specific project and risk management arrangements for larger schemes. A number of risks are highlighted below.

Cost Overspends / Project Timescale Slippage

67. In the initial stages of development, major capital projects will have significant uncertainties. For example, these may relate to the planning process, the views / interests of stakeholders who must be consulted, ground conditions, or the cost of refurbishing or demolishing existing buildings (e.g. the cost of asbestos removal). As such, all major projects contain a defined contingency provision. The level of this contingency is set with reference to the type of project, its complexity and risk items identified on the risk register.

68. Once a scheme begins, spend and timescales for completion are monitored as part of the monthly capital programme monitoring processes.

Capital Receipts

69. The Council has continued to ensure regular review in terms of its assumptions for the inclusion of new capital receipts into the programme, particularly given the difficulty around some of the sites. Each year, planned capital receipts are reviewed by the property and finance teams in terms of values, timescales and any known risk factors that need to be taken into account.

Borrowing Costs

70. A provision for the revenue costs of future prudential borrowing within the capital programme has been made within the revenue budget. This allocation has been derived using estimates for interest rates over the coming four year period. There is a risk that interest rates rise above these estimates affecting the cost of this borrowing. This risk will be managed through the Council's Treasury Management Strategy ensuring that the cost of borrowing to the Council is minimised.

Cost Price Inflation

71. There is increased uncertainty about the cost of projects, due to recent high rates of inflation putting pressure on the prices of materials and labour. However, capital schemes do make provision for contingency, so unexpected expenditure can usually be absorbed. In the current economic climate, closer scrutiny was given to the budget requirements in new capital bids to provide further assurances that a suitable contingency has been arrived at.

School Place Expansion

72. The level of basic need funding available for future school expansions is limited. Government has progressively reduced the grant available which restricts the council's ability to deliver any required expansion.

Reduction in Value of On Balance Sheet Commercial Property Investment

73. The market value of properties is ascertained annually as part of the production of the statement of accounts. Commercial Property investments are intended to be holdings for the medium to longer term. Risk management mitigation includes active management such as the review of the performance of individual properties to feed into longer term disposal or refurbishment or re-provision decisions. Despite an MRP exemption for on-balance sheet commercial investment of existing properties, there is also the flexibility to start MRP provision should this be required. Whilst any new Commercial Property investments are unlikely, they would be subject to MRP.

Non Repayment of Loans by Third Parties

74. The Council undertakes regular monitoring of the financial position of entities where it is providing loan financing, assessing their ability to repay any outstanding debt. Annual reporting is also required as part of the loan agreements that are in place. This should provide an early warning of any potential issues and the Council then has the ability (through the loan arrangements) to work with the entity to find solutions to prevent a loan default.
75. Property assumptions feed into this review in terms of asset use and the planned disposal of surplus assets. In terms of the Housing Revenue Account (HRA) assumptions within the HRA Business Plan are reviewed, such as sums available in the Major Repairs Reserve (MRR), numbers of Right To Buy (RTB) sales which affects the levels of resources available through the general RTB sum, allowable debt, and net RTB receipts.

Revenue Implications from Capital Schemes

76. Services are required to identify and record any potential revenue implications from capital schemes as part of the capital bidding process. These are then taken into consideration during the scheme prioritisation process and reflected in the medium term revenue budgets where necessary.

Strategic Property Management

77. The Council is delivering its Property Asset Strategy and the work currently underway continues to deliver against five priorities to meet the strategic objectives of the Council;
- deliver a compliant, fit for purpose estate to support the provision of outstanding Council services for local residents;
 - to ensure that the Council's portfolio can support efforts to meet future service demands arising from a growing population with more complex needs;
 - to ensure that the Council's property assets contribute fully to achieving the organisation's commitment to reaching net zero by 2030;
 - To leverage the value of the Council's property assets to secure the delivery of major planned developments;
 - to ensure that the Council's estate is appropriately scaled and that surplus property is disposed of to meet the Council's financial commitments as articulated within the MTFS.

Affordability of the Capital Programme

78. The affordability of the capital programme can be assessed from the Prudential Indicators of the Council for the next 4 years set out in the table below. The Council's gross loan requirement for the next 4 years remains under the operational boundary limit indicator for external borrowing. Provision has also been

made in the revenue budget of the medium term financial plan for the revenue implications of the projected gross loan requirement through the minimum revenue provision and interest charges.

STATUTORY TREASURY MANAGEMENT INDICATORS	2023/24 Actual	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate
	£000	£000	£000	£000	£000
Authorised limit for external debt:					
Borrowing	460,803	526,759	614,879	676,984	710,637
Other Long Term Liabilities	0	0	0	0	0
Total	460,803	526,759	614,879	676,984	710,637
Operational boundary for external debt:					
Borrowing	450,803	516,759	604,879	666,984	700,637
Other Long Term Liabilities	0	0	0	0	0
Total	450,803	516,759	604,879	666,984	700,637
Annual borrowing requirement based on operational boundary:					
Total Change	41,022	65,956	88,120	62,105	33,653
Liability Benchmark:					
Existing loan debt outstanding	295,164	276,623	275,848	275,076	240,149
Loans CFR	450,803	516,759	604,879	666,984	700,637
Net Loan Requirement	221,382	287,338	375,458	437,563	471,216
Gross loans requirement	256,382	322,338	410,458	472,563	506,216
Upper Limit on investments in excess of 365 days	10,000	10,000	10,000	10,000	10,000

Investment for Service and Commercial Property

79. The Prudential Code 2021 introduced new definitions for investments under two main headings: treasury management investments and non-financial, or non-treasury management investments.

80. Treasury management investments represent the placement of cash in relation to s12 of the Local Government Act 2003 investment powers i.e. they are the residual cash left in an authority's bank account resulting from the authority's day to day activities. The management of these activities is not reported in this Capital Strategy, but rather in the Treasury management strategy.
81. Non-treasury management investments consist of commercial investments and service investments undertaken by local authorities:
- **Commercial investments** - whereby the objective is primarily to generate capital or revenue resources. The resources generated would then help facilitate local authority services. This category is further divided into commercial property investments and financial investments.
 - **Service investments** - whereby capital, or revenue cash is advanced for a specific council objective and will be approved directly through committee. This may be an advance to a third party for economic regeneration, or enable care facilities among others.

Approach to Commercial and Service Investments

82. The Council in order to deliver important local infrastructure, regeneration, new housing or to enhance the local economy in line with its strategic objectives will undertake commercial and service investments directly or in partnership with third party organisations.
83. In the pursuit of these objectives the Council will ensure that investment decisions are supported by full business cases that clearly set out the rationale for the investment under the following headings: Strategic, Economic, Commercial, Financial, and Management. This will include considerations on impact on debt and debt repayment, cost of borrowing, minimum revenue provisions and the time value of money.

Governance

84. In line with the financial regulations of the Council, investment above £500,000 will require authorisation from a strategic committee of the Council, which has delegated authority to take in-year decisions on resources and priorities needed to deliver the budget policy framework.
85. The Kingston Development and Investment Board made up of the Chief Executive, the Executive Director of Place, the Interim Director of Finance / S151 Officer and the Monitoring officer provide officer level monitoring for investment projects. Other senior officers across finance, procurement, regeneration and asset development attend to respond to queries and present information.
86. The Council through its officer level delivery board and management board brings together officers with a wide range of skills and experiences across regeneration, housing, finance, legal and procurement to monitor and support decision making

on investment projects. This is in addition to engaging specialist knowledge from third party firms to support the development of the commercial and financial rationale for complex investment projects.

Affordability of Commercial and Service Investment

87. The affordability of the commercial and service investments will be assessed by comparing net income from these activities including financial investments to the total net revenue stream of the Council. Quarterly performance of actuals and revised estimates against these targets will be presented to the Corporate and Resources committee as part of the quarterly monitoring of financial performance.

Investment Affordability Indicator	2023/24 Actual	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate
	%	%	%	%	%
Ratio of net Income from commercial and service investment to net revenue stream - GF:	2.92%	2.67%	2.30%	2.07%	1.60%

Commercial Property Investment

88. Following guidance in the Prudential Code, issued by the Chartered Institute for Public Finance & Accountancy, the council holds a number of commercial properties for investment purposes. The income from these properties covers the capital financing costs related to the financing of the acquisitions and has contributed to the income and savings targets that the Council needs to achieve.
89. The historic acquisition of commercial property was consistent with the strategic objectives of the Property Investment Strategy, as it generated rental income to supplement the revenue budget, helping the council to deliver on its strategic priorities. In addition, it has allowed the Council to diversify and extend its commercial property portfolio, by providing a range of office accommodation to meet the business needs of larger companies, medium sized enterprises and start-up companies. Following changes to rules around borrowing for commercial investment, no further investments of this nature are being considered.
90. The main risks of holding commercial property come in the form of reduced rental income from void units, but also a drop in demand for industrial units, post pandemic. The resulting drop in rental yield could adversely affect the General Fund revenue budget. However, rental income has generally been stable over the period of ownership.

91. Commercial letting agents are engaged to manage the portfolio, actively advertising for new tenants and to plan ahead for void periods.
92. Fully-repairing tenant leases ensure that capital investment costs to maintain the buildings are minimal. Therefore, there are no losses to absorb as the council owns the property.

Service Type Investments

93. In March 2019, the Finance and Partnerships Committee took the decision to enter into a 50:50 Joint Venture with Countryside Properties (UK) to deliver the regeneration of the Cambridge Road Estate. Phase 1 of the LLP business plan was approved on the 24th September 2020 at the Response and Recovery (R&R) Committee. The Limited Liability Partnership (LLP) with Countryside was established on the 30th September 2020. Approval for Financing Phase 1 of the scheme was approved by R&R Committee on the 24th November 2020.

Cambridge Road Estate Regeneration

94. This is an ambitious and complex project requiring detailed technical professional support from external consultants, as well as close partnership working with RBK partner Countryside. The objective is to deliver 2,170 homes, of which 871 will be for social rent, as efficiently and effectively as possible with minimum disturbance to tenants. The project will take cca. 15 years extending over five phases and the first homes are expected to be occupied in late spring 2025.
95. The Council has a fiduciary duty to act as a trustee of tax and public sector income on behalf of taxpayers. The CRE Business Plan contains a full risk register which reflects the risks to the project. In addition, the Council maintains its own separate risk register. These risks are more strategic in nature, rather than operational issues that directly affect the LLP as a commercial business.
96. We are continuing to explore opportunities to increase the number of social rented homes to take advantage of any additional grant offer subject to affordability within the HRA Business plan.