



EPSOM AND EWELL BOROUGH COUNCIL

CAPITAL STRATEGY STATEMENT
February 2026

Capital Investment 2026/27 to 2030/31

1. Introduction

The Council's Capital Strategy provides a framework for asset planning and for decisions on capital investment – expenditure on larger projects or schemes which generally leads to improved long-term assets.

Each year the strategy confirms the capital programme setting guidance including criteria for assessing proposals to manage the level of investment in accordance with the Council's Medium Term Financial Strategy. The core capital programme is reviewed annually with options reassessed with specific reference to priorities in the Corporate Plan and the Asset Management Plan.

The development of the Capital Strategy and the Asset Management Plan assists the Council in major investment decisions. The latest Asset Management Plan was approved by Strategy & Resources Committee in July 2020.

As in previous years, due to limited capital reserves and the continued challenging funding environment, the core capital programme 2026/27 has been limited to only priority projects which meet one of the criteria set out in section 7.

2. Development of the Capital Strategy

Member and officer capital groups have been established to oversee the core capital programme and monitor capital schemes. Financial Strategy Advisory Group (FSAG) is the member group, supported and attended by the Head of Finance as appropriate. The officer group with responsibility for overseeing the core capital programme is the Strategic Leadership Team and comprises the Chief Executive, the Director of Corporate Services and the Director of Environment, Housing and Regeneration.

Service and financial planning timetables are submitted to Strategy & Resources annually. The Capital Strategy is presented to the Council for approval each year. The current strategy covers a five-year rolling period, which is proportionate to the size and resources available to the authority.

3. Commercial Activity & Investment Strategy

Commercial Property

Given the Local Government Reorganisation, no further commercial purchases are anticipated. It is therefore proposed that the requirement for the Commercial fund be withdrawn.

4. Core Capital Programme 2026/27

Based on the available capital resources and subject to external funding, including grants and developer contributions, and securing revenue savings, Council has been asked to approve the following programme for 2026/27 in February 2026.

Project	2026/27 £'000	Main Funding Source
Disabled Facility Grants (subject to external funding)	974	External grant
Upper Pond Bank Replacement - Phase 2 (£150k funding allocated 2025/26)	150	Corporate capital resources
Ashley Centre Car Park -Level 1 New waterproof membrane (£184k funding allocated 2025/26)	191	Corporate capital resources
Epsom Playhouse – Replacement boiler/controls and replacement of auditorium air conditioning/controls	510	Corporate capital resources
Bourne Hall – Replace lift controls	120	Corporate capital resources
Bourne Hall - Replacement of Heating and ventilation system	1,000	Corporate capital resources
Bourne Hall – Replacement of high-level roof covering and insulation	470	Corporate capital resources
Total	3,415	

In addition schemes may be added where:-

- there is a carry forward from 2025/26 with specific funding already allocated
- new schemes supported by a business case (self-financing), or
- they can be funded by additional external funding sources e.g. Section 106 agreements or specific grants.
- Approval is obtained from Strategy & Resources Committee.

5. Provisional Capital Programme 2027/28 – 2030/31

The Financial Strategy Advisory Group also considers a provisional programme of schemes covering the subsequent four financial years. The programme is mainly compiled from information from the Asset Management Plan for buildings and other known capital expenditure requirements.

The 2027/28 to 2030/31 provisional programme currently comprises the following schemes:

Indicative Forecasts	2027/28 £'000	2028/29 £'000	2029/30 £'000	2030/31 £'000	Total 2027/28- 2030/31 £'000
	Strategy and Resources Committee				
Longmead Depot	53	0	60	0	113

Town Hall	0	60	0	0	60
Total	53	60	60	0	173
Environment Committee					
Ashley Centre Multi Storey Car Park	240	60	0	0	300
Auriol Pavilion	0	0	300	0	300
Harrier Centre, King Georges field	0	0	115	0	115
Hook Road Multi Storey Car Park	113	38	38	0	189
Total	353	98	453	0	904
Indicative Forecasts	2027/28	2028/29	2029/30	2030/31	Total 2027/28- 2030/31
	£'000	£'000	£'000	£'000	£'000
Community & Wellbeing Committee					
Disabled Facilities Grant (DFG)	974	974	974	974	3,896
Bourne Hall	145	250	118	0	513
Ewell Court House	0	105	0	0	105
Total	1,119	1,329	1,092	974	4,514
Licensing & Planning Committee					
No anticipated expenditure	0	0	0	0	0
Total Indicative Forecasts	1,525	1,487	1,605	974	5,591

The Council had planned to move its civic offices to a new Town Hall site. This project was cancelled in 2025/26 due to the uncertainty due to the Local Government Reorganisation.

Forecasts for 2027/28 to 2030/31 are indicative and will be subject to future capital proposals being produced and approval each year through the Council's capital programme setting process. It is not an exhaustive list as future schemes may be identified through other workstreams such as the Climate Change Action Plan and Annual Plan cycle. Similarly, some schemes may be removed from the programme if strategic asset reviews recommend an alternative approach or Council priorities change. Each year, the forthcoming annual programme will be reviewed by Financial Strategy Advisory Group (FSAG) through the annual capital budget setting process with bids assessed against the agreed criteria, and the programme updated accordingly.

Forecasts for 2027/28 to 2030/31 are based on the estimated cost of works as reported in the Asset Management Plan 2020-2030. It is acknowledged that due to inflation, costs will have increased since this Asset Management Plan was agreed at S&R in July 2020. The subsequent increase in prices will be reflected when budgets for those relevant financial years come to be set through the Council's agreed budget setting process.

6. Use of Capital Reserves

The Council's financial position is reviewed annually following the closure of accounts and prior to service and financial planning for the following year. This includes a review of the projected capital receipts reserve position and other sources of funding for capital schemes.

The Council's Medium Term Financial Strategy targets a minimum balance of capital reserves of £1 million to be retained as a contingency for unplanned capital commitments over the next four years.

Due to the low level of receipts from the disposal of property assets since 2009, the FSAG has limited investment from reserves to high priority and spend-to-save schemes. The forecast of capital receipts at 31 March 2026 is £1.97million. This assumes full delivery of the 2025/26 capital programme and no new capital receipts in addition to the £95k received in quarter 1.

7. Capital Financing and Resources

Potential capital resources have been identified from

- estimated capital reserves at the end of March 2026;
- approved sales of property assets, subject to market recovery;
- revenue funding, as relevant reserves;
- use of Community Infrastructure Levy (CIL) and S106;
- external funding, including grants such as Disabled Facilities Grant.

As capital reserves decrease, the Council may need to achieve additional receipts from sale of assets or other external funding, or identify contributions from revenue, if the capital programme is to be sustainable over the long-term. The Council will continue to review its property through the Asset Management Plan.

In 2026/27, the draft budget of £3.4 million includes £974,000 Disabled Facilities Grant and £2.4 million from corporate capital resources which funds the 2026/27 capital programme.

The anticipated level of funding available for the capital programme is shown in the following table.

	CIL & S106	Capital Grants	Capital Receipts	Revenue	Total
	£m	£m	£m	£m	£m
2025/26					
Resources at 31/3/2025	5.64	0.57	3.46	0.69	10.35
Anticipated Receipts in 2025/26	0.80	0.97	0.10	0.50	2.37
Capital Programme for 2025/26	(0.92)	(1.54)	(1.58)	(0.55)	(4.59)
Estimated resources at 31/3/2026	5.52	0.00	1.98	0.64	8.13
2026/27					
Anticipated Receipts in 2026/27	0.80	0.97	0.00	0.00	1.77
Proposed New Schemes for 2026/27	(0.00)	(0.97)	(2.86)	(0.00)	(3.83)
Estimated resources at 31/3/2027	6.32	0.00	(0.88)	0.64	6.08
2027/28					
Anticipated Receipts in 2027/28	0.80	0.97	0.00	0.00	1.77
Proposed New Schemes for 2027/28	(0.00)	(0.97)	(0.31)	(0.00)	(1.29)
Estimated resources at 31/3/2028	7.12	0.00	(1.19)	0.64	6.57
2028/29					
Anticipated Receipts in 2028/29	0.80	0.97	0.00	0.00	1.77
Proposed New Schemes for 2028/29	(0.00)	(0.97)	(0.51)	(0.00)	(1.49)
Estimated resources at 31/3/2029	7.92	0.00	(1.71)	0.64	6.85
2029/30					
Anticipated Receipts in 2029/30	0.80	0.97	0.00	0.00	1.77
Proposed New Schemes for 2029/30	(0.00)	(0.97)	(0.63)	(0.00)	(1.61)
Estimated resources at 31/3/2030	8.72	0.00	(2.34)	0.64	7.02
2030/31					
Anticipated Receipts in 2030/31	0.80	0.97	0.00	0.00	1.77
Proposed New Schemes for 2030/31	(0.00)	(0.97)	(0.00)	(0.00)	(0.97)
Estimated resources at 31/3/2031	9.52	0.00	(2.34)	0.64	7.82

Notes:

1. Community Infrastructure Levy receipts are 80% of the total collected through the levy. From 2026/27, it is assumed that new receipts collected will be offset by new commitments, following agreement of the CIL spending protocol.
2. Capital grants refer to the Disabled Facilities Grant.
3. Revenue includes budgeted revenue contributions to fund capital schemes; and use of revenue reserves such as the repairs and renewals reserve. From 2026/27, it is assumed the capital programme will no longer be funded by any revenue contributions.

The Council seeks to maximise partnership funding in the delivery of its key priorities and will commit capital reserves to: -

- finance prioritised capital investment where funding is not available from other sources
- attract partnership funding and/or to achieve partnership objectives
- finance investment that is 'self-funding', for example investment that improves performance and reduces running costs or investment in the maintenance of service assets

The Council will seek to maximise effective investment from all potential funding sources. External sources of financing may include LEP funding, Section 106 agreements, CIL, government grants for Disabled Facilities, partnership funding from other Local Authorities or Public and Voluntary organisations.

8. Criteria for Assessing Capital Programme Priorities

The following criteria have been used for appraising future capital investment options and reviewing the on-going capital programme. As a minimum all investment proposals must meet one of the following baseline criteria: -

- investment where there is a guarantee of the scheme being fully externally funded and is classed as a high priority
- investment required to meet Health and Safety or other new legislative requirements
- investment required to continue to deliver the services of the Council (e.g. minimum level of building maintenance)
- investment in 'Spend to Save' schemes that will generate cost savings or additional income generation, providing;
 - there is payback of the capital invested within 5 years (or up to 10 years if the climate change criteria below is met);
 - there is a low risk of not achieving return on investment
 - there is a clear definition of the cost/benefits of the scheme
- investment where the scheme is consistent with the Council's Climate Change Action Plan, subject to affordability, supported by a robust business case and value for money can be demonstrated through a maximum payback period of 10 years.

In addition, proposals should be subject to a de-minimis limit of £50,000 to be considered for inclusion in the capital programme. Schemes under £50,000 expected to be progressed through revenue maintenance budgets.

Prior to schemes being assessed for approval by Full Council, a detailed project appraisal must be completed and recommended by the appropriate policy committee. A standard capital appraisal form has been developed which requires details of the scheme (cost estimates, revenue impact, project management resources and expected timescales). It also requires an explanation of how the scheme fits within the baseline criteria. In recommending investment proposals policy committees must ensure they can fund any additional operational costs from within their revenue budget targets.

Where schemes are prioritised for inclusion in the capital programme prior to a detailed evaluation of revenue costs, commitments will not be made until estimates of operational costs have been evaluated and financing in the revenue budget identified. The Council will continue to follow a whole life costing approach to project appraisal.

Capital schemes funded wholly or in part from external sources e.g. Government Grants, Section 106 monies, CIL or other contributions are also subject to the same requirements in respect of meeting the baseline criteria and the completion of project appraisals recommended by the policy committee.

Schemes can be included within the proposed capital programme subject to a detailed business case being submitted to the relevant service committee. These schemes can only progress once approval is granted for the project by the policy committee.

By assessing schemes against the above criteria, the Council ensures that capital schemes support the corporate priorities, as set out in the Four Year Plan. Separate criteria exist to evaluate proposed individual property acquisitions that are funded from the Property Acquisition Funds.

Following Council's adoption of the Climate Change Action Plan in January 2020 and in accordance with the new MTFS, the capital investment criteria were reviewed during 2020/21 and the fifth criteria listed above added, with the aim of further facilitating actions which positively impact the environment.

9. Timetable for Approval of Capital Programme

The timetable will be reviewed for 2026/27, but the typical process for approval of the capital programme following annual review is as follows:-

- Update on level of resources / reserves at end of previous year reported to FSAG and Strategy and Resources Committee in June and July.
- Officers, in consultation with Heads of Service, Directors and Policy Chairs, submit new or updated draft summary capital proposals to FSAG for review in September.
- FSAG meets in September to agree approach and use the Capital Strategy criteria to decide which of the summary proposals should be progressed into full proposals for review in November.
- Officers submit full capital proposals to the Strategic Leadership Team for consideration in October.
- FSAG reviews all proposals in November and prepares recommendations on funding to Policy Committees in January.
- Detailed scheme proposals and project appraisals, including identification of how any revenue funding requirements could be met for each scheme, recommended by policy committees in January.
- Capital programme for the following year and the remaining years of the capital programme agreed by Council in February.

For any approved capital scheme where additional capital or revenue costs are identified prior to commencement of the scheme, then subject to the thresholds contained in the Council's Financial regulations, the scheme may need to be referred back to the relevant policy committee and, if additional funding is required, to Strategy and Resources Committee as soon as possible during the year.

Investment proposals may be submitted for approval at other times of the year where timescales mean they cannot wait for the main annual capital cycle. In these cases, a report will need to be considered by Strategy & Resources committee, and schemes will be considered against the same criteria as used for the annual capital programme.

10. Borrowing Strategy

In February 2017 the Council agreed to the acquisition of up to £80m of commercial property that provide the Council with a long-term rental income. The acquisitions were to be funded by borrowing, and to date a total of £30.3m has been spent on acquisitions with the last purchase being in February 2020. Given the Local Government Reorganisation, no further commercial purchases are anticipated.

Currently the Council has not borrowed to fund its main capital programme. The Medium Term Financial Strategy requires that the Council maintains a minimum level of £1 million of capital reserves. Should the need to borrow to finance part of the main capital programme arise (which may depend on the levels of new receipts generated, revenue contributions, income generated from CIL and S106 and external grants), the Council will ensure any borrowing is proportionate and sustainable. Any borrowing would be undertaken accordance with the Treasury Management Strategy.

11. Approach to Procurement

The Council has developed its Procurement Strategy. As part of this strategy a number of principles and guidelines have been developed to assist all managers including capital scheme budget holders in the purchase of goods and services. The main areas covered include review of procurement options, risk/benefit analysis, risk management, potential for partnership, cost and quality options and assessing the need for specialist skills.

12. Managing and Monitoring the Capital Programme

Detailed monitoring and performance review of the capital programme is the responsibility of the Strategic Leadership Team and the Audit & Scrutiny Committee on a quarterly review basis and by FSAG during the annual review. The officer group sets performance and delivery targets for the year, reviews monitoring information and recommends action where appropriate for reporting to Chief Officers, Members and policy committees.

Financial monitoring reports are submitted to Audit & Scrutiny Committee and circulated to Members on a quarterly basis. This includes expenditure monitoring, uncommitted balances held on s106 and CIL funds and capital receipts balances. Budget monitoring reports show the projected outturn and profiled spend for each scheme, highlighting significant variations and slippage and identifying recommended action. Any recommended changes to the programme are submitted to committees during the year as appropriate.

13. Risk Management

Detailed information on the delivery of individual schemes, including assessment of financial and delivery risks and profile of works and expenditure during the year, is agreed with budget holders. This will form the basis against which schemes are monitored during the year. For those schemes considered as most significant, a detailed timetable and milestones will be agreed by the relevant committee at the beginning of the financial year.

For major schemes the Council will consider external consultants to assist in project management.

The Council may conduct post implementation reviews on certain capital projects, specifically where the scheme has a high cost or value or there has been a significant variation in cost or time to implement.