

# Audit and Governance Committee



Date of meeting: 20 January 2026  
 Title of Report: **Draft Capital Strategy**  
 Lead Member: Councillor Mark Lowry (Cabinet Member for Finance)  
 Lead Strategic Director: David Northey (Service Director for Finance)  
 Author: Oliver Woodhams  
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 Your Reference: Finance/OW/CS Draft 2026-27  
 Key Decision: No  
 Confidentiality: Part I - Official

## Purpose of Report

This report sets out the Council's Draft Capital Strategy for 2026/27, including a Draft 5-year Capital Programme, projections of the Capital Pipeline and Dedicated Schools Grant deficit, and an analysis of the Council's borrowing requirements for the 5-year period from 2025/26 to 2029/30. The Capital Strategy proposes a draft local policy framework and a set of Capital Strategy principles to guide decisions on Capital Investment. The final Capital Strategy will go forward to the City Council as part of the Annual Revenue and Capital budget setting report, and Audit and Governance Committee are being asked to consider the proposals at a formative stage.

## Recommendations and Reasons

- I. The Audit and Governance Committee are recommended to note and comment on the Draft Capital Strategy, considering any recommendations Committee may wish to make to Cabinet, who will consider a final version of the Capital Strategy at its meeting in February.

*Reason: Setting an annual Capital Strategy is good financial management practice and a statutory requirement for the Council.*

## Alternative options considered and rejected

- I. It is a statutory requirement under the Local Government Act 2003 and supporting regulations to set an annual Capital Strategy.

## Relevance to the Corporate Plan and/or the Plymouth Plan

Effective financial management is fundamental to the delivery of Corporate Plan and Plymouth Plan objectives. Capital spending has a significant impact on the Council's activity both in revenue budget terms and investment in the City's assets, and is a key factor in enabling delivery against a number of corporate priorities.

## Implications for the Medium Term Financial Plan and Resource Implications:

The cost of financing capital expenditure affects the Council's budget, and the level of borrowing impacts on the Council's financial standing, expressed through its annual balance sheet. The Capital Strategy provides an overarching policy framework for the Council's capital programme and planning and will

form part of a suite strategies which provide a holistic view of the Council's financial planning framework. This document should be considered in conjunction with the Council's annual Medium-Term Financial Strategy and Treasury Management Strategy.

## Financial Risks

Capital activity carries some inherent financial risk. Interest rate risk and other risks associated with capital financing are managed through the Council's Treasury Management. More generally, Financial Risk is considered in the Capital Strategy directly, which sets a local policy framework to ensure that the Council's Capital activities are affordable, sustainable and prudent. Risks associated with individual capital projects and programmes are considered fully in decision making on individual capital schemes.

## Legal Implications

The Capital Strategy is required under the Local Government Act 2003 and the CIPFA Prudential Code, which the Council must have regard to when making decisions on capital spending and borrowing. The Strategy provides the framework for demonstrating that borrowing is affordable, prudent and sustainable, supported by the setting and monitoring of prudential indicators.

The handling of the Dedicated Schools Grant (DSG) deficit follows current regulations permitting the deficit to remain off the balance sheet until March 2028. Planning for a scenario in which the deficit must be financed locally is legally appropriate and necessary to meet the Council's obligation to set a balanced and sustainable budget.

Capital Programme approvals must continue to follow the Council's Constitution, Financial Regulations and Capital Handbook, ensuring that all decisions are supported by robust business cases and comply with public law, procurement law and equality duties.

For non-treasury investments, including the Property and Regeneration Fund, the Council must continue to demonstrate that borrowing is not undertaken primarily for yield and that investments support statutory functions or regeneration objectives, in line with statutory investment guidance.

Overall, the draft Capital Strategy provides a legally compliant framework for capital planning and governance. Ongoing monitoring will be required to ensure compliance as Government policy and financial conditions evolve.

## Carbon Footprint (Environmental) Implications:

There are no direct implications arising from this report – Carbon Footprint and Environmental implications are considered fully in decision making on individual capital schemes.

## Other Implications: e.g. Health and Safety, Risk Management, Child Poverty:

*\* When considering these proposals members have a responsibility to ensure they give due regard to the Council's duty to promote equality of opportunity, eliminate unlawful discrimination and promote good relations between people who share protected characteristics under the Equalities Act and those who do not.*

There are no direct implications arising from this report – a wide range of implications are considered fully in decision making on individual capital schemes.

## Appendices

Ref.	Title of Appendix	Exemption Paragraph Number (if applicable) <i>If some/all of the information is confidential, you must indicate why it is not for publication by virtue of Part 1 of Schedule 12A of the Local Government Act 1972 by ticking the relevant box.</i>						
		1	2	3	4	5	6	7
A	Draft Capital Strategy							

**Background papers:**

Title of any background paper(s)	Exemption Paragraph Number (if applicable)						
	If some/all of the information is confidential, you must indicate why it is not for publication by virtue of Part 1 of Schedule 12A of the Local Government Act 1972 by ticking the relevant box.						
	1	2	3	4	5	6	7
None							

**Sign off:**

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Originating Senior Leadership Team member: David Northey, Service Director - Finance											
Please confirm the Strategic Director(s) has agreed the report? Yes Date agreed: 12/01/2026											
Cabinet Member approval: Approved verbally. Date approved: 09/01/2026											