APPENDIX 11

Capital Strategy

1. Summary

1.1 Despite challenging economic conditions and financial constraints, the Capital Investment Portfolio remains substantial, with planned investment of £733.43 million (excluding appropriations totalling £38.53 million) to spring 2036.

1.2 The Budget report being presented to Cabinet contains a request to approve resources for the Capital Investment Portfolio of £733.43 million, made up of £291.34 million General Fund (GF) investment and £442.08 million investment through the Housing Revenue Account (HRA).

1.3 The Capital Investment Portfolio brings together all investment programmes across the Council, from schools to local area regeneration, transport improvements and infrastructure, to affordable housing delivery and strategic corporate property programmes. In doing so, it supports the delivery and implementation of the organisation's strategic priorities established in Mission Waltham Forest, delivering a powerful story of how the Council is prioritising investment in what matters most to residents to make Waltham Forest a more equal borough.

1.4 A fully refreshed Capital Investment Strategy 2025/26–2035/36 will be presented to Cabinet in March 2026. The strategy will demonstrate in detail how the multi-year Capital Investment Portfolio has, and will continue to, directly contribute to the delivery of Mission Waltham Forest and wider corporate strategies, such as the Inclusive Growth and Economy Framework, Housing Strategy and Housing Asset Management Strategy, Climate Action Plan, Local Plan and wider service delivery strategies.

1.5 The strategy will also set out the physical and social return on investment delivered and to be delivered to 2035/36 for our residents and borough overall. This will include demonstrating the number of new and affordable homes delivered / to be delivered, jobs created, investment into council-owned homes, new green transport infrastructure and wider economic and social benefits.

1.6 The Council has made an application for Exceptional Financial Support (EFS) of £19m for 2026/27, an estimated £19m for 2027/28 and £25m for 2028/29 to manage the estimated pressures on the Revenue budgets. EFS does not form part of the Capital Investment portfolio plans however, it will impact Borrowing, Capital Financing Requirement, and Minimum Revenue Provision, therefore these amounts have been included to provide a more holistic position with regards to those indicators.

2. Delivering Mission Waltham Forest and resident priorities through our Capital Investment

2.1 The Capital Investment Portfolio covers a medium-term, current plus 10-year planning and delivery timeline. It seeks to deliver the council and resident priorities established in Mission Waltham Forest, as well as recognising external factors and emerging priorities for the Council, which influence how capital investment is prioritised.

2.2 **Mission Waltham Forest:** Launched in March 2024, Mission Waltham Forest is the Council's plan for "a more equal borough, where everyone can make the most of their strengths to live the life they want to lead". Mission Waltham Forest aims to focus council efforts on the key issues that shape residents' lives.

2.3 The Capital Investment Portfolio supports the implementation of Mission Waltham Forest across the borough: through development of new affordable homes (including temporary accommodation) and health facilities, improving council-owned homes, creating safer, greener and more sustainable neighbourhoods, providing new, high-quality education facilities and a more inclusive local economy.

2.4 **Inclusive Growth and Economy Framework:** Building an economy that works for everyone is a fundamental pillar of Mission Waltham Forest. To underpin the delivery of this mission, the Council has developed an Inclusive Economy and Growth Framework, which was launched in July 2025. The framework aims to create a fairer and more equal borough by delivering place-based inclusive growth and affordable housing, boosting productivity to attract jobs and sectors of the future and improve the quality of existing opportunities in the foundational economy.

2.5 **The Local Plan:** In February 2024, the Council adopted its revised Local Plan, which is the key planning document for the borough. The Plan identifies key or strategic sites in the borough with the potential for redevelopment to provide c.27,000 new homes and 52,000sqm of new employment space over the next 15 years. The Local Plan sets out the framework for good, well-planned local growth and the associated infrastructure required to support growth, including schools, health provision, open spaces and transport infrastructure.

2.6 The Capital Investment Portfolio supports the Local Plan by directly contributing to the borough's place-based, inclusive growth agenda through the development of thousands of new homes, whilst ensuring all developments make a lasting and positive impact on communities.

2.7 **Housing Strategy:** The Council's Housing Strategy 2024–2029, sets out the overarching goal of "improved and fairer access to high-quality and genuinely affordable homes, which provide a foundation for residents to live a happy and healthy life". The Capital Investment Portfolio supports all four of the long-term outcomes the strategy aims to achieve: preventing homelessness, ensuring all residents have access to suitable homes, every home in the borough is healthy, safe and affordable to heat; and development enhances neighbourhoods and supports stronger, fairer and safer communities.

2.8 The Housing Asset Management Strategy 2026–2031, which was approved by Cabinet in December 2025, supports the wider Housing Strategy and outlines how the Council will manage, maintain and invest in council homes over the next five years in order to help tackle the housing crisis while working towards achieving net zero.

2.9 **Community safety:** Residents consistently identify fear of crime and violence as a top concern. The Capital Investment Portfolio supports improving community safety by developing sites which are associated with anti-social behaviour (e.g. car parks, derelict buildings); through town centre and estate regeneration; by ensuring that new developments design crime out of new buildings and public realm; and by ensuring that the benefits of growth can be invested in safety measures in and around new and existing development.

2.10 The Council will continue to work closely with residents and the police to exploit opportunities to use our capital investment to design crime out of the borough, including through exemplar design, target-hardening new developments and refurbishments, securing developer contributions and ensuring effective stewardship of new destinations and major residential developments.

2.11 **Cost-of-living crisis:** The cost of living is currently one of the biggest challenges facing our residents, from rising energy bills to the cost of food increasing significantly over recent years. The Council's continued investment will enable the delivery of new affordable and social rent homes for local people and improvements to existing council homes, as well as ensuring we provide the highest quality public services for our residents and develop a wide-ranging and robust response to the challenges that they face.

2.12 **Health Inequalities:** The Institute of Health Equity (Marmot) report, 'A Fairer and Healthier Waltham Forest' sets out the key issues affecting the health and wellbeing of residents in Waltham Forest following the pandemic. In January 2024, Cabinet approved the Council's formal response to the report, which demonstrates our commitment to tackling poor health outcomes through an unwavering focus on creating fairer work opportunities, healthier homes across all housing tenures, and building healthier and greener local communities.

2.13 As well as directly contributing to the provision of healthcare services, projects included in the Capital Investment Portfolio that seek to deliver good quality housing, accessible and safe green spaces and good quality jobs will also help address some of the key drivers of health inequalities locally identified in the Marmot report.

Climate Emergency: The Council's Climate Action plan sets out Waltham Forest's vision for achieving net zero carbon emissions by 2030. The Capital Investment Portfolio has over £5.8 million of funding allocated to deliver initiatives across the borough which support the delivery of our net zero ambitions, in addition to green investment into council homes, sustainable transport, and electric charging points.

2.14 The cross-cutting nature of the Capital Investment Portfolio also supports the Council's key priorities of promoting a greener, more resilient borough, thereby enhancing biodiversity, climate adaptation and continued delivery of green transport infrastructure. Investment will support retrofitting of council-owned homes – as well as privately-owned homes via the government-funded Warm Homes Local Grant initiative – to reduce their carbon footprint and energy costs, as we tackle the unequal impact of the Climate Emergency on our residents.

2.15 **Economic market conditions:** Current economic market conditions continue to see some fluctuations in the cost of construction materials and reduced activity in the housing market, which represent major risks to our delivery ambitions. The Council has taken a robust leadership role with our construction and development partners to ensure projects continue to deliver at pace despite these challenges. This includes securing in principle agreement to a significant level of GLA grant and exploring other funding models to address viability challenges and support continued delivery of the programme.

3. Capital Prioritisation Framework

3.1 The Capital Investment Portfolio and its revenue impact form an important element of the Council's medium and long-term financial plans. In February 2024, Cabinet endorsed the implementation of a new Capital Prioritisation Framework to support prudent financial management. The framework was implemented to provide an additional layer of strategic decision making to our future investment plans in response to the risks of high inflation and construction costs, alongside increased capital borrowing costs, which have placed additional pressure on the council's MTFS.

3.2 Since its implementation, the framework has guided strategic decision-making around current and future capital investment. It has shifted the focus of the overall capital programme towards maintaining delivery of established capital schemes that are in construction phases and will deliver substantial benefits for local residents and businesses, as well as avoiding new pressures to the MTFS and where possible, ensuring investment helps to alleviate budget pressures in future.

3.3 The established Capital Prioritisation Framework will continue to be used in 2026/27 to support strategic decision making around capital investment plans, overseen by the Council's Capital Strategy and Asset Management Group (CSAMG). For all schemes within the Capital Investment Portfolio and new business cases seeking investment, one or more of the following indicators must be met:

1. Continued investment in the delivery of capital schemes that are in construction phases and/or which the Council is contractually obliged to deliver.
2. Continued delivery of new affordable housing (including strategic acquisitions of affordable homes) and residents' priorities, where they are deliverable within financial affordability parameters of the Council. Affordability assessments are undertaken on a scheme-by-scheme basis and consider capacity for additional investment within both the General Fund and HRA.
3. Continued investment into initiatives which ensure the Council meets its legal, statutory and health and safety obligations (e.g., Decent Homes standards and the Building Safety Act requirements), or essential small-scale infrastructure requirements that are required to deliver council services, such as technology upgrades.

4. For any new investment not meeting the above criteria, that it protects the MTFS, based on the principle that all investment decisions should deliver a positive financial return or have a positive impact by alleviating the Council's current or future financial pressures.
5. That projects and programmes which are fully or majority funded by external grants and other funding sources – and therefore do not negatively impact the MTFS – should continue to be delivered. This includes initiatives such as the Schools Capital Programme and Local Regeneration Fund (formerly the Levelling Up Fund) programme.

4. Capital Investment Portfolio 2025/26–2035/36

4.1 Despite challenging economic conditions and financial constraints, the Capital Investment Portfolio remains substantial, with planned investment of £733.43 million to spring 2036, made up of £291.34 million GF investment and £442.08 million investment through the HRA. This total excludes a £38.53 million appropriation from the GF to the HRA in 2026/27 for the Priory Court regeneration scheme. A breakdown of the multi-year programme by directorate and service area is provided in Table 1.

4.2 The introduction of the Capital Prioritisation Framework has meant that investment is focused primarily on maintaining delivery of established capital schemes and projects that are required to meet the Council's legal, statutory and health and safety obligations, such as investment in essential building safety works to council homes and our corporate buildings.

4.3 Investment is front-loaded to the first two to three years of the programme, with the focus being on completion of several strategic schemes currently in construction, as well as the annual externally funded Highways and Traffic Management programmes. This includes completion of the Families and Homes Hub, Priory Court regeneration, Chingford Mount Crematorium, additional new homes and the civic centre at Fellowship Square, the final phase of estate regeneration at Marlowe Road, as well as the Council's Local Regeneration Fund programme.

4.4 Expenditure in later years is focused on further investment into the council's existing housing stock through the HRA, as well as the Schools Capital Programme, which was approved by Cabinet in December 2025.

4.5 Contingency budgets are included in the Capital Investment Portfolio for both the GF (£8.6 million) and HRA (£5.6 million), to ensure that smaller requests for funding can be managed within the existing programme and without the need for additional borrowing.

4.6 The key sources of funding for the Capital Investment Portfolio are external funding (e.g., government grants and developer contributions). internal funding (e.g., capital receipts, direct revenue financing and reserves) and prudential borrowing. The Council has been successful in securing significant amounts of external funding. As a result, over £127 million within the current programme is externally funded. This includes:

- £49.6 million Department for Education (DfE) funding towards our Schools Capital Programme.
- £25.5 million funding from the Ministry for Housing, Communities and Local Government (MHCLG) Local Authority Housing Fund to support the acquisition of affordable homes.
- £11.2 million MHCLG funding for the borough's Local Regeneration Fund programme.
- As part of Transport for London's 2025–2028 three-year Local Implementation Plan, £5.0 million has been provisionally allocated towards improvements on High Road Leytonstone, with a specific focus on safety and reducing road danger, as part of TfL's Safer Streets programme. Funding is being provided to develop a design for the entire corridor, to ensure a continuous and contiguous approach, but with a focus on delivering the section between Harrow Green and the borough boundary with LB Newham as a first phase of works, as this is where road danger is highest. TfL funding is for the period 2025/26 to 2027/28 and must be spent by March 2028. This funding is in addition to the wider externally funded Highways multi-year programme totalling c.£17.3 million.
- £3.0 million Warm Homes Local Grant funding from the Department for Energy Security and Net Zero (DESNZ) to fund energy saving improvements for low income households in the borough.

4.7 The Council is also maximising the use of the Right to Buy (RtB) receipts to increase the number of affordable homes in the borough and to tackle the housing crisis head on. An example of this is the acquisition of 53 homes for social rent on the Fellowship Square site, which were purchased from the developer in 2025 using £18.5 million of RtB receipts, with the new homes now occupied by local residents.

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Table 1 – Capital Programme 2025/26–2035/36 by directorate and service area

DIRECTORATE	2025/26 Forecast £'000	2026/27 Estimate £'000	2027/28 Estimate £'000	2028/29 Estimate £'000	2029/30 Estimate £'000	2030/31 Estimate £'000	2031/32 Estimate £'000	2032/33 Estimate £'000	2033/34 Estimate £'000	2034/35 Estimate £'000	2035/36 Estimate £'000	TOTAL £'000
Chief Executive												
Resident Experience & Digital	682	386	0	0	0	0	0	0	0	0	0	1,067
Subtotal	**682**	**386**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**1,067**
Adults Services												
Culture & Registrars	964	420	0	0	0	0	0	0	0	0	0	1,384
Adult Social Care	2,931	0	0	0	0	0	0	0	0	0	0	2,931
Subtotal	**3,895**	**420**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**4,315**
Resources												
Law & Governance	77	0	0	0	0	0	0	0	0	0	0	77
Subtotal	**77**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**77**
Children's Services												
Traded Services	868	96	0	0	0	0	0	0	0	0	0	964
Subtotal	**868**	**96**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**964**
Neighbourhoods and Environment												
Highways & Parking	12,563	5,975	6,006	49	0	0	0	0	0	0	0	24,593
Neighbourhoods	5,171	7,177	4,139	1,203	544	0	0	0	0	0	0	18,233
Community Safety & Public Protection	101	0	0	0	0	0	0	0	0	0	0	101
Subtotal	**17,835**	**13,152**	**10,144**	**1,252**	**544**	**0**	**0**	**0**	**0**	**0**	**0**	**42,927**
Place GF												
Schools Programme	6,567	11,850	11,018	20,291	0	0	0	0	0	0	0	49,726
Regen, Planning & Strategic Property	22,760	21,839	292	154	0	0	0	0	0	0	0	45,045
Capital Delivery and Estates	14,195	19,533	9,166	788	150	42	42	42	42	31	0	44,032
London Secure Children's Home	275	3,425	0	0	0	0	0	0	0	0	0	3,700
Housing (General Fund)	38,999	38,022	4,598	6,469	2,772	0	0	0	0	0	0	90,860
Subtotal Place GF	**82,796**	**94,669**	**25,074**	**27,702**	**2,922**	**42**	**42**	**42**	**42**	**31**	**0**	**233,363**
Housing Delivery & Assets	64,750	76,476	34,881	36,571	36,218	36,392	37,095	37,811	38,542	40,288	40,048	479,071
Housing Operations	805	732	0	0	0	0	0	0	0	0	0	1,538
Subtotal Place HRA	**65,555**	**77,208**	**34,881**	**36,571**	**36,218**	**36,392**	**37,095**	**37,811**	**38,542**	**40,288**	**40,048**	**480,609**
Subtotal Place GF & HRA	**148,351**	**171,877**	**59,955**	**64,273**	**39,140**	**36,434**	**37,137**	**37,853**	**38,584**	**40,319**	**40,048**	**713,971**
CONTINGENCY												
General Fund Contingency	250	6,382	2,000	0	0	0	0	0	0	0	0	8,632
Subtotal	**250**	**6,382**	**2,000**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**8,632**
FUND												
GF	106,403	115,104	37,218	28,954	3,466	42	42	42	42	31	0	291,344
HRA	65,555	77,208	34,881	36,571	36,218	36,392	37,095	37,811	38,542	40,288	40,048	480,609
TOTAL CAPITAL PROGRAMME	**171,958**	**192,312**	**72,099**	**65,525**	**39,684**	**36,434**	**37,137**	**37,853**	**38,584**	**40,319**	**40,048**	**771,953**
Appropriations	0	(38,526)	0	0	0	0	0	0	0	0	0	(38,526)
CAPITAL PROGRAMME EXCL. SALES FROM GF TO HRA	**171,958**	**153,787**	**72,099**	**65,525**	**39,684**	**36,434**	**37,137**	**37,853**	**38,584**	**40,319**	**40,048**	**733,427**

5. Funding the Capital Investment Portfolio

5.1 The Council's proposed capital programme shown in Table 1 totals £733.43 million. Table 2 shows how the Council intends to fund its Capital Investment Portfolio.

5.2 The Council's Treasury Management Strategy supports the Capital Investment Portfolio by ensuring that the proposed capital investment and associated borrowing is financially sustainable. It includes:

- New borrowing requirements and debt management arrangements
- A Minimum Revenue Provision (MRP) Policy Statement
- The Annual Investment Strategy
- The Treasury Management Policy Statement
- Prudential Indicators for Capital and Treasury Management

5.3 The Treasury Management function ensures that the Council's cash is organised in accordance with the relevant professional codes, so that sufficient cash is available to meet its service delivery activity and the ambitious plans established in the Council's Capital Investment Strategy. This will involve both the organisation of the cash flow and, where capital plans require, the organisation of appropriate borrowing facilities.

5.4 The annual Treasury Management Strategy covers the relevant treasury/prudential indicators, the current and projected debt positions including EFS, MRP policy and the Annual Investment Strategy. Reserves are an essential part of good financial management, helping the Council to manage unpredictable financial pressures and plan for future spending commitments.

5.5 The level, purpose and planned use of reserves are important factors for the Council to consider in developing the MTFS and setting the annual budget. Earmarked reserves are funds set aside to meet known or predicted future spending or ringfenced by previous Council decisions, some of which are linked to the capital programme or provide resources that can be used to support capital schemes.

5.6 Reserves will be monitored throughout the year as part of the routine financial monitoring and the level of reserves reported as part of the year-end accounting processes. Further details on reserves are available in the Council's Reserves Strategy.

5.7 Treasury Investments arise from the Council's cash flows and debt management activity and ultimately represent balances which could be invested until the cash is required for use in the course of business. For these types of investments, the security and liquidity of funds are placed ahead of the investment return. The management of associated risk is set out in the Treasury Management Policy and the Annual Investment Strategy.

5.8 Non-treasury investments are made mainly for financial reasons and include noncurrent assets such as investment properties and loans to third parties. Such investments are only undertaken where the Council has the appropriate legal powers to do so and after an assessment of risk and financial sustainability.

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Table 2 – Funding the Capital Investment Portfolio

FINANCING SOURCES	2025/26 Forecast £'000	2026/27 Estimate £'000	2027/28 Estimate £'000	2028/29 Estimate £'000	2029/30 Estimate £'000	2030/31 Estimate £'000	2031/32 Estimate £'000	2032/33 Estimate £'000	2033/34 Estimate £'000	2034/35 Estimate £'000	2035/36 Estimate £'000	TOTAL £'000
Government Grant	(39,447)	(42,912)	(17,483)	(23,939)	(986)	0	0	0	0	0	0	(124,767)
Other Contributions	(8,125)	(10,904)	(1,694)	(1,487)	(1,487)	(1,487)	(1,487)	(1,487)	(1,487)	(1,487)	(1,487)	(32,619)
S106 Developer Contributions	(6,701)	(4,447)	0	0	0	0	0	0	0	0	0	(11,148)
CIL Developer Contributions	(1,344)	(257)	0	0	0	0	0	0	0	0	0	(1,601)
Revenue Contributions	(14,379)	(5,984)	(5,773)	(4,834)	(5,689)	(6,953)	(7,081)	(7,212)	(7,345)	(7,481)	(7,359)	(80,090)
Major Repairs Reserve	(5,596)	(11,142)	(11,450)	(11,662)	(11,878)	(14,926)	(15,235)	(15,551)	(15,873)	(16,201)	(16,288)	(145,802)
Capital Receipts	(21,165)	(25,194)	(4,580)	(4,580)	(550)	(550)	(550)	(550)	(550)	(550)	(550)	(59,369)
Self-Finance via Future Disposal	0	0	0	0	0	0	0	0	0	0	0	0
Prudential Borrowing - GF	(52,800)	(64,847)	(19,678)	(6,244)	(2,635)	(42)	(42)	(42)	(42)	(31)	0	(146,403)
Prudential Borrowing - HRA	(22,401)	(26,624)	(11,441)	(12,779)	(16,459)	(12,476)	(12,742)	(13,012)	(13,287)	(14,569)	(14,364)	(170,154)
TOTAL FINANCING	**(171,958)**	**(192,312)**	**(72,099)**	**(65,525)**	**(39,684)**	**(36,434)**	**(37,137)**	**(37,853)**	**(38,584)**	**(40,319)**	**(40,048)**	**(771,953)**
Adjustment - Sales from GF to HRA	0	38,526	0	0	0	0	0	0	0	0	0	38,526
CAPITAL PROG. EXCL. SALES FROM GF TO HRA	**(171,958)**	**(153,787)**	**(72,099)**	**(65,525)**	**(39,684)**	**(36,434)**	**(37,137)**	**(37,853)**	**(38,584)**	**(40,319)**	**(40,048)**	**(733,427)**

5.9 The Council must set prudential indicators each year, which include parameters for borrowing, including the upper limits for the value, nature and maturity of the debt incurred as part of its Treasury Management Strategy. The Council's prudential indicators revolve around its capital expenditure plans and its Capital Financing Requirement (CFR).

5.10 Expenditure which is financed by borrowing (be it internal or external) gives rise to an increase in the Council's CFR. The CFR is therefore a measure of the Council's indebtedness and represents its underlying borrowing need; it will increase with unfunded capital expenditure and decrease as the Council makes MRP contributions. Tables 3–5 show the projected CFR from delivering our Capital Investment Portfolio and impact of EFS.

5.11 The CFR distinguishes between the amounts relating to the HRA and those that do not. This reflects the statutory requirement for the HRA to be a ringfenced account that is self-sufficient and does not subsidise, nor is subsidised by, other council financing arrangements.

5.12 The Council's forward projections for borrowing are summarised in Table 6, which shows the projected external debt against the CFR, highlighting any over or under borrowing.

5.13 As part of ensuring the financial sustainability of the Council and its investments, the Council sets a series of prudential indicators, including limits on levels of borrowing.

- The **operational boundary** is the limit which external debt is not normally expected to exceed. In most cases, this would be a similar figure to the CFR but may be lower or higher depending on the levels of actual debt and the ability to fund 'under-borrowing' by other cash resources.
- The **authorised limit for external debt** represents the maximum level of external borrowing. It reflects the level of external debt that could be afforded in the short term but may not be sustainable in the longer term. The authorised limit is presented to Full Council for consideration and approval, as part of the Treasury Management Strategy Statement. The projected authorised limit and operational boundary are shown in Table 7 below.

5.14 The Council's proposed GF capital programme of £291.34 million is financed from five main sources:

- External funding, comprising grants and contributions
- Internal funding from revenue contributions / reserves
- Capital receipts
- Self-financed via future disposals
- Borrowing

5.15 Table 8 summarises the amounts of each of these sources during the planned investment profile.

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Table 3 – Capital Financing Requirement

	2025/26 Forecast £'000	2026/27 Estimate £'000	2027/28 Estimate £'000	2028/29 Estimate £'000	2029/30 Estimate £'000	2030/31 Estimate £'000	2031/32 Estimate £'000	2032/33 Estimate £'000	2033/34 Estimate £'000	2034/35 Estimate £'000	2035/36 Estimate £'000	TOTAL £'000
CFR as at 31 March												
General Fund	425,169	426,171	445,685	453,681	465,337	452,200	438,892	424,967	411,275	397,750	385,014	
General Fund - Exceptional Financial Support	0	19,000	19,000	25,000	0	0	0	0	0	0	0	
HRA	364,945	404,801	416,115	428,794	445,152	457,532	470,274	483,286	496,573	511,142	525,505	
TOTAL CFR AS AT 31 MARCH	**790,114**	**849,971**	**880,800**	**907,475**	**910,489**	**909,733**	**909,167**	**908,252**	**907,849**	**908,892**	**910,519**	
Annual change												
General Fund	24,346	20,002	19,514	13,996	(13,345)	(13,137)	(13,308)	(13,926)	(13,691)	(13,526)	(12,736)	(15,809)
HRA	22,200	39,855	11,315	12,678	16,358	12,380	12,742	13,012	13,287	14,569	14,364	182,760
TOTAL ANNUAL CHANGE	**46,546**	**59,857**	**30,829**	**26,675**	**3,014**	**(756)**	**(566)**	**(914)**	**(404)**	**1,043**	**1,627**	**166,951**
Reason for Change												
Prudential Borrowing	75,201	104,904	31,119	19,023	19,094	12,518	12,784	13,054	13,329	14,600	14,364	329,990
Exceptional Financial Support	0	19,000	19,000	25,000	0	0	0	0	0	0	0	63,000
Self-Financed from Future Disposals	0	0	0	0	0	0	0	0	0	0	0	0
Capital Receipts	(0)	0	0	0	0	0	0	0	0	0	0	(0)
Sales from GF to HRA	0	(38,526)	0	0	0	0	0	0	0	0	0	(38,526)
Other Changes	0	0	0	0	0	0	0	0	0	0	0	0
MRP Charge	(9,143)	(9,540)	(10,317)	(11,041)	(11,968)	(12,330)	(12,502)	(13,187)	(12,948)	(12,772)	(11,995)	(127,744)
Rights of Use Assets	(19,511)	(15,981)	(8,973)	(6,308)	(4,112)	(944)	(848)	(781)	(785)	(785)	(741)	(59,769)
TOTAL CHANGE	**46,546**	**59,857**	**30,829**	**26,675**	**3,014**	**(756)**	**(566)**	**(914)**	**(404)**	**1,043**	**1,627**	**166,951**

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Table 4 – Capital Financing Requirement – General Fund

	2025/26 Forecast £'000	2026/27 Estimate £'000	2027/28 Estimate £'000	2028/29 Estimate £'000	2029/30 Estimate £'000	2030/31 Estimate £'000	2031/32 Estimate £'000	2032/33 Estimate £'000	2033/34 Estimate £'000	2034/35 Estimate £'000	2035/36 Estimate £'000	TOTAL £'000
General Fund CFR as at 1 April	400,823	425,169	445,171	464,685	478,681	465,337	452,200	438,892	424,967	411,275	397,750	400,823
Prudential Borrowing	52,800	64,847	19,678	6,244	2,635	42	42	42	42	31	0	146,403
Exceptional Financial Support		19,000	19,000	25,000								63,000
Schemes Funded from Future Disposals	0	0	0	0	0							0
Capital Receipts	(0)	0	0	0	0							(0)
Sales to HRA	0	(38,526)	0	0	0	0	0	0	0	0	0	(38,526)
Other Changes	0											0
MRP Charge	(9,143)	(9,540)	(10,317)	(11,041)	(11,968)	(12,330)	(12,502)	(13,187)	(12,948)	(12,772)	(11,995)	(127,744)
Rights of Use Assets	(19,310)	(15,780)	(8,847)	(6,207)	(4,011)	(848)	(848)	(781)	(785)	(785)	(741)	(58,943)
General Fund CFR as at 31 March	**425,169**	**445,171**	**464,685**	**478,681**	**465,337**	**452,200**	**438,892**	**424,967**	**411,275**	**397,750**	**385,014**	**385,013**

Table 5 – Capital Financing Requirement – HRA

	2025/26 Forecast £'000	2026/27 Estimate £'000	2027/28 Estimate £'000	2028/29 Estimate £'000	2029/30 Estimate £'000	2030/31 Estimate £'000	2031/32 Estimate £'000	2032/33 Estimate £'000	2033/34 Estimate £'000	2034/35 Estimate £'000	2035/36 Estimate £'000	TOTAL £'000
HRA CFR as at 1 April	342,745	364,945	404,801	416,115	428,794	445,152	457,532	470,274	483,286	496,573	511,142	342,745
Purchases from GF	0	38,526										38,526
Less: Government Grants	0	(4,200)										(4,200)
Less: Other Contributions		(799)										(799)
Less: Capital Receipts	0	(20,094)										(20,094)
Net Prudential Borrowing for Purchases from GF	**0**	**13,433**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**13,433**
Other Prudential Borrowing	22,401	26,624	11,441	12,779	16,459	12,476	12,742	13,012	13,287	14,569	14,364	170,154
Capital Repayments												0
Rights of Use Assets	(201)	(201)	(126)	(101)	(101)	(96)						(826)
HRA CFR as at 31 March	**364,945**	**404,801**	**416,115**	**428,794**	**445,152**	**457,532**	**470,274**	**483,286**	**496,573**	**511,142**	**525,505**	**525,505**

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Table 6 – Borrowing activity

	2025/26 Forecast £000	2026/27 Estimate £000	2027/28 Estimate £000	2028/29 Estimate £000	2029/30 Estimate £000	2030/31 Estimate £'000	2031/32 Estimate £'000	2032/33 Estimate £'000	2033/34 Estimate £'000	2034/35 Estimate £'000	2035/36 Estimate £'000
Gross Projected Debt	683,153	749,736	788,243	823,552	836,177	845,146	854,316	863,412	873,207	884,716	896,296
Capital Financing Requirement	790,114	849,971	880,800	907,475	910,489	909,733	909,167	908,252	907,849	908,892	910,519
UNDER/(OVER) BORROWING	**106,961**	**100,236**	**92,557**	**83,923**	**74,312**	**64,587**	**54,850**	**44,841**	**34,642**	**24,176**	**14,223**

Table 7 – Authorised External Debt Limit compared to the Operational Boundary

	2025/26 Forecast £000	2026/27 Estimate £000	2027/28 Estimate £000	2028/29 Estimate £000	2029/30 Estimate £000	2030/31 Estimate £'000	2031/32 Estimate £'000	2032/33 Estimate £'000	2033/34 Estimate £'000	2034/35 Estimate £'000	2035/36 Estimate £'000
Authorised Limit	**866,130**	**932,254**	**966,430**	**996,013**	**999,563**	**998,992**	**998,646**	**997,958**	**997,789**	**999,166**	**1,001,161**
Operational Boundary	**790,114**	**849,971**	**880,800**	**907,475**	**910,489**	**909,733**	**909,167**	**908,252**	**907,849**	**908,892**	**910,519**

Table 8 – General Fund prudential borrowing

GF FINANCING SOURCES	2025/26 Forecast £’000	2026/27 Estimate £’000	2027/28 Estimate £’000	2028/29 Estimate £’000	2029/30 Estimate £’000	2030/31 Estimate £'000	2031/32 Estimate £'000	2032/33 Estimate £'000	2033/34 Estimate £'000	2034/35 Estimate £'000	2035/36 Estimate £'000	Total £’000
Expenditure	**106,403**	**115,104**	**37,218**	**28,954**	**3,466**	**42**	**42**	**42**	**42**	**31**	**0**	**291,344**
External Funding	(44,702)	(44,953)	(17,280)	(22,710)	(832)	0	0	0	0	0	0	**(130,477)**
Revenue Contributions / Reserves	(8,901)	(5,304)	(260)	0	0	0	0	0	0	0	0	**(14,465)**
Capital Receipts	0	0	0	0	0	0	0	0	0	0	0	**0**
Self-Financed via Future Disposals	0	0	0	0	0	0	0	0	0	0	0	**0**
Sales to HRA	0	(38,526)	0	0	0	0	0	0	0	0	0	**(38,526)**
TOTAL GF PRUDENTIAL BORROWING	**(52,800)**	**(26,322)**	**(19,678)**	**(6,244)**	**(2,635)**	**(42)**	**(42)**	**(42)**	**(42)**	**(31)**	**0**	**(107,878)**
Exceptional Financial Support		(19,000)	(19,000)	(25,000)								**(63,000)**
TOTAL GF PRUDENTIAL BORROWING (INCL. EFS)	**(52,800)**	**(45,322)**	**(38,678)**	**(31,244)**	**(2,635)**	**(42)**	**(42)**	**(42)**	**(42)**	**(31)**	**0**	**(170,878)**

5.16 The extent to which capital expenditure in the programme is not funded by grants, contributions or capital receipts is the Council's borrowing requirement, which can be satisfied internally or externally.

- **Internal borrowing** makes use of the Council's surplus cash balances and reserves derived from working capital, rather than having to borrow at high interest rates. It does not need to be repaid in the same way as formal externally borrowed funds. Although there is an opportunity cost of not having invested the surplus cash, it is still prudent on the part of the Council to take this course, given that investment returns are low and counterparty risk is eliminated.
- **External borrowing** involves sourcing funds on the open market. Most of the Council's borrowing is with the Public Works Loan Board (PWLB) due to its favourable rates for the public sector. The Council may seek external funding from elsewhere depending on the prevailing interest rates.

5.17 The Treasury Management Strategy determines the actual borrowing requirement, incorporating the use of both internal and external borrowing. For external borrowing, the Corporate Treasury will consider its current and future borrowing requirements, which will then determine the actual interest cost.

5.18 There are revenue implications to the delivery of the Capital Investment Portfolio. Table 9 summarises the indicative revenue implications of the proposed capital programme on the GF, assuming all new financing requirement is external borrowing.

5.19 In each year, revenue budget has been set aside to cover financing costs (MTFS budget assumptions). Over the term of the Capital Investment Portfolio (from 2025/26 to 2035/36), the GF revenue cost of the capital portfolio is projecting interest payable of £58.85 million based on Public Works Loan Board (PWLB) 50 year borrowing rate of 6.19% as at January 2026. The GF revenue cost of EFS is projecting interest payayble of £26.84m and based on January 2026 PWLB 20 year borrowing rate of 5.59%.

5.20 During the 2025/26 to 2035/36 programme term, an allocation will be made for the repayment of debt – the Minimum Revenue Provision (MRP) – of £5.748 million for the Capital Investment Portfolio and £19.03 million for EFS. This excludes the repayment of existing PFI related liabilities, which have been budgeted for separately in accordance with their financial models.

5.21 Included in the GF borrowing is £31.68 million for the development of the Priory Court regeneration project. This will be appropriated back to the HRA on completion, reducing the GF's need to borrow by the same amount, including assumed interest.

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Table 9 – General Fund revenue implications in future years

REVENUE IMPACT OF NEW BORROWING	2026/27 Estimate £000	2027/28 Estimate £000	2028/29 Estimate £000	2029/30 Estimate £000	2030/31 Estimate £'000	2031/32 Estimate £'000	2032/33 Estimate £'000	2033/34 Estimate £'000	2034/35 Estimate £'000	2035/36 Estimate £'000	Total £000
Capital Financing - Interest	3,163	4,739	5,918	6,292	6,450	6,452	6,455	6,457	6,460	6,462	**58,849**
Exceptional Financial Support - Interest	0	1,024	2,048	3,396	3,396	3,396	3,396	3,396	3,396	3,396	**26,842**
Capital Financing - MRP	259	400	513	565	602	627	653	681	709	739	**5,748**
Exceptional Financial Support - MRP	0	626	1,279	2,156	2,246	2,340	2,438	2,540	2,646	2,757	**19,027**
MTFS BUDGET ASSUMPTIONS	**3,422**	**6,789**	**9,758**	**12,409**	**12,693**	**12,815**	**12,942**	**13,074**	**13,211**	**13,353**	**110,467**

6. Risk management

6.1 Major regeneration and housing delivery projects constitute a large part of the Council's capital portfolio. These inherently carry risk, some of which is outside the Council's control. The Council's planning and governance processes have been developed in such a way as to mitigate these risks. The table below sets out these key risks and mitigation measures:

Risk	Mitigation
Local government financial pressures	Reduced funding, increasing costs and demand for services and changes to legislation have created significant financial pressures for local government. As a result, in 2024 the Council developed a prioritisation framework used to review its schemes within the capital programme, which includes a set of indicators that must be met for projects to remain in or be added to the capital programme. Careful monitoring and review ensure the ongoing affordability of the programme and supports the long-term financial sustainability of the Council.
Project viability	There are significant challenges to project delivery at present due to market conditions. The Council reviews project viability at all key gateway stages via established project / programme and council governance. Where appropriate, schemes will continue to be developed and will remain as pipeline schemes until they can demonstrate they are viable and meet the indicators set out in the capital prioritisation framework. The Council has secured in principle agreement to a significant level of GLA grant and is also exploring other funding models to address viability challenges and ensure continued delivery.
Inflation	Capital delivery costs are vulnerable to inflation, which has been particularly high over recent years and currently sits at 3.4% (as at December 2025). The Council has undertaken impact assessments across the Capital Investment Portfolio to understand the potential programme/financial impact of cost inflation and programme delays. This includes the cost of construction, which increased significantly over recent years and is now only slightly higher than general inflation at 4.4% (BCIS General Building Cost Index, October 2025). In costing the capital portfolio, an allowance for inflation and a level of contingency is built into each scheme to mitigate this risk. For its larger construction programmes, the Council has entered into Development Agreements and fixed price contracts to protect its commercial position and reduce exposure to increased delivery costs as far as possible. Close monitoring of the portfolio through the governance and assurance processes set out in the following section support the early highlighting and mitigation of further risks in relation to inflation.
Workforce	Workforce availability and continuity is monitored carefully to ensure the delivery of capital schemes despite ongoing challenges, including those resulting from Brexit, the Russia-

	Ukraine war, an ageing workforce and a shortage of particular skilled trades within the construction industry.
Interest rate increases	The Council's capital portfolio has a borrowing requirement and is therefore exposed to fluctuations in interest rates. The PWLB interest rate is currently 6.19% on a 50-year annuity basis in January 2026, (in comparison to 6.15% in January 2025), which has an impact on the amount of interest payable by the Council. Interest rates are variable, and further rises could make the capital programme unaffordable. External borrowing is projected to increase by £393 million over the current year and following 10 years – this increase relates primarily to the HRA capital programme. HRA borrowing is undertaken within the affordability parameters of its 10-year business plan to mitigate inflation risks. The Council has used prudent interest estimates in order to mitigate this risk.
Capital receipts	The Council has developed a detailed approach to sales and marketing for units within its major residential-led schemes and procured external advice to support this approach in order to protect and realise maximum financial return for the Council. The Council's risk management strategy remains in place to review ongoing risks. Close monitoring of the property market and the Council's response to rate increases through review of its sales and marketing strategy continues to provide the required assurance. Decisions to fund shortfalls through borrowing, as well as capital prioritisation to ensure schemes remain affordable are controlled by the Council's Section 151 Officer to ensure prudence.
Legislative changes	Changes in statute and regulations will impact capital projects, as they must comply with current legislation. This has the potential to impact existing scheme viability, development of new schemes and increase overall costs in order to meet new legislative standards. As mitigation, the Council horizon scans to remain aware of any changes to legislation which might affect projects and responds accordingly through proper governance channels. To date, the impact of changes to legislation (such as the Building Safety Act 2022) have been mitigated through robust assurance, delivery and contract management practices.
Market conditions	The capital portfolio is complex and the successful delivery of various elements depends to a large extent on the commercial environment. Examples are property rental income, capital receipts and future health of the property market. Assumptions are made which underpin projections. The Council relies on expert advice to mitigate this risk.
Project delivery	In the main, these are unforeseen delays and increases in costs. Apart from building in contingencies and risk allowances, there are a range of measures that can mitigate the risks. Large schemes are subject to Gateway Reviews, with projects 'reaffirmed' by Cabinet where major financial or key strategic decision making is required, providing additional assurance.

	Effective scrutiny of business cases at the outset and senior officer level project and portfolio governance will ensure robustness of projects included in the portfolio. During the life of the project, risks are monitored with risk registers being properly maintained and updated. Regular highlight reporting keeps key stakeholders informed to allow early intervention where necessary. In the case of complex major projects, professional experts are used at all necessary stages to ensure effective delivery.
Portfolio delivery capacity	The investment portfolio set out in this Capital Strategy totals over £733 million. A priority is to ensure sufficient project delivery expertise, enabling support and supply chain capacity is available to deliver the Council's investment portfolio outcomes, on time and to agreed budgets. The Council has embedded arrangements which mean SROs and dedicated project delivery resources are allocated to key investment programmes and projects. Appropriate resource plans (and service level agreements) are developed to provide sufficient enabling expertise. Supply chain capacity will primarily be managed at the project and programme level, with residual risks escalated through the Council's governance as necessary.
Funding	A significant proportion of the Council's schemes relies on grant funding and contributions from third parties. Any delays and/or non-receipt of this funding can lead to an adverse impact on the deliverability and/or financial viability of capital projects. The Council undertakes effective monitoring to ensure the relevant grants are drawn down together with regular dialogue with the relevant funding bodies to ensure all options are explored in the event grant funding is affected.

6.2 To robustly manage the capital programme, the Council continually reviews and refines its Delivery Assurance Framework, to support strategic planning and delivery of the Capital Investment Portfolio. The Delivery Assurance Framework is managed by an internal delivery and leadership team underpinned by strong, well-established corporate governance and capital portfolio monitoring arrangements.

6.3 The Capital Portfolio Management Office (PMO) – in collaboration with the sponsoring Capital Strategy and Asset Management Group (CSAMG), chaired by the Corporate Director of Financial Services – continues to be responsible for the Delivery Assurance Framework and wider portfolio management practices. This includes:

- Undertaking annual detailed review and challenge of all project and programme level financial spend plans. This ensures accuracy and an achievable overall portfolio-level annual budget forecast, helping to support the Council with more prudent management of overall GF and HRA capital budgets.
- Quarterly reporting of capital portfolio-level financial performance to CSAMG, the Council's Senior Leadership Team and to Cabinet to ensure regular and accurate reporting, and senior oversight.

- Continuing to annually review the Capital Investment Strategy to ensure the Council is meeting the CIPFA Prudential Code and requirements for capital investment.
- The ongoing refinement of capital management modules in the Council's enterprise resource planning system (Oracle Cloud) to enhance capital financial management.

6.4 A fully refreshed Capital Investment Strategy 2025/26–2035/36 will be presented to Cabinet in March 2026. The Strategy will demonstrate in detail how the multi-year Capital Investment Portfolio directly contributes to the delivery of Mission Waltham Forest and other corporate strategies, as well as how the Council ensures it is managed prudently and remains affordable over the medium to long term, in line with CIPFA Prudential Code requirements.