

## Capital Strategy 2025/26

### 1. Background and Scope

- 1.1 The Chartered Institute of Public Finance and Accountancy (CIPFA) Prudential Code requires local authorities to produce a Capital Strategy to demonstrate how capital expenditure, capital financing and treasury management activity contribute to the provision of desired outcomes and take account of stewardship, value for money, prudence, sustainability, and affordability. The Prudential Code has been significantly updated to incorporate changes which restrict councils using borrowing to finance commercial property solely for generating yield. The Capital Strategy reflects these requirements and compliance to them.
- 1.2 The Capital Strategy forms part of the framework for financial planning and is integral to both the Medium-Term Financial Plan (MTFP) and the Treasury Management Strategy Statement (TMSS). It sets out how capital investment will play its part in delivering the long-term strategic objectives of the Council, how associated risk is managed and the implications for future financial sustainability.
- 1.3 The Capital Strategy maintains a strong and current link to the Council's Priorities and to other key strategy documents as shown below:
- Corporate Plan
  - HRA Business Plan
  - Asset Management Strategy
- 1.4 All capital expenditure and capital investments decisions are covered by this strategy. Decisions made this year on capital and treasury management will have financial consequences for the Council for many years into the future. It is refreshed annually in line with the MTFP and TMSS to ensure it remains fit for purpose and enables the Council to make investments necessary to deliver its strategic aims and objectives.
- 1.5 The Capital Strategy is considered by the Council as one of the foundations of good financial management and reflects the requirements under the CIPFA Financial Management Code.

### 2. Capital Expenditure

- 2.1 In contrast to revenue expenditure which is spending on the day to day running costs of the services such as employee costs and services, capital expenditure seeks to provide long-term solutions to Council priorities and operational requirements. Capital expenditure is technically described as: expenditure on the acquisition, creation, or enhancement of 'non-current assets' i.e., items of land, property and plant which has a useful life of more than one year. Expenditure for capital purposes therefore gives rise to new assets, increases the value or useful life of existing assets or generates economic and social value and an income stream to the Council via non-treasury investments.
- 2.2 The five aims of the Capital Strategy are:
- i. To take a **long-term perspective of capital investment** and to ensure this contributes to the achievement of the Council's Delivery Plan, emerging Local Plan and key strategies such as the Corporate Strategy.

- ii. To ensure investment is **prudent, affordable, and sustainable** over the medium term and adheres to the prudential code, Treasury Management Code and other regulatory conditions.
  - iii. To maintain the **arrangements and governance for investment decision-making** through established governance boards.
  - iv. To make the **most effective and appropriate use of the funds available** in long term planning and using the most optimal annual financing solutions.
  - v. To establish **a clear methodology to prioritise capital proposals**.
- 2.3 The MTFP sets out the key principles and this strategy will support the achievement of the right blend of investment in key priority areas to enable the following:
- Financial Stability and Sustainability
  - Resources Focused on Priorities
  - Maximising Income Streams
  - Risk Management.
- 2.4 In 2025/26, the Council is planning capital expenditure of £25.1 million as summarised in the table below and future years are shown in Appendix A.

Table 1: Prudential Indicator: Estimates of Capital Expenditure in £ millions

	2023/24 forecast*	2024/25 forecast*	2025/26 budget	2026/27 budget	2027/28 budget
General Fund services	9.4	11.9	9.5	6.4	1.6
Council housing (HRA)	10.2	15.9	15.6	15.1	15.8
<b>TOTAL</b>	19.6	27.8	25.1	21.5	17.4

\* 2023/24 and 2024/25 forecasts are based on the draft outturn position and may be subject to change

- 2.5 The main General Fund capital projects for 2025/26 include Enterprise Park project (£1.9m), Stenson Square Public realm regeneration (£1.0m), Coalville Regeneration Framework (£1.5m) and Food Waste Collection (£1.2m).
- 2.6 The Housing Revenue Account (HRA) is a ring-fenced account which ensures that council housing does not subsidise, or is itself subsidised, by other local services. HRA capital expenditure is therefore recorded separately and includes the stock investment (£9.7m) and building new homes (£3m) in 2025/26.
- ### 3. Principles for Capital Planning
- 3.1 Like most public sector bodies the Council has experienced delays on the physical progress of projects against the approved profile and cost over runs. This can be directly linked to the size of the programme, capacity to deliver and over optimism on the project in terms of cost, time and external factors outside the project sponsor's control.
- 3.2 When capital schemes are approved their inclusion into the capital programme is based on best estimates and slippage is measured against the approved profile at the end of the financial year. The Council will need to significantly improve its performance to ensure that all projects being proposed for inclusion can be delivered within the timeframe and budget stated prior to programme entry. Resource capacity and size

of the programme will need to be assessed annually as part of the budget setting process.

3.3 Delivery of the programme will be overseen by the established governance boards as outlined in Section 6. The Council will operate a clear and transparent corporate approach to the prioritisation of capital spending. The investment principles are set out below:

**a) Invest to improve and maintain Council assets**

The Council will improve and maintain the condition of its core assets to extend their life where appropriate

**b) Investing for sustainable, inclusive, economic growth**

The Council will expand its capacity to grow the economy in an inclusive manner, whilst delivering whole system solutions to demographic, social and environmental challenges sustainably

**c) Invest to save and to generate income**

The Council will invest in projects which will:

- Reduce running costs
- Avoid costs (capital or revenue) that would otherwise arise
- Generate a financial return

**d) Risk awareness**

The risks of the project have been fully assessed, consulted, communicated and are at an acceptable level.

3.4 Although capital expenditure is not charged directly to the revenue budget, interest payable on loans and Minimum Revenue Provision (MRP) are charged to revenue. The net annual charge is known as financing costs; this is compared to the net revenue stream i.e. the amount funded from Council Tax, business rates and central government grants. In developing subsequent capital schemes, it will be with a view to ensuring the capital financing costs are less than 15% as a proportion of General Fund net revenue budget over the medium and long term. Table 2 shows the proportion of financing costs to net revenue stream, future years are available in Appendix A.

Table 2: Prudential Indicator: Proportion of financing costs to net revenue stream

	2023/24 forecast*	2024/25 forecast*	2025/26 budget	2026/27 budget	2027/28 budget
<u>General Fund</u>					
Net Financing costs (£m)	1.8	1.9	1.9	1.8	1.8
Proportion of net revenue stream	10%	11%	10%	11%	10%
<u>Housing Revenue Account</u>					
Net Financing costs (£m)	1.6	1.3	1.9	2.1	2.5
Proportion of net revenue stream	8%	6%	9%	9%	10%

\* 2023/24 and 2024/25 forecasts are based on the draft outturn position and may be subject to change

**4. Financing the Capital Investment Programme**

4.1 The Council's capital programme is approved as part of the annual budget setting process. The capital programme is scrutinised by the Corporate Scrutiny Committee,

recommended to Council by Cabinet, and then approved by Council. The capital programme is funded from a range of sources, principally:

- Grants
- Developer Contributions
- Capital Receipts
- Revenue and Reserves
- Prudential Borrowing

4.2 The first call on available capital resources will always be the financing of spending on live projects, including those carried forward from previous years.

4.3 For the General Fund, in the medium term, for 2023/24 onwards it was agreed that there would be no new borrowing to fund capital investments that were not yet in the live approved capital programme. This was due to the budget pressures facing the Council and the pressures of debt repayment internally and externally that had a revenue implication. For a capital investment to move from the Development Pool to the 'Active' capital programme, a funding source other than borrowing will need to be identified. This is to ensure the Council does not create additional revenue pressures in the future arising from interest and capital repayment costs.

4.4 The planned financing of the capital expenditure is summarised in Table 3 below and full details are available in Appendix B:

Table 3: Capital Financing in £ millions

	<b>2023/24 forecast*</b>	<b>2024/25 forecast*</b>	<b>2025/26 budget</b>	<b>2026/27 budget</b>	<b>2027/28 budget</b>
External sources	1.3	3.8	5.9	0.7	0.7
Capital receipts	3.1	6.2	5.2	2.5	2.4
Revenue resources	11.0	14.0	12.1	10.3	5.4
Debt	4.2	3.8	1.9	8.1	8.9
<b>TOTAL</b>	<b>19.6</b>	<b>27.8</b>	<b>25.1</b>	<b>21.6</b>	<b>17.4</b>

\* 2023/24 and 2024/25 forecasts are based on the draft outturn position and may be subject to change

#### Grants

4.5 The Council receives grants from government, partners, and other organisations to finance capital investment. Grants can be split into two categories:

- Un-ringfenced – resources which are delivered through grants that can be utilised on any project (albeit that there may be an expectation of use for a specific purpose).
- Ring-fenced – resources which are ringfenced to a particular service area and therefore have restricted uses.

#### Developer/External Contributions

4.6 Significant developments across the district are often liable for contributions to the Council in the form of S106 contributions. If contributions reduce the funding, timing of the planned programme will need reviewing. Following achievement of the targeted contributions, the Council can consider further projects which can utilise this funding stream.

### Capital Receipts

- 4.7 Capital receipts come from the sale of Council's assets. The Council will adhere to statutory guidance in relation to capital receipts. In considering asset disposals, the Council will comply with its Asset Management Strategy and Disposals Policy.
- 4.8 If the disposal is within the Housing Revenue Account (HRA) land or property, the new government policy states that all of the receipt is now available to support the capital programme in the building and/or procurement of new houses.
- 4.9 The current strategy is for the assumed receipts from sale/disposal of assets to be taken into consideration when assessing the total value of receipts targeted to fund the overarching capital programme and planned flexible use of receipts (Appendix D).
- 4.10 Where the asset has been temporarily funded from prudential borrowing a review will be undertaken to determine whether the most cost-effective option is to utilise the receipt to repay the debt, considering the balance sheet position of the Council.
- 4.11 Where the sale of an asset leads to a requirement to repay grant the capital receipt will be utilised for this purpose. Once the liability has been established and provided for, the residual capital receipt will be available to support the capital programme as a corporate resource.
- 4.12 Appropriations of land between the General Fund and HRA will be considered on a site-by-site basis. The HRA 'pays' for the land through an increase in the HRA Capital Financing Requirement (CFR). The General Fund benefits from a corresponding decrease in its CFR. The CFR adjustments should be based on the market value of land but taking into account the intended use for social or other submarket housing. The Council has the discretion whether to appropriate land on this basis or sell it on the open market. More information on the Council's CFR is available in the Treasury Management Strategy Statement 2025/26.

### Revenue and Reserves

- 4.13 The Council may choose to utilise revenue contributions to capital and finance its capital investment. This would be through contributions from the Council's revenue budget or from reserves.
- 4.14 Two reserves will be available to finance the capital programme:
- a) MTFP Reserve - will be used for managing risks over the medium term, investing in projects to make the Council more efficient, reducing its operating costs (e.g. making our building more energy efficient to reduce ongoing costs), generating more income and funding the capacity for the Council to deliver its financial plans.
  - b) Business Rates Reserve –The Business Rates Reserve includes the additional business rates revenues from growth in the district (including contributions from Business Rates Pool and Freeport) in excess of that included in the revenue budget to fund on-going services. This additional growth will be prioritised to fund the capital programme and projects. The reserve will also be used to manage the cashflow implications between the timing of payments received into the collection fund and government grants for business rates relief announced by HM Treasury in recent years to support businesses through cost of living crises. The growth in business rates will not be used to fund the capital programme until the growth has materialised.

### Prudential Borrowing

- 4.15 Table 3 above sets out how the Council will finance its capital expenditure. These capital plans provide a guide to the borrowing need of the Council, essentially the longer-term cash flow planning to ensure the Council can meet its capital spending obligations. The management of longer-term cash may involve long or short-term loans, or using cash flow surpluses, and on occasion any debt previously drawn may be restructured to meet Council risk or cost objectives.
- 4.16 In planning for long term capital investment it is essential the long-term revenue financing cost is affordable. Any long-term investment is paid over the life of the asset. It is essential that the Council is able to meet the costs of borrowing and MRP over the life of the asset.
- 4.17 Debt is only a temporary source of finance, since loans and leases must be repaid, and this is therefore replaced over time by other financing, usually from revenue which is known as MRP. More information is available in the Council's Minimum Revenue Provision Strategy. Alternatively, proceeds from selling capital assets (known as capital receipts) may be used to replace debt finance. Planned MRP and use of capital receipts are as follows and future years are available in Appendix C.

Table 4: Replacement of prior years' debt finance in £ millions

	2023/24 forecast*	2024/25 forecast*	2025/26 budget	2026/27 budget	2027/28 budget
General Fund MRP	1.8	2.2	1.4	1.3	1.3
Housing Revenue Account MRP	1.2	1.3	1.3	1.3	0.6
Capital receipts	0	0	0	0	0
<b>TOTAL</b>	<b>3.0</b>	<b>3.5</b>	<b>2.7</b>	<b>2.6</b>	<b>1.9</b>

\* 2023/24 and 2024/25 forecasts are based on the draft outturn position and may be subject to change

- 4.18 The Authority's cumulative outstanding amount of debt finance is measured by the capital financing requirement (CFR). This increases with new debt-financed capital expenditure and reduces with MRP and capital receipts used to replace debt. The CFR is expected to reduce by £0.7m during 2025/26. Based on the above figures for expenditure and financing, the Authority's estimated CFR is as follows:

Table 5: Prudential Indicator: Estimates of Capital Financing Requirement in £ millions

	2023/24 forecast*	2024/25 forecast*	2025/26 budget	2026/27 budget	2027/28 budget
General Fund services	38.0	36.6	35.2	33.9	32.6
Council housing (HRA)	54.0	52.7	53.3	60.1	68.4
<b>TOTAL CFR</b>	<b>92.0</b>	<b>89.3</b>	<b>88.6</b>	<b>94.0</b>	<b>101.0</b>

\* 2023/24 and 2024/25 forecasts are based on the draft outturn position and may be subject to change

- 4.19 In taking out new external borrowing, the Council will consider a range of different options such as Public Works Loan Board (PWLb), Market Loans, Private Placement and Bonds (Public, Pooled, Community Municipal Investment and Retail). More information is available in the Council's Borrowing Strategy which is included within the Treasury Management Strategy Statement 2025/26.

- 4.20 Any borrowing taken out is secured against the Council as an entity rather than against specific assets for which it is borrowed for. The Council is required to demonstrate to the PWLB in advance of borrowing that it is affordable.

#### Housing Revenue Account (HRA)

- 4.21 The HRA Capital and Revenue Investment Programme is entirely funded from the ring-fenced HRA. The investment programme is driven by the 30-year HRA Business Plan. Key areas of housing include planned and cyclical works, zero carbon works and new supply. The programme also includes development and special projects. The HRA capital programme is funded from:

- HRA Self-Financing (the Major Repairs Reserve)
- Capital Receipts (HRA – Right to Buy and other asset sales)
- Revenue and Reserves (HRA contributions from revenue)
- Capital grants from government and other bodies
- Borrowing.

- 4.22 Prior to 2018 the HRA had a limit to how much it was allowed to borrow, known as the HRA borrowing cap, which is more stringent than the value of their assets, in order to control public borrowing levels. The HRA borrowing cap was abolished in late 2018. Further borrowing may be undertaken within the HRA, subject to overall affordability and the requisite business cases which should consider all risks including loss through right to buy.

- 4.23 The Council can use the “one for one” element of Right to Buy (RTB) receipts to fund building new homes. The receipt must be used within five years. If not, the receipt is paid to DLUHC with interest.

- 4.24 Generally capital expenditure would be funded from capital sources however in exception revenue resources are able to be used to fund capital. The main exception is the use of housing rents to fund capital expenditure within the HRA.

## **5. Asset management:**

- 5.1 To ensure that capital assets continue to be of long-term use, the Authority has an asset management strategy in place. The strategy takes an assumption that assets will only be retained where they provide greater value for money than the alternatives. New methods of service delivery, flexible working arrangements, shared services and developments in information technology are likely to make the Council less dependent on fixed assets in future years. The strategy has six key drivers:

- Making a strong link between corporate objectives and the policy on fixed assets
- Ensuring the full involvement of key service areas
- Keeping a clear distinction between strategic and operational decision making on fixed assets
- Establishing key drivers for fixed asset decisions amongst officers and elected members
- Maintaining clear reporting lines to a strong corporate centre
- Integrating the Council’s capital strategy and asset planning policy

- 5.2 Asset disposals: when a capital asset is no longer needed, it may be sold so that the proceeds, known as capital receipts, can be spent on new assets. The Authority is currently also permitted to spend capital receipts “flexibly” on service transformation projects up until and including 2029/30. Repayments of capital grants, loans and investments also generate capital receipts. The Authority plans to receive £5.2m of capital receipts (mostly HRA Right to buy receipts) in the coming financial year as follows:

Table 5: Capital receipts receivable in £ millions

	2023/24 forecast*	2024/25 forecast*	2025/26 budget	2026/27 budget	2027/28 budget
Asset sales	6.8	6.3	5.2	2.6	2.4
Loans etc repaid	0	0	0	0	0
TOTAL	6.8	6.3	5.2	2.6	2.4

\* 2023/24 and 2024/25 forecasts are based on the draft outturn position and may be subject to change

## 6. Governance of the Capital Strategy

### Approval of Capital Strategy and Capital Programme

- 6.1 The Capital Strategy is agreed annually alongside the TMSS. The Capital Programme is agreed annually by Full Council as part of the budget setting process. Variations to the Capital Programme or in-year additions, subject to delegation by Full Council, will be agreed by Cabinet including moving schemes from the Development Pool to the Active Programme as long as the scheme is within the budget approved by Council and there are sufficient reserves available. Quarterly monitoring of the Capital Programme will be presented to Corporate Scrutiny and Cabinet.

### Strategic Oversight and Delivery

- 6.2 The Capital Strategy Group (CSG) leads on the development and maintenance of the Capital Strategy that is consistent with the relevant code of practice, Corporate Strategy and core regulatory functions, MTFP and TMSS.
- 6.3 The CSG has an oversight and stewardship role for the development and delivery of the Council’s capital expenditure within affordable limits, which will include both the Capital Programme and capital investments; as well as providing strategic direction to the programme and projects, where necessary.

### Capital Programme and Project Delivery

- 6.4 The delivery of individual capital projects and programmes are managed through project boards in each directorate and for services which do not have a specific projects board delivery is managed through the CSG. The Project Boards are responsible for developing, managing and progressing capital projects; as well as reporting into the CSG.

### Scrutiny

- 6.5 The formal scrutiny process will be used to ensure effective challenge via the quarterly Performance Report. The Corporate Scrutiny Committee is also engaged when setting the Capital programme prior to its consideration by Cabinet and approval by Full Council. It should be noted that business cases seeking Cabinet approval will follow



the standard decision pathway and, as such, can be subject to Scrutiny as part of that process.

#### Managing Schemes Through Their Capital Lifecycle

- 6.6 The management of capital schemes through their lifecycle is an important aspect of delivering a successful capital investment programme. The approach should balance cost/funding certainty, risk, clarity of commitment to scheme, robust governance and transparent decision making.
- 6.7 An important aspect of the Council's capital governance framework is at which point schemes are in their development stage and when they are sufficiently developed to enter the approved capital programme. The capital programme is split into three broad components:
- **Mandate:** The initial concept and need for a capital scheme. Schemes will require prioritisation to ensure strategic fit and there are sufficient resources/capacity/capability to deliver the scheme.
  - **Development Pool:** A priority capital scheme in its early/developmental stages, typically outline business case (OBC) and full business case (FBC). At this stage, costs/funding/risks are uncertain, gaining certainty as more in-depth work is undertaken.
  - **Approved Capital Programme:** This refers to a capital scheme which has been through OBC and FBC stages and is developed to an acceptable level of certainty to be formally approved in the programme for delivery/implementation.

#### Key Decision-Making Considerations

- 6.8 All capital investment decisions will be underpinned by a robust business case that sets out any expected financial return alongside the broader outcomes/impacts, including economic, environmental and social benefits.
- 6.9 Throughout the decision-making process the risks and rewards for each project are reviewed and revised and form part of the monitoring of the capital programme. The CSG receives monthly updates detailing financial forecasts and risks.
- 6.10 There may be occasions when the nature of a particular proposal requires additional support in the production of the business case or for example in performing of a value for money or due diligence review. In these circumstances the Council may seek external advice.
- 6.11 The capital programme is reported to Cabinet and Council as part of the annual budget setting process which will take into consideration any material changes to the programme and the investment. The in-year position is monitored monthly, with quarterly budget monitoring reports to Cabinet with capital reports incorporated. Within that monitoring report minor new investment proposals will be included and variations such as slippage and the need for acceleration. Major new capital investment decisions will be subject to an individual report to Cabinet.
- 6.12 The Chief Finance Officer (Strategic Director of Resources) should report explicitly on the affordability and risk associated with the capital strategy. Where appropriate, the Chief Finance Officer will have access to specialised advice to enable them to reach their conclusions and ensure sufficiency of reserves should risk or liabilities be realised.

## **9. Risk Management**

- 9.1 One of the Council's key investment principles is that all investment risks should be understood with appropriate strategies to manage those risks. Major capital projects require careful management to mitigate the potential risks which can arise. The effective monitoring, management and mitigation of these risks is a key part of managing the capital strategy. All projects are required to maintain a risk register and align reporting to the Council's reporting framework.
- 9.2 In managing the overall programme of investment there are inherent risks associated such as changes in interest rates or credit risk of counter parties.
- 9.3 Accordingly, the Council will ensure that robust due diligence procedures cover all external capital investment. Where possible contingency plans will be identified at the outset and enacted when appropriate.
- 9.4 No project or investment will be approved where the level of risk is unacceptable – this is determined by the Cabinet or Chief Financial Officer as appropriate.

## **10. Skills and Knowledge**

- 10.1 The Council employs professionally qualified and experienced staff in senior positions with responsibility for making capital expenditure, borrowing and investment decisions. For example, the Strategic Director of Resources (Section 151 Officer) and Head of Finance (Deputy Section 151 Officer) are both qualified accountants and the Head of Property Services and Economic Regeneration is a qualified surveyor. The Council pays for junior staff to study towards relevant professional qualifications including Chartered Institute of Public Finance and Accountancy (CIPFA), Association of Accounting Technicians (AAT) and Royal Institute of Chartered Surveyors (RICS).
- 10.2 Where Council staff do not have the knowledge and skills required, use is made of external advisers and consultants that are specialists in their field. The Council currently employs Arlingclose Limited as treasury management advisers, and Wilks, Head and Eve as valuation consultants. This approach is more cost effective than employing such staff directly and ensures that the Council has access to knowledge and skills commensurate with its risk appetite.
- 10.3 Appropriate training will be provided for all those charged with investment responsibilities. This includes all those involved in making investment decisions such as members of CSG as well as those involved in scrutiny and governance such as relevant scrutiny committees and the audit committee. Training will be provided either as part of the meetings or by separate ad-hoc arrangements.
- 10.4 When considering complex and 'commercial' investments, the Council will ensure that appropriate specialist advice is taken. If this is not available internally it will be commissioned externally to inform decision making and appropriate use will be made of the Council's Treasury Management advisers.

## Capital Strategy Prudential Indicators

**Table 1: Prudential Indicator: Estimates of Capital Expenditure in £ millions**

	2023/24 forecast*	2024/25 forecast *	2025/26 budget	2026/27 budget	2027/28 budget
General Fund services	6.4	11.9	9.5	6.4	1.6
Council housing (HRA)	15.2	15.9	15.6	15.1	15.8
<b>TOTAL</b>	21.6	27.8	25.1	21.5	17.4

\* 2023/24 and 2024/25 forecasts are based on the draft outturn position and may be subject to change

**Table 2: Prudential Indicator: Proportion of financing costs to net revenue stream**

	2023/24 forecast*	2024/25 forecast*	2025/26 budget	2026/27 budget	2027/28 budget
<u>General Fund</u>					
Net Financing costs (£m)	1.8	1.9	1.9	1.8	1.8
Proportion of net revenue stream	10%	11%	10%	11%	10%
<u>Housing Revenue Account</u>					
Net Financing costs (£m)	1.6	1.3	1.9	2.1	2.5
Proportion of net revenue stream	8%	6%	9%	9%	10%

\* 2023/24 and 2024/25 forecasts are based on the draft outturn position and may be subject to change

Capital financing in £ millions

Appendix B

	2023/24 forecast*	2024/25 forecast*	2025/26 budget	2026/27 budget	2027/28 budget	2028/29 budget
<u>General Fund</u>						
External sources	1.3	3.7	1.9	0.7	0.7	0.7
Capital receipts	0.1	0.1	0.0	0.0	0.0	0.0
Revenue resources	8.0	8.1	7.6	5.7	0.9	0.0
Debt	0.0	0.0	0.0	0.0	0.0	0.0
<b>TOTAL</b>	<b>9.4</b>	<b>11.9</b>	<b>9.5</b>	<b>6.4</b>	<b>1.6</b>	<b>0.7</b>
<u>Housing Revenue Account</u>						
External sources	0.0	0.0	4.0	0.0	0.0	0.0
Capital receipts	3.0	6.2	5.2	2.6	2.4	3.4
Revenue resources	7.2	5.9	4.5	4.5	4.5	3.5
Debt	0.0	3.8	1.9	8.1	8.9	6.7
<b>TOTAL</b>	<b>10.2</b>	<b>15.9</b>	<b>15.6</b>	<b>15.2</b>	<b>15.8</b>	<b>13.6</b>
<u>Total</u>						
External sources	1.3	3.8	5.9	0.7	0.7	0.7
Capital receipts	3.1	6.2	5.2	2.6	2.4	3.4
Revenue resources	15.2	14.0	12.1	10.2	5.4	3.5
Debt	0.0	3.8	1.9	8.1	8.9	6.7
<b>TOTAL</b>	<b>19.6</b>	<b>27.8</b>	<b>25.1</b>	<b>21.6</b>	<b>17.4</b>	<b>14.3</b>

\* 2023/24 and 2024/25 forecasts are based on the draft outturn position and may be subject to change

## Replacement of prior years' debt finance in £ millions

	2023/24 forecast*	2024/25 forecast*	2025/26 budget	2026/27 budget	2027/28 budget
General Fund MRP	1.8	2.2	1.4	1.3	1.3
Housing Revenue Account MRP	1.2	1.3	1.3	1.3	0.6
Capital receipts	0	0	0	0	0
<b>TOTAL</b>	<b>3.0</b>	<b>3.5</b>	<b>2.7</b>	<b>2.6</b>	<b>1.9</b>

\* 2023/24 and 2024/25 forecasts are based on the draft outturn position and may be subject to change

### Flexible Use of Capital Receipts Strategy 2025/26

#### 1. Introduction

- 1.1 As part of the November 2015 Spending Review, the Government announced that it would introduce flexibility for the period of the Spending Review for local authorities to use capital receipts from the sale of assets to fund the revenue costs of service reform and transformation. Guidance on the use of this flexibility was issued in March 2016 which applied to the financial years 2016/17 through to 2019/20.
- 1.2 In December 2017, the Secretary of State announced that this flexibility would be extended for a further three years (until 2021-2022) and in February 2021 an additional extension of three years was announced. The latest extension focused on the use of capital receipts to fund transformation or other projects that produce long-term savings or reduce the costs of service delivery.

#### 2. The Guidance

- 2.1 Local Government Act 2003 specifies that;
  - Local authorities will only be able to use capital receipts from the sale of property, plant and equipment received in the years in which this flexibility is offered. They may not use their existing stock of capital receipts to finance the revenue costs of reform.
  - Local authorities cannot borrow to finance the revenue costs of the service reforms.
  - The expenditure for which the flexibility can be applied (known as 'Qualifying Expenditure') should be the up-front (set up or implementation) costs that will generate future ongoing savings and/or transform service delivery to reduce costs or the demand for services in future years. The ongoing revenue costs of the new processes or arrangements cannot be classified as qualifying expenditure.
  - The key determining criteria to use when deciding whether expenditure can be funded by the new capital receipts flexibility is that it is forecast to generate ongoing savings to an authority's net service expenditure.
  - In using the flexibility, the Council will have due regard to the requirements of the Prudential Code, the CIPFA Local Authority Accounting Code of Practice and the current edition of the Treasury Management in Public Services Code of Practice.
- 2.2 To make use of this flexibility, the Council is required to prepare a "Flexible use of capital receipts strategy" before the start of the year, to be approved by Full Council. This can form part of the budget report to Council. This Strategy therefore applies to the financial year 2025/26, which commences on 1 April 2025.

#### 3. Examples of qualifying expenditure

- 3.1 There are a wide range of projects that could generate qualifying expenditure and the list below is not prescriptive. Examples of projects include:
  - Sharing back-office and administrative services with one or more other council or public sector bodies;
  - Investment in service reform feasibility work, e.g. setting up pilot schemes;

- Collaboration between local authorities and central government departments to free up land for economic use;
- Funding the cost of service reconfiguration, restructuring or rationalisation (staff or non-staff), where this leads to ongoing efficiency savings or service transformation;
- Sharing Chief-Executives, management teams or staffing structures;
- Driving a digital approach to the delivery of more efficient public services and how the public interacts with constituent authorities where possible;
- Aggregating procurement on common goods and services where possible, either as part of local arrangements or using Crown Commercial Services or regional procurement hubs or Professional Buying Organisations;
- Improving systems and processes to tackle fraud and corruption in line with the Local Government Fraud and Corruption Strategy – this could include an element of staff training;
- Setting up commercial or alternative delivery models to deliver services more efficiently and bring in revenue (for example, through selling services to others);
- Integrating public facing services across two or more public sector bodies to generate savings or to transform service delivery.

#### **4. The Council's 2025/26 Budget Proposal**

- 4.1 The Government has provided a definition of expenditure which qualifies to be funded from capital receipts: "Qualifying expenditure is expenditure on any project that is designed to generate ongoing revenue savings in the delivery of public services and/or transform service delivery to reduce costs and/or transform service delivery in a way that reduces costs or demand for services in future years for any of the public sector delivery partners. Within this definition, it is for individual local authorities to decide whether or not a project qualifies for the flexibility."
- 4.2 The 2025/26 budget proposal does not include any proposal to utilise the flexible use of capital receipts. However, if during the year projects are identified as "qualifying expenditure" these will be considered by Cabinet, and approval for the use of capital receipts will be requested through the relevant channels in line with the Council's Budget and Policy Framework Rules.

#### **5. Impact on Prudential Indicators**

- 5.1 The guidance requires that the impact on the Council's Prudential Indicators should be considered when preparing a Flexible Use of Capital Receipts Strategy. Capital receipts which are allocated to fund the Council's capital programme will be monitored throughout the year and will not be subsequently used to fund qualifying expenditure. Therefore, there will be no change to the council's Prudential Indicators that are contained in the Treasury Management Strategy Statement.