

Report to Cabinet

Subject: Capital Programme and Capital Investment Strategy 2023/24 to 2027/28

Date: 16 February 2023

Author: Senior Leadership Team on behalf of the Leader

Wards Affected

All

Purpose

This report summarises:

- a) The proposed Capital Investment Strategy for 2023/24 to 2027/28; and
- b) The proposed Capital Programme for 2023/24 to 2025/26 for approval, and the indicative capital programme for 2026/27 to 2027/28, in light of the Council's priorities and the resources available.

The Capital Investment Strategy and Capital Programme determined by Cabinet at this meeting will be referred to the Council on 2 March 2023 for final approval. The detailed capital programme proposals are shown in Appendix 2 to this report.

Key Decision

This is a Key Decision.

Recommendations

Members are recommended to:

1. Note the estimated capital financing available for 2023/24 to 2027/28;
2. Approve the Capital Investment Strategy 2023/24 to 2027/28 detailed at Appendix 1 and refer it to Council for approval on 2 March 2023;
3. Approve the Capital Programme for 2023/24 to 2025/26 detailed at Appendix 2 and refer it to Council for approval on 2 March 2023;
4. Note the indicative Capital Programme for 2026/27 to 2027/28.

Background

1.1 The prudential framework for Local Authority Capital Investment was introduced through the Local Government Finance Act 2003.

1.2 This prudential framework incorporates four statutory codes. These are:

- The Prudential Code prepared by CIPFA;
- The Treasury Management Code prepared by CIPFA;
- The Statutory Guidance on Local Authority Investments prepared by the Department for Levelling Up, Housing and Communities (DLUHC);
- The Statutory Guidance on Minimum Revenue Provision (MRP) prepared by DLUHC.

1.3 CIPFA issued a new edition of the Prudential Code in December 2021. Although the revised reporting arrangements could be deferred until 2023/24, the Council moved to adopt the majority of changes at the earliest opportunity. The Capital Investment Strategy 2023/24, contained as an appendix to this report complies in full with the new Prudential Code.

1.4 The Prudential Code underpins the systems of capital finance and planning and is the primary document which provides the framework for the development of the capital strategy and the capital programme which are proposed in this report. The key issues addressed by the code relate to how Councils will ensure prudence, in respect of longer term planning, the MRP, understanding of risk and the ability to raise council tax.

1.5 The Prudential Code sets out the following key objectives, to ensure that:

- Local strategic planning, asset management planning and proper option appraisal are supported;
- The capital investment plans of local authorities are affordable, prudent and sustainable. Affordability has regard to the implications of capital expenditure for Council Tax, whilst prudence and sustainability have regard to the long term implications for external borrowing considering the actual impact, and potential impact on overall fiscal sustainability;
- Treasury management and other investment decisions are taken in accordance with good professional practice and in the full understanding of risks involved;
- The authority is accountable, by providing a clear and transparent framework.

To provide a clear and transparent framework authorities are required by the Code to formulate a Capital Strategy which sets out the long term context in which capital expenditure and investment decisions are made and gives due consideration to both risk and reward and their impact on priority outcomes. Whilst the Code does not define 'long term' the Council's current capital investment strategy proposed at Appendix 1 covers the five year period of the medium term financial plan (MTFP), 2023/24 to 2027/28, to ensure that longer term forecasts for capital expenditure, disposals and borrowing are fully considered in the revenue budget and demonstrated to be prudent and affordable.

- 1.6 The Investment Guidance and MRP Guidance aim to ensure that local authorities make borrowing and investment decisions in a way that is commensurate with their statutory duties. All Councils are required to have regard to this guidance in their investment decisions.

The Investment Guidance defines “investment” to include expenditure driven activity, e.g. commercial property, as well as simple treasury cash. Such activity would represent “non-treasury investments”, i.e. investment in “non-financial assets”. It also reaffirms that borrowing may only be undertaken for investments that are made for strategic purposes, and not “purely” for financial return.

The MRP Guidance also focuses on expenditure on non-financial investments, e.g. commercial property, making it clear that the duty to make prudent MRP extends to commercial investment property where its acquisition has been partially or fully funded by an increase in borrowing.

- 1.7 The requirements of the codes and guidance are fully reflected in each of the Budget Cabinet reports which appear on this agenda to ensure fully integrated revenue, capital and treasury management planning.

Proposal

2. Capital Investment Strategy

- 2.1 The Capital Investment Strategy outlines the principles and framework that shape the Council's capital investment decisions. The principal aim is to deliver a programme of capital investment that contributes to the achievement of the Council's priorities and objectives as set out in the Gedling Plan.
- 2.2 The Strategy defines at the highest level how the capital programme is to be formulated; it identifies the issues and options that influence capital spending; and sets out how the resources and capital programme will be managed.
- 2.3 The Prudential Code details the indicators that Councils are required to set to demonstrate that capital plans are affordable and prudent. The required indicators are included in the Prudential and Treasury Indicators and Treasury Management Strategy Statement, an item elsewhere on this agenda.
- 2.4 A copy of the proposed Capital Investment Strategy for 2023/24 to 2027/28 is attached at Appendix 1.

3. Proposed Capital Programme

- 3.1 The following table presents the proposed three year Capital Programme for 2023/24 to 2025/26 for approval, together with the indicative programme for a further two years to match the period of the MTFP as detailed in paragraph 1.5 above. The full programme of schemes is presented in Appendix 2.

Portfolio	Proposed Programme for Approval			Indicative Programme	
	2023/24 £	2024/25 £	2025/26 £	2026/27 £	2027/28 £
Environment	3,712,400	2,364,000	2,124,000	1,861,000	1,301,000
Sustainable Growth and Economy	125,700	830,700	0	0	0
Corporate Resources and Performance	3,090,000	430,000	430,000	430,000	430,000
Total Capital Programme	6,928,100	3,624,700	2,554,000	2,291,000	1,731,000

3.2 The proposed capital programme is derived from the following:

a) **Schemes totalling £200,000 already approved as part of the 2022/23 budget setting process:**

- Essential Window Replacement/Maintenance - Civic Centre (Phase 2) **£200,000** (2023/24)

b) **Schemes re-profiled from 2022/23**

Schemes totalling **£682,900** approved for deferral by Cabinet to 2023/24:

Schemes Re-profiled from 2022/23	2023/24 £
CCTV Provision	25,000
Vehicle Replacement Programme	392,000
Lambley Lane Play Area Refurbishment	111,000
Play Area Refurbishments	100,000
Sand Martin Bank Bird Hide	54,900
Total	682,900

c) **Ongoing Capital Programme Items (previously approved as ongoing)**

- Disabled Facilities Grants **£1,200,000** per annum (subject to confirmation of grant funding via Better Care Fund).
- Future Service Development Bids **£100,000** per annum 2024/25-2027/28.

d) **Replacement Equipment/Vehicles and Asset Maintenance**

Replacement assets and maintenance to ensure continuation of existing service:

	Proposed Programme			Indicative Programme	
	2023/24	2024/25	2025/26	2026/27	2027/28
	£	£	£	£	£
Vehicle Replacement Programme	1,213,500	669,000	904,000	661,000	101,000
IT Licencing	110,000	110,000	110,000	110,000	110,000
Equipment Replacement	0	70,000	70,000	70,000	70,000
General Asset Management	100,000	150,000	150,000	150,000	150,000
Total	1,423,500	999,000	1,234,000	991,000	431,000

Note: The proposed Vehicle Replacement Programme for 2023/24 after totalling the sums in (b) and (d) amounts to £1,605,500.

e) **New resource development bids and grant funded schemes which meet the Council priorities**

The table below show schemes totalling **£3,421,700** and **£1,325,700** included in the proposed capital programme for 2023/24 and 2024/25 respectively. Resource development bids which score 15 points and above using the Council's approved methodology as detailed in the Capital Investment Strategy (see paragraph 2 above) are proposed for inclusion in the programme. The approved methodology assesses schemes in accordance with the level of contribution made towards the achievement of the Council's Priorities and Improvement Plans. They are assessed as affordable in line with the Council's Prudential Code Indicators contained within the Treasury Management Strategy and within the overall context of the Medium Term Financial Plan.

	2023/24 £	2024/25 £
Economic Regeneration Land Assembly	1,500,000	
Temporary Accommodation	1,160,000	
Home Upgrade Grant	330,000	495,000
UK Shared Prosperity Fund	125,700	830,700
Recreation Playground Improvements	110,000	
Flood Alleviation Upper Daybrook	60,000	
Council Street Lighting	50,000	
Green Lung – Digby park to Gedling Country Park Construction	35,000	
Income Management System	20,000	
Tree Audit and Management Software	16,000	
Carlton Cemetery Remembrance Tree	15,000	
Total	3,421,700	1,325,700

Further details of these schemes are as follows:

- Economic Regeneration Land Assembly (£1,500,000) (subject to confirmation of business case) – Acquisition of land to further the Council's economic regeneration objectives.
- Temporary Accommodation (£1,160,000) (subject to confirmation of business case) – Purchase of property to improve the quality of homeless accommodation and reduce the cost of bed and breakfast.

- Home Upgrade Grant (£825,000 total) – Energy efficiency improvements to properties in the area fully funded by grant.
- UK Shared Prosperity Fund (£956,400 total) – To be spent on individual projects in accordance with the Council’s Investment Plan and fully funded by grant.
- Recreation Playground Improvements (£110,000) – To enhance the provision of play area facilities.
- Flood Alleviation Upper Daybrook (£60,000) – Scheme to address flooding issues in Upper Daybrook area.
- Council Street Lighting (£50,000) – To carry out a structural survey of Council owned lamp columns and undertake any urgent repairs
- Green Lung Digby Park to Gedling Country Park Path Construction (£35,000) – Connecting the two sites and adding features such as new bins, park benches, pathways and crossings.
- Income Management System (£20,000) – Moving to a cloud based income management system with any maintenance and upgrades undertaken by the service provider.
- Tree Audit & Management Software (£16,000) – Dedicated software that would enable an inventory of the Council’s trees to be maintained and support regular tree inspections.
- Carlton Cemetery Remembrance Tree (£15,000) – The provision of a memorial facility.

4. Capital Resources

4.1 Capital Receipts

When the Council sells General Fund assets it is permitted to use this income to fund capital expenditure.

The estimated annual capital receipt generation for 2023/24 to 2027/28 is detailed in the table below and it is proposed that these are fully utilised to finance the capital programme as detailed in paragraph 3.1.

	Proposed Programme			Indicative Programme	
	2023/24	2024/25	2025/26	2026/27	2027/28
	£	£	£	£	£
Land Sales	560,900	0	0	0	0
General Capital Receipts	50,000	50,000	50,000	50,000	50,000
Total Capital Receipt Estimate	610,900	50,000	50,000	50,000	50,000

4.2 Direct Revenue Financing

The use of earmarked revenue reserves and revenue equipment budgets as contributions to specific capital schemes totalling **£21,000** in 2023/24 are proposed as follows:

- a) £10,000 contribution from the Asset Management Reserve to meet the cost of general recreation and playground improvements;
- b) £11,000 contribution from the Asset Management Reserve for the Lambley Lane Play Area refurbishment.

4.3 Capital Grants and Contributions

External funds such as the Disabled Facilities Grant (DFG) and contributions from developers continue to be important in the funding of capital expenditure, and schemes financed in this way are included in the programme.

Grants and contributions estimated for financing the capital programme include:

	2023/24	2024/25
	£	£
Disabled Facilities/Better Care Fund Grant (assumed £1.2m per annum ongoing 2023/24-2027/28)	1,200,000	1,200,000
Home Upgrade Grant	330,000	495,000
Severn Trent Community Fund contributions to Play Area Refurbishments	130,200	0
UK Shared Prosperity Fund	125,700	830,700
Asset Management Reserve contribution	200,000	0
S106 contribution to Sand Martin Bank Bird Hide	13,700	0
Total Grants and Contributions	1,999,600	2,525,700

Disabled Facilities/Better Care Fund grant funding is now paid by the Department for Levelling Up, Housing and Communities to Nottinghamshire County Council for distribution. The actual allocations to each District Council are agreed by the Nottinghamshire Health and Wellbeing Board. There have not, as yet, been any grant announcements for 2023/24 so an estimated grant amount of £1,200,000 is included for 2023/24 and for the future programme. Any variation will be reported to Cabinet via the usual quarterly budget monitoring process.

Expenditure in the capital programme has been grossed up and the contributions are shown in the table below as adding to the resources available to finance the programme.

4.4 Prudential Borrowing

The total borrowing that is required to finance the proposed 2023/24 to 2025/26 capital programme is £6.649m. It is currently estimated that a further £1.522m of borrowing will be required to finance the indicative capital programme for 2026/27 to 2027/28. The proposed borrowing amounts are detailed in paragraph 4.5 below.

The Council's Prudential Indicators in respect of both the proposed programme 2023/24 to 2025/26 and the indicative programme for 2026/27 to 2027/28 are

contained within the Prudential and Treasury Indicators and Treasury Management Strategy Statement, an item elsewhere on this agenda. These Prudential Indicators, in conjunction with the calculations within the Medium Term Financial Plan, show that this level of borrowing is affordable and sustainable, subject to securing the commitment to delivering the proposed budget reduction and efficiency programme detailed in the Medium Term Financial Plan, included in the Revenue Budget report, an item elsewhere on this agenda.

4.5 Capital Resources Summary

An estimate of the resources for financing the 2023/24 to 2025/26 programme is summarised below:

Capital Resources	Proposed Programme			Indicative Programme	
	2023/24	2024/25	2025/26	2026/27	2027/28
	£	£	£	£	£
Use of Capital Receipts	610,900	50,000	50,000	50,000	50,000
Direct Revenue Financing	21,000	0	0	0	0
Grants and Contributions	1,999,600	2,525,700	1,200,000	1,200,000	1,200,000
Total Cash Resource	2,631,500	2,575,700	1,250,000	1,250,000	1,250,000
Prudential Borrowing	4,296,600	1,049,000	1,304,000	1,041,000	481,000
Total Financing	6,928,100	3,624,700	2,554,000	2,291,000	1,731,000

5. **Alternative Options**

As the resources for financing the capital programme are limited there is no capacity to implement further service developments which are not funded by specific grants/ contributions or are not invest to save schemes, therefore no alternative options are available. However, depending upon the timing and value of expected capital receipts, borrowing may be utilised as a substitute for capital receipts to fund the programme in any one year, and vice versa.

6. **Financial Implications**

As detailed in the report.

7. **Legal Implications**

The legal implications are detailed in the background section of this report and the report reflects the requirements of the Prudential framework.

8. **Carbon Reduction/ Environmental Sustainability Implications**

There are a number of schemes in the 2023/24 capital programme specifically focussed upon improving energy efficiency in Council and other properties as well as other environmental objectives. These will assist in meeting the Council's ambition to achieve net zero emissions by 2030 as set out in the Carbon Management Strategy.

All procurement activity required to deliver the capital programme will be undertaken

in accordance with both corporate and legislative requirements.

9. Appendices

Appendix 1 - Capital Investment Strategy 2023/24 – 2027/28

Appendix 2 - Proposed Capital Programme 2023/24 – 2025/26 (including Indicative Programme 2026/27 to 2027/28)

10. Background Papers

- Prudential and Treasury Indicators and Treasury Management Strategy Statement 2023/24
- Gedling Plan 2023-27

11. Reasons for Recommendations

To obtain approval of the draft Capital Programme and Capital Investment Strategy, which support the delivery of the Gedling Plan.

Statutory Officer approval:

Approved by: Chief Financial Officer

Date: 8 February 2023

Approved by: Monitoring Officer

Date: 8 February 2023