

Report to Cabinet

Subject: Capital Programme and Capital Investment Strategy 2024/25 to 2028/29

Date: 21 February 2024

Author: Senior Leadership Team on behalf of the Leader

Wards Affected

All

Purpose

This report summarises:

- a) The proposed Capital Investment Strategy for 2024/25 to 2028/29; and
- b) The proposed Capital Programme for 2024/25 through to 2026/27 for approval, and the indicative capital programme for 2027/28 and 2028/29, 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 6 March 2024 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 2024/25 through to 2028/29;
 2. Approve the Capital Investment Strategy 2024/25 through to 2028/29 detailed at Appendix 1 and refer it to Council for approval on 6 March 2024;
 3. Approve the Capital Programme for 2024/25 through to 2026/27 detailed at Appendix 2 and refer it to Council for approval on 6 March 2024;
 4. Note the indicative Capital Programme for 2027/28 and 2028/29.
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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 2024/25, the Council moved to adopt the majority of changes at the earliest opportunity. The Capital Investment Strategy 2024/25, 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.
- 1.6 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), 2024/25 through to 2028/29, 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.

- 1.7 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.
- 1.8 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
- 1.9 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.
- 1.10 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 2024/25 through to 2028/29 is attached at Appendix 1.

3. Proposed Capital Programme

- 3.1 The following table presents the proposed three year Capital Programme for 2024/25 through to 2026/27 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	
	2024/25 £	2025/26 £	2026/27 £	2027/28 £	2028/29 £
Lifestyles, Health & Well-being	219,100	0	0	0	0
Environmental Services	1,516,500	1,184,000	1,309,800	163,000	634,000
Sustainable Growth & Economy	3,734,000	2,300,000	1,200,000	1,200,000	1,200,000
Corporate Resources and Performance	3,918,500	1,219,400	662,700	430,000	430,000
Total Capital Programme	9,388,100	4,703,400	3,172,500	1,793,000	2,264,000

3.2 The proposed capital programme is derived from the following:

a) **Inclusion of the Councils Digital Data & Technology Strategy**

Gedling's Digital, Data and Technology Strategy is central to the Council's transformation efforts and a critical enabler of more customer-centric, efficient ways of working. It sets the direction for how we will deliver better services for customers and how we will organise ourselves more efficiently, enabled by Council wide standards and approaches to service design, underpinned by joined up data and technology solutions.

The purpose of this strategy is to provide a clear vision and direction for Digital, Data and Technology within Gedling over the next three years. It sets out our ambitions for improving our ways of working by making better use of technology, with the aim of helping us to become more efficient and customer focused in how we deliver our services.

The strategy is a significant investment which will enable the Council to deliver long term financial efficiencies which are expected to start to be realised in 2025/26 and will increase over the next few years as the strategy and associated roadmap progresses. The initial costs of implementation will be a mixture of both revenue and capital costs, with on-going costs being revenue.

The initial capital costs of the project are expected to be financed through the use of capital receipts which is permitted under the direction for flexible use of capital receipts as set out in *the Local Government Act 2003 sections 16(2)(b) and 20: Treatment of Costs as Capital Expenditure*, with the appropriate approvals.

The costs of the road map have been included in the capital programme, but approval of expenditure will be subject to a Full Business Case being presented to Cabinet (at a later date) which sets out a viable financial model including efficiencies that will be delivered as part of the project. In addition, in order to utilise the direction for flexible use of capital receipts a strategy must be developed and presented to Full Council for approval prior to being approved by the Secretary of State.

The capital costs of the project are set out in the table below:

Cost	2024/25 £	2025/26 £	2026/27 £	Total £
System Implementation Costs	805,200	576,800	179,600	1,561,600
Project Implementation Costs including Capitalisation of Appropriate Salaries	159,500	212,600	53,100	425,200
Total Capital	964,700	789,400	232,700	1,986,800

b) **Schemes re-profiled from 2023/24**

Schemes totalling **£1,210,200** have been approved for deferral in year by Cabinet to 2024/25:

Schemes Re-profiled from 2023/24	2024/25 £
Vehicle Replacement Programme	764,000
Civic Centre Window Replacement	200,000
Valley Road Play Area Refurbishment	110,000
St Mary's Play Area Refurbishment	100,000
Bestwood Country Park car park extension	36,200
Total	1,210,200

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 2025/26 through to 2028/29.

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

Replacement assets and maintenance to ensure continuation of existing service:

	Proposed Programme			Indicative Programme	
	2024/25	2025/26	2026/27	2027/28	2027/28
	£	£	£	£	£
Vehicle Replacement Programme	504,500	1,164,000	1,309,800	163,000	634,000
IT Licences	110,000	110,000	110,000	110,000	110,000
Equipment Replacement	70,000	70,000	70,000	70,000	70,000
Asset Management Fund	150,000	150,000	150,000	150,000	150,000
Total	834,500	1,494,000	1,639,800	493,000	964,000

Note: The proposed Vehicle Replacement Programme for 2024/25 after totalling the sums in (b) and (d) amounts to £1,268,500 all shown in appendix 2.

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

The table below show schemes totalling **£3,525,600** and **£1,100,000** included in the proposed capital programme for 2024/25 and 2025/26 respectively. Resource development bids which score 30 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.

Scheme	2024/25 £	2025/26 £
Public Sector Decarbonisation	2,143,000	0
Temporary Accommodation	1,100,000	1,100,000
Fire Door Replacements	130,000	0
Agresso Upgrade	50,000	0
Pond Hills Community Centre Repairs	34,600	0
Car Park Machine Upgrades	30,000	0
Park View Retaining Wall	22,000	0
Repairs Phoenix Farm Estate	16,000	0
Total	3,525,600	1,100,000

Further details of these schemes are as follows:

- Public Sector Decarbonisation Scheme £2,143,000 – A grant funding bid has been submitted to reduce the Council's carbon emissions from its properties. The project has been presented for inclusion in the capital programme, but expenditure will be subject to a successful grant funding bid. In addition, as the match funding is expected to be financed by prudential borrowing and the production of a full business case will be required, which includes a viable financial model demonstrating as a minimum a break-even position on the Council's investment.
- Temporary Accommodation £2,200,000, the Council is looking to extend the scheme approved in 2023/24, to purchase additional properties to meet the significantly increased demand for Temporary Accommodation and reduce the use of Bed & Breakfast accommodation.
- Fire Door Replacements £130,000, Health & Safety has identified the need to replace the fire doors across the Civic Centre.
- Agresso Upgrade £50,000, this upgrade of the Core Financial System is a move to a cloud-based solution which is necessary as the provider will no longer be supporting 'on premises' platforms.
- Pond Hills Community Centre Repairs £34,600, the replacement of old windows, which are required in order to meet Health & Safety standards.

- Car Park Machine Upgrade £30,000, replacement of computer boards and upgrading of systems in order to ensure machines are compatible with latest technology and can provide a better customer experience.
- Park View Retaining Wall £22,000, works to ensure the retaining wall in Arnot Hill Park continues to be stable in order to meet Health & Safety standards.
- Repairs Phoenix Farm Estate £16,000, footpath repairs required in order to maintain Health & Safety standards.

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. In addition, the direction of flexible use of capital receipts as set out in the *Local Government Act 2003 sections 16(2)(b) and 20: Treatment of Costs as Capital Expenditure*, allows the use of capital receipts to fund the revenue costs of projects that provide future efficiencies to the Council and improve service delivery. This Capital Direction has been extended to continue until 2030.

The estimated annual capital receipt generation for 2024/25 to 2028/29 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. The amounts included under 'land sales' represent the use of capital receipts to fund the digital transformation programme.

	Proposed Programme			Indicative Programme	
	2024/25	2025/26	2026/27	2027/28	2027/28
	£	£	£	£	£
Land Sales	964,700	789,400	232,700	0	0
General Capital Receipts	50,000	50,000	50,000	50,000	50,000
Total Capital Receipt Estimate	1,014,700	839,400	282,700	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 **£148,000** in 2024/25 are proposed as follows:

- £138,000 contribution from the NNDR Pool Reserve to contribute to the cost of Hillcrest Business Park Extension pending a successful bid;
- £10,000 contribution from the Asset Management Reserve to meet the cost of Valley Road 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:

	2024/25	2025/26
	£	£
Disabled Facilities/Better Care Fund Grant (assumed £1.2m per annum ongoing 2024/25-2028/29)	1,200,000	1,200,000
Salix – Public Sector Decarbonisation Scheme	1,189,600	0
D2N2 – Bid submitted pending Green Book Business Case	642,500	0
UK Shared Prosperity Fund	287,100	0
FCC Community Foundation	189,000	0
S106 contribution to Bestwood Country Park car park extension	36,200	0
Total Grants and Contributions	3,544,400	1,200,000

Disabled Facilities/Better Care Fund grant funding is 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 has not, as yet, been any grant announcements for 2024/25 so an estimated grant amount of £1,200,000 is included for 2024/25 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 2024/25 - 2026/27 capital programme is £8.421m. It is currently estimated that a further £1.557m of borrowing will be required to finance the indicative capital programme for 2027/28 - 2028/29. The proposed borrowing amounts are detailed in paragraph 4.5 below.

The Council's Prudential Indicators in respect of both the proposed programme 2024/25 through to 2026/27 and the indicative programme for 2027/28 and 2028/29 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 2024/25 through to 2026/27 programme is summarised below:

Capital Resources	Proposed Programme			Indicative Programme	
	2024/25	2025/26	2026/27	2027/28	2028/29
	£	£	£	£	£
Use of Capital Receipts	1,014,700	839,400	282,700	50,000	50,000
Direct Revenue Financing	148,000	0	0	0	0
Grants and Contributions	3,544,400	1,200,000	1,813,800	1,200,000	1,200,000
Total Cash Resource	4,707,100	2,039,400	2,096,500	1,250,000	1,250,000
Prudential Borrowing	4,681,000	2,664,000	1,076,000	543,000	1,014,000
Total Financing	9,388,100	4,703,400	3,172,500	1,793,000	2,264,000

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 2024/25 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 2024/25 – 2028/29

Appendix 2 - Proposed Capital Programme 2024/25 – 2026/27 (including Indicative Programme 2027/28 and 2028/29)

10. Background Papers

- Prudential and Treasury Indicators and Treasury Management Strategy Statement 2024/25

- Gedling Plan 2023-27

11. Reasons for Recommendations

To obtain approval of the draft Capital Programme and Capital Investment Strategy, which supports the delivery of the Gedling Plan 2023-2027.

Statutory Officer approval:

Approved by: Chief Financial Officer

Date: 9 February 2024

Approved by: Monitoring Officer

Date: 9 February 2024