

Report to Cabinet

Subject: Capital Programme and Capital Investment Strategy 2025/26 to 2029/30

Date: 13 February 2025

Author: Senior Leadership Team on behalf of the Leader

Wards Affected

All

Purpose

This report summarises:

- a) The proposed Capital Investment Strategy for 2025/26 to 2029/30.
- b) The proposed Capital Programme for 2025/26 through to 2027/28 for approval, and the indicative Capital Programme for 2028/29 and 2029/30, in light of the Council's priorities and the resources available; and
- c) The Flexible Use of Capital Receipts Strategy 2025/26.

The Capital Investment Strategy, the Capital Programme and the Flexible Use of Capital Receipts Strategy determined by Cabinet at this meeting will be referred to Full Council on 5 March 2025 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. Agree the estimated capital financing available for 2025/26 through to 2029/30.
 2. Agree the Capital Investment Strategy 2025/26 through to 2029/30 detailed at Appendix 1 and refer it to Full Council for approval on 5 March 2025.
 3. Agree the Capital Programme for 2025/26 through to 2027/28 detailed at Appendix 2 and refer it to Full Council for approval on 5 March 2025.
 4. Note the indicative Capital Programme for 2028/29 and 2029/30.
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| <p>5. Agree the Flexible Use of Capital Receipt Strategy in Appendix 3 and refer to Full Council for approval on 5 March 2025.</p> |
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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. The Capital Investment Strategy 2025/26, contained as an appendix to this report complies in full with the 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), 2025/26 through

to 2029/30, 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 2025/26 through to 2029/30 is attached at Appendix 1.

3. Proposed Capital Programme

- 3.1 The following table presents the proposed three-year Capital Programme for 2025/26 through to 2027/28 for approval, together with the indicative programme for a further two years to match the period of the MTFP as detailed in paragraph 1.6 above. The full programme of schemes is presented in Appendix 2.

Portfolio	Proposed Programme for Approval			Indicative Programme	
	2025/26 £	2026/27 £	2027/28 £	2028/29 £	2029/30 £
Lifestyles, Health & Well-being	270,000	280,000	380,000	0	60,000
Public Protection	1,200,000	1,200,000	1,200,000	1,200,000	1,200,000
Environment	2,145,500	1,378,100	213,000	684,000	1,087,000
Life Chances and Vulnerability	1,100,000	0	0	0	0
Climate Change and Natural Habitat	367,000	222,000	222,000	222,000	222,000
Corporate Resources and Performance	1,330,900	685,300	445,000	445,000	445,000
Total Capital Programme	6,413,400	3,765,400	2,460,000	2,551,000	3,014,000

3.2 The proposed capital programme is derived from the following:

a) **Update 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 costs of the strategy and delivery of the roadmap was included in the budget for 2024/25 and was subsequently approved by Cabinet. The roadmap is progressing well and has been updated to reflect progress and changes to the plan. During 2024/25.

A Customer Relationship Management system (CRM) has been purchased in 2024/25, and the capital implementation costs up to 2026/27 are included in the table below. Once implementation is complete any remaining on-going costs will revert to being revenue costs.

In addition, a Waste Management System was included in the delivery programme in 2024/25 following the removal of the previous system. The system is to be purchased during 2024/25, however system implementation costs will follow in 2025/26 and 2026/27. These implementation costs include staff costs that will be capitalised under the Flexible Use of Capital Receipts Strategy (Appendix 3).

The table below has been refreshed to include the Capital implementation costs of the Waste Management System 2025/26-2026/27, and approval for the amendments is requested as part of this report. The programme will be funded by a mixture of Capital receipts, earmarked reserves, revenue budget contributions and prudential borrowing.

There is likely to be some further movement on this project due to the

onboarding of staff, this will be addressed as part of the Capital Outturn Report for 2024/25.

Cost	2025/26 £	2026/27 £	Total £
System Implementation Costs	576,800	179,600	756,400
Waste Management System	156,500	18,300	174,800
Project Implementation Costs (including Capitalisation of Appropriate Salaries)	242,900	60,700	303,600
Total Capital	976,200	258,600	1,234,800

b) **Schemes re-profiled from 2024/25**

Up to 30 November 2024 Schemes totalling **£748,200** have been approved for deferral in year by Cabinet to 2025/26, the deferred amounts are included in the capital programme set out in Appendix 2.

Schemes Re-profiled from 2024/25	2025/26 £
Vehicle Replacement Programme	537,000
Depot Works	130,000
Bestwood Country Park car park extension	36,200
Flood Alleviation Works	30,000
Carlton Cemetery Expansion - final phase	15,000
Total	748,200

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 2026/27 through to 2029/30.
- Temporary Accommodation **£1,100,000**, final year of two-year programme, for the purchase of twelve additional temporary accommodation properties (over two years) due to increase in demand for the service, the 2025/26 allocation was to purchase six family homes, however, we are currently working on options to maximise the number of units we could purchase for this amount.

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

The table below shows the rolling programmes for replacement assets and maintenance to ensure continuation of existing service, this includes three new additions to the rolling programme

- Flood Alleviation programme

- Gym equipment replacement:
- Play area refurbishment

Programme	Proposed Programme			Indicative Programme	
	2025/26	2026/27	2027/28	2028/29	2029/30
	£	£	£	£	£
Vehicle Replacement Programme	1,919,000	1,309,800	163,000	634,000	1,037,000
IT Microsoft Licences	125,000	125,000	125,000	125,000	125,000
Asset Management Fund	220,000	220,000	220,000	220,000	220,000
Flood Alleviation Programme	50,000	50,000	50,000	50,000	50,000
Gym equipment replacement	270,000	280,000	380,000	0	60,000
Play area refurbishments	222,000	222,000	222,000	222,000	222,000
Total	2,806,000	1,926,800	1,160,000	1,251,000	1,714,000

Further details of these schemes are as follows:

- The Equipment Replacement budget of £70,000 has been merged with the Asset Management budget to form a combined budget of £220,000. This is due to historic underspending on the equipment budget and increased demand on Asset Management.
- Flood Alleviation, due to unprecedented rain fall and occasions of flooding over the past few years the Council has deemed it to be prudent to make provision for a rolling programme of works in the capital programme to alleviate flooding. Whilst some schemes have already been identified, the rolling programme will enable a pot of funding for schemes to be identified in year and funding drawn down as necessary.
- A rolling programme for the replacement of gym equipment. Replacement of equipment at Redhill Leisure Centre is scheduled in 2025/26. The partial replacement of Carlton Forum £100,000 and full replacement at Calverton Leisure Centre £180,000 is scheduled for 2026/27. These will require in year business cases and are to be funded through Prudential Borrowing. Any new gym equipment purchased will be to protect current income levels and will be considered in line with the Leisure Transformation Programme. Therefore, scheduled replacements may change as the transformation programme progresses.
- The rolling programmes includes the refurbishment of two play areas per annum. These will be 89% funded by FCC Community Foundation with 11% match funding through the Asset Management Reserve.
- The proposed Vehicle Replacement Programme for 2025/26 is shown in appendix 2 and this includes 2024/25 deferrals approved as part of budget monitoring report of £537,000. Changes to Waste regulations and current service delivery may result in the replacement programme changing, a full review will be carried out in year and reported to Cabinet as part of the budget monitoring process.

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

Bids for Play Area refurbishments and replacement of Gym Equipment were received however as they are essential for continuation of service they have been included as additions to the Replacement equipment/vehicles and asset maintenance programme 3.2 (d).

f) **Leisure Transformation**

The Council is currently undertaking a review to Transform its leisure provision, a project is current underway to consider plans for a new leisure Centre in the Carlton area. This project is in the early stages and a full business case will be prepared in order to ensure the viability of such a scheme including extensive financial modelling to ensure affordability and financial sustainability in the long term. Whilst we envisage that there may be some Capital expenditure in 2025/26, we do not currently have sufficient details to include this in the capital programme at this point. A separate report will be presented to Cabinet in due course with full financial details for consideration, request for budget approved in line with Financial Regulations and potential inclusion in the capital programme during 2025/26 financial year.

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 2025/26 to 2029/30 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.

There is a significant capital receipt expected from the sale of land in 2025/26, (the exact amount remains to be confirmed once costs of sale have been fully agreed). A proportion of this has been earmarked to contribute towards the cost of Digital Transformation as shown in the table below, with the remainder being set aside as a contribution to fund the Leisure Transformation Programme. The amount in the table below only sets out those Capital Receipts that will fund approved capital investment, so does not include any potential capital receipt to be set aside for Leisure Transformation, this will be presented with the Leisure Transformation Business case during 2025/26.

	Proposed Programme			Indicative Programme	
	2025/26	2026/27	2027/28	2028/29	2029/30
	£	£	£	£	£
Land Sales	894,700	345,300	105,000	105,000	105,000
General Capital Receipts	50,000	20,000	20,000	20,000	20,000
Total Capital Receipt Estimate	944,700	365,300	125,000	125,000	125,000

4.2 Direct Revenue Financing

The use of earmarked revenue reserves and revenue equipment budgets as contributions to specific capital schemes totalling **£170,000** in 2025/26 are proposed as follows:

- a) £100,000 contribution from the Asset Management Reserve to meet the deferral of the Depot Works project
- b) £10,000 contribution from the Asset Management Reserve to meet the deferral of the Jackie Bell's play area refurbishment.
- c) £22,000 contribution from the Asset Management Reserve to meet the cost of Play area refurbishment rolling programme
- d) £38,000 contribution from Efficiency & Innovation Reserve to fund the implementation of Waste Management System

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:

Capital Grants and Contribution	2025/26
	£
Disabled Facilities/Better Care Fund Grant (assumed £1.2m per annum ongoing 2025/26-2029/30)	1,200,000
FCC Community Foundation for play park investment	290,000
S106 contribution to Bestwood Country Park car park extension	36,200
Total Grants and Contributions	1,536,200

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/Borough Council are agreed by the Nottinghamshire Health and Wellbeing Board. The budget in the table above is based on last year's allocations and will be updated to reflect actual grant once funding confirmation has been received.

4.4 Prudential Borrowing

The total borrowing that is required to finance the proposed 2025/26 - 2027/28 capital programme is £6,089,900. It is currently estimated that a further £2,471,000 of borrowing will be required to finance the indicative capital programme for 2028/29 - 2029/30. The proposed borrowing amounts are detailed in paragraph 4.5 below.

The Council's Prudential Indicators in respect of both the proposed programme 2025/26 through to 2027/28 and the indicative programme for 2028/29 and 2029/30 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 2025/26 through to 2027/28 programme is summarised below:

Capital Resources	Proposed Programme			Indicative Programme	
	2025/26	2026/27	2027/28	2028/29	2029/30
	£	£	£	£	£
Use of Capital Receipts	944,700	365,300	125,000	125,000	125,000
Direct Revenue Financing	170,000	22,000	22,000	22,000	22,000
Grants and Contributions	1,526,200	2,013,800	1,400,000	1,400,000	1,400,000
Total Cash Resource	2,640,900	2,401,100	1,547,000	1,547,000	1,547,000
Prudential Borrowing	3,772,500	1,364,300	913,000	1,004,000	1,467,000
Total Financing	6,413,400	3,765,400	2,460,000	2,551,000	3,014,000

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 2025/26 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 2025/26 – 2029/30

Appendix 2 - Proposed Capital Programme 2025/26 – 2027/28 (including Indicative Programme 2028/29 and 2029/30)

Appendix 3 – Flexible Use of Capital Receipts Strategy 2025/26

10. Background Papers

- Prudential and Treasury Indicators and Treasury Management Strategy Statement 2025/26
- 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.

Statutory Officer approval:

Approved by: Chief Financial Officer

Date: 4 February 2025

Approved by: Monitoring Officer

Date: 4 February 2025