

Cabinet – 5 February 2025

Capital Strategy 2025/26

Purpose	For Decision
Classification	Public
Executive Summary	<p>This report provides the council's proposed capital strategy for 2025/26.</p> <p>It provides a high-level overview of how capital expenditure, capital financing and treasury management come together, with an overview of current activities and the implications for future financial sustainability.</p>
Recommendation(s)	It is recommended that Cabinet: 1) Recommend to Full Council that the Capital Strategy 2025/26 be approved, including the adoption of the Minimum Revenue Payment (MRP) statement.
Reasons for recommendation(s)	To comply with the statutory guidance issued by the Government in January 2018 and the CIPFA 2021 Prudential and Treasury Management Codes requiring all local authorities to prepare a Capital Strategy.
Ward(s)	All
Portfolio Holder(s)	Councillor Jeremy Heron – Finance and Corporate
Strategic Director(s)	Alan Bethune – Strategic Director Corporate Resources and Transformation (Section 151 Officer)
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Introduction and background

1. The Capital Strategy is a high-level document, giving an overview of how capital expenditure, capital financing and treasury

management come together, with an overview of current activities and the implications for future financial sustainability.

2. The Capital Strategy confirms what the Council is intending to spend its money on over the medium term and how it intends to finance this expenditure.
3. The Council will supplement internal resources, when necessary, with external borrowing and in accordance with advice it receives from its contracted Treasury Management experts. Borrowing was utilised to support the 2024/25 capital programme and based on the current set of prudential indicators; external borrowing will continue to be required each year from 2024/25.
4. Over the period covered by 2025/26 to 2027/28, total capital expenditure is forecast at around £126 million. (General Fund £34.525 million; Housing Revenue Account (HRA) £91.480 million).
5. £50.231 million of capital expenditure is currently programmed during 2025/26 with £19.411 million relating to the General Fund and £30.820 million within the HRA.
6. 2025/26 activity is funded using £11.203 million of external funding (grants, developer contributions including CIL), £16.250 million of internal resources (reserves, capital receipts and revenue contributions) with the balance funded by debt.
7. The change to the levels of cash held and debt funding will require the Council's Medium Term Financial Plan (MTFP) to be reviewed and adjusted accordingly to match the estimated interest earning and costs.
8. It is vitally important that the Council has regard to the relationship between the financing costs of the capital programme and the revenue General Fund, and Housing Revenue Account. This is covered within the report by the prudential indicators.
9. This Council has established a sound level of governance surrounding its capital investments and employs suitably qualified personnel in order to fulfil the objectives of the Strategy. External support and expertise is sought where necessary, and officers have the ability to communicate openly and freely with members of the Cabinet.

Minimum Revenue Provision (MRP)

10. Where General Fund capital spend has been financed by loan (including internal borrowing) and has increased the Capital

Financing Requirement (CFR), the Council is required to make a provision to repay a proportion of the accumulated amount each year. This amount is charged to revenue and is called the Minimum Revenue Provision (MRP). This charge reduces the CFR each year and is based on the expected economic use period related to the capital expenditure.

11. Full Council is required to approve an MRP statement in advance of each financial year. The Council is recommended to approve the following MRP statement:

“For capital expenditure that has been incurred, and which has given rise to a CFR, the MRP policy for expenditure other than that incurred on investment property and dwellings, shall be to charge revenue an amount equal to the depreciation of any asset financed by loan. The MRP policy specific to investment properties and dwellings financed by loan, shall be to charge revenue an amount equivalent to the sum of borrowing utilised, over a repayment period of 50 years.”

Corporate plan priorities

12. The Capital Strategy provides a framework ensuring we use our resources appropriately, are financially responsible, and consequently supports and underpins the delivery of all our priorities.

Options appraisal

13. None undertaken.

Consultation undertaken

14. Internal consultation between finance officers, service managers and budget holders has determined the forecast data presented in the report.

Financial and resource implications

15. This is a financial report with budget implications already detailed and considered in the main body of the report.

Legal implications

16. There are no legal implications arising directly from this report.

Risk assessment

17. None undertaken.

Environmental / Climate and nature implications

18. There are no environmental implications arising directly from this report.

Equalities implications

19. There are no equality implications arising directly from this report.

Crime and disorder implications

20. There are no crime and disorder implications arising directly from this report.

Data protection / Information governance / ICT implications

21. There are no data protection, information governance or ICT implications arising directly from this report.

Appendices:

Appendix 1 – Capital Strategy
2025/26

Background Papers:

None