Appendix 2

Bolsover District Council

Capital Strategy 2025/26 - 2028/29

1 Strategy Details

1.1 The Capital Strategy was introduced by the 2017 edition of the Prudential Code and is intended to give a high level, concise and comprehensible overview to all elected members of how capital expenditure, capital financing and treasury management activity, contribute to the provision of the Authority's services. The strategy also provides an overview of the associated risk, its management and the implications for future financial sustainability.

1.2 This Capital Strategy outlines the Authority's Capital Expenditure programme and Minimum Revenue Provision policy (MRP) for the years 2025/26 to 2028/29 for consideration and approval by Council before the start of each financial year.

1.3 Investments held for service purposes or for commercial profit are considered in a different strategy, the Corporate Investment Strategy.

1.4 A further strategy, the Treasury Management Strategy, details the Authority's plans to invest cash surpluses and borrow to cover cash shortfalls.

Introduction

1.5 This Capital Strategy gives a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of local public services along with an overview of how associated risk is managed and the implications for future financial sustainability. It has been written in an accessible style to enhance Members' understanding of these sometimes-technical areas.

1.6 Decisions made this year on capital and treasury management will have financial consequences for the Authority for many years into the future. They are therefore subject to both a national regulatory framework and to local policy framework, summarised in this report.

Capital Expenditure and Financing

1.7 Capital expenditure is where the Authority spends money on assets, such as property or vehicles that will be used for more than one year. In local government this includes spending on assets owned by other bodies, and loans and grants to other bodies enabling them to buy assets.

In 2025/26, the Authority is planning capital expenditure of £21.969m as summarised below:

Table 1: Prudential Indicator: Estimates of Capital Expenditure

	2023/24 actual £m	**2024/25 forecast £m**	**2025/26 budget £m**	**2026/27 budget £m**	**2027/28 budget £m**	**2028/29 budget £m**
General Fund services	5.898	14.327	1.666	2.589	1.422	1.075
Council housing (HRA)	14.004	20.835	20.303	5.418	5.398	5.596
Capital investments	0.105	0.533	0	0	0	0
TOTAL	20.007	35.694	21.969	8.007	6.820	6.671

1.8 The main General Fund capital projects for 2025/26 include Grants for Disabled Facilities £0.650m, Asset Management Plan £0.310m ICT infrastructure £0.469m and the purchase of Vehicles and Plant £0.237m.

1.9 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 building of any new homes over the forecast period.

1.10 Capital investments include loans and shares made for service purposes and property to be held primarily for financial return in line with the definition in the *CIPFA Treasury Management Code.*

1.11 **Governance**: Projects are included in the Authority's capital programme usually as a result of a committee report throughout the year. The vehicle replacement programme is updated each year, and the new requirements are included in the revised capital programme. The final capital programme is then presented to Executive and Council in January / February each year.

- For full details of the Authority's capital programme see **Appendix 2A** to this strategy.

1.12 All capital expenditure must be financed, either from external sources (government grants and other contributions), the Authority's own resources (revenue, reserves and capital receipts) or debt (borrowing and leasing). The planned financing of the above expenditure is as follows:

Table 2: Capital financing

	2023/24 actual £m	**2024/25 forecast* £m**	**2025/26 budget £m**	**2026/27 budget £m**	**2027/28 budget £m**	**2028/29 budget £m**
External sources	2.133	5.454	0.650	0.650	0.650	0.650
Own resources	10.799	14.561	6.710	7.357	6.170	6.021
Debt	7.075	15.679	14.609	0	0	0
TOTAL	20.007	35.694	21.969	8.007	6.820	6.671

1.13 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 minimum revenue provision (MRP). 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:

Table 3: Replacement of prior years' debt finance

	2023/24 actual £m	2024/25 forecast £m	2025/26 budget £m	2026/27 budget £m	2027/28 budget £m	2028/29 budget £m
MRP	0.364	0.278	0.444	0.438	0.418	0.413
Capital receipts	0.762	2.241	0.345	0.070	0.050	0.508
TOTAL	**1.126**	**2.519**	**0.789**	**0.508**	**0.468**	**0.921**

- The Authority's full minimum revenue provision statement is **Appendix 2B** to this strategy.

1.14 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 increase by £14.166m during 2025/26. Based on the above figures for expenditure and financing, the Authority's estimated CFR is as follows:

Table 4: Prudential Indicator: Estimates of Capital Financing Requirement

	2023/24 actual £m	2024/25 forecast* £m	2025/26 budget £m	2026/27 budget £m	2027/28 budget £m	2028/29 budget £m
General Fund services	8.800	14.976	14.532	14.094	13.676	13.263
Council housing (HRA)	115.181	124.406	139.016	139.016	139.016	139.016
Capital investments	0	0	0	0	0	0
TOTAL CFR	**123.981**	**139.382**	**153.548**	**153.110**	**152.692**	**152.279**

1.15 **Asset management:** To ensure that capital assets continue to be of long-term use, the Authority has an asset management strategy in place. The Authority developed this strategy to set the context for the Corporate Asset Management Plan. The purpose of the plan is to manage the Authority's corporate property and land portfolio effectively by providing buildings that meet the needs of the service, which are fit for purpose, sustainable, allow access for all, underpin corporate priorities and provide value for money.

1.16 **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 or to repay debt. Repayments of capital grants, loans and investments also generate capital receipts. The Authority is also currently permitted to spend capital receipts “flexibly” on service transformation projects up to and including 2029/30. The Authority has produced a Disposal and Acquisition Policy which documents the method and approval route for the disposal of an asset. The Authority does not set budgets for receipts due to the uncertain nature of disposals. The Authority estimates it will receive capital receipts in the coming financial years as follows:

Table 5: Capital receipts

	2023/24 actual £m	2024/25 forecast £m	2025/26 budget £m	2026/27 budget £m	2027/28 budget £m	2028/29 budget £m
Asset sales	1.718	1.000	0.500	0.200	0.200	0.200

Treasury Management

1.17 Treasury management is concerned with keeping sufficient but not excessive cash available to meet the Authority’s spending needs, while managing the risks involved. Surplus cash is invested until required, while a shortage of cash will be met by borrowing, to avoid excessive credit balances or overdrafts in the bank current account. The Authority is typically cash rich in the short-term as revenue income is received before it is spent, but cash poor in the long-term as capital expenditure is incurred before being financed. The revenue cash surpluses are offset against capital cash shortfalls to reduce overall borrowing.

1.18 Due to decisions taken in the past, as at the 31$^{st\ of}$ December the Authority has £82.2m borrowing at an average interest rate of 3.56% and £29.5m treasury investments at an average rate of 4.74%.

1.19 **Borrowing strategy:** The Authority’s main objectives when borrowing are to achieve a low but certain cost of finance while retaining flexibility should plans change in future. These objectives are often conflicting, and the Authority therefore seeks to strike a balance between cheap short-term loans and long-term fixed rate loans where the future cost is known but higher. The Authority does not borrow to invest for the primary purpose of financial return and therefore retains full access to the Public Works Loans Board.

1.20 Projected levels of the Authority’s total outstanding debt are shown below, compared with the capital financing requirement (shown in table 4).

Table 6: Prudential Indicator: Gross Debt and the Capital Financing Requirement

	31.3.2024 actual £m	31.3.2025 forecast £m	31.3.2026 budget £m	31.3.2027 budget £m	31.3.2028 budget £m	31.3.2029 budget £m
Debt	88.533	81.455	94.455	91.455	83.655	79.655
Capital Financing Requirement	**123.981**	**139.382**	**153.548**	**153.110**	**152.692**	**152.279**

1.21 Statutory guidance is that debt should remain below the capital financing requirement, except in the short-term. As can be seen from **table 6**, the Authority expects to comply with this in the medium term.

1.22 **Liability benchmark:** To compare the Authority's actual borrowing against an alternative strategy, a liability benchmark has been calculated showing the lowest risk level of borrowing. This assumes that cash and investment balances are kept to a minimum level of £10m at each year-end. This benchmark was £75.9m at 31st March 2024 and is forecast to increase to £108.2m over the next four years. The table below shows the liability benchmark compared to the actual outstanding PWLB borrowing. As existing loans are repaid there may be the need to undertake new external borrowing to finance capital expenditure as discussed in 1.22 to 1.26 of the Treasury Management Strategy

Table 7: Borrowing and the Liability Benchmark

	31.3.2024 actual £m	**31.3.2025 forecast £m**	**31.3.2026 budget £m**	**31.3.2027 budget £m**	**31.3.2028 budget £m**	**31.3.2029 budget £m**
Actual Outstanding PWLB borrowing	86.0	78.8	76.8	73.8	66.0	62.0
Liability benchmark	**75.9**	**91.3**	**105.4**	**109.0**	**108.6**	**108.2**

1.23 **Affordable borrowing limit:** The Authority is legally obliged to set an affordable borrowing limit (also termed the authorised limit for external debt) each year and to keep it under review. In line with statutory guidance, a lower "operational boundary" is also set as a warning level, should debt approach the limit.

Table 8: Prudential Indicators: Authorised limit and operational boundary for external debt

	2024/25 limit £m	**2025/26 limit £m**	**2026/27 limit £m**	**2027/28 limit £m**	**2028/29 limit £m**
Authorised limit	**149.382**	**163.548**	**163.110**	**162.692**	**162.279**
Operational boundary	**144.382**	**158.548**	**158.110**	**157.692**	**157.279**

- Further details on borrowing are in paragraphs 1.27 to 1.39 of the Treasury Management Strategy.

1.24 **Corporate Treasury Investment strategy:** Treasury investments arise from receiving cash before it is paid out again. Investments made for service reasons or for pure financial gain are not generally considered to be part of treasury management.

1.25 The Authority's policy on treasury investments is to prioritise security and liquidity over yield. That is to focus on minimising risk rather than maximising returns. Cash that is likely to be spent in the near term is invested securely, for example with the government, other local authorities or selected high-quality banks, to minimise the risk of loss. Money that will be held for longer terms is invested more widely, including in bonds, shares and property, to balance the risk of loss against the risk of receiving returns below inflation. Both near-term and longer-term investments may be held in pooled funds, where an external fund manager makes decisions on which particular investments to buy, and the Authority may request its money back at short notice.

Table 9: Treasury management investments

	31.3.2024 actual £m	**31.3.2025 forecast £m**	**31.3.2026 budget £m**	**31.3.2027 budget £m**	**31.3.2028 budget £m**	**31.3.2029 budget £m**
Near-term investments	26.5	12.5	10.0	10.0	10.0	10.0
Longer-term investments	0	0	0	0	0	0
TOTAL	**26.5**	12.5	10.0	10.0	10.0	10.0

Further details on treasury investments are in paragraphs 1.40 to 1.63 of the Treasury Management Strategy.

1.26 **Risk management:** The effective management and control of risk are prime objectives of the Authority's treasury management activities. The treasury management strategy therefore sets out various indicators and limits to constrain the risk of unexpected losses and details the extent to which financial derivatives may be used to manage treasury risks. The treasury management prudential indicators are included in paragraphs 1.64 – 1.69 of the treasury management strategy

1.27 **Governance:** Decisions on treasury management investment and borrowing are made daily and are therefore delegated to the Section 151 Officer and staff, who must act in line with the Treasury Management Strategy approved by Council. Quarterly reports on treasury management activity are presented to Executive. The Finance and Corporate Overview Scrutiny committee is responsible for scrutinising treasury management decisions.

Investments for Service Purposes

1.28 The Authority makes investments to assist local public services, including making loans to parish/town councils or local community organisations to promote economic growth. In light of the public service objective, the Authority is willing to take more risk than with treasury investments, however it still plans for such investments to at least break even after all costs.

1.29 **Governance:** Decisions on service investments are made by the relevant service manager and submitted to Council/Executive in consultation with the Section 151 Officer and must meet the criteria and limits laid down in the Corporate Investment Strategy. Most loans and shares are capital expenditure and purchases will therefore also be approved as part of the capital programme.

- Further details on service investments are in paragraphs 1.10 to 1.18 of the Corporate Investment strategy.

Commercial Activities

1.30 With central government financial support for local public services declining, the Authority developed a Commercial Property Investment Strategy based around expanding its existing non-housing property portfolio. This was in order to develop revenue streams that provide a required level of return to offset the forecast budget deficits for forthcoming years. This approach also supports economic development and regeneration in the District through targeted investment.

1.31 In addition to this the Authority has a wholly owned company, Dragonfly Development Limited to enable economic growth and community regeneration through direct commercial action and to generate an income for the Authority. A report to Council on the 1st of February 2023 provided the full business case in relation to Dragonfly Development Limited. The business case was included with this report at Appendix 1, and page 6 of the business case set out the purpose and objectives of Dragonfly Development Limited.

1.32 With financial return being the main objective, the Authority accepts higher risk on commercial investment than with treasury investments. The financial viability of each individual potential investment opportunity will be fully assessed within a comprehensive business case. This is in order to reflect the potential risk that may arise as a consequence of undertaking commercial property investment and provide a sufficient financial contribution to the Authority's General Fund. A minimum Internal Rate of Return (IRR) will be set in the Commercial Property Investment Strategy.

1.33 **Governance:** It is acknowledged that commercial investment opportunities may require agile and quick decision making. However, in order to ensure appropriate governance arrangements are maintained, investment decisions will be made in accordance with the Authority's existing decision-making process, threshold levels and Scheme of Delegation contained within the Authority's Constitution. Where it is not possible to wait until the next Executive and/or Council meeting, an extra-ordinary meeting will be arranged as soon as practicably possible.

- Further details on commercial investments and limits on their use are in paragraphs 1.19 to 1.23 of the Corporate Investment Strategy.

- Further details on the risk management of commercial investments are in the Commercial Property Investment Strategy.

Table 10: Prudential indicator: Net income from commercial and service investments to net revenue stream

	2023/24 actual £m	2024/25 forecast £m	2025/26 budget £m	2026/27 budget £m	2027/28 budget £m	2028/29 budget £m
Total net income from service & commercial investments	0.251	0.317	0.310	0.301	0.282	0.260
Proportion of net revenue stream	1.74%	2.16%	2.05%	3.26%	2.99%	2.43%

Other Liabilities

1.34 In addition to debt of £94.455m detailed above, the Authority is committed to making future payments to cover its net pension fund deficit (valued at £5.190m). It has also set aside £1.019m to cover risks of future legal costs and Business Rates Appeals. (All figures are as at 31/3/24).

1.35 **Governance:** Decisions on incurring new discretional liabilities are taken to Council for approval. The risk of liabilities crystallising and requiring payment is monitored as part of the year-end process.

- Further details on liabilities are in notes 21 and 38 of the 2023/24 Statement of Accounts document, which is available on our website.

Revenue Budget Implications

1.36 Although capital expenditure is not charged directly to the revenue budget, interest payable on loans and 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 general government grants.

Table 10: Prudential Indicator: Proportion of financing costs to net revenue stream

	2023/24 actual	2024/25 forecast	2025/26 budget	2026/27 budget	2027/28 budget	2028/29 budget
Financing costs (£m)	0.364	0.325	0.430	0.424	0.404	0.404
Proportion of net revenue stream	2.53%	2.21%	2.84%	4.58%	4.29%	3.77%

1.37 **Sustainability:** Due to the very long-term nature of capital expenditure and financing, the revenue budget implications of expenditure incurred in the next few years will extend for up to 50 years into the future. The Section 151 Officer is satisfied that the proposed capital programme is prudent, affordable and sustainable.

Knowledge and Skills

1.38 The Authority employs professionally qualified and experienced staff in senior positions with responsibility for making capital expenditure, borrowing and investment decisions. For example, the Section 151 Officer is a qualified accountant.

1.39 Where Authority staff do not have the knowledge and skills required, use is made of external advisers and consultants that are specialists in their field. The Authority currently employs Arlingclose Limited as treasury management advisors. This approach is more cost effective than employing such staff directly and ensures that the Authority has access to knowledge and skills commensurate with its risk appetite.

Treasury Management Operations

1.40 As mentioned above the Authority uses external treasury management advisors. The company provides a range of services which include:

- Technical support on treasury matters, capital finance issues and the drafting of Member reports;
- Economic and interest rate analysis;
- Debt services which includes advice on the timing of borrowing;
- Debt rescheduling advice surrounding the existing portfolio;
- Generic investment advice on interest rates, timing and investment instruments;
- A number of free places at training events offered on a regular basis.
- Credit ratings/market information service, comprising the three main credit rating agencies;

1.41 Whilst the advisers provide support to the internal treasury function, under current market rules and the CIPFA Code of Practice the final decision on treasury matters remains with the Authority. This service is subject to regular review. It should be noted that the Authority has Arlingclose Ltd as external treasury management advisors until 31st August 2025.

1.42 It is important that both Members and Officers dealing with treasury management are trained and kept up to date with current developments. This Authority has addressed these requirements by:

a. Members' individual training and development needs are addressed by a Member Development Programme.
b. Officers attend training seminars held by the external treasury management advisors and CIPFA.

Banking Contract

1.43 The contract with the Authority's banking provider Lloyds Bank, has been reviewed and extended during 2024/25 to the 31st of January 2035.

APPENDIX 2A

CAPITAL PROGRAMME SUMMARY	Revised Budget 2024/25 £	Original Programme 2025/26 £	Forecast Programme 2026/27 £	Forecast Programme 2027/28 £	Forecast Programme 2028/29 £
General Fund					
Asset Management Plan					
Investment Properties	42,428	-	-	-	-
Leisure Buildings	30,456	-	-	-	-
Pleasley Vale Business Park	138,365	-	-	-	-
Riverside Depot	30,287	-	-	-	-
The Arc	49,787	-	-	-	-
The Tangent	58,986	-	-	-	-
Contact Centres	28,452	-	-	-	-
Asset Management Plan not yet allocated to an individual scheme	32,614	260,000	260,000	260,000	260,000
	411,375	**260,000**	**260,000**	**260,000**	**260,000**
Engineering Asset Management Plan					
Car Parks	25,000	25,000	25,000	25,000	25,000
Shelters	12,000	10,000	10,000	10,000	10,000
Lighting	13,000	15,000	15,000	15,000	15,000
	50,000	**50,000**	**50,000**	**50,000**	**50,000**
Assets					
Pleasley Vale - Storm Babet	496,784	-	-	-	-
Pleasley Vale Mill - Dam Wall	432,493	-	-	-	-
Pleasley Vale Grease works CCTV	50,000	-	-	-	-
Land at Portland Street	27,168	-	-	-	-
Shirebrook Crematorium	5,994,676	-	-	-	-
Shirebrook Market Place	359,911	-	-	-	-
Changing Places	53,000	-	-	-	-
Tangent Hub - Reinstate Stonework	20,000	-	-	-	-
Mine Water Project	180,020	-	-	-	-
Bolsover Loop infrastructure project	77,000	-	-	-	-
South Normanton Mural project	20,000	-	-	-	-
Rural Fund	360,318	-	-	-	-
Mobile CCTV Cameras	15,000	-	-	-	-
	8,086,370	**0**	**0**	**0**	**0**
ICT Schemes					
ICT infrastructure	529,350	469,000	150,000	100,000	100,000
Council chamber audio visual equipment	180,000	-	-	-	-
Civica Workflow360	78,635	-	-	-	-
	787,985	**469,000**	**150,000**	**100,000**	**100,000**
Leisure Schemes					
Pleasley Vale Leisure Equipment	20,000	-	-	-	-
Pleasley Vale Cycle Path	86,771	-	-	-	-
Go Active Café Equipment	10,201	-	-	-	-
Go Active Equipment	16,822	15,000	15,000	15,000	15,000
Combined Heating & Power	655,000	-	-	-	-
Gym Equipment & Spin Bikes	-	-	392,100	-	-
Go-Active Gym flooring	-	-	40,000	-	-
Wellness Hub equipment	-	-	80,000	-	-
	788,794	**15,000**	**527,100**	**15,000**	**15,000**
Private Sector Schemes					
Disabled Facility Grants	650,000	650,000	650,000	650,000	650,000
	650,000	**650,000**	**650,000**	**650,000**	**650,000**
Investment Activities					
Parish Council Loans	533,000	-	-	-	-
	533,000	**0**	**0**	**0**	**0**
Vehicles and Plant					
Vehicle Replacements	3,532,124	222,000	951,500	347,000	-
District CCTV	52,171	-	-	-	-
CAN Rangers Equipment	14,231	-	-	-	-
	3,598,526	**222,000**	**951,500**	**347,000**	**0**
Total General Fund	**14,906,050**	**1,666,000**	**2,588,600**	**1,422,000**	**1,075,000**

CAPITAL PROGRAMME SUMMARY	Revised Budget 2024/25 £	Original Programme 2025/26 £	Forecast Programme 2026/27 £	Forecast Programme 2027/28 £	Forecast Programme 2028/29 £
Housing Revenue Account					
New Build Properties					
Alfreton Rd Pinxton	513,360	-	-	-	-
Bolsover Homes-yet to be allocated	573,132	10,000,000	-	-	-
Glapwell - Meadow View Homes	30,000	-	-	-	-
Jubilee Court Bungalows	300,000		-	-	-
Keepmoat Properties at Bolsover	30,000	-	-	-	-
Market Close Shirebrook	300,000	-	-	-	-
Moorfield Lane Whaley Thorns	83,000	-	-	-	-
Park Lane Pinxton	3,100,000	-	-	-	-
Sandy Lane/Thorpe Ave Whitwell	34,860	-	-	-	-
Woburn Close Cluster	6,342,336	4,609,312	-	-	-
The Woodlands	156,631	-	-	-	-
Valley View (2 Bungalows & extension)	461,070	-	-	-	-
West Street Langwith	40,809	-	-	-	-
	11,965,198	**14,609,312**	**0**	**0**	**0**
Vehicle Replacements	1,398,300	245,000	20,000	-	198,000
	1,398,300	**245,000**	**20,000**	**0**	**198,000**
Public Sector Housing					
Electrical Upgrades	400,000	400,000	400,000	400,000	400,000
External Door Replacements	200,000	70,000	70,000	70,000	70,000
External Wall Insulation	411,500	-	-	-	-
Bramley Vale	500,000	1,000,000	1,000,000	1,000,000	-
Flat Roofing	55,000	40,000	40,000	40,000	40,000
Heating Upgrades	225,000	225,000	255,000	255,000	255,000
Kitchen Replacements	750,000	300,000	300,000	300,000	300,000
Re Roofing	1,000,000	800,000	800,000	800,000	800,000
Property Services Mgmt. & Admin	130,936	134,182	138,252	142,446	146,764
Safe & Warm	1,714,595	-	-	-	-
Unforeseen Reactive Capital Works	50,000	70,000	50,000	50,000	50,000
Welfare Adaptations	600,000	600,000	600,000	600,000	600,000
Wet Rooms (Bungalows)	300,000	300,000	300,000	300,000	300,000
House Fire / Flood Damage (Insurance)	50,000	-	-	-	-
Outbuilding removal project	25,000	-	-	-	-
Concrete surrounds	135,000	150,000	150,000	150,000	150,000
Victoria House - fire doors/scooter store	150,000	-	-	-	-
Yet to be allocated to a scheme	457,264	1,259,018	1,244,948	1,240,754	2,236,436
Garage site & footpath resurfacing	100,000	100,000	50,000	50,000	50,000
Damp Proof Course	175,000	-	-	-	-
	7,429,295	**5,448,200**	**5,398,200**	**5,398,200**	**5,398,200**
ICT Schemes					
Open Housing	41,821	-	-	-	-
	41,821	**0**	**0**	**0**	**0**
Total HRA	**20,834,614**	**20,302,512**	**5,418,200**	**5,398,200**	**5,596,200**
TOTAL CAPITAL EXPENDITURE	**35,740,664**	**21,968,512**	**8,006,800**	**6,820,200**	**6,671,200**

CAPITAL PROGRAMME SUMMARY	Revised Budget 2024/25 £	Original Programme 2025/26 £	Forecast Programme 2026/27 £	Forecast Programme 2027/28 £	Forecast Programme 2028/29 £
Capital Financing					
General Fund					
Better Care Fund	(650,000)	(650,000)	(650,000)	(650,000)	(650,000)
Prudential Borrowing	(6,424,334)	-	-	-	-
Reserves	(4,979,560)	(1,016,000)	(1,938,600)	(772,000)	(115,000)
Capital Receipts	(215,132)	-	-	-	(310,000)
External Funding	(2,637,024)	-	-	-	-
	(14,906,050)	**(1,666,000)**	**(2,588,600)**	**(1,422,000)**	**(1,075,000)**
HRA					
Major Repairs Allowance	(6,737,795)	(5,348,200)	(5,348,200)	(5,348,200)	(5,348,200)
Prudential Borrowing	(9,254,853)	(14,609,312)	-	-	-
Capital Receipts	(2,025,465)	(345,000)	(70,000)	(50,000)	(248,000)
External Funding	(2,816,501)	-	-	-	-
	(20,834,614)	**(20,302,512)**	**(5,418,200)**	**(5,398,200)**	**(5,596,200)**
TOTAL CAPITAL FINANCING	**(35,740,664)**	**(21,968,512)**	**(8,006,800)**	**(6,820,200)**	**(6,671,200)**

Annual Minimum Revenue Provision Statement 2025/26

Where the Authority finances capital expenditure by debt, it must put aside resources to repay that debt in later years. The amount charged to the revenue budget for the repayment of debt is known as the Minimum Revenue Provision (MRP), although there has been no statutory minimum since 2008. The Local Government Act 2003 requires the Authority to have regard to the Ministry for Housing, Communities and Local Government's *Guidance on Minimum Revenue Provision* (the MHCLG Guidance) most recently issued in April 2024.

The broad aim of the MHCLG Guidance is to ensure that capital expenditure is financed over a period that is reasonably commensurate with that over which the capital expenditure provides benefits.

The MHCLG Guidance requires the Authority to approve an Annual MRP Statement each year and recommends a number of options for calculating a prudent amount of MRP. The following statement incorporates options recommended in the Guidance:

MRP is calculated by reference to the capital financing requirement (CFR) which is the total amount of past capital expenditure that has yet to be permanently financed, noting that debt must be repaid and therefore can only be a temporary form of funding. The CFR is calculated from the Authority's balance sheet in accordance with the Chartered Institute of Public Finance and Accountancy's *Prudential Code for Capital Expenditure in Local Authorities*, 2021 edition.

For capital expenditure incurred before 1 April 2008 the Minimum Revenue Provision policy will be:

- **Historic Debt** - MRP will follow the existing practice outlined in former MHCLG Regulations (Option 1) - capital financing requirement minus "adjustment A" multiplied by 4%.

From 1 April 2008 for all capital expenditure funded by borrowing the Minimum Revenue Provision policy will be:

- **Asset Life Method** - MRP will be based on the estimated useful life of the asset starting in the year after the asset becomes operational. MRP on purchases of freehold land will be charged over 50 years. MRP on expenditure not related to fixed assets but which has been capitalised by regulation or direction will be charged over 20 years.

For assets acquired by finance leases or the Private Finance Initiative, MRP will be determined as being equal to the element of the rent or charge that goes to write down the balance sheet liability.

Capital Loans

- For capital expenditure on loans to third parties which were made primarily for financial return rather than direct service purposes, MRP will be charged in accordance with the policy for the assets funded by the loan, including where appropriate, delaying MRP until the year after the assets become operational. This MRP charge will be reduced by the value any repayments of loan principal received during the year, with the capital receipts so arising, applied to finance the expenditure instead.

- For capital expenditure on loans to third parties which were made primarily for service purposes, the Authority will make zero MRP except as detailed below for expected credit losses. Instead, the Authority will apply the capital receipts arising from the repayments of the loan principal to finance the expenditure in the year they are received.

- For capital loans made on or after the 7th of May 2024 where an expected credit loss is recognised during the year, the MRP charge in respect of the loan will be no lower than the loss recognised. Where expected credit losses are reversed, for example on the eventual repayment of the loan, this will be treated as an overpayment.

- For capital loans made before the 7th of May 2024 and for loans where expected credit losses are not applicable, where a shortfall in capital receipts is anticipated, MRP will be charged to cover that shortfall over the remaining life of the assets funded by the loan.

Housing Revenue Account

- No MRP will be charged in respect of assets held within the Housing Revenue Account but depreciation on those assets will be charged instead in line with regulations.

Capital expenditure incurred during 2025/26 will not be subject to the MRP charge until 2026/27 or later.

In 2019/20 the Authority took steps to reduce the amount of MRP charged by swapping the financing of the capital programme from borrowing to the use of reserves. The Council's current capital programme still contains some of the projects included in this exercise, which are still to be spent. The Council's Medium Term Financial Strategy 2025/26 – 2028/29 approved in October 2024 states that *'Borrowing costs will be incurred (on capital projects) only where the cost is covered by new income as part of a business case.'*

Based on the Authority's latest estimate of its Capital Financing Requirement on 31st March 2025, the budget for MRP for borrowing incurred in previous years' has been set as follows:

	31.03.2025 Estimated MRP £m	**2025/26 Estimated MRP £**
Capital expenditure before 01.04.2008	0.141	0.136
Unsupported capital expenditure incurred 31.03.2008 – 31.03.2019	0.137	0.308
Leases & Private Finance Initiative	0	0
Capital loans to third parties	0	0
Total General Fund	**0.278**	**0.444**
Assets in the Housing Revenue Account	0	0

HRA subsidy reform payment	0	0
Total Housing Revenue Account	**0**	**0**
Total	**0.278**	**0.444**

Capital receipts

Proceeds from the sale of capital assets are classed as capital receipts and are typically used to finance new capital expenditure. Where the Authority decides instead to use capital receipts to repay debt and hence reduce the CFR, the calculation of MRP will be adjusted as follows:

- Capital receipts arising on the repayment of principal on capital loans to third parties will be used to lower the MRP charge in respect of the same loans in the year of receipt, if any.
- Capital receipts arising on the repayment of principal on finance lease receivables will be used to lower the MRP charge in respect of the acquisition of the asset subject to the lease in the year of receipt, if any.
- Capital receipts arising from other assets which form an identified part of the Authority's MRP calculations will be used to reduce the MRP charge in respect of the same assets over their remaining useful lives, starting in the year after the receipt is applied.
- Any other capital receipts applied to repay debt will be used to reduce MRP in 10 equal instalments starting in the year after receipt is applied.