Appendix 1

2025/26 Capital Strategy

1.0 Introduction

1.1 The 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.

1.2 The strategy is designed to be a user-friendly document, which can direct stakeholders to the relevant documents relating to Treasury decisions, Asset Management and the Capital Programme for the coming years. It provides a link between these activities and reiterates the need for these to be co-ordinated to support the objectives of the Corporate Plan.

1.3 This strategy brings together the statutory requirements of the Chartered Institute of Public Finance Accountants (CIPFA) and the CIPFA Prudential Code for Capital Finance in Local Authorities. There is also a strong link with the Treasury Management Strategy that provides a framework for the borrowing and lending activity of the Council.

1.4 The Capital Strategy needs to be relevant in the current financial and economic climate and therefore needs a cautious and measured, yet flexible, approach that reflects the fact that:

- The impact on the Revenue Budget arising from the Capital Investment Programme must be affordable and sustainable, and be used to aid the bottom line;
- Capital resources available to the Council are limited, with little direct funding provided from Government and currently limited scope to raise income from Capital Receipts;
- Local Government's range of responsibility is constantly changing along with the role that it plays within the community, leading to an expectation that Society will assist in the delivery of services.

1.5 The Council is required, by regulation, to publish a number of indicators relating to the Capital Investment Programme, Treasury Management and the revenue implications of the programme, known as the Prudential Indicators. This report, along with the Treasury Management Strategy, publishes those indicators, based on the assumption that Cabinet / Council will approve the proposals contained within the Revenue Budget and Capital Programme.

2.0 Strategic Aims

2.1 The key objective of the Capital Strategy is to deliver a Capital Programme that:

- Ensures that the Council has assets that are fit for purpose and enable the delivery of the priorities set out in the Corporate Plan;
- Supports the Council's service specific plans and strategies;
- Facilitates income generation that aids the Revenue Budget;
- Is affordable, financially prudent and sustainable.

This should not however prevent the authority from:

- Reducing the on-going liability of holding assets by engaging with communities to develop alternative service delivery options including asset transfer;
- Fully utilising resource opportunities available for Capital Investment from outside sources where this does not create ongoing revenue liabilities or commitments that cannot be met.

3.0 Priorities

3.1 The Council's priority areas for investment can be summarised as:

3.1.1 **Asset replacement and/or enhancement**: The services delivered by the Council depend upon a variety of assets such as Plant, Property and Equipment (PPE) or vehicles. These need to be updated/upgraded on a regular basis to ensure service delivery is maintained or enhanced. Asset maintenance is a revenue cost; the purchase or enhancement is a capital cost.

3.1.2 **Income Generation:** The Council is looking to identify investments that generate an income to replace the lost grant funding and ease the pressure on the Revenue Budget. Specific projects / investment opportunities will be brought forward for approval by the Cabinet as they are identified.

3.1.3 **Economic Regeneration:** The Council is committed to investing in the District's future through regeneration projects. Any schemes will need to be self-financing so that borrowing costs are covered by either Grant, investment income or capital receipts leaving no ongoing impact on the Council's Revenue Budget.

3.1.4 **Invest to save**: The Council is always looking for opportunities to deliver future efficiencies in service provision, known as 'Invest to Save'. This could include investment in technology or processes. The "green" investments are a good example of this, where investment in more efficient heating systems reduces the ongoing cost of energy consumption.

3.1.5 **Health and Wellbeing:** The Council's receives the Disabled Facilities scheme, which pays for essential housing adaptations to help disabled people stay in their own homes. In the current climate, it is also important that the Council plays a wider role in the health and wellbeing of its local community.

4.0 Capital Expenditure and Financing

4.1 Capital expenditure is incurred on the acquisition or creation of assets, or expenditure that enhances or adds to the life or value of an existing asset that is needed to provide services. Assets can be tangible or intangible assets and yield benefits to the Council generally for a period of more than one year e.g. land, buildings, vehicles. This contrasts with revenue expenditure which is spending on the day-to-day running costs of services such as employee costs and supplies and services. In Local Government, this includes spending on assets owned by other bodies, or loans and grants to other bodies enabling them to buy/build assets. The Council has limited discretion on what counts as capital expenditure, for example assets costing below £20k are deemed deminimis and are not capitalised but are instead charged to revenue in-year.

4.2 The detail of our approach to capitalisation is shown in our Accounting Policies in the Statement of Accounts that are produced each year. The latest Accounts can be found here:

https://www.middevon.gov.uk/your-council/finance/annual-accounts/

4.3 Service managers bid annually to include projects in the Council's Capital Programme. Bids are collated by Finance who calculate the financing cost (which can be nil if the project is fully externally financed). The relevant PDGs consider the Capital Programme and the funding thereof and can make recommendations to Cabinet. The final Capital Programme is then presented to Cabinet in February who recommend it to Full Council for approval the same month each year.

4.4 In 2025/26, the General Fund is requesting approval of new capital expenditure of £2,629k for new projects due to start in 2025/26, of which £856k is forecast to be spent in 2025/26. In addition, new projects due to start in 2026/27 or beyond sum to £1,895k with a spend profile as shown in **Annex 1a**.

4.5 Expenditure within prior year approvals totalling £45,428k that has slipped in timescale or was originally planned for 2025/26 will also be incurred during 2025/26. Approval is sought to adjust some of these projects by a net value of £4,185k to update the projects to the latest forecasts. This leads to estimated expenditure of £10,946k in 2025/26 (see **Annex 1b**). Spend in future years against these existing projects sums to £32,481k as currently projected. These could well alter further before they come forward for approval.

4.6 Combined, the spend profile associated with the new and existing projects, is forecast at £11,802k within 2025/26 which forms the Deliverable Budget for the year.

4.7 Similarly, for the Housing Revenue Account, expenditure within prior year approvals totalling £75,812k that has slipped in timescale or was originally planned for 2025/26 will also be incurred during 2025/26. Approval is sought to adjust some of these projects by a net value of minus £30,239k to update the projects to the latest forecasts. This includes redirecting significant funding from projects previously considered which are deemed no longer viable, releasing funding to partially fund £53,603k additional budget requested. The estimated spend profile is £29,812k in 2025/26 (see **Annex 2**).

4.8 HRA spend in future years against these projects sums to £57,806k as currently projected. These could well alter further before they come forward for approval.

4.9 It can be summarised as follows:

Table 1: Prudential Indicator: Estimates of Capital Expenditure

Capital Expenditure £000	**2023/24 Actual**	**2024/25 Estimate**	**2025/26 Estimate**	**2026/27 Estimate**	**2027/28 Estimate**
General Fund Projects	11,092	10,273	11,802	16,622	15,120
HRA Projects[1]	16,653	12,785	29,812	11,662	5,605
Loans to Subsidiary Company*	2,686	0	0	0	0
Total	**30,431**	**23,058**	**41,614**	**28,284**	**20,725**

**This figure is gross loans and excludes repayments and working capital loans (which are treated as Revenue)*

4.10 All capital expenditure must be financed, whether from external sources (Government grants and other contributions), the Council's own resources (Revenue, Reserves and Capital Receipts) or Debt (Borrowing, Leasing and Private Finance Initiative).

4.11 Borrowing may be internal or external:

4.11.1 **Internal borrowing** uses the cash balances of the Council. Currently, these balances yield small returns on the investment market and is therefore cheaper than the interest rate payable on an external loan and so is maximised as far as possible. This has been a significant funding source in recent years.

4.11.2 **External borrowing** is via loans. Within Local Government, the main provider for long-term borrowing has traditionally been the Public Works Loan Board (PWLB). However, the Council also uses other organisations, such as other Local Authorities for shorter-term cash flow requirements.

4.12 An increasing number of assets are leased, such as the new vehicles within our fleet. These are normally taken through Finance Leases where the asset remains owned by the finance company, but the Council rents them.

[1] 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.

4.13 The planned financing of the expenditure in Table 1 above is as follows:

Table 2: Capital financing

Financing of Capital Expenditure £000	**2023/24 Actual**	**2024/25 Estimate**	**2025/26 Estimate**	**2026/27 Estimate**	**2027/28 Estimate**
Estimates of Capital Expenditure (Table 1)	**30,431**	**23,058**	**41,614**	**28,284**	**20,725**
Less:					
Capital receipts	(4,445)	(1,250)	(2,092)	(1,153)	(787)
Capital grants	(3,757)	(8,971)	(16,262)	(16,355)	(14,383)
Capital reserves	0	0	0	0	0
Revenue	(5,885)	(3,847)	(4,044)	(3,556)	(3,235)
Net financing need for the year	**16,344**	**8,990**	**19,216**	**7,220**	**2,320**

4.14 Debt is only a temporary source of finance, as loans and leases must be repaid and 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.

4.15 The Council's full Minimum Revenue Provision / loans fund repayments statement is shown in **Appendix 1** of the Treasury Management Strategy Statement. This strategy is included within Appendix 2. Planned MRP is as follows:

Table 3: Planned MRP payments

Planned MRP Payments £000	**2023/24 Actual**	**2024/25 Estimate**	**2025/26 Estimate**	**2026/27 Estimate**	**2027/28 Estimate**
General Fund	1,217	1,040	1,099	1,327	1,371
Housing Revenue Account	991	1,026	1,159	1,508	1,673
Total	**2,208**	**2,066**	**2,258**	**2,835**	**3,044**

4.16 The Council'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 / loan repayments and capital receipts used to replace debt. Based on the above figures for expenditure and financing, the Council's estimated CFR is expected to increase by £13,828k during 2025/26, rise further in 2027/28 before falling slightly in 2028/29 as follows:

Table 4: Prudential Indicator: Estimates of Capital Financing Requirement

Capital Financing Requirement £000	2023/24 Actual	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate
General Fund Services	16,252	18,920	19,443	20,019	18,917
Council Housing (HRA)	45,982	49,183	62,488	66,237	66,552
Loans to Subsidiary Company*	0	0	0	0	0
Total CFR	**62,234**	**68,103**	**81,931**	**86,256**	**85,469**
Movement in CFR	**-2,359**	**5,869**	**13,828**	**4,325**	**-787**

** Loans to Subsidiary Company investments relate to capital expenditure on housing developments and investment properties.*

This table is cumulative including existing and future borrowing. This is reduced as and when repayments are scheduled.

5.0 Treasury Management

5.1 Treasury Management is concerned with keeping sufficient, but not excessive cash, available to meet the Council's spending needs, while managing the risks involved. To avoid excessive credit balances or overdrafts in the bank current account, surplus cash is invested until required while a shortage of cash will be met by borrowing. The Council 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.

5.2 Due to decisions taken in the past, at 31 March 2025 the Council is forecast to have £29,398k of borrowing (excluding finance leases) at an average interest rate of 2.91% and £11,441k of short term treasury investments earning interest at an average rate of 5.07%.

5.3 **Borrowing strategy:** The Council's main objectives when borrowing are to achieve a low but certain cost of finance while retaining flexibility should plans change in the future. These objectives are often conflicting, and the Council therefore seeks to strike a balance between cheap short-term loans (up to 1 year, mainly through other Local Authorities - currently available at around 5%) and long-term fixed rate loans where the future cost is known but higher (currently around 6% from PWLB[2]).

5.4 Projected levels of the Council's total outstanding debt (which comprises borrowing and leases) are shown below, compared with the Capital Financing Requirement.

[2] As at the time of drafting this report – 26 January 2024

Table 5: Prudential Indicator: Gross Debt and the Capital Financing Requirement

Gross Debt and The Capital Financing Requirement £000	2023/24 Actual	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate
Debt (including Leases)	33,390	33,442	48,985	52,445	50,817
Capital Financing Requirement (CFR)	62,234	68,103	81,931	86,256	85,469
Under / (Over) Borrowing	**28,844**	**34,661**	**32,946**	**33,811**	**34,652**

5.5 Statutory guidance is that Debt should remain below the Capital Financing Requirement, except in the short-term. As can be seen from table 5, the Council expects to comply with this in 2025/26 through to 2027/28.

5.6 **Affordable borrowing limit:** The Council 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. Further details on borrowing are included with the Treasury Management Strategy, which is also included elsewhere on the meeting agenda.

Table 6: Prudential Indicators: Authorised Limit and Operational Boundary for external debt

Authorised Limit and Operational Boundary for External Debt £000	2023/24 Limit	2024/25 Limit	2025/26 Limit	2026/27 Limit	2027/28 Limit
Authorised Limit	73,000	79,000	92,000	97,000	95,000
Operational Boundary	64,000	70,000	83,000	88,000	86,000

5.7 **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.

5.8 The Council's policy on treasury investments is to prioritise Security and Liquidity over Yield (SLY Principle), 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 Council may request its money back at short notice. Further details on treasury investments is included within the Treasury Management Strategy, but can be summarised as follows[3]:

[3] As at the 31 March of the appropriate year

Table 7: Treasury Management investments

Treasury Management Investments £000	2023/24 Actual	2024/25 Estimate	2025/26 Estimate
Short-Term Investments	16,015	11,441	10,000
Long-Term Investments	5,000	5,000	5,000
Total	**21,015**	**16,441**	**15,000**

5.9 **Governance:** Decisions on Treasury Management investment and borrowing are made daily and are therefore delegated to the S151 (Deputy Chief Executive) and finance staff, who must act in line with the Treasury Management Strategy approved by Full Council annually. Reports on Treasury Management activity are presented to Cabinet three times per year.

6.0 Investments for Commercial and Economic Development Purposes

6.1 The Council makes investments to assist local public services, including making loans to other public sector bodies to promote economic development and provide an income stream. In light of the public service objective, the Council is willing to take more risk than with other treasury investments; however it is still a requirement for such investments to generate a profit after all costs, and after conducting all appropriate due diligence.

6.2 For example, the Council facilitated a loan to fund a GP Surgery/NHS Hub in Crediton. Not only will this provide the Council with a return on its loan, it will also provide an important, modern NHS Hub in Crediton, replacing two existing GP Surgeries and offering further NHS services to the public.

6.3 With Central Government financial support for local public services declining and the tightening of regulations within the Prudential Code that prohibits the Council from investing primarily for financial return, the options for the Council to invest in Commercial and for Economic Development purposes is limited.

6.4 The Council also has commercial activities in retail properties, which expose it to normal commercial risks. The over-arching ethos behind these activities is economic regeneration and retention of premises within the town centre rather than the income stream.

6.5 **Governance:** Decisions on commercial investments are made by the S151 (Deputy Chief Executive) in conjunction with the Leadership Team, in line with the criteria and limits approved by Council in the Treasury Management Strategy Statement (TMSS). Property and most other commercial investments are also capital expenditure and asset purchases will therefore also be approved alongside the capital programme.

7.0 Asset Management

7.1 In order to ensure the Council is allocating its resources in the most effective way, an Asset Management Plan (AMP) is maintained. It outlines where capital investment can assist the Council achieve its goals or where investment and use of resources plays a contributing role to shared priorities. Therefore the AMP helps set out the Council's approach to the Strategic Management of its land and building assets. It has been developed in consultation with the Senior Officers and Members of the Council who form the Capital Strategy Asset Management Group (CSAG). The AMP seeks to ensure that assets are used in the most effective and efficient way to support the delivery of the Corporate Plan.

7.2 The latest version of the AMP was considered and approved by Cabinet on 4 March 2021, and is due to be updated in 2025. It can be found here:

https://www.middevon.gov.uk/media/353719/supplement-revised-format-for-asset-management-and-capital-strategy-plan-04032021-v1.pdf

7.3 The AMP enables the Council to consider the best use of its assets by identifying those that require investment in planned maintenance; those that it should consider disposal of, those that could generate additional income from leasing out etc. These considerations will then inform the Capital Programme and funding decisions.

7.4 **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. The Council expects to receive limited Capital Receipts in 2025/26 due to the changes in legislation surrounding the sale of Council Houses through the 'Right to Buy' scheme.

8.0 Debt Liabilities

8.1 In addition to debt of £48,985k in 2025/26 detailed in Table 5 above, the Council is committed to making future payments to cover its pension fund deficit (valued at £10,166k in March 2024).

8.2 **Governance:** The risk of liabilities crystallising and requiring payment is monitored by Finance and Legal. Any new material liabilities would be reported to Full Council for approval/notification as appropriate.

9.0 Revenue Budget Implications

9.1 Although capital expenditure is not charged directly to the Revenue Budget, interest payable on loans and Minimum Revenue Provision (MRP) are charged to revenue, offset by any investment income receivable. The net annual charge is known as Capital 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 8: Prudential Indicator: Proportion of financing costs to net revenue stream

Proportion of Financing Costs to Net Revenue Stream %	**2023/24 Actual**	**2024/25 Estimate**	**2025/26 Estimate**	**2026/27 Estimate**	**2027/28 Estimate**
General Fund	-2.85%	3.75%	5.09%	8.79%	9.30%
Housing Revenue Account	10.18%	9.72%	11.74%	16.68%	17.85%

**Further details on the revenue implications of capital expenditure are found in the Revenue Budget report.*

9.2 **Sustainability:** Due to the very long-term nature of capital expenditure and financing, the Revenue Budget implications of capital expenditure incurred in the next few years may extend for up to 50 years into the future. The S151 (Deputy Chief Executive) is satisfied that the Council has adequate means of financing and repaying any required borrowing and therefore the proposed Capital Programme is prudent, affordable and sustainable. .

10.0 Knowledge and Skills

10.1 The Council employs professionally qualified and experienced staff in senior positions with responsibility for making capital expenditure, borrowing and investment decisions. For example, the S151 (Deputy Chief Executive) and Corporate Manager for Finance, Property and Climate Resilience are both qualified accountants with c30 years' of experience. In addition, the Council employs six finance staff who hold one or more of the following qualifications ACCA and AAT.

10.2 To support those staff, use is made of external advisers and consultants that are specialists in their field. The Council currently employs Link Group as treasury management advisers and Ichabod Industries as technical advisers on accountancy matters. This approach is more cost effective than employing such staff directly, and ensures that the Council has access to knowledge and skills commensurate with its risk appetite.

The 2025/26 Capital Programme and 2025/26 – 2029/30 Capital Medium Term Financial Plan (CMTFP)

11.0 The 2025/26 Capital Programme

11.1 The 2025/26 Capital Programme includes significant investment into Council House building projects and future years indicative programmes include 'spend to save' projects improving the energy efficiency of our property estate that will only be undertaken if the Council is successful in securing sufficient external funding and is accompanied by a robust business case that demonstrates an acceptable payback.

11.2 There is also projected slippage relating to the 2024/25 Deliverable Programme that will roll into the 2025/26 Capital Programme. The approval of final figures will be sought as part of the Outturn Report to either add to the 2025/26 Capital Programme or relevant year of the Capital MTFP.

11.3 **Annex 1a and 1b** shows the proposed 2025/26 Capital Programme for the General Fund. Full project approval is requested at project inception, for 2025/26 this amounts to £2,629k. This is then profiled by spending managers as their best estimate of when spending will take place to form the Deliverable Budget of £856k. Spend forecast against existing approvals is £10,946k in 2025/26, with a further £32,481k forecast in future years. The deliverable budget informs our Treasury Management activities.

11.4 **Annex 2** shows the proposed 2025/26 Capital Programme for the Housing Revenue Account. Approval is requested for a revised 2025/26 amounting to £87,618k. The spend profile gives a Deliverable Budget of £29,812k. A further £57,806k forecast in future years.

11.5 All forecasts have been reviewed and refreshed with up to date information on expenditure and funding. These projections are likely to alter, as we get closer to those years as greater information becomes available. Therefore, only the Capital Programme for 2025/26 is proposed for approval; the indicative future years are only for information and noting.

11.6 General Fund Investment.

11.6.1 Further investment to enable the Council to update its infrastructure and improve our carbon footprint is included. Within the investment in our Leisure Service, there are a number of upgrades of equipment to maintain a competitive service offering.

11.6.2 Following approval for the Cullompton Relief Road, funding has been secured to cover the estimated cost of this project. This is a significant achievement and is by far the largest project included within the capital programme.

11.6.3 Investment is also planned for the Waste Depot to enable it to meet new Environment Agency regulations as well as be fit for the future. As in previous years, the Disabled Facilities Grant funding will be used to improve homes across the district that will enable residents with health problems to remain in their homes, therefore avoiding or delaying the need for them to enter the health care system.

11.6.4 Following revisions in the reporting requirements, leasing is also included within the Capital Programme as it is a form of debt financing. The Council has a programme of replacing vehicles with new leased vehicles as they reach the end of the economic lift. Wherever possible, this is through the provision of an electric vehicle. Similarly, some of our buildings and infrastructure is leases, such as the waste depot.

11.7 Housing Revenue Account Investment

11.7.1 A number of projects to enhance the quality of our existing housing stock costing c£3m per annum are undertaken each year through the planned maintenance scheme. In 2025/26, provision has been made to invest in garage refurbishments, replace roofing, windows and doors in properties where required, along with general modernisation works, including updating heating systems.

11.7.2 Significant investment is planned to deliver new housing within the district predominantly through highly efficient (zero carbon) modular buildings. To fund the proposed Housing Development Schemes, a prudent assumption has been included for the utilisation of 1-4-1 receipts or for additional grant funding to be made available from Homes England and One Public Estate Funding; although a substantial element of the cost remains with the Council.

11.7.3 A significant amount of work was undertaken when producing the Council's Capital Medium Term Financial Plan (CMTFP) during the year, which helped to scope the size and funding of the 2025/26 Capital Programme. A number of subsequent meetings were held with Corporate Managers, which focused on the essential projects (in terms of end of life asset replacement or health and safety) and involved reprioritising or rescheduling expenditure to future years.

12.0 <u>Funding the Capital Programme</u>

12.1 The 2025/26 Capital Programme is fully funded by a combination of :

Table 9: 2025/26 Capital Programme Funding (based on deliverable programme)

Funding Sources	**Funding 2025/26 £000's**
Funding from Revenue EMR's	4,044
Funding from Government Grants	16,262
Usable Capital Receipts	2,092
Borrowing (including Lease finance)	19,216
General Fund Subtotals	**41,614**

12.2 Changes in legislation on Right-to-Buy means that it is now unlikely that properties will be sold, which protects our existing stock and existing rental income. Previously, c.16 houses were sold each year, which reduces the one-off capital receipts that were previously used to fund investment in new stock.

12.3 The works programme identified to maintain our existing council house stock will be funded mainly from the Major Repairs Reserve (MRR). The balance of available monies will remain in the MRR in order to deal with future additional spend that has been identified by the stock condition survey.

12.4 The Council continues to set aside sinking funds for future asset maintenance, replacement of Leisure plant and equipment and for future replacement of ICT systems and equipment. This ensures the Revenue base budget is more robust. However, given the pressure on its finances, the Council will need to assess whether this remains affordable, or whether alternative options should be explored.

13.0 <u>Council Borrowing</u>

13.1 Prudential borrowing has been estimated for 2025/26 at £19,216k, this will be used to fund General Fund schemes amounting to £4,752k and HRA schemes amounting to £14,464k. All schemes will be subject to a rigorous business case assessment; their cost and timing of spend will determine the amount of actual prudential borrowing required. The use of internal borrowing will be applied wherever possible.

13.2 New Borrowing is also envisaged across the remainder of this MTFP i.e. 2026/27 to 2029/30 amounting to £31,091k; of this £3,451k will be used to deliver General Fund projects and £27,640k to deliver HRA projects.

13.3 Borrowing will be supported or supplemented with short and medium term Treasury Management decisions based on prevailing and future interest rates and will only be considered in exceptional circumstances. This is in relation to the projects detailed above or for spend to save projects following a robust cost/benefit analysis exercise that would be able to demonstrate both an acceptable 'payback period' and that savings would be generated in excess of the annual revenue cost of servicing the debt.

14.0 Conclusion

14.1 As previously mentioned, the Capital Programme for the next five years is limited due to the scarce availability of funding (with the exception of borrowing). It is, therefore, imperative that capital funds are only spent on those projects that enable the Council to deliver its Corporate Plan objectives, reduce operational cost, or generate a financial return.

14.2 The Capital Programme encompasses a broad range of expenditure including operational assets, which will be used for more than one year; assets owned by other bodies, or loans and grants to other bodies enabling them to buy/build assets.

14.3 Funding for this programme includes significant borrowing. The Council's borrowing will be affordable, sustainable and prudent and consideration will be given to the management of interest rate risk and refinancing risk. The source from which the borrowing is taken, and the type of borrowing should allow the Council transparency and control over its debt.

14.4 The Treasury Management Strategy Statement details the approach that the Council will take in ensuring it has sufficient cash available to meet the Council's spending needs. Reports on Treasury Management policies, practices and activities, including, as a minimum, an annual strategy and plan in advance of the year, a mid-year review, and an annual report after its close, will be taken to Full Council via the Cabinet.