



Report to: Cabinet Meeting: 20 February 2024

Portfolio Holder: Councillor Paul Peacock, Strategy, Performance & Finance

Director Lead: Sanjiv Kohli, Director – Resources and Deputy Chief Executive

Lead Officer: Jenna Norton, Senior Accountant – Financial Services Extension 5327

| Report Summary | |
|---------------------------------------|--|
| Type of Report | Open, Key Decision |
| Report Title | Capital Programme Budget 2024/25 to 2027/28 |
| Purpose of Report | In accordance with the Financial Regulations 6.2.3, Cabinet is required to consider the Capital Programme and recommend to the Council the final Programme for approval. This report details the proposed capital schemes over the medium term, together with the available resources to finance this. |
| Recommendations | It is recommended that Cabinet recommend to full Council on 7 March 2024 the General Fund schemes set out at Appendix A to the report and the Housing Services schemes set out at Appendix B to the report as committed expenditure in the Capital Programme for 2024/25 to 2027/28. |
| Alternative Options Considered | If the Council did not have a Capital Programme, this would result in not being able to deliver the schemes and not achieve the objectives in the community plan. |
| Reason for Recommendations | To enable the Capital Programme to be considered by Cabinet in accordance with Financial Regulation 6.2.3 prior to its submission to Council. |

1.0 Background

- 1.1 The Capital Strategy was approved by Council on 8 March 2023. It contains the Capital Appraisal form template and the prioritisation criteria, which is in two stages. The schemes need to meet the criteria in stage 1, to progress to stage 2.
- 1.2 Capital Appraisal forms were circulated to all Business Managers during summer 2023 to enable bids for new Capital schemes. Completed forms were scored in conjunction with the prioritisation criteria. SLT considered the results of this exercise and the proposed Capital Programme included within this report, contain those schemes that were agreed to be appropriate.

2.0 Capital Expenditure – General Fund

2.1 The Council intends to spend £64.401m in general fund capital expenditure from 2024/25 to 2027/28.

2.2 The major schemes in this programme are:

| Scheme Name | Summary of Proposed Financing |
|---|---|
| Southwell Leisure Centre New Pool | Borrowing |
| Yorke Drive Regeneration and Community Facility | Borrowing plus external grant |
| Provision of 3G Pitches | Borrowing and Capital Receipts |
| Vehicles and Plant Replacement | Capital Receipts and Capital Provision |
| Information Technology Investment | Capital Receipts and Capital Provision |
| Clipstone Holding Centre Development | Borrowing and Change Management Reserve |
| Rural Prosperity Fund | Wholly funded by Grant |
| Former Belvoir Iron Works Acquisition | Wholly funded from Change Management Reserve |
| A1 Overbridge | Community Infrastructure Levy |
| Arkwood Developments Regeneration Loan Facility | Borrowing |
| Castle Gatehouse | £3m contribution from the Towns Fund, the remainder borrowing. Further contribution from HLF to be agreed and budget updated once Full business case is approved. |
| 32 Stodman Street – Towns Fund | £2.2m Town Fund, £284k One Public Estate, £400k Shared Prosperity Fund with the remainder supplemented Reserves and borrowing |
| Newark Gateway / SISLOG – Towns Fund | Towns Fund Grant of £4.2m, full funding package will be added once Full Business Case is approved. |

2.3 A number of new schemes have been added to the Capital Programme as part of the budget process. The total over the period of 2024/25 to 2027/28 of £8.014m in General Fund. Details of which can be found labelled 'New' at Appendix A and are summarised below:

| Scheme Name | Summary of Proposed Financing |
|-----------------------------------|--------------------------------------|
| Southwell Leisure Centre New Pool | Borrowing |
| Provision of 3G Pitches | Borrowing and Capital Receipts |
| Dukeries Changing Places | Borrowing |
| Castle – Condition Works Phase 2 | Contribution from R&R |

2.4 The impacts of all borrowing has been included in the Treasury Management Strategy and the Medium Term Financial Plan. Details of individual schemes are shown in **Appendix A**.

3.0 Capital Expenditure – Housing Revenue Account (HRA)

3.1 The Council intends to spend £84.927m from the HRA from 2024/25 to 2027/28. This is made up of £52.802m on existing property investment and £32.125m on additional Affordable Housing.

3.2 The Housing, Health and Wellbeing directorate will review and update the property investment programme against the records kept for all properties to ensure budget levels are sufficient for works coming up in the medium term.

3.3 Major schemes included in the HRA are:

| Scheme Name | Summary of Proposed Financing |
|---|--|
| Roof Replacements | MRR and borrowing |
| Heating Renewals | MRR and borrowing |
| Decarbonisation | Government Grant, MRR and Borrowing |
| Yorke Drive Estate Regeneration | Borrowing plus external grant |
| Phases 5 of the Council House Development Programme | Capital Receipts and Borrowing |
| New Phases 6 of the Council House Development Programme | S106 where appropriate, Capital Receipts and Borrowing |

3.4 New schemes added during the budget process total £13.565m in the HRA for the period 2024/25 to 2027/28. Details of which can be found labelled ‘New’ at Appendix B, and are summarised below:

| Scheme Name | Summary of Proposed Financing |
|-----------------------------|--|
| EPC | MRR and Borrowing |
| Communal Areas | MRR and Borrowing |
| Phase 6 New Build Programme | S106 where appropriate, Capital Receipts and Borrowing |

3.4 Details of individual schemes are shown in **Appendix B**.

4.0 Resources Available

4.1 External Grants and Contributions can provide additional resources to the Capital Programme. Grant funding is subject to a detailed bidding process. Officers continue to liaise with external parties to secure the maximum available inward investment in order to contribute towards the delivery of the capital programme.

4.2 The most significant grants currently forecast over the medium term are from the Towns Fund, Shared and Rural Prosperity Fund's, Decarbonisation Wave 2.1 and the Better Care Fund (BCF) for Disabled Facilities Grants (DFG's). In addition to this, grants held from previous years for specific purposes are due to be utilised. For example, the Towns Fund projects, where grant instalments were received during 2022/23 and 2023/24, which is forecast to be utilised over the next financial year.

4.3 Capital Receipts

| | General Fund £'m | HRA £'m | 1-4-1 £'m | Total £'m |
|---|-----------------------------|--------------------|----------------------|----------------------|
| Estimated Balance @ 1 Apr 2024 | 0.499 | 0.377 | 0.020 | 0.896 |
| Estimated Receipts 2024/25 – 2027/28 | 5.826 | 4.810 | 3.162 | 13.798 |
| Approved for Financing 2024/25 – 2027/28 | 5.885 | 5.181 | 0.780 | 11.846 |
| Unallocated Capital Receipts Balance | 0.440 | 0.006 | 2.402 | 2.848 |

4.6 The general fund capital estimated receipts of £5.826m are made up of the sale of the residential properties on Stodman Street and the 50% staged payment for land at Lowfield Lane, due to be sold to Arkwood Developments.

4.7 The HRA capital receipts and 1-4-1 figures above relate to forecast Right to Buy (RTB) sales. The 1-4-1's are restricted for replacement homes and must be used as follows:

- Amount to no more than 40% of the new build scheme cost
- Spent within 5 years of receipt, or returned to Government with interest

Officers continue to monitor the deadlines closely and maximising use where practicable within the new build programme in order to avoid having to pay the remaining balances to Government with interest.

4.8 Where appropriate, the use of existing capital resources is prioritised. Borrowing is utilised for assets with longer asset lives, where the impact of interest and Minimum Revenue Provision (MRP) can be spread over the useful economic life of the asset, whilst minimising the impact on the General Fund. Leasing is also tightly controlled within the revenue budgets for the same reason and is rarely used as the interest rates remain low, therefore borrowing is currently a more attractive means of financing capital expenditure.

Subject to the approval of the proposals outlined in section 2.0 and 3.0 above, the current plan for financing the capital programme is shown below.

5.0 **Financing**

5.1 Subject to the approval of the proposals outlined in section 3.0 and 4.0 above, the current plan for financing the capital programme is shown below.

General Fund Capital Programme Financing Summary

| General Fund Financing | 2024/25 £m | 2025/26 £m | 2026/27 £m | 2027/28 £m |
|----------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Borrowing | 13.641 | 15.848 | 0.800 | 0.000 |
| Government Grants | 4.640 | 6.860 | 0.860 | 0.860 |
| Contributions from Third Parties | 0.267 | 0 | 0 | 0 |
| Community Infrastructure Levy | 0 | 2.500 | 3.000 | 0 |
| Capital Receipts | 0.449 | 1.862 | 1.783 | 1.790 |
| Capital Reserve | 0.756 | 0 | 0 | 0 |
| RCCO | 5.846 | 2.639 | 0 | 0 |
| Total | 25.599 | 29.709 | 6.443 | 2.650 |

Housing Revenue Account Capital Programme Financing Summary

| HRA | 2024/25 £m | 2025/26 £m | 2026/27 £m | 2027/28 £m |
|----------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Borrowing | 15.000 | 20.000 | 10.000 | 6.499 |
| Government Grants | 0.676 | 0.746 | 0.518 | 2.925 |
| Contributions from Third Parties | 1.041 | 0.346 | 0 | 0 |
| Capital Receipts | 1.218 | 3.577 | 0.575 | 0.591 |
| RCCO | 0.655 | 0 | 0 | 0 |
| Revenue Support | 7.218 | 0.868 | 3.290 | 9.184 |
| Total | 25.808 | 25.537 | 14.383 | 19.199 |

5.2 At the end of the financial year, once all capital expenditure has been finalised (including accrued expenditure) the financing of the Capital Programme as a whole is arranged by the Section 151 Officer, in line with the Council's Constitution.

6.0 **Implications**

In writing this report and in putting forward recommendation's officers have considered the following implications: Data Protection, Digital and Cyber Security, Equality and Diversity, Financial, Human Resources, Human Rights, Legal, Safeguarding, Sustainability, and Crime and Disorder and where appropriate they have made reference to these implications and added suitable expert comment where appropriate.

Background Papers and Published Documents

Capital Strategy 2024/25 report to Audit and Governance on 21 February 2024