

## **6. CAPITAL STRATEGY 2024/25 - 2027/28**

### **1. Purpose of the Report**

This report requests approval for the revised Capital Strategy for 2024/25 to 2027/28. The Capital Strategy outlines a 4-year plan for capital investments, aligning with the strategic objectives of the Peak District National Park Authority.

#### **Key Points**

- The Capital Strategy is the overarching document that outlines the capital investment plans for the Authority and it must be updated and approved each year.
- The Capital Strategy contains the Capital Budget for the forthcoming year and the 4-year Capital Programme, which runs parallel to the Medium-Term Financial Plan.
- The Capital Programme required an update to ensure approvals and funding were in place for the outstanding works.
- Finance and Property collaborated to agree the outstanding works, funding sources and budgets required. These approved projects will have a budget on implicit.
- Any future additions to the Capital Programme are subject to a business case assessment and the necessary approval, before a budget is allocated.
- The proposed Capital Programme is a combination of approved and unapproved projects.
- A new capital budget setting and business case appraisal policy is under development and will be part of next year's Capital Strategy.

### **2. Recommendations(s)**

- 1. Approve the Capital Budget for 2024/25 (listed in Appendix 1), with the understanding that projects in the 'new' and 'additional' columns will require a business case and approval to proceed.**
- 2. Acknowledge the overall Capital Programme for 2024/25 to 2027/28 (found in Appendix 2).**
- 3. Approve the Capital Strategy (listed in Appendix 3)**
- 4. Acknowledge that in future the Capital Strategy will be jointly presented with the Treasury Management Strategy for annual approval**

### **3. How does this contribute to our policies and legal obligations?**

The Chartered Institute of Public Finance and Accountancy (CIPFA) Prudential Code mandates local authorities to produce a Capital Strategy. The strategy demonstrates how capital expenditure, capital financing, and treasury management activity contribute to desired outcomes. Principles such as stewardship, value for money, prudence, sustainability, and affordability are key elements of a Capital Strategy.

The Capital Strategy ensures that capital investments are strategically aligned with the Authority's objectives, resulting in value for money and compliance with asset management plans. This alignment contributes to the effective provision of services.

### **4. Background Information**

- The S151 Officer is responsible for formulating a comprehensive capital strategy that covers both capital expenditure (investments in infrastructure, buildings, and equipment) and capital financing (how to fund these projects).
- This strategy must align with the authority’s long-term goals, be financially prudent, and provide value for money. Sustainability and affordability are key considerations.
- Capital expenditure refers to spending on long-term assets like property and vehicles. These assets will return an economic benefit for a period more than 12-months and therefore are funded differently from revenue expenditure.
- There is a de minimus amount of £10k for capital expenditure. Items that fall below this threshold are revenue expense and charged in full, in the year the expense is incurred.
- Capital expenditure is funded from a variety of sources, including grants from external bodies, corporate reserves, revenue funding and borrowing.

## 5. Proposals

Members are requested to approve the 2024/25 Capital Budget in Appendix 1. However, it’s important to recognise that ‘New’ and ‘Additional’ projects incorporated into the budget require separate business case approvals in accordance with the Authority’s financial regulations.

The 2024/25 Capital Budget includes £1.468m of proposed expenditure on projects that were approved in previous years. This expenditure is termed ‘slippage’ and can occur due to several reasons, such as: project delays, scope changes, inaccurate profiling of spend and/or poor project management.

<b>Capital Budget Summary 2024/25</b>	<b>New</b>	<b>Additional</b>	<b>Approved</b>	<b>Total</b>
Acquisition of Land and Buildings	1,000.0	0.0	23.5	1,023.5
New Construction & Renovation	725.0	15.0	1,407.1	2,147.1
Vehicles, Plant & Equipment	0.0	0.0	0.0	0.0
Intangible Fixed Assets	0.0	0.0	38.0	38.0
<b>Total Capital Expenditure</b>	<b>1,725.0</b>	<b>15.0</b>	<b>1,468.6</b>	<b>3,208.6</b>
Capital Grants	-500.0	0.0	-202.5	-702.5
Borrowing	-350.0	0.0	-120.1	-470.1
Reserves	-875.0	-15.0	-1,146.0	-2,036.0
Financed from Revenue	0.0	0.0	0.0	0.0
<b>Total Financing</b>	<b>-1,725.0</b>	<b>-15.0</b>	<b>-1,468.6</b>	<b>-3,208.6</b>

Members are also requested to acknowledge the Capital Programme for 2024/25 – 2027/28. The Capital Programme includes proposed projects that are yet to receive the required approval and are subject to a business case assessment before any budget is allocated.

<b>Capital Programme 2024/25 - 2027/28</b>	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>	<b>Total</b>
Acquisition of Land and Buildings	1,023.5	0.0	0.0	0.0	1,023.5
New Construction & Renovation	2,147.1	995.0	0.0	110.0	3,252.1
Vehicles, Plant & Equipment	0.0	0.0	0.0	250.0	250.0
Intangible Fixed Assets	38.0	0.0	0.0	0.0	38.0
<b>Total Capital Expenditure</b>	<b>3,208.6</b>	<b>995.0</b>	<b>0.0</b>	<b>360.0</b>	<b>4,563.6</b>
Capital Grants	-702.5	0.0	0.0	0.0	-702.5
Borrowing	-470.1	-500.0	0.0	-250.0	-1,220.1
Capital Receipts Reserve	-1,193.0	-295.0	0.0	-110.0	-1,598.0
Other Reserves	-843.0	-200.0	0.0	0.0	-1,043.0
<b>Total Financing</b>	<b>-3,208.6</b>	<b>-995.0</b>	<b>0.0</b>	<b>-360.0</b>	<b>-4,563.6</b>

The Asset Management service maintains an annual asset disposal plan as part of its overall asset management strategy. This plan encompasses various operational assets and estate properties. Disposal approvals are obtained through the disposal toolkit. Notably, receipts from Warslow Estate disposals must be reinvested back into the Estate, following approvals from the Department for Digital, Culture, Media and Sport (DCMS).

The forecast capital receipts are as follows:

<b>Capital Receipts Forecast</b>	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>	<b>Total</b>
<b>Opening Balance</b>	1,247.3	-			-1,247.3
<b>Disposals:</b>					
Flash Barn	-150.0	0.0	0.0	0.0	-150.0
Royal Cottage - Barn	-100.0	0.0	0.0	0.0	-100.0
Royal Cottage - Pub	0.0	-200.0	0.0	0.0	-200.0
<b>Allocations</b>	1,193.0	295.0	0.0	110.0	1,598.0
	<b>-304.3</b>	<b>95.0</b>	<b>0.0</b>	<b>110.0</b>	<b>-99.3</b>

As per the prudential code, capital receipts can only be spent on future capital expenditure. Unspent capital receipts are held in the capital receipts reserve.

Finally, the actual and estimated capital financing requirement (the underlying need for borrowing) underpinning any borrowing requirements in the capital programme to 2027/28 is included in section 8.5 of the Treasury Management Strategy, which was approved by Authority in March 2024.

The estimates are that borrowing will be £1.2m at the end of 2023/24 and reduced slightly to £1.06m at the end of 2024/25 as more repayments are made than new borrowing entered into. Actual external debt will be £313k at the end of 2023/24 and £279k at the end of 2024/25. Therefore, the remaining balances of £887k and £727k respectively is internal borrowing.

**Are there any corporate implications members should be concerned about?**

**Financial:**

The issues have been covered in the report.

**Risk Management:**

The Prudential Code indicators are instrumental in mitigating the risks associated with capital expenditure borrowing. Concurrently, the Treasury Management and Investment Strategy is designed to manage and reduce the risks in the Authority’s investment activities.

The execution of current plans hinges on the sale of surplus assets; therefore, the viability of some projects may be compromised or delayed if anticipated revenues fall short. These contingencies will be considered within the respective business cases prior to seeking committee approval.

**Sustainability:**

This report underscores the commitment to the long-term sustainability of the Authority’s Capital Programme and the strategic management of future investments in its assets.

**Equality, Diversity and Inclusion:**

There are no implications to identify in this report.

**3. Climate Change**

There are no implications to identify in this report.

**4. Background papers (not previously published)**

None

**5. Appendices**

Appendix 1 – Capital Budget 2024/25

Appendix 2 – Capital Programme 2024/25 – 2027/28

Appendix 3 – Capital Strategy 2024/25 – 2027/28

**Report Author, Job Title and Publication Date**

Ben Cookson, Finance Manager , 04 April 2024  
Ben.Cookson@peakdistrict.gov.uk