

NUNEATON AND BEDWORTH BOROUGH COUNCIL

Report to: Health and Corporate Resources Overview & Scrutiny Panel

From: Assistant Director - Finance

Subject: Capital Strategy 2025/26

Portfolio: Resources and Central Services

Corporate Plan – Theme: Your Council

Corporate Plan – Aim: Ensuring Value for Money for our Taxpayers

1. Purpose of Report

- 1.1. To provide the panel with the overview of the Capital Strategy 2025/26.

2. Recommendations

- 2.1. To review the Capital Strategy 2025/26 and note the contents within the document.
- 2.2. To recommend the strategy to Cabinet for approval.

3. Background

- 3.1. The Chartered Institute of Public Finance and Accountancy (CIPFA) requires local authorities to have an approved annual capital strategy under its prudential code.
- 3.2. The Capital Strategy provides a high-level overview by which the Council's capital expenditure, financing and treasury management activities are undertaken in line with the corporate plan.
- 3.3. The strategy is developed in conjunction with the Treasury Management Strategy (TMS) and the Medium-Term Financial Plan (MTFP).

4. Body of Report

- 4.1. The Capital Strategy provides a framework by which investment decisions will be made, an overview of risk management, the implications for future financial sustainability and the governance processes for approval and monitoring.
- 4.2. The Corporate Plan 'Building Communities 2025-2029' underpins the capital strategy. The 4 themes set out how the Council identifies programmes and prioritises capital requirements.
- 4.3. The strategy outlines how proposals follow robust appraisals to ensure value for money, risk appraisals and affordability are considered before going ahead with future projects.
- 4.4. The key principles and priorities from both the Housing Revenue Account Business Plan and Asset Management Policy are reflected within the document.
- 4.5. The document is live and dynamic which will be updated as strategic influences and priorities change. The document will be reviewed annually and updated in line with the annual budget setting process for changes to capital projects.

5. Conclusion

- 5.1. CIPFA's Prudential Code requires all authorities to produce a detailed Capital Strategy. The document underpins the connections to the Corporate Plan, Housing Revenue Account business plan and asset management policy as well as detailing project establishment, approval and monitoring.
- 5.2. The strategy will be developed in the future and updated alongside changes to capital projects.

6. Appendices

- 6.1. Appendix A – Capital Strategy 2025/26

7. Report Writer Details:

Officer Job Title: Assistant Director - Finance

Officer Name: Liam Brown

Officer Email Address: liam.brown@nuneatonandbedworth.gov.uk

2025/26

Capital Strategy

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1.0 Introduction

- 1.1 The Capital Strategy provides a high level overview by which the Council's capital expenditure, financing and treasury management activities are undertaken in line with the corporate plan and service plans whilst taking account of stewardship, value for money, sustainability and affordability.
- 1.2 CIPFA's Prudential Code requires all authorities to produce a detailed Capital Strategy. It provides a framework by which investment decisions will be made, an overview of risk management, the implications for future financial sustainability and the governance processes for approval and monitoring of capital expenditure in line with requirements under the Prudential Code for Capital Finance in Local Authorities.
- 1.3 The Strategy sets out the policy framework for the development, management and monitoring of this investment and forms a key component of the Council's planning alongside the Medium Term Financial Plan (MTFP).
- 1.4 The Capital Strategy is a live and dynamic document, which will update and evolve as strategic influences and priorities change. The Strategy will be reviewed annually and updated and presented to Council in February each year as part of the annual budget setting process.

2.0 Aims and Links to Corporate Outcomes

- 2.1 The Capital Strategy is underpinned by the Corporate Plan 'Building Communities 2025-2029' which was approved by Council April 2025.
- 2.2 Building Communities sets out a plan rooted in a commitment to serve the residents, visitors and businesses that make up the communities specifically focusing on 4 themes:
 - Place and Prosperity – Enabling local jobs, supporting businesses and regenerating our Town Centres
 - Housing, Health and Communities – Promoting healthy lifestyles, supporting vulnerable residents, building new Council homes and strengthening community cohesion
 - Green Spaces and Environment – Protecting our natural environment, improving air quality and creating sustainable communities
 - Your Council – Delivering services effectively and efficiently while ensuring value for money for our taxpayers

- 2.3 How the Council identifies programmes and prioritises capital requirements to achieve these themes are set out within the strategy. Proposals follow a robust appraisal which includes valuations in relation to the risks, affordability and value for money of the project.
- 2.4 The document considers funding available for capital expenditure and how best to maximise resources to generate investment in the area. This feeds into the MTFP which details the financial planning for the authority.
- 2.5 A key element to achieving the corporate plan is to maximise the resources we have, including our land and buildings. The Housing Revenue Account Business Plan and Asset Management Policy provide an overview of the Council's land, buildings and dwellings. The key principles and priorities of these are reflected in the Capital Strategy. The Asset Management Policy is in the process of being reviewed with a refreshed document expecting to be completed by March 2026. The HRA business plan is reviewed annually in-line with the budget setting process.

3.0 Capital Funding Streams

- 3.1 Decisions on capital investment are made in the context of limited resources. The capital programme is currently reliant on funding from capital receipts, third party contributions, external grants, contributions from revenue and borrowing. The following is the priority order in how funding will be applied:
 - External Grants – A significant part of capital funding comes through as external grant allocations from central government departments towards the cost of capital projects.
 - Section 106 (S106) and External Contributions – There is a possibility that some projects can be funded or part funded by contributions from private sector developers and partners. Growth in Nuneaton and Bedworth has resulted in S106 contributions from developers to support specific infrastructure projects throughout the borough.
 - Capital Receipts – The Council is able to generate capital receipts through the sale of surplus assets such as land and buildings. While the Council has benefitted from this in recent years, the assets that are retained by the Council are necessary to deliver services or generate income.

- Revenue Contributions – The council has earmarked reserves set aside to support specific capital investment projects (e.g. IT infrastructure replacement, vehicles, CCTV, property purchases etc) and also to support invest to save initiatives. These reserves receive a contribution each financial year from the revenue budgets to create a pot to draw from as and when required.
- Specific Reserves – The Housing Revenue Account is mandated to charge the revenue account for depreciation on the assets that it holds. This annual charge is held in the Major Repairs Reserve and is ringfenced to fund capital expenditure incurred by the HRA.
- Prudential Borrowing – The introduction of the Prudential Code in 2004 allows councils to undertake unsupported borrowing which is subject to the requirements of the Prudential Code for Capital Expenditure for Local Authorities. The Council must ensure the unsupported borrowing is affordable, prudent and cost effective.

4.0 Project Establishment and Approval

- 4.1 A significant number of projects are undertaken each year. The MTFP and HRA Business Plan inform the Capital Strategy and consider the resources needed to deliver services now and into the future.
- 4.2 Business cases for capital project proposals are initially prepared by project managers in accordance with the Council's Project Management Office (PMO) process. Outlined in the business case is an appraisal of the project which identifies the objectives and how this is linked to the corporate plan.
- 4.3 To ensure the development of robust business cases and governance, project managers seek guidance from experts within the organisation for key business areas such as legal, finance, procurement, IT and HR. Once this is completed the business case follows a sign-off process for the central departments prior to being submitted to the next stage.
- 4.4 To ensure strategic oversight, once the business case has been completed and approved through the workflow it is presented at Senior Leadership Team (SLT). SLT includes the council's Chief Executive, Strategic Directors and Assistant Directors who review project business cases to ensure this meets the risk appetite, affordability and priorities of the Council. Projects are based on:
 - Corporate Plan Objectives
 - Asset Management Policy priorities

- Health and Safety Requirements
- Affordability
- Deliverability
- Transformation
- Income Generation
- Compatibility with Council Strategies

4.5 Once the project receives SLT approval it will be included in reports presented to Cabinet and Council for consideration as required in the Financial Procedure Rules within the Council's Constitution. If this meets all the approval requirements, then the project expenditure and financing will be built into the Council's Capital Programme and MTFP or HRA Business Plan.

5.0 Governance and Risk Management

5.1 Nuneaton and Bedworth's Full Council make decisions on budgetary and policy framework which provides overall direction and approval of the Capital Strategy and investment in the Capital Programme.

5.2 Cabinet and Council will receive quarterly capital programme monitoring and treasury management monitoring is reported quarterly to Audit & Standards Committee plus Council. Variations or recommendations for additions to the capital programme will be presented for decision making once business cases have been approved internally via SLT.

5.3 SLT receive routine updates in relation to individual project progress through the Corporate Programme Review Board, capital budget monitoring reports and investment progress.

5.4 Corporate Programme Review Board (CPRB) is an internal working group which monitors the progress of projects once the business cases have been approved by SLT. CPRB considers mitigating actions for risks highlighted during project updates. Risks that can't be mitigated are escalated back to SLT for decisions on the options presented. Depending on the scale of decision required depends on whether this is reported to Cabinet and Council.

5.5 The Council is committed to the culture of Risk Management with the agreed roles and responsibilities within the framework outlined in the table below:

Group /Individual	Role
Audit and Standards Committee	<ul style="list-style-type: none"> • Monitor the effectiveness of the Councils risk management arrangements, including the actions taken to manage risks and to receive regular reports on risk management. • To monitor the actions being taken to mitigate the impact of potentially serious risks
Cabinet	<ul style="list-style-type: none"> • To provide strategic direction with regard to risk management.
Strategic Directors / Assistant Directors	<ul style="list-style-type: none"> • To provide leadership for the process of managing risks. • To ensure that risk management methodology is applied to all service plans, projects, partnerships and proposals. • To identify and manage business /operational risks. • To ensure that the management of risk is monitored as part of the performance management process. • To ensure that all risks are identified, recorded and effectively managed in their area or responsibility. • To review and update their risk register on at least an annual basis but appropriate to the risk. • To determine the method of controlling the risk. • To delegate responsibility if appropriate for the control of the risk.
Corporate Programme Review Board	<ul style="list-style-type: none"> • Monitor the delivery of projects against the measurable criteria included in business cases. • Manage risks effectively and escalate mitigating action for decision making as per the terms of reference. • Ensure project risks and RAID logs are updated with on-going challenges.
All Staff	<ul style="list-style-type: none"> • To ensure that risk is effectively managed in their areas. • To ensure that they notify their managers of new and emerging risks.

5.6 One of the Council's key investment principles is that all investment risks should be understood with appropriate strategies to manage those risks. Major capital projects require careful management to mitigate the potential risks which can arise. The effective monitoring, management and mitigation of these risks is a key part of managing the capital strategy. All projects are required to maintain a risk register and align reporting to the Council's reporting framework.

- 5.7 There are inherent risks associated with management of capital projects such as interest rates or credit risk of counterparties, but the Council ensures that robust due diligence procedures cover all external capital financing.
- 5.8 The Council's cash is managed centrally to ensure that there is enough liquidity in the short and medium-term to meet cashflow requirements as well as longer-term solvency requirements.
- 5.9 No project or investment will be approved where the level of risk is unacceptable. This will be determined by the Section 151 Officer or Cabinet as appropriate.

6.0 Priority Areas for Investment

- 6.1 Underlying the capital strategy is the recognition that the financial resources available to meet the corporate priorities are constrained. Therefore, the Council relies more on internal resources and seeks ways in which investment decisions can be self-sustaining or generate positive returns in meeting corporate objectives and producing revenue savings.
- 6.2 The wider regeneration of the borough relies on investment into new jobs, economic growth, commercial property and homes. In turn these contribute towards council funding in the longer term though the form of council tax, business rates or land sale receipts. Given the limited resources available there is little flexibility for schemes to progress or continue without meeting the following investment principles
- Invest to improve and maintain Council assets
The Council will improve and maintain the condition of its core assets to:
 - Extend their life where appropriate
 - Ensure they are fit for the future
 - Meet its ongoing legal / statutory duties e.g. Health and Safety
 - Investing for sustainable, inclusive, economic growth
The Council will expand its capacity to grow the economy in an inclusive manner, whilst delivering whole system solutions to demographic, social and environmental challenges sustainably.
 - Invest to save and to generate income
The Council will invest in projects which will:
 - Transform the operational efficiency of services

- Reduce running costs
 - Avoid costs (capital or revenue) that would otherwise arise
 - Generate a financial return
- Risk awareness
The risks of the project have been fully assessed, consulted, communicated and are at an acceptable level.

6.3 The Council's capital investment falls within, and needs to comply with, the "Prudential Code for Capital Finance in Local Authorities" (The Code). Under the Code, local authorities have greater discretion over the funding of capital expenditure especially with the freedom to determine, with the regulatory framework of the Code, the level of borrowing they wish to undertake to deliver their capital plans and programmes.

7.0 The Housing Revenue Account (HRA) Business Plan

- 7.1 The Council is a HRA authority and holds and maintains Council Dwellings. Capital expenditure needs within the HRA are driven primarily by maintaining decent homes standards, ensuring that the properties are safe and comply with legislative standards. The vision is to increase the dwellings stock through acquisitions or new build projects.
- 7.2 The HRA financial business plan models the 30 year cash flows of the HRA and the capital spend needs to ensure the HRA remains viable long term.
- 7.3 The priority of maintaining our existing stock is the initial spending need when reviewing the business plan each year. Any surplus funds can then be utilised to provide additional dwellings or meet other strategy demands on the HRA.
- 7.4 During 2018, MHCLG announced that the debt cap, which had been applied to the HRA since 2012, was to be removed. This effectively meant that the HRA was free to borrow for a capital purpose without limit, so long as it still satisfied the requirement of the prudential code in that it was affordable and prudent.
- 7.5 Extensive modelling has been undertaken to ensure that new build and acquisitions factored into the business plan are both achievable with realistic financial assumptions and affordable. Further information is contained within the HRA Budget Report.

8.0 The Capital Programme

- 8.1 The capital programmes for both the General Fund and the HRA are approved by Council each February as part of the budget setting agenda. This includes the sources of funding for the two programmes.
- 8.2 A three year forward looking summary forecast is included below. These budgets are purely investment in the Council's assets and grant payments to third parties (e.g. HEART) or costs for acquiring properties under Camp Hill are classified as other as they do not generate an asset for the Council.
- 8.3 General Fund (£'m):

Category of Expenditure	2024/25 Actual	2025/26 Budget	2026/27 Budget	2027/28 Budget
Maintaining / Improving Existing Assets	£11.60	£22.04	£4.25	£0.25
Commercial Investment / Acquisitions	£16.61	£17.31	£0.00	£0.00
Vehicle / IT Replacements	£0.51	£2.44	£0.65	£0.60
Contingency	£0.00	£0.05	£0.05	£0.05
Other	£7.43	£9.00	£11.07	£6.50
Total	£36.15	£50.85	£16.02	£7.40
Financing				
Grants / Contributions	£27.97	£24.59	£11.03	£6.46
Capital Receipts	£0.15	£0.24	£0.00	£0.00
Reserves	£0.94	£3.13	£1.02	£0.94
Borrowing	£7.08	£22.89	£3.98	£0.00
Total	£36.15	£50.85	£16.02	£7.40

8.4 Housing Revenue Account:

Category of Expenditure	2024/25 Actual	2025/26 Budget	2026/27 Budget	2027/28 Budget
Maintaining / Improving Existing Assets	£14.24	£12.23	£10.64	£10.98
Acquisitions & New Build	£1.81	£5.61	£0.00	£0.00
Vehicle / IT Replacements	£0.00	£0.00	£0.00	£0.00
Contingency	£0.08	£0.20	£0.20	£0.20
Total	£16.13	£18.04	£10.84	£11.18
Financing				
Grants / Contributions	£1.59	£1.01	£0.00	£0.00
Capital Receipts	£0.25	£0.00	£0.00	£0.00
Reserves (incl Major Repairs Reserve)	£11.87	£11.68	£10.84	£11.18
Borrowing	£2.43	£5.36	£0.00	£0.00
Total	£16.13	£18.04	£10.84	£11.18

8.5 Capital Expenditure that is not immediately financed from other sources such as capital receipts, grants and contributions or reserves impacts on the Council's underlying need to borrow.

8.6 Debt is only a temporary source of finance, since loans and leases must be repaid which is replaced over time by other financing, usually revenue. This is known as minimum revenue provision (MRP). Borrowing to fund capital projects impacts the revenue budget through the need to pay interest and cover repayments.

8.7 The Council's likely total amount of debt finance is measured by the capital financing requirement (CFR). This increases with any new capital projects financed by borrowing and reduces with MRP, loan repayments and capital receipts used to replace debt.

8.8 Based on the above tables for expenditure and financing, the movement in the Council's estimated CFR is below:

General Fund	2024/25 Actual	2025/26 Budget	2026/27 Budget	2027/28 Budget
Opening CFR	£23.97	£30.54	£52.95	£56.10
MRP	(£0.46)	(£0.48)	(£0.83)	(£1.39)
MRP (Finance Lease)	(£0.05)	(£0.00)	(£0.00)	(£0.00)
New Borrowing	£7.08	£22.89	£3.98	£0.00
Lease Adjustment	£0.69	£0.00	£0.00	£0.00
Closing CFR	£31.24	£52.95	£56.10	£54.71

HRA	2024/25 Actual	2025/26 Budget	2026/27 Budget	2027/28 Budget
Opening CFR	£81.71	£84.13	£89.49	£89.49
New Borrowing	£2.42	£5.36	£0.00	£0.00
Closing CFR	£84.13	£89.49	£89.49	£89.49

9.0 Knowledge and Skills

- 9.1 The Council employs professionally qualified and experienced members of staff in senior positions with responsibility for making capital expenditure, borrowing and investment decisions. Both the Strategic Director for Corporate Resources (Section 151 Officer) and the Assistant Director for Finance (Deputy Section 151 Officer) are CCAB qualified accountants. The Council pays for other members of staff to study towards relevant professional qualifications including Chartered Institute of Public Finance and Accountancy (CIPFA) and Association of Accounting Technicians (AAT).
- 9.2 Where Council staff do not have the knowledge and skills required, use is made of external advisors and consultants that are specialist within the required field. MUFG Pension & Market Services (Previously Link Asset Services) are currently the Council's treasury management advisors and provide training as and when required.
- 9.3 Training for Members with regard to treasury management was last undertaken in the early part of 2025 with an update scheduled to be provided during 2026/27.

- 9.4 When considering complex and 'commercial' investments, the Council will ensure that appropriate specialist advice is taken. If this is not available internally it will be commissioned externally to inform decision making.

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*Liam Brown – Assistant Director for Finance
liam.brown@nuneatonandbedworth.gov.uk*