APPENDIX 1

Updated Capital and Investment Strategy 2025/26 – 2028/29

Maldon District Council

Introduction

The Capital and Investment Strategy for Maldon District Council outlines our approach to managing capital expenditure and investments to support the delivery of our strategic priorities.

This Strategy ensures that our capital investments are aligned with our long-term goals, providing a framework for decision-making that promotes financial sustainability, effective asset management, and prudent use of resources.

This integrated approach ensures that our capital investments are not only strategically aligned but also financially responsible, supporting the Council's commitment to transparency, accountability, and effective risk management.

Objectives

Align Capital Investments with Strategic Priorities: Ensure that all capital projects and investments support the Council's strategic objectives and community needs.

Promote Financial Sustainability: Manage capital expenditure and financing in a way that maintains the Council's financial health and sustainability.

Effective Asset Management: Optimise the use and management of the Council's assets to maximise value and service delivery.

Prudent Financial Management: Adhere to principles of prudence and affordability in capital financing, ensuring compliance with relevant regulations and guidance.

Risk Management: Identify and mitigate risks associated with capital investments to protect the Council's financial position.

Transparency and Accountability: Maintain clear and transparent processes for capital investment decisions, ensuring accountability to stakeholders.

Capital Expenditure

Capital expenditure refers to the Council's investment in assets, such as property or vehicles, that have a useful life of more than one year. In local government, this also includes spending on assets owned by other entities, as well as providing loans and grants to enable these entities to acquire or refurbish assets.

The Council has some discretion in defining capital expenditure. For example, individual assets costing less than £10,000 are not capitalised and are charged to revenue within the year. However, large purchases of identical assets, such as laptops, can be grouped together and treated as capital expenditure.

Table 1: Capital Programme 2025/26 – 2028/29

Updated Capital Programme - Summary	2025/26	2026/27	2027/28	2028/29
Project Category	**£'000**	**£'000**	**£'000**	**£'000**
Vehicle and Plant Replacement	163	0	0	0
Car Parking	0	0	0	0
Information and Communication Technology	47	47	47	47
Parks	118	0	0	0
Brickhouse Farm	0	0	0	0
Rivers	0	0	0	0
Leisure and Sports	4,000	1,125	0	0
Cemeteries	0	0	0	0
Play Equipment	345	125	0	0
Housing	539	539	539	539
Community	0	0	0	0
Total Capital Programme - Summary	**5,212**	**1,836**	**586**	**586**

NOTE: Please see Appendix 1a for a detailed breakdown of the Capital Programme.

NOTE: Please see Appendix 1b for a detailed breakdown of new capital bids.

<u>Capital Funding</u>

All capital expenditure must be funded by external sources (such as government grants and contributions), the Council's own resources (including revenue, reserves, and capital receipts), or debt (borrowing, leasing, and Private Finance Initiatives).

Additionally, in accordance with the Chartered Institute of Public Finance and Accountancy (CIPFA) guidance, a statutory adjustment called Minimum Revenue Provision (MRP) must be charged to the revenue account annually to ensure that debt does not grow uncontrollably and can be managed sustainably.

Table 2 provides a summary of the funding sources allocated to fund the capital programme. This includes the proposed borrowing to fund the Leisure Contract and purchase of waste vehicles.

Table 2: Capital Funding Summary 2025/26 – 2028/29

Updated Capital Funding - Summary	2025/26	2026/27	2027/28	2028/29
Funding Category	**£'000**	**£'000**	**£'000**	**£'000**
Capital Receipts Applied	(573)	(172)	(47)	(47)
S.106 Contributions	(100)	(125)	0	0
Internal Borrowing	(4,000)	(1,000)	0	0
Direct Revenue Financing	0	0	0	0
Government Grants	(539)	(539)	(539)	(539)
Total Capital Programme Funding	**(5,212)**	**(1,836)**	**(586)**	**(586)**

Capital Financing and Borrowing

The Capital Financing Requirement (CFR) is a crucial metric that reflects the Council's underlying need to borrow for capital purposes. It essentially measures the total amount of capital expenditure that has not yet been financed by capital resources such as capital receipts, grants, or revenue contributions. When the Council undertakes capital expenditure that is not immediately paid for, this increases the CFR, indicating a higher borrowing requirement.

Conversely, the CFR is reduced when the Council applies resources like capital receipts, grants, or charges to revenue to finance this expenditure. This reduction helps manage the overall debt levels and ensures that borrowing remains within sustainable limits. The CFR is an important tool for financial planning and management, as it provides a clear picture of the Council's long-term borrowing needs and helps in making informed decisions about future capital investments.

By regularly monitoring the CFR, the Council can ensure that its borrowing is prudent and aligned with its financial strategy. This involves strategic application of available resources to reduce the CFR and manage debt effectively. Adhering to CIPFA guidance and other regulatory requirements, the Council ensures that its capital financing practices are sound and compliant, supporting financial stability and the ability to deliver essential services to the community.

Table 3 provides a summary of the forecast management of debt through different funding sources, including Minimum Revenue Provision.

Table 3: Capital Financing Requirement 2025/26 – 2028/29

Capital Financing Requirement (CFR)	**2025/26**	**2026/27**	**2027/28**	**2028/29**
	£'000	**£'000**	**£'000**	**£'000**
Opening CFR	4,714	8,185	8,543	7,865
Capital Expenditure	5,212	1,836	586	586
Total Expenditure	**9,926**	**10,021**	**9,129**	**8,451**
Financed by:				
Capital Receipts	(573)	(172)	(47)	(47)
Government Grants	(539)	(539)	(539)	(539)
S.106 Contributions	(100)	(125)	0	0
Minimum Revenue Provision	(529)	(642)	(678)	(687)
Direct Revenue Financing	0	0	0	0
Total Financing	**(1,741)**	**(1,478)**	**(1,264)**	**(1,273)**
Closing CFR	**8,185**	**8,543**	**7,865**	**7,178**

Governance

Good governance and robust internal controls are essential for protecting public funds and ensuring sustainable investments in the public sector. According to CIPFA guidance, effective governance frameworks help manage risks, ensure accountability, and maintain transparency. Strong internal controls safeguard assets, prevent fraud, and ensure efficient use of resources. Clear decision-making processes, regular monitoring, and reporting mechanisms provide assurance to stakeholders, while audit committees and internal audit functions independently review the Council's arrangements, building public trust and confidence in financial management.

Maldon District Council implements these principles through a robust capital bidding and appraisal process. Service managers submit bids annually in September to include projects in the Council's capital programme. These bids are collated by the finance team, which calculates the financing cost (potentially nil if the project is fully externally financed). The Corporate Leadership Team (CLT) and Finance Members Group then appraise all bids, comparing service priorities against financing costs, and make recommendations to the Strategy and Resources Committee. The final capital programme is presented to the Council in February each year.

Projects that generate savings or income may be progressed in-year, subject to a valid business case and committee approval. Additionally, provisions in major contracts negotiated in-year may require capital investment outside the annual strategy. When this occurs to the benefit of the Council, the Capital and Investment Strategy will be updated accordingly. This structured approach ensures that capital investments are aligned with strategic priorities and managed sustainably, in line with CIPFA's principles.

The Chief Finance Officer confirms that the proposed capital programme is prudent, affordable, and sustainable, as existing reserves will fund the core General Fund programme. Projects will proceed only if they generate savings or income for the Council, with a Business Case evaluating the risks and mitigations.

Commercial Investments

In 2024/25, the Council entered into a 20-year agreement with an external provider to deliver leisure facilities to the residents of Maldon District. This contract ensures that residents have affordable access to state-of-the-art leisure amenities at various Council-owned properties within the district, whilst also protecting the value of the assets through continued capital investment. Additionally, the agreement includes an annual management fee payable to the Council, which supports the general fund and contributes to the achievement of the Council's strategic objectives.

The Council's commercial team is actively engaged in developing new projects in tandem with the ongoing events at Promenade Park. They are building a robust portfolio of event organisers, which is instrumental in generating much-needed revenue for the Council. These efforts are aimed at enhancing the variety and quality of events available to residents while ensuring sustainable financial growth for the district.

Asset Management

To ensure that capital assets continue to be of long-term use, the Council is developing an Asset Management Plan (AMP). This plan will be produced for next year's capital strategy and will provide a comprehensive overview of all the Council's strategic assets, detailing how they will contribute to the Council's corporate objectives.

The new AMP will also include a rationalisation process to determine the best use of each asset. This process will assess whether assets should be sold, invested in, or used to generate revenue, ensuring that the Council's resources are optimally allocated.

Without such a strategy, there is a risk that future repair needs will not be identified, leading to potential under-provision in the budget. The AMP will help mitigate this risk by outlining maintenance requirements and investment needs, thereby supporting the sustainable management of the Council's assets.

When a capital asset is no longer needed, it may be sold, and the proceeds, known as capital receipts, can be used to invest in new assets or to repay debt. Additionally, the Council is currently permitted to spend capital receipts on service transformation projects until 2030, subject to government agreement. This flexibility allows the Council to adapt and innovate in delivering services, ensuring that capital resources are used effectively to meet evolving community needs.

Treasury Management

Cash Flow Management

Cash Flow Forecasting: The Council ensures sufficient but not excessive cash is available to meet spending needs, managing risks effectively. Surplus cash is invested until required, while shortages are met by borrowing to avoid excessive credit balances or overdrafts.

Liquidity Management: The Council is typically cash-rich in the short term as revenue income is received before it is spent.

Borrowing Strategy

Objectives: The Council does not currently borrow externally due to its cash reserves. Usually, capital investments are funded from internal borrowing with appropriate MRP being charged to the service, along with a contribution to reserves for the cost of lost interest.

Current Borrowing: The Council currently has £0.075m of external financing arrangements from a vehicle lease.

New Borrowing: The Council plans to use internal borrowing to fund £5.00m for leisure facilities over the next two financial years. Borrowing for the leisure facilities will provide a financial return for the Council, which will repay the financing costs and supplement the General Fund balance.

There are no current plans for additional borrowing, but future substantial commercial investments would require agreed financing strategies.

Investment Strategy

Investment Objectives: Surplus monies are invested in low-risk counterparties or instruments commensurate with the Council's low risk appetite, providing adequate liquidity initially before considering investment return.

Current Investments: The Council currently holds £16.00m in treasury investments at an average interest rate of 4.1%. The Council aims to maximise investment returns where due diligence results are satisfactory and risks are mitigated, with security and liquidity as primary considerations.

New Investments: The Council consults with Treasury Management advisors – Link Group, to determine low-risk investments that will help support cash-flow where necessary, or to fund capital expenditure. Cash flow forecasting determines when investments and redemptions are required to maximise the investment return, whilst ensuring liquidity and sustainability.

Table 4 shows a summary of the types of investment: The Council's investments include near-term investments expected to fluctuate between £15m and £7m during 2025/26, and longer-term investments held in pooled funds managed by external fund managers.

Table 4: Treasury Management Investments

	31.3.2024 Outturn	31.3.2025 Forecast	31.3.2026 Budget	31.3.2027 Budget	31.3.2028 Budget
Near-Term Investments	20,500	11,000	7,000	7,000	7,000
Longer-Term Investments	5,000	5,000	5,000	5,000	5,000
TOTAL	**25,500**	**16,000**	**12,000**	**12,000**	**12,000**

Table 5 shows the Rate of Return Received. This indicator measures the net investment income as a percentage of the initial investment. Due to the complexities of local government accounting, not all gains and losses are reflected in the revenue account in the year they occur.

Table 5: Investment Rate of Return (net of all costs)

Investments Net Rate of Return	31.03.2024 Actual £000	31.03.2025 Actual £000	31.03.2026 Budget £000
Treasury Management Investments	4.1%	4.0%	3.25%
Financial Investments	4.4%	4.2%	4.00%
ALL INVESTMENTS	**4.2%**	**4.1%**	**3.47%**

Currently, there are no additional investment indicators. However, as the Council expands its commercial services, appropriate indicators will be introduced.

Note: For comprehensive details on the Council's policies and plans for Treasury Management Investments in 2025/26, please refer to the Treasury Management Strategy document (**Appendix 3**).

Treasury Risk Management

Investments are managed to balance the risk of loss against the risk of receiving returns below inflation. Near-term cash is invested securely, while longer-term funds are invested more widely, including in bonds, shares, and property.

Interest Rate Risk: Managed through a diversified investment portfolio and regular monitoring.

Credit Risk: Mitigated by investing in high-quality banks, government securities, and other local authorities.

Operational Risk: Managed through robust policies and procedures, including regular reviews and updates.

Governance and Oversight

Roles and Responsibilities: Daily treasury management decisions are delegated to the Chief Finance Officer and staff, who act in line with the approved strategy.

Knowledge and Skills: The team responsible for investment decision-making has considerable experience in treasury management. They attend regular training sessions conducted by our treasury management advisors, focusing on investment strategies and treatment. Our advisors are consulted on potential changes to our portfolio to ensure well-informed decisions.

Members receive treasury management training as needed, with the frequency and content adjusted based on requirements and changes. This helps ensure that members have the necessary knowledge and skills.

When Council staff lack specific expertise, we use external advisers and consultants who are specialists in their fields. Currently, the Council employs LINK as our treasury management advisors and the Valuation Office as our property advisors. This approach is cost-effective and ensures that the Council has access to the necessary expertise.

Policies and Procedures: The Council's Treasury Management Strategy outlines detailed policies and plans for 2025/26, ensuring alignment with strategic objectives.

Reporting and Monitoring: Regular reports on treasury management activities are presented to the Overview & Scrutiny Committee, with the Audit Committee responsible for scrutiny.

Risk Management

Effective risk management is essential for ensuring the success of Maldon District Council's capital investments. The following steps outline our approach:

Risk Identification: Conduct thorough assessments to identify potential risks, including financial, operational, and project-specific risks.

Risk Evaluation: Assess the likelihood and impact of each risk, prioritising those with the most significant potential effects.

Risk Mitigation: Develop contingency plans, secure appropriate insurance, and ensure robust contract management to address identified risks.

Monitoring and Reporting: Regularly review and update risk management plans, using Key Performance Indicators (KPIs) to track progress and effectiveness. Provide transparent reports to stakeholders.

Governance and Oversight: Implement internal and external audits and engage with stakeholders to ensure alignment with best practices and community expectations.

By following these steps, the Council ensures that capital projects are delivered on time, within budget, and to the required standards, supporting sustainable and prudent financial management.

Prudential Indicators

The Council must set and review an authorised borrowing limit annually, as required by the prudential code. Additionally, a lower "operational boundary" is established as a precaution if debt nears the limit.

Based on advice from our Treasury Management advisors, it is recommended to increase the operational boundary from £7m to £12m. This adjustment accounts for £10m of planned internal borrowing for Waste and Leisure capital investments, plus an extra £2m as a buffer for potential future borrowing needs.

Table 6 provides an outline of those prudential indicators that guide capital investment decisions and ensure the Council's finances are sustainable.

Table 6: Authorised limit and operational boundary for external debt

	2023 / 24 limit £000	**2024 / 25 limit £000**	**2025 / 26 limit £000**	**2026 / 27 limit £000**	**2027 / 28 limit £000**
Authorised limit – borrowing	16,500	16,500	16,500	16,500	16,500
Amended Operational boundary – borrowing	7,000	12,000	12,000	12,000	12,000

While capital expenditure itself is not directly charged to the revenue budget, the associated costs, such as interest on loans and Minimum Revenue Provision (MRP), are charged to revenue. These costs are offset by any investment income received. The resulting net annual charge is referred to as financing costs. According to CIPFA guidance, these financing costs are compared to the net revenue stream, which includes funds from Council Tax, business rates, and general government grants.

Table 7 shows a summary of the proposed financing costs as a proportion of the net revenue stream.

Table 7: Prudential Indicator Proportion of financing costs to net revenue stream

	2023 / 24 Actual	**2024 / 25 Actual**	**2025 / 26 Budget**	**2026 / 27 Budget**	**2027 / 28 Budget**
Financing costs (£m)	0	155	282	290	295
Proportion of net revenue stream	0.00%	1.25%	2.23%	2.25%	2.27%