

## Capital Strategy 2026/27 – 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 and Financing

Capital expenditure is where the Council spends money on assets, such as property or vehicles, that will be used for more than one year. In local government this includes spending on assets owned by other bodies, and loans and grants to other bodies enabling them to buy assets. The Council has some limited discretion on what counts as capital expenditure, for example assets costing below £10,000 are not capitalised and are charged to revenue in year.

Service managers bid annually to include projects in the Council's capital programme. Bids are collated by the finance team who calculate the financing cost. The Senior Leadership Team (SLT) and Finance Member Working Group appraise bids based on a comparison of

service priorities against financing costs and make recommendations to Strategy and Resources Committee. The final capital programme is then presented to the Council in February each year for discussion and agreement. It is necessary to formally approve any new schemes for inclusion in the capital programme. Existing approved schemes which have not substantially progressed can be ceased. Some costs incurred may not be recoverable ('sunk') but further investments can be avoided.

To support the review of new bids, officers have indicated whether proposed schemes are discretionary (i.e. their rejection will not adversely impact on services and residents) or essential (i.e. their rejection is highly likely to lead to services being reduced or ceased with consequent adverse impact on residents and visitors).

All capital expenditure must be financed, either from external sources (government grants or developer contributions), or the Council's own resources (revenue budgets, uncommitted reserves and capital receipts) or through other external sources (internal or external borrowing).

## Capital Programme

The current capital programme and the proposed new schemes are summarised below, including funding.

*Table 1: Capital Programme and Funding*

Capital programme summary	Revised Budget 2025/26	Forecast Spend 2025/26	Original Budget (Proposed) 2026/27	Original Budget (Proposed) 2027/28	Original Budget (Proposed) 2028/29	Capital programme (Proposed) 2026-29	Reserves	Internal Borrowing/ External Borrowing	Better Care Fund	Proposed Funding 2026-29
	£'000	£'000	£'000	£'000	£'000	£'000				
Maldon Promenade	899	904	1,958	930	-	2,888	2,888	-	-	2,888
Riverside Park	193	193	-	275	-	275	275	-	-	275
Other Parks and Open Spaces	245	245	360	-	-	360	360	-	-	360
Playsites	305	309	660	740	-	1,400	-	1,400	-	1,400
All Parks and opens spaces	1,642	1,651	2,978	1,945	-	4,923	3,523	1,400	-	4,923
Leisure centres and Sports pitches	3,966	2,620	3,522	435	-	3,957	757	3,200	-	3,957
Housing	539	539	539	-	1,078	-	-	-	1,078	1,078
Car Parking	250	250	30	360	-	390	390	-	-	390
Community Centres	26	25	55	182	-	237	237	-	-	237
Sports	-	-	225	-	-	225	225	-	-	225
Cemeteries	-	-	20	105	-	125	125	-	-	125
I.T	47	47	47	47	47	141	141	-	-	141
Vehicle & Plant Replacement	184	181	65	-	-	65	65	-	-	65
Rivers		13								
Waste		5								
Public Conveniences	-	-	58	-	-	58	58	-	-	58
Princes Road	270	270								
Grant funded projects	56	56								
<b>Total</b>	<b>6,980</b>	<b>5,656</b>	<b>7,539</b>	<b>3,613</b>	<b>47</b>	<b>11,199</b>	<b>5,521</b>	<b>4,600</b>	<b>1,078</b>	<b>11,199</b>

## Capital Financing and Borrowing

The Capital Financing Requirement (CFR) is the difference between the approved capital programme and the available sources of funding. Any shortfall indicates that borrowing may be required – so, the CFR is essentially a measure of the Council's underlying borrowing need. Any capital expenditure which has not immediately been paid for will increase the CFR. The CFR is reduced by the application of resources such as reserves, capital receipts, grants or charges to revenue.

*Table 2: Capital Financing Requirement*

	<u>2024/25 Forecast</u>	<u>2025/26 Forecast</u>	<u>2026/27 Budget</u>	<u>2027/28 Budget</u>
<b>Opening CFR</b>	<b>44</b>	<b>4,714</b>	<b>7,897</b>	<b>4,752</b>
Capital Expenditure	8,861	5,212	1,836	586
Minimal Revenue Provision (MRP)	-12	-496	-642	-678
Government & Other Grants (Better Care Fund (BCF) / Disabled Facility Grants (DFG))	-3,512	-539	-539	-539
Capital Receipts	-667	-994	0	0
Reserves			-3,800	-1,721
<b>Closing CFR</b>	<b>4,714</b>	<b>7,897</b>	<b>4,752</b>	<b>2,400</b>

Debt provides a temporary source of finance which must eventually be repaid – although this can be done over 20 years or more. To ensure debt repayment is affordable, the Council must approve a ‘Minimum Revenue Provision’ statement. This is the minimum amount due to be set aside each year to ensure that the debt is repaid overall. The Council’s full Minimum Revenue Provision statement is shown at Appendix 4.

At any point in time, around 35-40 (10%) councils have no borrowings. Conversely 340-360 councils do have borrowings (90%). Research has not identified any correlation of borrowing and markers of financial distress (for example, Exceptional Financial Support) – or, many councils use borrowing very effectively to fund capital investment without it impacting on the effectiveness of their financial management.

### **Asset disposals**

When a capital asset is no longer needed for operational purposes it becomes surplus. It may then be sold so that the proceeds, capital receipts, can be spent on new assets or to repay debt, or to fund service transformation projects. The council does not currently have any surplus assets held for disposal.

### **Treasury Management**

Treasury management is concerned with keeping sufficient but not excessive cash available to meet the Council’s spending needs, while managing the risks involved. Surplus funds are invested until required, while a shortage of funds will be met by short term borrowing. The Council is typically cash rich in the short-term as revenue income (principally council tax) is received before it is spent.

The Council currently has £0m (nil) external borrowing and around £20m treasury investments at an average rate of 4.1% (although both the cash amount and the interest rate vary).

### **Borrowing strategy**

The Council does not currently have any external borrowing but is utilising internal borrowing (i.e. temporary, as opposed to permanent, use of reserves). It is likely to become necessary

to externalise borrowing in the medium term in order to maintain cash balances at a suitable level.

### **Borrowing limits**

The Council is legally obliged to set an authorised borrowing limit each year and to review this annually. This is an upper limit for any borrowing, based on its affordability. A lower “operational boundary” is also set based on a guideline level of planned use. It is proposed that these limits are left unchanged from previous years.

*Table 3: Prudential Indicators: Authorised limit and operational boundary for external debt*

	<b>2025 / 26 limit £000</b>	<b>2026 / 27 limit £000</b>	<b>2027 / 28 limit £000</b>
Authorised limit	16,500	16,500	16,500
Operational boundary	12,000	12,000	12,000

### **Treasury investment strategy**

If the Council receives income before it is needed to be spent, a surplus will temporarily exist in its cash flows. If this surplus is expected last for a short period of time, investments can be made. Investments are made on the criteria of security, then liquidity, then yield. That is to say, the primary concern is that the invested sum will be completely returned; the next highest consideration is whether investment is reasonable given likely cash requirements. The yield (or investment income arising) is only considered once the previous considerations have been made. Councils should not invest primarily for an economic return.

The Council’s policy on treasury investments is to maximise investment return where satisfactory results of due diligence are found and risk mitigated, although security and liquidity are still the primary considerations. 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.

*Table 4: Treasury Management Investments (£000s)*

	<b>31.3.2028 Budget</b>	<b>31.3.2029 Budget</b>
Near-Term Investments	0	0
Longer-Term Investments	5,000	5,000
<b>TOTAL</b>	<b>5,000</b>	<b>5,000</b>

### **Governance of Treasury Management**

Decisions on treasury management investment and borrowing are made daily and are therefore delegated to the Chief Finance Officer, who must act in line with the treasury management strategy approved by Council. Half yearly reports on treasury management activity are presented to Overview and Scrutiny Committee. The audit committee is responsible for scrutinising treasury management decisions.

### **Investments for Service Purposes**

The Council does not make investments to assist local public services.

### **Commercial Activities**

The Council currently does not have any significant commercial activities for investment returns aside from a small number of property holdings (industrial units).

### **Liabilities**

The Council has made payments to cover previous pension fund deficits. As a result of these and of strong fund performance, the council pension liabilities have now been removed.

### **Revenue Budget Implications**

Although capital expenditure is not charged directly to the revenue budget, interest payable on loans and MRP are charged to revenue, offset by any investment income receivable. The net annual charge is known as financing costs; this is compared to the net revenue stream i.e. the amount funded from Council Tax, business rates and general government grants.

### **Sustainability**

The Chief Finance Officer is satisfied that the proposed capital programme is prudent, affordable and sustainable within available resources.

### **Knowledge and Skills**

The Council routinely seeks advice on treasury management from Link Group LLP. Link provide extensive advice across the local government sector. The Council also liaises with the Valuation Office as property value advisors. Council finance staff are responsible for understanding the interaction of different aspects of council finance and the responsibilities of the council in respect of treasury management. Link provide detailed technical advice on emerging opportunities and risks based on their close involvement with the finance sector.

**CAPITAL BIDS SUMMARY**

	<u>Capital bid</u> (£)
<b>Playsites</b>	<b>660,000</b>
Play site Equipment – various sites	660,000
<b>Promenade Park</b>	<b>736,000</b>
Multi-Use Games Area (MUGA), (previously described as the tennis courts)	275,000
Promenade Park Car Parks Infrastructure	300,000
Promenade Park Roads Resurfacing Infrastructure	140,000
Maldon Bowls / Maldon Saints drain defect (Capital)	21,000
<b>Public Conveniences</b>	<b>338,000</b>
Toilet Refurbishments	280,000
Toilets - Installation of Solar Panels	58,000
<b>Leisure Centres</b>	<b>322,000</b>
Blackwater Leisure Centre - Air Handling unit	47,000
Blackwater Leisure Centre - Replacement distribution panel	175,000
Dengie 100 - Building work for changing facilities	60,000
Dengie 100 - Replacement flat roof, soffits, facias	40,000
<b>Sports</b>	<b>225,000</b>
Replacement Surface Plume school astro pitch	150,000
Replacement Surface St Peters Burnham-on-Crouch school astro pitch	75,000
<b>Other parks and open spaces</b>	<b>220,000</b>
Road repairs Burnham-on-Crouch	220,000
<b>Park Vehicles</b>	<b>65,000</b>
New 4x4 truck for Parks	40,000
Ventrac Tough Deck (Mower attachment)	15,000
Purchase of MEWP (Cherry Picker)	10,000
<b>Community Centres (CC)</b>	<b>55,000</b>
Brickhouse Farm CC - flooring/electrics	55,000
<b>Car Parks</b>	<b>30,000</b>
Car Park signage	30,000
<b>Cemeteries</b>	<b>20,000</b>
Cemeteries Maldon Cemetery - bronze Memorial Tree	20,000
<b>Total</b>	<b>2,671,000</b>