

DRAFT Corporate Capital Strategy 2026/29



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Executive Summary

1. The aim of this Corporate Capital Strategy is to provide for a balanced, sustainable and prudent capital programme over the medium term planning period ensuring that limited resources are applied in the most effective, efficient and economical way to contribute to the achievement of the Council Plan.
2. The production of a Corporate Capital Strategy is recognised as good practice in the proper financial management of a local authority. It is intended to help guide investment in assets that will provide long term benefits to the Borough.
3. The financial environment in which the Council operates remains extremely challenging not least because of the national financial position. Because of the impact successive economic shocks caused by various financial crises, Covid-19 and geo-political events such as Russia's invasion of Ukraine, the Government has been faced with weak economic growth, high public spending pressures and, as a result higher levels of debt leading to rising debt interest costs.
4. The most recent Budget (in November 2025) set out a strategy of cutting the cost of living, improving public services and reducing debt and borrowing over time. This was set out against a backdrop of modest growth, weak productivity with inflation remaining above the Government's stated target of 2%. It remains to be seen whether this strategy will have the intended impact.
5. As a result of the pressure on the national finances, funding for Local Government remains constrained. Along with Council Tax and various fees and charges made by the Council, the Local Government Finance Settlement generally provides funding for the delivery of services on a day to day basis. Other than specific grant funding, the Government does not provide Councils with funding for capital investment – Councils like Pendle must rely either on the disposal of assets (and the capital receipts that arise from that) or the Prudential Borrowing Framework to fund capital investment.
6. As with most Councils, there has been a significant reduction in capital grant funding from Government. In recent years, the Council has received Future High Street, Town Deal and Levelling Up Funds specifically for the regeneration of Town Centres. More recently, Pride in Place funding has been made available. And funding continues to be provided through the Better Care Fund for Disabled Facilities Grants. Beyond that and any ad-hoc grants received by the Councils, capital investment needs must be met from capital receipts or prudential borrowing.
7. Whilst the Council has a balance of capital receipts in hand from previous disposals, the amount of future receipts is limited given the relatively small number of surplus assets held by the Council.
8. The scope for prudential borrowing is dependent on the affordability, prudence and sustainability of such borrowing. In the context of the forecast revenue budget deficit in the 2026/27 Medium Term Financial Plan, the intention is that only prudential borrowing equivalent to existing commitments plus amounts equivalent to the minimum revenue provision (thereby seeking to cap the increase in the Capital Financing Requirement).

9. Whilst the availability of capital funds continues to decline there continues to be demand for capital investment. Apart from the normal renewal and replacement of existing assets, there is a continuous need for improvement in the delivery of services and, at the heart of the Council's strategic objectives, the need for housing and economic regeneration in a number of areas within the Borough.
10. The Capital Strategy has been prepared in the context of the Council's strategic planning process and is based around the achievement of the Council Plan. But it is also important to recognise there are fewer resources available to deliver projects.
11. The Strategy provides the broad framework for capital planning and monitoring. It sets out the key issues impacting on the Council's capital investment plans and how it is proposed to deal with them. The Council uses Service and Financial Planning to turn the broad strategy objectives into achievable operational plans. This approach provides a direct link between the Strategic Plan and service delivery.
12. Within the context of the strategic objectives, and in recognition of the limited capital resources available to the Council, the Corporate Capital Strategy has the following key investment priorities:-
 - Private Sector Housing Renewal and Improvement
 - Promoting, Enabling and Providing Regeneration
 - Engineering related improvements
 - Corporate and Service Asset Renewal
 - Invest to Save/Transformation Projects
13. This document also includes the proposed strategy for the flexible use of capital receipts over the period to 2026/29 as permitted under statutory guidance issued by the Ministry of Housing, Communities and Local Government in March 2025. This is provided at Appendix One
14. The Council employs a capital investment prioritisation process to ensure that resources are directed where possible towards these investment priorities.
15. Whilst the draft capital programme proposed for 2026/27 is broadly balanced, the Medium Term Capital Programme to 2026/29 shows a funding shortfall when compared to the level of capital bids. In the absence of additional funding capacity, the Council will, therefore, need to look innovatively at ways in which capital investment can be sustained but remain affordable. The Council's success in bidding for capital funding and disposing of surplus assets will become more important if there is to be investment for capital purposes.
16. Recognising that capital resources are limited, the Council has developed a range of partnerships through which capital investment has been secured. These include partnerships with other public authorities such as Lancashire County Council and funding agencies such as the Homes England and Environment Agency. Going forward, the Council will need to continue working with partners, including the private sector, to ensure that it can exploit funding streams including, for example, One Public Estate, Town Deal Funding and Pride in Place funding.

17. The Council has a well-established strategic partnership through which it has successfully completed a wide-range of employment and housing developments.
18. With Barnfield Investment Properties, the Council has formed three joint venture companies called Pendle Enterprise and Regeneration Ltd (PEARL) together with PEARL 2 and PEARL (Brierfield Mill) Ltd. This was in response to the diminishing public sector capital resources for regeneration projects and is used to lever in private finance so that projects can be delivered. In 2018, PEARL Together – a joint venture arrangement between the Council, Barnfield Investment Properties and Together Housing – was established with a plan to deliver sites for residential development comprising both social/affordable housing and homes for sale.
19. More recently, the Council has entered into a Joint Venture with Brookhouse Group establishing Penbrook Developments Ltd. This Joint Venture Company will undertake both retail, residential and employment developments.
20. Finally, once resources are allocated and the Capital Programme for the year is approved, it is the responsibility of the Executive to oversee the implementation of the Capital Programme.

Borough of Pendle – Corporate Capital Strategy 2026/27 to 2028/29

1. Introduction

- 1.1 This document sets out the Council's Corporate Capital Strategy for the three years 2026/27 to 2028/29.
- 1.2 The overall aim of this Strategy is to provide for a balanced, sustainable and prudent capital programme over the medium term planning period ensuring that limited resources are applied in the most effective, efficient and economical way to contribute to the achievement of the Council's Strategic Plan (and the wider objectives set out in the Sustainable Community Strategy for Pendle).
- 1.3 To achieve this aim, this Strategy document, amongst other things:-
 - a) provides details of the Council's current asset base and levels of backlog maintenance;
 - b) sets out the proposed Medium Term Capital Programme (MTCP) for 2026/29;
 - c) shows how the Council will prioritise its capital spending plans within the resources available;
 - d) indicates what action will be taken to maximise resources for capital spending;
 - e) provides examples of where the Council is working in partnership or using external funding to provide capital investment in the Borough.
- 1.4 The development of the Corporate Capital Strategy is an iterative process insofar as it will be updated as new issues arise, for example, during the development and updating of the Council Plan or as new issues that have an impact on the Council emerge. At the present time, the Strategy is updated on an annual basis.
- 1.5 Whilst there is a close relationship between the MTCP and the Council's treasury management activities, this document does not consider treasury management policy or strategy. The Council's approach to treasury management is contained in the Treasury Management Strategy which is submitted for approval to the Executive annually in advance of each financial year.
- 1.6 This Corporate Capital Strategy sets out in broad terms the Council's approach to meeting community and service needs through its capital investment programme and how it will endeavour work with partners and external funding agencies to maximise capital investment in the Borough. The Council's priorities and objectives are set out in its current Council Plan (2026 to 2028) which is elsewhere on the Agenda for this meeting. The Plan is supported by annual service plans.
- 1.7 The Capital Strategy describes how capital resources will be managed to ensure the maximum contribution to the achievement of these objectives. The financial implications of the strategy are reflected in the Medium Term Financial Plan (MTFP) and together the MTFP and this strategy provide an overview of how the Council's resources will be managed.

- 1.8 A key issue for the Council remains the affordability, sustainability and prudence of capital investment. In the current economic climate and the significant pressure on public finances, the Council will need to ensure that the limited capital resources available are used in the most efficient, effective and economic way to ensure proper outcomes for the residents of Pendle. Equally, it will need to explore other ways in which to deliver capital projects without creating an unsustainable financial burden for the Council.
- 1.9 Finally, as with other local authorities both in Lancashire and across England, the Council is the subject to proposals for the Local Government Reorganisation (LGR).

2. Outline Strategy Context

Council Plan

- 2.1 The current Council Plan is structured around five corporate objectives. These are as follows:-

Table 1: Council Strategic Objectives

Council Strategic Objectives	
1	Providing High Quality Services and Facilities
2	Proud and Connected Communities and Places
3	Good growth
4	Housing and Healthy Communities
5	Preparing for Local Government Reorganisation

- 2.2 Within the five strategic objectives, the Council's ambitions are as follows (these are set out in more detail in the Council Plan):-

Providing High Quality Services and Facilities

- To be a high performing Council that is effective and efficient; listening to people and driving a customer-focused ethos throughout the organisation.
- Becoming digital by default and ensuring the Council remains fit for purpose and delivers value for money

Proud and Connected Communities and Places

- Engaging with communities to foster cohesion, resilience and pride in place for a safer, greener and cleaner environment;
- Making communities feel safer;

Good Growth

- Achieving sustainable, green and inclusive economic growth and facilitating the provision of quality jobs and skills;
- Driving campaigns to improve infrastructure;
- Facilitating the development of new houses.

Housing and Healthy Communities

- Endeavouring to address homelessness by increasing housing supply and improving the standard of existing housing stock in the Borough;
- Sustaining the leisure offer;
- Improving health and wellbeing of the community, reducing health inequalities.

Preparing for Local Government Reorganisation

- Preparing the organisation for whatever form of Unitary Local Government is chosen by Government;
- Guiding and supporting Leaders and staff through this change effectively;
- Ensuring the strategic ambitions of the Borough are articulated fully in the development of the new Unitary Authority.

2.3 The Council Plan is a 'live' document insofar as it is reviewed on an annual basis to determine whether priorities remain relevant and to roll the plan period forward. Following any review the Corporate Capital Strategy will also be reviewed to ensure that it remains relevant to the Council's strategic objectives.

Strategic Plan, Priority Outcomes and Capital Investment

2.4 The Council Plan includes various priority outcomes that the Council is working towards. Some of these involve capital investment which is reflected in the Council's Medium Term Capital Programme (where resources are available). It is important that the Council's capital investment is considered within the context of the wider strategic objectives of the Council.

Financial Environment

2.5 The level of funding for capital investment has reduced significantly since austerity began and is expected to remain constrained over the medium term.

2.6 More recently, as set out Budget 2025, the Government is targeting capital investment at established Strategic Authorities (particularly Mayoral Combined Authorities) with such investment focussed on strategic economic and major infrastructure projects considered to be key to boosting growth. At a more local level, capital grant funding is focus on the regeneration of Town Centres and smaller scales 'Place-based' investment.

2.7 That said, the potential opportunities for capital investment funds, include for example:-

- **Pride in Place Fund** – This is now an umbrella term for what was known as the Long Term Plan for Towns, which is a £20m fund for investment in Nelson Town Centre over the next 10 years, and the Price in Place Impact Fund, which is a £1.5m capital investment fund for the Pendle Borough. The Executive has already determined that the Pride in Place Impact Fund will not be spent in Nelson, given the significant investment already in place;

- **Lancashire Combined County Authority** – as a Foundation Strategic Authority the Lancashire Combined County Authority does not, yet, have access to the capital funding that more established Strategic Authorities currently receive. However, should it evolve into a Mayoral Combined Authority, it will have the opportunity to access capital funds that will enable it to deliver on both the Lancashire Growth Plan and the Lancashire Local Transport Plan. Subject to the timeline for achieving that, the Council will want to keep a watching brief to see what opportunities may arise from this.
- **Homes England** – a developing area of funding for the Council with potential access to funding streams such as those linked to deal with the delivery of affordable homes, remediating brownfield sites and accelerating the delivery of new homes. It has also been suggested that consideration may be given to the regeneration of existing homes but no firm details of this have yet been released;
- **Environment Agency** – given the issue of flooding in some parts of the Borough, the Council has developed a good working relationship with the Environment Agency with a view to obtaining funds (whether it is Grant in Aid or other such specific funding) to deal with these long-standing issues. This will continue to be the case whilst ever there remains the threat of flooding.

- 2.8 With such funding streams there is always the risk that they take time to develop or they can be oversubscribed or aimed at larger public organisations and hence they may not provide sufficient resources to meet the Council's outstanding investment needs and service objectives.
- 2.9 Given the funding constraints facing the Council there remains the need to continue looking at alternative ways of securing capital investment in the Council's assets and the Borough generally. Apart from the continued development of partnership working with other public bodies, the Council's innovative joint venture arrangements with Barnfield Investment Properties, Together Housing and, Brookhouse Group remain a key enabler in delivering capital investment in the Borough.

3. The Service and Financial Planning Process

- 3.1 The Council has an established and integrated process for Service and Financial Planning. The Council recognises that resources are limited and in order to ensure that resources are directed towards the key strategic objectives, integrated service and financial planning is essential.

Strategic Planning

- 3.2 As explained in Section 2, the Council Plan has, at its foundation, five strategic objectives. The current Council Plan covers a period to 2028 and is reviewed annually to measure progress, review the relevance of existing expected outcomes and to review and update those outcomes to ensure they remain relevant for subsequent years.

Service Planning

- 3.3 Following the revision of the Council Plan, each Service is required on an annual basis to produce a Service Plan. Service Plans provide a detailed analysis of the work of each Service and the contribution it makes to deliver the priority outcomes in the Strategic Plan.

Service and Financial Planning

- 3.4 Service and Financial Planning is essentially a mechanism for ensuring that the Council's limited resources are directed toward those activities that will ensure that the corporate priorities are achieved. Implicitly, it is also a process of redistributing resources away from those activities that are not priorities. The Service and Financial Planning Process brings together the Service Plans and the Council's budgetary process insofar as they set out the resources required to deliver services aimed at achieving the corporate objectives. The purpose of Service Plans is to ensure that the Council's resources are directed towards corporate priorities and therefore they are key to the service and financial planning process.

Corporate Capital Strategy - Relationship with Other Strategies of the Council

- 3.5 It is important that the Corporate Capital Strategy is not considered in isolation from other Council Plans and Strategies. The diagram below illustrates that the Corporate Capital Strategy is influenced and influences other strategies of the Council but ultimately it is only one of several plans that are in place to ensure that the Council Plan objectives are achieved.



3.6 To demonstrate the linkages between the Corporate Capital Strategy and other Council strategies, some examples are provided below:-

- **Housing Strategy** – the bulk of the Council’s capital investment in 2026/29 will be focused on reducing the number of empty homes and significant expenditure on Disabled Facilities Grants;
- **Economic Development Strategy** – this is primarily focused on the redevelopment of town centres (including the delivery of the Nelson Town Deal) and the delivery of Price in Place capital investment across the Borough. As in recent years this strategy remains dependent on successful bids for limited external funding;
- **Corporate Information, Communications and Technology Strategy (ICT)** – The key investment need over the next three years, apart from systems upgrades, will be in the development of services so that the Council’s services become ‘digital by default’ and that the Council’s workforce becomes ‘agile’ in the delivery of service provision.
- **Operational Services** – The investment in this area focuses primarily on the delivery of a new cemetery in Brierfield and improvements to existing cemeteries.

3.7 As and when strategies are reviewed or renewed, consideration will be given to any capital investment implications that might arise and these will be considered annually as part of the overall service and financial planning framework.

4. The Council's Asset Base

The Council's Asset Base at 31st March 2025

- 4.1 The Council had the following Property, Plant and Equipment (PPE) assets as at 31st March 2025 (the Council's latest Balance Sheet – Gross Book Value).

Table 2: Analysis of the Council's Assets

	Value of Assets at 31/03/25 £000
Operational Land and Buildings	56,188
Vehicle, Plant and Equipment	4,010
Community Assets	816
Assets in the course of Development	3,241
Non-operational (Surplus Assets)	784
Intangible Assets	253
Heritage Assets	768
Right of Use Assets	2,631
Total	68,691

Source: Statement of Accounts 2024/25

- 4.2 As the table above shows, the value of the Council's assets at 31st March 2025 was £68,691m. Points to note about the above analysis:-

- **Operational Land and Buildings, Vehicle, Plant and Equipment and Community Assets** are used in the delivery of the Council's services; examples of the former include the council's offices and depot in Nelson and parks in the case of community assets.
- **Assets in the course of development** generally consist of properties acquired through regeneration schemes with the aim of enabling housing or commercial redevelopment.
- **Non-operational assets** comprise assets not used in support of delivery of council services and, in some cases, are retained as they may have future development potential and help meet the council's requirements for supply of land for housing in the Borough, eg Land at Bankhouse Road. This category of assets includes a number that have formally been declared surplus by the Council but don't yet meet the criteria for them to be classified as assets held for sale (i.e. they are not being actively marketed).

Land and Asset Management Planning

4.3 Alongside this Corporate Capital Strategy, an updated Land and Property Asset Management Strategy has been agreed by the Council's Executive (on 20th March 2025). Amongst other matters this plan:-

- considers the most economic, efficient and effective use of all land and property assets;
- aligns the use of property resources to the Council's strategic aims (where this is not already the case);
- sets out how the Council achieves value for money from the property management activities whether by using capital or revenue resources or external funding;
- develops sustainable and environmentally responsible property management by ensuring long term needs are not compromised by short term considerations;
- facilitates the development of collaborative working arrangements with other public, private and voluntary bodies in the District/County in order to share best practice and explore common property objectives including emerging developments linked to the One Public Estate;
- ensures the service is responsive to customer needs and the changing national, local and service related agendas;
- where it is applicable, provides built environments which are safe, accessible for all users and comply with all relevant statutory requirements.

4.4 The key aim of the Land and Property Asset Management Plan is to ensure that the Council has the right assets, which are properly maintained, to support the delivery of the Council's strategic objectives. An update on progress with the delivery of the Land and Property Asset Management Plan will be presented to the Executive during 2026.

Condition of the Council's Asset Base

4.5 The condition of the Council's assets is the subject of continuous review with the costs of routine day-to-day repairs and maintenance covered in the Council's revenue budgets.

4.6 In line with the proper accounting practice, the Council reviews 20% (measured on a spatial basis) of the Council's property assets annually (a 5 year rolling programme) to ensure that details of the condition of property assets are known to inform the development of planned maintenance schedules and, where applicable, the future capital programme.

5. Definition of Capital Expenditure

- 5.1 The Government's definition of capital expenditure is that which falls to be capitalised in accordance with proper practices (Local Government Act 2003). In support of this, the Code of Practice on Local Authority Accounting issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) provides additional guidance on what constitutes capital expenditure together with CIPFA Guidance for Practitioners on Capital Finance. Officers of the Council must have regard to these sources of guidance and legislation when considering whether expenditure incurred by the Council can be capitalised.
- 5.2 Briefly, there are three routes by which expenditure can qualify as capital under the accounting framework for local authorities, namely:
- The expenditure results in the acquisition of, or the construction of, or the addition of subsequent costs to non-current assets (tangible e.g. buildings and intangible e.g. software);
 - The expenditure meets one of the definitions specified in regulations made under the Capital Financing regulations (England) 2003. This includes the flexible use of capital receipts following the release of statutory guidance on this matter (see Appendix 1 to this Capital Strategy);
 - The Secretary of State makes a direction that the expenditure can be treated as capital expenditure (sometimes done for such things as costs associated with organisational changes or Single Status settlements).
- 5.3 Examples of capital expenditure include expenditure on the acquisition, reclamation or enhancement of assets (eg buildings, land, plant and machinery). It can include computer costs (for use over a period exceeding one year), grants to third parties, incidental costs involved in a capital project (e.g. officers' salaries and professional fees).
- 5.4 Excluded from the definition of capital are administrative and other general overhead costs. Costs will also be ineligible to the extent that they relate to activity that takes place prior to the intention to acquire or construct a fixed asset. Examples of this include the cost of option appraisals and feasibility studies that do not contribute to the scoping of the asset ultimately acquired/constructed.
- 5.5 It should be stressed that anything not considered to be within the definition of capital expenditure must be treated as revenue expenditure.

6. Capital Investment Priorities

Key Capital Investment Priorities

6.1 The Council's capital investment priorities will continue to be determined by the strategic objectives combined with a need to maintain assets for service delivery. Any capital investment undertaken by the Council must be affordable, prudent and sustainable. In recognition of this, it is considered that key capital investment priorities for the Council will consist of:-

- **Housing-related Schemes** – this remains a priority for the Council given the condition of the housing stock within some areas of Pendle and the ongoing focus on reducing the number of empty homes in the Borough. However, the extent to which the Council has the financial capacity to deliver the renewal of private sector housing will largely depend on the receipt of external funding from the Government or related Agencies such as the Homes England. In the meantime, the Council has established joint ventures partnership with Barnfield Investment Properties and Together Housing (PEARL Together) and the Brookhouse Group (Penbrook Developments) to deliver new housing stock (including additional affordable housing);
- **Promoting, Enabling and Providing Regeneration** – the wider regeneration of Pendle remains a key capital investment priority for the Council. In previous years this has largely been driven by external funding. More recently, the Council has used its joint venture arrangement with Barnfield Investment Properties (the PEARL companies) and Brookhouse Group (Penbrook Developments) – as key vehicles for regeneration activity. This will continue to be the case where it remains viable to do so with these joint ventures and the new joint venture once the procurement process for that is completed;
- **Engineering Improvements** – this involves the Council working with other Local Authorities and Agencies (particularly Lancashire Combined County Authority as the Local Transport Authority, Lancashire County Council as Highways Authority and the Environment Agency) both to support improvements to connectivity within Towns of the Borough and to deal with long standing flooding issues;
- **Corporate and Service Asset Renewal** – where resources permit, the Council will continue investing in our own assets, primarily those employed in the delivery of services direct to the residents, e.g. cemetery provision, leisure services, parks and recreational facilities but also those that are used for administrative purposes. A key part of this is to provide adequate resources to ensure assets are safe to use and occupy;
- **Invest to save / transformation projects** – the Council has previously used its prudential borrowing powers to undertake projects which generate revenue savings. Past examples of this include the acquisition of parts of the ACE Centre in Nelson and the acquisition of No.1 Market Street, Nelson. In addition, there is now some scope to use capital receipts flexibly to fund expenditure on transformation type projects where they also deliver revenue savings.

- 6.1 Given these investment priorities, the Medium Term Capital Programme for 2026/27 (with indicative programmes for 2027/28 and 2028/29) is set out in the table below:-

Table 1 – Proposed Capital Programme 2026/29

	2026/27 £000	2027/29 £000	208/29 £000
Housing Schemes	2,605	1,371	1,371
Regeneration Schemes	6,480	1,736	1,605
Engineering Schemes	517	50	50
Council Assets	3,151	794	800
IT	156	100	100
Operational Services	3,139	351	351
s106 schemes	-	-	-
Total Estimated Capital Programme	16,049	4,402	4,277

- 6.2 Where applicable, the Council will consider sustainable and environmentally responsible options when developing capital projects. This will be with the aim of reducing their environmental impact consistent with the Council's climate change commitments.

The Prioritisation Process

- 6.3 Recognising that there are insufficient resources to meet all capital investment needs, the Council will apply a capital project appraisal methodology to determine priorities for capital investment. This methodology requires all bids to be documented through completion of a pro-forma which questions the proposed expenditure, in relation not only to cost but also the need for the scheme, links with approved policies and objectives, partnering and action plans, other sources of funding, revenue implications, priorities and practical completion issues.
- 6.4 In prioritising the proposals, all bids have been scrutinised to ensure consistency with approved objectives, strategies and action plans and justification in terms of cost, outputs, what will be achieved and value for money. The whole life cost of projects has been considered where appropriate. Full account has been taken of recommendations from service reviews with bids being measured against the following criteria:-
- legal requirements, contractual commitments and health and safety;
 - improved customer and/or public access (including disabled and equality issues);
 - sustainability, community issues and addressing deprivation;
 - ensuring the serviceability of the Council's assets by programming major refurbishment at the point where the asset is becoming uneconomically maintainable (arresting deterioration and dealing with backlog repairs in accordance with the Asset Management Plan);
 - match-funding and resource procurement, i.e. the extent to which a proposal will draw in investment from external funding sources including partners;
 - revenue benefits (e.g. reducing longer term maintenance costs);
 - any consequent additional revenue costs and savings and the extent to which they are covered by a funding plan.

- 6.5 The implications of not proceeding with any proposed schemes are also considered, along with data and information from the asset management plan.
- 6.6 The final stages of the process involve consideration of bids by the Council's Corporate Leadership Team before their submission to the Executive and Council for decision.

7. Capital Resources 2026/27 to 2028/29 and Financing Strategy

- 7.1 The projected level of available capital resources remains much less than has been the case in previous years. Other than the funding referred to earlier in this Strategy, there is little expected grant funding other than that awarded to the Council for Disabled Facilities Grants (DFG) as part of the Better Care Fund framework.
- 7.2 As a result of ongoing reductions in core revenue grant funding there is limited scope for the Council to fund general revenue contributions to support the capital programme without additional compensating savings being identified. Likewise, the constraints on the revenue budget, as highlighted in the Council's Medium-term Financial Plan, mean it is unsustainable for the Council to rely on continual new borrowing to fund capital expenditure unless it generates ongoing revenue savings.
- 7.4 Ordinarily the Council has access to the following main sources for capital funding:-
- Capital Receipts from the sale of assets;
 - Revenue funds and balances;
 - Government grants;
 - Non-government grants, funding from organisations such as the National lottery and developers' contributions through planning gain payments (Section 106 agreements); and
 - Borrowing.

Capital Receipts

- 7.5 Sales of the Council's surplus assets, principally land or buildings, generate capital receipts. Over the medium term, having had several years where significant land sales have helped fund an enhanced capital programme, there is considered less scope for receipts from asset disposals.
- 7.6 Where it is feasible to do so, the Council will consider the use of both land and assets as its contribution to its joint venture arrangement and thereby leverage private finance for regeneration-led investment.
- 7.7 Ordinarily, capital receipts can only be used to fund capital expenditure or be set-aside to repay debt. Since the local government finance settlement in 2016/17, however, the Government has allowed Councils to use capital receipts arising from the disposal of property, plant and equipment more flexibly and issued guidance in support of this. This arrangement was extended in April 2025 to 31st March 2030.

- 7.8 The flexibility applies only to new capital receipts in the financial years 2025/26 to 2029/30. MHCLG issued statutory guidance on the flexible use of capital receipts in March 2025. This stated that the flexibility could be used to fund the costs of transformation of services that “generates ongoing revenue savings in the delivery of public services and/or transform service delivery to reduce costs and/or transform service delivery in a way that reduces costs or demand for services in future years for any of the public sector delivery partners”.
- 7.9 The view of MHCLG is that individual authorities are best placed to decide which projects can use the flexibility provided. Councils should have regard, however, to relevant professional guidance, including the Prudential Code for Capital Finance in Local Authorities; The Code of Practice on Local Authority Accounting; and the Treasury Management Code of Practice. It is also important that councils demonstrate the highest standards of accountability and transparency in using this flexibility.
- 7.10 The guidance suggests that an authority should have a Flexible Use of Capital Receipts Strategy, but this does not have to be a separate document and could be part of the annual budget related documents. **It is a requirement that the strategy be approved by the full Council.**
- 7.11 It is recommended that the strategy is prepared in advance of the year in which the flexibility will be used, although failure to have this strategy does not mean that the flexibility is not accessible. Where the flexibility is used, but no strategy has been developed, it should be prepared and presented to a full council at the earliest opportunity.

Policy for the flexible use of capital receipts

- 7.12 A proposed policy and strategy are set out at **Appendix 1**.

Revenue Funds and Balances

- 7.13 Revenue funds and balances are under pressure as a result of the Council’s underlying revenue position and the need to identify significant savings in the period to 2028/29. As a result the Medium Term Financial Plan no longer assumes that the revenue budget will continue to provide a contribution towards small scale capital expenditure undertaken by Area Committees. Nor will any revenue contributions be made to capital unless funded from specific reserves.

Government Grants

- 7.14 Government grants are dependent on the Government’s own priorities and the level and basis of distribution has been known to change from year to year. As indicated above, other than funding for Disabled Facilities Grants and Pride in Place funding, the Government does not provide general capital grant funding for local authorities; any such grant funding tends to come by way of either direct award from Government or competitive bidding and the Council continues to submit bids where is eligible to do so.

Other Grant Funding

7.15 Grants from non-government organisations and Section 106 receipts tend to be specific to individual schemes or programmes and often require some form of match funding from the Council's other resources. In recent years, the Council has been reasonably successful in exploiting these funding opportunities and this will continue where it is possible to do so.

Prudential Borrowing

7.16 Borrowing is governed by The Prudential Code for Capital Investment in Local Authorities. Borrowing is permissible if it is affordable, prudent and sustainable.

7.17 Borrowing decisions consider the revenue implications of projects, both the benefits, such as efficiency savings, and the costs, such as repayment of debt and interest costs. These are built into the MTFP to determine affordability. Again, as with the revenue contributions referred to above, the extent to which the Council can borrow resources is largely dependent on the capacity within the General Fund Revenue Budget to pay for borrowing costs.

7.18 Given the constraints on the Council's General Fund Revenue Budget, the extent to which the Council can borrow resources for capital investment will require compensating savings to be identified within the budget if it is to remain affordable, prudent and sustainable. In view of this, the Council's current strategy is to incur only incur new borrowing for capital investment in the life of the current MTFP up to the value of Minimum Revenue Provision.

7.19 The exception to this is 'invest to save' projects where borrowing costs can be funded from savings arising as a result of capital investment. The Council will endeavour to identify opportunities for such projects, both as a means of asset renewal but also as a way to reduce the operating costs of the Council's asset base.

Estimated Capital Resources 2026/27 to 2028/29

7.20 Table 5 below summarises the estimated capital resources for the next three years:-

Table 5: Estimated Capital Resources 2026/27 (2027/28 and 2028/29)

	2026/27 £000	2027/28 £000	2028/29 £000
Capital Grant	9,013	3,107	2,976
Capital Receipts – In hand	1,497	-	-
Capital Receipts – In Year	12	12	12
S106 Receipts	-	-	-
Revenue Contribution to Capital	-	-	-
Total Funding (excluding Prudential Borrowing)	10,522	3,119	2,988

Source: Capital Programme 2026/29, considered by the Executive on 19th February 2026

Capital Financing Strategy

7.21 The Director of Resources (as Chief Financial Officer) will determine the most appropriate methods of financing the capital programme in order to ensure that the use of capital resources is optimised. The strategy used for financing capital expenditure will, however, be based on the following principles:-

- a) where possible and necessary, grant funding and other external contributions will be used to finance capital expenditure on schemes for which funding has been provided;
- b) in-year capital receipts from the disposal of Council assets will generally be used in full each financial year:-
 - in the first instance to meet capital expenditure incurred by the Council (in the same year in which the receipts are generated); and then
 - to write down the Council's Capital Financing Requirement (CFR) thereby minimising the amount of Minimum Revenue Provision (MRP) in the following financial year.
- c) any revenue contributions to capital expenditure shall be used after all capital receipts have been used;
- d) Monies held by the Council arising from s106 Agreements will be used to meet the specific expenditure as set out in the Agreement. No expenditure shall be incurred until the monies have been received by the Council, unless written consent has been obtained from the Developer for this to happen and there is certainty of receipt;
- e) Subject to the limits agreed as part of the budget setting process and the Council's Treasury Management Strategy, prudential borrowing will provide the balance of resources required to balance the capital programme in each financial year but on the basis that there will be no new borrowing over and above that already committed.

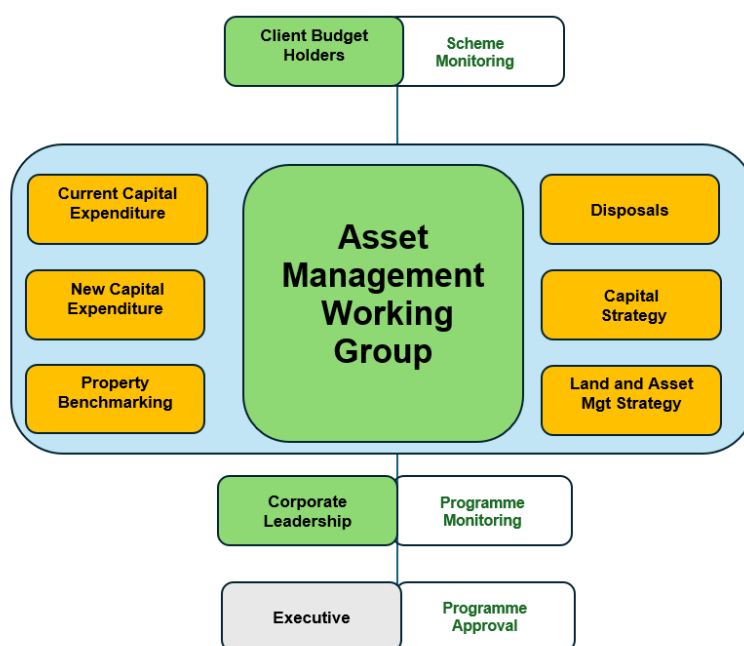
8. Planning, Monitoring and Reporting

Use of Project Management Disciplines

- 8.4 Where appropriate the Council will use project management procedures to plan, project manage and ultimately control the delivery of significant capital schemes. The use of project management procedures provides a discipline to ensure that each project is delivered on time, within budget and in accordance with the agreed scope of each scheme.

Monitoring of Capital Investment

- 8.5 The Council's Capital Programme is monitored on a regular basis. The monitoring process is illustrated in the diagram below:-



- 8.6 As the diagram shows, each Client Budget Holder is required to monitor progress on capital schemes within their remit. It is the responsibility of the Corporate Leadership Team to monitor the capital programme as a whole. Corporate Leadership Team report on the monitoring of the capital programme, including the financing of the programme, to the Executive via the quarterly monitoring reports.

Reporting

- 8.7 In terms of reporting, details of expenditure and income are reported to Councillors as part of regular monitoring reports which are submitted to the Executive on a quarterly basis. At the end of each financial year, details of actual income and expenditure are reported as part of the final accounts process. Annually, the proposed capital programme for the forthcoming financial year is reported to the Executive and Council in the December/February cycle of meetings.

9. Maximising Capital Investment in the Borough

9.1 As indicated earlier in this Strategy, funding for capital investment by a district council such as Pendle is limited. The Council depends almost entirely on capital receipts, revenue contributions and borrowing to finance its capital programme. Capital receipts are increasingly difficult to come by and the revenue position of the Council is such that there is restricted scope for revenue contributions to capital or to meet the costs of financing further borrowing.

Leverage of External Funding

9.2 The lack of capital funding emphasises the need to look more widely at ways of bringing capital funding into the Borough. For a number of years the Council has been successful at leveraging external funding for projects. Where feasible the Council will look to access and optimise external funding streams. The development and implementation of the Council's Corporate Capital Strategy will therefore involve:-

- continuing to work with partners to maximise the effect of capital investment in the Borough in order to achieve agreed objectives and targets; perhaps the most likely example of this is the joint venture arrangements with Barnfield Investment Properties and the Brookhouse Group;
- seeking to maximise investment in the Borough, through "pump-priming" and contributing to larger-scale schemes in partnership with other stakeholders in the Borough;
- seeking to maximise investment in the Borough through bids for external funding sources where these present themselves.

Working with Partners

9.3 In view of the limited capital resources available to the Council, the Council has to take advantage of opportunities to work in partnership with other organisations to lever in capital investment to the Borough.

9.4 The Council has a good track record of doing this, with organisation in both the public and private sector. Key partners include:-

- Liberata;
- Homes England;
- Together Housing Group;
- Lancashire County Council;
- The Lancashire Combined County Authority;
- The Environment Agency;
- Barnfield Investment Properties.
- Brookhouse Group

- 9.5 A key aim of this Strategy is to continue working with partners to identify and exploit opportunities to work together to maximise capital investment in the Borough particularly where funding is provided by Government agencies or the private sector.

Joint Venture Arrangements

- 9.6 The Council has three joint venture arrangements with Barnfield Investment Properties (BIP) and one with both BIP and Together Housing. The strategic approach with these arrangements is the development of relationships which will lever in public and private finance for regeneration that the Council would, otherwise, not have access to. These arrangements have been developed in response to the reduction in capital investment funds for local government and to leverage as much other funding as possible for the Council's priorities.
- 9.7 Pendle Enterprise and Regeneration Ltd (PEARL) has been established since 2007 and has successfully developed the ACE Centre. The Council has a 30% share in the Company.
- 9.8 Pendle Enterprise and Regeneration 2 Ltd (PEARL2) was subsequently established as a way of levering in more private sector finance for regeneration projects in Pendle. Again, the Council has a 30% share in the Company. In March 2012 Pearl (Brierfield Mill) Ltd was incorporated as a wholly owned subsidiary of Pearl 2. The company was formed for the purposes of redeveloping and regenerating the Brierfield Mill site and buildings which the Council acquired for £1.5m in March 2012. The property was subsequently transferred to Pearl (Brierfield Mill) Ltd via long-term leasehold disposal and during September 2016 the Council completed the freehold disposal of the site to pearl (Brierfield Mill) to redevelop the site, now known as Northlight).
- 9.9 At the time of writing this strategy, the Company's portfolio of projects included a wide range of retail, housing and employment related developments.
- 9.10 During 2018, the Council, BIP and Together Housing established PEARL Together, a joint venture to develop open market and affordable housing. The purpose of the Company is to increase housing supply for return on investment through the development of a mix of open market and affordable housing in Pendle. Work is currently underway on the development of the project pipeline with a view to bringing forward schemes for development.
- 9.11 Latterly, a new joint venture arrangement with Brookhouse Group was created. Penbrook Developments Ltd will focus on retail, housing and employment developments with the first scheme being the redevelopment of the former Pendle Rise Shopping Centre.

10. Other Matters

Sustainability / Climate Change

- 10.1 As with a number of other local authorities, the Council has declared a Climate Emergency. In response to this, a Climate Change Working Group has been established and a plan of actions has been development and is being implemented. These have regard to the impact that service decisions and policies have on climate change and sustainability considerations.
- 10.2 Capital investment decisions have regard to these considerations and dependent on scale must also include consideration of Social Value as set out in The Public Services (Social Value Act 2012).
- 10.3 An example of this activity is the installation of Solar Photo-Voltaic panels on several council-owned buildings and the use of Council land for activities such as tree planting. These help to reduce the Council's emissions whilst also enabling it to take advantage of the Government's Feed-in-Tariff scheme by generating electricity from low carbon sources.

Procurement Strategy

- 10.4 The Council is committed to achieving value for money (VFM) in the procurement of its services, including the implementation of this capital strategy. A Procurement Strategy has been in place for some time and has recently been refreshed to reflect both best practice the United Kingdom's decision to leave the European Union.
- 10.5 The Council's Contract and Financial Procedures Rules (CPRs and FPRs) set out the rules that apply to the commissioning of works or services to ensure that the Council obtains value for money for the expenditure that it incurs. As required, all capital investment proposals will be pursued in compliance with CPRs and FPRs unless specific exemptions from doing so are agreed (either as part of delegated authority to Officers or by the Policy and Resources Committee).

Assets of Community Value

- 10.6 The Localism Act 2011 contains provisions which require the Council to maintain a list of assets of community value. Parish councils, community organisations or Neighbourhood Forums can nominate both privately and publicly owned assets which they feel offer community value. Examples might include a village shop, local pub, library and community centre.
- 10.7 Once a building is listed as an asset of community value, the Owner cannot just dispose of it. They need to:
- Tell us that they intend to sell it
 - Wait until the end of a six week period to see if a community group wants to be considered as a bidder
 - Wait until the end of a six month period if a community group does want to be considered as a bidder

10.8 More information is available on the Council's website. In addition the Government is also encouraging Councils to work with local community groups on Community Asset Transfer. Community Asset Transfer is where Councils are empowered to transfer the ownership of land and buildings to communities at less than market value. This is known as 'discounted asset transfer' or 'asset transfer'. This shift in ownership of land and buildings from public bodies to communities is intended to reflect localism in action, giving greater powers to:-

- Community and voluntary sector organisations
- Community and social enterprises
- Individuals looking to form a not-for-private-profit group to benefit their neighbourhood.

10.9 Any requests for asset transfers will be dealt with in accordance with the Council's policy and procedure. A local example has been the transfer of the Trawden Forest Community Centre to a local community group which now runs the centre.

Working with Town and Parish Councils

10.10 The Council is actively engaged in discussions with local Town and Parish Councils to develop and complete a range of asset/service transfers from the Borough Council. The driver for this activity is to help retain local ownership and management and help to sustain assets/services that might otherwise be threatened given the on-going financial constraints facing the Borough Council.

10.11 Local Town and Parish Councils are not currently subject to the same financial constraints and a number have taken on local assets or contribute towards the costs of some services. Examples include community centres, public conveniences, CCTV, play areas / MUGAs, passenger shelters and grounds maintenance in parks. This work is ongoing and the programme of transfers is maintained under review by a working group of the Council.

Appendix 1

Policy for Flexible use of Capital Receipts

Purpose

1. This report reviews the statutory guidance on the flexible use of Capital Receipts and its application within this council.

Background

2. Capital receipts can only be used for specific purposes and these are set out in Regulation 23 of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 made under Section 11 of the Local Government Act 2003. The main permitted purpose is to fund capital expenditure and the use of capital receipts to support revenue expenditure is not permitted by the regulations.
3. The Secretary of State is empowered to issue Directions allowing expenditure incurred by local authorities to be treated as capital expenditure. Where such a direction is made, the specified expenditure can then be funded from capital receipts under the Regulations.
4. The Secretary of State for the Ministry of Housing, Communities and Local Government has issued guidance in March 2025, confirming that local authorities retain freedoms with how capital receipts can be used to finance expenditure. This Direction allows for the following expenditure to be treated as capital,

“expenditure on any project that is designed to generate ongoing revenue savings in the delivery of public services and/or transform service delivery to reduce costs and/or transform service delivery in a way that reduces costs or demand for services in future years for any of the public sector delivery partners.”

5. In order to comply with this Direction, the Council must consider the Statutory Guidance issued by the Secretary of State. This Guidance requires authorities to prepare, publish and maintain a Flexible Use of Capital Receipts Strategy. The flexibility applies to capital receipts generated between April 2025 to March 2030.
6. There is no prescribed format for the Strategy; the underlying principle is to support local authorities to deliver more efficient and sustainable services by extending the use of capital receipts to support the revenue costs of reform projects.
7. The statutory guidance states that the Strategy should include a list of projects for which it is proposed to make use of the capital receipts flexibility, together with the expected savings that the projects will realise. The Strategy should also include the impact of this flexibility on the affordability of borrowing by including updated Prudential Indicators.
8. The Flexible Use of Capital Receipts Strategy is set out below.

Flexible Use of Capital Receipts Strategy

9. The Government has provided a definition of expenditure which qualifies to be funded from capital receipts. This is:

“Qualifying expenditure is expenditure on any project that is designed to generate ongoing revenue savings in the delivery of public services and/or transform service delivery to reduce costs and/or transform service delivery in a way that reduces costs or demand for services in future years for any of the public sector delivery partners. Within this definition, it is for individual local authorities to decide whether or not a project qualifies for the flexibility.”

10. The statutory guidance sets out examples of projects which could qualify for the flexible use of capital receipts including the following:

- Sharing back-office and administrative services with one or more other council or public sector bodies;
- Investment in service reform feasibility work, e.g. setting up pilot schemes;
- Collaboration between local authorities and central government departments to free up land for economic use;
- Funding the cost of service reconfiguration, restructuring or rationalisation (staff or non- staff), where this leads to ongoing efficiency savings or service transformation;
- Sharing Chief-Executives, management teams or staffing structures;
- Driving a digital approach to the delivery of more efficient public services and how the public interacts with constituent authorities where possible;
- Aggregating procurement on common goods and services where possible, either as part of local arrangements or using Crown Commercial Services or regional procurement hubs or Professional Buying Organisations;
- Improving systems and processes to tackle fraud and corruption in line with the Local Government Fraud and Corruption Strategy – this could include an element of staff training;
- Setting up commercial or alternative delivery models to deliver services more efficiently and bring in revenue (for example, through selling services to others); and
- Integrating public facing services across two or more public sector bodies to generate savings or to transform service delivery.

11. The Council proposes to use capital receipts flexibly to fund the following business change projects between 1st April 2025 and 31st March 2030:-

- Procurement of vehicle services linked to Waste Collection and Street Cleaning Services;
- Review of key services including consideration of alternative service delivery models (e.g. Waste Services, Grounds Maintenance, Leisure Trust);
- Review of organisational structure and one-off costs linked to business change;
- Transforming customer services and enhancing digital take up of council services;
- ‘Invest to save’ projects.

12. Consideration of the impact on Prudential Indicators

13. The guidance requires that the impact on the Council's Prudential Indicators should be considered when preparing a Flexible Use of Capital Receipts Strategy.
14. The indicators considered / affected by this strategy are as follows:-
 - Capital Financing Requirement – unaffected as expenditure will be funded from capital receipts which have not been earmarked for other purposes within the approved capital programme for 2020/21;
 - Financing costs as a percentage of net revenue stream (%) – not impacted as no change in debt financing costs;
 - Incremental Impact on Council Tax of additional capital investment – no impact on council tax;
15. Subject to approval by full Council this Strategy will be published on the Council's website and be subject to monitoring and reporting via the Policy and Resources Committee and Council.

Estimated Capital Receipts 2026/27 to 2028/29

Budget

	<i>£m</i>
Balance of receipts b/fwd at 1 st April 2025	1,942
Estimated Capital Receipts in 2025/26	139
Estimated Use of Capital Receipts in 2025/26	584
Estimated Balance of Capital Receipts at 31st March 2026	1,497
Balance of receipts b/fwd at 1 st April 2026	1,497
Estimated Capital Receipts in 2026/27 (see below)	12
Estimated Use of Capital Receipts in 2026/27	1,509
Estimated Balance of Capital Receipts at 31st March 2027	0
Balance of receipts b/fwd at 1 st April 2027	0
Estimated Capital Receipts in 2027/28 (see below)	12
Estimated Use of Capital Receipts in 2027/28	12
Estimated Balance of Capital Receipts at 31st March 2028	0
Balance of receipts b/fwd at 1 st April 2028	0
Estimated Capital Receipts in 2028/29	12
Estimated Use of Capital Receipts in 2028/29	12
Estimated Balance of Capital Receipts at 31st March 2029	0