

REPORT TO CABINET

Open/Exempt	OPEN	Would any decisions proposed :			
Any especially affected Wards	Mandatory	Be entirely within Cabinet’s powers to decide	NO	Need to be recommendations to Council	YES
		Is it a Key Decision	NO		
Lead Member: Cllr Chris Morley, Portfolio Holder for Finance E-mail: cllr.chris.morley@west-norfolk.gov.uk		Other Cabinet Members consulted: None			
		Other Members consulted: None			
Lead Officer: Michelle Drewery, Assistant Director Resources (S151 Officer) E-mail: michelle.drewery@west-norfolk.gov.uk Direct Dial:01553 616432		Other Officers consulted: Michelle Drewery, Assistant Director - Resources			
Financial Implications NO	Policy/ Personnel Implications NO	Statutory Implications YES	Equal Impact Assessment NO	Risk Management Implications NO	Environmental Considerations NO
If not for publication, the paragraph(s) of Schedule 12A of the 1972 Local Government Act considered to justify that is (are) paragraph(s)					

Date of meeting: 4 February 2025

Summary

The Capital Strategy outlines the principles and framework that shape the Council’s capital decisions. The principal aim is to deliver a programme of capital investment that contributes to the achievement of the Council’s priorities and objectives as set out in the Corporate Plan. The Capital Strategy will be updated annually and will be put before Cabinet alongside the Treasury Management Strategy so that it can be approved before the year to which it relates begins.

The Strategy defines at the highest level how the capital programme is to be formulated; it identifies the issues and options that influence capital spending and sets out how the resources and capital programme will be managed.

Recommendation

- 1) that Cabinet approve the Capital Strategy 2025/2026 as attached to this report.

Reason for Decision

Not to approve these policies would contravene the requirements of both legislation and good practice. In addition, the external auditors may comment in their report to those charged with governance (ISA260).

1 Background

As Council's become increasingly complex and diverse it is vital that those charged with governance understand the long-term context in which investment decisions are made and all the financial risks to which the authority is exposed. With Council's having increasingly wide powers around commercialisation, more being subject to group arrangements and the increase in combined authority arrangements it is no longer sufficient to consider only the individual council but also the residual risks and liabilities to which it is subject.

The capital strategy is intended to give a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services along with an overview of how associated risk is managed and the implications for future financial sustainability.

2 Options Considered

No options considered. The CIPFA Prudential Code for Capital Finance in Local Authorities (2017) states that authorities should have in place a capital strategy that sets out the long-term context in which capital expenditure and investment decisions are made and gives due consideration to both risk and reward and impact on the achievement or priority outcomes.

3 Policy Implications

The CIPFA Prudential Code for Capital Finance in Local Authorities (2017) states that authorities should have in place a capital strategy.

4 Financial Implications

The Strategy is a statutory requirement and has no financial implications.

5 Personnel Implications

The Strategy is a statutory requirement and has no personnel implications.

6 Environmental Considerations

The Strategy is a statutory requirement and has no environment considerations to consider.

7 Statutory Considerations

The CIPFA Prudential Code for Capital Finance in Local Authorities (2017) states that authorities should have in place a capital strategy.

8 Equality Impact Assessment (EIA)

There are no changes being considered. This is a statutory requirement and therefore there are no impacts to report.

9 Risk Management Implications

Not to approve these policies would contravene the requirements of both legislation and good practice.

10 Declarations of Interest / Dispensations Granted

There are no declarations of interest.

11 Background Papers

Cabinet Reports
Financial Plan 2024 - 2029
Budget Monitoring Reports
Statement of Accounts
Corporate Strategy 2023-2027

Borough Council of Kings Lynn and West Norfolk

CAPITAL STRATEGY 2025/2026

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1. Introduction and Overview

The Capital Strategy provides a clear framework to ensure that capital investment plans are affordable, prudent, and sustainable.

This report provides:

- a high-level long-term overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services.
- an overview of how the associated risk is managed.
- the implications for future financial sustainability.

Under the Capital Strategy all capital investment should contribute to the achievement of the main priorities of the Council. This enables capital funds to be directed to projects meeting the highest corporate priorities.

When identifying and planning new schemes the Council will try to maximise all external sources of finance (grants, partnership funding, joint ventures etc). It will however ensure that such sums do not come with conditions attached, that reduce the effect of the scheme should the funding source not have been used.

The evaluation process will consider revenue implications and provide value for money for residents of West Norfolk.

2. The Council's Corporate Strategy

The Council publishes a Corporate Strategy which sets out the broad framework for the Council's aims for the period up to May 2027. The Corporate Strategy 2023-2027 was adopted by Council on 23 November 2023.

The four priority aims within the new plan are:

- a. Promote growth and prosperity to benefit West Norfolk
- b. Protect our environment
- c. Efficient and effective delivery of our services
- d. Support our communities

The purpose of the Capital Strategy is to deliver the Council's key priorities by using capital resources to provide assets appropriate to the Council's service, in the most efficient and effective manner.

3. Capital Expenditure

3.1 An overview of the governance process for approval and monitoring of capital expenditure

Decisions around capital expenditure, investment and borrowing align with the processes established for the setting and revising of the budget. Ultimate responsibility lies with full council.

Democratic decision-making and scrutiny processes provide overall political direction and ensure accountability for investment in the capital programme.

- Council approves the Corporate Strategy which sets out the broad framework for the Council's aims.

- Council approves the Capital Strategy, Treasury Management Strategy and a five-year capital programme which includes a list of schemes with profiled costs and funding sources.
- Members receive regular capital monitoring reports, approve variations to the programme and consider new bids for inclusion in the capital programme.
- The capital programme is subject to internal and external audit.

Major Projects are monitored by Officers and Members through the Members Major Project Board.

At each year end a report will be taken to the Corporate Performance Panel, Cabinet and Council to show the outcome of the financial year and the impact on the future capital programme and resources.

As councils become increasingly complex and diverse it is vital that those charged with governance understand the long-term context in which investment decisions are made and all the financial risks to which the authority is exposed. With council's having increasingly wide powers around commercialisation, more being subject to group arrangements and the increase in combined authority arrangements, it is no longer enough to consider only the individual council but also the residual risks and liabilities to which it is subject.

In considering how stewardship, value for money, prudence, sustainability, risk and affordability can be demonstrated the council will have regard to the following key areas:

- Capital expenditure
- Debt and borrowing and treasury management
- Commercial activity
- Other long-term liabilities
- Knowledge and skills

3.2 Capital Expenditure

Capital expenditure over £10,000 on the acquisition, creation or enhancement of assets is included in the capital programme.

Details on the council's capitalisation policies can be found in the Statement of Accounts. https://www.west-norfolk.gov.uk/info/20160/budgets_and_spending/361/annual_accounts

The Council capitalises borrowing costs incurred whilst assets are under construction.

Capital expenditure is defined in Section 16 of Statutory Instrument 2003/3146 as:

- Expenditure that results in the acquisition, construction, or enhancement of fixed assets (tangible and intangible)
- Expenditure fulfilling one of the definitions specified in regulations made under the Local Government Act 2003
- Expenditure which has been directed to be treated as capital by the Secretary of State (for example, grants made to third parties for the purpose of capital expenditure).

3.3 Capital Programme Process

The procedural framework outlines the three-tier structure of our capital programme, ensuring thorough planning, execution, and monitoring of all capital projects from development through to major project completion.

1. Development Stage

The purpose of this stage is to involve initial fact-finding, project development, and preliminary research to assess the feasibility and benefits of proposed projects.

Fact-Finding and Needs Assessment (Discovery Phase):

- During this phase, the strategic context of the project is determined. Workshops and wider officer consultations are conducted, followed by the preparation of a mandate and a risk register.
- The outputs of this phase include workshop outcomes, the mandate, and the risk register.
- The finance process involves Strategic Assessment Approval, with no approvals required at this stage.

Project Development (Initiate Phase):

- In this phase, the business justification for the project is made by exploring the preferred way forward, outlining the procurement strategy, and developing the project management approach.
- The outputs include the Strategic Outline Business Case, Outline Procurement Strategy, and the Project Management Plan.
- The finance process involves requesting New Capital Project Approval by completing the Capital Appraisal Form and submitting it to Finance where once approved it will be added to Tier 3 of the Capital Programme.

Research on Benefits and Feasibility (Plan Phase):

- The delivery strategy is determined by assessing potential Value for Money (VfM) and preparing for the potential deal, ascertaining affordability and funding requirements, and planning for successful delivery.
- The outputs include the Engagement Strategy, Project Definition, and the Outline Business Case.
- The finance process involves requesting approval to implement the capital project by completing the Request to Proceed with the Capital Project form and submitting it to Finance where this will then be subject to approval by Cabinet (or Council if outside the approved Capital Framework). Once approved the project will be promoted to Tier 1 or 2 of the Capital Programme depending on whether the project is classed as a major project or not.

2. Operational Stage

The purpose of this stage is to focus on the actual implementation, monitoring, and management of capital projects.

Project Implementation (Plan Phase):

- During this phase, the investment strategy is to procure the Value for Money (VfM) solution and contract for the deal.
- The outputs include the Affordability Review, Funding Commitments, Project Delivery Preparation, and the Full Business Case.

Progress Monitoring (Implementation & Delivery Phase):

- This phase involves delivering the project, conducting regular monitoring and assurance, identifying lessons throughout the process, and preparing for service readiness.
- The outputs include Project Delivery, Monitoring Reports, Readiness for Service, and End of Project Delivery.
- If budget changes are required, the finance process involves completing the Request to Change/Amend Capital Project form and submitting it to Finance where this will then be subject to approval by Cabinet (or Council if outside the approved Capital Framework).

3. Major Projects Stage

The purpose of this section is designated for projects deemed major by the Cabinet, requiring additional oversight and resources.

Cabinet Approval:

- Detailed project proposals are submitted to the Cabinet, including comprehensive plans, budgets, and timelines. Formal approval is obtained, and necessary resources are allocated for project execution. Full Council approval may be required if outside the approved Capital Framework.

Large-Scale Implementation:

- This phase involves coordinating large-scale activities, ensuring the proper allocation of manpower, equipment, and materials. Advanced project management techniques are utilised to manage complex project components.

Enhanced Monitoring and Oversight:

- A dedicated oversight committee (Member Major Projects Board) is established to provide additional scrutiny and guidance. Frequent reviews and audits are conducted to ensure project alignment with strategic goals and compliance with regulations.

Long-Term Impact Assessment (Close Phase):

- The operational review and benefits realization phase involves handing over to operational teams, conducting long-term impact assessments, and documenting lessons learned and best practices.
- The outputs include Lessons Learned and the Closure Report.
- This process also involves Operational Review & Benefits Realisation

This structured approach ensures a comprehensive and methodical process for managing capital projects, from initial development through to major project completion, enhancing efficiency and effectiveness in delivering public value.

3.4 Capital Bids and Prioritisation

Proposed capital projects must present a clear business case. The scheme bids are evaluated against the corporate criteria and prioritised on that basis subject to a recognised limit on resources available in the period. The proposed capital programme is then discussed with

Management Team and put forward to the Cabinet and Council for approval. The report on the capital programme will go through the normal process of scrutiny by the various Panels of the Council. Members receive adequate training to ensure decisions can be properly debated and understood and scrutiny functions can be effective. The training needs of officers are periodically reviewed, and annual training events are attended.

All schemes, whether existing or new, are scrutinised and challenged where appropriate by officers to verify the underlying costs and/or establish whether alternative methods of delivery have been investigated in order to meet the relevant needs and outcomes of the Council.

3.5 A long-term view of capital expenditure plans

Over recent years the council has undertaken a number of cost-reduction initiatives that have supported the phasing out of Revenue Support Grant (RSG), one of the council's main sources of revenue funding.

Even though the council has undertaken cost-reduction measures, these do not go far enough to balance its budget in the years ahead. To address this the council has identified projects that link to strategic corporate objectives, help to address its revenue requirements going forward and take advantage of capital funding opportunities being promoted by Central Government.

The council has long-held ambitions for the growth, development, and regeneration for West Norfolk and particularly King's Lynn as its main urban centre and driver of the local economy.

The Council has progressed significant regeneration initiatives within the borough over several years. The two main initiatives within King's Lynn have been the Nar Ouse Regeneration Area (NORA) and the Waterfront Regeneration Area (WRA). These regeneration initiatives have been progressed by the Council with inputs from a variety of other public bodies and agencies over the years. Significant amounts of funding have been secured from partner agencies to facilitate these regeneration initiatives that will help drive the growth, development, and sustainability of King's Lynn as a sub-regional centre.

The Council, with its partner agencies, and the private sector, has invested significantly in the delivery of the NORA schemes to help bring these sites forward for development.

The Council also created the King's Lynn Town Deal Board which brings together a diverse range of individuals with representatives from all tiers of local authority, Members of Parliament, local businesses, the Local Enterprise Partnership, Business Improvement District, Queen Elizabeth Hospital, College of West Anglia and the community. Led by a chair from the private sector - in line with government guidance - the board brings together diverse expertise, experience, and knowledge, and a shared passion for the town and its long-term success. Working with our partners, the Town Deal Board have created a vision and strategy for the town, developed from a robust evidence base, informed by extensive consultation and engagement. This is set out in a Town Investment Plan. The Board is making sure that the Towns Fund investment and Town Deal projects will create a new future for King's Lynn that builds on its historic past.

In addition to the above the council is also in the process of delivering:

- Florence Fields Housing Development; and
- Acquisition of premises for accommodating temporary homeless, which draws upon Government grant with match funding from the Council.

Overall, the regeneration initiatives are intended to provide opportunities for business development, employment, places for residents to live and the associated infrastructure to facilitate the sustainable growth of King's Lynn.

3.6 Linking Asset Management Planning to the Corporate Strategy

Asset Management can be defined as:

“the optimum way of managing assets to achieve a desired sustainable outcome”

or as the efficient and effective use of property assets.

However, in the local government context, it is more than this. The borough council must consider why it holds property assets. The borough council's property portfolio must be a strategic corporate resource, and it is important that the property portfolio contributes to the success of the organisation.

The Council has begun the process of developing an Asset Management Strategy. The Capital programme may fundamentally change as a result of this document, as it determines the best approach to managing, maintaining and using its assets. A key element of achieving our goals is how the Council uses all our resources, and this includes our land and buildings. The Council holds and are responsible for the following assets groups:

Community assets

Community assets are those assets that we intend to hold in perpetuity that can promote social inclusion and improve the health and well-being of citizens. This includes public open spaces, memorials, parks, shelters, sports pitches and public toilets.

Heritage assets

Heritage assets are those assets that are intended to be preserved in trust for future generations because of their cultural, environmental, or historical associations/significance.

Infrastructure assets

Infrastructure assets are long lasting tangible assets that add value and are an integral part of land and buildings. These assets tend to be part of a larger component or system for example linked to transport, communication, water, sewage, bridges, and sea defences and need to be maintained to ensure functionality in the delivery of effective and efficient delivery of services.

Operational assets

Operational assets are those assets used to deliver front line services and the daily operation of the business for us.

The council's Corporate Strategy 2023-2027 sets out the high-level commitments for the council. These are set out below with some examples of how asset management planning has (or will) contribute to the delivery of these (it is important to note that the examples given are not a comprehensive list – but are provided to give a sense of where assets and their management can help with the delivery of the corporate objectives):

Promote growth and prosperity to benefit West Norfolk

The council owns and manages a commercial property portfolio mainly in King's Lynn, Downham Market, Hunstanton and Heacham providing business premises comprising a mix of light industrial, office, retail and leisure premises suitable for local, national and international business occupiers. Much of the commercial property portfolio is of a size that the Private

Sector would not deliver and manage owing to the relatively “hands-on” management that is required particularly when dealing with the small and medium enterprises.

The council agreed to invest in the development of new commercial premises at the Nar Ouse Enterprise Zone with additional financial support through a long-term funding arrangement with New Anglia Local Enterprise Partnership.

As well as the new commercial premises the council’s cabinet has agreed to invest in providing secondary road and utility infrastructure on the Nar Ouse Enterprise Zone as well as undertaking further remediation works, on one of the east of England’s largest brownfield regeneration sites. This will open significant areas of commercial development land that will be made available, for sale or long lease, to businesses wanting to construct premises for their own occupation.

The delivery of the land and premises on the Nar Ouse Regeneration Area is the culmination of a long-term asset management plan comprising land acquisition and disposal, remediation of contaminated land, partnering with other public bodies and agencies to help with delivery and funding. The site has delivered housing units, commercial premises (King’s Lynn Innovation Centre, a pub restaurant and a hotel). Other commercial premises, mainly offices and light industrial units will be delivered in the up-coming years.

Since 2008 the council has become one of the main sources for the delivery of new housing in West Norfolk. The council has delivered, and continues to deliver, housing around Lynnsport, Marsh Lane, Salters Road, Parkway (Gaywood), Nar Ouse Regeneration Area in King’s Lynn, Burnham Market and Hunstanton.

Protecting our environment

As part of the wider major housing delivery around Lynnsport and Marsh Lane the council worked with the local internal drainage board (IDB) to acquire a site, by way of Compulsory Purchase Order, for a new pumping station that now helps divert water flow from the Gaywood River to reduce the risk of flooding issues in King’s Lynn town. Also, as part of this housing delivery scheme a new road was constructed connecting North Lynn to the Edward Benefer Way thereby helping to add highway capacity to King’s Lynn with potential improvements to traffic congestion and air quality management areas in the town.

The council holds, manages, and maintains large areas of public open space and is exploring opportunities for tree planting schemes potentially similar to the community led Community Orchard that was developed at Hunstanton Community Centre. The council’s Cabinet has recently decided to help facilitate the protection of a large swathe of land at Harding’s Way with the approval to pursue a Town and Village Green. This will secure the area as a protected public open space, as well as the delivery of a community orchard, and an arboreal art installation.

The council has already installed photovoltaic panels to King’s Court, the council’s main administrative building as well as most of the leisure premises such as Lynnsport and Downham Market. More recently, a number of other council owned properties have had a mix of air source and ground source heat pumps installed to take advantage of opportunities to use or generate more sustainable energy. In addition to this, the council has a programme for replacing street lamps for which it has responsibility with new LED bulbs that will help with reducing the council’s overall operational carbon footprint. The council is also ensuring that the housing development schemes include a range of carbon reduction measures in addition to biodiversity, environmental enhancements include air source heat pumps, solar PV, electric vehicle charging points, thermal efficiency / insulation above building regulation requirements, enlarged windows to enhance natural daylight, flood resilience and resistance.

The above examples are relatively small-scale however the council is currently developing other options/opportunities relating to climate change issues, some of which may relate to land and buildings held, or to be acquired, by the council.

Supporting our communities

The council was awarded £25m of Town Deal funding to invest in regeneration interventions that will drive economic growth over the next 5 years. The approved projects will see improvements to the town centre offer including the historic waterfront and the Guildhall and a multi-use community hub; will create opportunities for skills development including a new school of Nursing; changes to help improve connectivity around the town with a focus on walking, cycling and public transport. As part of the Town Deal funding high quality public realm areas will be created and it is proposed that a programme of small, more intimate, events will also be developed to tie-in with the programme of larger events such as the Festival and Fawkes in The Walks that can be enjoyed by residents and visitors alike.

The council has managed the provision of leisure facilities and activities through its own leisure company at Lynnsport, St James Swimming Pool, Downham Market Leisure Centre and at Oasis Leisure Centre in Hunstanton. A decision has been made to bring these services back within the council from 1 April 2025. The council is also undertaking a review of options for upgrading/replacing of some of the facilities.

3.7 Capital Loans

The council has discretion to make loans for a number of reasons, primarily for economic development. These loans are treated as capital expenditure.

In making loans the council is exposing itself to the risk that the borrower defaults on repayments. The council, in making these loans, must therefore ensure they are prudent and risk implications have been fully considered.

The council will ensure that a full due diligence exercise is undertaken, and adequate security is in place. The business case will balance the benefits and the risks. All loans are agreed by Cabinet. All loan arrangements will be subject to close, regular monitoring and reporting.

The council has set up companies to ensure successful delivery of current and future Major Projects to achieve revenue income in response to the future funding gap for local government. It is also clear that there will be a requirement for some element of future growth, in particular to address shortages in affordable housing and infrastructure.

The Council has established:

- West Norfolk Housing Ltd Registered Provider of Social Housing Provider exists to address gaps in provision of different types of affordable housing including temporary accommodation for those in the greatest housing need, particularly vulnerable homeless households. The emerging business plan sets out the strategic ambition and objectives for the company as defined by the BCKLWN. The new business plan reflects new challenges and prevailing circumstances including:
 - Supporting the council's role in homelessness prevention and eradicating rough sleeping through new temporary accommodation provision;
 - increasing the supply of new affordable housing by continuing to invest in s106 affordable from council development sites, and where appropriate s106 units from 3rd party developers;
 - Supporting the regeneration activities of the council by exploring investment opportunities on brownfield sites and existing vacant buildings;

- In conjunction with the council - meeting specific needs of households under the government's Local Authority Housing Fund to accommodate Afghan and Ukraine households.
- West Norfolk Property Limited to provide housing to rent on a commercial basis. A minimum level of 20% of Private Rented Sector housing developments for all large and urban developments to be retained by the Council subject to monitoring and reviews. However, the Council will also endeavour to increase this level to the maximum amount permitted where possible. These houses also support climate change actions by including a range of carbon reduction measures.

The establishment of further limited company vehicles to enable the Council to progress other major development and infrastructure projects may be considered.

The Council has made loans for capital purposes to West Norfolk Housing Company and to NWES. A Schedule of Capital Loans can be seen in Appendix 1.

At a meeting of the Cabinet 15 January 2024, it was recommended and agreed that, *“delegated authority be granted to the Section 151 Officer in consultation with the Portfolio Holder for Business to amend the Capital Strategy for 2023-2024 to reflect the approved Drawdown facility to the Companies”*. This activity is likely to impact on the Treasury Management Strategy from 2025 onwards. The timescales are being influenced by market conditions and appropriate due diligence assessments undertaken by both the Council itself and the Board of the appropriate Company.

In consideration of this strategy the Council have approved the principle of borrowing in order to lend to its own companies and granted delegated authority to the Section 151 Officer in consultation with the Portfolio Holder for Business to update both the Capital Strategy and the Treasury Management Strategy to reflect the approved drawdown facility to the Companies. The impact of this facility will be monitored through the quarterly monitoring of Treasury Management Activity to the Audit Committee.

The Treasury Management Strategy has an investment treasury indicator and limit for total principal funds invested for greater than 365 days for Wholly Owned Local Authority Companies of £50 million. The loan arrangement for the companies will require further due diligence undertaken before drawdown is approved by the Shareholder Committee. Both the Shareholder Committee and Audit Committee will receive regular updates on performance of the loan arrangements.

3.8 Capital Financing

An objective of the Capital Strategy is to ensure that, once prioritisation has been settled, the programme is managed according to funding availability avoiding if possible cashflow difficulties. The programme must be robust enough and able to be rephased if circumstances, including the availability of finance, change. The prime aim will be to ensure that funding streams are matched to capital programme demands however, there must be scope to accelerate or defer schemes, if necessary, in order to use resources effectively.

Finance remains one of the primary constraints on any capital programme. Under the current Prudential Borrowing Code arrangements, the Council can determine its own borrowing limits for capital expenditure although the Government does have reserve powers to restrict borrowing. To demonstrate that the Council has taken proper care in determining any borrowing the Prudential Borrowing Code requires that certain treasury indicators and factors

are taken into account – in essence there is a requirement to prove that the borrowing is ‘affordable’ from the revenue budget. The Council is obliged to set out the Treasury Management indicators by which it will operate each year. These are set out in the Treasury Management Strategy. The Capital Strategy requires the Section 151 Officer to report, as part of the annual Budget setting for each year, on the level and the affordability of the prudential borrowing.

There are a number of resources available to the Council to support the funding of the capital programme:

- Capital receipts from the disposal of assets
- Prudential Borrowing
- Section 106, Community Infrastructure Levy and third-party contributions
- Reserves and revenue contributions
- Central Government and external grants

Capital receipts from the disposal of assets are not allocated to fund particular projects but are used to fund the overall capital programme.

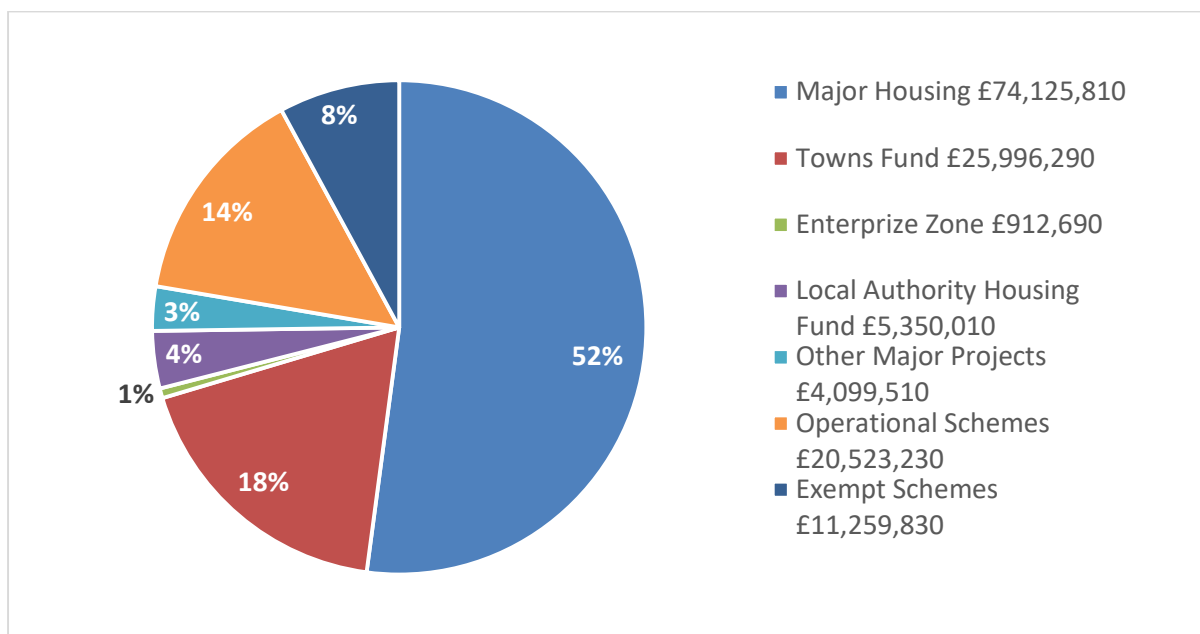
The Capital Strategy requires the Council each year as part of the Budget process to review and project forward over a five-year period an estimate of capital resources that will be available to fund a capital programme.

The Capital Strategy requires service managers to follow the Council’s Financial Regulations.

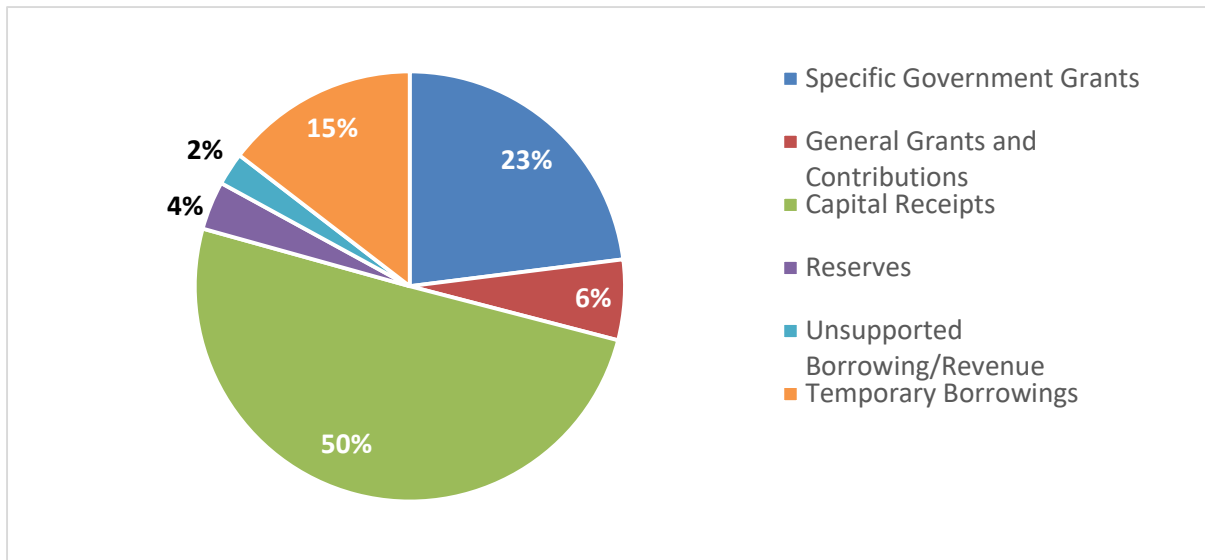
3.9 Capital Programme 2024-2029 Overview

In 2024/2025, the Council is planning capital expenditure of £48.9. The medium-term capital programme 2024-2029 is summarised in the following charts.

Capital Estimates 2024/2029 – Expenditure



Capital Estimates 2024/2029 – Funding



4. Debt and Borrowing and Treasury Management

4.1 Projection of external debt and use of internal borrowing

The Council uses external debt and internal borrowing (from working capital cash balances) to support capital expenditure.

Except in the case of specific externally financed projects (such as Business Rates Pool Funding, Disabled Facilities Grant, Lottery), new borrowing is applied to the funding of previous capital expenditure, effectively replacing cash balances which have been used on a temporary basis to avoid the cost of ‘carrying’ debt in the short term. The Council continues to use cash balances for this purpose and will continue to balance the long-term advantages of locking into favourable interest rates against the costs of additional debt.

4.2 Provision for the repayment of debt over the life of the underlying debt

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. Details are shown in the Treasury Strategy.

External interest is shown in the Treasury Reports as a Treasury Activity. Internal Interest will form part of the Capital Strategy. Internal borrowing is the use of internal funds (short term cash flows and reserves and balances not immediately required) rather than taking external debt. Funds held in short term investments may be withdrawn and used in place of external borrowing.

Sustainability: Due to the very long-term nature of capital expenditure and financing, the revenue budget implications of expenditure incurred in the next few years will extend for

potentially up to 50 years into the future. The S151 Officer is satisfied that the capital programme is prudent, affordable, and sustainable.

4.3 Authorised limit and operational boundary for the following year

The Council's authorised borrowing limit and operational boundary for 2025/2026 will be based on the approved capital programme at the time of budget setting and are set out in the annual Treasury Management / Investment Strategy, approved annually by Council.

4.4 Approach to treasury management

The Council's approach to treasury management including processes, due diligence and defining the authority's risk appetite are set out in the annual Treasury Management / Investment Strategy, approved annually by Council.

5. Commercial Activity

The council holds a commercial portfolio and will invest in order to keep these properties in a state of repair such as to continue to obtain a reasonable rental income.

With central government financial support for local public services declining, Councils are looking for more innovative means of securing sustainable income sources. A requirement of the prudential code is that borrowing is not used to fund investments with a primary purpose of financial return. This council has not undertaken any borrowing for this purpose.

The Council will consider opportunities for investment in properties that have the potential to earn rental income or for capital appreciation or both where the primary reason is not for financial return but for purposes of regeneration or other social value benefits to the Borough. The council accepts higher risk on property investment than with treasury investments as property values can fall as well as rise and changing economic conditions could cause tenants to leave with properties remaining vacant. The Strategy provides for property investment opportunities to be undertaken in place of traditional investment vehicles subject to:

- Business case required which considers options, risk, return, duration of investment, fit with corporate priorities and reputation.
- In order that commercial investments remain proportionate to the size of the Council, total initial funds allocated to the Local Property Fund will be capped at £7.5m which is 30% of the Council's core investment funds of £25m.
- No one investment to be more than £2m under the delegated authority. Individual investment opportunities in excess of £2m will require Cabinet approval.
- Investment properties are revalued annually as part of the Council's closedown of accounts and any movement in value will be reported in the Statement of Accounts. Any uplift in valuations will not be realised unless the asset is sold. The value of the total fund may increase above the £7.5m initial fund allocation to reflect annual revaluations.
- Investment decisions in respect of the Local Property Investment Fund for acquisition and disposal of assets held in the Fund to be delegated to; the Assistant Director (S151 Officer) in consultation with the Leader, relevant Portfolio Holder, a third Portfolio Holder, and the Assistant Director of Property and Projects.

6. Knowledge and Skills

The Council employs professionally qualified and experienced staff in senior positions with responsibility for making capital expenditure, borrowing and investment decisions. For example, the Assistant Director of Financial Services is a CIPFA qualified accountant, the Assistant Director Regeneration and Property Services is a RICS qualified Chartered Surveyor. The Council supports junior staff to study towards relevant professional qualifications including CIPFA and AAT; and actively encourages staff to attend relevant training courses, seminars, and benchmarking groups.

Where Council staff do not have the knowledge and skills required, use is made of external advisors and consultants that are specialists in their field. The Council employs Link Asset Services as treasury management advisers. This approach is more cost effective than employing such staff directly and ensures that the Council has access to knowledge and skills commensurate with its risk appetite.

Access to Information

Cabinet Reports

Financial Plan 2024-2029

Budget Monitoring Reports

Statement of Accounts

Corporate Strategy 2023-2027

APPENDIX 1 - Capital Loans as at 31 December 2024

Capital Loan	Rate %	Principal at 1 April 2024	In Year Repayments	Balance c/fwd at 31 December 2024
West Norfolk Housing Company	4.50 + BR	3,169,368	(20,892)	3,148,476
Total Capital Loans		3,169,368	(20,892)	3,148,476

Interest Receivable	In Year Interest Receivable to 31 December 2024
West Norfolk Housing Company	(133,183)
Total Interest Receivable	(133,183)

APPENDIX 2 – Glossary

Term	Definition
Authorised Limit for External Borrowing	Represents a control on the maximum level of borrowing.
Capital Expenditure	Expenditure capitalised in accordance with regulations i.e. material expenditure either by Government Directive or on capital assets, such as land and buildings, owned by the Council (as opposed to revenue expenditure which is on day to day items including employees' pay, premises costs and supplies and services).
Capital Financing Requirement (CFR)	A measure of the Council's underlying borrowing need i.e. it represents the total historical outstanding capital expenditure which has not been paid for from either revenue or capital resources. The difference between the CFR and the total of long-term liabilities and existing and new borrowing indicates that the Council has made temporary use of internal cash balances to finance the capital programme. This is known as "internal borrowing".
Capital Loan	Funding that KLWN provide to support the transfer of housing to West Norfolk Housing Co. Ltd.
Counterparties	Financial Institutions with which funds may be placed
Internal Borrowing	the Council can finance the capital programme (on a temporary basis) by using its cash balances. These are essentially earmarked reserves, general fund reserves and net movement on current assets. As the cash in these reserves is not required in the short term for the reserves' specific purposes, it has been utilised to reduce external borrowing. It costs less than external borrowing, the cost being the opportunity cost of interest foregone by not investing the cash.
Minimum Revenue Provision (MRP)	Revenue charge to finance the repayment of debt. for capital expenditure that had not yet been met from grants, contributions or capital receipts.

Operational Boundary	Limit which external borrowing is not normally expected to exceed.
Unsupported borrowing	Funded from within the budgets of services. Used for mobile assets, typically vehicles.