Borough Council of
King's Lynn &
West Norfolk

Joint Panel Meeting

Agenda

Thursday, 1st February, 2024
at 4.30 pm

in the

Assembly Room
Town Hall
Saturday Market Place
King's Lynn

Available to view:
https://www.youtube.com/user/WestNorfolkBC

Borough Council of
King's Lynn &
West Norfolk

King's Court, Chapel Street, King's Lynn, Norfolk, PE30 1EX
Telephone: 01553 616200

24 January 2024

Dear Member

Joint Panel Meeting

You are invited to attend a meeting of the above-mentioned Panel which will be held on **Thursday, 1st February, 2024 at 4.30 pm** in the **Assembly Room, Town Hall, Saturday Market Place, King's Lynn PE30 5DQ** to discuss the business shown below.

Yours sincerely

Chief Executive

AGENDA

1. **Appointment of Chair for the meeting**

2. **Appointment of Vice Chair for the meeting**

3. **Apologies for absence**

To receive any apologies for absence.

4. **Declarations of Interest** (Page 5)

Please indicate if there are any interests which should be declared. A declaration of interest should indicate the nature of the interest (if not already declared on the Register of Interests) and the agenda item to which it relates. If a disclosable pecuniary interest is declared, the Member should withdraw from the room whilst the matter is discussed.

Those declarations apply to all Members present, whether the Member is part of the meeting, attending to speak as a local Member on an item or simply observing the meeting from the public seating area.

5. **Urgent Business**

To consider any business which, by reason of special circumstances, the Chair proposes to accept as urgent under Section 100(b)(4)(b) of the Local Government Act, 1972.

6. Members Present Pursuant to Standing Order 34

Members wishing to speak pursuant to Standing Order 34 should inform the Chair of their intention to do so and what items they wish to be heard before a decision on that item is taken.

7. Chair's Correspondence

If any.

8. Cabinet Report - Capital Estimate Report 2023 to 2028 (Pages 6 - 30)

To consider the report and make any appropriate recommendations to Cabinet.

9. Cabinet Report - Treasury Management Strategy/Investment Strategy (Pages 31 - 67)

To consider the report and make any appropriate recommendations to Cabinet.

10. Cabinet Report - Capital Strategy 2024/2025 (Pages 68 - 83)

11. Cabinet Report: Financial Plan 2023 to 2028 - TO FOLLOW

12. Date of the next meeting

To note that the next Joint Panel meeting is scheduled to take place on 13th March 2024 at 4.30pm in the Assembly Room, Town Hall.

To:

Joint Panel Meeting: Corporate Performance Panel, Community and Environment Panel, Regeneration and Development Panel

Portfolio Holders:
Councillor T Parish, Leader
Councillor C Morley, Finance

Officers:
Alexa Baker, Monitoring Officer
Michelle Drewery, Assistant Director, Resources
Lorraine Gore, Chief Executive
Carl Holland, Financial Services Manager

DECLARING AN INTEREST AND MANAGING ANY CONFLICTS FLOWCHART

Borough Council of
King's Lynn &
West Norfolk

START

Does the matter directly relate to one of your DPIs?

YES ←

Declare the interest. You have a **conflict** and cannot act or remain in the meeting *

→ NO

Does the matter directly relate to the finances or wellbeing of one of your ERIs?

YES ↙

Declare the interest. You have a **conflict** and cannot act or remain in the meeting *

↓ NO

Does it directly relate to the finances or wellbeing of you, a relative or a close associate?

YES ←

Declare the interest. You have a **conflict** and cannot act or remain in the meeting *

↓ NO

Does it affect the finances or wellbeing of you, a relative, a close associate or one of my ERIs?

YES ←

Declare the interest. Are you or they affected to a greater extent than most people? And would a reasonable person think you are biased because of the interest?

↓ YES

You have a **conflict** and cannot act or remain in the meeting *

↓NO

Take part as normal

↓ NO

Does it relate to a Council Company or outside body to which you are appointed by the Council?

YES ↙

Declare the interest. Do you, or would a reasonable person think there are competing interests between the Council and the company/outside body?

YES ←

You can remain the meeting if the Chair agrees, for you to speak in your external capacity only. Do not vote.

NO ←

You can take part in discussions but make clear which capacity you are speaking in. Do not vote.

↓ NO

Does another interest make you that feel you cannot act in a fair, objective or open manner? Would a reasonable person knowing the same interest think you could not act in a fair, objective or open manner?

↙ NO TO BOTH

Declare the interest for the sake of openness and transparency. Then take part as normal.

YES TO ONE ↓

You have a **conflict**. Declare the interest. Do not participate and do not vote.

* without a dispensation

Glossary:
DPI: Disclosable Pecuniary Interest
ERI: Extended Registrable Interest

Other actions to mitigate against identified conflicts:
1. Don't read the papers
2. Tell relevant officers
3. Ask to be removed from any email recipient chain/group

REPORT TO CABINET

<table>
<tr><td colspan="2">Partly Exempt</td><td colspan="3" rowspan="2">Would any decisions proposed :
(a) Be entirely within Cabinet's powers to decide NO
(b) Need to be recommendations to Council YES
(c) Be partly for recommendations to Council NO and partly within Cabinets powers –</td></tr>
<tr><td>Any especially affected Wards None</td><td>Mandatory</td></tr>
<tr><td colspan="2" rowspan="2">Lead Member: Portfolio Holder for Finance
E-mail:cllr.chris.morley@west-norfolk.gov.uk</td><td colspan="3">Other Cabinet Members consulted:</td></tr>
<tr><td colspan="3">Other Members consulted:</td></tr>
<tr><td colspan="2">Lead Officer: Carl Holland
E-mail: carl.holland@west-norfolk.gov.uk
Direct Dial: 01553 616549</td><td colspan="3">Other Officers consulted: Management Team, Service Managers</td></tr>
<tr><td>Financial Implications YES</td><td>Policy/Personnel Implications YES</td><td>Statutory Implications (incl S.17) NO</td><td>Equal Opportunities Implications NO</td><td>Risk Management Implications YES</td></tr>
<tr><td colspan="5">If not for publication, the paragraph of Schedule 12A of the 1972 Local Government Act considered to justify that is 16-20.</td></tr>
</table>

Date of meeting: 7 February 2024

CAPITAL PROGRAMME AND RESOURCES 2023-2028

Summary
This report:
- revises the 2023/2024 projections for spending on the capital programme
- sets out an estimate of capital resources that will be available for 2023-2028
- details new capital bids that are recommended to be included in the capital programme for the period 2023-2028
- outlines provisional figures for capital expenditure for the period 2023-2028

Recommendations
It is recommended that:
1) Cabinet recommends to Council the amendments to capital schemes and resources for the 2023-2028 capital programme as detailed in the report.
2) Cabinet recommends to Council that new capital bids as set out in section 5 table 6, are to be funded from available capital resources and included in the capital programme 2023-2028 as detailed

Reason for Decision
To report amendments, rephasing and resources to the 2023-2028 Capital Programme.

1. Introduction

1.1 This report presents the capital programme for the period 2023 to 2028. The capital programme forms part of the Council's longer-term Financial Plan and is updated as part of the overall budget and council tax setting process.

1.2 The Council faces circumstances where capital resources to fund the capital programme continue to be limited. There are competing demands for use of these resources, including investment in projects which will deliver revenue savings.

1.3 This report sets out a programme for 2023-2028 that can be delivered subject to the outcomes from revised forecasts reflecting continuing changes in costs and capital receipt levels. Certain capital funds come from grants and use of reserves, a large part of funds is to come from anticipated receipts from the Major Housing Development.

1.4 The capital programme 2023-2028 includes a number of major housing projects, summarised in the table below. The delivery of new homes through this project provides essential funding to support the revenue budget, both through new homes bonus and increases to the council tax base.

Table 1 – Units to be delivered under Major Housing Schemes.

	Units in Current Capital Programme 2024-2028
Major Housing	
Lynnsport 1	96
Parkway	226
Salters Road	78
South End Road, Hunstanton	32
	432

1.5 This Council has always set out to deliver as ambitious a capital programme as possible to meet its corporate priorities and to deliver new income streams and savings to support the revenue budget and will continue to aim to do so even in these difficult times.

2. Supporting Delivery of the Financial Plan

2.1 The Financial Plan for 2023-2028 sets out the council's latest proposals for a funded budget over the medium term with an estimated shortfall in 2026/2027 requiring actions to achieve savings, repurpose reserves and generate revenue income. The Council has previously conducted a deep review of its earmarked reserves and capital programme. A programmed review of reserves was undertaken during 2023/2024 to release funds totalling £2,860,646. Reserves include amounts set aside for investment in proposals to help to meet the savings target or support the General Fund Reserve. Plans to release further earmarked reserves may impact capital projects that currently intend to be financed from reserves. Any such revisions will be reported for decision and update accordingly.

2.2 Future phases of the major housing development projects will continue to include delivery of houses for rent. The council's wholly owned local authority company 'West Norfolk Property Ltd' will hold and manage these private rented sector homes. The rental income will meet the financing costs and generate ongoing additional revenue income.

2.3 Strategic land acquisitions are also considered which have potential to provide development opportunities.

3. Capital Programme 2023/2024

3.1 This part of the report updates the Capital Programme for the current year 2023/2024.

3.2 A full updated Capital Programme of £66,716,310 was reported at the Cabinet meeting on 1 August 2023. Since that date a comprehensive evaluation of project profiles was undertaken and resulted in the following revisions to the forecast spend in 2023/2024. Unless otherwise stated, the projects below have been reprofiled to future years;

Table 2 – Summary of Changes to Capital Budget 2023/2024

Project	**£**
Major Projects	
Enterprise Zone	(1,143,470)
Major Housing projects reprofiling/project realignment;	
Salters Road	(3,002,920)
Alexandra Road, Hunstanton	(2,411,410)
Phase 3 – Lynnsport 1	(1,072,850)
Phase 2 – Lynnsport 4/5	(127,120)
Parkway Gaywood	(10,041,790)
Nora Phase 4	900,000
Nora Phase 5	(714,870)
Southend Road, Hunstanton	(1,273,590)
Towns Fund project reprofiling/project realignment	(505,000)
Nora remediation	(216,480)
Southgate regeneration area	(400,000)
Prosperity Fund	(20,000)
Public realm feasibility study	40,000
Local Authority Housing Fund	3,539,740
Public Conveniences	(400,000)
Re:Fit project (streetlighting)	(300,000)
Lynnsport New 3G Pitch	(900,000)
Total Major Projects	**(18,049,760)**
Community and Partnerships	
Community Projects (*reduced)	(38,890)
Community Safety Vehicle	(30,000)

Project	£
Total Community and Partnerships	**(68,890)**
Resources	
ICT Development	(108,740)
Total Resources	**(108,740)**
Property and Projects	
Bergen Way Industrial Estate roof replace	(250,000)
Total Property and Projects	**(250,000)**
Operational and Commercial	
Car Park resurfacing	(70,000)
Car Pk Multi-storey Barrier Ticket Machine	(38,130)
Mintlyn Crematorium - Car Park (*reduced)	(40,000)
CCTV control room upgrade	(121,050)
CCTV various sites	(92,460)
Christmas Lights Replacement	(187,550)
Gayton Road Cemetery Extension (*removed)	(145,800)
Parking/Gladstone Server Upgrade	(8,030)
The Walks Crazy Golf Equipment	(120,000)
Resort Services projects	(114,000)
Total Operational and Commercial	**(937,020)**
Leisure and Community Facilities	
DMLC - Replace Heat/Cool AHU Dance Studio (*reduced)	(3,000)
L/Sport Athletics Cage replacement & athletics lighting upgrade (*reduced)	(15,000)
L/Sport 3G LED Lighting (*reduced)	(5,000)
L/Sport Basket Ball fittings replacement	15,000
St James - Floor/Surface Replace	(25,000)
St James various refurb projects (*removed)	(175,000)
Total Leisure and Community Facilities	**(208,000)**
Exempt Schemes	**(7,574,520)**
Budget Movement 2023/2024	**(27,196,930)**

3.3 A summary of the monitoring position of the budget reported in the December 2023 monitoring report is shown in the table below:

Table 3 – Capital Monitoring Forecast 2023/2024

Capital Expenditure	2023/2024 Budget (Cabinet 1st August 2023)	Revised Budget December 2023/2024	Actual as at 31st December 2023	Spend Percentage
	£	£	£	%
Major Projects	51,129,190	33,079,430	21,351,472	65%
Community and Partnerships	2,324,130	2,255,240	1,820,985	81%
Resources	396,710	287,970	54,088	19%
Programme and Projects	200,000	200,000	760	0%
Property and Projects	353,500	103,500	0	0%
Operational and Commercial Services	2,835,080	1,898,060	579,033	31%
Leisure and Community Facilities	1,176,180	968,180	743,389	77%
Total Excluding Exempt	**58,414,790**	**38,792,380**	**24,549,727**	**63%**
Exempt Schemes	8,301,520	727,000	0	0%
Total Including Exempt	**66,716,310**	**39,519,380**	**24,549,727**	**62%**

3.4 Service managers have undertaken a detailed review of commitments against all current schemes, as a result budgets have been reduced where possible to reflect updated requirements. Approval is requested for amendments of £162,750 and rephasing of £4,542,240 to the 2023/2024 capital programme as summarised in the table below and detailed in section 3.5 to 3.10 and section 1 of the exempt report. The Revised Capital Programme 2023/2024 is detailed at Appendix 1 and Appendix 2.

3.5

Table 5 – Changes between Monitoring and Estimate preparation 2023/2024

	Revised Capital Programme 2023/2024 December Monitoring £	2023/2024 Amendments £	2023/2024 Rephasing (to)/from future years £	Revised Budget 2023/2024 £
Major Projects	33,079,430	0	5,244,970	38,324,400
Community and Partnerships	2,255,240	155,570	0	2,410,810
Resources	287,970	0	0	287,970
Programme and Projects	200,000	0	0	200,000
Property and Projects	103,500	0	(103,500)	0
Operational and Commercial Services	1,898,060	0	0	1,898,060
Leisure and Community Facilities	968,180	7,180	(52,230)	923,130
Total	**38,792,380**	**162,750**	**5,089,240**	**44,044,370**
Major Projects (Exempt)	727,000	0	(547,000)	180,000
Total Capital Programme	**39,519,380**	**162,750**	**4,542,240**	**44,224,370**

3.6 Major Projects;

- The main area of rephasing is the major housing sites with a collective £4,460,780 earlier being rephased to 2024/2025 being brought back to fund works that are now expected to be delivered in 2023/2024.
- Movement of £998,770 of the towns fund budgets. The main project within towns fund is the multi user community hub is brought forwards from 2024/2025 to 2023/2024.
- £121,060 has been rephased to 2024/2025 where spend is planned to be spent for the Active Travel Hub.
- £83,520 has been rephased to 2024/2025 for remediation costs that are expected to be payable in early 2024/2025.

3.7 Community and partnerships;

- central government provided additional funding for disabled facility grants (DFG's). This has resulted in the budget for the DFG's increasing by £155,570.

3.8 Property and Projects;

- £28,000 has been rephased to 2023/2024 for the sewage treatments works refurbishment which remains a statutory need.
- £30,500 has been rephased to 2023/2024 for the resurfacing of estate roads.
- £45,000 has been rephased to 2023/2024 for the works at North Promenade regarding erosion.

3.9 Leisure and Community Facilities;

- A collective movements of £45,050 has taken place, the larger of these being;
    - £160,000 has been brought forwards from 2024/2025 for the works to the Lynnsport roof.
    - £70,000 being rephased to 2024/2025 for the Lynnsport fire alarm upgrade.
    - £42,480 has been rephased to 2024/2025 for the works at the Lynnsport toilets and changing rooms.

A full breakdown is available in appendix 1.

3.10 Major Projects (Exempt);

Information regarding details within exempt projects are excluded from this report.

4. Major Projects - Major Housing Development

For each approved Phase of the Major Housing Development project the monitoring arrangements are:

a. Monthly update by the corporate projects team liaising with Finance;
b. Weekly and monthly meetings with the contractor;
c. Monthly Officer Project Delivery Group oversees project delivery, project management, logistics, project support/resources, recommendations to Member/Officer Board, operational decisions;
d. Reports to Officer Major Projects Board on a minimum bi- monthly basis;
e. Quarterly (once construction commences on site) Member Board meetings (Strategic Overview, Strategic decisions, Programme Management, including recommendations to Cabinet on Trigger Point approvals).

In order to obtain approval to commence the build for a further phase of the Major Housing Project, the arrangements are in line with the procedures set out in the Cabinet report of 3rd February 2015 as detailed below:

a. Cabinet - Recommendations to Council re Programme approval and sign off of each phase;
b. Council - Programme approval, sign off, commencement of each phase.

5. Capital Programme New Bids

Table 6 - schemes proposed for inclusion in the 2023-2028 capital programme

	2023/2024	2024/2025	2025/2026	2026/2027	
	£	£	£	£	
Funded from General Capital Resources					
Adapt grant				367,193	*
Community Projects				50,000	*
ICT Development				150,000	*
Funded from Grants					
Disabled facilities grants				618,200	*
Adapt grant				1,014,607	*
Low level prevention grants				150,000	*
Town Centre Replacement Stage					
Funded from Reserves					
Replacement Play Area Equipment				20,000	*
Funded from Unsupported Borrowing					
Careline-Replacement Alarm Units				60,000	*
Waste and Recycling Bins (all colours)				160,000	*
Total	**-**	**-**	**-**	**2,590,000**	

5.1 Items marked with an asterisk * above are operational items that are on a rolling requirement to maintain the current levels of service. All new items are a rolling requirement, no additional new projects have been identified.

6. Capital Programme 2024-2028

6.1 This part of the report deals with the medium-term capital programme 2024-2028 and first looks at a revision to the current approved programme.

The full Capital Programme 2023-2027 reported at the Cabinet meeting on 1 August 2023 and years 2024-2027 from this report are summarised in the table below.

Table 7 – Original Capital Programme 2024 – 2027

	2024/2025 £	**2025/2026 £**	**2026/2027 £**
Major Projects	50,282,230	31,377,810	10,979,810
Community and Partnerships	2,260,000	2,260,000	2,260,000
Resources (S151 Officer)	450,000	300,000	150,000
Programme and Projects	0	0	0
Property and Projects	0	0	0
Operational and Commercial Services	770,780	430,640	348,570
Leisure and Community Facilities	512,250	235,000	185,000
Total Excluding Exempt	**54,275,260**	**34,603,450**	**13,923,380**
Exempt Schemes	0	0	0
Total Including Exempt	**54,275,260**	**34,603,450**	**13,923,380**

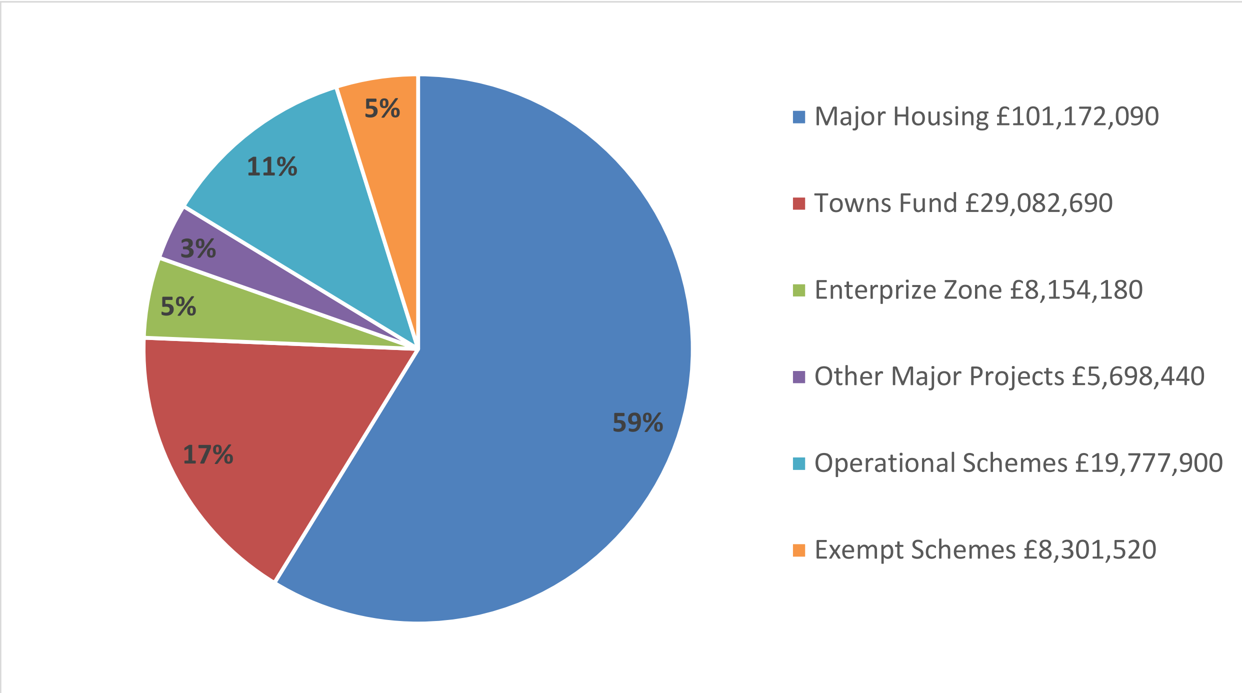
Following the detailed review of the Capital Programme, amendments have been made to some schemes to reflect updated costs and timing of works. Rephasing is also proposed where schemes have been carried forward to/from 2023/2024 as detailed in section 3, or where schemes are now not expected to be completed as originally planned in 2024/2025, 2025/2026 and 2026/2027.

6.2 The table below supersedes the table in 6.1 summarising the revised Capital Programme 2024-2028 and includes all amendments, rephasing and new bids detailed above in section 5. The detailed Programme is presented at Appendix 2.

Table 8 – Revised Capital Programme 2024 – 2028

	2024/2025 £	**2025/2026 £**	**2026/2027 £**	**2027/2028 £**
Major Projects	48,873,120	34,104,630	22,598,520	3,746,470
Community and Partnerships	2,290,000	2,260,000	2,260,000	2,260,000
Resources	258,740	450,000	300,000	150,000
Programme and Projects	0	0	0	0
Property and Projects	353,500	0	0	0
Operational and Commercial Services	1,260,200	692,440	348,570	180,000
Leisure and Community Facilities	574,480	235,000	185,000	0
Total	**53,610,040**	**37,742,070**	**25,692,090**	**6,336,470**
Major Projects (Exempt)	547,000	0	7,574,520	0
Total Capital Programme	**54,157,040**	**37,742,070**	**33,266,610**	**6,336,470**

Capital Programme - Distribution of spend 2023- 2028



7. Capital Financing and Resources 2023-2028

7.1 The Capital Outturn report to Cabinet on the 1 August 2023 updated the total capital resources available for the period 2022 to 2027. It has been possible to fund the proposed capital programme 2023-2028. However, due to the continued risk of increases in material costs and reduced capital receipts from property sales, heightened monitoring will be ongoing and may require revision to funding sources or reprofiling and rephasing of schemes as appropriate.

7.2 The Table below provides details of the revised estimated capital resources for the period 2023-2028, updated for amendments and rephasing detailed in sections 3 and new bids detailed in section 5 above. Where rephasing is made between years, the funding will follow. Where external borrowing is required the borrowing costs are included in the revenue estimates. The revenue budget will be amended as part of the estimates process to reflect this position. These changes are reported as part of the Financial Plan 2023-2028 on this Cabinet Agenda.

Source of Funding	2023/2024 £	2024/2025 £	2025/2026 £	2026/2027 £	2027/2028 £
Specific Capital Grants (Better Care Fund)	1,782,807	1,782,807	1,782,807	1,782,807	1,782,807
Specific Capital Grants (Towns Fund)	1,805,830	10,653,510	6,883,430	641,730	3,140,510
Specific Capital Grants (LAHF)	2,587,740	-	-	-	-
Misc Government Grants	1,660,930	5,035,060	168,800	-	-
Business Rate Pool	1,153,190	1,820,760	-	-	-
General Capital Receipts Reserve	1,297,673	2,415,323	1,042,193	877,193	567,193
Major Housing Capital Receipts Applied	20,922,763	14,863,252	27,052,400	29,531,310	605,960
Reserves/Revenue Contributions	3,285,720	1,944,650	341,800	45,000	20,000
Unsupported Borrowing	1,723,260	540,030	470,640	388,570	220,000
Temperary Borrowings	8,004,457	15,101,648	-	-	-
Total Funding	**44,224,370**	**54,157,040**	**37,742,070**	**33,266,610**	**6,336,470**

7.3 The Council's commitment to a number of major projects means that the disposals programme and generation of capital receipts, and securing external funding is crucial.

8. Equality Impact Assessment

8.1 The Council has a statutory requirement to carry out Equality Impact Assessments (EIAs) as part of the service planning and policy proposal processes. This includes significant policy or significant changes to a service and includes potential capital bids, revenue growth bids and proposed reductions in service.

8.2 The Council may be required to carry out an impact assessment if the proposal impacts on any of the following:

- Equalities (including impact on issues of race, gender, disability, religion, sexual orientation, age)

- Community cohesion (whether there is a potential positive or negative impact on relations between different communities)

8.3 The relevant service managers, with the assistance of the Policy officers, review each capital programme scheme to check and assess any impact of the intended outcome. Although a provisional capital budget will be included in the capital programme, it will be necessary for a report on the impact to be made to Cabinet before the scheme progresses.

9. Prudential Framework

9.1 The Prudential Framework for local authority capital investment was introduced as part of the Local Government Act 2003 with effect from the 1 April 2004. This was developed by CIPFA as a professional code of practice to support local authorities' decision making on the areas of capital investment and financing. Authorities are required by regulation to have regard to the Prudential Code.

The key objectives of the Prudential Code are:

- Capital plans and investment plans are affordable and proportionate
- All borrowing and other long-term liabilities are within prudent and sustainable levels
- Risks associated with investment are proportionate to financial capacity

- Treasury management decision are in accordance with good professional practice

The prudential code was revised in December 2021 and the Authority is required to formally adopt the reporting requirements in 2023-2024. One of the key changes to the Prudential Code is the explicitly stated requirement that authorities must not borrow to invest primarily for financial return, and this requirement came into force with immediate effect.

9.2 Within the Revenue Budget 2023-2028 the Council will enter into unsupported borrowing where it can demonstrate that financial savings can be achieved by outright purchase of equipment, as opposed to the use of an operating lease and the payment of an annual lease. The Capital Programme 2023-2028 includes details of the borrowing under the framework and this is confirmed as being affordable and is included within the Budget and Council Tax calculations.

9.3 The proposed borrowing will be met within the Prudential Indicators set as the Operational Boundary (Limit of Borrowing) under the Treasury Management Strategy. The current Operational Boundary in 2023/2024 is set at £86m with a maximum of 40% of the total value being held as short-term loans or variable rate loans. The revised Treasury Management Strategy, also on the agenda for Cabinet on 7 February 2024, is recommending to Council that the Operational Boundary is revised to £84m.

10. Financial Implications

10.1 The financing arrangements for the capital programme are within budget. Where rephasing is to be made then the funding will follow.

10.2 The revenue implications of all capital schemes will be included in the estimates reported to the Cabinet meeting on 07 February 2024.

10.3 On delivery income / cost savings relating to cost management will be fed into the revenue budget as they are achieved.

11. Risk Implications and Sensitivity Analysis

11.1 Risk is inherent in any projection of future funding. The estimated resources available to fund the capital programme 2023-2028 and the risk implications and sensitivity/consequences are detailed in the table below. The level of risk is based on the impact on the funding of the capital programme 2023-2028 if the resources are not achieved at the estimated level or at the time expected. This section has been updated to reflect the position in the Capital Programme and Resources for 2023-2028.

Source of Funding	Risk Implications and Sensitivity	Level of Risk
Capital Grants Third Party Contributions	**Risk** The capital grant and specific grant included in the resources is a contribution towards private sector housing assistance - Disabled Facilities Grants (DFG). The level of grant included for 2023/2024 is based on the confirmed level of grant from the Better Care Fund. Future years show no assumed growth rate but remain at a constant level for the rest of the programme as no indications of growth have been provided. The level of grant is confirmed by Central Government annually and can vary from year to year. **Sensitivity/Consequences** This funding represents 20% of current total general fund reserve balance. If the level of grants were to vary significantly the budget allocated for DFGs and the proposed schemes within the programme would need to be revised.	Medium
Capital Receipts	**Risk** Capital receipts over the 5-year capital programme 2023-2028 represent 100% of the current general fund reserve balance. The actual amount and timing of capital receipts can vary significantly. The achievement of capital receipts is monitored and reported in the monthly monitoring reports to ensure no over commitment. **Sensitivity/Consequences** Capital receipts represent a high proportion of the total general fund resources available to fund the capital programme. The actual level of capital receipts that are achieved is sensitive to market conditions including demand for land and buildings, values and interest rates. The sum total of capital receipts included in the funding table of £5m and £105m from the Major Housing Project is a challenging target in the current economic climate. In the event that capital receipts are not achieved at the level or within the year estimated it may be necessary to take on additional temporary borrowing at the prevailing interest rates.	High
Major Housing Project	**Risk** The impact of market prices as the scheme proceeds to each phase may increase. The housing market may slow and sales may not be achieved as planned. **Sensitivity/Consequences** Business case review prior to proceeding to end stage. Local Authority Housing Company has been established to hold any surplus units for rent.	High

Source of Funding	Risk Implications and Sensitivity	Level of Risk
Unsupported Borrowing	**Risk** The proposed capital programme 2023-2028 includes unsupported borrowing for the purchase of equipment and vehicles. The unsupported borrowing will be funded through internal borrowing whenever it is most financially advantageous to do so. Internal borrowing is the use of internal funds (short term cash flows and reserves and balances not immediately required) rather than taking external debt. **Sensitivity/Consequences** The Council will enter into unsupported borrowing where it can demonstrate that financial savings can be achieved by outright purchase of equipment, as opposed to the use of an operating lease and the payment of an annual lease.	Low
Temporary Borrowing External and Internal	**Risk** Temporary borrowing is included for cash flow purposes to ensure a balanced funding of the capital programme in each of the financial years and in advance of capital receipts. Internal borrowing will be used whenever it is most financially advantageous to do so. 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 currently in short term investments may be withdrawn and used in place of external borrowing. **Sensitivity/Consequences** The actual required temporary borrowing will depend on rephasing in the capital programme and capital receipts achieved in each year. Temporary borrowing will be maintained at the minimum level required and reported as part of the outturn. The cost of funding planned temporary borrowing is included in the revenue budget and is confirmed as affordable. In the event that additional temporary borrowing is required during the financial year the impact on the revenue budget will be reported in the monthly monitoring reports to Members. Fixed term external borrowing may be taken and drawn down as expenditure is required and rates are favourable. External borrowing will be sourced through market loans or PWLB depending on the most favourable rates. The interest rates of external loans and PWLB loans are at a higher rate due to the current Bank of England base rate.	Medium

Source of Funding	Risk Implications and Sensitivity	Level of Risk
Reserves	**Risk** Contributions from reserves are based on actual balances as at 1 April 2023 and take into account budgeted contributions to/from reserves. **Sensitivity/Consequences** The reserves are available and as such the sensitivity is low. In the event that reserves are not available as estimated in the capital resources, temporary borrowing would be incurred to ensure a balanced funding of the capital programme in each of the financial years.	Low
Sales Value Reduces / Costs Increase	**Risk** Macro-economic issues **Sensitivity/consequences** Market confidence continues to be impacted by inflation and high interest costs (following on from Brexit and the pandemic). Sales values and cost of materials and labour will require regular review in determining how to proceed with schemes and, for example, whether to sell or rent properties through the Housing Company.	Medium

11.2 Experience shows that the costs of schemes can also vary. Expenditure on the capital programme is included as part of the monthly monitoring report. Any significant variations on individual schemes will be reported and appropriate action taken

12. Policy Implications

The establishment and management of the capital programme are in accordance with the Council's Capital, Treasury Management and Investment Strategy.

13. Statutory Considerations

None

14. Consultations

Management Team

15. Access to Information

Cabinet Reports
Financial Plan 2023-2028
Monitoring Reports 2023/2024
The Capital Strategy 2024/2025
The Treasury Management and Investment Strategy 2024/2025

Capital Programme 2023/2028	Budget 2024/2025	Monitoring Amendments 2024/2025	Monitoring Rephasing 2024/2025	Estimates Amendments 2024/2025	Estimates Rephasing 2024/2025	Revised Budget 2024/2025
						£
MAJOR PROJECTS						
Enterprise Zone						
Project Management / Marketing	35,000					35,000
Roads / Infrastructure	0		1,143,470			1,143,470
EZ Development of Spec Units 1	0					0
Total Enterprise Zone (AD Property and Projects)	**35,000**	**0**	**1,143,470**			**1,178,470**
Major Housing Development						
Salters Road	570,000		2,432,920		588,960	3,591,880
Alexandra Rd Hunstanton BCKLWN Cost	3,036,570		2,411,410		(5,447,980)	0
Phase 3-Lynnsport 1	8,462,090		1,072,850		(4,381,250)	5,153,690
Lynnsport 3	0					0
Phase 2 -Lynnsport 4 /5	0		127,120		(117,120)	10,000
Major Housing Management	2,510					2,510
Major Housing Projects Unallocated Budget	0					0
Parkway - Gaywood	16,922,510		2,900,000		(3,365,560)	16,456,950
Nora Phase 4	900,000		(900,000)	200,000	10,000	210,000
Nora Phase 5	841,090		714,870			1,555,960
Hunstanton Regeneration Bus Station & NCC Library	0					0
Hunstanton Regeneration Southend Road Car Park	2,000,000		1,273,590		(2,015,150)	1,258,440
Total Major Housing Development (AD Companies and Housing)	**32,734,770**	**0**	**10,032,760**	**200,000**	**(14,728,100)**	**28,239,430**
Other Major Projects						
Towns Fund						
Town Centre Public Realm	0	0	80,000		(80,000)	0
St Georges Guildhall Complex	1,380,630					1,380,630
Active and Clean Connectivity	4,467,260		425,000			4,892,260
Riverfront Regeneration	3,238,760				67,700	3,306,460
Multi User Community Hub	6,429,000				(971,000)	5,458,000
Programme Management	95,000					95,000
Total Towns Fund	**15,610,650**	**0**	**505,000**			**15,132,350**
NORA Remediation	545,890		216,480		83,520	845,890
South Quay Somerfield Thomas Silo	0					0
Factory Unit 1 - New Depot Site	0					0
Air Source Heat Pump Project - Enterprise Works	0					0
Total for AD Property and Projects	**545,890**	**0**	**216,480**	**0**	**83,520**	**845,890**
Decarbonisation Re:Fit 2	0					0
Total for AD Planning	**0**	**0**	**0**			**0**
Southgate Regen Area Business Rate Pool Contribution	0		400,000			400,000
ICI/Active Travel Hub (KLIC2)	0				121,060	121,060
Nelson Quay Redevelopment	0					0
Chapel Street	0					0
South Quay Stage 3	0					0
UK Shared Prosperity Fund	233,570					233,570
Rural England Prosperity Fund	1,122,350					1,122,350
Baxter's Plain Public Realm Feasibility Study	0					0
Local Authority Housing Fund						0
Total for AD Regeneration	**1,355,920**	**0**	**400,000**			**1,876,980**
Public Conveniences			400,000			400,000
Refuse Vehicles Fleet	0					0
Total for AD Operational and Commercial Services	**0**	**0**	**400,000**	**0**		**400,000**
Re:Fit Project	0		300,000			300,000
Lynn Sport 3G Replacement	0					0
Lynn Sport New 3G Pitch	0		900,000			900,000
Total for Leisure and Community Facilities	**0**	**0**	**1,200,000**	**0**		**1,200,000**
Total Major Projects	**50,282,230**	**0**	**13,897,710**	**200,000**		**48,873,120**
OPERATIONAL SCHEMES						
AD Community and Partnerships						
Disabled Facilties Grant	618,200					618,200
Adapt Grant	1,381,800			(100,000)		1,281,800
	2,000,000	0	0	(100,000)		1,900,000
Preventative Works						
Home Repair Assistance Loan	0					0
Emergency Repair Grant	0					0

Capital Programme 2023/2028	Budget 2024/2025	Monitoring Amendments 2024/2025	Monitoring Rephasing 2024/2025	Estimates Amendments 2024/2025	Estimates Rephasing 2024/2025	Revised Budget 2024/2025
Careline Grant	25,000					25,000
Safe and Secure Grant						
Low Level Prevention Fund	125,000			100,000		225,000
Preventative Works Total	150,000	0	0	100,000		250,000
Total Private Sector Housing Assistance	**2,150,000**	**0**	**0**	**0**		**2,150,000**
Careline-Replacement Alarm Units	60,000					60,000
Careline - Replacement Vehicles	0					0
Community Projects	50,000					50,000
Community Safety Vehicle	0		30,000			30,000
Total for AD Community & Partnerships	**2,260,000**	**0**	**30,000**			**2,290,000**
AD Resources (S151 Officer)						
ICT Development Programme	150,000	0	108,740			258,740
Standard Desktop Refresh	300,000	0	(300,000)			0
Total for AD Resources (S151 Officer)	**450,000**	**0**	**(191,260)**			**258,740**
AD Programme and Projects						
Heacham Toilets South Beach	0					0
Downham Market Public Conveniences	0					0
Total for AD Programme and Projects	**0**	**0**	**0**			**0**
AD Property and Projects						
Princess Theatre Terrace Extension	0					0
Arts Centre Complex	0					0
Princess Theatre Roof Replacement	0					0
Sewage Treatment Works Refurb/Connect Public Sewer	0				28,000	28,000
Estate Roads - Resurfacing	0				30,500	30,500
Kings Court Flat Roof	0					0
Bergen Way Indstrial Estate roof replace	0		250,000			250,000
North Promenade Erosion	0				45,000	45,000
Total for AD Property and Projects	**0**	**0**	**250,000**	**0**	**103,500**	**353,500**
AD Operational and Commercial Services						
Car Parks						
Resurfacing (various car parks)	261,800		(191,800)			70,000
Car Parks Pay & Display Machine Replacement	180,000					180,000
Car Pk Multi-storey Barrier Ticket Machine	0		38,130			38,130
Car Prk Multi-storey Lighting + Controls	0					0
Mintlyn Crematorium - Car Park	0					0
The Walks Car Park Resurf & P&D	0					0
Off Street Car Parks- Vehicles	0					0
Heacham North Beach Pay & Display Infrastructure	0					0
Decrim Car Park	0					0
CCTV						
CCTV Control Room Upgrade	50,000		121,050			171,050
CCTV Kettlewell Gadens	0		24,840			24,840
CCTV Multi-storey	0		9,890			9,890
CCTV Crematorium	0		7,730			7,730
CCTV Safer Streets	0		50,000			50,000
Christmas Lights Replacement	0		187,550			187,550
Emergency Plan - Replace Radios	0					0
Gayton Road Cemetery Extension	0					0
Parking/Gladstone Server Upgrade	0		8,030			8,030
Digital Signge Installation - NTP	0					0
High Street Public Realm TF Accelerated project	0					0
NSF Events Equipment	0					0
Replacement Stage	0					0
Refuse and Recycling						
Refuse - Black Bins	40,000					40,000
Brown Bins/Compost	40,000					40,000
Green Bins/Recycling	40,000					40,000
Trade Bins	40,000					40,000
Refuse Vehicles	0					0
The Walks Crazy Golf Equipment	0		120,000			120,000
Bandstand Roof Replacement - Hunstanton	0					0
Replacement Play Area Equipment	20,000					20,000
Play Area Equipment - King's Lynn (KLACC)	0					0
Replacement Dog Bins	0					0
Downham Market Play Equipment	0					0
Resort Chalet Window Replacement	0					0
Resort Replacement Play Area Equipment	0		28,000			28,000
Resort - Beach Safety Signage	0		15,000			15,000
Resort - Visitor Digital Sign	0		50,000			50,000
Tourist Signs A47	0		21,000			21,000
Grounds Maintenance Equipment	42,000					42,000
Grounds Maintenance Vehicles	56,980					56,980
Public Cleansing Vehicles	0					0

Capital Programme 2023/2028	Budget 2024/2025	Monitoring Amendments 2024/2025	Monitoring Rephasing 2024/2025	Estimates Amendments 2024/2025	Estimates Rephasing 2024/2025	Revised Budget 2024/2025
Total for AD Operations and Commercial	**770,780**	**0**	**489,420**	**0**		**1,260,200**
Leisure and Community Facilities						
Corn Exchange						
Corn Exchange -Internal Dec	0					0
Corn Exchange -Refurbish Seating	15,000					15,000
Corn Exchange - Replace Speakers	0					0
Corn Exchange - Light Desk & Lights	0					0
Corn Exchange - Mobile Elevat Wrk Platf	0					0
Corn Exchange - Auditorium LED Lighting	30,000					30,000
Downham Market Leisure Centre						
DMLC - Replacement Spin Bikes	0					0
DMLC - Replace Heat/Cool AHU Dance Studio	0					0
DMLC - Fitness Room Flooring	0					0
DMLC - HallDance Studio Reseal	22,250				(22,250)	0
DMLC - Fitness Equipment	0					0
DMLC - Flooring Replacement	40,000					40,000
DMLC - Replacement Lighting Pool	0				20,000	20,000
DMLC - Replacement Distribution Boards	0				25,000	25,000
DMLC - Changing room refurb	30,000					30,000
DMLC - Pool Cover	0					0
DMLC - Window Replacement (dryside)	15,000					15,000
DMLC - Plate Heat Exchanger	0					0
Lynnsport						
Lynnsport - Fitness Equipment	0					0
L/Sport - Floor Surface Reseal	0				17,000	17,000
L/Sport Fire Alarm Upgrade	0				70,000	70,000
L/sport Boilers & Plant	0					0
L/Sport Athletics Cage replacement and athletics lighting upgrade	0					0
L/Sport Toilets & Changing Room	0				42,480	42,480
L/Sport Spin Bikes	0					0
L/Sport Spin Room	0					0
L/Sport Female Changing Room Sauna	0					0
L/Sport Wellness Studio	0					0
L/Sport Spin Ventilation	0					0
L/Sport Fitness Flooring	0					0
L/Sport 3G LED Lighting	0					0
L/Sport Roof	160,000				(160,000)	0
L/Sport Flooring (changing/toilets/reception)	0					0
L/Sport Cubical and locker replacement	0				10,000	10,000
L/Sport Track and Barn Line marking	0					0
L/Sport Basket Ball fittings replacement	15,000		(15,000)			0
L/Sport Window replacement	0					0
St James Pool						
St James - Floor/Surface Replace	0		25,000			25,000
St James Fitness Equipment	0					0
St James Pool Covers	0					0
St James Spin Bikes	0					0
St James Replacement Plant	0					0
St James Flooring (changing area)	0					0
St James Flooring (reception/corridors/viewing)	15,000					15,000
St James Pool Hall replacement lighting	0				20,000	20,000
St James Cubical replacement	0					0
St James Locker replacement	0					0
St James wetside toilet refurb	0					0
St James Fire Alarm System	0					0
St James Pool plate heat exchange	0				10,000	10,000
Oasis						
Oasis Fire Doors	0					0
Oasis Fitness Equipment	0					0
Oasis Fitness Flooring	0					0
Oasis Fitness Flooring bowls hall/fitness stairs	10,000					10,000
Oasis Pool Hall lighting	0					0
Oasis Cubicles replacement	0					0
Oasis lockers replacement	0				20,000	20,000
Oasis distribution board replacement	0					0
Town Hall						
Roofing	60,000					60,000
Electrical Switch Replacement	40,000					40,000
Redecoration	30,000					30,000
Replacement flooring/stairs	0					0
Stone Mason external works	20,000					20,000
Prep Kitchen Replacement	10,000					10,000
Community Centres						
Fairstead Replacement Flooring	0					0
Total for Leisure and Community Facilities	**512,250**	**0**	**10,000**			**574,480**
AD Central Services						
Technology and Other Equipment (Flexible Working)	0					0
Total AD Central Services	**0**	**0**	**0**			**0**
Total Operational Schemes	**3,993,030**	**0**	**588,160**	**0**		**4,736,920**
Local Authority Housing Fund						
Total Capital Programme (Non Exempt)	**54,275,260**	**0**	**14,485,870**	**200,000**	**0**	**53,610,040**
Exempt Schemes						

Capital Programme 2023/2028	Budget 2024/2025	Monitoring Amendments 2024/2025	Monitoring Rephasing 2024/2025	Estimates Amendments 2024/2025	Estimates Rephasing 2024/2025	Revised Budget 2024/2025
Total Commercially Sensitive Schemes (Exempt)	**0**	**0**	**7,574,520**	**0**	**(7,027,520)**	**547,000**
TOTAL CAPITAL PROGRAMME	**54,275,260**	**0**	**22,060,390**	**200,000**	**(7,027,520)**	**54,157,040**

Capital Programme 2023/2028	Revised Budget 2023/2024	Actual as at 31st December 2023	Revised Budget 2024/2025	Revised Budget 2025/2026	Revised Budget 2026/2027	NEW 2027/2028	Total Capital Budget 2023/2027
	£	£	£	£	£		£
MAJOR PROJECTS							
Enterprise Zone							
Project Management / Marketing	45,180	3,680	35,000	0	0		80,180
Roads / Infrastructure	6,396,130	4,300,942	1,143,470	0	0		7,539,600
EZ Development of Spec Units 1	534,400	579,768	0	0	0		534,400
Total Enterprise Zone (AD Property and Projects)	**6,975,710**	**4,884,389**	**1,178,470**	**0**	**0**	**0**	**8,154,180**
Major Housing Development							
Salters Road	7,911,740	5,755,335	3,591,880	0	0		11,503,620
Alexandra Rd Hunstanton BCKLWN Cost	0	10,082	0	0	0		0
Phase 3-Lynnsport 1	185,000	29,674	5,153,690	9,153,840	8,622,560	292,000	23,407,090
Lynnsport 3	7,290	7,287	0	0	0		7,290
Phase 2 -Lynnsport 4 /5	9,360	9,356	10,000	0	0		19,360
Major Housing Management	14,330	27,590	2,510	0	0		16,840
Major Housing Projects Unallocated Budget	66,490	0	0	0	0		66,490
Parkway - Gaywood	9,312,650	4,826,895	16,456,950	14,621,780	9,272,500	313,960	49,977,840
Nora Phase 4	1,153,150	1,106,142	210,000	10,000	0		1,373,150
Nora Phase 5	50,000	19,642	1,555,960	3,266,780	4,061,730		8,934,470
Hunstanton Regeneration Bus Station & NCC Library	0	13,539	0	0	0		0
Hunstanton Regeneration Southend Road Car Park	4,607,500	2,109,415	1,258,440	0	0		5,865,940
Total Major Housing Development (AD Companies and Housing)	**23,317,510**	**13,914,957**	**28,239,430**	**27,052,400**	**21,956,790**	**605,960**	**101,172,090**
Other Major Projects							
Towns Fund							
Town Centre Public Realm	192,510	82,143	0	0	0		192,510
St Georges Guildhall Complex	783,960	499,079	1,380,630	6,102,790	641,730	3,140,510	12,049,620
Active and Clean Connectivity	665,550	205,542	4,892,260	281,320	0		5,839,130
Riverfront Regeneration	182,740	225,141	3,306,460	596,010	0		4,085,210
Multi User Community Hub	1,199,110		5,458,000	0	0		6,657,110
Programme Management	92,000	65,378	95,000	72,110	0		259,110
Total Towns Fund	**3,115,870**	**1,077,283**	**15,132,350**	**7,052,230**	**641,730**	**3,140,510**	**29,082,690**
NORA Remediation	0	7,579	845,890	0	0		845,890
South Quay Somerfield Thomas Silo	96,320	64,584	0	0	0		96,320
Factory Unit 1 - New Depot Site	77,100	130,294	0	0	0		77,100
Air Source Heat Pump Project - Enterprise Works	2,240	21,522	0	0	0		2,240

Capital Programme 2023/2028	Revised Budget 2023/2024	Actual as at 31st December 2023	Revised Budget 2024/2025	Revised Budget 2025/2026	Revised Budget 2026/2027	NEW 2027/2028	Total Capital Budget 2023/2027
Total for AD Property and Projects	**175,660**	**223,978**	**845,890**	**0**	**0**	**0**	**1,021,550**
Decarbonisation Re:Fit 2	0	0	0	0	0		0
Total for AD Planning	**0**		**0**	**0**	**0**	**0**	**0**
Southgate Regen Area Business Rate Pool Contribution	93,860	0	400,000	0	0		493,860
ICI/Active Travel Hub (KLIC2)	0		121,060	0	0		121,060
Nelson Quay Redevelopment			0	0	0		0
Chapel Street	0		0	0	0		0
South Quay Stage 3	120,000		0	0	0		120,000
UK Shared Prosperity Fund	8,800	24,031	233,570	0	0		242,370
Rural England Prosperity Fund	374,110	100,603	1,122,350	0	0		1,496,460
Baxter's Plain Public Realm Feasibility Study	40,000	39,900	0	0	0		40,000
Local Authority Housing Fund	3,539,740		0	0	0		3,539,740
Total for AD Regeneration	**4,176,510**	**164,534**	**1,876,980**	**0**	**0**	**0**	**6,053,490**
Public Conveniences	0		400,000		0		400,000
Refuse Vehicles Fleet	0	0	0	0	0		0
Total for AD Operational and Commercial Services	**0**	**0**	**400,000**	**0**	**0**	**0**	**400,000**
Re:Fit Project	263,140		300,000	0	0		563,140
Lynn Sport 3G Replacement	300,000		0	0	0		300,000
Lynn Sport New 3G Pitch	0		900,000	0	0		900,000
Total for Leisure and Community Facilities	**563,140**	**0**	**1,200,000**	**0**	**0**	**0**	**1,763,140**
Total Major Projects	**38,324,400**	**20,265,143**	**48,873,120**	**34,104,630**	**22,598,520**	**3,746,470**	**147,647,140**
OPERATIONAL SCHEMES							
AD Community and Partnerships							
Disabled Facilties Grant	773,770	744,390	618,200	618,200	618,200	618,200	3,246,570
Adapt Grant	1,218,190	891,134	1,281,800	1,281,800	1,281,800	1,281,800	6,345,390
	1,991,960	1,635,525	1,900,000	1,900,000	1,900,000	1,900,000	9,591,960
Preventative Works							
Home Repair Assistance Loan	0	7,659	0	0	0		0
Emergency Repair Grant	0	1,928	0	0	0		0

Capital Programme 2023/2028	Revised Budget 2023/2024	Actual as at 31st December 2023	Revised Budget 2024/2025	Revised Budget 2025/2026	Revised Budget 2026/2027	NEW 2027/2028	Total Capital Budget 2023/2027
Careline Grant	25,000	649	25,000	25,000	25,000	25,000	125,000
Safe and Secure Grant		17,600					
Low Level Prevention Fund	225,000	103,018	225,000	225,000	225,000	225,000	1,125,000
Preventative Works Total	250,000	130,854	250,000	250,000	250,000	250,000	1,250,000
Total Private Sector Housing Assistance	**2,241,960**	**1,766,379**	**2,150,000**	**2,150,000**	**2,150,000**	**2,150,000**	**10,841,960**
Careline-Replacement Alarm Units	60,000		60,000	60,000	60,000	60,000	300,000
Careline - Replacement Vehicles	56,850		0	0	0		56,850
Community Projects	52,000	54,606	50,000	50,000	50,000	50,000	252,000
Community Safety Vehicle	0		30,000	0	0		30,000
Total for AD Community & Partnerships	**2,410,810**	**1,820,985**	**2,290,000**	**2,260,000**	**2,260,000**	**2,260,000**	**11,480,810**
<u>AD Resources (S151 Officer)</u>							
ICT Development Programme	208,520	18,885	258,740	150,000	150,000	150,000	917,260
Standard Desktop Refresh	79,450	35,204	0	300,000	150,000		529,450
Total for AD Resources (S151 Officer)	**287,970**	**54,088**	**258,740**	**450,000**	**300,000**	**150,000**	**1,446,710**
<u>AD Programme and Projects</u>							
Heacham Toilets South Beach	0	0	0	0	0		0
Downham Market Public Conveniences	200,000	760	0	0	0		200,000
Total for AD Programme and Projects	**200,000**	**760**	**0**	**0**	**0**	**0**	**200,000**
<u>AD Property and Projects</u>							
Princess Theatre Terrace Extension			0	0	0		0
Arts Centre Complex	0		0	0	0		0
Princess Theatre Roof Replacement	0		0	0	0		0
Sewage Treatment Works Refurb/Connect Public Sewer	0		28,000	0	0		28,000
Estate Roads - Resurfacing	0		30,500	0	0		30,500
Kings Court Flat Roof	0		0	0	0		0
Bergen Way Indstrial Estate roof replace	0		250,000	0	0		250,000
North Promenade Erosion	0		45,000	0	0		45,000
Total for AD Property and Projects	**0**	**0**	**353,500**	**0**	**0**	**0**	**353,500**
<u>AD Operational and Commercial Services</u>							
<u>Car Parks</u>							
Resurfacing (various car parks)	30,000		70,000	261,800	0		361,800
Car Parks Pay & Display Machine Replacement	60,000		180,000	0	0		240,000
Car Pk Multi-storey Barrier Ticket Machine	0		38,130	0	0		38,130
Car Prk Multi-storey Lighting + Controls	192,000	9,573	0	0	0		192,000

Capital Programme 2023/2028	Revised Budget 2023/2024	Actual as at 31st December 2023		Revised Budget 2024/2025	Revised Budget 2025/2026	Revised Budget 2026/2027	NEW 2027/2028	Total Capital Budget 2023/2027
Mintlyn Crematorium - Car Park	100,000	110,752		0	0	0		100,000
The Walks Car Park Resurf & P&D	0			0	0	0		0
Off Street Car Parks- Vehicles	0			0	0	0		0
Heacham North Beach Pay & Display Infrastructure	23,000			0	0	0		23,000
Decrim Car Park	49,150			0	0	0		49,150
CCTV								
CCTV Control Room Upgrade	0			171,050	50,000	50,000		271,050
CCTV Kettlewell Gadens	0			24,840	0	0		24,840
CCTV Multi-storey	0			9,890	0	0		9,890
CCTV Crematorium	0			7,730	0	0		7,730
CCTV Safer Streets	0			50,000	0	0		50,000
Christmas Lights Replacement	0			187,550	0	0		187,550
Emergency Plan - Replace Radios	30,000			0	0	0		30,000
Gayton Road Cemetery Extension	0			0	0	0		0
Parking/Gladstone Server Upgrade	4,000			8,030	0	0		12,030
Digital Signge Installation - NTP	43,000			0	0	0		43,000
High Street Public Realm TF Accelerated project	34,030	12,931		0	0	0		34,030
NSF Events Equipment	59,080	41,971		0	0	0		59,080
Replacement Stage	50,000	57,538		0	0	0		50,000
Refuse and Recycling								
Refuse - Black Bins	40,000	30,250		40,000	40,000	40,000	40,000	200,000
Brown Bins/Compost	40,000	12,594		40,000	40,000	40,000	40,000	200,000
Green Bins/Recycling	40,000	26,074		40,000	40,000	40,000	40,000	200,000
Trade Bins	40,000	2,950		40,000	40,000	40,000	40,000	200,000
Refuse Vehicles	18,010	63,803		0	0	0		18,010
The Walks Crazy Golf Equipment	0			120,000	0	0		120,000
Bandstand Roof Replacement - Hunstanton	30,000			0	0	0		30,000
Replacement Play Area Equipment	75,000			20,000	20,000	20,000	20,000	155,000
Play Area Equipment - King's Lynn (KLACC)	8,000			0	0	0		8,000
Replacement Dog Bins	21,000			0	0	0		21,000
Downham Market Play Equipment	0			0	0	0		0
Resort Chalet Window Replacement	100,000			0	0	0		100,000
Resort Replacement Play Area Equipment	0			28,000	0	0		28,000
Resort - Beach Safety Signage	0			15,000	0	0		15,000
Resort - Visitor Digital Sign	0			50,000	0	0		50,000
Tourist Signs A47	0			21,000	0	0		21,000
Grounds Maintenance Equipment	161,300	16,484		42,000	139,080	0		342,380
Grounds Maintenance Vehicles	199,620	0		56,980	61,560	118,570		436,730
Public Cleansing Vehicles	450,870	194,112		0	0	0		450,870

Capital Programme 2023/2028	Revised Budget 2023/2024	Actual as at 31st December 2023		Revised Budget 2024/2025	Revised Budget 2025/2026	Revised Budget 2026/2027	NEW 2027/2028	Total Capital Budget 2023/2027
Total for AD Operations and Commercial	**1,898,060**	**579,033**		**1,260,200**	**692,440**	**348,570**	**180,000**	**4,379,270**
Leisure and Community Facilities								
Corn Exchange								
Corn Exchange -Internal Dec	0			0	0	10,000		10,000
Corn Exchange -Refurbish Seating	15,000	12,301		15,000	15,000	0		45,000
Corn Exchange - Replace Speakers	0	4,801		0	0	0		0
Corn Exchange - Light Desk & Lights	50,000	39,609		0	0	0		50,000
Corn Exchange - Mobile Elevat Wrk Platf	0			0	0	0		0
Corn Exchange - Auditorium LED Lighting	0			30,000	0	0		30,000
Downham Market Leisure Centre								
DMLC - Replacement Spin Bikes	23,000			0	0	0		23,000
DMLC - Replace Heat/Cool AHU Dance Studio	22,000	23,708		0	0	0		22,000
DMLC - Fitness Room Flooring	0			0	0	0		0
DMLC - HallDance Studio Reseal	18,000			0	0	0		18,000
DMLC - Fitness Equipment	60,000			0	0	0		60,000
DMLC - Flooring Replacement	0			40,000	0	0		40,000
DMLC - Replacement Lighting Pool	0			20,000	0	0		20,000
DMLC - Replacement Distribution Boards	0			25,000	0	0		25,000
DMLC - Changing room refurb	0			30,000	0	0		30,000
DMLC - Pool Cover	0			0	0	15,000		15,000
DMLC - Window Replacement (dryside)	0			15,000	0	0		15,000
DMLC - Plate Heat Exchanger	10,000			0	0	0		10,000
Lynnsport								
Lynnsport - Fitness Equipment	108,000	582,356		0	0	0		108,000
L/Sport - Floor Surface Reseal	0			17,000	0	0		17,000
L/Sport Fire Alarm Upgrade	0			70,000	0	0		70,000
L/sport Boilers & Plant	0			0	0	0		0
L/Sport Athletics Cage replacement and athletics lighting upgrade	46,610	45,963		0	0	0		46,610
L/Sport Toilets & Changing Room	0			42,480	0	0		42,480
L/Sport Spin Bikes	17,000			0	0	0		17,000
L/Sport Spin Room	10,000			0	0	0		10,000
	0							0
L/Sport Female Changing Room Sauna	0			0	0	0		0
L/Sport Wellness Studio	150,000			0	0	0		150,000
L/Sport Spin Ventilation	17,090			0	0	0		17,090
L/Sport Fitness Flooring	40,000			0	0	0		40,000
L/Sport 3G LED Lighting	20,000	20,822		0	0	0		20,000
L/Sport Roof	171,430			0	0	0		171,430
L/Sport Flooring (changing/toilets/reception)	0			0	30,000	0		30,000
L/Sport Cubical and locker replacement	0			10,000	0	0		10,000
L/Sport Track and Barn Line marking	0			0	15,000	0		15,000
L/Sport Basket Ball fittings replacement	15,000	11,311		0	0	0		15,000
L/Sport Window replacement	0			0	40,000	0		40,000

Capital Programme 2023/2028	Revised Budget 2023/2024	Actual as at 31st December 2023	Revised Budget 2024/2025	Revised Budget 2025/2026	Revised Budget 2026/2027	NEW 2027/2028	Total Capital Budget 2023/2027
St James Pool							
St James - Floor/Surface Replace	0		25,000	0	0		25,000
St James Fitness Equipment	30,000		0	0	0		30,000
St James Pool Covers	0		0	0	15,000		15,000
St James Spin Bikes	20,000		0	0	0		20,000
St James Replacement Plant	0	2,520	0	0	0		0
St James Flooring (changing area)	0		0	0	0		0
St James Flooring (reception/corridors/viewing)	0		15,000	0	0		15,000
St James Pool Hall replacement lighting	0		20,000	0	0		20,000
St James Cubical replacement	0		0	0	0		0
St James Locker replacement	0		0	0	0		0
St James wetside toilet refurb	0		0	0	0		0
St James Fire Alarm System	0		0	0	50,000		50,000
St James Pool plate heat exchange	0		10,000	0	0		10,000
Oasis							
Oasis Fire Doors	0		0	0	0		0
Oasis Fitness Equipment	50,000		0	0	0		50,000
Oasis Fitness Flooring	20,000		0	0	0		20,000
Oasis Fitness Flooring bowls hall/fitness stairs	0		10,000	0	0		10,000
Oasis Pool Hall lighting	0		0	15,000	0		15,000
Oasis Cubicles replacement	0		0	50,000	0		50,000
Oasis lockers replacement	0		20,000	0	0		20,000
Oasis distribution board replacement	0		0	0	30,000		30,000
Town Hall							
Roofing	10,000		60,000	0	0		70,000
Electrical Switch Replacement	0		40,000	0	0		40,000
Redecoration	0		30,000	30,000	30,000		90,000
Replacement flooring/stairs	0		0	20,000	20,000		40,000
Stone Mason external works	0		20,000	20,000	0		40,000
Prep Kitchen Replacement	0		10,000	0	0		10,000
Community Centres							
Fairstead Replacement Flooring	0		0	0	15,000		15,000
Total for Leisure and Community Facilities	**923,130**	**743,389**	**574,480**	**235,000**	**185,000**	**0**	**1,917,610**
AD Central Services							
Technology and Other Equipment (Flexible Working)			0	0	0		0
Total AD Central Services			**0**	**0**	**0**	**0**	**0**
Total Operational Schemes	**5,719,970**	**3,198,255**	**4,736,920**	**3,637,440**	**3,093,570**	**2,590,000**	**19,777,900**
Local Authority Housing Fund		1,086,330					
Total Capital Programme (Non Exempt)	**44,044,370**	**24,549,727**	**53,610,040**	**37,742,070**	**25,692,090**	**6,336,470**	**167,425,040**
Exempt Schemes							

Capital Programme 2023/2028	Revised Budget 2023/2024	Actual as at 31st December 2023		Revised Budget 2024/2025	Revised Budget 2025/2026	Revised Budget 2026/2027	NEW 2027/2028	Total Capital Budget 2023/2027
Total Commercially Sensitive Schemes (Exempt)	**180,000**	**0**		**547,000**	**0**	**7,574,520**	**0**	**8,301,520**
TOTAL CAPITAL PROGRAMME	**44,224,370**	**24,549,727**		**54,157,040**	**37,742,070**	**33,266,610**	**6,336,470**	**175,726,560**

REPORT TO CABINET

<table>
<tr><td colspan="2">Open</td><td colspan="3" rowspan="2">Would any decisions proposed :

(a) Be entirely within Audit Committee's powers to decide NO

(b) Need to be recommendations to Council/~~Cabinet~~ Yes

(c) Be partly for recommendations to Council NO
and partly within Cabinets powers –</td></tr>
<tr><td colspan="2">Any especially affected Wards

None</td></tr>
<tr><td colspan="2">Lead Member: Cllr Chris Morley, Portfolio Holder for Finance
E-mail: cllr.chris.morley@west-norfolk.gov.uk</td><td colspan="3">Other Cabinet Members consulted: None
Other Members consulted: None</td></tr>
<tr><td colspan="2">Lead Officer: Carl Holland
E-mail: carl.holland@west-norfolk.gov.uk
Direct Dial: 01553 616549</td><td colspan="3">Other Officers consulted:
Michelle Drewery, Assistant Director - Resources</td></tr>
<tr><td>Financial Implications
Yes</td><td>Policy/Personnel Implications
NO.</td><td>Statutory Implications (incl S.17) YES</td><td>Equal Opportunities Implications NO</td><td>Risk Management Implications
NO</td></tr>
</table>

Date of meeting: 7 February 2024

TREASURY MANAGEMENT STRATEGY STATEMENT, MINIMUM REVENUE PROVISION POLICY STATEMENT AND ANNUAL INVESTMENT STRATEGY 2024/2025

Summary

The Council is required to receive and approve a Treasury Management Strategy Statement; Annual Investment Strategy; and Minimum Revenue Provision Policy Statement which covers:

- The Treasury Management Strategy
- Capital plans, including prudential indicators
- A Minimum Revenue Provision (MRP) Policy
- An Investment Strategy

This report covers the requirements of the Local Government Act 2003, the Chartered Institute of Public Finance Accountants (CIPFA) Prudential Code, The Department of Levelling Up, Housing and Communities (DLUHC - this was formerly the Ministry of Housing, Communities and Local Government (MHCLG)), MRP Guidance, the CIPFA Treasury Management Code and the DLUHC Investment Guidance.

The Council's Treasury Advisor, Link Asset Services, provide a template document for the Treasury Management Strategy Statement, which is fully compliant with CIPFA's code and DLUHC's guidance. The Council has used this template in preparing this report.

This report looks at the period 2024-2028, which fits with the Council's Financial Plan and Capital Programme. Officers of the council have prepared the report based on their views of forecasts for interest rates, and have used information provided by the council's Treasury Management Advisor, Link Asset Services.

Recommendations

Cabinet is asked to recommend that Council approve:

- **The Treasury Management Strategy Statement 2024/2025, including treasury indicators for 2024-2028.**
- **The Minimum Revenue Provision Policy 2024/2025**
- **The Investment Strategy 2024/2025**

Reason for the Decision

The Council must have approved a Treasury Management Strategy Statement, Minimum Revenue Provision Policy Statement and Annual Investment Strategy 2024/2025 by 31 March 2024.

Treasury Management Strategy Statement

Minimum Revenue Provision Policy Statement and Annual Investment Strategy

2024/25

Including commercial activities / non treasury investments

INDEX

Introduction

1.1 Background

The Council is required to operate a balanced revenue budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low-risk counterparties or instruments commensurate with the Council's low risk appetite, providing adequate liquidity initially before considering investment return.

The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer-term cash flow planning, to ensure that it can meet its capital spending obligations. This management of longer-term cash may involve arranging long or short-term loans or using longer-term cash flow surpluses. On occasion, when it is prudent and economic, any debt previously drawn may be restructured to meet risk or cost objectives.

The contribution the treasury management function makes to the Council is critical, as the balance of debt and investment operations ensure liquidity or the ability to meet spending commitments as they fall due, either on day-to-day revenue or for larger capital projects. The treasury operations will see a balance of the interest costs of debt and the investment income arising from cash deposits affecting the available budget. Since cash balances generally result from reserves and balances, it is paramount to ensure adequate security of the sums invested, as a loss of principal will in effect result in a loss to the General Fund Balance.

CIPFA defines treasury management as:

> *"The management of the local authority's borrowing, investments and cash flows, including its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."*

Whilst any commercial initiatives or loans to third parties will impact on the treasury function, these activities are generally classed as non-treasury activities, (arising usually from capital expenditure), and are separate from the day-to-day treasury management activities.

1.2 Reporting Requirements

1.2.1 Capital Strategy

The CIPFA 2021 Prudential and Treasury Management Codes require all local authorities to prepare a Capital Strategy report which will provide the following: -

- 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

The aim of the strategy is to ensure that all the Council's elected members fully understand the overall long-term policy objectives and resulting Capital Strategy requirements, governance procedures and risk appetite.

1.2.2 Treasury Management Reporting

The Council is currently required to receive and approve, as a minimum, three main treasury reports each year, which incorporate a variety of policies, estimates and actuals.

- **Prudential and treasury indicators and treasury strategy** (this report) - The first, and most important report is forward looking and covers: -
  - the capital plans, (including prudential indicators)
  - a minimum revenue provision (MRP) policy, (how residual capital expenditure is charged to revenue over time)
  - the Treasury Management Strategy, (how the investments and borrowings are to be organised), including treasury indicators; and
  - an Annual Investment Strategy, (the parameters on how investments are to be managed)

- **A mid-year treasury management report** – This is primarily a progress report and will update members on the capital position, amending prudential indicators as necessary, and whether any policies require revision. In addition, this Authority will receive quarterly update reports.

- **An annual treasury report –** This is a backward-looking review document and provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.

Scrutiny
The above reports are required to be adequately scrutinised before being recommended to the Full Council. This role is undertaken by the Audit Committee.

Quarterly reports – In addition to the three major reports detailed above, from 2023/24 quarterly reporting (end of June/end of December) is also required. However, these additional reports do not have to be reported to Full Council but do require to be adequately scrutinised. This role is undertaken by the Audit Committee. (The reports, specifically, should comprise updated Treasury/Prudential Indicators.)

1.3 Treasury Management Strategy for 2024/25

The strategy for 2024/25 covers two main areas:

Capital issues
- the capital expenditure plans and the associated prudential indicators
- the minimum revenue provision (MRP) policy

Treasury management issues
- the current treasury positions
- treasury indicators which limit the treasury risk and activities of the Authority
- prospects for interest rates
- the borrowing strategy
- policy on borrowing in advance of need
- debt rescheduling

- the investment strategy
- creditworthiness policy; and
- the policy on use of external service providers

These elements cover the requirements of the Local Government Act 2003, DLUHC Investment Guidance, DLUHC MRP Guidance, the CIPFA Prudential Code and the CIPFA Treasury Management Code.

1.4 Training

The CIPFA Treasury Management Code requires the responsible officer to ensure that members with responsibility for treasury management receive adequate training in treasury management. This especially applies to members responsible for scrutiny.

Furthermore, pages 47 and 48 of the Code state that they expect "all organisations to have a formal and comprehensive knowledge and skills or training policy for the effective acquisition and retention of treasury management knowledge and skills for those responsible for management, delivery, governance and decision making.

The scale and nature of this will depend on the size and complexity of the organisation's treasury management needs. Organisations should consider how to assess whether treasury management staff and board/ council members have the required knowledge and skills to undertake their roles and whether they have been able to maintain those skills and keep them up to date.

As a minimum, authorities should carry out the following to monitor and review knowledge and skills:

- Record attendance at training and ensure action is taken where poor attendance is identified.
- Prepare tailored learning plans for treasury management officers and board/council members.
- Require treasury management officers and board/council members to undertake self-assessment against the required competencies (as set out in the schedule that may be adopted by the organisation).
- Have regular communication with officers and board/council members, encouraging them to highlight training needs on an ongoing basis."

In further support of the revised training requirements, CIPFA's Better Governance Forum and Treasury Management Network have produced a 'self-assessment by members responsible for the scrutiny of treasury management', which is available from the CIPFA website to download.

Councillors have been provided with training as below:

- Introduction to Finance 24 May 2023
- Audit Committee Treasury Management Training 7 September 2023

The training needs of Council's treasury management officers are periodically reviewed, and with full support being given for officers to attend workshops, courses and conferences that will keep their knowledge up to date.

1.5 Treasury Management Consultants

The Council uses Link Group, Link Treasury Services Limited as its external treasury management advisors.

The Council recognises that responsibility for treasury management decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon the services of our external service providers. All decisions will be undertaken with regards to all available information, including, but not solely, our treasury advisers.

It also recognises that there is value in employing external providers of treasury management services to acquire access to specialist skills and resources.

2. THE CAPITAL PRUDENTIAL INDICATORS 2024/25 – 2026/27

The Council's capital expenditure plans are the key driver of treasury management activity. The capital expenditure plans are reflected in the prudential indicators, which are designed to assist members' overview and confirm that the capital expenditure plans are prudent, affordable and sustainable.

2.1 Capital Expenditure and Financing

This prudential indicator is a summary of the Council's capital expenditure plans. (Capital Programme 2024-2028 to be considered by Council 22 February 2024, which is the same meeting that this report will be presented to).

	2023/2024 £	2024/2025 £	2025/2026 £	2026/2027 £	2027/2028 £
Major Projects	34,784,660	48,873,120	34,104,630	22,598,520	3,746,470
Community and Partnerships	2,410,810	2,290,000	2,260,000	2,260,000	2,260,000
Resources	287,970	258,740	450,000	300,000	150,000
Programme and Projects	200,000	-	-	-	-
Property and Projects	-	353,500	-	-	-
Operational and Commercial Services	1,898,060	1,260,200	692,440	348,570	180,000
Leisure and Community Facilities	923,130	574,480	235,000	185,000	-
Total	**40,504,630**	**53,610,040**	**37,742,070**	**25,692,090**	**6,336,470**
Major Projects (Exempt)	180,000	547,000	-	7,574,520	-
Total Capital Programme	**40,684,630**	**54,157,040**	**37,742,070**	**33,266,610**	**6,336,470**

The table below summarises the above capital expenditure plans and how these plans are being financed by capital or revenue resources. Any shortfall of resources results in a funding borrowing need.

Financing Capital Expenditure	2023/2024 £	2024/2025 £	2025/2026 £	2026/2027 £	2027/2028 £
Capital Receipts	20,922,763	14,863,252	27,052,400	29,531,310	605,960
Capital Grants	5,450,757	19,292,137	8,835,037	2,424,537	4,923,317
Capital Receipts Reserves	1,297,673	2,415,323	1,042,193	877,193	567,193
Reserves/Revenue Contributions	3,285,720	1,944,650	341,800	45,000	20,000
Unsupported Borrowing	1,723,260	540,030	470,640	388,570	220,000
Total	**32,680,173**	**39,055,392**	**37,742,070**	**33,266,610**	**6,336,470**
CFR Reduced/(Increased) by	**(8,004,457)**	**(15,101,648)**	**0**	**0**	**0**
Net financing need for the year	**8,004,457**	**15,101,648**	**0**	**0**	**0**

The Capital receipts above the are based on the schemes currently in development or already held for sale. The Councils lease a number of schemes to its company West Norfolk Housing Ltd. The tenure of these leases is under review and until the Business Plans for that company are ratified then provision for the sale of existing housing stock is not included in the above.

2.2 The Council's Borrowing Need (the Capital Financing Requirement)

The second prudential indicator is the Council's Capital Financing Requirement (CFR). The CFR is simply the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's indebtedness and so its underlying borrowing need. Any capital expenditure above, which has not immediately been paid for through a revenue or capital resource, will increase the CFR.

The CFR does not increase indefinitely, as the minimum revenue provision (MRP) is a statutory annual revenue charge which broadly reduces the indebtedness in line with each asset's life, and so charges the economic consumption of capital assets as they are used.

The Council is asked to approve the CFR projections below:

Capital Financing Requirement (CFR)	2023/2024 Estimate £ '000	2024/2025 Estimate £ '000	2025/2026 Estimate £ '000	2026/2027 Estimate £ '000	2027/2028 Estimate £ '000
Opening CFR	**51,510**	**58,570**	**72,466**	**71,222**	**69,964**
Additional CFR Expenditure	8,004	15,102	0	0	0
Net Financing Need Total	**59,514**	**73,671**	**72,466**	**71,222**	**69,964**
Less MRP and other financing movements	(945)	(1,206)	(1,244)	(1,258)	(1,261)
Closing CFR	**58,570**	**72,466**	**71,222**	**69,964**	**68,703**
Movement in CFR	7,060	13,896	(1,244)	(1,258)	(1,261)

2.3 Liability Benchmark

The Council is required to estimate and measure the Liability Benchmark (LB) for the forthcoming financial year and the following two financial years, as a minimum.

There are four components to the LB: -

1. **Existing loan debt outstanding**: the Council's existing loans that are still outstanding in future years.
2. **Loans CFR**: this is calculated in accordance with the loans CFR definition in the Prudential Code and projected into the future based on approved prudential borrowing and planned MRP.
3. **Net loans requirement**: this will show the Council's gross loan debt less treasury management investments at the last financial year-end, projected into the future and based on its approved prudential borrowing, planned MRP and any other major cash flows forecast.
4. **Liability benchmark** (or gross loans requirement): this equals net loans requirement plus short-term liquidity allowance.

2.4 Core Funds and Expected Investment Balances

The application of resources (capital receipts, reserves etc.) to either finance capital expenditure or other budget decisions to support the revenue budget will have an ongoing impact on investments unless resources are supplemented each year from new sources (asset sales etc.). Detailed below are estimates of the year-end balances for each resource and anticipated day-to-day cash flow balances.

Year End Resources	2023/2024 Estimate £ '000	2024/2025 Estimate £ '000	2025/2026 Estimate £ '000	2026/2027 Estimate £ '000	2027/2028 Estimate £ '000
General fund balances / ear marked reserves	(35,971)	(34,031)	(31,962)	(32,571)	(33,260)
Capital receipts	(3,722)	(1,457)	(4,714)	(8,667)	(11,586)
Provisions (Collection Fund)	(1,723)	(1,723)	(1,723)	(1,723)	(1,723)
Total core funds	**(41,416)**	**(37,211)**	**(38,399)**	**(42,961)**	**(46,569)**
Working capital	(11,902)	(11,902)	(11,902)	(11,902)	(11,902)
Internal Borrowing*	58,570	72,466	71,222	69,964	68,703
Expected external borrowings	**5,252**	**23,353**	**20,921**	**15,102**	**10,232**

2.5 Minimum Revenue Provision (MRP) Policy Statement

Under Regulation 27 of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003, where the Authority has financed capital expenditure by borrowing it is required to make a provision each year through a revenue charge (MRP).

The Council is required to calculate a prudent provision of MRP which ensures that the outstanding debt liability is repaid over a period that is reasonably commensurate with that over which the capital expenditure provides benefits. The MRP Guidance (2018) gives four ready-made options for calculating MRP, but the Authority can use any other reasonable basis that it can justify as prudent.

The MRP policy statement requires full council approval (or closest equivalent level) in advance of each financial year.

The Council is recommended to approve the following MRP Statement

- **Asset life method** – MRP will be based on the estimated life of the assets, in accordance with the regulations (this option must be applied for any expenditure capitalised under a Capitalisation Direction) which provides for a reduction in the borrowing need over approximately the asset's life.
- Capital expenditure incurred during 2023/24 will not be subject to an MRP charge until 2024/25, or in the year after the asset becomes operational.

MRP Overpayments - Under the MRP guidance, any charges made in excess of the statutory MRP can be made, known as **voluntary revenue provision (VRP).**

VRP can be reclaimed in later years if deemed necessary or prudent. In order for these amounts to be reclaimed for use in the budget, this policy must disclose the cumulative overpayment made each year.

3. BORROWING

The capital expenditure plans set out in Section 2 provide details of the service activity of the Council. The treasury management function ensures that the Council's cash is organised in accordance with the relevant professional codes, so that sufficient cash is available to meet this service activity and the Council's Capital Strategy. This will involve both the organisation of the cash flow and, where capital plans require, the organisation of appropriate borrowing facilities. The strategy covers the relevant treasury / prudential indicators, the current and projected debt positions, and the Annual Investment Strategy.

The Council's forward projections for borrowing are summarised below. The table shows the actual external debt, against the underlying capital borrowing need, (the Capital Financing Requirement – CFR) highlighting any over or under borrowing.

Year End Resources	2023/2024 Estimate £ '000	2024/2025 Estimate £ '000	2025/2026 Estimate £ '000	2026/2027 Estimate £ '000	2027/2028 Estimate £ '000
External Debt					
Debt at 1 April	10,202	18,206	33,308	33,308	33,308
Expected change in Debt	8,004	15,102	0	0	0
Actual gross debt at 31 March	**18,206**	**33,308**	**33,308**	**33,308**	**33,308**
The Capital Financing Requirement (Cumulative)	58,570	72,466	71,222	69,964	68,703
BORROWING	**40,363**	**39,158**	**37,914**	**36,656**	**35,395**

External borrowing requirements will be reviewed at the time that the funding is required.

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 to provide affordable housing.

- West Norfolk Property Limited to provide housing to rent on a commercial basis. At least 20% of Private Rented Sector housing developments for all large and urban developments to be retained by the Council subject to monitoring and reviews.

The Council are recommended to approve the principle of borrowing in order to lend to its own companies. Funding will only be available for a company where the Council has a controlling interest in the company. In doing so the Council will have regard for:

- Subsidy control regulations, for example providing the loan at a rate reflective of market rates.
- Affordability with regard to the company business plan.
- Any "risk premium" in addition to the interest rate, to reflect affordability levels and trading history.
- The Council will place a charge against any assets of the company as security for the loan.

In addition to the above the Board of each company shall undertake its own due diligence to determine the appropriateness and affordability of accessing loans from the Council.

Within the range of prudential indicators there are several key indicators to ensure that the Council operates its activities within well-defined limits. One of these is that the Council needs to ensure that its gross debt does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2024/25 and the following two financial years. This allows some flexibility for limited early borrowing for future years but ensures that borrowing is not undertaken for revenue or speculative purposes.

The S151 Officer reports that the Council complied with this prudential indicator in the current year and does not envisage difficulties for the future. This view takes into account current commitments, existing plans, and the proposals in this report.

3.1 Treasury Indicators: Limits to Borrowing Activity

The Operational Boundary. This is the limit beyond which external debt is not normally expected to exceed. In most cases, this would be a similar figure to the CFR, but may be lower or higher depending on the levels of actual debt and the ability to fund under-borrowing by other cash resources.

Operational boundary	2023/2024 Estimate £ '000	2024/2025 Estimate £ '000	2025/2026 Estimate £ '000	2026/2027 Estimate £ '000	2027/2028 Estimate £ '000
Debt	59,000	73,000	72,000	70,000	69,000
Other long term liabilities	1,000	1,000	1,000	1,000	1,000
Total	**60,000**	**74,000**	**73,000**	**71,000**	**70,000**

The authorised limit for external debt. This is a key prudential indicator and represents a control on the maximum level of borrowing. This represents a legal limit beyond which external debt is prohibited, and this limit needs to be set or revised by the full Council. It reflects the level of external debt which, while not desired, could be afforded in the short-term, but is not sustainable in the longer-term.

- This is the statutory limit determined under section 3 (1) of the Local Government Act 2003. The Government retains an option to control either the total of all local authority plans, or those of a specific authority, although this power has not yet been exercised.
- The Authority is asked to approve the following Authorised Limit:

Authorised Limit	2023/2024 Estimate £ '000	2024/2025 Estimate £ '000	2025/2026 Estimate £ '000	2026/2027 Estimate £ '000	2027/2028 Estimate £ '000
Debt	64,000	78,000	77,000	75,000	74,000
Other long term liabilities	1,000	1,000	1,000	1,000	1,000
Total	**65,000**	**79,000**	**78,000**	**76,000**	**75,000**

3.2 Prospects for Interest Rates

The Council has appointed Link Group as its treasury advisor and part of their service is to assist the Authority to formulate a view on interest rates. Link provided the following forecasts on 07 November 2023. These are forecasts for Bank Rate, average earnings and PWLB certainty rates, gilt yields plus 80 bps.

Link Group Interest Rate View	07.11.23												
	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26
BANK RATE	5.25	5.25	5.25	5.00	4.50	4.00	3.50	3.25	3.00	3.00	3.00	3.00	3.00
3 month ave earnings	5.30	5.30	5.30	5.00	4.50	4.00	3.50	3.30	3.00	3.00	3.00	3.00	3.00
6 month ave earnings	5.60	5.50	5.40	5.10	4.60	4.10	3.60	3.40	3.10	3.10	3.10	3.10	3.10
12 month ave earnings	5.80	5.70	5.50	5.20	4.70	4.20	3.70	3.50	3.30	3.30	3.30	3.30	3.30
5 yr PWLB	5.00	4.90	4.80	4.70	4.40	4.20	4.00	3.80	3.70	3.60	3.50	3.50	3.50
10 yr PWLB	5.10	5.00	4.80	4.70	4.40	4.20	4.00	3.80	3.70	3.70	3.60	3.60	3.50
25 yr PWLB	5.50	5.30	5.10	4.90	4.70	4.50	4.30	4.20	4.10	4.10	4.00	4.00	4.00
50 yr PWLB	5.30	5.10	4.90	4.70	4.50	4.30	4.10	4.00	3.90	3.90	3.80	3.80	3.80

Additional notes by Link on this forecast table: -

- Our central forecast for interest rates was previously updated on 25 September and reflected a view that the MPC would be keen to further demonstrate its anti-inflation credentials by keeping Bank Rate at 5.25% until at least H2 2024. We expect rate cuts to start when both the CPI inflation and wage/employment data are supportive of such a move, and that there is a likelihood of the overall economy enduring at least a mild recession over the coming months, although most recent GDP releases have surprised with their on-going robustness.
- Naturally, timing on this matter will remain one of fine judgment: cut too soon, and inflationary pressures may well build up further; cut too late and any downturn or recession may be prolonged.
- In the upcoming months, our forecasts will be guided not only by economic data releases and clarifications from the MPC over its monetary policies and the Government over its fiscal policies, but also international factors such as policy development in the US and Europe, the provision of fresh support packages to support the faltering recovery in China as well as the on-going conflict between Russia and Ukraine, and Gaza and Israel.
- On the positive side, consumers are still anticipated to be sitting on some excess savings left over from the pandemic, which could cushion some of the impact of the above challenges and may be the reason why the economy is performing somewhat better at this stage of the economic cycle than may have been expected. However, as noted previously, most of those excess savings are held by more affluent households whereas lower income families already spend nearly all their income on essentials such as food, energy and rent/mortgage payments.

PWLB RATES

- Gilt yield curve movements have broadened since our last Newsflash. The short part of the curve has not moved far but the longer-end continues to reflect inflation concerns. At the time of writing there is 60 basis points difference between the 5 and 50 year parts of the curve.

The balance of risks to the UK economy: -

- The overall balance of risks to economic growth in the UK is to the downside.

Downside risks to current forecasts for UK gilt yields and PWLB rates include: -

- **Labour and supply shortages** prove more enduring and disruptive and depress economic activity (accepting that in the near-term this is also an upside risk to inflation and, thus, could keep gilt yields high for longer).

- **The Bank of England** has increased Bank Rate too fast and too far over recent months, and subsequently brings about a deeper and longer UK recession than we currently anticipate.

- **UK / EU trade arrangements** – if there was a major impact on trade flows and financial services due to complications or lack of co-operation in sorting out significant remaining issues.

- **Geopolitical risks,** for example in Ukraine/Russia, the Middle East, China/Taiwan/US, Iran and North Korea, which could lead to increasing safe-haven flows.

Upside risks to current forecasts for UK gilt yields and PWLB rates: -

- Despite the recent tightening to 5.25%, the **Bank of England proves too timid** in its pace and strength of increases in Bank Rate and, therefore, allows inflationary pressures to remain elevated for a longer period within the UK economy, which then necessitates Bank Rate staying higher for longer than we currently project.

- **The pound weakens** because of a lack of confidence in the UK Government's pre-election fiscal policies, resulting in investors pricing in a risk premium for holding UK sovereign debt.

- Longer-term **US treasury yields** rise strongly if inflation remains more stubborn there than the market currently anticipates, consequently pulling gilt yields up higher. (We saw some movements of this type through October although generally reversed in the last week or so.)

- Projected **gilt issuance, inclusive of natural maturities and QT,** could be too much for the markets to comfortably digest without higher yields compensating.

LINK GROUP FORECASTS

We now expect the MPC will keep Bank Rate at 5.25% for the remainder of 2023 and the first half of 2024 to combat on-going inflationary and wage pressures. We do not think that the MPC will increase Bank Rate above 5.25%, but it is possible.

Gilt yields and PWLB rates

The overall longer-run trend is for gilt yields and PWLB rates to fall back over the timeline of our forecasts, as inflation starts to fall through the remainder of 2023 and into 2024.

Our target borrowing rates are set **two years forward** (as we expect rates to fall back) and the current PWLB (certainty) borrowing rates are set out overleaf: -

PWLB debt	Current borrowing rate as at 06.11.23 p.m.	Target borrowing rate now (end of Q3 2025)	Target borrowing rate previous (end of Q3 2025)
5 years	5.02%	3.80%	3.90%
10 years	5.15%	3.80%	3.80%
25 years	5.61%	4.20%	4.10%
50 years	5.38%	4.00%	3.90%

Borrowing advice: Our long-term (beyond 10 years) forecast for Bank Rate has increased from 2.75% to 3% and reflects Capital Economics' research that suggests AI and general improvements in productivity will be supportive of a higher neutral interest rate. As all PWLB certainty rates are currently significantly above this level, borrowing strategies will need to be reviewed in that context. Overall, better value can generally be obtained at the shorter end of the curve and short-dated fixed LA to LA monies should be considered. Temporary borrowing rates will remain elevated for some time to come but may prove the best option whilst the market continues to wait for inflation, and therein gilt yields, to drop back later in 2024.

Our suggested budgeted earnings rates for investments up to about three months' duration in each financial year are rounded to the nearest 10bps and set out below. You will note that investment earnings have been revised somewhat higher for all years from 2025/26 as Bank Rate remains higher for longer.

Average earnings in each year	Now	Previously
2023/24 (residual)	5.30%	5.30%
2024/25	4.70%	4.70%
2025/26	3.20%	3.00%
2026/27	3.00%	2.80%
2027/28	3.25%	3.05%
Years 6 to 10	3.25%	3.05%
Years 10+	3.25%	3.05%

As there are so many variables at this time, caution must be exercised in respect of all interest rate forecasts.

Our interest rate forecast for Bank Rate is in steps of 25 bps, whereas PWLB forecasts have been rounded to the nearest 10 bps and are central forecasts within bands of + / - 25 bps. Naturally, we continue to monitor events and will update our forecasts as and when appropriate.

3.3 Borrowing Strategy

The Council is currently maintaining an under-borrowed position. This means that the capital borrowing need, (the Capital Financing Requirement), has not been fully funded with loan debt as cash supporting the Council's reserves, balances and cash flow has been used as a temporary measure. This strategy is prudent as medium and longer dated borrowing rates are expected to fall from their current levels once prevailing inflation concerns are addressed by tighter near-term monetary policy. That is, Bank Rate remains elevated through to the second half of 2024.

Against this background and the risks within the economic forecast, caution will be adopted with the 2024/25 treasury operations. The Director of Finance will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances:

- *if it was felt that there was a significant risk of a sharp FALL in borrowing rates,* then borrowing will be postponed.

- *if it was felt that there was a significant risk of a much sharper RISE in borrowing rates than that currently forecast,* fixed rate funding will be drawn whilst interest rates are lower than they are projected to be in the next few years.

Any decisions will be reported to the appropriate decision-making body at the next available opportunity.

3.4 Policy on Borrowing in Advance of Need

The Council will not borrow more than or in advance of its needs purely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be within forward approved Capital Financing Requirement estimates and will be considered carefully to ensure that value for money can be demonstrated and that the Council can ensure the security of such funds.

Risks associated with any borrowing in advance activity will be subject to prior appraisal and subsequent reporting through the mid-year or annual reporting mechanism.

3.5 Debt Rescheduling

Rescheduling of current borrowing in our debt portfolio may be considered whilst premature redemption rates remain elevated but only if there is surplus cash available to facilitate any repayment, or rebalancing of the portfolio to provide more certainty is considered appropriate.

If rescheduling is to be undertaken, it will be reported to the Audit Committee , at the earliest meeting following its action.

3.6 New Financial Institutions as a Source of Borrowing and / or Types of Borrowing

Currently the PWLB Certainty Rate is set at gilts + 80 basis points. However, consideration may still need to be given to sourcing funding from the following sources for the following reasons:

- Local authorities (primarily shorter dated maturities out to 3 years or so – generally still cheaper than the Certainty Rate).

- Financial institutions (primarily insurance companies and pension funds but also some banks, out of forward dates where the objective is to avoid a “cost of carry” or to achieve refinancing certainty over the next few years).

Our advisors will keep us informed as to the relative merits of each of these alternative funding sources.

4 ANNUAL INVESTMENT STRATEGY

4.1 Investment Policy – Management of Risk

The Department of Levelling Up, Housing and Communities (DLUHC - this was formerly the Ministry of Housing, Communities and Local Government (MHCLG)) and CIPFA have extended the meaning of 'investments' to include both financial and non-financial investments. This report deals solely with treasury (financial) investments, (as managed by the treasury management team). Non-financial investments, essentially the purchase of income yielding assets and service investments, are covered in the Capital Strategy, (a separate report).

The Council's investment policy has regard to the following: -

- DLUHC's Guidance on Local Government Investments ("the Guidance")
- CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2021 ("the Code")
- CIPFA Treasury Management Guidance Notes 2021

The Council's investment priorities will be security first, portfolio liquidity second and then yield (return). The Council will aim to achieve the optimum return (yield) on its investments commensurate with proper levels of security and liquidity and with regard to the Council's risk appetite.

<u>Environmental, Social and Governance (ESG)</u>
The Authority aims to be a responsible investor and will consider environmental, social and governance (ESG) issues when investing. Investments Environmental, social and governance (ESG) considerations are increasingly a factor in global investors' decision making, but the framework for evaluating investment opportunities is still developing and therefore the Council's ESG considerations do not currently include ESG scoring or other real-time ESG criteria at an individual investment level. Officers will continue to monitor and evaluate ESG investment opportunities, and these may be incorporated into future investment strategies subject to yield and security. Given the limited range of counterparties the Council can use for its investments and that borrowing is mainly from the Government there are limited opportunities to apply ESG principles in this Strategy.

In the current economic climate, it is considered appropriate to maintain a degree of liquidity to cover cash flow needs but to also consider "laddering" investments for periods up to 12 months with high credit rated financial institutions, whilst investment rates remain elevated, as well as wider range fund options.

The above guidance from the DLUHC and CIPFA places a high priority on the management of risk. This Authority has adopted a prudent approach to managing risk and defines its risk appetite by the following means: -

1. Minimum acceptable **credit criteria** are applied in order to generate a list of highly creditworthy counterparties. This also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the short-term and long-term ratings.

2. **Other information:** ratings will not be the sole determinant of the quality of an institution; it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take

account of information that reflects the opinion of the markets. To achieve this consideration the Council will engage with its advisors to maintain a monitor on market pricing such as **“credit default swaps”** and overlay that information on top of the credit ratings.

3. **Other information sources** used will include the financial press, share price and other such information pertaining to the financial sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.

4. This Council has defined the list of **types of investment instruments** that the treasury management team are authorised to use. There are two lists in Appendix 5.4 under the categories of ‘specified’ and ‘non-specified’ investments.

   Specified investments are those with a high level of credit quality and subject to a maturity limit of one year or have less than a year left to run to maturity, if originally they were classified as being non-specified investments solely due to the maturity period exceeding one year.

   Non-specified investments are those with less high credit quality, may be for periods in excess of one year, and/or are more complex instruments which require greater consideration by members and officers before being authorised for use.

5. The Prudential code (2021) defines the investment types (we currently only hold Investments for treasury management purposes.) in the following categories:

   ‘Investments for treasury management purposes’ (or treasury management investments) are those investments that arise from the organisation’s cash flows or treasury risk management activity, and ultimately represent balances that need to be invested until the cash is required for use in the course of business.
   • Treasury investments may include an allowance for a reasonable level of short-term investments to provide access to liquidity.
   • Treasury investments may also include the investment of borrowing proceeds where it has been prudent for an organisation to borrow in advance of the need for cash, e.g. in order to reduce financing and interest rate risks.
   • Treasury investments may also arise from other treasury management activity that seeks to prudently manage the risks, costs or income relating to existing or forecast debt or treasury investments.
   • Treasury management investments should always be on commercial terms and will rarely constitute capital expenditure for local authorities.
   • For organisations with long-term surplus cash, this category may include long-term investments such as equities, bonds and property, whether accessed through a fund or directly, but unless there is a link to cash flow management or treasury risk management activity, it is likely that such investments would be for commercial purposes, i.e. primarily for financial return.

   ‘Investments for commercial purposes’ (or commercial investments) are taken or held primarily for financial return and are not linked to treasury management activity or directly part of delivering services.

• This includes non-financial assets such as commercial property, where they are held primarily for financial return.
• For local authorities, investments of this type will usually constitute capital expenditure.
• ‘Commercial’ in this context refers to the purpose of the investment. Commercial investments are not taken to meet treasury management cash flow needs, and do not result from treasury risk management activity to prudently manage the risks, costs or income from existing or forecast debt or treasury investments. They are additional investments voluntarily taken primarily in order to generate net financial return or profit.

‘Investments for service purposes’ (or service investments) are taken or held primarily and directly for the delivery of public services (including housing, regeneration and local infrastructure) or in support of joint working with others to deliver such services.
• Service investments may or may not involve financial returns; however, obtaining those returns will not be the primary purpose of the investment.
• For local authorities, service investments will normally constitute capital expenditure, and it may be appropriate to borrow to finance service investments.

6. **Non-specified and loan investment limits.** The Authority has determined that it will set a limit to the maximum exposure of the total treasury management investment portfolio to non-specified investments as being £4 million of the total investment portfolio (see paragraph 4.3) (

7. **Lending limits**, (amounts and maturity), for each counterparty will be set through applying the matrix table in paragraph 4.2.

8. **Transaction limits** are set for each type of investment in 4.2.

9. This Council will set a limit for its investments which are invested for **longer than 365 days**, (see paragraph 4.4).

10. Investments will only be placed with counterparties from countries with a specified minimum **sovereign rating**, (see paragraph 4.3).

11. This Council has engaged **external consultants**, (see paragraph 1.5), to provide expert advice on how to optimise an appropriate balance of security, liquidity and yield, given the risk appetite of this Council in the context of the expected level of cash balances and need for liquidity throughout the year.

12. All investments will be denominated in **sterling**.

13. As a result of the change in accounting standards for 2023/24 under IFRS 9, this Council will consider the implications of investment instruments which could result in an adverse movement in the value of the amount invested and resultant charges at the end of the year to the General Fund. (In November 2018, the MHCLG, concluded a consultation for a temporary override to allow English local authorities time to adjust their portfolio of all pooled investments by announcing a statutory override to delay implementation of IFRS 9 for five years ending 31.3.23. More recently, a further extension to the over-ride to 31.3.25 has been agreed by Government.

However, this Authority will also pursue **value for money** in treasury management and will monitor the yield from investment income against appropriate benchmarks for investment performance, (see paragraph 4.5). Regular monitoring of investment performance will be carried out during the year.

Changes in risk management policy from last year.

The above criteria are unchanged from last year

4.2 Creditworthiness Policy

This Council applies the creditworthiness service provided by the Link Group. This service employs a sophisticated modelling approach utilising credit ratings from the three main credit rating agencies - Fitch, Moody's and Standard & Poor's. The credit ratings of counterparties are supplemented with the following overlays: -

1. "watches" and "outlooks" from credit rating agencies;
2. CDS spreads that may give early warning of changes in credit ratings;
3. sovereign ratings to select counterparties from only the most creditworthy countries.

This modelling approach combines credit ratings, and any assigned Watches and Outlooks, in a weighted scoring system which is then combined with an overlay of CDS spreads. The end-product of this is a series of colour coded bands which indicate the relative creditworthiness of counterparties. These colour codes are used by the Authority to determine the suggested duration for investments. The Authority will, therefore, use counterparties within the following durational bands.

- Yellow 5 years *
- Dark pink 5 years for Ultra-Short Dated Bond Funds with a credit score of 1.25
- Light pink 5 years for Ultra-Short Dated Bond Funds with a credit score of 1.5
- Purple 2 years
- Blue 1 year (only applies to nationalised or semi nationalised UK Banks)
- Orange 1 year
- Red 6 months
- Green 100 days
- No colour not to be used

The Link creditworthiness service uses a wider array of information other than just primary ratings. Furthermore, by using a risk weighted scoring system, it does not give undue preponderance to just one agency's ratings.

Typically, the minimum credit ratings criteria the Authority uses will be a short-term rating (Fitch or equivalents) of F1 and a long-term rating of A-. There may be occasions when the counterparty ratings from one rating agency are marginally lower than these ratings but may still be used. In these instances, consideration will be given to the whole range of ratings available, or other topical market information, to support their use.

All credit ratings will be monitored The Authority is alerted to changes to ratings of all three agencies through its use of the Link creditworthiness service.

- if a downgrade results in the counterparty / investment scheme no longer meeting the Council's minimum criteria, its further use as a new investment will be withdrawn immediately.

- in addition to the use of credit ratings the Council will be advised of information in movements in Credit Default Swap spreads against the iTraxx European Senior Financials benchmark and other market data on a daily basis via its Passport website, provided exclusively to it by Link. Extreme market movements may result in downgrade of an institution or removal from the Council's lending list.

Sole reliance will not be placed on the use of this external service. In addition, this Council will also use market data and market information, as well as information on any external support for banks to help support its decision-making process.

Y	Pi1	Pi2	P	B	O	R	G	N/C
1	1.25	1.5	2	3	4	5	6	7
Up to 5yrs	Up to 5yrs	Up to 5yrs	Up to 2yrs	Up to 1yr	Up to 1yr	Up to 6mths	Up to 100days	No Colour

Counterparties	Colour (and long-term rating where applicable)	Money per institution Limit	Time Limit
Banks *	yellow	£2m	5yrs
Banks	purple	£4m	2 yrs
Banks	orange	£4m	1 yr
Banks – part nationalised	blue	£4m	1yr
Banks	red	£4m	6 mths
Banks	green	£4m	100 days
Banks	No colour	Not to be used	
DMADF (Debt Management Account Deposit Facility)	UK sovereign rating	Unlimited	6 months
Local authorities	yellow	£10m	Unlimited
Local Authorities Companies which are 100% owned by the Borough Council King's Lynn and West Norfolk	N/A	£50m	Unlimited
	Fund rating	Money and/or % Limit	Time Limit
Money Market Funds CNAV	AAA	£4m	liquid
Money Market Funds LVNAV	AAA	£4m	liquid
Money Market Funds VNAV	AAA	£4m	liquid

Ultra-Short Dated Bond Funds with a credit score of 1.25	**Dark pink / AAA**	**£3m**	**liquid**
Ultra-Short Dated Bond Funds with a credit score of 1.50	**Light pink / AAA**	**£3m**	**liquid**

** Please note: the yellow colour category is for UK Government debt, or its equivalent, money market funds and collateralised deposits where the collateral is UK Government debt – see appendix 5.4.*
*** Please note: "fund" ratings are different to individual counterparty ratings, coming under either specific "MMF" or "Bond Fund" rating criteria.*

Limits
Due care will be taken to consider the exposure of the Council's total investment portfolio to non-specified investments, countries, groups and sectors.

a. **Non-specified treasury management investment limit.** The Council has determined that it will limit the maximum total exposure of treasury management investments to non-specified treasury management investments as being £4m of the total treasury management investment portfolio.

b. **Country limit.** The Council has determined that it will only use approved counterparties from the UK and from countries with a **minimum sovereign credit rating of *AA*** from Fitch. The list of countries that qualify using this credit criteria as at the date of this report are shown in Appendix 5.6. This list will be added to, or deducted from, by officers should ratings change in accordance with this policy.

Other limits. In addition: -

- no more than £4m will be placed with any non-UK country at any time;
- limits in place above will apply to a group of companies/
- sector limits will be monitored regularly for appropriateness.

4.3 Investment Strategy

In-house funds. Investments will be made with reference to the core balance and cash flow requirements and the outlook for short-term interest rates (i.e., rates for investments up to 12 months). Greater returns are usually obtainable by investing for longer periods. The current shape of the yield curve suggests that is the case at present, but there is the prospect of Bank Rate having peaked in the second half of 2023 and possibly reducing as early as the second half of 2024 so an agile investment strategy would be appropriate to optimise returns.

Accordingly, while most cash balances are required in order to manage the ups and downs of cash flow, where cash sums can be identified that could be invested for longer periods, the value to be obtained from longer-term investments will be carefully assessed.

Investment returns expectations.

The current forecast shown in paragraph 3.3, includes a forecast for Bank Rate to have peaked at 5.25% in Q4 2023.

The suggested budgeted investment earnings rates for returns on investments placed for periods up to about three months during each financial year are as follows: -

Average earnings in each year	
2023/24 (residual)	5.30%
2024/25	4.70%
2025/26	3.20%
2026/27	3.00%
2027/28	3.25%
Years 6 to 10	3.25%
Years 10+	3.25%

As there are so many variables at this time, caution must be exercised in respect of all interest rate forecasts.

Investment treasury indicator and limit - total principal funds invested for greater than 365 days. These limits are set with regard to the Council's liquidity requirements and to reduce the need for early sale of an investment and are based on the availability of funds after each year-end.

The Authority is asked to approve the following treasury indicator and limit: -

Upper limit for principal sums invested for longer than 365 days			
£m	**2024/25**	**2025/26**	**2026/27**
Principal sums invested for longer than 365 days	£4m	£4m	£4m
With Local Authorities	£10m	£10m	£10m
With Local Authority companies which are 100% owned by BCKLWN	£12m	£12m	£12m
Current investments as at *31/12/2023* in excess of 1 year maturing in each year		£4m	

4.4 End of Year Investment Report

At the end of the financial year, the Council will report on its investment activity as part of its Annual Treasury Report.

4.6 Financial Implications

The financial implications of the borrowing and investment strategy and MRP are reflected in the financing adjustment figure included in the Financial Plan 2023-2028 to be approved at Council on xx February 2024

The accounting treatment may differ from the underlying cash transactions arising from investment decisions made by this council. To ensure that the council is protected from any adverse revenue impact, which may arise from these differences, we will review the accounting implications of new transactions before they are undertaken.

4.7 Risk Management Implications

There are elements of risk in dealing with the treasury management function although the production and monitoring of such controls as Prudential Indicators and Treasury Management Strategies help to reduce the exposure of the council to the market. The costs and returns on borrowing and investment are in themselves a reflection of risk that is seen by the market forces. The action and controls outlined in the report will provide for sound financial and performance management procedures.

4.8 Policy Implications

There are no other changes in the Treasury Management policy at present, other than those outlined in this report. Appendices 5.6 and 5.7 detail the treasury management scheme of delegation and the role of the Section 151 Officer.

4.9 Statutory Considerations

The council must set Prudential Indicators and adopt a Treasury Management Strategy and Annual investment Strategy before 31 March 2024.

4.10 Access to Information

Monthly Monitoring reports 2022/2023 and 2023/2024
The Financial Plan 2024-2028
Capital Programme 2024-2028
Council Website – Treasury Management Practices
Capital Strategy 2023/2024 and 2024/2025

5 APPENDICES

1. Prudential and treasury indicators

2. Economic background

3. Treasury management practice 1 – credit and counterparty risk management (option 1)

4. Approved countries for investments

5. Treasury management scheme of delegation

6. The treasury management role of the section 151 officer

Appendix 1 - THE CAPITAL PRUDENTIAL AND TREASURY INDICATORS 2024/25 – 2026/27

The Council's capital expenditure plans are the key driver of treasury management activity. The output of the capital expenditure plans is reflected in the prudential indicators, which are designed to assist members' overview and confirm capital expenditure plans.

5.1.1 Capital Expenditure

	2023/2024 £	2024/2025 £	2025/2026 £	2026/2027 £	2027/2028 £
Major Projects	34,784,660	48,873,120	34,104,630	22,598,520	3,746,470
Community and Partnerships	2,410,810	2,290,000	2,260,000	2,260,000	2,260,000
Resources	287,970	258,740	450,000	300,000	150,000
Programme and Projects	200,000	-	-	-	-
Property and Projects	-	353,500	-	-	-
Operational and Commercial Services	1,898,060	1,260,200	692,440	348,570	180,000
Leisure and Community Facilities	923,130	574,480	235,000	185,000	-
Total	**40,504,630**	**53,610,040**	**37,742,070**	**25,692,090**	**6,336,470**
Major Projects (Exempt)	180,000	547,000	-	7,574,520	-
Total Capital Programme	**40,684,630**	**54,157,040**	**37,742,070**	**33,266,610**	**6,336,470**

5.1.2 Affordability Prudential Indicators

The previous sections cover the overall capital and control of borrowing prudential indicators, but within this framework prudential indicators are required to assess the affordability of the capital investment plans. The Council is developing further indicators namely :-

- **The Liability Benchmark**. Which effectively shows the net borrowing requirement of a local authority plus a liquidity allowance. It attempts to project the balance sheet for into the future taking account of the Capital programme.
- **Balance Sheet short term liabilities compared to its assets**. This will be backward looking and extracted from the Council's Statement of accounts. Intended to demonstrate the extent to which its assets (by type) outweigh the liabilities.

These additional measures will be developed and reported in the Council's Quarterly budget Monitoring reports and reported to Audit Committee within the Quarterly Treasury Monitoring report.

The Following existing indicators provide an indication of the impact of the capital investment plans on the Council's overall finances. The Council is asked to approve the following indicators: -

Ratio of Financing Costs to Net Revenue Stream

This indicator identifies the trend in the cost of capital, (borrowing and other long-term obligation costs net of investment income), against the net revenue stream.

%	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate
Services	1.37%	2.25%	3.42%	3.67%	3.68%
Commercial activities	0.00%	0.00%	0.00%	0.00%	0.00%

The estimates of financing costs include current commitments and the proposals in this budget report.

5.1.3 Maturity Structure of Borrowing

Maturity structure of borrowing. These gross limits are set to reduce the Council's exposure to large, fixed rate sums falling due for refinancing, and are required for upper and lower limits.

The Council is asked to approve the following treasury indicators and limits: -

£m	2023/24	2024/25	2025/26	2026/27	2027/28
Interest rate exposures					
	Upper	**Upper**	**Upper**	**Upper**	**Upper**
Limits on fixed interest rates based on net debt	100%	100%	100%	100%	100%
Limits on variable interest rates based on net debt	40%	40%	40%	40%	40%

Maturity structure of fixed interest rate borrowing 2024/25			
	Lower	**Upper**	**£m**
Under 12 months	0%	100%	-
12 months to 2 years	0%	100%	-
2 years to 50 years	0%	100%	-
50 years +	0%	100%	10

Appendix 2 - ECONOMIC BACKGROUND

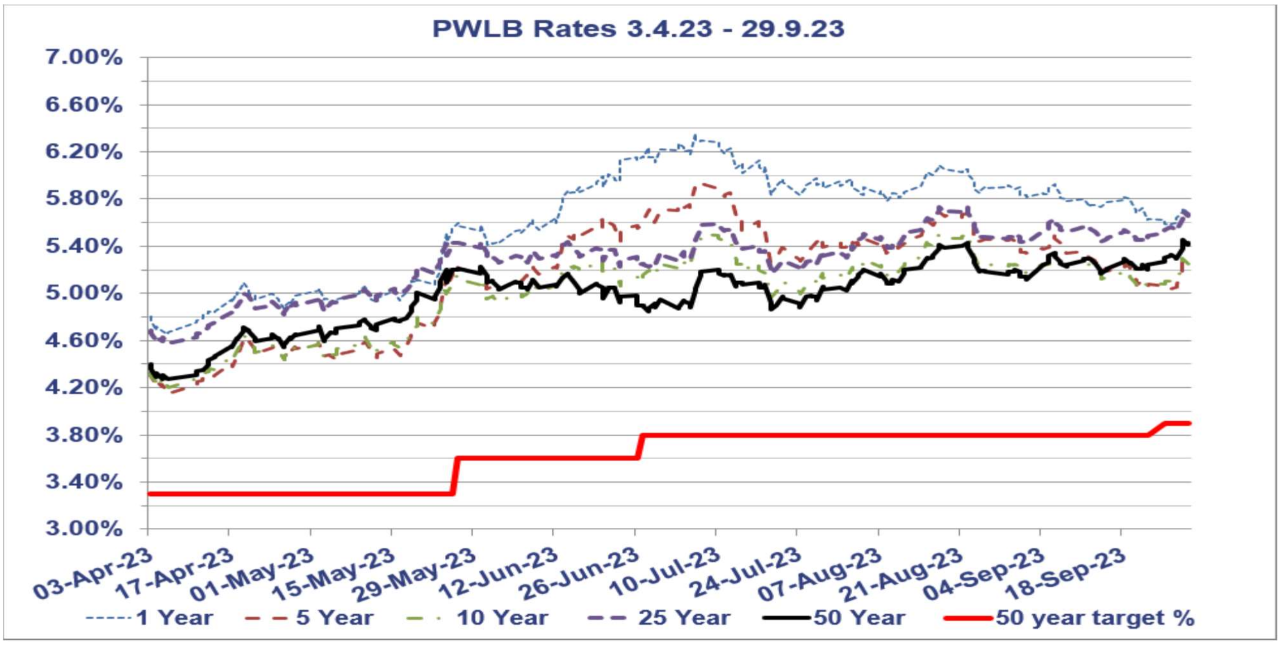
- The first half of 2023/24 saw:
  - Interest rates rise by a further 100bps, taking Bank Rate from 4.25% to 5.25% and, possibly, the peak in the tightening cycle.
  - Short, medium and long-dated gilts remain elevated as inflation continually surprised to the upside.
  - CPI inflation falling from 8.7% in April to 6.7% in September, its lowest rate since February 2022, but still the highest in the G7.
  - Core CPI inflation declining to 6.1% in September from 7.1% in April and May, a then 31 years high.
  - A cooling in labour market conditions, but no evidence yet that it has led to an easing in wage growth (as the 3myy growth of average earnings rose by 7.8% for the period June to August, excluding bonuses).
- The registering of 0% GDP for Q3 suggests that underlying growth has lost momentum since earlier in the year. Some of the weakness in July was due to there being almost twice as many working days lost to strikes in July (281,000) than in June (160,000). But with output falling in 10 out of the 17 sectors, there is an air of underlying weakness.
- The fall in the composite Purchasing Managers Index from 48.6 in August to 46.7 in September left it at its lowest level since COVID-19 lockdowns reduced activity in January 2021. At face value, it is consistent with the 0% q/q rise in real GDP in the period July to September, being followed by a contraction in the next couple of quarters.
- The 0.4% m/m rebound in retail sales volumes in August is not as good as it looks as it partly reflected a pickup in sales after the unusually wet weather in July. Sales volumes in August were 0.2% below their level in May, suggesting much of the resilience in retail activity in the first half of the year has faded.
- As the growing drag from higher interest rates intensifies over the next six months, we think the economy will continue to lose momentum and soon fall into a mild recession. Strong labour demand, fast wage growth and government handouts have all supported household incomes over the past year. And with CPI inflation past its peak and expected to decline further, the economy has got through the cost-of- living crisis without recession. But even though the worst of the falls in real household disposable incomes are behind us, the phasing out of financial support packages provided by the government during the energy crisis means real incomes are unlikely to grow strongly. Higher interest rates will soon bite harder too. We expect the Bank of England to keep interest rates at the probable peak of 5.25% until the second half of 2024. Mortgage rates are likely to stay above 5.0% for around a year.
- The tightness of the labour market continued to ease, with employment in the three months to July falling by 207,000. The further decline in the number of job vacancies from 1.017m in July to 0.989m in August suggests that the labour market has loosened a bit further since July. That is the first time it has fallen below 1m since July 2021. At 3.0% in July, and likely to have fallen to 2.9% in August, the job vacancy rate is getting closer to 2.5%, which would be consistent with slower wage growth. Meanwhile, the 48,000 decline in the supply of workers in the three months to July offset some of the loosening in the tightness of the labour market. That was due to a 63,000 increase in inactivity in the three months to July as more people left the labour market due to long term sickness or to enter education. The supply of labour is still 0.3% below its pre-pandemic February 2020 level.
- But the cooling in labour market conditions still has not fed through to an easing in wage growth. The headline 3myy rate rose 7.8% for the period June to August, which meant UK

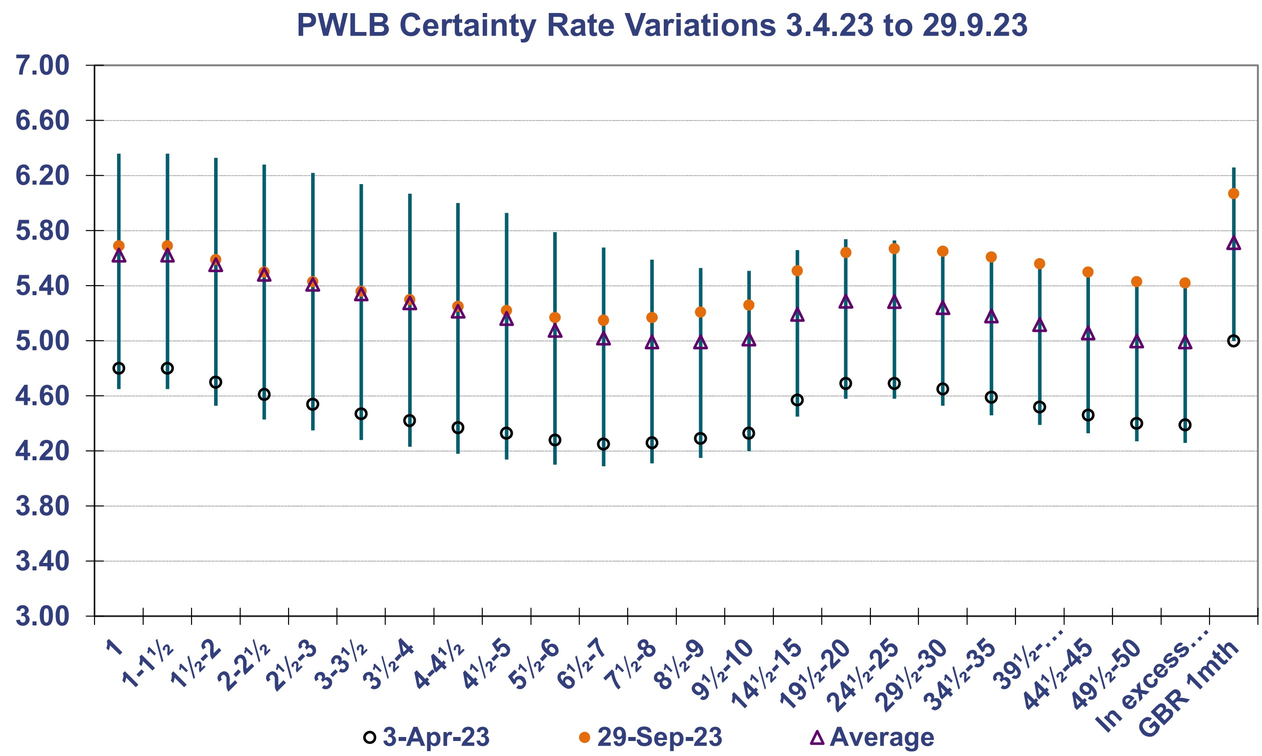
wage growth remains much faster than in the US and in the Euro-zone. Moreover, while the Bank of England's closely watched measure of regular annual average total pay growth for the private sector was 7.1% in June to August 2023, for the public sector this was 12.5% and is the highest total pay annual growth rate since comparable records began in 2001. However, this is affected by the NHS and civil service one-off non-consolidated payments made in June, July and August 2023. The Bank of England's prediction was for private sector wage growth to fall to 6.9% in September.

- CPI inflation declined from 6.8% in July to 6.7% in August and September, the lowest rate since February 2022. The biggest positive surprise was the drop in core CPI inflation, which declined from 6.9% to 6.1%. That reverses all the rise since March.
- In its latest monetary policy meeting on 06 November, the Bank of England left interest rates unchanged at 5.25%. The vote to keep rates on hold was a split vote, 6-3. It is clear that some members of the MPC are still concerned about the stickiness of inflation.
- Like the US Fed, the Bank of England wants the markets to believe in the higher for longer narrative. In terms of messaging, the Bank once again said that "further tightening in monetary policy would be required if there were evidence of more persistent inflationary pressures", citing the rise in global bond yields and the upside risks to inflation from "energy prices given events in the Middle East". So, like the Fed, the Bank is keeping the door open to the possibility of further rate hikes. However, it also repeated the phrase that policy will be "sufficiently restrictive for sufficiently long" and that the "MPC's projections indicate that monetary policy is likely to need to be restrictive for an extended period of time". Indeed, Governor Bailey was at pains in his press conference to drum home to markets that the Bank means business in squeezing inflation out of the economy.
- This narrative makes sense as the Bank of England does not want the markets to decide that a peak in rates will be soon followed by rate cuts, which would loosen financial conditions and undermine its attempts to quash inflation. The language also gives the Bank of England the flexibility to respond to new developments. A rebound in services inflation, another surge in wage growth and/or a further leap in oil prices could conceivably force it to raise rates in the future.

In the table below, the rise in gilt yields across the curve as a whole in 2023/24, and therein PWLB rates, is clear to see.

PWLB RATES 01.04.23 - 29.09.23





HIGH/LOW/AVERAGE PWLB RATES FOR 01.04.23 – 29.09.23

	1 Year	5 Year	10 Year	25 Year	50 Year
Low	4.65%	4.14%	4.20%	4.58%	4.27%
Date	06/04/2023	06/04/2023	06/04/2023	06/04/2023	05/04/2023
High	6.36%	5.93%	5.51%	5.73%	5.45%
Date	06/07/2023	07/07/2023	22/08/2023	17/08/2023	28/09/2023
Average	5.62%	5.16%	5.01%	5.29%	5.00%
Spread	1.71%	1.79%	1.31%	1.15%	1.18%

The peak in medium to longer dated rates has generally arisen in August and September and has been primarily driven by continuing high UK inflation, concerns that gilt issuance may be too much for the market to absorb comfortably, and unfavourable movements in US Treasuries.

The S&P 500 and FTSE 100 have struggled to make much ground through 2023.

CENTRAL BANK CONCERNS

Currently, the Fed has pushed up US rates to a range of 5.25% to 5.5%, whilst the MPC followed by raising Bank Rate to 5.25%. EZ rates have also increased to 4% with further tightening a possibility.

Ultimately, however, from a UK perspective it will not only be inflation data but also employment data that will mostly impact the decision-making process, although any softening in the interest rate outlook in the US may also have an effect (just as, conversely, greater tightening may also).

Appendix 3 - TREASURY MANAGEMENT PRACTICE (TMP1) – CREDIT AND COUNTERPARTY RISK MANAGEMENT OPTION 1

SPECIFIED INVESTMENTS: All such investments will be sterling denominated, with **maturities up to a maximum of 1 year**, meeting the minimum 'high' quality criteria where applicable. (Non-specified investments which would be specified investments apart from originally being for a period longer than 12 months, will be classified as being specified once the remaining period to maturity falls to under twelve months.)

NON-SPECIFIED INVESTMENTS: These are any investments which do not meet the specified investment criteria. A maximum of £4m** will be held in aggregate in non-specified investment.

A variety of investment instruments will be used, subject to the credit quality of the institution, and depending on the type of investment made, it will fall into one of the above categories.

Accounting treatment of investments. The accounting treatment may differ from the underlying cash transactions arising from investment decisions made by this Council. To ensure that the Councils protected from any adverse revenue impact, which may arise from these differences, we will review the accounting implications of new transactions before they are undertaken.

Appendix 4 - APPROVED COUNTRIES FOR INVESTMENTS

This list is based on those countries which have sovereign ratings of AA- or higher, (we show the lowest rating from Fitch, Moody's and S&P) and also, (except - at the time of writing - for Hong Kong and Luxembourg), have banks operating in sterling markets which have credit ratings of green or above in the Link creditworthiness service.

Based on lowest available rating

AAA

- Australia
- Denmark
- Germany
- Netherlands
- Norway
- Singapore
- Sweden
- Switzerland

AA+

- Canada
- Finland
- U.S.A.

AA

AA-

- Belgium
- France
- **U.K.**

Wherever concerns around financial probity or ethics come to the attention of Link Treasury, the Councils Investments Brokers or Officers and the Council, we liaise with Link to update the list and provide updates in Quarterly reports to the Audit Committee and Council.

Appendix 5 - TREASURY MANAGEMENT SCHEME OF DELEGATION

(i) Full Council

- receiving and reviewing reports on treasury management policies, practices and activities;
- approval of annual strategy.

(ii) Cabinet

- approval of/amendments to the organisation's adopted clauses, treasury management policy statement and treasury management practices;
- budget consideration and approval;
- approval of the division of responsibilities;
- receiving and reviewing regular monitoring reports and acting on recommendations;
- approving the selection of external service providers and agreeing terms of appointment.

(iii) Audit Committee

- reviewing the treasury management policy and procedures and making recommendations to the responsible body.
- Mid-Year treasury Management Report
- Annual Treasury Report (Actuals)

Appendix 6 - THE TREASURY MANAGEMENT ROLE OF THE SECTION 151 OFFICER

The S151 (responsible) officer

- recommending clauses, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance;
- submitting regular treasury management policy reports;
- submitting budgets and budget variations;
- receiving and reviewing management information reports;
- reviewing the performance of the treasury management function;
- ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function;
- ensuring the adequacy of internal audit, and liaising with external audit;
- recommending the appointment of external service providers.
- preparation of a Capital Strategy to include capital expenditure, capital financing, non-financial investments and treasury management, with a long-term timeframe *(say 20+ years – to be determined in accordance with local priorities.)*
- ensuring that the Capital Strategy is prudent, sustainable, affordable and prudent in the long term and provides value for money
- ensuring that due diligence has been carried out on all treasury and non-financial investments and is in accordance with the risk appetite of the authority
- ensure that the Authority has appropriate legal powers to undertake expenditure on non-financial assets and their financing
- ensuring the proportionality of all investments so that the Authority does not undertake a level of investing which exposes the Authority to an excessive level of risk compared to its financial resources
- ensuring that an adequate governance process is in place for the approval, monitoring and ongoing risk management of all non-financial investments and long-term liabilities
- provision to members of a schedule of all non-treasury investments including material investments in subsidiaries, joint ventures, loans and financial guarantees
- ensuring that members are adequately informed and understand the risk exposures taken on by the Authority
- ensuring that the Authority has adequate expertise, either in house or externally provided, to carry out the above
- creation of Treasury Management Practices which specifically deal with how non treasury investments will be carried out and managed, to include the following : -
    - *Risk management (TMP1 and schedules), including investment and risk management criteria for any material non-treasury investment portfolios;*
    - *Performance measurement and management (TMP2 and schedules), including methodology and criteria for assessing the performance and success of non-treasury investments;*
    - *Decision making, governance and organisation (TMP5 and schedules), including a statement of the governance requirements for decision making in relation to non-treasury investments; and arrangements to ensure that appropriate professional due diligence is carried out to support decision making;*

- *Reporting and management information (TMP6 and schedules), including where and how often monitoring reports are taken;*

- *Training and qualifications (TMP10 and schedules), including how the relevant knowledge and skills in relation to non-treasury investments will be arranged.*

REPORT TO CABINET

<table>
<tr><td>Open/Exempt</td><td>OPEN</td><td colspan="4">Would any decisions proposed :

Be entirely within Cabinet's powers to decide NO
Need to be recommendations to Council YES

Is it a Key Decision NO</td></tr>
<tr><td>Any especially affected Wards</td><td>Mandatory</td><td colspan="4"></td></tr>
<tr><td colspan="3">Lead Member: Cllr Chris Morley, Portfolio Holder for Finance
E-mail: cllr.chris.morley@west-norfolk.gov.uk</td><td colspan="3">Other Cabinet Members consulted: None
Other Members consulted: None</td></tr>
<tr><td colspan="3">Lead Officer: Carl Holland
E-mail: carl.holland@west-norfolk.gov.uk
Direct Dial:01553 616549</td><td colspan="3">Other Officers consulted: Michelle Drewery, Assistant Director - Resources</td></tr>
<tr><td>Financial Implications NO</td><td>Policy/ Personnel Implications NO</td><td>Statutory Implications YES</td><td>Equal Impact Assessment NO</td><td>Risk Management Implications NO</td><td>Environmental Considerations NO</td></tr>
<tr><td colspan="6">If not for publication, the paragraph(s) of Schedule 12A of the 1972 Local Government Act considered to justify that is (are) paragraph(s)</td></tr>
</table>

Date of meeting: 7 February 2024

CAPITAL STRATEGY 2024/25

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 2024/2025 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 2023-2028
Monthly Monitoring Reports
Statement of Accounts
Corporate Business Plan 2021-2023 ?

Borough Council of Kings Lynn and West Norfolk

CAPITAL STRATEGY 2024/2025

Contents

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 new 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.

The ICT Development Group oversees the preparation and delivery of the Council's ICT systems programme. It also approves any ICT bids that are to be made to the capital programme.

Major Projects are monitored by Officers and Members though 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 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 CPD 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.

3.4 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 about to embark on the delivery of:

- 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.

3.5 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 classification and content of the capital programme is in development which will enable the council to prioritise projects aligned to capacity and resources for delivery. A report providing options for governing and reporting on the programme will be presented to Cabinet before the end of quarter 1 2024/2025.

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 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 its own leisure company that will help with the provision of leisure facilities and activities at Lynnsport, St James Swimming Pool, Downham Market Leisure Centre and at Oasis Leisure Centre in Hunstanton.

3.6 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 is 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.

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.

3.7 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

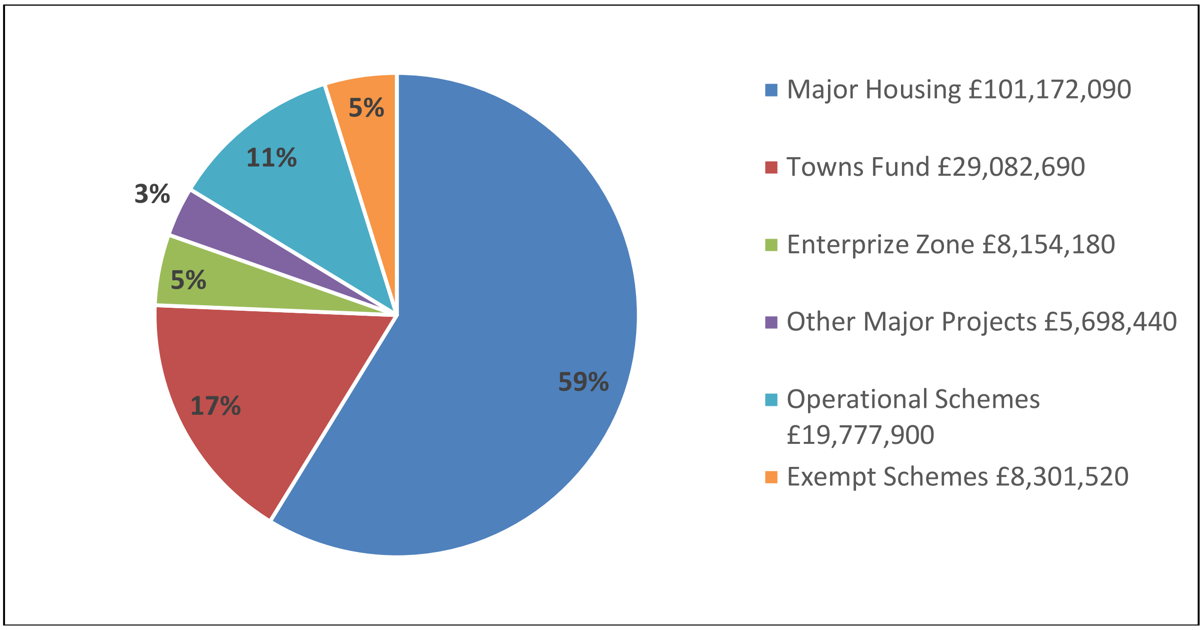
Capital receipts from the disposal of assets are not allocated to fund particular projects but are used to fund the overall capital programme.
The Capital Strategy requires the Council each year as part of the Budget process to review and project forward over a five-year period an estimate of capital resources that will be available to fund a capital programme.

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

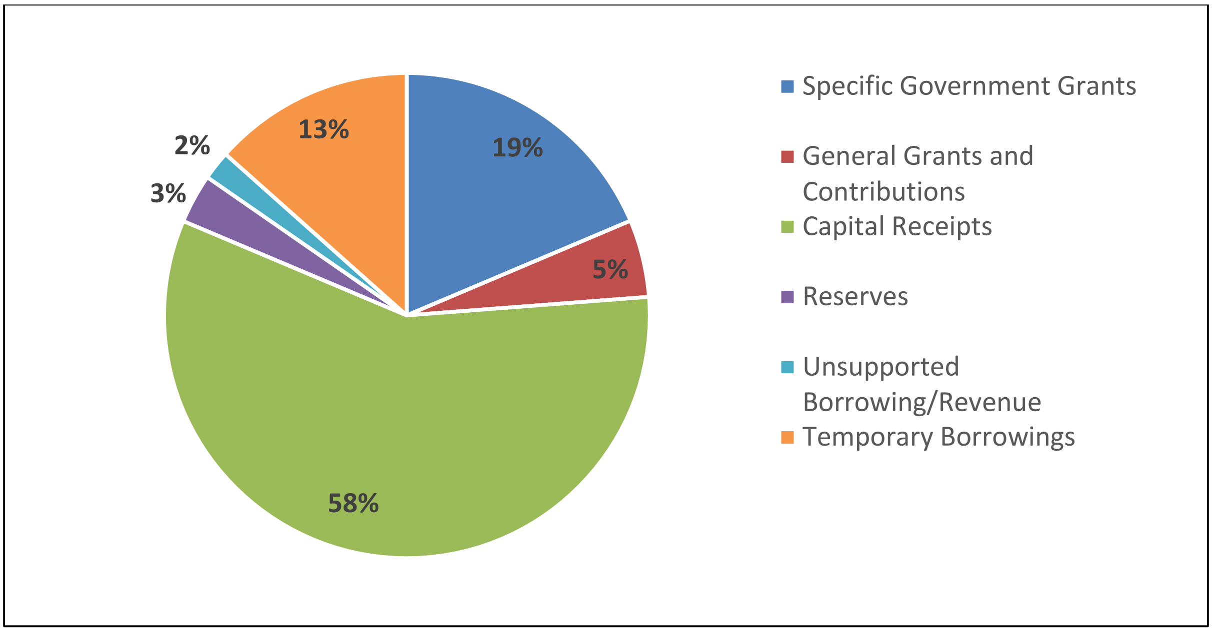
3.8 Capital Programme 2023-2028 Overview

In 2024/2025, the Council is planning capital expenditure of £54.1m. The medium-term capital programme 2023-2028 is summarised in the following charts.

Capital Estimates 2023/2028 – Expenditure



Capital Estimates 2023/2028 – Funding


13%
19%
2%
3%
5%
58%
Specific Government Grants
General Grants and Contributions
Capital Receipts
Reserves
Unsupported Borrowing/Revenue
Temporary Borrowings

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 2024/2025 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 to be allocated to the Local Property Fund to 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 2023-2028
Monthly Monitoring Reports
Statement of Accounts
Corporate Strategy 2023-2027

APPENDIX 1 - Capital Loans as at 31 December 2023

Capital Loan	Rate %	Principal at 01.04.23	Additional Loan to 31.12.23	In Year Repayments	Balance c/fwd at 31.12.23
West Norfolk Housing Company	4.50 + BR	3,195,879	0	(18,676)	3,177,203
Total Capital Loans		**3,195,879**	**0**	**(18,676)**	**3,177,203**

Interest Receivable	2023/2024 Interest Receivable at 31.12.23
West Norfolk Housing Company	134,989
Total Capital Loans	**134,989**