

4. CAPITAL AND COMMERCIAL STRATEGY

The wider context and capital investment objectives

- 4.1. Norwich City Council's Capital and Commercial Strategy provides a valuable opportunity for engagement with full council to ensure that overall strategy, investment ambition, risk appetite and governance procedures are fully understood by all elected Members and other Council stakeholders.
- 4.2. It is also a requirement of the Investment Code and the Prudential Code that a commercial strategy exists to inform investments, which are not Treasury Management investments, but which include investing in assets, shares or loans to companies and third parties in support of its corporate priorities. The approach to commercial investments has changed significantly in recent times through changes to the prudential code and capital regulations.
- 4.3. The overall strategy sets out the council's programme and budget for capital investment over the next five years in support of all its capital expenditure items. It describes how the council will manage, finance, and allocate capital investment towards assets that will help to achieve the council's priorities, as well as its operational and statutory requirements.
- 4.4. It covers projects and programmes and investments financed through both the council's General Fund and Housing Revenue Account (HRA).
- 4.5. At the highest level the council's proposed Corporate Plan sets out the key aims that the council wishes to deliver, either itself or with other key partners, namely:
 - Aim 1 - People live independently and well in a diverse and safe city.
 - Aim 2 – Norwich is a sustainable and healthy city.
 - Aim 3 – Norwich has the infrastructure and housing it needs to be a successful city.
 - Aim 4 – The city has an inclusive economy in which residents have equal opportunity to flourish.
 - Aim 5 – Norwich City Council is in good shape to serve the city.
- 4.6. There are however additional drivers or needs for capital expenditure. These comprise:
 - Using assets to support the improvement of council services through the Future Shape Norwich programme. Asset investment in services can be designed to generate both new sustainable income streams as well as improving efficiency of service delivery and the reduction of costs.
 - The need to maintain or improve the physical condition of existing assets as they deteriorate, are less "fit-for-purpose", or fail to comply with regulatory requirements. These considerations are part of the Council's asset management planning processes.
 - The review of the Corporate Plan will determine the council's priorities going forward and capital investment will be required to support those priorities.

- 4.7. The council's investment objectives for capital expenditure are shown in table 4.1 specific projects, either within the capital budget or future projects, will deliver these objectives.
- 4.8. The council holds some data regarding the condition of its HRA property although continues to undertake condition surveys on both its general fund and HRA assets which will enable it to prepare longer term capital plans in the future.
- 4.9. This strategy continues to evolve as the council learns more about the condition of its assets. It will be reviewed on an annual basis and officers will also keep under review good practice amongst other local authorities.

Commercial property investment

- 4.10. The council has held commercial property for decades and previously purchased new property investments in line with its former Commercial Property Investment Strategy and within the council's approved capital expenditure budget. Because of changes to the Treasury Management and Prudential Codes of practice, the Council will no longer be making new investments in commercial property primarily for yield where this would be funded by borrowing and the capital programme has been amended accordingly.
- 4.11. For those authorities utilising Public Works Loans Board (PWLB) borrowing the government now requires a high-level outline of their capital planning for the years ahead, categorising projects as service delivery, housing, regeneration, or the refinancing of existing debt, based on the S151 officer's assessment of which category is the best fit for the project. At the point of applying for a PWLB loan, applicants will be asked to confirm that this outline remains current, and that the authority does not intend to buy commercial assets primarily for yield.
- 4.12. However, the Code's statement that authorities 'must not borrow to invest for the primary purpose of financial return' is not intended to require the forced sale of existing commercial investments, whether commercial properties or financial investments. Selling these investments and using the proceeds to net down debt does, however, reduce treasury risks and is therefore an option which should be kept under review, especially if new long-term borrowing is being considered.
- 4.13. The Code requires that authorities which are net borrowers should review options for exiting their financial investments for commercial purposes in their annual treasury management or investment strategies. The options should include use of the sale proceeds to repay debt or reduce new borrowing requirements. Authorities should not take new borrowing if financial investments for commercial purposes can reasonably be realised, based on a financial appraisal which takes account of financial implications and risk reduction benefits.
- 4.14. This enables authorities to weigh the risk reduction benefits of sale against the loss of income and the current sale value of the investments; the code also makes it clear that where an authority has existing commercial properties, the requirement that an authority must not borrow to invest for the

primary purpose of financial return, is not intended to prevent authorities from appropriate capital repair, renewal or updating of existing properties.

Setting aside net rental income into an earmarked reserve

- 4.15. The council has agreed to the establishment of a commercial property earmarked reserve. The reserve is held to help mitigate the financial risks of holding commercial property and can be used to fund any future void periods, the granting of rent-free periods to new tenants, and any landlord repairs.
- 4.16. In line with the existing commercial strategy, an amount equivalent to 20% of future new net rental income will be credited annually to a commercial property earmarked reserve, some of which may be supported by earmarked capital receipts. The amount of money in the reserve will be reviewed every year as part of the budget setting process and will consider the results of the annual portfolio review.

Capital Loans

- 4.17. The Council can borrow funds at preferential rates to fund capital expenditure from the PWLB. Once borrowed, current capital rules allow these funds to be used to make capital loans (onward lending) to other organisations including those that do not have access to PWLB loans.
- 4.18. In being a provider of capital finance, the Council is subject to statutory controls that restrict the loans that can be offered to avoid subsidy control (previously State Aid) issues. Specifically, the Council:
 - Must lend funds at a rate that is competitive with market rates for similar loan products.
 - Must not on-lend funds at a rate lower than its own average borrowing rate, even if such rates are subsequently competitive; and
 - Must not use the loan to provide subsidy in other ways, e.g. full or partial discounts on fees or charges incurred for: deferred instalment repayments; late payment of instalments; and full or partial premature loan redemption.
- 4.19. Additionally, proposed changes to the Capital Financing Regulations have been consulted on which would require all capital expenditure, including capital loans and investment assets, to be subject to a Minimum Revenue Provision (MRP) charge. Currently NCC's MRP policy allows for no MRP to be charged to the revenue account where repayment of a capital loan is considered to be certain.
- 4.20. The council has a loan book of £8.457m with three borrowing organisations (as at 31 Dec 23): Lion Homes (Norwich) Ltd (formerly Norwich Regeneration Limited) (£6.150m), Norwich City Services Limited (£2.240m) and the Norwich Preservation Trust (£0.067m).
- 4.21. In making loans the council is exposing itself to the risk that the borrower defaults on repayments. The council must therefore ensure that the loan is prudent and that the risk implications have been fully considered, both regarding the individual loan and the cumulative total of the loan book. The application of a charge on assets is a way of mitigating risk on external loans.

Lion Homes Limited (formerly Norwich Regeneration Limited)

- 4.22. An expected credit loss model calculation is undertaken annually to measure the credit risk of the loan book and reported in the council's Statement of Accounts. This is a requirement of International Financial Reporting Standards.
- 4.23. At the end of 2021/22 there was an impairment on the council's loan to NRL. This was based on an assessment of how much of the current loan balance may not be recoverable from the company. The Council has established an earmarked reserve to cover the full cost of the impairment, which can be drawn down if the future business plan is not able to fully recover the investment to date.

Lion Homes Limited Business Model

- 4.24. Although specific details will vary for each development project undertaken by the company, and the detail of the proposals are commercially confidential, the basic business model proposed in the company's Business Plan can be described as follows:
- The council to purchase further shares in the company to meet capitalisation and subsidy control requirements. This requires that the company receives a reasonable amount of its funds from shareholders rather than all the funding being obtained from external borrowing.
 - The company to develop housing that is planning policy compliant for affordable housing.
 - The remainder of the housing to be a mix of private sector sales and homes for private sector rental.
 - The company to borrow, at commercial interest rates and terms, from the council to fund the development of the private sector housing for rent and for sale.
 - The company to repay the loan used to fund the development costs of the private sector homes for sale once those homes have been sold.

Chart 4.1: The proposed key drivers for capital investment

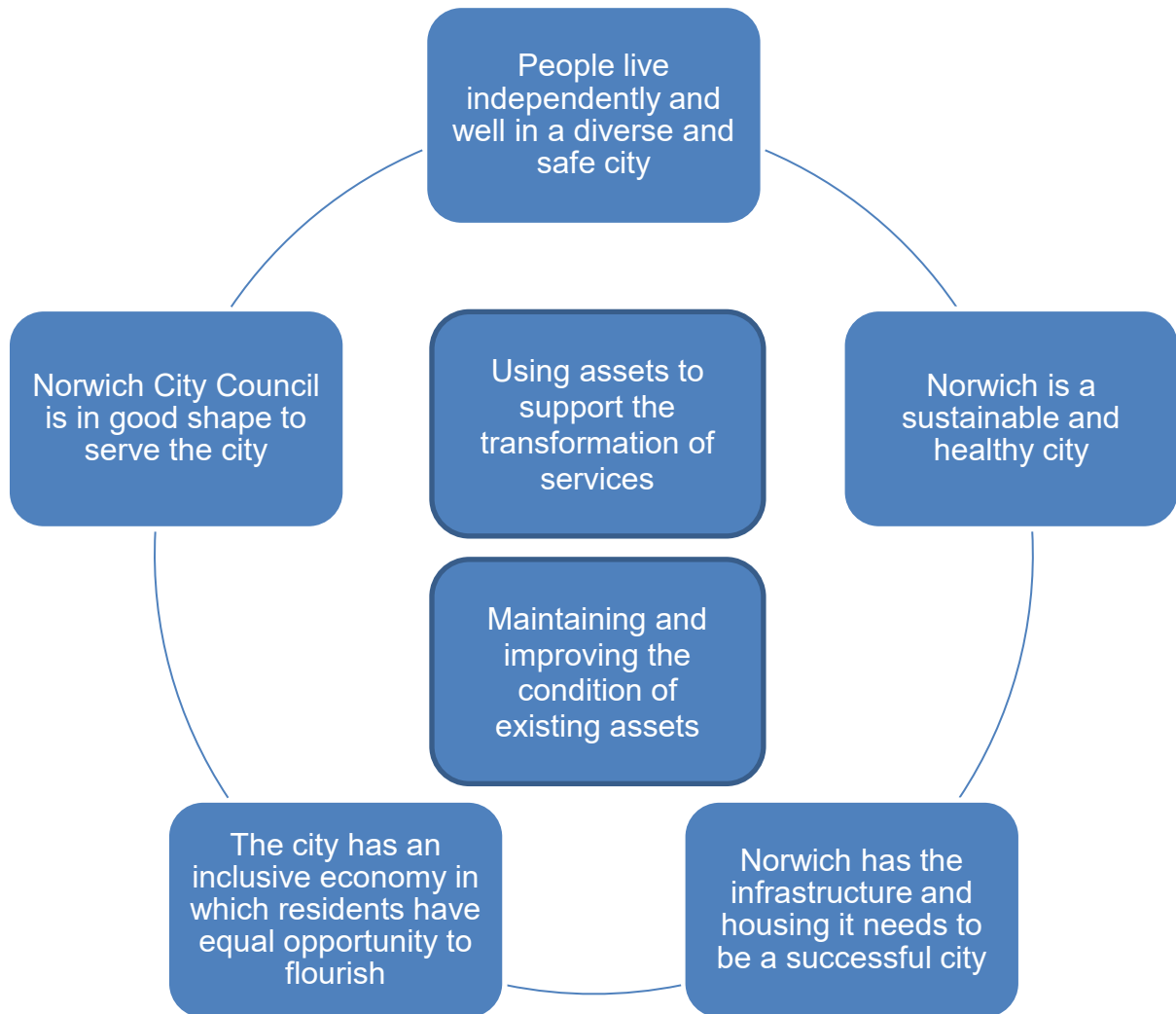


Table 4.1: The council's proposed capital investment objectives

People live independently and well in a diverse/ safe city	Norwich is a sustainable and healthy city	Norwich has the infrastructure and housing to be a successful city	The city has an inclusive economy which residents have equal opportunity to flourish	Norwich City Council is in good shape to serve the city
<p>Capital expenditure plans can contribute to this corporate aim by:</p> <ul style="list-style-type: none"> • Supporting people to feel safe and welcomed • Providing means for people to lead connected, fulfilling lives • Ensuring there is a range of cultural, leisure and social opportunities and activities for all • Comply with health & safety and other regulatory requirements 	<p>Capital expenditure plans can contribute to this corporate aim by:</p> <ul style="list-style-type: none"> • Providing means for people to lead healthy, fulfilling lives • Continuing with the sensitive regeneration of the city that retains its unique character and meets local needs • Keeping streets clean • Undertaking environmental improvements. 	<p>Capital expenditure plans can contribute to this corporate aim by:</p> <ul style="list-style-type: none"> • Building and maintaining a range of social and private housing • Tackling homelessness and rough sleeping • Reducing the need for temporary accommodation in the city 	<p>Capital expenditure plans can contribute to this corporate aim by:</p> <ul style="list-style-type: none"> • Supporting investment that promotes a growing, diverse, innovative and resilient economy 	<p>The Council aims to be financially self-sufficient, to ensure the long-term sustainability of service delivery to residents and businesses. Capital expenditure plans can contribute to this aim by:</p> <ul style="list-style-type: none"> • Investing in projects that generate or protect income streams, or which can deliver efficiencies in the revenue budget. • Maintain or improve the physical condition of assets owned by the City

Asset management planning

- 4.25. The overriding objective of asset management planning is to ensure that the council's land and property is appropriate, fit-for-purpose, and affordable.
- 4.26. The council holds a significant and diverse asset portfolio in comparison to similar district councils within the CIPFA comparator group. The total value of the council's land and property assets as at the end of 2022/23 was £1.2 Bn.

General Fund asset management planning

- 4.27. The council has adopted a Strategic Asset Management Framework and improved data including condition and valuation data is being gathered on assets. External consultancy advice has also been sought to help inform asset specific decisions and a full review of the investment portfolio has been undertaken. This is being progressed into a strategy which will inform a five-year profile for revenue income, capital spend and capital receipts, this will continue to be developed over the next six months.
- 4.28. In the past focus has been largely on using the council's limited capital resources on responsive rather than planned improvements. This can be seen in the pattern of investment made in each asset class over recent years with capital expenditure continuing to be being undertaken for health and safety reasons rather than being for planned and sustained strategic investment.
- 4.29. When the focus is on reactive instead of planned improvements, the cost of works tends to be greater. This also has an adverse impact on the council's revenue repairs and maintenance budget. There has also been a tendency to consider capital investment proposals for a particular asset class in isolation rather than holistically and in relation to other potential priorities.
- 4.30. Going forward the aim is for capital spend to be planned to follow the asset review work and informed decision making in relation to the assets' future.

Housing Revenue Account asset management planning

- 4.31. Condition surveys exist for HRA assets, although these are being reviewed by way of an external stock condition survey that will survey 25% of the current stock, 100% of communal areas and the structure of blocks. This work is providing a greater understanding of future requirements, including an understanding of the investment needs of the existing stock of HRA dwellings which are typically built with a 60-80 year life span in mind.
- 4.32. The proposed HRA capital programme seeks to contribute towards achieving these goals. Further detail is included within section 3 of this report – HRA business plan and 2024/25 budget.

Capital expenditure plans

- 4.33. The expenditure plans consist of two kinds:

Short to medium term plans (1 to 5 years):

- These are the projects and programmes that are being proposed to council as part of the 2024/25 to 2028/29 capital programme for delivery within that period.

Medium to long-term plans (5 to 10 years):

- There is typically a long lead in time from identifying investment need or opportunities to implementation. Additional future projects that may arise

will require a full business case for cabinet and council approval before they can be incorporated into the capital programme and implemented.

Forecast 2023/24 outturn

- 4.34. The latest forecast position as at period 6 shows the general fund capital programme is forecast to underspend by £0.486m and the Housing Revenue Account (HRA) capital programme is forecast to underspend by £0.297m. However, it is anticipated that an element of this will form a carry-forward request to enable some of the unspent budgets to be utilised in 2024/25.

2024/25 to 2028/29 capital programme

- 4.35. The focus of the capital strategy is towards the delivery of schemes within an approved budget. The focus traditionally has been an annual investment plan for the next financial year, however, the council is moving towards a five-year rolling capital programme, which will provide greater certainty for delivery as well as for financial and resource and procurement planning
- 4.36. Table 4.2 below summarises the proposed 2024/25 overall capital budget along with indicative spending plans from 2025 to 2029, which has been categorised into the projects that have already been agreed as part of the five year programme in previous years, new projects that are proposed as part of the capital programme and may proceed upon approval of the budget and projects that are proposed to form part of the capital programme but require a business case to be approved before they may proceed and any expenditure be incurred. Details setting out the proposed projects and programmes within the general fund and HRA are found in Appendix 4 (B).

Table 4.2 Capital Programme 2024 – 2029

	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000	2028/29 £000	5 year Total £000
General Fund Summary programme (Approved)						
Housing & Community Safety	4,097	1,496	1,440	1,440	0	8,473
Resources	360	120	115	75	0	670
Development and City Services	12,838	2,025	1,862	1,833	0	18,558
Capital Loans	5,000	1,000	0	0	0	6,000
Total General Fund Summary programme (Approved)	22,295	4,641	3,417	3,348	0	33,701
General Fund Summary Programme (Proposed)						
Housing & Community Safety	(57)	60	175	160	1,775	2,113
Development and City Services (Adjustment to Approved)	493	950	(970)	(910)	1,366	929
Capital Loans	0	0	1,000	0	0	1,000
Total General Fund Summary Programme (Proposed)	436	1,010	205	(750)	3,141	4,041
General Fund Summary Programme (Business Case Required)						
Resources	200	200	200	200	200	1,000
Development and City Services	8,207	158	0	0	0	8,365
Total General Fund Summary Programme (Business Case Req'd)	8,407	358	200	200	200	9,365
Total General Fund Programme	31,139	6,009	3,822	2,798	3,341	47,108
Housing Revenue Account Summary Programme (Approved)						
HRA - Development and City Services	17,600	14,310	12,641	6,560	0	51,111
HRA - Housing & Community Safety	24,912	24,583	24,746	24,550	0	98,791
Housing Revenue Account Summary Programme (Proposed)						
HRA - Development and City Services	(500)	0	0	1,570	1,570	2,640
HRA - Housing & Community Safety	(905)	678	1,045	1,295	25,845	27,959
Total Housing Revenue Account Programme	41,107	39,571	38,433	33,975	27,415	180,500
Total Proposed Capital programme	72,245	45,579	42,254	36,773	30,756	227,608

4.37. In 2024/25 the capital programme aims to deliver the following key outcomes:

General Fund:

- £8.8m of investment in infrastructure, skills and economic development through projects funded by the £25m Towns' Fund grant.
- £1.4m to improve private homes for older or disabled residents to enable them to continue living in their own home.

Housing Revenue Account:

- Meeting housing need - delivering 258 council homes by 2027/28.
- Repair and maintenance of existing housing stock- £18.4m including 246 new kitchens, 405 new bathrooms, 2,000 upgraded fire doors and associated fire prevention measures.
- Improving the use and management of the existing housing stock - £2.3m disabled adaptation and stair-lift installation programme.
- Improving neighbourhoods - including 45 door entry system upgrades and an estate aesthetics programme.

Towns' Deal Funding

- 4.38. Significant non-housing capital expenditure continues to be associated with the Towns' Deal. Whilst the Towns' Deal projects are being delivered in accordance with the council's normal governance procedures additional Towns' Deal specific governance has been put in place.
- 4.39. The Towns' Deal is intended to help drive forward long term, inclusive economic and productivity growth in Norwich. An overall Towns' Deal programme board oversees delivery which includes not only council members and officers but also the local MPs, the chair of the Norwich 2040 Vision and a variety of business and education organisations.

Levelling Up Funding.

- 4.40. The Council has recently been advised that its previous bid for Levelling Up Funding had been re-evaluated alongside other strong bids and that an allocation of £7.5m had been made available subject to confirmation that the original outcomes can still be largely delivered.
- 4.41. Work is now progressing to review the impact of factors, such as high inflation that have occurred since the bid was originally submitted together with confirming that match funding remains available. In total a package of works totalling close to £10m based around the initial North Norwich bid area is being progressed under similar governance arrangements to the Towns Deal funding.

Future capital programme

- 4.42. As well as the proposed capital programme, the council is continuing with its ambitions to make sustainable improvements to the city and the lives of the residents. The Council recognises that it is likely to need significant investment to advance the priorities and ambitions being identified and continues to explore the possibility of working with both the private sector and other public sector bodies to identify new funding streams and delivery mechanisms that can deliver this.
- 4.43. These schemes will all need to follow the principles as set out in this Capital Strategy and full business cases will need to be submitted and approved before the schemes are recommended for inclusion in the capital budget.
- 4.44. The future capital programme will also continue to develop and reflect the priorities identified within the Council Housing Strategy which was approved by Cabinet in November 2019 and the action plan from the Strategic Asset Management Framework which was adopted in March 2022.

People Live Well

- Options for improving the provision of temporary accommodation for the homeless continue to be explored.

Inclusive economy

- The council continues to explore the potential to develop under-used land and brown-field sites held by the council to help regenerate the city economically, as well as socially and in terms of its environment. This may be through the HRA with the development of new social housing or through other delivery mechanisms.

Meeting housing need and delivering new homes:

- There is a shortage of housing in the city and the council intends to invest in the development of new housing. The Council Housing Strategy 2020-26 sets out the ambition to deliver new homes through the HRA, following the Future Housing Commissioning report approved by Cabinet and Council in July 2020 which identifies the capacity within the HRA to develop further sites in future years.

Maintaining and improving the condition of existing HRA housing:

- The council is the largest provider of social housing in the city and ensuring that its housing stock is safe and well-maintained is the biggest contribution the council can make to addressing housing need in the city. This is also covered in the Council Housing Strategy 2020-26 which identifies the requirement to establish longer-term plans for the maintenance and regeneration of HRA housing and estates.

Improving the quality and safety of private sector housing:

- As a private landlord, the council's wholly owned company, Lion Homes (Norwich) Limited, aims to be an exemplar of good private landlord practice, by ensuring that properties built for private sector rental are of good quality and managed in a way that reflects best practice.

Funding the capital strategy

- 4.45. The availability of funding plays a key part in the size and content of the capital programme. The impact of national cuts in grant funding has significantly reduced the level of government support for capital investment and the council must now rely more on its own funding and leveraging in other sources of external funding where this is possible.
- 4.46. The sources of funding available for capital investment by both the general fund and HRA and the proposed strategy for their use is found in Appendix 4 (C). It needs to be emphasised that many of these funding sources can only be used to fund capital expenditure and not the day-to-day costs of providing services.

Proposed funding of the general fund capital programme

- 4.47. There are two main influences on the overall size of the general fund capital programme, namely:
- The level of capital resources available, and
 - The extent to which the revenue consequences of the programme, in terms of cost of borrowing or direct revenue funding, can be accommodated within the revenue budget.

Table 4.3: Projected General Fund Capital Receipts 2023 – 2029

Capital Receipts Analysis	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
	£000	£000	£000	£000	£000	£000
Existing capital receipts reserve brought forward from previous year	(4,012)	(2,968)	(1,743)	(1,423)	(1,108)	(833)
Funding requirement	1,043	1,225	320	315	275	275
Balance at end of year	(2,968)	(1,743)	(1,423)	(1,108)	(833)	(558)

- 4.48. The level of capital receipts relies upon the completion of asset sales which cannot be guaranteed and therefore, no additional capital receipts have been assumed at this stage. Furthermore, additional potential capital liabilities such as costs arising from the future review of assets or other expenditure requirements that generate no income may arise, which would place a further demand on resources. To fund additional capital costs, further capital receipts will need to be raised from the disposal of existing assets or revenue budget contributions will need to be increased either to make direct revenue contributions or in support of additional borrowing.

Table 4.4: Proposed funding of the General Fund capital programme

Funding	2024/25	2025/26	2026/27	2027/28	2028/29	5 year Total
General Fund	£000	£000	£000	£000	£000	£000
Capital Receipts	1,225	320	315	275	275	2,410
Grants & Contributions	18,541	3,567	2,407	2,423	3,066	30,003
Borrowing	10,669	1,964	1,100	100	0	13,833
CIL/GNGB/S106	704	158	0	0	0	862
Total	31,139	6,009	3,822	2,798	3,341	47,108

Proposed funding of the HRA capital programme

- 4.49. The funding of the HRA capital programme follows the funding strategy set out in Appendix 4 (C). In addition, £10.045m of the surplus income estimated for 2024/25 is proposed to be used to fund 2024/25 capital expenditure.
- 4.50. The remaining HRA general reserves (forecast at £41.111m at the end of 2024/25) will be held to provide a versatile resource to support priorities identified within the HRA Strategy, including the regeneration of existing assets and provision of new social housing.

Table 4.5: Proposed funding of the HRA capital programme HRA Funding

Funding	2024/25	2025/26	2026/27	2027/28	2028/29	5 year Total
HRA	£000	£000	£000	£000	£000	£000
HRA Capital Receipts	3,610	10,335	10,969	8,715	3,471	37,100
Retained One for One Receipts	7,055	6,324	5,657	3,852	1,228	24,115
Major Repairs Reserve	20,147	14,676	14,572	16,880	17,428	83,703
HRA Grants & Contributions	250	250	250	250	250	1,250
HRA Revenue contribution	10,045	7,986	6,985	4,278	342	29,636
HRA Borrowing	0	0	0	0	4,696	4,696
Total HRA Capital Programme Funding	41,107	39,570	38,433	33,975	27,415	180,500

Enabling our future vision

- 4.51. The capital programme captures the council's vision and desire for projects and investment at a point in time. However, as the vision continues to grow, new projects and investments will continue to be developed throughout the year, which will require business cases and financing plans to be formulated prior to approval by Cabinet and Council. If the project requires funding from external borrowing, it will need to generate new income to cover at least the financing costs of the borrowing or will be funded off the council's balance sheet through alternative delivery routes.

Alternative delivery routes

- 4.52. The Council will review the best delivery routes for implementing new capital projects as part of the options appraisal undertaken in the business case. These delivery routes largely fall into the following categories:
- Self-develop: this involves the council undertaking the project independently and therefore provides the greatest level of potential return and control but also the greatest cost and exposure to risk.
 - Partnerships: these allow the council to use its assets (usually land and buildings) and possibly some finance, to attract long term investment from the private sector, in order to deliver socio-economic development and regeneration. They are designed to encourage parties to pool resources to deliver projects, with an acceptable balance of risk and return for all involved. This approach would be a new area for the council and would need considerable further work to progress.
 - Developer led: this usually involves selling the opportunity to a developer, perhaps with an outline planning consent and Development Agreement in place. As an example, the council takes a developer led approach with housing associations.
 - Community Involvement: changes in legislation brought in under the Localism Act have introduced the concept of Community Asset Transfer, Community Right to Challenge and Community Right to Bid for services. This has opened up a whole spectrum of opportunities of private sector investment in community-led capital projects, where deemed appropriate.

Delivering the capital strategy

Governance

- 4.53. The council undertakes democratic decision-making and scrutiny processes which provide overall political direction and accountability for the investment proposed in the capital strategy. These processes include:
- The Council which is ultimately responsible for approving investment in the Capital Strategy.
 - The Cabinet which is responsible for setting the corporate framework and political priorities to be reflected in the Capital Strategy.
 - Scrutiny Committee which is responsible for the annual scrutiny of the proposed budget including the Capital Strategy and which can make recommendations to the Cabinet.
 - Audit Committee which scrutinises the capital investment made in any financial year as reported in the annual Statement of Accounts and the risk of future capital investment proposals. The committee can also make recommendations to the Cabinet.
 - Treasury Management Committee providing review and advice on all investment activity to the Cabinet and Council.
 - Additionally, to support the committee structure and Senior Leadership Team with future governance, including delivery of projects, a Capital Programme Board has been established.
- 4.54. The capital programme is approved by full Council as part of its annual budget report which sets out the funding of the capital programme, the schemes being proposed and how they contribute to the achievement of the Council's priorities, any consequential revenue budget implications, and information on the affordability, proportionality, and risk of the proposals.
- 4.55. Officers can seek approval from Cabinet to approve the inclusion of schemes where they are fully funded from additional grants, that can only be expended on the proposed scheme, and where it meets the Council's aims. This will permit such schemes to progress at pace where alternative application of the funding is not permitted, and where there is no need for additional Council resources to be used.
- 4.56. Some projects have been included in the proposed capital programme, as their strategic importance to one or more of the Council's objectives has been recognised. However, the detailed business case has not been sufficiently developed to identify the expected costs and benefits of these proposals now. These projects have been separately identified within the proposed capital programme, the broad financing has been included but these projects cannot commence until a full business case has been approved; any funding variances will also need to follow the council's financial regulations in relation to capital virements.
- 4.57. In addition, new projects not included within the existing or proposed capital programme, require a full business case to be submitted for approval as and when the information and analysis is available to make a robust decision.
- 4.58. All capital expenditure must be carried out in accordance with the Council's constitution, financial regulations, and contract procedures. Internal audit undertake regular audits of compliance. The monitoring of expenditure against the approved budget, and the forecasting of the year-end outturn, is

coordinated by Finance and reported to Cabinet every quarter as part of the overall corporate budget monitoring process.

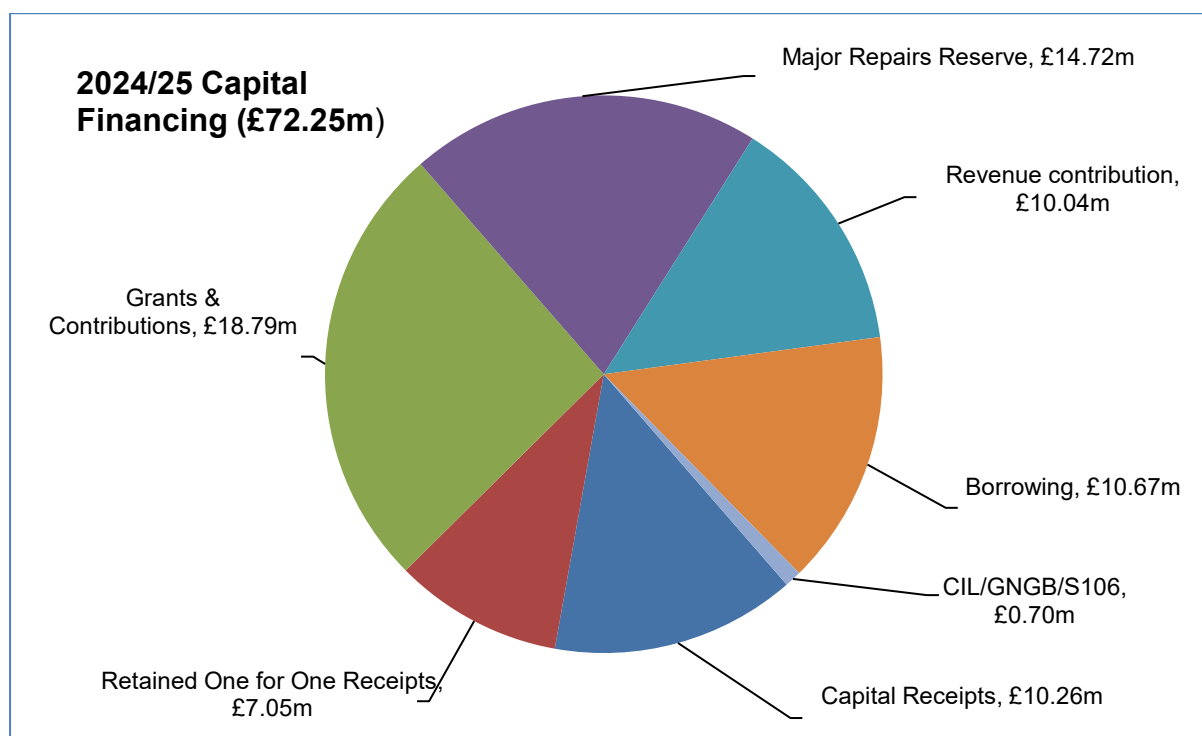
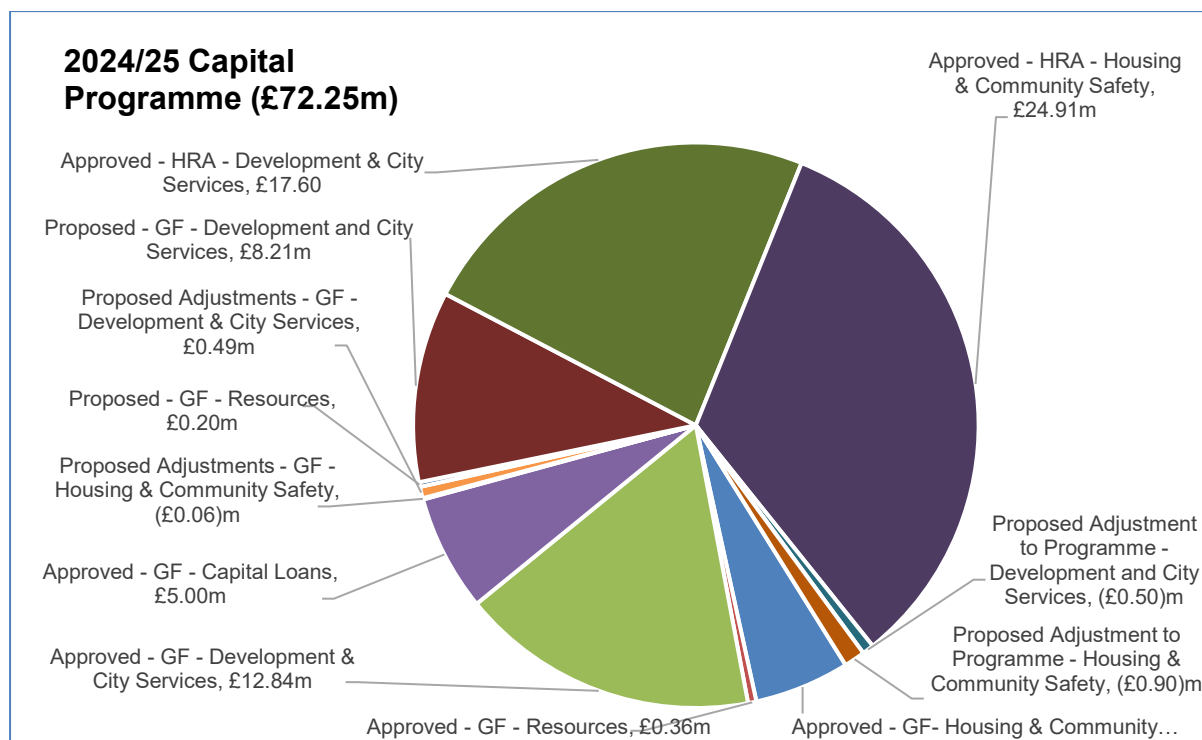
Corporate Planning Process

- 4.59. Capital project proposals should form part of the council's annual resource planning processes. However, in the context of the Corporate Plan review and the potential for new priorities to require investment, only existing capital schemes have been included for the General Fund. The exception is the inclusion of the additional Levelling up Funding and scheme which has been included following the announcement that Norwich North bid has been allocated resources. Further work will be undertaken alongside the Corporate Plan review outcomes and appropriate schemes included in the final papers for the annual budget setting meeting of the Council in February.

Knowledge and skills

- 4.60. The council has professionally qualified staff, or access to such staff across a range of disciplines including finance, legal, planning and property that allow for capital investment decisions to be robustly considered. These individuals follow continuous professional development (CPD) and attend courses on an ongoing basis to keep abreast of new developments and skills.
- 4.61. External professional advice is taken as and when required and will always be sought in consideration of any major regeneration investment decision or joint venture development. The council has current arrangements with Link Asset Services for providing treasury management guidance, PS Tax for tax advice, covering both public sector as well as commercial tax issues, and Carter Jonas for property related matters. A separate commission has been awarded to JLL to support the asset management plan work.
- 4.62. Internal and external training continues to be offered to members to ensure they have up-to-date knowledge and expertise to understand and challenge capital investment decisions.

Appendix 4 (A): Proposed capital programme and financing 2024/25



Appendix 4 (B): Proposed capital projects 2024/25 to 2028/29

Approved General Fund Programme	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000	2028/29 £000	5 year Total £000
Housing & Community Safety						
Rside Leisure repl plant/equip	33	56	-	-	-	89
TF make space at the halls	2,589	-	-	-	-	2,589
Empty Homes Grant	35	-	-	-	-	35
Disabled Facilities Grant	1,440	1,440	1,440	1,440	-	5,760
Approved Programme - Housing & Community Safety	4,097	1,496	1,440	1,440	0	8,473
Resources						
IT Investment Fund	75	75	75	75	-	300
Mobile Handsets Refresh 2022-27	45	45	40	-	-	130
ERP system	200	-	-	-	-	200
Revenues & Benefits Programme Improvements	40	-	-	-	-	40
Approved Programme – Resources	360	120	115	75	0	670
Development & City Services						
NCS Ltd establishment costs	1,177	110	100	100	-	1,487
GNGB Comm Accss Imp-20 Acre Wd	8	-	-	-	-	8
Regulatory Services Digitisation Project	412	-	-	-	-	412
Castle Gardens	206	-	-	-	-	206
St Stephens Twrs Public Realm	57	-	-	-	-	57
Cycle Wayfinding	35	-	-	-	-	35
CIL Contribution Strategic	1,259	1,759	1,699	1,673	-	6,390
Strategic Property Remediation Fund	1,830	-	-	-	-	1,830
Property Services IT	187	-	-	-	-	187

Approved General Fund Programme	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000	2028/29 £000	5 year Total £000
St Andrews Hall	2,598	-	-	-	-	2,598
LED Lighting in City Hall and District Lighting	180	90	-	-	-	270
Rvrside Rd Yacht Stat rep Quay	10	10	10	10	-	40
Market Shops & Toilets – Roof	22	-	-	-	-	22
TF- Digital hub	2,063	-	-	-	-	2,063
Churchman House Cupola repairs	145	-	-	-	-	145
TF Compul Purch order rev fund	2,320	-	-	-	-	2,320
TF - Programme management	87	-	-	-	-	87
NCC Water Hygiene Contract	13	6	3	-	-	22
City Walls repair programme	40	40	40	40	-	160
Closed Churchyards repair prog	10	10	10	10	-	40
CH ASHP/Secondary Glazing/LED	29	-	-	-	-	29
Earlham Cem railings replcmnt	150	-	-	-	-	150
Approved Programme - Development and City Services	12,838	2,025	1,862	1,833	0	18,558
Capital Loans						
NRL Loan Facility	4,000	1,000	-	-	-	5,000
Norwich Preservation Trust Loan	1,000	-	-	-	-	1,000
Approved Programme - Capital Loans	5,000	1,000	0	0	0	6,000
Total General Fund Approved Programme	22,295	4,641	3,417	3,348	0	33,701

Proposed Adjustments to General Fund Capital Schemes for approval	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000	2028/29 £000	5 year Total £000
Housing & Community Safety						
TF make space at the halls	(37)	0	65	0	0	28
IT Investment Fund	0	0	0	0	75	75
Disabled Facilities Grant	(20)	60	110	160	1,700	2,010
Proposed Adjustments to Programme - Housing & Community Safety	(57)	60	175	160	1,775	2,113
Development & City Services						
CIL Contribution Strategic	(512)	308	(907)	(850)	1,366	(595)
Strategic Property Remediation Fund	(300)	300	0	0	0	0
St Andrews Hall	(498)	498	0	0	0	0
LED Lighting in City Hall and District Lighting	90	(90)	0	0	0	0
Rvrside Rd Yacht Stat rep Quay	(10)	(10)	(10)	(10)	0	(40)
Market Shops & Toilets – Roof	(22)	0	0	0	0	(22)
TF- Digital hub	1,740	0	0	0	0	1,740
TF - Programme management	(42)	0	0	0	0	(42)
NCC Water Hygiene Contract	(13)	(6)	(3)	0	0	(22)
City Walls repair programme	(40)	(40)	(40)	(40)	0	(160)
Closed Churchyards repair prog	(10)	(10)	(10)	(10)	0	(40)
Earlham Cem railings replcmnt	70	0	0	0	0	70
S106 Bowthorpe Clover HI Acs	40	0	0	0	0	40

Proposed Adjustments to General Fund Capital Schemes for approval	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000	2028/29 £000	5 year Total £000
Proposed Adjustments to Programme - Development and City Services	493	950	(970)	(910)	1,366	929
Capital Loans						
NRL Loan Facility	0	0	1,000	0	0	1,000
Proposed Adjustments - Capital Loans	0	0	1,000	0	0	1,000
Total Proposed Adjustments to General Fund Programme	436	1,010	205	(750)	3,141	4,041

Proposed General Fund Capital Schemes for approval - subject to Business Case	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000	2028/29 £000	5 year Total £000
Resources						
IT hardware upgrade rolling programme	200	200	200	200	200	1,000
Proposed Programme – Resources	200	200	200	200	200	1,000
Development & City Services						
Mile Cross health, wellbeing and economic activity	7,584	0	0	0	0	7,584
Exacom planning obligations system	66	0	0	0	0	66
Riverside Walk access improvement	165	0	0	0	0	165
Parks signage	53	0	0	0	0	53
Castle Gardens	190	0	0	0	0	190
Lakenham Way highway and footway upgrades	20	158	0	0	0	178
Thorpe Hamlet traffic calming scheme	4	0	0	0	0	4
King Street traffic enforcement cameras	126	0	0	0	0	126
Proposed Programme - Development and City Services	8,207	158	0	0	0	8,365
Total General Fund Proposed Programme subject to business case	8,407	358	200	200	200	9,365
Total General Fund Programme	31,139	6,009	3,822	2,798	3,341	47,108

Housing Revenue Account	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000	2028/29 £000	5 year Total £000
Development & City Services						
Demolition & Site Maintenance	570	70	70	-	-	710
New Build Opportunities	500	500	500	-	-	1,500
Capital Grants Housing Asscns	1,000	1,000	1,000	-	-	3,000
HRA CP 20/21 Mile X Depot Site	10,936	12,711	11,071	6,560	-	41,279
Threescore phase 3	1,269	-	-	-	-	1,269
LANB Argyle Street	2,361	29	-	-	-	2,390
Threescore Acquisition	963	-	-	-	-	963
Approved Programme - Development and City Services	17,600	14,310	12,641	6,560	0	51,111
Housing & Community Safety						
HRA upgrades - Property Services fees	691	691	691	691	-	2,764
HRA upgrades – Electrical	2,688	2,538	2,438	2,188	-	9,850
HRA upgrades - Whole House Improvements	1,200	1,000	1,000	1,000	-	4,200
HRA upgrades – Kitchens	1,238	1,653	2,363	2,163	-	7,415
HRA upgrades – Bathrooms	1,553	1,503	1,403	1,553	-	6,010
HRA upgrades - Heating/Boilers Communal	2,000	2,000	2,000	2,000	-	8,000
HRA upgrades - Heating/Boilers Domestic	2,050	1,750	1,750	1,750	-	7,300
HRA upgrades - Thermal Comfort	200	200	200	200	-	800
HRA upgrades - Solar Therml/Photovoltaic	500	500	500	500	-	2,000
HRA upgrades – Windows	2,750	2,750	2,750	2,750	-	11,000
HRA upgrades – Doors	400	400	235	235	-	1,270
HRA upgrades - Door Access Controls	719	703	623	727	-	2,770

Housing Revenue Account	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000	2028/29 £000	5 year Total £000
HRA upgrades - Estate Aesthetics	250	200	200	200	-	850
HRA upgrades - HRA Shops	150	150	150	150	-	600
HRA upgrades - Sheltered Hsg Comm Facs	38	38	38	38	-	150
HRA upgrades - Re-Roofing	1,000	1,500	1,500	1,500	-	5,500
HRA upgrades – Structural	1,600	1,600	1,600	1,600	-	6,400
HRA upgrades - Lift Upgrades	75	50	75	75	-	275
HRA upgrades - Water Hygiene Upgrades	787	334	257	258	-	1,636
HRA upgrades - Disabled Adaptations	1,750	1,750	1,750	1,750	-	7,000
HRA Upgrades - Tower Blocks	3,125	3,125	3,125	3,125	-	12,500
HRA upgrades - Community Alarm	150	150	100	100	-	500
Approved Programme - Housing & Community Safety	24,912	24,583	24,746	24,550	0	98,791
Development & City Services						
Demolition & Site Maintenance	(500)	0	0	70	70	(360)
New Build Opportunities	0	0	0	500	500	1,000
Capital Grants Housing Asscns	0	0	0	1,000	1,000	2,000
Proposed Adjustment to Programme - Development and City Services	(500)	0	0	1,570	1,570	2,640
Housing & Community Safety						
HRA upgrades - Property Services fees	0	0	0	0	691	691
HRA upgrades – Electrical	0	(538)	(438)	(188)	2,000	838
HRA upgrades - Whole House Improvements	(200)	0	0	0	1,000	800
HRA upgrades – Kitchens	193	0	0	0	2,163	2,355
HRA upgrades – Bathrooms	34	0	0	0	1,553	1,586

Housing Revenue Account	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000	2028/29 £000	5 year Total £000
HRA upgrades - Heating/Boilers Communal	(1,000)	(1,000)	(1,000)	(1,000)	1,000	(3,000)
HRA upgrades - Heating/Boilers Domestic	(1,250)	(1,150)	(1,350)	(1,550)	200	(5,100)
HRA upgrades - Renewable Heating	800	1,000	1,200	1,400	1,400	5,800
HRA upgrades - Thermal Comfort	0	0	0	0	200	200
HRA upgrades - Solar Therml/Photovoltaic	0	0	0	0	500	500
HRA upgrades – Windows	(2,250)	(750)	(750)	(750)	2,000	(2,500)
HRA upgrades – Doors	3,600	3,600	3,765	3,765	4,000	18,730
HRA upgrades - Door Access Controls	82	0	0	0	727	808
HRA upgrades - Estate Aesthetics	0	0	0	0	200	200
HRA upgrades - HRA Shops	(130)	(50)	(50)	(50)	100	(180)
HRA upgrades - Sheltered Hsg Comm Facs	90	0	0	0	38	128
HRA upgrades - Re-Roofing	0	0	0	0	1,500	1,500
HRA upgrades – Structural	(1,100)	(1,100)	(1,100)	(1,100)	500	(3,900)
HRA upgrades - Lift Upgrades	65	450	425	425	500	1,865
HRA upgrades - Water Hygiene Upgrades	(737)	(284)	(207)	(208)	50	(1,386)
HRA upgrades - Disabled Adaptations	550	550	550	550	2,300	4,500
HRA Upgrades - Tower Blocks	0	0	0	0	3,125	3,125
HRA upgrades - Community Alarm	0	(150)	(100)	(100)	0	(350)
HRA upgrades - Stock Condition Survey	350	100	100	100	100	750
Proposed Adjustment - Housing & Community Safety	(905)	678	1,045	1,295	25,845	27,959
Total HRA Programme	41,107	39,571	38,433	33,975	27,415	180,500
Total Overall Capital Programme	72,245	45,579	42,254	36,773	30,756	227,608

Appendix 4 (C): The council's capital funding sources & strategy for their use

Funding source	Description and proposed strategy for its use
Revenue budget	<p>Description: The use of the annual revenue budget to directly fund capital expenditure (also known as a Revenue Contribution to Capital Outlay (RCCO)).</p> <p>General Fund strategy: The revenue budget can be used to fund capital projects where there is no financial return from the investment to cover the costs of borrowing.</p> <p>HRA strategy: The HRA RCCO is the most versatile funding source and is therefore only utilised for capital expenditure after first taking into account resources available from grants, contributions, the Major Repairs Reserve (MRR), and retained one for one Right to Buy capital receipts.</p>
Capital receipts	<p>Description: Income receipt arising from the sale of assets or repayment of capital loans. Can only be used to fund capital expenditure or repay capital debt.</p> <p>General Fund strategy: Capital receipts are held centrally and used as a corporate resource. Capital receipts income (along with the revenue budget) is used to fund capital projects where there is no financial return from the investment to cover the costs of borrowing. Where proceeds from the disposal of commercial properties, which were originally funded by borrowing, are received, where appropriate those sums will be applied to reduce debt.</p> <p>HRA strategy: Non-Right-to-Buy HRA capital receipts arise from the disposal of HRA property and land other than dwellings and may be utilised to fund any HRA capital expenditure, except for projects that are being part funded by Right to Buy Retained 'One for One' Receipts. Due to this restriction, this resource is utilised to fund the HRA capital upgrade programme after resources arising from grants, contributions and the MRR have been applied, but prior to the use of general reserves and borrowing.</p> <p>Use of capitalisation flexibilities: Regulations around the flexible use of capital receipts allow the council to use new capital receipts to fund the revenue costs of council service reviews that will generate savings in future years. This is subject to the council approving a policy on the flexible use of capital receipts. The council currently has sufficient funds in its earmarked spend-to-save reserves and therefore has no proposal to make use of these flexibilities.</p>

Funding source	Description and proposed strategy for its use
Leasing	<p>Description: A lease is a contractual arrangement between the lessee (user) to pay the lessor (owner) for use of an asset. Property, equipment and vehicles are common assets that are leased. Leasing offers a way of financing the use of assets over a period of time without actually having to buy them outright.</p> <p>Strategy for its use: Some assets used by the Council are financed by a lease arrangement; for example, vehicles. There may be instances where leasing can offer value for money, and it will remain a consideration when options are being appraised. However, given the current relatively low cost of borrowing through PWLB compared to the implicit interest rates within any leased asset arrangement, it is likely to be better value for money if the council funds the asset itself via borrowing.</p> <p>Leasing cannot be undertaken without the specific approval of the S151 Officer to ensure that new accounting arrangements have been considered fully.</p>

Funding source	Description and proposed strategy for its use
Right-to-buy capital receipts	<p>Description: Income arising from Right-to-Buy sales of Council dwellings comprise three elements, the Treasury Share, which is passed to the government, the local authority share and the retained 'one for one' receipts. These funding sources are only available to the HRA.</p> <p>Local Authority Share: An element of capital receipts arising from the sale of an HRA dwelling under Right-to-Buy that may be retained indefinitely by the council and utilised to fund any HRA capital expenditure.</p> <p>Strategy for its use: As with other HRA capital receipts, these may be utilised to fund any HRA capital expenditure, except for projects that are being part funded by Right to Buy Retained 'One for One' Receipts. Due to this restriction, this resource is utilised to fund the HRA capital upgrade programme after resources arising from grants, contributions and the MRR have been applied, but prior to the use of general reserves and borrowing.</p> <p>Retained 'One for One' Receipts: The use of this share is limited under statute and can only be used to fund up to 40% of the overall cost of new social housing and must be utilised within 5 years of the date of retention or be returned to central government along with a punitive interest charge.</p> <p>Strategy for its use: The use of this resource is maximised, and monitoring will be undertaken during the year to ensure the council is not at risk of having to pay the receipts plus interest to central government.</p> <p>Council has prioritised the funding of its own HRA capital programme in utilising these receipts, but when unable to do so the priorities are:</p> <ol style="list-style-type: none"> 1. Providing grant to Registered Providers to develop additional social rented housing, or when unable to do so. 2. Providing grant to Registered Providers to develop additional affordable rented housing.
General Reserves	<p>Description: General (non-earmarked) reserves can be used to fund either revenue or capital expenditure.</p> <p>General Fund strategy: The general fund reserve is planned to be used to help finance the revenue budget over the MTFs until the reserve reaches the prudent minimum level. There are no plans for it to be used to fund capital expenditure.</p> <p>HRA strategy: The HRA general reserve is planned to be used as necessary to finance revenue and capital budgets in line with the HRA business plan, until the reserve reaches the prudent minimum balance.</p>
Major Repairs Reserve (MRR)	<p>Description: The Major Repairs Reserve is created from an annual depreciation charge to HRA revenue budgets.</p> <p>Strategy for its use: This is used as the first source of funding for the HRA capital upgrade programme.</p>

Funding source	Description and proposed strategy for its use
Capital grants	<p>Description: Grants given to the council to fund, either in whole or in part, specific capital projects</p> <p>Strategy for their use: the council will actively pursue grants and other contributions as well as other innovative solutions for the funding of capital investment schemes. This funding will be utilised in the first instance if the capital projects they fund meet the city's priorities and have no revenue budget or other onerous implications.</p>
Section 106, GNGB and CIL	<p>Description: Contributions paid by developers to mitigate the impact of new development across the city.</p> <p>Section 106: Contributions may be utilised to fund capital schemes but must be used in accordance with any obligations imposed by each legal agreement, such as time limits, area restrictions or service restrictions. These are now diminishing as S106s have instead largely been replaced by CIL contributions.</p> <p>CIL (Community Infrastructure Levy): 80% of CIL contributions collected are paid to the Greater Norwich Growth Board (GNGB) to fund the Infrastructure Investment Fund in accordance with an existing memorandum of understanding. Where appropriate the council submits bids which may be utilised to fund capital schemes.</p> <p>15% of CIL contributions are retained for local neighbourhood sponsored schemes. Contributions may provide matched funding to secure grant funding from central government or the local enterprise partnership.</p>

Funding source	Description and proposed strategy for its use
Borrowing	<p>Description: Internal borrowing is the <i>temporary</i> use of the council's cash holdings to fund capital expenditure. External borrowing is the process of taking debt finance from an external institution.</p> <p>The council will only borrow money (either internally or externally) in cases where there is a clear financial benefit, such as a new income stream or a budget saving, that can, at the very least, fund the costs arising from the borrowing, namely interest charges & any Minimum Revenue Provision (MRP) costs.</p> <p>The council's borrowing will be proportionate to the size of the council's balance sheet and revenue budget.</p> <p>All executive decisions on borrowing, investment or financing, within the limits and principles agreed by Council in the annual Treasury Management Strategy, are delegated to the Section 151 officer (chief finance officer), under the council's constitution, who is required to act in accordance with CIPFA's Treasury Management Code of practice. The Section 151 officer will decide whether to use internal instead of external borrowing as a temporary source of financing if at the time:</p> <ul style="list-style-type: none"> (a) The council's overall cash holdings are above the minimum amount of cash deemed necessary for working capital purposes– (see the Treasury Management Strategy in part 6). (b) The net return from the new income stream (or budget saving), arising from the capital expenditure, is above that which would be obtained by depositing the cash on a short-term basis in a bank or building society. (c) The current interest rate environment remains volatile and as such opportunities to redeem debt or other capital financing decisions will be kept under review in conjunction with advice from the council's treasury advisers, Link Asset Services, if necessary.