

## **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 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.
- 4.7. The council's investment objectives for capital expenditure are shown in table 4.1 along with specific projects, either within the capital budget or future projects, that 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 will continue to evolve, and the time period it covers lengthen, 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. Whilst the council has held commercial property for decades, until recently it has been purchasing new property investments in line with its previous 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 (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 certain.
- 4.20. Although there have been no further announcements since the consultation closed, the proposed changes would have a material impact on future considerations relating to the provision of capital loans; the draft proposals indicated that no changes would be made prior to April 2023 and would not be applied retrospectively.
- 4.21. The council has a loan book of £8.012m with three borrowing organisations (as at 31 Dec 22): Norwich Regeneration Limited (£6.150m), Norwich City Services Limited (£1.740m) and the Norwich Preservation Trust (£0.082m).
- 4.22. 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.

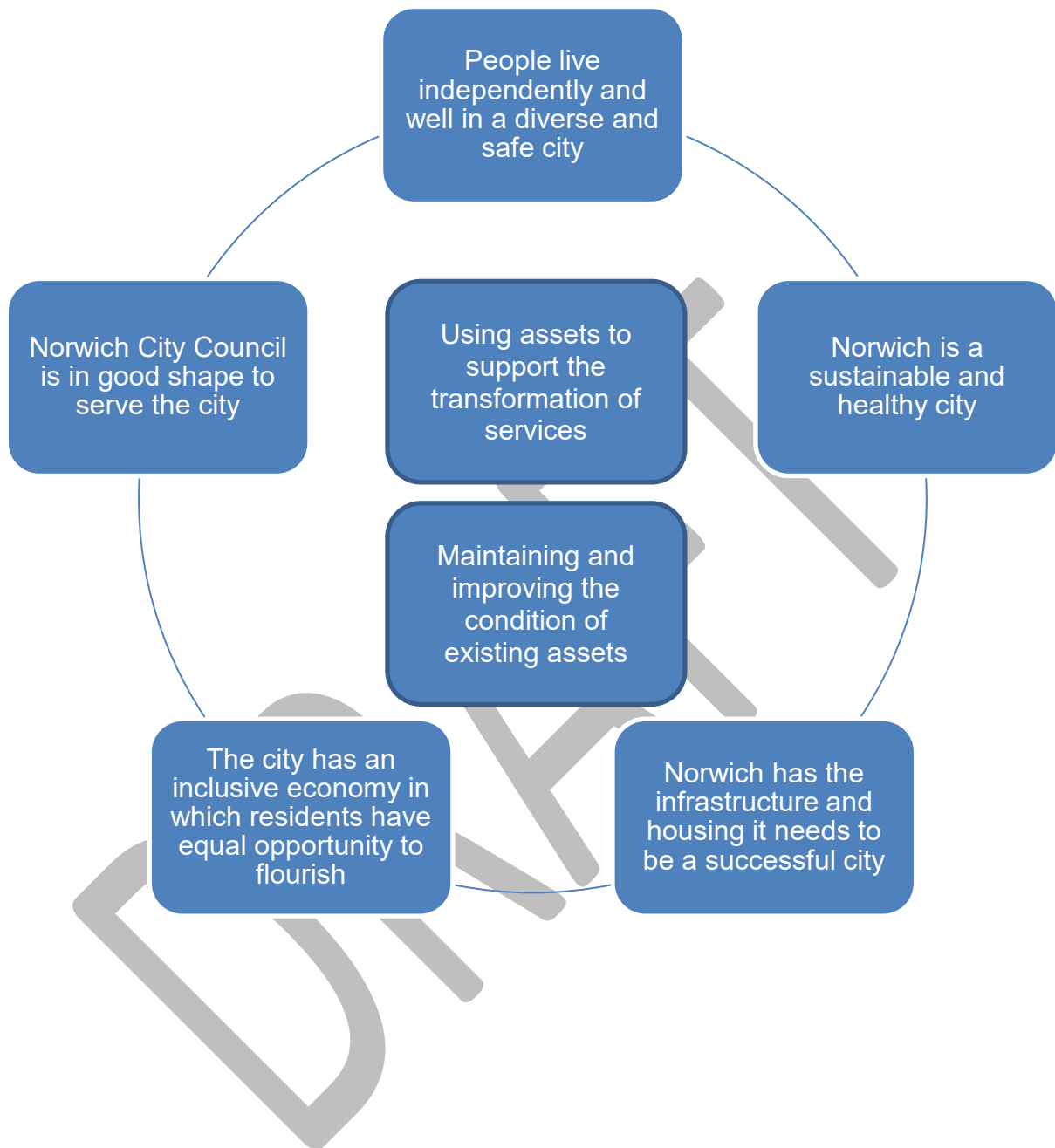
## **Norwich Regeneration Limited (NRL)**

- 4.23. The NRL business plan for 2023-2030 was presented to Cabinet on 14<sup>th</sup> December 2022.
- 4.24. 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.
- 4.25. At the end of 2021/22 there was an impairment of £1.87m 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.

## **NRL Business Model**

- 4.26. 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"> <li>Supporting people to feel safe and welcomed</li> <li>Providing means for people to lead connected, fulfilling lives</li> <li>Ensuring there is a range of cultural, leisure and social opportunities and activities for all</li> <li>Comply with health &amp; safety and other regulatory requirements</li> </ul>	<p>Capital expenditure plans can contribute to this corporate aim by:</p> <ul style="list-style-type: none"> <li>Providing means for people to lead healthy, connected, fulfilling lives</li> <li>Continuing with the sensitive regeneration of the city that retains its unique character and meets local needs</li> <li>Keeping streets clean</li> <li>Undertaking environmental improvements.</li> </ul>	<p>Capital expenditure plans can contribute to this corporate aim by:</p> <ul style="list-style-type: none"> <li>Building and maintaining a range of social and private housing</li> <li>Tackling homelessness and rough sleeping</li> </ul>	<p>Capital expenditure plans can contribute to this corporate aim by:</p> <ul style="list-style-type: none"> <li>Supporting investment that promotes a growing, diverse, innovative and resilient economy</li> </ul>	<p>The Council aims to be financially self-sufficient, to ensure the long-term sustainability of service delivery to residents and businesses.</p> <p>Capital expenditure plans can contribute to this aim by:</p> <ul style="list-style-type: none"> <li>Investing in projects that generate or protect income streams, or which can deliver efficiencies in the revenue budget.</li> <li>Maintain or improve the physical condition of assets owned by the City</li> </ul>
<p>The capital strategy includes:</p> <ul style="list-style-type: none"> <li>Ketts Heights habitat improvements and castle gardens projects</li> <li>Disabled Facilities Grants</li> <li>Make Space at the Norwich Halls project</li> <li></li> </ul>	<p>The capital strategy includes:</p> <ul style="list-style-type: none"> <li>Public realm improvements</li> <li>Rolling programme of major repairs to the city wall and closed churchyards</li> </ul>	<p>The capital strategy includes:</p> <ul style="list-style-type: none"> <li>New social housing developments at Mile Cross, Three Score, Argyle Street,</li> <li>Significant council house upgrade programme</li> </ul>	<p>The capital strategy includes:</p> <ul style="list-style-type: none"> <li>Compulsory Purchase Order revolving fund</li> <li>Establishment of a digital hub</li> </ul>	<p>The capital strategy includes:</p> <ul style="list-style-type: none"> <li>Maintenance of investment property portfolio</li> <li>Investment in City Hall</li> <li>Regulatory Services digitalisation project</li> </ul>

## **Asset management planning**

- 4.27. The overriding objective of asset management planning is to ensure that the council's land and property is appropriate, fit-for-purpose, and affordable.
- 4.28. 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 2021/22 was £1.143 billion.

## **General Fund asset management planning**

- 4.29. The council adopted a new Strategic Asset Management Framework on 9<sup>th</sup> March 2022. The implementation of the action plan is progressing well and improved data including condition and valuation data is being gathered on assets. The improvement of asset data will continue during Q4 2022/23 and into 2023/24. 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.
- 4.30. 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.
- 4.31. 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.
- 4.32. Going forward the aim is for capital spend to be planned to follow an asset review and informed decision making in relation to the assets' future. This MTFS is being prepared at a time of flux whilst we are in the process of moving from the old way of working to the new. This is partly why the strategic property remediation fund is being proposed, to allow us to respond to issues identified within the new condition data as required and undertake emergency works whilst we plan for the longer term. It will also allow more time to consider future capital spend in a more holistic manner

## **Housing Revenue Account asset management planning**

- 4.33. 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 will give a greater understanding of future requirements, including the backlog repairs and compliance work and an initial 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.
- 4.34. A shift in approach is currently moving from planned long term maintenance of the existing dwelling stock towards a strategy of remodelling existing provision, replacing existing provision, and growth in the stock held by building/purchasing new homes.

- 4.35. A review of the Norwich Standard is taking place in 2023/24, to look at where efficiencies can be achieved at no detriment to the service delivered to our residents. An initial review indicates a potential saving of circa £121m over 30 years (without inflation).
- 4.36. A council housing strategy was adopted by Cabinet in November 2019 covering a five-year period and identifies the following four primary goals:
- Delivering new homes.
  - Maintaining and improving condition of existing housing
  - Improving the use and management of our existing housing stock
  - Improving our neighbourhoods.
- 4.37. The proposed HRA capital programme seeks to contribute towards achieving these goals. Further detail is included within section 3 of this report – HRA 2023/24 budget.

### **Capital expenditure plans**

- 4.38. 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 2023/24 to 2027/28 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 2022/23 outturn**

- 4.39. The latest forecast position as at quarter 3 shows the general fund capital programme is forecast to underspend by £9.825m and the Housing Revenue Account (HRA) capital programme is forecast to underspend by £8.591m. 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 2023/24.

### **2023/24 to 2027/28 capital programme**

- 4.40. Within a shorter timeframe, 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, moving forward the council continues to work towards a published five-year rolling capital programme, which will provide greater certainty for delivery as well as for financial and resource and procurement planning
- 4.41. Table 4.2 below summarises the proposed 2023/24 overall capital budget along with indicative spending plans from 2024 to 2028, 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 2023 – 2028**

	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000	5 year Total £000
<b>General Fund Summary programme (Approved)</b>						
Community Services	4,915	1,585	1,571	0	0	8,071
Corporate & Commercial Svcs	121	0	0	0	0	121
Development & City Services	11,027	1,565	2,109	1,761	0	16,461
Capital Loans	3,000	2,000	1,000	0	0	6,000
<b>Total GF Summary programme (Approved)</b>	<b>19,062</b>	<b>5,150</b>	<b>4,680</b>	<b>1,761</b>	<b>0</b>	<b>30,653</b>
<b>General Fund Summary Programme (Proposed)</b>						
Community Services	335	0	0	1,515	1,515	3,365
Development & City Services (Adjustment to Approved)	206	42	(194)	1	1,733	1,788
<b>Total General Fund Summary Programme (proposed)</b>	<b>541</b>	<b>42</b>	<b>(194)</b>	<b>1,516</b>	<b>3,248</b>	<b>5,153</b>
<b>General Fund Summary Programme (Business Case Required)</b>						
Community Services	125	45	45	40	0	255
Development & City Services	8,777	3,130	185	175	175	12,442
Corporate & Commercial Svcs	40	0	0	0	0	40
<b>Total General Fund Summary Programme (Business Case Req'd)</b>	<b>8,942</b>	<b>3,175</b>	<b>230</b>	<b>215</b>	<b>175</b>	<b>12,737</b>
<b>Total GF Programme</b>	<b>28,545</b>	<b>8,367</b>	<b>4,716</b>	<b>3,492</b>	<b>3,423</b>	<b>48,543</b>
<b>Housing Revenue Account Summary Programme (Approved)</b>						
HRA - Development & City Services	13,549	14,303	8,189	9,487	0	45,528
<b>Housing Revenue Account Summary Programme (Proposed)</b>						
HRA - Development & City Services	0	(30)	6,121	3,154	6,560	15,805
HRA - Community Services	22,057	24,912	24,583	24,746	24,550	120,848
<b>Total Housing Revenue Account Programme</b>	<b>35,606</b>	<b>39,185</b>	<b>38,892</b>	<b>37,387</b>	<b>31,110</b>	<b>182,181</b>
<b>Total Capital programme</b>	<b>64,151</b>	<b>47,552</b>	<b>43,608</b>	<b>40,879</b>	<b>34,533</b>	<b>230,724</b>

*Note: Minor differences in totals due to the rounding of values within the table*

4.42. In 2023/24 the capital programme aims to deliver the following key outcomes:

#### General Fund:

- £10.3m 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 234 council homes over next 5 years.
- Repair and maintenance of existing housing stock- £18.4m including 260 new kitchens, 126 new bathrooms plus 179 adapted bathrooms, 250 upgraded doors, 651 electrical upgrades or rewires and 34 communal sites receiving new windows.
- Improving the use and management of the existing housing stock - including improvements to communal areas, 299 new heating systems and 4 communal boiler upgrades plus disabled adaptation and stair-lift installation programme.
- Improving neighbourhoods - including 34 door entry system upgrades and a £0.75m estate aesthetics programme.

#### **Towns' Deal Funding**

- 4.43. The most significant non-housing capital expenditure next year 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.
- 4.44. 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.

#### **Future capital programme**

- 4.45. 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.
- 4.46. 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.
- 4.47. 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, Norwich Regeneration 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.

4.48. The financial consequences of capital projects identified within the 2019 Future Housing Commissioning report have been considered in the council's financial plans in the following manner:

- The HRA Business Plan does not include all potential projects identified within the Future Housing Commissioning report. However, a financial viability assessment of their impact on the HRA Business Plan demonstrates that their inclusion within the HRA capital programme would continue to allow the HRA to remain sustainable over the 30 years planning period.
- The borrowing that the council may need to undertake to finance the projects has been included in the capital financing requirement, operational boundary for external debt, and authorised limit for external debt calculations which will be set out in the Treasury Management Strategy in February 2023.

## **Funding the capital strategy**

- 4.49. 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 since 2010 and the council must now rely more on its own funding and leveraging in other sources of external funding where this is possible.
- 4.50. 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

- 4.51. 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.
- 4.52. In the past, capital receipts have been the main funding source for the general fund capital programme. However, until the asset management review concludes the level of predicted receipts and intended sales is unclear. The sale of the airport industrial estate in August 2022, Cambridge Science Park and cabinet decisions to dispose of assets at Guildhall Hill will inform future estimations of capital receipts. Table 4.3 below sets out the expected availability of capital receipts over the MTFS planning period to 2028.

**Table 4.3: Projected General Fund Capital Receipts 2022 – 2028**

	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
<b>Capital Receipts Analysis</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Existing capital receipts reserve brought forward from previous year	(18,155)	(21,967)	(11,497)	(8,688)	(10,871)	<b>(10,308)</b>
Anticipated capital receipts in year	(11,247)	0	(727)	(2,700)	(1,230)	<b>0</b>
Other income anticipated	0	0	0	0	0	<b>0</b>
<b>Total capital receipts</b>	<b>(29,402)</b>	<b>(21,967)</b>	<b>(12,224)</b>	<b>(11,388)</b>	<b>(12,101)</b>	<b>(10,308)</b>
Funding requirement (inc c/f from previous year) based on capital programme	3,446	10,470	3,536	517	1,793	<b>1,750</b>
MRP repayment related to disposals	3,988	0	0	0	0	<b>0</b>
<b>Total potential funding requirement</b>	<b>7,435</b>	<b>10,470</b>	<b>3,536</b>	<b>517</b>	<b>1,793</b>	<b>1,750</b>
<b>Balance at end of year</b>	<b>(21,967)</b>	<b>(11,497)</b>	<b>(8,688)</b>	<b>(10,871)</b>	<b>(10,308)</b>	<b>(8,558)</b>

*Note: Minor differences in totals due to the rounding of values within the table*

- 4.53. The level of capital receipts relies upon the completion of asset sales which cannot be guaranteed. 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**

<b>Funding</b>	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>	<b>5 year Total</b>
<b>General Fund</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Capital Receipts	10,014	3,536	517	1,793	1,750	<b>17,610</b>
Capital Receipts (Ringfenced)	0	0	0	0	0	<b>0</b>
Grants & Contributions	13,129	1,564	1,440	0	0	<b>16,133</b>
Revenue contribution from earmarked reserves	66	0	0	0	0	<b>66</b>
Borrowing	3,000	2,000	1,000	0	0	<b>6,000</b>
CIL/GNGB/S106	2,335	1,267	1,759	1,699	1,673	<b>8,733</b>
<b>Total</b>	<b>28,545</b>	<b>8,367</b>	<b>4,716</b>	<b>3,492</b>	<b>3,423</b>	<b>48,543</b>

*Note: Minor differences in totals due to the rounding of values within the table*

### **Proposed funding of the HRA capital programme**

- 4.54. The funding of the HRA capital programme follows the funding strategy set out in Appendix 4 (C). In addition, the £5.530m surplus income estimated for 2022/23 plus £1.210m of existing HRA general reserves are proposed to be used to fund 2023/24 capital expenditure.
- 4.55. The remaining HRA general reserves (forecast at £47.590m at the end of 2023/24) 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**

<b>HRA Funding</b>	<b>2023/24 £000</b>	<b>2024/25 £000</b>	<b>2025/26 £000</b>	<b>2026/27 £000</b>	<b>2027/28 £000</b>	<b>5 year Total £000</b>
HRA Capital Receipts	5,956	9,940	9,657	9,923	7,420	<b>42,896</b>
Retained One for One Receipts	6,020	6,309	6,324	5,657	2,624	<b>26,933</b>
Major Repairs Reserve	15,852	14,722	14,676	14,572	16,880	<b>76,702</b>
HRA Revenue Contribution	6,740	7,964	7,986	6,985	3,936	<b>33,611</b>
HRA Grants and contributions	250	250	250	250	250	<b>1,250</b>
Section 106	789	0	0	0	0	<b>789</b>
HRA Borrowing	0	0	0	0	0	<b>0</b>
<b>Total</b>	<b>35,606</b>	<b>39,185</b>	<b>38,892</b>	<b>37,387</b>	<b>31,110</b>	<b>182,181</b>

### **Enabling our future vision**

- 4.56. 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**

- 4.57. 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**

- 4.58. 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.
  - A new Treasury Management working group providing review and advice on all investment activity to the cabinet and council.
  - Additionally, to support the committee structure and Corporate Leadership Team with future governance, including delivery of projects, a new governance board structure will be established.
- 4.59. 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.

- 4.60. A recommendation has been included that will continue to allow officers to 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.
- 4.61. 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.
- 4.62. In addition, new projects not included within the existing or proposed capital programme, require a full business case to be submitted to council for approval as and when the information and analysis is available to make a robust decision.
- 4.63. 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**

- 4.64. Capital project proposals should form part of the council's annual resource planning processes. Service and project level planning both informs and is derived from the overall policy framework of the agreed corporate plan and budget. This means that by autumn each year, capital project proposals for the following year(s) should be prepared for the corporate and political governance processes, which culminate in the annual budget setting meeting of the Council in February.

### **Commissioning, appraisal, and programme/project management**

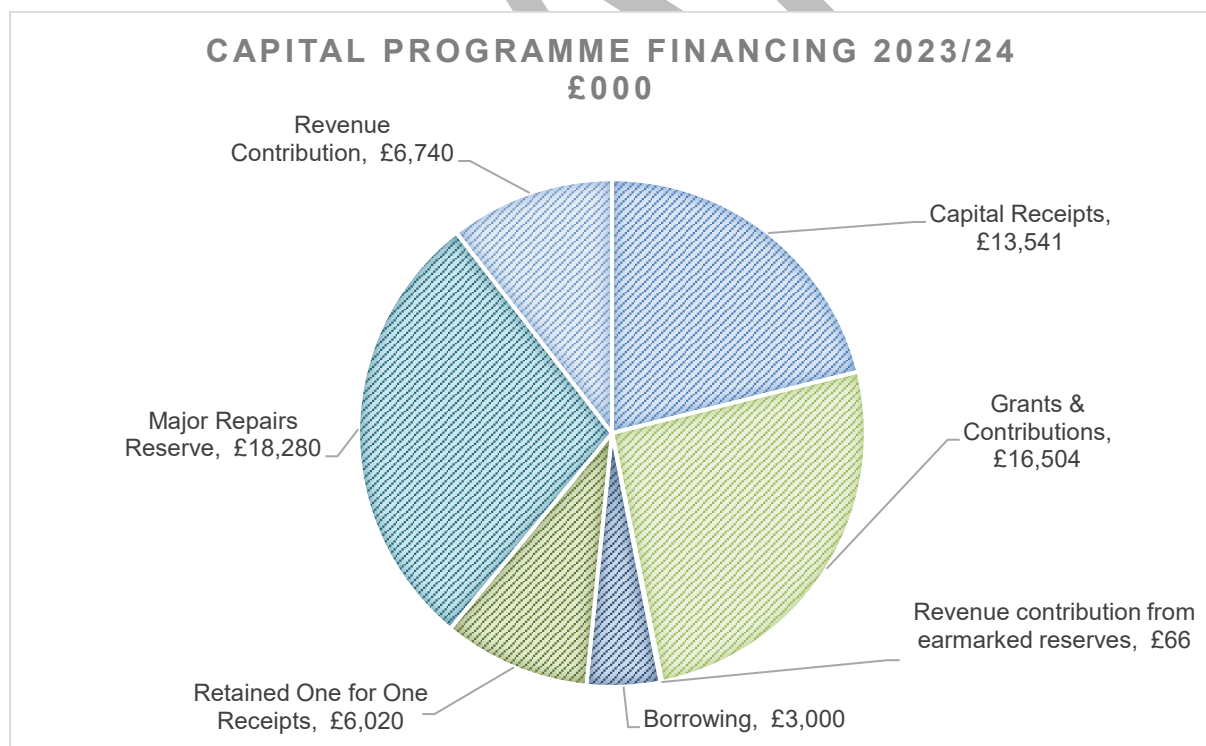
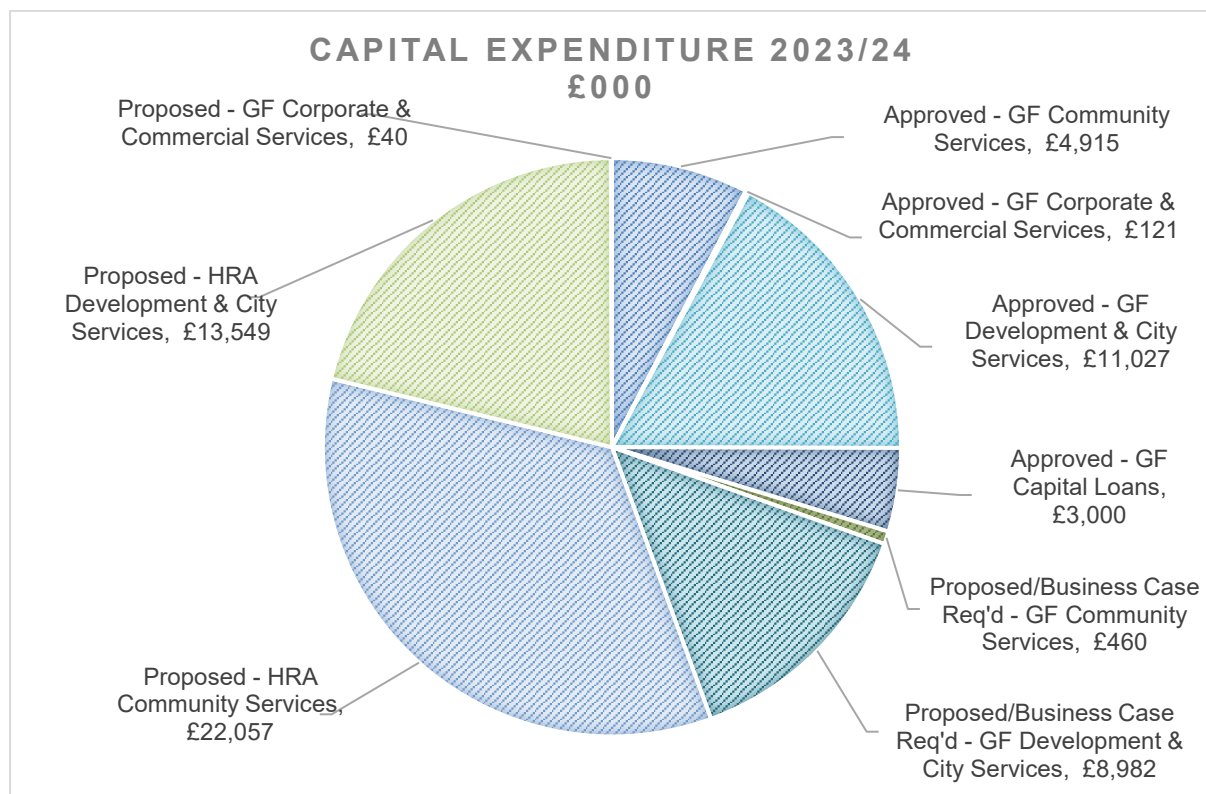
- 4.65. The financial restrictions on both capital and revenue expenditure in the general fund require a step change in the quality of commissioning and project management and delivery.
- 4.66. To support the council's approach to capital investment:
- An asset management strategy to inform and support the capital programme is being actively developed.
  - All capital projects will be subject to a comprehensive but proportionate appraisal through a Design Authority process prior to proceeding to business case submission.

## **Knowledge and skills**

- 4.67. 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.
- 4.68. 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.
- 4.69. 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 2023/24



DRAFT

#### Appendix 4 (B): Proposed capital projects 2023/24 to 2027/28

Approved General Fund Programme	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000	5 year Total £000
<b>Community Services</b>						
Norman Centre replace boilers	165	0	0	0	0	165
Riverside Leisure replacement plant/equipment	170	33	56	0	0	259
TF make space at the halls	2,989	37	0	0	0	3,027
Empty Homes Grant	35	0	0	0	0	35
S106 Bowthorpe Clover Hill Access	41	0	0	0	0	41
IT Investment Fund	75	75	75	0	0	225
Disabled Facilities Grant	1,440	1,440	1,440	0	0	4,320
<b>Approved Programme - Community Services</b>	<b>4,915</b>	<b>1,585</b>	<b>1,571</b>	<b>0</b>	<b>0</b>	<b>8,071</b>
<b>Corporate and Commercial Services</b>						
HR system 2023	121	0	0	0	0	121
<b>Approved Programme - Corporate and Commercial Services</b>	<b>121</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>121</b>
<b>Development &amp; City Services</b>						
Hay Hill Public Realm TF	1,573	0	0	0	0	1,573
Ketts Heights repairs/habitat	272	0	0	0	0	272
St John Maddermarket retaining wall	14	0	0	0	0	14
Riverside Rd Yacht Stat rep Quay	10	0	0	0	0	10
Old carrow house	8	0	0	0	0	8
Demolition & Site Maintenance	200	0	0	0	0	200
GNGB Castle Gardens	207	0	0	0	0	207
Market Shops & Toilets - Roof	40	0	0	0	0	40
TF- Digital hub	2,005	0	0	0	0	2,005
Churchman House Cupola repairs	130	0	0	0	0	130
GNGB Comm Access Imp-20 Acre Wood	1	8	0	0	0	9
GNGB Marriot's Way/ Hellesdon Station Green	144	0	0	0	0	144
Transforming Cities Fund Contribution	80	0	0	0	0	80

<b>Development &amp; City Services (continued)</b>	<b>2023/24 £000</b>	<b>2024/25 £000</b>	<b>2025/26 £000</b>	<b>2026/27 £000</b>	<b>2027/28 £000</b>	<b>5 year Total £000</b>
ACE Centre CCN TF	82	0	0	0	0	82
St Giles Public Realm TF	653	0	0	0	0	653
Park toilet refurbishment (Wensum/Heigham/Eaton)	0	0	0	0	0	0
TF Compulsory Purch order revolving fund	3,640	0	0	0	0	3,640
TF - Programme management	14	87	0	0	0	101
NCC Water Hygiene Contract	51	13	6	3	0	73
City Walls repair programme	40	40	40	0	0	120
Closed Churchyards repair prog	10	10	10	0	0	30
CIL Contribution Strategic	1,853	1,407	2,053	1,758	0	7,071
<b>Approved Programme - Development and City Services</b>	<b>11,027</b>	<b>1,565</b>	<b>2,109</b>	<b>1,761</b>	<b>0</b>	<b>16,461</b>
<b>Capital Loans</b>						
Norwich Preservation Trust Loan	1,000	0	0	0	0	1,000
NRL Loan	2,000	2,000	1,000	0	0	5,000
<b>Approved Programme - Capital Loans</b>	<b>3,000</b>	<b>2,000</b>	<b>1,000</b>	<b>0</b>	<b>0</b>	<b>6,000</b>
<b>Total General Fund Approved Programme</b>	<b>19,062</b>	<b>5,150</b>	<b>4,680</b>	<b>1,761</b>	<b>0</b>	<b>30,653</b>

Proposed General Fund Capital Schemes for approval	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000	5 year Total £000
<b>Community Services</b>						
IT Investment Fund - continuation of programme	0	0	0	75	75	150
Disabled Facilities Grant - continuation of programme	0	0	0	1,440	1,440	2,880
Neighbourhood CIL grant funding pot	335	0	0	0	0	335
<b>Proposed Programme - Community Services</b>	<b>335</b>	<b>0</b>	<b>0</b>	<b>1,515</b>	<b>1,515</b>	<b>3,365</b>
<b>Development &amp; City Services</b>						
City Walls repair programme - continuation of programme	0	0	0	40	40	80
Closed Churchyards repairs - continuation of programme	0	0	0	10	10	20
CIL Contribution Strategic - continuation of programme	(597)	(148)	(294)	(59)	1,673	575
DA 13 - Norwich Yacht Station	10	10	10	10	10	50
DA 16 - LED Lighting in City Hall and District Lighting	103	180	90	0	0	373
Traveller Site	690	0	0	0	0	690
<b>Proposed Programme - Development and City Services</b>	<b>206</b>	<b>42</b>	<b>(194)</b>	<b>1</b>	<b>1,733</b>	<b>1,788</b>
<b>Total General Fund Proposed Programme</b>	<b>541</b>	<b>42</b>	<b>(194)</b>	<b>1,516</b>	<b>3,248</b>	<b>5,153</b>

<b>Proposed and amended General Fund Capital Schemes for approval - subject to Business Case</b>	<b>2023/24 £000</b>	<b>2024/25 £000</b>	<b>2025/26 £000</b>	<b>2026/27 £000</b>	<b>2027/28 £000</b>	<b>5 year Total £000</b>
<b>Community Services</b>						
DA 1 - Wide Area Network Refresh 2023/24	100	0	0	0	0	100
DA 2 - Mobile Handsets Refresh 2022-27	25	45	45	40	0	155
<b>Proposed Programme - Community Services</b>	<b>125</b>	<b>45</b>	<b>45</b>	<b>40</b>	<b>0</b>	<b>255</b>
<b>Development &amp; City Services</b>						
DA 4 - Regulatory Services Digitisation Project	472	228	0	0	0	700
DA 5 - Tennis Courts Surface Refurbishment	122	0	0	0	0	122
DA 6 - Park Play Equipment Refurbishment	75	75	75	75	75	375
DA 7 - Strategic Property Remediation Fund	750	1,500	0	0	0	2,250
DA 9 - Property Services IT	285	0	0	0	0	285
DA 10 - St Andrews Hall	950	0	0	0	0	950
DA 11 - Future of City Hall	5,650	0	0	0	0	5,650
DA 12 - Cemetery Railings Replacement	150	150	0	0	0	300
DA 14 - Parking in Parks (phase 2)	38	0	0	0	0	38
DA 15 - NCSL Asset Replacement	215	1,177	110	100	100	1,702
DA 18 - Electrical Switch Gear Replacement	70	0	0	0	0	70
<b>Proposed Programme - Development &amp; City Services</b>	<b>8,777</b>	<b>3,130</b>	<b>185</b>	<b>175</b>	<b>175</b>	<b>12,442</b>
<b>Corporate &amp; Commercial Services</b>						
DA 17 - Revenues & Benefits Programme Improvements	40	0	0	0	0	40
<b>Proposed Programme – Corporate &amp; Commercial Services</b>	<b>40</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>40</b>
<b>Total General Fund Proposed Programme subject to business case</b>	<b>8,942</b>	<b>3,175</b>	<b>230</b>	<b>215</b>	<b>175</b>	<b>12,737</b>
<b>Total General Fund Programme</b>	<b>28,545</b>	<b>8,367</b>	<b>4,716</b>	<b>3,492</b>	<b>3,423</b>	<b>48,543</b>

<b>Housing Revenue Account</b>	<b>2023/24 £000</b>	<b>2024/25 £000</b>	<b>2025/26 £000</b>	<b>2026/27 £000</b>	<b>2027/28 £000</b>	<b>5 year Total £000</b>
<b>Development &amp; City Services</b>						
HRA Demolition & Site Maintenance	320	70	70	70	0	530
LANB Mile Cross Depot Site	4,239	9,103	6,590	7,917	0	27,849
New Build Opportunities	500	500	500	500	0	2,000
Three Score phase 3	6,039	1,269	0	0	0	7,308
Capital Grants to Registered Housing Providers	1,000	1,000	1,000	1,000	0	4,000
LANB Argyle Street	1,285	2,361	29	0	0	3,675
LANB Kings Arms	16	0	0	0	0	16
LANB Hethersett	150	0	0	0	0	150
<b>Approved Programme - Development and City Services</b>	<b>13,549</b>	<b>14,303</b>	<b>8,189</b>	<b>9,487</b>	<b>0</b>	<b>45,528</b>
<b>Development &amp; City Services</b>						
LANB Mile Cross Depot Site	0	-30	6,121	3,154	6,560	15,805
<b>Proposed Programme - Development and City Services</b>	<b>0</b>	<b>-30</b>	<b>6,121</b>	<b>3,154</b>	<b>6,560</b>	<b>15,805</b>
<b>Community Services</b>						
HRA upgrades - Electrical	2,000	2,688	2,538	2,438	2,188	11,850
HRA upgrades - Whole House Improvements	1,500	1,200	1,000	1,000	1,000	5,700
HRA upgrades - Kitchens	1,550	1,238	1,653	2,363	2,163	8,965
HRA upgrades - Bathrooms	1,440	1,553	1,503	1,403	1,553	7,450
HRA upgrades - Heating/Boilers Communal	2,665	2,000	2,000	2,000	2,000	10,665
HRA upgrades - Heating/Boilers Domestic	1,000	2,050	1,750	1,750	1,750	8,300
HRA upgrades - Thermal Comfort	200	200	200	200	200	1,000
HRA upgrades - Solar Thermal/Photovoltaic	746	500	500	500	500	2,746
HRA upgrades - Windows	2,000	2,750	2,750	2,750	2,750	13,000
HRA upgrades - Doors	400	400	400	235	235	1,670

<b>Community Services (continued)</b>	<b>2023/24 £000</b>	<b>2024/25 £000</b>	<b>2025/26 £000</b>	<b>2026/27 £000</b>	<b>2027/28 £000</b>	<b>5 year Total £000</b>
HRA upgrades - Door Access Controls	650	719	703	623	727	3,420
HRA upgrades - Estate Aesthetics	750	250	200	200	200	1,600
HRA upgrades - HRA Shops	150	150	150	150	150	750
HRA upgrades - Sheltered Housing Comm Facilities	90	38	38	38	38	240
HRA upgrades - Re-Roofing	1,000	1,000	1,500	1,500	1,500	6,500
HRA upgrades - Structural	1,600	1,600	1,600	1,600	1,600	8,000
HRA upgrades - Tower Block Regeneration	0	3,125	3,125	3,125	3,125	12,500
HRA upgrades - Lift Upgrades	75	75	50	75	75	350
HRA upgrades - Water Hygiene Upgrades	500	787	334	257	257	2,136
HRA upgrades - Disabled Adaptations	1,900	1,750	1,750	1,750	1,750	8,900
HRA upgrades - Community Alarm	150	150	150	100	100	650
HRA upgrades - Compliance Upgrades	1,000	0	0	0	0	1,000
HRA upgrades - Property Services fees - future years	691	691	691	691	691	3,456
<b>Proposed Programme - Community Services</b>	<b>22,057</b>	<b>24,912</b>	<b>24,583</b>	<b>24,746</b>	<b>24,550</b>	<b>120,848</b>
<b>Total HRA Programme</b>	<b>35,606</b>	<b>39,185</b>	<b>38,892</b>	<b>37,387</b>	<b>31,110</b>	<b>182,181</b>
<b>Total Overall Capital Programme</b>	<b>64,151</b>	<b>47,552</b>	<b>43,608</b>	<b>40,879</b>	<b>34,533</b>	<b>230,724</b>

*Note: Minor differences in totals due to the rounding of values within the table*



**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><b>Description:</b> The use of the annual revenue budget to directly fund capital expenditure (also known as a Revenue Contribution to Capital Outlay (RCCO)).</p> <p><b>General Fund strategy:</b> 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><b>HRA strategy:</b> 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><b>Description:</b> 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><b>General Fund strategy:</b> 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><b>HRA strategy:</b> 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><b>Use of capitalisation flexibilities:</b> 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><b>Description:</b> 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><b>Strategy for its use:</b> 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><b>Description:</b> 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><b>Local Authority Share:</b> 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><b>Strategy for its use:</b> 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><b>Retained 'One for One' Receipts:</b> 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><b>Strategy for its use:</b> 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"> <li>1. Providing grant to Registered Providers to develop additional social rented housing, or when unable to do so.</li> <li>2. Providing grant to Registered Providers to develop additional affordable rented housing.</li> </ol>
General Reserves	<p><b>Description:</b> General (un-earmarked) reserves can be used to fund either revenue or capital expenditure.</p> <p><b>General Fund strategy:</b> 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><b>HRA strategy:</b> 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><b>Description:</b> The Major Repairs Reserve is created from an annual depreciation charge to HRA revenue budgets.</p> <p><b>Strategy for its use:</b> 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><b>Description:</b> Grants given to the council to fund, either in whole or in part, specific capital projects</p> <p><b>Strategy for their use:</b> 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><b>Description:</b> Contributions paid by developers to mitigate the impact of new development across the city.</p> <p><b>Section 106:</b> 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><b>CIL (Community Infrastructure Levy):</b> 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 and allocated to fund minor capital schemes.</p> <p>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><b>Description:</b> <b>Internal borrowing</b> is the <i>temporary</i> use of the council's cash holdings to fund capital expenditure. <b>External borrowing</b> 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 &amp; 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"> <li>(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).</li> <li>(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.</li> <li>(c) The current interest rate environment is extremely 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.</li> </ul>