

## **CAPITAL STRATEGY AND CAPITAL PROGRAMME 2024/25 TO 2028/29**

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**Portfolio:** Finance

**Ward(s) Affected:** All

### **Purpose of Report:**

To present the Capital Strategy and Capital Programme for 2024/25 to 2028/29.

### **Recommendations:**

Cabinet to recommend to Council the Capital Strategy (**Appendix A**) and the Capital Programme for 2024/25 to 2028/29 (**Appendix B**).

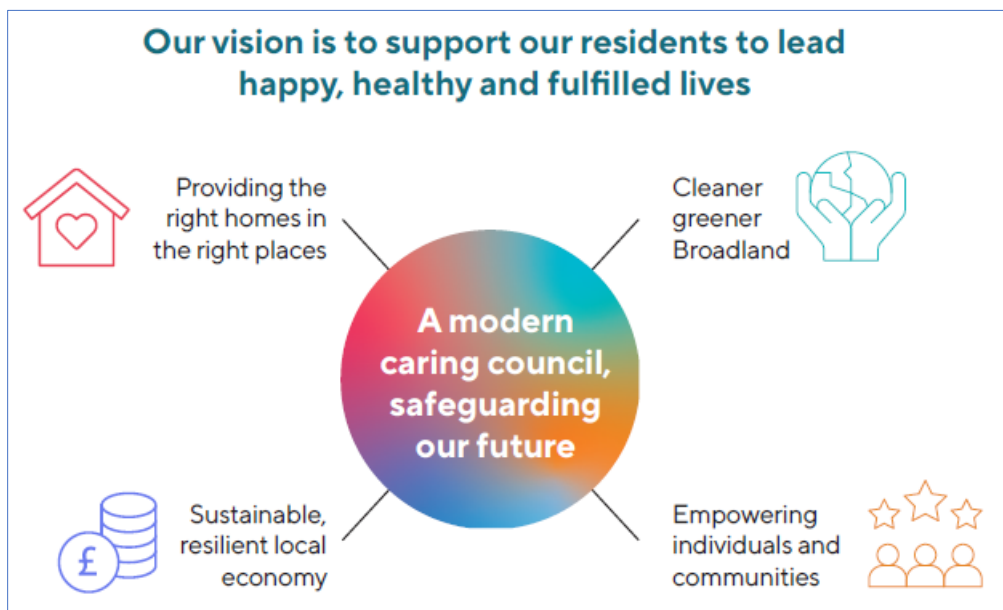
Cabinet to note the advice of the Section 151 Officer in section 12 of the Capital Strategy.

## 1 SUMMARY

- 1.1 It is the responsibility of Cabinet to prepare a budget for approval by Council.
- 1.2 This report is one of three reports to be considered by Cabinet at this meeting to set the Council Budgets.
- 1.3 This paper focuses on the Capital Strategy and the associated Capital Programme.

## 2 CAPITAL STRATEGY

- 2.1 The Capital Strategy sets out the Council's approach to the use of its capital assets and resources. It is the framework for determining the capital programme and the effective use of the Council's resources.
- 2.2 The Capital Strategy seeks to help deliver the Council's vision and priorities.

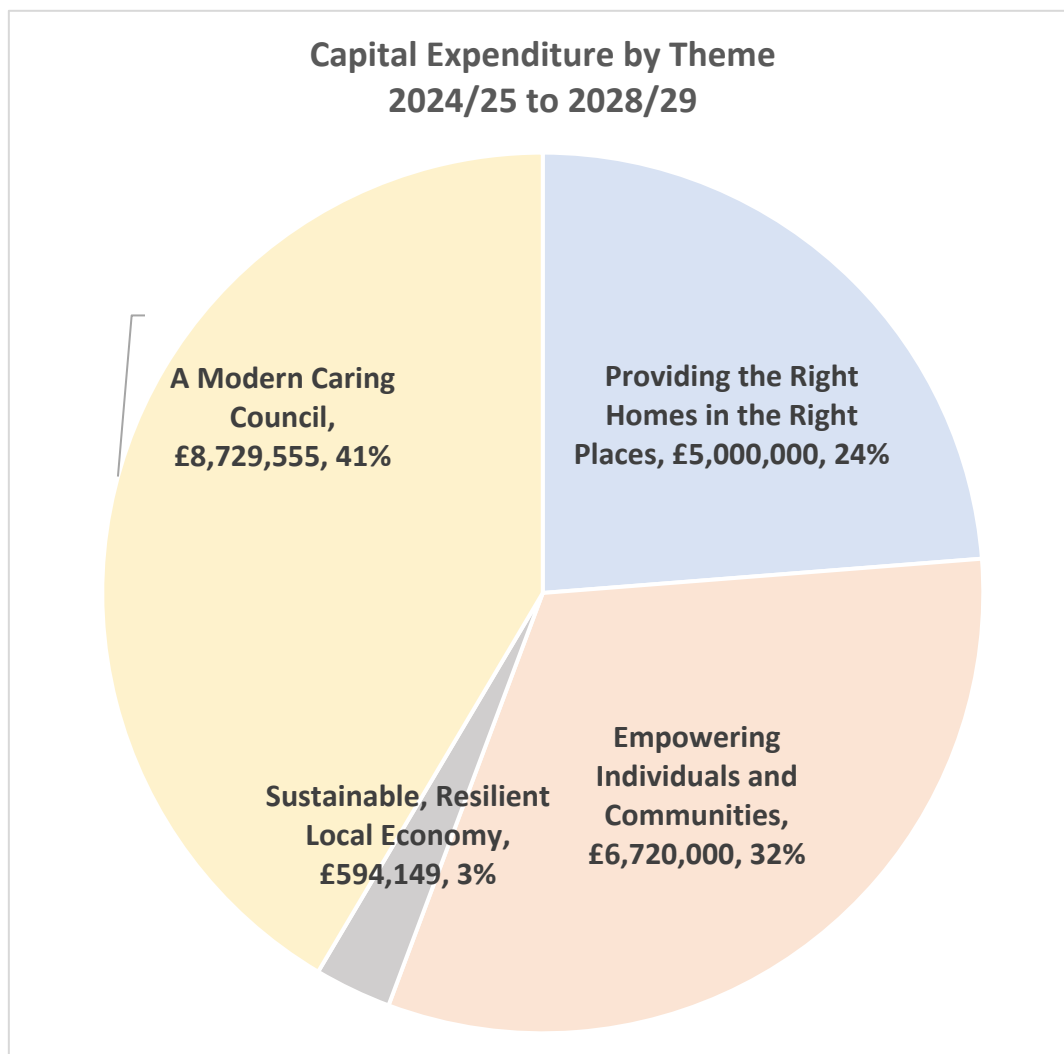


- 2.3 The Capital Strategy focuses investment to deliver these priorities while also contributing to the financial sustainability of the Council by supporting opportunities to develop more efficient service delivery and to generate additional income.
- 2.4 The full Capital Strategy is included as **Appendix A**.

## 3 CAPITAL PROGRAMME

- 3.1 The five-year capital programme is shown in **Appendix B** and comes to £21.044m.
- 3.2 Cabinet is committed to continually reviewing this programme during this forthcoming financial year and moving forward, to ensure that the Council obtains value for money from every penny of its expenditure, and the programme is affordable. In particular effort will continue to be directed to reducing the potential draw on the General Revenue Reserve.

3.3 The pie chart below shows how the programme is broken down by theme.



## 4 PROVIDING THE RIGHT HOMES IN THE RIGHT PLACES

4.1 The capital programme includes £5m in 2024/25 for investment in Broadland Growth, to enable the company to deliver housing developments and an investment return to the Council.

This is subject to a business case but is included in the capital programme to give a full picture of the potential extent of the programme.

Any investment in Broadland Growth would be repayable to Broadland District Council (BDC). However, as the details of any loan to Broadland Growth have yet to be worked up this repayment has not been reflected in the capital programme.

## 5 EMPOWERING INDIVIDUALS AND COMMUNITIES

5.1 The Council receives ring-fenced Disabled Facilities Grant funding from the Government through the Enhanced Better Care Fund managed by Norfolk County Council.

The allocation for 2023/24 was £1.014m and is projected to remain at around this level for future years. It is important that this funding is fully committed in each year

to avoid it having to be returned to Government. These grants are valuable in helping people stay in their own homes.

- 5.2 There is also a £20,000 annual budget for Minor Improvement grants.
- 5.3 Included in the programme are budgets for the provision of street lighting, car parking improvements, public convenience improvements and Building at Risk / Historic Building grants.
- 5.4 There is a budget for the upkeep of the Bure Valley and Marriotts Way bridges and other necessary works on the Bure Valley Railway, which the authority has a responsibility to maintain.
- 5.5 In 2024/25 there is also provision for investment in the Aylsham Gym and Fitness Hub, and the NEST. These investments are fully funded by a GNGB grant.

## **6 SUSTAINABLE RESILIENT LOCAL ECONOMY**

- 6.1 Included in the programme is the continuation of the projects funded by the Shared Prosperity Fund and the Rural Prosperity Fund.

## **7 CLEANER, GREENER BROADLAND**

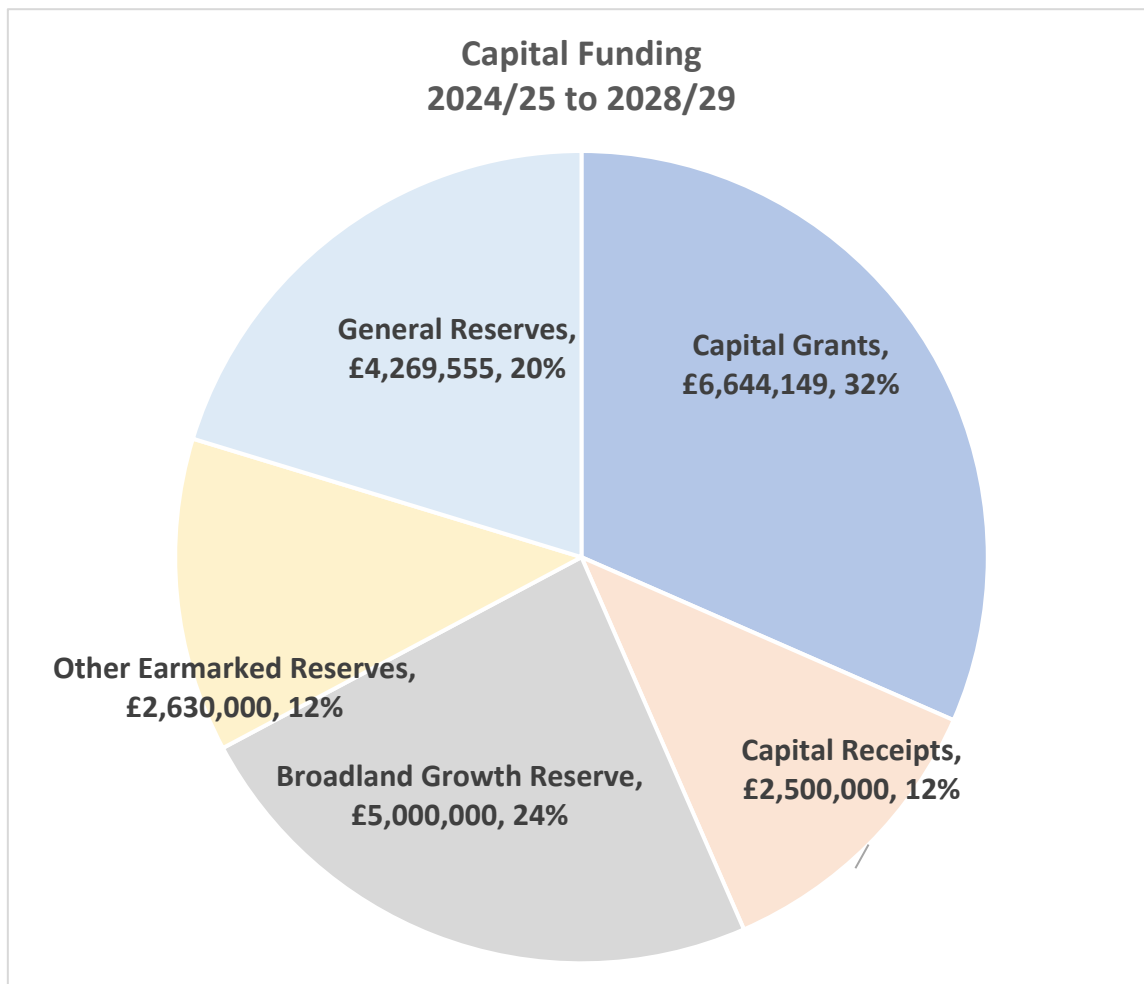
- 7.1 Broadland Council is currently the lead local authority in Norfolk for delivering Green Home Grants. As the value of the grants to be awarded in future years is not currently known, this expenditure is not currently showing in the Capital Programme, but will be built in once known.
- 7.2 Furthermore, within projects included within other categories, wherever appropriate the Council will embed renewable and carbon reduction aspects in the overall project. For instance, solar panels in the project to refurbish the existing waste depot.

## **8 A MODERN CARING COUNCIL, SAFEGUARDING OUR FUTURE**

- 8.1 Provision is included in the programme for maintenance / enhancement of the Horizon Centre.
- 8.2 The capital programme provides for ongoing IT investment, including provision to implement a new Customer Experience Programme.
- 8.3 Annual budgets are in place for the purchase of waste vehicles and the purchase, renewal and replacement of waste bins.
- 8.4 A budget of £3.2m is included in the 24/25 to allow for the refurbishment of the existing waste depot.

## 9 FINANCING THE CAPITAL PROGRAMME

9.1 The five-year capital programme will be financed from a mixture of Capital Grants, Capital Receipts and Reserves as shown in the graph below. **Appendix B** provides further details.



### Capital Grants

9.2 Capital Grants will fund £6.644m of the total Capital Programme.

### Capital Receipts

9.3 Capital receipts will be used to fund £2.5m of the total capital programme. This £2.5m is the potential receipt from the sale of Thorpe Lodge, as per the business case.

## Reserves

- 9.4 Reserves totalling £11.900m will be needed to fund the balance of the Capital Programme as shown in the table below:

	<b>£000</b>
Broadland Growth Reserve	5,000
Street Lighting Reserve	50
Bure Valley Reserve	100
Refuse Reserve	1,230
Capital Funding Reserve	1,250
General Revenue Reserve	4,270
<b>Total Use of Reserves</b>	<b>11,900</b>

## Borrowing

- 9.5 The use of revenue reserves for capital purposes means it is not expected the Council will need to borrow to fund the capital programme over the next five years.

## **10 OTHER OPTIONS**

- 10.1 Cabinet can propose changes to the Capital Strategy and Capital Programme, before recommending these to Council for approval.

## **11 ISSUES AND RISKS**

### **Resource Implications**

- 11.1 The size and composition of the capital programme has a significant impact on the medium-term financial plan.

### **Risks**

- 11.2 Several of the capital schemes rely on working with partners and / or require appropriate opportunities to arise in the market. As such there is a risk that the timeframe for schemes (particularly those marked as provisional schemes) will slip.

### **Legal Implications**

- 11.3 The Council is required to set a balanced budget for 24/25.

### **Equality Implications**

- 11.4 Officers believe that this budget presents no significant negative impact on those who share protected characteristics as defined in the Equality Act 2010.

### **Environmental Impact**

- 11.5 There is no direct environmental impact arising from this report.

### **Crime and Disorder**

- 11.6 There is no direct crime and disorder impact arising from this report.

## 12 RECOMMENDATION

- 12.1 Cabinet is asked to recommend to Council the Capital Strategy (**Appendix A**) and the Capital Programme for 2024/25 to 2028/29 (**Appendix B**).
- 12.2 Cabinet to note the advice of the Section 151 Officer in section 12 of the Capital Strategy.

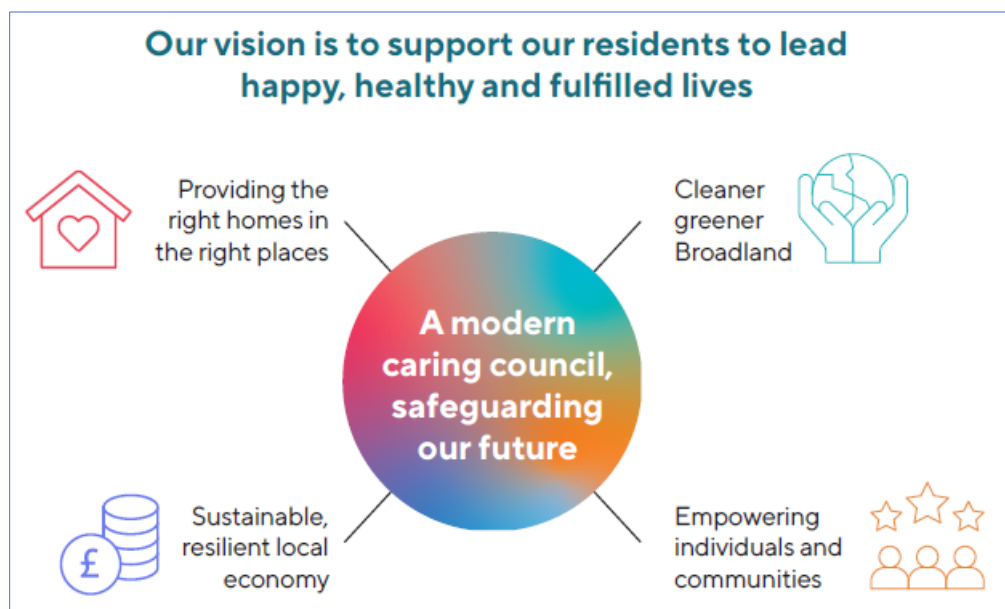
### Background Papers

None

## Appendix A Capital Strategy

### 1 Purpose

- 1.1 The purpose of this Capital Strategy is to outline the Council's approach to capital investment, and how the Council ensures that capital investment is prudent, affordable and directed to the Council's Corporate Priorities.
- 1.2 The Capital Strategy is a partner document to the Medium-Term Financial Plan (MTFP), the "Broadland District Council's Plan" 2024-2028, the ICT Strategy, the Commercialisation Strategy, the Council's Delivery Plan, the Council's Budget (Revenue and Capital), the Treasury Management Policy and the Annual Investment Strategy.
- 1.3 The Capital Strategy seeks to help deliver the Council's vision and priorities.





## **2 Definition of Capital Expenditure**

2.1 Capital expenditure is defined in Section 16 of SI 2003/3146 as:

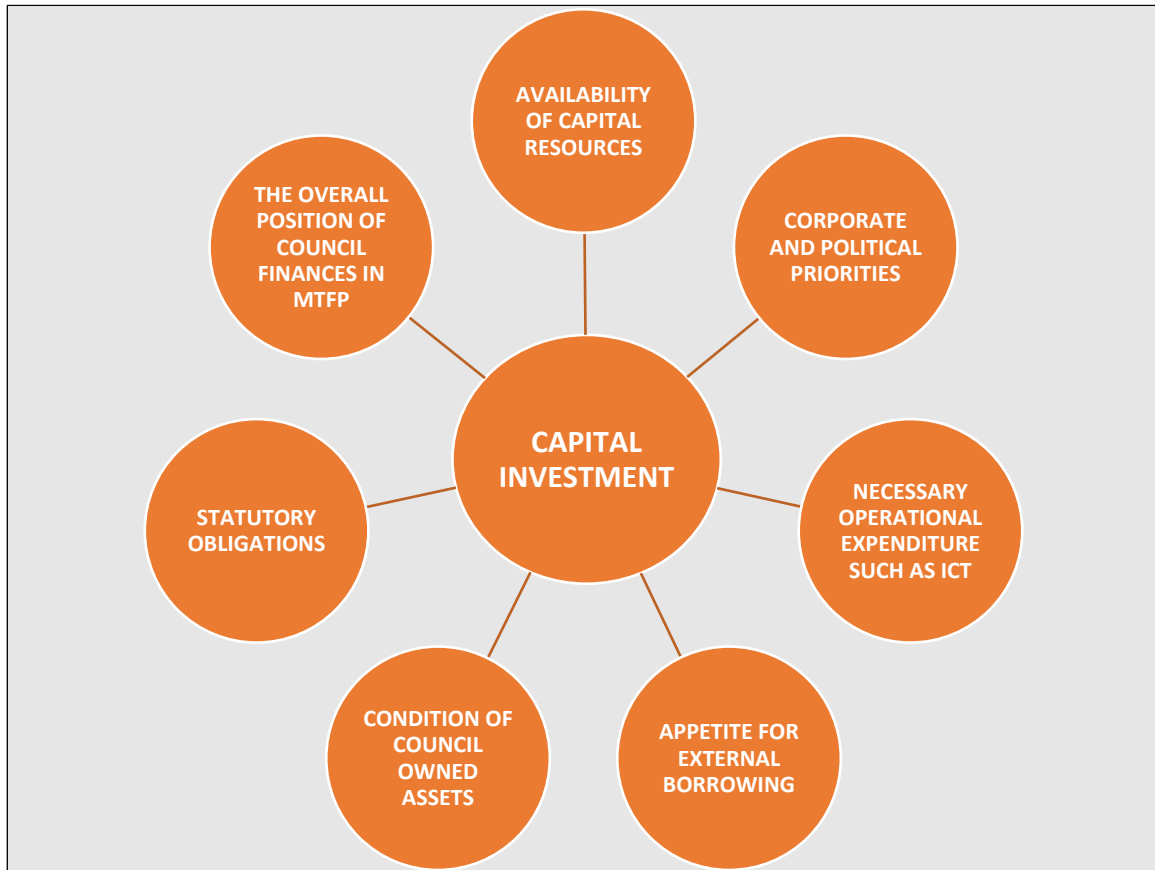
- Expenditure that results in the acquisition, construction or enhancement of fixed assets (tangible and intangible)
- Expenditure fulfilling one of the definitions specified in regulations made under the Local Government Act 2003
- Expenditure which has been directed to be treated as capital by the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

## **3 Requirement for a Capital Strategy**

- 3.1 The Local Government Act 2003 requires local authorities to adopt the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code). The Prudential Code “requires local authorities to have regard to wider management processes (option appraisal, asset management planning, strategic planning and achievability) in accordance with good professional practice”.
- 3.2 As part of the Prudential Code authorities are required to produce a capital strategy and are also required to estimate their capital expenditure over the next three financial years, which will form a part of the budget setting process each year.
- 3.3 The capital strategy helps address the strategic long-term purpose of investment and therefore stretches for many years.
- 3.4 The strategy provides the starting point for the capital programme and a framework for the effective use of the Council’s resources and will influence the direction of treasury management. The Prudential Code permits the Council to determine the appropriate level of capital investment to deliver quality public services, subject to affordability.

## 4 Priorities for the Capital Programme / Option Appraisal

4.1 The need for capital investment is driven by a number of factors both internal and external to the council. The diagram below illustrates a number of these.



4.2 It is necessary to set clear priorities for capital expenditure. All expenditure proposals require a clear business case to justify the expenditure. The policy on capitalisation is included in the Council's annual accounts.

4.3 Capital expenditure is authorised by Cabinet and Full Council through the budget setting process and monitored on a quarterly basis through reports to Cabinet.

4.4 Potential proposals should be assessed in line with the Council priorities. The table below highlights capital expenditure that is already planned or could be undertaken to meet the Council's priorities.

<b>Providing the right homes in the right places.</b>	<b>Empowering individuals and communities.</b>	<b>Cleaner, greener Broadland.</b>	<b>Sustainable, resilient local economy</b>	<b>A modern, caring Council safeguarding our future</b>
Property Development	Disabled Facilities Grants	Carbon reduction projects	Strategic Economic Developments to boost growth (Rural and Shared Prosperity Fund projects)	Delivering the ICT Strategy and Systems Transformation
	Home Improvement Grants			Improvements to the Council's operational buildings
				Investment in Refuse Services including wheeled bins & vehicles.

## **5 Priorities**

- 5.1 This Capital Strategy focuses investment to deliver the Council's corporate priorities, while also contributing to the Council's financial sustainability by supporting opportunities to develop more efficient service delivery and to generate additional income.
- 5.2 The current capital expenditure priorities are set out in the Capital Programme.
- 5.3 This strategy is a living document which evolves over time to incorporate ongoing capital liabilities which will need to be met in the future alongside other investment decisions. In order to determine future liabilities, the Council will need to commission condition surveys for Council assets. The Capital Strategy will also need to be developed in line with the asset management plan. The Capital Strategy is a corporate document and requires a cross-Council approach to be effective.

## **6 Capital Assets**

- 6.1 The main council buildings are likely to present the greatest ongoing capital liability for the Council over the next 20 years.
- 6.2 In addition to these assets, capital expenditure will need to be incurred on the upgrade of IT equipment and improvements to the IT Infrastructure.

## 7 Capital Financing

7.1 The Council can finance its capital programme from various sources as follows:

- Revenue
- Revenue Reserves
- Capital Receipts from asset disposals
- Grants
- Tax Increment Financing (TIF).
- Private Finance Initiative/Public Private Partnership
- CIL
- Borrowing.

7.2 Over the next few years, the total amount of investments will fall as cash is spent on the capital programme and earmarked reserves are spent.

7.3 The proposed total resources used to finance the current capital programme going forward from 2024/25 will be in the region of £21.044 million as set out below:

	<b>£'000</b>
Capital Grants	6,644
Capital Receipts	2,500
Broadland Growth Reserve	5,000
Other Earmarked Reserves	2,630
General Reserves	4,270
Borrowing Requirement	0
<b>Total</b>	<b>21,044</b>

7.4 The use of reserves means that the Council's cash is projected to reduce over this period. This reduction means that further capital expenditure in this period would need to be funded from generating additional resources or external borrowing.

## 8 Borrowing and Commercial Activity

8.1 Under the Prudential Code for capital finance, Councils determine how much they will borrow as long as any borrowing is affordable and prudent, thus clearly linking the financing of capital with the Treasury Management Strategy and the revenue budget.

8.2 The consequence of the funding position is that the Council may be required to borrow to finance any additional capital expenditure in the coming period. However, any borrowing must be affordable in line with the requirements of the prudential code.

8.3 Under the updated Prudential Code, Councils are not permitted to borrow more than or in advance of its needs purely to profit from the investment of the extra sums borrowed. The revised code also stresses the requirement for local authorities to prioritise capital projects in line with strategic priorities. Any commercial projects would need an evaluation to ensure the risks of commercial investment are proportionate to an authority's overall capacity, i.e., that plausible losses could be absorbed in budgets or reserves without unmanageable detriment to local services and the level of resources available. Currently all projects in the capital programme

fall into the allowable expenditure categories defined by the PWLB (Public Works Loan Board) and do not include pure commercial activity.

- 8.4 The need to borrow is not based on our levels of investment balances/reserves but on the Council's capital financing requirement (CFR).
- 8.5 The total amount of debt that the Council can take on needs to be affordable. Affordability will be kept under review as part of the Treasury Management Strategy and when setting revenue and capital budgets It will reflect the need for prudence along with the risk appetite of the Council.
- 8.6 There are many sources of borrowing available to the Council and it is likely that the Council will utilise a mix of these to spread the risk around loan maturities and future interest rates. Sources include:
- Public Works Loan Board (PWLB)
  - Borrowing from other local authorities
  - Borrowing via the Municipal Bonds Agency (MBA)
  - Borrowing from commercial banks
  - Borrowing from the money markets
  - Local Authority stock issues and bills.
- 8.7 HM Treasury issued new guidance regarding PWLB lending on 12 August 2021. The effect of this guidance is that PWLB borrowing can only be taken out to support service delivery, housing, economic regeneration, preventative action, and treasury management. It includes a definition of investment assets bought primarily for yield, which the PWLB will not support. Additionally, under the Prudential Framework local authorities cannot borrow or invest for speculative purposes. The Government and CIPFA are clear that borrowing to invest for yield is not permitted under the Prudential Framework. BDC has no such projects in its Capital Programme.
- 8.8 The purpose of this Capital Strategy is to outline the Council's approach to capital investment, and how the Council ensures that capital investment is prudent, affordable and directed to the Council's Corporate Priorities.

## **9 Partnerships**

- 9.1 Partnership working is essential for the successful delivery of a number of capital projects within the programme and this is likely to assume greater significance given the state of public finances so this strategy needs to ensure that any capital requirements identified through partnership work can be considered alongside other bids for capital funds.
- 9.2 Broadland District Council's collaborative working with South Norfolk District Council may create a number of opportunities to work jointly on capital projects that will benefit both authorities.
- 9.3 The Council is a member of the Greater Norwich Growth Board (GNGB). Expenditure, both capital and revenue, is directed by the Greater Norwich Business Plan, reviewed and updated annually by the Board and supports the delivery of

growth over the GNGB area which comprises Broadland District Council, Norwich City Council, South Norfolk Council, and Norfolk County Council.

## **10 Equalities**

- 10.1 Capital projects must give consideration to the Equalities Act 2010.
- 10.2 Promoting equality and diversity is vital for tackling discrimination and social exclusion.

## **11 Risk Management**

- 11.1 As part of the project business case, capital projects should be risk assessed. Any mitigation actions should be included in the project business case. With diversity of partnership working, including joint venture working as described above, local authorities' assessment of risk management becomes increasingly important.
- 11.2 The main financial risk is associated with actual performance against expected. Excessive costs incurred due to unforeseen circumstances and project slippage can lead to increased pressure on future year's budgets. This can be mitigated by having robust business cases and monitoring through the life of the project.
- 11.3 The risk around borrowing is managed by use of Prudential Indicators that are calculated annually as part of the budget setting process and revisited at each year's actual outturn and a decision on how much the council can afford to borrow.

## **12 Advice of the Section 151 Officer**

- 12.1 The Section 151 Officer is specifically required to report on the deliverability, affordability and risks associated with the capital strategy.
- 12.2 Deliverability is underpinned through the embedding of capital expenditure within the business planning process and use of specialist advice where required, for example, in assessing the plans to deliver commercial property.
- 12.3 The prudential indicator of net financing costs to net revenue income stream from taxation and central government provides a view of financial sustainability. This is set out in the Treasury Management Strategy elsewhere on this agenda.
- 12.4 The key risks in this strategy are as follows:
  - **Economic** – Changes in the economy could mean that investments undertaken in line with the strategy do not deliver the anticipated benefits or returns. Prudent assumptions have been made on the level of returns that can be expected.
  - **Timing** – Delays incurred during the implementation phase of particular projects could impact on the returns in the short term. Effective project management and monitoring is undertaken to mitigate this risk.
  - **Interest Rates** – It has been estimated that interest rates will gradually decline from the current rate of 5.25% (information from LINK, the Council's treasury advisors).

The exact timing of any borrowing will determine the exact interest rates on external debt incurred as part of this strategy. The interest rate outlook is kept under review.

- **Government Policy** – The strategy is aimed to deliver quality services and to improve the sustainability of the Council. Should Government policy change in a way that prevents parts of the strategy being implemented, increases its cost, or reduces the expected benefits, then the strategy would need to be revised.

12.5 There is also a need to review the medium-term Capital Programme during this forthcoming financial year in order to reduce the potential draw on the General Revenue Reserve.

### **13 Conclusion**

13.1 This Capital Strategy represents a prudent and affordable approach to investment in the Council's assets to support service delivery and to contribute to the Council's financial sustainability over the next five years.

## Appendix B Capital Programme

	Provisional Projects	Estimate 2024/25 £	Estimate 2025/26 £	Estimate 2026/27 £	Estimate 2027/28 £	Estimate 2028/29 £	Total 2024-29 £
<b>Providing the Right Homes in the Right Places</b>							
Broadland Growth Financing	Y	5,000,000					5,000,000
<b>Empowering Individuals and Communities</b>							
Disabled Facilities Grants (DFG)		1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	5,000,000
Offset by Better Care Fund DFG Grant		-1,000,000	-1,000,000	-1,000,000	-1,000,000	-1,000,000	-5,000,000
Minor Improvement Grants		20,000	20,000	20,000	20,000	20,000	100,000
Street Lighting (funded by Street Lighting Reserve)		35,000	35,000	35,000	35,000	35,000	175,000
Car Park Improvements		10,000	10,000	10,000	10,000	10,000	50,000
Bure Valley Railway / Marriotts Way Bridge works		90,000	30,000	30,000	30,000	30,000	210,000
Public Conveniences			60,000				60,000
Buildings at Risk / Historic Buildings Grants		15,000	15,000	15,000	15,000	15,000	75,000
Aylsham Gym and Fitness Hub		400,000					400,000
Offset by GNGB Grant		-400,000					-400,000
Nest multi-sport indoor community hub		650,000					650,000
Offset by GNGB Grant		-650,000					-650,000
<b>Sustainable, Resilient Local Economy</b>							
Shared Prosperity Fund - Pride in Place Programme		166,984					166,984
Offset by Shared Prosperity Fund Grant		-166,984					-166,984
Rural Prosperity Fund		427,165					427,165
Offset by Rural Prosperity Fund Grant		-427,165					-427,165
<b>Cleaner, Greener Broadland</b>							
Green Homes Grants (fully externally funded)							
<b>A Modern Caring Council - Jointly With SNC</b>							
Horizon Centre - Capital Maintenance			120,000	78,375	60,561	125,000	383,936
IT - Device Replacement Programme (e.g. Laptops)		132,750	132,750	132,750	132,750	132,750	663,750
IT - Infrastructure		33,750		767,250			801,000
IT - System Replacement Programme		150,750	135,000	175,388	276,750	135,000	872,888
IT - Customer Experience Programme		129,150	215,100				344,250
<b>A Modern Caring Council - BDC Only Costs</b>							
IT - Members (4-year replacement cycle)					59,000		59,000
Waste Vehicles - Replacement Diesel / HVO Vehicles			1,000,000	65,000	165,000		1,230,000
Waste Vehicles - Extra vehicle to grow garden waste			200,000				200,000
Waste Depot at Frettenham		3,224,731					3,224,731
Bins - Domestic Waste, Recycling		190,000	190,000	190,000	190,000	190,000	950,000
<b>Grand Total (Excluding Grant Contributions)</b>		<b>11,675,280</b>	<b>3,162,850</b>	<b>2,518,763</b>	<b>1,994,061</b>	<b>1,692,750</b>	<b>21,043,704</b>



<b>Capital Programme - Financing</b>	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>	<b>2028/29</b>	<b>Total</b>
Capital Grants	2,644,149	1,000,000	1,000,000	1,000,000	1,000,000	6,644,149
Capital Receipts	2,500,000					2,500,000
Broadland Growth Reserve	5,000,000					5,000,000
Other Earmarked Reserves	280,000	1,280,000	345,000	445,000	280,000	2,630,000
General Reserves	1,251,131	882,850	1,173,763	549,061	412,750	4,269,555
<b>Grand Total</b>	<b>11,675,280</b>	<b>3,162,850</b>	<b>2,518,763</b>	<b>1,994,061</b>	<b>1,692,750</b>	<b>21,043,704</b>