Scrutiny committee

Date: **Thursday, 01 February 2024**
Time: **17:00**
Venue: **Mancroft room City Hall, St Peters Street, Norwich, NR2 1NH**

There will be a pre meeting for members of the committee at 16:30.

Committee members:

Councillors:
Ackroyd (Chair)
Thomas (Va) (Vice chair)
Carrington
Champion
Davis
Driver
Fox
Galvin
Osborn
Padda
Prinsley
Thomas (Vi)

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Agenda

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Date of publication: **Wednesday, 24 January 2024**

NORWICH
City Council

Item 4

Committee Name: Scrutiny

Committee Date: 01/02/2024

Report Title: The council's provisional 2024/25 budget and medium-term financial strategy

Portfolio:	Councillor Kendrick, cabinet member for resources
Report from:	Interim Section 151 Officer
Wards:	All Wards

OPEN PUBLIC ITEM

Purpose

To consider draft proposals for the council's 2024/25 budget (general fund, HRA and capital programme) and updated medium-term financial position including the outcomes of the budget consultation and make any relevant recommendations for cabinet to consider.

Final budget proposals, alongside the outcome of the budget consultation and budget scrutiny work, will be brought back to Council on 21 February 2024 with a recommendation to consider and approve those alongside the council tax setting decision.

Recommendation:

Cabinet is asked to:

a) note the latest financial information, the budget strategy incorporated into the report and the budget proposals, which enable the Council to set a balanced budget for 2024/25 and Medium-Term Financial Strategy for the period to 2028/29; and
b) Note the budget consultation process that was followed and consider, as part of finalising the 2024/25 budget proposals for Council, the feedback as outlined in Section 2, Appendix 2 (B).
c) Note the Section 7 report of the chief finance officer on the robustness of the budget estimates, the adequacy of reserves, and the key financial risks to the council.
d) Note that the Council Tax resolution for 2024/25, prepared in accordance with Sections 32-36 of the Local Government Finance Act 1992 as amended by the Localism Act 2011, will be calculated, and presented to Council for approval once Norfolk County Council and the Office of the Police and Crime Commissioner for Norfolk have agreed the precepts for the next financial year.

Cabinet is asked to recommend to Council to approve:

General Fund

i. The council's net revenue budget requirement as £24.232m for the financial year 2024/25 including the budget allocations to services shown in and the growth proposals set out in Section 2, appendices 2 (C) to 2 (K).
ii. An increase to Norwich City Council's element of the council tax of 2.99%, meaning that that the Band D council tax will be set at £297.22 (Section 2, paragraph 2.15) with the impact of the increase for all bands shown in Section 2, Appendix 2 (A).
iii. The prudent minimum level of reserves for the council as £5.4 million (Section 2, paragraph 2.35).
iv. The following additional Council Tax premiums be determined from 1 April 2025 (Section 2, paragraphs 2.21-2.25), or as soon as possible thereafter, subject to the required legislation being in place:
    - 100% premium for second homes,
    - 100% premium for properties which have been empty and unfurnished for a period of between 1 and 5 years.
v. Delegation to the chief finance officer (S151 Officer) in consultation with the portfolio holder for resources inclusion of any minor changes consequent on the publication of the final local government settlement or subsequent additional grant allocations.

Housing Revenue Account

vi. The proposed Housing Revenue Account gross expenditure budget of £72.867m and gross income budgets of £82.969m for 2024/25 (Section 3, paragraph 43).
vii. The use of £10.045m of the £10.102m estimated surplus HRA general reserves to make a revenue budget contribution towards funding the 2024/25 HRA capital programme (Section 3, paragraph 43).
viii. A 7.7% increase in dwelling rents for 2024/25, in accordance with the government's Rent Standard. This will result in an average weekly rent increase of £6.91 for Norwich social housing tenants (Section 3, paragraphs 48 to 55).
ix. That garage rents increase by 7.7%, based on CPI in September 2023 plus 1% (Section 3, paragraph 53).
x. That the setting of tenants' service charges is delegated to the Executive Director of Housing & Community Safety in consultation with the portfolio holder for Housing after engagement with tenant representatives (Section 3, paragraph 54)
xi. The prudent minimum level of Housing Revenue Account reserves as £5.848m (Section 3, paragraph 70 and table 3.4).

Capital and Commercial Strategy

xviii. The proposed general fund capital programme 2024/25 to 2028/29 (2024/25: £31.139m; 5 years: £47.108m) and its method of funding as set out in Section 4, table 4.2, table 4.4 and Appendix 4 (B).
xix. The proposed HRA capital programme 2024/25 to 2028/29 (2024/25: £41.107m; 5 years: £180.500m) and its method of funding as set out in Section 4, table 4.2, table 4.5 and Appendix 4 (B).
xx. The capital strategy, as required by CIPFA's Prudential Code.
xxi. Delegating to Cabinet, approval to include in the capital programme, additional capital schemes funded wholly by grant where it meets the Council's aims.

xxii. Delegating to the chief finance officer in consultation with the executive director of development and city services, approval of adjustments to the 2024/25 and future capital programmes to reflect the funding requirements of projects funded from the Towns' Deal.

Treasury Management Strategy

xxiii. The borrowing strategy 2024/25 through to 2028/29 (Section 5, paragraphs 5.25 to 5.29).

xxiv. The capital and treasury prudential indicators and limits for 2024/25 through to 2028/29 contained within Section 5 including the Authorised Borrowing Limit for the council.

xxv. The Minimum Revenue Provision (MRP) policy statement contained in Appendix 5 (Section 5)

xxvi. The (financial) Investment Strategy 2024/25 including changes to counterparty limits.

Summary of key financial indicators

xxvii. Indicators for 2024/25 through to 2028/29 as contained in section 5.

Policy Framework

The Council has five corporate aims, which are:

- 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.

This report is relevant for all five corporate aims. Detailed work is also being undertaken alongside the work on the council's budget and Medium-Term Financial Strategy to update the Council's Corporate Plan and this work will complement that process.

Report Details

Background

1. Like all local authorities, Norwich City Council continues to face substantial financial challenges. Following on from a sustained period of austerity the council is facing increasing demand for local services and significant inflationary rises in its costs. The wider economic situation, following the pandemic and subsequent shocks from the 2022 mini budget, is putting huge financial pressures not just on council resources, but those of partners, local businesses, and residents, particularly the most vulnerable. The council also continues to manage the ongoing risk and uncertainty over future funding.
2. The severity of the situation facing local authorities cannot be underestimated with several councils being forced to issue S114 notices highlighting their inability to balance their budgets, both in 2023/24 and over the medium term. It is also now acknowledged that many councils finding themselves in this situation are facing factors which are universally applicable and have led to an unsustainable financial position; for example, the impact of inflation and demand pressures on high needs low taxbase authorities.
3. It is within this context and financial uncertainty that the council has developed its budget options for 2024/25 and an approach to ensuring a sustainable medium term financial strategy. This work is taking place alongside the development of a new Corporate Plan.
4. The council's ambition for Norwich is undiminished. Work has been taking place with partners and other stakeholders to review the Corporate Plan priorities. The Corporate Plan sets out the vision for the city and for the council over the medium term. It is also shaped by the Norwich 2040 City Vision. The corporate plan provides the framework for the decisions taken - how we prioritise and how we allocate the resources we have available to achieve these priorities and the new plan will also focus on outcome-based measures.
5. A fundamental outcome is putting the council on a sustainable financial footing and delivering services effectively and efficiently. Future budget decisions will need to balance delivering on the ambition and priorities of the council set out in the Corporate Plan whilst ensuring the authority remains financially sustainable over the medium and longer term. As part of delivering this outcome, it is important to ensure the continuous review and development of the council's medium-term financial strategy. This then informs the options and decisions for delivering balanced and sustainable budgets over the next five years and beyond.
6. The council is ambitious and wants to make a real difference to both the physical fabric of the city and to the lives of the people who live and work here. But, given the financial constraints, the council is unable to fund all the investment required itself and, in some cases, there will be other groups and sectors better placed to lead the response to the challenges and opportunities ahead.
7. The council will therefore work with others to secure investment in the city's future and deliver the ambitious shared vision for Norwich, acting as an "enabler" or "catalyst" for change, and ensure that its own resources,

particularly its capital investment, are flexed as far as possible to deliver the key outcomes set out in the Corporate Plan.

Summary

8. This report sets out 2024/25 budget proposals across the General Fund, the Housing Revenue Account, and the capital programme along with medium term expenditure and financing plans. It updates the report considered by cabinet in July 2023 which highlighted for Members the budget gap which had started to emerge because of continuing inflationary pressure and the December 2023 report which outlined the principles for balancing the council's budget, the indications from the autumn statement and subsequent finance policy paper, all whilst awaiting the publication of the provisional local government finance settlement.

9. This report outlines the outcomes from the public consultation undertaken on the general fund revenue and capital budgets for 2024/25. The views of residents and local businesses were sought, via a public budget consultation exercise; the results of that consultation are included in this report and will be taken into consideration by Cabinet on 7 February 2024 and before final approval of the budget by Council on 21 February 2024. As in previous years' consultation will also take place with tenants on the proposals for the Housing Revenue Account and its capital investment plans.

10. This report provides an update on the implications from the provisional local government financial settlement and any other related announcements for local authority finances.

General Fund

11. The Autumn Statement didn't contain a lot of information directly related to local government; however it did confirm that unprotected government spending budgets, i.e. excluding health and defence services, will increase by less than forecast inflation rates, as a consequence the Office for Budget Responsibility has warned that, from 2025/26, spending on public services will have to fall by 2.3% per year in real terms *(Source: Office for Budget Responsibility Economic and fiscal outlook – November 2023)*.

12. The Provisional Local Government Finance Settlement confirmed the previous assumption that the referendum level for Council tax increases will remain at 'up to 3%' as set out in the 2023 settlement information. A return, in future years' of the MTFS, to a level of 'up to 2%' reflects the governments long term view of target inflation levels.

13. The pressure of the current inflationary levels is continuing to have an impact on council budgets, recognising that the headline Consumer Price Index and Retail Price Index rates represent a basket of items, which don't always reflect the specific market pressures impacting the delivery of local authority services. At the moment, the council is in a relatively good place compared to many other local authorities, being able to manage the budget pressures, deliver savings and balance its resources however, the future continues to hold a number of material uncertainties, such as the impact of the next Spending Review, the long-term funding of local government and the broader economic situation, meaning that the council will need to maintain its record of effective financial management and control, remaining vigilant for

opportunities to improve and develop the efficiency and economy of service delivery.

14. To balance the provisional general fund budget for 2024/25, £3.745m of savings and additional income proposals have been identified, the full detail of which is provided in Section 2 of the report.

15. It is worth noting that the current General Fund surplus is largely driven by one off Treasury returns and there being no need to replenish reserves for £2.8m of Section 31 Grants. In short, the council's 2023/24 financial performance is driven by one-off factors which cannot be relied upon on an on-going basis.

16. The provisional local government financial settlement, introduced some changes which have a direct impact upon the council's resources, including the introduction of different multipliers for business rates, relating to small and other businesses, as well as diverting much of the Services Grant towards social care pressures. Given the absence of national planning figures, 2024/25 was the final year of the current spending review, most commentators have taken the later years' financial information (post 2024/25) as being highly speculative given that they fall after the next general election. For this reason although the MTFS for the council indicates further savings are required no additional work will be undertaken until there is a sound basis for understanding the extent and focus of potential government support.

17. Given the lack of clarity on future local government funding, in particular from April 2025, local authorities have no reliable basis on which to develop their medium-term financial strategy as it is unclear how much funding there will be, how it will be distributed and the means of delivery, such as the extent to which some will be conditional or subject to bidding processes. This makes financial planning over the medium term on any rational basis almost impossible.

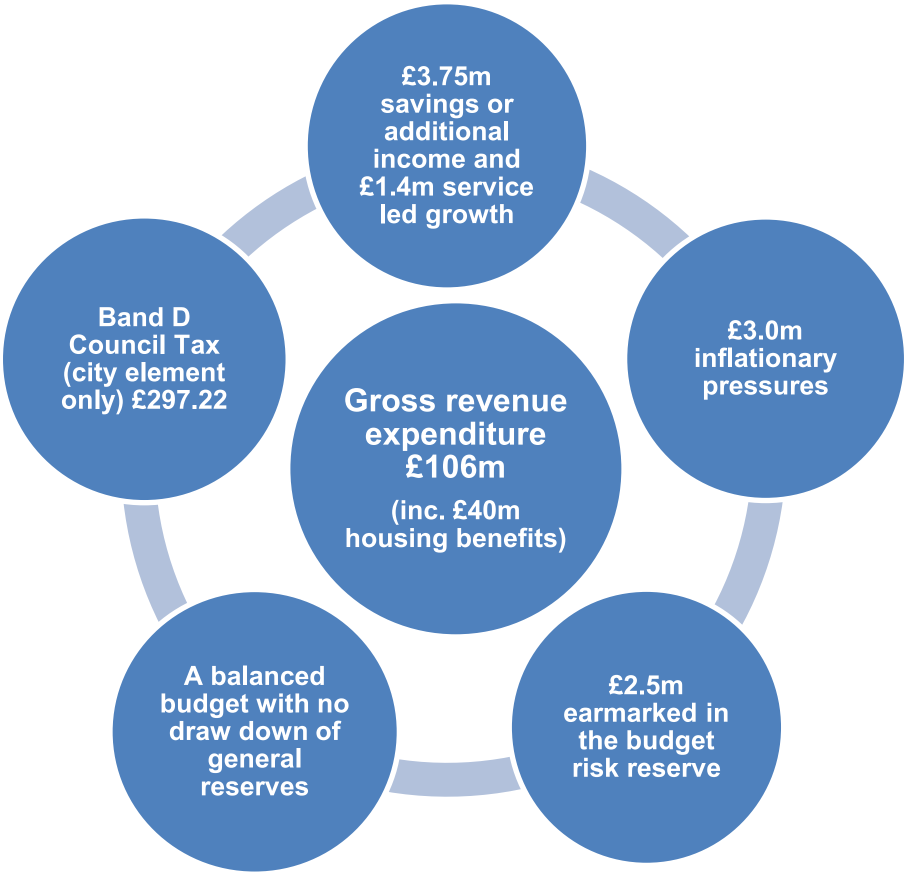
18. Consequently, the forecasts for 2025/26 onwards in the MTFS should not be taken as robust figures, recognising that they are largely based on the status quo continuing, particularly concerning how much business rates and Council Tax income the city council is able to raise and retain. These forecasts will be monitored and adjusted at least annually, in line with any further Government announcements.

19. Current forecasts, given the caveats highlighted above, show that the general fund is broadly balanced over the period from 2025/26 through to 2028/29 without the need for reserves to be used. However, it should be noted that this relies on the successful delivery of more than £9.5 million of savings over that period.

20. It is important to note that the council's approach to business planning and setting its budget annually – and its approach over the medium term – seeks to ensure that adequate resources are allocated to priority services. The revision of the Corporate Plan priorities in 2023 and an emphasis on outcomes is likely to lead to a change in focus and activity which supports that change. As well as identifying opportunities for efficiencies through service change and income generation, our approach to business planning also seeks to identify service areas which require increased funding to

respond to member priorities, increased demand or other pressures such as inflation.

Chart 1 - *Key figures in 2024/25 proposed general fund revenue budget*



Responding to the medium-term challenge through a thematic programme of service reform

21. As the council takes decisions about how to achieve the required savings and change its focus towards the new Corporate Plan priorities, it will need to consider the balance not only between how savings are made – for instance, savings to workforce, suppliers and assets – but also the relative balance between spending reductions and increased income.

22. Using an outcome-based approach, the medium-term plan is driven by the Council's Corporate Plan. The plan will determine how areas of service expenditure are prioritised and de-prioritised with future savings becoming a natural consequence of this prioritisation. This explains why the Corporate Plan consultation is being undertaken so thoroughly and widely across the Norwich community.

23. There also needs to be a complementary understanding about how investment, particularly capital investment, can also support the council's ambitions; more detail on this is included in the section on the capital strategy.

24. In preparation for 2023/24, there was a base budget review of all service areas with the clear goal of producing a strong Medium Term Financial

Strategy. This was accompanied by a rigorous budget validation process. For 2024/25, the focus is on delivering those savings, increasing the planning horizon to five years and continuing the journey to be an efficient, modern council.

25. During the production of the Medium-Term Financial Strategy, five themes were identified to shape the approach to balancing the short-term budget and provide space to support the developing Corporate Plan priorities:

    1. Delivery of the existing savings programme.
    2. Income optimisation and automation.
    3. Ensuring non-statutory fees and charges fully cover cost.
    4. Review of asset management (including commercial rental Income)
    5. Corporate Items: Capital Financing and Treasury Management.

Delivering the existing savings strategy:

26. It is imperative that existing saving plans are delivered, as they form the backbone of the budget. Non-delivery would pose significant problems for the long-term sustainability of the council. In 2023/24, £5.276m out of £5.666m or 93% of savings have been or are on track for delivery. Unless savings are agreed as undeliverable or impracticable, there is no expectation that they will be written out of the budget, although some have been re-profiled into future years. Where savings are at risk alternatives will be sought. In that context robust business cases and implementation plans are critical elements of the effective governance of the Medium-Term Financial Strategy, which is reflected within the Future Shape Norwich programme.

27. The Council reviews regularly the status of its savings and produces detailed reports to the Future Shape Norwich Board and to the Executive Leadership Team (ELT). Alongside information produced in the quarterly assurance and monthly internal monitoring reports, these mechanisms provide timely and reliable monitoring of the delivery of savings and desired outcomes.

Income Optimisation and Automation

28. The council has £45m of debt outstanding as of September 2023 and the impact of not collecting that debt increases annually by approximately £1.2m. The Council has focussed resources to tackle the level of arrears, and this is a necessary action to prevent budget pressures before considering additional savings.

29. The Council will modernise its debt collection processes, through use of systems automation, training, and self-service. This will take place alongside the council's approach to looking after those in difficulty whilst improving the effectiveness and efficiency of income collection, thereby maximising the resources available and minimising outstanding debt. While the council supports those facing genuine difficulties in paying, the general policy is that those who can pay, must pay.

30. However, the majority of long-term savings in this area will be generated via automation; making full use of the Enterprise Resource and Planning system (ERP) and other similar technologies will free up resources across the organisation. There are already a wide range of existing savings that relate

to the digitisation of existing processes and these will be captured through a single new workstream that is part of the work to modernise the council.

31. Modern data tools can also help in identifying trends and preventing debts growing. Payable processes can be streamlined, and systems and data sources can be linked.

Fees and Charges

32. Fees and charges are an integral part of the resourcing of council services, whether the fees are set by statute, such as in Planning, or on a market basis. The Council has conducted a comprehensive review of charging to ensure that they are set to recover all relevant costs, including expected inflationary impacts and benchmarked where appropriate to ensure competitiveness in the market.

Asset Management (incl. Commercial Rental Income)

33. The Council has used its asset base to generate around £5m per annum in investment returns. Through carefully managing its existing estate it could look to broadly keep similar income streams over the next five years. Current work with JLL, the council's property advisors, has highlighted the rental outlook over the next 5 years to be strong if broadly flat. The Council has also previously highlighted the scale of the capital liabilities associated with some properties to be significant, especially when many of its properties are older. Therefore, it is likely that some asset sales will benefit the council from this reduction in liabilities alongside the capital receipts and potential to reinvest those resources.

34. The council has a strong track record of investing locally for regeneration purposes and in generating commercial income to support the revenue budget in a prudent and considered manner. However, forward projections on the overall commercial real estate market does not suggest that previous years' buoyant and increasing returns will necessarily be reflected in future ones.

35. The reason that a relatively small percentage of savings is to be generated from this workstream reflects a need to strengthen governance and capacity in this area. The Capital Strategy will be supported by an Investment Strategy, that will set out the framework for investment, including appropriate metrics.

Corporate Items: Capital Financing

36. The council continues to actively manage its Treasury arrangements. Due to higher cash balances in the near term and high interest rates, it has managed to achieve over £4.5m in investment returns. Now that it is increasingly clear that interest rates will stay high for an extended period, we have been able to reflect those benefits in the Medium-Term Financial Strategy. The medium-term economic forecasts from both the Bank of England and the Office for Budget Responsibility indicate that interest rates are likely to fall in the medium term, consequently the council has worked with its treasury advisors to reflect the anticipated impacts for the council across the MTFS timeframe. This position will be kept under regular review

to ensure that any changes in circumstances are reflected within both performance monitoring and any updates to the MTFS.

37. The council has also reviewed its approach to the minimum revenue provision; used to secure resources to repay debt. This is not only prudent, but an important part of the effective governance and risk management associated with the council's finances. After reviewing the advice from the council's treasury advisors (Link) it is proposed to revise this policy and this approach has been approved by the Treasury Management Committee and Cabinet (January 2024). The policy will continue to be in line with regulation and the council will also look to make additional voluntary revenue provision charges to ensure that the charge will always remain affordable and sustainable in budgetary terms.

Overall approach to implementing savings

38. The council will implement these thematic savings in a controlled manner by taking a strategic approach. The council has prudently built-up reserves in recent years. These reserves can be used to support the budget in a planned way or to support the costs of making the changes required, until they reduce towards the minimum prudential level as recommended by the chief finance officer.

Housing Revenue Account (HRA)

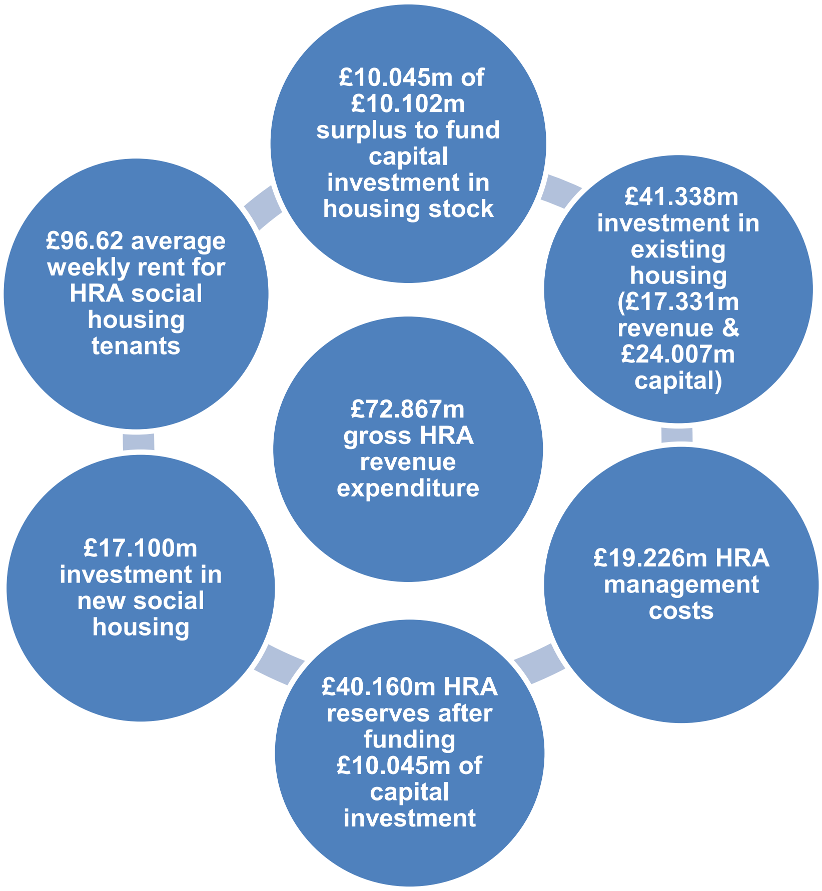
39. The council's HRA comprises expenditure and income plans related to the ownership and management of the council's social housing stock.

40. Although the HRA is in a relatively stable position in the short-term, there are future pressures and competing priorities for the budget linked to the council's ambitions around continuing to develop high quality new council housing and maintaining and renewing existing homes. The HRA has also lost significant income in recent years from the government's enforced four-year rent reduction enacted in the Welfare Reform and Work Act 2016.

41. The HRA is forecast to make a surplus of income over expenditure of £10.102m in 2024/25 and it is proposed to use £10.045m of this surplus to fund capital investment in new social housing.

42. The government's Rent Standard enables authorities to increase rent annually by up to CPI (Consumer Price Index) as at the preceding September plus 1%. In September 2023, CPI increased by 6.7% which results in a proposed rent increase of 7.7%. An increase of 7.7% will result in the average HRA rent increasing by £6.91. The increase in rents is necessary to fund the council's future ambitions to continue to build new council homes in response to demand and the increasing need to invest in existing homes.

Chart 2: Key figures in 2024/25 proposed HRA budget



Capital Programme

43. Across the General Fund and the HRA the council's proposed capital investment programme for 2024/25 is £72.245m, with £227.608m to be invested over the five years of the programme. An illustration of some of the key projects and programmes can be found in Appendix 4 (B).

44. The proposed financing of the capital programme is also summarised in (Section 4) Tables 4.4 and 4.5 for the General Fund and HRA respectively.

Chart 3: Illustration of proposals within the general fund capital programme

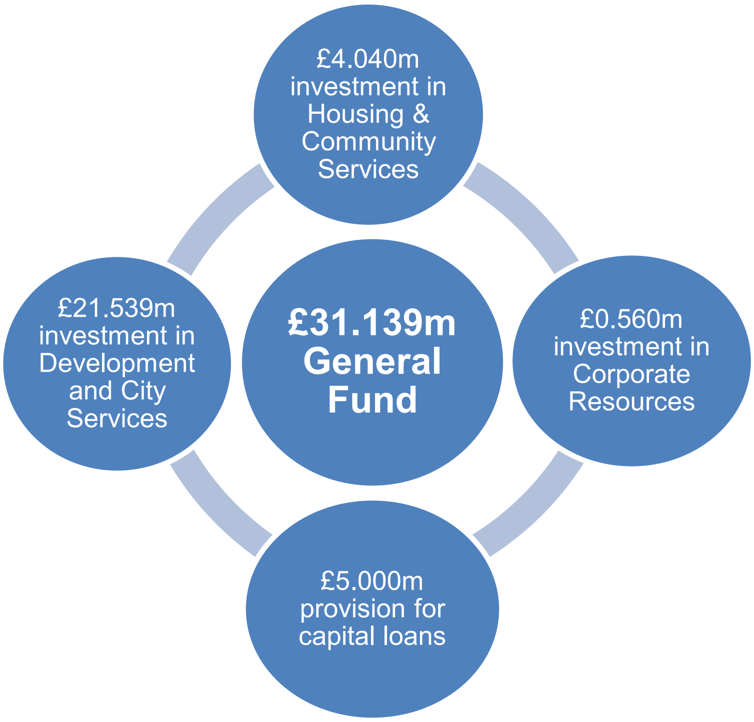
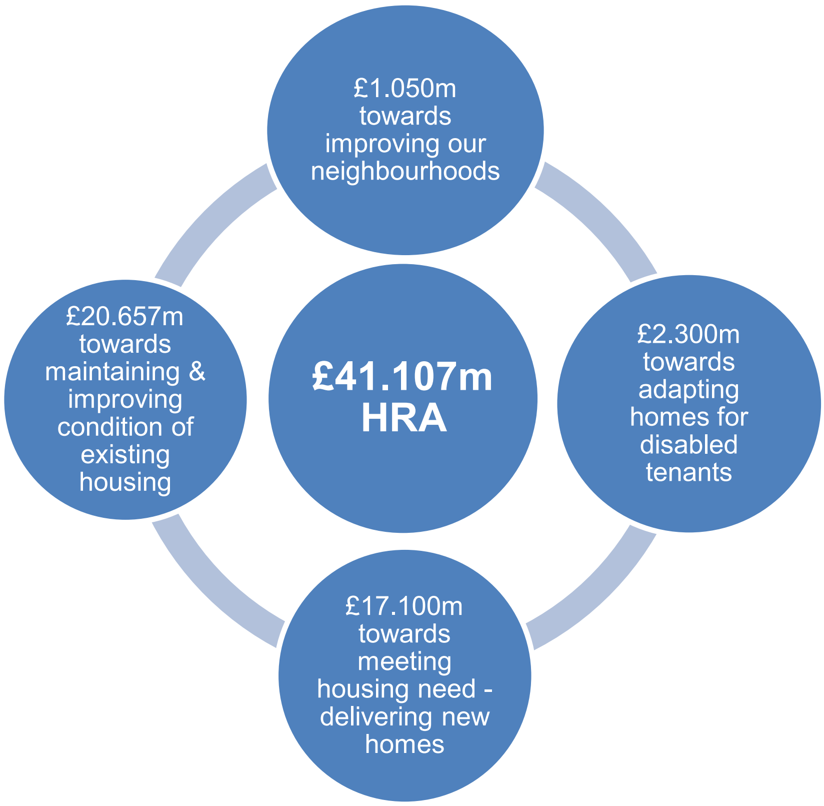


Chart 4: Illustration of proposals within the HRA capital programme



Equality Impact of budget proposals

45. To discharge our public sector equality duty and ensure we have due regard to the need to eliminate discrimination, advance equality of opportunity, and foster good relations we will undertake an initial screening of all budget

proposals to ascertain where there is a possible impact. This will identify those proposals that require a full Equality Impact Assessment or further consultation.

46. An overall Equality Impact Assessment is contained in Section 8. Equality Impact Assessments for specific proposals will be developed as proposals are being finalised. This ensures that the impact is understood and mitigating actions that minimise disadvantage and tackle inequality are identified where possible. There may be some proposals that have implications for council employees for which details of consultation or Equalities Impact Assessments cannot be published owing to data protection or employment legislation.

47. Information on the residents of the city as well as council customers and employees can be found in the annual Equality Information Report published on the council's website.

The council's approach to financial planning

48. The council's approach to financial planning and budgeting across all its activities is underpinned by the following key principles:

- A prudent rather than optimistic assessment of future resources and unfunded cost pressures.
- An approach which identifies and funds pressures in priority services alongside the identification of opportunities for savings and increased investment and makes resources available to invest in services which require it.
- A prudent and planned use of general reserves to fund expenditure and an annual risk-based assessment of the minimum amount of reserves the council should hold (minimum prudent level).
- The setting aside of some of the net income arising from commercial property investment into an earmarked reserve to mitigate against the risks inherent in holding these assets.
- A prudent approach to the amount of reserves held from Collection Fund surpluses given the inherently volatile nature of business rate and council tax collection rates.
- A prudent approach in estimating future income from business rates and council tax, and the growth in the tax bases, given that changes to the local government funding regime could impact on the former, and both taxes may be affected by uncertainties surrounding the country's macro-economic position and its potential impact on the local economy.
- A maximisation of external funding that meets the council's priorities.
- The holding of relevant contingency budgets at the corporate level to help ensure the council does not overspend in any one year.
- The full integration of revenue, capital, and treasury management decision making processes to ensure,
    a. the revenue implications of capital projects are accurately reflected in the MTFS and the annual budget, and
    b. the authorised borrowing limit is sufficient to fund the council's capital plans whilst being prudent, affordable, and sustainable.
- The inclusion of the costs of external borrowing to fund capital projects

(interest and Minimum Revenue Provision costs) into the revenue budget, even if in practice the expenditure is temporarily funded from internal borrowing (use of the council's cash holdings).

Contents of this budget report

49. The council's budget and finances are becoming increasingly complex and to understand the full picture Members and key stakeholders need to appreciate the distinctions between revenue and capital expenditure, general fund and the Housing Revenue Account, and the different funding sources and constraints for each, whilst at the same time recognising that they all interconnect and impact on the council's balance sheet position, its cash flows and future borrowing requirements.

50. In addition, regulatory codes of practice require Members to form views on the council's proposed approach to commercial investments, its lending to third parties including its wholly owned subsidiary companies, and its equity investments whilst understanding financial indicators showing the risks, proportionality and affordability of the commercial activities being proposed.

51. This report comprises a series of interlinked and comprehensive papers setting out proposals for the 2023/24 budget along with medium term expenditure and financing plans across the whole of the city council's activities. Members may wish to consider each section in turn. A brief explanation of the contents is shown below.

1: Local Government Finance Settlement
This gives a summary of the provisional local government finance settlement.

2: General Fund 2024/25 budget and MTFS
This sets out the proposed general fund revenue budget and its financing for 2024/25, including the proposed Council Tax for 2024/25, along with a forecast of the medium-term position.

3: Housing Revenue Account 2024/25 Budget and Business Plan
Contains expenditure and income proposals that relate to the ownership and management of the council's social housing stock, including 2024/25 rental charges for tenants.

4: Capital and Commercial Strategy (including capital programme)
A requirement of CIPFA's Prudential Code, the Strategy sets out the council's budget and preliminary plan for capital expenditure over the next five years along with how it will be financed and delivered.

It also includes the council's non-financial investment strategy. This is a requirement of Department for Levelling Up, Housing & Communities Investment Code. The Strategy covers the council's approach to investments in commercial property, as well as its lending and equity investments in third party organisations.

5: Treasury Management Strategy
The strategy sets out proposals and indicators required for the effective management of the City's borrowing, investments and cash flows, its banking, money market and capital market transactions; and the effective control of the risks associated with those activities.

6: Summary of key financial indicators
This section gives various indices, required under the Prudential and Investment codes, that allow members to come to a judgement on the proportionality, affordability, and the extent of its potential risk exposure through the budget proposals, those contained within the capital strategy and the non-financial investments strategy.

7: Chief Finance Officer's Statement
This is a requirement of section 25 of the Local Government Act 2003. It covers the key financial risks facing the council and the chief finance officer's opinion on the robustness of the estimates and the adequacy of the council's reserves.

8: Financial glossary
The budget papers by their very nature contain technical financial terms and concepts. The glossary seeks to provide a list of terms and definitions to explain these.

9: EQIA
The initial cumulative impact of the budget proposals are considered in this section prior to individual consultations and impact assessments being undertaken where necessary and before implementation.

Public Consultation and next steps

48. The council carried out an online consultation that closed on Monday 15th January 2024, Appendix 2(B) provides details about the feedback received.

    Tenant Involvement Panel representatives were consulted on the proposed rent increase at a meeting on 14th December 2023. In accordance with the constitution, levels of tenants' service charges are determined by officers under delegated powers, in consultation with the portfolio holder and after engagement with tenant representatives.

Implications

Financial and Resources

49. Any decision to reduce or increase resources or alternatively increase income must be made within the context of the council's stated priorities, as set out in its proposed Corporate Plan and Budget.

50. This report including the separate report sections, presents the council's proposed 2024/25 budget across all its activities along with its medium-term financial strategy. The financial implications of these proposals are given throughout the report.

Legal

51. There is a statutory duty to consult on the Council's budget with business ratepayers (S65 Local Government Finance Act 1992). It is also considered

best practice to seek broader views through meaningful consultation with service users, residents, and partners. Further duties to consult on specific proposals impacting users, including staff and unions also exist prior to implementation.

52. The Council has a legal duty to set a balanced budget before the statutory deadline. The Council's Chief Financial Officer (S151) has a duty to report to Council on the adequacy of its reserves and the robustness of its budget estimates before the final decisions are taken on the budget and setting of the council tax.

Statutory Considerations

53. The proposed budget covers a wide range of council activity and spend. As a result, it is not possible to provide a detailed assessment of, for example, the impact on residents and others with protected characteristics under The Equality Act at this level. Existing council processes for equality impact assessments will continue to be carried out at an appropriate time for the individual projects, activities and policies that constitute this budget.

Consideration	**Details of any implications and proposed measures to address:**
Equality and Diversity	Equality Impact Assessments are required for any specific budget proposals and the impact of the totality of all measures. The overarching assessment is included in Section 8.
Health, Social and Economic Impact	Budget savings and investment proposals including capital investments are likely to have economic impacts on the area.
Crime and Disorder	No specific crime and disorder impacts are considered to arise from the Council's budget setting processes.
Children and Adults Safeguarding	No specific safeguarding issues are considered to arise from the Council's budget setting processes.
Environmental Impact	The proposed capital investment strategy will provide for improvements to the council's assets and the surrounding environment.

Risk Management

54. The budget papers clearly outline several financial risks to the council, some of which have increased, considering changes to the wider economic environment.

55. Several measures have been put in place to mitigate the increased risks, including:

a) Maintaining earmarked reserves, established to help mitigate risk, including:
    - The budget risk reserve to manage the financial risks associated with the delivery of the 2024/25 budget savings.

- The business change reserve to fund costs linked to the council's change programme.
- The commercial property reserve to manage the risks and costs associated with holding commercial property.
- The companies reserve to mitigate financial risks from lending to the council's wholly owned companies.

b) The maintenance of a Prudent Minimum Level of General Fund reserve to cover unforeseen events.
c) The requirement to produce robust business cases for large capital projects (many of which will generate returns or savings) before a project commences.

Reasons for the decision/recommendation

56. The Council has a legal duty to consult on proposals and set a balanced budget before the statutory deadline.

Background papers:

- 2023/24 Budget Report to Council (February 2023)
- MTFS update report to Cabinet (July 2023)
- Government Autumn Statement (November 2023)

Appendices:

- Section 1: Local Government Finance – Economic and Statutory Context
- Section 2: General Fund – MTFS and 2024/25 Budget
- Section 3: HRA 2024/25 Budget
- Section 4: Capital Programme and Capital and Commercial Strategy
- Section 5: Treasury Management Strategy & Key Financial Indicators
- Section 6: Chief Financial Officers statement
- Section 7: Glossary
- Section 8: Equality Impact Assessment

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1. Local Government Finance – Economic & Statutory Context

Autumn Statement & Wider Economy

1.1 On 22nd November 2023 the government announced its Autumn Statement, a six-month update on the Spring Budget. The Chancellor set out his approach to public spending, with priorities to keep debt falling, cut taxes for working people and businesses, reform welfare to help people into work and remove barriers to business investment in order to boost growth.

1.2 The Government confirmed that it would continue to freeze tax allowances and that unprotected Departmental budgets (including local government resources) will not be uplifted in line with inflation forecasts.

1.3 Alongside the Autumn Statement, the Office for Budget Responsibility published its Economic and Fiscal Outlook. This outlined that whilst the forecasts for inflation indicate that the peak has now been passed, CPI inflation will remain higher than the target of 2% during 2024 before returning to 2% in 2025.

1.4 Key economic forecasts in the report included:

- In the UK, CPI inflation is expected to reduce to 4.8% in the final quarter of 2023. Inflation is then expected to drop further over the course of next year to 2.8% by the final quarter of 2024 returning to its 2 per cent target in 2025.
- It is anticipated that the economy will grow in 2024, as opposed to the possibility of falling into recession as was considered a risk in 2023, but that the growth will be relatively minor at 0.6% of GDP in 2023 and 0.7% in 2024.
- Pressures therefore remain, but the Chancellor is anticipating that the measures announced will provide a positive stimulus to investment in the economy, which in turn will promote overall growth. These measures have been funded via a decrease in public sector borrowing but this in turn has led to both fiscal drag on public sector spending and the Chancellor's expectation that the public sector will increase productivity by 0.5% per annum.

Impacts for Local Government

1.5 Overall there was little within the Autumn Statement that had an immediate direct impact upon local government. Changes to Business Rates to support economic growth came with compensatory funding to ensure local government was not disadvantaged as a consequence.

1.6 In the medium term there are potentially significant impacts arising from the confirmation that unprotected government spending budgets, i.e. excluding health, schools and defence services, will increase by less than forecast inflation rates. The Office for Budget Responsibility has warned that, from 2025/26, spending on public services will have to fall by 2.3% per year in real terms. (Source: Office for Budget Responsibility Economic and fiscal outlook – November 2023). The Chancellor announced as part of the Autumn Statement that the Chief Secretary to the Treasury is running an ambitious Public Sector Productivity Programme with all departments to reimagine the way public services are delivered.

1.7 In recent days there have been reports that Local Government will receive additional funding, with the possibility that local authorities like Norwich City Council could receive a share of between £30 million and £40 million nationally. Details have yet to be confirmed.

1.8 **Council Tax.** The Local Government Finance Policy Statement published in December 2022 had previously confirmed that the Council Tax increase referendum threshold for 2024/25 would remain at 3% and no announcements were made to contradict this.

1.9 **Business Rates:** Business Rates are calculated for individual business properties depending on several criteria, one of which is the business rate multiplier, which is effectively used to apply a different rate relative to the size of the business concerned i.e. whether a business is deemed to be small or standard. These multipliers have traditionally been uplifted each year to reflect inflation by the same amount. With effect from April 2024 the multipliers will be uplifted by different inflationary amounts, the small business multiplier has been frozen whilst the standard multiplier has been increased by the September CPI rate (6.7%).

1.10 In addition, the more generous Retail, Hospitality and Leisure relief introduced in 2023 has been extended for a further year.

- Local authorities are fully compensated for any loss of income as a result of these business rates measures not being in line with inflation and will also receive new burdens funding for administrative and IT costs.

1.11 **Living Wage.** There will be an increase in the National Living Wage, from £10.42 per hour, to £11.44 per hour from April 2024.

1.12 **Levelling Up.** Norwich City Council received notification of the success of the Norwich North bid, which potentially will provide additional capital funding of at least £7.6 million.

1.13 **Provisional Local Government Finance Settlement.** The provisional local government finance settlement was published by the Department for Levelling Up, Housing and Communities (DLUHC) on 18th December 2023. This set out the details of the funding available to support local government in 2024/25 alongside some of the assumptions underpinning the settlement. The final settlement will be published in the near future following the completion of the consultation period on 15th January 2024. There is currently nothing to indicate that there will be any material changes to the settlement as a consequence of the consultation.

1.14 **Core Spending Power.** This measures the maximum level of funding available to a local authority, assuming that the maximum increase to Council Tax is adopted by each individual local authority. As such, this is an indicator only, rather than a guarantee, of the resources available. The Government will often refer to the Core Spending Power (CSP) when talking about the resources made available, as distinct from the decisions made locally by individual local authorities in setting Council Tax levels.

1.15 CSP also reflects the proposed increases to core grants such as the Services Grant, Funding Guarantee and New Homes Bonus. On the basis of these assumptions, the Government assumed that Norwich City Council's CSP has increased by £0.4 million when compared to the baseline figures of 2015/16 (1.8%). When compared to the CSP for 2023/24, it has increased by £1 million (5%). The increase is welcomed but it also makes apparent that the CSP for Norwich City Council has increased above the 2015/16 baseline level for the first time in nine years.

1.16 **The Revenue Support Grant** (RSG) has been increased by 6.6% in line with inflation at September 2023.

1.17 **The Funding Guarantee** introduced for the first time in 2023/24 has been continued and increased, rising from £0.64 million in 2023/24 to £0.78 million in 2024/25, however offsetting this is a significant reduction in the **Services Grant**, which has reduced from £0.24 million in 2023/24 to just £0.04 million in 2024/25. This decrease in funding reflects the Government decision to switch the majority of the Services Grant towards supporting social care and therefore away from district councils, regardless of the contribution made by district councils towards preventative services linked to reducing the demand for social care support from upper tier local authorities.

1.18 **Business Rates** have had a significant change introduced, linking different multipliers to different types of business (small and standard), which has made an already complex funding mechanism even more so. Officers have worked through the implications for Norwich City Council in detail, drawing on additional expertise from LG Futures, which indicates that 2024/25 will produce an increase in income, subject to the impact of changes in volume, valuation, the outcome of appeals and the incidence of bad debts. These factors will be kept under review throughout 2024/25, as well as the longer-term implications for the MTFS.

1.19 **Medium-Term Outlook.** There continues to be a high degree of uncertainty about the future of local government funding, in part because of the continuing absence of multi-year spending settlements which have created effective planning problems for years, but also because of the absence of reviews of the fundamental basis of local government funding, whether in relation to Business Rates, Fair Funding or the use of short-term grants and bidding processes. In addition to these on-going uncertainties, there is further uncertainty arising from the volatility of the economy, whether in terms of poor levels of forecast growth, the uncertainty arising from the imminent general election or the volatility in global factors, such as the Middle East and the potential impact upon inflation.

1.20 Set within this context, it is clear that the medium term outlook remains challenging for local government and Norwich City Council, requiring on-going efficiencies and effective financial control and management to rise to the challenge. That being said, Norwich City Council is in a much healthier position than many local authorities around the country currently, which provides an opportunity to build from a position of solid foundations.

2. GENERAL FUND 2024/25 BUDGET AND MTFS

Forecast 2023/24 Outturn

2.1 The latest estimated outturn position on the General Fund, shows a forecast underspend of around £3.5m.

2.2 Most of the underspend has been generated within corporate finance. This is due to similar reasons as in 2022/23, where an increase in the level of interest generated by the council's day to day cash investments continues due to higher interest rates and relatively high cash balances. In addition, a review of the council's Minimum Revenue Provision (MRP) policy has also delivered savings in the year.

2.3 In the December 2023 update to the medium-term financial strategy, it was assumed that any underspend achieved within 2023/24 will be utilised to support the implementation of the council's change programme as it responds to the priorities of the Corporate Plan. This remains largely unchanged although some resources have been into the capital financing reserve to support capital investment in corporate plan priorities and the budget risk reserve.

Proposed 2024/25 Revenue Budget

Savings, growth and investment

2.4 Permanent savings/additional income of £3.7m have been identified in 2024/25. Updates to the MTFS assumptions, such as a slower growth in the Housing Benefit Subsidy gap, means that the proposed budget shows a balanced position for 2024/25, with no requirement to draw down on general reserves. However, in the later years of the plan there is a cumulative gap indicated; no work has been done to mitigate this gap as the financial planning assumptions for those years' are being made in the absence of the next spending review information and so are highly speculative. The further uncertainties surrounding the outcome of a general election also serve to complicate those projections still further.

2.5 Included within the savings figure are amounts relating to updated assumptions on the council's cash investments (£0.4m additional in 2024/25 followed by a reduction of £1.2m in 2025/26). The Council also has two (HRA) £50m loans maturing in 2026 and 2028 but is operating on the expectation that they can be refinanced at similar rates, recognising that the economic outlook is forecasting falling interest rates in the medium term.

2.6 The focus for 2024/25 has been on the following themes, which are based around the council's journey to be a modern, efficient council:

- Delivery of the existing savings programme
- Income optimisation and automation
- Fees and charges
- Asset management (include commercial rental income)
- Corporate items: capital financing

2.7 Delivery of existing savings clearly underpins the viability of the Medium-Term Financial Strategy. whilst the other four themes relate to the overall efficiency and effectiveness of the authority to deliver against in the corporate priorities.

2.8 Outcomes will be driven by the Corporate Plan and the results of the Corporate Plan consultation will help drive the allocation of resources across the authority. By linking the Medium-Term Financial Strategy to the Corporate Plan, assurance can be provided that the resources required to deliver the planned outcomes and benefits will be in place and that, as the Corporate Plan evolves, the Medium-Term Financial Strategy can be flexed to respond to any changes in priorities and/or the timing of outcomes.

2.9 The council undertook a public consultation in relation to the proposed budget and on the proposal for a council tax rise. An analysis of the results can be seen at Appendix 2 (B). The consultation found that most respondents supported the proposed council tax rise and the retention of the 100% council tax reduction scheme. There was also broad support for the approach taken to closing the estimated 2024/25 budget gap using the 5 thematic approach, rather than individual saving proposals from across the council.

2.10 The proposed 2024/25 budget currently includes provision for £1.4m of permanent budget growth (i.e. increases to the budget not arising from inflationary factors). The permanent growth has broadly been targeted towards additional resources to support economic growth and regeneration, environmental actions and to allow for capacity to address the Corporate Plan consultation outcomes. The additional resources are also intended to address statutory Health and Safety actions and known pressures in relation to elections and to support the provision of an in-house payroll service. Further details relating to these proposals can be seen at Appendix 2 (C) below.

Inflation

2.11 The increasing inflation levels have placed additional pressures on the council's finances. There are £3.8m of contractual and energy inflationary pressures included within the lifetime of the MTFP as well as £4.4m payroll pressures and £1.0m Housing Benefit pressures, this is on top of £4.9m of inflationary costs which have already been incorporated into the 2023/24 budget across pay, gas, electric and other contract costs.

2.12 The council's pay structure is primarily based on national negotiating body pay spines and nationally negotiated settlements. The process has only recently been concluded for the 2023/24 financial year at a level greater than the budgeted figure. An estimate of payroll inflation has been included within the provisional budget for 2024/25. Given that pay costs form a significant proportion of the council's budget and the uncertainty over future pay awards, this is a key budget risk (see paragraph 2.28).

2.13 Many of the council's contracts have inflationary increases incorporated within them and therefore the significant increases in CPI and RPI measures has created a clear pressure on the budget position. Inflationary increases have been applied across the council's main contracts, although there remains a risk that further cost pressures emerge as contracts come up for re-tender. The provisional local government finance settlement seeks to ensure that there is an increase in funding for all local authorities, not least by the means of the Funding Guarantee, but this has been set at a 3% increase relative to the 'Core Spending Power' (CSP) whereas many costs directly impacting local government, for example insurance premiums or postage have been increasing at significantly higher rates in recent times.

Council Tax & Business Rates

2.14 Any increase in the level of council tax is limited by referendum principles, which for a district council have been set at a maximum of up to 3% for 2024/25. This referendum level was confirmed in the finance policy statement for 2024/25 which was published on 5th December 2023.

2.15 A 2.99% increase to the Band D rate is proposed in the 2024/25 budget figures (£0.483m additional income including changes to the taxbase). The proposed 2024/25 Band D rate is therefore £297.22 compared to the current year rate of £288.59 – an increase of £8.63.

2.16 This is for the Norwich City Council share of total council tax only and does not include the amounts required from preceptors - Norfolk County Council and the Office of the Police and Crime Commissioner for Norfolk. Appendix 2 (A) shows the proposed increases (for Norwich City Council only) by each Council Tax band.

2.17 The figures shown will be reduced, for qualifying council taxpayers, by the council's Council Tax Reduction Scheme (CTR). Currently the total cost of the CTR scheme is £14.69m, of which the Norwich share is around £1.94m.

2.18 The current estimate of the Council Tax base is 38,773 which combined with the Band D rate gives an expected income of £11.524m in 2024/25.

2.19 The forecasts for retained Business Rates income for 2024/25 assumes income in line with the council's baseline funding level as set by government but uprated for the September CPI level of 6.62%. This is consistent with the updated modelling of the impact of changes made to the Business Rates system in the provisional local government finance settlement.

2.20 The Council is in a pool that shares the benefits of growth across Norfolk. The Medium-Term Financial Plan currently assumes that there will be no further changes to the business rate retention scheme for future years, due to long-term uncertainty regarding the government's plans for business rates. Overall, the council is better off from being in a pool than not. Collectively, Norfolk collects less resource from its business rate taxbase than its needs assessment suggests and therefore, retains the levy element.

Council Tax Premiums

2.21 As a billing authority, the council must adopt policies for the application of discretionary Council Tax premiums.

2.22 In May 2022 the Government's 'The Levelling Up and Regeneration Bill' put forward discretionary Council Tax premium options on empty properties and second homes. Through this Bill it is the Government's intention to: a) reduce the minimum period for the implementation of a Council Tax premium for empty premises from two years to one year; and b) allow Councils to introduce a Council Tax premium of up to 100% in respect of second homes.

2.23 The Government has confirmed that billing authorities that wish to adopt any changes arising from the Bill are required to make a Council resolution confirming their requirements at least 12 months prior to the financial year in which the changes will come into effect.

2.24 This report recommends an in-principle decision from Members to agree proposals in accordance with the Council Tax premium proposals set out within the Bill, subject to Royal Assent being obtained.

2.25 Initial, high-level analysis shows that the application of a 100% premium on second homes within Norwich could generate around £1.37m in additional Council Tax revenue, with circa £0.18m retained by Norwich City Council.

Grants

2.26 The publication of the provisional Local Government Settlement introduced some significant changes to the way in which grants were allocated nationally. The Services Grant was introduced in 2022/23 to provide funding to all tiers of local government in recognition of the vital services delivered at every level of local government. Originally it was a one-off grant but it has subsequently been extended into 2023/24 and now 2024/25. In 2023/24 Norwich City Council received £0.24 million from this funding source, but in 2024/25 this has been reduced to just £0.04 million as resources were diverted to support upper tier authority pressures. This loss has been offset to a degree by an increase in the Funding Guarantee, which equates to £0.14 million. There is no indication how the resources provided through the funding guarantee might be removed in future settlements.

2.27 This reflects the national decision to divert a significant proportion of the Services Grant towards social care and emphasises the current uncertainty in local government finance and the consequent challenges when trying to plan for the medium-term.

Grants	Provisional Settlement £000
Revenue Support Grant	523
New Homes Bonus	58
Services Grant	38
Funding Guarantee Grant	782
Total	**1,401**

Budget Risks

2.28 At this stage, the combination of uncertainty over the wider economic conditions means the level of risk associated with the provisional budget remains relatively high. Some of the key risks are outlined below which will continue to be closely monitored. The council holds a budget risk reserve (current balance £1.8m) to provide resilience against emerging pressures and delays in the delivery of savings and other unforeseen events. Given these uncertainties it is proposed to increase the level of the budget risk reserve from the anticipated 2023/24 revenue underspend.

- **Savings delivery & cost of change.** The budget includes £3.745m of savings and income proposals for delivery in 2024/25. This is a significant undertaking and will require close monitoring of delivery.

- **Inflation.** The volatility in inflation continues to pose a risk, which will need to be kept under review, however current forecasts from the Bank of England and the Office for Budget Responsibility indicate that the peak may now have passed. Recent experience of impacts upon inflation driven by international events suggests that there may be a risk of some further volatility in the short-term.

- **Housing Benefit.** In recent years the council has seen reducing level of Housing Benefit subsidy recovery against its housing benefit expenditure, attributable to continuing growth in rent levels against fixed subsidy caps. The projection is this will continue to worsen over the life of the MTFS. Whilst every council is seeing increased natural migration to Universal Credit, Department of Work & Pensions (DWP) rules mean cases that attract 100% subsidy return are lost to councils, whilst DWP's strategy is to continue to leave temporary, exempt and supported accommodation cases with councils and it is these cases that are subject to punitive subsidy rules. The pressure in relation to exempt accommodation is approximately £1.0m and is projected to grow further over the life of the MTFS. Along with increased demand and rental market pressures, councils are therefore seeing increased subsidy loss.

- **Service Pressures.** The economic situation is continuing to put significant financial pressures on local businesses and residents, particularly the most vulnerable. It may also impact on all council income streams including fees and charges and the levels of council tax and business rates collected.

Medium Term Financial Strategy (MTFS)

2.29 The MTFS is a forecast of the estimated cost of delivering current services over the next five years, compared to the anticipated funding streams to support council services. This results in a projected budget gap from which the future savings requirements are estimated.

2.30 The July 2023 MTFS update identified a savings requirement of £8.194m over the four-year period to 2028/29 (Table 2.1). The updated MTFS is showing a savings requirement over the same period of £8.819 million, of which £8.106 million has been identified and incorporated into the budget proposals. This leaves a forecast overall deficit over the whole MTFS period of £0.713 million (Table 2.2).

Table 2.1: July 2023 Medium Term Financial Position – Figures are in £000s

Medium Term Financial Strategy	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000	2028/29 £000
Revised Base Budget Requirement	**22,683**	**21,823**	**22,761**	**22,254**	**22,894**
less available resources (grants, Council Tax, Business Rates etc.)	**19,802**	**20,308**	**20,829**	**21,365**	**21,918**
Budget Gap/(Surplus)	**2,881**	**1,515**	**1,932**	**889**	**976**
less Savings Identified	2,200	1,748	1,298	42	0
plus savings yet to be identified to balance 2024/25	-	681	-	-	-
Remaining Budget Gap/(Surplus)	**681**	**-233**	**634**	**847**	**976**

2.31 Since, July 2023, the Council has updated its projections for the changes attributable to inflation, pay, council tax, business rates and interest rate projections. The savings have also been reviewed for deliverability and been re-profiled where appropriate. Table 2.2 reflects the detailed implication of those changes. Table 2.2 is prior to existing savings being incorporated into the net gap.

Table 2.2: Updated Medium Term Financial Position – Figures are in £000s

Medium Term Financial Strategy	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000	2028/29 £000
Base Budget Requirement b/fwd	19,041	20,487	20,827	21,330	21,944
Net Budget Movements (inflation, growth etc.)	5,191	1,745	2,147	1,617	1,620
Revised Base Budget Requirement	**24,232**	**22,233**	**22,973**	**22,947**	**23,564**
less available resources (grants, Council Tax, Business Rates etc.)	20,487	20,827	21,330	21,944	22,542
Budget Gap/(Surplus)	**3,745**	**1,406**	**1,643**	**1,004**	**1,021**
less Savings Identified	3,745	714	2,295	797	555
plus savings yet to be identified from previous year	0	0	691	40	247
Remaining Budget Gap/(Surplus)	**0**	**691**	**40**	**247**	**713**

2.32 The council has identified a range of potential future savings of £8.106m against the revised cumulative target of £8.819m (residual savings £0.713m). These are provisional options and are still subject to a full budget validation process. All options will continue to be refined as part of finalising budget papers for February 2024 and future corporate business planning processes.

Table 2.3: Savings Plan to deliver on Gap – Figures are in £000s

Savings identified: Revised Dec 2023 Cabinet report	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000	2028/29 £000
Savings Re-profiled	1,921	2,250	2,391	310	0
HRA savings element	-161	-80	-32	0	0
Fees and Charges Add'l	823	-450	-154	153	155
MRP & Treasury Add'l	962	-1,206	-110	-66	0
Income Maximisation & Automation	200	200	200	200	200
Asset Management & Commercial Rents	0	0	0	200	200
Total estimated savings	**3,745**	**714**	**2,295**	**797**	**555**
less: Savings Gap	3745	1406	1643	1004	1021
Residual Gap	**0**	**-692**	**-40**	**-247**	**-713**
Cumulative Savings	3745	4460	6754	7551	8106

2.33 It should be noted that, as the options are still subject to a full validation process it is likely that the savings figures may evolve and change as this work is completed. There is also a high degree of risk associated with the MTFS projections especially around government funding from next year (2025/26) onwards in light of the fiscal challenges outlined in the Autumn Statement. It is therefore important the council has plans that can flex to the financial position as a clearer view emerges.

MTFS Risks & Uncertainties

2.34 There are number of significant financial risks and uncertainties over the period of the medium-term financial strategy. These include:

- Future funding levels given the clear message in the Autumn Statement about the need to increase public sector productivity and the fiscal drag that is likely to impact upon unprotected public sector spending.
- Uncertainty over future inflationary levels and impacts on council expenditure.
- Quantum of the savings to be delivered and the associated costs to enable the required changes.
- Capital requirements arising from the ongoing strategic review of the council's asset portfolio.
- That a General Election will be held at some point during 2024/25.

General Fund Reserves Position

General Fund Unallocated Reserve

2.35 The prudent minimum level for the general fund reserve was set at £5.400m by full Council in February 2023 as part of the budget approval. This will be reviewed as part of the main budget report in February 2024 but is not expected to move significantly. The General Fund unallocated reserve, subject to delivering on savings is expected to remain at £8.248m over the life of the Medium-Term Financial Strategy, which remains above the prudent minimum level.

General Fund Earmarked Reserves

2.36 Taking account of the council's expected surplus in 2023/24, the overall general fund reserves (including earmarked reserves) are expected to increase to £27.164m. However, much of these resources are earmarked for specific purposes. It is only through tight fiscal management that the council can deliver services and reinvest in the city.

2.37 On the basis that provisional options have been identified to significantly close the budgetary shortfall in the years 2024/25 to 2028/29 no further drawn downs from general reserves are currently forecast to be required, although given the uncertainty over funding levels further work will be required to address this and any remaining funding shortfalls once financial planning totals become available.

Earmarked Reserves

2.38 The General Fund holds several earmarked reserves which are held for specific purposes. The balances held in earmarked reserves are regularly reviewed to assess whether the funds are held at an appropriate level, in particular at the financial year end, as part of the preparation of the statements of accounts the balances reflected within the Balance Sheet will be reconciled including to the final General Fund outturn position. The key reserves and their current balances are summarised in Table 2.4.

Invest to Save Reserve: To support the delivery of savings and efficiencies through the Future Shape Norwich Programme over the next 2-3 years.

Budget Risk Reserve: To manage the financial risks associated the delivery of the budget savings identified.

Business Change Reserve: To fund costs linked to the council's change programme which are not delivering specific savings, for example project management, benchmarking and potential redundancies. It will also support training and development of our workforce to ensure we have the skills required to deliver the ambitions of the Council.

Commercial Property Reserve: Established to reduce the risks associated with holding commercial property by providing funding for any future void and rent-free periods as well as repairs and upgrades to the investment portfolio.

Insurance Reserve: This is to cover the excesses carried in respect of claims under various insurance policies and is subject to annual review.

Lion Homes Reserve: Originally established to smooth any fluctuations in net income received by the Council from lending to Lion Homes. The reserve level was increased to mitigate against any potential future Minimum Revenue Provision charges required to cover for estimated non-recovery of the loan balance.

Collection Fund Equalisation Reserve: Unutilised balance of S31 grant monies received in prior years from Central Government to fund Business Rates reliefs.

This will be used to manage the volatility in Collection Fund movements due to timing issues of Section 31 Grants and weakening of the business rate base over the early period of the Medium-Term Financial Strategy.

Revenue Grants Unapplied: Holds grants and contributions received which have yet to be applied to meet expenditure. The use of the balance is restricted and can only be used to fund the specific service area awarded the grant income.

General Fund Repairs Reserve: To provide future funding for required maintenance on general fund properties.

Business Rates Pool Reserve: This reserve is to support future spend in line with the economic development objectives of the fund.

Capital Financing Reserve: A reserve to hold the resources necessary to manage any additional voluntary revenue provision requirements or to fund future capital expenditure.

Table 2.4: General Fund Earmarked Reserve Balances – 31st March 2023

General Fund Earmarked Reserves	Balance as at 31 March 2023 £000	Estimated Balance as at 31 March 2024 £000
Invest to Save	1,660	1,660
Budget Risk	1,800	2,500
Business Change	4,178	4,121
Commercial Property	2,041	2,041
Insurance Reserve	311	311
Lion Homes	1,700	1,700
S31 Grant	629	1,229
Revenue Grants Unapplied	3,860	3,860
General Funds Repairs	530	530
Business Rates Pool	110	110
Capital Financing	0	700
Other Minor Reserves	154	154
Total	**16,972**	**18,916**

Appendix 2 (A): Calculation of Retained Business Rates Income & Council Tax

A. Business Rates Retained Income

	£000
Total Business Rates Income	(26,119)
Tariff	25,501
Retained surplus S31 Grant & Multiplier Cap Adjustment	(7,860)
Levy to the Pool	104
Total Business Rates Income 2023/24	**(8,374)**

B. Council Tax Calculation 2024/25

	£
Budgetary requirement	**20,487**
- Revenue Support Grant	(523)
- Business Rates Distribution	(8374)
= Council tax requirement	**11,590**
- Surplus on collection fund 2022/23	(65)
=Total Council tax income	**11,525**
Band D Equivalent properties	38,773
Council tax (Band D)	**297.22**

C. Proposed Norwich City Council tax increases 2023/24 to 2024/25, Bands A to H

Band	A	B	C	D	E	F	G	H
2023/24	**£192.39**	**£224.46**	**£256.52**	**£288.59**	**£352.72**	**£416.85**	**£480.98**	**£577.18**
Increase	£5.75	£6.71	£7.67	£8.63	£10.55	£12.46	£14.38	£17.26
2024/25	**£198.14**	**£231.17**	**£264.19**	**£297.22**	**£363.27**	**£429.31**	**£495.36**	**£594.44**

Appendix 2 (B): Consultation responses on the proposed budget for 2024/25

Consultation and engagement approach

The consultation, which ran from 21 December 2023 to 15 January 2024, was hosted on the council's consultation and engagement website 'Get Talking Norwich' (GTN).

To help inform people's views, key documents were made available on Get Talking Norwich: the council's provisional budget and medium-terms financial strategy 2024-25; Norwich 2040 City Vision; Corporate Plan progress report 2023.

The response rate was 281 completed surveys. This compares with an average response rate of 1,140 over the past 6 years.

This year's engagement focused on five main areas:

1. Continuing to deliver the savings that were agreed in the 2023-24 budget and medium-term financial strategy.
2. Collecting all money that is owed to the council in the most efficient way possible.
3. Ensuring we charge the right amount of money for our services, so it covers the cost of providing them and includes inflationary increases.
4. Managing the properties that we own to the best effect including maximising income generation.
5. Use the money we have in the bank in a way that helps us generate more money.

Direct engagement was encouraged from colleagues, elected members, residents, partners/key stakeholders, and wider service users.

The budget consultation was promoted widely throughout the 26 days it was live via a number of channels and methods. These included publishing a news article on the council's website, social media posts, issuing a news release to the local media, text message bundles and internal colleague-wide promotion.

Part 2: detailed analysis

Key findings

Feedback from the consultation indicates broad support for the council's intended approach to managing its budget and meeting its forecasted budget gap of £3.7 million for 2024-25.

The majority of respondents supported the council's proposal to increase the city council's share of council tax by up to 2.99% per cent to safeguard council services (53% somewhat or strongly support this proposal, compared to 39% who strongly or somewhat oppose the increase).

There was strong support (59%) for the council providing up to 100 per cent council tax relief to those on low incomes, despite only 11% of respondents receiving this support at present. 35% of respondents somewhat or strongly oppose retaining this scheme.

The majority of respondents (52%) somewhat or strongly support the council raising fees and charges to safeguard service provision, while 36% somewhat or strongly oppose this proposal.

The top-rated council services in order of preference were as follows: parks and open spaces, waste and recycling and housing services.

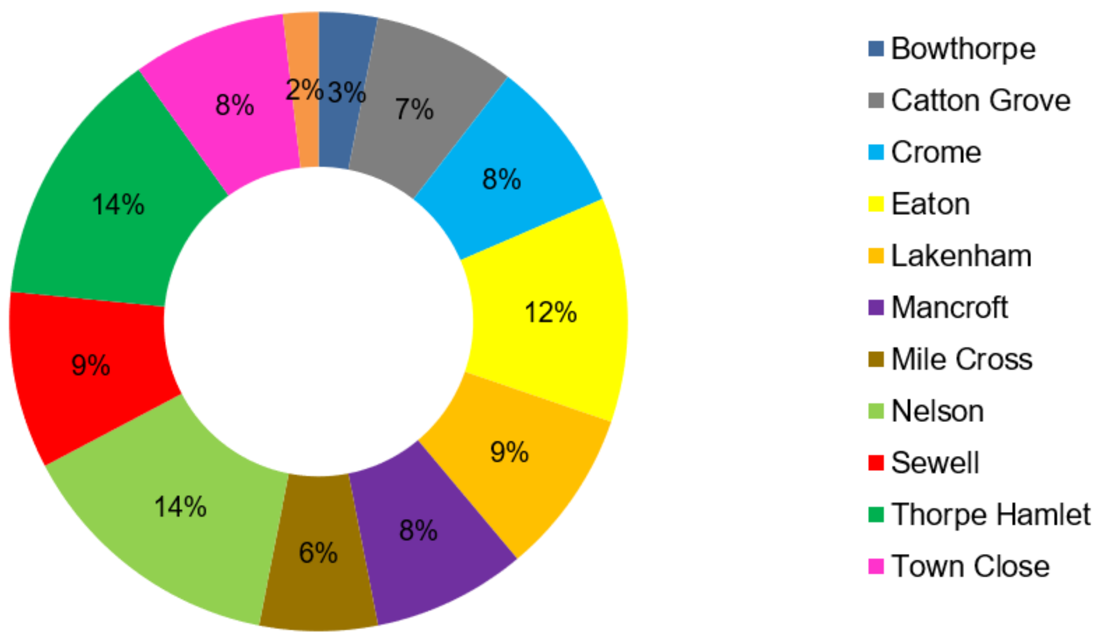
Respondents' profile

The following section of the report outlines demographic data about the respondents who completed the budget consultation survey via Get Talking Norwich. All percentages throughout the respondent's profile section, quantitative analysis and qualitative analysis section are rounded to the nearest whole number, e.g. 8.6% is presented as 9% and 19.3% is presented as 19%. This may result in some percentages not totalling 100 for some questions.

The majority of those who completed the online survey responded as an individual (94%), compared with 6% who responded as an employee of Norwich City Council.

While responses from the VCSE sector were low, it is worth noting the extensive corporate plan consultation and engagement activities that took place across November and December 2023, which were well attended by key city stakeholders and partners across the public, private and voluntary sector.

Q11. What is your full postcode?



Q12. What age group are you in?

The majority of respondents (58%) were aged 45 and over, and over a third were aged 25-44.

Age group	Number of respondents	Percentage
Under 14	0	0%
14-16	0	0%
17-24	8	3%
25-44	94	34%
45-64	106	38%
65 and over	56	20%
Prefer not to say	13	5%
Total responses	277	

Q13. Do you consider yourself as having a long-term health condition and/or disability?

26% of respondents identified as having a disability, while 69% did not. 6% of respondents did not disclose this information.

Category	Number	Percentage
Yes	72	26%
No	190	69%
Prefer not to say	15	6%
Total responses	277	

Q14. Which, if any of these activities describe what you are doing at present? Only tick 'looking after home or family' if this is your main activity and none of the other options apply.

Category	Number
Full-time working (30+ hours per week)	152
Part-time working (<30 hours per week)	40
Volunteering (any hours)	34

Full-time education (including government training programmes)	2
Wholly retired from work	50
Looking after home or family	18
Unable to work due to long-term sickness or disability	13
Unemployed and seeking work	7
Other (self-employed)	1

Q15. If you work full or part-time, do you currently have more than one job to make up your income?

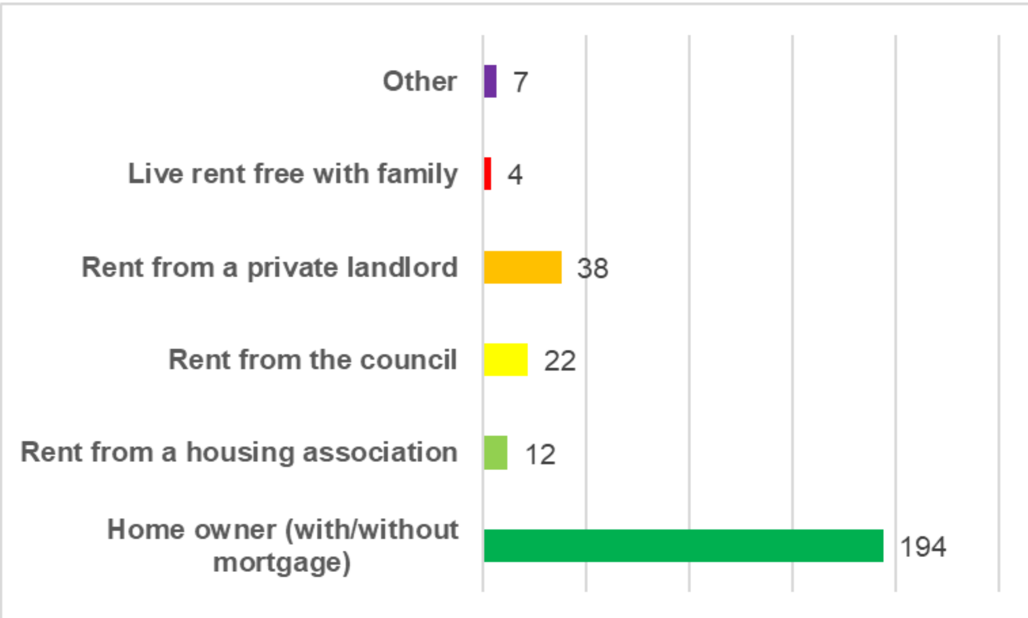
87% of respondents work more than one job to make up their income, compared with 14% who only work one job.

Q16. Do you receive help from the council to pay your council tax (the council tax reduction scheme?)

87% of respondents receive support from the council via the council tax reduction scheme, while 11% do not. 2% of respondents were unsure if they receive this support at present.

Category	Number	Percentage
Yes	30	11%
No	238	87%
I'm unsure	6	2%
Total responses	274	

Q17. Which of these statements, if any, describe your housing situation?



Category	Number
Own own home (with or without mortgage)	194
Rent from a housing association	12

Rent from the council	22
Rent from a private landlord	38
Live rent free with family	4
Other, including: - Shared ownership (own 50% of property and rent the remaining 50% from housing association) - Living with family (paying rent)	7
Total responses	277

Q18. What is your ethnicity?

The majority of respondents (88%) identified as White, 8% preferred not to disclose this information and 1% identified their as Mixed or multiple ethnic groups. 2% of respondents identified their ethnicity as Other, 1% of respondents identified as Asian or Asian British and 0% of respondents identified as Black, African, Caribbean or Black British.

Category	Number
White	243
Mixed or multiple ethnic groups	3
Asian or Asian British	4
Black, African, Caribbean or Black British	0
Prefer not to say	22
Other	5
Total responses	277

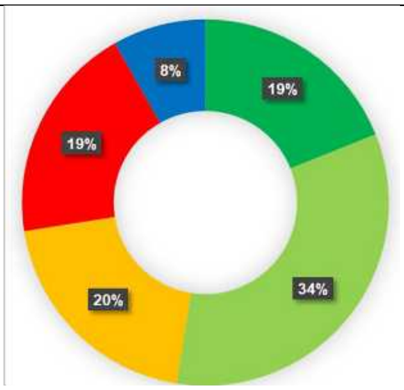
Quantitative survey results

The following section of the report breaks down the quantitative survey responses by question. A short paragraph supplements the graphs and tables provided to highlight notable trends.

Q1. To what extent do you agree or disagree with the council increasing its share of council tax by up to 2.99% to safeguard council services?

The majority of respondents (53%) somewhat or strongly support the council increasing council tax by up to 2.99%, while 39% somewhat or strongly oppose this increase. 8% of respondents have no opinion on this proposal.

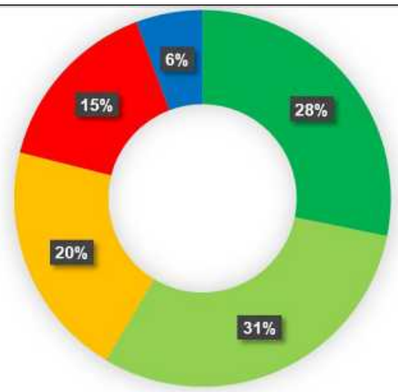
The council should increase its share of council tax by up to 2.99% to safeguard council services.		
	Strongly agree	53
	Agree	94
	Disagree	56
	Strongly disagree	54
	No opinion	23
	Total responses	280



Q2. To what extent do you agree or disagree with providing up to 100% reduction in council tax to those on low incomes who qualify for the council tax reduction scheme?

The majority of respondents (59%) somewhat or strongly support the council continuing to provide up to 100% reduction in council tax to those on low incomes who qualify for the scheme, compared with 35% of respondents who somewhat or strongly oppose this.

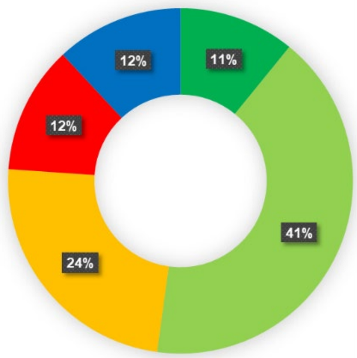
100% reduction in council tax should be provided to those on low incomes who qualify for the council tax reduction scheme.	
Strongly agree	79
Agree	85
Disagree	57
Strongly disagree	43
No opinion	16
Total responses	280



Q3. To what extent do you agree or disagree with us raising fees and charges to safeguard services?

52% of respondents somewhat or strongly support the council raising fees and charges to safeguard service provision, while 36% somewhat or strongly oppose this. 12% of respondents have no opinion on this proposal.

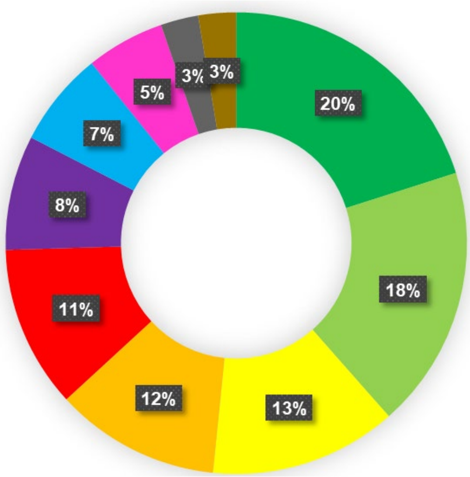
Fees and charges should be raised to safeguard services.	
Strongly agree	30
Agree	114
Disagree	66
Strongly disagree	33
No opinion	33
Total responses	276



Q4. If we increased fees and charges it would help fund valued services. Please tell us below which services you value most. Please select up to five.

The top three most valued council services are parks and open spaces, waste and recycling and housing services.

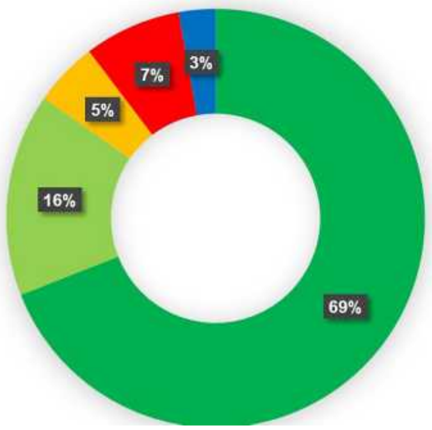
The services which are most valued by respondents are:	
Parks and open spaces	214
Waste and recycling	197
Housing services	138
Leisure facilities	123
Events and culture	118
Benefit support	85
Local planning	70
Car parking	58
Election services	28
Other	28
Total responses	281



Q5. To what extent do you agree or disagree that where a second home has been empty and unfurnished for over one year, we should charge a 100% council tax premium?

A significant majority (85%) of respondents somewhat or strongly support the proposal to charge a 100% council tax premium on second homes that have been empty and unfurnished for over one year, compared with only 12% who somewhat or strongly oppose this. 3% of respondents have no opinion on this proposal.

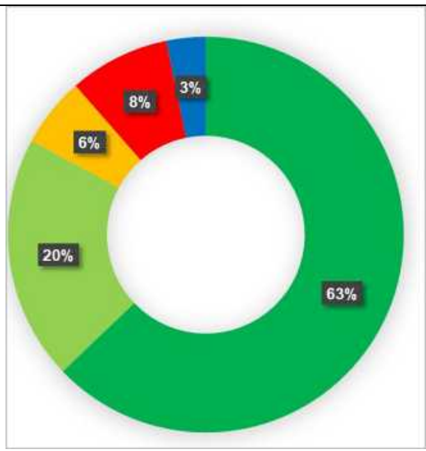
Where a second home has been empty and unfurnished for over one year, we should charge a 100% council tax premium.	
Strongly agree	194
Agree	44
Disagree	14
Strongly disagree	21
No opinion	8
Total responses	281



Q6. To what extent do you agree or disagree that the council should charge a 100% council tax premium for second homes and other properties that are unfurnished but unoccupied?

83% of respondents somewhat or strongly support a 100% council tax premium being charged on second homes and other properties that are unfurnished but unoccupied, while 14% somewhat or strongly oppose this. 3% of respondents have no opinion on this proposal.

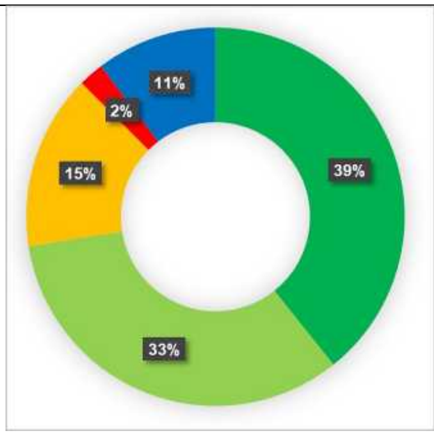
The council should charge a 100% council tax premium for second homes and other properties that are furnished but unoccupied.	
Strongly agree	176
Agree	56
Disagree	16
Strongly disagree	23
No opinion	9
Total responses	280



Q7. To what extent do you agree or disagree that the council should manage its property portfolio in a way that maximises income, to ensure the council can continue to deliver services that residents value most.

72% of respondents somewhat or strongly support the council managing its property portfolio to maximise income and allow services to continue being delivered, compared with 17% of respondents who somewhat or strongly oppose this. 11% of respondents had no opinion on this proposal.

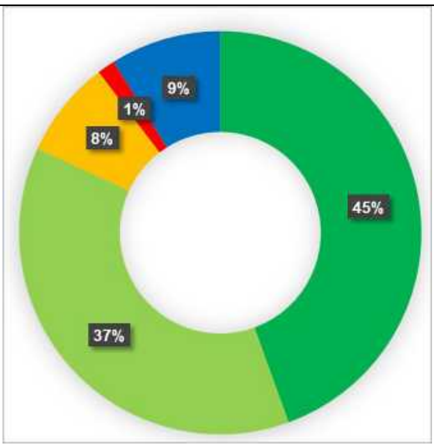
The council should manage its property portfolio in a way that maximises income, to ensure the council can continue to deliver services that residents value most.	
Strongly agree	110
Agree	93
Disagree	42
Strongly disagree	6
No opinion	29
Total responses	280



Q8. To what extent do you agree or disagree that the council should try to protect frontline services by doing all it can to reduce its running costs and embrace new technologies to help save money.

A strong majority of respondents (82%) somewhat or strongly support the council embracing new technologies to reduce running costs and protect frontline services, while 9% of respondents oppose this. 9% of respondents have no opinion on this proposal.

The council should try to protect frontline services by doing all it can to reduce its running costs and embrace new technologies to help save money.		
	Strongly agree	125
	Agree	105
	Disagree	22
	Strongly disagree	4
	No opinion	25
	Total responses	281



Qualitative survey results

Q8. Is there anything else you think we should do to increase income, save money or improve value for money?

Question 8 provided an open-ended text box for respondents to provide additional detail in response to the above question. 161 resident responses have been coded into the below key themes using content analysis as a research tool, with the most common theme appearing first:

41 (25%) responses mentioned reducing the council spend on staffing. This included reducing management layers, reducing council salaries and the number of council employees, and limiting the use of agency staff and interim consultants as a means of delivering savings.

32 (20%) responses mentioned reducing the operational costs of running Norwich City Council by harnessing new technologies, implementing more efficient and joined up ways of working and adopting flexible working practices such as home working and hot desking.

18 responses (11%) mentioned housing provision including private sector housing regulation and improving council housing services. This included building more council homes, reducing void/repair turnaround times and enforcing fines on rogue landlords in the private rented sector.

13 responses (8%) mentioned changes to council tax rates as a means of generating income. This included support for council tax premiums on second homes, council tax increases being made in line with inflation and some opposition to 100% council tax relief being offered to some residents while others experience year-on-year increases in their council tax.

10 responses (6%) mentioned contract management of procured services to ensure value for money for the taxpayer and tendering for external contracts as a means of generating income.

Eight responses (5%) mentioned fees and charges as a means of generating income. This included increasing fees and charges such as car parking or general comments in support of making increases to fees and charges in line with inflation or to ensure cost recovery at a minimum. One response suggested increases to fees and charges should be applied to some discretionary services which would allow residents to choose whether they deem the service necessary rather than proposing council tax increases which affect all by default.

Seven responses (4%) provided comments in relation to the prioritisation of statutory services versus discretionary services. The majority of comments suggested consideration should be given to whether non-statutory services should continue where statutory services are not being fulfilled, with one comment suggesting that non-statutory services should only continue where they recover delivery cost at a minimum. One comment highlighted that investment in culture and leisure services could make the city more desirable, create new jobs and encourage highly skilled graduates to continue to live in the city after their studies.

Seven responses (4%) mentioned enforcing fines as a way to maximise income generation. This included enforcing parking fines and Fixed Penalty Notices for offences including littering, fly-tipping and dog fouling.

Six responses (4%) mentioned employment support schemes and stricter monitoring of benefit fraud as a means of saving money. This included encouraging those who are unemployed but fit to work back into employment.

Six responses (4%) mentioned the management of council-owned assets. This included comments in relation to reducing empty office space at City Hall, which could be rented out to other organisations and ensuring all council properties and empty garages are in a rentable condition as a means of maximising income generation. One comment opposed the sale of council-owned assets.

Six responses (4%) mentioned reducing spend on physical infrastructure projects, with one comment indicating that such projects should take a lower priority during a cost of living crisis.

Five responses (3%) mentioned more proactive approaches to debt recovery as a means of generating income. This included more robust recovery of overdue council tax, council rent and business rates.

Five responses (3%) mentioned investing in the council's climate change and sustainability agenda. This included comments in relation to investing in green spaces and renewable energy solutions for council-owned property which could create green jobs and reduce the council's operating costs in the long-term.

Four responses (2%) mentioned waste and recycling services, with two comments indicating better value for money would be delivered by keeping the city's streets clean, while two comments suggested waste charges for the collection of large household items should be reduced to prevent cases of fly-tipping, which may incur higher costs to the council to remove.

Three responses (2%) mentioned seeking central government funds and grants to increase council income and deliver better value for money to the taxpayer.

Growth Proposal information: Climate Change

Which Corporate Plan Aims, Future Shape Norwich Outcomes and the High Value Themes does this seek to address?

Future Shape Norwich outcomes		Corporate plan aims		High value themes	
Ensure that the Council is financially sustainable	☐	People living independently and well in a diverse and safe city	☐	Redesign services	☑
People focused, quality services	☑	Norwich is a sustainable and healthy city	☑	Reform contracts	☐
Motivated, high performing colleagues	☑	Norwich has the infrastructure and housing it needs to be a successful city	☐	Drive value from our assets	☐
Enabling, influencing, leading	☑	The city has an inclusive economy in which residents have equal opportunity to flourish	☐	Maximise commercial opportunities	☐
Culture, people and engagement		Norwich city council is in good shape to serve the city	☑	Drive growth and regeneration	☐

Compliance – is this a statutory requirement?	☐

v1.0 – July 2023

Section one: Climate Change

1| Background information and overview

Climate change is recognised as a key factor impacting upon the lives of residents, both directly and indirectly, therefore the city council needs to be providing a lead in planning, developing and implementing approaches to support improvements that will reduce the impact of climate change. This will provide a dedicated resource and capacity to ensure that this is reflected within the services, improvements and outcomes that the council delivers, in particular this will have direct bearing upon the delivery of the following initiatives,

- Carbon Reduction including the Carbon Management Programme and achieving net carbon zero
- Green House Gas emission monitoring
- Coordination of the delivery of the Biodiversity Strategy
- Implementation and delivery of the Citywide Climate Strategy
- Development of the Local Area Energy Plan
- Implementation of Heat Network Zones

2| We will know we have succeeded when:

The council's net zero strategy will be an outcome that underpins the delivery of the Corporate Plan and consequently will be incorporated into future performance tracking.

3| Resources - £160k Full Year Effect

Additional capacity would potentially be sourced on an interim basis in 2024/25, during which a transition to an on-going approach would be undertaken. It is envisaged that the resources could be in place for April 2024, thus this reflects a Full Year Effect (FYE)

What are the consequences if this growth is not supported?

Without these resources there won't be the capacity and skills necessary to support the delivery of significant change and improvement that has a positive impact upon Climate Change.

Growth Proposal information: Corporate Plan Implementation

Which Corporate Plan Aims, Future Shape Norwich Outcomes and the High Value Themes does this seek to address?

Future Shape Norwich outcomes		Corporate plan aims		High value themes	
Ensure that the Council is financially sustainable	☐	People living independently and well in a diverse and safe city	☑	Redesign services	☑
People focused, quality services	☑	Norwich is a sustainable and healthy city	☑	Reform contracts	☐
Motivated, high performing colleagues	☑	Norwich has the infrastructure and housing it needs to be a successful city	☐	Drive value from our assets	☑
Enabling, influencing, leading	☑	The city has an inclusive economy in which residents have equal opportunity to flourish	☑	Maximise commercial opportunities	☑
Culture, people and engagement	☑	Norwich city council is in good shape to serve the city	☑	Drive growth and regeneration	☑

Compliance – is this a statutory requirement?	☐

Section one: Corporate Plan Implementation

1| Background information and overview

The updated Corporate Plan will be the driver for significant change and improvement to support Norwich City Council on its modernising journey, which will also be at the heart of the implementation of the medium-term financial strategy, ensuring that the budget and service outcomes are two sides of the same coin. Simultaneously driving increased efficiency, effectiveness and economy, leading to improved value for money and service delivery, whether via business process redesign, the applied use of technology or fundamental change in service delivery model(s). The resourcing will be utilised across the council, providing flexible and adaptable support alongside business as usual delivery.

2| We will know we have succeeded when:

The implementation of the Corporate Plan and associated improvement and change programmes are tracked and monitored on a regular basis to demonstrate specific outcomes and the delivery of benefits, as well as more traditional output measures such as delivery on time and budget. Further work will be undertaken to map resources/budgets to outcomes in order to add greater transparency and value.

3| Resources - £200k Full Year Effect

Additional capacity would be sourced on an interim basis in 2024/25, during which a transition to a on-going approach would be undertaken. It is envisaged that the resources could be in place for April 2024, thus this reflects a Full Year Effect (FYE)

What are the consequences if this growth is not supported?

Without these resources there won't be the capacity to deliver the Corporate Plan and the associated best practice required to support the savings required to balance the Medium Term Financial Strategy.

Growth Proposal information: East Norwich

Which Corporate Plan Aims, Future Shape Norwich Outcomes and the High Value Themes does this seek to address?

Future Shape Norwich outcomes		Corporate plan aims		High value themes	
Ensure that the Council is financially sustainable	☐	People living independently and well in a diverse and safe city	☑	Redesign services	☐
People focused, quality services	☐	Norwich is a sustainable and healthy city	☑	Reform contracts	☐
Motivated, high performing colleagues	☐	Norwich has the infrastructure and housing it needs to be a successful city	☑	Drive value from our assets	☐
Enabling, influencing, leading	☐	The city has an inclusive economy in which residents have equal opportunity to flourish	☑	Maximise commercial opportunities	☐
Culture, people and engagement		Norwich city council is in good shape to serve the city	☐	Drive growth and regeneration	☑

Compliance – is this a statutory requirement?	☐

v1.0 – July 2023

Section one: East Norwich

1| Background information and overview

The regeneration of East Norwich represents a once in a generation opportunity. It is the biggest regeneration site in the East of England and one of the biggest edge of city sites in UK. East Norwich will deliver comprehensive regeneration and reimagining of part of the city. It offers a unique opportunity to provide new homes and places to work in Norwich whilst also improving the quality of life, health and well-being for existing residents and future generations. It will restitch communities back into the city and create a seamless transition from the Broads to the city centre. The East Norwich area is of strategic importance to the future growth and success of the city and wider region. The central role these sites will play together in providing homes and jobs. This will provide additional capacity to support the delivery and progression of the programme.

2| We will know we have succeeded when:

Appropriate skills and knowledge will make key contributions to the delivery of the programme which is tracked via the Future Shape Norwich programme.

3| Resources - £270k Full Year Effect

Additional capacity would potentially be sourced on an interim basis in 2024/25, during which a transition to an on-going approach would be undertaken. It is envisaged that the resources could be in place for April 2024, thus this reflects a Full Year Effect (FYE)

What are the consequences if this growth is not supported?

Without these resources there won't be the capacity and skills necessary to support the East Norwich plan.

Growth Proposal information: Elections

Which Corporate Plan Aims, Future Shape Norwich Outcomes and the High Value Themes does this seek to address?

Future Shape Norwich outcomes		Corporate plan aims		High value themes	
Ensure that the Council is financially sustainable	☐	People living independently and well in a diverse and safe city	☐	Redesign services	☐
People focused, quality services	☐	Norwich is a sustainable and healthy city	☑	Reform contracts	☐
Motivated, high performing colleagues	☐	Norwich has the infrastructure and housing it needs to be a successful city	☐	Drive value from our assets	☐
Enabling, influencing, leading	☐	The city has an inclusive economy in which residents have equal opportunity to flourish	☐	Maximise commercial opportunities	☐
Culture, people and engagement		Norwich city council is in good shape to serve the city	☑	Drive growth and regeneration	☐

Compliance – is this a statutory requirement?	☑

Section one: Elections

1| Background information and overview

Over time the roles and responsibilities associated with effectively managing the election process have increased above the level of current resourcing. This includes the increased demand for postal votes but also reflects the costs of maintaining the infrastructure and preparations for undertaking elections efficiently and securely.

2| We will know we have succeeded when:

It is known that there will be a General Election in 2024/25 in addition to any other scheduled local elections, all of which form fundamental elements of the democratic and constitutional process. Undertaking the administration of these elections without significant issue will demonstrate the success of the resourcing of this key service.

3| Resources - £50k Full Year Effect

The growth item reflects the experience of recent elections.

What are the consequences if this growth is not supported?

Without these resources there would be increased risk of overspending in recognition that the elections form a fundamental part of the statutory role of the council. Appropriate budgets support effective governance and financial control through the roles and responsibilities of budget managers.

NORWICH City Council

Growth Proposal information: Finance

Which Corporate Plan Aims, Future Shape Norwich Outcomes and the High Value Themes does this seek to address?

Future Shape Norwich outcomes		Corporate plan aims		High value themes	
Ensure that the Council is financially sustainable	☑	People living independently and well in a diverse and safe city	☐	Redesign services	☑
People focused, quality services	☑	Norwich is a sustainable and healthy city	☐	Reform contracts	☐
Motivated, high performing colleagues	☑	Norwich has the infrastructure and housing it needs to be a successful city	☐	Drive value from our assets	☑
Enabling, influencing, leading	☑	The city has an inclusive economy in which residents have equal opportunity to flourish	☐	Maximise commercial opportunities	☐
Culture, people and engagement		Norwich city council is in good shape to serve the city	☑	Drive growth and regeneration	☐

Compliance – is this a statutory requirement?	☐

v1.0 – July 2023

Section one: Finance

1| Background information and overview

Norwich needs to ensure that it is able to maximise the level of resource available to support service delivery, whether this be in terms of debt recovery, in maximising the value derived from existing buildings, land and assets or by ensuring that an appropriate balance between risk and return on investments made in Treasury Management. To achieve these outcomes the capacity and skill base within the Finance function need to be increased, this will support business change and efficiency but also increase the resilience of the Finance function to address the uncertain future of local government funding.

2| We will know we have succeeded when:

Maintaining good performance in the returns made on debt recovery and management, the contribution of assets to enhance income, economic growth or enhanced use of existing assets alongside the maintenance of high performing returns in Treasury management relative to comparator local authorities.

3| Resources - £130k Full Year Effect

Additional capacity would be sourced on an interim basis in 2024/25, during which a transition to a on-going approach would be undertaken. It is envisaged that the resources could be in place for April 2024, thus this reflects a Full Year Effect (FYE)

What are the consequences if this growth is not supported?

Without these resources there won't be the capacity and skills necessary to support the delivery of existing programmes of work to maximise the level of resources available to support the delivery of services to Norwich residents and to balance the Medium Term Financial Strategy.

Growth Proposal information: Health & Safety

Which Corporate Plan Aims, Future Shape Norwich Outcomes and the High Value Themes does this seek to address?

Future Shape Norwich outcomes		Corporate plan aims		High value themes	
Ensure that the Council is financially sustainable	☐	People living independently and well in a diverse and safe city	☐	Redesign services	☑
People focused, quality services	☐	Norwich is a sustainable and healthy city	☑	Reform contracts	☐
Motivated, high performing colleagues	☑	Norwich has the infrastructure and housing it needs to be a successful city	☐	Drive value from our assets	☐
Enabling, influencing, leading	☑	The city has an inclusive economy in which residents have equal opportunity to flourish	☐	Maximise commercial opportunities	☐
Culture, people and engagement		Norwich city council is in good shape to serve the city	☐	Drive growth and regeneration	☐

Compliance – is this a statutory requirement?	☑

v1.0 – July 2023

Section one: Health & Safety

1| Background information and overview

Following a comprehensive review of existing services and resources this proposal will enhance the service delivered across the council, to both the public and staff. Supporting the delivery of more proactive and strategic planning and implementation of H&S developments and improvements, ensuring both best practice and statutory requirements are addressed in an appropriate manner.

2| We will know we have succeeded when:

Resources are in place, initially on an interim basis but ultimately via permanent recruitment, which in turn will support the implementation and embedding of improved health and safety outcomes.

3| Resources - £60k Full Year Effect

Additional capacity would be sourced on an interim basis in 2024/25, during which a transition to a on-going approach would be undertaken. It is envisaged that the resources could be in place for April 2024, thus this reflects a Full Year Effect (FYE)

What are the consequences if this growth is not supported?

Without these resources there won’t be the capacity to deliver the statutory and best practice required to appropriately manage risk going forwards.

Growth Proposal information: Insurance

Which Corporate Plan Aims, Future Shape Norwich Outcomes and the High Value Themes does this seek to address?

Future Shape Norwich outcomes		Corporate plan aims		High value themes	
Ensure that the Council is financially sustainable	☑	People living independently and well in a diverse and safe city	☐	Redesign services	☐
People focused, quality services	☐	Norwich is a sustainable and healthy city	☐	Reform contracts	☐
Motivated, high performing colleagues	☐	Norwich has the infrastructure and housing it needs to be a successful city	☐	Drive value from our assets	☐
Enabling, influencing, leading	☐	The city has an inclusive economy in which residents have equal opportunity to flourish	☐	Maximise commercial opportunities	☐
Culture, people and engagement		Norwich city council is in good shape to serve the city	☑	Drive growth and regeneration	☐

Compliance – is this a statutory requirement?	☐

Section one: Insurance

1| Background information and overview

Insurance via third parties forms an important part of the council's risk management approach, mitigating significant financial risks arising from a range of possible circumstances, ranging from cover for physical assets through to liability cover. The policies put in place are procured via a competitive process, a procurement process is currently underway and it is anticipated that the cost of premiums may increase above the headline rates of inflation. This reflects the work undertaken in preparation for the procurement exercise, reflecting upon market trends since the last procurement exercise was undertaken.

2| We will know we have succeeded when:

Appropriate insurance policies form a key part of the management of risk within the council.

3| Resources - £126k Full Year Effect

The procurement exercise is currently underway and therefore the outcome is as yet unknown, however this represents an estimate of the potential additional costs arising based upon an initial assessment of responses to the tender.

What are the consequences if this growth is not supported?

Without appropriate insurance policies in place the risk profile of the council would increase significantly, requiring the council to divert additional funds from elsewhere within the budget to effectively self-insure. Whilst the council does have an insurance reserve to effectively self-insure for minor risks, it would not be cost effective or value for money for the council to self-insure against all risks, recognising the expertise required to assess the risks and that there is a competitive market in existence.

NORWICH City Council

Growth Proposal information: Payroll In-sourcing

Which Corporate Plan Aims, Future Shape Norwich Outcomes and the High Value Themes does this seek to address?

Future Shape Norwich outcomes		Corporate plan aims		High value themes	
Ensure that the Council is financially sustainable	☐	People living independently and well in a diverse and safe city	☐	Redesign services	☐
People focused, quality services	☑	Norwich is a sustainable and healthy city	☐	Reform contracts	☐
Motivated, high performing colleagues	☑	Norwich has the infrastructure and housing it needs to be a successful city	☐	Drive value from our assets	☐
Enabling, influencing, leading	☐	The city has an inclusive economy in which residents have equal opportunity to flourish	☐	Maximise commercial opportunities	☐
Culture, people and engagement		Norwich city council is in good shape to serve the city	☑	Drive growth and regeneration	☐

Compliance – is this a statutory requirement?	☑

Section one: Payroll In-Sourcing

1| Background information and overview

In conjunction with the implementation of a replacement Enterprise Resource Planning (ERP) system, a decision was previously made to in-source the payroll service. This will provide additional resilience and control over a business critical service and support the timely and efficient reporting of a “single version of the truth”. The service delivers statutory requirements both for the council and its employees. The payroll service is a business critical element of the “single version of the truth” that contributes to the effective management and internal controls relating to Human Resources and Finance.

2| We will know we have succeeded when:

An effective service will feed relevant data and information into the support services underpinning the effective management of the council, as well as supporting the delivery of information and reporting to external partners, such as HMRC and the Pension Fund.

3| Resources - £120k Full Year Effect

Additional capacity would potentially be sourced on an interim basis in 2024/25, during which a transition to an on-going approach would be undertaken. It is envisaged that the resources could be in place for April 2024, thus this reflects a Full Year Effect (FYE)

What are the consequences if this growth is not supported?

Without these resources there won’t be the capacity and skills necessary to support the delivery of a resilient and fit for purpose payroll service.

Growth Proposal information: Postage

Which Corporate Plan Aims, Future Shape Norwich Outcomes and the High Value Themes does this seek to address?

Future Shape Norwich outcomes		Corporate plan aims		High value themes	
Ensure that the Council is financially sustainable	☐	People living independently and well in a diverse and safe city	☐	Redesign services	☐
People focused, quality services	☐	Norwich is a sustainable and healthy city	☐	Reform contracts	☐
Motivated, high performing colleagues	☐	Norwich has the infrastructure and housing it needs to be a successful city	☐	Drive value from our assets	☐
Enabling, influencing, leading	☐	The city has an inclusive economy in which residents have equal opportunity to flourish	☐	Maximise commercial opportunities	☐
Culture, people and engagement		Norwich city council is in good shape to serve the city	☑	Drive growth and regeneration	☐

Compliance – is this a statutory requirement?	☐

Section one: Postage

1| Background information and overview

Post Office price increases since April 2022 have increased three times in the last two years by significantly more than the headline inflation rates. Whilst efficiencies have been achieved to absorb some of this impact, the budget has fallen behind the impact these increases and needs to be accurately reflected within the budget.

2| We will know we have succeeded when:

Postage continues to form an important part of communication between the council, residents, tenants and partners, which underpins the effective working of the council and the delivery of its services.

3| Resources - £120k Full Year Effect

This would restore the budget to a balanced position relative to historic demand and pricing.

What are the consequences if this growth is not supported?

Part of the system of effective financial management and control is to set budgets at a realistic level that supports managerial responsibility and accountability .

3. HOUSING REVENUE ACCOUNT 2024/25 BUDGET

The HRA Business Plan

1. This year a review of the financial elements of the Business Plan has been undertaken, and projections updated accordingly. The review aligns the investment priorities in the Business Plan with our Housing Strategy ‘Fit for the Future’ 2020 – 2026 which has four goals:

   • Meeting housing need - delivering new homes

   • Maintaining and improving condition of existing housing

   • Improving the use and management of our existing stock

   • Improving our neighbourhoods

Background

2. The HRA is the financial account of the Council as landlord. It is ring-fenced in law for income and expenditure in respect of council housing and housing land and certain activities in connection with the provision of council housing only. Other council services are funded through council tax and central government support which benefits all citizens of Norwich regardless of tenure.
3. The HRA 30 - year Business Plan sets out how all aspects of council housing will be funded from income (predominately rents) that the local authority is able to generate in its capacity as landlord.
4. There is no legal requirement to produce a HRA business plan, but it is considered best practice to develop and review regularly the plan. It is an early warning system which tells us what may happen in the future based on the available data and set of assumptions. It supports us in understanding investment capacity and to make informed decisions about investment priorities.
5. The HRA operates within a national political context; therefore, any changes within national housing policy can have a significant impact on the HRA Business Plan.
6. Each year the HRA Business Plan is reviewed and updated to set budgets and charges for the year ahead and to provide an updated 30-year affordability profile.

Context

7. The city council owns, lets, and manages approximately 14,500 homes across the city, and provides services to approximately 3,500 leaseholders who own homes within its buildings. We are a large local authority landlord and like many others our stock is ageing and in need of significant investment.
8. Demand for the services we provide for our most vulnerable residents keeps increasing. More people with complex lifestyles need our support. This increasing demand, compounded by the cost-of-living crisis is putting

significant pressure on the services we provide and the demand for social housing.

9. The uncertain economic climate - high inflation and borrowing costs, high energy costs, supply chain issues and skills shortages - is crystalising several risks and testing the resilience of the housing sector. We face the challenge of income not rising in line with costs, which is creating a gap in our capacity to invest in our tenants' homes. These factors coupled with the challenge of new social housing regulation and the decarbonisation of our homes means we inevitably face 'trade off's' in our investment decisions.

10. Over the duration of this plan, the legal, economic, and social environment will change and with it, the balance of competing priorities for investment will shift. As it does, the Council will update and test the assumptions, requirements, and strategic approach within the plan.

Key information

11. The key priorities for the HRA Business Plan are:

Invest in health and safety compliance measures to ensure we comply with the emerging building safety legislative environment.

12. Since Autumn 2021, the Council has been focused on addressing historic issues relating to health, safety, and compliance in our tenants' homes. We have continued to prioritise health and safety repairs and have worked successfully with the Regulator of Social Housing to achieve full compliance and the lifting of the regulatory notice.

13. The Fire Safety Act 2021 received Royal Assent in April 2021 providing greater clarity over responsibility for fire safety in multi-occupation residential buildings and for all council owned flat and maisonette blocks. The Council's focus is on reducing the risk of fire for the structure, external walls and doors that open into communal areas.

14. The Building Safety Act received Royal Assent in April 2022 introducing wide ranging changes to the legal and regulatory framework governing the management of building safety during design, construction, and occupation. It introduces a new and much more stringent regulatory framework for higher-risk residential buildings, such as tower blocks, which has increased and defined the responsibilities of social housing landlords.

15. This new legislative landscape not only considers our buildings but equally important our tenants. The Building Safety Act means that residents in our high-rise buildings will have more say in how their building is kept safe and will be able to raise building safety concerns directly to an accountable person and we will listen.

16. This new stringent regulatory regime places legal responsibilities on us for managing structural and fire safety in higher-risk buildings when they are occupied. These requirements include the need to register our high-rise buildings, introduce a safety case approach to managing fire and structural safety during occupation, a duty to engage residents, on-going management of a digital 'golden thread' of information throughout the building lifecycle and the creation of mandatory occurrence reporting framework.

17. The Council is working to implement the requirements of the new regulations and will ensure the investment capacity in the Business Plan and resources are in place to comply with the legislative requirements.

Deliver improvements to our tenants' homes to make sure they continue to be well maintained and deliver improvements to our property and building maintenance services.

18. The Repairs and Maintenance Services requires significant improvement following its transfer from Norwich Norse Building Ltd to Norwich City Services Ltd (NCSL) in April 2022. The Council are working closely with NCSL to drive improvements. To this end, NCC and NCSL have engaged repairs improvement consultants to review the service, produce a turnaround plan and to produce a business plan to ensure effective service delivery.

19. A significant backlog of repairs was outstanding at the beginning of April 2022. These were successfully completed by 3rd party contractors in the year 2022/23. 1.48% of the council homes are empty at the time of writing (and which require major work). Both NCSL & NCC are engaging 3rd party contractors to assist in the completion of outstanding works. Reducing the length of time, it takes to get an empty home ready to relet will continue to be a high priority for the Council.

20. The 5-year HRA investment programme will continue to prioritise work that keeps people safe and will deliver improvements to people's homes (fire safety, electrical upgrades, kitchens, bathrooms, windows, doors, roofs, insulating homes addressing damp and mould etc.) to make sure they continue to be well maintained. Over £90m will be invested over the next 5 years to make these improvements.

21. A stock condition survey will provide up-to-date information and data about the condition of our housing stock. This information will be used to plan the investment programme more accurately. We are also reviewing our strategic approach to commissioning and managing capital works on housing to ensure best value for residents.

22. The work which is planned to maintain and improve our existing homes is based on meeting the 'Norwich Standard.' The national Decent Homes standard is currently under review. The Council will in turn review its own 'Norwich Standard', to ensure it is compliant with legislative requirements and meets the needs of our tenants.

Deliver programmes to build and acquire more council homes.

23. Over 3500 households are registered with the Council, waiting for a home. The cost-of-living crisis is increasing demand for council homes with more people struggling to afford to live in their private rented and owned homes with mortgages. In addition, each year approximately 140 council homes are lost through Right to Buy (RTB) sales. The sale of homes, through RTB means that over the 30-year life of the Business Plan, just over £19m is lost in rental income alone.

24. The Business Plan secures investment for three new home programmes, described in the table below. In total 258 new homes are planned by 2027/28.

Scheme	Number of homes
Three Score (Phase 3)	76
Argyle Street	14
Mile Cross	168
Total	**258**

25. Due to the current economic climate, schemes will be subject to further viability assessment as the detailed proposal comes forward. Further opportunities will also be considered as they come forward. All opportunities will be assessed thoroughly to ensure that they are financially viable within the Business Plan. A range of funding options will be considered including HRA funds, housing grant and one-for-one Right to Buy receipts.

Deliver on plans to ensure Norwich City Council homes reach Energy Performance Certificate (EPC) level C as soon as possible and by 2030 at the latest. Deliver a 'Roadmap to Decarbonisation' to ensure Norwich City Council homes reach net-zero carbon emissions as soon as possible and by 2050 at the latest.

26. Along with many other social landlords the Council is evaluating how it can fund and maximise the pace of delivery to zero carbon. To this end a Retrofitting Task and Finish Group consisting of members and officers has been created to produce a report on how the council can achieve the desired aims. There are significant challenges because of the number of homes we own, and the age and composition of our homes. For example, solid wall homes and tower blocks will present significant challenges.

27. The Council has currently estimated that investment of approximately £321m is required to meet EPC level C by 2030 and reach net-zero carbon emissions by 2050. This sum is included in the HRA Business Plan.

28. Further work will be undertaken during 2024/25 based on improved stock condition data, to develop a comprehensive 'Roadmap to Decarbonisation'.

29. The Council continues to work with Government, submitting funding bids for green grants when they become available to reduce costs. Within the Business Plan we have included third party funding of £13m between 2024/25 and 2028/29 and identified that we will need 10% funding from Government, or other sources to support us to achieve net zero. Availability of funding is crucial - this will enable us to do more, faster.

30. The Council successfully bid for funding through the Social Housing Decarbonisation Fund and received £985k in 2022/23. This accelerated the delivery of improvements, such as loft and wall insulation, to 50 homes. A further bid for £2m of SHDF was made for 2024/25 to benefit 930 homes, unfortunately this was unsuccessful, and we are exploring further funding opportunities.

31. In addition, £53m to improve energy efficiency and carbon reduction measures is included within the 5-year investment programme (2023/28). This work is crucial in making homes warmer and more affordable for our tenants. The focus will be on a 'fabric first' approach, installing cavity, loft and wall insulation, draught proofing, and improvements to heating systems. Solar PV systems will also be installed where most effective.

32. Additionally, a whole house and work packaging approach which will look at the most cost-effective time and methodology to upgrade, for example by installing solar and roof insulation at the same time as undertaking a planned roof replacement or wall insulation at the same time as replacing windows.

Deliver improvements to frontline housing neighbourhood services.

33. The housing management strategy was adopted by Cabinet on the 8th of March 2023. The key aims and priorities of the housing management strategy are as follows:

- Balance the Councils role of sustaining tenancies, alongside the need to manage the homes and estates effectively.
- Provide a framework from which activity can move forward; a framework that also allows for partners to be included and integrated into our work
- Provide the opportunity to empower tenants, other stakeholders, and staff to transform the way we work and really target support where it is most needed
- Balance the twin priorities of excellence in customer service whilst seeking efficiency in delivering value for money, at the heart of everything we do
- Enable on-line and digital interactions in a simple way and build insight in how people are living, to develop the right support for those in need.

34. A new Tenant Engagement Strategy was developed and approved by Cabinet in March 2023. Two projects are progressing towards implementation of community pages and tenant estate inspections, which will both offer a digital opportunity for tenants to engage with us. The community pages will make use of an online platform for tenants to actively engage with us and each other on topics that matter to them. The same online platform will be used to engage with tenants to assess the cleanliness, maintenance, and safety of the communal areas, as part of a new estate inspection process.

35. There have been a number of digital improvements that have been trialled, tested, and commissioned such as:

- Estate app digitally recording communal areas are clean, safe from hazards, free from access obstacles – enabling increased frequency from 1500 inspections to capacity over 6000 per annum (in use - to be live)
- Full digitally enabled formal consultation on new tenancy conditions, tenancy policy and tenancy agreement over 8 weeks. The has resulted in significant costs savings, better direct feedback from over 500+ tenants, and carbon savings requiring only 90 paper copies to be sent (out of 14,000).
- Assisted digital automation to contact tenants in arrears directly with landing pages and prompts for easy payment and support icons - 85% delivered, 65% viewed, and 49% responded.
- Pilot is being trialled for digitally signed up garage licences which will simplify contract agreement and account set up for advanced payment.
- Expansion of caretaking service by 50% and a project has been initiated to improve grounds maintenance delivery under clean streets delivery.
- A dedicated inspection regime is being considered for sheltered sites to be programmed and recorded digitally.

- NEC updated to track visiting programme for vulnerable and elderly residents, alongside tenancy activities, which is due to be released soon.
- Access into homes to make safe - 100% gas access for sustainable performance to minimise risks to tenants.
- NEC developed to automate and escalate garage arrears – increased staff resources to support current rent collections and budgeting and money advice during cost-of-living pressures.

Deliver year on year targets to achieve a reduction in management cost by £1.6m by 2025/26.

36. The drive for efficiency means we have set ourselves the goal of reducing our management costs by £1.6m over the next 3 years. We will seek to use the NEC system to achieve some of this saving, but we will also look at the way in which we deliver services, ensuring that we focus on those that relate to delivering a right-first time experience to our tenants, ensuring statutory compliance is met, whilst seeking to improve the overall performance of the service.

37. We introduced a new IT system in 2021 to enable us to be smarter and more efficient, to reduce back-office administration and improve the customer experience. This will improve the efficiency of the service we provide, both to customers and the teams we work with. For example, over the past year we have reviewed our income recovery process, seeking to increase automation managing our garage rents, focussing activity on case management through analytics and enabling customers to set up direct debits with contact centre staff. At the present time the impact of these changes is to see an increase in rent collection of 0.5%, resulting in approximately £3.7m more income than the previous year.

38. In 2022 we also took back control of our property services activities from NPS. Through this year we have undertaken a restructure within the property services team to align them with the new operating environment for delivering the repairs, maintenance, and capital investment for our housing revenue account properties. This restructure has resulted in a cost neutral position to management cost; however, the model has been created to drive greater value from the management off delivery.

39. Over the next 12 months we will continue to modernise and invest in the services that we provide to tenants. A new senior management team will be appointed in housing, and they will review the existing service provision with a view to empowering tenants through digital solutions whilst at the same time structuring the service in a more efficient way.

Financial Background and Budget

40. The Housing Revenue Account (HRA) was established by the Local Government and Housing Act 1989 as a ring-fenced account separate to the general fund and contains income and expenditure related to the ownership and management of the council's social housing stock.

41. Prior to 2012/13, the HRA was funded at a national level through the housing subsidy regime. Since then, it has been run on a self-financing basis i.e. all

revenue and capital expenditure needs to be funded from the rents and service charges paid by tenants or funded by housing benefit.

Forecast 2023/24 Outturn

42. The latest position on the Housing Revenue Account (HRA), as at period 9, shows a forecast overspend of £3m.

Proposed 2024/25 Revenue Budget

43. The budget proposes gross revenue expenditure of £72.867m and gross income of £82.969m, generating a surplus of £10.102m, as shown in appendix 3 (A). It is proposed to utilise the majority of this surplus to make a revenue contribution of £10.045m towards the funding of the 2024/25 HRA capital programme.

Chart 3.1: 2024/25 HRA gross revenue expenditure budget

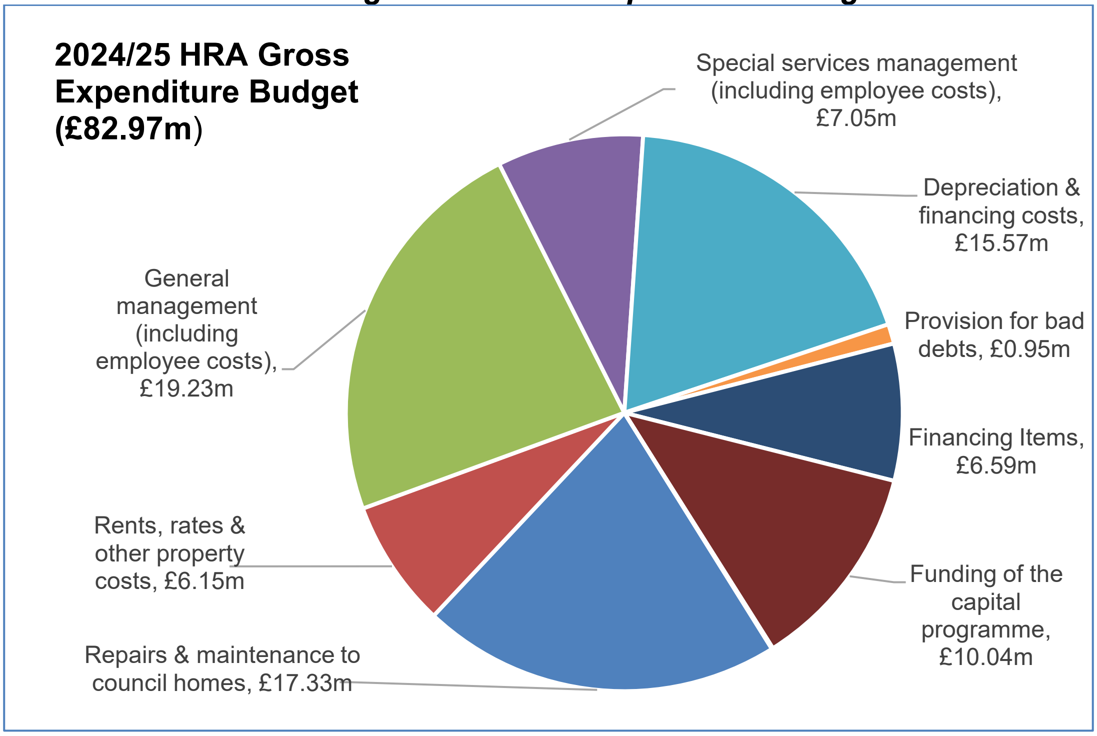
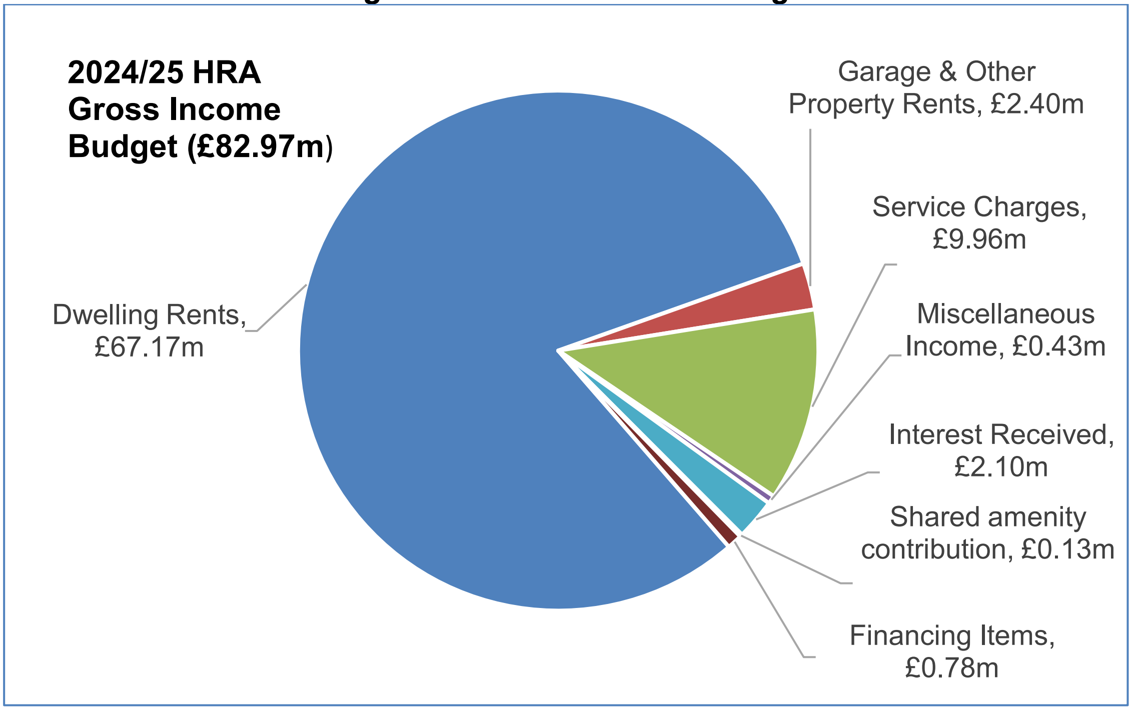


Chart 3.2: 2024/25 HRA gross revenue income budget



HRA Business Plan

44. The longer-term financial strategy for the HRA is based upon a 30-year business plan, which models the revenue costs of intended capital investment alongside other forecasts of revenue expenditure and income to determine the resultant surplus or deficit over the life of the plan and the resources required to implement the HRA Strategy.

45. The longer-term perspective is crucial to ensure that the service and its primary assets, the housing stock, are fit for purpose and that intended investments in the stock are affordable and sustainable for the whole plan.

46. The business plan relies upon a combination of known and assumed economic factors and government announcements to generate a financial forecast. The key assumptions within the business plan are summarised in the paragraphs that follow.

Council housing rents, garage rents, and service charges

47. Historically, the level at which council housing rents were set was decided by the Council in line with guidance set out by the government and information provided by the HRA Business Plan. However, in 2016/17 the rent policy was replaced by a government enforced minimum 1% reduction in rent for a four-year period until March 2020, as set out in the Welfare Reform and Work Act 2016. The impact of this over a 60-year period was a loss of over £200m in rental income.

48. From 2020/21, the enforced 1% rent reduction ended and the Secretary of State issued the Direction on the Rent Standard which enabled authorities to increase rent annually by up to CPI (Consumer Price Index) as at the preceding September plus 1%. However, for 2023/24, the government implemented a cap of 7% on all social housing rent increases.

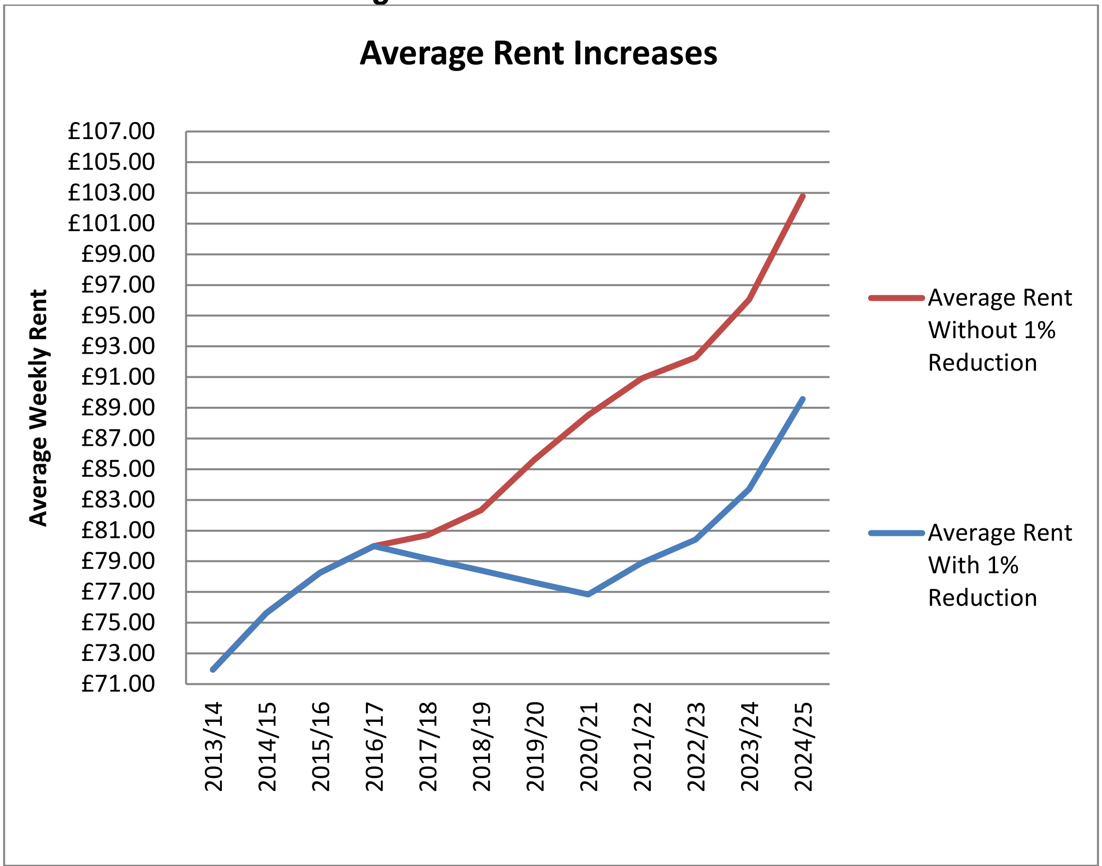
49. For 2024/25, rent increases will again follow the Rent Standard, which would increase rents by 7.7% and generate an average weekly rent increase of £6.91 for Norwich social housing tenants (excluding larger dwellings leased to care agencies). The table below shows the minimum and maximum rent increases at 7.7%.

Table 3.1: Proposed dwelling rent increase 2024/25

Item	**Average £**	**Maximum £**	**Minimum £**
Rent 2023/24	83.71	139.09	63.75
Proposed Increase (7.7%)	6.91	10.71	4.91
Proposed Rent 2024/25	96.62	149.80	68.66

50. The impact of the four-year rent reduction is shown in the chart below, which plots the actual average rent against the calculated average rent had a rent reduction not been enforced.

Chart 3.3: Historic average rent



51. Tenant Involvement Panel representatives were consulted over the proposed 7.7% increase on 14th December 2023. The impact on both tenants and the long-term viability of the HRA was discussed at length, with concerns raised regarding the effect of an increase on those struggling financially in the current climate. However, the panel recognised that increases are inevitable if the level of investment in existing and new homes is to be maintained

alongside the decarbonisation programme, and endorsed the proposed rent increase of 7.7% in line with government guidance.

52. For 2024/25, it is also proposed to increase garage rents by CPI +1% which is 7.7%.

53. In accordance with the constitution, levels of tenants' service charges will be determined by officers under delegated powers, in consultation with the portfolio holder and after engagement with tenant representatives, to be applied to existing and for any new service provision.

54. The current budget provision is calculated using a void rate of 1.2%, which is marginally improved on last year and equates to an estimated rental income loss for void periods of £0.816m for 2024/25.

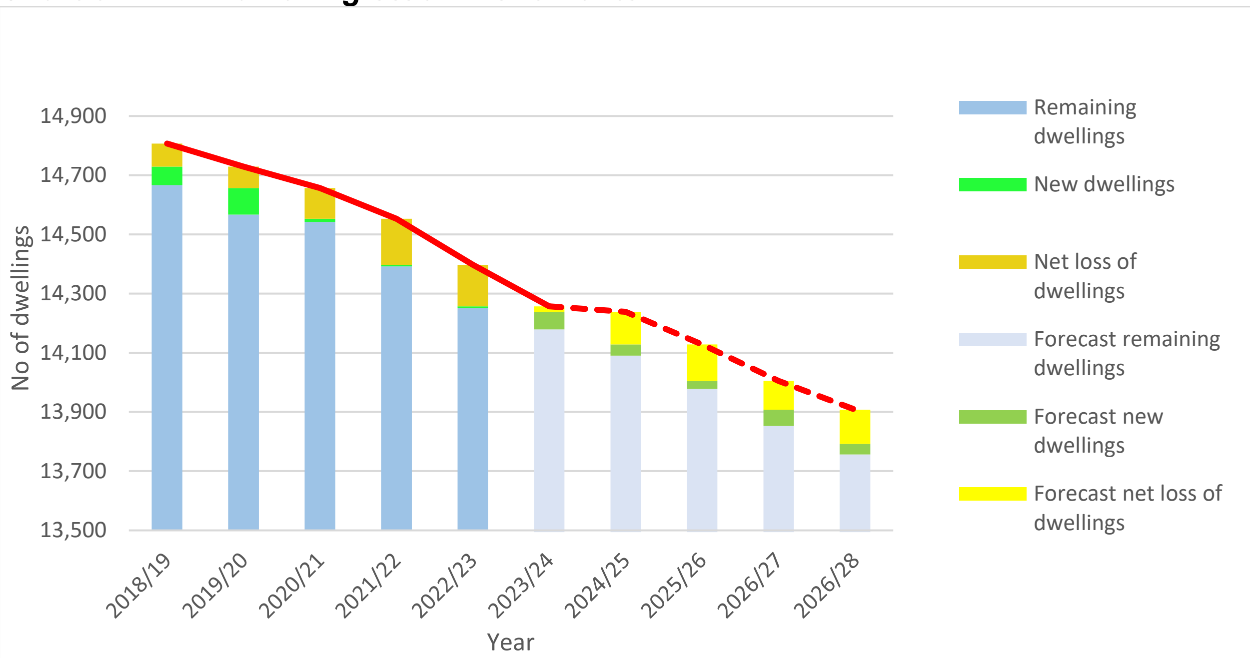
Council dwelling stock levels

55. Following a reduction in 2020/21, the number of Right-to-Buy purchases of HRA dwellings increased significantly in 2021/22 and 2022/23 but has reduced during 2023/24. This is reflected in the business plan, with future losses estimated to return to approximately 140 each year throughout the plan.

56. Over the past five years, 710 homes have been lost from social rent. Whilst the council is ambitious in its plans to build new social housing to meet local need, these are also at risk of being subject to Right to Buy.

57. Chart 3.4 below sets out the movement in the level of council housing stock over the past five years along with a forward projection over the next five years. Further detail is provided in Appendix 3 (B).

Chart 3.4: HRA dwelling stock movements



Capital expenditure plans

58. The HRA business plan includes expenditure arising from the proposed HRA capital budget as set out in section 4 of this report (capital strategy and 2024/25 capital budget).

59. The proposed HRA capital programme is based upon the HRA Strategy which contains the following neighbourhood housing 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.

Capital financing plans

60. Following the government abolition of the HRA borrowing cap in 2018, the council can determine how much it will borrow to fund capital expenditure, if it can demonstrate that the borrowing is affordable, prudent and sustainable as required by CIPFA's Prudential Code. The council does this for general fund capital expenditure by agreeing and monitoring several prudential indicators. These indicators now include the HRA and will be included in the Treasury Management Strategy 2024/25 which will be considered by Council in February 2024.

61. The decision to remove the borrowing cap gives the council more flexibility to invest in the existing housing stock and to increase its holdings. Future investment will be guided by the housing strategy

62. How an individual capital scheme is funded will depend on the prevailing financial circumstances and the nature of the scheme (e.g. new build or enhancement of an existing asset). In practice, there are seven key funding sources which the council uses in the following priority order (more information is given on capital financing strategy in Appendix 4 (C):

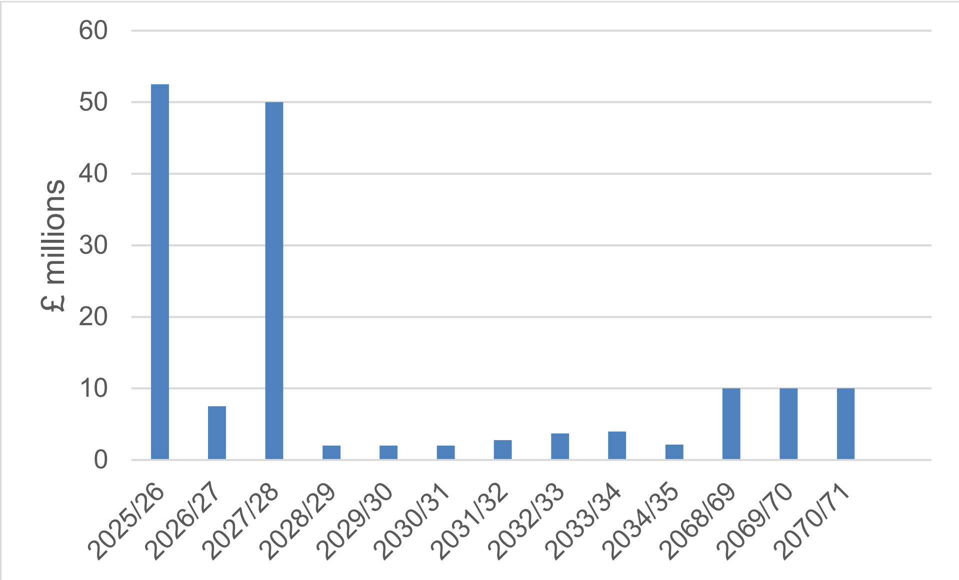
    1. Right-to-Buy Retained 'One for One' capital receipts.
    2. Capital Grants
    3. Major Repairs Reserve
    4. General HRA capital receipts
    5. General reserves
    6. Revenue budget contributions
    7. Borrowing

63. The current HRA Capital Financing Requirement (the need to borrow) is £208.533m. The most recent HRA external borrowing of £30m was taken in advance to support the refinancing in 2022/23 of an existing loan of £49m which formed part of the £149m loan undertaken to fund the HRA self-financing settlement in 2012 when the HRA subsidy system was abolished. This meant that the council no longer had to make payments of approximately £9m per annum to the Government subsidy system and was able to retain all future rental income in return for taking on a calculated share of the national housing debt. The remaining borrowing consists of £31m of historic external borrowing, the most recent being taken over 24 years ago.

64. HRA assets are currently valued at £869.864m (31 March 2023), which against a borrowing requirement of £208.533m (31 March 2023), equates to a loan-to-value gearing of 23.973%. This is lower than the national average gearing for local authorities of 28% and the national average for registered providers which is more than 60%.

65. Chart 3.5 sets out the redemption dates and values of current HRA external borrowing. The most recent borrowing in 2021 and 2012 is represented by loans totalling approximately £130m from the Public Works Loans Board (PWLB), whilst all other loans shown constitute historic borrowing which will be repaid within 11 years.

Chart 3.5: Existing HRA external borrowing



66. The 2024/25 HRA capital budget proposed in section 4 of this report does not require any new borrowing, although to deliver significant levels of new social housing and the retrofit programme, additional borrowing will be required in future years.

HRA Reserves Position

67. The proposed budget will impact on the HRA balance as follows:

Table 3.3: Estimated HRA reserves position

Item	£000
Brought Forward from 2022/23	(45,247)
Budgeted utilisation of balances in 2023/24	1,210
Forecast HRA overspend 2023/24 (at period 9)	2,926
Carried Forward to 2024/25	**(41,111)**
Proposed contribution to balances in 2024/25	(57)
Carried Forward to 2025/26	**(41,168)**

68. The level of general reserves is forecast to reduce in 2023/24 but slightly increase again in 2024/25, which is due to the council’s significant planned investment in new social housing. The estimated reserves to carry forward

into 2025/26 remain substantial (£41m) which not only provides a flexible funding resource for the HRA, but also ensures the financial resilience of the account, and provides the council with options for service delivery and the funding of future capital expenditure whilst managing overall debt.

69. It is proposed that the prudent minimum level set for the HRA reserve should remain unchanged for 2024/25 as set out in Table 3.4. Provision has been made for the risk of additional costs and risk arising from the impact of welfare reforms, the economy and jobs in the city. Further provision is also made for other potential risks and unforeseen events.

Table 3.4: Prudent minimum level of HRA reserves

Item	£000
Calculated operational risk	1,348
Potential issues arising from welfare reform	500
Potential issues arising from economic issues	1,000
Potential interest costs relating to retained one for one receipts	1,000
Unforeseen events	2,000
Estimated required level of HRA reserves	5,848

Appendix 3 (A): 2024/25 proposed HRA budget by service

Division of Service	Original Budget 2023/24 £000	Proposed Budget 2024/25 £000	Change £000
Repairs & Maintenance	16,696	17,331	635
Rents, Rates, & Other Property Costs	6,092	6,149	57
General Management	16,401	19,226	2,824
Special Services (not provided to all tenants)	9,207	7,050	(2,157)
Depreciation & Impairment	22,164	22,164	(0)
Provision for Bad Debts	980	947	(33)
Gross HRA Expenditure	**71,540**	**72,867**	**1,327**
Dwelling Rents	(62,766)	(67,166)	(4,400)
Garage & Other Property Rents	(2,309)	(2,401)	(92)
Service Charges – General	(8,290)	(9,961)	(1,672)
Miscellaneous Income	(431)	(431)	0
Amenities shared by whole community	(130)	(130)	0
Interest Received	(2,104)	(2,104)	0
Adjustments & Financing Items	(1,041)	(777)	264
Gross HRA Income	**(77,070)**	**(82,969)**	**(5,900)**
Total Housing Revenue Account	**(5,530)**	**(10,102)**	**(4,572)**
Revenue contribution to capital	6,740	10,045	3,305
Contribution to/(from) HRA reserve	(1,210)	57	1,268
Total	**0**	**(0)**	**(0)**

Explanation of key variances:

- Repairs & maintenance costs have increased by £0.635m which is the net impact of contract inflation offset by savings of £0.785m as reflected in the HRA business plan.
- General management costs have increased by £2.824m which is the net impact of inflation offset by savings of £0.350m as reflected in the HRA business plan.
- Dwelling rent income has increased because of the 7.7% rent increase (£4.400m).
- The revenue contribution to capital expenditure has increased by £3.305m reflecting the increased expenditure on the development of new council homes planned during 2024/25.

Appendix 3 (B): HRA dwelling stock movements

Council dwellings	18/19	19/20	20/21	21/22	22/23	23/24	24/25	25/26	26/27	27/28
No of dwellings at start of year	**14,807**	**14,729**	**14,657**	**14,553**	**14,397**	***14,257***	***14,239***	***14,128***	***14,005***	***13,908***
RTB sales in year	(138)	(156)	(112)	(159)	(145)	*(72)*	*(140)*	*(140)*	*(140)*	*(140)*
Non-RTB sales/leased in year	(3)	(6)	(3)	(2)	0	*(6)*	*(9)*	*(10)*	*(12)*	*(12)*
Dwellings demolished	0	0	0	0	0	*0*	*0*	*0*	*0*	*0*
Dwelling conversions	2	2	0	0	0	*0*	*0*	*0*	*0*	*0*
New build dwellings	61	87	0	0	5	*58*	*36*	*25*	*53*	*33*
Dwelling acquisitions	0	1	11	5	0	*2*	*2*	*2*	*2*	*3*

Shaded cells in italics denote forecast movements

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

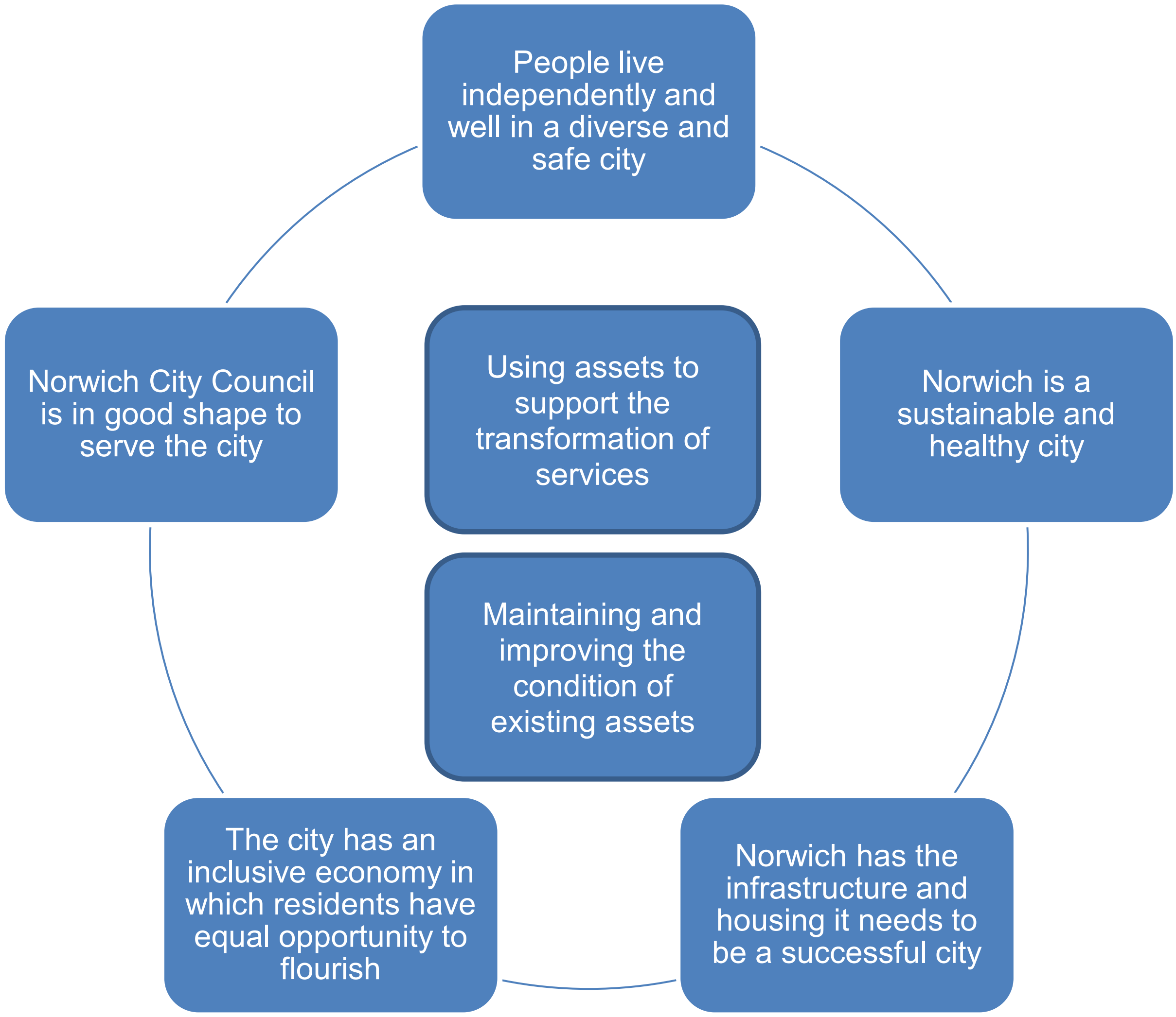


Table 4.1: The council's proposed capital investment objectives

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
Capital expenditure plans can contribute to this corporate aim by: • 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	Capital expenditure plans can contribute to this corporate aim by: • 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.	Capital expenditure plans can contribute to this corporate aim by: • Building and maintaining a range of social and private housing • Tackling homelessness and rough sleeping • Reducing the need for temporary accommodation in the city	Capital expenditure plans can contribute to this corporate aim by: • Supporting investment that promotes a growing, diverse, innovative and resilient economy	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: • 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:

<u>General Fund:</u>

- £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.

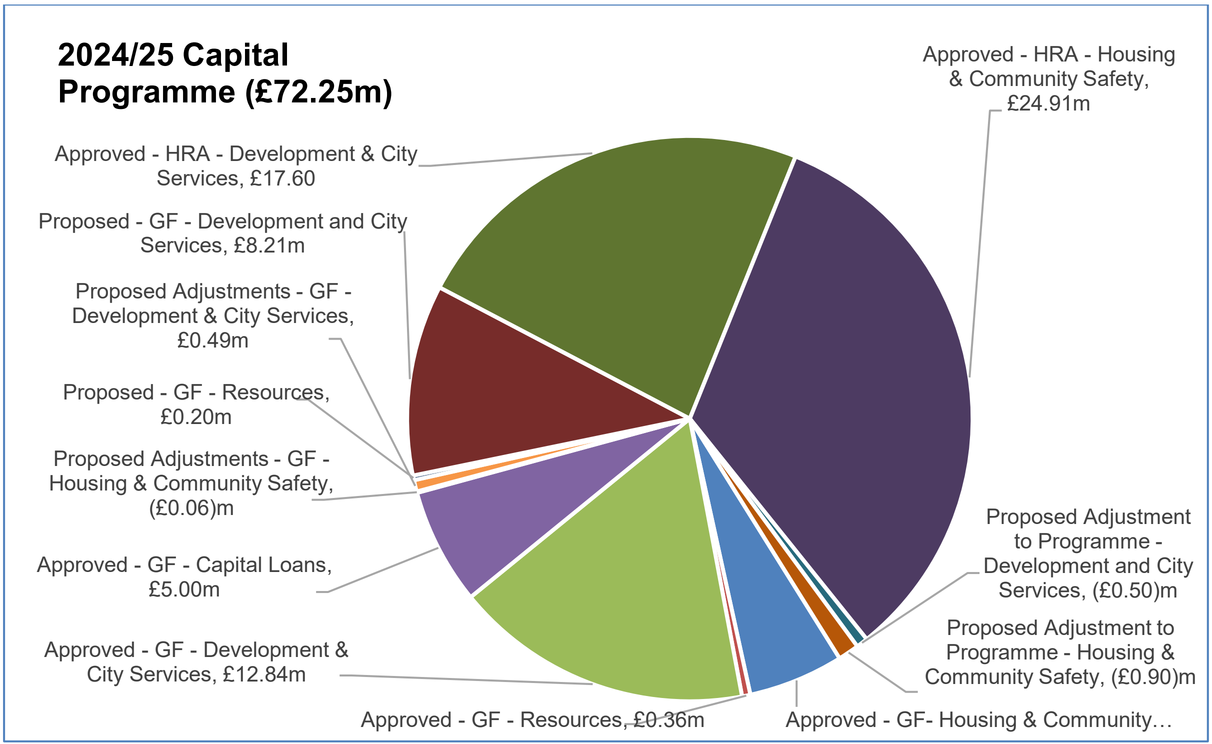
Knowledge and skills

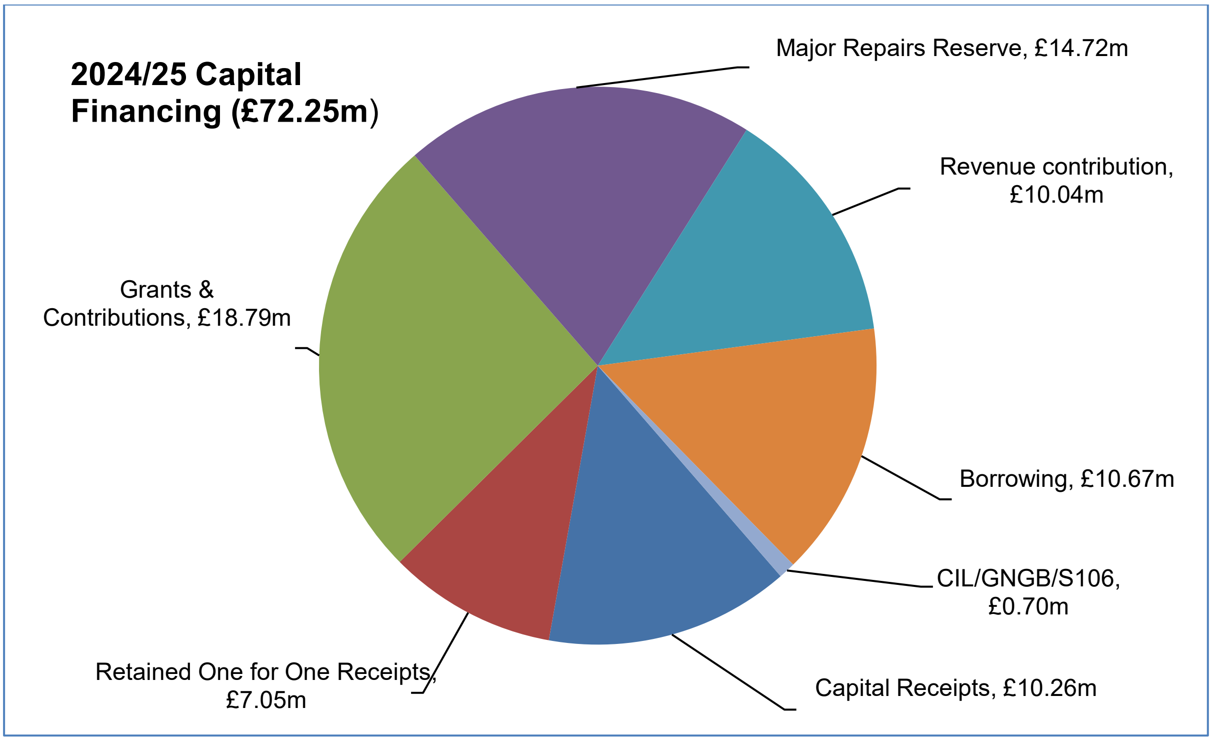
4.60. The council has professionally qualified staff, or access to such staff across a range of disciplines including finance, legal, planning and property that allow for capital investment decisions to be robustly considered. These individuals follow continuous professional development (CPD) and attend 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 Hl 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	**Description:** The use of the annual revenue budget to directly fund capital expenditure (also known as a Revenue Contribution to Capital Outlay (RCCO)). **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. **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.
Capital receipts	**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. **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. **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. **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.

Funding source	Description and proposed strategy for its use
Leasing	**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. **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. Leasing cannot be undertaken without the specific approval of the S151 Officer to ensure that new accounting arrangements have been considered fully.

Funding source	Description and proposed strategy for its use
Right-to-buy capital receipts	**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. **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. **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. **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. **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. Council has prioritised the funding of its own HRA capital programme in utilising these receipts, but when unable to do so the priorities are: 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	**Description:** General (non-earmarked) reserves can be used to fund either revenue or capital expenditure. **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. **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.
Major Repairs Reserve (MRR)	**Description:** The Major Repairs Reserve is created from an annual depreciation charge to HRA revenue budgets. **Strategy for its use**: This is used as the first source of funding for the HRA capital upgrade programme.

Funding source	Description and proposed strategy for its use
Capital grants	**Description**: Grants given to the council to fund, either in whole or in part, specific capital projects **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.
Section 106, GNGB and CIL	**Description:** Contributions paid by developers to mitigate the impact of new development across the city. **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. **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. 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.

Funding source	Description and proposed strategy for its use
Borrowing	**Description: Internal borrowing** is the *temporary* use of the council's cash holdings to fund capital expenditure. **External borrowing** is the process of taking debt finance from an external institution. 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. The council's borrowing will be proportionate to the size of the council's balance sheet and revenue budget. 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: (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.

5. TREASURY MANAGEMENT STRATEGY

Background

5.1 The Council is required to operate a balanced budget. Part of the council's treasury management operation is to ensure that cash flow is planned, so that cash is available when it is needed. Surplus monies are invested in counterparties or instruments commensurate with the Council's low risk appetite, providing liquidity before considering investment return.

5.2 Another function of treasury management is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing needs of the Council, essentially the longer-term cash flow planning, to ensure that the Council can meet its capital spending obligations. This management of longer-term cash may involve arranging loans or using cash flow surpluses. Sometimes, when it is prudent and economic, loan debt may be restructured to support the Council's risk or cost objectives.

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

5.4 The Chartered Institute of Public Finance & Accountancy (CIPFA) defines treasury management as: "The management of the local authority's borrowing, investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."

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

5.6 This section of the budget report meets the council's legal obligation under the Local Government Act 2003 to have regard to relevant codes of practice and guidance issued by CIPFA (Chartered Institute of Public Finance & Accountancy) and the DLUHC (Department for Levelling Up, Housing and Communities).

5.7 This section of the budget report also fulfils the requirement for council to approve:

- A treasury management strategy before the start of each financial year (as required by CIPFA's Treasury Management Code).
- Prudential indicators to ensure that the council's capital investment plans are affordable, prudent and sustainable (as required by CIPFA's Prudential Code).
- An investment strategy before the start of each financial year (as required by DLUHC's Investment Code).
- A Minimum Revenue Provision (MRP) policy (as required by DLUHC's MRP guidance).

5.8 The council's investment in commercial property, equity shares, and lending to third parties is considered in the capital strategy in Section 4.

5.9 However, for the purposes of clarity, the projections, indicators and limits given in this section of the budget report include:

- The general fund and HRA proposed capital programme and its funding as set out in Section 4, Tables 4.4 and 4.5.
- The implications for the council's capital financing requirement and borrowing position arising from the non-financial investments proposed in Section 4 of this report.

Reporting Requirements

Capital Strategy

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

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

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

Treasury management reporting requirements

5.12 The Council's Treasury Management Committee meets quarterly to support the in-depth consideration of a range of matters relating to the governance of the Council's treasury management activity.

5.13 To support the Committee to meet its terms of reference and schedule forward meeting dates, an annual workplan has been adopted as follows:

January	**Treasury Management Committee - January Meeting** Consider the Annual Treasury Management Strategy Statement (TMS) prior to adoption by council
February	Full Council to receive Treasury Management Strategy
April	**Treasury Management Committee - April Meeting** Review proposed treasury activity for forthcoming year Initial update on end of year position
May	Statutory Accounts preparation
June	Treasury Management Outturn Report preparation
July	**Treasury Management Committee - July Meeting** Consider outturn position report
August	Full Council to receive Treasury Management Outturn Report
October	Treasury Management Mid-Year Review Report preparation
November	**Treasury Management Committee - November Meeting** Consider mid-year report Consider initial Treasury Management Strategy changes for forthcoming year
December	Full Council to receive Treasury Management Mid-Year Review Report

5.14 All Treasury Management reports will initially be presented to the Treasury Management Committee before onward reporting to Cabinet and Full Council.

5.15 The council is required to receive and approve as a minimum, three main reports each year, which incorporate a variety of, polices, estimates and actuals.

- Annual reporting requirements before the start of the year including - a review of the organisation's approved plans, treasury management policy statements, prudential and treasury indicators and treasury strategy (this report).

- A mid-year treasury management report – This will update members with the progress of activities undertaken, any material decisions, interim performance including an update on the capital position and amend any polices or prudential indicators as necessary.

- An annual treasury report after year-end – This provides details of compliance with prudential and treasury indicators, the impact of actual treasury operations compared to the estimates within the strategy.

5.16 As part of implementing the new requirements of the Treasury Management Code of Practice, in addition to the three major reports detailed above, from 2023/24 quarterly reporting (end of June/end of December) is also required. These additional reports will also be presented to the Treasury Management Committee. Full details of the scheme of delegation are shown at Appendix D.

Treasury management - role of the Section 151 Officer

5.17 Under the Treasury Management Code of Practice, the council's S151 officer has specific responsibilities. A list of responsibilities is supplied at Appendix E.

Treasury management practices

5.18 The new CIPFA Treasury Management Code provides details of what CIPFA recommends an organisation's treasury management practices (TMPs) should include;

TMP1 Risk management
TMP2 Performance measurement
TMP3 Decision making and analysis
TMP4 Approved instruments, methods and techniques
TMP5 Organisation, clarity and segregation of responsibilities and dealing arrangements
TMP6 Reporting requirements and management information arrangements
TMP7 Budgeting, accounting and audit arrangements
TMP8 Cash and cash flow management
TMP9 Money laundering
TMP10 Training and qualifications
TMP11 Use of external service providers
TMP12 Corporate governance

5.19 Each TMP requires a detailed explanation of the practices undertaken by the Council's Treasury Management team. The council's TMP's will continue to be developed to respond to best practice and regulatory updates.

Treasury Management Strategy 2024/25

5.20 The strategy for 2024/25 covers two main areas:

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

Treasury management issues:
- the current treasury position
- treasury indicators which limit the treasury risk and activities of the Authority
- prospects for interest rates
- the borrowing strategy
- policy on borrowing in advance of need
- debt rescheduling
- the investment strategy
- creditworthiness policy; and
- the policy on use of external service providers

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

Training

5.22 The CIPFA Treasury Management Code requires the responsible officer to ensure that all staff and members with responsibility for treasury management receive adequate training in this area. The S151 officer is responsible for this function in this Council. Full details of the S151 officer's responsibilities are shown at Appendix E.

5.23 The Code also states that "all organisations to have a formal and comprehensive knowledge and skills or training policy for the effective acquisition and retention of treasury management knowledge and skills for those responsible for management, delivery, governance and decision making.

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

- Record attendance at training and ensure action is taken where poor attendance is identified.
- Prepare tailored learning plans for treasury management officers and board/council members.
- Require treasury management officers and council members to undertake self-assessment against the required competencies.
- Have regular communication with officers and board/council members, encouraging them to highlight training needs on an ongoing basis."

5.25 The training needs of treasury management officers are recorded and periodically reviewed as part of the formal annual employee performance review. Member training is delivered via the Treasury Management Committee. At its meeting on 4th July 2023 members of the Treasury Management Committee received training presentations from the Councils Treasury Advisors including an Economic Outlook and balance sheet review.

Treasury management advisers

5.26 The council uses Link Asset Services as its external treasury management advisors .

5.27 Responsibility for treasury management decisions remains with the council at all times. Although the council will from time to time require the services of specialists, consultants and advisers in order to acquire access to specialist skills, undue reliance will not be placed upon the services and advice provided.

The Capital Prudential Indicators 2024/25 – 2028/29

5.28 The council's capital expenditure plans are a key driver of treasury management activity. A summary of the council's capital budget plans and how these are being financed is shown in table 5.1. The prudential indicators, which are designed to assist members' overview and confirm capital expenditure plans are prudent, affordable and sustainable.

Capital Expenditure and Financing

5.29 This prudential indicator is a summary of the Authority's capital expenditure plans, both those agreed previously, and those forming part of the new budget cycle. The table below summarises the capital expenditure plans and how these plans are being financed by capital or revenue resources. Any shortfall of capital resources results in a need for borrowing.

Table 5.1: The council's capital expenditure and financing plans

	2023/24 Estimate £000	2024/25 Estimate £000	2025/26 Estimate £000	2026/27 Estimate £000	2027/28 Estimate £000	2028/29 Estimate £000
Capital expenditure						
General Fund	20,354	26,139	5,009	2,822	2,798	3,341
Capital Loans	1,000	5,000	1,000	1,000	0	0
Total General Fund Expenditure	**21,354**	**31,139**	**6,009**	**3,822**	**2,798**	**3,341**
Housing Revenue Account	**33,247**	**41,107**	**39,571**	**38,433**	**33,975**	**27,415**
TOTAL CAPITAL EXPENDITURE	**54,601**	**72,245**	**45,579**	**42,254**	**36,773**	**30,756**
Financing						
Capital receipts	1,043	4,835	10,655	11,284	8,990	3,746
Capital receipts (ringfenced)	0	0	0	0	0	0
Retained "one for one" RTB receipts	6,267	7,055	6,324	5,657	3,852	1,228
Major repairs reserve	20,250	20,147	14,676	14,572	16,880	17,428
Contributions and grants	13,566	18,043	1,750	1,865	1,850	1,950
Revenue contribution	5,823	10,045	7,986	6,985	4,278	342
Revenue contribution from earmarked reserves	43	0	0	0	0	0
Greater Norwich growth partnership	533	214	0	0	0	0
Community infrastructure levy	1,256	747	2,067	792	823	1,366
S106	876	490	158	0	0	0
Total	49,657	61,576	43,615	41,155	36,673	26,059
Borrowing need for the year	**4,944**	**10,669**	**1,964**	**1,100**	**100**	**4,696**
TOTAL FINANCING	**54,601**	**72,245**	**45,579**	**42,254**	**36,773**	**30,756**

The Authority's Borrowing Need (the Capital Financing Requirement)

5.30 The Capital Financing Requirement (CFR) calculation for 2024/25 and future years of the capital programme is shown below in table 5.2(i). This is the total historic outstanding capital expenditure yet to be financed from revenue or capital resources and a future projection of CFR based on capital expenditure plans. It is a measure of the council's indebtedness, and therefore its underlying borrowing need. The CFR also includes other long-term liabilities such as finance leases.

5.31 The CFR incorporates interim figures in relation to the new reporting requirements detailed within IFRS16. The reporting standard requires the liabilities of certain leases currently accounted for through the revenue spend of the Council, to be shown on the balance sheet, for example, if the lease has more than a year to run or is above a de-minimis value. An example for Norwich is vehicles procured through an operating lease.

5.32 IFRS16 remains a requirement of closing the accounts for 2024/25 and officers continue to undertake the required data gathering exercise, which will clarify the full impact on the CFR for the Council. It is therefore important to note that there may be a requirement to refresh the authorised limit and operational boundary once the review is substantially complete later in the 2024/25 financial year.

5.33 The general fund CFR does not increase indefinitely, as a Minimum Revenue Provision (MRP) is made each year which is a statutory annual revenue charge which broadly reduces indebtedness in line with each asset's expected life.

5.34 The repayment of loan debt made to external organisations also reduces the CFR where the loan has been financed by borrowing.

5.35 In 2023/24 the Council has applied General Fund capital receipts against its Capital Financing Requirement following a review by the Council's Treasury Management advisors. This approach together with the recommended policy changes to the MRP policy has reduced the MRP charge and used borrowing as replacement funding source. Overall, this approach has delivered financial benefits and matched longer life assets against borrowing.

Table 5.2(i): Capital Prudential Indicators

	2023/24 Estimate £000	2024/25 Estimate £000	2025/26 Estimate £000	2026/27 Estimate £000	2027/28 Estimate £000	2028/29 Estimate £000
Capital financing requirement at end of year						
General Fund	91,298	103,004	103,860	103,935	102,962	101,840
Housing Revenue Account	208,533	208,533	208,533	208,533	208,533	213,229
TOTAL	**299,831**	**311,537**	**312,393**	**312,468**	**311,495**	**315,069**
Movement in Capital financing requirement						
General fund	-20,814	11,706	856	75	-973	-1,122
Housing Revenue Account	0	0	0	0	0	4,696
TOTAL	**-20,814**	**11,706**	**856**	**75**	**-973**	**3,574**

5.36 Table 5.2(ii) below shows the planned external borrowing for capital expenditure purposes conforming to DLUHC requirements for applying for certainty rate borrowing from the PWLB. The table also shows details of planned borrowing for Treasury Management purposes which would encompass both the externalisation of internal borrowing and refinancing. The table also shows that the Council has no plans to invest in projects for yield which would prevent the Council borrowing from the PWLB.

Table 5.2(ii)

External Borrowing	2023/24 Estimate £000	2024/25 Estimate £000	2025/26 Estimate £000	2026/27 Estimate £000	2027/28 Estimate £000	2028/29 Estimate £000
Service spend	20,354	26,139	5,009	2,822	2,798	3,341
Housing (Incl. Preventative action)	33,247	41,107	39,571	38,433	33,975	27,415
Regeneration	1,000	5,000	1,000	1,000	-	-
Projects for yield	-	-	-	-	-	-
TOTAL	**54,601**	**72,245**	**45,579**	**42,254**	**36,773**	**30,756**
Treasury Management	4,944	10,669	1,964	1,100	100	4,696

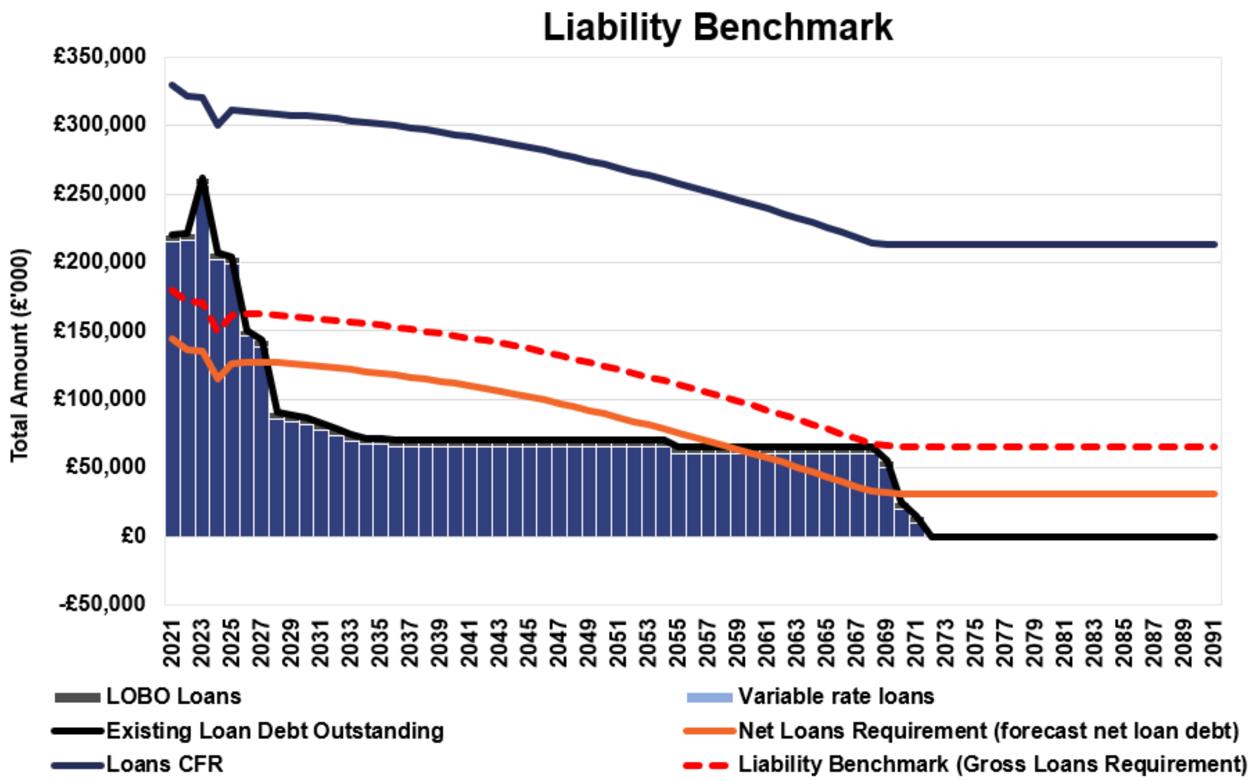
Liability Benchmark

5.37 The Authority is required to estimate and measure the Liability Benchmark for the forthcoming financial year and the following two financial years, as a minimum. The Benchmark is included to determine the appropriate structure of the Councils external loans profile and is presented as a chart reflecting four balances as follows:

- Existing loan debt outstanding: the authority's existing loans which are still outstanding in future years.
- Loans CFR: calculated in accordance with the loans CFR definition in the Prudential Code, and projected into the future based on approved prudential borrowing and planned MRP taking account of approved prudential borrowing.
- Net loans requirement: the authority's gross loan debt, less treasury management investments, at the last financial year end, projected into the future based on its approved prudential borrowing, planned MRP and any other forecast major cash flows and,
- Liability benchmark (or Gross Loans Requirement) = Net loans requirement + short term liquidity allowance.

5.38 Chart 5.1 shows the Council's existing outstanding loan debt in the blue and grey bars bordered by the black line. The dark blue line which shows the Loans CFR. The Orange line shows the net outstanding loan position after deducting treasury management investments. The red dotted line is the Liability Benchmark (Gross Loan requirement) which is net loans plus a liquidity allowance. The liability Benchmark is significantly below the CFR demonstrating the Councils under borrowed and internally borrowed position.

Chart 5.1Liability Benchmark



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

Table 5.2(iii)

Estimated Resources	**2023/24 Estimate £'000**	**2024/25 Estimate £000**	**2025/26 Estimate £000**	**2026/27 Estimate £000**	**2027/28 Estimate £000**	**2028/29 Estimate £000**
General Fund Reserve	-8,248	-8,248	-8,248	-8,248	-8,248	-8,248
GF Earmarked Reserves	-16,972	-18,916	-18,916	-18,916	-18,916	-18,916
HRA Reserve	-41,111	-41,168	-6,221	-5,848	-5,848	-5,848
HRA Earmarked Reserve	-2,519	-1,799	-1,799	-1,799	-1,799	-1,799
Capital Receipts Reserve	-72,925	-70,138	-62,963	-56,763	-55,258	-55,258
Major Repairs Reserve	-5,147	0	0	0	0	0
Capital Grants Unapplied	-3,710	-3,476	-3,476	-3,476	-3,476	-3,476
Total Core Funds	**-150,632**	**-143,745**	**-101,623**	**-95,050**	**-93,545**	**-93,545**
Working Capital*	**-1,000**	**-1,000**	**-1,000**	**-1,000**	**-1,000**	**-1,000**
Expected Investment Balances	**-151,632**	**-144,745**	**-102,623**	**-96,050**	**-94,545**	**-94,545**

*Working capital balances shown are estimated year-end; these may be higher or lower during the year depending on the day-to-day demands.

Minimum Revenue Provision (MRP) Policy Statement

5.40 The proposed MRP Policy Statement is set out in Appendix A. During 2023/24 the Council engaged Link Asset Services, the Councils Treasury Management advisors to complete a review of its MRP policy. The review considered technical and regulatory guidance, and identified prudent policy changes the Council has adopted to meet its requirement to charge a Minimum Revenue Provision and reduce the financial impact on the medium-term financial plan.

5.41 Under Regulation 27 of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003, the Council is required to pay off a proportion of the accumulated unfunded general fund capital expenditure each year (capital financing requirement) through an annual revenue charge (the MRP). This includes MRP for commercial properties and other non-treasury investments financed by borrowing.

5.42 The Council overpaid £6.982m of MRP in previous years. This amount is being gradually released to the general fund revenue budget on a straight-line basis over 40 years. From the 2023/24 TM Strategy onwards, there is £5.934m over 34 years still to be released.

5.43 It should be noted that it is not the council's policy to charge minimum revenue provision (MRP) on loans to third parties so long as there is no indication that the loan will not be repaid in full. All third-party loans are reviewed annually with an assessment made of any MRP payments required.

5.44 Currently there is no requirement for the Housing Revenue Account to make MRP provisions, although a voluntary revenue provision can be considered. The benefit of such a provision would be to provide a mechanism for the prudential repayment of debt over the life of the business plan. In the absence of a repayment mechanism, the business plan demonstrates that debt could continue to be financed via the resources available without a specific provision being made. The current position is kept under review and will continue to adopt a prudent approach, in line with national guidance and best practice.

5.45 At the time of drafting the TMS, officers are awaiting details of the Consultation on the Statutory Guidance on Minimum Revenue Provision for application after April 2024 to be published by the Government. Members will be advised of any material implications arising from this consultation either as a supplementary appendix or as a verbal update at the committee meeting.

Borrowing

5.46 The capital expenditure plans set out in tables 5.1 and 5.2(ii) above, provide details of the service activity of the council. The treasury management function ensures that the council's cash is organised in accordance with the relevant professional codes, ensuring that sufficient cash is available to meet this service activity. This will involve both the organisation of the cash flow and, where capital plans require, the organisation of appropriate borrowing facilities.

Table 5.3: The Council's current investment and borrowing position

	31/03/2023 Actuals £000	%	31/12/2023 Actuals £000	%
Investments				
Banks	44,600	33.9	56,398	52.6
Building Societies	10,000	7.6	6,000	5.6
Local Authority	65,000	49.4	25,000	23.3
UK Government	0	0.0	0	0.0
Money Market Funds	12,000	9.1	19,900	18.5
TOTAL	**131,600**	**100.0**	**107,298**	**100.0**
Borrowing				
PWLB	205,648	97.3	56,398	52.6
Banks	5,000	2.4	6,000	5.6
Others	641	0.3	25,000	23.3
TOTAL	**211,289**	**100.0**	**206,871**	**100.0**

5.47 On the 31st of December 2023, the council held £206.8m of external borrowing and £107.3m of treasury investments.

5.48 During 2023/24 the council has not taken nor does it intend in the short term to take on any new long-term borrowing.

5.49 Investment balances have decreased since the start of 2023/24. This is mainly due to the pre-payment of Employer deficit pension contributions to the pension fund. Cash balances are expected to marginally decrease towards the year end .

Maturity Structure of Borrowing Strategy

5.50 These lower and upper limits are set to reduce the Council's exposure to large fixed rate sums falling due for refinancing.

Table 5.4: Maturity structure of borrowing

Maturity structure of fixed interest rate borrowing	Lower Limit	Upper Limit
Under12 Months	0%	30%
12 months to 2 years	0%	60%
2 years to 5 years	0%	60%
5 years to 10 years	0%	60%
10 years to 15 years	0%	60%
15 years to 20 years	0%	60%
20 years and above	0%	80%

The table below summarises the council's forward projections for borrowing based on the assumptions given in table 5.1 above.

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

Table 5.5(i): Estimated forward projections for borrowing

	2023/24 Estimate £000	2024/25 Estimate £000	2025/26 Estimate £000	2026/27 Estimate £000	2027/28 Estimate £000	2028/29 Estimate £000
External Debt						
Debt as at 1 April	210,648	206,648	204,148	204,148	204,148	204,148
Expected change in debt	(4,000)	(2,500)	0	0	0	0
Other long-term liabilities	649	513	369	217	217	217
Actual gross debt as at 31 March	**207,297**	**204,661**	**204,517**	**204,365**	**204,365**	**204,365**
Capital Financing Requirement	299,831	311,537	312,393	312,468	311,495	315,069
Under/(Over) borrowing	**92,534**	**106,876**	**107,876**	**108,103**	**107,130**	**110,704**

N.B. Other long-term liabilities are any liabilities and other credit arrangements that are outstanding for periods in excess of 12 months e.g. finance leases.

5.52 Over the six-year period covered by this TM Strategy, the following loan maturities and new borrowing are expected to occur:

Table 5.5(ii): Estimated forward projections for borrowing (refinancing maturing loans)

Amount of Each Loan Maturing	Financial Year	New Borrowing	Financial Year
4,000,000	2023-24	0	2023-24
2,500,000	2024-25	2,500,000	2024-25
2,500,000	2025-26	2,500,000	2025-26
700,000	2025-26	0	2025-26
50,000,000	2025-26	50,000,000	2025-26
2,500,000	2026-27	2,500,000	2026-27
5,000,000	2026-27	5,000,000	2026-27
50,000,000	2027-28	50,000,000	2027-28
2,500,000	2027-28	2,500,000	2027-28
119,700,000		**115,000,000**	

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

5.54 The Council's S.151 Officer reports that the Authority complied with this prudential indicator in the current year and does not envisage breaches in the future. This view takes account of current commitments, existing plans and the proposals in this budget report.

5.55 During 2023/24 the council will not take any new long-term borrowing. £45M of borrowing was taken out during 2021/22 whilst interest rates were at historical low levels ahead of a scheduled repayment of self-financing debt in March 2023. The subsequent high interest rate environment is being closely monitored in the light of further significant tranches of debt falling due (£100m 2025/26 onwards)

5.56 The council is currently maintaining an under-borrowed position. This means that the capital borrowing need (CFR) has not been fully funded with external loan debt, as cash supporting the council's reserves, balances and cash flow is used as a temporary measure. This strategy is prudent as external loan interest rates are currently high and set to be at higher levels for some time.

5.57 The council has been well served by this policy over the last few years. The Section 151 Officer will continue to review and adopt a pragmatic approach to changing circumstances to avoid incurring higher borrowing costs as set out below:

- If it is felt that there is a significant risk of a sharp FALL in long- and short-term rates (e.g. due to a marked increase of risks around relapse into recession or of risks of deflation), then long term borrowings will be postponed and a potential rescheduling from fixed rate funding into short term borrowing will be considered.
- If it was felt that there was a significant risk of a much sharper RISE in long- and short-term rates than that currently forecast, perhaps arising from sudden increase in inflation risks, then the portfolio position will be re-appraised. Most likely, fixed rate funding will be drawn whilst interest rates are lower than they are projected to be in the next few years.

Investment Property Review

5.58 The revised Treasury Management and Prudential codes require Councils to review assets held for investment purposes annually against ongoing borrowing requirements and consider disposal of those investments to finance borrowing where the sale of an investment is financially viable.

5.59 To inform its Investment Strategy and take into account the CIPFA code requirements, the Council commissioned a review of its investment portfolio in Autumn 2022 in conjunction with Jones Lang LaSalle (JLL). This has resulted in a number of proposed asset disposals over the past 12 months. JLL have been commissioned to undertake a further piece of work alongside budget setting to set out an action plan for all investment properties over the next 5 years, this will include a pipeline of asset disposals along with assets which require a more detailed asset review. The aim is to adopt that action plan alongside the Treasury Management Strategy.

Treasury Indicators 2023/24 – 2028/29

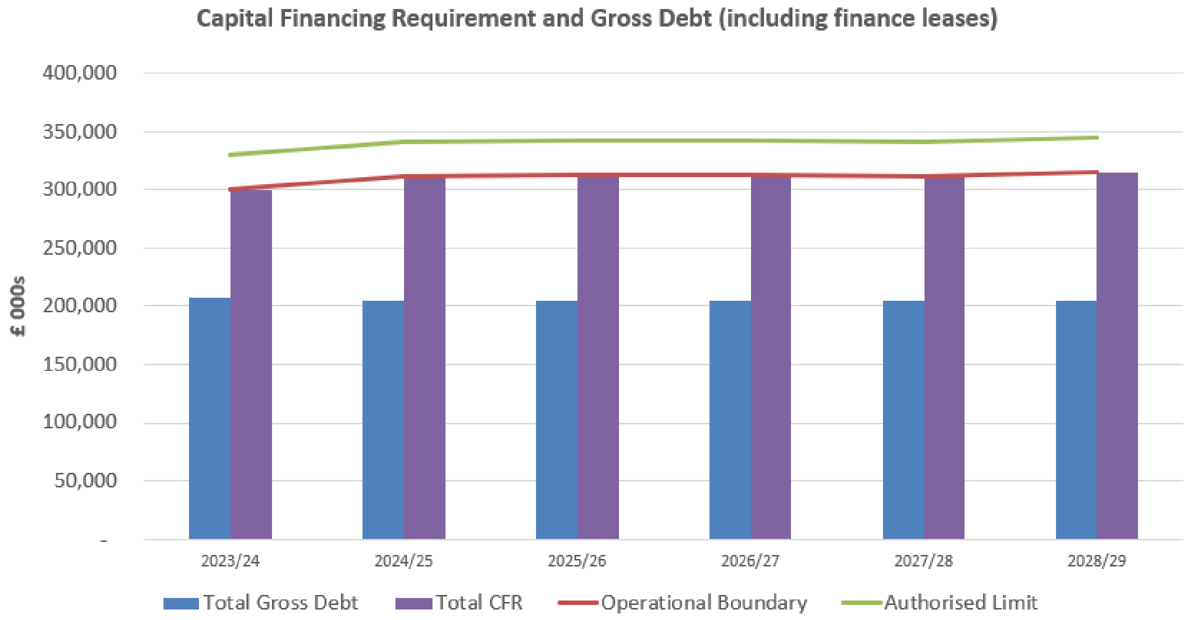
5.60 Table 5.6 below sets out the required affordable borrowing limit, namely:

a. The operational boundary - the limit beyond which external debt is not normally expected to exceed.
b. The authorised limit for gross external debt - a statutory limit determined under section 3 (1) of the Local Government Act 2003. It represents the legal limit on the maximum level of borrowing beyond which external debt is prohibited, and this limit needs to be set or revised by the full Council. It is also the level of external debt which, while not desired, could be afforded in the short term, but is not sustainable in the longer term.

Table 5.6: Treasury Indicators – Limits to Borrowing Activity

	2023/24 Estimate £000	2024/25 Estimate £000	2025/26 Estimate £000	2026/27 Estimate £000	2027/28 Estimate £000	2028/29 Estimate £000
Gross Debt						
Borrowing	207,297	204,661	204,517	204,365	204,365	204,365
Operational boundary for external debt						
Operational boundary	299,831	311,537	312,393	312,468	311,495	315,069
Authorised limit for external debt						
Authorised limit	329,831	341,537	342,393	342,468	341,495	345,069
Actual external debt						
Borrowing	206,648	204,148	204,148	204,148	204,148	204,148
Debt maturity profile - all borrowing %						
Less than one year	2%	1%	26%	4%	26%	1%
Between one and two years	1%	26%	4%	26%	1%	1%
Between 2 and 5 years	54%	30%	28%	3%	3%	4%
Between 5 and 10 years	6%	7%	7%	6%	6%	4%
Between 10 and 15 years	4%	2%	1%	27%	4%	26%
Between 15 and 20 years	0%	0%	0%	0%	26%	30%
Over 20 years	33%	34%	34%	34%	34%	34%
Upper limit for fixed interest rates	100%	100%	100%	100%	100%	100%
Upper limit for variable interest rates	20%	20%	20%	20%	20%	20%
Upper limit for investments > 365 days	£30m	£30m	£30m	£30m	£30m	£30m
Current treasury investments as at 30/11/2023 in excess of 1 year maturing in each year	-	-	-	-	-	-

Chart 5.2: Forecast of CFR and borrowing limits



Prospects for Interest Rates

5.61 The Council's treasury advisor's assist the Council to formulate a view on interest rates. Link provided the following forecasts on 8th January 2024. These are forecasts for certainty rates, which are gilt (government bond) yields plus 80 bps.

Table 5.7 Interest Rate Forecasts

Link Group Interest Rate View	08.01.24												
	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27
BANK RATE	5.25	5.25	4.75	4.25	3.75	3.25	3.00	3.00	3.00	3.00	3.00	3.00	3.00
3 month ave earnings	5.30	5.30	5.00	4.50	4.00	3.50	3.30	3.00	3.00	3.00	3.00	3.00	3.00
6 month ave earnings	5.20	5.10	4.80	4.30	3.80	3.30	3.20	3.10	3.10	3.10	3.10	3.10	3.10
12 month ave earnings	5.00	4.90	4.60	4.10	3.70	3.20	3.20	3.10	3.10	3.10	3.10	3.20	3.20
5 yr PWLB	4.50	4.40	4.30	4.20	4.10	4.00	3.80	3.70	3.60	3.60	3.50	3.50	3.50
10 yr PWLB	4.70	4.50	4.40	4.30	4.20	4.10	4.00	3.90	3.80	3.70	3.70	3.70	3.70
25 yr PWLB	5.20	5.10	4.90	4.80	4.60	4.40	4.30	4.20	4.20	4.10	4.10	4.10	4.10
50 yr PWLB	5.00	4.90	4.70	4.60	4.40	4.20	4.10	4.00	4.00	3.90	3.90	3.90	3.90

Source: Link

5.62 Links central forecast reflects a view that the MPC will be keen to further demonstrate its anti-inflation credentials by keeping Bank Rate at 5.25% until at least the second half of 2024. They expect rate cuts to start when both the CPI inflation and wage/employment data are supportive of such a move. There is a likelihood of the overall economy enduring at least a mild recession over the coming months, although most recent GDP releases have been surprised with their on-going robustness.

5.63 In the coming months, the forecasts provided by LINK will be guided not only by economic data releases and clarifications from the MPC over its monetary policies and the Government over its fiscal policies, but also international factors such as policy development in the US and Europe, the provision of fresh support packages to support the faltering recovery in China as well as the on-going conflict between Russia and Ukraine, and Gaza and Israel.

5.64 On the positive side, consumers are still believed to be sitting on some excess savings left over from the pandemic, which could cushion some of the impact of the above challenges and may be the reason why the economy is performing somewhat better at this stage of the economic cycle than may have been expected. However, most of those excess savings are held by more affluent households whereas lower income families already spend nearly all their income on essentials such as food, energy and rent/mortgage payments.

5.65 A full economic outlook from the Councils Treasury Advisors (Link) is shown at Appendix C.

PWLB Rates

5.66 PWLB interest rates on borrowing are expected to remain high before following the base rate movement down over time. Table 5.7 above shows the Link forecast PWLB rates over the next 2 years. In producing the forecast Link have taken into account the following risks.

5.67 The balance of risks to the UK economy: -

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

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

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

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

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

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

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

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

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

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

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

Link Group Forecasts

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

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

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

5.73 Links suggested budgeted earnings rates for investments up to about three months' duration in each financial year are rounded to the nearest 10 basis points. Investment earnings have been revised somewhat higher for all years from 2025/26 as Bank Rate remains higher for longer. As part of our modelling for budgeting purposes the Council has adopted a prudent 25 basis points reduction on the average earnings outlined below.

Table 5.8

Average earnings in each year	Now	Previously
2023/24 (residual)	5.30%	5.30%
2024/25	4.55%	4.70%
2025/26	3.10%	3.20%
2026/27	3.00%	3.00%
2027/28	3.25%	3.25%
2028/29	3.25%	3.25%
Years 6 to 10	3.25%	3.25%
Years 10+	3.25%	3.25%

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

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

Borrowing Strategy

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

5.77 Against this background and the risks within the economic forecast, caution will be adopted with the 2024/25 treasury operations. The Council's S151 officer and the treasury team will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances.

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

Policy on borrowing in advance of need

5.79 CIPFA's Prudential Code allows borrowing in advance of need when changes in interest rates mean that it benefits the council to borrow before the planned expenditure is incurred. This will be considered carefully, and appropriate advice will be sought from the council's treasury management advisers.

5.80 Borrowing in advance of need from a treasury management perspective will be made within the following constraints:

- It will be limited to no more than 75% of the expected increase in borrowing need (CFR) over the three-year planning period; and
- The authority would not look to borrow more than 3 years in advance of need (current and next two financial years).

5.81 The risks associated with any advanced borrowing from a treasury management perspective will be subject to appraisal and will be reported via the mid-year or annual Treasury Management reports.

Debt rescheduling

5.82 Where short-term borrowing rates are cheaper than longer term fixed interest rates, there may be potential opportunities to generate savings by switching from long-term debt to short-term debt. However, these savings will need to be considered in the light of the current treasury position and the size of the cost of debt repayment (premiums incurred).

5.83 Any rescheduling will take account of:

- The generation of cash savings and / or discounted cash flow savings;
- Helping to fulfil the treasury strategy;
- Enhancing the balance of the portfolio (amend the maturity profile and/or the balance of volatility).

UK Municipal Bond Agency (MBA)

5.84 It is possible that the MBA will be offering loans to local authorities in the future at rates expected to be lowered than offered by the PWLB. The Council may make use of this new source of borrowing as and when appropriate.

Approved Sources of Long and Short-term Borrowing

On Balance Sheet	**Fixed**	**Variable**
PWLB	●	●
UK Municipal Bond Agency	●	●
Local Authorities	●	●
Banks	●	●
Pension Funds	●	●

Market (long-term)	●	●
Market (temporary)	●	●
Market (LOBOs)	●	●
Stock Issues	●	●
Internal (capital receipts & revenue balances)	●	●
Finance Leases	●	●

Annual Investment Strategy

Treasury investment policy

5.85 The council's treasury management investment policy has regard to DLUHC's Guidance on Local Government Investments ("the Guidance") and CIPFA's Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes ("the CIPFA TM Code") as well as the CIPFA Treasury Management Guidance Notes 2021. The Council's treasury management investment priorities will be Security first, Liquidity second, and then Yield.

5.86 All funds invested by the in-house treasury management team as part of the normal treasury management processes are made with reference to the cash flow requirements of the council and the outlook for short-term interest rates (i.e. rates for investments up to 12 months). Careful consideration will be given before investing sums identified for longer term investments.

5.87 The Council has defined the list of types of investment instruments that the treasury management team are authorised to use below and table 5.9.

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

  In accordance with the Code, the Authority has set out additional criteria to limit the time and the amount of monies which will be invested in these bodies (see table 5.9).

- **Non-specified investments** are those with less high credit quality, may be for periods in excess of one year, and/or are more complex instruments which require greater consideration by members and officers before being authorised for use. The Non-specified Investments are listed in table 5.9.

ii. The Council has engaged external consultants (Link) to provide expert advice on how to optimise an appropriate balance of security, liquidity and yield, given the risk appetite of this Authority in the context of the expected level of cash balances and need for liquidity throughout the year.

iii. All investments will be denominated in sterling.

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

Risk Management and Creditworthiness Policy

5.88 Management of risk is placed in high priority in accordance with the DLUHC and CIPFA Guidance. In order to minimise the risk to treasury investments, the council applies minimum acceptable credit criteria to generate a list of highly creditworthy counterparties which it maintains. This also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the long-term ratings. Credit rating information is supplied by Link Group, our treasury advisors, on all active counterparties that comply with the criteria below in table 5.9.

5.89 Ratings will not be the sole determinant of the quality of an institution; the financial sector will be continuously monitored on both micro and macro basis and in relation to the economic and political environments in which these institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To achieve this, the council will engage with its advisors to watch the market pricing such as "credit default swaps" and overlay that information on top of the credit ratings.

5.90 Other information sources used will include the financial press, share price and other such information relating to the banking sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties. For local authority or related counterparties, the financial standing and other available information will be considered before placing investments.

5.91 Where applicable consideration will be given to the materiality of expected credit losses for treasury investments before they are used.

5.92 The counterparty list for treasury investments will be revised from time to time and submitted to council for approval as necessary.

5.93 In its selection process, the council will apply its approved minimum criteria to the lowest available rating for any institution. Credit rating information is supplied by Link Asset Services; the Council's treasury consultants. Any counterparty failing to meet the criteria would be omitted from the counterparty (dealing) list.

5.94 Any rating changes, rating watches (notification of a possible change), rating Any rating changes, rating watches (notification of a possible change), rating outlooks (notification of a possible longer-term change) are provided to officers almost immediately after they occur and this information is considered before dealing. On occasion ratings may be downgraded when an investment has already been made. The criteria used are such that a minor downgrading should not affect the full receipt of the principal and interest. Where a credit rating agency announces that a rating is on review for possible downgrade so that it may fall below the approved minimum rating criteria, then future investments (other than existing investments) will not be made with that organisation until the outcome of the review is announced. Building Societies will be subject to an additional criterion where the assets on their balance sheet are taken into account to asses credit worthiness. The counterparty list will therefore permit investment with building societies where their credit ratings are below the minimum for banks, but where the assets on the building societies balance sheet exceed £2.5bn.

5.95 The list of types of investment instruments that the treasury management team are authorised to use are categorised as specified and non- specified investments.

- **Specified investments** that the Council will use are high security and high liquidity investments in sterling and with a maturity of no more than a year.
- **Non-specified investments** are high security, high credit quality, in some cases more complex instruments for periods in excess of one year.

5.96 The council will consider the use of new investment instruments after careful consideration by officers and approval by council.

5.97 While all investments will be denominated in sterling, investments will only be placed with counterparties from countries with a specified minimum sovereign rating in table 5.10.

5.98 Lending and transaction limits for each counterparty will be set in the Treasury Management Principles (TMPs) through applying the matrix table 5.9 below.

Table 5.9: specified and non-specified investment approved instruments and limits

Counterparty/Financial instrument	Minimum Long-term Credit Criteria or Equivalent	Specified Investments		Non-specified Investments	
		Maximum duration	Counterparty Limit (£m)	Maximum duration	Counterparty Limit (£m)
DMAF - UK Government	n/a	3 months	£30m	n/a	n/a
UK Government gilts	UK Sovereign rating	12 months	£15m	3 years	£5m
UK Government Treasury bills	UK Sovereign rating	6 months	£10m	n/a	n/a
Money Market Funds - CNAV	AAA	Liquid	£10m per fund £25m overall limit	n/a	n/a
Money MARKET Funds - LVNAV	AAA			n/a	n/a
Money Market Funds - VNAV*	AAA			n/a	n/a
UK Local Authority term deposits (LA)**	n/a	12 months	£13m per LA	5 years	£5m per LA
Term Deposits with UK Building Societies	Assets worth at least £2.5bn but do not meet the minimum Bank/Building Society credit Criteria	12 months	£5m	n/a	n/a
Banks/UK Building Societies (Term deposits, CD, Call & Notice accounts)	AAA	12 months	£20m	2 years	£10m
Banks/UK Building Societies (Term deposits, CD, Call & Notice accounts)	AA+ AA	12 months	£17m	12 months	£5m
Banks/UK Building Societies (Term deposits, CD, Call & Notice accounts)	AA- A+ A	12 months	£10m	n/a	n/a
Banks/UK Building Societies (Term deposits, CD, Call & Notice accounts)	A-	6 months	£5m	n/a	n/a
The Authority's own banker	A-	12 months	£15m (for day to day operational working capital requirements – not for investment purposes)	Non-specified investment if banker fails to meet the minimum credit criteria	balances will be minimised as far as is possible.
Property Funds	Credit loss analysis, financial and legal due diligence	n/a	n/a	n/a	£5m per fund
Loan Capital and other third party loans including parish councils	Subject to financial & legal due diligence	considered on individual basis	n/a	considered on individual basis	n/a

* Specialist advice will be obtained before the use of VNAV money market funds
** Local authorities will reviewed in line with CIPFA suggested indicators

5.99 The identification and rationale supporting the selection of these investments, the maximum limits and monetary limits to be applied are set out in table 5.9 above.

5.100 For its cash flow generated balances, the Council will seek to utilise its business reserve instant access and notice accounts, money market funds and short-dated deposits (overnight to 100 days), in order to benefit from the compounding of interest.

Sovereign limits

5.101 Alongside changes in banking regulations which are focused on improving the banking sectors resilience to financial and economic stress, due care will be taken to consider the country, group and sector exposure of the Council's investments.

5.102 The Council will only use approved counterparties from the UK and countries with a sovereign credit rating from the three main rating agencies equal to or above AA-. In addition:

- No more than 20% will be placed with any non-UK country at any time and would always be sterling investments
- Sector limits will be monitored regularly for appropriateness.

5.103 Due to the current economic outlook for the UK economy, the UK sovereign rating is currently on the lowest acceptable level suggested for approved countries of AA-. However, if credit rating agencies downgrade the UK below AA- (the minimum Sovereign rating for 2024/25), the council will immediately seek advice from its treasury adviser and report to cabinet at the earliest possible reporting date.

Table 5.10: Sovereign rating for 2023/24

AAA	Sweden	**AA**
Australia	Switzerland	Abu Dhabi (UAE)
Denmark		France
Germany	**AA+**	**AA-**
Luxembourg	Canada	Belgium
Netherlands	Finland	Hong Kong
Norway	USA	Qatar
Singapore		U.K.

Bank of England iteration UK bank stress tests

5.104 In addition to the use of credit ratings provided by the three main rating agencies the other factors identified in paragraphs 5.72 and 5.73 will be taken into consideration when selecting UK banks.

Money Market Funds (MMFs)

5.105 Money market funds are pooled investment vehicles consisting of instruments similar to those used by the council. They have the advantage of providing wide diversification of investment risks, coupled with the services of a professional fund manager and analyst team. Fees are deducted from the interest paid to the council.

Building societies

5.106 Although the regulation of building societies is no longer any different to that of banks, the council may use building societies which meet the minimum credit rating for Banks and Building Societies or have a minimum asset size of £2.5bn but will restrict these types of investments to fixed deposits subject to lower cash limit and shorter time limit.

Current account banking

5.107 The council's current accounts are held with Barclays Bank UK Plc (Ring Fenced Bank RFB). In the event of the credit rating of Barclays Bank UK Plc (RFB) falling to a point lower than the council's minimum credit criteria of A- long term rating, the council will treat its bank as "high credit quality" for the purpose of making investments that can be withdrawn on the next working day.

UK banks – ring fencing

5.108 The council will continue to assess any newly formed entities against existing criteria and those with sufficiently high ratings will be considered for investment purposes.

Investment risk benchmarking

5.109 These benchmarks are simple guides to maximum risk, so they may be breached from time to time, depending on movements in interest rates and counterparty criteria. The purpose of the benchmark is that officers will monitor the current and trend position and amend the operational strategy to manage risk as conditions change. Any breach of the benchmarks will be reported, with supporting reasons in the mid-year or annual Treasury Management report.

5.110 **Security benchmark** – Counterparty risk will increase as duration of investment increases. The council will continue its policy of investing the majority of its investments with duration of less than 12 months. The councils security risk benchmark for the current portfolio, when compared to the historic default tables is 0.04%. This benchmark is an average risk of default measure and will be monitored retrospectively and action taken to manage the security risk when considering future investments.

5.111 **Liquidity** – in respect of this area the council seeks to maintain:

- Bank overdraft – zero balance
- Liquid short-term deposits of at least £1m available with a week's notice.
- Weighted average life benchmark is expected to be 0.50 years, with a maximum of 1.00 year. However, this benchmark may change if the Council decides to invest longer than 12 months.

5.112 **Yield** - local measures of yield benchmarks are:

- Investments – internal returns above the 7-day SONIA (Sterling Overnight Index Average) rate.

Ethical investment

5.113 The council will not knowingly invest directly in businesses whose activities and practices pose a risk of serious harm to individuals or groups, or whose activities are inconsistent with the council's mission and values.

5.114 This applies to direct treasury investment only. The council's normal money market activity would usually be with financial institutions which may have unknown indirect links with companies which the council will be unable to monitor. However, where known links are publicly available the council will not knowingly invest.

Environmental, Social and Corporate Governance Policy

5.115 The updated Treasury Management Code published in December 2021 included a requirement under TMP1 that 'the organisation's credit and counterparty policies should set out its policy and practices relating to environmental, social and governance (ESG) investment considerations'. The Code acknowledges that this is a developing area, and it is not implied that the organisation's ESG policy will currently include ESG scoring or other real-time ESG criteria at the individual investment level. The council will continue to review and build on the emerging guidance in this area of treasury management as well as seek updates on good practice from its Treasury Management advisors.

5.116 The Council recognises that environment, social and governance (ESG) factors can influence investment performance and the ability to achieve sustainable returns. The Councils Treasury Management (TM) Committee therefore considers the following two key areas of responsible investment:

- Corporate Governance – acting as responsible and active investors.

- Sustainable investment – considering the financial impact of environmental, social and governance (ESG) factors on its investments.

5.117 The TM Committee takes ESG matters very seriously and will regularly conduct reviews of its policies in this area with advice from its Treasury Advisors. The TM Committee has developed the following responsible investment beliefs.

- The TM Committee has an overriding duty to manage its investments in accordance with the Committees Terms of reference and the council's legal obligation under the Local Government Act 2003;

- The Committee will adopt the relevant codes of practice and guidance issued by CIPFA (Chartered Institute of Public Finance & Accountancy) and the DLUHC (Department for Levelling Up, Housing and Communities) including CIPFA's Treasury Management Code of practice and the Prudential Code.

- The TM Committee consider proactive management of our ESG approach and will therefore encourage the Council's TM Advisers to actively engage with officers and the financial markets to identify suitable counterparty's and investments.

5.118 As part of their Environmental, Social and Governance (ESG) considerations, our TM Advisors should review the market for approaches to environmental factors such as fossil fuels and climate change along with Social factors such as employee rights and Governance factors such as compliance with standard industry practice and Legislation.

5.119 The TM Committee expects its advisors to demonstrate a positive review of the market in response to:

- Matters of social responsibility.
- Environmental policy on how their impact can be minimised.
- Monitor risks and opportunities associated with climate change and fossil fuels.
- Anticipate future legislative requirements.

5.120 As part of the Council's Counterparty list, the Council has access to a Sustainable triple A rated Money Market Fund. This allows the Council to place up to £10M of its surplus cash in an ESG focused fund which is low risk provides next day liquidity and market rate return.

Policy on charging interest to the Housing Revenue Account (HRA)

5.121 Following the reform of housing finance, the council can adopt its own policy on sharing interest costs and income between the General Fund (GF) and the Housing Revenue Account (HRA).

5.122 The CIPFA Code recommends that authorities state their policy on this matter each year in their treasury management strategy. The charge is required to be fair to the general fund and to the HRA. This council's policy is to charge the HRA with actual interest and an element for any under-borrowing or surplus cash at the Council's pooled borrowing/investment rates.

Policy on use of financial derivatives

5.123 The council will not use standalone derivatives except where they can be clearly demonstrated to reduce the overall level of financial risk that the council is exposed to.

List of Appendices

APPENDIX A

Minimum Revenue Provision (MRP) policy statement

For capital expenditure incurred:

1. In 2023/24, the Authority's MRP policy was subject to a comprehensive review of MRP charges and methodology by the Council's Treasury Advisors. This policy reflects the new MRP calculation methods that have been implemented.
2. For supported capital expenditure incurred before 1st April 2008, the Authority will apply the Asset Life Method using an annuity calculation and will take account of the regulatory calculated Adjustment A, which was a means of maintaining broad neutrality between the old and new MRP systems that took effect prior to April 2008.
3. Unsupported borrowing will be subject to MRP under option 3 of the guidance (Asset Life Method). MRP will be based on the estimated life of the assets in accordance with the statutory guidance using the annuity method, calculated on a weighted average basis.
4. MRP in respect of unsupported borrowing taken to meet expenditure, which is treated as capital expenditure by virtue of either a capitalisation direction or regulations, will be determined in accordance with the asset lives as recommended by the statutory guidance.
5. The interest rate applied to the annuity calculations will reflect the market conditions at the time and will, for the current financial year, be based on PWLB annuity rates.
6. Where applicable, repayments included in annual PFI or finance leases are applied as MRP.
7. MRP Overpayments - The MRP Guidance allows that any charges made in excess of the statutory minimum revenue provision (MRP), i.e. voluntary revenue provision (VRP) or overpayments, can be reclaimed in later years if deemed necessary or prudent. In order for these sums to be reclaimed for use in the budget, this policy must disclose the cumulative overpayment made each year. The amount of VRP overpayments up to 31st March 2023 was £1.300m
8. MRP will commence in the year following the year in which capital expenditure financed from borrowing is incurred, except for asset under construction where the MRP will be deferred until the year after the asset becomes operational.
9. For capital loans to third parties the MRP policy is not to provide MRP on loans where there is an agreed repayment plan.

Appendix B

1. Key Financial, Capital Prudential and Treasury Indicators 2023/24 – 2028/29

Background

1.1 Local government finance is subject to a high level of regulation. There are various codes of practice which the council, under legislation, has a duty to have regard to when taking its budget decisions.

1.2 This section of the report provides information to show the affordability, proportionality, and value of potential risk exposure with regard to the council's proposals for borrowing, lending to third parties, investment in equity shares in third parties, as well as its commercial income streams.

1.3 DLUHC has suggested various financial indices that could be used to fulfil this requirement and recommends that councils should "where appropriate" consider setting self-assessed limits or targets for these indices.

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/678866/Guidance_on_local_government_investments.pdf

1.4 For the majority of indicators, the council has not elected to set self-assessed limits. This will be kept under review as better benchmarking data becomes available from other authorities. The annual limit regarding borrowing along with a number of other prudential and Treasury Management indicators are set in the above Treasury Management Strategy.

1.5 The indices chosen as being the most appropriate for the council's circumstances at present take as their starting point figures from the 2022/23 draft statement of accounts and project these forward for this financial year and the five following years. Members should note that at the time of publication the 2021/22 and 2022/23 accounts were still subject to external audit.

1.6 The DLUHC do not specify any indices for the HRA – they are given in the tables that follow where appropriate to do so using locally derived indicators.

Key Financial Indicators Balance Sheet position - strong

1.7 The balance sheet provides a "snapshot" of the council's financial position at a specific point in time showing what it owns and owes. The council currently has a strong balance sheet position. The balance sheet in the draft 2022/23 statement of accounts shows total long-term assets valued at £1.2bn, most of which are land and property assets including the council's HRA housing. The Councils usable Reserves totals £184M

1.8 As at 31 March 2023, the council had external borrowing of £213m (£208m long-term, £5m short-term) which is 18% of the value of the council's assets. In addition, the council had borrowed £108m internally from its own cash holdings to temporarily fund capital expenditure and investments. The total long-term indebtedness of the council at the end of last financial year was therefore £321m (this figure is known as the capital financing requirement (CFR)).

1.9 Long term investments (equity shares) as at the 31 March 2023 include a £3.4m shareholding in Lion Homes (Norwich Ltd (LHL) and £0.370m shareholding in Norwich City Services Ltd (NCSL).

1.10 In the 2022/23 long term debtors, the amounts lent to third parties on commercial terms comprise a £6.150m loan to LHL, £1.140m capital loan to NCSL, a £0.500m working capital loan to NCSL and a £0.104m loan to Norwich Preservation Trust.

The council also makes “soft” loans (on non-commercial terms) to others, for example home improvement loans to residents. Only the lending undertaken on commercial terms needs to be considered as part of the requirements arising from the revised Investment Code.

Forecast Balance Sheet position

1.11 The council’s budget proposals contained within this budget report will result in a growing balance sheet both in terms of the long-term assets that will be held by the council (in particular social housing and long-term debtors) as well as its long-term liabilities (its capital financing requirement or underlying need to borrow).

Core Funds and Expected Investment Balances

1.12 The application of resources (reserves, capital receipts etc.) to either finance capital expenditure or other budget decisions to support the revenue budget will have an ongoing impact on investments unless resources are supplemented each year from new sources (asset sales etc.). A table detailing estimated year-end balances for each resource and anticipated day-to-day cash flow balances are included in the main Treasury Management Strategy document.

2. Capital Prudential and Treasury Indicators

2.1 Capital Expenditure - The Authority’s capital expenditure plans are the key driver of treasury management activity. The output of the capital expenditure plans is reflected in the prudential indicators, which are designed to assist members’ overview and confirm capital expenditure plans. The Capital expenditure plans are shown in the Treasury Management Strategy document

2.2 Affordability Prudential Indicators - The previous sections cover the overall capital and control of borrowing prudential indicators, but within this framework prudential indicators are required to assess the affordability of the capital investment plans. These provide an indication of the impact of the capital investment plans on the Authority’s overall finances.

2.3 The Council’s Capital expenditure plans should be considered alongside the cost of past borrowing, maintenance requirements and planned disposals. The authority’s MRP or loans fund repayment policy will also have a critical impact on the overall affordability of new borrowing. This indicator identifies the trend in the Capital Financing costs are shown as a % net revenue stream (taxation and non-specific grant income excluding capital grants, contributions and donated assets).

	2022/23 Actual	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate	2028/29 Estimate
	£000	£000	£000	£000	£000	£000	£000
Capital Financing costs as a% of Net Revenue Stream							
Non-HRA	9%	4%	4%	4%	4%	4%	4%
HRA	11%	9%	9%	9%	10%	10%	10%

2.4 This indicator shows the HRA debt per dwelling and shows a consistent estimated debt of £15K per dwelling.

	2022/23 Actual	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate	2028/29 Estimate
	£000	£000	£000	£000	£000	£000	£000
HRA Debt per Dwelling							
HRA debt £m	208,533	208,533	208,533	208,533	208,533	208,533	208,533
Number of HRA dwellings	14,257	14,239	14,128	14,005	13,908	13,908	13,908
Debt per dwelling £	14,627	14,645	14,760	14,890	14,994	14,994	14,994

Maturity Structure of Borrowing

2.5 Maturity structure of borrowing. These gross limits are set to reduce the Authority's exposure to large, fixed rate sums falling due for refinancing, and are required for upper and lower limits. The maturity structure of borrowing are shown in Treasury Management Strategy.

Control of Interest Rate Exposure

2.6 The measures to manage the Control of interest rate exposure (including Interest rate forecasts, Prospect for Interest Rates, Borrowing Strategy and Annual Investment Strategy) are shown in the main Treasury Management Strategy.

3. The Council's non-financial (commercial) investments to net Revenue Stream

3.1 This ratio shows the general fund's dependence on commercial income to deliver core general fund services. The ratio is shown as a % against net revenue stream (taxation and non-specific grant income excluding capital grants, contributions and donated assets).

Net commercial income to Net Revenue Stream

	2022/23 Actual £000	2023/24 Estimate £000	2024/25 Estimate £000	2025/26 Estimate £000	2026/27 Estimate £000	2027/26 Estimate £000	2028/29 Estimate £000
Commercial Property Income	-7,322	-6,423	-6,041	-6,212	-6,212	-6,212	-6,212
Commercial Property Expenditure	3,146	2,623	2,432	2,456	2.468	2,475	2,479
MRP	809	829	850	871	894	916	939
Airport Industrial Net Income	-79	-44	0	0	0	0	0
Net Commercial Property Income	**-3,446**	**-3,015**	**-2,759**	**-2,885**	**-2,850**	**-2.821**	**-2,794**
Lending interest income	-335	-349	-715	-715	-715	-715	-715
Assumed lending cost	152	158	222	242	242	242	242
Net 3rd Party Lending Income	**-183**	**-191**	**-493**	**-473**	**-473**	**-473**	**-473**
Net Commercial Income	**-3,629**	**-3,206**	**-3,252**	**-3,358**	**-3,324**	**-3,294**	**-3,267**
Net Revenue Stream	**-20,121**	**-21,533**	**-22,485**	**-23,295**	**-23,862**	**-24,457**	**-25,080**
Net Commercial Income as a % of Net Revenue Stream	**18%**	**15%**	**14%**	**14%**	**142%**	**13%**	**13%**

3.2 For 2023/24 onwards the net and gross income from Commercial property shown in table 6.3 are based on the proposed budget assumptions. Income from the council's car parks is not included in this analysis as the primary reason for owning and managing them is not solely for-profit making purposes.

Appendix C

ECONOMIC BACKGROUND

- The third quarter of 2023/24 saw:
  - A 0.3% m/m decline in real GDP in October, potentially partly due to unseasonably wet weather, but also due to the ongoing drag from higher interest rates. Growth for the second quarter, ending 30th September, was revised downwards to -0.1% and growth on an annual basis was also revised downwards, to 0.3%;
  - A sharp fall in wage growth, with the headline 3myy rate declining from 8.0% in September to 7.2% in October, although the ONS "experimental" rate of unemployment has remained low at 4.2%;
  - CPI inflation continuing on its downward trajectory, from 8.7% in April to 4.6% in October, then again to 3.9% in November;
  - Core CPI inflation decreasing from April and May's 31 years' high of 7.1% to 5.1% in November, the lowest rate since January 2022;
  - The Bank of England holding Bank Rate at 5.25% in November and December;
  - A steady fall in 10-year gilt yields as investors revised their interest rate expectations lower.
- The revision of GDP data in Q2 to a 0.1% q/q fall may mean the mildest of mild recessions has begun. Indeed, real GDP in October fell 0.3% m/m which does suggest that the economy may stagnate again in Q3. The weakness in October may partly be due to the unseasonably wet weather. That said, as the weakness was broad based it may also be the case that the ongoing drag from higher interest rates is more than offsetting any boost from the rise in real wages.
- However, the rise in the flash composite activity Purchasing Managers Index, from 50.7 in November to 51.7 in December, did increase the chances of the economy avoiding a contraction in Q3. The improvement was entirely driven by the increase in the services activity balance from 50.9 to 52.7. (Scores above 50 point to expansion in the economy, although only tepid in this instance.) The press release noted that this was primarily driven by a revival in consumer demand in the technological and financial services sectors. This chimes with the further improvement in the GfK measure of consumer confidence in December, from -24 to -22. The services PMI is now consistent with non-retail services output growing by 0.5% q/q in Q3, but this is in stark contrast to the manufacturing sector where the output balance slumped from 49.2 to 45.9 and, at face value, the output balance is consistent with a 1.5% q/q fall in manufacturing output in Q3.
- The 0.3% m/m fall in retail sales volumes in October means that after contracting by 1.0% q/q (which was downwardly revised from -0.8% q/q) in Q2, retail activity remained weak at the start of Q3. That suggests higher interest rates are taking a bigger toll on real consumer spending.
- Higher interest rates have filtered through the financial channels and weakened the housing market but, overall, it remains surprisingly resilient with the Halifax house price index recently pointing to a 1.7% year on year increase whilst Nationwide's December data pointed to a -1.8% year on year decrease. However, the full weakness in real consumer spending and real business investment has yet to come as currently it is

estimated that around two thirds to a half of the impact of higher interest rates on household interest payments has yet to be felt.

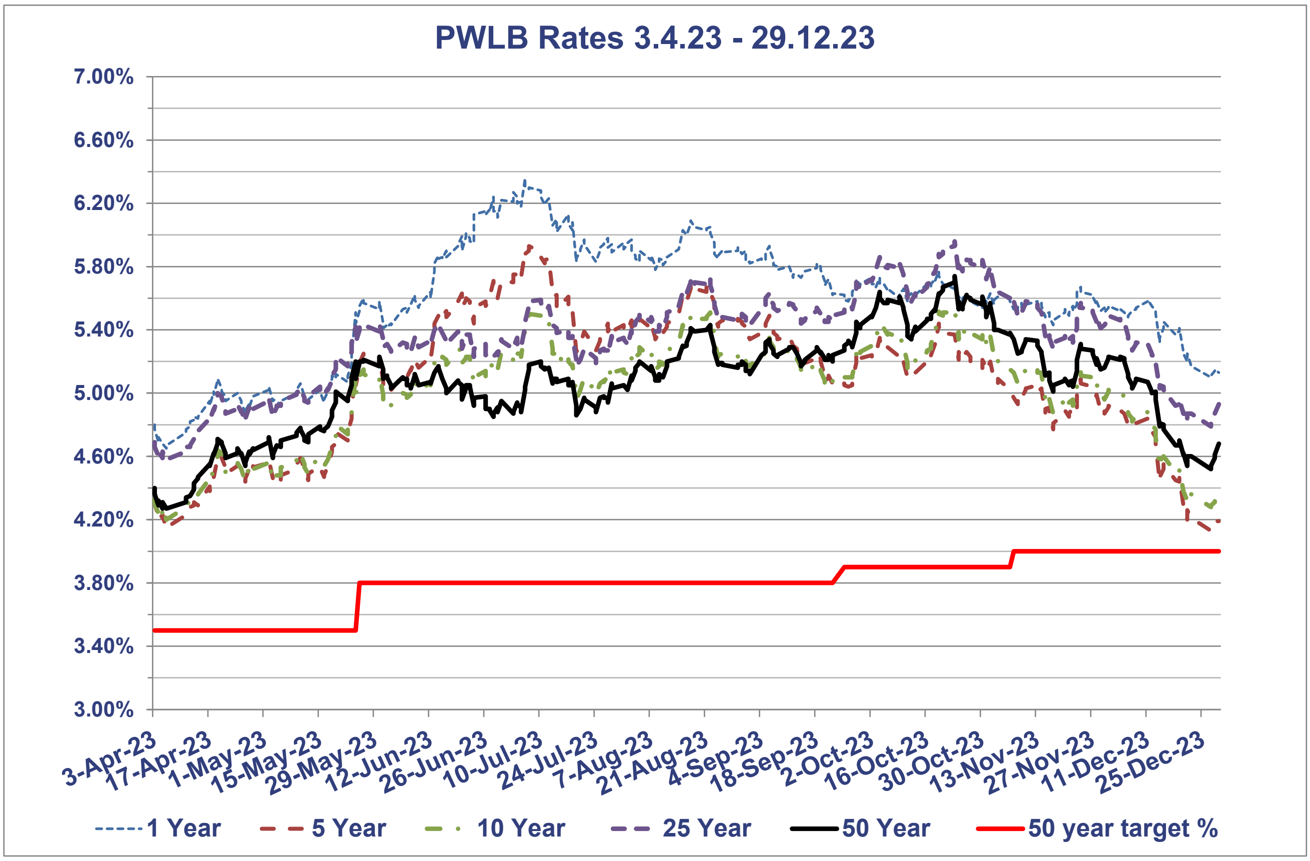
- Overall, we expect real GDP growth to remain subdued throughout 2024 as the drag from higher interest rates is protracted but a fading of the cost-of-living crisis and interest rate cuts in the second half of 2024 will support a recovery in GDP growth in 2025.
- The labour market remains tight by historical standards, but the sharp fall in wage growth seen in October will reinforce the growing belief in markets that interest rates will be cut mid-2024. Wage growth eased in October much faster than the consensus expected. Total earnings fell by 1.6% m/m, which meant the headline 3myy rate eased from 8.0% in September to 7.2% in October. This news will be welcomed by the Bank of England. Indeed, the timelier three-month annualised rate of average earnings growth fell from +2.4% to -1.2%. Excluding bonuses, it fell from 5.3% to 2.0%. Furthermore, one of the Bank's key barometers of inflation persistence, regular private sector pay growth, dropped from 7.9% 3myy to 7.3%, which leaves it comfortably on track to fall to 7.2% by December, as predicted by the Bank in November.
- The fall in wage growth occurred despite labour demand being stronger in October than expected. The three-month change in employment eased only a touch from +52,000 in September to +50,000 in October. But resilient labour demand was offset by a further 63,000 rise in the supply of workers in the three months to October. That meant labour supply exceeded its pre-pandemic level for the first time, and the unemployment rate remained at 4.2% in October. In the three months to November, the number of job vacancies fell for the 17th month in a row, from around 959,000 in October to around 949,000. That has reduced the vacancy to unemployment ratio as demand for labour eases relative to supply, which may support a further easing in wage growth in the coming months.
- CPI inflation fell from 6.7% in September to 4.6% in October, and then again to 3.9% in November. Both these falls were bigger than expected and there are clear signs of easing in domestic inflationary pressures. The fall in core CPI inflation from 5.7% to 5.1% in November was bigger than expected (consensus forecast 5.6%). That's the lowest rate since January 2022. Some of the decline in core inflation was due to the global influence of core goods inflation, which slowed from 4.3% to 3.3%. But some of it was due to services inflation falling from 6.6% to 6.3%. The Bank views the latter as a key barometer of the persistence of inflation and it came in further below the Bank's forecast of 6.9% in its November Monetary Policy Report. This will give the Bank more confidence that services inflation is now on a firmly downward path.
- The Bank of England sprung no surprises with its December monetary policy committee (MPC) meeting, leaving interest rates at 5.25% for the third time in a row and pushing back against the prospect of near-term interest rate cuts. The Bank continued to sound hawkish, with the MPC maintaining its tightening bias saying that "further tightening in monetary policy would be required if there were evidence of more persistent inflationary pressures". And it stuck to the familiar script, saying that policy will be "sufficiently restrictive for sufficiently long" and that "monetary policy is likely to need to be restrictive for an extended period of time". In other words, the message is that the MPC is not yet willing to endorse investors' expectations that rates will be cut as soon as May 2024.
- Looking ahead, our colleagues at Capital Economics forecast that the recent downward trends in CPI and core inflation will stall over the next few months before starting to decline

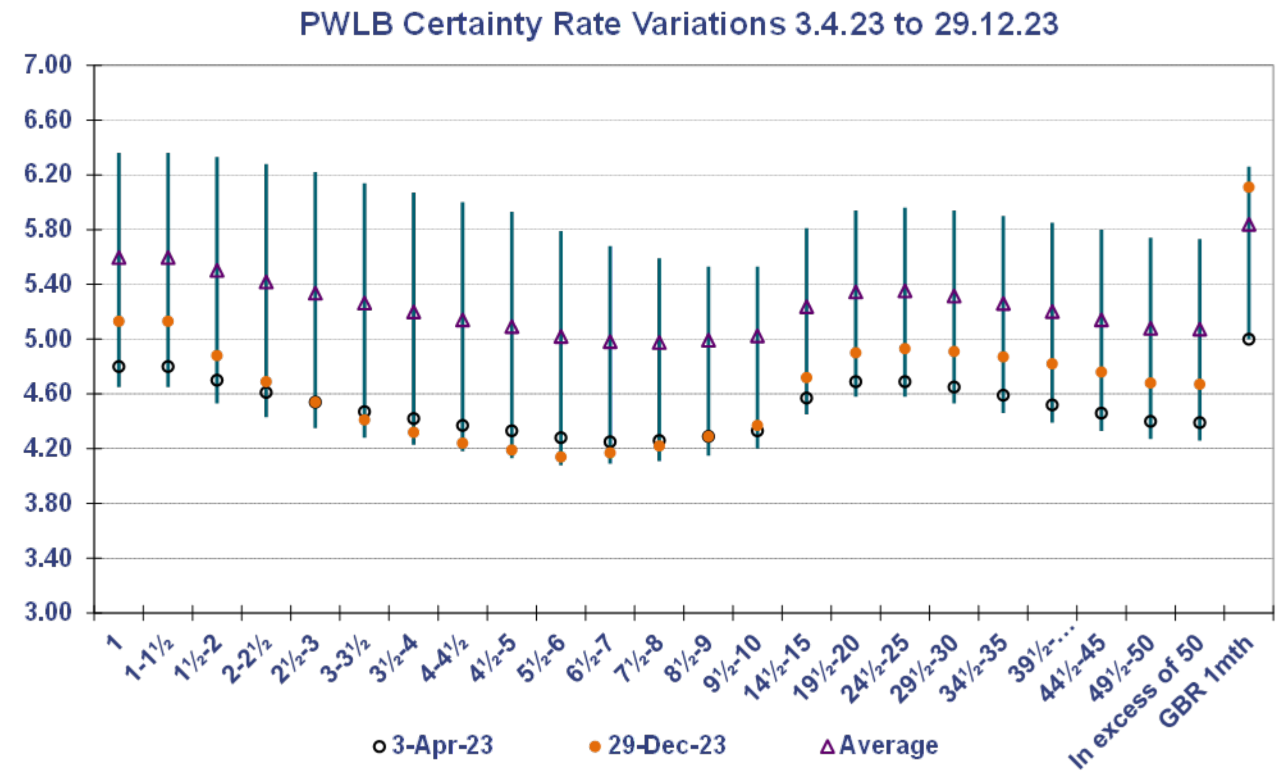
more decisively again in February. That explains why we think the Bank of England won't feel comfortable cutting interest rates until H2 2024.

- The fall in UK market interest rate expectations in December has driven most of the decline in 10-year gilt yields, which have fallen in line with 10-year US Treasury and euro-zone yields. 10-year gilt yields have fallen from 4.68% in October 2023 to around 3.70% in early January, with further declines likely if the falling inflation story is maintained.
- Investors' growing expectations that the Fed will cut interest rates soon has led to an improvement in risk sentiment, which has boosted the pound and other risky assets. In addition, the rise in the pound, from $1.21 in November to $1.27 now, has also been supported by the recent relative decline in UK wholesale gas prices.
- The further fall in 10-year real gilt yields in December has supported the recent rise in the FTSE 100. That said, the index remains 5% below its record high in February 2023. This modest rise in equities appears to have been mostly driven by strong performances in the industrials and rate-sensitive technology sectors. But UK equities have continued to underperform US and euro-zone equities. The FTSE 100 has risen by 2.2% in December, while the S&P 500 has risen by 3.8%. This is partly due to lower energy prices, which have been a relatively bigger drag on the FTSE 100, due to the index's high concentration of energy companies.

In the chart below, the rise in gilt yields across the curve in the first half of 2023/24, and therein PWLB rates, is clear to see, prior to the end of year rally based on a mix of supportive domestic and international factors.

PWLB RATES 3.4.23 - 29.12.23





HIGH/LOW/AVERAGE PWLB RATES FOR 3.4.23 – 29.12.23

	1 Year	5 Year	10 Year	25 Year	50 Year
Low	4.65%	4.13%	4.20%	4.58%	4.27%
Date	06/04/2023	27/12/2023	06/04/2023	06/04/2023	05/04/2023
High	6.36%	5.93%	5.53%	5.96%	5.74%
Date	06/07/2023	07/07/2023	23/10/2023	23/10/2023	23/10/2023
Average	5.60%	5.09%	5.03%	5.35%	5.08%
Spread	1.71%	1.80%	1.33%	1.38%	1.47%

MPC meetings 2nd November and 14th December 2023

- On 2nd November, the Bank of England's Monetary Policy Committee (MPC) voted to keep Bank Rate on hold at 5.25%, and on 14th December reiterated that view. Both increases reflected a split vote, the latter by 6 votes to 3, with the minority grouping voting for an increase of 0.25% as concerns about "sticky" inflation remained in place.
- Nonetheless, with UK CPI inflation now at 3.9%, and core inflating beginning to moderate (5.1%), markets are voicing a view that rate cuts should begin in Q1 2024/25, some way ahead of the indications from MPC members. Of course, the data will be the ultimate determinant, so upcoming publications of employment, wages and inflation numbers will be of particular importance, and on-going volatility in Bank Rate expectations and the gilt yield curve can be expected.
- In addition, what happens outside of the UK is also critical to movement in gilt yields. The US FOMC has kept short-term rates in the range of 5.25%-5.50%, whilst the ECB has moved its Deposit rate to a probable peak of 4%. Markets currently expect both central banks to start cutting rates in 2024.

Appendix D

TREASURY MANAGEMENT SCHEME OF DELEGATION

(i) Cabinet and Full council – Responsible Body

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

(ii) Treasury Management Committee - Body with responsibility for scrutiny

- reviewing the treasury management policy and procedures and making recommendations to the responsible body.

Appendix E

THE TREASURY MANAGEMENT ROLE OF THE SECTION 151 OFFICER

The S151 (responsible) officer

- recommending clauses, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance;
- submitting regular treasury management policy reports;
- submitting budgets and budget variations;
- receiving and reviewing management information reports;
- reviewing the performance of the treasury management function;
- ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function;
- ensuring the adequacy of internal audit, and liaising with external audit;
- recommending the appointment of external service providers.

The above list of specific responsibilities of the S151 officer in the 2021 Treasury Management Code has not changed. However, implicit in the changes in both Codes, is a major extension of the functions of this role, especially in respect of non-financial investments, (which CIPFA has defined as being part of treasury management).

- preparation of a Capital Strategy to include capital expenditure, capital financing, non-financial investments and treasury management, with a long-term timeframe *(say 20+ years – to be determined in accordance with local priorities.)*
- ensuring that the Capital Strategy is prudent, sustainable, affordable and prudent in the long term and provides value for money
- ensuring that due diligence has been carried out on all treasury and non-financial investments and is in accordance with the risk appetite of the authority
- ensure that the Authority has appropriate legal powers to undertake expenditure on non-financial assets and their financing
- ensuring the proportionality of all investments so that the Authority does not undertake a level of investing which exposes the Authority to an excessive level of risk compared to its financial resources
- ensuring that an adequate governance process is in place for the approval, monitoring and ongoing risk management of all non-financial investments and long-term liabilities
- provision to members of a schedule of all non-treasury investments including material investments in subsidiaries, joint ventures, loans and financial guarantees
- ensuring that members are adequately informed and understand the risk exposures taken on by the Authority
- ensuring that the Authority has adequate expertise, either in house or externally provided, to carry out the above
- creation of Treasury Management Practices which specifically deal with how non treasury investments will be carried out and managed, to include the following (TM Code p54): -
    - Risk management (TMP1 and schedules), including investment and risk management criteria for any material non-treasury investment portfolios;

- Performance measurement and management (TMP2 and schedules), including methodology and criteria for assessing the performance and success of non-treasury investments;

- Decision making, governance and organisation (TMP5 and schedules), including a statement of the governance requirements for decision making in relation to non-treasury investments; and arrangements to ensure that appropriate professional due diligence is carried out to support decision making;

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

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

6. CHIEF FINANCE OFFICER'S STATEMENT

Statutory requirements

6.1 Section 25 of the Local Government Act 2003 places specific responsibilities on the Chief Finance Officer to report on the robustness of the budget and the adequacy of proposed financial reserves when the council is considering its budget requirement. The council is required to have regard to this statement when it sets the budget. This includes reporting and considering:

- The key assumptions in the proposed budget and to give a view on the robustness of those assumptions.
- The key risk areas in the budget and to assess the adequacy of the Council's reserves when reviewing the potential financial impact of these risk areas on the finances of the Council. This should be accompanied by a Reserves Strategy.

6.2 CIPFA published a new Financial Management (FM) Code in October 2019. One of the 17 standards included in the new Code is 'the budget report includes a statement by the chief financial officer on the robustness of the estimates and a statement on the adequacy of the proposed financial reserves.' The statement is updated considering the prevailing circumstances and assessment of relevant risks each financial year.

6.3 This document concentrates on the General Fund budget, the Housing Revenue Account and Capital Investment Programme, but in addition it also considers key medium-term issues faced by the Council.

Assurance Statement of the Council's Section 151 Officer

6.4 The following are the summary assurances and recommendations of the Council's Section 151 Officer. They must be read in conjunction with the supporting statements in this Section, which together make up the Section 151 Officer's statutory duty to report under Section 25 of the Local Government Act 2003.

6.5 In relation to the 2024/25 General Fund Revenue budget, I have examined the budget proposals and I believe that, whilst the spending and service delivery proposals are challenging, they are nevertheless achievable given the political and management desire to implement the changes. Good management and the sound monitoring of performance and budgets, including the tracking of savings achieved, will be essential. I am satisfied that sufficient management processes exist within the Council to deliver this budget, indeed these have been enhanced since the equivalent statement was published in February 2023, and to identify and deal with any problems which may arise unexpectedly during the year.

6.6 The key process risks in making the above statement are the level of resources within the Council dedicated to providing financial support services and advice to managers, which will need the finance teams to be focused on key risk budgets. The growth proposals include some additional capacity to support this, whilst the implementation of the new Enterprise Resource Planning (ERP) system in 2023/24 will also support the information to underpin risk management and decision-making.

6.7 My recommendations are also conditional upon:

a) The Council approving the updated Medium Term Financial Strategy for 2024/25 to 2028/29.
b) A recognition in the medium-term planning approach that the level of reserves and corporate risk assessment need to be regularly reviewed in the light of changing circumstances and that it may not be possible to match the two at any single point in time. The Council needs to show a commitment to maintain reserves at a level which provides adequate cover for most identified risks during the planning period. This approach is pragmatic and shows a clear commitment to prudent contingency planning.
c) It must be noted, however, that the recommended levels of reserves could still leave the Council exposed to the very exceptional risks identified in this review and, if all those risks crystallised at the same time, then the total level of reserves could be inadequate.
d) Cabinet Members, Chief Executive, Executive Directors, and managers not exceeding their cash limits for 2024/25 (and future years covered by the Medium-Term Financial Strategy).
e) Not considering further calls on reserves other than for those risks that have been identified, those that could not have been reasonably foreseen and that cannot be dealt with through management or policy actions. It is not prudent to finance ongoing spending from one-off reserves. Any excess reserves should be targeted towards business transformation (including redundancies and invest to save initiatives), Local Government funding changes and the impacts of significant changes in national policy.
f) That the Council has arrangements and resources in place to consider and assess value for money across the delivery of all its services and operations in preparation for future years' budgets.

6.8 In relation to the adequacy of reserves, I recommend the following Reserves Strategy based on an approach to evidence the requisite level of reserves by internal financial risk assessment. The Reserves Strategy will need to be reviewed annually and adjusted in the light of the prevailing circumstances.

g) An absolute minimum level of unallocated General Fund reserves of £5.4 million is maintained throughout the period between 2024/25 to 2028/29.
h) An optimal level of unallocated General Fund reserves of £10 million over the period 2024/25 to 2028/29 to cover the absolute minimum level of reserves, in-year risks, cash flow needs and unforeseen circumstances.
i) A maximum recommended level of unallocated General Fund reserves of £12 million for the period 2024/25 to 2028/29 to provide additional resilience to implement the Medium-Term Financial Strategy.
j) A Reserves Strategy to remain within the recommended level of reserves over the relevant period of 2024/25 to 2028/29.

6.9 The estimated level of unallocated General Fund reserves at 31 March 2024, based on current projections is £11.7 million depending on the final outturn position. Therefore:

k) The absolute minimum level of reserves of £5.4 million is currently being achieved. b) The optimal level of reserves of £10 million criteria is being achieved for 2023/24. It should be noted however that there are currently no proposals over the MTFS period to draw from general unallocated reserves (£2.1m for 2022/23) and that the estimated level of unallocated General Fund reserves includes the forecast outturn general fund underspend for 2023/24. The CFO is of the opinion that consideration to achieving the optimal level of unallocated reserve as part of the 2023/24 closure process is an appropriate approach to take.

l) The maximum level of reserves of £12 million is not being exceeded.

m) Reserves should remain within the recommended range of reserves during 2024/25. This is subject to the cash limited budget for 2024/25 being met.

6.10 These recommendations are made based on:

n) The risks identified by the Chief Executive and Executive Directors reviews of their budgets including the budget risks set out in section 2 of this report.

o) My own enquiries during the development of the current budget proposals.

p) The resilience and sustainability required to deliver the Medium-Term Financial Strategy.

q) One-off unallocated reserves not being used to fund new on-going commitments.

r) That the reserves in 2024/25 and the foreseeable future are used only if risks materialise and cannot be contained by management or policy actions.

s) That where reserves are drawn down, the level of reserves is maintained in line with the latest Medium Term Financial Strategy.

6.11 There are also serious exceptional risks which, if they crystallise, could significantly impact the Council's reserves, and leave its financial standing in question. These include:

t) The impact of inflationary pressures both directly on the council's expenditures but also secondary impacts on retained business rate levels, levels of bad debt and increases in service demands. It should be noted that whilst overall local government funding has increased there is a concern nationally that funding is not keeping up with specific inflationary factors affecting the sector.

u) The risk surrounding the non-delivery of savings and exceeding investment proposals within the budget package for 2024/25.

v) The financial uncertainty for the public sector arising from the prevailing and continuing national and local conditions.

w) The risk of further significant reductions in income and Government grant funding, particularly in relation to:

- Decline in the Council Tax base and Business Rates base.
- Business Rates appeals from the previous revaluation exercises.
- Further changes to the way in which Local Government is financed especially after the 2024/25 settlement.

- Future Government changes in policy and funding for Local Government, particularly the unknown impact of future spending reviews/ rounds.
- The need to address the Country's ongoing Public Sector Borrowing Requirement (PSBR) and the structural financial deficit.

x) Insurance Claims.

6.12 In relation to the Housing Revenue Account (HRA) in 2024/25 and the medium to long term:

y) Given the status of housing management provision the recommendation is that the HRA general reserve be maintained at the target figure of £5.8m.

z) Forward projections for the HRA have been undertaken with a revised 30-year business plan established in 2022. This is linked to the HRA's own Medium Term Financial Strategy for the period 2024/25 to 2028/29. The current position demonstrates that it is possible to:

- Maintain a balanced HRA throughout that period.
- Meet current level of capital investment, and
- Repayment of required debt.

6.13 In relation to the General Fund and HRA Capital Investment Programme 2024/25 to 2028/29 (including commitments from previous years and new starts):

aa) The HRA Capital Programme will need to be contained within the total programme cost.

bb) The General Fund Capital Budget is substantial and is based on the best information available in terms of project costs. What is less certain, based on historic performance, is the actual phasing of expenditure.

cc) The key strategic schemes identified in the capital investment programme will be closely monitored in-year.

dd) That the financing identified for the approved capital investment programme is delivered and is proportionate, prudent, affordable, and sustainable.

6.14 In relation to the medium to long term capital investment programme:

ee) The delivery of the agreed Capital Strategy and Asset Management Plan is a critical priority to enable the matching of resources to needs and priorities.

6.15 Given all these factors, I, as the Council's Section 151 Officer, consider the estimates for 2024/25 to be sufficiently robust and recommend for approval by the Council. I am also able to advise the Council that the level of General Fund Reserves is adequate and to recommend a Reserves Strategy which is achievable for 2024/25 to 2028/29.

Supporting Statements

6.16 Budget estimates are exactly that – estimates of spending and income made at a point in time and which will change as circumstances change. This statement about the robustness of estimates cannot give a 100% guarantee about the budget but gives Members reasonable assurance that the budget has been based on the best information and assumptions available at the time.

6.17 To meet the requirement on the robustness of estimates several key processes have been put in place, including:

ff) The issuing of clear guidance to Services on preparing budgets including the requirement to provide information in support of the base budget review work.

gg) The development of a Council wide risk assessment.

hh) The use of extensive budget monitoring and its escalation process to identify risks.

ii) The Council's S151 Officer providing advice throughout the process of budget preparation and budget monitoring.

jj) The Chief Executive and Executive Directors review of their budgets and appropriate sensitivity analysis.

kk) A review of all budget proposals and implications by the Corporate Leadership Team (CLT).

ll) A review of budget proposals and implications by Cabinet Members.

mm) Enquiries made directly by the Section 151 Officer and Finance Officers.

6.18 Notwithstanding these arrangements, which are designed to rigorously test the budget throughout its various stages of development, considerable reliance is placed on the Chief Executive, Executive Directors and Directors having proper arrangements in place to identify issues, project costs, service demands, income levels, to consider value for money and efficiency, and to implement changes in their service plans. These arrangements are supported by appropriately qualified financial staff.

6.19 A summary of the key budget assumptions considered by Services and financial staff in terms of assessing the robustness of their budgets are shown below:

nn) The treatment of inflation and interest rates.

oo) The treatment of demand led pressures.

pp) The treatment of efficiency savings/productivity gains.

qq) The financial risks inherent in any significant new partnerships or major capital developments.

rr) The availability of other funds to deal with major contingencies.

ss) The service's track record in budget and financial management.

tt) The service's capacity to manage in-year budget pressures.

6.20 There are plans in place for the improvement and development of the council's core systems including both Financial and HR systems and the Housing system. This will strengthen the authority's capacity and ability to monitor more effectively the overall budget.

6.21 Continual improvement to these processes will also assist in the prevention or at least the earlier identification of issues to be dealt with in the budget and Medium-Term Financial Strategy and allow for any in-year rebalancing to be undertaken as soon as possible if required. Nevertheless, in preparing a comprehensive budget for an organisation such as Norwich City Council, unforeseen issues will undoubtedly still arise throughout the year and in the future.

Robustness of Estimates - General Fund Revenue Budget

6.22 The 2024/25 budget and Medium-Term Financial Strategy, the 2040 Norwich City Vision and our COVID-19 recovery plans continues our commitment to target our financial resources to delivering better outcomes and effectively manage risks. In addition to improving efficiency, there are clearly choices for the Council in this respect:

uu) To increase financial resources to meet demand and reduce risk, and/or

vv) To reduce (where possible) service levels and standards, frequency of service delivery, and eligibility for services.

6.23 As part of developing the budget, Members of the administration have considered these options and the outcome of these deliberations are reflected in the proposed overall budget package.

6.24 Most notably the Council has had to address major cost increases and pressures as well as corporate priorities including:

ww) Employee costs.

xx) The cost of prudential borrowing within the capital programme.

yy) Shortfalls in income and grant income.

zz) Inflation particularly relating to energy costs, petrol/ diesel.

6.25 These assumptions will require the forecasts for future years to be reviewed early in each financial year leading to more detailed budgets during the autumn of each financial year.

Financial Sustainability Strategy

6.26 The Council has developed its corporate plan which is designed to frame its financial future and intentions. This helps set the context for the Medium-Term Financial Strategy, guide the Council's approach to maximising resources, prioritising investment, and the effective targeting of resources to deliver the ambitions and outcomes contained within the corporate plan and 2040 Vision.

6.27 Its primary purpose is to outline the Council's approach, desire, and commitment to achieving financial sustainability, given the level of funding uncertainty, by embracing the area's economic potential, growing our local tax base, and increasing our sustainable income capabilities.

Medium Term Financial Strategy

6.28 The Council needs to deliver its Medium-Term Financial Strategy reflecting the continuing impact of the proposed budget and only planned growth in relation to issues that are unavoidable. Within the current uncertain financial climate, it is very likely that service improvement and reasonable Council Tax increases, without key service reductions, will only be achieved through improving efficiency, clear prioritisation and adopting a commercial approach to income generation.

Adequacy of Reserves – General Fund Revenue Budget

6.29 Under the Local Government 2003 Act the Secretary of State has powers to set a minimum level of reserves. The most likely use of this power is where an authority is running down its reserves against the advice of their S151 Officer.

6.30 Determining the appropriate levels of reserves is not a precise science or a formula e.g. a simple percentage of the Council's budget. It is the Council's safety net for risks, unforeseen or other circumstances. The reserves must last the lifetime of the Council unless contributions are made from future years' revenue budgets. The minimum level of balances cannot be judged merely against the current risks facing the council as these can and will change over time.

6.31 Determining the appropriate levels of reserves is a professional judgement based on local circumstances including the overall budget size, risks, robustness of budget preparation, major initiatives being undertaken, budget assumptions, other earmarked reserves and provisions, and the Council's track record in budget management. It is also a professional judgement on the external factors that influence the Council's current and future funding position.

6.32 The consequences of not keeping a minimum prudent level of reserves can be serious. In the event of a major problem or a series of events, the Council would run the serious risk of a deficit or of being forced to cut spending during the year in a damaging and arbitrary way.

6.33 The recommendation on the prudent level of reserves has been based on the robustness of estimate information and the Corporate Risk Register. In addition, the other strategic operational and financial risks considered when recommending the minimum level of unallocated General Fund reserves include:

- aaa) There is always some degree of uncertainty over whether the full effects of any economising measures and/or service reductions will be achieved. The Executive Directors have been requested to be prudent in their assumptions and that those assumptions, particularly about demand led budgets, will hold true in changing circumstances.
- bbb) The Bellwin Scheme Emergency Financial Assistance to Local Authorities helps in the event of an emergency. The Local Authority can claim assistance with the cost of dealing with an emergency over and above a threshold set by the Government.
- ccc) The risk of major litigation, both current and in the future.
- ddd) The Local Council Tax Support Scheme with less Government funding and increases in caseload at the Council's own risk
- eee) Issues arising from the final Housing Benefit Subsidy Claim.
- fff) The localisation of Business Rates including the impact of businesses declining in the city boundaries and the mitigation of risks and rewards through pooling.
- ggg) New and impending legislation.

hhh) The need to retain a general contingency within the budget estimates to provide for some measure of unforeseen circumstances which may arise.

iii) The need to retain reserves for general day-to-day cash flow needs. This is minimal given the level of cash the Council holds at any given time.

jjj) The potential impact nationally, regionally, and locally of new climate change initiatives and commitment to our environmental agenda; the impact that Nutrient Neutrality is having on planning permissions and the subsequent income streams associated with development.

kkk) The longer-term impact of the pandemic on the finances and operational arrangements of the Council.

6.34 Further exceptional risks identified may have a potential and serious call on reserves. The Council is advised to be cautious about these risks and commit to restoring any drawn down reserves in line with the Medium-Term Financial Strategy.

6.35 In these circumstances, I will require the Council, Cabinet, Chief Executive, Executive Directors and Directors:

lll) To remain within their service budget for 2024/25 and within agreed medium term financial strategy parameters for future years with a strict adherence to recovering overspends within future years' financial plan targets.

mmm) Repayment to reserves in line with the Medium-Term Financial Strategy should these risks materialise.

nnn) Direct any windfall revenue savings/underspends to reserves should the General Fund Revenue Reserves Strategy require it.

Estimated Earmarked General Fund Revenue Reserves

6.36 I have reviewed the Council's General Fund earmarked revenue reserves which are estimated to amount to circa. £18.9 million at 1st April 2024. The main components are: business change reserve £4.1m, unapplied revenue grants £3.8m, budget risk reserve £2.5m, commercial property reserve £2.0m, invest to save reserve £1.7m and S31 reserve £1.2m. Further details can be found in Section 2 Table 2.4.

Estimated Earmarked Housing Revenue Account Reserves

6.37 I have also reviewed the Council's Housing Revenue Account overall revenue reserves which are estimated to amount to £47 million as of 1st April 2024. Including the Major Repairs Reserve.

Capital Investment Programme – 2024/25 to 2028/29

6.38 Projects, included in the capital investment programme, were prepared by Directors and managers in line with financial regulations and guidance. All projects were considered by the relevant member of CMT and Cabinet Member and are fully funded for their estimated cost.

6.39 Projects have been costed at outturn prices with many subject to tender after inclusion in the programme. This may lead to variance in the final costs.

6.40 Services are required to work within the given cash envelope so any under or over provision must be found within these limits.

Capital Investment Programme Risks

6.41 The risk of the Council being unable to fund variations in the programme is minimal mainly due to phasing of projects. The Council can freeze parts of the programme throughout the year to ensure spend is within the agreed financial envelope, although this may have service implications.

6.42 A further key risk to the capital investment programme is the ability of the Council to fully deliver it within the agreed timescales.

6.43 In relation to the General Fund and HRA Capital Investment Programme specifically for 2024/25 (including commitments from previous years and new starts):

- ooo) The HRA Capital Investment Programme will need to be contained within total programme cost by delaying or stopping specified schemes.
- ppp) The General Fund Capital Budget is substantial but is based on the best information available in terms of project costs. What is less certain is the phasing of expenditure.
- qqq) The strategic schemes identified in the Capital Investment Programme will be closely monitored in-year.
- rrr) That the funding identified for the approved Capital Investment Programme is delivered and is proportionate, prudent, affordable, and sustainable.

7. GLOSSARY OF TERMS USED IN THE BUDGET REPORT

Assets – Tangible and Intangible	*Tangible asset* – an asset that has a physical form such as machinery, vehicles, information and communications technology, equipment, buildings and land. *Intangible asset* – an asset that is not physical in nature such as goodwill, brands, patents & copyrights and shares.

Authorised Limit for External Borrowing	A statutory limit that sets the maximum level of gross external borrowing for the council.

Base Budget	The budget from the previous year is taken forward to create the initial budget for the next year, this is the base budget. Inflation, savings, growth and other adjustments are then added.

Baseline Funding Level	Authorities' local share of business rates determined by an index-linked assessment of their needs undertaken in 2012–13.

Benchmark	A benchmark is used to measure performance against an externally calculated value; benchmarks can be used to measure service performance, or it can enable a comparison of an investments value against a relevant 'benchmark' index.

Billing Authority	A council such as Norwich City Council which is responsible for collecting the Council Tax and Business Rates in its administrative area. Authorities on whose behalf billing authorities collect money are called precepting authorities.

Bond	A financial instrument in which an investor lends money for a specific period of time at a fixed rate of interest. Examples are corporate (issued by companies), financials (issued by banks and building societies), Supranational (issued by Supranational such as the European Development Bank), and government bonds.

Brexit	"Brexit' is the phrase coined to describe the process of the UK withdrawing from the European Union (EU). The UK joined the EU in 1973 and left in 2020.

Business Rates	Business Rates is the usual term for the National Non-Domestic Rate, a property tax charged on all properties which are not used for residential purposes.

Business Rates Baseline	The amount of business rates income a local authority is predicted to raise.

Business Rates Safety Net	An authority which sees its annual business rates income drop below its baseline funding level can receive a safety net payment at the end of the financial year from central government. Different arrangements apply however, if an authority is part of a local rates pool (such as for NCC in 2022/23)

Business Rates Levy	Authorities which experience growth in business rates income pay a levy. As Norwich is a pooled authority any levy is subject to the pool arrangements and is payable to the Norfolk Business Rates Pool.

Business Rate appeals	Since the introduction of the Business Rates Retention Scheme, Local Authorities are liable for successful appeals against business rates charged to businesses. The Valuation Office Agency operates a Check, Challenge and Appeal process for business rates appeals against the 2017 and later rating lists.

Business Rates Retention Scheme	This was introduced in 2013 and is designed to give local authorities more control over the money raised locally, removing the ring-fencing of grants and promoting and rewarding local economic growth. Local pooling arrangements supersede the national scheme.

Capital Expenditure	Expenditure on the creation or enhancement of assets, for example: • The acquisition, reclamation or enhancement of land • The acquisition, construction, preparation, enhancement or replacement of buildings and other structures • The acquisition, installation or replacement of moveable plant, machinery, and vehicles • The acquisition or preparation of computer programs if these will be used for longer than one year

Capital Financing Requirement	A measure of the Council's underlying borrowing need i.e. it represents the total historical outstanding capital expenditure which has not been financed.

Capital Receipt	This is income received from the disposal of an interest in a capital asset. The income can only be used to finance capital expenditure or to reduce future debt liabilities.

Capitalisation	The proportion of a company's equity to debt finance. See "Thin capitalisation". Can also refer to the process of funding revenue expenditure from capital resources in accordance with regulations– e.g. the relevant element of staffing costs, which are normally revenue expenditure, can be capitalised against a capital project if they are an integral part of delivering the capital project.

Capitalisation Direction	A specific approval, only available from the government, to permit general revenue expenditure to be capitalised and funded from capital resources – used in extreme circumstances where borrowing is necessary to support day to day expenditure needs.

Certainty rate	The government reduces interest rates on loans from the Public Works Loan Board (PWLB) by 20 basis points (00.20%) to councils who provide specific information and guarantees on their plans for long-term borrowing and capital spending.

Certificate of Deposit (CD)	These are term deposits commonly sold in financial markets (e.g. banks and building societies).

CIPFA	The Chartered Institute of Public Finance and Accountancy (CIPFA) is the professional institute for accountants working in the public services and in other bodies where public money needs to be managed. It has a role in setting codes and standards that regulate the use of public money.

Collection Fund	The collection fund is a separate statutory fund, which shows the income received from business rates and council tax, and the distribution to preceptors and the city council. The resultant balance is either a surplus or deficit which is be applied to future years' budgets.

Constant Net Asset Value Money Market Funds (CNAV)	This refers to money market funds that aim to maintain a net asset value or value of a share of the fund.

Contingency Budget	A sum put aside to cover unforeseen expenditure during the period of the budget.

Community Infrastructure Levy (CIL)	The Community Infrastructure Levy (CIL) is a planning charge based on legislation that came into force in April 2010. A CIL allows the Council to raise contributions from new developments to help pay for infrastructure that is needed to support planning growth. Where a CIL charging schedule is in place, it largely replaces Section 106 obligations in delivering strategic infrastructure.

Comprehensive Spending Review	A governmental process carried out by HM Treasury to set medium term expenditure limits for each central government department. Usually announced for 3 years.

Council Tax	A tax on domestic property set by local authorities and based on the value of the property within eight bands, A to H. The council tax value of each band is expressed as a proportion of band D (e.g. Band A = 6/9, Band H = 18/9).

Council Tax Base	The number of properties from which it is estimated council tax will be collected, expressed as band D equivalent properties.

Council Tax Surplus or Deficit	A surplus/deficit arising from either more or less council tax being collected than expected. This would be because of variations in collection rate or to the estimated increase in the number of properties. The variations arise within the Collection Fund and are applied to future years' budgets.

Council Tax Precept	The levy made by the precepting authorities (Norfolk County Council and Police & Crime Commissioner) on Norwich City Council as the billing authority requiring the latter to collect income from council tax payers on their behalf.

Council Tax Reduction Scheme	The Council Tax Reduction scheme (CTRS) helps people on low incomes and/or certain welfare benefits to pay their council tax bill. Locally determined CTRS replaced the national council tax benefit scheme with effect from 1 April 2013.

Council Tax Requirement	The amount of funding required to be raised from council tax to meet the general fund expenditure budget after considering all other funding available.

Counterparties	List of approved financial institutions with which the council can place investments with.

Credit Rating	A measure of the credit worthiness of a borrower. A credit rating can be assigned to an organisation or a specific debt issue/financial obligation. There are a number of credit ratings agencies but the main three are Standard & Poor's, Fitch and Moody's.

Credit Risk	Risk of a borrower defaulting on any type of debt by failing to make payments which it is obligated to do.

Depreciation	The measure of the wearing out, consumption, or other reduction in the useful economic life of a fixed asset, whether arising from use, passage of time or obsolescence. This is only budgeted as a cost in the Housing Revenue Account (HRA).

DLUHC	Department for Levelling Up, Housing and Communities (formerly MHCLG).

Disabled Facility Grant (DFG)	A central government grant that contributes towards the cost of providing adaptations and facilities to enable disabled people to continue living in their own homes.

DMADF	The Debt Management Agency Deposit Facility, which is offered by central government to local authorities to make fixed term deposits to supplement their investments.

Earmarked Reserve	Reserves earmarked for a specific type of future spend.

Enhancement (of an asset)	Enhancing an asset is capital expenditure which is intended to substantially: • lengthen the useful life of the asset • increase the open market value of the asset • increase the extent to which the asset can or will be used in connection with the functions of the local authority Repairs & maintenance is revenue expenditure.

External Borrowing	External borrowing is the process of going to an external financial institution to obtain money. The council would generally borrow from the Public Works Loans Board (PWLB) due to its favourable rates for public sector bodies, but other institutions also offer loan finance to councils.

Equity	An ownership interest in a business.

External Gross Debt	Long-term liabilities including Private Finance Initiatives and Finance Leases

Expected Credit Loss	This is the loss on loans should the borrower default. Calculated by multiplying the probability of occurring with the net loss and with the exposure to the loss.

Fair Funding Review	A review proposed by central government to consider how to fairly allocate local authority funding to individual councils according to need and resources. Although the government has acknowledged that the data and methodology for distributing funding has not been reviewed for many years, this has been delayed several times because of BREXIT, COVID-19 and other concerns. Previously linked to the government's 'Levelling Up' agenda consultation, this will now not take place until after the next General Election, which is scheduled to be held no later than January 2025

Finance Lease	Where a lease is classified as a finance lease, then the substance of the transaction is the same as if the authority had purchased the asset and financed it through taking out a loan. The authority therefore recognises its interest in the asset together with a liability for the same amount. The lease payments are then treated in a similar way to loan repayments, being split between the repayment of the liability and a finance charge.

Financial Conduct Authority (FCA)	This is the body that regulates the financial services industry in the UK.

Financial Instrument	A contract that creates a financial asset for one party and a financial liability for the other.

General Fund	The account to which the cost of providing the services that are paid for from Council Tax and Government Grants are charged. The Housing Revenue Account is a ring-fenced element of the General Fund which must not subsidise or be subsidised by Council taxpayers.

General Reserve	This is a usable reserve which has not been earmarked for a specific future use. Similar to a contingency, to meet unforeseen events or expenditure, it can also be used to smooth variations in the level of savings required over a number of years.

Gilt	A UK Government bond issued by HM Treasury.

Growth	An increase in expenditure generally not due to inflation/price changes but arising from growth in service demand, a change in legislation impacting on the service or a decision to invest more in a service.

Housing Revenue Account (HRA)	The Housing Revenue Account is a statutory ring-fenced account maintained separately from General Fund services. It includes all expenditure and income relating to the provision, maintenance and administration of council housing and associated areas such as HRA shops and garages.

IFRS	International Financial Reporting Standards, a set of accounting rules used for the preparation of financial statements including those of local authorities.

Internal Borrowing	Internal borrowing is the *temporary* use of the council's cash holdings to fund capital expenditure. Whilst this must be repaid it does not represent a formal debt in the same way as external borrowing.

Investment Code	Sets out practices that local authorities are "obliged to have regard to" when making investment decisions. Published by the DLUHC.

London Interbank Offered Rate (LIBOR)	*The rate of interest that banks charge to lend money to each other. The rates are set on a daily basis and used as a reference price for floating rate securities. LIBOR and LIBID are being discontinued from December 2021 following recent banking scandals. They will be replaced by SONIA*

Liquidity	A measure of how quickly the deposit of investment can be returned.

Local Government Finance Settlement	The annual determination of local authority spending made by the government and debated by parliament. A provisional settlement is announced before Christmas with the final settlement announced in late January.

London Interbank Bid Rate (LIBID)/London Interbank Offered Rate (LIBOR)	This was bid rate that participating London banks were willing to pay for Eurocurrency deposits and other bank's unsecured funds in the London interbank market. LIBOR and LIBID were discontinued in December 2021 following recent banking scandals. They were replaced by SONIA

Major Repairs Reserve (MRR)	The Major Repairs Reserve is a source of funding for the HRA capital upgrades programme generated by an annual asset depreciation charge to the HRA revenue budget.
MCHLG (now DLUHC)	The Ministry of Housing, Communities and Local Government (MHCLG), renamed Department for Levelling Up, Housing and Communities (DLUHC) in 2021.
Minimum Revenue Provision (MRP)	A statutory charge to the general fund revenue budget for future debt repayments (external borrowing in the capital programme). The council must set out its MRP policy in the annual Treasury Management Strategy.
Net Asset Value (NAV)	Value of an entity's total assets minus the value of its total liabilities.
New Homes Bonus	A grant paid by central government to local councils to reflect and incentivise housing growth in their areas. It is based on the amount of extra Council Tax revenue raised for new-build homes, conversions and long-term empty homes brought back into use. Being phased out as part of the review of local authority funding reforms.
Net Service Expenditure	Net service expenditure comprises that part of the revenue budget that is funded from retained Business Rates, Council Tax, and any revenue support grant.
Non-financial Investments	Investments made primarily for a financial return comprising commercial property acquisitions, lending to third parties on commercial terms and equity investments (shareholdings) in third parties.
Non-Specified Investments	These are investments that do not meet the conditions laid down for specified investments and potentially carry additional risks e.g. lending for periods typically beyond 1 year
Office for Budget Responsibility (OBR)	The Office for Budget Responsibility was created in 2010 to provide independent and authoritative analysis of the UK's public finances.
Office for National Statistics (ONS)	The UK's largest independent producer of official statistics and the recognised national statistical institute of the UK. Main responsibilities are collecting, analysing and publishing statistics about the UK's economy, society and population.

Operating Lease	An operating lease is a contract that allows for the use of an asset but does not convey rights of ownership of that asset. From 2024/25 onwards these will be treated in the same way as ***finance leases*** unless they are short term or low value.

Operational Boundary	This is an indicator is based on the same estimates as the Authorised Limit for External Borrowing but reflects the most likely prudent (but not worst case scenario), without the additional headroom for borrowing included in the Authorised Limit.

Prudential Code	The Prudential Code for Local Authority Investment was introduced by CIPFA and local government is obliged "to have regard" to the code as part of the Local Government Act 2003. The key objectives of the code are that capital investment plans are affordable, prudent and sustainable. The code details the indicators that must be set annually and monitored throughout the financial year. The council's prudential indicators are found in section 7 of the report in the Treasury Management Strategy.

Public Works Loans Board (PWLB)	The Public Works Loan Board (PWLB) is a statutory body operating within the United Kingdom Debt Management Office, an Executive Agency of HM Treasury that lends money from the National Loans Fund to local authorities.

Reserves	The accumulation of surpluses and deficits over past years. Reserves of a revenue nature can be spent or earmarked at the discretion of the Council. Reserves of a capital nature may have some restrictions placed on them as to their use.

Revenue Expenditure	Comprises the day-to-day costs associated with running the council's services and financing the council's outstanding debt.

Revenue Support Grant	Introduced in 1990, this is the central grant given to local authorities to support their services. In recent years, local authorities' income from grant has decreased and a higher proportion now comes from business rates and council tax.

Section 106	In considering an application for planning permission, the Council may seek to secure benefits to an area through the negotiation of a 'planning obligation' with the developer. Such obligations are authorised by Section 106 of the Town and Country Planning Act 1990. The Council may therefore, in some instances, receive funds to enable it to undertake works arising from these obligations. Examples of works include the provision or improvements of community facilities (parks/play areas), affordable housing and improved transport facilities.

Section 25 Notice	Under Section 25 of the Local Government Act 2003 the S151 officer (currently the Executive Director of Corporate and Commercial Services) is required to state in the budget report their view on the robustness of estimates for the coming year, the medium-term financial strategy, and the adequacy of proposed reserves and balances. The council is required to take this into account when making its budget and taxation decisions.

Sterling Overnight Index Average (SONIA)	Sterling Overnight Index Average. Replaced LIBID and LIBOR as the key measures of interbank lending rates.

Specified Investments	All such investments will be sterling denominated, with maturities up to maximum of 1 year, meeting the minimum 'high' quality criteria where applicable.

Spending Review	An announcement made by central government of its future spending plans for the public sector including local government. The last spending review took place in 2021 and covers 2022/23 to 2024/25.

Subjective Analysis	The classification of expenditure and income according to the nature of the items, for example, employee costs, premises, transport, supplies & services, fees & charges income, and grant income.

Subsidiary Company	A company that is owned or controlled by a parent company or body.

Term Deposits (TD)	This is used to describe a money deposit at a banking institution that cannot be withdrawn for a specific term or period of time.

Thin Capitalisation	A company with too little equity finance and too much debt finance.

Treasury Management	The management of the local authority's investments and cash flows, its banking, money market and capital market transactions: the effective control of the risks associated with those activities: and the pursuit of the optimum performance consistent with those risks.

Treasury Management Code	The Treasury Management Code of Practice, published by CIPFA, regulates the management of borrowing, investments, & banking. It requires the council to agree and monitor several indicators and Treasury Management Practices – these are found in section 5 of this report in the Treasury Management Strategy.

UK Government Gilts	Longer-term Government securities with maturities over 6 months and up to 30 years.

UK Government Treasury Bills	Short-term securities with a maximum maturity of 6 months issued by HM Treasury.

Unit Trust (UT):	A collective investment fund that is priced, bought, and sold in units that represent a mixture of the securities underlying the fund.

8. EQUALITY IMPACT ASSESSMENT OF BUDGET PROPOSALS

Background

8.1 Norwich City Council has identified permanent budget savings of £3.745m for the financial year 2024/25. To ensure that we discharge our public sector equality duty we must have due regard to the need to:

- Eliminate discrimination, harassment, victimisation, and any other conduct that is prohibited by or under the act.
- Advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it.
- Foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

8.2 Information on the residents of the city as well as council customers and employees can be found in the annual Equality Information Report published on the council's website.

Budget Context

8.3 The aim of the Equality Impact Assessment Process is to support good decision making; it encourages public bodies to understand how different people will be affected by their activities so that policies and services are appropriate and accessible to all and meet different people's needs. The aims of an EIA become especially important at times of tightened budgets, enabling us to:

- Think about what the council is trying to achieve.
- Consider what impact the decision will have on different groups.
- Target resources to those who may be most vulnerable.
- Fund services which respond to people's diverse needs and save money by getting it right first time.

8.4 As part of the Corporate Plan it is proposed that we must focus our priorities and resources towards:

- People live independently and well in a diverse and safe city.
- Norwich is a sustainable and healthy city.
- Norwich has the infrastructure and housing it needs to be a successful city.
- The city has an inclusive economy in which residents have equal opportunity to flourish.
- Norwich City Council is in good shape to serve the city.

8.5 It is also important to understand the national and local context in which the budget and medium-term financial plan are being developed. The council has seen reductions in its long-term funding allocations from central government and with the expectation that there will again only be a one-year local government settlement there remains significant uncertainty over future funding levels including the operation of the business rates retention scheme.

8.6 The level of funding allocated to local government continues to be insufficient to support the increasing demand for council services. This, together with increased cost of living pressures, means that the council will not receive adequate resources to cover its costs over the medium term.

8.7 Certain budget decisions – perhaps where they do not have an impact on service provision available to our residents – will not require specific Equality Impact Assessments. However, where there is a material impact on service provision, an individual EIA will be conducted before any change is implemented.

Cumulative Equality Impact Assessment of Budget 2024/25

8.8 Budget decisions can have different impacts on different groups of people, either changes to individual services or in the way those changes have an impact cumulatively. This appendix summarises the Equality Impact Assessment for the budget proposals for the financial year 2024/25. It highlights:

8.9 The key differential impacts of potential budget decisions for legally protected groups.

8.10 Where a single decision or series of decisions might have a greater negative impact on a specific group.

8.11 Ways in which negative effects across the council may be minimised or avoided, and where positive impacts can be maximised or created.

8.12 We have undertaken an initial screening of all budget proposals, including those relating to the HRA, to ascertain where a potential change impacts on service provision. This has identified those proposals that require an Equality Impact Assessment or consultation. In those cases, an Equality Impact Assessment template has been completed by service leads to identify the main potential impacts on groups covered by legislation (the protected characteristics in the Equality Act 2010).

8.13 Equality Impact Assessments (EIA) for specific proposals are developed as proposals are being finalised. This ensures that the impact is understood and mitigating actions that minimise disadvantage and tackle inequality are identified where possible. These initial assessments are made available at the relevant time so that members can make informed decisions. There may be some proposals that have implications for council employees for which details of consultation or Equalities Impact Assessments cannot be published owing to data protection or employment legislation.

8.14 The EIA process and consultation have been based on identifying whether service delivery impacts are likely to be different for a person because of their protected characteristic (with a focus on where impacts may be worse).

8.15 While assessing the cumulative impact of our proposals on equality groups, we have identified an additional factor that could compound the impact. This is the risk of financial exclusion (due to low income).

Equality Impact Assessment Findings

Council Tax Increase

8.16 A 2.99% increase to the Band D rate is proposed in the 2024/25 budget figures The proposed 2024/25 Band D rate is therefore £297.22 compared to the current year rate of £288.59 – an increase of £8.63.

8.17 Overall, this would result in an additional £0.320m of revenue to support council expenditure, therefore reducing the amount of savings which may otherwise need to be achieved by cutting or reducing service provision for customers, including those who may be from vulnerable groups. An increase in council tax values will, however, have a financial impact for most households in Norwich. The increase may be particularly difficult for those who are already under financial pressure.

8.18 In terms of impact, since Council Tax is applicable to all properties it is not considered that the increase targets any one group, rather it is an increase that is applied across the board. It should be noted that most Norwich residents are within council tax Bands A and B where the annual increase is lower; the impact on all individual council tax bands is shown Appendix 2(E).

8.19 The main mitigation is that many people on low incomes can get Council Tax Support to help them pay their Council Tax bills. The council has retained a 100% Council Tax Support Scheme and the proposal is to maintain current levels of support and assistance in 2024/25. In addition, further support is in place through the council's discretionary policies for those who suffer hardship and other support mechanisms.

Council Tax Premiums

8.20 Although not legislation yet, we are proposing to introduce new Council Tax Premiums regarding empty homes and second homes. Initial considerations indicate that a limited number of people will be affected across the city. We will carry out further assessments at the appropriate time.

Rent and Service Charge Increase

8.21 The proposal within the HRA budget is that rents increase by 7.7% in line with the government's announcement at the Autumn statement. For social housing tenants this equates to an average increase of £6.91 per week. This increase applies equally to all properties and so is not considered to have a differential impact on any group having a protected characteristic. Support is however available for those on low incomes through the operation of Housing Benefit or in some cases Universal Credit.

8.22 Garage rent increases are proposed at 7.7%, based on the level of the September 2022 CPI inflation index; this also applies across the board and so is not considered to have any differential impact on those with protected characteristics.

Savings and Income Proposals

8.23 There has been an overall assessment of the Equality Impact Assessments that have been produced for the savings and income proposal and the findings are:

8.24 We acknowledge the need to ensure that our services are as accessible as possible. This will be central when looking at alternative models of delivery, including the use of technology to reduce our costs.

8.25 There are some fee increases for non-statutory services that we provide, and we understand that these fee increases all add up. This may not impact on specific protected characteristics but will impact on those who have a low income; the impact of the cost-of-living crisis is also likely to exacerbate the impacts on lower income groups.

8.26 The equality impact assessments will continue to be updated as projects move through the feasibility appraisal and into implementation.

8.27 If there is a requirement to adapt the proposals as the full EIAs are finalised, there is financial mitigation (in the form of the budget risk reserve) put aside for any non-delivery or amendments to proposals.