



# NORWICH City Council

**Committee Name: Cabinet**

**Committee Date: 07/02/2024**

**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 any recommendations from the Scrutiny Committee.

Final budget proposals, alongside the outcome of the budget consultation and budget scrutiny work, will be brought back to Council on 21<sup>st</sup> 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 (E).
- 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.
- ii. An increase to Norwich City Council's element of the council tax of 2.99%, meaning 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 (D).
- 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 applied as soon as practicable (Section 2, paragraphs 2.21-2.25) in line with the Levelling Up and Regeneration Act 2023:
  - 100% premium for second homes with effect from 1<sup>st</sup> April 2025,
  - 100% premium for properties which have been empty and unfurnished for a period of between 1 and 5 years from 1<sup>st</sup> April 2024.
- 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

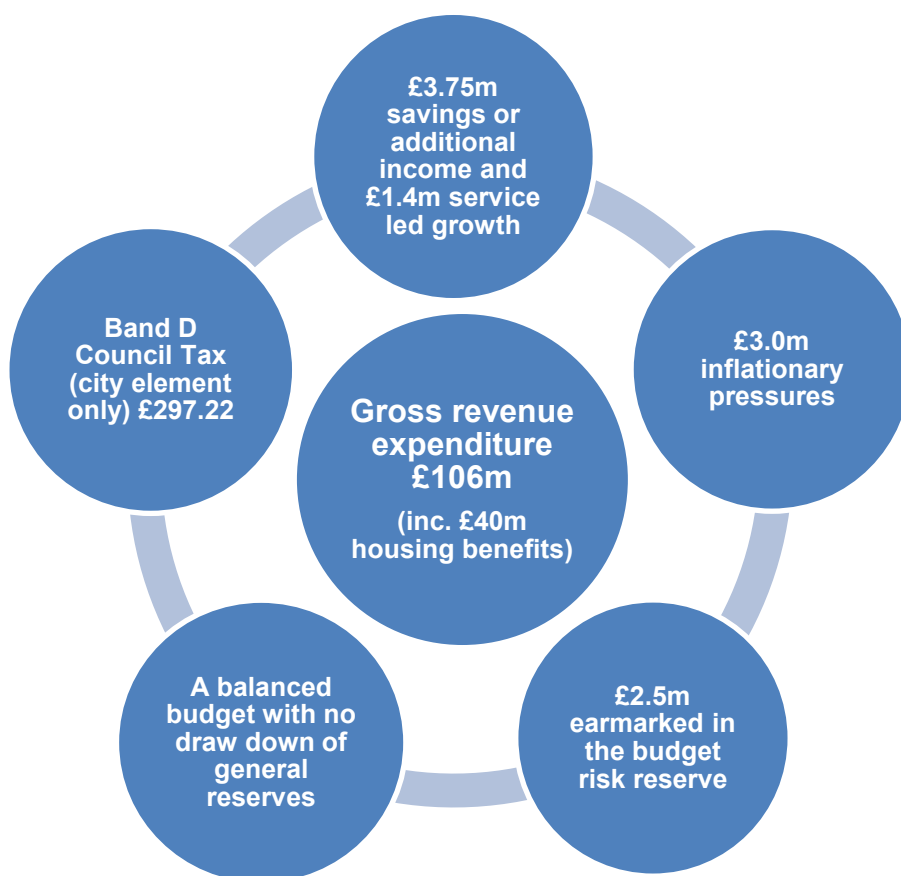
11. The Autumn Statement didn't contain a lot of information directly related to local government; however it did confirm that unprotected government spending budgets, i.e. excluding health and defence services, will increase by less than forecast inflation rates, as a consequence the Office for Budget 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.

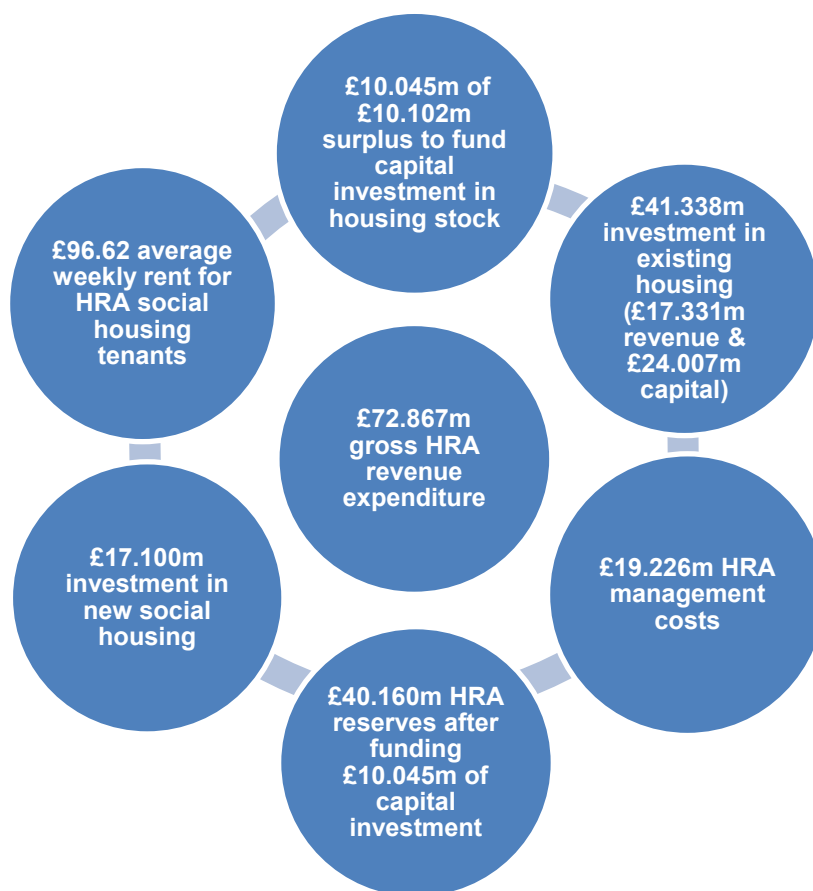
### **Overall approach to implementing savings**

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.

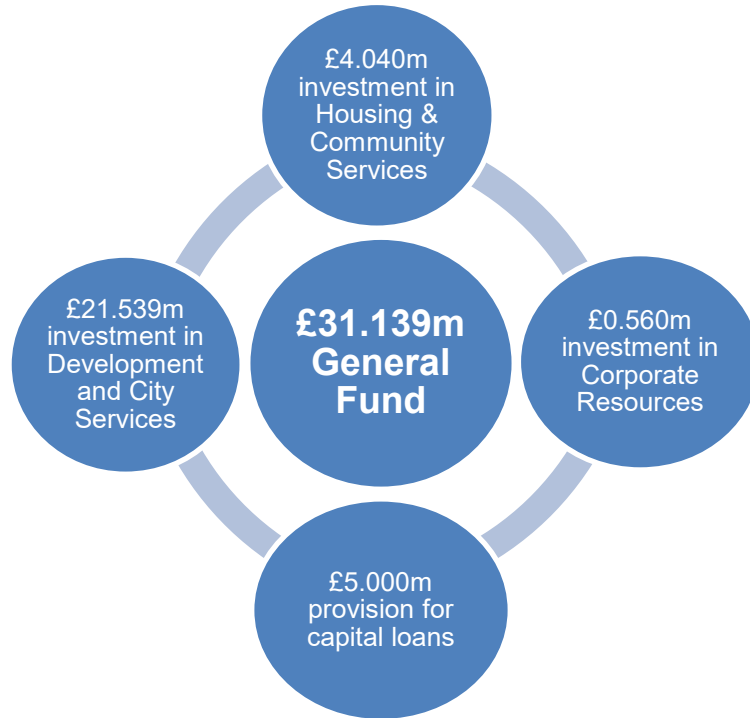
**Chart 2: Key figures in 2024/25 proposed HRA budget**



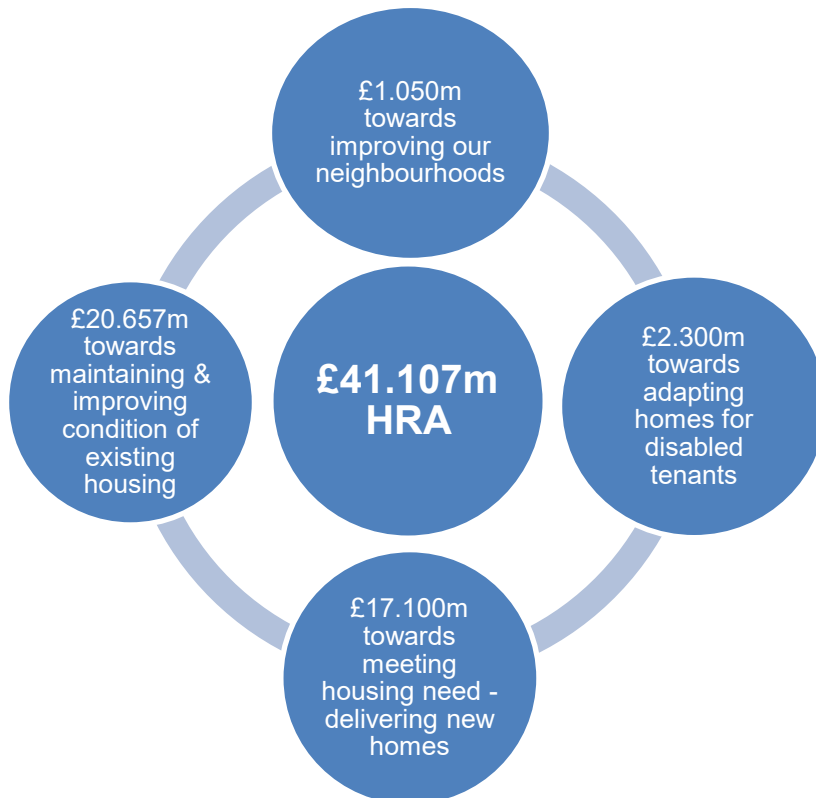
### **Capital Programme**

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 15<sup>th</sup> January 2024, Appendix 2(E) provides details about the feedback received.

Tenant Involvement Panel representatives were consulted on the proposed rent increase at a meeting on 14<sup>th</sup> 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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