

**Report to** Cabinet  
16 December 2020  
**Report of** Interim Director of resources (S.151 officer)  
**Subject** Emerging Budget 2021/22

**Item**  
**6**

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### **Purpose**

To consider an update on the latest 2021/22 budget projections and proposals, including savings and income opportunities identified for consultation. The final budget will be brought back to Cabinet in February 2021 with a recommendation to approve before it goes to February Budget Council for final decision.

### **Recommendations**

To:

- 1) note the financial strategy principles incorporated into the report, which address the ongoing impacts of Covid-19, and enable the Council to set a balanced budget for 2021/22;
- 2) approve the budget principles for consultation for the general fund revenue budget and for the general fund and HRA capital programmes; and
- 3) approve the creation of an earmarked reserve to help manage the financial risks associated with the longer-term impacts of Covid-19 as well as the implementation of the budget proposals.

### **Corporate and service priorities**

The report helps to meet the corporate priority of providing a healthy organisation.

### **Financial implications**

This report presents the latest overview of the proposed 2021/22 general fund budget proposals and the proposed 2020/21 capital programme, therefore the financial implications of these proposals are given throughout the report.

**Ward/s:** All Wards

**Cabinet member:** Councillor Kendrick - Resources

### **Contact officers**

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### **Background documents**

None

# Report

## Introduction

1. This report summaries the emerging position, as currently known, for the General Fund revenue budget and the council's general fund and HRA capital programmes.
2. The paper highlights the current and ongoing impacts of Covid-19 and how these are expected to affect the 2021/22 budget position, as well as how the authority will manage the ongoing financial risks and uncertainties brought about by the pandemic and its economic impacts.
3. It contains initial proposals for budget savings, capital investment, and council tax for the 2021/22 financial year. The views of citizens and local businesses will be sought on these proposals, via the public budget consultation exercise, before the budget is discussed and approved by Cabinet on 10 February 2020 and finally by Council on 23 February 2020. The budget consultation will be launched shortly after Cabinet approval is granted and will run for 5 weeks.
4. The report also provides an update on the recent Government Spending Review and the implications for local authority finances.
5. Some of the figures contained in this report are likely to change when the budget and MTFS are formally presented to council for approval, as a result of the full details of the local government finance settlement being issued before Christmas and other updated assumptions. A full list of items still to be finalised are shown in paragraph 34.

## Local Government Finance – Economic & Statutory Context

### Spending Review

6. On 25 November the Chancellor announced his 2020 Spending Review. This will be followed by the provisional local government settlement which is currently expected to be announced during week commencing 14th December. As previously announced by government, this will only be a one-year settlement for 2021/22. The key announcements impacting on local authorities are set out in more detail below.
7. **Spending Power:** Local authority core spending power is projected by the Government to rise by 4.5 per cent in cash terms, or £2.2 billion in 2021/22. This increase is largely due to the ability of social care authorities to increase their council tax bills by up to 5 percent. Revenue Support grant will increase in line with inflation.
8. **Covid support:** To support local authorities in England with Covid-19 pressures next year, the Government expects to provide over £3 billion in additional support. The additional support includes:
  - £1.55 billion to meet additional expenditure pressures as a result of Covid-19;

- £670 million to support households that are least able to afford council tax payments:
- £762 million to compensate for 75 per cent of irrecoverable loss of council tax and business rates revenues in 2020/21; and
- extending the existing Covid-19 sales, fees and charges reimbursement scheme for a further 3 months until the end of June 2021

9. **Council Tax:**

- The referendum threshold for increases in council tax will remain at two per cent in 2021/22. For authorities with social care responsibilities, there will be the ability to levy a three per cent adult social care precept.
- Police and Crime Commissioners (PCCs) in England will have the flexibility to increase funding in 2021/22 with a £15 council tax referendum limit on a Band D property.

10. **Business Rates:** There were a number of announcements including:

- The Government has decided to freeze the business rates multiplier in 2021/22, saving businesses in England an estimated £575 million over the next five years. Local authorities will be fully compensated for this decision.
- The Government is considering options for further Covid-19 related support through business rates reliefs. In order to ensure that any decisions best meet the evolving challenges presented by Covid-19, the Government will outline plans for 2021/22 reliefs in the New Year.
- The Government again confirmed that it would delay the move to 75 per cent Business Rates Retention. In order to provide further stability to the sector, the Government has also decided not to proceed with a reset of business rates baselines in 2021/22.
- The Government is undertaking a fundamental review of the business rates system and is currently considering responses to the call for evidence. A final report setting out the full conclusions of the review will be published in spring 2021.

11. **New Homes Bonus:** The Government will maintain the existing New Homes Bonus scheme for a further year with no new legacy payments. There will be a government consultation on reforms to the New Homes Bonus shortly, with a view to implementing reform in 2022/23.

12. **Public Sector Pay:** Excluding the NHS, the government announced that the public sector will pause pay rises in 2021/22. The Government has no formal role in the decisions around annual local government pay increases which are developed through negotiations with the trade unions. Also announced was an increase in the National Living Wage (NLW) for individuals aged 23 and over by 2.2 per cent from £8.72 to £8.91, effective from April 2021.

### 13. **Other funding streams:**

- An investment of £573 million in Disabled Facilities Grants and £71 million in the Care and Support Specialised Housing Fund, supporting people to live independently.
- UK Shared Prosperity Fund (UKSPF) to support the regeneration of towns and communities by targeting further investment at places most in need by supporting places, such as former industrial areas, deprived towns and coastal communities
- Levelling Up Fund worth £4 billion for England is a new cross-departmental fund to invest in a broad range of high value local projects up to £20 million, including bypasses and other local road schemes, bus lanes, railway station upgrades, regenerating eyesores, upgrading town centres and community infrastructure, and local arts and culture. The Government will publish a prospectus for the fund and launch the first round of competitions in the New Year.
- National Home Building Fund (NHBF), with initial funding of £7.1 billion over the next four years to unlock up to 860,000 homes.
- Reconfirming £12.2 billion for the Affordable Homes Programme (AHP).
- An additional £12 million to take forward the Government's radical planning reform agenda
- £254 million of additional resource funding, including £103 million announced earlier this year for accommodation and substance misuse, to support rough sleepers and those at risk of homelessness during Covid-19. The Government will also provide new funding to support prison leavers at risk of homelessness into private rental tenancies and will commit £87 million of capital funding in 2021/22 primarily to support the delivery of long-term accommodation for rough sleepers.
- £98 million of additional resource funding, bringing total funding to £125 million, to enable local authorities to deliver the new duty to support victims of domestic abuse and their children in safe accommodation in England
- The underlying core settlement for local authorities in 2021/22 includes providing £16 million to support modernisation of local authorities' cyber security systems.

14. **Fairer Funding Review:** The implementation of the fair funding review has been delayed. This decision allowed local authorities to focus on meeting the public health challenge posed by the pandemic. The Spending Review does not specify when the review will be revisited.

15. **PWLB Consultation:** In March 2020 the government commenced a consultation on the Public Works Loan Board (PWLB) future funding terms. As part of the Spending Review announcement, the government has confirmed that it will reform the PWLB lending terms, ending the use of the PWLB for investment property bought primarily for yield.

16. Alongside the Spending Review, the Government has published revised lending terms for the PWLB and guidance to support local authorities to determine if a proposed project is an appropriate use of PWLB loans. The new terms apply to all loans arranged from 26 November 2020.
17. In response to the revised lending terms the Government has cut PWLB lending rates to gilts + 100 base points for Standard Rate and gilts + 80 base points for those authorities able to make use of the Certainty Rate.

### **Implications for Norwich**

18. The key implications for Norwich are continuing to be assessed and further information with regards to the Covid-19 support mechanism will not be available until the provisional finance settlement is published. Any additional funding will be one-off in nature.
19. Initial assessment of the implications for Norwich are detailed below:
  - The 2% council tax referendum limit for shire districts is in line with the Medium Term Financial Strategy (MTFS) assumptions. Applying a 1.99% increase to council tax will generate approximately £0.2m for the council. This would result in a Band D increase of £5.36 (10p per week) to a total of £274.74. As such, the council will be consulting on proposals to increase council tax by the full permissible 1.99% in 2021/22.
  - The MTFS had assumed no new allocation of New Homes Bonus so any confirmed allocation will provide additional grant income. Allocations in recent years have ranged from £0.032m to £0.416m.
  - The council will be compensated by the government for business rates income lost through the decision to freeze the multiplier for 2021/22 rather than apply CPI. Any additional business rates reliefs announced in January should also be fully funded from central government through a grant to the council.
  - The extension of the income reimbursement scheme for the first three months of 2021/22 will provide additional support for continuing losses of sales, fees and charges income. The proposed 2021/22 budget has included estimated reductions in income relating to car parks, leisure and events and any reimbursement of these losses will reduce the required drawdown from reserves needed to set a balanced budget. The scheme does not cover councils for losses resulting from commercial investments.
  - The scheme to compensate authorities for irrecoverable losses will also benefit the revenue budget position. It is not clear yet how the scheme will operate and therefore the financial impact on the council.
  - The delay in the Fairer Funding Review and Business Rates reset provides an additional year of stability over how much income can be retained by the council. These delays combined with another one-year finance settlement means there is significant uncertainty over future funding levels over the medium term.

- The MTFs assumed a 2% pay award for 2021/22. As the decisions around annual local government pay increases are developed by pay bodies in negotiations with the trade unions, it proposed to leave the current overall budget allowance of 2% but with 1% of it held in a risk reserve (further detail in paragraph 30).
20. Based on the Spending Review announcement an initial amendment has been made to the budget to increase the estimated government grant income in 2021/22. Overall an additional £0.432m has been included in the budget based on the following split:
- £0.032m additional New Homes Bonus
  - £0.300m from the extended income reimbursement scheme
  - £0.100m additional Covid-19 support grant

These are initial estimates, with the New Homes Bonus and Covid-19 allocations based on the lower end of our ranges of estimates. Updated figures are expected as part of the provisional local government settlement announcement in December.

## **General Fund Revenue Budget**

### **Background**

21. The financial year 2021/22 is the eleventh year of austerity and government-imposed funding cuts. The city council has already made efficiency savings, including the generation of new income streams, of some £39.5m over these eleven years and further gross savings/increased income of £1.95m are proposed in 2021/22.
22. The financial challenges the council faces have been further increased as a result of the Covid-19 pandemic. During 2020/21 there has been increased spending in areas such as housing rough sleepers and enabling council staff to work efficiently from home - combined with a loss of income from sources such as car parks, commercial rents and events. The council responded quickly to these factors and through detailed reviews of internal spending identified in-year savings of over £3m to reduce the overall budget impact. This is money which was taken out of council budgets in-year to mitigate against the impact of the pandemic, which otherwise could have been spent on local services.
23. The medium-term budget position continues to be set against a backdrop of uncertainty over future government funding levels. Once again the financial settlement covers only one year and local authorities have no reliable basis on which to appropriately plan their medium term budgets. It is unclear how much funding there will be, how it will be distributed, and the means of delivery.
24. The council's intention is to protect all services currently provided for as long as possible whilst meeting the statutory need to set a balanced budget each year, maintaining financial stability over the medium term, and managing significant financial risks. However, difficult decisions will be required and it is inevitable that this council will need to review the nature and level of the services provided from 2022/23. The outcomes of the central government

funding reviews (Fairer Funding & Business Rates Retention) will be critical in understanding the longer-term funding levels for the Council.

### **2020/21 Outturn**

25. The quarter 2 budget forecast presented to Cabinet in November showed a forecast overspend of £0.8m. Since Q2 the council has received an additional tranche of Covid-19 funding of £0.96m to assist in dealing with the crisis. This additional funding, combined with all the positive short-term actions the council took to reduce spend, will result in an overall general fund underspend. From a budget setting perspective it has therefore been assumed that no general fund reserves will be needed to support the 2020/21 budget.
26. As it is clear that the financial risks associated with Covid-19 will continue to significantly impact the council in future years, it is vital that the council remains resilient to the future risks and therefore the in-year savings will continue to be delivered and any improved financial position kept aside to manage the future risks.

### **Identification of Savings**

27. The savings options for 2021/22 have been proposed from service areas and reviewed by finance, HR, strategy and legal. Proposals have then been reviewed by officers to assess the deliverability and impacts on the corporate plan.
28. It is important to note that the Council in the later part of the year saw an increase in the ongoing budget gap due to the medium term impact of Covid-19. A number of short term growth items have been identified, with the council's car parking and rental income levels having the largest impact.
29. The Council at the start of 2020/21 agreed the development of cross cutting service reviews developing a medium term transformation programme to avoid taking decisions that were too narrow in their outlook. The risk of potentially limiting options as they focused on individual services rather than the wider cross cutting opportunities was considered higher than the risk of not closing the budget gap for next financial year.
30. Permanent savings of £1.939m have been identified, including £0.172m of additional stretch saving targets for services to meet in 2021/22. This is currently a shortfall against the savings target of £3.150m shown in the MTFs update presented to Cabinet in November 2020.
31. The budget gap has been closed by taking on some additional short term options such as changing the approach to funding the capital programme, by maximising the use of capital receipts for one year rather than the ongoing budget for the revenue support of the capital programme. These decisions are assumed to be reversed in 2022/23 in the revised MTFs and will therefore be addressed through the service reviews mentioned above. It is important to note whilst one-year measures assist in setting a balanced budget, they do not address the structural financial gap over the medium term. The council has significant financial challenges and will require the cross-cutting service reviews to drive forward the savings options for future years. Whilst service reviews will look at how services can be delivered

differently and more efficiency, it is likely – given the scale of the challenge – that they will lead to a reduction in service capacity in some areas.

### **Managing Risk**

32. The Covid-19 pandemic has resulted in unprecedented uncertainty for council finances, both in terms of pressure on key services and income streams, at a time when demand for local services has increased. This uncertainty will continue into the 2021/22 financial year and forecasting income in particular is understandably challenging in the current economic environment.
33. There is also risk associated with the deliverability of the budget savings as delays in implementation may reduce the level of financial saving in 2021/22.
34. As a result of the increased financial risk, is it considered prudent to set aside a specific risk reserve to help manage any financial impacts from Covid-19 and any delayed delivery of the savings plans. It is intended that this reserve is funded from any revenue underspends in 2020/21 as well as any additional budget benefits confirmed as part of the provisional finance settlement.

### **Provisional movements in the budget**

35. Table 1 below summaries the key movements in the base budget (i.e. the current year's approved budget) to arrive at the provisional 2021/22 budget. Further breakdown of the key assumptions are shown in Appendix 1 and 2.

**Table 1**

	<b>2021/22</b>
	<b>£000</b>
Base budget carried forward	17,372
MTFS identified net pressures	1,144
Permanent identified pressures ( <b>Appendix 4</b> )	750
Short term Covid-19 pressures ( <b>Appendix 6</b> )	3,166
<b>Revised base budget requirement</b>	<b>22,432</b>
Recurring efficiencies identified ( <b>Appendix 3</b> )	(1,939)
One-off efficiencies identified ( <b>Appendix 5</b> )	(1,941)
<b>Budget base (including cumulative savings)</b>	<b>18,552</b>
Resources	(16,562)
<b>Budget Shortfall</b>	<b>1,990</b>
Required use of general fund reserves	(1,990)

36. A summary of the proposed permanent budget savings are shown in Appendix 3, with items categorised into service transformation, budget-rebasing or revenue generation.
37. Overall the budget movements mean an estimated £1.990m will need to be taken from general fund reserves to set a balanced budget. This is a slightly lower usage of reserves than estimated in the MTFS to Cabinet in November (£2.066m) reflecting the additional benefits from the Spending Review announcement and one-off savings identified. The utilisation of reserves is not sustainable in the long term and the ongoing service reviews will need to



form a key element of bringing the budget into balance over the next two years.

38. The expected use of the general fund reserve over the medium term is shown in Table 2 and savings requirements in Table 3.

**Table 2**

	2020/2 1	2021/2 2	2022/2 3	2023/2 4	2024/2 5
	£000	£000	£000	£000	£000
<b>Opening Reserve Balance</b>	(9,464)	(9,980)	(7,990)	(4,597)	(4,267)
Transfer (to)/from reserves	(516)	1,990	3,393	330	(81)
<b>Closing Reserve Balance</b>	<b>(9,980)</b>	<b>(7,990)</b>	<b>(4,597)</b>	<b>(4,267)</b>	<b>(4,348)</b>

**Table 3**

	2021/2 2	2022/2 3	2023/2 4	2024/2 5
	£000	£000	£000	£000
Assumed annual service growth	750	750	750	750
Gross saving requirement	(1,949)	(3,850)	(3,850)	(2,400)
Net annual saving requirement	<b>(1,199)</b>	<b>(3,100)</b>	<b>(3,100)</b>	<b>(1,650)</b>

39. The prudent minimum level for the general fund reserve was set at £4.298m in February 2020 and will be reviewed ahead of the final budget papers. This was set based on an assessment of three years cover for operational risks along with amounts for unforeseen events and specific risks. As detailed in paragraph 34 the council will be developing a risk reserve which will supplement the general fund reserve assumptions. Table 3 shows that £3.4m of reserves are expected to be used to balance the budget in 2022/23 alongside £3.10m of additional net savings. It is important to note that we expect this position to improve as the service review outcomes are developed in more detail.
40. From 2023/24 the balance of reserves is at the current prudent minimum level. Savings will still be needed if inflationary increases or growth in costs are not able to be offset by rises in council tax, business rates and other income generated by the council. These savings will need to be made without relying on reserve contributions to balance the budget.

**Areas awaiting further information**

41. There are a number of areas within the budget where the council is awaiting further information, these are summarised in Table 4.

**Table 4**

<b>Information required to finalise the budget position:</b>	<b>Budget items impacted:</b>
Final figures from Government to be released in the 2021/22 Local Government Financial Settlement	<ul style="list-style-type: none"> <li>▪ New Homes Bonus allocations</li> <li>▪ Housing Benefit Administration Grant</li> </ul>
Final contractual & living wage payment figures where linked to inflation indices.	<ul style="list-style-type: none"> <li>▪ Third party contractual payment costs</li> </ul>
Revenue & Benefits will update forecasts by end of January 2021 for the NNDR1 return	<ul style="list-style-type: none"> <li>▪ Income from Business Rates currently in MTFS is very preliminary</li> </ul>
Final council tax base figures	<ul style="list-style-type: none"> <li>▪ Income from council tax</li> </ul>
Mechanism for compensation mechanism for irrecoverable council tax and business rates losses.	<ul style="list-style-type: none"> <li>▪ Surplus/deficit from business rates and council tax</li> </ul>
Impacts of national lockdown on this year and next	<ul style="list-style-type: none"> <li>▪ Revenue outturn position for 2020/21 and resultant impact on reserves</li> <li>▪ Income levels for 2021/22</li> </ul>

## **Capital Programme**

42. The council owns and maintains an extensive range of assets including commercial property, housing, a market, heritage assets, walkways/paths and lighting columns. Major investment in these and new assets is funded from the capital programme, which in turn is resourced from the disposal of surplus assets, revenue contributions, grants and borrowing.
43. All budget proposals included in the proposed capital programme have been assessed by officers, after discussion with NPS and/or the budget manager, in an attempt to ensure that all schemes have a robust business case, and are achievable in the financial year.
44. The council's capital strategy will form part of the budget papers for Cabinet and Council in March 2021. As part of the longer-term capital planning work, the council is taking forward a review of its asset portfolio and asset management strategy. This work has commenced and will be key to informing the strategic management of the council's assets within the context of the corporate plan and provide a more robust view of the medium and long term asset investment requirements. The work is planned to take place over the next 5 months with a Property Asset Management Plan scheduled to be taken to Cabinet in summer 2021.
45. The comprehensive review of the general fund's assets will look to optimise the contribution the land and properties made to the council's strategic and service objectives as well as identifying assets that are not performing

financially or may be surplus to requirement. Disposal of assets would generate capital receipts for the council: these could be used to fund capital investments in areas such as IT to enable greater efficiencies; reduce the requirement on the revenue budget to fund the capital upgrade programme; or be used to fund specific transformation projects under the government's flexible use of capital receipts strategy. For example, the disposal of an asset for £5m could reduce the need to make the planned contributions from the revenue budget for a three year period (therefore reducing pressure on the general fund budget) or be used flexibly to fund transformation projects which can deliver revenue savings.

## General Fund Capital Programme

46. The current proposed General Fund capital programme for 2021/22 to 2025/26 is set out below.

**Table 5: Proposed GF Capital Programme 2021/22 – 2025/26**

Scheme	2021/22 £000s	2022/23 £000s	2023/24 £000s	2024/25 £000s	2025/26 £000s	5 Year Total £000s
Community centres - energy efficiency works at West Earlham, Cadge, Eaton, Belvedere, Clover Hill and Chapel Break	60	0	0	0	0	60
Cadge Road Community Centre - re-roofing works	39	0	0	0	0	39
Park toilet refurbishment - Wensum, Heigham and Eaton parks	200	0	0	0	0	200
Waterloo Park Café - works to enable re-letting	36	0	0	0	0	36
Ketts Heights - access improvements, repairs to walls and infrastructure and creation of biodiversity habitat	109	203	0	0	0	312
21 Acre Wood - community access improvements	6	1	1	8	0	16
Previously approved schemes	1,778	1,606	1,440	1,440	1,440	7,704
<b>Total - People &amp; Neighbourhoods</b>	<b>2,228</b>	<b>1,810</b>	<b>1,441</b>	<b>1,448</b>	<b>1,440</b>	<b>8,366</b>

Scheme	2021/22 £000s	2022/23 £000s	2023/24 £000s	2024/25 £000s	2025/26 £000s	5 Year Total £000s
4A Guildhall Hill - remedy of dilapidations	86	0	0	0	0	86
38 Exchange Street - shop refurbishment	61	0	0	0	0	61

<b>Scheme</b>	<b>2021/22 £000s</b>	<b>2022/23 £000s</b>	<b>2023/24 £000s</b>	<b>2024/25 £000s</b>	<b>2025/26 £000s</b>	<b>5 Year Total £000s</b>
85-91 Ber Street - re-roofing works	41	0	0	0	0	41
Minimum Energy Efficiency Standard (MEES) - works to investment properties in various locations	40	0	0	0	0	40
Solar photovoltaic panels installed on NCSL depot	28	0	0	0	0	28
2 Old Meeting House Alley - electrical rewire and replacement boiler	12	0	0	0	0	12
City Walls - rolling programme of repairs	40	40	40	40	40	200
River Wensum - pontoon replacement	12	0	0	0	0	12
Closed churchyards - rolling programme of repairs - various locations	10	10	10	10	10	50
Norwich Yacht Station - replace rotten hardwood quay headings and capping timbers	8	0	0	0	0	8
Community Infrastructure Levy - contribution to strategic pool	1,393	1,718	1,853	1,407	2,053	8,424
Towns' Fund Programme - Compulsory Purchase Order revolving fund	4,319	0	0	0	0	4,319
Towns' Fund Programme - advanced construction and engineering centre	3,100		0	0	0	3,100
Towns' Fund Programme - East Norwich	3,000	2,000	0	0	0	5,000
Towns' Fund Programme - digi-tech factory	1,000		0	0	0	1,000
Towns' Fund Programme - public realm improvements at St Giles and Hay Hill	1,000	3,000	0	0	0	4,000
Towns' Fund Programme - programme management	250	250	0	0	0	500
Towns' Fund Programme - digital hub funded from business rates pool	235	0	0	0	0	235
Towns' Fund Programme - digital hub	0	2,425	0	0	0	2,425
Previously approved schemes	1,634	261	0	0	0	1,895
<b>Total - Place</b>	<b>16,268</b>	<b>9,704</b>	<b>1,903</b>	<b>1,457</b>	<b>2,103</b>	<b>31,435</b>

<b>Scheme</b>	<b>2021/22 £000s</b>	<b>2022/23 £000s</b>	<b>2023/24 £000s</b>	<b>2024/25 £000s</b>	<b>2025/26 £000s</b>	<b>5 Year Total £000s</b>
Towns' Fund Programme - Make space at the Norwich Halls	1,926	1,500	0	0	0	<b>3,426</b>
St Andrew's Hall – replacement of electrical distribution board DB/S & DB/R, luminaires on 1st floor corridor and upgrade to main bonding	17	0	0	0	0	<b>17</b>
St Andrews Hall – St George's kitchen electrical upgrade	6	0	0	0	0	<b>6</b>
Norman Centre - replacement boilers	165	0	0	0	0	<b>165</b>
Previously approved schemes	75	75	75	75	75	<b>375</b>
<b>Total - Strategy &amp; Culture</b>	<b>2,188</b>	<b>1,575</b>	<b>75</b>	<b>75</b>	<b>75</b>	<b>3,988</b>

<b>Total Proposed GF Capital Programme</b>	<b>20,683</b>	<b>13,089</b>	<b>3,419</b>	<b>2,980</b>	<b>3,618</b>	<b>43,789</b>
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### Funding the capital programme

47. The proposed capital programme is planned to be funded as follows:

**Table 6**

<b>Scheme</b>	<b>2021/22 £000s</b>	<b>2022/23 £000s</b>	<b>2023/24 £000s</b>	<b>2024/25 £000s</b>	<b>2025/26 £000s</b>	<b>5 Year Total £000s</b>
GF Capital Receipts/RCCO	1,812	470	425	425	425	<b>3,557</b>
Grants & Contributions	16,076	10,315	1,140	1,140	1,140	<b>29,811</b>
Borrowing	740	261	0	0	0	<b>1,001</b>
Salix Borrowing	28	0	0	0	0	<b>28</b>
GNGB	226	290	1	8	0	<b>525</b>
CIL	1,393	1,718	1,853	1,407	2,053	<b>8,424</b>
Section 106	408	35	0	0	0	<b>443</b>
<b>Total GF Capital Programme</b>	<b>20,683</b>	<b>13,089</b>	<b>3,419</b>	<b>2,980</b>	<b>3,618</b>	<b>43,789</b>

### Capital Receipts and Revenue Contributions to Capital Outlay (RCCO)

48. The council's extensive and diverse asset portfolio presents a significant maintenance and upgrade liability, requiring continual investment. As many of these assets do not generate an income, it is not possible to fund the investment from borrowing and provision must be made to cover the costs from capital receipts or a revenue contribution instead (RCCO). For such capital works a budget envelope of £1.8m has been set based on an

assessment on what is considered both affordable and deliverable within each financial year.

49. To support the capital budget envelope, the council has built into its financial planning stepped increases in the revenue budget contribution to capital. For 2021/22 this was planned to be £1.550m. As part of the revenue budget pressures, a one-year decision has been taken to significantly reduce the revenue contribution in 2021/22 to £0.3m. This will result in more funding being required from capital receipts than originally planned, but this is affordable from existing GF capital receipt balances, which are forecast at £4.275m at the start of 2021/22 financial year.

### Grants and Contributions

50. Schemes that are proposed to be funded from grants form part of the work carried out by the Homes Improvement Agency which is funded by the Better Care Fund (including the Disabled Facilities Grant) received from Norfolk County Council.
51. Section 106, Community Infrastructure Levy (CIL) and Greater Norwich Growth Board (GNGB) schemes are funded from existing resources earmarked for specific purposes.
52. Following the government's launch of the Towns' Fund prospectus in November 2019, Norwich was successful in its bid for £25million of funding to drive forward long term economic and productivity growth via the development of a Town Deals Investment Plan. This funding supports £14.595million of the proposed 2021/22 GF capital programme and £9.175million of the proposed 2022/23 GF capital programme, with £0.5million to be added to the 2020/21 GF capital programme and the remaining £0.730million funding revenue costs.

### Borrowing

53. With the exception of the acquisition of IT, tools and equipment to support the insourcing of the Norse joint venture, there are currently no plans to increase borrowing in 2021/22. Following the 2020 Spending Review, the revised guidance on Public Works and Loans Board lending terms will be reviewed to identify any opportunities afforded by the reduced borrowing rates.

### **HRA Capital Programme**

54. The current proposed HRA capital programme for 2021/22 is based on the following neighbourhood housing primary goals and set out in the table below:
  - Meeting housing need - delivering new homes
  - Maintaining and improving condition of existing housing
  - Improving the use and management of our existing housing stock
  - Improving our neighbourhoods.

**Table 7: Proposed HRA Capital Programme 2021-26**

Project	2021/2 2 £000s	2022/2 3 £000s	2023/2 4 £000s	2024/2 5 £000s	2025/2 6 £000s	5 Year Total £000s
Meeting housing need - delivering new homes	19,428	22,862	17,215	6,798	4,970	<b>71,273</b>
Maintaining and improving condition of existing housing	18,515	19,133	18,786	17,215	16,330	<b>89,979</b>
Improving the use and management of our existing housing stock	8,732	8,021	7,180	6,380	5,830	<b>36,143</b>
Improving our neighbourhoods	1,454	1,195	975	925	925	<b>5,474</b>
Fees	710	710	710	710	710	<b>3,550</b>
<b>Total Proposed HRA Capital Programme</b>	<b>48,839</b>	<b>51,921</b>	<b>44,866</b>	<b>32,028</b>	<b>28,765</b>	<b>206,419</b>

**Table 8: Detailed Proposed HRA Capital Programme 2021/22**

Housing Priority Category	Scheme	Description	2021/22 £000s
Improving our neighbourhoods	Community Upgrades	Estate Aesthetics	750
		Door Access Controls/CCTV	470
		HRA Shops	200
		Catton Grove Community Centre – Replacement of electrical distribution board, toilet luminaires and external lighting	9
		Community centre assets	25
Improving the use and management of our existing housing stock	Heating Upgrades	Boilers (Communal)	3,575
		Boilers (Domestic)	3,100
	Independent Living Upgrades	Disabled Adaptations	1,100
		Sheltered Alarms - Warden Call System upgrades integrating access control.	200
		Stairlifts	50
	Sheltered Housing Regeneration	Sheltered Housing Communal Facilities Upgrades	132
	Thermal Upgrades	Solar Thermal & PV	550
Thermal Comfort (EWI)		25	
Maintaining and improving condition of existing housing	Home Upgrades	Electrical (Domestic)	3,515
		Bathroom Upgrades	2,200
		Kitchen Upgrades	1,520
		Whole Home Improvements	1,300
	Preventative Upgrades	Structural	3,500
		Tower Block Regeneration – Normandie Tower	1,500
		Re-Roofing	940
	Structural Pointing	200	

Housing Priority Category	Scheme	Description	2021/22 £000s
		Lift Upgrades	150
	Window & Door Upgrades	Windows - New Installations Tower Blocks	2,000
		Composite Doors	860
		Windows - New Installations General Domestic	730
		Windows - New Installations Communal	100
		NPS Fees	710
Meeting housing need - delivering new homes	New NCC Social Housing	Argyle Street	2,440
		Mile Cross Depot	5,330
		Northumberland Street	689
		Affordable Housing Opportunities Fund	2,500
		Three Score Phase 3	4,660
		Ailwyn Hall redevelopment	827
	King's Arms redevelopment	932	
	New Social Housing	Site Development	50
		Grants to Registered Housing Providers	2,000
<b>Total HRA Capital Programme</b>			<b>48,839</b>

55. The proposed council house upgrade programme continues to maintain the Norwich Standard of improvement and the structural integrity of tenants' homes.
56. The new social housing budget includes the development of 156 additional homes at Mile Cross, 90 homes at Three Score phase 3 and 14 homes at Argyle Street by the HRA and the purchase of 9 homes at Northumberland Street.
57. Grants to Registered Housing Providers are funded from retained one-for-one Right to Buy receipts in accordance with the principles agreed by cabinet on 7 October 2015.
58. All proposed HRA revenue budgets, the HRA capital programme and capital funding proposals will be incorporated into the HRA Business Plan projections, which will be reported to Cabinet in January 2021.

## Equality Impact of budget proposals

59. In order to ensure that we discharge our public sector equality duty to ensure we have due regard to the need to eliminate discrimination, advance equality of opportunity, and foster good relations we have undertaken an initial screening of all budget proposals to ascertain where there is a possible impact. This has identified those proposals that require an Equality Impact Assessment or consultation.



60. Equality Impact Assessments 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 assessments will be provided alongside the budget papers through scrutiny committee, cabinet and council to ensure transparency and 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.
61. 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.

## Public Consultation and next steps

62. In line with the approach used in previous years, citizens, HRA tenants, partners and local businesses will be consulted on the proposed approach to meeting the savings target for 2021/22 and the proposed council tax and HRA rental levels. This consultation will also include the council tax reduction scheme despite there being no significant changes proposed for the scheme in 2021/22. The consultation will run from 21st December 2020 until 27th January 2021.
63. The next steps for the budget and MTFS proposals are set out below:

Scrutiny to consider the proposed General Fund revenue budget and MTFS, HRA Business Plan, capital strategy, investment strategy and capital programme	4 February
Cabinet to recommend the General Fund revenue budget and MTFS, HRA Business Plan and capital programme	10 February
Council to approve the General Fund revenue budget and MTFS, HRA Business Plan and capital programme	23 February

## Integrated impact assessment



**NORWICH**  
City Council

### Report author to complete

<b>Committee:</b>	Cabinet
<b>Committee date:</b>	16/12/2020
<b>Director / Head of service</b>	Annabel Scholes
<b>Report subject:</b>	Emerging Budget 2021/22
<b>Date assessed:</b>	07/12/2020

	Impact			
<b>Economic (please add an 'x' as appropriate)</b>	<b>Neutral</b>	<b>Positive</b>	<b>Negative</b>	<b>Comments</b>
<b>Finance (value for money)</b>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	The emerging budget will secure continuing value for money in the provision of services to council tax payers and other residents of the city, as well as the provision of capital works to council tenants.
<b>Other departments and services e.g. office facilities, customer contact</b>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
<b>ICT services</b>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
<b>Economic development</b>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
<b>Financial inclusion</b>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
<b>Social (please add an 'x' as appropriate)</b>	<b>Neutral</b>	<b>Positive</b>	<b>Negative</b>	<b>Comments</b>
<b>Safeguarding children and adults</b>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
<b><u>S17 crime and disorder act 1998</u></b>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
<b>Human Rights Act 1998</b>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
<b>Health and well being</b>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	

Equality and diversity (please add an 'x' as appropriate)	Neutral	Positive	Negative	Comments
Relations between groups (cohesion)	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Eliminating discrimination & harassment	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Advancing equality of opportunity	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	The emerging budget and savings within this paper covers a wide range of council activity and spend. The approach to reviewing the equality impacts of budget proposals is set out in paragraphs 59-61 of the report.
Environmental (please add an 'x' as appropriate)	Neutral	Positive	Negative	Comments
Transportation	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Natural and built environment	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	The proposed capital programme will provide for improvements to the council's assets and the surrounding environment.  The proposed council house upgrade programme continues to maintain the Norwich Standard of improvement and the structural integrity of tenants' homes.
Waste minimisation & resource use	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Pollution	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	

<b>Sustainable procurement</b>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
<b>Energy and climate change</b>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	The proposed capital programme will provide for improvements in thermal and carbon efficiency.
<b>(Please add an 'x' as appropriate)</b>	<b>Neutral</b>	<b>Positive</b>	<b>Negative</b>	<b>Comments</b>
<b>Risk management</b>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Steps to manage financial risk associated with the deliverability of the budget proposals and wider Covid-19 impacts are detailed in paragraphs 32-34.
<b>Recommendations from impact assessment</b>				
<b>Positive</b>				
None				
<b>Negative</b>				
None				
<b>Neutral</b>				
None				
<b>Issues</b>				
None				

## Budget Resources

	2021/22
<b>RESOURCES</b>	
<b><i>Council tax</i></b>	
Increase in tax base	1.00%
Projected tax base	37,373
<b><i>Planned council tax increases</i></b>	
Council tax Increase	1.99%
Council tax Band D £	274.74
Council tax Yield (£000)	£10,268
Surplus on Collection Fund (£000)	£75
	<b>£10,343</b>
<b><i>Business Rates Retention Scheme</i></b>	
RPI	0.00%
Local Business Rates (£000)	£6,140
Surplus/(deficit) (£000)	(£138)
	<b>£6,003</b>
Revenue Support Grant (£000)	<b>£216</b>
<b>Total Resources (£000)</b>	<b>£16,562</b>

## Budget Requirement

<b>Base Budget Requirement brought forward (£000)</b>	<b>£17,372</b>
<b><i>Inflation</i></b>	
Payroll inflation %	3.25%
Payroll inflation (£000)	£683
Pension Deficit increases (£000)	£623
Net inflation (for 2021/22 0.5% expenditure and 0% income inflation £000)	£207
<b><i>Changes in Grants</i></b>	
New Homes Bonus (£000)	£472
Covid-19 grants including income reimbursement scheme (£000)	£45
Other Government Grants (£000)	(£400)
	£149
<b><i>Financing/vacancy management changes</i></b>	
Movement in Revenue Contribution to Capital (£000)	
Movement in corporate vacancy factor (£000)	(£1,000)
Increase in HRA corporate recharges (£000)	(£175)
External interest & MRP (£000)	(£72)
Reduction in insurance reserve contribution (£000)	(£449)
Use of repairs reserve to fund budgeted repairs (£000)	(£25)
Reduction in commercial property earmarked reserve contribution (£000)	(£200)
Additional 1% of payroll inflation into risk reserve	(£200)
<b><i>Budget Movements</i></b>	
Removal of unachieved rental income (£000)	£688
NRL loan interest reduction (£000)	£119
Housing Benefit reduction in overpayments (£000)	£675
Assumed demand-led pressures (£000)	£750
Short-term Covid-19 pressures (£000)	£3,166
Senior Management Restructure - Director level (£000)	(£165)
Senior Management Restructure - Head of Service level (£000)	£189
<b>TOTAL MTFs budget movements (£000)</b>	<b>£5,070</b>
<b>Revised base budget requirement (£000)</b>	<b>£22,432</b>
<b>Required Efficiencies (£000)</b>	<b>(£5,870)</b>
Prior year permanent savings carried forward (£000)	
Permanent Savings (£000)	(£1,687)
Additional Income (£000)	(£252)
One-off savings (£000)	(£1,941)
<b>Efficiencies/Savings identified (£000)</b>	<b>(£3,880)</b>
<b>Remaining budget gap to be funded from reserves (£000)</b>	<b>(£1,990)</b>

## Permanent Savings/Income Options

### A) Budget options – contract efficiencies, budget rebasing and review of recharges

	Theme	Description	2021/22 £000
1	Contract Reviews	Variations to existing contracts through delivering efficiencies and varying charging mechanisms	294
2	Alternative funding sources	Transfer of housing eligible expenditure to the Housing Revenue Account. Inclusion of new grant funding sources (i.e. Towns' Fund).	282
3	Budget rebasing	Minor budget reductions to reflect the current need	164
			<b>740</b>



## B) Budget options – income generation

	Directorate	Service Area	Title	Description	2021/22 £000
4	Neighbourhoods	Parks and Open Spaces	Parks parking charges	New income stream generated by charging for parking in parks which currently provide free parking.	50
5	Neighbourhoods	Cemeteries	Growth in cemeteries income	Increase in access to green burials, and the use of Rosary Cemetery.	50
6	Neighbourhoods	Cemeteries	Increased cemeteries charge	Annual increase in fees in line with inflation and benchmarking.	20
7	Neighbourhoods	Integrated Waste Management	Increased garden waste charge	Price increase for garden waste subscriptions from £52 to £55 p.a. (6% increase)	29
8	Neighbourhoods	Community Centres	Community Centre transfer	Commercially run community centres - possible change to commercial let / sale for 2-3 properties	34
9	Neighbourhoods	Environmental Services	Clinical waste subsidy removal	Remove subsidy on commercial clinical waste disposal charges to several institutions	24
10	Place	Conservation Design & Landscape	Additional fee income from design & landscape work	Additional income from capital funding & external work to cover additional team resource.	11
11	Resources	Financial Arrangements	Norwich City Services Ltd loan interest	Interest from Norwich City Services Ltd on loan for depot improvements	34
					<b>252</b>

### C) Budget options – service transformation

	Directorate	Service Area	Title	Description	2021/22 £000
12	Place	Off-Street Parking	Alternative parking payment options	Increased payment options for car parking payments resulting in reduced cash collection costs and an assumed increase in income (as seen in other authorities).	111
13	Place	Pool Cars	Pool car fleet	Rationalisation of vehicle fleet	14
14	Place	Planning	Planning staffing	Proposal involves cutting one of our admin posts which will become vacant in October 2020 being £18k from 620060 2000 and 2011.	18
15	Resources	Revs and Bens	Revs & Bens Automation	5% efficiency target split across 2 years supported by the automation of tasks through investment in systems.	92
16	Strategy & Culture	IT Services	IT cost reductions	Renegotiation and rationalisation of multiple contracts	175
17	Strategy & Culture	Customer Contact	Digital First	Digital delivery of services following customer behaviour changes and channel shift during Covid-19. This will build on the work already done through full automation in parking permits and our successful appointments based approach.	114
18	Strategy & Culture	Tourism	Visitor Information	Re-focus on online information to align with customer behaviour changes as a result of Covid-19. Also develop an enhanced policy role to maximise and support partnership working.	113
19	Strategy & Culture	Mail Handling	Postage savings	Reduced postage costs linked to e-Billing and channel shift.	100
20	Strategy & Culture	Leisure	Leisure & culture post	Removal of vacant post	38
					<b>775</b>

## Permanent Growth

	Directorate	Service Area	Title	Description	2021/22 £000
21	Neighbourhoods	Waste Management	Recycling costs	Additional costs per tonnage for recycling	120
22	Neighbourhoods	Licensing	Licensing resource	Licensing business support post	20
23	Place	Asset Management	Site management	Additional gypsy and traveller site management costs	60
24	Place	Tree maintenance	Tree maintenance	Maintenance to trees located on General Fund sites	20
25	Place	Conservation & Design	Additional post	Principal Landscape Architect to be funded from increased income generation	11
26	Place	Planning Fee	Planning fees	Reduction in planning fee income based on recent performance during Covid-19 and future assumptions.	170
27	Place	Planning	CNC Building Control	CNC building control - payments to cover contractual obligations.	23
28	Place	Car Parks	Business Rates	Business rates for re-opened Barn Road car park	42
29	Resources	Legal Services	Increased legal costs	Additional costs following re-provision of legal services contract	25
30	Resources	Elections	Electoral Management System	Development of systems to improve the efficiency of the electoral service (subject to business case)	30
31	Resources	HR	Additional HR resource	Additional resource to align with increased demand.	56
32	Resources	External Audit	Audit fee	Audit fee rise from additional regulatory changes.	30
33	Resources	Finance	Income budget rebasing	Cheque write-offs - unachievable income linked to reduced cheque use	80
34	Resources	Insurance	Increased insurance costs	Additional insurance premium costs	40
35	Strategy & Culture	Strategy	Digital Inclusion	Extension of Digital Inclusion Post following end of grant funding	23
					<b>750</b>

## Short Term Savings

	Directorate	Service Area	Title	Description	2021/22 £000
36	Neighbourhoods	Cemeteries	Repairs cap	One year cap on general repairs and maintenance spend - only essential H&S works will be completed	10
37	Neighbourhoods	Street Cleansing	Short term street cleansing budget cap	One year cap in spend on the other contractual services budget	15
38	Neighbourhoods	Neighbourhood Operations	Short term neighbourhood ops budget cap	One year cap in spend on the projects budget.	8
39	Neighbourhoods	Housing Improvement Agency	Revenue contribution to capital	Reduction in revenue contribution to capital for Disabled Facilities adaptations - team costs covered by grant.	20
40	Place	NPSN Core Fee	NPSN core fee	5% reduction on GF element of the core fee	52
41	Place	General fund property repairs	GF responsive repairs	Reduced repairs budget on responsive repairs and planned maintenance (no reduction in programmed maintenance (safety and compliance))	325
42	Place	NPSN Pension Contribution	NPSN pension costs	Reduced pension contribution costs payable based on actuarial assessment.	84
43	Place	Environmental Strategy	Environmental Service events	Temporarily reduce environmental public events due to uncertainty over impact of Covid-19.	7
44	Place	Joint Ventures	NPSN Profit	Profit share assumption per NPSN business plan GF share	25
45	Resources	Financing Arrangements	Interest cost reduction	The one-off saving figure based on analysis of expected external borrowing requirement during 21/22.	1,140
46	Strategy & Culture	Events	Events reduction	Temporarily reduce annual offering because of uncertainty around Covid-19 and link more closely to available grant funding.	226

	<b>Directorate</b>	<b>Service Area</b>	<b>Title</b>	<b>Description</b>	<b>2021/22 £000</b>
47	Strategy & Culture	Norman Centre	Norman Centre cost reduction	Reducing expenditure to partially offset expected income losses in 21/22 relating to Covid-19.	4
48	Strategy & Culture	St Andrews Hall	St Andrews cost reduction	We will make savings on expenditure e.g. temporary staffing costs and electricity costs if events do not go ahead. However, these savings will only go some way to covering loss of income.	25
					<b>1,941</b>

## Short Term Growth

	Directorate	Service Area	Title	Description	2021/22 £000
49	Neighbourhoods	Citywide Services	NNE profit share	NNE profit share - possible reduction in Y1 for NSCL	110
50	Neighbourhoods	Licensing	Licensing income	Estimated reduction in income due to the impact of Covid-19	121
51	Place	Asset Management	Client asset manager	Additional resource for commercial property management	72
52	Place	Asset Management	Commercial rents	Projected reductions in commercial rental income due to impact of Covid-19	418
53	Place	Asset Management	Provision market	Adjustment in income budget to reflect a 5% void assumption	38
54	Place	Asset Management	Heating Boilers	Isolation valve maintenance for City Hall boilers	5
55	Place	Asset Management	City Hall rental income	Loss of rental income from vacant area within City Hall	27
56	Place	Asset Management	Bus shelter adverts	Reduction in forecast bus shelter advertising revenue	120
57	Place	Car Parks	Rose Lane MSCP	Additional battery costs for emergency lighting	5
58	Place	Car Parks	Multi-storey car parks	Projected reductions in income due to the impact of Covid-19	926
59	Place	Car Parks	Off-street car parks	Projected reductions in income due to the impact of Covid-19	539
60	Place	Planning	Greater Norwich Growth Plan	Additional contribution to pay for one off costs of examination	55
61	Resources	Finance	Interest income	Loss of interest income from investments due to nil or negative interest rates	190
62	Resources	Human Resources	Employee costs	Additional resource - transactional team leader	23
63	Strategy & Culture	Culture	Leisure Services	Short term funding to address Covid-19 pressures	330
64	Strategy & Culture	Culture	The Halls	Projected reductions in income due to the impact of Covid-19	150
65	Strategy & Culture	Culture	The Norman Centre	Projected reductions in income due to the impact of Covid-19	37
					<b>3,166</b>