

Report to	Cabinet	Item 6
	12 December 2018	
Report of	Chief finance officer (Section 151 Officer)	
Subject	2019/20 Budget, Medium Term Financial Strategy (MTFS) and HRA Business Plan Update	

Purpose

This report summarises the emerging position, as currently known, for the General Fund revenue budget, the HRA Business Plan, and the council's capital programme.

Recommendations

To note the direction of travel currently being taken to establish robust and balanced budget proposals.

Corporate and service priorities

The report helps to meet all the corporate priorities.

Financial implications

The report is about the emerging budget for 2019/20 and the medium term planning horizon. Consequently the whole report contains financial implications.

Ward/s: All Wards

Cabinet member: Councillor Kendrick - Resources

Contact officers

Karen Watling, chief finance officer	01603 212440
Hannah Simpson, strategic finance business partner	01603 212561
Shaun Flaxman, senior finance business partner	01603 212805

Background documents

None

Report

Introduction

1. This report summaries the emerging position, as currently known, for the General Fund revenue budget, the HRA Business Plan, and the council's capital programme.
2. It contains initial proposals for budget savings, capital investment, and Council Tax and HRA rental levels. The views of citizens, HRA tenants, and local businesses will be sought on these proposals, via the public budget consultation exercise, before the budget is discussed and approved by Council on 19 February 2019.
3. Some of the figures contained in this report are likely to change when the budget and MTFS are formally presented to council for approval. A full list of items still to be finalised are shown in paragraph 15.

Report Contents

- Local Government finance – economic and statutory context
- 2019/20 General Fund Revenue Budget and MTFS – 2019/20 to 2023/24
- Housing Revenue Account (HRA) Business Plan
- Capital Programme – 2018/19 to 2022/23
- Public consultation and next steps

Local Government Finance – Economic & Statutory Context

2018 Chancellor's Autumn Budget Statement

4. The Chancellor announced his Autumn Budget on 29 October 2018. Key points included:
 - The budget set out a new path for total public spending ahead of the Comprehensive Spending Review in 2019 with a promise that public sector austerity was coming to an end. Figures are not yet provided for individual departments, only for the whole public sector, and therefore the impact on local authorities is still to be confirmed. It is unlikely however that district councils will receive significant increases in future funding from government given funding promises already made to other areas such as the NHS.
 - The OBR (Office for Budget Responsibility) expects the UK economy to continue to grow in every year of the forecast, and has revised up its forecast for cumulative growth compared to Spring Statement 2018.
 - Consumer Prices Index (CPI) inflation stood at 2.4% in September, a decrease from August's figure of 2.7%, and below its recent peak of 3.1% in November 2017.

5. In terms of the wider local authority landscape, the budget announced: £650m additional grant funding for adult social care in 2019-20, £45m for DFG (Disabled Facilities Grant) in 2018-19, and £84m on 5 years on children's service programme. There is also £450m in 2018-19 for potholes that will be allocated to highways authorities. Longer term decisions on overall local government funding will be made in the 2019 Comprehensive Spending Review.
6. The major announcement on business rates was a cut in business rates by one-third for retail properties with a rateable value below £51,000, benefiting up to 90% of retail properties, for 2 years from April 2019 (subject to state aid limits). The government will as they have done in the past reimburse local authorities with the loss of income arising from these policy decisions.
7. There will be £657m co-funding to help local authorities manage the changing pressures on the local high street. Local authorities will be asked to draw-up plans to change under-used retail areas to residential use, and these will be accompanied by changes in the rules of compulsory purchase orders and use orders. £65m of the funding will be revenue and starts in 2019-20. The remainder is capital, with the largest amounts (£200m and £240m) in 2022-23 and 2023-24. We do not yet know how this grant will be allocated.

Local Government Finance Settlement

8. The provisional local government is due to be announced on 6th December. The 2019/20 settlement is the last year of the current 4-year funding settlement agreed with local authorities.
9. The technical consultation on the finance settlement was issued in July 2018. This highlighted:
 - The Government's intention to allow shire district councils to increase their Band D council tax rate by up to 3%, or up to and including £5, whichever is higher (referendum limit).
 - A potential increase to the baseline growth required (currently 0.4%) to qualify for New Homes Bonus. This will be confirmed in the Finance Settlement in December.

General Fund Revenue Budget & Medium Term Financial Strategy

Forecast 2019/20 Outturn

10. The latest position on the General Fund, as at period 7, shows a forecast underspend of £1.0m. This underspend has not at this stage been factored into the MTFS reserves position shown later in this report.
11. A significant element of the forecast underspend relates to additional net income from commercial property purchased in year. As per Council decision in February 2018 any surplus will be credited to the commercial property

earmarked reserve, providing future funding for any void and rent free periods as well as any landlord repairs/upgrades. This is designed to safeguard the future value of the investment, thereby minimising the risk of holding these assets and of fluctuations in the income return.

12. Any remaining underspend will be transferred to the earmarked invest-to-save reserve. This reserve will be used to support the delivery of savings and efficiencies through the fit for the future programme.

Provisional 2019/20 Revenue Budget

13. The provisional 2019/20 budget has been set following discussions with budget managers to determine achievable service budgets. All savings and growth items have been reviewed by the Corporate Quality Assurance Group chaired by the Chief Finance Officer.
14. Table 1 below summaries the key movements in the base budget (i.e. the current year's approved budget) to arrive at the provisional 2019/20 budget.

Table 1: Movements from the base 2018/19 budget – Figures are in £000s

2018/19 Budget Requirement	15,696
<i>Budget movements:</i>	
Inflation	1,025
Additional income (Appendix 1)	(1,078)
Savings (Appendix 1)	(757)
Service growth (Appendix 1)	777
Service growth linked to specific new grants (cost neutral)	424
Rough sleeper Initiative grant funding (offsetting costs)	(340)
Increase in flexible homelessness support grant (offsetting costs)	(91)
Increase in revenue contribution to capital funding	250
Increase in pension deficit contributions	265
Increase in Minimum Revenue Provision	65
Reduction in housing benefit overpayment income following improved processing performance	297
Reduced in pension costs from end of the Airport PPP agreement	(148)
Reduction in New Homes Bonus grant	317
Loss of Second Homes grant income	36
Movements in other grants	79
Increase in contribution from general reserves	(66)
Movement in recharge income relating to corporate costs and services provided directly to the Housing Revenue Account	(413)
2019/20 Budget Requirement	16,338

2018/19 Budget Resources	(15,696)
<i>Budget movements:</i>	

Reduction in revenue support grant	769
Increase in retained business rates	(1,029)
Increase in council tax income	(382)
2019/20 Budget Resources	(16,338)

15. As at the time of writing this report the following figures included in the provisional budget are indicative for the reasons stated:

Information required to finalise the budget position:	Budget items impacted:
Final figures from Government to be released in the 2018/19 Local Government Financial Settlement	<ul style="list-style-type: none"> 2019/20 New Homes Bonus allocations Housing Benefit Administration Grant Universal Credit New Burdens funding
The 2016-18 pay agreement included a commitment to a future restructure of pay spines to meet the national living wage future challenge. Awaiting confirmation of the 2019/20 pay scale points, following application of the National Joint Council guidance. An estimated impact has been made in the provisional budget figures.	<ul style="list-style-type: none"> 2019/20 salary costs and future year projections.
Final contractual & living wage payment figures where linked to inflation indices.	<ul style="list-style-type: none"> Citywide Services expenditure
Revenue & Benefits will update forecasts by end of January 2018 for the NNDR1 return	<ul style="list-style-type: none"> Income from Business Rates currently in MTFS is very preliminary
Final council tax base figures	<ul style="list-style-type: none"> Income from Council Tax

2019/20 Growth and Savings Proposals

16. The MTFS approved by Council in February 2018 set out a net savings target for 2018/19, based on a 5-year smoothing savings strategy, of £1.760m (gross savings of £2.5m per annum).
17. At the time of writing this report, £1.058m of net savings are proposed (**Appendix 1**). The shortfall against the target reflects the increasing difficulty of finding further efficiencies and income generation opportunities to balance the budget rather than making budget savings by reducing front line services.
18. The MTFS has been updated on the basis of the 19/20 shortfall as well as movements in other assumptions. There have been favourable movements

in income from business rates and council tax as well as recharges. This means that despite the shortfall in the savings target, when considered in line with other budget updates the required use of reverses is £370k lower than expected in last year's budget paper.

19. It should be noted that some of the beneficial movements in assumptions only have a one year impact and therefore the future annual net savings requirement has increased to £1.890m in future years (further detail in paragraph 37).
20. The net savings include £0.8m of budget growth (i.e. increases to the budget). The growth includes reductions in property rental income associated the approved asset review and disposal programme, as well as additional costs to support IT transformation.
21. A summary of the proposed budget savings and growth is shown in **Appendix 1**, with items categorised as either revenue generation, service efficiencies, or accounting changes.
22. In addition to the ongoing general fund base budget, one-off invest-to-save funded expenditure has been allocated to support the Fit-for-the-Future programme. The total planned expenditure is £858k of which £711k is to be funded from the General Fund Invest-to-Save earmarked reserve and £147k from the HRA Invest-to-Save reserve. Spend includes investment in IT mobile-working technology, project management and HR resource.

Medium Term Financial Strategy (MTFS)

23. Table 2 below shows the proposed budget for 2019/20 and the medium term financial projections for the 5 years to 2023/24.
24. The key issues to highlight in the MTFS are:
 - A significant growth in the Council's payroll cost (assuming current levels and numbers of staff employed).
 - The assumed loss of Formula Funding (RSG) and New Homes Bonus (NHB) during the five year period.
 - The planned use of reserves over the next five years to help balance the budget whilst ensuring the prudent minimum level of £4.2m is retained.
 - The proposal that Council Tax should rise by 3% or an additional £5 per annum, whichever is the higher, over the life of the medium term planning horizon (paragraph 75).
 - Annual smoothed gross savings requirement of £2.640m each year from 2021/22 to 2023/24 (net savings of £1.890m).

Table 2: Medium Term Financial Projections 2019/20 to 2023/24 – Figures are in £000s

	2019/20	2020/21	2021/22	2022/23	2023/24
Employees	20,876	21,729	22,698	23,594	24,518
Premises	10,537	10,769	11,005	11,248	11,495
Transport	261	267	273	279	285
Supplies & Services	16,832	17,135	17,512	17,897	18,291
Capital Charges	3,216	3,245	3,275	3,306	3,338
Housing Benefit Payments	57,906	57,906	57,906	57,906	57,906
Benefit Subsidy	(57,905)	(57,905)	(57,905)	(57,905)	(57,905)
Third Party Payments	4,476	4,574	4,675	4,777	4,883
Net recharge income	(8,985)	(8,985)	(8,985)	(8,985)	(8,985)
Contribution to Capital	1,050	1,300	1,550	1,800	1,800
Fee, charges, rental income	(27,794)	(28,175)	(28,564)	(28,958)	(29,384)
New Homes Bonus	(520)	(119)	(32)	0	0
Benefit/CTS Admin grant	(879)	(836)	(796)	(758)	(694)
Other Grants	(1,163)	(1,026)	(1,026)	(1,026)	(1,026)
Assumed non-inflationary growth cumulative		750	1,500	2,250	3,000
Subtotal budgets (no savings)	17,908	20,629	23,086	25,425	27,522

Business Rates	(6,327)	(5,704)	(5,824)	(5,947)	(6,072)
Formula Funding (RSG)	(213)	0	0	0	0
Council Tax	(9,798)	(9,890)	(10,234)	(10,590)	(10,958)
Total funding	(16,338)	(15,594)	(16,058)	(16,537)	(17,030)

Budget Gap	1,570	5,035	7,028	8,888	10,492
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Gross savings needed (cumulative)	0	(2,640)	(5,280)	(7,920)	(10,560)
Planned use of reserves	(1,570)	(2,395)	(1,748)	(968)	68
Funding the budget gap	(1,570)	(5,035)	(7,028)	(8,888)	(10,492)

25. There are a number of key assumptions in the MTFS; the main ones are outlined below. More detail on all assumptions will be provided in the February Budget paper.
26. **Payroll:** A significant growth in the Council's payroll cost (assuming current levels and numbers of staff employed). Payroll-related inflation has been estimated at 2.5% in 2020 and beyond to allow for an annual pay settlement, payroll drift and the impact of the Living Wage. Additional estimates have been included for expected increases to pension deficit contributions;

although these will be subject to the outcome of future triennial valuations of the pension scheme (the next one will take effect in 2020/21).

27. **Revenue contribution to Capital:** In line with the 2017/18 MTFS, an additional £250k has been included in the budgeted revenue contribution to capital in 2019/20. The updated MTFS continues to increase the budgeted over the life of the MTFS, by £250k per annum, so that by 2022/23 £1.5m is provided as a funding source to the capital programme along with a £300k contribution to cover the costs of the Homes Improvements Agency team.
28. **Inflation:** based on advice from the Office for Budget Responsibility (OBR) inflation has been included on premises costs, supplies and services, and transport throughout the MTFS planning timeline. Inflation on income however is prudentially set at 1.5% to run approximately 1% below expenditure inflation.
29. **Government Grants:** The 2019/20 budgets reflect the final year of the 4-year funding settlement deal. No RSG (Revenue Support Grant) is assumed from 2020/21 and no additional New Homes Bonus is included in the MTFS in light of uncertainty over the future of the grant. Information about the current state of knowledge on the government's Fairer Funding Review for local government will be supplied in the February budget report.
30. Grants for future years have been estimated at 2018/19 levels, with the exception of Housing Benefit, Universal Credit, and Local Council Tax Support Administration Grants. These grants have been estimated based on the experience of the Head of Service for Revenues and Benefits in line with trends for other authorities moving to full universal credit service.
31. **Business rates:** The draft budget reflects the current estimate of retained business rates income for 2019/20. The budgets will be revised before Council in February to reflect any amendments to the baseline in the 2019/20 Financial Settlement and also the updated estimates as per the NNDR 1 return, due to Government by the end of January 2019.
32. The forecasts for retained Business Rates income from 2020/21 assume current baseline amounts and do not take into account, as they are currently unknown, the potentially significant changes in funding arising from 75% Business Rates Retention and the Fairer Funding Review.
33. Norwich City Council has agreed to be included in an application from all Norfolk Councils to be part of the Department for Communities and Local Government's 2019/2020 75% business rate retention pilots. Norfolk councils will know if they have been successful in December when the Local Government Finance Settlement is released.
34. **Council Tax:** Any increase in the level of council tax is limited by referendum principles, which for a district council looks likely to be set at a maximum of 3% or £5 each year. A 2.99% increase to the Band D rate is assumed in the 2019/20 budget figures (£275k additional income) with the maximum increase allowed included in the amounts shown in years 2 to 5. An increase in the

council tax base of 0.5% is assumed for each year of the MTFS arising from estimated growth in the number of dwellings in the Council's area.

35. The proposed 2019/20 Band D rate is therefore £264.13 compared to the current year rate of £256.46. This is for the Norwich City Council share of total council tax only and does not include the amounts required from preceptors - Norfolk County Council and the Office of the Police and Crime Commissioner for Norfolk.
36. A collection fund surplus receipt of £315k has been estimated for 2019/20 and £75k each year thereafter has been built into the MTFS. This will continue to be reviewed each year and distributions made to the precepting authorities.

Budget savings required over the life of the MTFS

Table 3: Smoothed net savings required 2020/21 to 2023/24

	2020/21	2021/22	2022/23	2023/24
	£000s	£000s	£000s	£000s
Assumed annual budget growth	750	750	750	750
Gross saving requirement	(2,640)	(2,640)	(2,640)	(2,640)
Net annual saving requirement	(1,890)	(1,890)	(1,890)	(1,890)

37. The MTFS now shows a need to make further gross savings of £10.6m over the next four years, assuming demand-led growth of £0.75m per annum. Following the existing "smoothed" approach this equates to gross savings of £2.6m each year to 2023/24.
38. The council currently has in progress a number of initiatives under the fit for the future programme that will deliver savings and efficiencies over the life of the MTFS planning horizon. These are discussed in the Chief Executive's report on this Cabinet agenda. At this point in time, and given the preliminary estimates of the savings and income benefits, this programme is anticipated to meet only 30% of the required savings needing to be made by 2023/24. There is the potential for further savings and efficiencies but it is almost inevitable, given current financial planning and funding assumptions that the council will need to consider significant service reductions over the 3 year period 2020/21 to 2022/23 and a move towards providing core statutory services only.

General Fund Reserves Position

39. The prudent minimum level set for the general fund reserve remains unchanged at £4.2m. The smoothed MTFS brings the forecast reserves down to around Prudent Minimum Balance plus 20% by the end of 2023/24.

Table 4: Estimated General Fund Reserves Position

	2019/20	2020/21	2021/22	2022/23	2023/24
	£000s	£000s	£000s	£000s	£000s

Balance B/Fwd.	11,652	10,082	7,687	5,939	4,971
Use of reserves	(1,570)	(2,395)	(1,748)	(968)	69
Balance C/Fwd.	10,082	7,687	5,939	4,971	5,038

40. After 2024 savings will still need to be required to the extent that any inflationary increases in costs are not able to be offset by rises in council tax and business rates. These savings will need to be made without relying on reserve contributions to balance the budget.

HOUSING REVENUE ACCOUNT AND BUSINESS PLAN

Forecast 2018/19 Outturn

41. The latest position on the Housing Revenue Account, as at period 7, shows that it is forecast to underspend by £1.494m.

Provisional 2019/20 Revenue Budget

42. The provisional 2019/20 budget has been set following discussions with budget managers to determine achievable service budgets. All savings and growth items have been reviewed by the Corporate Quality Assurance Group led by the Director of Neighbourhoods.
43. The table below shows the proposed HRA revenue budget for 2019/20:

Table 5: Movements from the base HRA 2018/19 budget – Figures are in £000s

Division of Service	Original Budget 2018/19	Draft Budget 2019/20	Change
Repairs & Maintenance	13,487	13,760	273
Rents, Rates, & Other Property Costs	6,501	6,227	(274)
General Management	11,965	12,686	721
Special Services	4,819	4,420	(399)
Depreciation & Impairment	21,805	22,027	222
Provision for Bad Debts	190	170	(20)
Adjustments & Financing Items	890	0	(890)
Gross HRA Revenue Expenditure	59,657	59,291	(366)
Dwelling Rents	(56,968)	(56,504)	464
Garage & Other Property Rents	(2,228)	(2,369)	(141)
Service Charges – General	(8,414)	(8,150)	264
Miscellaneous Income	(115)	(82)	33
Adjustments & Financing Items	0	(176)	(176)
Amenities shared by whole community	(427)	(446)	(19)
Interest Received	(100)	(100)	0
Gross HRA Revenue Income	(68,252)	(67,827)	425
Total Housing Revenue Account	(8,595)	(8,537)	58

Revenue contribution to capital	11,144	8,537	(2,607)
Contribution to/(from) HRA reserve	(2,550)	0	2,550
Total	0	0	0

****See paragraph 44***

44. The gross expenditure of £59.29m and gross income of £67.83m generates a surplus of £8.54m. This will be utilised to make a revenue contribution towards the funding of the HRA capital programme.
45. The 2016-18 pay agreement included a commitment to a future restructure of pay spines to meet the national living wage future challenge. The 2016-18 pay agreement included a commitment to a future restructure of pay spines to meet the national living wage future challenge. At the time of writing this report, confirmation of the 2019/20 pay scale points is awaited. An estimated impact has been made in the provisional budget figures.

Council Housing Rents

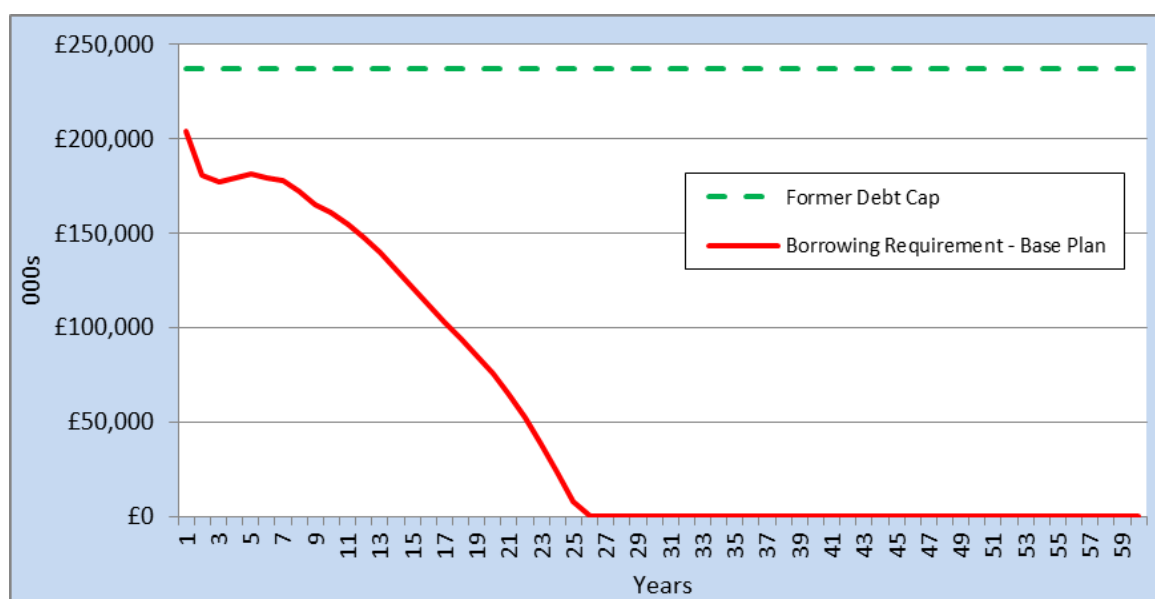
46. Historically, the level at which council housing rents were set was decided by Council in line with guidance set out by the government and information provided by the HRA Business Plan. However, in 2016/17 the government's rent policy was replaced by a mandatory minimum 1% reduction in rent for a four year period until March 2020, as set out in the Welfare Reform and Work Act 2016.
47. The enforced 1% rent reduction continues for the final year in 2019/20, which means that for HRA tenants, the average weekly rent will be £76.65 equating to an average reduction of £0.77.
48. It is proposed that garage rents are increased by 3.4%. This is in line with the government formula for dwelling rents prior to the implementation of the mandatory rent reduction, based on CPI as at the preceding September (2.4%) plus 1%.
49. In accordance with the constitution, levels of tenants' service charges will be determined by officers under delegated powers, in consultation with the portfolio holder and after engagement with tenant representatives.

HRA Business Plan

50. Financial planning for the HRA is based upon a business plan, which measures planned expenditure and income against the ability to repay borrowing, based upon a combination of known and assumed economic factors and government announcements.
51. The Housing and Planning Act 2016 made provision for a determination to be imposed on Housing Revenue Accounts in order to compensate Registered Providers for financial losses incurred as a result of extended Right to Buy legislation. However, the government has now confirmed that this will no longer proceed.

52. The government has issued a consultation confirming its intention to introduce a new rent policy, ending the four year mandatory rent reduction and enabling social housing rents to increase by CPI plus 1% from 2020/21. This has been included within the HRA business plan.
53. On 29th October 2018, the government abolished the HRA borrowing cap, with HRA borrowing to be controlled by the existing Prudential Code.
54. The chart below illustrates the impact on the draft HRA business plan and HRA borrowing requirement of the draft proposed 2019/20 budgets and HRA capital programme. This demonstrates that the borrowing could be repaid with 26 years.

Table 6: Ability to repay HRA borrowing



HRA Reserves Position

55. The draft proposed budgets will impact on the HRA balance as follows:

Table 7: HRA reserves

Item	£'000
Brought Forward from 2017/18	(30,988)
Forecast use of balances 2018/19	2,550
Carried Forward to 2019/20	(28,438)
Draft Budget 2019/20	0
Carried Forward to 2020/21	(28,438)

* See paragraph 56

56. The table above assumes the forecast use of balances remaining in line with the 2018/19 budget. A substantial resource continues to exist that could be used to fund HRA capital expenditure.

CAPITAL PROGRAMME

57. 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.
58. All budget proposals included in the proposed capital programme have been assessed and prioritised by the Corporate Quality Assurance Group, 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.
59. As part of the changes required under CIPFA's Prudential Code, the council will be publishing a capital strategy, which will set out the long term context in which capital expenditure and investment decisions are made in line with the council's corporate plan.

General Fund Capital Programme

60. Budgets within the capital programme have broadened in recent years to include activity such as providing loans and acting as an agent for funds delegated from government departments that are utilised by other organisations. Although these budgets continue to remain within the capital programme, to ensure the clarity of budget monitoring, the general fund capital programme has been classified into the following groups:
 - General capital expenditure
 - Section 106/Greater Norwich Growth Partnership/Community Infrastructure Levy
 - Capital expenditure not controlled by NCC
 - Commercial property Investment fund
 - Capital Contingency
 - Capital Loans
61. The current proposed General Fund capital programme for 2019/20 to 2023/24 is set out below and provided in full detail in appendix 4.

Table 8: Proposed GF Capital Programme 2019/20 – 2023/24 – Figures are in £000s

General Fund Programme	2019/20	2020/21	2021/22	2022/23	2023/24
General - capital envelope - capital receipts/RCCO	1,876	1,326	1,098	574	601
General - capital receipts/RCCO	704	-	-	-	-
General - grant funded	921	-	-	-	-
Contingency - capital envelope - capital receipts/RCCO	150	150	150	150	150

Section 106/Greater Norwich Growth Partnership/Community Infrastructure Levy	2,315	1,325	1,528	1,833	1,770
Commercial property acquisition - borrowing	25,000	25,000	-	-	-
Capital expenditure not controlled by NCC – grant funded	2,510	1,382	1,150	1,150	1,150
Capital spend to save - RCCO	200	-	-	-	-
Total General Fund Capital Programme	33,676	29,183	3,926	3,707	3,671

62. In addition to the schemes included above and detailed appendix 2, there are a number of other significant potential schemes that form the council's capital ambition programme. These will require detailed business cases, which once approved will be submitted to cabinet for recommendation to council for inclusion within the capital programme in the future. A discussion and prioritisation of these schemes will be included in the capital strategy report to Council in February 2019.

Schemes funded by external borrowing

63. The only proposed expenditure to be funded from borrowing is the commercial property acquisition fund. A separate report on this Cabinet's agenda sets out how the principals and criteria the council will apply when making commercial property investments.

Schemes funded from Capital Receipts and Revenue Contributions to Capital Outlay (RCCO)

64. 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.
65. To mitigate against the anticipated reduction in future capital receipts, the council has continued to make a revenue contribution to capital outlay (RCCO). For 2018/19 this amounted to £800,000 and it is proposed to continue to increase this annually by £250,000 until it reaches £1.8m. Although this presents a strain on the General Fund revenue budget, it is considered essential that it is preserved if the Council's extensive range of assets is to be maintained in the future.
66. In line with the planned future available funding and the intention to only include schemes that are achievable within the financial year, it is proposed to continue to limit the more "routine" capital upgrade schemes to be funded from capital receipts and revenue contributions within a capital "envelope" totalling £1.8m per annum.

67. For 2019/20 only, it is proposed to extend the capital “envelope” to £2.03m, to enable an additional parks tennis expansion scheme to be undertaken and works to commence on City Hall heating and hot water system. The completion of the parks tennis expansion scheme within the financial year will facilitate the utilisation of grant funding and should lead to a reduction in revenue costs in the longer term.
68. On occasions, as projects progress, it becomes apparent that due to unforeseen costs, it may be necessary for expenditure to slightly exceed the allocated budget. This can cause project delays as surplus funds are identified from alternative budgets or approval sought from Council to increase the capital programme. For 2019/20, it is proposed to continue to provide a capital contingency budget of £150,000, which can be utilised to vire small additional amounts to increase budgets as required, subject to the approval procedures set out in the Financial Procedures.

Grants, Section 106 and Community Infrastructure Levy

69. 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.
70. Section 106 and CIL schemes are funded from existing resources earmarked for specific purposes.

HRA Capital Programme

71. The current proposed HRA capital programme for 2019/20 to 2023/24 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 9: Current Proposed HRA Capital Programme 2019/20 – 2023/24 – Figures are in £000s

Project	2019/20 (£'000)	2020/21 (£'000)	2021/22 (£'000)	2022/23 (£'000)	2023/24 (£'000)
Meeting housing need - delivering new homes					
New Social Housing	3,858	6,288	180	-	-
Site Development	50	50	50	50	50
Grants to Registered Housing Providers	2,000	2,000	2,000	2,000	2,000
Maintaining and improving condition of existing housing					

Preventative Upgrades	9,710	8,324	6,550	6,400	5,095
Home Upgrades	6,310	6,300	5,650	4,700	5,384
Window & Door Upgrades	2,652	2,900	2,450	3,450	720
Improving the use and management of our existing housing stock					
Independent Living Upgrades	990	700	650	550	350
Sheltered Housing Regeneration	-	100	100	100	-
Heating Upgrades	3,795	4,900	3,000	3,000	3,000
Thermal Upgrades	934	1,000	1,000	800	500
Improving our neighbourhoods					
New CCTV system	10	-	-	-	-
Community Upgrades	1,340	1,000	1,000	1,000	550
Fees	710	710	710	710	710
Total Proposed HRA Capital Programme	32,359	34,271	23,339	22,760	18,359

72. The proposed council house upgrade programme continues to maintain the Norwich Standard of improvement and the structural integrity of tenants' homes.
73. The new social housing budget includes the development of 12 additional homes at Goldsmith Street by the HRA and the purchase of 9 homes at Northumberland Street and 55 homes from Norwich Regeneration Ltd (30 at Three Score, 18 at Argyle Street and 7 at Bullard Road).
74. 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.
75. All proposed HRA capital and revenue budgets are incorporated into the HRA Business Plan projections, which indicates that the planned expenditure remains affordable whilst maintaining the ability to repay borrowing within 30 years.

PUBLIC CONSULTATION AND NEXT STEPS

76. 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 2019/20 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 2019/20. The consultation will run from 7 December 2018 until 6 January 2019.
77. 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,	31 January
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investment strategy and capital programme	
Cabinet to recommend the General Fund revenue budget and MTFS, HRA Business Plan and capital programme	6 February
Cabinet to recommend the 2018/19 Council Tax Reduction Scheme	6 February
Council to approve the General Fund revenue budget and MTFS, HRA Business Plan and capital programme	19 February
Council to approve the 2018/19 Council Tax Reduction Scheme	19 February

Integrated impact assessment



NORWICH
City Council

The IIA should assess **the impact of the recommendation** being made by the report

Detailed guidance to help with the completion of the assessment can be found [here](#). Delete this row after completion

Report author to complete

Committee:	Cabinet
Committee date:	12 December 2018
Director / Head of service	Karen Watling
Report subject:	2019/20 Budget, Medium Term Financial Strategy (MTFS) and HRA Business Plan Update
Date assessed:	28 November 2018
Description:	This integrated impact assessment covers the emerging position, as currently known, for the General Fund revenue budget, the HRA Business Plan, and the Council's capital programme.

	Impact			
Economic (please add an 'x' as appropriate)	Neutral	Positive	Negative	Comments
Finance (value for money)	<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 works and services to council tenants.
Other departments and services e.g. office facilities, customer contact	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
ICT services	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Economic development	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Financial inclusion	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Social (please add an 'x' as appropriate)	Neutral	Positive	Negative	Comments
Safeguarding children and adults	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
<u>S17 crime and disorder act 1998</u>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Human Rights Act 1998	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Health and well being	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	

	Impact			
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. 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 should continue to be carried out at an appropriate time for the individual projects, activities and policies that constitute this budget and transformation programme.
Environmental (please add an 'x' as appropriate)	Neutral	Positive	Negative	Comments
Transportation	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	

	Impact			
Natural and built environment	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<p>The proposed capital programme will provide for improvements to the council's assets and the surrounding environment.</p> <p>The proposed housing capital programme will provide for the Norwich Standard for properties to be completed.</p>
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"/>	
Sustainable procurement	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Energy and climate change	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	The proposed capital programme will provide for improvements in thermal and carbon efficiency.
(Please add an 'x' as appropriate)	Neutral	Positive	Negative	Comments
Risk management	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	The risks underlying the emerging budgets, council tax and capital programme have been assessed and prudent provision made for the financial consequences of those risks both within the budgets and the recommended prudent minimum level of general fund and housing revenue account reserves.

Recommendations from impact assessment
Positive
None
Negative
None
Neutral
None
Issues
None

Summary of General Fund Net Savings

	Project name	Description	Current budget context	£'000
Additional income generation				
1	Commercial property acquisition	<p>Additional net income from the acquisition of new commercial property in line with the Council's strategy to generate income and maximise returns from assets, as agreed in the four year financial sustainability plan. Currently approximately £285k of the net income has been secured or in the process of completion. The net income includes an allowance for external borrowing interest costs and minimum revenue provision expense. The net internal rate of return on the investment assumed in the MTFS is 2%</p> <p>The Council will continue to set aside a proportion of the new net income generated into an ear-marked reserve. This will be used to provide funding for any future void and rent free periods as well as any repairs/upgrades required to the property to help safeguard the future value of the investment and the rental income stream, thereby minimising the risk of holding these assets and of fluctuations in the income return.</p>	Existing gross rental from commercial property of £2.9m	(500)
2	Commercial property rental income	Additional income already achieved from a commercial property purchased at the start of the 2018/19 financial year along with additional income from rent reviews of the existing property portfolio.	Existing gross rental from commercial property of £2.9m	(212)

3	Citywide Services Income	<p>Increase to the budgeted income from integrated waste management services based on current performance levels:</p> <ul style="list-style-type: none"> • Garden waste income (£33k) • Replacement bin income (£29k) • Recycling credits (£45k) • Contract discount (£75k) • Bulky waste income (£6k) <p>Additional income is partially offset by increased citywide contract costs.</p>	<p>Existing income budgets:</p> <ul style="list-style-type: none"> • Garden waste (£450k) • Replacement bin (£16k) • Recycling credits (£1,055k) • Contract discount (£300k) • Bulky waste (£48k) 	(188)
4	Car park additional income from approved tariff increase	Growth in income associated with tariff reviews and increased usage of Rose Lane car park. Based on current performance.	Existing off-street and multi-storey car park gross income of £5.8m	(130)
5	Office rental	Additional income from the letting of office space above the Rose Lane car park.		(24)
6	Legal profit share	Net increase in income from a higher profit share from Nplaw (legal services) shared service offset against higher legal costs from increased usage.		(13)
7	Planning consultancy income	Increase in budgeted income; planning pre-application consultancy income in line with current performance.	Current income budget of £100k.	(10)
8	Other income	Budget income increases (individually below £5k).		(1)
Total Additional income generation				(1,078)

Service reviews and efficiencies

	Mile Cross Depot Demolition	<p>The Council successfully bid for £980k from the Land Release Fund to clear and decontaminate the Mile Cross site. The grant condition requires this to be used so as to make the site “released” for housing redevelopment by 2020.</p> <p>In September 2018 Council approved the decision to proceed with the demolition of the depot and the decontamination of the site given the lead in time required to procure and undertake the necessary works and the need to have the site cleared and decontaminated by the deadline of 2020.</p> <p>Revenue savings will be made through the exemption from business rates once the site is cleared and also reduced site security.</p>		(122)
	Vacancy factor	<p>In recent years a significant element of the year-end underspends against budget has been due to staff salary underspends. These often arise due to the time lag in recruiting into vacant posts. The vacancy allowance is recognition of this expected underspend at the corporate level. It does not translate into service area targets for holding any vacancies, teams are budgeted for at their full establishment enabling them to recruit to all vacant posts during the year.</p> <p>The increase to the vacancy allowance this year reflects the recent levels of underspend. Within the MTFS the allowance is then slowly reduced over the next three years as the Fit for the Future structures are agreed and implemented.</p>	Increase to the current allowance of £150k.	(200)

	Re-basing of expenditure budgets in line with actual spend	Budget reductions based on expenditure areas with historic levels of underspend. Budgets have been rebased to the current levels of spend. The reductions cover budgets relating to advertising, apprentice levy contribution, City Hall, Lakenham area office, printing, promotions & publicity, staff advertising and taxis.		(120)
	Training costs	Reduction in training budgets in line with past year spend and overall reductions in staff numbers. One-off training needs related specifically to the Fit For the Future work can be funded from the Invest-to-Save earmarked reserve.	Existing general fund budget of £229k. Separate existing HRA budget of £65k.	(56)
	Reduction in contingency	Reduction in the General Fund contingency budget to reflect past years requirements. General reserves also provide additional contingency for any significant unexpected costs.	Existing General Fund contingency budget of £500k.	(100)
	Economic Development	Reduction in the project budget in the economic development team. The budget has tended to be used for one-off pieces of work and been underspent in recent years. Proposed that any specific projects that cannot be funded within the current budget would be subject to a request to the contingency fund.	Reduction in budget from £170k to £114k.	(56)
	CCTV maintenance	Reduction in CCTV maintenance costs following capital investment in equipment.	Existing budget of £65k.	(34)
	Snow clearing	Reduction in snow clearing budgets in line with actual spend in recent years. Any additional costs arising from a severe winter would need to be met from the contingency budget.	Existing budget of £39k.	(29)

	LGSS overhead	Reduction in LGSS overhead cost arising from a change in arrangements for processing external audit costs.	Existing budget of £268k.	(8)
	Other savings	Budget savings (individually below £5k).		(31)
Total Service reviews and efficiencies				(757)

GROSS SAVINGS				(1835)
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	Growth			
	Property rental	Loss of property rental due to planned disposals of lower income -generating property and vacant properties. This is in line with the approved disposal programme and review of the property portfolio.		198
	IT transformation costs	Additional costs to support digital solution investment in IT infrastructure. This will support service redesign and digitalisation (benefits to be identified via customer journey mapping). In the longer term this is designed to enable a full line of business review including the replace / removal of legacy systems.		95
	IT business-as-usual costs	Additional costs associated with Microsoft licences (£50k), the roll out of corporate WIFI across City Hall and The Halls (£23k) and additional annual support costs for a new CCT management systems after the current solution goes end-of-life in 2019 (£15k).		88
	Living wage	The council is committed to paying the living wage as set by the living wage foundation. This is announced in November. The provisional draft budget has assumed a 30p per hour rise. This will be updated for the final costs in the February budget report.		88

	NEWS costs	Additional costs associated with the NEWS joint venture as a result of the exceptional volatility of the recycling markets.	85
	Finance	Commercial Finance Business Partner to be provided via the LGSS contract. The post holder will be expected to play a key role in the Council's commercialisation agenda by providing commercial financial advice to senior officers and project teams and by developing robust Business Cases for possible new income streams.	83
	Working hours changes	Adjustments to salary budgets to match establishment.	42
	Contaminated waste income	Reduction in contaminated waste shared income.	25
	Events storage	Events Team requires storage for a variety of bulky equipment which is essential to the service. Following the clearing of the Mile Cross Site, alternative storage premises are required.	18
	Income from shared post	Removal of contribution from Breckland Council for a support officer in the Citywide team. The post is not currently filled, and the work has gone to Breckland council, therefore no more contribution.	15
	HMO licensing team	Required staffing growth to enable the council to meet its statutory duty to deliver the recently extended statutory HMO licensing scheme. Majority of the costs of these posts are recoverable through the licence fee. The increase is sufficient to cover 2 additional posts. The second post will not be recruited until there is more clarity over the number of licensable HMOs and associated work load in Summer 2019.	10

	Subscriptions	Increased subscription to PS Tax providing advice on a range of tax issues including VAT, stamp duty and corporation tax. Without appropriate tax knowledge there is risk that the council's commercial and redevelopment activities will not be managed for maximum effectiveness and value in regards to tax or incorrect decisions being taken. Additional CIPFA network subscriptions to support the increasing commercialisation strand of the Fit for the Future work stream.	10
	City Hall hire fee income	Reduction in budget for City Hall hire fee income. The £11k target has not been achieved for some years and income is diminishing each year. There is little demand from external parties who are prepared to pay hire fees.	10
	Syrian refugees	In September 2018 Cabinet agreed to support an extension of the existing Syrian vulnerable person's resettlement scheme. As part of this proposed extension, the county council approached the city council about housing a further one hundred refugees over a further two year period through LetNCC. As a result of the extension the maximum contribution of Norwich City Council to the cover any rent shortfall as a result of the benefit cap has increased by £4,300.	4
		Other minor growth (less than £5k individually)	7
Total Growth			778

NET SAVINGS	(1,057)
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Proposed General Fund Capital Programme

Funding	GF Prog	Project	2019/20 (£'000)	2020/21 (£'000)	2021/22 (£'000)	2022/23 (£'000)	2023/24 (£'000)
Capital Receipts /RCCO	General Capital	IT Investment in infrastructure & telephony.	525	295	200	200	200
Capital Receipts /RCCO	General Capital	St Andrews MSCP Roadway Lighting - Installation of replacement LED lighting.	-	30	29	29	29
Capital Receipts /RCCO	General Capital	City Hall Heating System - Replacement of boiler plant & controls.	92	315	-	-	-
Capital Receipts /RCCO	General Capital	Riverbank Stabilisation Yare & Wensum - Including repairs to piling & quay headings.	33	33	33	-	-
Capital Receipts /RCCO	General Capital	Riverside Footpath District Lighting - Installation of replacement LED lighting.	21	21	21	-	-
Capital Receipts /RCCO	General Capital	Non Trafficked Pedestrian Bridges - Major upgrades.	33	33	33	-	-
Capital Receipts /RCCO	General Capital	Strangers Hall Stores Roof - Replacement of existing roof.	28	-	-	-	-
Capital Receipts /RCCO	General Capital	Earlham Cemetery Railings - Replacement of original railings.	-	142	142	-	-
Capital Receipts /RCCO	General Capital	Eaton Park Path Replacement - Replace worn & uneven paths.	45	45	45	45	-
Capital Receipts /RCCO	General Capital	Wensum Park Stone Wall - Replacement of dry stone walls.	20	20	20	-	-
Capital Receipts /RCCO	General Capital	Cemetery Gates - Refurbishment of damaged ornamental gates.	-	28	-	-	-
Capital Receipts /RCCO	General Capital	Community Centres - Electrical, heating lighting upgrades and external joinery repairs.	102	-	-	-	-
Capital Receipts /RCCO	General Capital	Motor Cycle Park - Works to protect concrete deck above public toilets & shops.	39	-	-	-	-
Capital Receipts /RCCO	General Capital	Rosary Cemetery Gate - Refurbishment of ornamental gates and surrounding railings.	-	11	-	-	-
Capital Receipts /RCCO	General Capital	Riverside Leisure Centre Plant - Replacement of heating system plant & equipment.	56	-	264	-	72

Funding	GF Prog	Project	2019/20 (£'000)	2020/21 (£'000)	2021/22 (£'000)	2022/23 (£'000)	2023/24 (£'000)
Capital Receipts/ RCCO	General Capital	CCTV - New CCTV system for public spaces and tower blocks.	24	-	-	-	-
Capital Receipts/ RCCO	General Capital	Grounds Maintenance Equipment	170	-	-	-	-
Capital Receipts/ RCCO	General Capital	City Hall Kitchens & Toilets - Improve kitchen & toilet facilities for staff.	65	54	11	-	-
Capital Receipts/ RCCO/ S106/ Grant	General Capital	Norwich Parks Tennis expansion - Grass court replacement & hard court upgrade.	435	-	-	-	-
Capital Receipts/ RCCO/ Grant	General Capital	Home Improvement Agency Works - Including provision of Disabled Facilities Grants.	1,450	1,450	1,450	1,450	1,450
Capital Receipts/ RCCO/ Grant	General Capital	Earlham Park Toilets - Replacement and provision of disabled facilities.	77	-	-	-	-
Capital Receipts/ RCCO	General Capital	Capital Contingency	150	150	150	150	150
Capital Receipts/ RCCO/ Grant	General Capital	Mile Cross Depot - Demolition and decontamination.	1,425	-	-	-	-
Borrowing	Asset Investment	Property Acquisition - Commercial property acquisition.	25,000	25,000	-	-	-
CIL	S106/CIL/ GNGB	Corporate Infrastructure Levy - Strategic Pool contribution.	1,198	1,019	1,378	1,833	1,770
CIL	S106/CIL/ GNGB	George Fox Way Wooded Area - Hedgerow/access improvements.	3	-	-	-	-
CIL/ GNGB	S106/CIL/ GNGB	Ketts Heights - Restoration of structures. Improved access.	105	-	-	-	-
CIL	S106/CIL/ GNGB	West Earlham Woods - Community led project to improve management.	5	-	-	-	-
CIL	S106/CIL/ GNGB	Netherwood Green - Improve access & biodiversity. Reduce ASB.	29	-	-	-	-
CIL	S106/CIL/ GNGB	Mile Cross Pedestrian & Cycle Links - Enhancements Norman Centre / Mile Cross School	20	-	-	-	-
CIL	S106/CIL/ GNGB	CIL Neighbourhood - Future Programme	-	150	200	200	225

Funding	GF Prog	Project	2019/20 (£'000)	2020/21 (£'000)	2021/22 (£'000)	2022/23 (£'000)	2023/24 (£'000)
GNGP	S106/CIL/ GNGB	Earlham Millennium Green Phase 3 - Path and other access improvements.	18	-	-	-	-
GNGP	S106/CIL/ GNGB	Wensum Park Play Area - Redevelopment including new play equipment.	-	-	115	-	-
GNGP	S106/CIL/ GNGB	CIL Football Pitch Improvements.	40	40	35	-	-
GNGP	S106/CIL/ GNGB	Riverside Walk - Improvements to allow access for all and better wayfinding.	180	-	-	-	-
GNGP/ S106	S106/CIL/ GNGB	Castle Gardens - Restoration and improvement works.	212	-	-	-	-
GNGP	S106/CIL/ GNGB	Yare - Wensum Green Infrastructure - Improved links for walking, cycling & wildlife.	75	95	-	-	-
GNGP/ Grants	S106/CIL/ GNGB	Riverside Walk Adj NCFC - Construction of new cycle/pedestrian route.	-	302	-	-	-
GNGP/ Grants	S106/CIL/ GNGB	UEA to Eaton boardwalk - Extension of existing boardwalk.	90	-	-	-	-
Section 106	S106/CIL/ GNGB	Bunkers Hill - Entrance & path improvements. Tree works.	59	-	-	-	-
Section 106	S106/CIL/ GNGB	Bowthorpe Southern Park - Install new gates and replace fencing.	5	-	-	-	-
Section 106	S106/CIL/ GNGB	St George's open space and play improvements - Redevelopment.	88	100	-	-	-
Section 106	S106/CIL/ GNGB	Wensum Park Play Area - Redevelopment including new play equipment.	62	-	-	-	-
Section 106	S106/CIL/ GNGB	Bowthorpe to Clover Hill Access - Improve pedestrian access from Rayne Park.	69	-	-	-	-
Section 106	S106/CIL/ GNGB	St Stephens Towers Public Realm - City Wall and pedestrian route works.	70	-	-	-	-
Grants	Not controlled	DfT CCAG Safety Schemes - Earlham Road & Fiveways roundabout.	1,360	-	-	-	-
Capital Receipts/ RCCO	Spend to Save	IT Transformation - Digital platform development	200	-	-	-	-
Total Proposed GF Capital Programme			33,676	29,333	4,126	3,907	3,896