NORWICH City Council

Scrutiny committee

Date: **Thursday, 02 February 2023**
Time: **16:30**
Venue: **Council chamber City Hall, St Peters Street, Norwich, NR2 1NH**

All group pre-meeting briefing – 16:00

This is for members only and is not part of the formal scrutiny committee meeting which will follow at 16:30. The pre-meeting is an opportunity for the committee to make final preparations before the start of the actual meeting. The public will not be given access to the Council Chamber before 16:30.

Committee members:

Councillors:
Wright (Chair)
Brociek-Coulton (Vice chair)
Carlo
Driver
Fulton-McAlister (M)
Galvin
Huntley
Osborn
Padda
Stutely
Thomas (Va)
Thomas (Vi)
Young

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Information for members of the public

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Agenda

EXEMPT ITEMS:

(During consideration of these items the meeting is not likely to be open to the press and the public.)

To consider whether the press and public should be excluded from the meeting during consideration of an agenda item on the grounds that it involves the likely disclosure of exempt information as specified in Part 1 of Schedule 12 A of the Local Government Act 1972 or it being confidential for the purposes of Section 100A(2) of that Act.

In each case, members are asked to decide whether, in all circumstances, the public interest in maintaining the exemption (and discussing the matter in private) outweighs the public interest in disclosing the information.

Page nos

***8 Exempt minute**

- This report is not for publication because it would disclose information relating to the financial or business affairs of any particular person (including the authority holding that information) as in para 3 of Schedule 12A to the Local Government Act 1972.

Date of publication**: Wednesday, 25 January 2023**

NORWICH City Council

Item 3

MINUTES

Scrutiny Committee

16:30 to 18:25 **8 December 2022**

Present: Councillors Wright (chair), Brociek-Coulton (vice chair), Carlo, Champion (substitute for Osborn), Driver, Fulton-McAlister (M), Galvin, Thomas (Va) and Thomas (Vi)

Apologies: Councillors, Huntley, Osborn, Padda, Stutely and Young

(Also present Councillor Kendrick, cabinet member for resources).

1. Declarations of interest

Councillor Thomas (Va) declared an other interest in relation to item 5 (below) in that he was employed by Norfolk Community Law Service.

2. Minutes

RESOLVED to agree the accuracy of the minutes of the meetings held on 13 October 2022 and 17 November 2022.

3. Exclusion of the public

RESOLVED to exclude the public from the meeting during consideration of item *7 (below) on the grounds contained in the relevant paragraphs of Schedule 12A of the Local Government Act 1972 (as amended).

*4. NRL Business Plan 2023-2033

(This item was taken first).

(An exempt minute exists for this item).

(Cllr Fulton-Mc-Alister joined the meeting at this point).

Following discussion a member moved a motion to move to the next item and this was seconded. With 6 voting in favour and 4 against it was:

RESOLVED to note the Norwich Regeneration Ltd business plan 2023-2033.

(The public were readmitted to the meeting at this point).

5. Recommendations from the update on debt advice and support services

The chair noted that recommendations on debt advice and support services had been postponed from the last meeting of scrutiny committee.

RESOLVED to recommend to cabinet:

1) That the council maintains a 100% Council Tax reduction scheme;

2) That the council maintain its financial support of the Financial Inclusion Consortium;

3) That cabinet lobbies against the punitive elements of the benefit system such as the recovery of overpayments and the Spare Room Subsidy;

4) That the council campaigns to encourage everyone to claim what benefits they are entitled to;

5) That officers circulate a list to councillors of any additional subsidiary advice agencies that could assist residents;

6) That council tax and housing benefit letters when revised are brought to scrutiny committee to be reviewed and that partners such as the tenant improvement panel, leaseholder group, Citizens Advice Bureau and Norfolk Community Law Service are consulted on changes;

7) If collected, that information as to why households fall into debt is provided; and

8) Illustrate how many people access debt information and by what means; in person, online or by telephone.

6. Update from the NHOSC representative

The council's representative on the Norfolk Health and Overview Scrutiny Committee presented the update from the meeting held on 10 November 2022.

RESOLVED to note the update of the NHOSC meeting held on 10 November 2022.

7. Scrutiny Committee work programme 2022-23

Members discussed the work programme and in particular the scope regarding 'welcoming immigrants, refugees and asylum-seekers to Norwich'. The monitoring officer advised regarding the item on Green Financing scheduled for January that UK100 had offered to attend the meeting virtually and committee could hold an informal meeting for this item. Following discussion it was:

RESOLVED to:

1) Ask the committee officer to bring a terms of reference for ‘welcoming immigrants, refugees and asylum-seeker to Norwich’ to the January meeting of scrutiny committee; and

2) Note that the Equality Information report will move to the January meeting of scrutiny committee.

CHAIR

NORWICH City Council

Item 4

Committee name: Scrutiny

Committee date: 02/02/2023

Report title: The council's 2023/24 budget and medium-term financial strategy

Portfolio: Councillor Kendrick, cabinet member for resources

Report from: Interim S.151 Officer

Wards: All wards

OPEN PUBLIC ITEM

Purpose

The scrutiny committee meeting of 2 February 2023 will carry out pre-scrutiny of the council's proposed budgets for 2023/24.

The purpose of the meeting is to comment on the proposed budget papers for 2023/24; and make recommendations to cabinet regarding the proposed budgets' ability to deliver the council's overarching policy framework (as proposed in the corporate plan 2022-2026).

Council will be meeting to set the budgets for the financial year 2023/24 on 21 February 2023.

The principles of budget scrutiny are provided in this report. Committee members are reminded of the link between the proposed corporate plan 2022-2026 and the need to set a budget capable of delivering this.

Recommendation:

To determine any recommendations to cabinet on the proposed budgets for 2023/24.

Policy framework

The council has five corporate priorities, which are:

- People live independently and well in a diverse and safe city.
- Norwich is a sustainable and healthy city.
- Norwich has the infrastructure and housing it needs to be a successful city.
- The city has an inclusive economy in which residents have equal opportunity to flourish.
- Norwich City Council is in good shape to serve the city.

This report meets all corporate priorities.

This report helps to meet the securing the council’s finances objective of the COVID-19 Recovery Plan and provides the resources required to deliver the wider aims and objectives of the Plan.

Report details

The legal framework for financial scrutiny

1. Local Government Act 2000 – "it is the responsibility of the full council, on the recommendations of the executive (cabinet), to approve the budget and council tax demand. The role of scrutiny in the financial process is to hold the executive (cabinet) to account and to ensure that decisions are in the best interests of the community. Some scrutiny of budget setting and other financial planning processes is therefore essential".

2. All members of the council need to have an understanding of how council spending matches against the priorities of the organisation set out in the corporate plan. As elected councillors, members need to ensure that budget will enable the council to deliver them effectively.

3. The budget is drawn up in line with the council's corporate plan, which is the overarching policy framework for the council.

The role of budget pre-scrutiny

4. The scrutiny committee should seek to test, check, and evaluate the proposed budget through challenge. This may, if necessary, lead to advice and recommendations to the cabinet. The cabinet can use this as part of the testing of their proposed budget.

Key question

5. Will the budget as presented deliver the council's proposed corporate plan 2022-2026? By the process of overview, the scrutiny committee will need to check that the budget plans are robust and realistic.

6. Over the course of the year scrutiny committee members monitor certain aspects of service delivery and performance against funding and at times review certain specific services. All corporate performance data reports are on the council's website. Members of the scrutiny committee should review this quarterly and identify any issues that require further scrutiny.

Effective pre budget scrutiny

7. Effective pre-budget scrutiny involves:

    a) checking that financial planning and the draft budget is sufficient to deliver the council's draft corporate plan;
    b) reviewing the draft budget to ensure that it is consistent with the council's commitments and spending plans;
    c) reviewing proposals within the draft budget and service review programme relating to savings or growth in line with the financial plan.

8. The relevant draft cabinet papers are appended to this report.

Consultation

9. Details against this requirement are provided in the draft Cabinet Cover Report. Implications

Financial and resources

10. Any decision to reduce or increase resources or alternatively increase income must be made within the context of the council's stated priorities, as set out in its Corporate Plan 2022-26 and budget.

11. Details against this requirement are provided in the draft Cabinet Cover Report.

Legal

12. Details against this requirement are provided in the draft Cabinet Cover Report.

Statutory considerations

Consideration	**Details of any implications and proposed measures to address:**
Equality and diversity	Details against this requirement are provided in the draft Cabinet Cover Report.
Health, social and economic impact	Details against this requirement are provided in the draft Cabinet Cover Report.
Crime and disorder	Details against this requirement are provided in the draft Cabinet Cover Report.
Children and adults safeguarding	Details against this requirement are provided in the draft Cabinet Cover Report.
Environmental impact	Details against this requirement are provided in the draft Cabinet Cover Report.

Risk management

13. Details against this requirement are provided in the draft Cabinet Cover Report.

Other options considered

14. The Council has a legal duty to set a balanced budget before the statutory deadline. The recommendations are to allow effective pre-scrutiny of the budget. Reasons for the decision/recommendation

Background papers: None

Appendices:

- Budget Cabinet – Cover Report (draft)
- Section 1: Local Government Finance
- Section 2: General Fund – MTFS and 2023/24 Budget
- Section 3: HRA 2023/24 Budget
- Section 4: Capital and Commercial strategy (Incl. Capital Programme)
- Section 5: Treasury Management Strategy
- Section 6: Summary of Key Financial Indicators
- Section 7: Chief Finance Officers Statement
- Section 8: Financial Glossary
- Section 9: Equality Impact Assessment

Contact officer: Interim Head of Finance, Audit and Risk (Section 151 Officer)

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IN TRAN communication for all	If you would like this agenda in an alternative format, such as a larger or smaller font, audio or Braille, or in a different language, please contact the committee officer above.

Committee Name: Cabinet

Committee Date: 08/02/2023

Report Title: The council's 2023/24 budget and medium-term financial strategy

Portfolio:	Councillor Kendrick, cabinet member for resources
Report from:	Interim Head of finance, audit and risk (Section 151 officer)
Wards:	All Wards

OPEN PUBLIC ITEM

Purpose

To consider proposals for the council's 2023/24 budget (general fund, HRA and capital programme) along with the council's medium-term financial plans and the treasury management strategy.

Recommendation:

Cabinet is asked to:

a) Note the 2023/24 budget proposals and the Medium-Term Financial Strategy.

b) Note the budget consultation process that was followed and consider, as part of finalising the 2023/24 budget proposals for Council, the feedback as outlined in Section 2, Appendix 2 (I).

c) Note the Section 7 report of the chief finance officer on the robustness of the budget estimates, the adequacy of reserves, and the key financial risks to the council.

d) Note that the Council Tax resolution for 2023/24, prepared in accordance with Sections 32-36 of the Local Government Finance Act 1992 as amended by the Localism Act 2011, will be calculated, and presented to Council for approval once Norfolk County Council and the Office of the Police and Crime Commissioner for Norfolk have agreed the precepts for the next financial year.

Cabinet is asked to recommend to Council to approve:

General Fund

i. The council's net revenue budget requirement as £19.041m for the financial year 2023/24 including the budget allocations to services shown in Section 2, Appendix 2 (C) and the savings and growth proposals set out in Section 2, appendices 2 (F) and 2 (G).

ii. An increase to Norwich City Council's element of the council tax of 2.99%, meaning that that the Band D council tax will be set at £288.59 (Section 2, paragraph 2.17) with the impact of the increase for all bands shown in Section 2, Appendix 2 (E).

iii. The prudent minimum level of reserves for the council as £5.400m (Section 2, paragraph 2.38).

iv. Delegation to the chief finance officer (S151 Officer), in consultation with the portfolio holder for resources and the portfolio holder for safe, strong and inclusive neighbourhoods, the award of any new business rates reliefs announced by government using discretionary relief powers.

v. The following additional Council Tax premiums be determined from 1 April 2024 (Section 2, paragraphs 22-26), or as soon as possible thereafter, subject to the required legislation being in place:

- 100% premium for second homes;
- 100% premium for properties which have been empty and unfurnished for a period of between 1 and 5 years.

vi. Delegation to the chief finance officer (S151 Officer) in consultation with the portfolio holder for resources inclusion of any minor changes consequent on the publication of the final local government settlement or subsequent additional grant allocations.

vii. Delegate to the chief finance officer (S151 Officer) the approval of technical virements for general fund, housing revenue account and capital budgets, to make budget transfers where there is no underlying change in the budget intention.

viii. Delegate to the chief finance officer (S151 Officer) the approval of adjustments to the 2023/24 revenue and capital budgets to reflect the inclusion of expenditure in line with the UK Shared Prosperity Fund grant.

Housing Revenue Account

ix. The proposed Housing Revenue Account gross expenditure budget of £71.540m and gross income budgets of £77.070m for 2023/24 (Section 3, paragraph 3.25).

x. The use of the estimated surplus of £5.530m along with a further £1.210m of HRA general reserves to make a revenue budget contribution of £6.740m towards funding the 2023/24 HRA capital programme (Section 3, paragraph 3.25).

xi. A 7.0% increase in dwelling rents for 2023/24, in accordance with the government cap. This will result in an average weekly rent increase of £5.85 for Norwich social housing tenants (Section 3, paragraphs 3.30 to 3.36).

xii. That garage rents increase by 10.1%, based on CPI in September 2022 (Section 3, paragraph 3.37).

xiii. That the setting of tenants' service charges is delegated to the executive director of community services in consultation with the portfolio holder for Social Housing after engagement with tenant representatives (Section 3, paragraph 3.38)

xiv. The prudent minimum level of Housing Revenue Account reserves as £5.848m (Section 3, paragraph 3.55 and table 3.4).

xv. The use of £0.500m of the HRA underspend in 2022/23, to increase an existing earmarked reserve formed to fund costs associated with HRA service transformation linked to a programme of review and improvement, with the release of funds being approved in accordance with paragraph 26 of the Council's Financial Regulations.

Capital and Commercial Strategy

xvi. The proposed general fund capital programme 2023/24 to 2027/28 (2023/24: £28.545m; 5 years: £48.543m) and its method of funding as set out in Section 4, table 4.2, table 4.4 and Appendix 4 (B).

xvii. The proposed HRA capital programme 2023/24 to 2027/28 (2023/24: £35.606m; 5 years: £182.181m) and its method of funding as set out in Section 4, table 4.2, table 4.5 and Appendix 4 (B).

xviii. The capital strategy, as required by CIPFA's Prudential Code.

xix. Delegating to Cabinet, approval to include in the capital programme, additional capital schemes funded wholly by grant where it meets the Council's aims.

xx. Delegating to the chief finance officer in consultation with the executive director of development and city services and executive director of community services, approval of adjustments to the 2023/24 and future capital programmes to reflect the funding requirements of projects funded from the Towns' Deal and UK Shared Prosperity Fund (UKSPF).

Treasury Management Strategy

xxi. The borrowing strategy 2023/24 through to 2027/28 (Section 5, paragraphs 5.25 to 5.29).

xxii. The capital and treasury prudential indicators and limits for 2023/24 through to 2027/28 contained within Section 5, paragraphs 5.29 to 5.59 and table 5.3, including the Authorised Borrowing Limit for the council.

xxiii. The Minimum Revenue Provision (MRP) policy statement described in paragraphs 5.38 to 5.42 and contained in Appendix 5 (Section 5)

xxiv. The (financial) Investment Strategy 2023/24 including changes to counterparty limits (Section 5, paragraphs 5.69 to 5.104).

Summary of key financial indicators

xxv. Additional indicators for 2023/24 through to 2027/28 as contained in section 6.

Policy Framework

The Council has five corporate aims, which are:

- Aim 1 - People live independently and well in a diverse and safe city.
- Aim 2 – Norwich is a sustainable and healthy city.
- Aim 3 – Norwich has the infrastructure and housing it needs to be a successful city.

- Aim 4 – The city has an inclusive economy in which residents have equal opportunity to flourish.
- Aim 5 – Norwich City Council is in good shape to serve the city.

This report is relevant for all five corporate aims.

This report helps to meet the securing the council’s finances objective of the COVID-19 Recovery Plan and provides the resources required to deliver the wider aims and objectives of the Plan.

Report Details

Background

1. Like all local authorities, Norwich City Council continues to face substantial financial challenges. Following on from a sustained period of austerity, the council is facing increasing demand for local services and significant inflationary rises in costs. The wider economic situation is putting huge financial pressures not just on council resources, but those of partners, local businesses, and residents, particularly the most vulnerable. The council also continues to manage the ongoing risk and uncertainty over future funding.
2. It is within this context and financial uncertainty that the council has developed the budget options for 2023/24 and its approach to ensuring a sustainable medium term financial strategy.
3. Nevertheless, the council's ambition for Norwich is undiminished. In February 2022, Full Council approved the Corporate Plan 2022-26. That document sets out the vision for the city and for the council over the next four years. It is also shaped by the Norwich 2040 City Vision. The corporate plan provides a framework for the decisions taken - how we prioritise and how we allocate the resources we have available to achieve these priorities.
4. A key priority in the corporate plan is putting the council on a sustainable financial footing and delivering services effectively and efficiently. Future budget decisions will need to balance delivering on the ambition and priorities of the council whilst ensuring the authority remains financially sustainable over the medium and longer term. As part of delivering this priority, it is important to ensure the continuous review and development of the council's medium-term financial strategy. This then informs the options and decisions for delivering balanced and sustainable budgets over the next four years and beyond.
5. The council is ambitious and wants to make a real difference to both the physical fabric of the city and to the lives of residents who live and work here. But given the financial constraints the council is unable to fund all the investment required itself and, in some cases, there will be other groups and sectors better placed to lead the response to the challenges and opportunities ahead.
6. The council will therefore work with others to secure investment in the city's future and deliver the ambitious shared vision for Norwich, acting as an "enabler" or "catalyst" for change, and ensure that its own resources, particularly its capital investment, are flexed as far as possible to deliver the key outcomes set out in the Corporate Plan.

Summary

7. This report sets out 2023/24 budget proposals across the General Fund, the Housing Revenue Account and the capital programme along with medium term expenditure and financing plans. It updates the report considered by cabinet in December 2022 which formed the basis for developing options to address the budget gap identified at that time.
8. This report also provides an update on the implications from the recent Provisional Local Government Financial Settlement and the results of the

public consultation on the general fund revenue and capital budgets for 2023/24.

General Fund

9. The Chancellor's Autumn Statement confirmed the scale of the financial challenges in the coming years, with significant tightening of departmental spending especially in the latter years of the spending review period. Much of this will be through not uprating funding allocations in line with inflation for all departments and the prioritisation of areas such as defence spending and the NHS, giving rise to real terms spending reductions for other areas of public services. The details of the provisional local government finance settlement are outlined in Section 1.

10. The pressures of the current inflationary levels are having a huge impact on council budgets, with funding not keeping pace with the rises in expenditure budgets, meaning that the council will not receive adequate resources to cover its costs over the medium term.

11. To balance the provisional general fund budget for 2023/24, £5.527m of savings and income proposals have been identified, the full detail of which is provided in Section 2 of the report, subject to consultation where appropriate.

12. Given the lack of clarity on future local government funding, particularly from April 2025, local authorities have no reliable basis on which to appropriately plan their medium-term budgets as it is unclear how much funding there will be, how it will be distributed, and the means of delivery particularly the extent to which some will be conditional or subject to bidding processes. This makes financial planning over the medium term very difficult.

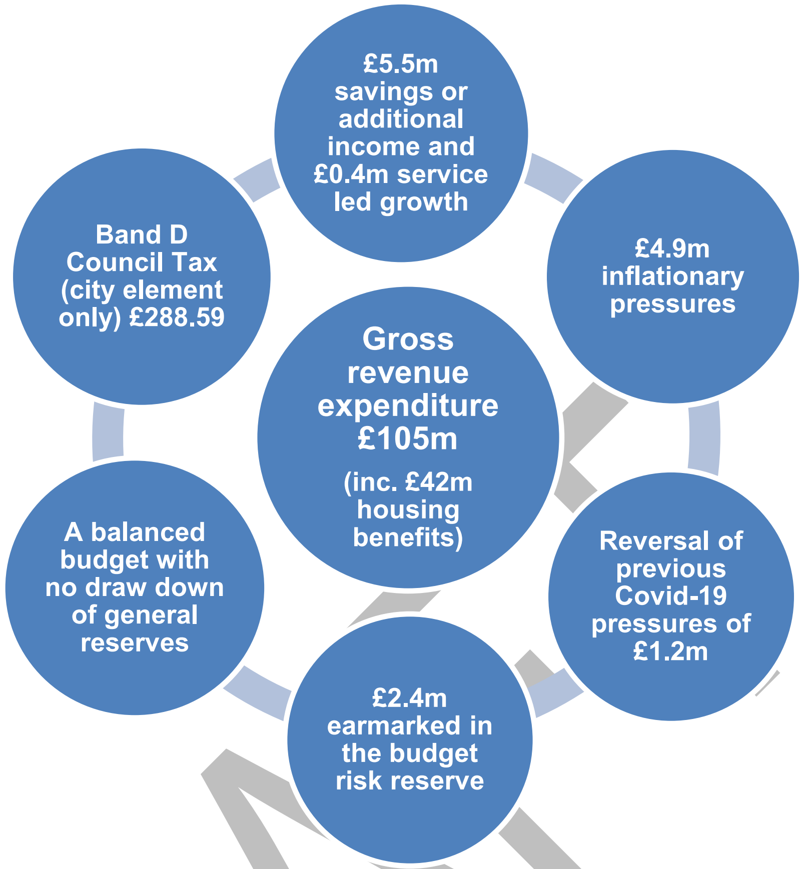
13. Consequentially, the forecasts for 2025/26 onwards in the MTFS are not to be taken as robust figures and they are largely based on the current status quo continuing, particularly concerning government grants and how much business rates income the government allows the city council to retain in the future. These forecasts will be monitored and adjusted at least annually in line with further detail from Government about future funding for the sector.

14. Current forecasts, given the caveats highlighted above, show that a further £5.593m of gross savings will need to be found from the general fund over the three-year period from 2024/25. This level of savings represents a further 9% of the 2023/24 provisional gross expenditure budget (excluding the housing benefits budget).

15. It is important to note that the council's approach to business planning and setting its budget annually – and its approach over the medium term – seeks to take a holistic approach to ensure that adequate resources are allocated to priority services. As well as identifying opportunities for efficiencies through service change and income generation, our approach to business planning also seeks to identify service areas which require increased funding to respond to increased demand or other pressures such as inflation.

16. Through this approach, the council identifies areas which might require increased resources because they are a particular priority or because current resources are insufficient to deliver the quality of service required. The increasing cost of housing benefit to the council, above the level of government subsidy, is an example of this which has been highlighted through the council's budget monitoring processes in 2022.

Chart 1: Key figures in 2023/24 proposed general fund revenue budget



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

17. As the council takes decisions about how to achieve the required savings it will need to consider the balance not only between how savings are made – for instance, savings to workforce, suppliers and assets – but also the relative balance between spending reductions and increased income.

18. As part of the Future Shape Norwich programme, focus areas have been identified which have the potential to improve service delivery, operational efficiency and/or support the financial sustainability of the council. These themes cover:

- Contract reform
- Commercialisation
- Driving value from our assets
- Growth and regeneration
- Service redesign
- Workforce, culture and organisational development

19. Workstreams have been set up to support these key themes with business cases being developed for options spanning the period of the medium-term financial plan. The aim of the reviews is to improve the overall efficiency and effectiveness of service delivery to avoid a reliance on service cuts to balance the budget. However, given the scale of the challenge, reductions to some services cannot be ruled out.

20. The council will plan to implement these savings in a controlled manner and by taking a strategic approach and doing whatever it can to avoid a short-term approach. It has prudently built-up general fund reserves in recent years, both purposefully and through in-year underspending of the approved budget. These can be used to partially fund the budget in a planned way over the next four financial years or to support the costs of making the changes required, until the reserves are forecast to reduce gradually towards the minimum prudential level as recommended by the chief finance officer.

Housing Revenue Account (HRA)

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

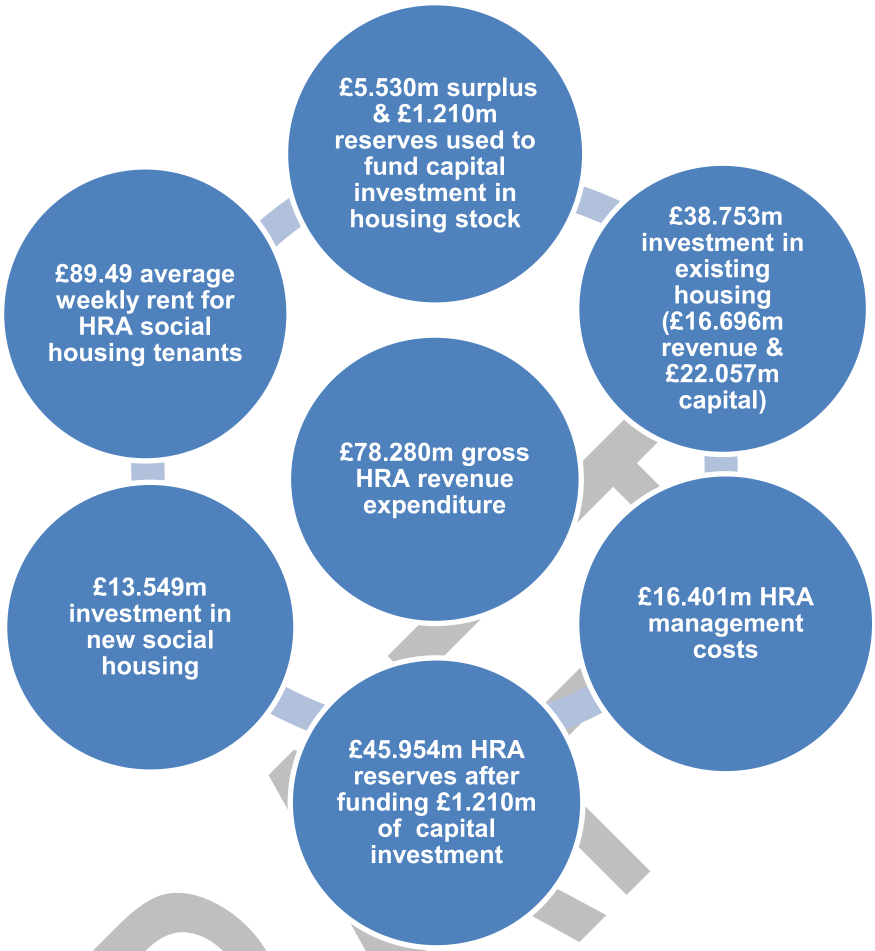
22. Although the HRA is in a relatively stable position in the short-term, there are future pressures and competing priorities for the budget linked to the council's ambitions around continuing to develop high quality new council housing and maintaining and renewing existing homes. The HRA has also lost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

23. Additionally, there continues to be potential risks to rental income streams arising from the roll out of Universal Credit and the Right-to-Buy legislation.

24. The HRA is forecast to make a surplus of income over expenditure of £5.530m in 2023/24 and it is proposed to use this surplus along with £1.210m of reserves to fund capital investment in new social housing.

25. The direction on the Rent Standard 2019 enables authorities to increase rent annually by up to CPI (Consumer Price Index) as at the preceding September plus 1%. In September 2022, CPI increased to 10.1% which would have resulted in a rent increase of 11.1%, however as part of the Autumn Statement, the government capped social housing rent increases for 2023/24 at 7% which would result in the average HRA rent increasing to £89.49. The increase in rents is necessary to fund the council's future ambitions to continue to build new council homes in response to demand and the increasing need to invest in existing homes.

Chart 2: Key figures in 2023/24 proposed HRA Business Plan



Capital Programme

26. The council's proposed capital investment programme for 2023/24 is £64.151m, with £230.724m to be invested in housing and infrastructure over the five years of the programme. An illustration of some of the key projects and programmes are given in charts 3 and 4 and the detail can be found in Appendix 4 (B).

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

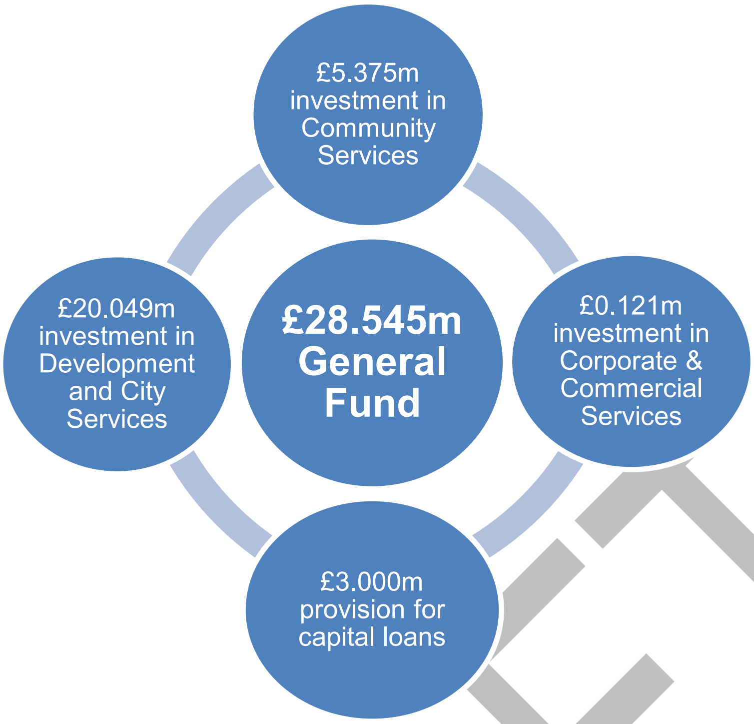
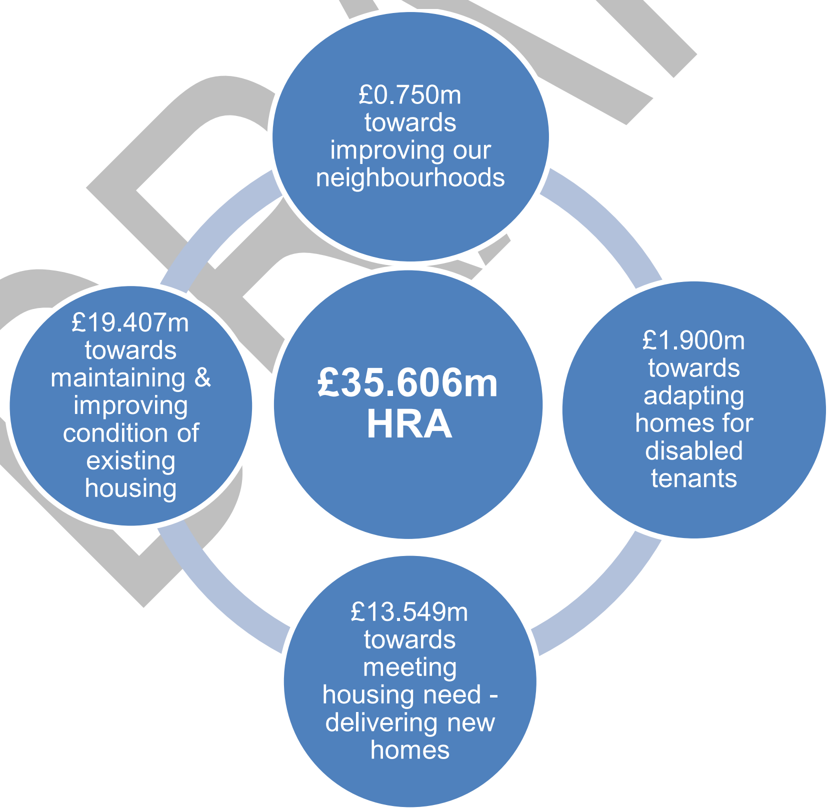


Chart 4: Illustration of proposals within the HRA capital programme



Equality Impact of budget proposals

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

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

28. An overall Equality Impact Assessment is contained in Section 5. Equality Impact Assessments for specific proposals will be developed as proposals are being finalised. This ensures that the impact is understood and mitigating actions that minimise disadvantage and tackle inequality are identified where possible. There may be some proposals that have implications for council employees for which details of consultation or Equalities Impact Assessments cannot be published owing to data protection or employment legislation.

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

The council's overall financial position

30. The council has a strong balance sheet and owns over £1 billion of long-term assets (mostly land and property). In addition, it has significant reserves both for the general fund and HRA (see tables 2.3, 2.4 and 3.3).

31. The council's general fund services are under the most financial pressure, both for revenue and capital expenditure. The huge uncertainties surrounding the changes in the local government finance regime hinder robust forward financial planning for the general fund.

32. Total commercial income will equate to 14% of the general fund's net revenue stream for 2023/24 (table 6.3). To smooth any potential short term revenue losses associated with these commercial activities, income is set aside in earmarked reserves to mitigate against the risks.

33. The council's policy for using borrowing as a means of funding capital expenditure is also described in Appendix 4 (C). Essentially the council will only borrow money (increase its capital financing requirement) in cases where there is a clear financial benefit, such as a new income stream or budget saving, that, at the very least, will fund the costs arising from the borrowing (interest and MRP costs).

The council's approach to financial planning

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

    - A prudent rather than optimistic assessment of future resources and unfunded cost pressures.
    - An approach which identifies and funds pressures in priority services alongside the identification of opportunities for savings and increased investment and makes resources available to invest in services which require it.
    - A prudent and planned use of general reserves to fund expenditure and an annual risk-based assessment of the minimum amount of reserves the council should hold (minimum prudent level).
    - The setting aside of some of the net income arising from commercial property investment into an earmarked reserve to mitigate against the risks inherent in holding these assets.

- A prudent approach to the amount of reserves held from Collection Fund surpluses given the inherently volatile nature of business rate collection and the impact of Covid on both business rates and council tax collection rates.
- A prudent approach in estimating future income from business rates and council tax, and the growth in the tax bases, given that changes to the local government funding regime could impact on the former, and both taxes may be affected by uncertainties surrounding the country's macro-economic position and its potential impact on the local economy.
- A maximisation of external funding that meets the council's priorities.
- The holding of relevant contingency budgets at the corporate level to help ensure the council does not overspend in any one year.
- The full integration of revenue, capital, and treasury management decision making processes to ensure (a) the revenue implications of capital projects are accurately reflected in the MTFS and the annual budget, and (b) the authorised borrowing limit is sufficient to fund the council's capital plans whilst being prudent, affordable, and sustainable.
- The inclusion of the costs of external borrowing to fund capital projects (interest and MRP costs) into the revenue budget, even if in practice the expenditure is temporarily funded from internal borrowing (use of the council's cash holdings).

Contents of this budget report

35. The council's budget and finances are becoming increasingly complex and to understand the full picture Members and key stakeholders need to appreciate the distinctions between revenue and capital expenditure, general fund and the Housing Revenue Account, and the different funding sources and constraints for each, whilst at the same time recognising that they all interconnect and impact on the council's balance sheet position, its cash flows and future borrowing requirements.
36. In addition, regulatory codes of practice require Members to form views on the council's proposed approach to commercial investments, its lending to third parties including its wholly owned subsidiary companies, and its equity investments whilst understanding financial indicators showing the risks, proportionality and affordability of the commercial activities being proposed.
37. This report comprises a series of interlinked and comprehensive papers setting out proposals for the 2023/24 budget along with medium term expenditure and financing plans across the whole of the city council's activities. Members may wish to consider each section in turn. A brief explanation of the contents is shown below.

1: Local Government Finance Settlement

This gives a summary of the provisional local government finance settlement.

2: General Fund 2023/24 budget and MTFS

This sets out the proposed general fund revenue budget and its financing for 2023/24, including the proposed Council Tax for 2023/24, along with a forecast of the medium-term position.

3: Housing Revenue Account 2023/24 Budget and Business Plan

Contains expenditure and income proposals that relate to the ownership and management of the council's social housing stock, including 2023/24 rental charges for tenants.

4: Capital and Commercial Strategy (including capital programme)

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

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

5: Treasury Management Strategy

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

6: Summary of key financial indicators

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

7: Chief Finance Officer's Statement

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

8: Financial glossary

The budget papers by their very nature contain technical financial terms and concepts. An attempt is made in the glossary to explain these.

9: EQIA

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

Consultation

38. In line with the approach used in previous years, citizens, partners, and local businesses have been consulted on the proposed approach to meeting the savings target for 2023/24 and the proposed council tax level.

39. The council carried out an online budget consultation survey which closed on 20 January 2023.

40. Appendix 2 (I) provides further detail on the results of the online budget consultation responses.

41. Tenant Involvement Panel representatives were consulted on the proposed rent increase at a meeting on 18th January 2023. The impact was discussed with concerns raised regarding the effect of an increase on those struggling financially in the current climate, particularly considering the rising cost of living. However, the panel recognised that increases are inevitable if the level of investment in existing and new homes is to be maintained and endorsed the proposed rent increase in line with the Rent Standard 2019.

42. In accordance with the recommendations in this report, levels of tenants' service charges are usually determined by officers under delegated powers, in consultation with the portfolio holder and after engagement with tenant representatives.

Implications

Financial and Resources

43. Any decision to reduce or increase resources or alternatively increase income must be made within the context of the council's stated priorities, as set out in its proposed Corporate Plan 2022-26 and Budget.

44. This report presents the council's proposed 2023/24 budgets across all its activities along with its medium-term financial strategy. The financial implications of these proposals are given throughout the report.

Legal

45. There is a statutory duty to consult on the Council's budget with business ratepayers (S65 Local Government Finance Act 1992). It is also considered best practice to seek broader views through meaningful consultation with service users, residents, and partners. Further duties to consult on specific proposals impacting users, including staff and unions also exist prior to implementation.

46. The Council has a legal duty to set a balanced budget before the statutory deadline. The Council's legal service has had opportunity to review all proposed budgetary savings and, as appropriate, outline specific legal requirements that will require consideration as savings proposals are implemented.

47. The Council's Chief Finance Officer (S151) has a duty to report to Council on the adequacy of its reserves and the robustness of its budget estimates before the final decisions are taken on the budget and setting of the council tax.

Statutory Considerations

48. The proposed budget 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 will continue to be carried out at an appropriate time for the individual projects, activities and policies that constitute this budget and service review programme.

Consideration	Details of any implications and proposed measures to address:
Equality and Diversity	Equality Impact Assessments are required for any specific budget proposals and the impact of the totality of all measures. The overarching assessment is included in Section 7.
Health, Social and Economic Impact	Budget savings and investment proposals including capital investments are likely to have economic impacts on the area.
Crime and Disorder	No specific crime and disorder impacts are considered to arise from the Council's budget setting processes.
Children and Adults Safeguarding	No specific safeguarding issues are considered to arise from the Council's budget setting processes.
Environmental Impact	The proposed capital investment strategy will provide for improvements to the council's assets and the surrounding environment.

Risk Management

49. The budget paper clearly outlines several financial risks to the council, some of which have increased considering changes to the wider economic environment.

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

a) Maintaining earmarked reserves, established to help mitigate risk, including:
- The budget risk reserve to manage the financial risks associated with both the continuing impacts of the pandemic and the delivery of the 2023/24 budget savings.
- The business change reserve to fund costs linked to the council's change programme.
- The commercial property reserve to manage the risks and costs associated with holding commercial property.
- The Norwich Regeneration Limited reserve to mitigate financial risks from lending to the council's wholly owned company.

b) The maintenance of a Prudent Minimum Level of General Fund reserve.

c) The requirement to produce robust business cases for large capital projects (many of which will generate returns or savings) before a project commences.

Reasons for the decision/recommendation

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

Background papers: None

Appendices:

- Section 1: Local Government Finance Settlement
- Section 2: General Fund – MTFS and 2023/24 Budget
- Section 3: HRA 2023/24 Budget
- Section 4: Capital and Commercial strategy (Incl. Capital Programme)
- Section 5: Treasury Management Strategy
- Section 6: Summary of Key Financial Indicators
- Section 7: Chief Finance Officers Statement
- Section 8: Financial Glossary
- Section 9: Equality Impact Assessment

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1. Local Government Finance

1.1 On 17th November 2022 the government announced its Autumn Statement, a six-month update on the Spring Budget. The Chancellor set out three priorities for the government's budget - stability, growth, and public services. Details of the statement and the associated Economic & Fiscal Report from the Officer of Budget Responsibility were outlined in the Budget Update report to Cabinet in December.

Provisional Local Government Settlement

1.2 Following the autumn statement and subsequent policy statement on local government financing (12 December 2022), the provisional local government finance settlement was announced on 19 December 2022.

1.3 There is still some uncertainty for 2024/25, so, despite commentary about greater certainty, this is not a fixed two-year settlement.

1.4 The policy statement gave local authorities advanced notice of the principles that ministers would use in both the 2023/24 and 2024/25 local government finance settlements. The subsequent provisional finance settlement has set out more detail on the assumptions and the individual funding allocations for Norwich.

1.5 **Council Tax.** The core referendum limit for increases in council tax will be up to 3% from 2023/24.

1.6 Alongside the settlement, there will be £100 million new council tax support funding for local authorities to support the most vulnerable households in England with council tax payments. Funding has been allocated to councils based on their share of local council tax support claimants, with Norwich City Council receiving an allocation of £347,698. The Government expects local authorities to use the majority of their funding allocations to reduce bills for current working age and pension age Local Council Tax Support (LCTS) claimants by up to £25. Councils can use their remaining allocation as they see fit to support vulnerable households with council tax bills.

1.7 **Business Rates.** The decision to freeze the business rates multiplier will be fully funded, and, from 2023/24 onwards, compensation to authorities for under-indexation would be paid based on Consumer Price Index (CPI) (10.1%) rather than the Retail Price Index (RPI) (12.6%).

1.8 Although the business rates multiplier is "frozen" (it remains at 49.9p), the multiplier contains (a) a reduction to reflect increases in rateable values in the 2023 Revaluation and (b) an offsetting uplift for inflation (3.74%).

1.9 Compensation to authorities will be part-paid via an uplift to Baseline Funding Level (BFL) (3.74%), with the remainder paid via cap compensation section 31 grant. In Norwich the impact of moving certain properties to the central list (Virgin cabling) has been compensated for through the tariff calculation.

1.10 **Core Spending Power:** A new grant has been created to ensure every authority has an increase in Core Spending Power (CSP) of at least 3%. This new guarantee is funded from the Lower Tier Services Grant (LTSG) and the reduced cost of New Homes Bonus (NHB). The increase in CSP for

Norwich is 4.7% - one of the lowest of all councils and below the average 5% for district councils. The all-English authorities average is 9.2% and the District Council's Network (DCN) are proposing to comment on this disparity as part of consultation.

1.11 Grants worth £238m have been rolled into the settlement in 2023/24. Two have been rolled into RSG (£78m): Family Annex Council Tax Discount Grant and LCTS Administration Subsidy grant. The rolling in of these grants has been reflected in the guarantee baseline.

1.12 New Homes Bonus (NHB) will continue for one, or perhaps two, more years, but there will be no more legacy payments. The cost of NHB will fall from £556m in 2022/23 to £291m in 2023/24. A decision on whether NHB will continue into 2024/25 will be made before next year's settlement. In Norwich the value of the NHB fell by around £0.5m because growth, at 0.36%, did not meet the 0.4% disregard on growth; this cliff edge is a significant issue for the council. As NHB was included in the 3% guarantee calculation, the majority of the lost grant has been replaced via that mechanism but that now becomes a critical feature for the council in 2024/25.

1.13 Revenue Support Grant (RSG) has been increased for inflation at 10.1%.

1.14 There is still some uncertainty for 2024/25, so, despite commentary about greater certainty, this is not a fixed two-year settlement. We do not yet know the future of NHB, or on any funding guarantee for 2024/25. More importantly, we do not yet know the level of inflation next September or whether ministers will decide to freeze the business rates multiplier again.

2. GENERAL FUND 2023/24 BUDGET AND MTFS

Forecast 2022/23 Outturn

2.1 The latest position on the General Fund, as at Quarter 3 shows a forecast underspend of £1.764m.

2.2 Most of the underspend has been generated within corporate finance, where a significant increase in the level of interest generated by the council's day to day cash investments continues to be seen. This is due to the increase in interest rates and the relatively high cash balances as capital expenditure has slipped; the capital receipt from the sale of Norwich airport industrial estate has been received and the externalisation of some debt which took place last year when interest rates were lower. Once the impact of the additional treasury management income is removed services overall are showing a broadly balanced position.

2.3 In the updates to the medium-term financial strategy in this report, it has not been assumed that the Q3 forecast underspend level is returned to general fund reserves, rather it is expected that any costs of implementing the council's change programme incurred in 2022/23 will have first call on the final underspend, with the remainder being allocated to the Business Change Earmarked Reserve to assist in the future funding of those costs. The final proposed approach will be set out for members once the outturn position is known.

Proposed 2023/24 Revenue Budget

2.4 Appendix 2 (A) summaries the key movements in the base budget (i.e. from the 2022/23 approved budget) to arrive at the proposed 2023/24 budget. Appendix 2 (B) shows a subjective breakdown of the gross income and expenditure proposed.

2.5 Following the December budget report to Cabinet there are several areas where the proposed budget figures have been updated based on additional information being available and the refinement of budget options. The main areas of change are:

- An additional £0.389m of inflationary costs, including higher expected costs in relation to the waste and recycling contract and an allowance for any further emerging general inflationary pressures.
- Additional business rates income £0.687m following confirmation from government on the council's business rates baseline level and updated analysis on forecast taxbase revenues.
- A reduction in proposed savings of £0.131m reflecting minor amendments to the savings figures following review and refinement, in particular the final confirmation from the pension fund of the profile of costs savings resulting from pre-payment of the secondary element of the council's pension contribution.
- A reduction in grants of £34k following the provisional local government finance settlement.
- A reduction of £135k following the updates to internal recharges.

Savings, growth and investment

2.6 Permanent savings or additional income of £5.5m have been identified. Overall, this is slightly lower than the savings target of £6.2m identified in the MTFS update presented to Cabinet in July 2022. However, other updates to the MTFS assumptions, such as the higher increase in council tax receipts and lower permanent growth, means that the provisional budget shows a balanced position, with no requirement to draw down on general reserves. A detailed summary of the proposed budget savings and growth is shown in Appendices 2 (F) and 2 (G).

2.7 Included within the savings figure are amounts relating to updated assumptions on the council's borrowing costs (£1.4m) and the income generated from the council's cash investments (£1.7m). The loan interest budget for 2023/24 assumes that maturing loans can be refinanced at lower rates based on the current borrowing rate forecasts, thereby reducing the overall costs to the council. As set out in paragraph 2.2 the council is also benefiting from the increases in interest rates on its cash balances and this is expected to continue to benefit the budget position in 2023/24. The improvements in these budgets are expected to reduce over the medium term as borrowing and interest rates stabilise and then fall, and this has been incorporated into the medium-term financial projections on a prudent basis.

2.8 The savings options for 2023/24 have been proposed from service areas and reviewed by the council's newly constituted Design Authority which includes representation from strategy and transformation, finance, HR, IT, procurement and legal. Proposals have then been reviewed by the Corporate Leadership Team to assess the deliverability and impact against the corporate plan. Service leads have completed outline or full business cases as appropriate for each option which include deliverability assessments for savings items as well as setting out key milestones, resource requirements and risks.

2.9 In line with the approach used in previous years, the council has consulted the public on the proposed approach to setting the budget and on the proposals for a council tax rise. The consultation closed on 20 January 2023. An analysis of the results is given in Appendix 2 (I) and will provide useful feedback as the council shapes its future budget proposals. The consultation found that 50% of people agree or strongly agree with the proposed council tax increase, while 61% of people either agree or strongly agree with continuing to provide council tax relief at 100 per cent for those working age residents on low incomes.

2.10 The budget proposals include £0.401m of permanent budget growth (i.e. increases to the budget not arising from inflationary factors). The full list is shown in Appendix 2 (G). At this stage, the budget options are proposals, some of which will be subject to further consultation exercises before implementation.

2.11 The 2022/23 budget included a £1.2m allowance for the continuing impacts of Covid-19, around the council's car parking and rental income levels. These have been fully reversed in the provisional 2023/24 budget on the assumption that these budgets are able to recover to pre-pandemic levels.

2.12 There is investment of £0.955m from the business change, invest to save and commercial property earmarked reserves to support specific projects in 2023/24. The full detail is shown in Appendix 2 (H).

Inflation

2.13 The increasing inflation levels have placed additional pressures on the council's finances. £4.9m of inflationary costs have been incorporated into the 2023/24 proposed budget across pay, utilities and other contract costs.

2.14 The council's pay structure is primarily based on national negotiating body pay spines and nationally negotiated settlements. The process has not concluded for the 2023/24 financial year and therefore an estimate of payroll inflation at 4% has been included within the proposed budget. Given that pay costs form a significant proportion of the council's budget and the uncertainty over future pay awards, this is a key budget risk.

2.15 Many of the council's contracts have inflationary increases incorporated within them and therefore the significant increases in CPI and RPI measures has created a clear pressure on the budget position. Inflationary increases have been applied across the council's main contracts based on relevant CPI levels, although there remains a risk that further cost pressures emerge as contracts come up for re-tender.

Council Tax & Business Rates

2.16 Any increase in the level of council tax is limited by referendum principles, which for a district council have been set at a maximum of up to 3% for 2023/24.

2.17 A 2.99% increase to the Band D rate is proposed in the 2023/24 budget figures (£0.320m additional income). The proposed 2023/24 Band D rate is therefore £288.59 compared to the current year rate of £280.21 – an increase of £8.38. This is for the Norwich City Council share of total council tax only and does not include the amounts added from preceptors - Norfolk County Council and the Office of the Police and Crime Commissioner for Norfolk. Appendix 2 (E) shows the proposed increases by each Council Tax band.

2.18 The figures shown will be reduced, for qualifying council taxpayers, by the council's Council Tax Reduction Scheme (CTRS). Currently the total cost of the CTR scheme is £14.4m, of which the Norwich share is around £1.9m.

2.19 The current estimate of the Council taxbase is 38,260 (Band D equivalent properties) which combined with the Band D rate above gives an expected income of £11.041m in 2023/24.

2.20 The 2023/24 amount of retained business rates has been budgeted at £7.613m along with a forecast deficit distribution from 2020/21, 2021/22 and 2022/23 of £0.132m after allowing for transfers to the S31 earmarked reserve. The transfers to the reserves are to offset the timing differences created as a result of changes in the relative proportions of income received as business rates payments or government S31 grant in 2021/22 and 2022/23 compared to the initial estimates. A breakdown of the business rates calculation is shown in Appendix 2 (E). On 22 September 2022, all Norfolk local authorities confirmed to MHCLG an intention to create a

Norfolk business rates pool in 2023/24 – further detail on this was provided in the budget report to Cabinet in December.

2.21 There remains a financial risk on business rates income from the impact of valuation appeals and allowance for a contribution to an appeals provision is also included in the forecasts and reviewed annually.

Council Tax Premiums

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

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

2.24 The Government has confirmed that billing authorities that wish to adopt any changes arising from the Bill are required to make a Council resolution confirming their requirements at least 12 months prior to the financial year in which the changes will come into effect; meaning that the Bill will need to obtain Royal Assent prior to 1 April 2023 in order to adopt the changes for the year commencing 1 April 2024.

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

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

Grants

2.27 The Provisional Local Government Financial Settlement was released on 19 December 2022 providing details on the grant funding levels for the council in 2023/24. The key elements of the settlement are outlined in Section 1 of the budget report, including details of a new 'guarantee' grant to ensure all councils have an increase of at least 3% to their core spending power.

2.28 Overall, as shown in the table below for the confirmed grants there is a £34k reduction. The new guarantee grant has been vital in offsetting the reduction in New Homes Bonus (NHB) allocation for 2023/24. The value of NHB has reduced by £0.5m from the prior year because Norwich's percentage growth in housing stock of 0.36% fell below the national baseline for the bonus of 0.4%. There is still uncertainty over the future of NHB beyond 2023/24, creating a clear risk to the council's future funding levels when the funding guarantee mechanism may also not be in place.

2.29 In previous versions of the MTFS, it had been assumed the council would see a reduction of one-third in its core un-ringfenced grants; this was based on the understanding future funding for the sector may be prioritised towards authorities with adult social care responsibilities when the resource need assessment was updated.

	December Report £000	Provisional Settlement £000
Revenue Support Grant	(225)	(491)
New Homes Bonus	(491)	(45)
Lower Tier Services	(268)	-
Services Grant	(272)	(233)
Local Council Tax Support Admin	(250)	-
Housing Benefit Admin Grant	(491)	(546)
Funding Guarantee Grant	-	(653)
Business Rates cost of collection allowance	(268)	(264)
	(2,266)	**(2,232)**

Budget Risks

2.30 At this stage, the combination of uncertainty over the government financial settlement, wider economic conditions, service pressures and the level of savings to be delivered, means the level of risk associated with the provisional budget is higher than usual. Some of the key risks are outlined below which will continue to be closely monitored. The council holds a budget risk reserve (current balance £2.4m) to provide resilience against emerging pressures and delays in the delivery of savings.

- **Savings delivery & cost of change.** The budget includes £5.5m of savings and income proposals for delivery in 2023/24. This is a significant undertaking and will require resources (e.g. project management, backfill, redundancy costs) to implement successfully. Delays in the implementation timelines will impact on the deliverability of savings in next financial year. To facilitate delivery a corporate change team has been set up to co-ordinate and programme manage the full range of projects. Close monitoring of delivery will be undertaken, and any financial risks managed within year or through the strategic use of reserves.

- **Inflation.** The scale of volatility in inflation, including the scale of increases in gas and electric costs, means forecasts are subject to change. The Office for Budget Responsibility in its November 2022 update noted that, given the number of recent changes in fiscal policy and the volatility in financial and energy markets, the range of external forecasts for CPI and GDP is wide. There is also uncertainty over the level of pay award and the impact of an additional 1% above our budget assumption would add around £0.240m of additional cost.

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

- **Service Pressures.** The economic situation is putting huge financial pressures on local businesses and residents, particularly the most vulnerable. It is likely that service demand pressures will emerge in the coming months for example through the council's homelessness service. It may also impact on council income streams and the levels of council tax and business rates collected, coming on top of the previous Covid-19 challenges.

- **Parking Agreement.** Under an agreement with Norfolk County Council, Norwich City Council delivers a range of parking services on city roads including permit parking, controlled parking extensions, tariffs and enforcement activity for on-street parking and bus lanes. The County Council has been undertaking an options appraisal for the future delivery arrangements for on-street parking and enforcement.

  A proportion of costs are charged to the County Council as part of the agreement. This includes the direct costs of the enforcement team as well as corporate overheads to reflect the roles of support services (primarily customer contact) in delivering the requirements of the agreement. When a decision is notified to us from the County Council about the future operating model and timeline for implementation, the full cost implications on the council will need to be assessed.

Chart 2.1: 2023/24 provisional gross expenditure budget by type of spend

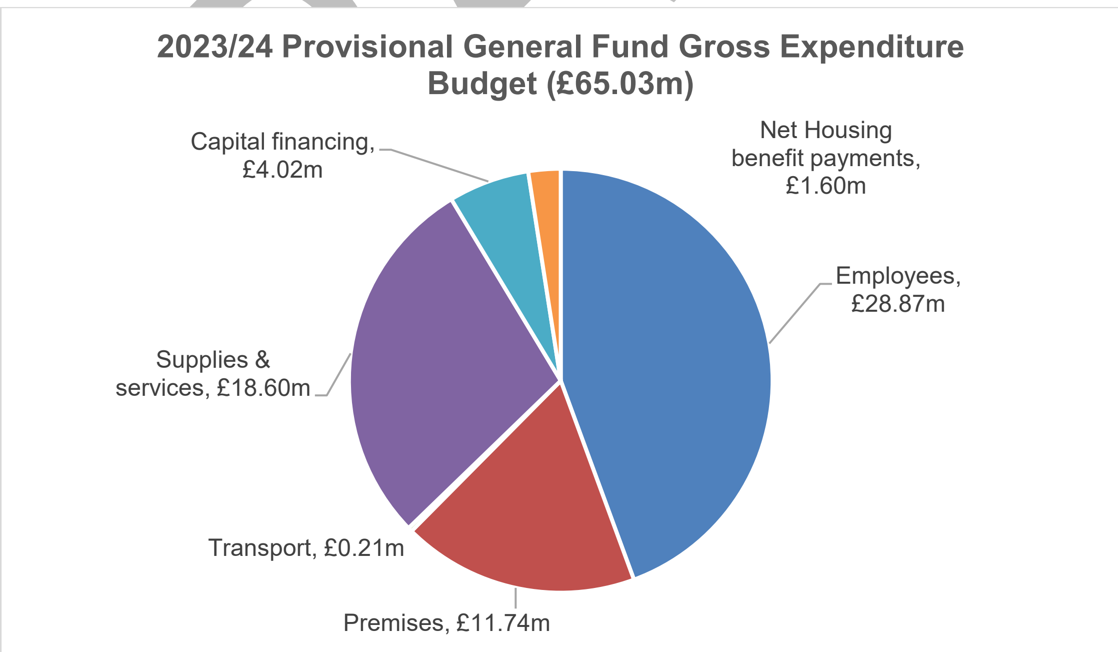
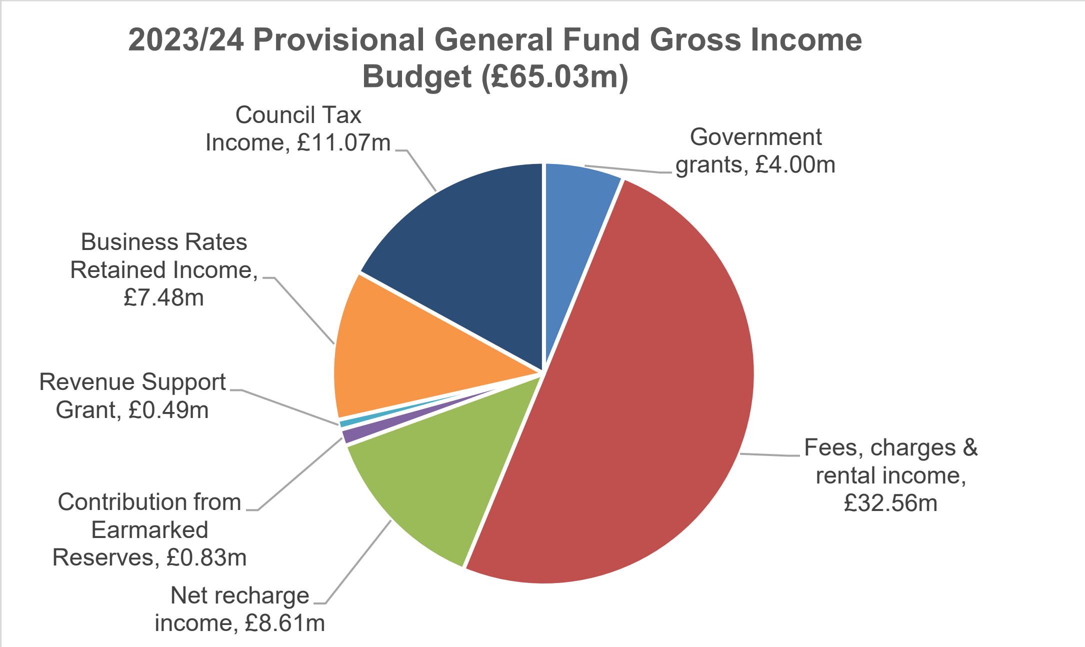


Chart 2.2: 2022/23 provisional gross income budget by type of income



Medium Term Financial Strategy (MTFS)

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

2.32 The July MTFS update identified a savings requirement of £10.953m over the four-year period to 2026/27 (Table 2.1). The updated MTFS is showing a savings requirement over the same period of £11.1m, of which £5.5m has been identified and incorporated into the 2023/24 budget proposals. This leaves a forecast requirement to deliver a further £5.6m of savings by 2026/27 (Table 2.2). The full MTFS by subjective group is shown in Appendix 2 (D).

2.33 Detail on the key assumptions in the MTFS was provided in the Budget Update Report to Cabinet in December 2022.

Table 2.1: July 2022 Medium Term Financial Position – Figures are in £000s

	2023/24	2024/25	2025/26	2026/27
Budget base	23,684	19,589	21,090	21,131
Resources	(17,484)	(18,458)	(19,024)	(19,575)
Savings required (in-year)	**6,200**	**1,131**	**2,066**	**1,556**
Savings required (cumulative)	**6,200**	**7,331**	**9,397**	**10,953**

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

	2023/24	2024/25	2025/26	2026/27
Budget base	19,041*	22,565	21,641	22,641
Resources	(19,041)*	(19,851)	(20,410)	(20,991)
Contribution from reserves	0			
Savings required (in-year)	**0**	**2,713**	**1,230**	**1,650**
Savings required (cumulative)	**0**	**2,713**	**3,944**	**5,593**

* Includes £5.527m of savings – see Appendix F

2.34 The council has identified a range of potential future savings of £6.692m against the revised cumulative target of £5.593m. These are provisional options and are still subject to a full budget validation process. All options will continue to be refined as part of future corporate business planning processes.

2.35 It is important at this stage that the provisional options identified exceed the target for several reasons. Firstly, it allows for options to be reviewed and feedback from the public consultation to shape the future budget direction. Secondly, as the options are still subject to a full validation process it is likely that the savings figures may evolve and change as this work is completed. Lastly, there is a high degree of risk associated with the MTFS projections especially around government funding from 2025/26 onwards considering the fiscal challenges outlined in the Autumn Statement. It is therefore important the council has plans that can flex to the financial position as a clearer view emerges.

MTFS Risks & Uncertainties

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

- Future funding levels given the clear message in the Autumn Statement about the need to reduce public spending and the prioritisation of local government funding to address challenges in adult social care.
- Uncertainty over future inflationary levels and impacts on council expenditure.
- The quantum of the savings to be delivered and the associated costs to enable the required changes.
- Capital requirements arising from the ongoing strategic review of the council's asset portfolio.
- Uncertainty over the cost implications of delivering the council's net zero carbon objective.
- Impacts of future government policies e.g. National Waste Strategy, Planning White Paper, Levelling up and local government reorganisation.

General Fund Reserves Position

The General Fund reserve

2.37 The prudent minimum level for the general fund reserve has been reviewed for 2023/24 by the Chief Finance Officer and has been set at £5.4m; an increase over the 2022/23 level of £5.1m and reflecting the overall rise in the council budget requirement and other relevant factors.

Table 2.3: Estimated General Fund reserves position (Figures are in £000s)

	2022/23	2023/24	2024/25	2025/26	2026/27
Brought forward	**(10,336)**	**(8,236)**	**(8,236)**	**(8,236)**	**(8,236)**
Transfers (to)/from	2,100	0	0	0	0
Carried forward	**(8,236)**	**(8,236)**	**(8,236)**	**(8,236)**	**(8,236)**

* Note the opening 2022/23 reserve balance is still subject to the finalisation of the 2021/22 external audit process.

2.38 The forecast reserves position incorporates the budget contribution from reserves for 2022/23 (£2.1m) and assumes a balanced budget in 2023/24. This would leave general reserves at £8.2m which is above the prudent minimum level of £5.4m.

2.39 On the basis that provisional options have been identified to close the budgetary shortfall in the years 2024/25 to 2026/27 no further drawn downs from general reserves are currently forecast. If the timetable for savings delivery changes to mean identified amounts cannot be delivered until later in the MTFS period, there is capacity to utilise up to £2.8m of additional reserves (down to the prudent minimum level) in the short term to support the budget position. Reserves are however a one-off source of funding and therefore this is not sustainable in the long term but could be considered where there is a clear and robust plan to address the budget shortfall.

Earmarked Reserves

2.40 The General Fund holds several earmarked reserves which are held for specific purposes. The balances held in earmarked reserves are regularly reviewed to assess whether the funds are held at an appropriate level. The key reserves are summarised in Table 2.4.

Table 2.4: General Fund earmarked reserves (Figures are in £000s)

	Actual 31 March 2022	Forecast 31 March 2023	Forecast 31 March 2024
Invest to Save Reserve To support the delivery of savings and efficiencies through the Future Shape Norwich Programme.	2,011	1,513	1,097
Budget Risk Reserve To manage the financial risks associated the delivery of the budget savings identified.	2,391	2,391	2,391

	Actual 31 March 2022	Forecast 31 March 2023	Forecast 31 March 2024
Business Change Reserve To fund costs linked to the council's change programme which are not delivering specific savings, for example project management, benchmarking and potential redundancies. It will also support training and development of our workforce to ensure we have the skills required to deliver the ambitions of the Council.	1,577	986	234
Commercial Property Reserve Established to reduce the risks associated with holding commercial property by providing funding for any future void and rent-free periods as well as repairs and upgrades to the investment portfolio.	2,490	1,480	1,353
Insurance Reserve This is to cover the excesses carried in respect of claims under various insurance policies and is subject to annual actuarial review.	1,133	1,133	1,133
Norwich Regeneration Ltd Reserve Originally established to smooth any fluctuations in net income received by the Council from lending to NRL. The reserve level was increased in 2019/20 to mitigate against any potential future Minimum Revenue Provision charges required to cover for estimated non-recovery of the loan balance. The recoverability of the loan will continue to be reviewed and should any element of the reserve not be required it can be returned to general reserves.	2,700	2,050	1,400

	Actual 31 March 2022	Forecast 31 March 2023	Forecast 31 March 2024
S31 Grant Reserve Unutilised balance of S31 grant monies received in prior years from Central Government to fund Business Rates reliefs. The reserve was increased in 2021/22 due the additional grant income received to compensate the council for additional business rates reliefs announced by HM Treasury as part of the Covid-19 response. This will be returned to the general fund over the following years to match the timing of the related collection fund deficits.	11,645	629	2,277
Revenue Grants Unapplied Holds grants and contributions received which have yet to be applied to meet expenditure. The use of the balance is restricted and can only be used to fund the specific service area awarded the grant income. The majority of the balance is made up of Section 106 contributions which are released each year to support the maintenance costs on specific assets.	4,477	3,674	3,374
General Fund Repairs Reserve To provide future funding for required maintenance on general fund properties. £0.2m budgeted to be used in 2021/22 to fund required property maintenance.	600	475	475

	Actual 31 March 2022	Forecast 31 March 2023	Forecast 31 March 2024
Business Rates Pool Reserve The council received a distribution of £0.675m from the Norfolk Business Rates Pool as agreed by Norfolk Leaders. It is set aside in this reserve to support future spend in line with the economic development objectives of the fund.	675	110	110
Other minor reserves	150	150	150
Total	**29,849**	**14,591**	**13,994**

Appendix 2 (A): Movements from the approved 2022/23 base budget

	£000
2022/23 Budget Resources	**(17,713)**
Budget movements:	
Increase in business rates income	(582)
Increase in council tax income	(481)
Movement in revenue support grant	(266)
2023/24 Budget Resources	**(19,041)**

2022/23 Budget Requirement	**17,713**
Budget movements	
Reverse prior year contribution from reserves	2,100
Reversal of one-off items in the 2022/23 budget	(528)
MTFS movements	87
Inflation	4,893
Reduction in grant income	563
Other movements and recharges	(679)
Permanent growth Appendix 2 (G)	401
Permanent savings & additional income Appendix 2 (F)	(5,527)
Short term growth	18
New service investment from earmarked reserves	999
Earmarked reserve transfers to meet service investment	(999)
Revised 2023/24 Budget Requirement	**19,041**

Appendix 2 (B): 2023/24 provisional budget by subjective group

Subjective group	Budget 2022/23 £000	Budget 2023/24 £000	Movement £000
Employees	30,224	28,865	(1,359)
Premises	10,489	11,744	1,255
Transport	249	209	(40)
Supplies & services	17,779	18,598	819
Housing benefit payments	41,492	41,639	147
Capital financing	4,377	4,016	(361)
Gross expenditure	**104,610**	**105,071**	**461**
Government grants	(44,845)	(44,037)	808
Fees, charges & rental income	(27,683)	(32,558)	(4,875)
Net recharge income	(10,051)	(8,606)	1,445
Gross income	**(82,579)**	**(85,201)**	**(2,622)**
Contribution from General Reserves	(2,100)	0	2,100
Contribution to/from Earmarked Reserves	(2,218)	(829)	1,389
Total Budgetary Requirement	**17,713**	**19,041**	**1,328**

Explanation of key variances:

- Employee costs have decreased by £1.359m. Although the 2023/24 employee budget includes inflationary adjustments for salaries and on-costs (£2.0m), the transfer of some property services employees directly into the Housing Revenue Account (£1.7m which would previously have been a recharge) combined with other service review impacts and reductions in pension deficit costs has resulted in an overall net decrease in costs.
- The premises increase in costs is primarily due to significant inflationary increases, in particular in relation to gas, electric and insurance costs.
- Fees, charges and rental income has increased mainly as a result of the prior year Covid-19 growth being reversed (£1.2m) and additional interest of cash investments (£3.8m). A share of the additional interest is recharged to the Housing Revenue Account (£2.1m) which can be seen in the reduction in net recharge income line.
- The reduction in the contributions from reserves is due to being able to balance the 2023/24 budget without support from general reserves. The contribution from earmarked reserves reflects the current allocations as detailed in Appendix 2(H).

Appendix 2 (C): 2023/24 provisional General Fund budget by service

	Gross Expenditure £000	Gross Income £000	Net Expenditure £000
Chief Executive	**267**	**0**	**267**
Corporate Financing	**2,517**	**(6,828)**	**(4,311)**
Corp & Commercial Services Management	476	0	476
Finance, Audit & Risk	2,005	(1,139)	866
HR & Organisational Development	1,241	(504)	737
Legal & Procurement	3,153	(1,371)	1,782
Revenues & Benefits	44,659	(41,381)	3,278
Total Corporate & Commercial Services	**51,534**	**(44,395)**	**7,139**
Community Services Management	407	0	407
Customers, IT & Digital	8,396	(3,026)	5,370
Strategy, Engagement & Culture	3,990	(1,297)	2,693
Housing & Community Safety	6,868	(5,663)	1,205
Total Community Services	**19,661**	**(9,986)**	**9,675**
Development & City Services Management	556	0	556
Environment Services	18,553	(14,324)	4,229
Planning & Regulatory Services	4,439	(2,041)	2,398
Property & Economic Development	7,543	(7,626)	(83)
Total Development & City Services	**31,091**	**(23,991)**	**7,100**
Total General Fund	**105,070**	**(85,200)**	**19,870**
Contribution from General Reserves	0	0	0
Contribution from Earmarked reserves	0	(829)	(829)
Contribution to Earmarked reserves	0	0	0
Budget Requirement	**105,070**	**(86,029)**	**19,041**

Revenue Support Grant		(491)	(491)
Business Rates Retained Income		(7,480)	(7,480)
Council Tax Income		(11,070)	(11,070)
Budget Resources		**(19,041)**	**(19,041)**

Note: Corporate financing includes interest costs, minimum revenue provision, New Homes Bonus, Council Tax Support Admin Subsidy Grants and contingency.

Appendix 2 (D): Breakdown of MTFS by subjective group

	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000
Employees	28,865	29,239	29,591	30,523
Premises	11,744	12,271	12,362	12,447
Transport	209	210	210	211
Supplies & Services	18,597	18,814	18,955	19,097
Capital Charges	4,016	3,404	2,991	2,866
Housing Benefit Payments	41,639	40,466	39,589	39,024
Benefit Subsidy	(40,036)	(38,358)	(37,148)	(36,186)
Net recharge income	(8,605)	(8,215)	(8,215)	(8,215)
Contribution to Capital	0	0	0	0
Fee, charges, rental income	(32,558)	(31,892)	(31,209)	(30,966)
New Homes Bonus	(45)	(45)	(45)	(45)
Benefit/CTS Admin grant	(665)	(599)	(539)	(485)
Other Government Grants	(3,291)	(3,186)	(3,187)	(3,186)
Earmarked reserves transfer	(829)	(44)	0	0
Assumed growth cumulative	0	500	1,000	1,500
Subtotal budgets (no savings)	**19,042**	**22,565**	**24,355**	**26,585**

Business Rates	(7,480)	(7,772)	(7,839)	(7,906)
Formula Funding (RSG)	(491)	(491)	(491)	(491)
Council Tax	(11,070)	(11,589)	(12,081)	(12,595)
Total funding	**(19,041)**	**(19,852)**	**(20,411)**	**(20,992)**

Budget Gap	**0**	**2,713**	**3,944**	**5,593**

Appendix 2 (E): Calculation of retained Business Rates income and Council Tax

A. Business Rates Retained Income

	£000
Retained Income (including S31 grants for reliefs)	(7,889)
Less: Levy to the Norfolk Pool for economic development & pooled growth	276
Plus: Net surplus distribution 2020/21 – 2022/23	(4,353)
Less: Transfer to S31 grant from earmarked reserves	4,485
Total Business Rates Income 2023/24	**(7,481)**

B. Council Tax Calculation 2023/24

	No.	£
Budgetary requirement		**19,041,562**
- Revenue Support Grant		(490,604)
- Business Rates Distribution		(7,481,452)
= Council tax requirement		**11,069,506**
- Surplus on collection fund 2022/23		(28,053)
=Total Council tax income		**11,041,453**
Band D Equivalent properties		38,260
Council tax (Band D)		**288.59**

C. Norwich City Council tax increase 2022/23 to 2023/24, Bands A to H

Band	A	B	C	D	E	F	G	H
2022/23	**£186.81**	**£217.94**	**£249.08**	**£280.21**	**£342.48**	**£404.75**	**£467.02**	**£560.42**
Increase	£5.58	£6.52	£7.44	£8.38	£10.24	£12.10	£13.96	£16.76
2023/24	**£192.39**	**£224.46**	**£256.52**	**£288.59**	**£352.72**	**£416.85**	**£480.98**	**£577.18**

Appendix 2 (F): 2023/24 list of proposed budget savings/increased income

Theme	Directorate	Description	2023/24 £000	2024/25* £000	2025/26* £000	2026/27* £000	TOTAL
Efficiencies, funding changes and budget rebasing	Community	Detailed line-by-line review of budgets	182	9	4		195
	Community	Review of shared amenities recharge to the HRA for maintenance on communal areas.	120				120
	Community	Additional grant income to support private sector leasing team for its role in housing refugees.	24				24
	Community	Reduction in the costs of the Citizen magazine through a review of frequency and combining with tenant magazine.	25				25
	Community	Move Community Enabling team to (50:50) HRA/GF split, supporting delivery of tenant engagement requirements of Housing White Paper		135			135
	Corp & Commercial	Detailed line-by-line review of budgets Key items: • £83k reduction in added-years pension payments • £100k Reduction in insurance settlements budget in line with historic trends	293	25	95	15	428
	Corp & Commercial	Assumed future reduction in the general fund contingency level (currently £400k)			25	25	50

Theme	Directorate	Description	2023/24 £000	2024/25* £000	2025/26* £000	2026/27* £000	TOTAL
	Development & City	Detailed line-by-line of utilised budgets and rebasing of income budgets based on historic levels. Significant items are: • Recycling credits income rebasing • Garden waste income rebasing	468	27	2	2	499
Service Reviews	Community	Efficiencies from the implementation of the customer and digital strategy from improved processes and channel shift.	112	160			272
	Community	Community Services – service reviews	85	284	45		414
	Community	Removal of Big Boom fireworks from the events calendar.	33				33
	Cross-cutting	Enabling services – to assess how we can generate efficiencies through sharing of administrative functions and delivering of benefits from investment in corporate systems.	25	44	35	35	139
	Corp & Commercial	Corporate & Commercial Services – service reviews	95	241	128	43	507
	Development & City	Development & City Services – service reviews	293	37	157	120	607
Fees & Charges	Community	The Halls – increased income assumptions after market analysis		10	138		148
	Community	Additional income through external hire of open spaces and sponsorship opportunities	30	20			50

Theme	Directorate	Description	2023/24 £000	2024/25* £000	2025/26* £000	2026/27* £000	TOTAL
	Corp & Commercial	Income generation through operation of an assessment centre and selling learning and development places to other local authorities.		7	5	5	17
	Development & City	HMO licence fee increase based on 5yr licences	20				20
	Development & City	Expansion of charges for Parking in parks – charges for parking in parks to be extended to car parks that have suitable infrastructure and space	10	10			20
	Development & City	Review of Car Parking charges – charges will be reviewed to reflect the current market		480	360	120	960
	Development & City	Review of markets income in line with lease terms	61	38			99
	Development & City	Migrate all Garden Waste customers to Direct Debit payment	21				21
	Development & City	Align Allotment Rents to ensure that service is cost neutral		10			10
	Development & City	Street Traders' Licences. This proposal would seek to increase the number of licences issued and review the tariff based on independent benchmarking.		49	49		98
	Development & City	Planning fee increase (legislatively set fees)		140			140

Theme	Directorate	Description	2023/24 £000	2024/25* £000	2025/26* £000	2026/27* £000	TOTAL
	Development & City	Increase in cost recovery position of service through improvements in working practices and refocus of staff time.			30	100	130
	Development & City	Introduction of food safety pre-inspection audits	10	20	24	26	80
	Development & City	Introduction of additional HMO licensing scheme			60		60
Contracts & External grants	Community	IT contract saving through reduce reliance on NDL middleware and rationalisation of licences.		65	81	4	150
	Community	The council funds a commissioned countywide service - Norfolk Integrated Domestic Abuse Service (NIDAS). Revised approach reviews other contract costs.	38	23			61
	Community	Review of external grant levels.	57	23			80
	Corp & Commercial	Reduction in external costs by HR guidance on a like-for-like in house solution.		14			14
	Development & City	Review of NCSL environment contract specification.	198	198	396	419	1,211
	Development & City	Review of waste and recycling collections – savings to be delivered through increased efficiencies of collection service and options for back-office efficiencies.		256	164		420

Theme	Directorate	Description	2023/24 £000	2024/25* £000	2025/26* £000	2026/27* £000	TOTAL
Asset Management	Development & City	Commercial approach to generate electrical energy which can be sold back to the grid.		100			100
	Development & City	Estimated longer term savings from move to community centre leases		16	49		65
	Development & City	Rental income from Old Carrow House following refurbishment as part of the Towns Fund project – income following associated capital expenditure to bring the building back into use.	50	50			100
	Development & City	Advertising - Roll out of advertising on vacant land in prominent locations to generate income. £50k a target estimate for year 1 but would require more research to firm up options and target.		50			50
	Development & City	Gypsy and Traveller Site Management – resulting from a change in provider of site management		50			50
	Development & City	Review use of corporate buildings.			1,000		1,000
	Development & City	Upgrade of district light network to LED thereby reducing energy and repair costs.		70			70
	Development & City	A review of commercial opportunities within environment services.		72	156	156	384
Taxation	Corp & Commercial	Additional Council Tax income from introducing a premium of 100% on second homes.		185			185

Theme	Directorate	Description	2023/24 £000	2024/25* £000	2025/26* £000	2026/27* £000	TOTAL
Treasury & debt management	Corporate financing	Improved income returns on council cash investments.	1,773				1,773
	Corporate financing	Reduction in interest costs as borrowing refinanced at maturity at lower interest rates.	1,423				1,423
	Corporate financing	Prepayment of the council's pension deficit payment - all three years paid over to the pension fund in 2023/24 realising a cash reduction in overall contributions.	81				81
		Estimated HRA recharge impact		(227)	(108)	36	(299)
			5,527	**2,691**	**2,895**	**1,106**	**12,219**

* The council has identified potential future savings of £6.692m against the cumulative target of £5.593m. These provisional options are shown the table above and will continue to be subject to validation work and potential savings values refined as part of the 2024/25 corporate business planning cycle.

Appendix 2 (G): 2023/24 list of proposed budget growth

Permanent Growth

Directorate	Description	2023/24 £000
Community	Upgrade of current corporate contact system to a cloud-based version. Moving to the cloud solution allows for additional levels of resilience for service delivery and provides call handling opportunities that are not available with the current solution.	70
Community	Rebasing of budget for grants the council awards externally.	30
Corporate & Commercial	Additional costs of the external audit contract arising from the re-tender exercise completed by Public Sector Appointments Limited. This approach was approved by Full Council in January 2022.	71
Corporate & Commercial	Growth relating to a reducing level of subsidy recovery against its housing benefit expenditure, more than previously estimated in the MTFS. This is attributable to continuing growth in rent levels against fixed subsidy caps. Whilst every council is seeing increased natural migration to Universal Credit, Department of Work & Pensions (DWP) rules mean cases that attract 100% subsidy return are lost to councils, whilst DWP's strategy is to continue to leave temporary, exempt and supported accommodation cases with councils and it is these cases subject to punitive subsidy rules. Along with increased demand and rental market pressures, councils are therefore seeing increased subsidy loss.	230
		401

Appendix 2 (H): Earmarked Reserve Allocations 2023/24

	Invest to Save Reserve allocations	2023/24
		£000
1	To fund the cost of additional technical IT resources to support the delivery of the customer & digital strategy.	416
		416

	Business Change Reserve allocations	2023/24
		£000
2	Transformation resource including change manager, graduate scheme members, programme manager and project accountant	368
		368

	Commercial Property Reserve allocations	2023/24
		£000
3	Estimated use of reserve to fund any loss of income arising from void or rent-free periods.	170
		170

	Revenue Grants Unapplied	2023/24
		£000
4	Use of unutilised grant allocations to support income recovery within revenues and benefits.	44
		44

At this stage the figures are estimates of the required funding and other projects are expected to be identified during the year as part of the service reviews and as business cases are brought forward. Updates to the use of the Invest-to-Save and Business Changes reserves will be made through the budget monitoring reports taken to Cabinet throughout 2023/24.

Appendix 2 (I): Update on consultation responses on the proposed budget for 2023/24

Appendix to follow

3. HOUSING REVENUE ACCOUNT 2023/24 BUDGET

The HRA Business Plan

3.1 The HRA 30-year Business Plan is reviewed each year to reflect the updated budget and any known material changes. Whilst there is no longer a legal requirement to produce a HRA Business Plan, it is recognised as good practice, in particular for local authorities with development programmes where the need to understand the impact of investment costs, and borrowing capacity need to be evidenced.

3.2 The Business Plan is based on various data sets, which includes stock condition data and rental income streams, investment plans and a set of financial assumptions e.g., inflation and loan costs. The Business Plan is a key planning tool, and acts as an early warning system to indicate the overall viability of managing, investing, and developing the Council's housing stock.

3.3 The plan has regard to existing priorities regarding investment in existing stock, development of new stock, the estate environment, and the housing management service, as well as our need to respond to the emerging issues arising from the cost-of-living crisis, addressing health and safety compliance issues, and the new investment challenges arising from building safety legislation and climate change targets, including retrofitting our homes.

3.4 This year we undertook a comprehensive review of the whole model which underpins the HRA Business Plan, using a new model and rebased our understanding of our stock, the operating environment, and key aspirations of the council. The rationale for updating the model relates to:

i. Significant change in the operating environment since the last model was developed (e.g. rent standard)

ii. Need to respond to emerging investment requirements (e.g. health and safety and carbon reduction)

iii. General good practice, bringing in expert support to create a new base line.

3.5 The new HRA Business Plan confirms that the income, investment, and expenditure the Council has assumed and planned for is sustainable over the 30-year term.

Introduction

3.6 The city council owns, lets, and manages approximately 14,500 homes across the city, and provides services to approximately 3,500 leaseholders who own homes within its buildings. The money that tenants pay in rent, coupled with income from a small number of commercial assets, goes into the 'ring fenced' Housing Revenue Account (HRA). It is this money, alongside receipts for sold properties, any grants received and borrowing that pays for services to our tenants, building new homes and the repair and improvement of tenant's homes.

3.7 We continue to see an increase in demand for the services we provide to support our most vulnerable tenants, which has been compounded by the emerging cost of living crisis and following significant price hikes in utility costs along with rising inflation and interest rates. These factors combine to increase pressure both on the housing service and the demand for affordable housing.

3.8 We have also been addressing historic performance issues relating to health and safety compliance in our homes, where we have seen significant improvement on our journey to full compliance over the course of 2021-23. The work we are doing is identifying areas where further investment is required, which need to be addressed to protect our tenants. This work is timely with the implementation of the Building Safety Act 2022, legislation which has both increased and defined the responsibilities of landlords.

3.9 We continue to face the challenge of funding improvements to our council homes in line with our zero carbon ambitions. We will implement the Social Housing Regulation Bill which sets out a Charter for social housing tenants and outlines plans for the strengthened Regulator for Social Housing and their consumer regulation, a strengthened Housing Ombudsman to speed up complaints resolution, and future sector wide reporting against tenant satisfaction measures.

3.10 The current HRA Strategy 'Fit for the Future' describes our four primary goals:

- Meeting Housing need - Delivering new homes
- Maintaining and improving condition of existing housing
- Improving the use and management of our existing stock
- Improving our neighbourhoods

3.11 The HRA budget 2023/24 reflects and underpins the priorities we have set to meet our ambitions and the challenges ahead.

Delivering new homes

3.12 The council works in partnership with registered providers, charities and developers, including its own wholly owned housing company, to increase the supply of council and housing association homes. Over the next 5 years, approximately 220 new homes are planned to be built on small and medium sized sites, including at Mile Cross, Argyle Street and Three Score.

Maintaining and improving condition of existing housing

3.13 Next year, it is proposed to spend £16.674m on repairing and maintaining our tenants' homes. Significant improvement to these services is required and the Council has been clear about its ambition for Norwich City Services Ltd to deliver an excellent, value for money service to tenants. To that end an improvement plan is being implemented seeking to start the improvement journey before the end of the current financial year. In 2023/24 it is planned to develop a new approach to deliver a stronger, more responsive, and efficient service for our tenants. This new service will be implemented and improved over a three-year period up to 2025.

3.14 Stock condition surveys of our homes form the basis of our 30-year investment plan and capital improvement program. The work which is planned to maintain and improve our existing homes is based on meeting the 'Norwich Standard.' The national Decent Homes standard is currently under review, and we will in turn review our own ‘Norwich Standard’ in light of these changes, to ensure we are compliant with legislative requirements and meet the needs of our tenants.

3.15 Our major works investment program proposes investment of £22.045m over the next 12 months, details of which are set out Section 4 of the report. We are developing a medium-term five-year investment plan which would smooth delivery, maximise efficiency and improve value for money.

Improving our neighbourhoods

3.16 Our ambition is for all our neighbourhoods to be clean, feel safe to live in and have facilities and activities that provide for the community. We know that there are some neighbourhoods where we need to improve standards. To this end we have developed a housing management strategy which will guide the development of our services, with the aim of improving their neighbourhoods.

3.17 This year we will continue to invest £0.750m in our programme of estate improvement works. We will set a robust performance framework to drive improvements and tenants’ satisfaction.

3.18 We have drafted a new community safety strategy and have reviewed our anti-social behaviour services to complement our ongoing programmes to improve community safety and deter crime.

Improving the use and management of our existing housing

3.19 Overall demand for housing, the services we provide, and the support required to sustain and retain tenancies is increasing. We will collaborate with tenants to guide our development of a new delivery model for the housing service in 2023/24, which takes advantage of the new housing management software, NEC. To support this, and in response to the Social Housing Regulation Bill White Paper, we will develop a tenant engagement strategy which sets out a wide range of opportunities for our tenants to be involved in the management of their homes and the shaping of their services.

3.20 This fresh approach, will seek to provide a better service through early intervention, delivering the right level of support for our tenants, at the right time. We will bring services and partners together where appropriate to improve services for tenants. This will be supported by our new housing and estates management strategy.

3.21 We will also implement a new asset management strategy, in which capital investment and revenue spending programmes take account of the age and condition of our homes, the future needs of the tenants of Norwich, and the need to respond to new agendas such as climate change. Options to consider will be to remodel existing homes and buildings, and/or redevelop some properties to improve suitability and condition. We will continue to invest £1.900m in services which deliver disabled adaptations

Financial Background and Budget

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

3.23 Prior to 2012/13, the HRA was funded at a national level through the housing subsidy regime. Since then, it has been run on a self-financing basis i.e. all revenue and capital expenditure needs to be funded from the rents and service charges paid by tenants or funded by housing benefit.

Forecast 2022/23 Outturn

3.24 The latest position on the Housing Revenue Account (HRA), as at quarter 3, shows a forecast underspend of £3.376m.

Proposed 2023/24 Revenue Budget

3.25 The budget proposes revenue expenditure of £71.540m and income of £77.070m, generating a surplus of £5.530m, as shown in appendix 3 (A). It is proposed to utilise this surplus along with a further £1.210m of HRA reserves to make a revenue contribution of £6.740m towards the funding of the 2023/24 HRA capital programme.

Chart 3.1: 2023/24 HRA gross revenue expenditure budget

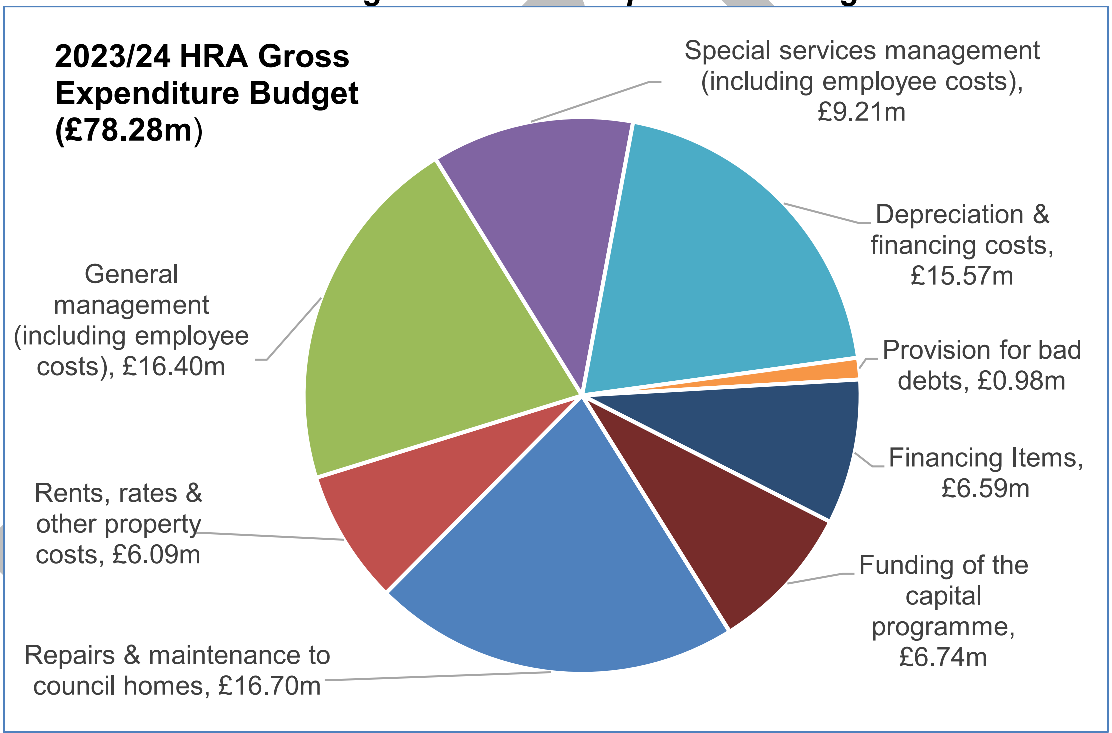
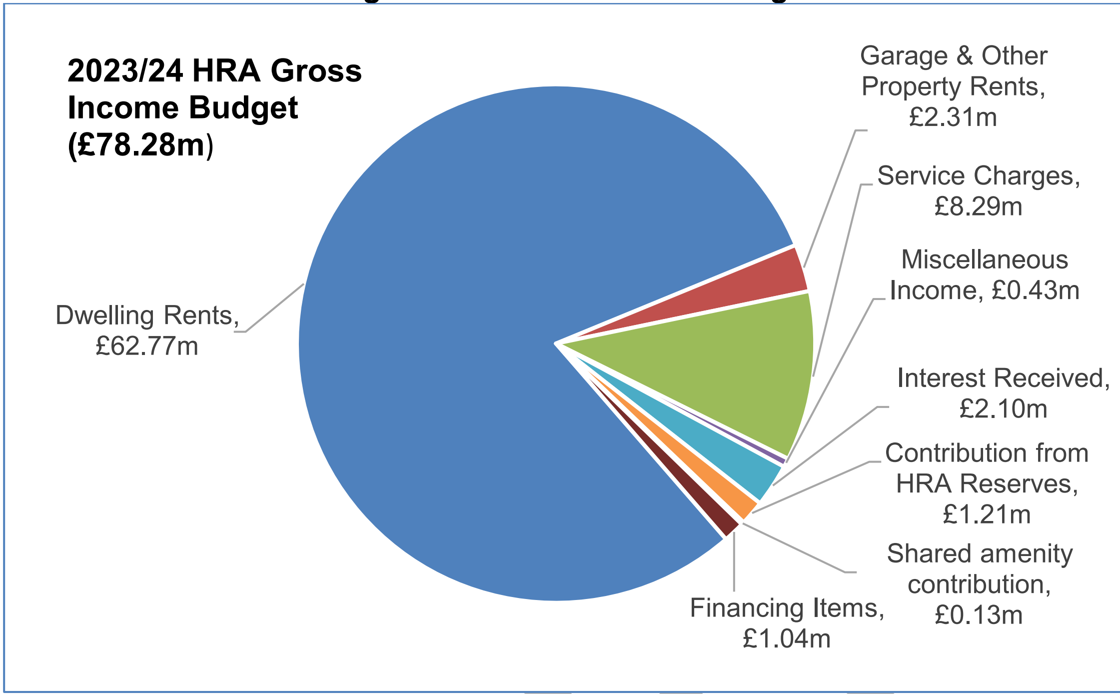


Chart 3.2: 2023/24 HRA gross revenue income budget



HRA Business Plan

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

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

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

3.29 The current HRA business plan was approved by Cabinet on 14th December 2022 subject to approval of the 2023/24 HRA budget at Council in February 2023.

Council housing rents, garage rents, and service charges

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

3.31 From 2020/21, the enforced 1% rent reduction ended and the Secretary of State issued the Direction on the Rent Standard 2019 which from April 2020 enabled authorities to increase rent annually by up to CPI (Consumer Price Index) as at the preceding September plus 1%.

3.32 In September 2022, CPI was 10.1%, which in accordance with the Direction on the Rent Standard 2019, would have resulted in a rent increase of 11.1%. However, following a consultation, the government implemented a cap of 7% on all social housing rent increases for 2023/24.

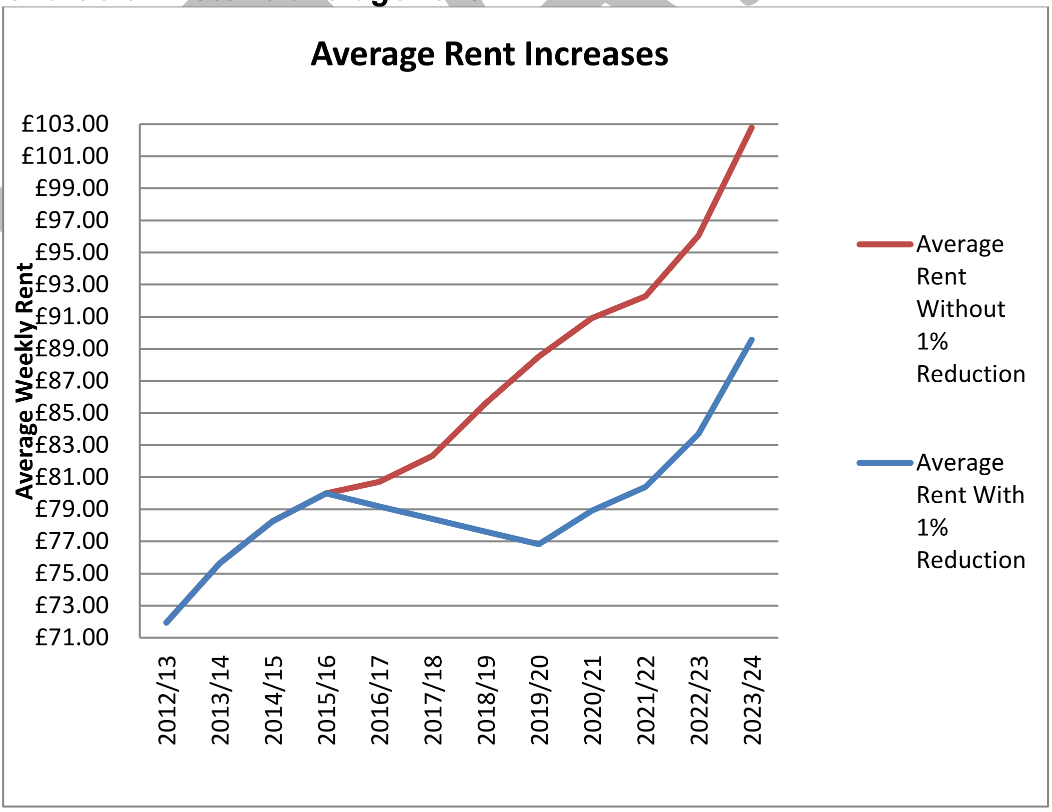
3.33 A dwelling rent increase for 2023/24 of 7% would generate an average weekly rent increase of £5.85 for Norwich social housing tenants (excluding larger dwellings leased to care agencies). The table below shows the minimum and maximum rent increases at 7%.

Table 3.1: Proposed dwelling rent increase 2023/24

Item	Average £	Maximum £	Minimum £
Rent 2022/23	83.63	129.99	59.58
Capped Increase (7%)	5.85	9.10	4.17
Proposed Rent 2023/24	89.49	139.09	63.75

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

Chart 3.3: Historic average rent



3.35 The impact of not applying a rent increase over the 30-year business plan period is shown in the table below. Alternative rent increases have also been reviewed along with the forecast impact on HRA borrowing over varying terms.

Table 3.2: Impact of rent increase 2023/24

Rent Increase	Average increase	Resulting Loss of Rental Income over period
		30 Years
Capped 7%	£5.85	-
No increase	£0.00	£72m

3.36 Tenant Involvement Panel representatives were consulted over the proposed 7% increase on 18th January 2023. The impact on both tenants and the long-term viability of the HRA was discussed at length, with concerns raised regarding the effect of an increase on those struggling financially in the current climate. However, the panel recognised that increases are inevitable if the level of investment in existing and new homes is to be maintained alongside the decarbonisation programme, and endorsed the proposed rent increase of 7.0% in line with the government rent cap.

3.37 For 2023/24 it is proposed to increase garage rents by 10.1%, based on CPI in September 2022.

3.38 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.

3.39 The void turnaround (period during which a property is unoccupied) has increased to 59 days. This is due to a backlog of 147 voids which have arisen as part of the transfer of services from Norse to NCSL on 1st April 2022. In the first quarter of this financial year two additional contractors were appointed to undertake this work, and it is anticipated that this work will be completed by the end of the financial year. A dip in performance was anticipated in this area of activity due to the historic nature and scale of works required to these properties.

3.40 The current budget provision is calculated on a void rate of 1.42%, which equates to rental income loss for void periods of £0.904m for 2023/24.

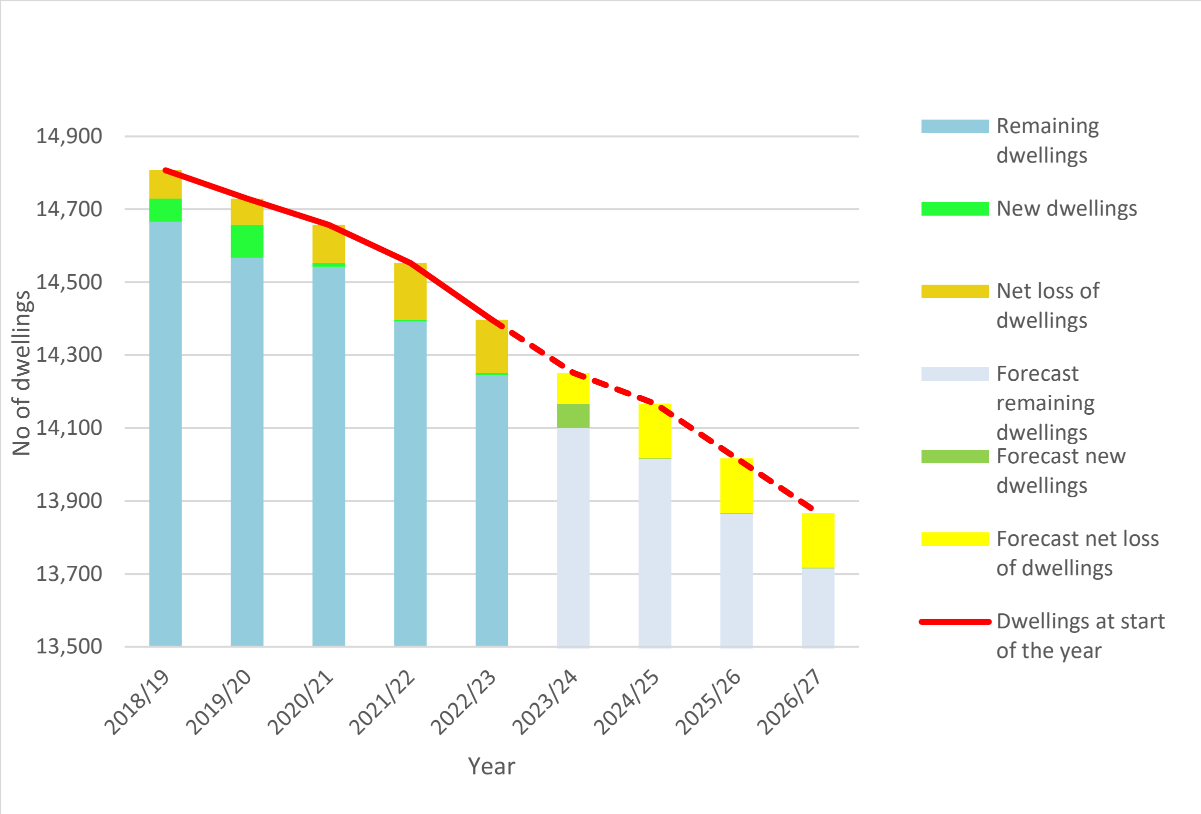
Council dwelling stock levels

3.41 Following a reduction in 2020/21, the number of Right-to-Buy purchases of HRA dwellings increased significantly in 2021/22 and continued to remain high in 2022/23. This is reflected in the business plan, with future losses estimated at 140 each year throughout the plan.

3.42 Over the past five years, 752 homes have been lost from social rent. Whilst the council is ambitious in its plans to build new social housing to meet local need, these are at risk of being subject to Right to Buy.

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

Chart 3.4: HRA dwelling stock movements



Capital expenditure plans

3.44 The HRA business plan includes expenditure arising from the proposed HRA capital budget as set out in section 4 of this report.

3.45 The proposed HRA capital programme is based upon the HRA Strategy which contains the following neighbourhood housing primary goals:

- Delivering new homes
- Maintaining and improving condition of existing housing
- Improving the use and management of our existing housing stock
- Improving our neighbourhoods.

Capital financing plans

3.46 Following the abolition of the HRA borrowing cap in 2018, the council can determine how much it will borrow to fund capital expenditure, as long as it can demonstrate that the borrowing is affordable, prudent and sustainable as required by CIPFA's Prudential Code. The council does this for general fund capital expenditure by agreeing and monitoring a number of prudential indicators. These indicators now include the HRA and these are included in the Treasury Management Strategy 2023/24 which is included as section 5.

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

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

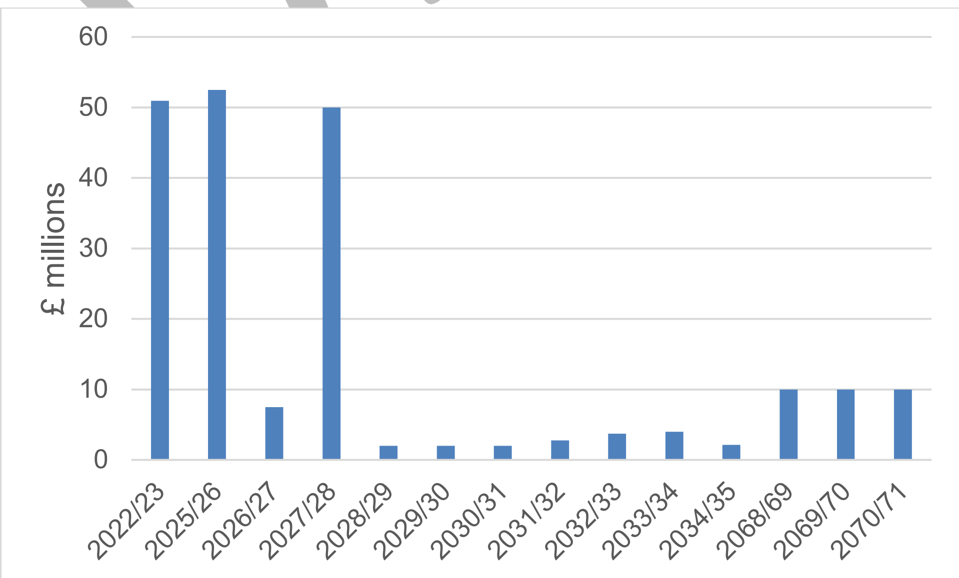
1. Right-to-Buy Retained 'One for One' capital receipts.
2. Capital Grants
3. Major Repairs Reserve
4. General HRA capital receipts
5. General reserves
6. Revenue budget contributions
7. Borrowing

3.49 The current HRA Capital Financing Requirement (the underlying need to borrow) is £208.533m. The most recent HRA external borrowing of £30m was taken in advance to support the refinancing in 2022/23 of an existing loan of £49m which itself formed part of the £149m loan undertaken to fund the HRA self-financing settlement when the HRA subsidy system was abolished.

3.50 HRA assets are currently valued at £827.029m (31 March 2022), against a borrowing requirement of £208.533m (31 March 2022), equates to a loan-to-value gearing of 25.215%. This is lower than the national average gearing for local authorities of 28% and the national average for registered providers which is in excess of 60%.

3.51 Chart 3.5 sets out the redemption dates and values of current HRA external borrowing. The most recent borrowing is represented by loans totalling approximately £179m from the Public Works Loans Board (PWLB), whilst all other loans shown is historic borrowing which will be repaid within 13 years.

Chart 3.5: Existing HRA external borrowing



3.52 The 2023/24 HRA capital budget proposed in section 4 of this report does not require any new borrowing, although it is anticipated that to deliver significant levels of new social housing, additional borrowing will be required in future years.

HRA Reserves Position

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

Table 3.3: Estimated HRA reserves position

Item	£000
Brought Forward from 2021/22	(51,373)
Budgeted utilisation of balances in 2022/23	6,096
Adjustment to forecast utilisation of balances in 2022/23	(147)
Forecast HRA underspend 2022/23	(3,376)
Carried Forward to 2023/24	**(48,800)**
Proposed utilisation of balances in 2023/24	1,210
Carried Forward to 2024/25	**(47,590)**

3.54 The level of general reserves is forecast to slightly reduce in 2023/24, but this is due to the council's planned investment in new social housing during the year. The estimated reserves to carry forward into 2024/25 remain substantial (£47.590m) which not only provides a flexible funding resource for the HRA, but also ensures the financial resilience of the account, and provides the council with options for service delivery and the funding of future capital expenditure whilst managing overall debt.

3.55 It is proposed that the prudent minimum level set for the HRA reserve should remain unchanged for 2023/24 as set out in Table 3.4. Provision has been made for the risk of additional costs and risk arising from the impact of welfare reforms, the economy and jobs in the city. Further provision is also made for other potential risks and unforeseen events.

Table 3.4: Prudent minimum level of HRA reserves

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

Appendix 3 (A): 2022/23 proposed HRA budget by service

Division of Service	Original Budget 2022/23 £000	Proposed Budget 2023/24 £000	Change £000
Repairs & Maintenance	18,395	16,696	(1,699)
Rents, Rates, & Other Property Costs	6,336	6,092	(244)
General Management	16,813	16,401	(412)
Special Services (not provided to all tenants)	5,025	9,207	4,182
Depreciation & Impairment	23,176	22,164	(1,012)
Provision for Bad Debts	619	980	361
Gross HRA Expenditure	**70,364**	**71,540**	**1,176**
Dwelling Rents	(59,358)	(62,766)	(3,408)
Garage & Other Property Rents	(2,177)	(2,309)	(132)
Service Charges – General	(7,914)	(8,290)	(376)
Miscellaneous Income	(82)	(431)	(349)
Amenities shared by whole community	(254)	(130)	124
Interest Received	0	(2,104)	(2,104)
Adjustments & Financing Items	(827)	(1,041)	(214)
Gross HRA Income	**(70,610)**	**(77,070)**	**(6,460)**
Total Housing Revenue Account	**(246)**	**(5,530)**	**(5,284)**
Revenue contribution to capital	6,342	6,740	398
Contribution to/(from) HRA reserve	(6,096)	(1,210)	4,886
Total	**0**	**(0)**	**(0)**

Explanation of key variances:

- Repairs & maintenance costs have reduced by £1.699m due to the removal of 2022/23 short-term growth for the backlog of repairs and additional sub-contractor costs.
- Special Services cost have increased by £4.182m, primarily due to the increase in utility costs (gas £3.072m; electricity £1.172m)
- Depreciation & Impairment has reduced due to a reduction in the cost of borrowing as a result of significant self-financing borrowing being due for repayment in January 2023 (£0.738m) and an anticipated reduction in the depreciation charge (£0.287m).
- Dwelling rent income will increase as a result of a proposed 7% rent increase (£3.408m).
- Interest received has increased by £2.104m following substantial increases in the Bank of England interest rate during 2022/23 which is expected to continue into 2023/24.

Appendix 3 (B): HRA dwelling stock movements

Council dwellings	17/18	18/19	19/20	20/21	21/22	22/23	23/24	24/25	25/26	26/27
No of dwellings at start of year	**14,987**	**14,807**	**14,729**	**14,657**	**14,553**	***14,397***	***14,251***	***14,167***	***14,017***	***13,867***
RTB sales in year	(187)	(138)	(156)	(112)	(159)	*(151)*	*(140)*	*(140)*	*(140)*	*(140)*
Non-RTB sales/leased in year	(7)	(3)	(6)	(3)	(2)	*0*	*(12)*	*(12)*	*(12)*	*(12)*
Dwellings demolished	0	0	0	0	0	*0*	*0*	*0*	*0*	*0*
Dwelling conversions	4	2	2	0	0	*0*	*0*	*0*	*0*	*0*
New build dwellings	10	61	87	0	0	*5*	*66*	*0*	*0*	*0*
Dwelling acquisitions	0	0	1	11	5	*0*	*2*	*2*	*2*	*2*

Shaded cells in italics denote forecast movements

4. CAPITAL AND COMMERCIAL STRATEGY

The wider context and capital investment objectives

4.1. Norwich City Council's Capital and Commercial Strategy provides a valuable opportunity for engagement with council to ensure that overall strategy, investment ambition, risk appetite and governance procedures are fully understood by all elected Members and other Council stakeholders.

4.2. It is also a requirement of the Investment Code and the Prudential Code that a commercial strategy exists to inform investments, which are not Treasury Management investments, but which include investing in assets, shares or loans to companies and third parties in support of its corporate priorities. The approach to commercial investments has changed significantly in recent times through changes to the prudential code and capital regulations.

4.3. The overall strategy sets out the council's programme and budget for capital investment over the next five years in support of all its capital expenditure items. It describes how the council will manage, finance, and allocate capital investment towards assets that will help to achieve the council's priorities, as well as its operational and statutory requirements.

4.4. It covers projects and programmes and investments financed through both the council's General Fund and Housing Revenue Account (HRA).

4.5. At the highest level the council's proposed Corporate Plan sets out the key aims that the council wishes to deliver, either itself or with other key partners, namely:

- Aim 1 - People live independently and well in a diverse and safe city.
- Aim 2 – Norwich is a sustainable and healthy city.
- Aim 3 – Norwich has the infrastructure and housing it needs to be a successful city.
- Aim 4 – The city has an inclusive economy in which residents have equal opportunity to flourish.
- Aim 5 – Norwich City Council is in good shape to serve the city.

4.6. There are however additional drivers or needs for capital expenditure. These comprise:

- Using assets to support the improvement of council services through the Future Shape Norwich programme. Asset investment in services can be designed to generate both new sustainable income streams as well as improving efficiency of service delivery and the reduction of costs.
- The need to maintain or improve the physical condition of existing assets as they deteriorate, are less "fit-for-purpose", or fail to comply with regulatory requirements. These considerations are part of the Council's asset management planning processes.

4.7. The council's investment objectives for capital expenditure are shown in table 4.1 along with specific projects, either within the capital budget or future projects, that will deliver these objectives.

4.8. The council holds some data regarding the condition of its HRA property although continues to undertake condition surveys on both its general fund and HRA assets which will enable it to prepare longer term capital plans in the future.

4.9. This strategy will continue to evolve, and the time period it covers lengthen, as the council learns more about the condition of its assets. It will be reviewed on an annual basis and officers will also keep under review good practice amongst other local authorities.

Commercial property investment

4.10. Whilst the council has held commercial property for decades, until recently it has been purchasing new property investments in line with its previous Commercial Property Investment Strategy and within the council's approved capital expenditure budget. Because of changes to the Treasury Management and Prudential Codes of practice, the Council will no longer be making new investments in commercial property primarily for yield where this would be funded by borrowing and the capital programme has been amended accordingly.

4.11. For those authorities utilising Public Works Loans Board (PWLB) borrowing the government now requires a high-level outline of their capital planning for the years ahead, categorising projects as service delivery, housing, regeneration, or the refinancing of existing debt, based on the S151 officer's assessment of which category is the best fit for the project. At the point of applying for a PWLB loan, applicants will be asked to confirm that this outline remains current, and that the authority does not intend to buy commercial assets primarily for yield.

4.12. However, the Code's statement that authorities 'must not borrow to invest for the primary purpose of financial return' is not intended to require the forced sale of existing commercial investments, whether commercial properties or financial investments. Selling these investments and using the proceeds to net down debt does, however, reduce treasury risks and is therefore an option which should be kept under review, especially if new long-term borrowing is being considered.

4.13. The Code requires that authorities which are net borrowers should review options for exiting their financial investments for commercial purposes in their annual treasury management or investment strategies. The options should include use of the sale proceeds to repay debt or reduce new borrowing requirements. Authorities should not take new borrowing if financial investments for commercial purposes can reasonably be realised, based on a financial appraisal which takes account of financial implications and risk reduction benefits.

4.14. This enables authorities to weigh the risk reduction benefits of sale against the loss of income and the current sale value of the investments; the code also makes it clear that where an authority has existing commercial properties, the requirement that an authority must not borrow to invest for the primary purpose of financial return, is not intended to prevent authorities from appropriate capital repair, renewal or updating of existing properties.

Setting aside net rental income into an earmarked reserve

4.15. The council has agreed to the establishment of a commercial property earmarked reserve. The reserve is held to help mitigate the financial risks of holding commercial property and can be used to fund any future void periods, the granting of rent-free periods to new tenants, and any landlord repairs.

4.16. In line with the existing commercial strategy, an amount equivalent to 20% of future new net rental income will be credited annually to a commercial property earmarked reserve, some of which may be supported by earmarked capital receipts. The amount of money in the reserve will be reviewed every year as part of the budget setting process and will consider the results of the annual portfolio review.

Capital Loans

4.17. The Council can borrow funds at preferential rates to fund capital expenditure from the PWLB. Once borrowed, current capital rules allow these funds to be used to make capital loans (onward lending) to other organisations including those that do not have access to PWLB loans.

4.18. In being a provider of capital finance, the Council is subject to statutory controls that restrict the loans that can be offered to avoid subsidy control (State Aid) issues. Specifically, the Council:

- Must lend funds at a rate that is competitive with market rates for similar loan products.
- Must not on-lend funds at a rate lower than its own average borrowing rate, even if such rates are subsequently competitive; and
- Must not use the loan to provide subsidy in other ways, e.g. full or partial discounts on fees or charges incurred for: deferred instalment repayments; late payment of instalments; and full or partial premature loan redemption.

4.19. Additionally, proposed changes to the Capital Financing Regulations have been consulted on which would require all capital expenditure, including capital loans and investment assets, to be subject to a Minimum Revenue Provision (MRP) charge. Currently NCC's MRP policy allows for no MRP to be charged to the revenue account where repayment of a capital loan is certain.

4.20. Although there have been no further announcements since the consultation closed, the proposed changes would have a material impact on future considerations relating to the provision of capital loans; the draft proposals indicated that no changes would be made prior to April 2023 and would not be applied retrospectively.

4.21. The council has a loan book of £8.012m with three borrowing organisations (as at 31 Dec 22): Norwich Regeneration Limited (£6.150m), Norwich City Services Limited (£1.740m) and the Norwich Preservation Trust (£0.082m).

4.22. In making loans the council is exposing itself to the risk that the borrower defaults on repayments. The council must therefore ensure that the loan is prudent and that the risk implications have been fully considered, both regarding the individual loan and the cumulative total of the loan book. The application of a charge on assets is a way of mitigating risk on external loans.

Norwich Regeneration Limited (NRL)

4.23. The NRL business plan for 2023-2030 was presented to Cabinet on 14th December 2022.

4.24. An expected credit loss model calculation is undertaken annually to measure the credit risk of the loan book and reported in the council's Statement of Accounts. This is a requirement of International Financial Reporting Standards.

4.25. At the end of 2021/22 there was an impairment of £1.87m on the council's loan to NRL. This was based on an assessment of how much of the current loan balance may not be recoverable from the company. The Council has established an earmarked reserve to cover the full cost of the impairment, which can be drawn down if the future business plan is not able to fully recover the investment to date.

NRL Business Model

4.26. Although specific details will vary for each development project undertaken by the company, and the detail of the proposals are commercially confidential, the basic business model proposed in the company's Business Plan can be described as follows:

- The council to purchase further shares in the company to meet capitalisation and subsidy control requirements. This requires that the company receives a reasonable amount of its funds from shareholders rather than all the funding being obtained from external borrowing.
- The company to develop housing that is planning policy compliant for affordable housing.
- The remainder of the housing to be a mix of private sector sales and homes for private sector rental.
- The company to borrow, at commercial interest rates and terms, from the council to fund the development of the private sector housing for rent and for sale.
- The company to repay the loan used to fund the development costs of the private sector homes for sale once those homes have been sold.

__Chart 4.1: The proposed key drivers for capital investment__

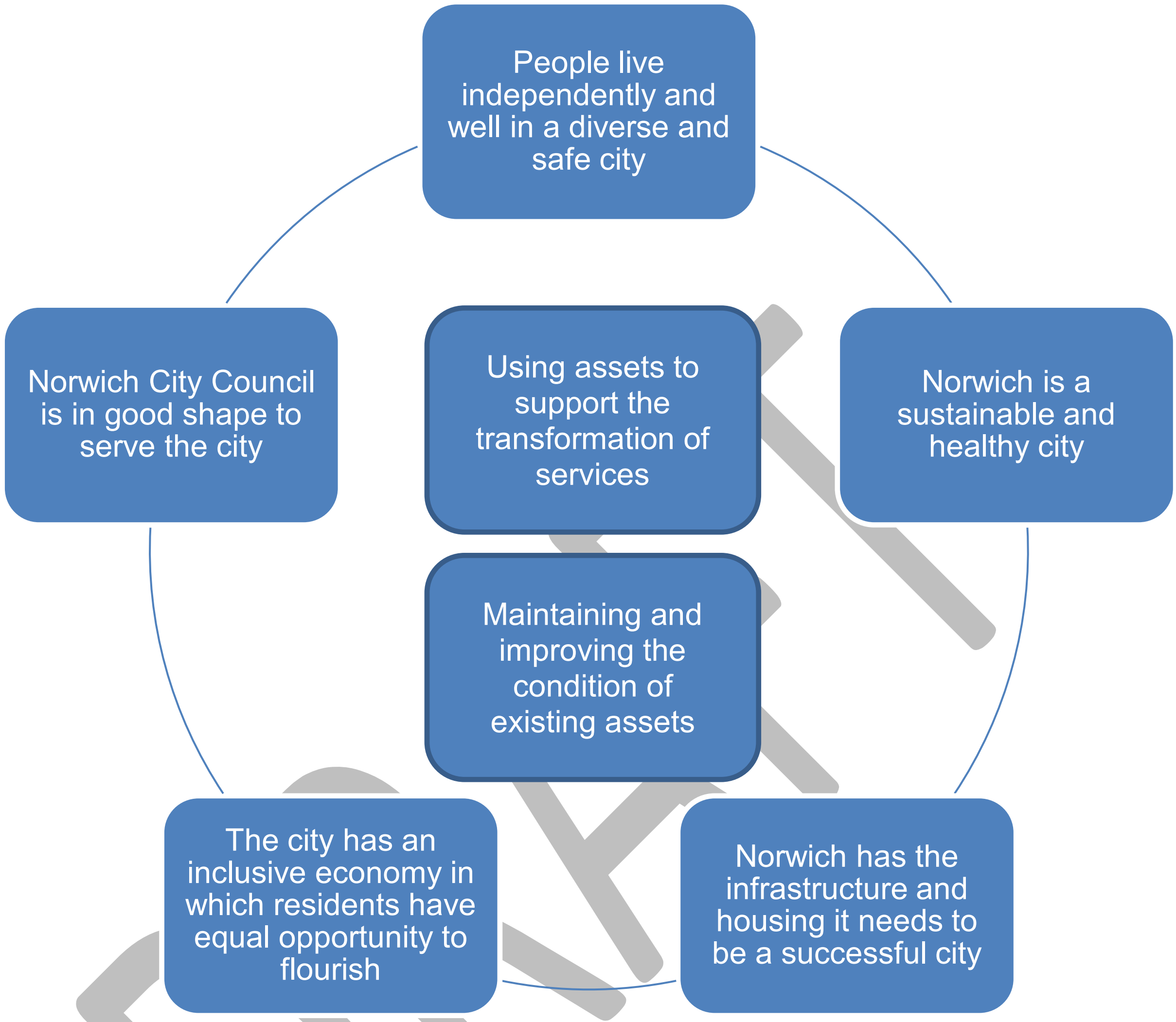


Table 4.1: The council's proposed capital investment objectives

People live independently and well in a diverse/ safe city	Norwich is a sustainable and healthy city	Norwich has the infrastructure and housing to be a successful city	The city has an inclusive economy which residents have equal opportunity to flourish	Norwich City Council is in good shape to serve the city
Capital expenditure plans can contribute to this corporate aim by: • Supporting people to feel safe and welcomed • Providing means for people to lead connected, fulfilling lives • Ensuring there is a range of cultural, leisure and social opportunities and activities for all • Comply with health & safety and other regulatory requirements	Capital expenditure plans can contribute to this corporate aim by: • Providing means for people to lead healthy, connected, fulfilling lives • Continuing with the sensitive regeneration of the city that retains its unique character and meets local needs • Keeping streets clean • Undertaking environmental improvements.	Capital expenditure plans can contribute to this corporate aim by: • Building and maintaining a range of social and private housing • Tackling homelessness and rough sleeping	Capital expenditure plans can contribute to this corporate aim by: • Supporting investment that promotes a growing, diverse, innovative and resilient economy	The Council aims to be financially self-sufficient, to ensure the long-term sustainability of service delivery to residents and businesses. Capital expenditure plans can contribute to this aim by: • Investing in projects that generate or protect income streams, or which can deliver efficiencies in the revenue budget. • Maintain or improve the physical condition of assets owned by the City
The capital strategy includes: • Ketts Heights habitat improvements and castle gardens projects • Disabled Facilities Grants • Make Space at the Norwich Halls project •	The capital strategy includes: • Public realm improvements • Rolling programme of major repairs to the city wall and closed churchyards	The capital strategy includes: • New social housing developments at Mile Cross, Three Score, Argyle Street, • Significant council house upgrade programme	The capital strategy includes: • Compulsory Purchase Order revolving fund • Establishment of a digital hub	The capital strategy includes: • Maintenance of investment property portfolio • Investment in City Hall • Regulatory Services digitalisation project

Asset management planning

4.27. The overriding objective of asset management planning is to ensure that the council's land and property is appropriate, fit-for-purpose, and affordable.

4.28. The council holds a significant and diverse asset portfolio in comparison to similar district councils within the CIPFA comparator group. The total value of the council's land and property assets as at the end of 2021/22 was £1.143 billion.

General Fund asset management planning

4.29. The council adopted a new Strategic Asset Management Framework on 9th March 2022. The implementation of the action plan is progressing well and improved data including condition and valuation data is being gathered on assets. The improvement of asset data will continue during Q4 2022/23 and into 2023/24. External consultancy advice has also been sought to help inform asset specific decisions and a full review of the investment portfolio has been undertaken. This is being progressed into a strategy which will inform a five-year profile for revenue income, capital spend and capital receipts, this will continue to be developed over the next six months.

4.30. In the past focus has been largely on using the council's limited capital resources on responsive rather than planned improvements. This can be seen in the pattern of investment made in each asset class over recent years with capital expenditure continuing to be being undertaken for health and safety reasons rather than being for planned and sustained strategic investment.

4.31. When the focus is on reactive instead of planned improvements, the cost of works tends to be greater. This also has an adverse impact on the council's revenue repairs and maintenance budget. There has also been a tendency to consider capital investment proposals for a particular asset class in isolation rather than holistically and in relation to other potential priorities.

4.32. Going forward the aim is for capital spend to be planned to follow an asset review and informed decision making in relation to the assets' future. This MTFS is being prepared at a time of flux whilst we are in the process of moving from the old way of working to the new. This is partly why the strategic property remediation fund is being proposed, to allow us to respond to issues identified within the new condition data as required and undertake emergency works whilst we plan for the longer term. It will also allow more time to consider future capital spend in a more holistic manner

Housing Revenue Account asset management planning

4.33. Condition surveys exist for HRA assets, although these are being reviewed by way of an external stock condition survey that will survey 25% of the current stock, 100% of communal areas and the structure of blocks. This work will give a greater understanding of future requirements, including the backlog repairs and compliance work and an initial understanding of the investment needs of the existing stock of HRA dwellings which are typically built with a 60–80-year life span in mind.

4.34. A shift in approach is currently moving from planned long term maintenance of the existing dwelling stock towards a strategy of remodelling existing provision, replacing existing provision, and growth in the stock held by building/purchasing new homes.

4.35. A review of the Norwich Standard is taking place in 2023/24, to look at where efficiencies can be achieved at no detriment to the service delivered to our residents. An initial review indicates a potential saving of circa £121m over 30 years (without inflation).

4.36. A council housing strategy was adopted by Cabinet in November 2019 covering a five-year period and identifies the following four primary goals:

- Delivering new homes.
- Maintaining and improving condition of existing housing
- Improving the use and management of our existing housing stock
- Improving our neighbourhoods.

4.37. The proposed HRA capital programme seeks to contribute towards achieving these goals. Further detail is included within section 3 of this report – HRA 2023/24 budget.

Capital expenditure plans

4.38. The expenditure plans consist of two kinds:

Short to medium term plans (1 to 5 years):

- These are the projects and programmes that are being proposed to council as part of the 2023/24 to 2027/28 capital programme for delivery within that period.

Medium to long-term plans (5 to 10 years):

- There is typically a long lead in time from identifying investment need or opportunities to implementation. Additional future projects that may arise will require a full business case for cabinet and council approval before they can be incorporated into the capital programme and implemented.

Forecast 2022/23 outturn

4.39. The latest forecast position as at quarter 3 shows the general fund capital programme is forecast to underspend by £9.825m and the Housing Revenue Account (HRA) capital programme is forecast to underspend by £8.591m. However, it is anticipated that an element of this will form a carry-forward request to enable some of the unspent budgets to be utilised in 2023/24.

2023/24 to 2027/28 capital programme

4.40. Within a shorter timeframe, the focus of the capital strategy is towards the delivery of schemes within an approved budget. The focus traditionally has been an annual investment plan for the next financial year, however, moving forward the council continues to work towards a published five-year rolling capital programme, which will provide greater certainty for delivery as well as for financial and resource and procurement planning

4.41. Table 4.2 below summarises the proposed 2023/24 overall capital budget along with indicative spending plans from 2024 to 2028, which has been categorised into the projects that have already been agreed as part of the five year programme in previous years, new projects that are proposed as part of the capital programme and may proceed upon approval of the budget and projects that are proposed to form part of the capital programme but require a business case to be approved before they may proceed and any expenditure be incurred. Details setting out the proposed projects and programmes within the general fund and HRA are found in Appendix 4 (B).

Table 4.2 Capital Programme 2023 – 2028

	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000	5 year Total £000
General Fund Summary programme (Approved)						
Community Services	4,915	1,585	1,571	0	0	**8,071**
Corporate & Commercial Svcs	121	0	0	0	0	**121**
Development & City Services	11,027	1,565	2,109	1,761	0	**16,461**
Capital Loans	3,000	2,000	1,000	0	0	**6,000**
Total GF Summary programme (Approved)	**19,062**	**5,150**	**4,680**	**1,761**	**0**	**30,653**
General Fund Summary Programme (Proposed)						
Community Services	335	0	0	1,515	1,515	**3,365**
Development & City Services (Adjustment to Approved)	206	42	(194)	1	1,733	**1,788**
Total General Fund Summary Programme (proposed)	**541**	**42**	**(194)**	**1,516**	**3,248**	**5,153**
General Fund Summary Programme (Business Case Required)						
Community Services	125	45	45	40	0	**255**
Development & City Services	8,777	3,130	185	175	175	**12,442**
Corporate & Commercial Svcs	40	0	0	0	0	**40**
Total General Fund Summary Programme (Business Case Req'd)	**8,942**	**3,175**	**230**	**215**	**175**	**12,737**
Total GF Programme	**28,545**	**8,367**	**4,716**	**3,492**	**3,423**	**48,543**

Housing Revenue Account Summary Programme (Approved)						
HRA - Development & City Services	13,549	14,303	8,189	9,487	0	**45,528**
Housing Revenue Account Summary Programme (Proposed)						
HRA - Development & City Services	0	(30)	6,121	3,154	6,560	**15,805**
HRA - Community Services	22,057	24,912	24,583	24,746	24,550	**120,848**
Total Housing Revenue Account Programme	**35,606**	**39,185**	**38,892**	**37,387**	**31,110**	**182,181**

Total Capital programme	**64,151**	**47,552**	**43,608**	**40,879**	**34,533**	**230,724**

Note: Minor differences in totals due to the rounding of values within the table

4.42. In 2023/24 the capital programme aims to deliver the following key outcomes:

General Fund:

- £10.3m of investment in infrastructure, skills and economic development through projects funded by the £25m Towns' Fund grant.
- £1.4m to improve private homes for older or disabled residents to enable them to continue living in their own home.

Housing Revenue Account:

- Meeting housing need - delivering 234 council homes over next 5 years.
- Repair and maintenance of existing housing stock- £18.4m including 260 new kitchens, 126 new bathrooms plus 179 adapted bathrooms, 250 upgraded doors, 651 electrical upgrades or rewires and 34 communal sites receiving new windows.
- Improving the use and management of the existing housing stock - including improvements to communal areas, 299 new heating systems and 4 communal boiler upgrades plus disabled adaptation and stair-lift installation programme.
- Improving neighbourhoods - including 34 door entry system upgrades and a £0.75m estate aesthetics programme.

Towns' Deal Funding

4.43. The most significant non-housing capital expenditure next year continues to be associated with the Towns' Deal. Whilst the Towns' Deal projects are being delivered in accordance with the council's normal governance procedures additional Towns' Deal specific governance has been put in place.

4.44. The Towns' Deal is intended to help drive forward long term, inclusive economic and productivity growth in Norwich. An overall Towns' Deal programme board oversees delivery which includes not only council members and officers but also the local MPs, the chair of the Norwich 2040 Vision and a variety of business and education organisations.

Future capital programme

4.45. As well as the proposed capital programme, the council is continuing with its ambitions to make sustainable improvements to the city and the lives of the residents. The Council recognises that it is likely to need significant investment to advance the priorities and ambitions being identified and continues to explore the possibility of working with both the private sector and other public sector bodies to identify new funding streams and delivery mechanisms that can deliver this.

4.46. These schemes will all need to follow the principles as set out in this Capital Strategy and full business cases will need to be submitted and approved before the schemes are recommended for inclusion in the capital budget.

4.47. The future capital programme will also continue to develop and reflect the priorities identified within the Council Housing Strategy which was approved by Cabinet in November 2019 and the action plan from the Strategic Asset Management Framework which was adopted in March 2022.

People Live Well

- Options for improving the provision of temporary accommodation for the homeless continue to be explored.

Inclusive economy

- The council continues to explore the potential to develop under-used land and brown-field sites held by the council to help regenerate the city economically, as well as socially and in terms of its environment. This may be through the HRA with the development of new social housing or through other delivery mechanisms.

Meeting housing need and delivering new homes:

- There is a shortage of housing in the city and the council intends to invest in the development of new housing. The Council Housing Strategy 2020-26 sets out the ambition to deliver new homes through the HRA, following the Future Housing Commissioning report approved by Cabinet and Council in July 2020 which identifies the capacity within the HRA to develop further sites in future years.

Maintaining and improving the condition of existing HRA housing:

- The council is the largest provider of social housing in the city and ensuring that its housing stock is safe and well-maintained is the biggest contribution the council can make to addressing housing need in the city. This is also covered in the Council Housing Strategy 2020-26 which identifies the requirement to establish longer-term plans for the maintenance and regeneration of HRA housing and estates.

Improving the quality and safety of private sector housing:

- As a private landlord, the council's wholly owned company, Norwich Regeneration Limited, aims to be an exemplar of good private landlord practice, by ensuring that properties built for private sector rental are of good quality and managed in a way that reflects best practice.

4.48. The financial consequences of capital projects identified within the 2019 Future Housing Commissioning report have been considered in the council's financial plans in the following manner:

- The HRA Business Plan does not include all potential projects identified within the Future Housing Commissioning report. However, a financial viability assessment of their impact on the HRA Business Plan demonstrates that their inclusion within the HRA capital programme would continue to allow the HRA to remain sustainable over the 30 years planning period.
- The borrowing that the council may need to undertake to finance the projects has been included in the capital financing requirement, operational boundary for external debt, and authorised limit for external debt calculations which will be set out in the Treasury Management Strategy in February 2023.

Funding the capital strategy

4.49. The availability of funding plays a key part in the size and content of the capital programme. The impact of national cuts in grant funding has significantly reduced the level of government support for capital investment since 2010 and the council must now rely more on its own funding and leveraging in other sources of external funding where this is possible.

4.50. The sources of funding available for capital investment by both the general fund and HRA and the proposed strategy for their use is found in Appendix 4 (C). It needs to be emphasised that many of these funding sources can only be used to fund capital expenditure and not the day-to-day costs of providing services.

Proposed funding of the general fund capital programme

4.51. There are two main influences on the overall size of the general fund capital programme, namely:

- The level of capital resources available, and
- The extent to which the revenue consequences of the programme, in terms of cost of borrowing or direct revenue funding, can be accommodated within the revenue budget.

4.52. In the past, capital receipts have been the main funding source for the general fund capital programme. However, until the asset management review concludes the level of predicted receipts and intended sales is unclear The sale of the airport industrial estate in August 2022, Cambridge Science Park and cabinet decisions to dispose of assets at Guildhall Hill will inform future estimations of capital receipts. Table 4.3 below sets out the expected availability of capital receipts over the MTFS planning period to 2028.

Table 4.3: **Projected General Fund Capital Receipts 2022 – 2028**

	2022/23	**2023/24**	**2024/25**	**2025/26**	**2026/27**	**2027/28**
Capital Receipts Analysis	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Existing capital receipts reserve brought forward from previous year	(18,155)	(21,967)	(11,497)	(8,688)	(10,871)	**(10,308)**
Anticipated capital receipts in year	(11,247)	0	(727)	(2,700)	(1,230)	**0**
Other income anticipated	0	0	0	0	0	**0**
Total capital receipts	**(29,402)**	**(21,967)**	**(12,224)**	**(11,388)**	**(12,101)**	**(10,308)**
Funding requirement (inc c/f from previous year) based on capital programme	3,446	10,470	3,536	517	1,793	**1,750**
MRP repayment related to disposals	3,988	0	0	0	0	**0**
Total potential funding requirement	**7,435**	**10,470**	**3,536**	**517**	**1,793**	**1,750**
Balance at end of year	**(21,967)**	**(11,497)**	**(8,688)**	**(10,871)**	**(10,308)**	**(8,558)**

Note: Minor differences in totals due to the rounding of values within the table

4.53. The level of capital receipts relies upon the completion of asset sales which cannot be guaranteed. Furthermore, additional potential capital liabilities such as costs arising from the future review of assets or other expenditure requirements that generate no income may arise, which would place a further demand on resources. To fund additional capital costs, further capital receipts will need to be raised from the disposal of existing assets or revenue budget contributions will need to be increased either to make direct revenue contributions or in support of additional borrowing.

Table 4.4: Proposed funding of the General Fund capital programme

Funding	2023/24	2024/25	2025/26	2026/27	2027/28	5 year Total
General Fund	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Capital Receipts	10,014	3,536	517	1,793	1,750	**17,610**
Capital Receipts (Ringfenced)	0	0	0	0	0	**0**
Grants & Contributions	13,129	1,564	1,440	0	0	**16,133**
Revenue contribution from earmarked reserves	66	0	0	0	0	**66**
Borrowing	3,000	2,000	1,000	0	0	**6,000**
CIL/GNGB/S106	2,335	1,267	1,759	1,699	1,673	**8,733**
Total	**28,545**	**8,367**	**4,716**	**3,492**	**3,423**	**48,543**

Note: Minor differences in totals due to the rounding of values within the table

Proposed funding of the HRA capital programme

4.54. The funding of the HRA capital programme follows the funding strategy set out in Appendix 4 (C). In addition, the £5.530m surplus income estimated for 2022/23 plus £1.210m of existing HRA general reserves are proposed to be used to fund 2023/24 capital expenditure.

4.55. The remaining HRA general reserves (forecast at £47.590m at the end of 2023/24) will be held to provide a versatile resource to support priorities identified within the HRA Strategy, including the regeneration of existing assets and provision of new social housing.

Table 4.5: Proposed funding of the HRA capital programme

HRA Funding	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000	5 year Total £000
HRA Capital Receipts	5,956	9,940	9,657	9,923	7,420	**42,896**
Retained One for One Receipts	6,020	6,309	6,324	5,657	2,624	**26,933**
Major Repairs Reserve	15,852	14,722	14,676	14,572	16,880	**76,702**
HRA Revenue Contribution	6,740	7,964	7,986	6,985	3,936	**33,611**
HRA Grants and contributions	250	250	250	250	250	**1,250**
Section 106	789	0	0	0	0	**789**
HRA Borrowing	0	0	0	0	0	**0**
Total	**35,606**	**39,185**	**38,892**	**37,387**	**31,110**	**182,181**

Enabling our future vision

4.56. The capital programme captures the council’s vision and desire for projects and investment at a point in time. However, as the vision continues to grow, new projects and investments will continue to be developed throughout the year, which will require business cases and financing plans to be formulated prior to approval by cabinet and council. If the project requires funding from external borrowing, it will need to generate new income to cover at least the financing costs of the borrowing or will be funded off the council’s balance sheet through alternative delivery routes.

Alternative delivery routes

4.57. The Council will review the best delivery routes for implementing new capital projects as part of the options appraisal undertaken in the business case. These delivery routes largely fall into the following categories:

- Self-develop: this involves the council undertaking the project independently and therefore provides the greatest level of potential return and control but also the greatest cost and exposure to risk.
- Partnerships: these allow the council to use its assets (usually land and buildings) and possibly some finance, to attract long term investment from the private sector, in order to deliver socio-economic development and regeneration. They are designed to encourage parties to pool resources to deliver projects, with an acceptable balance of risk and return for all involved. This approach would be a new area for the council and would need considerable further work to progress.
- Developer led: this usually involves selling the opportunity to a developer, perhaps with an outline planning consent and Development Agreement in place. As an example, the council takes a developer led approach with housing associations.
- Community Involvement: changes in legislation brought in under the Localism Act have introduced the concept of Community Asset Transfer, Community Right to Challenge and Community Right to Bid for services. This has opened up a whole spectrum of opportunities of private sector investment in community-led capital projects, where deemed appropriate.

Delivering the capital strategy

Governance

4.58. The council undertakes democratic decision-making and scrutiny processes which provide overall political direction and accountability for the investment proposed in the capital strategy. These processes include:

- The Council which is ultimately responsible for approving investment in the Capital Strategy.
- The Cabinet which is responsible for setting the corporate framework and political priorities to be reflected in the Capital Strategy.
- Scrutiny Committee which is responsible for the annual scrutiny of the proposed budget including the Capital Strategy and which can make recommendations to the Cabinet.
- Audit Committee which scrutinises the capital investment made in any financial year as reported in the annual Statement of Accounts and the risk of future capital investment proposals. The committee can also make recommendations to the Cabinet.
- A new Treasury Management working group providing review and advice on all investment activity to the cabinet and council.
- Additionally, to support the committee structure and Corporate Leadership Team with future governance, including delivery of projects, a new governance board structure will be established.

4.59. The capital programme is approved by full council as part of its annual budget report which sets out the funding of the capital programme, the schemes being proposed and how they contribute to the achievement of the council's priorities, any consequential revenue budget implications, and information on the affordability, proportionality, and risk of the proposals.

4.60. A recommendation has been included that will continue to allow officers to seek approval from Cabinet to approve the inclusion of schemes where they are fully funded from additional grants, that can only be expended on the proposed scheme, and where it meets the Council's aims. This will permit such schemes to progress at pace where alternative application of the funding is not permitted, and where there is no need for additional Council resources to be used.

4.61. Some projects have been included in the proposed capital programme, as their strategic importance to one or more of the council's objectives has been recognised. However, the detailed business case has not been sufficiently developed to identify the expected costs and benefits of these proposals now. These projects have been separately identified within the proposed capital programme, the broad financing has been included but these projects cannot commence until a full business case has been approved; any funding variances will also need to follow the council's financial regulations in relation to capital virements.

4.62. In addition, new projects not included within the existing or proposed capital programme, require a full business case to be submitted to council for approval as and when the information and analysis is available to make a robust decision.

4.63. All capital expenditure must be carried out in accordance with the council's constitution, financial regulations, and contract procedures. Internal audit undertake regular audits of compliance. The monitoring of expenditure against the approved budget, and the forecasting of the year-end outturn, is coordinated by Finance and reported to Cabinet every quarter as part of the overall corporate budget monitoring process.

Corporate Planning Process

4.64. Capital project proposals should form part of the council's annual resource planning processes. Service and project level planning both informs and is derived from the overall policy framework of the agreed corporate plan and budget. This means that by autumn each year, capital project proposals for the following year(s) should be prepared for the corporate and political governance processes, which culminate in the annual budget setting meeting of the Council in February.

Commissioning, appraisal, and programme/project management

4.65. The financial restrictions on both capital and revenue expenditure in the general fund require a step change in the quality of commissioning and project management and delivery.

4.66. To support the council's approach to capital investment:

- An asset management strategy to inform and support the capital programme is being actively developed.
- All capital projects will be subject to a comprehensive but proportionate appraisal through a Design Authority process prior to proceeding to business case submission.

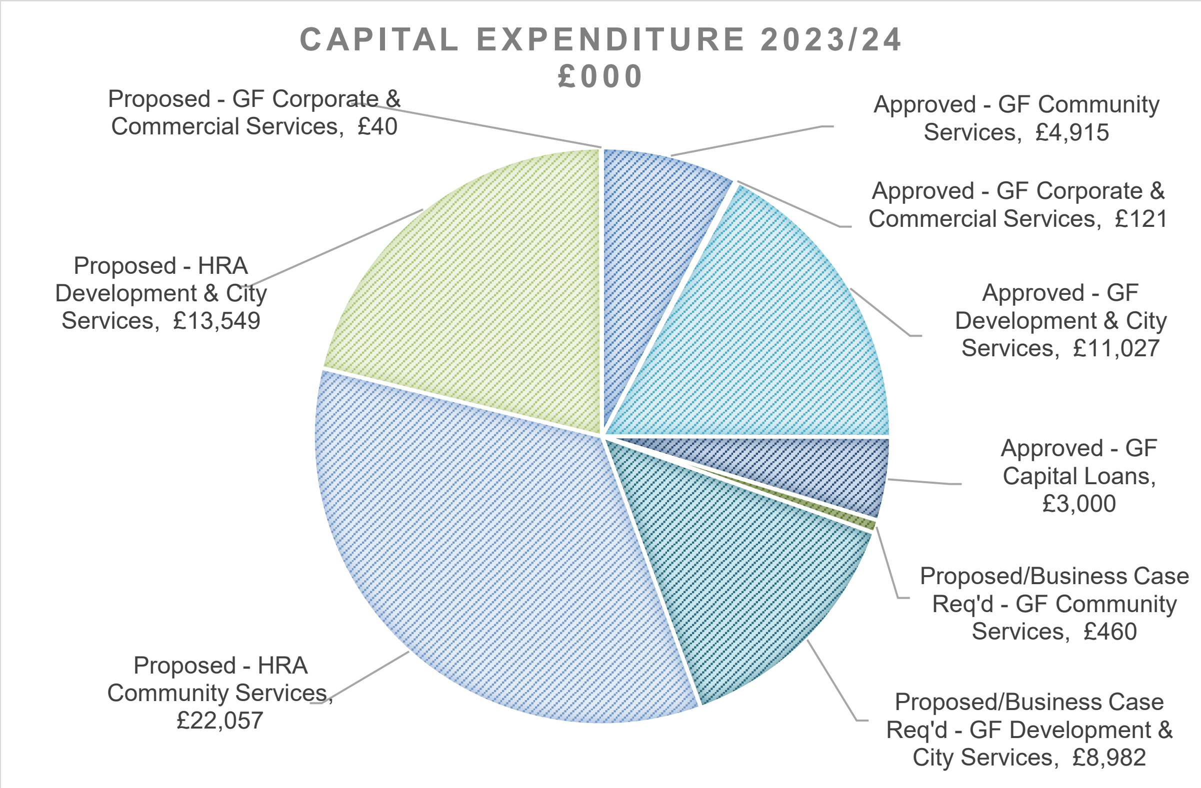
Knowledge and skills

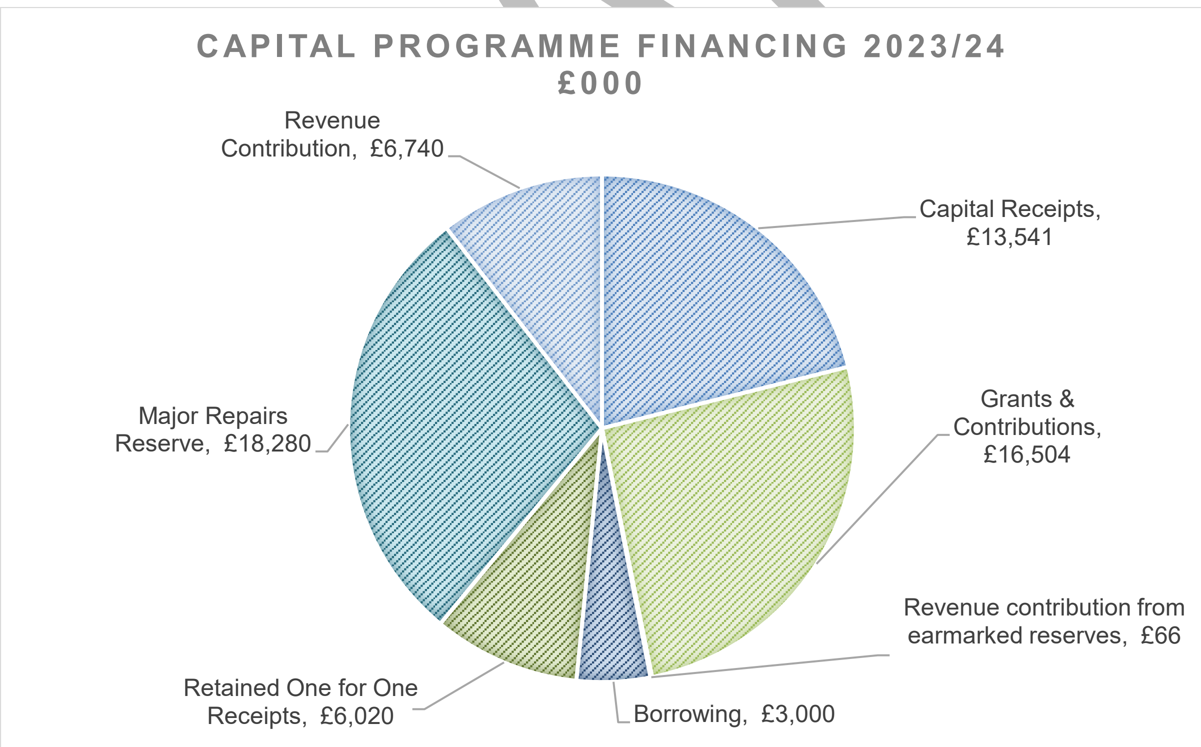
4.67. The council has professionally qualified staff, or access to such staff across a range of disciplines including finance, legal, planning and property that allow for capital investment decisions to be robustly considered. These individuals follow continuous professional development (CPD) and attend courses on an ongoing basis to keep abreast of new developments and skills.

4.68. External professional advice is taken as and when required and will always be sought in consideration of any major regeneration investment decision or joint venture development. The council has current arrangements with Link Asset Services for providing treasury management guidance, PS Tax for tax advice, covering both public sector as well as commercial tax issues, and Carter Jonas for property related matters.

4.69. Internal and external training continues to be offered to members to ensure they have up-to-date knowledge and expertise to understand and challenge capital investment decisions.

Appendix 4 (A): Proposed capital programme and financing 2023/24





Appendix 4 (B): Proposed capital projects 2023/24 to 2027/28

Approved General Fund Programme	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000	5 year Total £000
Community Services						
Norman Centre replace boilers	165	0	0	0	0	165
Riverside Leisure replacement plant/equipment	170	33	56	0	0	259
TF make space at the halls	2,989	37	0	0	0	3,027
Empty Homes Grant	35	0	0	0	0	35
S106 Bowthorpe Clover Hill Access	41	0	0	0	0	41
IT Investment Fund	75	75	75	0	0	225
Disabled Facilities Grant	1,440	1,440	1,440	0	0	4,320
Approved Programme - Community Services	**4,915**	**1,585**	**1,571**	**0**	**0**	**8,071**
Corporate and Commercial Services						
HR system 2023	121	0	0	0	0	121
Approved Programme - Corporate and Commercial Services	**121**	**0**	**0**	**0**	**0**	**121**
Development & City Services						
Hay Hill Public Realm TF	1,573	0	0	0	0	1,573
Ketts Heights repairs/habitat	272	0	0	0	0	272
St John Maddermarket retaining wall	14	0	0	0	0	14
Riverside Rd Yacht Stat rep Quay	10	0	0	0	0	10
Old carrow house	8	0	0	0	0	8
Demolition & Site Maintenance	200	0	0	0	0	200
GNGB Castle Gardens	207	0	0	0	0	207
Market Shops & Toilets - Roof	40	0	0	0	0	40
TF- Digital hub	2,005	0	0	0	0	2,005
Churchman House Cupola repairs	130	0	0	0	0	130
GNGB Comm Access Imp-20 Acre Wood	1	8	0	0	0	9
GNGB Marriot's Way/ Hellesdon Station Green	144	0	0	0	0	144
Transforming Cities Fund Contribution	80	0	0	0	0	80

Development & City Services (continued)	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000	5 year Total £000
ACE Centre CCN TF	82	0	0	0	0	82
St Giles Public Realm TF	653	0	0	0	0	653
Park toilet refurbishment (Wensum/Heigham/Eaton)	0	0	0	0	0	0
TF Compulsory Purch order revolving fund	3,640	0	0	0	0	3,640
TF - Programme management	14	87	0	0	0	101
NCC Water Hygiene Contract	51	13	6	3	0	73
City Walls repair programme	40	40	40	0	0	120
Closed Churchyards repair prog	10	10	10	0	0	30
CIL Contribution Strategic	1,853	1,407	2,053	1,758	0	7,071
Approved Programme - Development and City Services	**11,027**	**1,565**	**2,109**	**1,761**	**0**	**16,461**
Capital Loans						
Norwich Preservation Trust Loan	1,000	0	0	0	0	1,000
NRL Loan	2,000	2,000	1,000	0	0	5,000
Approved Programme - Capital Loans	**3,000**	**2,000**	**1,000**	**0**	**0**	**6,000**
Total General Fund Approved Programme	**19,062**	**5,150**	**4,680**	**1,761**	**0**	**30,653**

Proposed General Fund Capital Schemes for approval	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000	5 year Total £000
Community Services						
IT Investment Fund - continuation of programme	0	0	0	75	75	150
Disabled Facilities Grant - continuation of programme	0	0	0	1,440	1,440	2,880
Neighbourhood CIL grant funding pot	335	0	0	0	0	335
Proposed Programme - Community Services	**335**	**0**	**0**	**1,515**	**1,515**	**3,365**
Development & City Services						
City Walls repair programme - continuation of programme	0	0	0	40	40	80
Closed Churchyards repairs - continuation of programme	0	0	0	10	10	20
CIL Contribution Strategic - continuation of programme	(597)	(148)	(294)	(59)	1,673	575
DA 13 - Norwich Yacht Station	10	10	10	10	10	50
DA 16 - LED Lighting in City Hall and District Lighting	103	180	90	0	0	373
Traveller Site	690	0	0	0	0	690
Proposed Programme - Development and City Services	**206**	**42**	**(194)**	**1**	**1,733**	**1,788**
Total General Fund Proposed Programme	**541**	**42**	**(194)**	**1,516**	**3,248**	**5,153**

Proposed and amended General Fund Capital Schemes for approval - subject to Business Case	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000	5 year Total £000
Community Services						
DA 1 - Wide Area Network Refresh 2023/24	100	0	0	0	0	100
DA 2 - Mobile Handsets Refresh 2022-27	25	45	45	40	0	155
Proposed Programme - Community Services	125	45	45	40	0	255
Development & City Services						
DA 4 - Regulatory Services Digitisation Project	472	228	0	0	0	700
DA 5 - Tennis Courts Surface Refurbishment	122	0	0	0	0	122
DA 6 - Park Play Equipment Refurbishment	75	75	75	75	75	375
DA 7 - Strategic Property Remediation Fund	750	1,500	0	0	0	2,250
DA 9 - Property Services IT	285	0	0	0	0	285
DA 10 - St Andrews Hall	950	0	0	0	0	950
DA 11 - Future of City Hall	5,650	0	0	0	0	5,650
DA 12 - Cemetery Railings Replacement	150	150	0	0	0	300
DA 14 - Parking in Parks (phase 2)	38	0	0	0	0	38
DA 15 - NCSL Asset Replacement	215	1,177	110	100	100	1,702
DA 18 - Electrical Switch Gear Replacement	70	0	0	0	0	70
Proposed Programme - Development & City Services	8,777	3,130	185	175	175	12,442
Corporate & Commercial Services						
DA 17 - Revenues & Benefits Programme Improvements	40	0	0	0	0	40
Proposed Programme – Corporate & Commercial Services	**40**	**0**	**0**	**0**	**0**	**40**
Total General Fund Proposed Programme subject to business case	**8,942**	**3,175**	**230**	**215**	**175**	**12,737**
Total General Fund Programme	**28,545**	**8,367**	**4,716**	**3,492**	**3,423**	**48,543**

Housing Revenue Account	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000	5 year Total £000
Development & City Services						
HRA Demolition & Site Maintenance	320	70	70	70	0	530
LANB Mile Cross Depot Site	4,239	9,103	6,590	7,917	0	27,849
New Build Opportunities	500	500	500	500	0	2,000
Three Score phase 3	6,039	1,269	0	0	0	7,308
Capital Grants to Registered Housing Providers	1,000	1,000	1,000	1,000	0	4,000
LANB Argyle Street	1,285	2,361	29	0	0	3,675
LANB Kings Arms	16	0	0	0	0	16
LANB Hethersett	150	0	0	0	0	150
Approved Programme - Development and City Services	13,549	14,303	8,189	9,487	0	45,528
Development & City Services						
LANB Mile Cross Depot Site	0	-30	6,121	3,154	6,560	15,805
Proposed Programme - Development and City Services	0	-30	6,121	3,154	6,560	15,805
Community Services						
HRA upgrades - Electrical	2,000	2,688	2,538	2,438	2,188	11,850
HRA upgrades - Whole House Improvements	1,500	1,200	1,000	1,000	1,000	5,700
HRA upgrades - Kitchens	1,550	1,238	1,653	2,363	2,163	8,965
HRA upgrades - Bathrooms	1,440	1,553	1,503	1,403	1,553	7,450
HRA upgrades - Heating/Boilers Communal	2,665	2,000	2,000	2,000	2,000	10,665
HRA upgrades - Heating/Boilers Domestic	1,000	2,050	1,750	1,750	1,750	8,300
HRA upgrades - Thermal Comfort	200	200	200	200	200	1,000
HRA upgrades - Solar Thermal/Photovoltaic	746	500	500	500	500	2,746
HRA upgrades - Windows	2,000	2,750	2,750	2,750	2,750	13,000
HRA upgrades - Doors	400	400	400	235	235	1,670

Community Services (continued)	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000	5 year Total £000
HRA upgrades - Door Access Controls	650	719	703	623	727	3,420
HRA upgrades - Estate Aesthetics	750	250	200	200	200	1,600
HRA upgrades - HRA Shops	150	150	150	150	150	750
HRA upgrades - Sheltered Housing Comm Facilities	90	38	38	38	38	240
HRA upgrades - Re-Roofing	1,000	1,000	1,500	1,500	1,500	6,500
HRA upgrades - Structural	1,600	1,600	1,600	1,600	1,600	8,000
HRA upgrades - Tower Block Regeneration	0	3,125	3,125	3,125	3,125	12,500
HRA upgrades - Lift Upgrades	75	75	50	75	75	350
HRA upgrades - Water Hygiene Upgrades	500	787	334	257	257	2,136
HRA upgrades - Disabled Adaptations	1,900	1,750	1,750	1,750	1,750	8,900
HRA upgrades - Community Alarm	150	150	150	100	100	650
HRA upgrades - Compliance Upgrades	1,000	0	0	0	0	1,000
HRA upgrades - Property Services fees - future years	691	691	691	691	691	3,456
Proposed Programme - Community Services	22,057	24,912	24,583	24,746	24,550	120,848

Total HRA Programme	**35,606**	**39,185**	**38,892**	**37,387**	**31,110**	**182,181**

Total Overall Capital Programme	**64,151**	**47,552**	**43,608**	**40,879**	**34,533**	**230,724**

Note: Minor differences in totals due to the rounding of values within the table

Appendix 4 (C): The council's capital funding sources & strategy for their use

Funding source	Description and proposed strategy for its use
Revenue budget	**Description:** The use of the annual revenue budget to directly fund capital expenditure (also known as a Revenue Contribution to Capital Outlay (RCCO)). **General Fund strategy**: The revenue budget can be used to fund capital projects where there is no financial return from the investment to cover the costs of borrowing. **HRA strategy:** The HRA RCCO is the most versatile funding source and is therefore only utilised for capital expenditure after first taking into account resources available from grants, contributions, the Major Repairs Reserve (MRR), and retained one for one Right to Buy capital receipts.
Capital receipts	**Description:** Income receipt arising from the sale of assets or repayment of capital loans. Can only be used to fund capital expenditure or repay capital debt. **General Fund strategy**: Capital receipts are held centrally and used as a corporate resource. Capital receipts income (along with the revenue budget) is used to fund capital projects where there is no financial return from the investment to cover the costs of borrowing. Where proceeds from the disposal of commercial properties, which were originally funded by borrowing, are received, where appropriate those sums will be applied to reduce debt. **HRA strategy**: Non-Right-to-Buy HRA capital receipts arise from the disposal of HRA property and land other than dwellings and may be utilised to fund any HRA capital expenditure, except for projects that are being part funded by Right to Buy Retained 'One for One' Receipts. Due to this restriction, this resource is utilised to fund the HRA capital upgrade programme after resources arising from grants, contributions and the MRR have been applied, but prior to the use of general reserves and borrowing. **Use of capitalisation flexibilities**: Regulations around the flexible use of capital receipts allow the council to use new capital receipts to fund the revenue costs of council service reviews that will generate savings in future years. This is subject to the council approving a policy on the flexible use of capital receipts. The council currently has sufficient funds in its earmarked spend-to-save reserves and therefore has no proposal to make use of these flexibilities.

Funding source	Description and proposed strategy for its use
Leasing	**Description:** A lease is a contractual arrangement between the lessee (user) to pay the lessor (owner) for use of an asset. Property, equipment and vehicles are common assets that are leased. Leasing offers a way of financing the use of assets over a period of time without actually having to buy them outright. **Strategy for its use:** Some assets used by the Council are financed by a lease arrangement; for example, vehicles. There may be instances where leasing can offer value for money, and it will remain a consideration when options are being appraised. However, given the current relatively low cost of borrowing through PWLB compared to the implicit interest rates within any leased asset arrangement, it is likely to be better value for money if the council funds the asset itself via borrowing. Leasing cannot be undertaken without the specific approval of the S151 Officer to ensure that new accounting arrangements have been considered fully.

Funding source	Description and proposed strategy for its use
Right-to-buy capital receipts	**Description:** Income arising from Right-to-Buy sales of Council dwellings comprise three elements, the Treasury Share, which is passed to the government, the local authority share and the retained 'one for one' receipts. These funding sources are only available to the HRA. **Local Authority Share:** An element of capital receipts arising from the sale of an HRA dwelling under Right-to-Buy that may be retained indefinitely by the council and utilised to fund any HRA capital expenditure. **Strategy for its use**: As with other HRA capital receipts, these may be utilised to fund any HRA capital expenditure, except for projects that are being part funded by Right to Buy Retained 'One for One' Receipts. Due to this restriction, this resource is utilised to fund the HRA capital upgrade programme after resources arising from grants, contributions and the MRR have been applied, but prior to the use of general reserves and borrowing. **Retained 'One for One' Receipts:** The use of this share is limited under statute and can only be used to fund up to 40% of the overall cost of new social housing and must be utilised within 5 years of the date of retention or be returned to central government along with a punitive interest charge. **Strategy for its use**: The use of this resource is maximised, and monitoring will be undertaken during the year to ensure the council is not at risk of having to pay the receipts plus interest to central government. Council has prioritised the funding of its own HRA capital programme in utilising these receipts, but when unable to do so the priorities are: 1. Providing grant to Registered Providers to develop additional social rented housing, or when unable to do so. 2. Providing grant to Registered Providers to develop additional affordable rented housing.
General Reserves	**Description:** General (un-earmarked) reserves can be used to fund either revenue or capital expenditure. **General Fund strategy**: The general fund reserve is planned to be used to help finance the revenue budget over the MTFS until the reserve reaches the prudent minimum level. There are no plans for it to be used to fund capital expenditure. **HRA strategy:** The HRA general reserve is planned to be used as necessary to finance revenue and capital budgets in line with the HRA business plan, until the reserve reaches the prudent minimum balance.
Major Repairs Reserve (MRR)	**Description:** The Major Repairs Reserve is created from an annual depreciation charge to HRA revenue budgets. **Strategy for its use**: This is used as the first source of funding for the HRA capital upgrade programme.

Funding source	Description and proposed strategy for its use
Capital grants	**Description**: Grants given to the council to fund, either in whole or in part, specific capital projects **Strategy for their use**: the council will actively pursue grants and other contributions as well as other innovative solutions for the funding of capital investment schemes. This funding will be utilised in the first instance if the capital projects they fund meet the city's priorities and have no revenue budget or other onerous implications.
Section 106, GNGB and CIL	**Description:** Contributions paid by developers to mitigate the impact of new development across the city. **Section 106:** Contributions may be utilised to fund capital schemes but must be used in accordance with any obligations imposed by each legal agreement, such as time limits, area restrictions or service restrictions. These are now diminishing as S106s have instead largely been replaced by CIL contributions. **CIL (Community Infrastructure Levy)**: 80% of CIL contributions collected are paid to the Greater Norwich Growth Board (GNGB) to fund the Infrastructure Investment Fund in accordance with an existing memorandum of understanding. Where appropriate the council submits bids which may be utilised to fund capital schemes. 15% of CIL contributions are retained for local neighbourhood sponsored schemes and allocated to fund minor capital schemes. Contributions may provide matched funding to secure grant funding from central government or the local enterprise partnership.

Funding source	Description and proposed strategy for its use
Borrowing	**Description: Internal borrowing** is the *temporary* use of the council's cash holdings to fund capital expenditure. **External borrowing** is the process of taking debt finance from an external institution. The council will only borrow money (either internally or externally) in cases where there is a clear financial benefit, such as a new income stream or a budget saving, that can, at the very least, fund the costs arising from the borrowing, namely interest charges & any Minimum Revenue Provision (MRP) costs. The council's borrowing will be proportionate to the size of the council's balance sheet and revenue budget. All executive decisions on borrowing, investment or financing, within the limits and principles agreed by Council in the annual Treasury Management Strategy, are delegated to the Section 151 officer (chief finance officer), under the council's constitution, who is required to act in accordance with CIPFA's Treasury Management Code of practice. The Section 151 officer will decide whether to use internal instead of external borrowing as a temporary source of financing if at the time: (a) The council's overall cash holdings are above the minimum amount of cash deemed necessary for working capital purposes– (see the Treasury Management Strategy in part 6). (b) The net return from the new income stream (or budget saving), arising from the capital expenditure, is above that which would be obtained by depositing the cash on a short-term basis in a bank or building society. (c) The current interest rate environment is extremely volatile and as such opportunities to redeem debt or other capital financing decisions will be kept under review in conjunction with advice from the council's treasury advisers, Link Asset Services, if necessary.

5. TREASURY MANAGEMENT STRATEGY

Background

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

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

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

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

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

5.6 This section therefore fulfils the need for council to approve:

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

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

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

- The general fund and HRA proposed capital programme and its funding as set out in Section 4, tables 4.4 and 4.5.

- The implications for the council's capital financing requirement and borrowing position arising from the non-financial investments proposed in section 4 of this report.

Reporting Requirements

Capital Strategy

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

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

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

Treasury management reporting requirements

5.11 On 27 September 2022, the Council agreed to establish and appoint to a Treasury Management Committee to support the in-depth consideration of a range of matters related to the governance of the Council's treasury management activity.

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

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

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

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

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

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

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

5.15 As part of implementing the new requirements of the Treasury Management Code of Practice, in addition to the three major reports detailed above, from 2023/24 quarterly reporting (end of June/end of December) is also required. These additional reports will also be reported to the Treasury Management Committee.

Treasury management - role of the Section 151 Officer

5.16 The council's S151 officer is responsible for:

- Recommending treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance;
- Submitting regular treasury management policy reports;
- Submitting budgets and budget variations;
- Receiving and reviewing management information reports;
- Reviewing the performance of the treasury management function;
- Ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function;
- Ensuring the information required by internal or external audit is supplied;
- Recommending the appointment of external service providers;
- Ensuring that due diligence has been carried out on all treasury investments and is in accordance with the risk appetite and approved policies of the authority;
- Ensuring that members are adequately informed and understand the risk exposures taken on by an authority;
- Ensuring that the authority has adequate expertise, either in house or externally provided, to carry out the above;
- Training and qualifications of members responsible for treasury management approval and scrutiny as well as officers responsible for the day to day operations of treasury management.

Treasury management practices

5.17 A new CIPFA Treasury Management Code was published in December 2021. The revised TM Code provides details of what CIPFA recommends an organisation's treasury management practices (TMPs) should include;

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

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

Training

5.19 The CIPFA Code requires the responsible officer to ensure that all staff and members with responsibility for treasury management receive adequate training in this area (TMP10). The S151 officer is responsible for this function.

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

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

5.21 The training needs of treasury management officers are recorded and periodically reviewed as part of the formal annual employee performance review. Member training is delivered via the Treasury Management Committee. At its meeting on14th November the members of the newly established Treasury Management Committee received three training presentations from the Councils Treasury Advisors including an Economic Outlook, an Update on the Treasury and Prudential code and a balance sheet review.

Treasury management advisers

5.22 The council uses Link Asset Services as its external treasury management advisors (TMP11).

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

The Capital Prudential Indicators 2023/24 – 2027/28

5.24 The council's capital expenditure plans are a key driver of treasury management activity. A summary of the council's capital budget plans and how these are being financed is shown in table 5.1.

Capital Expenditure and Financing

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

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

	2022/23 Estimate £000	2023/24 Estimate £000	2024/25 Estimate £000	2025/26 Estimate £000	2026/27 Estimate £000	2027/28 Estimate £000
Capital expenditure						
General Fund	16,430	25,545	6,367	3,716	3,492	3,423
Equity investment	0	0	0	0	0	0
Capital Loans	1,000	3,000	2,000	1,000	0	0
Total General Fund Expenditure	**17,430**	**28,545**	**8,367**	**4,716**	**3,492**	**3,423**
Housing Revenue Account	**38,417**	**35,594**	**39,173**	**38,880**	**37,375**	**31,098**
TOTAL CAPITAL EXPENDITURE	**55,847**	**64,138**	**47,540**	**43,596**	**40,867**	**34,521**
Financing						
Capital receipts	8,350	15,957	13,464	10,162	11,704	9,158
Capital receipts (ringfenced)	0	0	0	0	0	0
Retained "one for one" RTB receipts	5,166	6,020	6,309	6,324	5,657	2,624
Major repairs reserve	18,454	15,852	14,722	14,676	14,572	16,880
Contributions and grants	14,667	12,689	1,814	1,690	250	250
Revenue contribution	5,949	6,740	7,964	7,986	6,985	3,936
Revenue contribution from earmarked reserves	751	66	0	0	0	0
Greater Norwich growth partnership	260	565	8	0	0	0
Community infrastructure levy	881	1,591	1,259	1,759	1,699	1,673
S106	369	968	0	0	0	0
Total	54,847	60,448	45,540	42,596	40,867	34,521
Borrowing need for the year	**1,000**	**3,690**	**2,000**	**1,000**	**0**	**0**
TOTAL FINANCING	**55,847**	**64,138**	**47,540**	**43,596**	**40,867**	**34,521**

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

5.26 The Capital Financing Requirement (CFR) calculation for 2023/24 and future years of the capital programme is shown below in table 5.2. This is the total historic outstanding capital expenditure yet to be financed from revenue or capital resources and a future projection of CFR based on capital expenditure plans. It is a measure of the council's indebtedness, and therefore its underlying borrowing need. The CFR also includes other long-term liabilities such as finance leases.

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

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

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

5.30 The repayment of loan debt made to external organisations also reduces the CFR where the loan is financed by borrowing.

Table 5.2: Capital Prudential Indicators

	2022/23 Estimate £000	2023/24 Estimate £000	2024/25 Estimate £000	2025/26 Estimate £000	2026/27 Estimate £000	2027/28 Estimate £000
Capital financing requirement at end of year						
General Fund	112,652	116,036	116,367	115,643	114,023	112,362
Housing Revenue Account	208,533	209,223	209,223	209,223	209,223	209,223
TOTAL	**321,185**	**325,259**	**325,590**	**324,866**	**323,246**	**321,585**
Annual change in capital financing requirement						
General fund	(351)	3,384	331	(724)	(1,620)	(1,661)
Housing Revenue Account	-	690	-	-	-	-
TOTAL	**(351)**	**4,074**	**331**	**(724)**	**(1,620)**	**(1,661)**

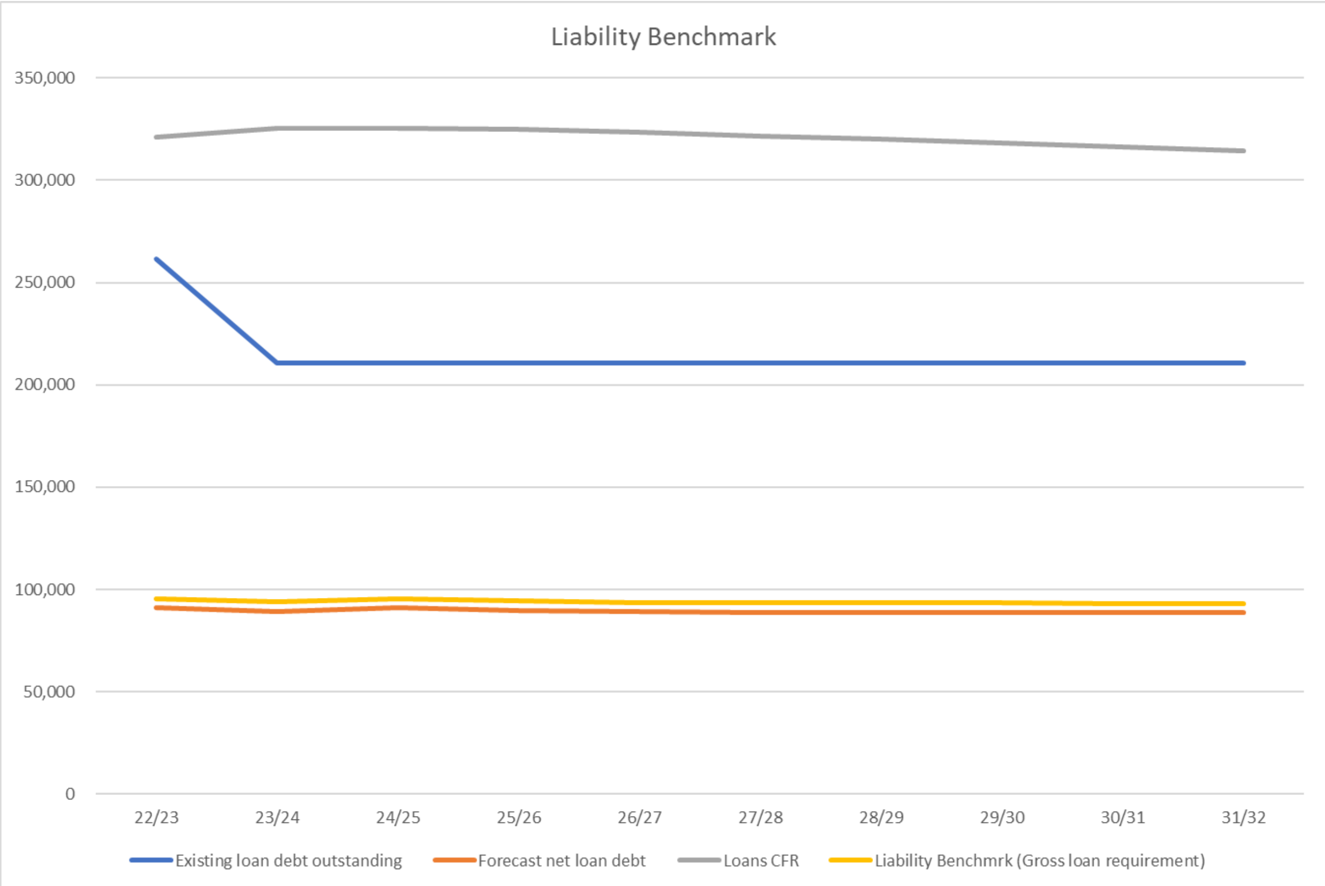
Liability Benchmark

5.31 A Liability Benchmark measure as defined in the new CIPFA Prudential and Treasury Management Codes is required to be included in the Council's Treasury Management Strategy from 2023/24. The Benchmark is included to determine the appropriate structure of the Councils external loans profile and is presented as a chart reflecting four balances as follows:

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

5.32 Chart 5.1 shows the Council's existing outstanding loan debt on the blue line which is below the grey CFR line demonstrating an under borrowed position which is being met by internal borrowing. The dark orange line shows the net outstanding loan position after deducting treasury management investments. The yellow line is the Liability Benchmark (Gross Loan requirement) which is net loans plus a liquidity allowance. The yellow liability Benchmark is significantly below the CFR demonstrating the Councils under borrowed and internally borrowed position.

Chart 5.1Liability Benchmark



Maturity Structure of borrowing Strategy

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

Table 5.3: Maturity structure of borrowing

Maturity structure of fixed interest rate borrowing		
2 years to 5 years	0%	60%
5 years to 10 years	0%	60%
10 years to 15 years	0%	60%
15 years to 20 years	0%	60%
20 years and above	0%	80%

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

Table 5.4a: Estimated forward projections for borrowing

	2022/23 Estimate £000	2023/24 Estimate £000	2024/25 Estimate £000	2025/26 Estimate £000	2026/27 Estimate £000	2027/28 Estimate £000
External Debt						
Debt as at 1 April	261,607	210,648	210,648	210,648	210,648	210,648
Expected change in debt	(50,959)	0	0	0	0	0
Other long-term liabilities	559	432	296	152	0	0
Actual gross debt as at 31 March	**211,207**	**211,080**	**210,944**	**210,800**	**210,648**	**210,648**
Capital Financing Requirement	321,185	325,259	325,590	324,866	323,246	321,585
Under/(Over) borrowing	**109,978**	**114,179**	**114,646**	**114,066**	**112,598**	**110,937**

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

5.34 Over the six year period covered by this TM Strategy, the following loan maturities and new borrowing will occur:

Table 5.4b: Estimated forward projections for borrowing

Maturities	Financial Year	New Borrowing	Financial Year
2,061,140	2022-23	0	2022-23
48,898,000	2022-23	0	2022-23
4,000,000	2023-24	4,000,000	2023-24
2,500,000	2024-25	2,500,000	2024-25
2,500,000	2025-26	2,500,000	2025-26
700,000	2025-26	700,000	2025-26
50,000,000	2025-26	50,000,000	2025-26
2,500,000	2026-27	2,500,000	2026-27
5,000,000	2026-27	5,000,000	2026-27
50,000,000	2027-28	50,000,000	2027-28
2,500,000	2027-28	2,500,000	2027-28
170,659,140		**119,700,000**	

5.35 During 2022/23 the council will not take any new long-term borrowing. £45M of borrowing was taken out during 2021/22 whilst interest rates were at historical low levels ahead of a scheduled repayment of self-financing debt in March 2023.

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

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

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

Minimum Revenue Provision Policy Statement

5.38 The proposed MRP Policy Statement is set out in Appendix 5.

5.39 The Council is required to pay off a proportion of the accumulated unfunded general fund capital expenditure each year (capital financing requirement) through an annual revenue charge (the MRP). This includes MRP for commercial properties and other non-treasury investments financed by borrowing.

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

5.41 It should be noted that it is not the council's policy to charge minimum revenue provision (MRP) on loans to third parties so long as there is no indication that the loan will not be repaid in full. All third-party loans will be reviewed annually with an assessment made of any MRP payments required. This provision is being kept under review in the light of recent consultation exercises and the potential for changes to the codes of practice in the future.

5.42 Currently there is no requirement for the HRA to make MRP provisions, although a voluntary revenue provision is being considered. This will provide a mechanism for the prudential repayment of debt over the life of the business plan. In the absence of a repayment mechanism, the business plan demonstrates that debt could continue to be financed. However, continued right-to-buy sales will lead to a decrease in the number of properties available to generate the income necessary to continue to make interest repayments. Therefore, given the cumulative impact of increasing interest charges it is considered sensible to put in place a means of extinguishing both the capital and interest element of debt.

Investment Property Review

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

5.44 To inform its Investment Strategy and take into account the CIPFA code requirements, the Council commissioned a review of its investment portfolio in conjunction with Jones Lang LaSalle (JLL) to determine asset condition, assets returns and the potential cost of disposal, provide a high-level health check of the portfolio, outline a 5 year strategy for the portfolio and provide recommendations around the retention/disposal of each asset.

5.45 The review has identified a number of assets that can be considered for sale, in addition the Council disposed of the Norwich Airport Industrial Estate jointly owned with The County Council earlier in the year and in January completed the sale of another investment asset at Cambridge Science Park,which was wholly owned by the City Council. The Cabinet has also recently resolved to dispose of properties at Guildhall Hill, Norwich. Any further asset disposals identified through the review will also be approved by Cabinet and Council as required. The review by JLL identifies the potential to dispose of a number of additional assets over the next 5 years and these are being profiled to ensure that the timing of such disposals is appropriate and in line with the needs of the council's budget and MTFS. Further asset disposals are therefore planned over the next 5 years and such decisions will be taken in due course alongside a strategy for determining the most appropriate application of the capital receipts received.

Borrowing Strategy

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

Table 5.5: The Council's current investment and borrowing position

	31/03/2022 Actuals £000	%	31/12/2022 Actuals £000	%
Investments				
Banks	68,525	41.6	65,000	34.9
Building Societies	25,000	15.2	30,000	16.1
Local Authority	45,000	27.4	45,000	24.2
UK Government	2,000	1.2	21,000	11.3
Money Market Funds	24,000	14.6	25,000	13.4
TOTAL	**164,525**	**100.0**	**186,000**	**100.0**
Borrowing				
PWLB	256,607	97.8	256,607	97.8
Banks	5,000	1.9	5,000	1.9
Others	694	0.3	694	0.3
TOTAL	**262,301**	**100.0**	**262,301**	**100.0**

5.47 On the 31st of December 2022, the council held £262m of external borrowing and £186m of treasury investments.

5.48 During 2022/23 the council has not taken any new long-term borrowing. £45M of borrowing was taken out during 2021/22 whilst interest rates were at historical low levels ahead of a scheduled repayment of self-financing debt in March 2023.

5.49 The additional borrowing, combined capital and grant receipts front loaded in the year, has meant that investment balances have increased since the start of 2022/23. These are expected to decrease towards the year end following a scheduled repayment of PWLB debt and business rates grants to the government.

Treasury Indicators 2023/24 – 2027/28

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

a. The operational boundary - the limit beyond which external debt is not normally expected to exceed.

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

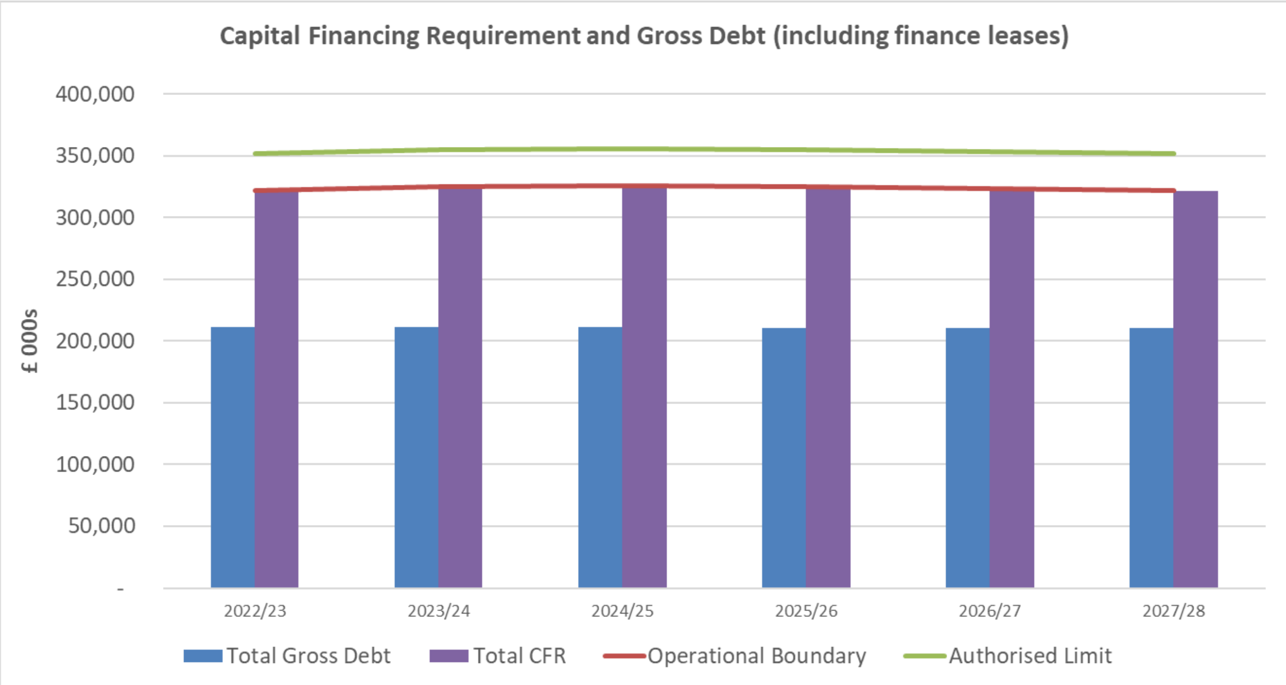
c. The estimated capital financing requirement for the HRA as at 1 April 2023 is £208.533m and this has been included in the authorised limit.

d. The HRA debt cap at the time it was removed in October 2018 was £236.989m.

Table 5.6: Treasury Indicators – Limits to Borrowing Activity

	2022/23 Estimate £000	2023/24 Estimate £000	2024/25 Estimate £000	2025/26 Estimate £000	2026/27 Estimate £000	2027/28 Estimate £000
Gross Debt						
Borrowing	211,207	211,079	210,944	210,800	210,648	210,648
Operational boundary for external debt						
Operational boundary	321,536	325,259	325,590	324,866	323,246	321,585
Authorised limit for external debt						
Authorised limit	351,536	355,259	355,590	354,866	353,246	351,585
Actual external debt						
Borrowing	210,648	210,648	210,648	210,648	210,648	210,648
Debt maturity profile - all borrowing %						
Less than one year	19%	2%	1%	25%	4%	25%
Between one and two years	2%	1%	25%	4%	25%	1%
Between 2 and 5 years	24%	54%	29%	27%	3%	3%
Between 5 and 10 years	23%	6%	7%	9%	9%	34%
Between 10 and 15 years	5%	4%	4%	2%	26%	4%
Between 15 and 20 years	0%	0%	0%	0%	0%	0%
Over 20 years	27%	33%	33%	33%	33%	33%
Upper limit for fixed interest rates	100%	100%	100%	100%	100%	100%
Upper limit for variable interest rates	20%	20%	20%	20%	20%	20%
Upper limit for investments > 365 days	£30m	£30m	£30m	£30m	£30m	£30m
Current treasury investments as at 31/12/2022 in excess of 1 year maturing in each year	-	-	-	-	-	-

Chart 5.2: Forecast of CFR and borrowing limits



Prospects for Interest Rates

5.51 The Council's treasury advisor's assist the Council to formulate a view on interest rates. Link provided the following forecasts on 19.12.22. These are forecasts for certainty rates, which are gilt (government bond) yields plus 80 bps.

Table 5.7 Interest Rate Forecasts

Link Group Interest Rate View	19.12.22												
	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25
BANK RATE	3.50	4.25	4.50	4.50	4.50	4.00	3.75	3.50	3.25	3.00	2.75	2.50	2.50
3 month ave earnings	3.60	4.30	4.50	4.50	4.50	4.00	3.80	3.30	3.00	3.00	2.80	2.50	2.50
6 month ave earnings	4.20	4.50	4.60	4.50	4.20	4.10	3.90	3.40	3.10	3.00	2.90	2.60	2.60
12 month ave earnings	4.70	4.70	4.70	4.50	4.30	4.20	4.00	3.50	3.20	3.10	3.00	2.70	2.70
5 yr PWLB	4.20	4.20	4.20	4.10	4.00	3.90	3.80	3.60	3.50	3.40	3.30	3.20	3.10
10 yr PWLB	4.30	4.40	4.40	4.30	4.10	4.00	3.90	3.80	3.60	3.50	3.40	3.30	3.30
25 yr PWLB	4.60	4.60	4.60	4.50	4.40	4.20	4.10	4.00	3.90	3.70	3.60	3.50	3.50
50 yr PWLB	4.30	4.30	4.30	4.20	4.10	3.90	3.80	3.70	3.60	3.50	3.30	3.20	3.20

Source: Link

5.52 Links central forecast reflects a view that the MPC will be keen to demonstrate its anti-inflation credentials by delivering a succession of rate increases. This has happened throughout 2022, but the new Government's policy of emphasising fiscal rectitude will probably mean Bank Rate does not now need to increase to further than 4.5%.

5.53 Further down the road, Link anticipate the Bank of England will be keen to loosen monetary policy when the worst of the inflationary pressures have lessened – but that timing will be one of judgment: cut too soon, and inflationary pressures may well build up further; cut too late and any downturn or recession may be prolonged.

5.54 The CPI measure of inflation is predicted to peak at close to 11% in Q4 2022. Despite the cost-of-living squeeze that is still taking shape, the Bank will want to see evidence that wages are not spiralling upwards in what is evidently a very tight labour market. Wage increases, excluding bonuses, are currently running at 5.7%.

5.55 In the upcoming months, the Link forecasts will be guided not only by economic data releases and clarifications from the MPC over its monetary policies and the Government over its fiscal policies, but the on-going conflict between Russia and Ukraine. (More recently, the heightened tensions between China/Taiwan/US also have the potential to have a wider and negative economic impact.)

5.56 On the positive side, consumers are still estimated to be sitting on over £160bn of excess savings left over from the pandemic so that will cushion some of the impact of the above challenges. However, most of those are held by more affluent people whereas lower income families already spend nearly all their income on essentials such as food, energy and rent/mortgage payments.

PWLB Rates

5.57 Yield curve movements have become less volatile under the Sunak/Hunt government. PWLB 5 to 50 years certainty rates are, generally, in the range of 3.75% to 4.50%. The medium to longer part of the yield curve is currently inverted (yields are lower at the longer end of the yield curve compared to the short to medium end).

5.58 Link view the markets as having built in, already, nearly all the effects on gilt yields of the likely increases in Bank Rate and the poor inflation outlook but markets are volatile and further whipsawing of gilt yields across the whole spectrum of the curve is possible.

The balance of risks to the UK economy: -

- The overall balance of risks to economic growth in the UK is to the downside. Indeed, the Bank of England projected two years of negative growth in their November Quarterly Monetary Policy Report.

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

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

- The Bank of England acts too quickly, or too far, over the next two years to raise Bank Rate and causes UK economic growth, and increases in inflation, to be weaker than currently anticipated.

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

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

- The Bank of England is too slow in its pace and strength of increases in Bank Rate and, therefore, allows inflationary pressures to build up too strongly and for a longer period within the UK economy, which then necessitates an even more rapid series of increases in Bank Rate faster than expected.

- The Government acts too slowly to increase taxes and/or cut expenditure to balance the public finances, in the light of the cost-of-living squeeze.

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

- Borrowing advice: Our long-term (beyond 10 years) forecast for Bank Rate stands at 2.5%. As all PWLB certainty rates are now above this level, borrowing strategies will need to be seen in that context. Better value can generally be obtained at the shorter end of the curve and short-dated fixed LA to LA monies should be considered. Temporary borrowing rates are likely, however, to remain near Bank Rate and may also prove attractive whilst the market waits for inflation, and therein gilt yields, to drop back later in 2023.

Our suggested budgeted earnings rates for investments up to about three months' duration in each financial year are as follows: -

Table 5.8 Suggested budgeted earnings rates

	Average earnings in each year
2022/23 (remainder)	3.95%
2023/24	4.40%
2024/25	3.30%
2025/26	2.60%
2026/27	2.50%
Years 6 to 10	2.80%
Years 10+	2.80%

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

Borrowing Strategy

5.60 The Council is currently maintaining an under-borrowed position. This means that the capital borrowing need, (the Capital Financing Requirement), has not been fully funded with loan debt as cash supporting the Authority's reserves, balances and cash flow has been used as a temporary measure. This strategy is prudent as medium and longer dated borrowing rates are expected to fall from their current levels once prevailing inflation concerns are addressed by tighter near-term monetary policy. That is, Bank Rate increases over the remainder of 2022 and the first half of 2023.

5.61 Against this background and the risks within the economic forecast, caution will be adopted with the 2023/24 treasury operations. The Council's S151 officer and the treasury team will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances.

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

Policy on borrowing in advance of need

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

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

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

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

Debt rescheduling

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

5.67 Any rescheduling will take account of:

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

UK Municipal Bond Agency (MBA)

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

Investment Strategy

Treasury investment policy

5.69 The council's treasury management investment policy has regard to DLUHC's Guidance on Local Government Investments ("the Guidance") and CIPFA's Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance

Notes ("the CIPFA TM Code") as well as the CIPFA Treasury Management Guidance Notes 2021. The Council's treasury management investment priorities will be Security first, Liquidity second, and then Yield.

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

Risk Management and Creditworthiness Policy

5.71 Management of risk is placed in high priority in accordance with the DLUHC and CIPFA Guidance. In order to minimise the risk to treasury investments, the council applies minimum acceptable credit criteria to generate a list of highly creditworthy counterparties which it maintains. This also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the short term and long term ratings.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

5.82 Table 5.9 incorporates several increases to the specified investment counterparty limits compared to the 2022/23 Treasury Management Strategy. This decision has been taken in light of the increased cash balances currently being held by the authority. The increases have been applied to the lowest credit risk investments and will ensure the council has sufficient capacity to manage its current investments in a secure way. The following increases have been applied:

- Increase in specified investments with AAA rated Money Market Funds (MMF) (Term Deposits, CD, Call & Notice accounts) from £25m to £35m (maximum duration 12 months) and to increase the number of MMF's available from three to Four;

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

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

Sovereign limits

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

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

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

5.87 Due to the current economic outlook for the UK economy, the UK sovereign rating is currently on the lowest acceptable level suggested for approved countries of AA-. However, if credit rating agencies downgrade the UK below AA- (the minimum Sovereign rating for 2023/24), the council will immediately seek advice from its treasury adviser and report to cabinet at the earliest possible reporting date.

Table 5.10: Sovereign rating for 2023/24

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

Bank of England iteration UK bank stress tests

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

Money Market Funds (MMFs)

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

Building societies

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

Current account banking

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

UK banks – ring fencing

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

Investment risk benchmarking

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

5.94 **Security benchmark** – Counterparty risk will increase as duration of investment increases. The council will continue its policy of investing the majority of its investments with duration of less than 12 months. The council's maximum security risk benchmark for the current portfolio, when compared to the historic default tables is 0.04%. This benchmark is an average risk of default measure and would not constitute an expectation of loss against a particular investment.

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

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

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

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

Ethical investment

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

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

Environmental, Social and Corporate Governance Policy

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

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

- Corporate Governance – acting as responsible and active investors.

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

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

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

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

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

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

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

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

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

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

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

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

Policy on use of financial derivatives

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

Regulatory Changes

5.108 In December 2021 CIPFA issued revised versions of the Treasury Management Code and its associated guidance, which in themselves interact closely with an updated Prudential Code for capital finance, governing local authority capital investment and borrowing activities. Formal adoption of the code by the Council is required from the 2023/24 financial year to which this Strategy document relates. The Council has to have regard to these codes of practice when it prepares the Treasury Management Strategy Statement and Annual Investment Strategy, and also related reports during the financial year, which are taken to Full Council for approval.

5.109 The revised codes have the following implications:

- a requirement for the Council to adopt a new debt liability benchmark treasury indicator to support the financing risk management of the capital financing requirement;

- clarity on what CIPFA expects a local authority to borrow for and what they do not view as appropriate. This includes the requirement to set a proportionate approach to commercial and service capital investment;
- address ESG issues;
- a requirement to consider annually its commercial property investments, if it intends to have a borrowing need, and to consider the risks and benefits of continuing to hold such investments against the option to divest and realise capital receipts to pay down debt or reduce future borrowing needs;
- create new Investment Practices to manage risks associated with non-treasury investment (similar to the current Treasury Management Practices);
- ensure that any long-term treasury investment is supported by a business model;
- a requirement to effectively manage liquidity and longer-term cash flow requirements;
- amendment to the knowledge and skills register for individuals involved in the treasury management function - to be proportionate to the size and complexity of the treasury management conducted by each council;
- a new requirement to clarify reporting requirements for service and commercial investment, (especially where supported by borrowing/leverage).

5.110 Members will continue to be updated on how all of these changes are being implemented as part of the regular reporting to the Treasury Management Committee.

APPENDIX 5: Minimum Revenue Provision (MRP) policy statement

For capital expenditure incurred:

(A) From 1st April 2008 for all unsupported borrowing (excluding finance leases) the MRP policy will be to; charge MRP on an annuity basis (using the prevailing rate of interest at the time) so that there is provision for the full repayment of debt over 50 years; Asset life is deemed to begin once the asset becomes operational. MRP will commence from the financial year following the one in which the asset becomes operational.

(B) MRP in respect of unsupported borrowing taken to meet expenditure, which is treated as capital expenditure by virtue of either a capitalisation direction or regulations, will be determined in accordance with the asset life method as recommended by the statutory guidance.

(C) Expenditure in respect of loans made to third parties will not be subject to a minimum revenue provision as the Council will have undertaken sufficient due diligence to expect these loans will be repaid in full to the Council by a capital receipt either during the loan agreement term or at the end of the agreement. Therefore, the Council considers that it can take a prudent view that the debt will be repaid in full at the end of the loan agreement (or during if it is an instalment loan), so MRP in addition to the loan debt repayments is not necessary. Each loan will be reviewed on an annual basis to ensure that is no change in the expectation that there will be a full repayment of the loan. If, upon review, this is no longer found to be the case then a minimum revenue provision will be made over a prudent timeframe to cover the potential non-repayment of part, or all of the loan balance.

This is subject to the following details:

1) An average asset life for each project will normally be used. There will not be separate MRP schedules for the components of a building (e.g. plant, roof etc.). The asset life will be determined by the Chief Finance Officer based on the standard schedule of asset lives provided by an appropriately qualified asset valuer will generally be used (as stated in the Statement of Accounts accounting policies).

2) MRP will commence in the year following the year in which capital expenditure financed from borrowing is incurred, except for single assets when expenditure is being financed from borrowing the MRP will be deferred until the year after the asset becomes operational.

3) Other methods to provide for debt repayment may occasionally be used in individual cases where this is consistent with the statutory duty to be prudent, as justified by the circumstances of the case. Where this is the case, the chief finance officer will first seek approval from Full Council.

4) There is no requirement on the HRA to make a minimum revenue provision but there is a requirement for a charge for depreciation to be made.

5) Repayments included in annual finance leases are excluded from MRP as they are deemed to be a proxy for MRP.

6. SUMMARY OF KEY FINANCIAL INDICATORS

Background

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

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

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

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

6.4 For the majority of indicators, the council has not elected to set self-assessed limits. This will be kept under review as better benchmarking data becomes available from other authorities. The annual limit regarding borrowing along with a number of other prudential and Treasury Management indicators are set in the Treasury Management Strategy (section 5).

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

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

Balance Sheet position - strong

6.7 The balance sheet provides a "snapshot" of the council's financial position at a specific point in time showing what it owns and owes. The council currently has a strong balance sheet position and has total long-term assets valued at £1.2bn, most of which are land and property assets including the council's HRA housing. The Councils usable Reserves totals £168M

6.8 As at 31 March 2022, the council had external borrowing of £264m (£213m long-term, £52.04m short-term) which is 22% of the value of the council's assets. In addition, the council had borrowed £58m internally from its own cash holdings to temporarily fund capital expenditure and investments. The total long-term indebtedness of the council at the end of last financial year was therefore £322m (this figure is known as the capital financing requirement (CFR)).

6.9 Long term investments (equity shares) as at the 31 March 2022 include a £3.4m shareholding in Norwich Regeneration Limited and £0.370m shareholding in Norwich City Services Ltd.

6.10 In the 2021/22 long term debtors, the amounts lent to third parties on commercial terms comprise a £6.150m loan to Norwich Regeneration Limited, £1.140m capital loan to Norwich City Services, a £0.500m working capital loan to Norwich City Services Ltd and a £0.104m loan to Norwich Preservation Trust. The council also makes "soft" loans (on non-commercial terms) to others, for example home improvement loans to residents. Only the lending undertaken on commercial terms needs to be considered as part of the requirements arising from the revised Investment Code.

Forecast Balance Sheet position

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

Core Funds and Expected Investment Balances

6.12 The application of resources (reserves, capital receipts etc.) to either finance capital expenditure or other budget decisions to support the revenue budget will have an ongoing impact on investments unless resources are supplemented each year from new sources (asset sales etc.). Detailed below are estimates of the year-end balances for each resource and anticipated day-to-day cash flow balances. The large increase in expected balances in 2022/23 reflects the capital receipts from the sale of assets during the year to date.

Table 6.1 **Core Funds and Expected Investment Balances**

	2021/22 Actual £'000	2022/23 Estimate £'000	2023/24 Estimate £'000	2024/25 Estimate £'000	2025/26 Estimate £'000	2026/27 Estimate £'000	2027/28 Estimate £'000
General Fund Reserve	-10,336	-8,236	-8,236	-8,236	-8,236	-8,236	-8,236
GF Earmarked Reserves	-29,849	-14,591	-13,994	-13,994	-13,994	-13,994	-13,994
HRA Reserve	-51,373	-47,164	-45,954	-45,889	-7,095	-7,298	-6,495
HRA Earmarked Reserve	-848	-1,679	-1,609	-1,609	-1,609	-1,609	-1,609
Capital Receipts Reserve	-64,353	-67,904	-64,127	-63,765	-74,990	-82,502	-69,446
Major Repairs Reserve	-7,281	-4,314	-4,037	-5,582	-7,369	-9,462	-9,462
Capital Grants Unapplied	-4,249	-2,774	-1,210	230	230	230	230
Total Core Funds	**-168,289**	**-146,662**	**-139,167**	**-138,845**	**-113,063**	**-122,871**	**-109,013**
Expected Investment Balances	**164,525**	**186,000**	**139,000**	**138,000**	**113,000**	**122,000**	**109,000**

Financing Costs

6.13 The Council's Capital expenditure plans should be considered alongside the cost of past borrowing, maintenance requirements and planned disposals.

The authority's MRP or loans fund repayment policy will also have a critical impact on the overall affordability of new borrowing. Capital Financing costs are shown as a % net revenue stream (taxation and non-specific grant income excluding capital grants, contributions and donated assets).

Table 6.2 Capital Financing costs are shown as a % net revenue stream

	2021/22 Actual £'000	2022/23 Estimate £'000	2023/24 Estimate £'000	2024/25 Estimate £'000	2025/26 Estimate £'000	2026/27 Estimate £'000	2027/28 Estimate £'000
General Fund	9%	13%	8%	7%	7%	7%	7%
Housing Revenue Account	12%	11%	9%	8%	8%	8%	7%

The Council's non-financial (commercial) investments

Commercial income to Net Revenue Stream

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

Table 6.3: Net commercial income to Net Revenue Stream

	2021/22 Actual £'000	2022/23 Estimate £'000	2023/24 Estimate £'000	2024/25 Estimate £'000	2025/26 Estimate £'000	2026/27 Estimate £'000	2027/28 Estimate £'000
Commercial Property Income	-7,203	-6,423	-6,041	-6,212	-6,212	-6,212	-6,212
Commercial Property Expenditure	3,397	2,623	2,432	2,461	2,466	2,472	2,477
MRP	789	809	783	802	823	844	865
Airport Industrial Net Income	-283	-44	0	0	0	0	0
Net Commercial Property Income	**-3,300**	**-3,035**	**-2,826**	**-2,949**	**-2,923**	**-2,896**	**-2,870**
Lending interest income	-418	-454	-479	-625	-625	-625	-625
Assumed lending cost	187	202	216	280	280	280	280
Net 3rd Party Lending Income	**-231**	**-252**	**-263**	**-345**	**-345**	**-345**	**-345**
Net Commercial Income	**-3,531**	**-3,287**	**-3,089**	**-3,294**	**-3,268**	**-3,241**	**-3,215**
Net Revenue Stream	**-21,416**	**-22,184**	**-22,552**	**-23,191**	**-23,691**	**-24,217**	**-24,773**
Net Commercial Income as a % of Net Revenue Stream	**16%**	**15%**	**14%**	**14%**	**14%**	**13%**	**13%**

6.15 For 2023/24 onwards the net and gross income from Commercial property shown in table 6.3 are based on the proposed budget assumptions. For 2022/23 the assumed income from the Norwich Airport Industrial Estate has been reduced based on the decision by Cabinet in July 2021 to dispose of the site and its assumed sales during the financial year. Income from the council's car parks is not included in this analysis as the primary reason for owning and managing them is not solely for-profit making purposes.

7. CHIEF FINANCE OFFICER'S STATEMENT

Statutory requirements

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

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

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

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

Assurance Statement of the Council's Section 151 Officer

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

7.5 In relation to the 2023/24 General Fund Revenue budget, I have examined the budget proposals and I believe that, whilst the spending and service delivery proposals are challenging, they are nevertheless achievable given the political and management desire to implement the changes. Good management and the sound monitoring of performance and budgets will be essential. I am satisfied that sufficient management processes exist within the Council to deliver this budget and to identify and deal with any problems which may arise unexpectedly during the year.

7.6 The key process risks in making the above statement are the level of resources within the Council dedicated to providing financial support services and advice to managers, which will need the finance teams to be focused on key risk budgets.

7.7 My recommendations are also conditional upon:

a) The Council approving the updated Medium Term Financial Strategy for 2023/24 to 2026/27.

b) A recognition in the medium-term planning approach that the level of reserves and corporate risk assessment need to be regularly reviewed in the light of changing circumstances and that it may not be possible to match the two at any single point in time. The Council needs to show a commitment to maintain reserves at a level which provides adequate cover for most identified risks during the planning period. This approach is pragmatic and shows a clear commitment to prudent contingency planning.

c) It must be noted, however, that the recommended levels of reserves could still leave the Council exposed to the very exceptional risks identified in this review and, if all those risks crystallised at the same time, then the total level of reserves could be inadequate.

d) Cabinet Members, Chief Executive, Executive Directors, and managers not exceeding their cash limits for 2023/24 (and future years covered by the Medium-Term Financial Strategy).

e) Not considering further calls on reserves other than for those risks that have been identified, those that could not have been reasonably foreseen and that cannot be dealt with through management or policy actions. It is not prudent to finance ongoing spending from one-off reserves. Any excess reserves should be targeted towards business transformation (including redundancies and invest to save initiatives), Local Government funding changes and the impacts of significant changes in national policy.

f) That the Council has arrangements and resources in place to consider and assess value for money across the delivery of all its services and operations in preparation for future years' budgets.

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

a) An absolute minimum level of unallocated General Fund reserves of £5.4 million is maintained throughout the period between 2023/24 to 2026/27.

b) An optimal level of unallocated General Fund reserves of £10 million over the period 2023/24 to 2026/27 to cover the absolute minimum level of reserves, in-year risks, cash flow needs and unforeseen circumstances.

c) A maximum recommended level of unallocated General Fund reserves of £12 million for the period 2023/24 to 2026/27 to provide additional resilience to implement the Medium-Term Financial Strategy.

d) A Reserves Strategy to remain within the recommended level of reserves over the relevant period of 2023/24 to 2026/27.

7.9 The estimated level of unallocated General Fund reserves at 31 March 2023, based on current projections is £8.2 million depending on the final outturn position. Therefore:

a) The absolute minimum level of reserves of £5.4 million is currently being achieved. b) The optimal level of reserves of £10 million criteria is not currently being achieved for 2022/23. It should be noted however that there are currently no proposals over the MTFS period to draw from general unallocated reserves (£2.1m for 2022/23) and at Q2 a small general fund underspend was projected. The CFO is of the opinion that consideration to achieving the optimal level of unallocated reserve as part of the 2022/23 closure process is an appropriate approach to take.

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

c) Reserves should remain within the recommended range of reserves during 2023/24. This is subject to the cash limited budget for 2023/24 being met.

7.10 These recommendations are made based on:

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

b) My own enquiries during the development of the current budget proposals, including specifically the base budget review undertaken during 2022 by all budget managers and subject to an independent review.

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

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

e) That the reserves in 2023/24 and the foreseeable future are used only if risks materialise and cannot be contained by management or policy actions.

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

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

a) The impact of inflationary pressures both directly on the council’s expenditures but also secondary impacts on retained business rate levels, levels of bad debt and increases in service demands.

b) A national failure to continue to reduce the spread and impact of COVID-19 as new variants emerge and reduced financial support for the continuing local implications of a pandemic.

c) The risk surrounding the non-delivery of savings and exceeding investment proposals within the budget package for 2023/24.

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

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

- Decline in the Council Tax base and Business Rates base.
- Business Rates appeals from the previous revaluation exercises.
- Further changes to the way in which Local Government is financed especially after the 2024/25 settlement.
- Future Government changes in policy and funding for Local Government, particularly the unknown impact of future spending reviews/ rounds.

- The need to address the Country's ongoing Public Sector Borrowing Requirement (PSBR) and the structural financial deficit.

f) Insurance Claims.

7.12 In relation to the Housing Revenue Account (HRA) in 2023/24 and the medium to long term:

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

b) Forward projections for the HRA have been undertaken with a revised 30-year business plan established in 2022. This is linked to the HRA's own Medium Term Financial Strategy for the period 2023/24 to 2026/27. The current position demonstrates that it is possible to:

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

7.13 In relation to the General Fund and HRA Capital Investment Programme 2023/24 to 2027/28 (including commitments from previous years and new starts):

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

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

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

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

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

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

7.15 Given all these factors, I, as the Council's Section 151 Officer, consider the estimates for 2023/24 to be sufficiently robust and recommend for approval by the Council. I am also able to advise the Council that the level of General Fund Reserves is adequate and to recommend a Reserves Strategy which is achievable for 2023/24 – 2026/27.

Supporting Statements

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

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

a) The issuing of clear guidance to Services on preparing budgets including the requirement to provide information in support of the base budget review work.
b) The development of a Council wide risk assessment.
c) The use of extensive budget monitoring and its escalation process to identify risks.
d) The Council's S151 Officer providing advice throughout the process of budget preparation and budget monitoring.
e) The Chief Executive and Executive Directors review of their budgets and appropriate sensitivity analysis.
f) A review of all budget proposals and implications by the Corporate Leadership Team (CLT).
g) A review of budget proposals and implications by Cabinet Members.
h) Enquiries made directly by the Section 151 Officer and Finance Officers.

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

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

a) The treatment of inflation and interest rates.
b) The treatment of demand led pressures.
c) The treatment of efficiency savings/productivity gains.
d) The financial risks inherent in any significant new partnerships or major capital developments.
e) The availability of other funds to deal with major contingencies.
f) The service's track record in budget and financial management.
g) The service's capacity to manage in-year budget pressures.

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

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

Robustness of Estimates - General Fund Revenue Budget

7.22 The 2023/24 budget and Medium-Term Financial Strategy, the 2040 Norwich City Vision and our COVID-19 recovery plans continues our commitment to target our financial resources to delivering better outcomes and effectively manage risks. In addition to improving efficiency, there are clearly choices for the Council in this respect:

a) To increase financial resources to meet demand and reduce risk, and/or
b) To reduce (where possible) service levels and standards, frequency of service delivery, and eligibility for services.

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

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

a) Employee costs.
b) The cost of prudential borrowing within the capital programme.
c) Shortfalls in income and grant income.
d) Inflation particularly relating to energy costs, petrol/ diesel.

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

Financial Sustainability Strategy

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

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

Medium Term Financial Strategy

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

Adequacy of Reserves – General Fund Revenue Budget

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

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

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

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

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

a) There is always some degree of uncertainty over whether the full effects of any economising measures and/or service reductions will be achieved. The Executive Directors have been requested to be prudent in their assumptions and that those assumptions, particularly about demand led budgets, will hold true in changing circumstances.
b) The Bellwin Scheme Emergency Financial Assistance to Local Authorities helps in the event of an emergency. The Local Authority can claim assistance with the cost of dealing with an emergency over and above a threshold set by the Government.
c) The risk of major litigation, both current and in the future.
d) The Local Council Tax Support Scheme with less Government funding and increases in caseload at the Council's own risk
e) Issues arising from the final Housing Benefit Subsidy Claim.
f) The localisation of Business Rates including the impact of businesses declining in the city boundaries and the mitigation of risks and rewards through pooling.
g) New and impending legislation.
h) The need to retain a general contingency within the budget estimates to provide for some measure of unforeseen circumstances which may arise.
i) The need to retain reserves for general day-to-day cash flow needs. This is minimal given the level of cash the Council holds at any given time.
j) The potential impact nationally, regionally, and locally of new climate change initiatives and commitment to our environmental agenda; the

impact that Nutrient Neutrality is having on planning permissions and the subsequent income streams associated with development.

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

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

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

a) To remain within their service budget for 2023/24 and within agreed medium term financial strategy parameters for future years with a strict adherence to recovering overspends within future years' financial plan targets.
b) Repayment to reserves in line with the Medium-Term Financial Strategy should these risks materialise.
c) Direct any windfall revenue savings/underspends to reserves should the General Fund Revenue Reserves Strategy require it.

Estimated Earmarked General Fund Revenue Reserves

7.36 I have reviewed the Council's General Fund earmarked revenue reserves which are estimated to amount to circa. £14.6 million at 1st April 2023. The main components are: unapplied revenue grants £3.7m, budget risk reserve £2.4m, commercial property reserve £1.5m, invest to save reserve £1.5m and insurance reserve £1.1m. Further details can be found in Section 2 Table 2.4.

Estimated Earmarked Housing Revenue Account Reserves

7.37 I have also reviewed the Council's Housing Revenue Account overall revenue reserves which are estimated to amount to £46 million as of 1st April 2023. Including the Major Repairs Reserve.

Capital Investment Programme – 2023/24 to 2027/28

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

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

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

Capital Investment Programme Risks

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

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

7.43 In relation to the General Fund and HRA Capital Investment Programme specifically for 2023/24 (including commitments from previous years and new starts):

a) The HRA Capital Investment Programme will need to be contained within total programme cost by delaying or stopping specified schemes.

b) The General Fund Capital Budget is substantial but is based on the best information available in terms of project costs. What is less certain is the phasing of expenditure.

c) The strategic schemes identified in the Capital Investment Programme will be closely monitored in-year.

d) That the funding identified for the approved Capital Investment Programme is delivered and is proportionate, prudent, affordable, and sustainable.

8. GLOSSARY OF TERMS USED IN THE BUDGET REPORT

Assets – Tangible and Intangible	*Tangible asset* – an asset that has a physical form such as machinery, vehicles, information and communications technology, equipment, buildings and land. *Intangible asset* – an asset that is not physical in nature such as goodwill, brands, patents & copyrights and shares.
Authorised Limit for External Borrowing	A statutory limit that sets the maximum level of gross external borrowing for the council.
Base Budget	The budget from the previous year is taken forward to create the initial budget for the next year, this is the base budget. Inflation, savings, growth and other adjustments are then added.
Baseline Funding Level	Authorities' local share of business rates determined by an index-linked assessment of their needs undertaken in 2012–13.
Benchmark	A benchmark is used to measure performance against an externally calculated value; benchmarks can be used to measure service performance, or it can enable a comparison of an investments value against a relevant 'benchmark' index.
Billing Authority	A council such as Norwich City Council which is responsible for collecting the Council Tax and Business Rates in its administrative area. Authorities on whose behalf billing authorities collect money are called precepting authorities.
Bond	A financial instrument in which an investor lends money for a specific period of time at a fixed rate of interest. Examples are corporate (issued by companies), financials (issued by banks and building societies), Supranational (issued by Supranational such as the European Development Bank), and government bonds.
Brexit	"Brexit' is the phrase coined to describe the process of the UK withdrawing from the European Union (EU). The UK joined the EU in 1973 and left in 2020.

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

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

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

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

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

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

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

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

Capital Receipt	This is income received from the disposal of an interest in a capital asset. The income can only be used to finance capital expenditure or to reduce future debt liabilities.
Capitalisation	The proportion of a company's equity to debt finance. See "Thin capitalisation". Can also refer to the process of funding revenue expenditure from capital resources in accordance with regulations– e.g. the relevant element of staffing costs, which are normally revenue expenditure, can be capitalised against a capital project if they are an integral part of delivering the capital project.
Capitalisation Direction	A specific approval, only available from the government, to permit general revenue expenditure to be capitalised and funded from capital resources – used in extreme circumstances where borrowing is necessary to support day to day expenditure needs.
Certainty rate	The government reduces interest rates on loans from the Public Works Loan Board (PWLB) by 20 basis points (00.20%) to councils who provide specific information and guarantees on their plans for long-term borrowing and capital spending.
Certificate of Deposit (CD)	These are term deposits commonly sold in financial markets (e.g. banks and building societies).
CIPFA	The Chartered Institute of Public Finance and Accountancy (CIPFA) is the professional institute for accountants working in the public services and in other bodies where public money needs to be managed. It has a role in setting codes and standards that regulate the use of public money.
Collection Fund	The collection fund is a separate statutory fund, which shows the income received from business rates and council tax, and the distribution to preceptors and the city council. The resultant balance is either a surplus or deficit which is be applied to future years' budgets.
Constant Net Asset Value Money Market Funds (CNAV)	This refers to money market funds that aim to maintain a net asset value or value of a share of the fund.
Contingency Budget	A sum put aside to cover unforeseen expenditure during the period of the budget.

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

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

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

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

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

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

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

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

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

Credit Rating	A measure of the credit worthiness of a borrower. A credit rating can be assigned to an organisation or a specific debt issue/financial obligation. There are a number of credit ratings agencies but the main three are Standard & Poor’s, Fitch and Moody’s.
Credit Risk	Risk of a borrower defaulting on any type of debt by failing to make payments which it is obligated to do.
Depreciation	The measure of the wearing out, consumption, or other reduction in the useful economic life of a fixed asset, whether arising from use, passage of time or obsolescence. This is only budgeted as a cost in the Housing Revenue Account (HRA).
DLUHC	Department for Levelling Up, Housing and Communities (formerly MHCLG).
Disabled Facility Grant (DFG)	A central government grant that contributes towards the cost of providing adaptations and facilities to enable disabled people to continue living in their own homes.
DMADF	The Debt Management Agency Deposit Facility, which is offered by central government to local authorities to make fixed term deposits to supplement their investments.
Earmarked Reserve	Reserves earmarked for a specific type of future spend.
Enhancement (of an asset)	Enhancing an asset is capital expenditure which is intended to substantially: • lengthen the useful life of the asset • increase the open market value of the asset • increase the extent to which the asset can or will be used in connection with the functions of the local authority Repairs & maintenance is revenue expenditure.
External Borrowing	External borrowing is the process of going to an external financial institution to obtain money. The council would generally borrow from the Public Works Loans Board (PWLB) due to its favourable rates for public sector bodies, but other institutions also offer loan finance to councils.
Equity	An ownership interest in a business.

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

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

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

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

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

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

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

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

Gilt	A UK Government bond issued by HM Treasury.

Growth	An increase in expenditure generally not due to inflation/price changes but arising from growth in service demand, a change in legislation impacting on the service or a decision to invest more in a service.
Housing Revenue Account (HRA)	The Housing Revenue Account is a statutory ring-fenced account maintained separately from General Fund services. It includes all expenditure and income relating to the provision, maintenance and administration of council housing and associated areas such as HRA shops and garages.
IFRS	International Financial Reporting Standards, a set of accounting rules used for the preparation of financial statements including those of local authorities.
Internal Borrowing	Internal borrowing is the *temporary* use of the council's cash holdings to fund capital expenditure. Whilst this must be repaid it does not represent a formal debt in the same way as external borrowing.
Investment Code	Sets out practices that local authorities are "obliged to have regard to" when making investment decisions. Published by the DLUHC.
London Interbank Offered Rate (LIBOR)	*The rate of interest that banks charge to lend money to each other. The rates are set on a daily basis and used as a reference price for floating rate securities. LIBOR and LIBID are being discontinued from December 2021 following recent banking scandals. They will be replaced by SONIA*
Liquidity	A measure of how quickly the deposit of investment can be returned.
Local Government Finance Settlement	The annual determination of local authority spending made by the government and debated by parliament. A provisional settlement is announced before Christmas with the final settlement announced in late January.
London Interbank Bid Rate (LIBID)/London Interbank Offered Rate (LIBOR)	This was bid rate that participating London banks were willing to pay for Eurocurrency deposits and other bank's unsecured funds in the London interbank market. LIBOR and LIBID were discontinued in December 2021 following recent banking scandals. They were replaced by SONIA

Major Repairs Reserve (MRR)	The Major Repairs Reserve is a source of funding for the HRA capital upgrades programme generated by an annual asset depreciation charge to the HRA revenue budget.

MCHLG (now DLUHC)	The Ministry of Housing, Communities and Local Government (MHCLG), renamed Department for Levelling Up, Housing and Communities (DLUHC) in 2021.

Minimum Revenue Provision (MRP)	A statutory charge to the general fund revenue budget for future debt repayments (external borrowing in the capital programme). The council must set out its MRP policy in the annual Treasury Management Strategy.

Net Asset Value (NAV)	Value of an entity's total assets minus the value of its total liabilities.

New Homes Bonus	A grant paid by central government to local councils to reflect and incentivise housing growth in their areas. It is based on the amount of extra Council Tax revenue raised for new-build homes, conversions and long-term empty homes brought back into use. Being phased out as part of the review of local authority funding reforms.

Net Service Expenditure	Net service expenditure comprises that part of the revenue budget that is funded from retained Business Rates, Council Tax, and any revenue support grant.

Non-financial Investments	Investments made primarily for a financial return comprising commercial property acquisitions, lending to third parties on commercial terms and equity investments (shareholdings) in third parties.

Non-Specified Investments	These are investments that do not meet the conditions laid down for specified investments and potentially carry additional risks e.g. lending for periods typically beyond 1 year

Office for Budget Responsibility (OBR)	The Office for Budget Responsibility was created in 2010 to provide independent and authoritative analysis of the UK's public finances.

Office for National Statistics (ONS)	The UK's largest independent producer of official statistics and the recognised national statistical institute of the UK. Main responsibilities are collecting, analysing and publishing statistics about the UK's economy, society and population.

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

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

Prudential Code	The Prudential Code for Local Authority Investment was introduced by CIPFA and local government is obliged "to have regard" to the code as part of the Local Government Act 2003. The key objectives of the code are that capital investment plans are affordable, prudent and sustainable. The code details the indicators that must be set annually and monitored throughout the financial year. The council's prudential indicators are found in section 7 of the report in the Treasury Management Strategy.

Public Works Loans Board (PWLB)	The Public Works Loan Board (PWLB) is a statutory body operating within the United Kingdom Debt Management Office, an Executive Agency of HM Treasury that lends money from the National Loans Fund to local authorities.

Reserves	The accumulation of surpluses and deficits over past years. Reserves of a revenue nature can be spent or earmarked at the discretion of the Council. Reserves of a capital nature may have some restrictions placed on them as to their use.

Revenue Expenditure	Comprises the day-to-day costs associated with running the council's services and financing the council's outstanding debt.

Revenue Support Grant	Introduced in 1990, this is the central grant given to local authorities to support their services. In recent years, local authorities' income from grant has decreased and a higher proportion now comes from business rates and council tax.

Section 106	In considering an application for planning permission, the Council may seek to secure benefits to an area through the negotiation of a ‘planning obligation’ with the developer. Such obligations are authorised by Section 106 of the Town and Country Planning Act 1990. The Council may therefore, in some instances, receive funds to enable it to undertake works arising from these obligations. Examples of works include the provision or improvements of community facilities (parks/play areas), affordable housing and improved transport facilities.
Section 25 Notice	Under Section 25 of the Local Government Act 2003 the S151 officer (currently the Executive Director of Corporate and Commercial Services) is required to state in the budget report their view on the robustness of estimates for the coming year, the medium-term financial strategy, and the adequacy of proposed reserves and balances. The council is required to take this into account when making its budget and taxation decisions.
Sterling Overnight Index Average (SONIA)	Sterling Overnight Index Average. Replaced LIBID and LIBOR as the key measures of interbank lending rates.
Specified Investments	All such investments will be sterling denominated, with maturities up to maximum of 1 year, meeting the minimum ‘high’ quality criteria where applicable.
Spending Review	An announcement made by central government of its future spending plans for the public sector including local government. The last spending review took place in 2021 and covers 2022/23 to 2024/25.
Subjective Analysis	The classification of expenditure and income according to the nature of the items, for example, employee costs, premises, transport, supplies & services, fees & charges income, and grant income.
Subsidiary Company	A company that is owned or controlled by a parent company or body.
Term Deposits (TD)	This is used to describe a money deposit at a banking institution that cannot be withdrawn for a specific term or period of time.
Thin Capitalisation	A company with too little equity finance and too much debt finance.

Treasury Management	The management of the local authority's investments and cash flows, its banking, money market and capital market transactions: the effective control of the risks associated with those activities: and the pursuit of the optimum performance consistent with those risks.

Treasury Management Code	The Treasury Management Code of Practice, published by CIPFA, regulates the management of borrowing, investments, & banking. It requires the council to agree and monitor several indicators and Treasury Management Practices – these are found in section 5 of this report in the Treasury Management Strategy.

UK Government Gilts	Longer-term Government securities with maturities over 6 months and up to 30 years.

UK Government Treasury Bills	Short-term securities with a maximum maturity of 6 months issued by HM Treasury.

Unit Trust (UT):	A collective investment fund that is priced, bought, and sold in units that represent a mixture of the securities underlying the fund.

9. EQUALITY IMPACT ASSESSMENT OF BUDGET PROPOSALS

Background

9.1 Norwich City Council has identified permanent budget savings of £5.5m for the financial year 2023/24. To ensure that we discharge our public sector equality duty we must have due regard to the need to:

- Eliminate discrimination, harassment, victimisation, and any other conduct that is prohibited by or under the act.
- Advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it.
- Foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

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

Budget Context

9.3 The aim of the Equality Impact Assessment Process is to support good decision making; it encourages public bodies to understand how different people will be affected by their activities so that policies and services are appropriate and accessible to all and meet different people's needs. The aims of an EIA become especially important at times of tightened budgets, enabling us to:

- Think about what the council is trying to achieve.
- Consider what impact the decision will have on different groups.
- Target resources to those who may be most vulnerable.
- Fund services which respond to people's diverse needs and save money by getting it right first time.

9.4 As part of the Corporate Plan 2022-2026 it is proposed that we must focus our priorities and resources towards:

- People live independently and well in a diverse and safe city.
- Norwich is a sustainable and healthy city.
- Norwich has the infrastructure and housing it needs to be a successful city.
- The city has an inclusive economy in which residents have equal opportunity to flourish.
- Norwich City Council is in good shape to serve the city.

9.5 It is also important to understand the national and local context in which the budget and medium-term financial plan are being developed. The council has seen reductions in its long-term funding allocations from central government and with the expectation that there will again only be a one-year local government settlement there remains significant uncertainty over future funding levels including the operation of the business rates retention scheme.

9.6 The level of funding allocated to local government continues to be insufficient to support the increasing demand for council services. This, together with increased cost of living pressures, means that the council will not receive adequate resources to cover its costs over the medium term.

9.7 Certain budget decisions – perhaps where they do not have an impact on service provision available to our residents – will not require specific Equality Impact Assessments. However, where there is a material impact on service provision, an individual EIA will be conducted before any change is implemented.

Cumulative Equality Impact Assessment of Budget 2023/24

9.8 Budget decisions can have different impacts on different groups of people, either changes to individual services or in the way those changes have an impact cumulatively. This appendix summarises the Equality Impact Assessment for the budget proposals for the financial year 2023/24. It highlights:

- The key differential impacts of potential budget decisions for legally protected groups.
- Where a single decision or series of decisions might have a greater negative impact on a specific group.
- Ways in which negative effects across the council may be minimised or avoided, and where positive impacts can be maximised or created.

9.9 We have undertaken an initial screening of all budget proposals, including those relating to the HRA, to ascertain where a potential change impacts on service provision. This has identified those proposals that require an Equality Impact Assessment or consultation. In those cases, an Equality Impact Assessment template has been completed by service leads to identify the main potential impacts on groups covered by legislation (the protected characteristics in the Equality Act 2010).

9.10 Equality Impact Assessments (EIA) for specific proposals are developed as proposals are being finalised. This ensures that the impact is understood and mitigating actions that minimise disadvantage and tackle inequality are identified where possible. These initial assessments are made available at the relevant time so that members can make informed decisions. There may be some proposals that have implications for council employees for which details of consultation or Equalities Impact Assessments cannot be published owing to data protection or employment legislation.

9.11 The EIA process and consultation have been based on identifying whether service delivery impacts are likely to be different for a person because of their protected characteristic (with a focus on where impacts may be worse).

9.12 While assessing the cumulative impact of our proposals on equality groups, we have identified an additional factor that could compound the impact. This is the risk of financial exclusion (due to low income).

Equality Impact Assessment Findings

Council Tax Increase

9.13 A 2.99% increase to the Band D rate is proposed in the 2023/24 budget figures The proposed 2023/24 Band D rate is therefore £288.59 compared to the current year rate of £280.21 – an increase of £8.38.

9.14 Overall, this would result in an additional £0.320m of revenue to support council expenditure, therefore reducing the amount of savings which may otherwise need to be achieved by cutting or reducing service provision for customers, including those who may be from vulnerable groups. An increase in council tax values will, however, have a financial impact for most households in Norwich. The increase may be particularly difficult for those who are already under financial pressure.

9.15 In terms of impact, since Council Tax is applicable to all properties it is not considered that the increase targets any one group, rather it is an increase that is applied across the board. It should be noted that most Norwich residents are within council tax Bands A and B where the annual increase is lower; the impact on all individual council tax bands is shown Appendix 2(E).

9.16 The main mitigation is that many people on low incomes can get Council Tax Support to help them pay their Council Tax bills. The council has retained a 100% Council Tax Support Scheme and the proposal is to maintain current levels of support and assistance in 2023/24. In addition, further support is in place through the council's discretionary policies for those who suffer hardship and other support mechanisms.

Council Tax Premiums

9.17 Although not legislation yet, we are proposing to introduce new Council Tax Premiums regarding empty homes and second homes. Initial considerations indicate that a limited number of people will be affected across the city. We will carry out further assessments at the appropriate time.

Rent and Service Charge Increase

9.18 The proposal within the HRA budget is that rents increase by 7% in line with the government's announcement at the Autumn statement. For social housing tenants this equates to an average increase of £5.85 per week. This increase applies equally to all properties and so is not considered to have a differential impact on any group having a protected characteristic. Support is however available for those on low incomes through the operation of Housing Benefit or in some cases Universal Credit.

9.19 Garage rent increases are proposed at 10.1%, based on the level of the September 2022 CPI inflation index; this also applies across the board and so is not considered to have any differential impact on those with protected characteristics.

Savings and Income Proposals

9.20 There has been an overall assessment of the Equality Impact Assessments that have been produced for the savings and income proposal and the findings are:

- We acknowledge the need to ensure that our services are as accessible as possible. This will be central when looking at alternative models of delivery, including the use of technology to reduce our costs.
- There are some fee increases for non-statutory services that we provide, and we understand that these fee increases all add up. This may not impact on specific protected characteristics but will impact on those who have a low income; the impact of the cost-of-living crisis is also likely to exacerbate the impacts on lower income groups.

9.21 The equality impact assessments will continue to be updated as projects move through the feasibility appraisal and into implementation.

9.22 If there is a requirement to adapt the proposals as the full EIAs are finalised, there is financial mitigation (in the form of the budget risk reserve) put aside for any non-delivery or amendments to proposals.

NORWICH City Council

Item 6

Committee Name: Scrutiny
Committee Date: 02/02/2023
Report Title: Scrutiny Committee Work Programme 2022-23

Portfolio: Councillor Kendrick, cabinet member for resources

Report from: Executive director of community services

Wards: All Wards

OPEN PUBLIC ITEM

Purpose
To assist scrutiny committee members to review the scrutiny committee work programme 2022-23.

Recommendation:
It is recommended that members consider and approve changes to the scrutiny committee work programme 2022-23

Policy Framework
The Council has five corporate priorities, which are:

- People live independently and well in a diverse and safe city.
- Norwich is a sustainable and healthy city.
- Norwich has the infrastructure and housing it needs to be a successful city.
- The city has an inclusive economy in which residents have equal opportunity to flourish.
- Norwich City Council is in good shape to serve the city.

This report meets the Norwich City Council is in good shape to serve the city corporate priority

Report Details

Developing a work programme for the scrutiny committee

1. Members had an informal work programme setting workshop on 26 May 2022, the work programme was then reviewed and ratified at the committee meeting on 9 June 2022. The work programme was further updated at the committee meetings on 14 July 2022, 13 October 2022 and 8 December 2022 and is attached as Appendix A.

2. Members discussed the scope for the “Welcoming Refugees into Norwich and overcoming obstacles to their smooth integration” topic at the committee meeting held on 8 December 2022. The scope was extended to consider the integration of asylum seekers given the decision of the Home Office to site asylum seekers in Norwich hotels.

3. The review aims to incorporate the voices of asylum seekers and refugees to learn directly from their experiences. To this end the Terms of Reference (ToR) for this item were reviewed by committee at its meeting on 19 January 2023 and officers are in the process of amending the ToR to reflect discussions.

4. Members had requested a tracker aimed at showing the progress of scrutiny committee recommendations and this is presented as Appendix B to this report, member feedback on the new tracker, its style and content is welcomed.

Recurring items

5. There are certain items that occur throughout the civic year that are programmed in. These are the scrutiny committee work programme (each meeting), Equality Information Report (December/ January), pre-scrutiny of the proposed budget (February) and the annual review of the scrutiny committee (March).

6. Updates are received from the council’s representative on the Norfolk Health and Overview Scrutiny Committee (NHOSC) and the council’s representative on the Norfolk Countywide Community Safety Partnership Scrutiny Sub Panel (NCCSPSSP).

Scope for scheduling items onto the work programme

7. It has been previously agreed that committee should agree as few as possible substantive topics per meeting. The main reason for this is to ensure that there is enough time for the committee to effectively consider the issues and make fair and evidence based recommendations. Ideally one substantive item per meeting would be the aim.

8. Members are able to revise the work programme on a month basis if and when required due to changing events. This is done through the work programme standing item at each meeting. Members therefore may wish to consider keeping some space on the work programme to facilitate this.

Consultation

9. Members of the scrutiny committee were consulted on the attached work programme at the meeting on 13 October 2022. Members of the public are encouraged to submit topics for scrutiny via a form on the council's website. The portfolio holder will be briefed as part of the regular portfolio holder briefings.

Implications

Financial and Resources

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

10. Any impact on resources resulting from this report will be accommodated within existing budgets or the relevant approvals will be sought if additional budget is required.

Legal

11. No specific legal implications of this report.

Statutory Considerations

Consideration	**Details of any implications and proposed measures to address:**
Equality and Diversity	None
Health, Social and Economic Impact	None
Crime and Disorder	None
Children and Adults Safeguarding	None
Environmental Impact	None

Risk Management

Risk	**Consequence**	**Controls Required**
None		

Other Options Considered

12. There have been no other options considered for this report.

Reasons for the decision/recommendation

13. This is a standing item on the scrutiny committee agenda to allow members to review the scrutiny committee work programme.

Background papers: None

Appendices:

A - work programme
B - tracker

Contact Officer:

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Date	Report	Purpose	Portfolio Holder + Senior Officer + Report author
19/01/2023	Financing for renewable energy/energy efficiency	To consider a report on “financing for renewable energy/energy efficiency”	Cllr Hampton Neville Murton
19/01/2023	Equality information report	To consider the annual equality information report	Cllr Waters Lou Rawsthorne Ramona Herdman
19/01/2023	Work programme	To review the scrutiny committee work programme	Cllr Kendrick Lou Rawsthorne Lucy Palmer
19/01/2023	Updates from NHOSC and NCCSPSSP	To receive a report from council’s representative on NHOSC and NCCSPSSP	Cllr Kendrick Lou Rawsthorne Alex Hand
02/02/2023	Pre-scrutiny of the budget	To pre-scrutinise the budget	Cllr Kendrick Neville Murton
02/02/2023	Work programme	To review the scrutiny committee work programme	Cllr Kendrick Lou Rawsthorne Alex Hand
02/02/2023	Updates from NHOSC and NCCSPSSP	To receive a report from council’s representative on NHOSC and NCCSPSSP	Cllr Kendrick Lou Rawsthorne Alex Hand
16/03/2023	Annual Review of scrutiny committee	To consider the annual scrutiny committee report	Cllr Kendrick Lou Rawsthorne Alex Hand
16/03/2023	Welcoming refugees into Norwich and overcoming obstacles to their smooth integration	To consider a report on “welcoming refugees into Norwich and overcoming obstacles to their smooth integration”	Cllr Waters Lou Rawsthorne
16/03/2023	Updates from NHOSC and NCCSPSSP	To receive a report from council’s representative on NHOSC and NCCSPSSP	Cllr Kendrick Lou Rawsthorne Alex Hand
TBC June 2023	Levelling Up Agenda	To consider a report on the “Levelling Up agenda”	Cllr Waters Graham Nelson Ellen Tilney

Scrutiny committee recommendation tracker 2022-23

NORWICH City Council

Date	Recommendation	Agreed by cabinet?	Status	Updates
Report from Communal bins and fly-tipping task and finish group				
14/07/2022	1) Note the outcomes of the task and finish group investigations	N/A	Complete	
14/07/2022	2) Note the outcomes of the online survey	N/A	Complete	
14/07/2022	3) Recommend to Cabinet that the following proposals arising from the task and finish group be adopted: a) That the council decision in February 2007 to discontinue Waste Amnesty collections in areas of highest fly-tipping incidence is reviewed	Agreed - 16/11/2022	In progress	Details contained within cabinet report: "9. These implications can be mitigated in a number of ways, primarily as follows a. In March of this year, the Council submitted a bid to the UK Shared Prosperity Fund for a programme of neighbourhood improvements. £0.341m in capital and revenue funding has been requested to provide a programme of Neighbourhood Clean-Ups in areas identified by data. Activities will include removal of fly tipping, and an amnesty on waste which will be monitored so that anything usable can be donated or upcycled for further use. It is also proposed that relevant staff will be on hand to speak with residents about wider priorities for their local area to maximize

Date	Recommendation	Agreed by cabinet?	Status	Updates
				engagement with the council and promote the formation of local community groups. This should address the recommendation in paragraph 3 a and mean that the re introduction of the waste amnesty and the review of the charging structure for bulky waste collections are no longer necessary"
14/07/2022	b)The number, locations, and types of bins in communal areas are reviewed in the fly-tipping hotspots identified, as well as developing designs for storage areas that prevent and deter fly-tipping	Agreed - 16/11/2022	In progress	Details from cabinet report: "This recommendation would be considered best practice"
14/07/2022	c) Pre Covid enforcement arrangements for fly-tipping are re-established, and expanded to include the use of CCTV	Agreed - 16/11/2022	In progress	Details contained within cabinet report: "9c. With regards to fly tipping, proposals include increased investigation of fly tipping incidents in identified hot spots, increased use of CCTV where appropriate, improved engagement with residents and communities through the Neighbourhood and Community Enablement team. In addition, data relating to environmental anti social behaviour is now regularly reviewed by officers and used to develop interventions in known hot spots. This

Date	Recommendation	Agreed by cabinet?	Status	Updates
				will allow Environment Services to contribute to actions arising from the new Community Safety Strategy"
14/07/2022	d) Arrangements for engaging with residents with regards to fly-tipping are reviewed and improved, including consultation on proposed actions arising from this report. This should include improved partnership working between Citywide Services and Housing Estate Management in the design of services and facilities to reduce fly-tipping in our Housing Estates	Agreed - 16/11/2022	In progress	Details contained within cabinet report: "9c. With regards to fly tipping, proposals include increased investigation of fly tipping incidents in identified hot spots, increased use of CCTV where appropriate, improved engagement with residents and communities through the Neighbourhood and Community Enablement team. In addition, data relating to environmental anti social behaviour is now regularly reviewed by officers and used to develop interventions in known hot spots. This will allow Environment Services to contribute to actions arising from the new Community Safety Strategy 9e. Environment Services has also started working with Housing Services to identify bin stores requiring upgrade. Housing Services have committed to funding these upgrades through its Estate Improvement programme. Timescales for carrying out the work

Scrutiny committee recommendation tracker 2022-23

Date	Recommendation	Agreed by cabinet?	Status	Updates
				have yet to be confirmed, but will take place as soon as possible once locations have been confirmed"
14/07/2022	e) Local facilities for upcycling and reuse of unwanted items are considered in partnership with the County Council as Waste Disposal Authority	Agreed - 16/11/2022	In progress	Details from cabinet report: "This recommendation would be considered best practice"
14/07/2022	f) The workflow and processes for managing fly-tipping between NCSL, Biffa and the council are reviewed and streamlined to improve efficiency and effectiveness	Agreed - 16/11/2022	Complete	Details contained within cabinet report: "9 d. Finally, the workflow between citywide services, Biffa and NCSL is under continuous review, and the work carried out by the Fly Tipping Task and Finish Group has allowed us to make a number of improvements in this regard"
14/07/2022	g) The charging structure for the Bulky Uplift service is reviewed to make accessing the service easier for residents on low incomes and Universal Credit	Agreed - 16/11/2022	In progress	Details contained within cabinet report: "11. The budget for Bulky Waste income is £0.054m per annum (£0.082m actual for FY 2021/22). Environment Services are reviewing the charging structure for the Bulky Uplift service to make accessing the service easier for residents on low incomes and Universal Credit."
14/07/2022	h) The service considers the use of an app for reporting fly-tipping	Agreed - 16/11/2022	In progress	Details from cabinet report: "This recommendation would be considered best practice"

Scrutiny committee recommendation tracker 2022-23

NORWICH City Council

Date	Recommendation	Agreed by cabinet?	Status	Updates
14/07/2022	i) The manner in which the council records and analyses Environmental Anti-Social Behaviour is reviewed	Agreed - 16/11/2022	Complete	Details from cabinet report: "9c. With regards to fly tipping, proposals include increased investigation of fly tipping incidents in identified hot spots, increased use of CCTV where appropriate, improved engagement with residents and communities through the Neighbourhood and Community Enablement team. In addition, data relating to environmental anti social behaviour is now regularly reviewed by officers and used to develop interventions in known hot spots. This will allow Environment Services to contribute to actions arising from the new Community Safety Strategy"
14/07/2022	j) The service continues to review best practice elsewhere	Agreed - 16/11/2022	In progress	Details from cabinet report: "This recommendation would be considered best practice"
14/07/2022	k) That the Council reviews current enforcement arrangements to ensure that the full range of sanctions available to the council are used more effectively	Agreed - 16/11/2022	In progress	Details contained within cabinet report: "9c. With regards to fly tipping, proposals include increased investigation of fly tipping incidents in identified hot spots, increased use of CCTV where appropriate, improved engagement with residents and communities through the

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				Neighbourhood and Community Enablement team. In addition, data relating to environmental anti social behaviour is now regularly reviewed by officers and used to develop interventions in known hot spots. This will allow Environment Services to contribute to actions arising from the new Community Safety Strategy"
14/07/2022	4) Thank the operatives involved in waste management and dealing with fly-tipping and to ensure there is a process for gathering feedback from these operatives	TBC	In progress	Emailed officer for further details on this
14/07/2022	5) Recommend cabinet: a) To ask officers to work with partners and local businesses on dealing with waste that arises from their products or services being used and promoting any existing services	Agreed - 16/11/2022	Complete	Details contained within cabinet report: "9b. The council is also about to launch its “Love Norwich – do your bit” campaign, which will also target environmental Anti Social Behaviour in our neighbourhoods. This recognizes the increasing demand for robust action to be taken against those committing environmental ASB. It will also address the recommendation at paragraph 4.a., that officers work with partners and local businesses on dealing with waste that arises from their products

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				or services being used and promoting any existing services"
14/07/2022	b) To ensure that any actions and reviews arising from the task and finish group have a clear timeline for implementation so that they can be monitored and followed up on	Amended and then agreed - 16/11/2022	In progress	This recommendation was amended at cabinet to read "4) Agree a timeline is set to an action plan with Key Performance Indicators being considered at the annual refresh of the corporate plan."
14/07/2022	6) Ask the leader of the council to write to the leader of Norfolk County Council to ask the county council to: a) Reverse charges on DIY waste at recycling centres. b) Provide funding for lower income residents of Norwich city centre to deal with their bulky waste	N/A	In progress	Letters currently being drafted
14/07/2022	7) Ask group leaders to write to Government to ask for cuts to local government to be reversed; and	N/A	In progress	Letters currently being drafted
14/07/2022	8) To publish the results of the survey in the minutes of this meeting	N/A	Complete	Published on the website
County Lines				
13/10/2022	1) note the update on county lines; and	N/A	Complete	
13/10/2022	2) to ask the committee officer to circulate an update on the committee recommendations on county lines from the	N/A	In progress	

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	scrutiny committee meeting held in September 2018.			
13/10/2022	Recommendations from 2018: 1) liaise with contractors to provide front line staff with training on safeguarding and awareness of County Lines and that there is a process for reporting incidents to contribute to intelligence gathering; 2) provide Norwich City Council Councillors with training on safeguarding and awareness of County Lines and that there is a process for reporting incidents to contribute to intelligence gathering; 3) following consultation with the police, that the council explores the removal of tags which demarcate the territories of drug gangs; 4) review the licensing policy and procedures to ensure that County Lines' activity is captured particularly in relation to the fit and proper test in relation to licences for private hire drivers and hackney carriage drivers; and 5) review tenancy agreements and procedures for rapid response to County Lines' activities and treatment of vulnerable tenants "cuckooed" by criminals.	N/A	In progress	In relation to 4) update from officers: "Right now, the county lines issue is captured by the wider safeguarding sections of the policies & conditions. New drivers must complete safeguarding training prior to licensing and there is a safeguarding code of conduct for all drivers covering signs to look out for and how to report concerns. Since 2018, there has been some legislative reform with county lines covered specifically in the Statutory Taxi & Private Hire Vehicle Standards published by the DfT July 2020. We must have regard to that document already and in the coming months our taxi policy and conditions are to be updated to implement the recommendations made in those statutory standards subject to consultation and committee agreement. Somewhat delayed but as I said that requirement to take those statutory standards into

Scrutiny committee recommendation tracker 2022-23

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	Emails sent to relevant officers to provide update			account exists without the policy changes. On individual applicants / licence holders, the DBS and police disclosure schemes are in operation to allow information sharing if people are suspected / charged / convicted of any relevant offences."
	Update on debt advice and support services			
08/12/2022	1) That the council maintains a 100% Council Tax reduction scheme;	Agreed - 18/01/2023	In progress	This will form part of the Local Council Tax Reduction Scheme report that will be considered by cabinet and council in February 2023.
08/12/2022	2) That the council maintain its financial support of the Financial Inclusion Consortium;	Agreed - 18/01/2023	In progress	This information will form part of the budget papers for 2023-24 that will be considered in February 2023
08/12/2022	3) That cabinet lobbies against the punitive elements of the benefit system such as the recovery of overpayments and the Spare Room Subsidy;	Agreed - 18/01/2023	In progress	Letters currently being drafted
08/12/2022	4) That the council campaigns to encourage everyone to claim what benefits they are entitled to;	Agreed - 18/01/2023	In progress	Emailed relevant officers
08/12/2022	5) That officers circulate a list to councillors of any additional subsidiary advice agencies that could assist residents;	N/A	Complete	This list does not exist so unable to circulate to members
08/12/2022	6) That council tax and housing benefit letters when revised are brought to scrutiny	Agreed - 18/01/2023	In progress	Emailed relevant officers

Scrutiny committee recommendation tracker 2022-23

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	committee to be reviewed and that partners such as the tenant improvement panel, leaseholder group, Citizens Advice Bureau and Norfolk Community Law Service are consulted on changes;			
08/12/2022	7) If collected, that information as to why households fall into debt is provided; and	Agreed - 18/01/2023	In progress	Emailed relevant officers
08/12/2022	8) Illustrate how many people access debt information and by what means; in person, online or by telephone.	Agreed - 18/01/2023	In progress	Emailed relevant officers
NRL Business Plan				
08/12/2022	RESOLVED to note the Norwich Regeneration Ltd business plan 2023-2033.	N/A	Complete	A recommendation was made at the cabinet meeting on 14 December 2022 which was as follows: To both grow, deliver and to mitigate overexposure to commercial risk from one sector, cabinet will support more detailed work on the part of NRL to spread risk and build resilience further into the business, by committing to its scoping in detail the business case for projects like energy saving pilots and skills building for young people.