Norwich City Council

SCRUTINY COMMITTEE

ITEM 7

REPORT for meeting to be held on 26 January 2017

Pre – scrutiny of the proposed budget for 2017/18

Summary:

The scrutiny committee meeting of 26 January will carry out pre-scrutiny of the council's proposed budgets for 2017/18.

The purpose of the session is to comment on the proposed General Fund and Housing Revenue Account revenue budgets for 2017/18 and capital programme for 2017/18 to 2021/22; and the proposed transformation programme for 2018/19; and make suggestions to cabinet regarding the proposed budgets' ability to deliver the council's overarching policy framework (the corporate plan 2015-2020).

Council will be meeting to set the budgets for the financial year 2017/18 at its meeting of 21 February 2017.

Conclusions: The principles of budget scrutiny are provided in this report. Committee members are reminded of the link between the corporate plan 2015-2020 and the need to set a budget capable of delivering this.

Recommendation: To determine any recommendations to cabinet on the proposed budgets for 2017/18 and transformation programme for 2018/19.

Contact Officer Justine Hartley, Chief Finance Officer 01603 212440

1. The legal framework for financial scrutiny

1.1 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”.

1.2 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.

1.3 The council’s current corporate plan was adopted at a meeting of full council on 17 February 2015. It covers the period 2015-2020. The vision, mission and priorities remain in place for the period covered by this budget. Any changes to performance measures to evidence progress against these priorities were considered at the Scrutiny Committee meeting on 15 December 2016 and at the Cabinet meeting on 18 January 2017. These will be included with further narrative content to contextualise the delivery of the plan during 2017-18 alongside the budget papers for full council in February 2017, but this does not represent a change to the council’s overarching corporate plan for the period, which remains as agreed.

2. The role of budget pre-scrutiny

2.1 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.

3. Key question

3.1 Will the budget as presented deliver the council’s corporate plan 2015-2020. By the process of overview, the scrutiny committee will need to check that the budget plans are robust and realistic.

3.2 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. The main way in which this is achieved is through the scrutiny of the performance monitoring reports.

4. Effective pre budget scrutiny

4.1 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 transformation programme relating to savings or growth in line with the financial plan.

4.2 The relevant draft cabinet papers are appended to this report. There are two further appendices which will be considered as confidential matters as they contain exempt information.

Report to	Cabinet	**Item**
	8 February 2017	
Report of	Chief finance officer	
Subject	General fund revenue budget and non-housing capital programme 2017/18 to 2021/22	

Purpose

To propose for approval the budget and budgetary requirement, council tax requirement, and level of council tax for the financial year 2017/18, the transformation plan for 2018/19 and the non-housing capital programme for 2017/18 to 2021/22.

Recommendations

That cabinet recommends to council:

a) that the council's budgetary requirement for the 2017/18 financial year be set to £16.152m (para 6.1);

b) that the proposed general fund budgets for 2017/18 and transformation plan for 2018/19 be approved, taking into account the savings, income and other budget movements set out in the report. (para 6.3 and Appendix 3);

c) that the council's council tax requirement for 2017/18 be set at £9.029m and that council tax be set at £249.01 for Band D, which is an increase of £5 (2.05%) (para 7.1), the impact of the increase for all bands is shown in table 7.2;

d) that the precept on the council tax collection fund for 2017/18 be set at £8.732m calculated in accordance with Sections 32-36 of the Local Government Finance Act 1992 as amended by the Localism Act 2011 (para 7.1);

e) that the prudent level of reserves for the council be set at £4.161m in accordance with the recommendation of the Chief finance officer (para 8.11);

f) that the proposed non-housing capital programme 2017/18 to 2021/22 (para 10.3) be approved; and

g) that cabinet delegates to the Director of regeneration and development and the Chief finance officer, in consultation with the Portfolio holder for resources and income generation, the authority to agree the asset maintenance programme and the final scheme details, including any adjustment to the financial allocations of the section 106 works, provided that this investment is contained within the total budgetary provision shown in Table 10.3.

Corporate and service priorities

The report helps to meet all the corporate priorities.

Financial implications

This report sets out the proposed budget requirement for 2017/18 of £16.152m and the means by which this is to be financed, including through a proposed council tax of £249.01 per Band D property.

It also sets out the proposed capital programme for 2017/18 to 2021/22 illustrating how anticipated capital expenditure needs can be financed over the medium term.

Ward/s: All wards

Cabinet member: Councillor Stonard – Resources and business liaison

Contact officers

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Hannah Simpson, Group accountant	01603 212561

Background documents

None

Report

1. Contents of report

1.1 The contents of this report are set out as follows:

2. Budgetary context
3. Medium Term Financial Strategy (MTFS)
4. Preparation of the 2017/18 budget
5. Budgetary resources
6. Budgetary requirement – income and expenditure
7. Council tax precept
8. Report by the Chief finance officer on the robustness of estimates, reserves and balances
9. Capital resources 2017/18 to 2021/22
10. Capital programme 2017/18 to 2021/22
11. Progress in reducing the council's carbon footprint

Appendix 1 Budget consultation results

Appendix 2 Movements in budgets 2017/18 by type

Appendix 3 Two year transformation plan

Appendix 4 Calculation of prudent minimum balance

2. Budgetary context

Provisional local government finance settlement

2.1 The provisional local government finance settlement for 2017/18 was presented to Parliament on 15th December 2016. As part of the provisional settlement the DCLG has issued its estimates of the reduction in core spending power for each local authority. For Norwich City Council the reduction in spending power from 2016/17 to 2017/18 is 9%, this is the 12th highest reduction in spending power of all local authorities in England. Across the spending review period from 2015/16 to 2019/20 the core spending power reduction is estimated to be 15.9%, the 4th highest reduction across the country.

2.2 These reductions in spending power are largely as a result of the cuts to: revenue support grant which has reduced by 39% from 2016/17 to 2018/19 and is expected to have ended completely for the council by 2020/21; and New Homes Bonus which has reduced in the provisional settlement by 40% from 2016/17 to 2017/18 and for which future years receipts are expected to be significantly reduced from a peak of £2,756k in 2016/17 to around £350k per annum by 2020/21.

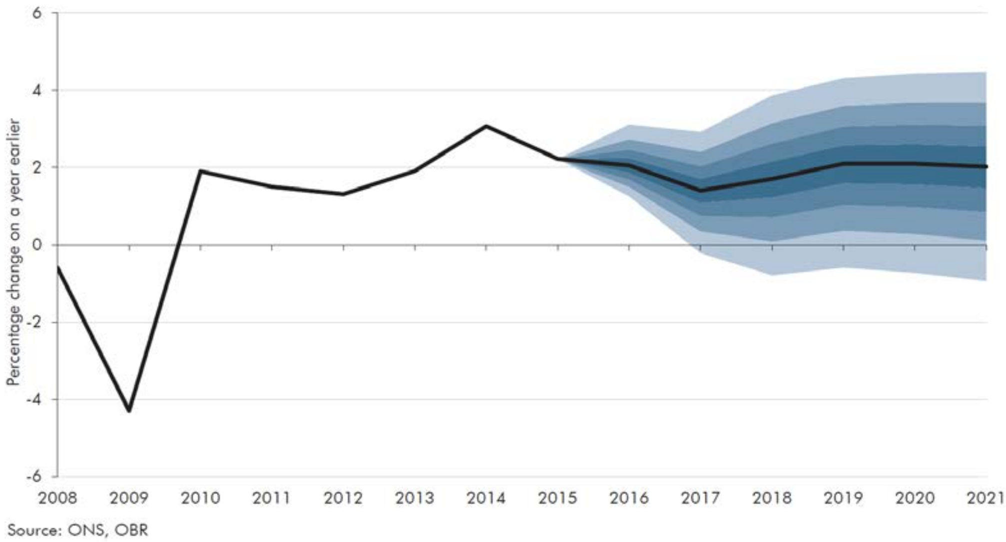
Wider economic context

2.3 The Office of Budgetary Responsibility (OBR) central forecasts now expect the economy will grow more slowly than previously expected, with Gross Domestic product (GDP) growth in 2017 revised down from 2.2 to 1.4 per cent and cumulative growth over the whole forecast revised down by 1.4 percentage points. A weaker outlook for investment and therefore productivity growth is the main cause.

2.4 Consumer Price Index (CPI) inflation is forecast to rise to above 2 per cent in early 2017 as the weaker pound pushes up import prices and therefore consumer prices. It is then expected to rise further before peaking at 2.6 per cent in mid- 2018, with the OBR assuming that it will return slowly to the Bank of England's 2% target over the following two years.

2.5 The Government is no longer on course to balance the budget during the current Parliament. Public sector net borrowing (PSNB) is now expected to fall more slowly than previously forecast, primarily reflecting weak tax receipts in 2016 and a more subdued outlook for economic growth as the UK negotiates a new relationship with the European Union. The OBR now forecasts a budget deficit of £21.9 billion in 2019-20.

Figure 2.1: Real GDP growth fan chart November 2016 (Source: OBR)

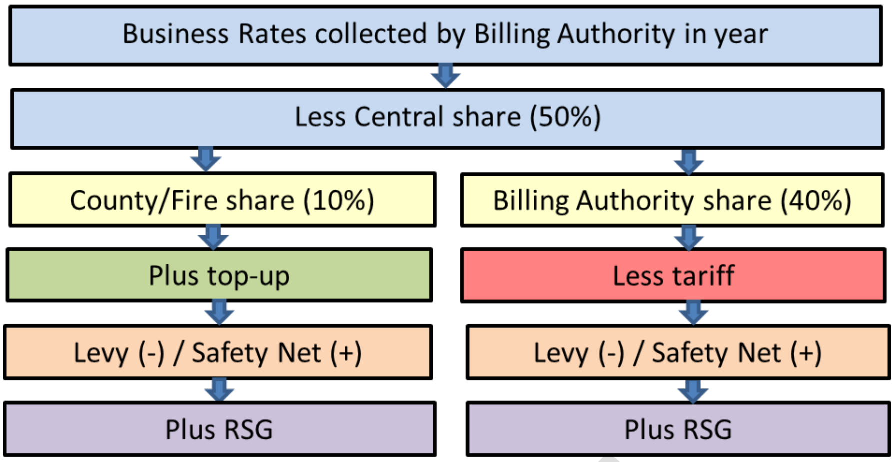


Business rates retention system

2.6 The business rates retention scheme replaced the formula grant system from 2013/14. The scheme takes the business rates collected in a geographical area during the year and applies various splits, additions and/or reductions to calculate an authority's final allocation. Part of the government's rationale in setting up the scheme was to allow local authorities to retain part of the future growth in their business rates.

2.7 The diagram below illustrates how the scheme calculates funding for local authorities. Central government has decided that billing authorities such as Norwich City Council will receive 40% of the business rates collected in their area.

Diagram 2.2: Business rates retention scheme



2.8 The business rates collected during the year by billing authorities are split 50:50 between central government and local government. Central government's share will be used to fund Revenue Support Grant (RSG) and other grants to local government.

2.9 Each authority then pays a tariff or receives a top-up to redistribute business rates more evenly across authorities. The tariffs and top-ups were set in 2013/14 based on the previous 'Four Block Model' distribution and were due to be uprated by September 2013 RPI. However, this increase has been capped to 2%.

2.10 A national revaluation of business rates will take effect on 1 April 2017. This will result in increases and decreases across the country in the amounts businesses pay. To try to ensure no local authority is better or worse off as a result of the revaluation top ups and tariffs have been adjusted for local authorities for 2017/18.

2.11 A levy and 'safety net' system also operates to ensure that a 1% increase in business rates is limited to a 1% increase in retained income, with the surplus funding any authority whose income drops by more than 7.5% below their baseline funding.

2.12 In the years where the 50% local share is less than local government spending totals, the difference is returned to local government via RSG. This is allocated pro-rata to local authorities' funding baseline.

2.13 Therefore, there is a specific need for billing authorities to accurately forecast future business rates. The Council has committed resources to this task but is hampered by the number of appeals on properties on our ratings list.

2.14 The Government reimburses authorities for the impact of tax changes for small business and other additional business rate reliefs announced in the Autumn Statement each year by means of a Section 31 grant payment. The grant amount is based on actual costs as captured at year end via local authority returns. The grant is received in the year to which the business rates relate but is required to offset impacts on the general fund revenue account in the following two years.

3. Medium Term Financial Strategy (MTFS)

3.1 The council's budget is underpinned by the MTFS. The financial projections underlying the MTFS have been revised to reflect changes in assumptions, the provisional Local Government Finance Settlement and the changing risk environment in which the council operates. Other budget pressures including inflation and demographic requirements have also been factored in to produce a projection of the council's medium term financial position.

3.2 The presentation of savings in the MTFS shows the net savings required to deliver a balanced budget. Items such as growth and decreases in income are now incorporated within the transformation programme and net off against the savings to be delivered.

3.3 A net transformation budget reduction for 2017/18 of £2.3m has been included within the budget in accordance with the MTFS. The MTFS has been reviewed and updated and the forward savings targets recalculated based on the latest projections of income and expenditure. As a result the MTFS now shows a need to make further net savings of £9.6m over the next 5 years, which following the "smoothed" approach equates to £1.9m each year to 2022/23. This is a reduction on the £2.3m set out in the 2016/17 budget papers as a result of:

- Council tax revenues now being forecast £520k higher than previously estimated for 2017/18 due to a higher than anticipated increase in the number of properties included in the calculations;
- Business rates revenues now being forecast £348k higher than previously estimated.
- New Homes Bonus grant payments being £512k higher than anticipated in 2017/18 as a result of transitional arrangements applied to the reduction in grant and a new allocation of £85k of grant for 2017/18. The MTFS also now includes assumptions of future allocations of the grant in line with the new allocation for 2017/18; and
- the inclusion in the MTFS of an assumed annual increase of £160k in Council Tax beyond that recommended in this report for 2017/18. The increase in Band D rate has been included at the higher of £5 or 2% for each of the five years

3.4 In assessing the longer term financial stability of the council, consideration has been given balancing external factors, such as global and macro-economic risks that may cause the government to increase and/or extend its austerity measures, with the need to maintain services to the residents of Norwich. To a certain degree, the strong culture of forward planning and prudent financial management that exists within the Council mitigates these external risks and allows minimum reserve levels to be set below current reserve levels.

3.5 Payroll-related inflation has been estimated at 2% to allow for an annual pay settlement, payroll drift and the impact of the Living Wage. Additional estimates have been included for expected increases to pension deficit contributions, although these will be subject to the outcome of future triennial valuations of the pension scheme. Inflation has been allowed for on premises costs, supplies and services and transport in line with the

OBR forecast changes in CPI (November 2016 Economic and fiscal outlook).

3.6 Specific grant figures have been confirmed by the Department for Communities & Local Government and the Department of Work & Pensions for 2017/18. Grants for future years have been estimated at 2017/18 levels, with the exception of Housing Benefit and Local Council Tax Support Administration Grants which have been assumed to decrease by 5% per year.

3.7 The provisional Finance Settlement confirmed that the number of years for which New Homes Bonus payments are made will reduce from 6 years to 5 years in 2017/18, and to 4 years from 2018/19. In addition, from 2017/18 a national baseline for housing growth will be introduced at 0.4%, below which no New Homes Bonus will be paid. Other potential changes to the scheme to encourage more effective local planning will be consulted in due course. The MTFS includes the 2017/18 new allocation of New Homes Bonus grant and assumes a similar level of new grant in future years.

3.8 The table below shows the proposed budget for 2017/18 and the medium term financial projections for the 5 years to 2022/23.

Table 3.1: Budget 2017/18 and medium term financial projections for 5 years to 2022/23

	2017/18 Year 1 £000s	**2018/19 Year 2 £000s**	**2019/20 Year 3 £000s**	**2020/21 Year 4 £000s**	**2021/22 Year 5 £000s**	**2022/23 Year 6 £000s**
Employees	£20,189	£20,935	£21,706	£22,508	£23,332	£24,184
Premises	£10,681	£11,032	£11,405	£11,734	£12,073	£12,422
Transport	£278	£286	£294	£302	£309	£317
Supplies & Services	£16,421	£16,755	£17,301	£17,779	£18,271	£18,776
Capital Charges	£1,803	£1,841	£1,879	£1,918	£1,957	£1,997
Housing Benefit Expenditure	£62,284	£62,284	£62,284	£62,284	£62,284	£62,284
Third Party Payments	£4,994	£5,125	£5,265	£5,382	£5,502	£5,625
Recharge Expenditure	£16,795	£16,895	£16,996	£17,097	£17,200	£17,304
Recharge Income	-£26,139	-£26,239	-£26,341	-£26,444	-£26,548	-£26,653
Rev Contribtion to Capital	£550	£800	£1,050	£1,300	£1,300	£1,300
Receipts	-£25,180	-£25,781	-£26,397	-£27,028	-£27,674	-£28,335
Government Grants:	-£65,836	-£64,774	-£64,471	-£64,087	-£64,020	-£63,958
New Homes Bonus	-£1,654	-£889	-£657	-£342	-£340	-£340
Benefit Subsidy	-£62,444	-£62,444	-£62,444	-£62,444	-£62,444	-£62,444
Benefit/CTS Admin Grant	-£1,028	-£976	-£928	-£881	-£837	-£795
Other Government Grants	-£710	-£465	-£442	-£420	-£399	-£379
Subtotal budgets	**£16,840**	**£19,159**	**£20,971**	**£22,745**	**£23,986**	**£25,263**
Savings		-£1,920	-£3,840	-£5,760	-£7,680	-£9,600
Contribution to/(from) bals	-£688	-£1,949	-£2,280	-£2,007	-£982	£16
Budget requirement	**£16,152**	**£15,290**	**£14,851**	**£14,978**	**£15,324**	**£15,679**
Share of NNDR (Baseline)	-£5,452	-£5,306	-£5,412	-£5,521	-£5,631	-£5,744
Formula Funding	-£1,671	-£982	-£213	£0	£0	£0
Council Tax Requirement	-£9,029	-£9,002	-£9,226	-£9,457	-£9,693	-£9,935
Total funding	**-£16,152**	**-£15,290**	**-£14,851**	**-£14,978**	**-£15,324**	**-£15,679**

New savings (smoothed)		**£1,920**	**£1,920**	**£1,920**	**£1,920**	**£1,920**

	2017/18	**2018/19**	**2019/20**	**2020/21**	**2021/22**	**2022/23**

	Year 1 £000s	Year 2 £000s	Year 3 £000s	Year 4 £000s	Year 5 £000s	Year 6 £000s
Reserve balance brought forward	**-£12,949**	**-£12,261**	**-£10,312**	**-£8,032**	**-£6,025**	**-£5,043**
Contributions to/(from) I&E	£688	£1,949	£2,280	£2,007	£982	-£16
Reserve balance carried forward	**-£12,261**	**-£10,312**	**-£8,032**	**-£6,025**	**-£5,043**	**-£5,059**
Relative to controllable spend	*26%*	*22%*	*16%*	*12%*	*10%*	*9%*

4. Preparation of the 2017/18 budget

4.1 Guided by the council's corporate plan and its 'changing pace blueprint' (operating model) a range of work has been carried out across the council through the transformation programme, to develop options for additional income and savings in order to meet the target within the MTFS and ensure a balanced budget. This work has been informed by a cross party working group.

4.2 During the course of 2016/17 cabinet have considered income and savings options for the next two years and agreed for further work to be carried out to progress these. The proposed items forming the next two years of the transformation programme are set out in Appendix 3. More detailed savings proposals for the subsequent years will continue to be developed and presented to the Council for agreement on an annual basis.

4.3 In line with the approach used in previous years, cabinet agreed to consult the public on the proposed approach to meeting the savings target for 2017/18. It was also agreed to consult the public on the potential for a council tax rise.

4.4 The consultation closed on 8 January 2017. An analysis of the results of the consultation can be found at Appendix 1. The results showed that of the people who completed the consultation and answered the questions 56% supported a proposed council tax increase.

4.5 Comments and ideas were also received on other things the council could do differently to generate income or save money in the future. A large number of these relate to approaches the council is already progressing. However, as with previous years the comments will be used to inform the council's ongoing development of income and savings opportunities as part of the transformation programme.

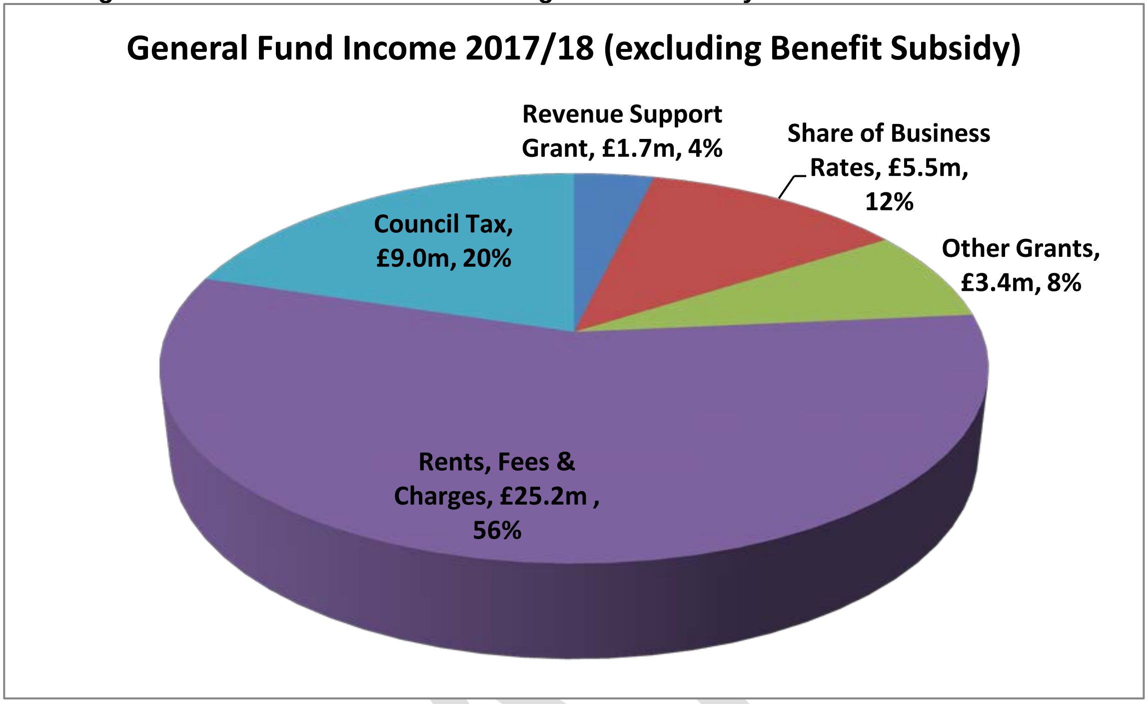
4.6 A final list of the key income and savings projects that have been developed through the transformation programme and are now included in the proposed budget for 2017/18 as set out at Appendix 3. They amount to just under £3.3m.

4.7 The changes resulting from the savings will further reduce the council's overall capacity. However, they should not significantly impact the services that the public receive from the council for 2017/18. This further demonstrates the success of the council's ongoing approach to developing savings and income, particularly given that fact that the council has already delivered approximately £30m of recurring revenue savings over the last six years.

5. Budgetary resources

5.1 Expenditure in the General Fund is financed from both income within the budgetary requirement and from government grant and council tax within budgetary resources.

Diagram 5.1: Council income excluding benefit subsidy 2017/18



5.2 The total of £39.7m raised locally (through business rates, council tax and rents, fees and charges) amounts to 89% of this income, whilst the £5.1m of central government funding (RSG and other grants) amounts to 11%.

Table 5.3 Budgeted formula and other grants 2016/17 and 2017/18

	2016/17 £000s	2017/18 £000s	% change
Revenue Support Grant (RSG)	2,756	1,671	-39%
Business Rates retained income (excludes Section 31 grant (see paragraph 5.3)	4,870	5,452	12%
Formula funding	**7,626**	**7,123**	**-7%**
New Homes Bonus	2,756	1,654	-40%
Local Council Tax Support / Housing Benefit Administration Grant	1,071	1,028	4%
Private Finance Initiative (PFI) Grant	1,429	0	-100%
Other grants	671	710	6%
Total grant funding	**13,553**	**10,515**	**-22%**

5.3 Section 31 Business Rate Relief grant is given to offset reliefs which reduce the business rates income to the Council so is not included as a separate grant.

5.4 In addition to the formula grant, the budgetary requirement is funded by council tax collected by the council. Any increase in the level of council tax is limited by referendum principles. For 2017/18 a 2% or £5 limit on increases (whichever higher) was announced as part of the provisional settlement.

5.5 The draft budget proposals are based on an increase of 2.05% (£5), and a rate of £249.01 per Band D property. The calculation of the recommended Council Tax Requirement and derivation of the Council Tax Precept are shown in Section 7.

6. Budgetary requirement – income and expenditure

6.1 To achieve a balanced budget, the total movements in the budgets must equal the movements in budgetary resources as shown in the MTFS. Table 6.1 below shows the available budgetary resources for 2017/18 and the changes from 2016/17.

Table 6.1: Budgetary resources 2017/18

	£000s
Formula funding 2016/17	2,756
Business rates 2016/17	4,870
Council tax 2016/17	8,494
Budgetary resources 2016/17	**16,120**
- Decrease in formula funding	(1,085)
- Increase in business rates	582
+ Increase in council tax	535
+ Movement 2016/17 to 2017/18	**32**
= Formula funding 2017/18	1,671
= Business rates 2017/18	5,202
= Business rates S31 grant reserve transfer	250
= Council tax 2017/18	9,029
= Budgetary resources 2017/18	**16,152**

6.2 Table 6.2 shows the budget movements proposed by Service Area to maintain spend within available resources. These changes include those arising due to inflationary increases as well as savings, income increases and growth changes proposed through the council's transformation programme, and all other changes to the budgets. Movements in budget for each type are detailed in Appendix 2.

Table 6.2: Movement in budget requirement 2016/17 to 2017/18 by Service Area

	Base*	Adjust to Base	Inflation	Grants	Transf'n Savings /Income	Transf'n Growth	Transfers	Other	Total
Chief Executive	(0)	39	(6)		(33)		0	0	0
Strategy & Programme Mgt	0	3	12				(15)	0	0
Chief Executive	**0**	**42**	**6**	**0**	**(33)**	0	**(15)**	**0**	**0**
Business Relationship Mgt	1,663	(710)	324	1,146	(320)	15	1,375	(12)	3,164
Finance	(2,463)	550			(253)	486	(1,315)	0	(3,133)
Procurement & Service Improvement	(0)	(1,074)	86	1,429	(550)		111	0	2
Democratic Services	375	23	5		(41)		(79)	(3)	292
Human Resources	0	(94)	28		(20)	90	(4)	0	0
Business Services	**(425)**	**(1,305)**	**443**	**2,575**	**(1,184)**	**591**	**88**	**(15)**	**325**
Communications & Culture	2,209	(124)	123		13	14	(13)	0	2,143
Customer Contact	(61)	10	151		(225)		64	(2)	(3)
Communications & Culture	**2,148**	**(114)**	**274**	**0**	**(212)**	**14**	**51**	**(2)**	**2,140**
Neighbourhood Housing	2,284	58	9		(1)		(13)	(17)	1,729
Neighbourhood Services	2,155	(243)	11		(150)		(27)	(1)	1,233
Citywide Services	9,790	(14)	217		(807)	60	(160)	(1)	10,006
Neighbourhoods	**14,229**	**(199)**	**237**	**0**	**(958)**	**60**	**(200)**	**(19)**	**12,968**
Regeneration & Development		(2)	4						2
City Development	(1,417)	(223)	161		(693)	420	184	(29)	(1,000)
Planning	1,327	78	31		(22)	50	(9)	0	1,500
Property Services	259	211	14		(165)		(99)	(4)	217
Environmental Strategy	0	16	4		(20)		0	0	0
Regeneration & Development	**168**	**80**	**214**	**0**	**(900)**	**470**	**76**	**(33)**	**718**
Total	**16,120**	**(1,496)**	**1,174**	**2,575**	**(3,287)**	**1,135**	**0**	**(69)**	**16,152**

*Base budgets reflect any 16/17 budget virements processed and the revised organisational structure.

6.3 The following table shows the proposed budget for 2017/18 analysed by type of expenditure or income (subjective group) compared to 2016/17.

Table 6.3: Proposed budget analysis 2017/18 by subjective group

Subjective group	Budget 2016/17 £000s	Budget 2017/18 £000s	Change £000s
Employees	17,832	20,189	2,357
Premises	9,573	10,681	1,108
Transport	273	278	5
Supplies & services	15,710	16,421	711
Third party payments (shared services)	7,081	4,994	(2,087)
Housing benefit payments	63,724	62,284	(1,440)
Capital financing	3,372	1,665	(1,707)
Recharge expenditure	16,649	16,795	146

Subtotal expenditure	**134,214**	**133,307**	**(907)**
Government grants	(69,682)	(65,836)	3,846
Receipts	(24,384)	(25,180)	(796)
Recharge income	(24,028)	(26,139)	(2,111)
Subtotal income	**(118,094)**	**(117,155)**	**939**
Total Budgetary Requirement	**16,120**	**16,152**	**32**

7. Council tax & precept

7.1 The following table shows the calculation of the level of council tax with the recommended increase of £5 (2.05%).

Table 7.1: Council Tax calculation 2017/18

	No.	£
Budgetary requirement		**16,152,240**
- Formula grant		(1,670,854)
- NNDR Distribution		(5,452,260)
= Council tax requirement		**9,029,126**
- Surplus on collection fund		(297,092)
= Council tax precept		**8,732,034**
Band D Equivalent properties	35,067	
Council tax (Band D)		**249.01**

7.2 The following table shows the impact of the proposed increase for each council tax band on the Norwich City Council share of total council tax. The full proposed new council tax will be set once we have confirmation from Norfolk County Council and the Office of the Police and Crime Commissioner for Norfolk on any increases they may apply for 2017/18. The figures shown will be reduced, for qualifying council tax payers, by the council's discount scheme which replaced the council tax benefit system.

Table 7.2: Council tax increases 2016/17 to 2017/18, Bands A to H

Band	A	B	C	D	E	F	G	H
2016/17	£162.67	£189.79	£216.90	£244.01	£298.23	£352.46	£406.68	£488.02
Increase	£3.33	£3.89	£4.44	£5.00	£6.11	£7.22	£8.33	£10.00
2017/18	£166.01	£193.67	£221.34	£249.01	£304.35	£359.68	£415.02	£498.02

8. Report by the Chief finance officer on the robustness of estimates, reserves and balances

8.1 Section 25 of the Local Government Act 2003 requires that the Chief finance officer of the council reports to members on the robustness of the budget estimates and the adequacy of council's reserves. The Chief finance officer is required to provide professional advice to the council on the two above matters and is expected to address issues of risk and uncertainty.

8.2 The main driver to achieve savings in the current budget round has been the council's transformation programme. This has been subject to rigorous review by both members and officers and is directly linked to the service planning process ensuring a strong link between the council's priorities and the financial resources available to deliver them. As with all future estimates there is a level of uncertainty and this has been taken into account when assessing the levels of reserves.

8.3 There are risks around the level of unavoidable expenditure and income loss. Historically this has been in excess of £1 million per annum. Both the identification and estimation of these amounts has been included within the council's ongoing transformation programme for the next three years. However, it should be noted that the level of uncertainty surrounding estimates increases as they relate to periods further into the future.

8.4 There are also risks around future grant and business rates incomes. In particular, there is significant uncertainty around the future levels of the New Homes Bonus grant. From 2017/18 a national baseline for housing growth will be introduced at 0.4%, below which no New Homes Bonus will be paid. Other potential changes to the scheme to encourage more effective local planning will be consulted in due course. There is also uncertainty over business rates income going forward with the move to 100% retention of business rates by Local Government by 2020. This will bring with it risks and uncertainties particularly those associated with changes in the economic climate and uncertainties from the appeals system for business rates.

8.5 Allowing for the above comments on uncertainty it is the opinion of the Chief finance officer that in the budgetary process all reasonable steps have been taken to ensure the robustness of the budget. Further comfort is taken from the record of the council in managing and delivering to budget in year.

8.6 A key mitigation for expenditure/income risks is the Chief finance officer's estimate of a prudent level of reserves. An amount has been built into the prudent level of reserves to cover estimated levels of risk, as set out in Appendix 3.

8.7 The requirement for financial reserves is acknowledged in statute. Section 32 of the Local Government Finance Act 1992 requires billing authorities in England and Wales to have regard to the level of reserves needed for meeting estimated future expenditure when calculating the budget requirement.

8.8 It is the responsibility of the Chief finance officer to advise local authorities about the level of reserves that they should hold and to ensure that there are clear protocols for their establishment and use. Reserves should not be held without a clear purpose.

8.9 The council holds two types of general fund reserves:

- The general fund is a working balance to cushion the impact of uneven cash flows. The reserve also acts as a contingency that can be used in year if there are unexpected emergencies, unforeseen spending or uncertain developments and pressures where the exact timing and value is not yet known and/or in the Council's control. The reserve also provides cover for grant and income risk.

- The earmarked general fund is set aside for specific and designated purposes or to meet known or predicted liabilities e.g. insurance claims.

8.10 Earmarked reserves remain legally part of the general fund although they are accounted for separately.

8.11 A risk assessment has been undertaken to determine the level of non-earmarked general reserves required by the council. In making a recommendation for the level of reserves the Chief finance officer has followed guidance in the CIPFA LAAP Bulletin 77 – Guidance notes on Local Authorities Reserves and Balances. The risk analysis shows that a prudent minimum level of reserves for 2017/18 will be of the order of £4.161m as shown in Appendix 4.

8.12 The following table shows that the anticipated level of balances will remain above this prudent minimum level for the duration of the medium term planning period.

Table 8.1: Estimated general fund balance through the MTFS period

Year ending	£000s
31 March 2017	12,949
31 March 2018	12,261
31 March 2019	10,312
31 March 2020	8,032
31 March 2021	6,025
31 March 2022	5,043
31 March 2023	5,059

9. Capital resources 2017/18 – 2021/22

9.1 The council owns and maintains a range of assets. Major investment in these assets is funded from the capital programme. In turn the capital programme is resourced, in part, by the income received from the disposal of surplus assets.

9.2 In June 2011 the council adopted an asset management strategy that established a framework for the maintenance and improvement of assets that meet the needs of the organisation. Underperforming assets, particularly those retained for investment purposes, will be released to provide a receipt for future investment in the capital programme. The key requirements of the strategy are to optimise the existing portfolio (by establishing a rigorous process for review); to prioritise investment in the portfolio to support income generation and cost reduction; to rationalise office accommodation and to work in partnership with others to attract third party funding to bring forward development on council owned sites (e.g. the use of section 106 funding).

9.3 The following table shows the total non-housing capital resources and their application anticipated over the duration of the capital programme:

Table 9.3: Capital resources 2017/18 – 2021/22

Non-housing capital resources	2016/17 £000s	2017/18 £000s	2018/19 £000s	2019/20 £000s	2020/21 £000s
S106 Balances b/f	(1,060)	(559)	(681)	(635)	(487)
S106 Forecast resources arising	(141)	(414)	(227)	(60)	(60)
S106 Forecast resources utilised (ongoing works)	233	0	0	0	0
S106 Forecast resources utilised (proposed to proceed)	394	0	0	0	0
S106 Forecast resources utilised (requires CLT approval)	15	292	272	209	164
Total S106 Resources	***(559)***	***(681)***	***(635)***	***(487)***	***(383)***
CIL Balances b/f	(201)	(291)	(504)	(528)	(610)
CIL Forecast resources arising	(1,521)	(2,399)	(1,948)	(3,095)	(3,072)
CIL Forecast resources utilised (contribution to pool)	1,281	1,970	1,640	2,606	2,587
CIL Forecast resources utilised (ongoing neighbourhood schemes)	50	0	0	0	0
CIL Forecast resources utilised (neighbourhood schemes requires CLT approval)	100	216	284	407	493
Total CIL Resources	***(291)***	***(504)***	***(528)***	***(610)***	***(602)***
GNGP Balances b/f	0	0	0	0	0
GNGP Forecast resources arising	(929)	(180)	0	0	0
GNGP Forecast resources utilised (ongoing works)	109	0	0	0	0
GNGP Forecast resources utilised (proposed)	100	0	0	0	0
GNGP Forecast resources utilised (requires CLT approval)	720	180	0	0	0
Total GNGP Resources	***0***	***0***	***0***	***0***	***0***
CCAG2 Balances b/f	(2,071)	0	0	0	0
CCAG2 Forecast resources arising	(3,581)	0	0	0	0
CCAG2 Forecast resources utilised (ongoing works)	2,022	0	0	0	0
CCAG2 Forecast resources utilised (proposed)	3,630	0	0	0	0
Total CCAG2 Resources	***0***	***0***	***0***	***0***	***0***
Anticipated balance b/f	(1,066)	0	0	0	0
Forecast resources arising - borrowing	(22,791)	(12,536)	(15,332)	(19,532)	(10,000)
Forecast resources arising - grants & contributions	(1,362)	0	0	0	0
Forecast resources arising - receipts	(1,746)	(561)	(170)	(110)	(60)
Forecast resources utilised (ongoing works)	6,344	0	0	0	0
Forecast resources utilised (proposed)	3,878	723	4,590	9,532	0
Forecast resources less works proposed to proceed	**(16,744)**	**(12,374)**	**(10,912)**	**(10,110)**	**(10,060)**

Non-housing capital resources	2016/17 £000s	2017/18 £000s	2018/19 £000s	2019/20 £000s	2020/21 £000s

Forecast resources utilised (ongoing works but requires CLT approval)	724	0	0	0	0
Forecast resources utilised (requires CLT approval)	16,199	12,374	10,912	10,110	10,060
Additional resources required to fund all works requiring CLT approval	***(179)***	***0***	***0***	***0***	***0***
Total other capital resources	***0***	***0***	***0***	***(0)***	***0***
Total non-housing capital resources	**(851)**	**(1,185)**	**(1,163)**	**(1,097)**	**(985)**

9.4 The forecast level of resources from asset disposal receipts, Section 106 payments and CIL payments should be regarded with some caution, as they are based upon estimates and are therefore not guaranteed.

9.5 Shortfalls against these targets will be managed by continuing the council's policy of not committing spend against forecast resources until the resources materialise, alongside consideration of further use of borrowing where the associated revenue costs are manageable.

9.6 Anticipated borrowing covers mainly costs associated with Threescore, Norwich Airport Industrial Estate regeneration, St Giles multi story car park refurbishment and other asset for investment schemes expected to generate revenue income in excess of the borrowing costs. Individual business cases will be required for each of these schemes to demonstrate that income streams will cover capital and borrowing costs before the schemes go ahead.

10. Capital programme 2017/18 to 2021/22

10.1 The following table summarises the proposed capital programme and resources, based on capital expenditure supporting the Asset Management Plan and the forecast non-housing capital resources.

Table 10.1: Capital programme 2017/18 – 2021/22

Non-housing capital programmes	2017/18 £000s	2018/19 £000s	2019/20 £000s	2020/21 £000s	2021/22 £000s
General capital	20,132	13,097	15,502	19,642	10,060
City Cycle Ambition	3,950	0	0	0	0
Community Infrastructure Levy	1,381	2,186	1,924	3,013	3,080
GNGP Strategic Pool Schemes	735	180	0	0	0
Section 106 schemes	119	292	272	209	164
Total expenditure	**26,317**	**15,755**	**17,699**	**22,863**	**13,304**
S106	409	292	272	209	164
CIL Funding	1,381	2,186	1,924	3,013	3,080
GNGP Funding	820	180	0	0	0
Capital Receipts	2,004	561	170	110	60
Grants and Contributions	4,269	0	0	0	0
Proposed Borrowing	17,434	12,536	15,332	19,532	10,000
Total resources applied	**26,317**	**15,755**	**17,699**	**22,863**	**13,304**

10.2 All risks relating to the resourcing and delivery of the capital programme are identified and managed in accordance with the council's risk management strategy

10.3 The table below sets out the elements making up the proposed detailed capital programme 2017/18 to 2021/22, over and above existing programme items rolling forward.

10.4 It is recommended that projects marked with an asterisk should proceed immediately, but those without should require a viable business case to be approved by the corporate leadership team prior to any expenditure being committed.

Table 10.3: Non-Housing Capital Programmes 2017/18 – 2021/22

Scheme		2017/18 £000s	2018/19 £000s	2019/20 £000s	2020/21 £000s	2021/22 £000s
10-14 Ber Street		280	1,898	787	-	-
Acquisition of income generating assets		10,000	10,000	10,000	10,000	10,000
City Hall heating pumps replacement	*	21	-	-	-	-
City Hall Roof Membrane Replacement		283	-	-	-	-
Community Centre Major Repairs	*	69	-	-	-	-
Customer contact centre refurbishment		135	141	-	-	-
Hewett Yard major repairs		33	-	-	-	-
Hurricane Way 16 Demolition		30	-	-	-	-
Hurricane Way 20 Demolition		85	-	-	-	-
Hurricane way 25 Demolition		57	-	-	-	-
Hurricane way 6-14 Demolition		240	-	-	-	-
Investment for Regeneration		50	-	-	-	-
Non trafficked pedestrian bridges / boardwalks		50	30	30	30	30
Norman Centre Bowls Hall Lighting replacement		39	-	-	-	-
Norman centre corridor lighting replacement	*	11	-	-	-	-
Norman Centre Heating Replacement		200	-	-	-	-
Norman Centre roof replacement		39	-	-	-	-
Norwich Airport Industrial Estate phase 1 regeneration		4,000	-	-	-	-
Norwich Parks Tennis expansion	*	415	-	-	-	-
Parks Depots	*	150	85	45	-	-
Pay on foot car park payment machines	*	8	-	-	-	-
Provision of a new CCTV system	*	206	-	-	-	-
Replacement of Multi use games areas		80	75	65	50	-
Replacement of network equipment post BT contract	*	250	-	-	-	-
Riverbank stabilisation (River yare & Wensum)		75	30	30	30	30
St Andrews & Blackfriars Halls - Fire system voice alarm controller	*	11	-	-	-	-
St Giles MSCP Refurbishment	*	475	-	-	-	-
St Giles MSCP - replace central battery system	*	17	-	-	-	-
Threescore Phase 2	*	2,251	638	187	-	-
Threescore Phase 3	*	-	-	4,358	9,532	-
Traveller Site		524	-	-	-	-
Waterloo Park Pavilion Asset Major repairs & improvement	*	50	-	-	-	-
Waterloo Park Pavilion Asset Major repairs & improvement		-	200	-	-	-
Total General Capital Projects		**20,132**	**13,097**	**15,502**	**19,642**	**10,060**
CCAG Programme 2017.18	*	3,745	-	-	-	-
CCAG2 20MPH Yellow	*	203	-	-	-	-
CCAG2 Magdalen Road	*	2	-	-	-	-
Total City Cycle Ambition		**3,950**	**-**	**-**	**-**	**-**

CIL Neighbourhood Funded Schemes		100	216	284	407	493
CIL Contribution GNGB Infrastructure Investment Fund	*	1,281	1,970	1,640	2,606	2,587
Total Community Infrastructure Levy		**1,381**	**2,186**	**1,924**	**3,013**	**3,080**
GNGB Castle Gardens		150	-	-	-	-
GNGB Football Pitch Improvements		115	-	-	-	-
GNGB Marriotts Way Barn Road Gateway		40	-	-	-	-
GNGB Riverside Walk Accessibility Improvements		20	180	-	-	-
GNGB IIF Marriotts Way Andersons Meadow to Sloughbottom Park		250	-	-	-	-
GNGB IIF Riverside Walk Fye Bridge to Whitefriars		160	-	-	-	-
Total Greater Norwich Growth Project		**735**	**180**	**-**	**-**	**-**
S.106 Bowthorpe To Clover Hill Access Improvements	*	27	-	-	-	-
S.106 Mile Cross Gardens Play Scheme	*	76	-	-	-	-
S.106 Riverside Public Transport Improvements	*	16	-	-	-	-
Anticipated S106 Schemes - Future Years		-	292	272	209	164
Total Section 106		**119**	**292**	**272**	**209**	**164**
Total non-housing capital programme 2016/17		**26,317**	**15,755**	**17,699**	**22,863**	**13,304**

11. Progress in reducing the council's carbon footprint

11.1 Previously information on progress in reducing the council's carbon footprint has been included in the budget report. However, this information is now reported through a range of different mechanisms and is also published at all times on the council's website at www.norwich.gov.uk/Environment/EcoIssues/Pages/CarbonFootprintReport.aspx

Integrated impact assessment

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

Report author to complete

Committee:	Cabinet
Committee date:	8 February 2017
Head of service:	Justine Hartley, Chief finance officer
Report subject:	General fund revenue budget and non-housing capital programme 2017/18
Date assessed:	13 January 2017
Description:	This integrated impact assessment covers the proposed general fund budget, capital programme and council tax for 2017/18

	Impact			
Economic (please add an 'x' as appropriate)	**Neutral**	**Positive**	**Negative**	**Comments**
Finance (value for money)	☐	☒	☐	The recommendations of the report will secure continuing value for money in the provision of services to council tax payers and other residents of the city
Other departments and services e.g. office facilities, customer contact	☒	☐	☐	
ICT services	☒	☐	☐	
Economic development	☒	☐	☐	
Financial inclusion	☒	☐	☐	
Social (please add an 'x' as appropriate)	**Neutral**	**Positive**	**Negative**	**Comments**
Safeguarding children and adults	☒	☐	☐	
S17 crime and disorder act 1998	☒	☐	☐	
Human Rights Act 1998	☒	☐	☐	
Health and well being	☒	☐	☐	

Equality and diversity (please add an 'x' as appropriate)	**Neutral**	**Positive**	**Negative**	**Comments**
Relations between groups (cohesion)	☒	☐	☐	
Eliminating discrimination & harassment	☒	☐	☐	
Advancing equality of opportunity	☒	☐	☐	
Environmental (please add an 'x' as appropriate)	**Neutral**	**Positive**	**Negative**	**Comments**
Transportation	☒	☐	☐	
Natural and built environment	☐	☒	☐	The proposed capital programme will provide for improvements to the council's assets and the surrounding environment
Waste minimisation & resource use	☒	☐	☐	
Pollution	☒	☐	☐	
Sustainable procurement	☒	☐	☐	
Energy and climate change	☐	☒	☐	The proposed capital programme will provide for improvements in thermal and carbon efficiency

(Please add an 'x' as appropriate)	Neutral	Positive	Negative	Comments
Risk management	☐	☒	☐	The risks underlying the proposed budgets, council tax and capital programme have been assessed and prudent provision made for the financial consequences of those risks both within the budgets and the recommended prudent minimum level of general fund reserves

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

Appendix 1

Consultation responses on the proposed budget for 2017/18

Across the whole consultation a total of 970 responses were received. The data represents the results from those 970 responses. No data has been weighted

Responses were also sought on the proposed approaches to change ways of working and to save money or generate income. The detailed ideas will be analysed further and used to inform the future development of income and savings options.

QB1: To what extent do you support the council raising its share of council tax by 2.05 per cent in 2017-18 and using that money to protect key services in the future?

Strongly agree	29.66%
Agree	25.05%
Neither agree nor disagree	10.28%
Disagree	9.64%
Strongly disagree	23.66%
Don’t know	1.71%

In total, **55.71%** support this, against 33.30% who were against it.

QC1: Do you agree the council should continue to increase ‘applicable amounts’ for the scheme to protect those on low incomes?

Yes	60.96%
No	25.80%
Don’t’ know	13.24%

QC2: Do you agree we should allow a Universal Credit claimant to remain eligible for CTRS during a period when they are not receiving Universal Credit?

Yes	48.74%
No	31.74%
Don’t know	19.52%

QC3: Do you agree we should reduce the backdating of CTRS from six to two months?

Yes	56.65%
No	24.31%
Don’t know	19.04%

QC4. Do you agree we should change CTRS to match recent changes in housing benefit regulations for applicants temporarily living away from Great Britain?

Yes	0.89%
No	17.22%
Don’t know	21.89%

Appendix 2

Movements in budget 2017/18 by type

Table A2.1: Adjustments to base budgets

Adjusted Base / Transfers	£000s
Change to the GF contribution to/from reserves (per MTFS)	(1,140)
Revenue contribution to capital for Disabled Facilities Grants	300
Revenue contribution to capital programme	250
Planned decrease in contingency	(124)
Changes to non-central departmental recharge changes	(256)
Changes to Central Departmental Support recharges	(526)
Total Adjusted Base / Transfers	**(1,496)**

Table A2.2: Growth and Inflation

Inflation	£000s
Contract/expenditure inflation	378
Staff salary inflation and increments	285
Pension added years inflationary adjustment and deficit inflationary adjustment	511
Total Growth and Inflation	**1,174**

Table A2.3: Grant Changes

Grant changes	£000s
Reduction in New Homes Bonus	1,091
Removal of PFI grant	1,429
Reduction in Housing Benefit Admin grant	66
Movement in budgeted Local Council Tax Support Grant	-3
DWP New Burdens grant	-8
Total Grant Changes	**2,575**

Table A2.4: Transformation Savings/Income

Transformation Savings/Income	£000s
See Appendix 3 for further detail	(3,287)
	(3,287)

Table A2.5: Transformation Growth

Growth	£000s
Reduction in interest income	300
Impact of business rates revaluation	363
Contribution to earmarked insurance reserve	99
Apprenticeship levy	90
Impact of licensing loss of income (legal ruling)	60
Increased cost of Local Plan development	50
Investment for regeneration	50
Riverside Mgt Fee	21
Additional internal audit days	15
Increase in MRP charges	87
Total Transformation Growth	**1,135**

Table A2.6: Other Savings/Income

Other Savings/Income	£000s
Additional Income (individually under £10k)	(27)
Savings (individually under £10k)	(42)
Total Other Savings/Income	**(69)**

Appendix 3

Transformation Plan 2017/18 to 2018/19

No.	Service Area	Description of key savings / income projects	2017/18 £'000	2018/19 £'000
1	Neighbourhoods	Introduce a collection charge for hazardous waste collections	(4)	
2	Neighbourhoods	Increase subscription charges for the garden waste collection service	(11)	(11)
3	Neighbourhoods	Cemeteries service provision	(50)	(50)
4	Neighbourhoods	Increase charges for bulky waste collections	(2)	(2)
5	Neighbourhoods	Reduce costs of street cleansing service	(69)	
6	Neighbourhoods	Remove Geographic Information System post from establishment as work covered by other posts	(8)	
7	Neighbourhoods	Extending access by replacing grass tennis courts with 4 all-weather courts		(42)
8	Neighbourhoods	Introduction of footgolf at Mousehold	(8)	
9	Neighbourhoods	Review of facilities within parks, open spaces and play areas		(125)
10	Neighbourhoods	Review of Citywide recharges between the General Fund and HRA	(50)	
11	Neighbourhoods	Increasing profit margin from joint venture	(5)	(5)
12	Neighbourhoods	Increase market rental income	(119)	
13	Neighbourhoods	Improved self-serve for licensing processes	(34)	
14	Neighbourhoods	Selling Food Hygiene/Health & Safety courses and new business advice		(5)
15	Neighbourhoods	No inflation for joint venture	(120)	(120)
16	Neighbourhoods	Reduce litter bin budget	(10)	
17	Neighbourhoods	Charge full cost for pest control treatments	(5)	(5)
18	Regen & Growth	City growth and development revenue cost reduction	(36)	
19	Regen & Growth	Mile Cross Business Centre cost reduction	(56)	
20	Regen & Growth	Economic development unit projects		(85)
21	Regen & Growth	Investment property income growth	(75)	(150)
22	Regen & Growth	Reduce public lighting costs	(40)	
23	Regen & Growth	Development of Threescore phase 2 for mixture of private sale, private rent and social rent property	(123)	(57)
24	Regen & Growth	Income from new Rose Lane multi-storey car park	(180)	(184)
25	Regen & Growth	Increased income from car parks and potential new car parks		(272)
26	Regen & Growth	Housing improvement cost recovery	(12)	
27	Regen & Growth	Energy Performance	(50)	
28	Customers, Comms & Culture	Norman Centre income	(6)	(6)
29	Regen & Growth	Increase in planning consultancy income	(22)	

30	Business Services	Reduce ICT development budget	(100)	
No.	**Service Area**	**Description of key savings / income projects**	**2017/18 £'000**	**2018/19 £'000**
31	Business Services	Review of partnership costs across all areas	(350)	(150)
32	Business Services	Increase trading of joint venture	(40)	(20)
33	Business Services	Webcapture project	(55)	
34	Business Services	Democratic services and elections re-organisation	(41)	
35	Business Services	Housing benefit subsidy rebate	(130)	
36	Business Services	Removal of one-off network cost incurred in 16/17	(100)	
37	Business Services	Reduced training budget	(5)	
38	Business Services	Recruitment	(10)	
39	Business Services	HR Supplies and services	(5)	(7)
40	Cross-cutting	Overall review of joint venture working	(81)	(65)
41	Cross-cutting	Review of fees and charges		(60)
42	Cross-cutting	Advertising income	(52)	
43	Cross-cutting	Organisational review	(33)	
44	Cross-cutting	Customer contact and service standards model	(250)	(250)
45	Cross-cutting	Fleet review	(24)	
46	Cross-cutting	Carbon management programme and night watchman	(35)	(35)
47	Cross-cutting	Accommodation and work styles	(84)	
48	Cross-cutting	Vacancy management	(150)	
49	Cross-cutting	Savings in property and property management costs		(300)
50	Cross-cutting	Management savings		(100)
51	Cross-cutting	Specialist technical services		(50)
52	Cross-cutting	Streamlining of processes		(300)
53	Regen & Growth	Increase rental income	(41)	
54	Regen & Growth	Additional income for highways activity and staff	(38)	
55	Cross-cutting	Council tax in year collection		(30)
56		Appendix 5 items	(568)	(369)
		Total Savings/Additional Income	**(3,287)**	**(2,855)**

		Assumed Growth	**1,135**	**750**

		Council tax increase and improved collection	**(184)**	

		Net Saving	**(2,336)**	**(2,105)**

Appendix 4

Calculation of prudent minimum balance

Estimate of prudent level of General Fund reserves 2016/17

Page 1/2

Description	Level of risk		Amount at risk	Risk
Employee Costs	*Medium*		20,188,816	40,378
Premises Costs	*Medium*		10,681,096	40,054
Transport Costs	*Medium*		278,046	1,564
Supplies & Services	*Medium*		16,420,848	246,313
Third Party Payments	*Medium*		4,993,739	37,453
Transfer Payments	*Medium*		62,283,699	186,851
Receipts	*Medium*		-25,180,289	132,197
Grants & Contributions	*Low*		-65,835,243	98,753
Total One Year Operational Risk				783,562
Allowing three years cover on operational risk				**2,350,686**
Balance Sheet Risks				
Issues arising from Annual Governance Report	*0*	@	100%	0
General & Specific Risks				
Unforeseen events	2,000,000	@	50%	1,000,000
Legal action – counsels' fees	100,000	@	100%	100,000
Council Tax Reduction	700,000	@	10%	70,000
Business Rates retention	500,000	@	100%	500,000
Litigation / claims	700,000	@	20%	140,000
ESTIMATED REQUIRED LEVEL OF GENERAL FUND RESERVES				**4,160,686**

Operational cost risk profiles

		Low Risk	*Med Risk*	*High Risk*
Employee Costs	overspend	1.00%	2.00%	3.00%
	probability	15.0%	10.0%	5.0%
	amount at risk	30,283	40,378	30,283
Premises Costs	overspend	2.50%	5.00%	7.50%
	probability	10.0%	7.5%	5.0%
	amount at risk	26,703	40,054	40,054
Transport Costs	overspend	5.00%	7.50%	10.00%
	probability	10.0%	7.5%	5.0%
	amount at risk	1,390	1,564	1,390
Supplies & Services	overspend	5.00%	10.00%	15.00%
	probability	20.0%	15.0%	10.0%
	amount at risk	164,208	246,313	246,313
Third Party Payments	overspend	5.00%	10.00%	15.00%
	probability	10.0%	7.5%	5.0%
	amount at risk	24,969	37,453	37,453
Transfer Payments	overspend	1.00%	2.00%	3.00%
	probability	25.0%	15.0%	10.0%
	amount at risk	155,709	186,851	186,851
Receipts	shortfall	2.00%	3.50%	5.00%
	probability	25.0%	15.0%	10.0%
	amount at risk	125,901	132,197	125,901
Grants & Contributions	shortfall	1.00%	1.50%	2.00%
	probability	15.0%	10.0%	5.0%
	amount at risk	98,753	98,753	65,835

Report to	Cabinet	**Item**
	8 February 2017	
Report of	Chief finance officer	
Subject	Housing Rents and Budgets 2017/18	

Purpose

To consider the Housing Revenue Account budget for 2017/18, council housing rents for 2017/18, the prudent minimum level of HRA reserves 2017/18, and housing capital programme 2017/18 to 2021/22.

Recommendation

1) To recommend to council, for the 2017/18 financial year, to:

   a) implement the minimum 1% rent reduction in accordance with legislation set down in the Welfare Reform and Work Act 2016. (para 5.8).

   b) approve the proposed Housing Revenue Account budgets (para 3.1).

   c) approve the prudent minimum level of housing reserves (para 6.6).

   d) approve the proposed housing capital programme 2017/18 to 2021/22 (para 8.1).

   e) approve that garage rents increase by 2% (para 5.12)

2) To note that service charges will be determined under delegated powers in compliance with the constitution (para 5.13).

Corporate and service priorities

The report helps to meet the corporate priorities "Decent housing for all" and "Value For Money services".

Financial implications

These are set out in the body of the report

Ward/s: All wards

Cabinet members: Councillor Harris **-** Deputy leader and council housing
Councillor Stonard – Resources and business liaison

Contact officers:	Justine Hartley, Chief finance officer	01603 212440
	Shaun Flaxman, Group accountant	01603 212805

Background documents

None

Report

1. Contents of report

1.1 The contents of this report are set out as follows:

2. Budgetary context

3. Summary HRA Budget 2016/17 into 2017/18

4. Background to financial Planning for the HRA

5. Council Housing Rents

6. Report by the Chief Financial Officer on the robustness of estimates, reserves and balances

7. Housing Capital Resources 2016/17-2020/21

8. Recommended Housing Capital Programme 2016/17 to 2020/21

Appendix 1 Budget movements by type

Appendix 2 Calculation of Prudent Minimum Balance

2. Budgetary context

2.1 The Housing Revenue Account (HRA) is a ring fenced account that the authority must maintain in relation to its council housing stock. The HRA must fund all expenditure associated with the management and maintenance of the housing stock. The HRA is a complex account, the format of which is prescribed by government.

2.2 The HRA moved from a position of being heavily influenced by central government, through the Housing Subsidy system, to a position under Self-Financing where the council had considerably greater discretion over the use of HRA resources. Rent and other income under Self-Financing, remain within the council's HRA rather than being subsumed into a national pool. However, the level of government influence on the HRA increased again in 2015 with the introduction of a mandatory reduction in social rent levels, and with the introduction of measures included within the Housing and Planning Act 2016.

2.3 The proposed budgets have been drawn up within the framework of the Corporate Plan, corporate Medium Term Financial Strategy (MTFS), the Neighbourhood & Strategic Housing Services' Service Plans, the HRA Business Plan, the Housing Asset Management Plan, and the Housing Investment Strategy.

3. HRA Budget 2016/17 into 2017/18

3.1 The following table shows the proposed budget in summarised statutory form assuming a rent reduction in line with provisions in the Welfare Reform and Work Act 2016 (see para 5.8).

Statutory Division of Service	Original Budget 2016/17 £000s	Draft Budget 2017/18 £000s	Change £000s
Repairs & Maintenance	15,499	13,815	(1,684)
Rents, Rates, & Other Property Costs	5,937	5,789	(148)
General Management	11,393	12,115	722
Special Services	5,069	5,090	21
Depreciation & Impairment	22,140	21,992	(148)
Provision for Bad Debts	334	223	(111)
Gross HRA Expenditure	**60,372**	**59,024**	**(1,348)**
Dwelling Rents	(58,973)	(57,692)	1,281
Garage & Other Property Rents	(2,224)	(2,169)	55
Service Charges – General	(8,343)	(8,374)	(31)
Adjustments & Financing Items (including revenue contribution to capital)	26,248	20,030	(6,218)
Miscellaneous Income	(75)	(85)	(10)
Amenities shared by whole community	(549)	(586)	(37)
Interest Received	(175)	(175)	0
Gross HRA Income	**(44,091)**	**(49,051)**	**(4,960)**
Total Housing Revenue Account	**16,281**	**9,973**	**(6,308)**

3.2 The £6.308m movement from £16.281m to £9.973m use of reserves can be analysed by type of movement and statutory division of service as follows:

	General Mgt	Rents and Service Charges	Repairs & Maintenance	Special Services	Other HRA	Total HRA
Adjustment to base/ recharges	905	(38)	(22)	(9)	(6,537)	**(5,701)**
Inflation	79	0	3	128	(1)	**209**
Growth	(3)	585	0	58	136	**775**
Savings	(564)	(732)	(1,423)	(92)	(120)	**(2,930)**
Income increase	0	(173)	(132)	0	(125)	**(430)**
Income reduction	151	1,450	0	0	169	**1,769**
Transfers	178	(27)	(109)	(87)	45	**0**
Draft budget 17/18	**745**	**1,065**	**(1,684)**	**(1)**	**(6,433)**	**(6,308)**

Details of budget movements by type are shown in Appendix 1.

3.3 The proposed budgets will impact on the HRA Balance as follows:

Item	£000s
Brought Forward from 2015/16	(26,190)
Forecast use of balances 2016/17	9,102
Forecast Carry Forward to 2017/18	(17,088)
Draft Budget 2017/18	9,973
Forecast Carry Forward to 2018/19	**(7,115)**

3.4 A forecast reduction in the planned use of the HRA reserve balance in 2016/17 will provide a substantial resource that is planned to be utilised to fund capital expenditure in 2017/18. This will bring resources down closer to the recommended minimum balance and reduce the requirement to borrow, which incurs greater costs.

4. Background to financial planning for the HRA

4.1 Financial planning for the HRA is based upon the 30-year Business Plan. In February 2016, members approved a housing capital plan which, despite the implementation of a mandatory 1% rent reduction, indicated that it would be possible to repay HRA borrowing within the 30 year HRA business plan.

5. Council housing rents

Rent policy context

5.1 In December 2002 the executive agreed to introduce the government's Rent Restructuring from April 2003. Under this system a target rent for each property was calculated. Rents for individual properties were set to collect the general increase, and move rent levels towards the target rents. The government initially intended that council and registered social landlord rents - for properties of similar sizes and locations - would converge by April 2011 and then extended to April 2017. This meant that the amount of increase in rent could vary for properties depending on how near they were to the target rent as calculated by the Rent Restructuring Formula.

5.2 From 2012-13, the housing subsidy system was abolished and councils are now self-financing. The proceeds of rent increases now remain with the council instead of being negated by housing subsidy payments.

5.3 Under the previous subsidy system, the council was able to finance the Decent Homes Standard, but was unable to maintain service and investment standards in the medium and long term. The introduction of self financing improved this position, enabling a higher level of investment, which has informed the recent capital programmes.

5.4 More significantly for council landlords, the self-financing regime relies on councils raising sufficient money through rents to fund their liabilities and investment needs, assessed through their HRA Business Plans.

5.5 The level of rent tenants pay was historically a decision for the council, but it was the expectation of ministers and assumption of the HRA business plan that authorities would follow the guidelines.

5.6 For 2014-15, the combination of September 2013 inflation at 3.2% and the movement towards converging rents 2016/17 meant that following rent restructuring formula would have generated an average rent increase of 5.57% for Norwich tenants. However, having considered the financial implications, this council determined that an increase of 1.5% should be applied to all rents, with no additional movement towards convergence with target rents.

5.7 For 2015/16, the government's rent policy changed to state that rent should be increased by Consumer Price Index (CPI) as of September the preceding year, plus 1% and that rent would no longer converge with target rents. This equated to a rent increase of 2.2% for Norwich tenants.

5.8 For 2016/17, the government's rent policy was replaced by a mandatory minimum 1% reduction in rent for a four year period until the end of March 2020. The reduction was set out in the Welfare Reform and Work Act 2016.

<u>2017/18 rent adjustment</u>

5.9 The mandatory 1% rent reduction continues for 2017/18, which for Norwich tenants, generates an average weekly rent of £77.93 which equates to an average reduction of £0.79.

5.10 In order to mitigate the negative impact of the rent reduction, it has been necessary to make changes to future proposed capital programmes to ensure that HRA borrowing continues to remain within allowable borrowing limits.

5.11 This council has invested significantly in improving its housing stock over recent years to its own 'Norwich standard'. That programme is due to complete in 2017/18 and as a result, future expenditure will reduce. In order to meet the required spend reductions, scheduled work continues to be aligned to the full extent of current expected lifecycles and only essential maintenance and upgrades will be carried out from 2018/19. In addition, reductions in cost continue to be secured as a result of contract retendering.

5.12 It is proposed that garage rents are increased by 2%. This is in line with the government formula for dwelling rents prior to the implementation of the mandatory rent reduction, based on CPI as at the preceding September (1%) plus 1%.

5.13 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.

Update on Housing and Planning Act 2016

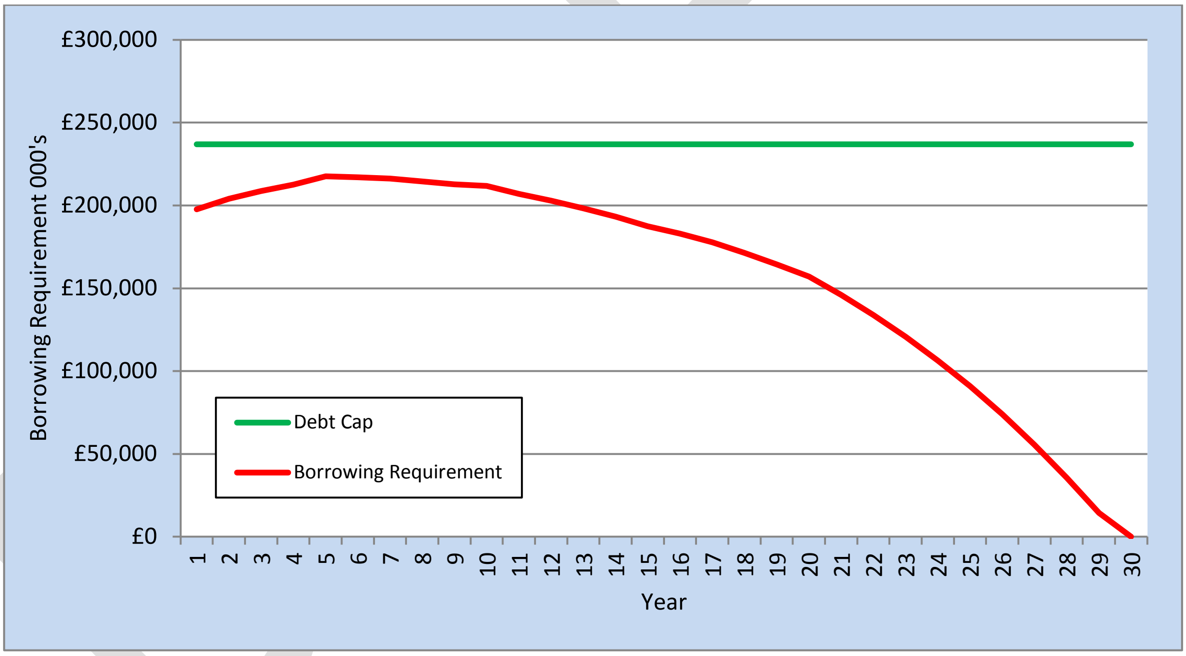
5.14 The Housing and Planning Act 2016 introduced the following two elements with potential significant financial impact on the HRA Business Plan:

- Pay to Stay (requiring social housing households earning over £31,000 per annum to pay at or near market rents)
- Extension of Right to Buy to Registered Providers (enabling financial losses resulting from discount to be recovered from the funds generated by the sale of high value void council dwellings)

5.15 It was anticipated that as a result of increased rents, the Pay to Stay requirements would generate an increased level of Right to Buy sales following its implementation. However, the government have subsequently announced that they no longer plan to implement this element of the Act, therefore the HRA business plan has been updated to reflect this.

5.16 In order to compensate Registered Providers for financial losses incurred as a result of the extended Right to Buy legislation, the Housing and Planning Act made provision for a determination to be imposed on Housing Revenue Accounts based on the value of their stock, in lieu of being forced to sell high value void dwellings. It has been indicated that the sum may represent an additional significant annual capital cost, but the formula upon which the determination will be based is still unknown and it is therefore not possible to estimate the cost to the council or to draw up any detailed plans to address this. However, the government has confirmed that there will be no determination levied in the 2017/18 financial year.

5.17 The chart below illustrates the impact on the updated HRA Business Plan and HRA borrowing requirement of the proposed 2017/18 budgets and housing capital programme with rent continuing to reduce by 1% for the next 3 years. This demonstrates that the borrowing can be repaid within the 30 year life of the business plan.



6. Report by the chief financial officer on the robustness of estimates, reserves and balances

6.1 Section 25 of the Local Government Act 2003 requires that the chief finance officer of the authority reports to members on the robustness of the budget estimates and the adequacy of council's reserves.

6.2 The chief finance officer is required to provide professional advice to the council on the two above matters and is expected to address issues of risk and uncertainty.

Estimates

6.3 As with all future estimates there is a level of uncertainty and this has been taken into account when building the business plan and assessing the levels of reserves. In particular, until the level of the anticipated high value voids determination is known detailed actions to address it cannot be built into the HRA business plan. We do know that there will be no determination levied in 2017/18 so at this stage no allowance has been made for the determination in the plan other than to retain an amount of £2.75m in the prudent minimum balance of HRA reserves to contribute to any future pressure arising from the introduction of this payment. When the business plan is revised for 2018/19 more information on the level of the determination should be available. The government's expectation is that the council will sell properties which become empty to fund the determination.

6.4 Allowing for the above comment on uncertainty and the need to adapt the plan in future years once the value of the high value determination is known, it is the opinion of the chief finance officer that in the budgetary process all reasonable steps have been taken to ensure the robustness of the budget.

Reserves

6.5 A risk assessment has been undertaken to determine the level of HRA general reserves required by the council, which has been set at £5.885m as set out in Appendix 2.

6.6 In making a recommendation for the level of reserves the chief finance officer has followed guidance in the CIPFA LAAP Bulletin 77 – Guidance notes on Local Authorities Reserves and Balances.

6.7 The requirement for financial reserves is acknowledged in statute. Sections 32 and 43 of the Local Government Finance Act 1992 require billing and precepting authorities in England and Wales to have regard to the level of reserves needed for meeting estimated future expenditure when calculating the budget requirement.

6.8 HRA earmarked reserves remain legally part of the HRA although they are accounted for separately.

6.9 There are also a range of safeguards in place that help to prevent local authorities over-committing themselves financially. These include:

a) the balanced budget requirement (England, Scotland and Wales) (sections 32, 43 and 93 of the Local Government Finance Act 1992)
b) Chief finance officers' duty to report on robustness of estimates and adequacy of reserves (under section 25 of the Local Government Act 2003 when the authority is considering its budget requirement (England and Wales)
c) the requirements of the Prudential Code
d) auditors will consider whether audited bodies have established adequate arrangements to ensure that their financial position is soundly based.

6.10 Whilst it is primarily the responsibility of the local authority and its chief finance officer to maintain a sound financial position, external auditors will, as part of their wider responsibilities, consider whether audited bodies have established adequate arrangements to ensure that their financial position is soundly based. However, it is not the responsibility of auditors to prescribe the optimum or minimum level of reserves for individual authorities or authorities in general.

Role of the chief finance officer

6.11 Within the existing statutory and regulatory framework, it is the responsibility of the chief finance officer to advise local authorities about the level of reserves that they should hold and to ensure that there are clear protocols for their establishment and use. Reserves should not be held without a clear purpose. The risk analysis attached as Appendix 2 shows that an adequate level of HRA reserves for the Council will be in the order of £5.885m.

7. Housing capital resources 2017/18-2021/22

7.1 The abolition of the HRA subsidy system from 1 April 2012 and the inception of 'self-financing' for council housing allowed the council, in consultation with its tenants, to develop plans for increased investment in maintaining and improving council housing in Norwich.

7.2 The additional resources made available by retaining rent income within the city, rather than passing surpluses to the government, enabled the council to adopt the Norwich Standard for maintenance and improvements of tenants' homes rather than the basic Decent Homes Standard and to adopt a Housing Investment Strategy (as considered by cabinet on 14 November 2012) to deliver new council housing, reconfiguration of sheltered housing, estate renewal, renewable energy solutions, and support to private sector housing in the city.

7.3 The following table indicates the anticipated levels of resources available to the Housing Capital Programme in future years.

Housing Capital Resources	2017/18 £000s	2018/19 £000s	2019/20 £000s	2020/21 £000s	2021/22 £000s
Forecast resources brought forward	0	0	0	0	0
Capital grants	(951)	(882)	(882)	(882)	(882)
Major Repairs Reserve - depreciation charges	(6,925)	(11,906)	(13,781)	(13,679)	(13,129)
HRA borrowing from headroom under debt cap	(8,788)	(407)	(121)	0	0
Revenue Contribution to Capital	(19,677)	(8,342)	(7,252)	(6,321)	0
Contributions to costs	(250)	(250)	(250)	(250)	(250)
Section 106 Commuted Sum	(817)	0	0	0	0
Capital receipts - properties uneconomic to repair	(866)	(866)	(866)	(866)	(866)
Capital receipts arising from RTB	(3,032)	(2,950)	(2,328)	(1,940)	(1,940)
Retained "one for one" RTB Receipts	(10,044)	(2,608)	(3,574)	(2,000)	(2,000)
Gross forecast resources	**(51,349)**	**(28,211)**	**(29,054)**	**(25,937)**	**(19,066)**
Forecast resources utilised	51,349	28,211	29,053	25,937	19,067
Forecast resources carried forward	**0**	**0**	**0**	**0**	**0**

7.4 Proposed housing capital expenditure includes continuing to maintain the structural integrity of tenants' homes, delivering the Norwich Standard of maintenance and improvement, and investment in accordance with the objectives set out in the Housing Investment Strategy.

7.5 All planned capital costs and resources are incorporated into the HRA Business Plan projections.

7.6 All risks relating to the resourcing and delivery of the capital plan are identified and managed in accordance with the council's *Risk management strategy*.

8. Recommended housing capital programme 2017/18 – 2021/22

8.1 The following table details the proposed *Housing capital programme* for approval:

Scheme	2017/18 £000s	2018/19 £000s	2019/20 £000s	2020/21 £000s	2021/22 £000s
Proposed carry-forward from 2016/17	7,089				
Home Upgrades	6,819	6,699	5,785	5,785	4,635
Heating Upgrades	4,057	4,050	2,750	3,750	3,150
Window & Door Upgrades	2,004	1,455	1,355	455	205
Insulation	660	660	500	400	200
Community Safety & Environment	494	75	75	75	75
Sheltered Housing Regeneration	550	115	113	113	112
Preventative Maintenance	6,969	7,825	7,925	7,825	5,385
Supported Independent Living	1,180	800	800	800	800
Site Formation	50	50	50	50	50
Fees	755	755	755	755	755
Neighbourhood Housing	**30,628**	**22,484**	**20,107**	**20,007**	**15,367**
Proposed carry-forward from 2016/17	5,514				
New Build Social Housing	7,213	2,027	5,246	2,230	0
RTB Buyback Programme	500	500	500	500	500
Housing Investment	**13,227**	**2,527**	**5,746**	**2,730**	**500**
Proposed carry-forward from 2016/17	69				
Capital Grants to Housing Associations	6,226	2,000	2,000	2,000	2,000
Home Improvement Agency Works	1,200	1,200	1,200	1,200	1,200
Strategic Housing	**7,495**	**3,200**	**3,200**	**3,200**	**3,200**
Total Housing Capital Programme	**51,349**	**28,211**	**29,053**	**25,937**	**19,067**

8.2 The outcomes that will be supported by the planned expenditure on the council's own stock compared to previous years, will be as follows:

Housing Capital Programme	2014/15 Outcomes	2015/16 Outcomes	2016/17 Outcomes	2017/18 Planned	*Change 2016/17 to 2017/18*
New kitchens	1,557	1,575	1,144	508	-636
New bathrooms	1049	1,049	1,559	587	-972
Heating systems/boilers	999	984	617	791	174
New composite doors	4,015	2,622	3,032	1,740	-1,292
New PVCu windows	34	68	69	126	57

8.3 These outcomes reflect the end of the windows programme, and the continued focus on the replacement doors programme.

8.4 In addition, future capital programmes anticipate the building of 163 new council homes over the next 5 years.

8.5 The capital programme proposed above will be supplemented by resources and commitments brought forward from the 2016/17 capital programme.

Integrated impact assessment

NORWICH City Council

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

Report author to complete	
Committee:	Cabinet
Committee date:	1 February 2017
Head of service:	Justine Hartley, chief finance officer
Report subject:	Housing Budgets and Rents 2017/18
Date assessed:	
Description:	This integrated impact assessment covers the proposed housing budgets and council housing rents for 2017/18.

	Impact			
Economic (please add an 'x' as appropriate)	**Neutral**	**Positive**	**Negative**	**Comments**
Finance (value for money)	☐	☒	☐	The recommendations of the report will secure continuing value for money in the provision of works and services to council tenants
Other departments and services e.g. office facilities, customer contact	☒	☐	☐	
ICT services	☒	☐	☐	
Economic development	☒	☐	☐	
Financial inclusion	☒	☐	☐	
Social (please add an 'x' as appropriate)	**Neutral**	**Positive**	**Negative**	**Comments**
Safeguarding children and adults	☒	☐	☐	
S17 crime and disorder act 1998	☒	☐	☐	
Human Rights Act 1998	☒	☐	☐	
Health and well being	☒	☐	☐	

	Impact			
Equality and diversity (please add an 'x' as appropriate)	**Neutral**	**Positive**	**Negative**	**Comments**
Relations between groups (cohesion)	☒	☐	☐	
Eliminating discrimination & harassment	☒	☐	☐	
Advancing equality of opportunity	☒	☐	☐	
Environmental (please add an 'x' as appropriate)	**Neutral**	**Positive**	**Negative**	**Comments**
Transportation	☒	☐	☐	
Natural and built environment	☐	☒	☐	The proposed housing capital programme will provide for the Norwich Standard for properties to be completed
Waste minimisation & resource use	☒	☐	☐	
Pollution	☒	☐	☐	
Sustainable procurement	☒	☐	☐	
Energy and climate change	☐	☒	☐	The proposed housing capital programme will provide for the Norwich Standard for properties to be completed which includes improvements in thermal and carbon efficiency

(Please add an 'x' as appropriate)	Neutral	Positive	Negative	Comments
Risk management	☐	☒	☐	The risks underlying the budgets, rent increase, and capital plan and programme have been assessed and prudent provision made for the financial consequences of those risks both within the budgets and the recommended prudent minimum level of HRA reserves

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

APPENDIX 1

Draft Housing Revenue Account budgets 2017/18

<u>Budget movements by type</u>

Adjustment to Base / Transfers	**£000s**
Increase in contingency budget	379
Increase in corporate recharges	504
Other recharge changes	(157)
Revenue Contribution to Capital	(6,427)
Adjustment to Base / Transfers	**(5,701)**

Inflation/Pensions Growth	**£000s**
Contract/expenditure inflation (including living wage impact)	97
Staff salary inflation and increments	74
Pension added years and pension deficit inflationary adjustments	38
Total Inflation/Pensions Growth	**209**

Growth	**£000s**
Increase in estimated depreciation costs	570
Increase in contribution to insurance ear-marked reserve	138
Additional recharges resulting from review of citywide recharges between the GF and HRA	50
Increase in corporate debt management costs	13
Other growth (under £10k)	4
Total inflation and Growth	**775**

Income Reduction	**£000s**
Reduction in rents	1,449
Increased voids on garage rentals	134
Loss of funding from the County Council for Families Unit	151
Reduced rental income on commercial properties	35
Income Reduction	**1,769**

Savings	£000s
Savings from repairs and maintenance programme	(1,364)
Reduction in Item 8 debt costs	(732)
Housing management restructure	(125)
Reduction in professional advice budgets	(154)
Reduction in garage repairs budget	(50)
Budget for software costs no longer required	(44)
Saving from centralisation of pool car fleet	(35)
Reduced budget on sheltered alarm contract costs	(33)
Closed area offices	(17)
Other savings (individually under £10k)	(75)
Appendix 5 items	(301)
Total Savings	**(2,930)**

Income Increase	£000s
Lower anticipated void rate on council properties	(169)
Increased income for tenant contributions to repairs	(132)
Increase in income from garage rentals	(105)
Additional Income (individually under £10k)	(24)
Income Increase	**(430)**

APPENDIX 2

Housing Revenue Account – Prudent Minimum Balance

Estimate of prudent level of HRA reserves 2017/18

Description	Level of risk	Amount at risk	Risk
Employee Costs	*High*	6,301,030	31,505
Supplies and Services	*High*	2,466,566	5,933
Premises Costs	*High*	7,821,884	19,555
Transport Costs	*High*	122,209	306
Contracted Services	*Medium*	14,241,170	106,809
Fees and Charges	*Medium*	1,914,875	28,723
Investment Income	*Medium*	175,000	5,250
Rents & Service Charges	*Low*	67,238,141	168,095
Financing Items	*Medium*	31,709,938	95,130
Total One Year Operational Risk			461,539
Allowing three years cover on operational risk			**1,384,617**
Balance Sheet risk			
Issues arising from Welfare reform			**750,000**
General Risk			
Unforeseen events			**1,000,000**
Inability to fund future high value voids determinations			**2,750,000**
ESTIMATED REQUIRED LEVEL OF HRA RESERVES			**5,884,617**

Operational cost risk profiles

		Low Risk	*Med Risk*	*High Risk*
Employee Costs	overspend	1.00%	2.50%	5.00%
	probability	25.0%	15.0%	10.0%
	amount at risk	15,753	23,629	31,505
Supplies and Services	overspend	1.00%	2.50%	5.00%
	probability	10.0%	7.5%	5.0%
	amount at risk	2,467	4,625	6,166
Premises Costs	overspend	1.00%	2.50%	5.00%
	probability	10.0%	7.5%	5.0%
	amount at risk	7,822	14,666	19,555
Transport Costs	overspend	1.00%	2.50%	5.00%
	probability	10.0%	7.5%	5.0%
	amount at risk	122	229	306
Contracted Services	overspend	5.00%	10.00%	15.00%
	probability	10.0%	7.5%	5.0%
	amount at risk	71,206	106,809	106,809
Fees and Charges	overspend	5.00%	10.00%	15.00%
	probability	25.0%	15.0%	10.0%
	amount at risk	23936	28723	28723
Investment Income	shortfall	10.00%	20.00%	30.00%
	probability	20.0%	15.0%	10.0%
	amount at risk	3,500	5,250	5,250
Rents & Service Charges	shortfall	1.00%	1.50%	2.00%
	probability	25.0%	15.0%	5.0%
	amount at risk	168,095	151,286	67,238
Financing Items	overspend	1.00%	2.00%	3.00%
	probability	15.0%	10.0%	5.0%
	amount at risk	47,565	95,130	47,565