NORWICH
City Council

Cabinet

SUPPLEMENTARY AGENDA

Date: **Wednesday, 13 December 2023**
Time: **17:30**
Venue: **Council chamber, City Hall, St Peters Street, Norwich, NR2 1NH**

Committee members:

Councillors:

Stonard (chair)
Jones (vice chair)
Giles
Hampton
Kendrick

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Agenda

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- Deliver programmes to build and acquire more council homes.

- Deliver improvements to frontline neighbourhood housing services.

- Deliver year on year targets to achieve reductions in management cost by £1.6m by 2028/29 through a review of our delivery model.

- Implement and embed the requirements of the Social Housing (Regulation) Act.

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.

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Date of publication**: Friday, 08 December 2023**

NORWICH City Council

Item 7

Committee name: Cabinet

Committee date: 13/12/2023

Report title: **Allocation of Better Care Fund to support new developments**

Portfolio: Councillor Jones, Deputy leader and cabinet member for housing and community safety

Report from: Interim Head of Housing and Community Safety

Wards: Lakenham and Thorpe Hamlet Wards

OPEN PUBLIC ITEM

KEY DECISION

Purpose

To seek approval to allocate some of the Better Care Fund allocation to the County Council to enable 2 supported housing schemes, which could deliver 23 sheltered housing properties.

Recommendation:

It is recommended to authorise the allocation of £0.5m of the councils Better Care Fund allocation to the two capital projects detailed in this report, and the funds be distributed to Norfolk County Council to enable these projects to proceed.

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 corporate priority for Norwich to have the infrastructure and housing it needs to be a successful city.

1. Background

1.1. Since 2015, the Council has received an allocation from the Better Care Fund (BCF) as part of an integrated approach to housing, health and social care locally, and to help promote joined up local person-centred approaches to supporting communities.

1.2. Grant paid under this determination must be spent in accordance with a Better Care Fund (BCF) spending plan jointly agreed between the relevant local authority or local authorities and the relevant Clinical Commissioning Groups.

1.3. In 2-tier areas, decisions around the use of the Fund will need to be made with the direct involvement of both tiers of local government (county and district councils) working jointly to support integration ambitions.

1.4. Authorities may decide to spend the Better Care Fund allocation in three ways:

- Approving disabled facilities grants in accordance with the Housing Grants, Construction and Regeneration Act 1996 (the 1996 Act)
- Providing housing assistance in accordance with a locally published Housing Assistance Policy under RRO powers
- Using a portion of the funding for other social care capital projects (as locally agreed with district councils in two-tier areas).

2. The need to use a portion of the funding on ‘other social care capital projects’

2.1. In recent years the demand on the BCF allocation for disabled facilities grants has been lower than the amount allocated to the city council, meaning that this can be used for other social care capital projects.

2.2. Work has already taken place with our commissioning partners at the county council to look at how best the budget could benefit residents. For example, in 2022/23 we introduced the affordable warmth grant, replacing old inefficient boilers for owner occupiers in receipt of council tax reduction.

2.3. There is a risk that if this allocation was not made, the county council could reclaim unspent budgets. They have made it clear that at this point, it is not something they are considering.

3. Capital budget carried forward.

3.1. Discussions have taken place between our development team and the county council commissioners. Initially, 2 schemes have been identified where some of the allocation could help these project progress. They are:

Great Hospital - £0.200m

Norfolk County Council are working with the Great Hospital and Homes England (HE) to explore the development of 19 units of accommodation on the existing retirement housing site in central Norwich. The site has planning approval and has been cleared, meaning it could be built and operational within two years. Discussions are ongoing how the new development could meet the needs of people in Norwich as their care needs change.

The proposal is for an Independent Living development which would offer homes for older people with care and support needs including 24/7 staff on site to respond in an emergency. The development would be similar to the successful schemes developed in Acle and Fakenham with the contribution of Norfolk County Council and HE capital.

The Great Hospital site offers real potential to build on the service offer that is already in place and provide a flagship development in the centre of Norwich. Needs analysis completed in conjunction with all districts indicated that Norwich needs 245 units of specialist housing to meet the needs of the older population. This proposal is part of meeting that need.

Referrals to the service would be made through a nominations panel which would include Norwich City Council and would prioritise residents of the local district. This capital contribution from Norwich City Council would be in addition to capital from Norfolk County Council and would support the increased costs of development and the provision of assistive technology which would improve responsiveness of care provision across the whole site.

Webster Court - £0.300m

Webster Court provides 32 units of accommodation for people with mental health, care and support needs including those who have previously been street homeless. 25 of the units are currently commissioned as extra care housing for people with serious and long-term mental illness, 4 of the units are for people with physical mobilities and frailty, and 3 of the units are currently let for general needs. Over time Webster Court will work exclusively as a mental health extra care housing setting (as people with general needs and frailty move on).

Webster Court is one of a number of services developed and commissioned jointly between Norfolk County Council and Norwich City Council for people who are homeless with mental health support needs and local connections to Norwich.

This proposal for additional units of accommodation, has been developed with the existing care provider who also holds the lease (from Norwich City Council) on the site.

The development would see up to 4 additional units of accommodation created from redundant staffing accommodation (subject to planning permission being granted). Norfolk County Council are committed to providing capital funding for this important development supporting people who represent a vulnerable part of society, and this funding would ensure the viability of the project.

Referrals to the service are managed through the Adult Social Care Mental

Health Team. Service users are also well known to the City Council led and commissioned rough sleepers and Pathways service of which St Martin's is a key provider. The additional provision will expand this service which has been highly successful in supporting both the physical and mental health needs of vulnerable rough sleepers in Norwich.

Implications

Financial and resources

4. 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.

5. The 2023/24 current approved Disabled Facilities Grant budget is £2.217m and the expenditure proposed within this report is included within the forecast outturn of £1.954m reported at quarter 2.

6. In addition to the £0.263m underspend forecast at quarter 2, there remains a further £0.105m of Better Care funding, providing a total of £0.368m for which opportunities will continue to be reviewed to ensure its effective utilisation.

Legal

7. The Council has a legal duty to provide disabled facilities grants, which is pooled with the Better Care Fund. The Council has sufficient budget to fulfil demand for disabled facilities grants and the Better Care Funding can therefore be allocated to other projects that meet the criteria of the Fund.

Statutory considerations

Consideration	Details of any implications and proposed measures to address:
Equality and diversity	Please see the attached Equality Impact Assessment. The proposals will benefit older people with care and support needs and people who have been street homeless with serious or long-term mental illnesses.
Health, social and economic impact	These supported housing schemes will have a positive Health and Social impact.
Crime and disorder	It is not considered there are any crime and disorder impacts arising from this decision.
Children and adults safeguarding	It is not considered there are any impacts on children or adults safeguarding arising from this decision.

Consideration	Details of any implications and proposed measures to address:
Environmental impact	It is not considered there are any environmental impacts arising from this decision. The environmental impacts of the schemes will be assessed under the planning applications.

Risk management

Risk	Consequence	Controls required
The BCF underspend is not utilised.	Potentially, the county council could seek to reclaim underspend and invest it in other district council settings.	Approving this report, ensure the BCF underspend reaches Norwich residents.

Other options considered

8. There are no other identified projects that would be a reasonably viable alternative.

Reasons for the decision/recommendation

9. Passing this funding to the county council ensures it remains of benefit to residents in Norwich and the remaining funding can continue to be used to finance the package of grants and loans offered by the city council.

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Equality Impact Assessment

What is being assessed	Better Care Fund allocation	**Status**	First assessment of new proposal
Officer completing	Kevin Ayers	**Role**	Home Improvement Manager
Team	Home Improvement Team	**Directorate**	Housing and Community Safety
Senior leadership team sponsor	Bob Granville	**Role**	Executive Director Housing and Community Safety

What are the main aims or purpose of the policy, practice, service or function?

To divert better care fund budget allocation to 2 new supported housing schemes.

The 2 schemes are the Great Hospital site and Webster Court.

The Great Hospital will offer homes for older people with care and support needs including staff on site 24 hours a day to respond to any emergency situation.

Webster Court provides extra care living accommodation for people who have been street homeless with serious or long-term mental illness. This will see 4 additional units of accommodation created from redundant staffing accommodation.

How does it fit with other services and policies, and how does it support our corporate objectives and City Vision?

It supports the corporate priority for Norwich to have the infrastructure and housing it needs to be a successful city.

This proposal also works to support our efforts to realise the 'Fair City' theme of our 2040 City Vision for Norwich, through assisting the development of housing options which promote individual and community physical and mental wellbeing.

What is the reason for the proposal or change (financial, legal etc)?

Financial: There is sufficient allocation of Better Care Fund enabling this proposal to proceed

Who implements, carries out or delivers the policy, practice, service or function?					
Norfolk County Council will oversee and commission the projects.					
What outcomes do we want to achieve, why and for who? These 2 schemes will provide suitable and appropriate housing for older people with care and support needs and people who have been street homeless with serious or long-term mental illnesses.					
Will anyone be disproportionately affected by the programme, and/or will it create any benefits? *(customers, employees, groups in the wider community etc)* No group will be disproportionately affected. Although the money is intended for disabled people to enable them to have their homes adapted. It will however benefit older people with care and support needs and people who have been street homeless with serious or long-term mental illnesses.					
If yes, complete the relevant sections below for any benefits and adverse impacts identified.					
Affected group	**Key findings from analysis of data and evidence. Identify any gaps in data here**	**Level & type of impact: low/medium/high, positive/adverse**	**Justifiable if adverse**	**Actions to mitigate impacts, maximise benefits or address identified gaps in data**	**By when**
Age	Additional specialist housing schemes will be enabled by the development of the Great Hospital Site that will benefit this protected characteristic.	Positive	N/A	Actions to mitigate negative impacts and promote benefits will be the responsibility of Norfolk County Council, as they will be fully responsible for the delivery of the 2 housing schemes related to this proposal.	N/A
Disability	Additional specialist housing schemes will be enabled by the development of the 2 schemes	Positive	N/A	Actions to mitigate negative impacts and promote benefits will be the responsibility of Norfolk	N/A

	identified that will benefit this protected characteristic.			County Council, as they will be fully responsible for the delivery of the 2 housing schemes related to this proposal.	
Gender reassignment	No impact identified	N/A	N/A	N/A	N/A
Marriage and civil partnership	No impact identified	N/A	N/A	N/A	N/A
Pregnancy and maternity	No impact identified	N/A	N/A	N/A	N/A
Race/ethnicity	No impact identified	N/A	N/A	N/A	N/A
Religion and belief	No impact identified	N/A	N/A	N/A	N/A
Sex/gender	No impact identified	N/A	N/A	N/A	N/A
Sexual orientation	No impact identified	N/A	N/A	N/A	N/A
Other groups: **People who are sleeping rough**	Additional suitable specialist housing schemes will be enabled by the development of the 4 additional units at Webster Court.	Positive	N/A	Actions to mitigate negative impacts and promote benefits will be the responsibility of Norfolk County Council, as they will be fully responsible for the delivery of the housing scheme aimed at supporting those with a history of street homelessness.	N/A

What evidence and data has been used for this assessment, including community engagement and consultation? *(include links to data sources, consultations etc)*

This proposal has been jointly developed with the County Council who have identified the 2 schemes to be developed. The development team were consulted on this proposal, which they support. They did not identify any other alternative schemes or potential uses for the Better Care Fund underspend.

How has the equality impact assessment informed or changed the proposal? N/A
What actions have been identified going forward? No future actions relating to the Home Improvement team have been identified because this is a one-off action to hand the funds to Norfolk County Council.
How will the impact of your proposal and actions be measured moving forward? N/A – Once these funds are transferred to the Norfolk County Council, they will assume total responsibility for the use of these funds to aid in the delivery of the 2 housing schemes identified above. As this is a one-off action, the Home Improvement team will resume business as usual practice and continue to allocate and use any future Better Care Funding as was originally intended.

Officer completing assessment	**Kevin Ayers**	**Date**	**27/11/2023**
Senior leadership team sponsor	**Chris Hancock**	**Date**	**06/12/2023**
Equality lead (strategy team)	**Joe Siggins**	**Date**	**28/11/2023**

NORWICH City Council

Item 8

Committee Name: Cabinet

Committee Date: 13/12/2023

Report Title: The council's provisional 2024/25 budget and medium-term financial strategy

Portfolio:	Councillor Kendrick, cabinet member for resources
Report from:	Interim Section 151 Officer
Wards:	All Wards

OPEN PUBLIC ITEM

Purpose

To consider draft proposals for the council's 2024/25 budget (general fund, HRA and capital programme) and updated medium-term financial position, including the principles for consultation.

Final budget proposals, alongside the outcome of the budget consultation and budget scrutiny work, will be brought back to Cabinet in February 2024 with a recommendation to consider and approve those proposals before it goes to the February budget setting council for agreement alongside the council tax setting decision.

Recommendation:

1) note the latest financial information and the budget strategy incorporated into the report, which enable the Council to set a balanced budget for 2024/25 and Medium-Term Financial Strategy for the period to 2028/29; and

2) note the budget principles used for consultation and agree that budget consultation with businesses, residents and other interested stakeholders commences to inform the Council's budget setting decisions in February 2024.

Policy Framework

The Council has five corporate aims, which are:

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

This report is relevant for all five corporate aims.

Detailed work is also being undertaken alongside the work on the council's budget and Medium-Term Financial Strategy to update the Council's Corporate Plan and this work will complement that process.

Report Details

Background

1. Like all local authorities, Norwich City Council continues to face substantial financial challenges. Following on from a sustained period of austerity the council is facing increasing demand for local services and significant inflationary rises in its costs. The wider economic situation, following the pandemic and subsequent shocks from the 2022 mini budget, is putting huge financial pressures not just on council resources, but those of partners, local businesses, and residents, particularly the most vulnerable. The council also continues to manage the ongoing risk and uncertainty over future funding.
2. The severity of the situation facing local authorities cannot be underestimated with several councils being forced to issue S114 notices highlighting their inability to balance their budgets, both in 2023/24 and over the medium term. It is also now acknowledged that many councils finding themselves in this situation are facing factors which are universally applicable and have led to an unsustainable financial position; for example, the impact of inflation and demand pressures on high needs low taxbase authorities.
3. It is within this context and financial uncertainty that the council has developed its budget options for 2024/25 and an approach to ensuring a sustainable medium term financial strategy. This work is taking place alongside the development of a new Corporate Plan.
4. The council's ambition for Norwich is undiminished. Work has been taking place with partners and other stakeholders to review the Corporate Plan priorities. The Corporate Plan sets out the vision for the city and for the council over the medium term. It is also shaped by the Norwich 2040 City Vision. The corporate plan provides the framework for the decisions taken - how we prioritise and how we allocate the resources we have available to achieve these priorities and the new plan will also focus on outcome-based measures.
5. A fundamental outcome is putting the council on a sustainable financial footing and delivering services effectively and efficiently. Future budget decisions will need to balance delivering on the ambition and priorities of the council set out in the Corporate Plan whilst ensuring the authority remains financially sustainable over the medium and longer term. As part of delivering this outcome, it is important to ensure the continuous review and development of the council's medium-term financial strategy. This then informs the options and decisions for delivering balanced and sustainable budgets over the next five years and beyond.
6. The council is ambitious and wants to make a real difference to both the physical fabric of the city and to the lives of the people who live and work here. But, given the financial constraints, the council is unable to fund all the investment required itself and, in some cases, there will be other groups and sectors better placed to lead the response to the challenges and opportunities ahead.
7. The council will therefore work with others to secure investment in the city's future and deliver the ambitious shared vision for Norwich, acting as an "enabler" or "catalyst" for change, and ensure that its own resources,

particularly its capital investment, are flexed as far as possible to deliver the key outcomes set out in the Corporate Plan.

Summary

8. This report sets out 2024/25 budget proposals across the General Fund, the Housing Revenue Account, and the capital programme along with medium term expenditure and financing plans. It updates the report considered by cabinet in July 2023 which highlighted for Members the budget gap which had started to emerge because of continuing inflationary pressure.

9. This report outlines the principles which form the basis for public consultation on the general fund revenue and capital budgets for 2024/25. The views of residents and local businesses will be sought, via a public budget consultation exercise; the results of that consultation will be made available before the budget is discussed by Cabinet on 7 February 2023 and finally approved by Council on 21 February 2023. As in previous years' consultation will also take place with tenants on the proposals for the Housing Revenue Account and its capital investment plans.

10. This report provides an update on the implications from the recent Autumn Statement and any other related announcements for local authority finances. Some information was made available at the time of the 2023/24 settlement and although the autumn statement itself gives details of the broad shape of public finances, the impact on Norwich City Council will not be known in detail until the provisional local government finance settlement for 2024/25 is published in December 2023. The exact date of the provisional settlement has not been made available as yet, although recent press coverage has indicated that, as in previous years, it is likely to be close to the Christmas break. Although best endeavours have been used to give as much certainty to the budget information in this suite of reports, it is certain that changes will need to be accommodated before the final budget, MTFS and council tax setting reports are completed.

General Fund

11. The Autumn Statement didn't contain a lot of information directly related to local government; however it did confirm that unprotected government spending budgets, i.e. excluding health and defence services, will increase by less than forecast inflation rates, as a consequence the Office for Budget Responsibility has warned that, from 2025/26, spending on public services will have to fall by 2.3% per year in real terms *(Source: Office for Budget Responsibility Economic and fiscal outlook – November 2023)*.

12. The current assumption is that the referendum level for Council tax increases will remain at 'up to 3%' as set out in the 2023 settlement information. However, given the pressures from inflation the budget consultation will also include provision to raise the Council tax up to an increased referendum level should it change as part of the provisional settlement information. A return, in future years' of the MTFS, to a level of 'up to 2%' reflects the governments long term view of target inflation levels.

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

14. To balance the provisional general fund budget for 2024/25, £3.726m of savings and additional income proposals have been identified, the full detail of which is provided in Section 2 of the report, subject to consultation where appropriate.

15. It is worth noting that the current General Fund surplus is largely driven by one off Treasury returns and there being no need to replenish reserves for £2.8m of Section 31 Grants. In short, the council's 2023/24 financial performance is driven by one-off factors which cannot be relied upon on an on-going basis.

16. The council is awaiting the provisional local government financial settlement, but the indications are broadly for a roll-forward settlement approach. There is no indication that longer-term reforms to local government finance are even being developed and most commentators have taken the later years' financial information (post 2024/25) as highly speculative given that they fall after the next general election.

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

18. Consequentially, the forecasts for 2025/26 onwards in the MTFS should not be taken as robust figures, recognising that they are largely based on the status quo continuing, particularly concerning how much business rates and Council Tax income the city council is able to raise and retain. These forecasts will be monitored and adjusted at least annually in line with any further Government announcements.

19. Current forecasts, given the caveats highlighted above, show that the general fund is broadly balanced over the period from 2025/26 through to 2028/29 without the need for reserves to be used. However, it should be noted that this relies on the successful delivery of £8m of savings over that period.

20. It is important to note that the council's approach to business planning and setting its budget annually – and its approach over the medium term – seeks to ensure that adequate resources are allocated to priority services. The revision of the Corporate Plan priorities in 2023 and an emphasis on outcomes is likely to lead to a change in focus and activity which supports that change. As well as identifying opportunities for efficiencies through service change and income generation, our approach to business planning also seeks to identify service areas which require increased funding to respond to member priorities, increased demand or other pressures such as inflation.

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

21. As the council takes decisions about how to achieve the required savings and change its focus towards the new Corporate Plan priorities, it will need to consider the balance not only between how savings are made – for instance, savings to workforce, suppliers and assets – but also the relative balance between spending reductions and increased income.

22. Using an outcome-based approach, the medium-term plan is driven by the Council's Corporate Plan. The plan will determine how areas of service expenditure are prioritised and de-prioritised with future savings becoming a natural consequence of this prioritisation. This explains why the Corporate Plan consultation is being undertaken so thoroughly and widely across the Norwich community.

23. There also needs to be a complementary understanding about how investment, particularly capital investment, can also support the council's ambitions; more detail on this is included in the section on the capital strategy.

24. In preparation for 2023/24, there was a base budget review of all service areas with the clear goal of producing a strong Medium Term Financial Strategy. This was accompanied by a rigorous budget validation process. For 2024/25, the focus is on delivering those savings, increasing the planning horizon to five years and continuing the journey to be an efficient, modern council.

25. During the production of the Medium-Term Financial Strategy, five themes were identified to shape the approach to balancing the short-term budget and provide space to support the developing Corporate Plan priorities:

    1. Delivery of the existing savings programme.
    2. Income optimisation and automation.
    3. Ensuring non-statutory fees and charges fully cover cost.
    4. Review of asset management (including commercial rental Income)
    5. Corporate Items: Capital Financing and Treasury Management.

Delivering the existing savings strategy:

26. It is imperative that existing saving plans are delivered, as they form the backbone of the budget. Non-delivery would pose significant problems for the long-term sustainability of the council. In 2023/24, £5.276m out of £5.666m or 93% of savings have been or are on track for delivery. Unless savings are agreed as undeliverable or impracticable, there is no expectation that they will be written out of the budget, although some have been re-profiled into future years. Where savings are at risk, alternatives will be sought including for those in future years' that related to an overall reduction in headcount that is now considered unlikely. In that context robust business cases and implementation plans are critical elements of the effective governance of the Medium-Term Financial Strategy, which is reflected within the Future Shape Norwich programme.

27. The Council reviews regularly the status of its savings and produces detailed reports to the Future Shape Norwich Board and to the Executive Leadership Team (ELT). Alongside information produced in the quarterly assurance and monthly internal monitoring reports, these mechanisms provide timely and reliable monitoring of the delivery of savings and desired outcomes.

Income Optimisation and Automation

28. The council has £45m of debt outstanding as of September 2023 and the impact of not collecting that debt increases annually by £1.2m. The Council has focussed resources to tackle the level of arrears, and this is a necessary action to prevent budget pressures before considering additional savings.

29. The Council will modernise its debt collection processes, through use of systems automation, training, and self-service. This will take place alongside the council's approach to looking after those in difficulty whilst improving the effectiveness and efficiency of income collection, thereby maximising the resources available and minimising outstanding debt. While the council supports those facing genuine difficulties in paying, the general policy is that those who can pay, must pay.

30. However, the majority of long-term savings in this area will be generated via automation; making full use of the Enterprise Resource and Planning system (ERP) and other similar technologies will free up resources across the organisation. There are already a wide range of existing savings that relate to the digitisation of existing processes and these will be captured through a single new workstream that is part of the work to modernise the council.

31. Modern data tools can also help in identifying trends and preventing debts growing. Payable processes can be streamlined, and systems and data sources can be linked.

Fees and Charges

32. Fees and charges are an integral part of the resourcing of council services, whether the fees are set by statute, such as in Planning, or on a market basis. The Council has conducted a comprehensive review of charging to ensure that they are set to recover all relevant costs, including expected inflationary impacts and benchmarked where appropriate to ensure competitiveness in the market.

33. Fees and charges will be consulted on as part of the budgetary process and in accordance with any specific statutory or regulatory requirements. In addition, the review has provided an opportunity to consider whether there are further opportunities to raise income to support service delivery, such as advertising and sponsorship, which will be progressed in 2024.

Asset Management (incl. Commercial Rental Income)

34. The Council has used its asset base to generate around £5m per annum in investment returns. Through carefully managing its existing estate it could look to broadly keep similar income streams over the next five years. Current work with JLL, the council's property advisors, has highlighted the rental outlook over the next 5 years to be strong if broadly flat. The Council has also previously highlighted the scale of the capital liabilities associated with some property to be significant, especially when many of its properties are older. Therefore, it is likely that some asset sales will benefit the council from this reduction in liabilities alongside the capital receipts and potential to reinvest those resources.

35. The council has a strong track record of investing locally for regeneration purposes and in generating commercial income to support the revenue

budget in a prudent and considered manner. However, forward projections on the overall commercial real estate market does not suggest that previous years' buoyant and increasing returns will necessarily be reflected in future ones.

36. The reason that a relatively small percentage of savings is to be generated from this workstream reflects a need to strength governance and capacity in this area. The Capital Strategy will be supported by an Investment Strategy, that will set out the framework for investment, including appropriate metrics.

Corporate Items: Capital Financing

37. The council continues to actively manage its Treasury arrangements. Due to higher cash balances in the near term and high interest rates, it has managed to achieve over £4m in investment returns. Now that it is increasingly clear that interest rates will stay high for an extended period, we have been able to reflect those benefits in the Medium-Term Financial Strategy. In the medium-term economic forecasts from both the Bank of England and the Office for Budget Responsibility indicate that interest rates are likely to fall, the council has worked with its treasury advisors and reflected the anticipated impacts for the council across the MTFS timeframe.

38. The council has also reviewed its approach to the minimum revenue provision; used to secure resources to repay debt. This is not only prudent, but an important part of the effective governance and risk management associated with the council's finances. After reviewing the advice from the council's treasury advisors (Link) it is proposed to revise this policy and this approach has been approved by the Treasury Management Committee. The policy will continue to be in line with regulation and the council will also look to make additional voluntary revenue provision charges to ensure that the charge will always remain affordable and sustainable in budgetary terms.

Overall approach to implementing savings

39. The council will implement these thematic savings in a controlled manner by taking a strategic approach. The council has prudently built-up reserves in recent years. These reserves can be used to support the budget in a planned way or to support the costs of making the changes required, until they reduce towards the minimum prudential level as recommended by the chief finance officer.

Housing Revenue Account (HRA)

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

41. 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.

42. The HRA is forecast to make a surplus of income over expenditure of £8.34m in 2024/25 and it is proposed to use this surplus along with £1.32m of reserves to fund capital investment in new social housing.

43. 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 2023, CPI increased to 6.7% which results in a proposed rent increase of 7.7%, subject to any future announcements as part of the local government finance settlement. An increase of 7.7% will result in the average HRA rent increasing by £6.91. The increase in rents is necessary to fund the council's future ambitions to continue to build new council homes in response to demand and the increasing need to invest in existing homes.

Capital Programme

44. Across the General Fund and the HRA the council's proposed capital investment programme for 2024/25 is £72.72m, with £225.72m to be invested over the five years of the programme. An illustration of some of the key projects and programmes can be found in Appendix 4 (B).

45. The proposed financing of the capital programme is also summarised in (Section 4) Tables 4.4 and 4.5 for the General Fund and HRA respectively.

Equality Impact of budget proposals

46. 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.

47. An overall Equality Impact Assessment is contained in Section 6. 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.

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

Public Consultation and next steps

49. In line with the approach used in previous years, residents, partners and local businesses will be consulted on the proposed approach to meeting the savings target for 2024/25 including the proposed council tax level. Separate tenant consultations will seek views on the proposed increase in council rents and service charges which will follow in January. The budget consultation questionnaire will be made available online in the days following Cabinet consideration of this report. The budget consultation will be available to access online.

50. The next steps for the budget and MTFS proposals are set out in the table below:

Scrutiny to consider the proposed General Fund revenue budget and MTFS, HRA Business Plan, capital strategy, investment strategy and capital programme	1 February 2024
Cabinet to recommend the General Fund revenue budget and MTFS, HRA Business Plan and capital programme	7 February 2024
Council to approve the General Fund revenue budget and MTFS, HRA Business Plan and capital programme	21 February 2024

Consultation

51. Consultation will take place through the online survey. Tenant Involvement Panel representatives are due to be consulted on the proposed rent increase at a meeting on 14th December 2023. In accordance with the constitution, levels of tenants' service charges are determined by officers under delegated powers, in consultation with the portfolio holder and after engagement with tenant representatives.

Implications

Financial and Resources

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

53. This report including the separate report sections, presents the council's proposed 2024/25 budget across all its activities along with its medium-term financial strategy. The financial implications of these proposals are given throughout the report.

Legal

54. 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.

55. The Council has a legal duty to set a balanced budget before the statutory deadline. The Council's Chief Financial Officer (S151) has a duty to report to Council on the adequacy of its reserves and the robustness of its budget estimates before the final decisions are taken on the budget and setting of the council tax.

Statutory Considerations

56. The proposed budget covers a wide range of council activity and spend. As a result, it is not possible to provide a detailed assessment of, for example, the impact on residents and others with protected characteristics under The Equality Act at this level. Existing council processes for equality impact assessments will continue to be carried out at an appropriate time for the individual projects, activities and policies that constitute this budget.

Consideration	Details of any implications and proposed measures to address:
Equality and Diversity	Equality Impact Assessments are required for any specific budget proposals and the impact of the totality of all measures. The overarching assessment is included in Section 5.
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

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

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

    a) Maintaining earmarked reserves, established to help mitigate risk, including:
        - The budget risk reserve to manage the financial risks associated with the delivery of the 2024/25 budget savings.
        - The business change reserve to fund costs linked to the council's change programme.
        - The commercial property reserve to manage the risks and costs associated with holding commercial property.
        - The companies reserve to mitigate financial risks from lending to the council's wholly owned companies.

    b) The maintenance of a Prudent Minimum Level of General Fund reserve to cover unforeseen events.

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

Reasons for the decision/recommendation

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

Background papers:

- 2023/24 Budget Report to Council (February 2023)
- MTFS update report to Cabinet (July 2023)
- Government Autumn Statement (November 2023)

Appendices:

- Section 1: Local Government Finance – Economic and Statutory Context
- Section 2: General Fund – MTFS and 2024/25 Budget
- Section 3: HRA 2024/25 Budget
- Section 4: Capital Programme and Capital Strategy
- Section 5: Equality Impact Assessment

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1. Local Government Finance – Economic & Statutory Context

Item 8

Autumn Statement & Wider Economy

1.1 On 22nd November 2023 the government announced its Autumn Statement, a six-month update on the Spring Budget. The Chancellor set out his approach to public spending, with priorities to keep debt falling, cut taxes for working people and businesses, reform welfare to help people into work and remove barriers to business investment in order to boost growth.

1.2 The Government confirmed that it would continue to freeze tax allowances and that unprotected Departmental budgets (including local government resources) will not be uplifted in line with inflation forecasts.

1.3 Alongside the Autumn Statement, the Office for Budget Responsibility published its Economic and Fiscal Outlook. This outlined that whilst the forecasts for inflation indicate that the peak has now been passed, CPI inflation will remain higher than the target of 2% during 2024 before returning to 2% in 2025.

1.4 Key economic forecasts in the report included:

- In the UK, CPI inflation is expected to reduce to 4.8% in the final quarter of 2023. Inflation is then expected to drop further over the course of next year to 2.8% by the final quarter of 2024 returning to its 2 per cent target in 2025.
- It is anticipated that the economy will grow in 2024, as opposed to the possibility of falling into recession as was considered a risk in 2023, but that the growth will be relatively minor at 0.6% of GDP in 2023 and 0.7% in 2024.
- Pressures therefore remain, but the Chancellor is anticipating that the measures announced will provide a positive stimulus to investment in the economy, which in turn will promote overall growth. These measures have been funded via a decrease in public sector borrowing but this in turn has led to both fiscal drag on public sector spending and the Chancellor's expectation that the public sector will increase productivity by 0.5% per annum.

Impacts for Local Government

1.5 Overall there was little within the Autumn Statement that had an immediate direct impact upon local government. Changes to Business Rates to support economic growth came with compensatory funding to ensure local government was not disadvantaged as a consequence.

1.6 In the medium term there are potentially significant impacts arising from the confirmation that unprotected government spending budgets, i.e. excluding health, schools and defence services, will increase by less than forecast inflation rates. The Office for Budget Responsibility has warned that, from 2025/26, spending on public services will have to fall by 2.3% per year in real terms. (Source: Office for Budget Responsibility Economic and fiscal outlook – November 2023). The Chancellor announced as part of the Autumn Statement that the Chief Secretary to the Treasury is running an ambitious Public Sector Productivity Programme with all departments to reimagine the way public services are delivered.

1.7 **Council Tax.** The Local Government Finance Policy Statement published in December 2022 had previously confirmed that the Council Tax increase referendum threshold for 2024/25 would remain at 3% and no announcements were made to contradict this.

1.8 **Business Rates:** Business Rates are calculated for individual business properties depending on several criteria, one of which is the business rate multiplier, which is effectively used to apply a different rate relative to the size of the business concerned i.e. whether a business is deemed to be small or standard. These multipliers have traditionally been uplifted each year to reflect inflation by the same amount. With effect from April 2024 the multipliers will be uplifted by different inflationary amounts, the small business multiplier has been frozen whilst the standard multiplier has been increased by the September CPI rate (6.7%).

1.9 In addition, the more generous Retail, Hospitality and Leisure relief introduced in 2023 has been extended for a further year.

- Local authorities are fully compensated for any loss of income as a result of these business rates measures not being in line with inflation and will also receive new burdens funding for administrative and IT costs.

1.10 **Living Wage.** There will be an increase in the National Living Wage, from £10.42 per hour, to £11.44 per hour from April 2024.

1.11 **Levelling Up.** Norwich City Council received notification of the success of the Norwich North bid, which potentially will provide additional capital funding of at least £7.6 million.

2. GENERAL FUND 2024/25 BUDGET AND MTFS

Forecast 2023/24 Outturn

2.1 The latest estimated outturn position on the General Fund, shows a forecast underspend of around £3m.

2.2 Most of the underspend has been generated within corporate finance. This is due to similar reasons as in 2022/23 where an increase in the level of interest generated by the council's day to day cash investments continues to be seen due to higher interest rates and relatively high cash balances. Once the impact of the additional treasury management income is removed, services budgets overall are showing a broadly balanced position.

2.3 In the update to the medium-term financial strategy, it has been assumed that any underspend achieved within 2023/24 will be utilised to support the implementation of the council's change programme as it responds to the priorities of the Corporate Plan. The updated forecast for Q3 will be reported to Members in February as well as an update on any impacts on reserve levels reported within the full budget papers.

Proposed 2024/25 Revenue Budget

Savings, growth and investment

2.4 Permanent savings/ additional income of £3.7m have been identified. This is higher than the savings target of £2.9m over 5 years identified in the MTFS update presented to Cabinet in July 2023. Updates to the MTFS assumptions, such as a slower growth in the Housing Benefit Subsidy gap, means that the provisional budget continues to show a balanced position, with no requirement to draw down on general reserves.

2.5 However, this must be caveated to reflect that pressures are very sensitive to future inflation rates and that the detail of the local government settlement has yet to be released; therefore, this position could worsen or improve.

2.6 Included within the savings figure are amounts relating to updated assumptions on the council's cash investments (£0.4m additional in 2024/25 followed by a reduction of £1.2m in 2025/26). The Council also has two £50m loans maturing in 2026 and 2028 but is operating on the expectation that they can be refinanced at similar rates, recognising that the economic outlook is forecasting falling interest rates in the medium term.

2.7 The focus for 2024/25 has been on the following themes, which are based around the council's journey to be a modern, efficient council:

- Delivery of the Existing Savings Programme
- Income Optimisation and Automation
- Fees and Charges
- Asset Management (include Commercial Rental Income)
- Corporate Items: Capital Financing

2.8 Delivery of existing savings clearly underpins the viability of the Medium-Term Financial Strategy. whilst the other four themes relate to the overall efficiency and effectiveness of the authority to deliver against in the corporate priorities.

2.9 Outcomes will be driven by the Corporate Plan and the results of the Corporate Plan consultation will help drive the allocation of resources across the authority. By linking the Medium-Term Financial Strategy to the Corporate Plan, assurance can be provided that the resources required to deliver the planned outcomes and benefits will be in place and that as the Corporate Plan evolves the Medium Term Financial Strategy can be flexed to respond to any changes in priorities and/or the timing of outcomes.

2.10 The council will be consulting the public on the proposed approach to setting the budget and on the proposal for a council tax rise. An analysis of the results will be provided as part of the final budget report to Full Council in February.

2.11 The proposed 2024/25 budget currently includes provision for £1.2m of permanent budget growth (i.e. increases to the budget not arising from inflationary factors). The permanent growth has broadly been attributed towards additional resources to support economic growth and regeneration, environmental actions and to allow for capacity to address the Corporate Plan consultation outcomes. The additional resources are also intended to address statutory Health and Safety actions and known pressures in relation to elections and to support the provision of an in-house payroll service.

Inflation

2.12 The increasing inflation levels have placed additional pressures on the council's finances. There are £2.6m of contractual and energy inflationary pressures included within the lifetime of the MTFP as well as £4.4m payroll pressures and £1.0m Housing Benefit pressures, this is on top of £4.5m of inflationary costs which have already been incorporated into the 2023/24 budget across pay, gas, electric and other contract costs.

2.13 The council's pay structure is primarily based on national negotiating body pay spines and nationally negotiated settlements. The process has only recently been concluded for the 2023/24 financial year at a level greater than the budgeted figure. An estimate of payroll inflation has been included within the provisional budget for 2024/25. 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 (see paragraph 2.24).

2.14 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 current CPI levels, although there remains a risk that further cost pressures emerge as contracts come up for re-tender.

Council Tax & Business Rates

2.15 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 2024/25. This referendum level was confirmed in the finance policy statement for 2024/25 which was published on 5th December 2023.

2.16 A 2.99% increase to the Band D rate is proposed in the 2024/25 budget figures (£0.335m additional income). The proposed 2024/25 Band D rate is therefore £297.22 compared to the current year rate of £288.59 – an increase of £8.63. This will form the basis for public consultation.

2.17 This is for the Norwich City Council share of total council tax only and does not include the amounts required from preceptors - Norfolk County Council and the Office of the Police and Crime Commissioner for Norfolk. Appendix 2 (A) shows the proposed increases (for Norwich Coty Council only) 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 (CTR). Currently the total cost of the CTR scheme is £14.69m, of which the Norwich share is around £1.94m.

2.19 The current estimate of the Council Tax base is 38,773 which combined with the Band D rate gives an expected income of £11.524m in 2024/25.

2.20 The forecasts for retained Business Rates income for 2024/25 assumes income in line with the council's baseline funding level as set by government but uprated for the September CPI level of 6.62%.

2.21 The Council is in a pool that shares the benefits of growth across Norfolk. There are currently no assumptions regarding changes to the business rate retention scheme in the Medium-Term Financial Plan due to long-term uncertainty regarding the government's plans for business rates. Overall, the council is better off from being in a pool than not. Collectively, Norfolk collects less resource from its business rate taxbase than its needs assessment suggests and therefore, retains the levy element.

Grants

2.22 Without the detail of the Provisional Local Government Financial Settlement the council does not yet have certainty over its grant funding levels in 2024/25.

The overall impacts of the Chancellor's Autumn Statement combined with a lack of progress in the previously announced funding reforms means the current assumption is that broadly a roll-forward settlement position is expected for 2024/25. The publication of the provisional Local Government Settlement later this month will provide further clarity.

Areas still to be confirmed

2.23 There are several areas where estimates included in the provisional budget will be updated ahead of the final proposed budget in February 2024. As outlined in Section 1 the council is awaiting the provisional financial settlement from Government in December 2023 which will confirm grant allocations and the business rates tariff to be applied. However, a finance policy statement was published on December 5th which game some indications as set out below.

2.24 The key areas where updates are expected are detailed below:

- **Grant levels.** These will be outlined as part of the Provisional Local Government Finance Settlement and include the figures for Revenue Support Grant, Section 31 (business rate) compensatory grants, the New Homes Bonus, the Services Grant and the amount, if any, of any funding guarantee. The December 2023 policy statement confirmed that the New Homes Bonus would be continuing in 2024/25 (but with no indications beyond) and that a further year of the funding guarantee would be included to protect all authorities from receiving less than a 3% increase in its Core Spending Power (before Council tax decisions)

- **Business Rates Income.** The baseline funding level and tariff will be confirmed as part of the Local Government Finance settlement. The December policy statement confirmed that the business rate multiplier for small businesses would remain frozen whilst the standard multiplier would rise in line with CPI inflation. S31 grants would compensate authorities for any loss arising from the freezing of the SBR multiplier.

- **Council Tax.** The final council tax base and any estimated surplus from 2023/24 will be updated for the final budget papers.

- **Recharges.** A full review of recharges between services areas will be undertaken which may alter estimates of the overall recharge position for both the general fund and housing revenue account.

Income from wholly owned companies

2.25 The MTFS assumes a steady state loan interest income budget arising from lending to Lion Homes (Norwich) Ltd. for the life of the MTFS. The actual interest charges will be dependent on the cash flow requirements of the company and pace at which schemes are developed and loans repaid. The budget and MTFS forecasts do not include any possible dividend (profit share) income from the company.

2.26 The budget and MTFS forecasts do not include any possible dividend (profit share) income from the council's wholly owned company Norwich City Services Ltd (NCSL).

2.27 Service level agreement charges, as agreed with the wholly owned companies, are included in the budget along with the related employee and services costs.

Budget Risks

2.28 At this stage, the combination of uncertainty over the financial settlement and the wider economic conditions means the level of risk associated with the provisional budget remains high but this will be mitigated to a degree by the publication of the provisional Local Government Settlement later in December. 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 delays in the delivery of savings and other unforeseen events.

- **Savings delivery & cost of change.** The budget includes £3.726m of savings and income proposals for delivery in 2024/25. This is a significant undertaking and will require close monitoring of delivery.

- **Inflation.** The volatility in inflation continues to pose a risk, which will need to be kept under review however current forecasts from the Bank of England and the Office for Budget Responsibility indicate that the peak may now have passed.

- **Housing Benefit.** In recent years the council has seen reducing level of HB 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. The pressure in relation to exempt accommodation is approximately £1.0m and is projected to grow by between £0.144m and £0.244m per year over the life of the MTFS. Along with increased demand and rental market pressures, councils are therefore seeing increased subsidy loss.

- **Service Pressures.** The economic situation is continuing to put significant financial pressures on local businesses and residents, particularly the most vulnerable. It may also impact on all council income streams including fees and charges and the levels of council tax and business rates collected**.**

Medium Term Financial Strategy (MTFS)

2.29 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.

2.30 The July MTFS update identified a savings requirement of £8.194m over the four-year period to 2028/29 (Table 2.1). The updated MTFS is showing a savings requirement over the same period of £7.926m, of which £8.090m has been identified and incorporated into the budget proposals. This leaves a forecast small surplus over the MTFS period of £0.164m (Table 2.2).

Table 2.1: July 2023 Medium Term Financial Position – Figures are in £000s

	2024/25	2025/26	2026/27	2027/28	2028/29
Budget base	22,683	21,823	22,761	22,254	22,894
Resources	(19,802)	(20,308)	(20,829)	(21,365)	(21,918)
Savings required (in-year)	**2,882**	**1,514**	**1,932**	**889**	**976**
Savings required (cumulative)	**2,882**	**4,396**	**6,329**	**7,218**	**8,194**
Total estimated savings	**2,200**	**1,748**	**1,298**	**42**	**0**
Savings to be found	**682**	**(234)**	**634**	**847**	**976**
Residual savings (cumulative)	**682**	**448**	**1,083**	**1,930**	**2,906**

2.31 Since, July 2023, the Council has updated its projections for the changes attributable to inflation, pay, council tax, business rates and interest rate projections. The savings have also been reviewed for deliverability and been re-profiled where appropriate. Table 2.2 reflects the detailed implication of those changes. Table 2.2 is prior to existing savings being incorporated into the net gap.

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

	2024/25	2025/26	2026/27	2027/28	2028/29
Budget base	23,587	21,394	22,186	22,160	22,843
Resources	(19,861)	(20,287)	(20,790)	(21,370)	(21,935)
Savings required (in-year)	**3,726**	**1,107**	**1,395**	**789**	**908**
Savings required (cumulative)	**3,726**	**4,833**	**6,229**	**7,018**	**7,926**

2.32 The council has identified a range of potential future savings of £8.090m against the revised cumulative target of £7.926m. These are provisional options and are still subject to a full budget validation process. All options will continue to be refined as part of finalising budget papers for February 2024 and future corporate business planning processes.

Table 2.3: Savings Plan to deliver on Gap – Figures are in £000s

	2024/25	2025/26	2026/27	2027/28	2028/29
Savings Re-profiled	1,760	2,170	2,359	310	0
Fees and Charges Additional	804	(449)	(153)	153	156
Capital Financing: Additional	962	(1,206)	(110)	(66)	0
Income Maximisation & Automation	200	200	200	200	200
Asset Management (incl. Commercial Rents)	0	0	0	200	200
Total estimated savings	**3,726**	**715**	**2,296**	**797**	**556**
Cumulative Savings	**3,726**	**4,442**	**6,737**	**7,534**	**8,090**
Savings Gap	**3,726**	**1,107**	**1,395**	**789**	**908**
Cumulative Savings Gap	**3,726**	**4,833**	**6,229**	**7,018**	**7,926**
Residual Gap	**0**	**(392)**	**509**	**516**	**164**

2.33 It should be noted that, 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. There is also a high degree of risk associated with the MTFS projections especially around government funding from 2025/26 onwards in light of 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

2.34 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 increase public sector productivity and the fiscal drag that is likely to impact upon unprotected public sector spending.
- Uncertainty over future inflationary levels and impacts on council expenditure.
- 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.
- That a General Election will be held at some point during 2024/25.

General Fund Reserves Position

General Fund Unallocated Reserve

2.35 The prudent minimum level for the general fund reserve was set at £5.400m by full Council in February 2023 as part of the budget approval. This will be reviewed as part of the main budget report in February 2024 but is not expected to move significantly. The General Fund unallocated reserve, subject to delivering on savings is expected to remain at £8.248m over the life of the Medium-Term Financial Strategy, which is above the prudent minimum level.

General Fund Earmarked Reserves

2.36 Taking account of the council's expected surplus in 2023/24, the overall general fund reserves (including earmarked reserves) are expected to increase from £25.134m to £26.838m. However, much of these resources are earmarked for specific purposes. It is only through tight fiscal management that the council can deliver services and reinvest in the city.

2.37 On the basis that provisional options have been identified to close the budgetary shortfall in the years 2024/25 to 2028/29 no further drawn downs from general reserves are currently forecast.

2.38 Additionally, keeping our cash-backed earmarked reserves has the secondary benefit of keeping cash balances higher and therefore, these reserves are able to be invested, generating cash returns that can be used to prevent the need for savings in the future.

Earmarked Reserves

2.39 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.

Invest to Save Reserve: To support the delivery of savings and efficiencies through the Future Shape Norwich Programme over the next 2-3 years.

Budget Risk Reserve: To manage the financial risks associated the delivery of the budget savings identified.

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.

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.

Insurance Reserve: This is to cover the excesses carried in respect of claims under various insurance policies and is subject to annual review.

Companies Reserve: Originally established to smooth any fluctuations in net income received by the Council from lending to Lion Homes. The reserve level was increased 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.

S31 Grant Reserve (to be relabelled as Collection Fund Equalisation Reserve): Unutilised balance of S31 grant monies received in prior years from Central Government to fund Business Rates reliefs.

This will be used to manage the volatility in Collection Fund movements due to timing issues of Section 31 Grants and weakening of the business rate base over the early period of the Medium-Term Financial Strategy.

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.

General Fund Repairs Reserve: To provide future funding for required maintenance on general fund properties.

Business Rates Pool Reserve: This reserve is to support future spend in line with the economic development objectives of the fund.

Capital Financing Reserve: The newly created reserve to hold the resources necessary to manage any additional voluntary requirements.

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

General Fund Reserves	31/03/2024	31/03/2025	31/03/2026	31/03/2027	31/03/2028	31/03/2029
Insurance Reserve	(311)	(311)	(311)	(311)	(311)	(311)
Other Reserves	(154)	(154)	(154)	(154)	(154)	(154)
Revenue Grants Unapplied Account	(3,860)	(3,860)	(3,860)	(3,860)	(3,860)	(3,860)
Collection Fund Equalisation Reserve	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)
Commercial Property Reserve	(2,041)	(2,041)	(2,041)	(2,041)	(2,041)	(2,041)
Companies Reserve	(1,700)	(1,700)	(1,700)	(1,700)	(1,700)	(1,700)
Budget Risk Reserve	(2,500)	(2,500)	(2,500)	(2,500)	(2,500)	(2,500)
Business Change Reserve	(2,535)	(2,480)	(2,425)	(2,425)	(2,425)	(2,425)
Business Rates Pool	(110)	(110)	(110)	(110)	(110)	(110)
Invest to Save Reserve	(1,660)	(1,660)	(1,660)	(1,660)	(1,660)	(1,660)
Capital Financing Reserve	(1,189)	(1,269)	(1,349)	(1,429)	(1,509)	(1,589)
General Fund Balance	(8,249)	(8,249)	(8,249)	(8,249)	(8,249)	(8,249)
General Fund Repairs Reserve	(530)	(530)	(530)	(530)	(530)	(530)
Total	**(26,839)**	**(26,864)**	**(26,889)**	**(26,969)**	**(27,049)**	**(27,129)**

Appendix 2 (A): Council Tax Bands

Proposed Council tax increases 2023/24 to 2024/25, Bands A to H

Band	A	B	C	D	E	F	G	H
2023/24	**£192.39**	**£224.46**	**£256.52**	**£288.59**	**£352.72**	**£416.85**	**£480.98**	**£577.18**
Increase	£5.75	£6.71	£7.67	£8.63	£10.55	£12.46	£14.38	£17.26
2024/25	**£198.14**	**£231.17**	**£264.19**	**£297.22**	**£363.27**	**£429.31**	**£495.36**	**£594.44**

3. HOUSING REVENUE ACCOUNT 2024/25 BUDGET

The HRA Business Plan

1. This year a review of the financial elements of the Business Plan has been undertaken, and projections updated accordingly. The review aligns the investment priorities in the Business Plan with our Housing Strategy 'Fit for the Future' 2020 – 2026 which has four 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

Background

2. The HRA is the financial account of the Council as landlord. It is ring-fenced in law for income and expenditure in respect of council housing and housing land and certain activities in connection with the provision of council housing only. Other council services are funded through council tax and central government support which benefits all citizens of Norwich regardless of tenure.
3. The HRA 30 - year Business Plan sets out how all aspects of council housing will be funded from income (predominately rents) that the local authority is able to generate in its capacity as landlord.
4. There is no legal requirement to produce a HRA business plan, but it is considered best practice to develop and review regularly the plan. It is an early warning system which tells us what may happen in the future based on the available data and set of assumptions. It supports us in understanding investment capacity and to make informed decisions about investment priorities.
5. The HRA operates within a national political context; therefore, any changes within national housing policy can have a significant impact on the HRA Business Plan.
6. Each year the HRA Business Plan is reviewed and updated to set budgets and charges for the year ahead and to provide an updated 30-year affordability profile.

Context

7. 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. We are a large local authority landlord and like many others our stock is ageing and in need of significant investment.
8. Demand for the services we provide for our most vulnerable residents keeps increasing. More people with complex lifestyles need our support. This

increasing demand, compounded by the cost-of-living crisis is putting significant pressure on the services we provide and the demand for social housing.

9. The uncertain economic climate - high inflation and borrowing costs, high energy costs, supply chain issues and skills shortages - is crystalising several risks and testing the resilience of the housing sector. We face the challenge of income not rising in line with costs, which is creating a gap in our capacity to invest in our tenants' homes. These factors coupled with the challenge of new social housing regulation and the decarbonisation of our homes means we inevitably face 'trade off's' in our investment decisions.

10. Over the duration of this plan, the legal, economic, and social environment will change and with it, the balance of competing priorities for investment will shift. As it does, the Council will update and test the assumptions, requirements, and strategic approach within the plan.

Key information

11. The key priorities for the HRA Business Plan are:

Invest in health and safety compliance measures to ensure we move out of regulatory supervision and our council homes comply with the emerging building safety legislative environment.

12. Since Autumn 2021, the Council has been focused on addressing historic issues relating to health, safety, and compliance in our tenants' homes. We have continued to prioritise health and safety repairs and have worked successfully with the Regulator of Social Housing to achieve full compliance with the outcome of the regulatory notice due imminently.

13. The Fire Safety Act 2021 received Royal Assent in April 2021 providing greater clarity over responsibility for fire safety in multi-occupation residential buildings and for all council owned flat and maisonette blocks. The Council's focus is on reducing the risk of fire for the structure, external walls and doors that open into communal areas.

14. The Building Safety Act received Royal Assent in April 2022 introducing wide ranging changes to the legal and regulatory framework governing the management of building safety during design, construction, and occupation. It introduces a new and much more stringent regulatory framework for higher-risk residential buildings, such as tower blocks, which has increased and defined the responsibilities of social housing landlords.

15. This new legislative landscape not only considers our buildings but equally important our tenants. The Building Safety Act means that residents in our high-rise buildings will have more say in how their building is kept safe and will be able to raise building safety concerns directly to an accountable person and we will listen.

16. This new stringent regulatory regime places legal responsibilities on us for managing structural and fire safety in higher-risk buildings when they are occupied. These requirements include the need to register our high-rise

buildings, introduce a safety case approach to managing fire and structural safety during occupation, a duty to engage residents, on-going management of a digital 'golden thread' of information throughout the building lifecycle and the creation of mandatory occurrence reporting framework.

17. The Council is working to implement the requirements of the new regulations and will ensure the investment capacity in the Business Plan and resources are in place to comply with the legislative requirements.

Deliver improvements to our tenants' homes to make sure they continue to be well maintained and deliver improvements to our property and building maintenance services.

18. The Repairs and Maintenance Services requires significant improvement following its transfer from Norwich Norse Building Ltd to Norwich City Services Ltd (NCSL) in April 2022. The Council are working closely with NCSL to drive improvements. To this end, NCC and NCSL have engaged repairs improvement consultants to review the service, produce a turnaround plan and to produce a business plan to ensure effective service delivery.

19. A significant backlog of repairs was outstanding at the beginning of April 2022. These were successfully completed by 3rd party contractors in the year 2022/23. 1.48% of the council homes are empty at the time of writing (which require major work). Both NCSL & NCC are engaging 3rd party contractors to assist in the completion of outstanding works. Reducing the length of time, it takes to get an empty home ready to relet will continue to be a high priority for the Council.

20. The 5-year HRA investment programme will continue to prioritise work that keeps people safe and will deliver improvements to people's homes (fire safety, electrical upgrades, kitchens, bathrooms, windows, doors, roofs, insulating homes addressing damp and mould etc.) to make sure they continue to be well maintained. Over £90m will be invested over the next 5 years to make these improvements. Moving forward the programme of stock condition surveys that are be carried out at present, once validate and verified will assist in shaping the programme in future years.

21. A stock condition survey will provide up-to-date information and data about the condition of our housing stock. This information will be used to plan the investment programme more accurately. We are also reviewing our strategic approach to commissioning and managing capital works on housing to ensure best value for residents.

22. 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. The Council will in turn review its own 'Norwich Standard', to ensure it is compliant with legislative requirements and meets the needs of our tenants.

Deliver programmes to build and acquire more council homes.

23. Over 3500 households are registered with the Council, waiting for a home. The cost-of-living crisis is increasing demand for council homes with more people struggling to afford to live in their private rented and owned homes with mortgages. In addition, each year approximately 140 council homes are lost through Right to Buy (RTB) sales. The sale of homes, through RTB means that over the 30-year life of the Business Plan, just over £19m is lost in rental income alone.

24. The Business Plan secures investment for three new home programmes, described in the table below. In total 258 new homes are planned by 2027/28.

Scheme	Number of homes
Three Score (Phase 3)	76
Argyle Street	14
Mile Cross	168
Total	**258**

25. Due to the current economic climate, schemes will be subject to further viability assessment as the detailed proposal comes forward. Further opportunities will also be considered as they come forward. All opportunities will be assessed thoroughly to ensure that they are financially viable within the Business Plan. A range of funding options will be considered including HRA funds, housing grant and one-for-one Right to Buy receipts.

Deliver on plans to ensure Norwich City Council homes reach Energy Performance Certificate (EPC) level C as soon as possible and by 2030 at the latest. Deliver a 'Roadmap to Decarbonisation' to ensure Norwich City Council homes reach net-zero carbon emissions as soon as possible and by 2050 at the latest.

26. Along with many other social landlords the Council is evaluating how it can fund and maximise the pace of delivery to zero carbon. To this end a Retrofitting Task and Finish Group consisting of members and officers has been created to produce a report on how the council can achieve the desired aims. There are significant challenges because of the number of homes we own, and the age and composition of our homes. For example, solid wall homes and tower blocks will present significant challenges.

27. The Council has currently estimated that investment of approximately £321m is required to meet EPC level C by 2030 and reach net-zero carbon emissions by 2050. This sum is included in the HRA Business Plan.

28. Further work will be undertaken during 2024/25 based on improved stock condition data, to develop a comprehensive 'Roadmap to Decarbonisation'.

29. The Council continues to work with Government, submitting funding bids for green grants when they become available to reduce costs. Within the Business Plan we have included third party funding of £13m between 2024/25

and 2028/29 and identified that we will need 10% funding from Government, or other sources to support us to achieve net zero. Availability of funding is crucial - this will enable us to do more, faster.

30. The Council successfully bid for funding through the Social Housing Decarbonisation Fund and received £985k for 2022/23. This accelerated the delivery of improvements, such as loft and wall insulation, to 50 homes. A further bid for £2m of SHDF was made for 2024/25 to benefit 930 homes, unfortunately this was unsuccessful, and we are exploring further funding opportunities.

31. In addition, £53m to improve energy efficiency and carbon reduction measures is included within the 5-year investment programme (2023/28). This work is crucial in making homes warmer and more affordable for our tenants. The focus will be on a ‘fabric first’ approach, installing cavity, loft and wall insulation, draught proofing, and improvements to heating systems. Solar PV systems will also be installed where most effective.

32. Additionally, a whole house and work packaging approach which will look at the most cost-effective time and methodology to upgrade, for example by installing solar and roof insulation at the same time as undertaking a planned roof replacement or wall insulation at the same time as replacing windows.

Deliver improvements to frontline housing neighbourhood services.

33. The housing management strategy was adopted by Cabinet on the 8th of March 2023. The key aims and priorities of the housing management strategy are as follows:

- Balance the Councils role of sustaining tenancies, alongside the need to manage the homes and estates effectively.
- Provide a framework from which activity can move forward; a framework that also allows for partners to be included and integrated into our work
- Provide the opportunity to empower tenants, other stakeholders, and staff to transform the way we work and really target support where it is most needed
- Balance the twin priorities of excellence in customer service whilst seeking efficiency in delivering value for money, at the heart of everything we do
- Enable on-line and digital interactions in a simple way and build insight in how people are living, to develop the right support for those in need.

34. A new Tenant Engagement Strategy was developed and approved by Cabinet in March 2023. Two projects are progressing towards implementation of community pages and tenant estate inspections, which will both offer a digital opportunity for tenants to engage with us. The community pages will make use of an online platform for tenants to actively engage with us and each other on topics that matter to them. The same online platform will be used to engage with tenants to assess the cleanliness, maintenance, and safety of the communal areas, as part of a new estate inspection process.

35. There have been a number of digital improvements that have been trialled, tested, and commissioned such as:

- Estate app digitally recording communal areas are clean, safe from hazards, free from access obstacles – enabling increased frequency from 1500 inspections to capacity over 6000 per annum (in use - to be live)
- Full digitally enabled formal consultation on new tenancy conditions, tenancy policy and tenancy agreement over 8 weeks. The has resulted in significant costs savings, better direct feedback from over 500+ tenants, and carbon savings requiring only 90 paper copies to be sent (out of 14,000).
- Assisted digital automation to contact tenants in arrears directly with landing pages and prompts for easy payment and support icons - 85% delivered, 65% viewed, and 49% responded.
- Pilot is being trialled for digitally signed up garage licences which will simplify contract agreement and account set up for advanced payment.
- Expansion of caretaking service by 50% and a project has been initiated to improve grounds maintenance delivery under clean streets delivery.
- A dedicated inspection regime is being considered for sheltered sites to be programmed and recorded digitally.
- NEC updated to track visiting programme for vulnerable and elderly residents, alongside tenancy activities, which is due to be released soon.
- Access into homes to make safe - 100% gas access for sustainable performance to minimise risks to tenants.
- NEC developed to automate and escalate garage arrears – increased staff resources to support current rent collections and budgeting and money advice during cost-of-living pressures.

Deliver year on year targets to achieve a reduction in management cost by £1.6m by 2025/26.

36. The drive for efficiency means we have set ourselves the goal of reducing our management costs by £1.6m over the next 3 years. We will seek to use the NEC system to achieve some of this saving, but we will also look at the way in which we deliver services, ensuring that we focus on those that relate to delivering a right-first time experience to our tenants, ensuring statutory compliance is met, whilst seeking to improve the overall performance of the service.

37. We introduced a new IT system in 2021 to enable us to be smarter and more efficient, to reduce back-office administration and improve the customer experience. This will improve the efficiency of the service we provide, both to customers and the teams we work with. For example, over the past year we have reviewed our income recovery process, seeking to increase automation managing our garage rents, focussing activity on case management through analytics and enabling customers to set up direct debits with contact centre staff. At the present time the impact of these changes is to see an increase in rent collection of 0.5%, resulting in approximately £3.7m more income than the previous year.

38. In 2022 we also took back control of our property services activities from NPS. Through this year we have undertaken a restructure within the property services team to align them with the new operating environment for delivering

the repairs, maintenance, and capital investment for our housing revenue account properties. This restructure has resulted in a cost neutral position to management cost; however, the model has been created to drive greater value from the management off delivery.

39. Over the next 12 months we will continue to modernise and invest in the services that we provide to tenants. A new senior management team will be appointed in housing, and they will review the existing service provision with a view to empowering tenants through digital solutions whilst at the same time structuring the service in a more efficient way.

Financial Background and Budget

40. 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.

41. 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 2023/24 Outturn

42. The latest position on the Housing Revenue Account (HRA), as at period 6, shows a forecast overspend of £2.015m.

Proposed 2024/25 Revenue Budget

43. The budget proposes gross revenue expenditure of £72.968m and gross income of £81.605m, generating a surplus of £8.337m, as shown in appendix 3 (A). It is proposed to utilise this surplus along with a further £1.323m of HRA reserves to make a revenue contribution of £9.660m towards the funding of the 2024/25 HRA capital programme.

Chart 3.1: 2023/24 HRA gross revenue expenditure budget

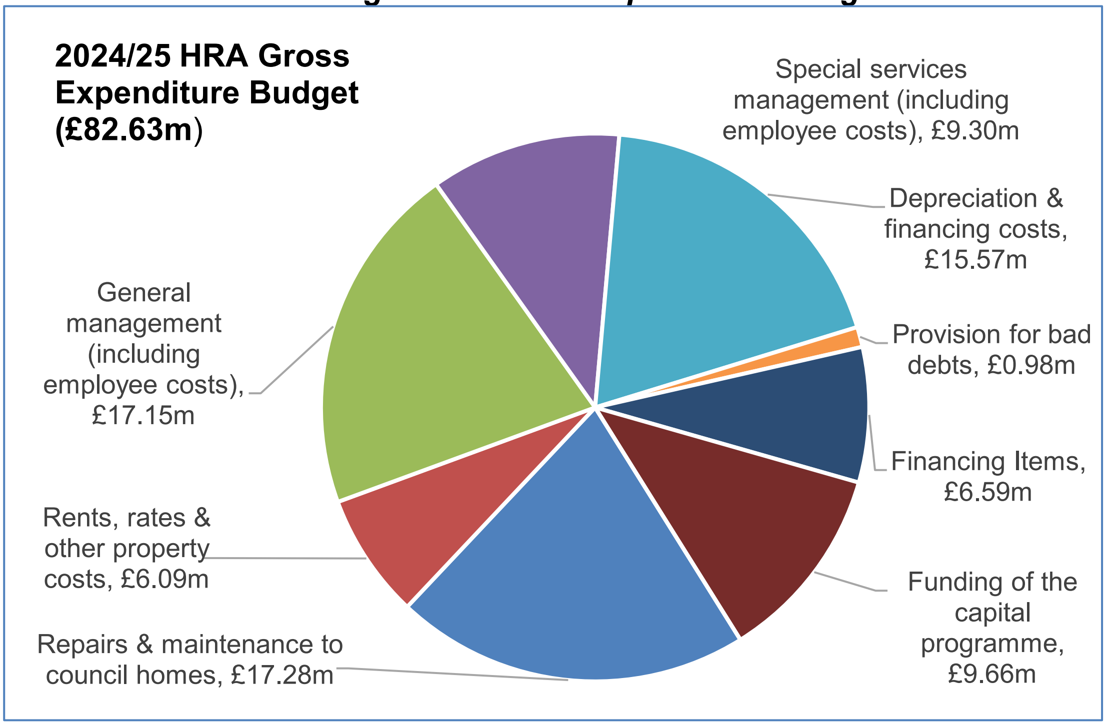
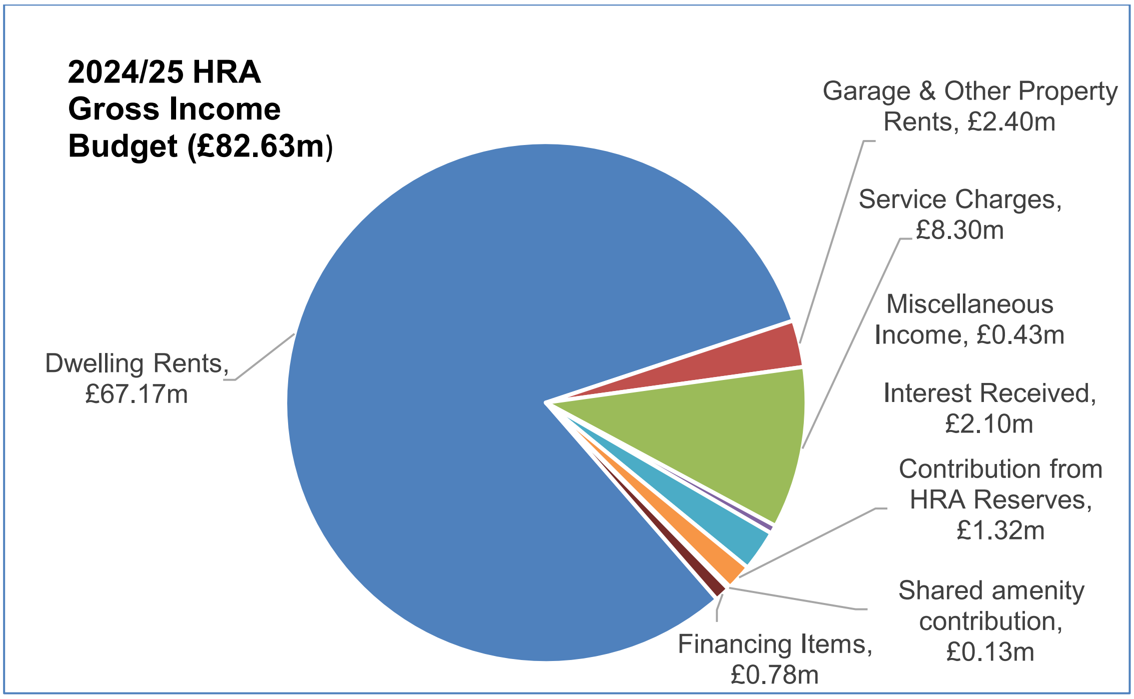


Chart 3.2: 2023/24 HRA gross revenue income budget



HRA Business Plan

44. 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.

45. 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.

46. 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.

47. The current HRA business plan is covered in detail in a separate report on this agenda.

Council housing rents, garage rents, and service charges

48. 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 a loss of over £200m in rental income.

49. From 2020/21, the enforced 1% rent reduction ended and the Secretary of State issued the Direction on the Rent Standard which enabled authorities to

increase rent annually by up to CPI (Consumer Price Index) as at the preceding September plus 1%. However, for 2023/24, the government implemented a cap of 7% on all social housing rent increases.

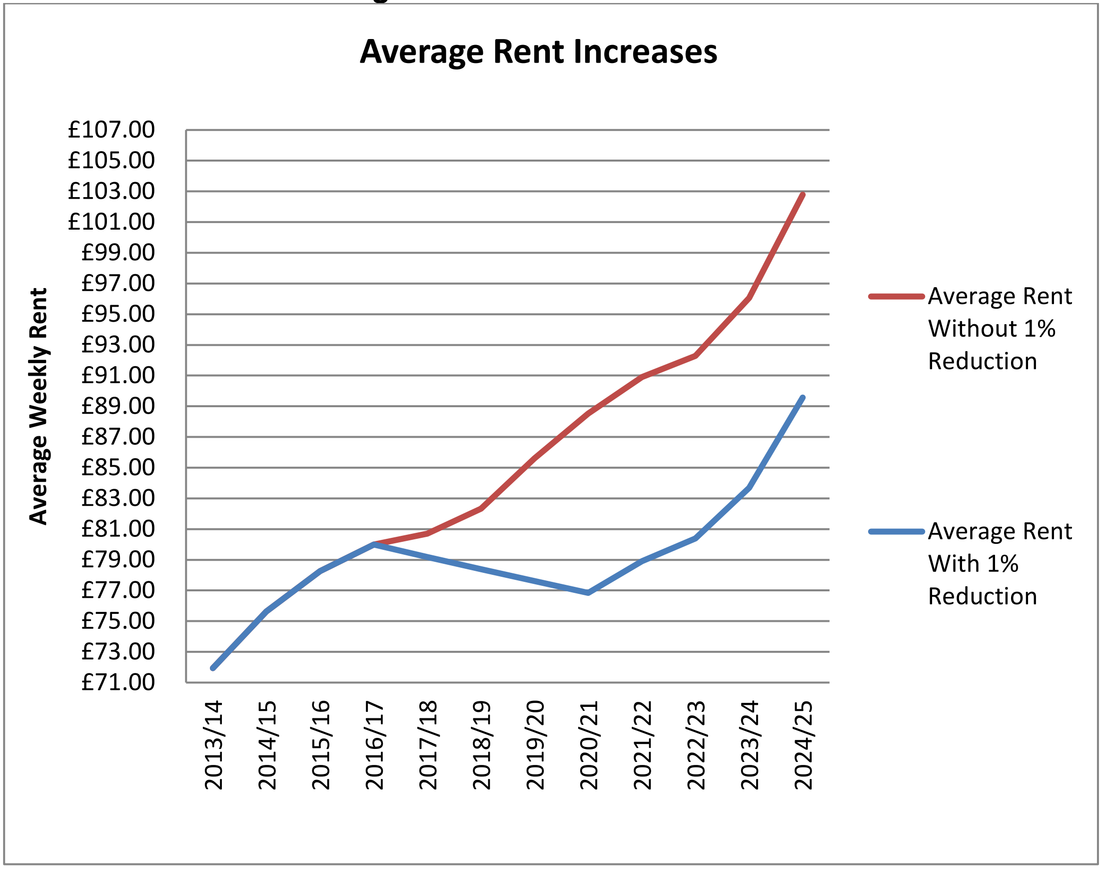
50. For 2024/25, it is anticipated that rent increases will again follow the Rent Standard, which would increase rents by 7.7% and generate an average weekly rent increase of £6.91 for Norwich social housing tenants (excluding larger dwellings leased to care agencies). The table below shows the minimum and maximum rent increases at 7.7%.

Table 3.1: Proposed dwelling rent increase 2024/25

Item	**Average £**	**Maximum £**	**Minimum £**
Rent 2023/24	83.71	139.09	63.75
Proposed Increase (7.7%)	6.91	10.71	4.91
Proposed Rent 2024/25	96.62	149.80	68.66

51. 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



52. Tenant Involvement Panel representatives will be consulted over the proposed 7.7% increase at a planned meeting on 14th December 2023.

53. For 2024/25, it is also proposed to increase garage rents by CPI +1% which is 7.7%.

54. 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, to be applied to existing and for any new service provision.

55. The current budget provision is calculated using a void rate of 1.2%, which is marginally improved on last year and equates to an estimated rental income loss for void periods of £0.816m for 2024/25.

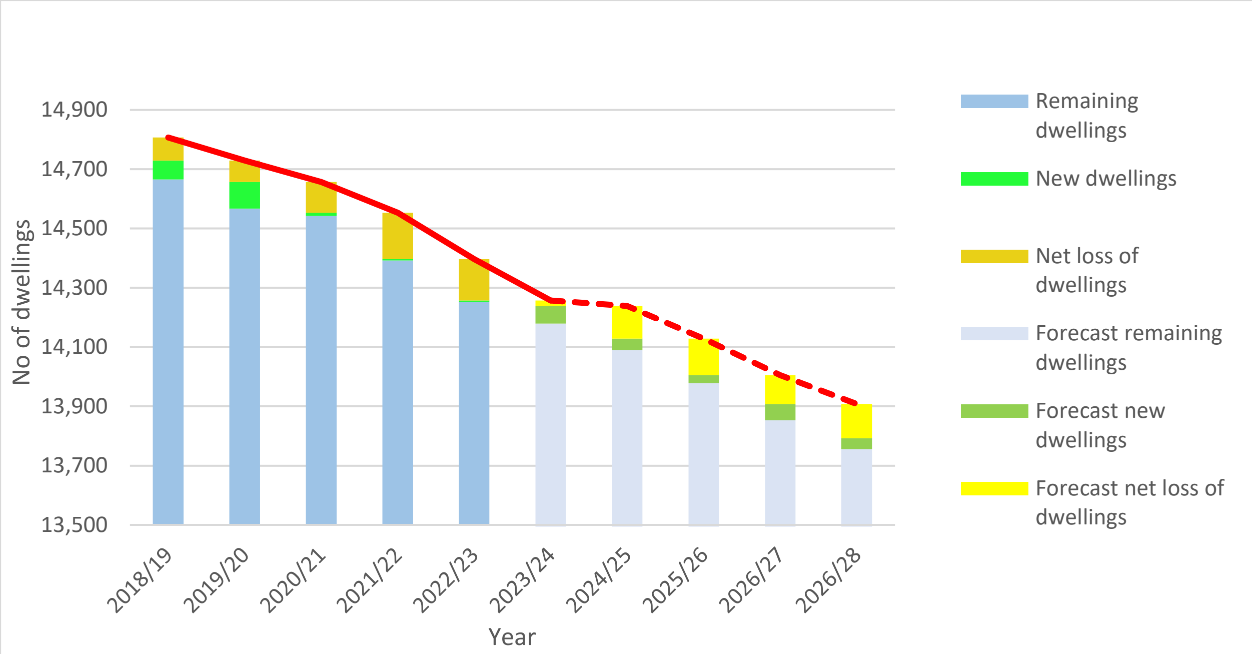
Council dwelling stock levels

56. Following a reduction in 2020/21, the number of Right-to-Buy purchases of HRA dwellings increased significantly in 2021/22 and 2022/23 but has reduced during 2023/24. This is reflected in the business plan, with future losses estimated to return to approximately 140 each year throughout the plan.

57. Over the past five years, 710 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 also at risk of being subject to Right to Buy.

58. 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

59. The HRA business plan includes expenditure arising from the proposed HRA capital budget as set out in section 4 of this report (capital strategy and 2024/25 capital budget).

60. 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

61. Following the government abolition of the HRA borrowing cap in 2018, the council can determine how much it will borrow to fund capital expenditure, if 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 several prudential indicators. These indicators now need to include the HRA and these will be included in the Treasury Management Strategy 2024/25 which will be approved by Council in February 2024.

62. 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

63. 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):

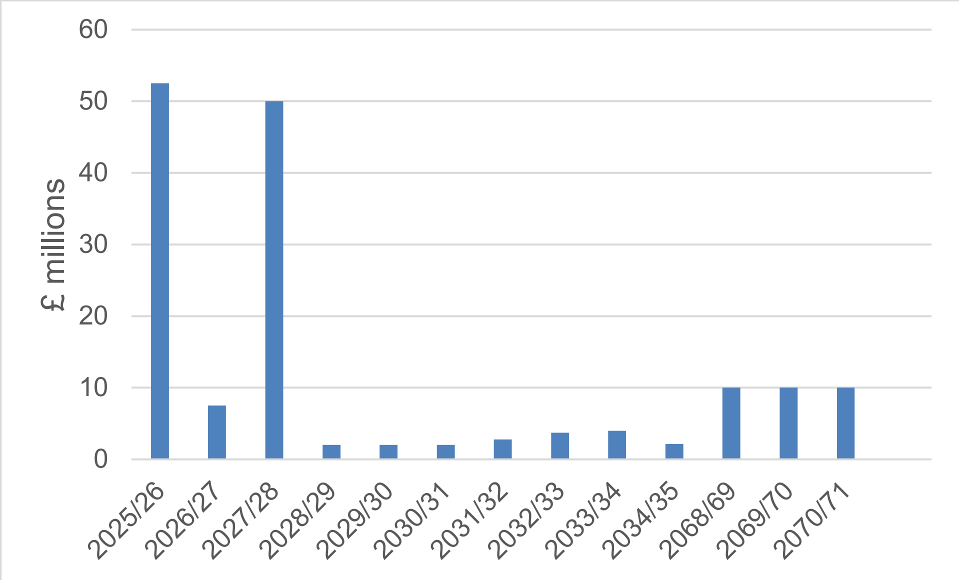
1. Right-to-Buy Retained 'One for One' capital receipts.
2. Capital Grants
3. Major Repairs Reserve
4. General HRA capital receipts
5. General reserves
6. Revenue budget contributions
7. Borrowing

64. The current HRA Capital Financing Requirement (the 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 formed part of the £149m loan undertaken to fund the HRA self-financing settlement in 2012 when the HRA subsidy system was abolished. This meant that the council no longer had to make payments of approximately £9m per annum to the Government subsidy system and was able to retain all future rental income in return for taking on a calculated share of the national housing debt. The remaining borrowing consists of £31m of historic external borrowing, the most recent being taken over 24 years ago.

65. HRA assets are currently valued at £869.864m (31 March 2023), which against a borrowing requirement of £208.533m (31 March 2023), equates to a loan-to-value gearing of 23.973%. This is lower than the national average gearing for local authorities of 28% and the national average for registered providers which is more than 60%.

66. Chart 3.5 sets out the redemption dates and values of current HRA external borrowing. The most recent borrowing in 2021 and 2012 is represented by loans totalling approximately £130m from the Public Works Loans Board (PWLB), whilst all other loans shown constitute historic borrowing which will be repaid within 11 years.

Chart 3.5: Existing HRA external borrowing



67. The 2024/25 HRA capital budget proposed in section 4 of this report does not require any new borrowing, although to deliver significant levels of new social housing and the retrofit programme, additional borrowing will be required in future years.

HRA Reserves Position

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

Table 3.3: Estimated HRA reserves position

Item	£000
Brought Forward from 2022/23	(45,247)
Budgeted utilisation of balances in 2023/24	1,210
Forecast HRA overspend 2023/24 (at period 6)	2,015
Carried Forward to 2024/25	**(42,022)**
Proposed utilisation of balances in 2024/25	1,323
Carried Forward to 2025/26	**(40,699)**

69. The level of general reserves is forecast to slightly reduce in 2024/25, but this is due to the council's significant planned investment in new social housing during the year. The estimated reserves to carry forward into 2025/26 remain substantial (£40.699m) 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.

Appendix 3 (A): 2024/25 proposed HRA budget by service

Division of Service	Original Budget 2023/24 £000	Proposed Budget 2024/25 £000	Change £000
Repairs & Maintenance	16,696	17,280	584
Rents, Rates, & Other Property Costs	6,092	6,092	(0)
General Management	16,401	17,150	748
Special Services (not provided to all tenants)	9,207	9,303	96
Depreciation & Impairment	22,164	22,164	(0)
Provision for Bad Debts	980	980	0
Gross HRA Expenditure	**71,540**	**72,968**	**1,428**
Dwelling Rents	(62,766)	(67,166)	(4,400)
Garage & Other Property Rents	(2,309)	(2,401)	(92)
Service Charges – General	(8,290)	(8,297)	(7)
Miscellaneous Income	(431)	(431)	0
Amenities shared by whole community	(130)	(130)	0
Interest Received	(2,104)	(2,104)	0
Adjustments & Financing Items	(1,041)	(777)	264
Gross HRA Income	**(77,070)**	**(81,305)**	**(4,235)**
Total Housing Revenue Account	**(5,530)**	**(8,337)**	**(2,807)**
Revenue contribution to capital	6,740	9,660	2,920
Contribution to/(from) HRA reserve	(1,210)	(1,323)	(112)
Total	**0**	**(0)**	**(0)**

Explanation of key variances:

- Repairs & maintenance costs have increased by £0.584m which is the net impact of contract inflation offset by savings of £0.785m as reflected in the HRA business plan.
- General management costs have increased by £0.748m which is the net impact of inflation offset by savings of £0.350m as reflected in the HRA business plan.
- Dwelling rent income has increased because of the 7.7% rent increase (£4.400m).
- The revenue contribution to capital expenditure has increased by £2.920m reflecting the increased expenditure on the development of new council homes planned during 2024/25.

Appendix 3 (B): HRA dwelling stock movements

Council dwellings	18/19	19/20	20/21	21/22	22/23	23/24	24/25	25/26	26/27	27/28
No of dwellings at start of year	**14,807**	**14,729**	**14,657**	**14,553**	**14,397**	***14,257***	***14,239***	***14,128***	***14,005***	***13,908***
RTB sales in year	(138)	(156)	(112)	(159)	(145)	*(72)*	*(140)*	*(140)*	*(140)*	*(140)*
Non-RTB sales/leased in year	(3)	(6)	(3)	(2)	0	*(6)*	*(9)*	*(10)*	*(12)*	*(12)*
Dwellings demolished	0	0	0	0	0	*0*	*0*	*0*	*0*	*0*
Dwelling conversions	2	2	0	0	0	*0*	*0*	*0*	*0*	*0*
New build dwellings	61	87	0	0	5	*58*	*36*	*25*	*53*	*33*
Dwelling acquisitions	0	1	11	5	0	*2*	*2*	*2*	*2*	*3*

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 full 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.
- The review of the Corporate Plan will determine the council's priorities going forward and capital investment will be required to support those priorities.

4.7. The council's investment objectives for capital expenditure are shown in table 4.1 specific projects, either within the capital budget or future projects, 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 continues to evolve 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. The council has held commercial property for decades and previously purchased new property investments in line with its former 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 (previously 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 considered to be 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 £8.457m with three borrowing organisations (as at 31 Dec 23): Lion Homes (Norwich) Ltd (formerly Norwich Regeneration Limited) (£6.150m), Norwich City Services Limited (£2.240m) and the Norwich Preservation Trust (£0.067m).

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.

Lion Homes Limited (formerly Norwich Regeneration Limited)

4.23. 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.

4.24. At the end of 2021/22 there was an impairment 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.

Lion Homes Limited Business Model

4.25. 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

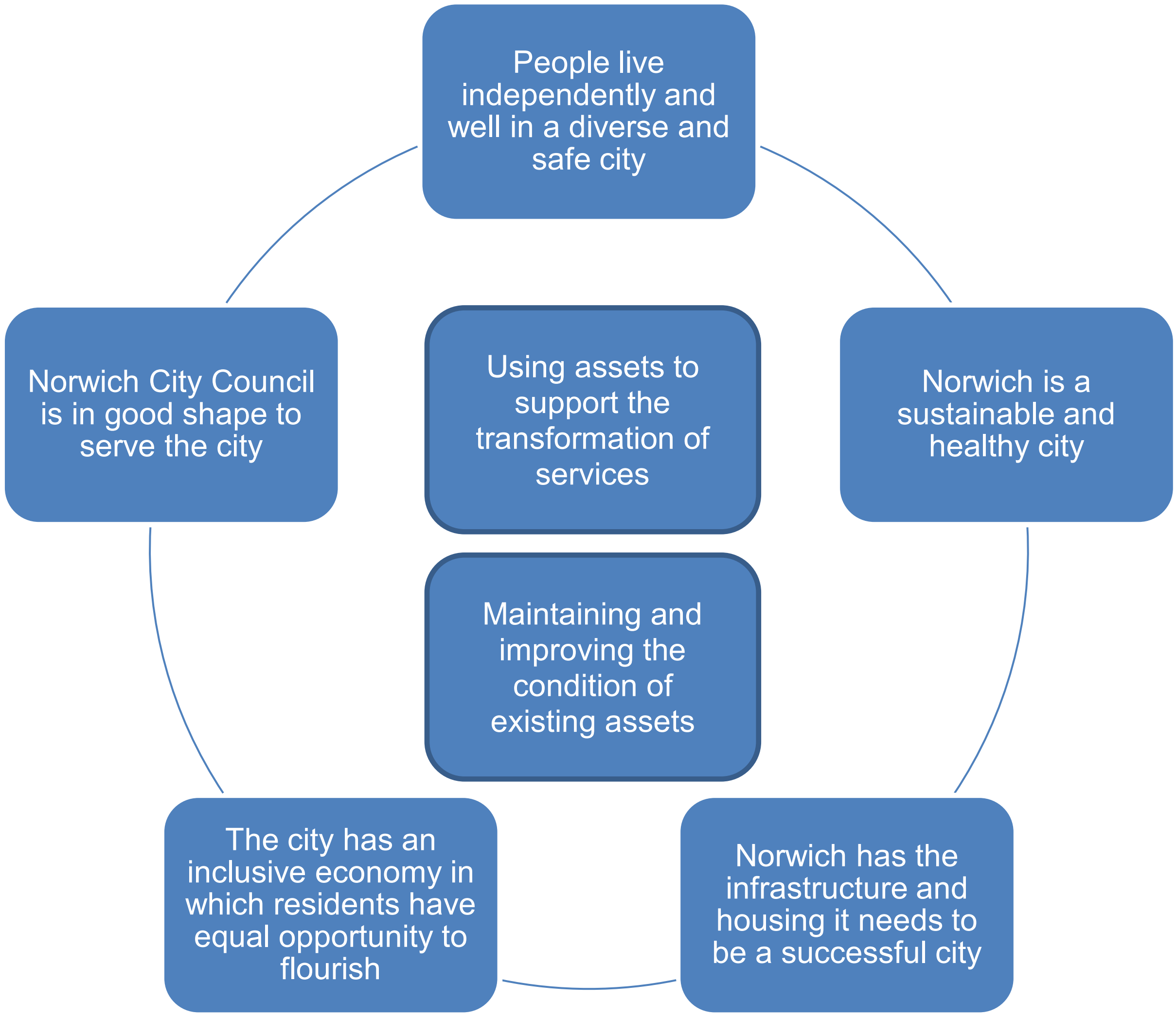


Table 4.1: The council's proposed capital investment objectives

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, 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 • Reducing the need for temporary accommodation in the city	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

Asset management planning

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

4.27. 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 2022/23 was £1.2 Bn.

General Fund asset management planning

4.28. The council has adopted a Strategic Asset Management Framework and improved data including condition and valuation data is being gathered on assets. 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.

4.29. 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.

4.30. 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.

4.31. Going forward the aim is for capital spend to be planned to follow the asset review work and informed decision making in relation to the assets' future.

Housing Revenue Account asset management planning

4.32. 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 is providing a greater understanding of future requirements, including an 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.

4.33. The proposed HRA capital programme seeks to contribute towards achieving these goals. Further detail is included within section 3 of this report – HRA business plan and 2024/25 budget.

Capital expenditure plans

4.34. The expenditure plans consist of two kinds:

<u>Short to medium term plans (1 to 5 years):</u>

- These are the projects and programmes that are being proposed to council as part of the 2024/25 to 2028/29 capital programme for delivery within that period.

<u>Medium to long-term plans (5 to 10 years):</u>

- 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 2023/24 outturn

4.35. The latest forecast position as at period 6 shows the general fund capital programme is forecast to underspend by £0.486m and the Housing Revenue Account (HRA) capital programme is forecast to underspend by £0.297m. 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 2024/25.

2024/25 to 2028/29 capital programme

4.36. 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, the council is moving towards a five-year rolling capital programme, which will provide greater certainty for delivery as well as for financial and resource and procurement planning

4.37. Table 4.2 below summarises the proposed 2024/25 overall capital budget along with indicative spending plans from 2025 to 2029, 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 2024 – 2029

	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000	2028/29 £000	5 year Total £000
General Fund Summary programme (Approved)						
Housing & Community Safety	4,097	1,496	1,440	1,440	0	**8,473**
Resources	160	120	115	75	0	**470**
Development and City Services	12,838	2,025	1,862	1,833	0	**18,558**
Capital Loans	5,000	1,000	0	0	0	**6,000**
Total General Fund Summary programme (Approved)	**22,095**	**4,641**	**3,417**	**3,348**	**0**	**33,501**
General Fund Summary Programme (Proposed)						
Housing & Community Safety	(57)	60	175	160	1,775	**2,113**
Development and City Services (Adjustment to Approved)	423	950	(970)	(910)	1,366	**859**
Total General Fund Summary Programme (Proposed)	**366**	**1,010**	**(795)**	**(750)**	**3,141**	**2,971**
General Fund Summary Programme (Business Case Required)						
Housing & Community Safety	0	0	0	0	0	**0**
Development and City Services	9,050	0	0	0	0	**9,050**
Total General Fund Summary Programme (Business Case Req'd)	**9,050**	**0**	**0**	**0**	**0**	**9,050**
Total General Fund Programme	**31,511**	**5,651**	**2,622**	**2,598**	**3,141**	**45,522**

Housing Revenue Account Summary Programme (Approved)						
	2024/25 £000	**2025/26 £000**	**2026/27 £000**	**2027/28 £000**	**2028/29 £000**	**Total £000**
HRA - Development and City Services	17,600	14,310	12,641	6,560	0	**51,111**
HRA - Housing & Community Safety	24,912	24,583	24,746	24,550	0	**98,791**
Housing Revenue Account Summary Programme (Proposed)						
HRA - Development and City Services	(500)	0	0	1,570	1,570	**2,640**
HRA - Housing & Community Safety	(805)	578	945	1,195	25,745	**27,659**
Total Housing Revenue Account Programme	**41,207**	**39,471**	**38,333**	**33,875**	**27,315**	**180,200**

Total Proposed Capital programme	**72,718**	**45,122**	**40,954**	**36,473**	**30,456**	**225,723**

4.38. In 2024/25 the capital programme aims to deliver the following key outcomes:

General Fund:

- £8.8m 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 258 council homes by 2027/28.
- Repair and maintenance of existing housing stock- £18.4m including 246 new kitchens, 405 new bathrooms, 2,000 upgraded fire doors and associated fire prevention measures.
- Improving the use and management of the existing housing stock - £2.3m disabled adaptation and stair-lift installation programme.
- Improving neighbourhoods - including 45 door entry system upgrades and an estate aesthetics programme.

Towns' Deal Funding

4.39. Significant non-housing capital expenditure 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.

4.40. 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.

Levelling Up Funding.

4.41. The Council has recently been advised that its previous bid for Levelling Up Funding had been re-evaluated alongside other strong bids and that an allocation of £7.5m had been made available subject to confirmation that the original outcomes can still be largely delivered.

4.42. Work is now progressing to review the impact of factors, such as high inflation that have occurred since the bid was originally submitted together with confirming that match funding remains available. In total a package of works totalling close to £10m based around the initial North Norwich bid area is being progressed under similar governance arrangements to the Towns Deal funding.

Future capital programme

4.43. 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.

4.44. 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.

4.45. 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.

<u>People Live Well</u>

- 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, Lion Homes (Norwich) 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.

Funding the capital strategy

4.46. 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 and the council must now rely more on its own funding and leveraging in other sources of external funding where this is possible.

4.47. 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

4.48. 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.

Table 4.3: **Projected General Fund Capital Receipts 2023 – 2029**

Capital Receipts Analysis	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Existing capital receipts reserve brought forward from previous year	(29,012)	(24,024)	(16,777)	(15,693)	(15,478)	(15,303)
Funding requirement based on capital programme	4,988	7,247	1,084	215	175	75
Total potential funding requirement	**4,988**	**7,247**	**1,084**	**215**	**175**	**75**
Balance at end of year	**(24,024)**	**(16,777)**	**(15,693)**	**(15,478)**	**(15,303)**	**(15,228)**

4.49. The level of capital receipts relies upon the completion of asset sales which cannot be guaranteed and therefore, no additional capital receipts have been assumed at this stage. 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	2024/25	2025/26	2026/27	2027/28	2028/29	5 year Total
General Fund	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Capital Receipts	7,247	1,084	215	175	75	**8,796**
Grants & Contributions	18,541	3,567	2,407	2,423	3,066	**30,003**
Borrowing	5,000	1,000	0	0	0	**6,000**
CIL/GNGB/S106	723	0	0	0	0	**723**
Total	**31,511**	**5,651**	**2,622**	**2,598**	**3,141**	**45,522**

Proposed funding of the HRA capital programme

4.50. The funding of the HRA capital programme follows the funding strategy set out in Appendix 4 (C). In addition, the £8.337m surplus income estimated for 2024/25 plus £1.323m of existing HRA general reserves are proposed to be used to fund 2024/25 capital expenditure.

4.51. The remaining HRA general reserves (forecast at £40.699m at the end of 2024/25) 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.

Enabling our future vision

4.52. 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

4.53. 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

4.54. 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.
- Treasury Management Committee providing review and advice on all investment activity to the Cabinet and Council.
- Additionally, to support the committee structure and Senior Leadership Team with future governance, including delivery of projects, a Capital Programme Board has been established.

4.55. 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.

4.56. Officers can 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.

4.57. 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.

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

4.59. 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

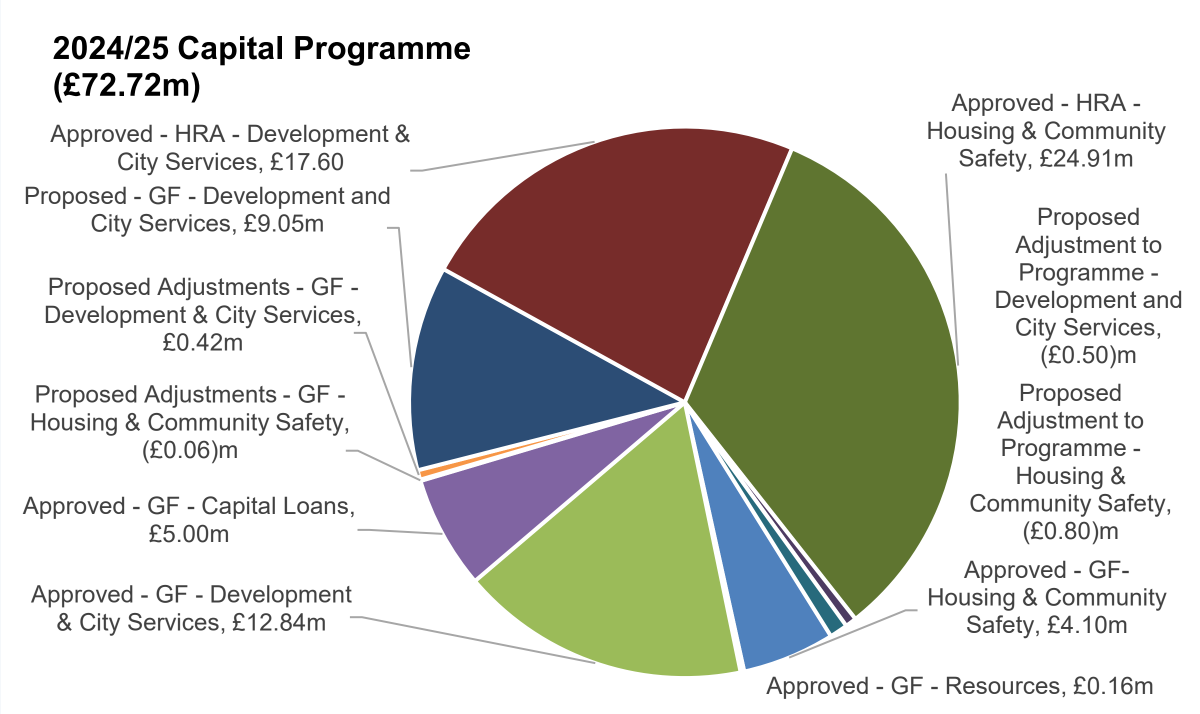
4.60. Capital project proposals should form part of the council's annual resource planning processes. However, in the context of the Corporate Plan review and the potential for new priorities to require investment, only existing capital schemes have been included for the General Fund. The exception is the inclusion of the additional Levelling up Funding and scheme which has been included following the announcement that Norwich North bid has been allocated resources. Further work will be undertaken alongside the Corporate Plan review outcomes and appropriate schemes included in the final papers for the annual budget setting meeting of the Council in February.

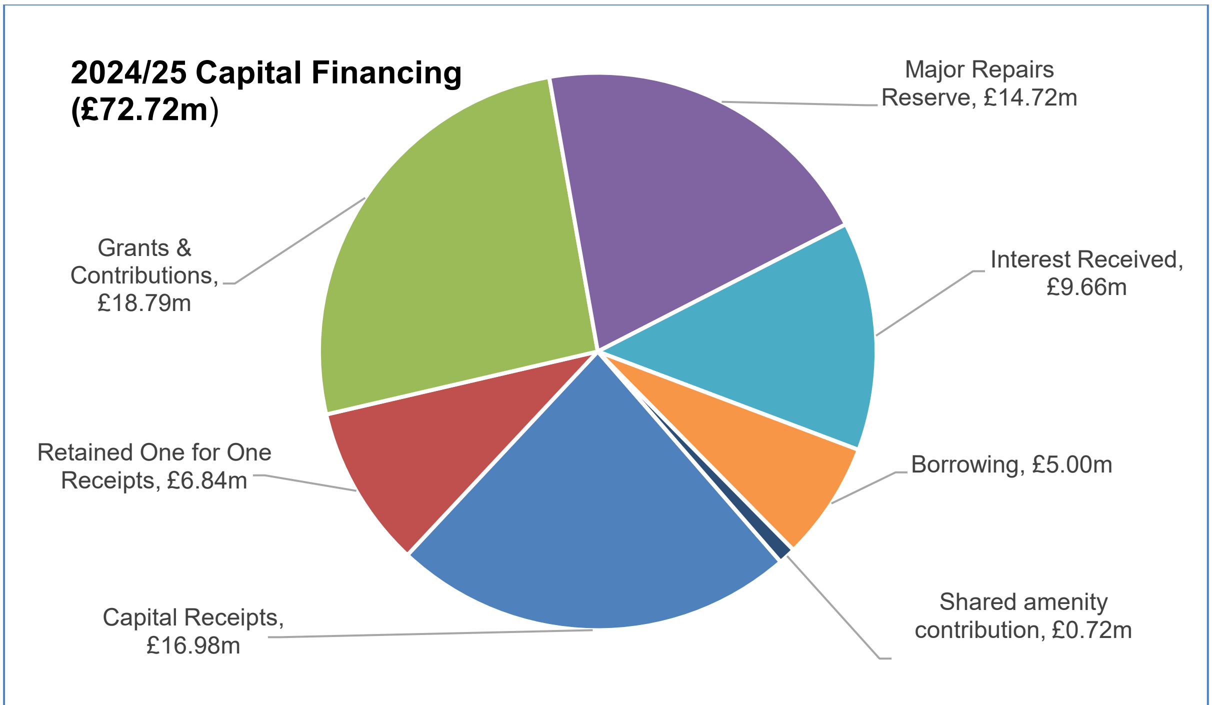
Knowledge and skills

4.61. 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.

4.62. 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. A separate commission has been awarded to JLL to support the asset management plan work.

4.63. 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.


2024/25 Capital Programme (£72.72m)
Approved - HRA - Development & City Services, £17.60
Proposed - GF - Development and City Services, £9.05m
Proposed Adjustments - GF - Development & City Services, £0.42m
Proposed Adjustments - GF - Housing & Community Safety, (£0.06)m
Approved - GF - Capital Loans, £5.00m
Approved - GF - Development & City Services, £12.84m
Approved - HRA - Housing & Community Safety, £24.91m
Proposed Adjustment to Programme - Development and City Services, (£0.50)m
Proposed Adjustment to Programme - Housing & Community Safety, (£0.80)m
Approved - GF- Housing & Community Safety, £4.10m
Approved - GF - Resources, £0.16m


2024/25 Capital Financing (£72.72m)
Major Repairs Reserve, £14.72m
Interest Received, £9.66m
Borrowing, £5.00m
Shared amenity contribution, £0.72m
Capital Receipts, £16.98m
Retained One for One Receipts, £6.84m
Grants & Contributions, £18.79m

Appendix 4 (B): Proposed capital projects 2024/25 to 2028/29

Approved General Fund Programme	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000	2028/29 £000	5 year Total £000
Housing & Community Safety						
Riverside Leisure replace plant/equip	33	56	-	-	-	89
TF make space at the halls	2,589	-	-	-	-	2,589
Empty Homes Grant	35	-	-	-	-	35
Disabled Facilities Grant	1,440	1,440	1,440	1,440	-	5,760
Approved Programme - Housing & Community Safety	**4,097**	**1,496**	**1,440**	**1,440**	**0**	**8,473**
Resources						
IT Investment Fund	75	75	75	75	-	300
Mobile Handsets Refresh 2022-27	45	45	40	-	-	130
Revenues & Benefits Programme Improvements	40	-	-	-	-	40
Approved Programme - Resources	**160**	**120**	**115**	**75**	**0**	**470**
Development & City Services						
NCS Ltd establishment costs	1,177	110	100	100	-	1,487
GNGB Comm Access Improvement-20 Acre Wood	8	-	-	-	-	8
Regulatory Services Digitisation Project	412	-	-	-	-	412
Castle Gardens	206	-	-	-	-	206
St Stephens Twrs Public Realm	57	-	-	-	-	57
Cycle Wayfinding	35	-	-	-	-	35
CIL Contribution Strategic	1,259	1,759	1,699	1,673	-	6,390
Strategic Property Remediation Fund	1,830	-	-	-	-	1,830
Property Services IT	187	-	-	-	-	187
St Andrews Hall	2,598	-	-	-	-	2,598

	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000	2028/29 £000	5 year Total £000
LED Lighting in City Hall and District Lighting	180	90	-	-	-	270
Riverside Rd Yacht Stat rep Quay	10	10	10	10	-	40
Market Shops & Toilets – Roof	22	-	-	-	-	22
TF- Digital hub	2,063	-	-	-	-	2,063
Churchman House Cupola repairs	145	-	-	-	-	145
TF Compulsory Purchase order revolving fund	2,320	-	-	-	-	2,320
TF - Programme management	87	-	-	-	-	87
NCC Water Hygiene Contract	13	6	3	-	-	22
City Walls repair programme	40	40	40	40	-	160
Closed Churchyards repair prog	10	10	10	10	-	40
CH ASHP/Secondary Glazing/LED	29	-	-	-	-	29
Earlham Cemetery railings replacement	150	-	-	-	-	150
Approved Programme - Development and City Services	**12,838**	**2,025**	**1,862**	**1,833**	**0**	**18,558**
Capital Loans						
NRL Loan Facility	4,000	1,000	-	-	-	5,000
Norwich Preservation Trust Loan	1,000	-	-	-	-	1,000
Approved Programme - Capital Loans	**5,000**	**1,000**	**0**	**0**	**0**	**6,000**
Total General Fund Approved Programme	**22,095**	**4,641**	**3,417**	**3,348**	**0**	**33,501**

Proposed Adjustments to General Fund Capital Schemes for approval	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000	2028/29 £000	5 year Total £000
Housing & Community Safety						
TF make space at the halls	(37)	0	65	0	0	28
IT Investment Fund	0	0	0	0	75	75
Disabled Facilities Grant	(20)	60	110	160	1,700	2,010
Proposed Adjustments to Programme - Housing & Community Safety	**(57)**	**60**	**175**	**160**	**1,775**	**2,113**
Development & City Services						
CIL Contribution Strategic	(512)	308	(907)	(850)	1,366	(595)
Strategic Property Remediation Fund	(300)	300	0	0	0	0
St Andrews Hall	(498)	498	0	0	0	0
LED Lighting in City Hall and District Lighting	90	(90)	0	0	0	0
Riverside Rd Yacht Stat rep Quay	(10)	(10)	(10)	(10)	0	(40)
Market Shops & Toilets - Roof	(22)	0	0	0	0	(22)
TF- Digital hub	1,740	0	0	0	0	1,740
TF - Programme management	(42)	0	0	0	0	(42)
NCC Water Hygiene Contract	(13)	(6)	(3)	0	0	(22)
City Walls repair programme	(40)	(40)	(40)	(40)	0	(160)
Closed Churchyards repair prog	(10)	(10)	(10)	(10)	0	(40)
S106 Bowthorpe Clover Hl Acs	40	0	0	0	0	40
Proposed Adjustments to Programme - Development and City Services	**423**	**950**	**(970)**	**(910)**	**1,366**	**859**
Total Proposed Adjustments to General Fund Programme	**366**	**1,010**	**(795)**	**(750)**	**3,141**	**2,971**

Proposed General Fund Capital Schemes for approval - subject to Business Case	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000	2028/29 £000	5 year Total £000
Development & City Services						
Mile Cross health, wellbeing and economic activity (LUF)	7,584	0	0	0	0	7,584
Exacom planning obligations system	66	0	0	0	0	66
Three Score Infrastructure - commercial development	1,400	0	0	0	0	1,400
Proposed Programme - Development and City Services	**9,050**	**0**	**0**	**0**	**0**	**9,050**
Total General Fund Proposed Programme subject to business case	**9,050**	**0**	**0**	**0**	**0**	**9,050**

Total General Fund Programme	**31,511**	**5,651**	**2,622**	**2,598**	**3,141**	**45,522**

Housing Revenue Account	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000	2028/29 £000	5 year Total £000
Development & City Services						
Demolition & Site Maintenance	570	70	70	-	-	710
New Build Opportunities	500	500	500	-	-	1,500
Capital Grants Housing Associations	1,000	1,000	1,000	-	-	3,000
HRA CP 20/21 Mile X Depot Site	10,936	12,711	11,071	6,560	-	41,279
Threescore phase 3	1,269	-	-	-	-	1,269
LANB Argyle Street	2,361	29	-	-	-	2,390
Threescore Acquisition	963	-	-	-	-	963
Approved Programme - Development and City Services	**17,600**	**14,310**	**12,641**	**6,560**	**0**	**51,111**
Housing & Community Safety						
HRA upgrades - Property Services fees	691	691	691	691	-	2,764
HRA upgrades - Electrical	2,688	2,538	2,438	2,188	-	9,850
HRA upgrades - Whole House Improvements	1,200	1,000	1,000	1,000	-	4,200
HRA upgrades - Kitchens	1,238	1,653	2,363	2,163	-	7,415
HRA upgrades - Bathrooms	1,553	1,503	1,403	1,553	-	6,010
HRA upgrades - Heating/Boilers Communal	2,000	2,000	2,000	2,000	-	8,000
HRA upgrades - Heating/Boilers Domestic	2,050	1,750	1,750	1,750	-	7,300
HRA upgrades - Thermal Comfort	200	200	200	200	-	800
HRA upgrades - Solar Thermal/ Photovoltaic	500	500	500	500	-	2,000
HRA upgrades – Windows	2,750	2,750	2,750	2,750	-	11,000
HRA upgrades – Doors	400	400	235	235	-	1,270
HRA upgrades - Door Access Controls	719	703	623	727	-	2,770
HRA upgrades - Estate Aesthetics	250	200	200	200	-	850

	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000	2028/29 £000	5 year Total £000
HRA upgrades - HRA Shops	150	150	150	150	-	600
HRA upgrades - Sheltered Hsg Comm Facilities	38	38	38	38	-	150
HRA upgrades - Re-Roofing	1,000	1,500	1,500	1,500	-	5,500
HRA upgrades – Structural	1,600	1,600	1,600	1,600	-	6,400
HRA upgrades - Lift Upgrades	75	50	75	75	-	275
HRA upgrades - Water Hygiene Upgrades	787	334	257	258	-	1,636
HRA upgrades - Disabled Adaptations	1,750	1,750	1,750	1,750	-	7,000
HRA Upgrades - Tower Blocks	3,125	3,125	3,125	3,125	-	12,500
HRA upgrades - Community Alarm	150	150	100	100	-	500
Approved Programme - Housing & Community Safety	**24,912**	**24,583**	**24,746**	**24,550**	**0**	**98,791**
Development & City Services						
Demolition & Site Maintenance	(500)	0	0	70	70	(360)
New Build Opportunities	0	0	0	500	500	1,000
Capital Grants Housing Associations	0	0	0	1,000	1,000	2,000
Proposed Adjustment to Programme - Development and City Services	**(500)**	**0**	**0**	**1,570**	**1,570**	**2,640**
Housing & Community Safety						
HRA upgrades - Property Services fees	0	0	0	0	691	691
HRA upgrades - Electrical	0	(538)	(438)	(188)	2,000	838
HRA upgrades - Whole House Improvements	(200)	0	0	0	1,000	800
HRA upgrades - Kitchens	193	0	0	0	2,163	2,355
HRA upgrades - Bathrooms	34	0	0	0	1,553	1,586
HRA upgrades - Heating/Boilers Communal	(1,000)	(1,000)	(1,000)	(1,000)	1,000	(3,000)

	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000	2028/29 £000	5 year Total £000
HRA upgrades - Heating/Boilers Domestic	(1,250)	(1,150)	(1,350)	(1,550)	200	(5,100)
HRA upgrades - Renewable Heating	800	1,000	1,200	1,400	1,400	5,800
HRA upgrades - Thermal Comfort	0	0	0	0	200	200
HRA upgrades - Solar Thermal/ Photovoltaic	0	0	0	0	500	500
HRA upgrades - Windows	(2,250)	(750)	(750)	(750)	2,000	(2,500)
HRA upgrades - Doors	3,600	3,600	3,765	3,765	4,000	18,730
HRA upgrades - Door Access Controls	82	0	0	0	727	808
HRA upgrades - Estate Aesthetics	0	0	0	0	200	200
HRA upgrades - HRA Shops	(130)	(50)	(50)	(50)	100	(180)
HRA upgrades - Sheltered Hsg Comm Facilities	90	0	0	0	38	128
HRA upgrades - Re-Roofing	0	0	0	0	1,500	1,500
HRA upgrades – Structural	(1,100)	(1,100)	(1,100)	(1,100)	500	(3,900)
HRA upgrades - Lift Upgrades	65	450	425	425	500	1,865
HRA upgrades - Water Hygiene Upgrades	(737)	(284)	(207)	(208)	50	(1,386)
HRA upgrades - Disabled Adaptations	550	550	550	550	2,300	4,500
HRA Upgrades - Tower Blocks	0	0	0	0	3,125	3,125
HRA upgrades - Community Alarm	0	(150)	(100)	(100)	0	(350)
HRA upgrades - Stock Condition Survey	450	0	0	0	0	450
Proposed Adjustment to Programme - Housing & Community Safety	**(805)**	**578**	**945**	**1,195**	**25,745**	**27,659**
Total HRA Programme	**41,207**	**39,471**	**38,333**	**33,875**	**27,315**	**180,200**

Total Overall Capital Programme	**72,718**	**45,122**	**40,954**	**36,473**	**30,456**	**225,723**

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 (non-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. 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 remains 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.

Equality Impact of budget proposals

Item 8

Background

1. Norwich City Council has identified permanent budget savings of £3.726m for the financial year 2024/25. 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.
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

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.
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.
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.
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.

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 2024/25

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 2024/25. 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. 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).

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.

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).

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

13. A 2.99% increase to the Band D rate is proposed in the 2024/25 budget figures The proposed 2023/24 Band D rate is therefore £297.22 compared to the current year rate of £288.59 – an increase of £8.63.

14. Overall, this would result in an additional £0.520m 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.

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).

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 2024/25. In addition, further support is in place through the council's discretionary policies for those who suffer hardship and other support such as the council's go-for-less scheme.

Rent and Service Charge Increase

17. The proposal within the HRA budget is that rents increase by 7.7% in line with the government's rent standard for social housing tenants this equates to an average increase of £6.91 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.

18. Garage rent increases are proposed at 7.7%, based on the level of the September 2023 CPI inflation index+1%; 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

19. 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.

20. The equality impact assessments will continue to be updated as projects move through the feasibility appraisal and into implementation.

21. 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.

Item 9

Committee name: Cabinet

Committee date: 13/12/2023

Report title: Housing Revenue Account (HRA) Business Plan and HRA Budget 2024/25

Portfolio: Councillor Jones, Deputy leader and cabinet member for housing and community safety

Report from: Executive director of community services

Wards: All wards

OPEN PUBLIC ITEM

KEY DECISION

Purpose

To provide an update on the 2024/25 Housing Revenue Account (HRA) Business Plan. It includes proposals to:

- Deliver improvements to our tenants' homes to make sure they continue to be well maintained and deliver improvements to our property and building maintenance services.

- Deliver on plans to ensure Norwich City Council homes reach Energy Performance Certificate (EPC) level C as soon as possible and by 2030 at the latest and deliver plans by April 2024 which will set out the roadmap to ensure Norwich City Council homes achieve net-zero carbon emissions as soon as possible and by 2050 at the latest.

- Continue to invest in health and safety compliance measures to ensure our council homes comply with the new, emerging building safety legislative environment.

- Expand this area of work to include the systematic tackling of damp and mould issues.

- Deliver programmes to build and acquire more council homes.

- Deliver improvements to frontline neighbourhood housing services.

- Deliver year on year targets to achieve reductions in management cost by £1.6m by 2028/29 through a review of our delivery model.

- Implement and embed the requirements of the Social Housing (Regulation) Act

Recommendation:

It is recommended that the HRA Business Plan report for 2024/25 is approved by Cabinet, subject to approval of the HRA Revenue Account Budget 2024/25 at Council in February 2024.

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 following corporate priorities:

- 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.

This report addresses the following priority in the Corporate Plan:

Make the best use of our Housing Revenue Account assets and resources, maximizing our income and spending wisely to provide easy to access, high quality services and support for our tenants and leaseholders.

Report details

1. This report provides the 2024/25 update of the Housing Revenue Account (HRA) 30-year Business Plan and supports the 2024/25 revenue and capital budget for the HRA. The information in this report is dependent on the approval of the HRA budget by Council in February 2024.

2. In 2022/23 a comprehensive review of the financial elements of the Business Plan was undertaken. This report is the first annual update which has reviewed and updated assumptions with projections accordingly particularly around the cost of investment to meet carbon reduction targets. The review aligns the investment priorities in the Business Plan with our Housing Strategy ‘Fit for the Future’ 2020 – 2026 which has four 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. The HRA Business Plan 2024/25 update, reflects and underpins the goals we have set in the Housing Strategy.

4. In 2019 the Council declared a Climate Emergency, and in response committed to achieving net zero emissions, from its own operations, by 2030. Recognising that decarbonisation of its homes would require significant investment and a longer timescale the Government target of 2050 was adopted.

Background

5. The HRA is the financial account of the Council as landlord. It is ring-fenced in law for income and expenditure in respect of council housing and housing land and certain activities in connection with the provision of council housing only. Other council services are funded through council tax and central government support which benefits all citizens of Norwich regardless of tenure.

6. The HRA 30 - year Business Plan sets out how all aspects of council housing will be funded from income (predominately rents) that the local authority is able to generate in its capacity as landlord.

7. There is no legal requirement to produce a HRA business plan, but it is considered best practice to develop and regularly review the plan. It is an early warning system which tells us what may happen in the future based on the available data and set of assumptions. It supports us in understanding investment capacity and to make informed decisions about investment priorities.

8. The HRA operates within a national political context; therefore, any changes within national housing policy can have a significant impact on the HRA Business Plan.

9. Each year the HRA Business Plan is reviewed and updated to set budgets and charges for the year ahead and to provide an updated 30-year affordability profile.

Context

10. 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. We are a large local authority landlord and like many others our stock is ageing and in need of significant investment.

11. Demand for the services we provide for our most vulnerable residents continues to increase. This increasing demand, compounded by the cost-of-living crisis is putting significant pressure on the services we provide and the demand for social housing.

12. The uncertain economic climate - high inflation and borrowing costs, high energy costs, supply chain issues and skills shortages - is crystalising a number of risks and testing the resilience of the housing sector. The challenge of income having not risen in line with costs, has created a gap in our capacity to invest in our tenants' homes. These factors coupled with the challenge of new social housing regulation and the decarbonisation of our homes means we inevitably face 'trade off's' in our investment decisions.

13. Over the duration of this plan, the legal, economic, and social environment will change and with it, the balance of competing priorities for investment will shift. As it does, the Council will update and test the assumptions, requirements, and strategic approach within the plan.

14. The Regulator for Social Housing published in November 2023 their sector risk profile the key these of which are set out below:

15. ***"Macroeconomic risk and viability -*** *Providers continue to face a difficult and uncertain economic environment. Persistently high-cost inflation, a tight labour market, and contractor failures and supply chain issues are delaying works and increasing costs for providers. An ongoing housing market downturn poses risks for development sales income. Rental income has been constrained by the 7% rent cap for 2023/24, while costs for stock investment programmes have continued to rise. Interest rates have risen markedly in response to high inflation, resulting in materially increased provider borrowing costs. These economic factors have weakened the sector's financial position and reduced its capacity to manage downside risk.*

16. ***Stock decency*** *- Effective management of stock requires a detailed knowledge of stock condition, and providers need to ensure this is underpinned by accurate, up-to-date, and robust data from stock condition surveys that adequately assess all four criteria of the Decent Homes Standard.*

17. ***Tenant Safety*** *- Keeping tenants safe is a fundamental responsibility for any landlord. Boards must ensure that they comply with all statutory health and safety legislation. The regulator's review of damp and mould following the tragic death of Awaab Ishak highlighted the importance of providers holding accurate, up-to-date, and robust stock data in ensuring tenant safety. The view of the regulator is that providers must ensure that risks to tenant safety are identified and mitigated, including stock surveys that are sufficiently robust to assess the presence of category 1 hazards under the Housing Health and Safety Rating System.*

18. ***Service delivery and accountability*** *- The provision of good quality housing services to their tenants is core to the role of a provider. They urge providers to ensure that strong governance is in place to oversee service delivery and maintain compliance with consumer standards. In particular, they must ensure*

that the organisation has robust and accurate data on performance, including tenant satisfaction measure data for 2023/24."

19. The full document is available at [Sector risk profile 2023 (accessible version) - GOV.UK (www.gov.uk)].

20. The overriding message is that providers should have robust data on both their homes and their residents in order to provide safe, decent homes for their residents. Our priorities for the coming financial year have been informed by these four principles.

Key information

Continue to invest in health and safety compliance measures to ensure we move out of regulatory supervision and our council homes comply with the emerging building safety legislative environment.

21. Since Autumn 2021, the Council has been focused on addressing historic issues relating to health, safety, and compliance in our tenants' homes. We have continued to prioritise health and safety repairs and have worked successfully with the Regulator of Social Housing to achieve full compliance. with the outcome of the regulatory notice due imminently.

22. The Fire Safety Act 2021 received Royal Assent in April 2021 providing greater clarity over responsibility for fire safety in multi-occupation residential buildings and for all council owned flat and maisonette blocks. The Council's focus is on reducing the risk of fire for the structure, external walls and doors that open into communal areas.

23. The Building Safety Act received Royal Assent in April 2022 introducing wide ranging changes to the legal and regulatory framework governing the management of building safety during design, construction, and occupation. It introduces a new and much more stringent regulatory framework for higher-risk residential buildings, such as tower blocks, which has increased and defined the responsibilities of social housing landlords.

24. This new legislative landscape not only considers our buildings but equally important our tenants. The Building Safety Act means that residents in our high-rise buildings will have more say in how their building is kept safe and will be able to raise building safety concerns directly to an accountable person and we will listen.

25. This new stringent regulatory regime places legal responsibilities on us for managing structural and fire safety in higher-risk buildings when they are occupied. These requirements include the need to register our high-rise buildings, introduce a safety case approach to managing fire and structural safety during occupation, a duty to engage residents, on-going management of a digital 'golden thread' of information throughout the building lifecycle and the creation of mandatory occurrence reporting framework. The Council is working to implement the requirements of the new regulations and will ensure the investment capacity in the Business Plan and resources are in place to comply with the legislative requirements.

26. At the time of writing this report we are awaiting an update from the Regulator in relation to our Regulatory Notice.

27. Following on from the tragic death of Awaab Ishak in Rochdale, NCC, along with all social landlords, have strengthened its approach to damp and mould. Our key change of approach is to respond positively to reported incidences with immediate washdowns to remove any immediate risk of harm, which is then supported by a strengthened surveying and investigatory approach to ensure timely responses that improve the time taken for remediation and reduce the risk to our residents and

28. A new damp and mould dashboard has been developed and this will be rolled out fully in 2024 to strengthen the management and monitoring of cases. This dashboard will become part of the suite of compliance dashboards to be reported to the Health & Safety board.

Deliver improvements to our tenants' homes to make sure they continue to be well maintained and deliver improvements to our property and building maintenance services.

29. Following the Repairs and Maintenance Services transfer from Norwich Norse Building Ltd to Norwich City Services Ltd (NCSL) in April 2022, there have been a number of operational challenges impacting on the delivery of the service.

30. Following concerns regarding performance indicators, NCC commissioned an independent review of the service in December 2022, this report identified challenges necessitating attention. This report indicated an improvement timeline of 12 to 18 months for delivery and turnaround
A Repairs Improvement Consultant was engaged in July 2023 to build a turnaround plan which will be delivered to NCC in December 2023.

31. Both financial deficits and backlog of work have been concerns, and considerable activity from both NCSL and NCC has been and continues to be taken to successfully implement the turnaround plan.

32. After identified concerns, structural changes at the Board and Managing Director levels were implemented in July 2023, coinciding with the engagement of the repair's consultants. Immediate financial stabilisation measures, including accounting adjustments to incorporate assumed income, have been instrumental in achieving breakeven in the second quarter and yielding a target surplus for 2023/24.

33. A significant backlog of repairs and empty homes was outstanding at the beginning of April 2022. These were successfully completed by 3rd party contractors in the year 2022/23. Due to operational challenges a newly emerging backlog has been identified which is the paramount focus of both teams to remedy.

34. At the time of writing this report 1.48% of the stock is empty which maintains our position in the upper median quartile for Housemark, our benchmarking service, based on a median of 1.52% for local authorities with more than 10,000 properties for 2022/23. Of the 1.48%, 1.12% are attributed to NCSL

where a dedicated project group is in place to further improve performance in this area.

35. In relation to repairs a maintenance at the end of quarter 2 customer satisfaction has slipped from 69% at the of 2022/23 to 67.5% and is part of the reason the Council took the decision to step in and address issues with NCSL. That being said, based on the midyear data on new Tenant Satisfaction Measure data, provided by Housemark, this is the median performance for providers with more than 10,000 properties. The Council are not satisfied with being mediocre and has asked NCSL to focus particular attention in its turnaround plan and it new business plan for improvement measures in the repairs and maintenance services to the Council's tenants.

36. The 5-year HRA investment programme will continue to prioritise work that keeps people safe and will deliver improvements to people's homes (fire safety, electrical upgrades, kitchens, bathrooms, windows, doors, roofs, insulating homes etc.) to make sure they continue to be well maintained. Over £90m will be invested over the next 5 years to make these improvements. Moving forward the programme of stock condition surveys that are be carried out at present, once validate, and verified will assist in shaping the programme in future years.

37. A stock condition survey has been commissioned this year, which will provide up-to-date information and data about the condition of our housing stock. This information will be used to plan the investment programme more accurately. We are also reviewing our strategic approach to commissioning and managing capital works on housing to ensure best value for residents.

38. 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. The Council will in turn review its own 'Norwich Standard', to ensure it is compliant with legislative requirements and meets the needs of our tenants.

Deliver programmes to build and acquire more council homes.

39. Over 4,300 households are registered with the Council, waiting for a home. The cost-of-living crisis is increasing demand for council homes with more people struggling to afford to live in their private rented and owned homes with mortgages. Typically, each year the Council loses approximately 140 council homes lost through Right to Buy (RTB) sales. The loss of homes, through RTB means that over the life of the 30-year Business Plan, just over £19m is lost in rental income alone. One of the benefits of the economic situation is that house sales and the right to buy have slowed down nationally to the extent that year to date only 45 sales have taken place, which lead to a projection for the year of 60 sales.

40. The Business Plan secures investment for three new home programmes, described in the table below. In total 258 new homes are planned by 2027/28 with planned delivery of 71 during 2023/24, which would potentially mean a net gain for the council.

Scheme	Number of homes
Three Score (Phase 3)	76
Argyle Street	14

Mile Cross	168
Total	**258**

41. Due to the current economic climate, schemes will be subject to further viability assessment as the detailed proposal comes forward. This links to Regulators findings that development programmes by social landlords have slowed significantly due to the high cost of borrowing and the increases in the costs of building materials.

42. Further opportunities will also be considered and will be assessed thoroughly to ensure that they are financially viable within the Business Plan. A range of funding options will be considered including HRA funds, housing grant and one-for-one Right to Buy receipts.

Deliver on plans to ensure Norwich City Council homes reach Energy Performance Certificate (EPC) level C as soon as possible and by 2030 at the latest. Deliver a 'Roadmap to Decarbonisation' to ensure Norwich City Council homes reach net-zero carbon emissions as soon as possible and by 2050 at the latest.

43. Along with many other social landlords the Council is evaluating how it can fund and maximise the pace of delivery to zero carbon. To this end a Retrofitting Task and Finish Group consisting of members and officers has been created to produce a report on how the council can achieve the desired aims. There are significant challenges because of the number of homes we own, and the age and composition of our homes. For example, solid wall homes and tower blocks will present significant challenges.

44. The Council has currently estimated that investment of approximately £321m is required to meet EPC level C by 2030 and reach net-zero carbon emissions by 2050. This sum has increased as we have obtained better retrofit cost information and changes in build cost interest rates. These costs in meeting carbon reduction targets are included in the HRA Business Plan.

45. In the report in 2023/24 the Councill aimed to produce a 'Roadmap for decarbonisation' prompted by the Council's decisions to factor in the cost of achieving net carbon zero. In light of the complexity and associated costs it was determined that a comprehensive stock condition survey of all the council properties was required to enable this plan to be developed in a reliable way. The stock condition data should be fully collated by the end of this financial year and this data will form the basis for stock investment decisions and enable us to develop 'Roadmap to Decarbonisation' during 2024/25.

46. The Council continues to work with Government, submitting funding bids for green grants when they become available to reduce costs. Within the Business Plan we have included third party funding of £13m between 2024/25 and 2028/29 and identified that we will need 10% funding from Government, or other sources to support us to achieve net zero. Availability of funding is crucial - this will enable us to do more, faster.

47. The Council successfully bid for funding through the Social Housing Decarbonisation Fund and received £985k for 2022/23. This accelerated the delivery of improvements, such as loft and wall insulation, to 50 homes. A further bid for £2m of SHDF was made for 2024/25 to benefit 930 homes,

unfortunately this was unsuccessful, and we are exploring further funding opportunities.

48. In addition, £66m to improve energy efficiency and carbon reduction measures is included within the first five years of the business plan (2024/29). This work is crucial in making homes warmer and more affordable for our tenants. The focus will be on a 'fabric first' approach, installing cavity, loft and wall insulation, draught proofing, and improvements to heating systems. Solar PV systems will also be installed where most effective. In 2024/25 further works will be ongoing to explore further improvements works identified through the stock condition surveys due to be completed by April 2024.

49. Additionally, a whole house and work packaging approach which will look at the most cost-effective time and methodology to upgrade, for example by installing solar and roof insulation at the same time as undertaking a planned roof replacement or wall insulation at the same time as replacing windows.

Deliver improvements to frontline housing neighbourhood services.

50. A new housing management strategy was adopted by Cabinet on the 8th of March 2023. The key aims and priorities of the housing management strategy are as follows:

• Balance the Councils role of sustaining tenancies, alongside the need to manage the homes and estates effectively.

• Provide a framework from which activity can move forward; a framework that also allows for partners to be included and integrated into our work

• Provide the opportunity to empower tenants, other stakeholders, and staff to transform the way we work and really target support where it is most needed

• Balance the twin priorities of excellence in customer service whilst seeking efficiency in delivering value for money, at the heart of everything we do

• Enable on-line and digital interactions in a simple way and build insight in how people are living, to develop the right support for those in need.

51. A new Tenant Engagement Strategy was developed and approved by Cabinet in March 2023. Two projects are progressing towards implementation of community pages and tenant estate inspections, which will both offer a digital opportunity for tenants to engage with us. The community pages will make use of an online platform for tenants to actively engage with us and each other on topics that matter to them. The same online platform will be used to engage with tenants to assess the cleanliness, maintenance, and safety of the communal areas, as part of a new estate inspection process.

52. There have been a number of digital improvements that have been trialled, tested, and commissioned such as:

- Estate app digitally recording communal areas are clean, safe from hazards, free from access obstacles – enabling increased frequency from 1500 inspections to capacity over 6000 per annum

- Full digitally enabled formal consultation on new tenancy conditions, tenancy policy and tenancy agreement over 8 weeks. The has resulted in significant costs savings, better direct feedback from over 500+ tenants, and carbon savings requiring only 90 paper copies to be sent (out of 14,000).

- Assisted digital automation to contact tenants in arrears directly with landing pages and prompts for easy payment and support icons - 85% delivered, 65% viewed, and 49% responded.

- Pilot is being trialled for digitally signed up garage licences which will simplify contract agreement and account set up for advanced payment.

- NEC developed to automate and escalate garage arrears – increased staff resources to support current rent collections and budgeting and money advice during cost-of-living pressures.

The collective aim of these initiatives has been to:

- Increase the productivity and efficiency of the services we provide.
- Improve the opportunities for residents to self-serve.
- Widen the opportunities for customers to engage in developing the way services are delivered.
- Using data to inform service development.

53. An example of the detailed impact of the changes by the income collection team is that over the past year we have reviewed our income recovery process, seeking to increase automation managing our garage rents, focussing activity on case management through analytics and enabling customers to set up direct debits with contact centre staff. At the present time the impact of these changes is to see an increase in rent collection of 0.5%, resulting in approximately £3.7m more income than the previous year.

54. It should be noted that these improvements are an extension to the existing ways in which customers can access services. The aim at this point is to enable customers to self-serve where they wish to whilst maintaining all other communications, ranging from personal visits at home, through the phone or appointments at city hall.

Deliver year on year targets to achieve a reduction in management cost by £1.6m by 2028/29.

55. The drive for efficiency means that the business plan reflects our goal of reducing our net management costs by £1.6m over the next five years. We will seek to use the NEC system to achieve some of this saving, but we will also look at the way in which we deliver services, ensuring that we focus on those that relate to delivering a right-first time experience to our tenants, ensuring statutory compliance is met, whilst seeking to improve the overall performance of the service.

56. In 2022 we insourced our property services activities from Norse Property Services. Through 2023/24 we have undertaken a restructure within the property services team to align them with the new operating environment for

delivering the repairs, maintenance, and capital investment for our housing revenue account properties. The model has been created to drive greater value from the management of delivery which will flow through as part of the efficiency savings up to 2028/29,

57. Over the next 12 months we will continue to modernise and invest in the services that we provide to tenants. A new senior management team will be appointed in housing to increase the skills and capacity of the senior leadership to manage the range on complexities of functions which are the responsibility of an effective social landlord. Once in place they will be tasked with further improving the performance of housing services, inevitably reviewing the the existing service provision, engaging tenants to understand what it is they want with a view to providing efficient and effective service which the tenants value.

Implement and embed the requirements of the Social Housing (Regulation) Act

58. The Social Housing (Regulation) Act received Royal Assent in July 2023. This drives forward significant change in holding housing providers to account and places the needs of tenants at the heart of Government reforms to improve the quality of life for those living in social housing. Alongside strengthening the regulatory requirements and the powers of the Regulator of Social Housing, the Housing Ombudsman's complaint handling code will also be put on a statutory footing to ensure complaints are dealt with fairly and effectively.

59. The Council is preparing to meet these strengthened regulatory requirements which are expected to be implemented from April 2024. The regulator will be commencing a programme of inspections of all housing providers to check compliance with the new standards. Collecting new nationally defined Tenant Satisfaction Measures is already underway and a self-assessment in anticipation of the regulators new standards has commenced. We will ensure the investment capacity in the Business Plan and resources are in place to comply with these requirements, including an expectation for Local Authority housing providers to pay an annual fee to the regulator for the first time.

60. A new Tenant Engagement Strategy was developed and approved by Cabinet in March 2023. The strategy aims to give all our tenants the opportunity to scrutinise, influence and shape services for the next three years. The strategy is a first step in ensuring we meet the regulator's new consumer standards, which will set out the expectation for all social housing providers to engage meaningfully with their tenants.

61. Through 2023/24 we have implemented three new engagement initiatives to broaden the way NCC works with its tenants.

62. **Giving a voice to residents on our estates** - To encourage tenant engagement by trialling community pages for 3 of our housing estates. This project scope includes utilising the "Get Talking Norwich" social media platforms, consulting with the tenant population, creation, and promotion of the Community pages, through to administration and maintenance of the pages. It also includes using the information posted by the tenants on these pages to improve services, resolve issues and communicate initiatives resulting from their engagement.

63. **Tenants setting standards for their estates** - To encourage tenant engagement by trialling a new routine regular tenant estate inspection programme on one housing estate. This project scope involves consultation with stakeholders and tenants, agreeing the new standard, agreeing the new inspection process, and agreeing the scorecard, through to training of officers and involved tenants and undertaking a trial of the process. It also includes reporting any issues discovered during the audit, ensuring that these are remedied and re-inspecting the estate. The results of this work have been fed to the project team for the estates app for use in tenant estate inspections.

64. **Getting effective feedback from tenants** - To undertake a review of all housing surveys to determine the % of tenant population being surveyed, whether there is a tangible and measurable impact as an outcome of the surveys and to identify and survey those tenants who are not being captured by the current surveys. This information will then be used to develop more effective surveys whose results become integral to the way services are developed, and a recent example of the effectiveness in the change in approach is the level of feedback received on the consultation on our tenancy agreements.

Consultation

65. The Tenant Involvement Panel will be consulted on the priorities in the Business Plan in December 2023. Their comments and views will be incorporated in the budget consultation element of the HRA budget approval in February.

Implications

Financial and resources

66. 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.

67. The HRA 30-year Business Plan creates a framework by which affordability of our investment and operational plans can be evaluated. Anticipated future revenue and capital budget requirements have been factored into the Business Plan.

68. The Business Plan is based on a set of key assumptions to help us mitigate risks or changes that may occur in the coming years. The projections form part of the Council's early warning system for monitoring the financial health of the HRA – it should not therefore be considered, a budget, a strategy/policy document, or an absolute prediction of the future.

69. It is good practice to update and test the projections regularly to ensure that emerging risks and opportunities are identified and to help the Council plan any actions that are needed. We have committed to reviewing the projections within the Business Plan annually.

Key Financial Assumptions

70. A schedule of the key assumptions made within the HRA Business Plan model are described below:

- Consumer price index was 6.7% in September 2023 this has been applied for 2024/25. For following years of the plan, the Government's standard inflation rate of 2% p/a has been assumed.

- The rent increase for 2024/25 has been modelled at CPI +1%, which equated to 7.7% and is consistent with current government policy, which indicated CPI +1% rent increases until 2024/25 (before introduction of the rent cap for 2023/24). From 2025/26 the projections assume annual rent increases at CPI only.

- New lettings and relets will have rents based at the formula rent, set in line with government policy, + 5% rent flexibility which will form part of the recommendations for the rent increase in 2024/25.

- The cost of some services that are not provided to all tenants to be un-pooled from rent to separate service charges to ensure full cost recovery.

- 10% of the cost of decarbonisation works to be funded from government grant. This is a notional allowance at this stage, which the Council will need to secure through the available government programmes.

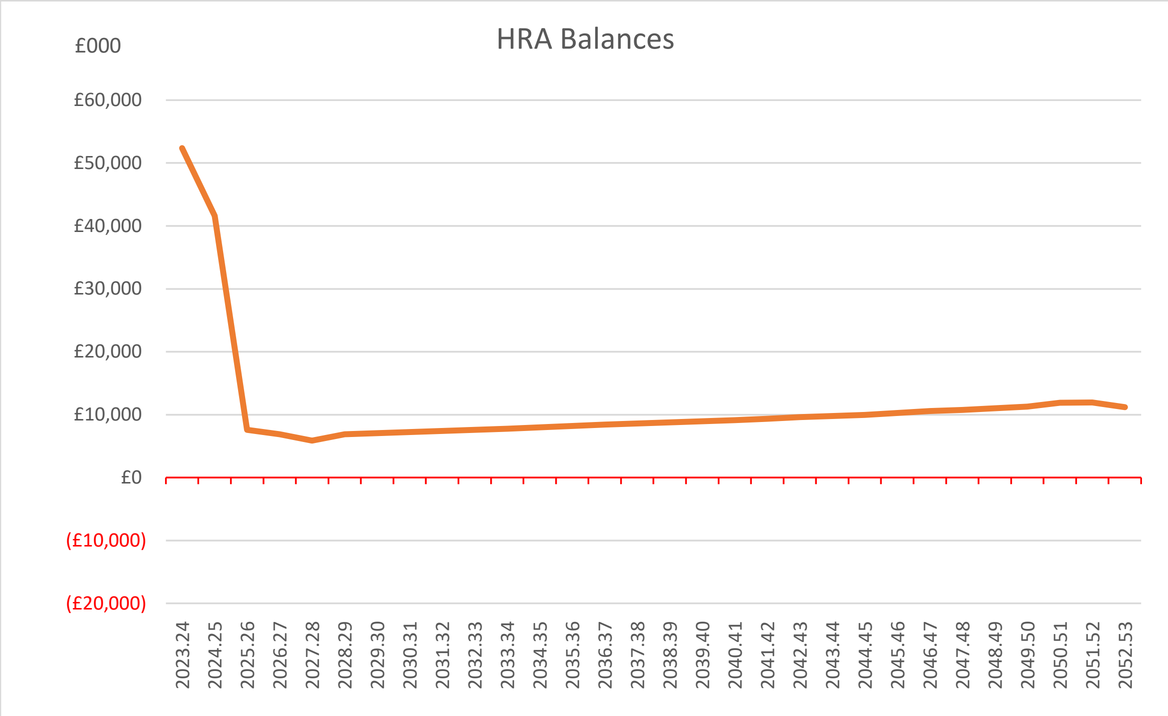
- Interest rates for existing borrowing reflect the actual individual rates at which the loans were secured. Interest rates against all new borrowing have been applied at 3.7% throughout the plan.

71. The charts included below demonstrate that the investment proposals set out within this report and included in the HRA 30-year Business Plan are affordable. Any annual revenue surpluses on the account will continue to support the 30-year business plan.

72. The HRA capital investment programme, including the new homes programme will require further borrowing as allowed under the current Government guidelines. Any borrowing will continue to be reviewed and developed in accordance with the Council's treasury management policy.

HRA 30-year Business Plan Charts

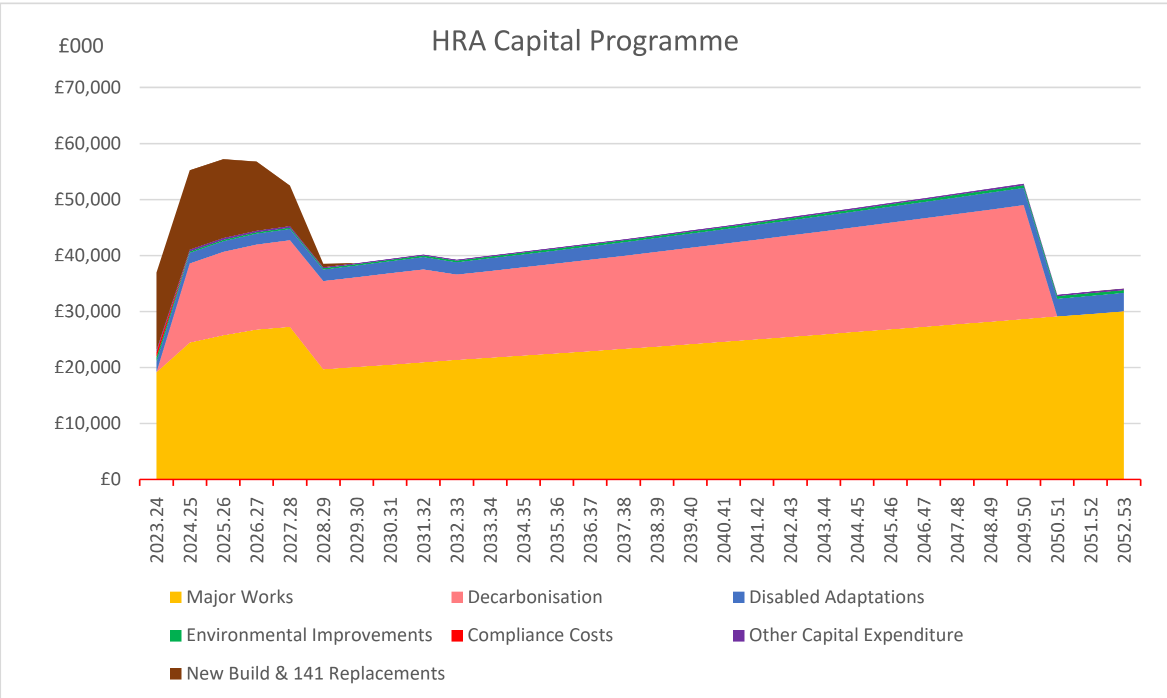
73. The HRA Business Plan provides a long-term projection of the income, expenditure, investment, and funding for the Council's housing service, based on current information and expectations. It helps the authority to assess the financial health of its HRA from a number of perspectives. The first of these is the ability of the HRA to maintain a minimum revenue balance, which is shown in the following chart:



74. This chart shows the Council utilising revenue balances during 2024/25 and 2025/26 to help finance its HRA capital programme and repay debt. Thereafter the HRA maintains a minimum HRA balance of approximately £409 per dwelling, plus inflation.

Summary Position -HRA Capital Programme and Financing

75. The chart below shows the projected HRA capital programme for the business planning period:



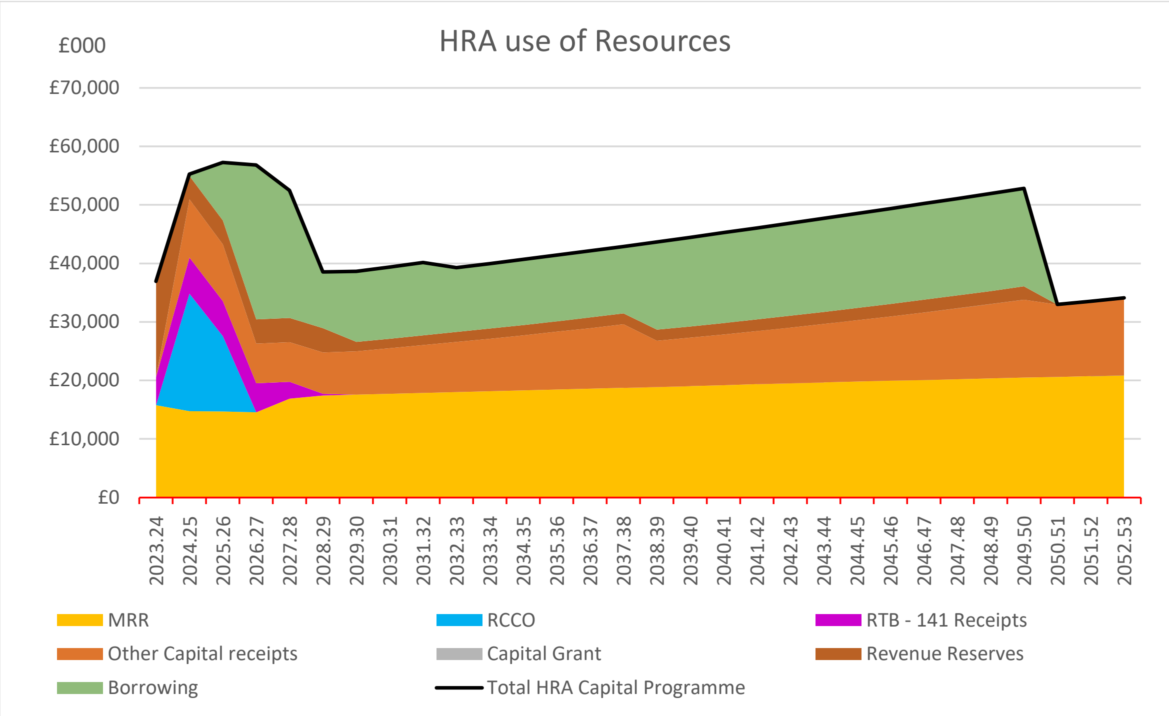
76. The different colours in this chart represent different parts of the capital programme. The amber area represents continuing investment in the

authority's existing stock, through its planned programme of component replacements and other major works. The pink area provides an indication of the investment that may be required to improve energy efficiency levels for existing homes. The blue area allows for the authority to continue providing adaptations at current levels. The brown area covers the provision of 276 new homes by 2027/28, through the authority's current programme of development and acquisitions.

This includes the 258 new homes stated in paragraph 26, and the following properties which relate to assumptions for the delivery of units that are additional to the three schemes in paragraph 26: -

- 8 dwellings delivered using the Opportunities Fund by 2026/27, and,
- 10 affordable rent units to be delivered using RTB 141 receipts by 2027/28.

77. Our next chart shows how this capital programme might be financed, using the different types of resource that are available to the authority:



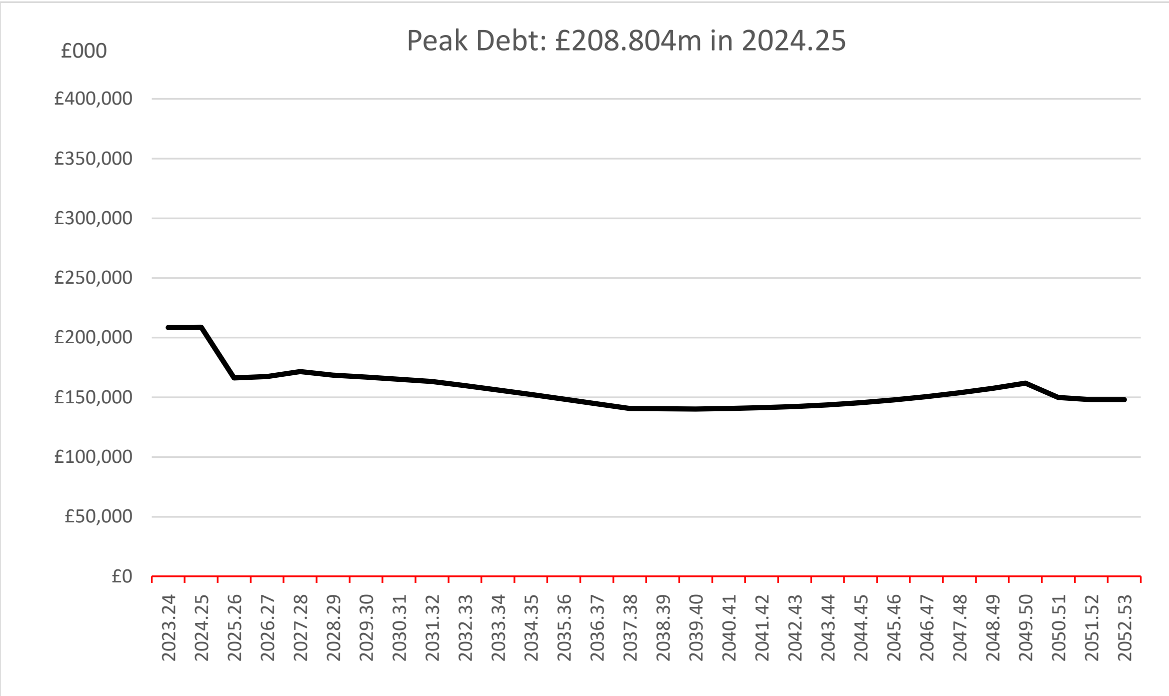
78. The colours in this chart represent different types of resource that would be available to finance the capital programme. The Amber area represents the Major Repairs Reserve, which is self-generated by the HRA from the depreciation charges for its homes. The blue area in 2024/25 and 2025/26 shows the use of HRA balances, which brings the HRA balance down to its minimum level (as shown in the HRA balances chart, earlier in this section). The pink and brick-coloured areas show the use of capital receipts generated from the sale of council dwellings under the right to buy, plus the disposal of other HRA assets on the open market. The brown area provides an allowance for grant and other external funding for the decarbonisation, while the green

area shows the level of borrowing required to deliver the programme, after all other available resources have been used.

79. It is clear that the authority needs to rely on the use of borrowing to deliver the projected capital programme, until the completing of decarbonisation works. Borrowing is the most expensive of the methods shown for financing the capital programme and (through the associated interest charges) increases the cost to the HRA. It is important that the Council delivers its plans for reducing costs and maximising income, so that it can continue to afford the cost of interest charges on additional borrowing.

Summary Position – HRA Debt

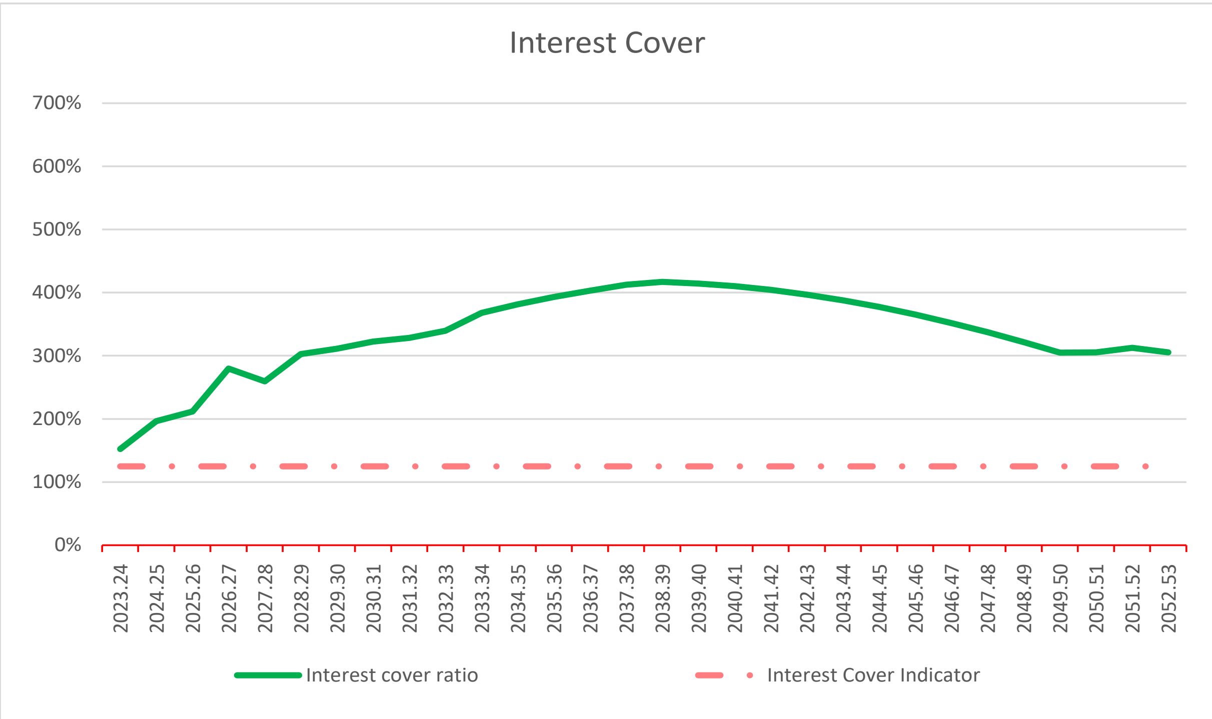
80. The following chart summarises the impact of the revenue and capital positions on the projected levels of borrowing for the HRA:



81. While the authority needs to borrow to deliver its projected capital programme, the surplus generated from its HRA is sufficient for it to continue repaying debt. This maintains downward pressure on overall debt until mid-plan, at which point the level of debt held stabilises.

Summary Position – Interest Cover

82. Interest cover represents the ability of the authority's HRA to afford the interest charges on the debt it needs to hold. The final chart summarises the affordability of debt levels throughout the projections:



83. The green line in this chart shows changes in the authority's interest cover performance. The pink line shows an indicative minimum performance level, at which the authority can afford to pay the cost of interest charges, plus an extra 25%.

84. Performance improves until mid-plan because corrective actions taken by the authority enable it to reduce overall debt levels during that period. Thereafter, debt levels remain static. However, costs continue to increase at a faster rate than income, causing affordability to drop for the second half of the projections. It is therefore important that the council delivers the actions that are planned to improve the financial performance over the medium term.

Summary Position – Key messages

85. The graphs tell us that**:**

- The Council faces higher costs as a result of inflation, the need to decarbonise its homes, maintain existing stock and continue to deliver new homes which will require the Council to borrow more in the future.

- Previous constraints on rent increases imposed by both the government and the council itself, mean that borrowing will be repaid over a longer period and debt levels will remain higher than would have been anticipated a few years ago.

- The plan assumes a number of mitigating actions, including maximising income, future savings in management and repair costs, plus an element of external funding to meet the costs of delivering the decarbonisation works.

- Based on the assumptions made, the business plan demonstrates that without mitigating actions, the affordability of the HRA starts to deteriorate over the longer term, but provided that the Council delivers its mitigating actions, not only are the proposals for investment sustainable, but there is some capacity to repay borrowing over the life of the plan, which will provide cover for further changes in interest rates.

86. There are underlying risks set out in the risk section that could affect the authority's ability to deliver its HRA in line with these projections. These risks should be mitigated by

- Incorporation of more up to date information on stock condition and requirements for delivering EPC-C/decarbonisation investment, when completed.
- Taking actions that continuously bear down on costs.
- Continuing to maximise the income available to the HRA.
- Rigorously assessing the financial impact of new projects, so that the Council can improve its ability to respond to other emerging risks and opportunities.
- Regularly updating and stress testing the authority's HRA projections. This can help to identify emerging risks at an early stage and enable plans to be developed and actions taken that mitigate or reduce their effects.

Legal

87. No specific legal advice has been sought in relation to the implementation of the proposals in the HRA Business Plan. Separate legal advice may be sought in relation to implementation of specific programmes and projects where necessary.

88. The HRA consists of expenditure on Council owned housing and there is a statutory requirement whereby the Council is obliged to keep its Housing Revenue Account (HRA) separate from other housing activities in accordance with the Local Government and Housing Act 1989 (as amended) ("the 1989 Act"). In addition, there is a requirement not to allow cross subsidy to or from the Council's General Fund resources.

89. The Localism Act 2011 contains provisions relating to Housing Finance in Sections 167 to 175. These provisions introduced a system of Council housing finance which ended the Housing Revenue Account subsidy system in England and replaced it with self-financing arrangements. Section 171 of the Localism Act 2011 empowered the Secretary of State to make provision relating to the level of indebtedness in relation to local housing authorities in England which keep a Housing Revenue Account.

90. On the 29th of October 2018, HRA borrowing cap was abolished with immediate effect. As a result, local authorities with a HRA are able to borrow against their expected rental income, however this must be in line with the CIPFA Prudential Code (for the purposes of this report, the Prudential Code 2021, the latest edition, has been used).

Statutory considerations

Consideration	**Details of any implications and proposed measures to address:**
Equality and diversity	No specific impacts
Health, social and economic impact	Maintaining homes to comply with Decent Homes Standards contributes to the health and well-being of our tenants
Crime and disorder	No specific impacts
Children and adults safeguarding	No specific impacts
Environmental impact	The HRA Business Plan will significantly contribute to the Net Zero Carbon emissions target for 2050.

Risk management

91. Since 2012 the HRA has operated on a 'self-financing' basis with local authorities funding council housing from the income generated from rents and other charges. Although 'self-financing' has provided the Council with more flexibility, it has also brought additional risk. Risks are collated and monitored via a directorate and corporate risk register. These risks are reviewed and regularly updated.

92. The key risks to the HRA Business Plan are:

Risk	Controls required
Long term future rent uncertainty	We have seen the impact of the four-year rent freeze. Any cap or reduction below inflation will have an impact on the Business Plan.
Increase in cost of repairs and major works	The delivery of the repairs and maintenance service brings several inherent risks including fluctuations in the number of vacant properties, on-going stock deterioration rates, changes in government guidance and regulations and the transformation of the NCSL service. An improvement plan is being developed to tackle these impacts but the risk to the business plan remains. We have seen some significant increases in contractor and materials costs as part of capital and responsive repair programmes. We will continue to monitor the long-term direction of construction cost inflation, collaborating with colleagues across the Council. The business plan is a 'living document' and will be adjusted accordingly.
Meeting Decarbonisation targets –	The investment included within the business plan is based on assumptions currently used by the social housing sector. As local stock condition, energy performance and cost data are developed in 2024/25, we will update the assumptions. Additional grant funding (above the 10% assumed), could support delivery at a faster pace. We will investigate opportunities to work with other social housing sector partners to share opportunities for funding, skills, and supply chain.
Borrowing and interest rates	The HRA's existing loan portfolio comprises loans of various but fixed rates, however future borrowing will be exposed to interest rate changes. Although this is a risk to the business plan, where possible, future borrowing will be timed to take advantage of lower interest levels as opportunities arise.
Building and fire safety	The full cost impact assessment has not been possible yet because secondary legislation will be published over several years. However, budget provision has been made for the next 5 years which is based on the best information we have and should enable investment in all buildings over 18 metres (high-rise) and any high-rise residential buildings. In the future, some degree of re-prioritisation of the 30-year business plan may be needed. The Fire Safety Act 2021 and subsequent legislation means there are further fire safety measures that we need to implement. The costs of preparing for and managing these changes have been included in the business plan. There continues to be a risk around the market capacity/capability to respond to the scale of need nationally which could lead to the possible inflation of costs. This will have an impact on our repairs and capital budgets.

Risk	Controls required
Inflation Rate Risk	The HRA Business Plan assumes a range of ongoing inflation rates which has been factored into the 30-year plan. The assumed consumer price index inflation rate of 5.2% for 2024/25 and 2% assumed thereafter for both revenue and capital. Building costs inflation of 6.7% for 2024/25 and 6.2% for 2025/26 and 3% assumed thereafter. If the assumed inflation rate was to change then this will have an impact upon the forecasted income into the HRA over the 30 years; if the assumed inflation rate was to be exceeded, then this may have a negative impact upon revenue expenditure and the capital programme costs.
Stock condition and performance data risk	A stock condition survey has been commissioned, the data from the survey and energy performance assessment information will be utilised to fully understand costs and enable better planning of capital and decarbonisation works.

Other options considered.

93. The HRA Business Plan is used as a sector wide planning tool, therefore no alternative options were considered. A range of scenarios, mitigations and assumptions were tested in developing the final plan.

Reasons for the decision/recommendation

94. The proposals in this report are aimed at maximising financial resources to deliver outcomes to our tenants in the context of a self-financing funding regime, developments in national policy, the current economic climate, and reductions in government funding.

95. The HRA Business Plan 2024/25 will continue to contribute to the delivery of wider housing strategies and policies such as the Housing Strategy, the Homelessness Prevention Strategy, and our development plans.

96. The Council must ensure that as a self-financing entity council housing in Norwich has a sustainable future. The purpose of the HRA Business Plan report for 2024/25 is to ensure the cost of council housing - including investment in homes, services to tenants, the servicing of debt and overheads - can continue to be met by the income raised in the HRA.

Background papers: None

Appendices: None

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