Norwich City Council

SCRUTINY COMMITTEE

Item No 9

REPORT for meeting to be held on

Emerging position on the 2018/19 budget and Medium Term Financial Strategy

Summary:

To note latest financial forecasts, saving options, and capital plans which will inform budget setting for 2018/19.

Conclusions:

The report should enable the scrutiny committee to comment on the emerging position on the 2018 – 19 budget and Medium Term Financial Strategy (MTFS)

Recommendation:

To consider the report to cabinet on 13 December 2017 and agree any recommendations

Contact Officer:

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Report to	Cabinet	**Item**
	13 December 2017	
Report of	Chief finance officer (Section 151 Officer)	6
Subject	Emerging 2018/19 Budget, Medium Term Financial Strategy (MTFS) and HRA Business Plan	

Purpose

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

Recommendations

To:

(1) approve the direction of travel currently being taken to establish robust and balanced budget proposals for the General Fund revenue budget and the MTFS including endorsing:
   a) The principle that any general fund underspends from 2017/18 are considered for transfer to the earmarked spend to save reserve to support the delivery of the ongoing transformation programme.
   b) The principle of creating earmarked reserves in relation to commercial property, loan interest income from Norwich Regeneration Limited, and one-off business rates growth income.
   c) An increased drawdown of £107k from general fund reserves to balance the 2018/19 budget (subject to final budget estimates).

(2) approve the proposed approach to extend the HRA Business Plan to 60 rather than the current 30 years.

(3) approve the proposed approach to the setting of the General Fund capital programme, namely:
   a) Establishing a capital programme that is affordable (looking over the 5 year MTFS planning horizon and the resources available) and achievable (i.e. better able to be physically delivered at the year-end).
   b) That any new capital project of significant size, not included in the capital programme proposed to council in February 2018 for approval, is subject to a full business case review and subsequent approval by council within the relevant financial year.

Corporate and service priorities

The report helps to meet all the corporate priorities.

Financial implications

The report is about the emerging budget for 2018/19 and the medium term planning horizon. Consequently the whole report contains financial implications.

Ward/s: All Wards

Cabinet member: Councillor Kendrick - Resources

Contact officers

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Background documents

None

Report

INTRODUCTION

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

2. It contains initial proposals for budget savings, capital investment, and Council Tax and HRA rental levels. The views of citizens, HRA tenants, and local businesses will be sought on these proposals, via the public budget consultation exercise, before the budget is discussed and approved by Council on 20 February 2018.

3. Some of the figures contained in this report are likely to change when the budget and MTFS are formally presented to council for approval. This is primarily because this report excludes any potential impacts and changes that may be contained in the 2018/19 Local Government Financial Settlement (due early December 2017). A full list of items that are likely to change when the budget is considered in February 2018 is shown in paragraph 27.

4. This report needs to be read alongside the chief executive's report entitled "Fit for the Future" tabled on the same agenda. The chief executive's report contains important context and strategy that is shaping the emerging financial position and proposals contained within this report.

Report Contents

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

OVERALL SUMMARY

General Fund

5. The general fund budget proposals reflect the continuing reduction in central government funding to local government, including a reduction in revenue support grant of £0.7m in 2018/19 with a further decrease of £0.8m in 2019/20 in line with the council's 4 year funding settlement. In order to set a balanced budget against this backdrop of funding reductions, net savings are being proposed of £1.4m in 2018/19 along with a £5 rise in the band D council tax rate and the use of general fund reserves.

6. The net savings currently proposed as being achievable for 2018/19 of £1.4m are below the £1.9m target set in the MTFS strategy agreed by council in February 2017. This reflects the increasing difficulty of finding further efficiencies and income generation opportunities to balance the budget as a preferred budget strategy rather than making budget savings by reducing front line services.

7. However, other budget estimates have been updated since February and the current overall budget position has marginally improved over a number of budget items by a total of some £400k. The largest favourable movement is a reduction in the council's current contribution to the pension fund deficit for admitted joint venture partners: Norwich Norse Environmental, BIFFA, and the airport (this reduction may change when the next Pension Fund valuation is undertaken for 2020/21). This means that, despite not meeting the £1.9m savings target, only £107k of additional reserves are proposed to be drawn down to balance the 2018/19 budget than that forecast in the February 2017 MTFS position.

8. A significant amount of the proposed savings is to be generated from maximising income generation and returns from assets, as agreed by council on 27 September 2016 as part of the four year financial sustainability plan submitted to DCLG. Such income generation does increase the council's risk profile hence the proposal for a set aside, in an earmarked reserve, of some of the new income generated to reduce risks and protect future income streams (see paragraph 13 below).

9. The proposals include the continuation of the approach, agreed last February in the MTFS, of increasing the revenue contribution to capital by £0.25m each year up to £1.5m. This will give the council some ability to maintain and upgrade its numerous and very diverse General Fund assets given that capital receipt income, the major source of funding for capital maintenance work on these assets, is forecast to fall in the future.

10. There is a continuation of the approach to utilise council reserves over the next 5 years to support the revenue budget and enable a strategic approach to cost reduction over the medium term. On this basis the reserves will come down to the prudent minimum levels by the end of 2022/23. After this year budget savings will still need to be made if any inflationary or demand-led increases in costs are not able to be offset by increased income from council tax and business rates. These savings however will need to be made without relying on reserve contributions to balance the budget.

11. The MTFS position shows that £7.82m of savings will be required over the four year period 2019/20 to 2022/23. This equates to a "smoothed" annual savings target of £1.955m.

12. Apart from the statutory need to balance the budget in the short and medium term, three other key principles underpin the figures presented in this report namely that:

- A strategic planned approach to cost reduction over the medium term as outlined in the chief executive's report "Fit for the Future".

- Some set aside of new net income generated by the council's commercial activities to safeguard the future income stream and to reduce the council's potential commercial risks.

- The use of one-off income to fund one off expenditure (either revenue or capital) rather than the on-going costs of delivering services.

13. This report therefore contains the following proposals:

    - Underspends from the current financial year, 2017/18, will be transferred to the spend-to-save earmarked reserve to support the delivery of savings and efficiencies through the transformation programme: this is currently forecast to be some £0.56m.

    - A proportion of the new net income generated above the MTFS savings target from commercial property acquisitions will be set aside in an ear-marked reserve. This would be used to provide funding for any future void and rent free periods as well as any repairs/upgrades required to the property to help safeguard the future value of the investment and the rental income stream, thereby minimising the risk of holding these assets and of fluctuations in the income return.

    - The fluctuations in net income received by the council from the on-lending to its company, Norwich Regeneration Limited, will be smoothed and managed by the establishment of an earmarked reserve. This will also provide a buffer in case the income is lower than anticipated due to the company not borrowing as much or as quickly from the council as planned (caused for example by delays in construction etc.)

    - If the application to be part of the Norfolk business rates retention pilot is successful, the additional one-off income for the council (currently estimated at some £0.5m) will be set aside to fund one-off expenditure projects and not incorporated into the MTFS.

Housing Revenue Account (HRA)

14. The number of council homes in Norwich dropped below 15,000 for the first time in early 2017. This is a result of continuing high levels of properties sold under the Right-to-Buy legislation, with 163 dwellings being lost during the last financial year.

15. The HRA continues to balance the ongoing requirements of maintaining and upgrading homes, within the four year mandatory 1% rent reduction.

16. Uncertainty still exists around a possible significant determination being levied against Housing Revenue Accounts to compensate the private sector, following the extension of Right-to-Buy legislation.

17. The HRA business plan demonstrates that it should still be possible for HRA borrowing to be repaid with 27 years whilst providing 200 new council homes

by 2021. This is in addition to 241 social housing homes being delivered in partnership with Registered Providers and a further 285 new homes being constructed by the council's wholly owned company, Norwich Regeneration Ltd.

Capital programme

18. Whilst the proposed General Fund and HRA capital programmes will deliver the highest capital priorities for the council, the overall programme has been set at a reduced level from previous years that is affordable, includes robust estimates and is achievable in terms of actual delivery.

19. The General Fund capital programme currently does not therefore include significant large schemes, largely related to the regeneration of the City, that may proceed during 2018/19 or later years. These will be considered by cabinet and approval sought from council during the year based on robust business case analysis.

LOCAL GOVERNMENT FINANCE – ECONOMIC AND STATUTORY CONTEXT

Public Finances and the national economic context:

20. A summary of the key economic indicators, as at the time of writing this report (November 2017), is given below.

Bank Interest Rate: In November 2017 the Bank of England's Monetary Policy Committee (MPC) voted by a majority of 7–2 to increase the Bank Rate by 0.25% to 0.5%, the first increase since July 2007. As things stand, the MPC is expecting two further quarter-point increases in interest rates by the turn of the decade, which would then leave the rate at 1%. *Source: Bank of England*
Inflation: The headline inflation figure, CPI (Consumer Price Index), rose to a five and a half year high of 3% in September and kept at this level during October 2017. Food and transport costs in particular have increased the CPI. National Treasury's target rate is 2%. The Bank of England expects inflation to remain at 3% in the last quarter of 2017, much of it due to the fall in value of the pound since the Brexit vote. They predict we will see a gradual fall in the inflation rate which may reach 2.2% in 2020. *Source: Bank of England*

GDP Growth: The Office for Budget Responsibility (OBR) now expects to see slower GDP growth over the forecast period, mainly caused by the under-performance of productivity in the UK economy. It has revised down its forecast for GDP growth by 0.5 percentage points to 1.5% in 2017, then growth slows in 2018 and 2019, before rising to 1.6% in 2022. The economic impact of the UK's departure from the European Union however remains uncertain. *Source: Autumn Budget 2017 and Office for Budget Responsibility*
Unemployment Rate and Average Earnings: The UK unemployment rate remains at 4.3% (1.42m individuals) in November 2017 its lowest rate since 1975 - and down from 4.8% a year earlier. Average earnings, excluding bonuses, rose 2.2% in the three months to September 2017, compared with a year ago, but this is a decrease of 0.5% in real terms when accounting for inflation. *Source: Office for National Statistics*
Public Sector Finances: The reductions in future GDP growth have knock-on effects for both public sector net borrowing and for future public sector expenditure as lessened economic growth equates to a reduced tax take. Public sector net borrowing is now forecast to fall over the next four years to some £30bn in 2021/22, instead of the £20bn forecast in the Spring 2017 Budget Statement (and contrasted with the £10bn surplus forecast for 2019/20 in the Chancellor's 2016 Budget Statement). The government's policy had been that after the four year funding settlement finishes in 2020/21, public sector funding would increase in line with inflation during the period of the next spending review (i.e. at about 2%). Lower GDP growth is likely to result in lower increases in public spending. Whilst revised targets are not published yet, and possibly are not likely to be until there is more formal planning for the next spending review, CIPFA warns that the overall increase in public sector funding post 2020/21 could be 1.5% rather than 2%. *Source: Office for Budget Responsibility and CIPFA*

Local government finance after 2020/21:

21. In October 2015 the Government stated its intention that local government should retain 100% of taxes raised locally (above baseline funding) from 2019/20 onwards. However, this policy was not mentioned in the Queen's Speech earlier this year and it has now been acknowledged by government that, whilst it remains committed to the policy, the timetable has slipped with its introduction currently unknown.

22. The Communities and Local Government Committee has recently commenced an enquiry into the implementation of 100% retention of business rates seeking evidence on the consequences for councils of the longer implementation period and the related Fair Funding Review. The Fair Funding Review will set new funding baselines for every authority alongside

the introduction of 100% business rate retention (Source: *The Municipal Journal* 9/11/17).

2017 Chancellor's Autumn Budget Statement:

23. This briefing sets out the immediate factual headlines in relation to the key announcements made in the Chancellor's Autumn Budget Statement that potentially could impact on Norwich city Council.

24. **Business Rates**: changes announced were:
    - Bringing forward to 1 April 2018 the planned switch in indexation from RPI to the main measure of inflation (currently CPI). Based on the average of the last 4 years this will reduce LA income by around 0.9% per year.
    - Legislating retrospectively to address the so-called "staircase tax". Affected businesses will be able to ask the Valuation Office Agency (VOA) to recalculate valuations so that bills are based on previous practice backdated to April 2010 – including those who lost Small Business Rate Relief as a result of the Court judgement. The government will publish draft legislation shortly.
    - Continuing the £1,000 business rate discount for public houses with a rateable value of up to £100,000, subject to state aid limits for businesses with multiple properties, for one year from 1 April 2018.
    - Increasing the frequency with which the VOA revalues non-domestic properties by moving to revaluations every three years following the next revaluation, currently due in 2022. The government will consult on the implementation of these changes in the spring.
    - The budget states that local government will be fully compensated for the loss of income as a result of these measures.

25. The budget included the government's commitment to continue to pilot additional business rates retention for councils across England. In addition to the London pilot announced in the Budget, new pilots for 2018-19 will be announced following DCLG's assessment of recent applications to its scheme.

26. **Council Tax**: The budget announced that local authorities will be able to increase the council tax premium from 50% to 100% for empty homes.

27. **Universal Credit & Benefits**: To support Housing Benefit and Universal Credit claimants living in areas where private rents have been rising fastest, the government will increase some Local Housing Allowance rates by increasing Targeted Affordability Funding by £40 million in 2018-19 and £85 million in 2019-20.

28. Other reforms of Universal Credit (UC) were announced such as; removing the 7 day waiting period, Housing Benefit continuing for the first two weeks of UC, roll out of UC more gradually between Feb and Apr 2018, and longer recovery periods for advances.

29. **Disabled Facilities Grant**: the Budget will provide £42 million of additional funding for the Disabled Facilities Grant in 2017-18.

30. **HRA**: The Budget will lift Housing Revenue Account borrowing caps for councils in areas of high affordability pressure, so they can build more council homes. Local authorities will be invited to bid for increases in their caps from 2019-20, up to a total of £1 billion by the end of 2021-22. The government will monitor how authorities respond to this opportunity, and consider whether any further action is needed.

31. **Housing & Planning**: The Budget announces a package of new policy which aims to raise housing supply, through; additional financial support, introducing planning reforms (to ensure more land is available and to make better use of underused land) and providing funding in the construction sector.

32. The budget also announced consultations to come soon on reform of the planning system building on reforms in the Housing White Paper; strengthening policy on deallocating sites from plans, intervention where there is failure to progress local plans, first-time buyer led developments and increasing housing density in urban areas.

33. The government states it is determined to ensure that land released for housing is put to the best use. It will therefore consult on; strengthening the housing delivery test, expecting local authorities to bring forward 20% of their housing supply as small sites and speeding up the development process by removing exemptions.

34. The budget details that DCLG will launch a consultation with detailed proposals on; removing restriction of S106 pooling, speeding up the process of setting and revising CIL, allowing authorities to set rates which better reflect the uplift in land values between proposed & existing use, changing indexation of CIL rates to house price inflation rather than build costs and giving combined authorities and planning joint committees with statutory plan-making functions the option to levy a Strategic Infrastructure Tariff (SIT) in future.

35. A review panel will be set up, chaired by Sir Oliver Letwin, to explain the significant gap between housing completions and the amount of land allocated or permissioned, and make recommendations for closing it. The review will provide an interim report in time for Spring Statement 2018 and a full report at Budget 2018.

36. The government will develop a central register of residential planning permissions from local authorities to improve information on where permissions are held and progress towards them being built out.

37. The government will strengthen the ability of the Homes and Communities Agency (to be renamed Homes England) to use investment and planning powers to intervene more actively in the land market, in relation to; Land Assembly Fund, new Garden Towns, increasing the housing infrastructure fund, strategic planning in the south East, small sites infrastructure & remediation, Homes Building Fund for SME’s, exploring options for housing guarantees and increasing the supply of affordable homes.

38. **Estate regeneration**: the Budget provides £400 million of loan funding for estate regeneration to transform run-down neighbourhoods and provide new homes in high-demand areas.

39. **Productivity/Investment Strategy**: The Budget announced the Government would be extending the National Productivity Investment Fund (NPIF) into 2022-23 and increasing the size of the fund to £31 billion. This money is targeted at areas crucial for productivity: housing, transport, R&D and digital communications.

40. The Budget announces a £1.7 billion **Transforming Cities Fund** to improve local transport connections and commits £385 million to projects to develop next generation 5G mobile and full-fibre broadband networks, both funded from the NPIF. The Budget also commits to specific improvements for the Tyne & Wear Metro, and rail and road connections in the Cambridge – Milton Keynes – Oxford corridor.

41. **National Minimum/Living Wages**: following the recommendations of the independent Low Pay Commission (LPC), the government will increase the NLW by 4.4% from £7.50 to £7.83 from April 2018. The government will also accept all of the LPC’s recommendations for the other NMW rates to apply from April 2018.

42. **Public sector pay**: in 2018-19, for those workforces covered by an independent Pay Review Body (PRB), the relevant Secretary of State will shortly write to the PRB Chair to initiate the 2018-19 pay round, before later submitting detailed evidence outlining recruitment and retention data and reflecting the different characteristics and circumstances of their workforce. Each PRB will then make its recommendations in the spring or summer, based on the submitted evidence. Secretaries of State will make final decisions on pay awards, taking into account their affordability, once the independent PRBs report.

43. **Air Quality**: The budget announced that in support of the National Air Quality Plan published in July, the government will provide £220 million for a new Clean Air Fund. This will allow local authorities in England with the most challenging pollution problems to help individuals and businesses adapt as measures to improve air quality are implemented. The government is launching a consultation alongside Budget on options that could be supported by this fund.

Conclusion

44. In conclusion, the national economic and statutory context surrounding and influencing local government finance is currently very unpredictable and potentially volatile. The MTFS presented in this report, especially from 2020/21, is based largely on the current *status quo* continuing and does not take into account what could be fundamentally different economic and statutory conditions after the UK leaves the European Union (in 2019) and when the current four year financial settlement from government comes to an end in 2020/21.

45. The current level of price inflation necessitates cost increases to some of the Council's budgets such as utilities and contract costs and puts pressure on the National Joint Council for Local Government Services to increase the pay award for local government employees.

46. An increasing bank interest rate does have some impact on the amount of net income the Council can generate through purchasing commercial property and by on-lending to its company, Norwich Regeneration Limited, and potentially to other Joint Venture partnerships that maybe established for regeneration purposes. However, whilst the financial modelling for these show the returns are sensitive to interest rate increases, the expected increases in the next two years are marginal and are unlikely to impact on the overall financial viability of these projects.

GENERAL FUND REVENUE BUDGET AND MTFS

Forecast 2017/18 Outturn

47. The latest position on the General Fund, as at period 6, shows that it is forecast to underspend by £0.557m. This expected underspend has not been factored into the MTFS reserves level. Instead formal proposals will be included in the Budget Report going to Council in February 2018 to transfer any 2017/18 underspend to the earmarked invest-to-save reserve. This reserve will be used to support the delivery of savings and efficiencies through the transformation programme.

Provisional 2018/19 Revenue Budget

48. The provisional 2018/19 budget has been set following discussions with budget managers to determine achievable service budgets. All savings and growth items have been reviewed by the Corporate Quality Assurance Group led by the Chief Finance Officer and Head of Strategy and Transformation.

49. Table 1 below summaries the movements in the base budget (i.e. the current year's approved budget) to arrive at the provisional 2018/19 budget:

Table 1: Movements from the base 2017/18 budget – Figures are in £000s

2017/18 Budget Requirement	**16,152**
Budget movements:	
Inflation	1,222
Savings and additional income	(2,178)
Growth	819
Movement in recharges	(167)
Other movements: Increase in Revenue contribution to capital (per MTFS)	250
Other movements: Reduction in joint venture pension deficit contributions	(375)
Net reduction in grants including New Homes Bonus	971

Increase in contribution from reserves	(1,369)
2018/19 Budget Requirement	**15,326**

2017/18 Budget Resources	**16,152**
Budget movements:	
Reduction in revenue support grant	689
Decrease in retained business rates	416
Increase in council tax income	(279)
2018/19 Budget Resources	**15,326**

50. As at the time of writing this report the following figures included in the provisional budget are indicative for the reasons stated, of which the Business Rates income and MRP budget costs are the most provisional:

Information required to finalise the budget position:	**Budget items impacted:**
Awaiting final figures from Government to be released in the 2018/19 Local Government Financial Settlement	▪ 2018/19 New Homes Bonus allocations ▪ Housing Benefit Administration Grant ▪ Universal Credit New Burdens funding ▪ Retained business rates tariff adjustments
Confirmation of 2018/19 pay award from the National Joint Council for Local Government Services	▪ To estimate the 2018/19 pay award. Currently 2% assumed in 18/19 to allow for an annual pay settlement, payroll drift and the impact of the Living Wage.
Information yet to be received from Pension Fund actuaries	▪ For the final pension deficit charge arising from the TUPE transfer of the Revenues and Benefits staff from LGSS
Revenue & Benefits will update forecasts by end of January 2018 for the NNDR1 return	▪ Income from Business Rates currently in MTFS is very preliminary
The Town and Country Planning regulations have not yet been agreed and enacted by central government	▪ 20% increase in Planning Fees, not included in MTFS

Current uncertainty surrounding councils' ability to purchase commercial property, particularly out-of-borough. Announcements on this were expected in the Autumn Statement.	• Any change in government policy will impact on the amount of capital budget proposed for commercial property acquisitions and the assumed level of savings arising from new rental income streams
The CFO and Capita Asset Services are currently reviewing how much the Council needs to borrow over the medium term given likely needs to borrow for on-lending to NRL and to fund other large redevelopment projects. In addition, LGSS Finance are also reviewing the possible back-dating of the current MRP calculation policy which could generate further budget savings. Proposals will be brought to Cabinet and Council in December and January respectively as part of the mid year Treasury Management review.	• The outcome of the decisions will impact on the budget requirements for the Minimum Revenue Provision (MRP) and interest costs arising from external borrowing contained within the MTFS.

2018/19 Growth and Savings Proposals

51. The MTFS approved by Council in February 2017 set out a net savings target for 2018/19, based on a 5-year smoothing savings strategy, of £1.920m.

52. At the time of writing this report, £1.359m of net savings are proposed although further work is still ongoing on the figures and finalising a few potential additions to the savings proposals (arising from further income generation and accounting changes). The shortfall against the target reflects the increasing difficulty of finding further efficiencies and income generation opportunities to balance the budget rather than making budget savings by reducing front line services.

53. The MTFS has been updated on the basis that the 18/19 shortfall is covered by an additional contribution from reserves. Despite the shortfall in the savings target, when considered in line with other budget updates the required use of reverses is only £107k higher than expected in last year's budget paper.

54. The net savings include £0.8m of budget growth (i.e. increases to the budget) as outlined in Appendix 1. The growth includes reductions in property rental income associated the approved asset review and disposal programme, as well as removing any savings that are not currently achievable or are now to be addressed through the wider organisational review set out in the Chief Executive's report entitled "Fit for the Future".

55. A summary of the proposed budget savings and growth is shown in **Appendix 1**, with items categorised as either revenue generation, service efficiencies, or accounting changes.

Medium Term Financial Strategy (MTFS)

56. Table 2 below shows the proposed budget for 2017/18 and the medium term financial projections for the 5 years to 2022/23.

Table 2: Medium Term Financial Strategy 2018/19 to 2022/23 – Figures are in £000s

	2018/19	**2019/20**	**2020/21**	**2021/22**	**2022/23**
Employees	20,480	21,718	22,626	23,560	24,525
Premises	10,446	10,676	10,889	11,107	11,329
Transport	283	289	295	300	306
Supplies & Services	16,007	16,219	16,544	16,875	17,212
Capital Charges	1,517	1,517	1,518	1,519	1,519
Housing Benefit Payments	56,580	56,580	56,580	56,580	56,580
Third Party Payments	4,419	4,517	4,607	4,699	4,793
Recharge Expenditure	17,489	17,489	17,489	17,489	17,489
Recharge Income	(26,037)	(26,037)	(26,037)	(26,037)	(26,037)
Contribution to Capital	800	1,050	1,300	1,550	1,800
Fee, charges, rental income	(25,144)	(25,803)	(26,171)	(26,571)	(26,959)
Government Grants:	(59,458)	(58,716)	(58,258)	(58,133)	(58,096)
New Homes Bonus	(804)	(487)	(87)	0	0
Benefit Subsidy	(56,877)	(56,877)	(56,877)	(56,877)	(56,877)
Benefit/CTS Admin grant	(933)	(886)	(845)	(807)	(770)
Other Grants	(844)	(466)	(449)	(449)	(449)
Subtotal budgets	**17,382**	**19,499**	**21,382**	**22,938**	**24,461**
Net Savings cumulative	0	(1,955)	(3,910)	(5,865)	(7,820)
Use of reserves	(2,056)	(2,249)	(2,038)	(1,304)	(504)
Budget requirement	**15,326**	**15,295**	**15,434**	**15,769**	**16,137**
Business Rates	(5,036)	(5,776)	(5,895)	(6,017)	(6,142)
Formula Funding (RSG)	(982)	(213)	0	0	0
Council Tax	(9,308)	(9,307)	(9,539)	(9,752)	(9,995)
Total funding	**(15,326)**	**(15,295)**	**(15,434)**	**(15,769)**	**(16,137)**

57. The key issues to highlight in the MTFS are:

- A significant growth in the Council's payroll cost (assuming current levels and numbers of staff employed) – see paragraphs 59 to 61.

- The assumed loss of Formula Funding (RSG) and New Homes Bonus (NHB) during the five year period (paragraphs 65 and 66).

- The planned use of reserves over the next five years to help balance the budget (Table 6).

- The amount of net savings needed to be delivered over the MTFS planning horizon (paragraph 80).

- The proposal that Council Tax should rise at 2% or an additional £5 per annum, whichever is the higher, over the life of the medium term planning horizon (paragraph 75).

58. The next part of this report gives some detail about the key figures in the 2018/19 budget and MTFS and the assumptions made.

Pay and Price Assumptions

59. Payroll-related inflation has been estimated at 2% in 18/19 to allow for an annual pay settlement, payroll drift and the impact of the Living Wage.

60. The 2016-18 pay agreement included a commitment to a future restructure of pay spines to meet the national living wage future challenge. In future years the expected payroll costs have been increased in anticipation the impact of these changes, although the exact financial implications are uncertain.

61. Additional estimates have been included for expected increases to pension deficit contributions; although these will be subject to the outcome of future triennial valuations of the pension scheme (the next one will take effect in 2020/21). The pension deficit costs from joint ventures are forecast at current levels and will be revised in line with the triennial valuations.

62. Inflation based on advice from the Office for Budget Responsibility (OBR) has been included on premises costs, supplies and services, and transport throughout the MTFS planning timeline. Inflation on income however is prudentially set at 1.5% to run approximately 1% below expenditure inflation.

63. A 1% growth driver, based on dwelling and population, has historically been applied to the Neighbourhoods, Citywide and City Development service areas. As growth has been restricted to a minimum with service areas expected to find compensating savings, this blanket growth assumption has been removed.

Contributions to capital

64. In line with the 2017/18 MTFS, an additional £250k has been included in the budgeted revenue contribution to capital in 2018/19. The updated MTFS continues to increase the budgeted over the life of the MTFS, by £250k per annum, so that by 2022/23 £1.5m is provided as a funding source to the capital programme along with a £300k contribution to cover the costs of the Homes Improvements Agency team.

Government Grants

65. The Council agreed to accept the 4-year settlement deal offered in the 2016-17 Local Government Finance Settlement. The 2018-19 budgets reflect the third year of the deal. No RSG is assumed from 2020/21 and it is anticipated that the Council's main funding settlement from Government is unlikely to change for 2018/19 although confirmation will not be received until the Local Government Finance settlement is announced sometime in December 2017.

66. No additional New Homes Bonus is included in the MTFS from 2018/19 onwards in light of uncertainty over future grant levels. We are awaiting confirmation of any 2018/19 allocations as part of the Finance Settlement.

67. Grants for future years have been estimated at 2017/18 levels, with the exception of Housing Benefit, Universal Credit, and Local Council Tax Support Administration Grants. These grants have been estimated based on the experience of the Head of Service for Revenues and Benefits in line with trends for other authorities moving to full universal credit service.

Business rates

68. The Council's 2018/19 retained income from business rates has been currently been assumed at the indicative baseline funding level as provided in the 2017-18 Local Government Settlement.

69. As at the time of writing this report we are assuming income of £5.036m for 2018/19 derived as shown in table 3 below.

Table 3: Business Rates Retained Income – Figures are in £000s

	2018-19
Business Rates Baseline (per 17/18 settlement figures)	**£5,771**
Less: Norwich Business Rates 2017/18 deficit distribution	(£1,038)
Plus: Section 31 grant earmarked reserve transfer against deficit	£303
Total business rates 2018/19	**£5,036**

70. The Chancellor announced in his Budget Statement that, as from April 2018, the multiplier inflation applied will switch from RPI to CPI, with local government being fully compensated for the loss of income from this measure. The income forecasts will be updated on the basis on the Chancellor's Budget and presented in the final budget papers. These revised budgets will also reflect any amendments to the baseline in the 2018/19 Financial Settlement and also the updated estimates as per the NNDR 1 return, due to Government by the end of January 2018.

71. The 2017/18 business rates deficit reflects the forecast outturn for the current year. Whilst part of this deficit is offset by additional S31 grant receipts, the position is being adversely impacted by reductions in the gross rateable values and increases in mandatory reliefs. The deficit forecast is provisional at this stage and will be updated to reflect the NNDR1 return submitted in January.

72. There remains a significant financial risk on business rates income from the impact of valuation appeals, in particular over the 2017 valuation list. Currently there is little information available regarding the level or impact of potential appeals.

73. The forecasts for retained Business Rates income from 2020/21 assume current baseline amounts and do not take into account, as they are currently unknown, the potentially significant changes in funding arising from 100% Business Rates Retention and the Fairer Funding Review. The MTFS also assumes an annual inflationary rise in NNDR (capped at 2%) plus an allowance of £200k per annum for any deficits arising on the Collection Fund each year.

74. Norwich City Council has agreed to be included in an application from all Norfolk Councils to be part of the Department for Communities and Local Government's 2018/2019 100% business rate retention pilots. If successful the additional one-off income for the Council (currently estimated at some £0.5m) would not be received until 2019/20. This figure has not been included in MTFS projections as being a one-off sum of funding it should be used for either spend to save or another one- off scheme/project. Norfolk councils will know if we have been successful in December when the Local Government Finance Settlement is released.

Council Tax

75. Any increase in the level of council tax is limited by referendum principles, which for a district council is set at a maximum of 2% or £5 each year. A £5 increase to the Band D rate is assumed in the 2018/19 budget figures (£177k additional income) with the maximum increase allowed included in the amounts shown in years 2 to 5. An increase in the council tax base of 0.5% is assumed for each year of the MTFS arising from estimated growth in the number of dwellings in the Council's area.

76. The proposed 2018/19 Band D rate for 2018/19 is therefore £254.01. Table 4 below shows the impact of the proposed increase for each council tax band. This only shows the Norwich City Council share of total council tax and does not include the amounts required from preceptors - Norfolk County Council and the Office of the Police and Crime Commissioner for Norfolk.

77. The figures shown will be reduced, for qualifying council tax payers, by the council's discount scheme (Council Tax Reduction Scheme) which will be approved by Council in January 2018. Currently the total cost of the CTR scheme is £13.7m, of which the Norwich share is £2.0m.

Table 4: Council tax increases 2017/18 to 2018/19, Bands A to H

Band	**A**	**B**	**C**	**D**	**E**	**F**	**G**	**H**
2017/18	£166.01	£193.67	£221.34	£249.01	£304.35	£359.68	£415.02	£498.02
Increase	£3.33	£3.89	£4.44	£5.00	£6.11	£7.22	£8.33	£10.00
2018/19	£169.34	£197.56	£225.79	£254.01	£310.46	£366.90	£423.35	£508.02

78. An allowance of 2.5% for non-collectible debt has been built into the Council Tax figures used in the MTFS. Historically this allowance has been sufficient to cover any non-recovery of Council Tax amounts.

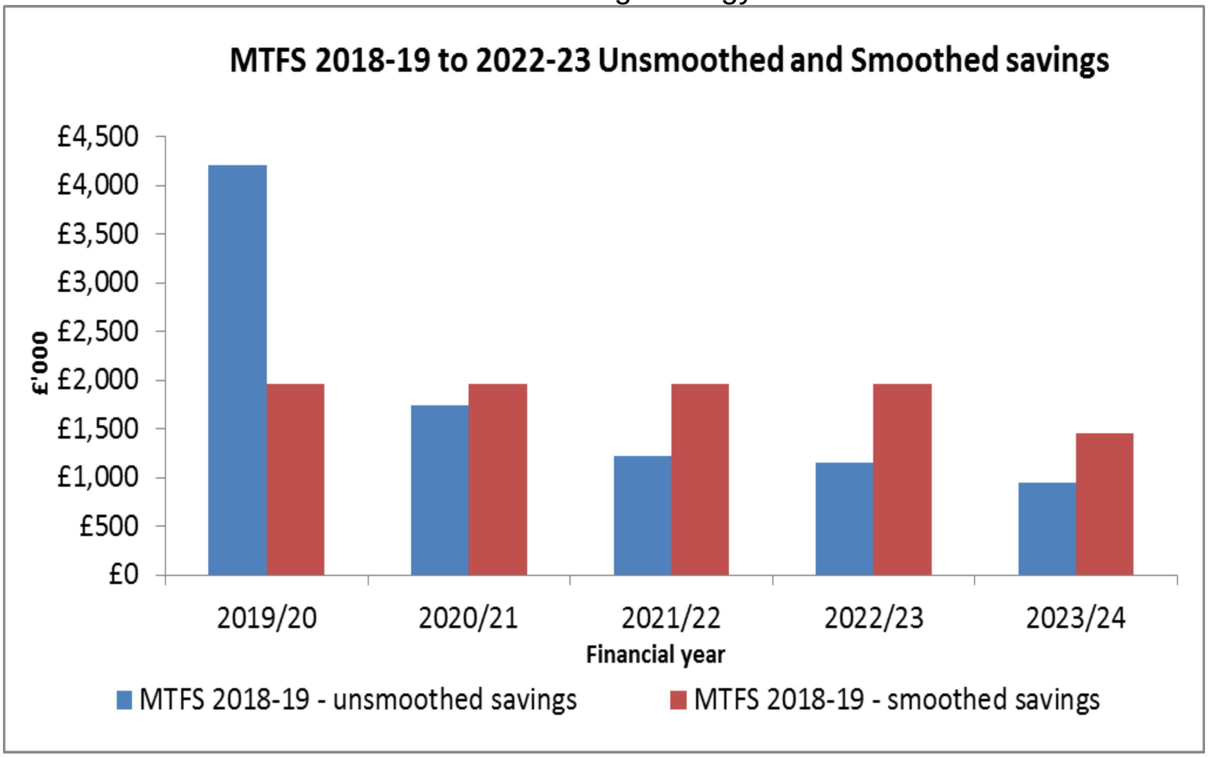
79. A collection fund surplus receipt of £303k for 2018/19 and £75k each year thereafter has been built into the MTFS based on the current surplus level and past history. This will continue to be reviewed each year and distributions made to the precepting authorities.

Budget savings required over the life of the MTFS

Table 5: Smoothed net savings required 2019/20 to 2022/23

	2019/20	**2020/21**	**2021/22**	**2022/23**
	£000s	**£000s**	**£000s**	**£000s**
Assumed annual budget growth	£0,750	£0,750	£0,750	£0,750
Gross saving requirement	(£2,705)	(£2,705)	(£2,705)	(£2,705)
Net annual saving requirement	**(£1,955)**	**(£1,955)**	**(£1,955)**	**(£1,955)**

80. The MTFS now shows a need to make further net savings of £7.8m, assuming inflationary and demand-led growth of £0.75m per annum, over the next 4 years, which following the “smoothed” approach equates to £2.0m each year to 2022/23. The graph below shows the savings that would need to be made in 2019/20 if the smoothing strategy were not to be undertaken.



General Fund Reserves Position

Table 6: Estimated General Fund Reserves Position 2017/18 to 2018/19

	2018/19	**2019/20**	**2020/21**	**2021/22**	**2022/23**
	£000s	**£000s**	**£000s**	**£000s**	**£000s**
Balance B/Fwd.	(13,156)	(11,100)	(8,851)	(6,814)	(5,510)

Use of reserves	2,056	2,249	2,038	1,304	504
Balance C/Fwd.	(11,100)	(8,851)	(6,814)	(5,510)	(5,005)
% of controllable spend	*24%*	*19%*	*14%*	*11%*	*10%*

81. The prudent minimum level set for the general fund reserve remains unchanged at £4.161m. The smoothed MTFS brings the forecast reserves down to the PMB plus 20% by the end of 2022/23.

82. After 2023 savings will still need to be required to the extent that any inflationary increases in costs are not able to be offset by rises in council tax and business rates. These savings will need to be made without relying on reserve contributions to balance the budget.

HOUSING REVENUE ACCOUNT AND BUSINESS PLAN

Forecast 2017/18 Outturn

83. The latest position on the Housing Revenue Account, as at period 6, shows that it is forecast to underspend by £1.643m. This underspend has been factored into the updated HRA business plan.

Provisional 2018/19 Revenue Budget

84. The provisional 2018/19 budget has been set following discussions with budget managers to determine achievable service budgets. All savings and growth items have been reviewed by the Corporate Quality Assurance Group led by the Chief Finance Officer and Head of Strategy and Transformation.

85. The table below shows the proposed HRA revenue budget for 2018/19:

Table 7: Movements from the base HRA 2017/18 budget – Figures are in £000s

Division of Service	Original Budget 2017/18	Draft Budget 2018/19	Change
Repairs & Maintenance	13,815	13,427	(388)
Rents, Rates, & Other Property Costs	5,789	6,501	712
General Management	12,115	11,934	(181)
Special Services	5,090	4,813	(277)
Depreciation & Impairment	21,992	21,786	(206)
Provision for Bad Debts	223	190	(33)
Adjustments & Financing Items (including revenue contribution to capital)	20,030	12,034	(7,996)
Gross HRA Expenditure	**79,054**	**70,685**	**(8,369)**
Dwelling Rents	(57,692)	(56,968)	724
Garage & Other Property Rents	(2,169)	(2,228)	(59)
Service Charges – General	(8,374)	(8,414)	(40)
Miscellaneous Income	(85)	(115)	(30)
Amenities shared by whole community	(586)	(427)	159
Interest Received	(175)	(100)	75
Gross HRA Income	**(69,081)**	**(68,252)**	**829**

Total Housing Revenue Account	**9,973**	**2,433**	**(7,540)**

86. The £7.54m movement from £9.973m to £2.433m is analysed in detail in appendix 2.

87. The gross expenditure of £70.68m exceeds the gross income of £68.25m, but this includes a revenue contribution of £11.14m in line with the planned reduction of reserves towards the recommended minimum balance.

88. As at the time of writing this report, the figures included in the provisional budget for the 2018/19 pay award have been assumed at 2% as confirmation is still awaited from the National Joint Council for Local Government Services**.**

Council Housing Rents

89. Historically, the level at which council housing rents were set was decided by Council in line with guidance set out by the government and information provided by the HRA Business Plan. However, in 2016/17 the government's rent policy was replaced by a mandatory minimum 1% reduction in rent for a four year period until March 2020, as set out in the Welfare Reform and Work Act 2016.

90. The enforced 1% rent reduction continues for 2018/19, which means that for HRA tenants, the average weekly rent will be £77.27 equating to an average reduction of £0.78.

91. It is proposed that garage rents are increased by 4%. This is in line with the government formula for dwelling rents prior to the implementation of the mandatory rent reduction, based on CPI as at the preceding September (3%) plus 1%.

92. In accordance with the constitution, levels of tenants' service charges will be determined by officers under delegated powers, in consultation with the portfolio holder and after engagement with tenant representatives.

HRA Business Plan

93. Financial planning for the HRA is based upon a business plan, which measures planned expenditure and income against the ability to repay borrowing.

94. Historically, the business plan has measured the repayment of borrowing over a 30 year period, however the model has recently been updated to extend projections over 60 years, which will enable further investment opportunities to be explored, such as additional new build schemes and the consideration of renewing rather than upgrading some housing stock.

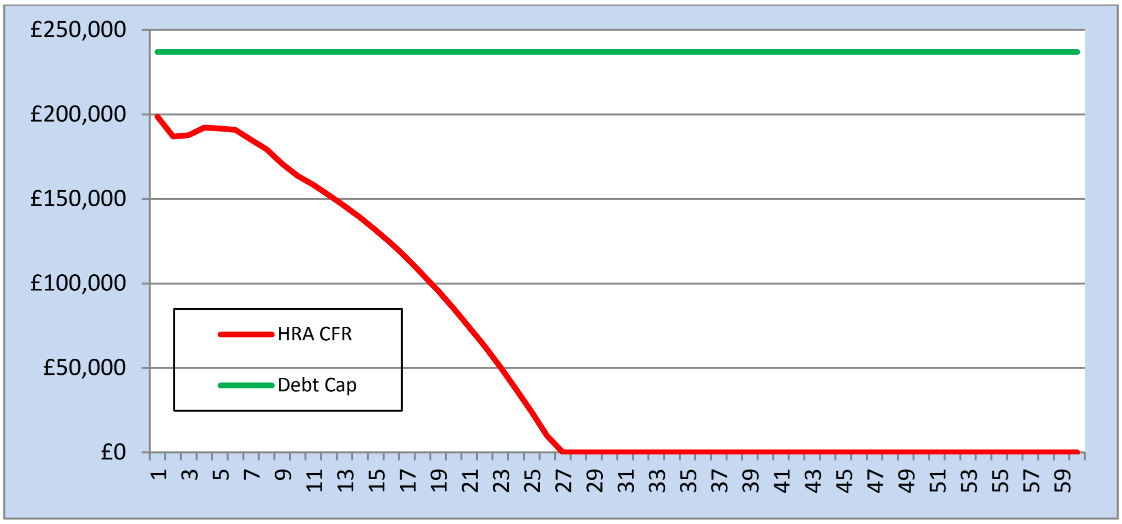
95. The business plan relies upon a combination of known and assumed economic factors and government announcements to generate a financial forecast.

96. The Housing and Planning Act 2016 made provision for a determination to be imposed on Housing Revenue Accounts in order to compensate Registered Providers for financial losses incurred as a result of extended Right to Buy legislation. It has been indicated that the sum may represent a significant additional capital cost, but the government has still not provided any indication as to how this will be calculated or when this may become due. It is therefore not currently possible to estimate the cost to the council or draw up detailed plans to address this, and it has therefore been omitted from the HRA business plan at this stage.

97. The government has confirmed its intention to implement a new rent policy which will end the four year mandatory rent reduction and enable social housing rents to increase by CPI plus 1% from 2020/21. This has been included within the HRA business plan.

98. The chart below illustrates the impact on the draft HRA business plan and HRA borrowing requirement of the draft proposed 2018/19 budgets and HRA capital programme, with rent continuing to reduce by 1% for the next 2 years. This demonstrates that the borrowing can be repaid with 27 years.

Table 8: Repayment of HRA borrowing – Figures are in £000s



HRA Reserves Position

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

Table 9: HRA reserves

Item	£'000
Brought Forward from 2016/17	(30,387)
Forecast use of balances 2017/18	9,973
Carried Forward to 2018/19	**(20,414)**
Draft Budget 2018/19	2,433
Carried Forward to 2019/20	**(17,981)**

100. Based on the forecast use of balances remaining in line with the 2017/18 budget, a substantial resource still remains to fund capital expenditure in 2018/19. This will continue to reduce resources towards the recommended minimum balance and reduce the requirement to borrow.

CAPITAL PROGRAMME

101. The council owns and maintains an extensive range of assets including commercial property, housing, a market, heritage assets, walkways/paths and lighting columns. Major investment in these and new assets is funded from the capital programme, which in turn is resourced from the disposal of surplus assets, revenue contributions, grants and borrowing.

102. Currently, capital budgets are included within either the non-housing or housing capital programme, but it is proposed to amend the designations from 2018/19, to the General Fund and HRA capital programmes.

103. Historically, for many larger schemes, the capital programme has included the full budget requirement in the first year of the project rather than the spend required being profiled over the expected implementation timetable. Other schemes have been included in advance of a business case being finally approved or the cost or resource requirements being fully established. This has resulted in the capital programme total being largely “aspirational” and significantly underspent when projects do not proceed within the financial year.

104. All budget proposals included in the proposed capital programme have been assessed and prioritised by the Corporate Quality Assurance Group, after discussion with NPS and/or the Budget Manager, in an attempt to ensure that all schemes have a robust business case, and are achievable in the financial year. The CFO recommends this approach to be able to better forecast the Council’s cash flow position, a requirement needed in light of the Council’s likely need to borrow over the life of the medium term planning horizon.

General Fund Capital Programme

105. The current proposed General Fund capital programme for 2018/19 to 2022/23 is set out below and provided in full detail in appendix 3.

Table 10: Proposed GF Capital Programme 2018/19 – 2022/23 – Figures are in £000s

Funding Method	GF Programme	2018/19	2019/20	2020/21	2021/22	2022/23
Borrowing	Asset Acquisition	40,000	-	-	-	-
Borrowing	Capital Loans	-	11,510	12,040	440	-
Capital Receipts/ RCCO	Asset Investment	560	170	-	-	-
Capital Receipts/ RCCO	Asset Upgrade	915	1,230	1,400	1,400	1,400

Capital Receipts/ RCCO	Capital Contingency	100	100	100	100	100
Grants	Capital Initiatives	970	970	970	970	970
CIL	CIL Neighbourhood	150	-	-	-	-
Section 106	Section 106	20	-	-	-	-
Total GF Capital Programme		**42,714**	**13,980**	**14,510**	**2,910**	**2,470**

106. In addition to the schemes included above and detailed appendix 3, there are a number of other significant potential schemes, currently at an early planning stage. These will require detailed business cases, which once approved will be submitted to cabinet for recommendation to council for inclusion within the capital programme during the year. Such potential schemes include the redevelopment of the former Mile Cross depot site, the regeneration of the airport industrial estate with the County Council and a Joint Venture partner, replacing the Council's IT legacy systems, and the construction of purpose built temporary accommodation.

Schemes funded by external borrowing

107. Schemes that are proposed to be funded from borrowing include Commercial Property Acquisitions and On-lending (currently the programme only includes on-lending to Norwich Regeneration Limited) and they must demonstrate, through robust financial modelling, that they will generate a revenue income in excess of the borrowing costs before they go ahead.

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

108. The council's extensive and diverse asset portfolio presents a significant maintenance and upgrade liability, requiring continual investment. As many of these assets do not generate an income, it is not possible to fund the investment from borrowing and provision must be made to cover the costs from capital receipts or a revenue contribution instead.

109. Currently, the maintenance and upgrade requirements are identified by NPS as the need for work arises and are submitted to form part of the capital programme on an annual basis. This process does not allow longer term strategic planning and can result in high levels of investment being required at short notice which may exceed the funding available or the capacity available within NPS to manage the work. This short term perspective also has an impact on the maintenance revenue budget leading to increased "patch and mend" expenditure rather than strategic upgrading of the council's assets in line with a prioritised conditioning survey.

110. In addition, and as part of the changes required under CIPFA's Prudential Code, the council is required to publish a capital strategy, which must set out the long term context in which capital expenditure and investment decisions are made in line with the council's service objectives.

111. In order to address this, NPS have been asked to update a stock condition survey of all General Fund property assets. This will identify upcoming investment requirements and enable the council to prioritise these for inclusion in a five year rolling programme to be agreed up-front by Council.

112. The level of capital receipts generated from the sale of the council's property assets has fluctuated widely over the last five years. However, these are a finite resource and will not continue to generate similar levels of income in the future.

113. To mitigate against the anticipated reduction in future capital receipts, the council has introduced a revenue contribution to capital outlay (RCCO) into the MTFS. For 2017/18 this was set at £250,000 and it is proposed to increase this annually by £250,000 until it reaches £1.5m. Although this presents an additional strain on the General Fund revenue budget, it is considered essential that it is preserved if the Council's extensive range of assets are to be maintained in the future.

114. In line with the planned future available funding and the intention to only include schemes that are achievable within the financial year, it is proposed to limit the more "routine" capital maintenance/upgrade schemes to be funded from capital receipts and revenue contributions within a capital "envelope" total of £1.5m per annum. Bigger, one-off, projects may be included in addition to this depending on the Business Case, the need for the scheme, and the availability of capital receipts.

115. On occasions, as projects progress, it becomes apparent that due to unforeseen costs, it may be necessary for expenditure to slightly exceed the allocated budget. This can cause project delays as surplus funds are identified from alternative budgets or approval sought from Council to increase the capital programme. For 2018/19, a capital contingency budget of £100,000 is proposed, which can be utilised to vire small additional amounts to increase budgets as required, subject to the approval procedures set out in the Financial Procedures.

Grants, Section 106 and CIL Neighbourhood

116. Schemes that are proposed to be funded from grants form part of the work carried out by the Homes Improvement Agency which is funded by the Better Care Fund (including the Disabled Facilities Grant) received from Norfolk County Council.

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

HRA Capital Programme

118. The current proposed HRA capital programme for 2018/19 to 2022/23 is set out below and provided with additional detail in appendix 4.

Table 11: Current Proposed HRA Capital Programme 2018/19 – 2022/23 – Figures are in £000s

HRA Capital Programme	2018/19	2019/20	2020/21	2021/22	2022/23

Council House Upgrade Programme	22,800	21,328	20,460	19,114	19,370
Site Development	100	50	50	50	50
New Build Social Housing	7,864	2,977	5,394	2,199	-
Grants to Registered Housing Providers	808	2,000	2,000	2,000	2,000
Total HRA	**31,572**	**26,355**	**27,904**	**23,363**	**21,420**

119. The proposed council house upgrade programme continues to maintain the Norwich Standard of improvement and the structural integrity of tenants' homes.

120. The New Build Social Housing budget includes the development of 105 new homes at Goldsmith Street by the HRA and the purchase of 76 homes from Norwich Regeneration Ltd (48 at Threescore in phase 2, 21 in phase 3 and 7 at Ber Street).

121. Grants to Registered Housing Providers are funded from retained one-for-one Right to Buy receipts in accordance with the principles agreed by cabinet on 7 October 2015.

122. All proposed HRA capital and revenue budgets are incorporated into the HRA Business Plan projections, which indicates that the planned expenditure remains affordable whilst maintaining the ability to repay borrowing within 30 years.

PUBLIC CONSULTATION AND NEXT STEPS

123. In line with the approach used in previous years, citizens, HRA tenants, partners and local businesses will be consulted on the proposed approach to meeting the savings target for 2018/19 and the proposed Council Tax and HRA rental levels. This consultation will also include the council tax reduction scheme despite there being no significant changes proposed for the scheme in 2018/19. The consultation opened on 29 November 2017 and will run until 17 January 2018.

124. The next steps for the budget and MTFS proposals are set out below:

Scrutiny to consider the "Emerging 2018/19 Budget and Medium Term Financial Strategy"	14 December
Cabinet to recommend the 2018/19 Council Tax Reduction Scheme	17 January
Council to approve the 2018/19 Council Tax Reduction Scheme	23 January
Scrutiny to consider the proposed General Fund revenue budget and MTFS, HRA Business Plan and capital programme	25 January
Cabinet to recommend the General Fund revenue budget and MTFS, HRA Business Plan and capital programme	7 February

Council to approve the General Fund revenue budget and MTFS, HRA Business Plan and capital programme	20 February

Integrated impact assessment	NORWICH City Council

The IIA should assess **the impact of the recommendation** being made by the report
Detailed guidance to help with the completion of the assessment can be found here. Delete this row after completion

Report author to complete	
Committee:	Cabinet
Committee date:	13 December 2017
Director / Head of service	Karen Watling
Report subject:	Emerging 2018/19 Budget, Medium Term Financial Strategy (MTFS) and HRA Business Plan
Date assessed:	28 November 2017
Description:	This integrated impact assessment covers the emerging position, as currently known, for the General Fund revenue budget, the HRA Business Plan, and the Council's capital programme.

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

	Impact			
Equality and diversity (please add an ‘x’ as appropriate)	**Neutral**	**Positive**	**Negative**	**Comments**
Relations between groups (cohesion)	☒	☐	☐	
Eliminating discrimination & harassment	☒	☐	☐	
Advancing equality of opportunity	☒	☐	☐	The emerging budget and savings within this paper covers a wide range of council activity and spend. As a result it is not possible to provide a detailed assessment of, for example, the impact on residents and others with protected characteristics under The Equality Act at this level. Existing council processes for equality impact assessments should continue to be carried out at an appropriate time for the individual projects, activities and policies that constitute this budget and transformation programme.
Environmental (please add an ‘x’ as appropriate)	**Neutral**	**Positive**	**Negative**	**Comments**
Transportation	☒	☐	☐	

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

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

Appendix 1

Summary of General Fund Net Savings

Additional income generation	**£'000**
Net rental income from commercial property acquisition	(400)
Increased recovery of housing benefit overpayments	(300)
Car park additional income from approved tariff increases and higher car park usage	(129)
Bus shelter additional advertising income	(85)
Reviews of fees & charges, including: Garden waste subscription charges Allotment subsidy Food hygiene training and advice charges Bulky waste charges	(28)
Increases from other income generation, including: Income from Norman Centre and The Halls Alignment of budget with current taxi license income levels Contractual management fee income from Riverside Leisure Centre	(176)
Total additional income generation	**(1,118)**

Service reviews and efficiencies	**£'000**
Joint venture contract savings	(187)
Reduction in required repairs budget on general fund premises	(117)
Other service efficiencies, including: Business and relationship management service review Planning service review Enforcement service review additional savings (completed in 2017/18) Heigham Park grass tennis maintenance cost savings Asset reviews Review of TCV grant funding Service Reviews	(470)
Total savings from service reviews and efficiencies	**(774)**

Budget reduction from financing and reserves transfers	**£'000**
Reduction in debt financing expense due to scheduled loan repayments	(255)
Reduction in contribution to the Insurance earmarked reserve based on specialist advice	(31)
Total budget reduction from financing and reserves transfers	**(286)**

GROSS SAVINGS	**(2,178)**

Growth items	**£'000**

Loss of property rental due to disposals and vacant properties. This is in line with the approved disposal programme and review of the asset portfolio.	219
Partial removal of 17/18 customer contact & service standards model savings	127
Planned saving of business rates expenditure at Mile Cross depot not yet feasible while options for the site are considered	98
Increase in election costs due to there being only a City Council funded election for 2018/19	76
Reduction in budgeted joint venture profit share	75
Planned additional income from the cemeteries service now not considered achievable based on current income levels	50
Overestimation in planned 2017/18 savings from carbon management programme and night watchman	45
Reduction in contaminated waste shared income	40
Increased legal contract costs resulting from higher usage of the service by the Council and a reduced profit share. Offset in part by higher capitalisation of legal costs associated with commercial property acquisitions.	35
Tourism Information - unachieved 17/18 income	20
Housing Benefit overpayment reduction	17
Reduce public lighting costs - partially unachieved 17/18 savings item	10
Increased contribution to the Greater Norwich Growth Board	7
Total budget growth	**819**

NET SAVINGS	**(1,359)**

Appendix 2

Housing Revenue Account Budgets 2018/19 - movements by type

Adjustment to Base	**£'000**
Reduction in revenue contribution to capital	(8,319)
Increase in corporate recharges	38
Other recharge changes	(167)
Total Adjustment to Base	**(8,448)**

Inflation	**£'000**
Contract/expenditure inflation	54
Staff salary inflation and increments	133
Pension added years and pension deficit inflationary adjustments	124
Total Growth and Inflation	**311**

Growth	**£'000**
Increase in corporate debt management costs	20
Increase in repair costs	333
Partial subsidy of sheltered housing support costs	100
Additional Specialist Support provided to HRA	14
Total Growth	**467**

Income Reduction	**£'000**
Forecast increase in void dwelling rate	24
Reduction in rents (mandatory 1% reduction)	700
Reduction in service charge income	148
Reduced rental income from commercial properties	8
Total Income Reduction	**880**

Savings	**£'000**
Reduction in HRA debt management costs	(365)
Service reviews	(128)
Reduction in premises costs	(48)
Reduction in housing rents bad debt provision	(58)
Reduction in insurance reserve	(32)
Other savings (individually under £10k)	(33)
Total Savings	**(664)**

Income Increase	**£'000**
Increase in income from garage rents	(51)
Increase in income from commercial property	(16)
Increase in court fees	(11)
Additional income (individually under £10k)	(10)
Total Increased income	**(87)**

Appendix 3

Proposed General Fund Capital Programme

Funding	GF Programme	Project	2018/19 (£'000)	2019/20 (£'000)	2020/21 (£'000)	2021/22 (£'000)	2022/23 (£'000)
Borrowing	Asset Acquisition	Acquisition of income generating assets	40,000	-	-	-	-
Borrowing	Capital Loans	10-14 Ber Street on-lending	-	4,350	-	-	-
Borrowing	Capital Loans	Three Score phase 3 on-lending	-	5,105	12,040	-	-
Borrowing	Capital Loans	Three Score Phase 2 on-lending	-	2,055	-	440	-
Capital Receipts/ RCCO	Asset Upgrade	Hewett Yard communal toilet refurbishment	7	-	-	-	-
Capital Receipts/ RCCO	Asset Upgrade	Riverbank Stabilisation (River Yare And River Wensum)	83	33	33	33	-
Capital Receipts/ RCCO	Asset Upgrade	Royal Oak Court - Demolition	39	-	-	-	-
Capital Receipts/ RCCO	Asset Upgrade	City Hall – Fire system Detector Replacements	45	-	-	-	-
Capital Receipts/ RCCO	Asset Upgrade	City Hall – Fire System – Replace Gas extinguishing system control Panels	17	-	-	-	-
Capital Receipts/ RCCO	Asset Upgrade	St Giles MSCP Emergency Lighting Battery Replacement	16	-	-	-	-
Capital Receipts/ RCCO	Asset Upgrade	Community Centre replacement fire detection systems	21	-	-	-	-
Capital Receipts/ RCCO	Asset Upgrade	Riverside Leisure Centre – Replacement of end of life plant equipment	10	-	-	-	-
Capital Receipts/ RCCO	Asset Upgrade	Earlham Park Toilet replacement	87	-	-	-	-
Capital Receipts/ RCCO	Asset Upgrade	Eaton park path replacement	45	45	45	45	45
Capital Receipts/ RCCO	Asset Investment	Purchase of grounds maintenance equipment	560	170	-	-	-
Capital Receipts/ RCCO	Asset Upgrade	Credit and Debit card upgrade at St Andrews and St Giles MSCP	33	-	-	-	-
Funding	**GF Programme**	**Project**	**2018/19 (£'000)**	**2019/20 (£'000)**	**2020/21 (£'000)**	**2021/22 (£'000)**	**2022/23 (£'000)**

Capital Receipts/ RCCO	Asset Upgrade	CCC Refurbishment Project	304	-	-	-	-
Capital Receipts/ RCCO	Asset Upgrade	Hewett Yard refurbishment - surfacing	25	-	-	-	-
Capital Receipts/ RCCO	Asset Upgrade	Non Trafficked Pedestrian Bridges/Boardwalks	55	33	33	33	-
Capital Receipts/ RCCO	Asset Upgrade	Strangers Hall Stores Roof	28	-	-	-	-
Capital Receipts/ RCCO	Asset Upgrade	Riverside Footpath District Lighting Upgrade.	21	21	21	-	-
Capital Receipts/ RCCO	Asset Upgrade	City Hall Heating System	17	10	158	-	-
Capital Receipts/ RCCO	Asset Upgrade	Castle Museum Windows	33	-	-	-	-
Capital Receipts/ RCCO	Asset Upgrade	Hewett Yard refurbishment - roofing	15	-	-	-	-
Capital Receipts/ RCCO	Asset Upgrade	Pulls Ferry quay heading	17	-	-	-	-
Capital Receipts/ RCCO	Capital Contingency	Capital Contingency	100	100	100	100	100
Capital Receipts/ RCCO	Asset Upgrade	Additional Asset Upgrade Schemes to be identified in future years	-	1,088	1,110	1,289	1,355
Grants	Capital Initiatives	Home Improvement Agency Works	970	970	970	970	970
CIL Neighbrhd	CIL Neighbrhd	CIL Neighbourhood Projects 2018/19	150	-	-	-	-
Section 106	Section 106	Castle Gardens Improvements	14	-	-	-	-
Section 106	Section 106	Play Sector 3 & 4 Improvements	6	-	-	-	-
Total			**42,714**	**13,980**	**14,510**	**2,910**	**2,470**

Appendix 4

Proposed Housing Capital Programme

Project	2018/19 (£'000)	2019/20 (£'000)	2020/21 (£'000)	2021/22 (£'000)	2022/23 (£'000)
Home Upgrades	5,390	-	-	-	-
Window & Door Upgrades	1,655	-	-	-	-
Community Upgrades	570	-	-	-	-
Heating Upgrades	3,820	-	-	-	-
Thermal Upgrades	1,660	-	-	-	-
Preventative Upgrades	7,995	-	-	-	-
Independent Living Upgrades	750	-	-	-	-
Sheltered Housing Regeneration	250	-	-	-	-
Fees	710	-	-	-	-
Council House Upgrade Programme Future Years	-	21,328	20,460	19,114	19,370
Site Development	100	50	50	50	50
New Build Social Housing	7,864	2,977	5,394	2,199	-
Grants to Registered Housing Providers	808	2,000	2,000	2,000	2,000
Total	**31,572**	**26,355**	**27,904**	**23,363**	**21,420**