NORWICH
City Council

Committee Name: Cabinet

Committee Date: 14/12/2022

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

Portfolio: Councillor Kendrick, cabinet member for resources

Report from: Interim Head of finance, audit and risk

Wards: All Wards

OPEN PUBLIC ITEM

Purpose

To consider proposals for the council's 2023/24 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 work, will be brought back to Cabinet in February 2023 with a recommendation to consider and approve those proposals before it goes to February Budget Council for agreement alongside the council tax setting decision.

Recommendation:

a) note the latest financial information and the financial strategy principles incorporated into the report, which enable the Council to set a balanced budget for 2023/24; and

b) note the budget principles used for consultation and agree that budget consultation with businesses, residents, tenants and other interested stakeholders commences to inform the Council's budget setting decisions in February 2023.

Policy Framework

The Council has five corporate aims, which are:

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

This report is relevant for all five corporate aims.

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

Report Details

Background

1. Like all local authorities, Norwich City Council continues to face substantial financial challenges. Following on from a sustained period of austerity – the council is facing increasing demand for local services and significant inflationary rises in costs. The wider economic situation is putting huge financial pressures not just on council resources, but those of partners, local businesses, and residents, particularly the most vulnerable. The council also continues to manage the ongoing risk and uncertainty over future funding.

2. It is within this context and financial uncertainty that the council has developed the budget options for 2023/24 and its approach to ensuring a sustainable medium term financial strategy.

3. Nevertheless, the council's ambition for Norwich is undiminished. In February 2022, Full Council approved the Corporate Plan 2022-26. That document sets out the vision for the city and for the council over the next four years. It is also shaped by the Norwich 2040 City Vision. The corporate plan provides a framework for the decisions taken - how we prioritise and how we allocate the resources we have available to achieve these priorities.

4. A key priority in the corporate plan is putting the council on a sustainable financial footing and delivering services effectively and efficiently. Future budget decisions will need to balance delivering on the ambition and priorities of the council whilst ensuring the authority remains financially sustainable over the medium and longer term. As part of delivering this priority, it is important to ensure the continuous review and development of the council's medium-term financial strategy. This then informs the options and decisions for delivering balanced and sustainable budgets over the next four years and beyond.

5. The council is ambitious and wants to make a real difference to both the physical fabric of the city and to the lives of residents who live and work here. But given the financial constraints the council is unable to fund all the investment required itself and, in some cases, there will be other groups and sectors better placed to lead the response to the challenges and opportunities ahead.

6. The council will therefore work with others to secure investment in the city's future and deliver the ambitious shared vision for Norwich, acting as an "enabler" or "catalyst" for change, and ensure that its own resources, particularly its capital investment, are flexed as far as possible to deliver the key outcomes set out in the Corporate Plan.

Summary

7. This report sets out 2023/24 budget proposals across the General Fund, the Housing Revenue Account, and the capital programme along with medium term expenditure and financing plans. It updates the report considered by cabinet in July 2022 which formed the basis for developing options to address the budget gap identified at that time.

8. This report outlines the budget principles which form the basis for public consultation on the general fund revenue and capital budgets for 2023/24. 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 and proposed by Cabinet on 8 February 2023 and finally approved by Council on 21 February 2023.

9. This report also provides an update on the implications from the recent Autumn Budget announcements, for local authority finances. Although the budget announcement gave details of the broad shape of public finances for the next 4 years, the impact on Norwich City Council will not be known in detail until the provisional local government finance settlement is published. The exact date of the settlement announcement is not known but in recent years it has been made in the immediate period leading up to Christmas.

General Fund

10. The Autumn Statement confirmed the scale of the financial challenges in the coming years, with significant tightening of departmental spending especially in the latter years of the spending review period. Much of this will be through not uprating funding allocations in line with inflation for all departments and the prioritisation of areas such as defence spending and the NHS, giving rise to real terms spending reductions for other areas of public services.

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

12. To balance the provisional general fund budget for 2023/24, £5.658m of savings and income proposals have been identified, the full detail of which is provided in Section 2 of the report, subject to consultation where appropriate.

13. The council is awaiting the provisional local government financial settlement, but the indications are broadly for a roll-forward settlement approach over the next two years. There is no update currently in terms of the government’s longer-term reforms to local government finance and most commentators have taken the later years’ financial information as highly speculative given that they fall after the next general election.

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

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

16. Current forecasts, given the caveats highlighted above, show that a further £4.866m of gross savings will need to be found from the general fund over the three-year period from 2024/25. This level of savings represents a further 8% of the 2023/24 provisional gross expenditure budget (excluding the housing benefits budget).

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

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

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

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

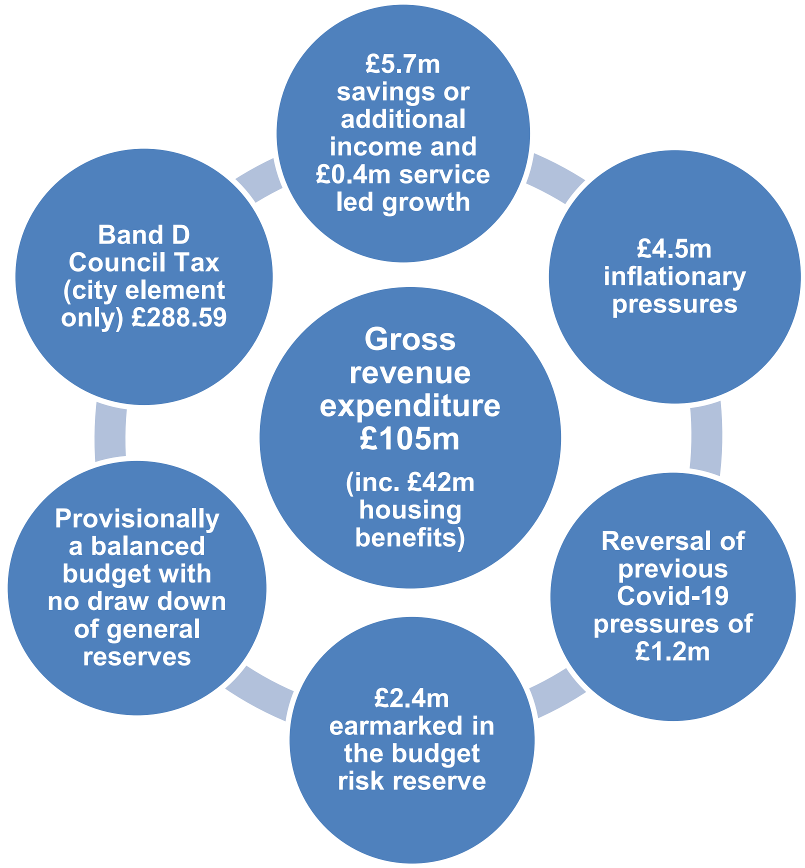
20. As part of the Future Shape Norwich programme, focus areas have been identified which have the potential to improve service delivery, operational efficiency and/or support the financial sustainability of the council. These themes cover:

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

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

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

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



Housing Revenue Account (HRA)

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

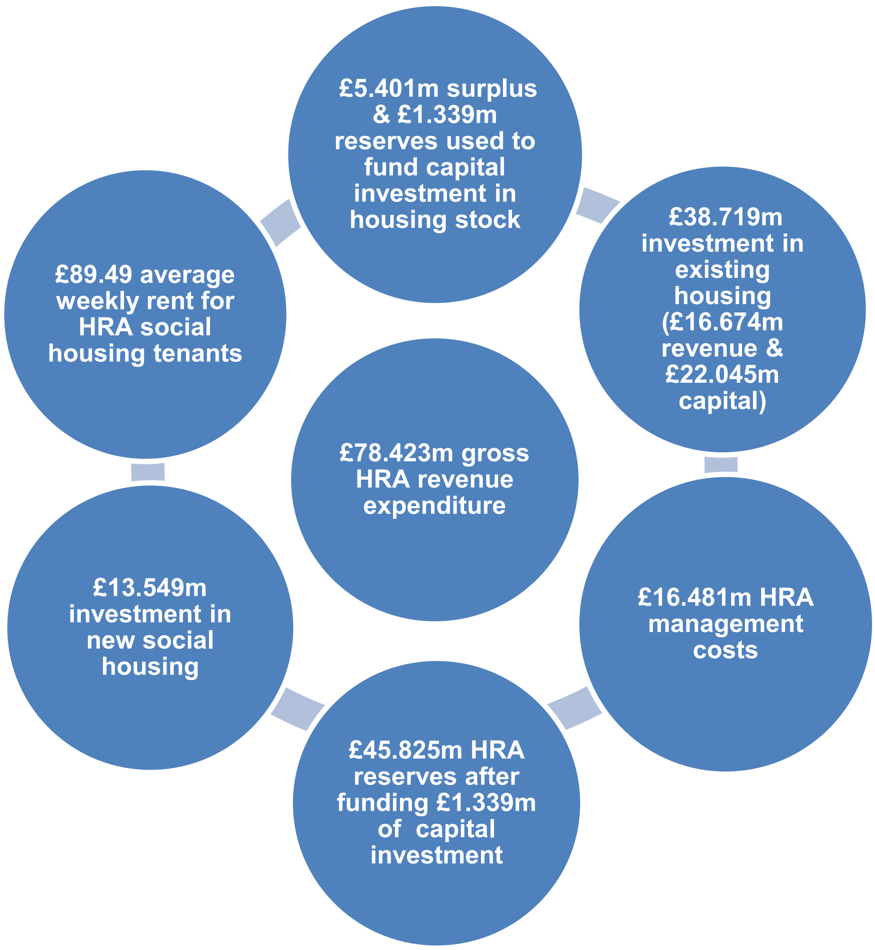
24. Although the HRA is in a relatively stable position in the short-term, there are future pressures and competing priorities for the budget linked to the council's ambitions around continuing to develop high quality new council housing and maintaining and renewing existing homes. The HRA has also lost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

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

26. The HRA is forecast to make a surplus of income over expenditure of £5.401m in 2023/24 and it is proposed to use this surplus along with £1.339m of reserves to fund capital investment in new social housing.

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

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



Capital Programme

28. The council's proposed capital investment programme for 2023/24 is £63.448m, with £214.167m to be invested in housing and infrastructure over the five years of the programme. An illustration of some of the key projects and programmes are given in charts 3 and 4 and the detail can be found in Appendix 4 (B).

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

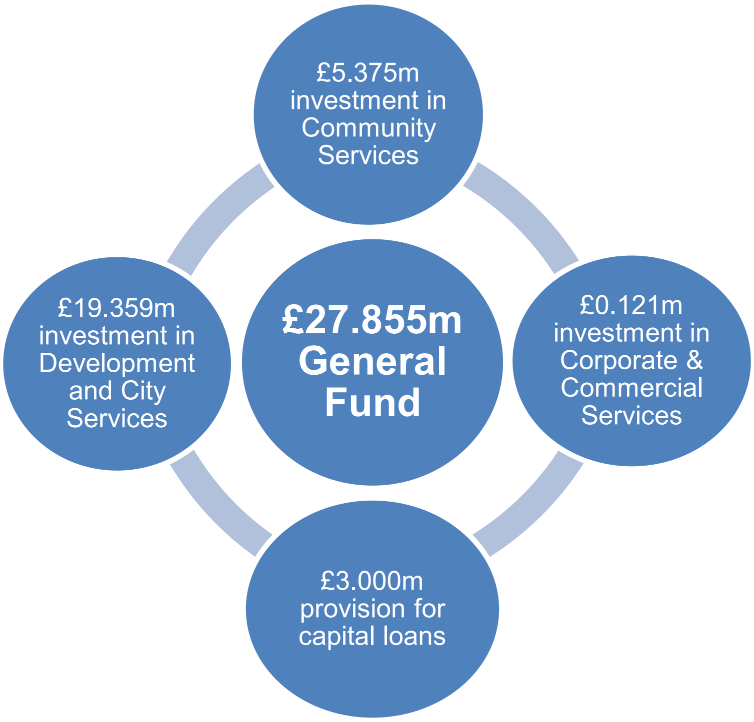
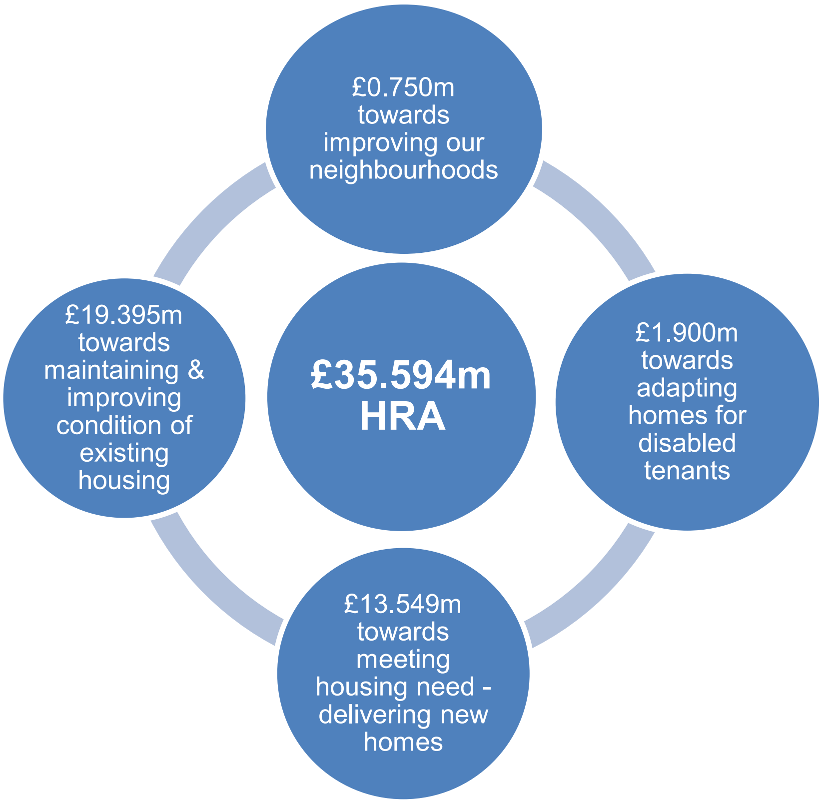


Chart 4: Illustration of proposals within the HRA capital programme



Equality Impact of budget proposals

29. 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.

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

31. 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

32. 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 2023/24 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 is attached in Section 6 and will be made available online in the days following Cabinet consideration of this report. The budget consultation will be available to access online and additional engagement through a range of stakeholder groups will also be undertaken.

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

Scrutiny to consider the proposed General Fund revenue budget and MTFS, HRA Business Plan, capital strategy, investment strategy and capital programme	2 February 2023
Cabinet to recommend the General Fund revenue budget and MTFS, HRA Business Plan and capital programme	8 February 2023
Council to approve the General Fund revenue budget and MTFS, HRA Business Plan and capital programme	21 February 2023

Consultation

Consultation will take place through the online survey and the Council is actively considering ways to increase participation levels and ensure that it reflects the demographic composition of the city. A consultation period which will run until the 20th January is proposed and activity to encourage participation through the Council's citizen magazine and other routes shown to be effective elsewhere will be used as appropriate.

Tenant Involvement Panel representatives are due to be consulted on the proposed rent increase at a meeting on 18th January 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

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

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

Legal

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.

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

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

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

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

Consideration	Details of any implications and proposed measures to address:
Environmental Impact	The proposed capital investment strategy will provide for improvements to the council's assets and the surrounding environment.

Risk Management

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

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

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

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

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

Reasons for the decision/recommendation

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

Background papers: None

Appendices:

- Section 1: Local Government Finance – Economic and Statutory Context
- Section 2: General Fund – MTFS and 2023/24 Budget
- Section 3: HRA 2023/24 Budget
- Section 4: Capital Programme
- Section 5: Equality Impact Assessment
- Section 6: Public Consultation

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1. Local Government Finance – Economic & Statutory Context

Autumn Statement & Wider Economy

1.1 On 17th November 2022 the government announced its Autumn Statement, a six-month update on the Spring Budget. The Chancellor set out three priorities for the government's budget - stability, growth, and public services.

1.2 The Government faces a budget shortfall of £55bn and announced around £30bn in spending cuts and £25bn in tax rises. A large proportion of the fiscal tightening will be achieved towards the back end of this spending review period, after the next General Election. Much of the consolidation is also achieved by freezing tax allowances, and not uprating spending allocations in line with inflation. Departmental budgets will remain as previously set in cash terms for the next two years and will grow at 1% a year in real terms (accounting for inflation) the following three years.

1.3 Alongside the Autumn Statement, the Office for Budget Responsibility published its November 2022 Economic and Fiscal Outlook. This outlined that the global energy and food supply shocks emanating from Russia's invasion of Ukraine have intensified, stalling the global economic recovery from the pandemic. This is increasing the financial pressure on governments that emerged the pandemic with higher debt and are again being called upon to help households and businesses through this latest crisis.

1.4 Key economic forecasts in the report included:

- In the UK, CPI inflation is set to peak at a 40-year high of 11 per cent in the current quarter. Inflation is then expected to drop sharply over the course of next year and is taken below zero in the middle of the decade by falling energy and food prices before returning to its 2 per cent target in 2027.
- Rising prices will erode real wages and reduce living standards by 7 per cent in total over the two financial years to 2023/24 (wiping out the previous eight years' growth), despite over £100 billion of additional government support.
- The squeeze on real incomes, rise in interest rates, and fall in house prices all weigh on consumption and investment, tipping the economy into a recession lasting just over a year from the third quarter of 2022, with a peak-to-trough fall in GDP of 2 per cent.
- Unemployment rises by 505,000 from 3.5 per cent to peak at 4.9 per cent in the third quarter of 2024.
- Public sector net borrowing (PSNB) rises sharply from £133.3 billion (5.7 per cent of GDP) last year to £177.0 billion (7.1 per cent of GDP) in 2022/23. This is mainly due to higher debt interest spending and the cost of energy and other cost-of-living support to households and businesses.

Impacts for Local Government

1.5 For local government, the government estimates the measures announced make available an additional £6.5bn for core services above that agreed at SR21 over the remaining two years of the spending review period. This includes: £1.9bn in new grant funding for adult social care; up to £1.8bn in further flexibility for councils on council tax; and £3.2bn from delaying the rollout of adult social care charging reform from October 2023 to October 2025. It also includes removing £0.4bn of funding which is no longer required following the cancellation of the increase in National Insurance Contributions. The £6.5bn does not include inflationary changes to business rates income. The key individual measures impacting on local government are summarised below.

1.6 **Council Tax.** Further council tax flexibilities were announced, including increasing the core referendum limit for increases in council tax to no more than 3% per year from 2023/24. In addition, councils with social care responsibilities will be able to increase the adult social care precept by up to a further 2% per year. This will make available an anticipated additional £1.8 billion to local authorities over the next two years, if councils make use of the flexibilities available

1.7 **Business Rates:** From 1 April 2023, a revaluation will update rateable values for non-domestic properties in England in line with evidence from April 2021.

- The Autumn Statement announced a £13.6 billion support package to protect ratepayers facing increase. This includes a freezing of the Business Rates multipliers for 2023/24, a Transitional Relief scheme to limit the rate at which bills can increase, a more generous Retail, Hospitality and Leisure relief, and the Supporting Small Business scheme to cap bill increases for business that lose relief due to the revaluation.
- Local authorities will be fully compensated for any loss of income as a result of these business rates measures and will receive new burdens funding for administrative and IT costs. It is not clear, however, whether compensation will be payable at CPI or the Retail Price Index (RPI) and confirmation will be received as part of the Provisional Local Government Settlement in December.

1.8 **Social Care.** An additional £2.8 billion of funding is available for social care in 2023/24, increasing to £4.7 billion in 2024/25. This includes £1 billion of new grant funding next year for social care – increasing to £1.7 billion from 2024/25. There is a delay in the planned adult social care charging reforms from October 2023 until October 2025, but the funding intended for implementation will be retained in local authority budgets to help them meet current pressures.

1.9 **Living Wage.** There will be an increase in the National Living Wage, from £9.50 per hour, to £10.42 per hour from April 2023.

1.10 **National Insurance.** National Insurance thresholds will be frozen until April 2028. This will be an additional cost to the Council as it will increase, in real terms, the amount of Employer Contributions that will be paid each year.

1.11 Given that employers are no longer facing the additional pressure of increased employer National Insurance contributions, the government are revising the additional grant funding for councils, announced as part of the 2021 Spending Review, by approximately £200m in 2023/24 and 2024/25.

1.12 **Social Rent.** The Government is capping the amount rents can increase by next year at 7% compared to around 11.1% under the previous rules (which allowed for a rise equivalent to CPI+1%).

1.13 **Household Support Fund.** An extension was announced for 2023/24, providing £1 billion additional funding, bringing total funding to £2.5 billion. This will be administered by Local Authorities (generally upper tier authorities).

1.14 **Levelling Up.** The Autumn Statement restated the government's commitment to levelling up, confirming that the second round of the Levelling Up Fund will allocate at least £1.7 billion to priority local infrastructure projects. Successful bids will be announced before the end of the year.

1.15 **Devolution.** The government also committed to giving more local areas greater power to drive local growth and tackle local challenges. This includes delivering the commitment to agree devolution deals with all areas in England that want one by 2030. Building on other devolution deals agreed this year, the government has agreed a further mayoral devolution deal with Suffolk County Council and is in advanced discussions on mayoral devolution deals with local authorities in Cornwall, Norfolk and the North East of England.

1.16 **Investment Zones.** The government will refocus the Investment Zones programme. The government will use this programme to catalyse a limited number of the highest potential knowledge-intensive growth clusters, including through leveraging local research strengths. The Department for Levelling Up, Housing and Communities will work closely with mayors, devolved administrations, local authorities, businesses and other local partners to consider how best to identify and support these clusters, driving growth while maintaining high environmental standards, with the first clusters to be announced in the coming months.

Implications for Norwich

1.17 The Autumn Statement is expected to be followed by a policy paper in early December and then the provisional local government finance settlement in late-December. This will provide clarity on the individual grant allocations (including New Homes Bonus), core spending allocations and business rates baseline funding.

1.18 Our initial assessment of the implications for Norwich are detailed below:

- The announcement of an overall increase in resources for local government is better than many expected although with the pressures and priority being attached to Social Care it is unclear the extent to which those resources will be distributed through targeted grants rather than more general distributions.

- The up to 3% council tax referendum limit for shire districts is an improvement on the previous Medium-Term Financial Strategy (MTFS) assumption (2%). Applying a 2.99% increase to council tax would generate approximately £0.320m for the council. This would result in a Band D increase of £8.38 (16p per week) to a total of £288.59. As such, the council is proposing to consult on proposals to increase council tax by the full permissible amount.

- The council will be compensated by the government for business rates income lost through the decision to freeze the multiplier for 2023/24 rather than apply CPI. Additional business rates reliefs announced for the retail, hospitality and leisure sectors should also be fully funded from central government through grant to the council.
- Local authorities will be fully compensated for any loss of income as a result of the business rates measures announced and will receive new burdens funding for administrative and IT costs. It is not clear, however, whether compensation will be payable at CPI or RPI and confirmation will be received as part of the Provisional Local Government Settlement.
- The settlement will include removing £0.4bn of funding which is no longer required following the cancellation of the increase in National Insurance Contributions. However, there was no clear additional amount of grant allocated to the council in 2022/23 so an estimated reduction of in the council's Services Grant has been assumed pending confirmation in the Provisional Local Government Settlement.
- The level by which social housing rent may be increased is determined by the Direction on the Rent Standard 2019, which enables authorities to increase rent annually by up to CPI (Consumer Price Index) as at the preceding September plus 1%. In September 2022, CPI increased to 10.1%, which would have resulted in a rent increase of 11.1%. However, the Autumn Statement announced that following consultation, all social housing rent increases for 2023/24 will be capped at 7%, which would generate an average weekly rent increase of £5.85 for Norwich social housing tenants.

2. GENERAL FUND 2023/24 BUDGET AND MTFS

Forecast 2022/23 Outturn

2.1 The latest position on the General Fund, as at Quarter 2 shows a forecast underspend of around £1.4m.

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

2.3 In the updates to the medium-term financial strategy in this report, it has not been assumed that the Q2 underspend level is returned to general fund reserves, rather it is expected that any costs of implementing the council's change programme incurred in 2022/23 will have first call on the final underspend. The updated forecast for Q3 will be reported to Cabinet in February and an update on any impacts on reserve levels reported in the full budget papers.

Proposed 2023/24 Revenue Budget

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

Savings, growth and investment

2.5 Permanent savings/additional income of £5.658m have been identified. This is slightly lower than the savings target of £6.2m identified in the MTFS update presented to Cabinet in July 2022. However, other updates to the MTFS assumptions, such as the higher increase in council tax receipts and lower permanent growth, means that the provisional budget shows a balanced position, with no requirement to draw down on general reserves. A detailed summary of the proposed budget savings and growth is shown in Appendices 2 (F) and 2 (G).

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

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

2.8 The council will be consulting the public on the proposed approach to setting the budget and on the potential for a council tax rise (see paragraph 2.16). An analysis of the results will be provided as part of the final budget report to Full Council in February.

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

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

2.11 There is investment of £0.695m from the business change, invest to save and commercial property earmarked reserves to support specific projects in 2023/244. The full detail is shown in Appendix 2 (H).

Inflation

2.12 The increasing inflation levels, as detailed in Section 1, have placed additional pressures on the council's finances. £4.5m of inflationary costs have been incorporated into the 2023/24 provisional 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 not yet concluded for the 2023/24 financial year and therefore an estimate of payroll inflation at 4% has been included within the provisional budget. Given that pay costs form a significant proportion of the council's budget and the uncertainty over future pay awards, this is a key budget risk (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 2023/24.

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

2.17 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 £14.4m, of which the Norwich share is around £1.9m.

2.18 The current estimate of the Council Tax base is 38,260 which combined with the Band D rate gives an expected income of £11.041m in 2023/24.

2.19 The forecasts for retained Business Rates income for 2023/24 assumes income in line with the council's baseline funding level as set by government but uprated for the September CPI level of 10.1%. The estimated income also includes an allowance for the known final instalment of the spreading of the 2020/21 deficit (£0.288m) as allowed by government as part of Covid-19 recovery measures. On 22 September 2022, all Norfolk local authorities confirmed to MHCLG a provisional intention to create a Norfolk business rates pool in 2023/24 (more detail in paragraph 2.37 to 2.39).

Grants

2.20 Without the detail of the Provisional Local Government Financial Settlement the council does not yet have certainty over its grant funding levels in 2023/24.

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

2.22 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 2023/24. As a result, the provisional budget position now assumes an improved set of grant assumptions; with the revenue support grant and lower tier grant held at 22/23 levels, New Homes Bonus reduced by 10% and the services grant reduced by a third to provide allowance for the reclaim of funding for the now-reversed increase in National Insurance contributions.

	2022/23 Budget	**July MTFS assumption**	**Provisional budget 2023/24**
New Homes Bonus	(545,630)	(363,753)	(491,070)
Lower Tier	(268,541)	(179,027)	(268,541)
Services grant	(412,700)	(275,133)	(272,380)
Revenue Support Grant	(224,804)	(149,869)	(224,804)
	(1,451,675)	**(967,782)**	**(1,256,795)**

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 2023. As outlined in Section 1 the council is awaiting the provisional financial settlement from Government in December 2022 which will confirm grant allocations and the business rates tariff to be applied.

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

- **Pension deficit contributions.** The results of the triennial pension scheme valuation are expected to be available shortly which will confirm the council's required pension contributions for the period 2023/24 – 2025/26. The provisional budget figures have assumed the same percentage primary contribution rate as currently operating and a cash flat secondary contribution.

- **Grant levels.** These will be confirmed as part of the Provisional Local Government Finance Settlement. This is expected to include details about whether the council will continue to receive New Homes Bonus and at what level for 2023/24.

- **Contracts.** Final contract and service level agreement figures for services provided between the council and its wholly owned company Norwich City Services Ltd (NCSL).

- **Business Rates Income.** The draft rating list following the national revaluation exercise was released in November and the council is awaiting confirmation of its baseline funding level and tariff which will be confirmed as part of the Local Government Finance settlement. In addition, there will be updated estimates available for any surplus funds arising in 2022/23.

- **Council Tax.** The final council tax base and any estimated surplus from 22/23 will be updated for the final budget papers.

- **Business Rates Liabilities.** The council pays business rates on its premises and will be impacted by the national revaluation exercise. Updated estimates will be available where more information is available about the draft rating list and the nature of the government's transitional arrangements.

- **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.

- **Commercial Rents.** A review is currently being undertaken of the council's property portfolio and the potential future income levels. This may impact on the final proposed rental income budgets for 2023/24 as well as informing the projections incorporated in the medium-term financial strategy.

Budget Risks

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

- **Savings delivery & cost of change.** The budget includes £5.658m of savings and income proposals for delivery in 2023/24. This is a significant undertaking and will require resources (e.g. project management, backfill, redundancy costs) to implement successfully. Delays in the implementation timelines will impact on the deliverability of savings in next financial year. To facilitate delivery a corporate change team has been set up to co-ordinate and programme manage the full range of projects. Close monitoring of delivery will be undertaken, and any financial risks managed within year or through the strategic use of reserves.

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

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

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

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

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

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

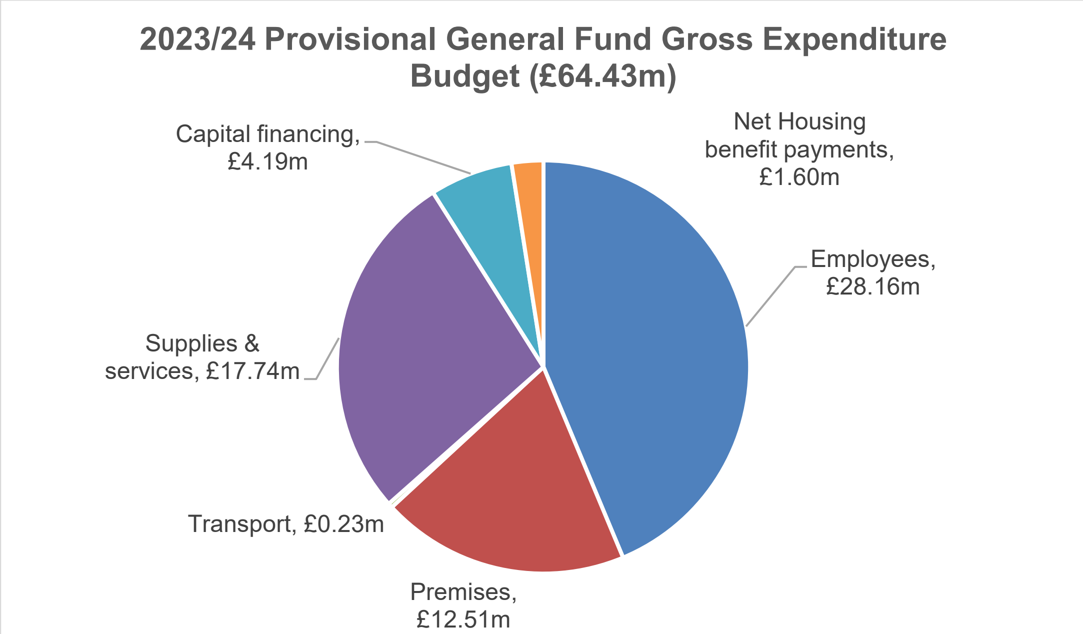
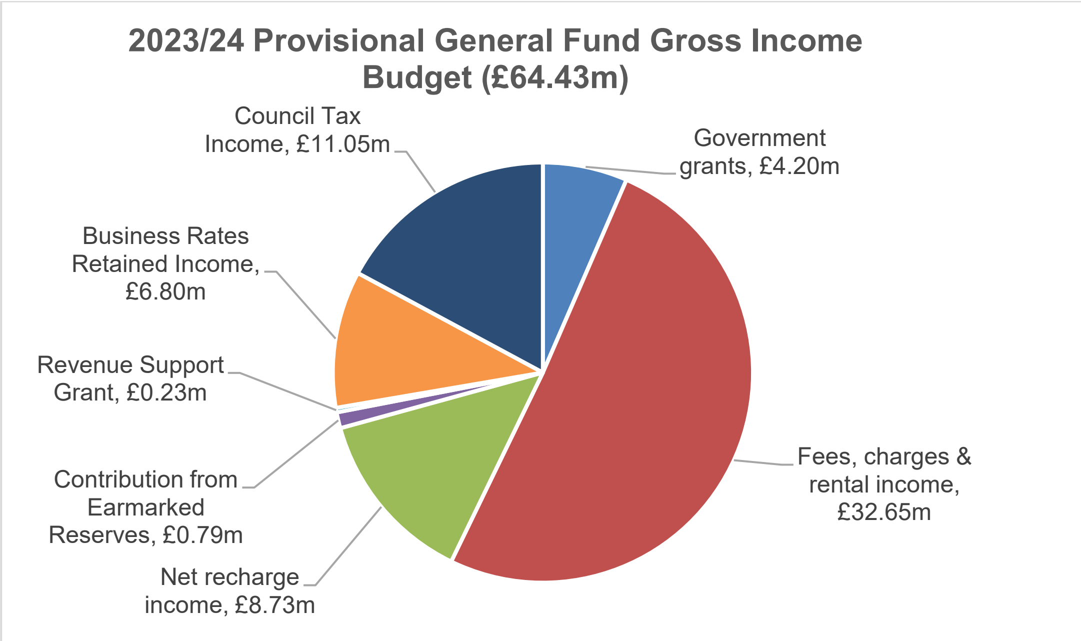


Chart 2.2: 2022/23 provisional gross income budget by type of income



Medium Term Financial Strategy (MTFS)

2.26 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.

2.27 The July MTFS update identified a savings requirement of £10.953m over the four-year period to 2026/27 (Table 2.1). The updated MTFS is showing a savings requirement over the same period of £10.524m, of which

£5.658m has been identified and incorporated into the 2023/24 budget proposals. This leaves a forecast requirement to deliver a further £4.866m of savings by 2026/27 (Table 2.2). The full MTFS by subjective group is shown in Appendix 2 (D).

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

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

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

	2023/24	2024/25	2025/26	2026/27
Budget base	18,067*	21,407	21,282	21,962
Resources	(18,067)	(19,358)	(19,921)	(20,506)
Contribution from reserves	0	0	0	0
Savings required (in-year)	**0**	**2,049**	**1,361**	**1,456**
Savings required (cumulative)	**0**	**2,049**	**3,410**	**4,866**

* Includes £5.658m of savings – see Appendix F

2.28 The council has identified a range of potential future savings of £6.692m against the revised cumulative target of £4.866m. These are provisional options and are still subject to a full budget validation process. All options will continue to be refined as part of future corporate business planning processes.

2.29 It is important at this stage that the provisional options identified exceed the target for several reasons. Firstly, it allows for options to be reviewed and feedback from the public consultation to shape the future budget direction. Secondly, as the options are still subject to a full validation process it is likely that the savings figures may evolve and change as this work is completed. Lastly, there is a high degree of risk associated with the MTFS projections especially around government funding from 2025/26 onwards 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.

Key figures & assumptions in the 2022/23 budget and MTFS

Council Tax

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

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

2.32 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 £14.4m, of which the Norwich share is £1.9m.

2.33 The current estimate of the Council Tax base is 38,260 which combined with the Band D rate gives an expected income of £11.041m in 2023/24.

2.34 For future years of the MTFS, the same referendum principles have been assumed with the maximum increase allowed being taken each year. An increase in the council tax base of 1.25% per annum is also assumed for estimated growth in the number of dwellings in the Council's area.

Business rates

2.35 The business rates collected during the year by billing authorities are split between central government and local government. Billing authorities such as Norwich City Council initially retain 40% of the business rates collected in their area, with then either a tariff or top-up applied to redistribute business rates more evenly across authorities.

2.36 A baseline funding level is set by central government and a 'safety net' system operates to ensure that no authority's income drops by more than 7.5% below their baseline funding level.

2.37 On 22 September 2022, all Norfolk local authorities confirmed to MHCLG a provisional intention to create a Norfolk business rates pool in 2023/24.

2.38 The key benefit of the pooling arrangement is that rather than pay a 50% levy to government on business rates growth above the baseline, the income is retained locally by the Norfolk authorities in line with an agreed Memorandum of Understanding (MOU). Under the terms of the MOU, the collective pooled will be split:

- One third to Districts shared equally
- One third to the County Council
- One third to be distributed to Districts based on actual growth achieved, after an allocation of one third to the County Council.

2.39 There are also financial risks associated with pooling. Under the terms of the Governance Agreement, the Norfolk Pool operates a safety net guarantee; this means the pool members collectively ensure that each authority receives as a minimum 92.5% of their baseline funding.

2.40 The updated MTFS assumes business rates retained income in line with the council's baseline funding level as set by government but uprated annually for the forecast CPI level.

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

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

Payroll

2.43 The MTFS shows growth in the Council's payroll cost (assuming current levels and numbers of staff employed). Payroll-related inflation has been estimated at 4% in 2024/25 and then 2% in future years to allow for an annual pay settlement, payroll drift, and the impact of the Living Wage.

2.44 The council is awaiting confirmation of the results of the pension fund triennial valuations. The last triennial review of the council's Local Government Pension Scheme covered the period 2020/21 to 2022/23. The process for the next review by the scheme actuaries is nearing completion and the outcomes are expected imminently and will determine the contribution levels for the three-year period starting 2023/24.

2.45 As part of their pre-valuation work, the actuaries have undertaken a high-level review of the council's investment and contribution strategies. This review has shown an improvement in the funding position of the council's pension scheme mainly because of investment performance. As a result, initial estimates indicate a potential cash freeze on the contribution level. At this stage a cash flat contribution has been included over the life of the medium-term financial strategy, but this will be refined pending the outcome of the review.

Inflation

2.46 Based on advice from the Office for Budget Responsibility's (OBR) Consumer Price index (CPI) forecasts, future inflation has been included on premises costs, supplies and services, and transport throughout the MTFS planning timeline. Inflation has been assumed at 7% in 2024/25, then reducing sharply to 1% before realigning with the Bank of England's 2% target by 2028/29. Inflation on income however is prudentially set to run below expenditure at 1.5% per annum in 24/25 and at 1% thereafter.

Government Grants

2.47 Detail on the current core grant assumptions for 2023/24 is included in paragraph 2.22. The MTFS assumes that these remain cash-flat over the medium term.

2.48 The council's spend in relation to the Homelessness Prevention Grant and Rough Sleeper Initiative Grant is assumed to match the level of grant available. Therefore, budgets will need to be realigned at the point the allocations are finalised. The MTFS includes the continuation of the grants and related expenditure for future years; any changes in the grant levels are therefore assumed will be offset by reductions in the related expenditure.

2.49 Other specific grants for future years have been estimated at 2022/23 levels, except for Housing Benefit Administration subsidy which has been estimated to reduce annually by 10% based on the service area experience for other authorities moving to full universal credit service.

Capital financing budget

2.50 The capital financing budget includes interest charges from external borrowing and Minimum Revenue Provision charges. The budget for 2023/24 provides coverage to replace any loans expiring over the MTFS period, which is expected to realise savings because of the interest rate forecasts for borrowing being lower than the rates being paid on the maturing loans. No allowance has been made for any new borrowing on the assumption that the capital programme will be supported by either capital receipts or internal borrowing. The assumptions will be kept under review and further detail on the capital strategy provided as part of the full budget papers in February.

Income from wholly owned companies

2.51 The MTFS assumes a steady state loan interest income budget of £0.428m per annum arising from lending to Norwich Regeneration Ltd (NRL) 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.

2.52 The MTFS assumes £0.066m of interest income from Norwich City Services Ltd from the loan advanced to the company to undertake depot improvement works. The budget and MTFS forecasts do not include any possible dividend (profit share) income from the company.

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

MTFS Risks & Uncertainties

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

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

General Fund Reserves Position

The General Fund reserve

2.55 The prudent minimum level for the general fund reserve was set at £5.100m by full Council in February 2022 as part of the budget approval. This will be reviewed as part of the main budget report in February 2023 but is not expected to move significantly.

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

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

2.56 The forecast reserves position incorporates the budget contribution from reserves for 2022/23 (£2.100m) and assumes a balanced budget in 2023/24. This would leave general reserves at £8.236m which is above the prudent minimum level of £5.100m.

2.57 On the basis that provisional options have been identified to close the budgetary shortfall in the years 2024/25 to 2026/27 no further drawn downs from general reserves are currently forecast. If the timetable for savings delivery changes to mean identified amounts cannot be delivered until later in the MTFS period, there is capacity to utilise up to £3m of additional reserves (down to the prudent minimum level) in the short term to support the budget position. Reserves are however a one-off source of funding and therefore this is not sustainable in the long term but could be considered where there is a clear and robust plan to address the budget shortfall.

Earmarked Reserves

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

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

	Actual 31 March 2022	Forecast 31 March 2023	Forecast 31 March 2024
Invest to Save Reserve To support the delivery of savings and efficiencies through the Future Shape Norwich Programme over the next 2-3 years.	2,011	1,513	1,097
Budget Risk Reserve To manage the financial risks associated the delivery of the budget savings identified.	2,391	2,391	2,391
Business Change Reserve To fund costs linked to the council's change programme which are not delivering specific savings, for example project management, benchmarking and potential redundancies. It will also support training and development of our workforce to ensure we have the skills required to deliver the ambitions of the Council.	1,577	1,031	442
Commercial Property Reserve Established to reduce the risks associated with holding commercial property by providing funding for any future void and rent-free periods as well as repairs and upgrades to the investment portfolio.	2,490	1,524	1,698
Insurance Reserve This is to cover the excesses carried in respect of claims under various insurance policies and is subject to annual review.	1,133	1,133	1,133

	Actual 31 March 2022	Forecast 31 March 2023	Forecast 31 March 2024
Norwich Regeneration Ltd Reserve Originally established to smooth any fluctuations in net income received by the Council from lending to NRL. The reserve level was increased in 2019/20 to mitigate against any potential future Minimum Revenue Provision charges required to cover for estimated non-recovery of the loan balance. The recoverability of the loan will continue to be reviewed and should any element of the reserve not be required it can be returned to general reserves.	2,700	2,050	1,400
S31 Grant Reserve Unutilised balance of S31 grant monies received in prior years from Central Government to fund Business Rates reliefs. The increase in the reserve as at 31 March 2022 reflects the additional grant income received to compensate the council for additional business rates reliefs announced by HM Treasury as part of the Covid-19 response. These will be returned to the general fund over the next two years to match the timing of the related collection fund deficits.	11,645	2,350	2,350
Revenue Grants Unapplied Holds grants and contributions received which have yet to be applied to meet expenditure. The use of the balance is restricted and can only be used to fund the specific service area awarded the grant income. The majority of the balance is made up of Section 106 contributions which are released each year to support the maintenance costs on specific assets e.g. play areas.	4,477	3,674	3,374

	Actual 31 March 2022	Forecast 31 March 2023	Forecast 31 March 2024
General Fund Repairs Reserve To provide future funding for required maintenance on general fund properties. £0.2m budgeted to be used in 2021/22 to fund required property maintenance.	600	475	475
Business Rates Pool Reserve The council received a distribution of £0.675m from the Norfolk Business Rates Pool as agreed by Norfolk Leaders. It is set aside in this reserve to support future spend in line with the economic development objectives of the fund.	675	110	110
Other minor reserves	150	150	150
Total	**29,849**	**16,401**	**14,620**

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

	£000
2022/23 Budget Resources	**(17,713)**
Budget movements:	
Reduction in business rates income	105
Increase in council tax income	(459)
2023/24 Budget Resources	**(18,067)**

2022/23 Budget Requirement	**17,713**
Budget movements	
Reverse prior year contribution from reserves	2,100
Reversal of one-off items in the 2022/23 budget	(528)
MTFS movements	87
Inflation	4,504
Reduction in grant income	263
Other movements and recharges	(814)
Permanent growth - Appendix 2 (G)	401
Permanent savings & additional income - Appendix 2 (F)	(5,659)
New service investment from earmarked reserves	694
Earmarked reserve transfers to meet new service investment	(694)
Revised 2023/24 Budget Requirement	**18,067**

Appendix 2 (B): 2022/23 provisional budget by subjective group

Subjective group	Budget 2022/23 £000	Budget 2023/24 £000	Movement £000
Employees	30,224	28,161	(2,063)
Premises	10,489	12,512	2,023
Transport	249	229	(20)
Supplies & services	17,779	17,742	(37)
Housing benefit payments	41,492	41,639	147
Capital financing	4,377	4,186	(191)
Gross expenditure	**104,610**	**104,469**	**(141)**
Government grants	(44,845)	(44,233)	612
Fees, charges & rental income	(27,683)	(32,652)	(4,969)
Net recharge income	(10,051)	(8,727)	1,324
Gross income	**(82,579)**	**(85,612)**	**(3,033)**
Contribution from General Reserves	(2,100)	0	2,100
Contribution to/from Earmarked Reserves	(2,218)	(790)	1,428
Total Budgetary Requirement	**17,713**	**18,067**	**354**

Explanation of key variances:

- Employee costs have decreased by £2.063m. Although the 2023/24 employee budget includes inflationary adjustments for salaries and on-costs (£1.6m), the transfer of some property services employees directly into the Housing Revenue Account (£1.7m which would previously have been a recharge) combined with other service review impacts and reductions in pension deficit costs has resulted in an overall net decrease in costs.
- The premises increase in costs is primarily due to significant inflationary increases, in particular in relation to gas, electric and insurance costs.
- Fees, charges and rental income has increased mainly as a result of the prior year Covid-19 growth being reversed (£1.2m) and additional interest of cash investments (£3.8m). A share of the additional interest is recharged to the Housing Revenue Account (£2.1m) which can be seen in the reduction in net recharge income line.
- The reduction in the contributions from reserves is due to being able to balance the 2023/24 budget without support from general reserves. The contribution from earmarked reserves reflects the current allocations as detailed in Appendix 2(H).

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

	Gross Expenditure £000	Gross Income £000	Net Expenditure £000
Chief Executive	**267**	**0**	**267**
Corporate Financing	**3,064**	**(7,198)**	**(4,134)**
Corp & Commercial Services Management	475	0	475
Finance, Audit & Risk	2,002	(1,141)	861
HR & Organisational Development	1,239	(506)	733
Legal & Procurement	3,152	(1,371)	1,781
Revenues & Benefits	44,653	(41,331)	3,322
Total Corporate & Commercial Services	**51,521**	**(44,349)**	**7,172**
Community Services Management	403	0	403
Customers, IT & Digital	8,329	(3,190)	5,139
Strategy, Engagement & Culture	3,905	(1,249)	2,656
Housing & Community Safety	6,893	(5,663)	1,230
Total Community Services	**19,530**	**(10,102)**	**9,428**
Development & City Services Management	555	0	555
Environment Services	18,046	(14,414)	3,632
Planning & Regulatory Services	4,024	(1,854)	2,170
Property & Economic Development	7,462	(7,695)	(233)
Total Development & City Services	**30,087**	**(23,963)**	**6,124**
Total General Fund	**104,469**	**(85,612)**	**18,857**
Contribution from General Reserves	0	0	0
Contribution from Earmarked reserves	0	(790)	(790)
Contribution to Earmarked reserves	0	0	0
Budget Requirement	**104,469**	**(86,402)**	**18,067**

Revenue Support Grant		(225)	(225)
Business Rates Retained Income		(6,795)	(6,795)
Council Tax Income		(11,047)	(11,047)
Budget Resources		**(18,067)**	**(18,067)**

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

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

	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000
Employees	28,161	28,853	29,354	30,165
Premises	12,512	13,092	13,192	13,285
Transport	229	231	231	232
Supplies & Services	17,742	17,935	18,070	18,206
Capital Charges	4,186	3,404	2,991	2,866
Housing Benefit Payments	41,639	40,466	39,589	39,024
Benefit Subsidy	(40,036)	(38,358)	(37,148)	(36,186)
Net recharge income	(8,727)	(8,337)	(8,337)	(8,337)
Contribution to Capital	0	0	0	0
Fee, charges, rental income	(32,652)	(32,149)	(31,530)	(31,352)
New Homes Bonus	(491)	(491)	(491)	(491)
Benefit/CTS Admin grant	(860)	(799)	(744)	(695)
Other Government Grants	(2,846)	(2,845)	(2,846)	(2,845)
Earmarked reserves transfer	(790)	(95)	0	0
Assumed growth cumulative	0	500	1,000	1,500
Subtotal budgets (no savings)	**18,067**	**21,407**	**23,331**	**25,372**

Business Rates	(6,795)	(7,544)	(7,615)	(7,686)
Formula Funding (RSG)	(225)	(225)	(225)	(225)
Council Tax	(11,047)	(11,589)	(12,081)	(12,595)
Total funding	**(18,067)**	**(19,358)**	**(19,921)**	**(20,506)**

Budget Gap	**0**	**2,049**	**3,410**	**4,866**

Appendix 2 (E): Council Tax Bands

Proposed Council tax increases 2022/23 to 2023/24, Bands A to H

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

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

Theme	Directorate	Description	2023/24 £000	2024/25* £000	2025/26* £000	2026/27* £000	TOTAL
Efficiencies, funding changes and budget rebasing	Community	Detailed line-by-line review of budgets	182	9	4		195
	Community	Review of shared amenities recharge to the HRA for maintenance on communal areas.	120				120
	Community	Additional grant income to support private sector leasing team for its role in housing refugees.	24				24
	Community	Reduction in the costs of the Citizen magazine through a review of frequency and combining with tenant magazine.	10				10
	Community	Move Community Enabling team to (50:50) HRA/GF split, supporting delivery of tenant engagement requirements of Housing White Paper		135			135
	Corp & Commercial	Detailed line-by-line review of budgets Key items: • £83k reduction in added-years pension payments • £100k Reduction in insurance settlements budget in line with historic trends	294	25	95	15	429
	Corp & Commercial	Assumed future reduction in the general fund contingency level (currently £400k)			25	25	50

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

Theme	Directorate	Description	2023/24 £000	2024/25* £000	2025/26* £000	2026/27* £000	TOTAL
	Corp & Commercial	Income generation through operation of an assessment centre and selling learning and development places to other local authorities.		7	5	5	17
	Development & City	HMO licence fee increase based on 5yr licences	20				20
	Development & City	Expansion of charges for Parking in parks – charges for parking in parks to be extended to car parks that have suitable infrastructure and space	10	10			20
	Development & City	Review of Car Parking charges – charges have not been reviewed for a number of years, and new charges will be introduced to reflect the current market		480	360	120	960
	Development & City	Review of markets income in line with lease terms	61	38			99
	Development & City	Migrate all Garden Waste customers to Direct Debit payment	21				21
	Development & City	Align Allotment Rents to ensure that service is cost neutral		10			10
	Development & City	Street Traders' Licences. This proposal would seek to increase the number of licences issued and review the tariff based on independent benchmarking.		49	49		98
	Development & City	Planning fee increase (legislatively set fees)		140			140

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

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

Theme	Directorate	Description	2023/24 £000	2024/25* £000	2025/26* £000	2026/27* £000	TOTAL
Treasury & debt management	Corporate financing	Improved income returns on council cash investments.	1,774				1,774
	Corporate financing	Reduction in interest costs as borrowing refinanced at maturity at lower interest rates.	1,423				1,423
	Corporate financing	Prepayment of the council's pension deficit payment - all three years paid over to the pension fund in 2023/24 realising a cash reduction in overall contributions.	225				225
		Estimated HRA recharge impact		(227)	(108)	36	(299)
			5,658	**2,691**	**2,895**	**1,106**	**12,350**

* The council has identified potential future savings of £6.692m against the cumulative target of £4.866m. These provisional options are shown the table above and will continue to be subject to validation work and potential savings values refined as part of the 2024/25 corporate business planning cycle.

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

Permanent Growth

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

Appendix 2 (H): Invest to Save Spend & Business Change Reserve Allocations 2023/24

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

	Business Change Reserve allocations	2023/24
		£000
1	Transformation resource including change manager, graduate scheme members, programme manager and project accountant	278
		278

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

3. HOUSING REVENUE ACCOUNT 2023/24 BUDGET

The HRA Business Plan

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

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

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

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

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

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

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

3.5 The new HRA Business Plan confirms that the income, investment, and expenditure the Council has assumed and planned for is sustainable within the 30-year term. A separate cabinet report covers the detailed issues associated with the new HRA business plan.

Introduction

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

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

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

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

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

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

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

Delivering new homes

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

Maintaining and improving condition of existing housing

3.13 Next year, it is proposed to spend £16.674m on repairing and maintaining our tenants’ homes. Significant improvement to these services is required and the Council has been clear about its ambition for Norwich City Services Ltd to deliver an excellent, value for money service to tenants. To that end an improvement plan is being developed and will be implemented in December 2022 seeking to start the improvement journey before the end of the current financial year. In 2023/24 it is planned to develop a new approach to deliver a stronger, more responsive, and efficient service for our tenants. This new service will be implemented and improved over a three-year period up to 2025.

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

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

Improving our neighbourhoods

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

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

3.18 We have drafted a new community safety strategy and have reviewed our anti-social behaviour services, which will commence implementation in 2023/24 to complement our ongoing programmes to improve community safety and deter crime.

Improving the use and management of our existing housing

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

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

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

Financial Background and Budget

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

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

Forecast 2022/23 Outturn

3.24 The latest position on the Housing Revenue Account (HRA), as at period 7, shows a forecast underspend of £1.740m.

Proposed 2023/24 Revenue Budget

3.25 The budget proposes gross revenue expenditure of £71.682m and gross income of £76.954m, generating a surplus of £5.401m, as shown in appendix 3 (A). It is proposed to utilise this surplus along with a further £1.339m of HRA reserves to make a revenue contribution of £6.740m towards the funding of the 2023/24 HRA capital programme.

Chart 3.1: 2023/24 HRA gross revenue expenditure budget

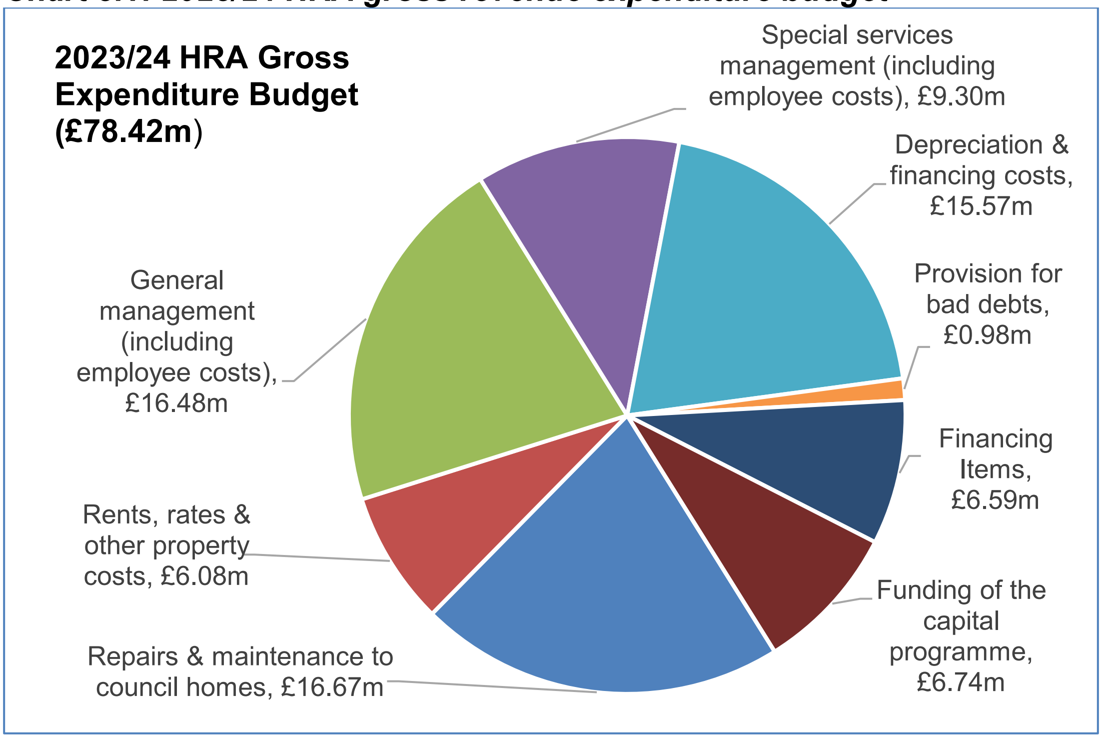
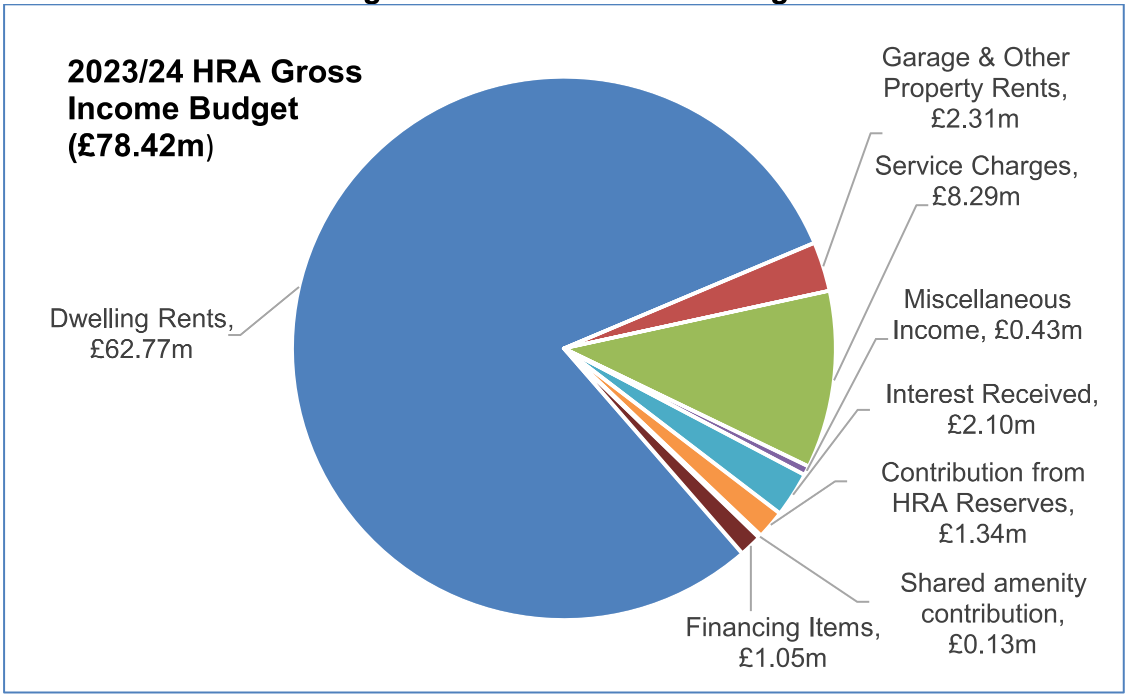


Chart 3.2: 2023/24 HRA gross revenue income budget



HRA Business Plan

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

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

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

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

Council housing rents, garage rents, and service charges

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

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

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

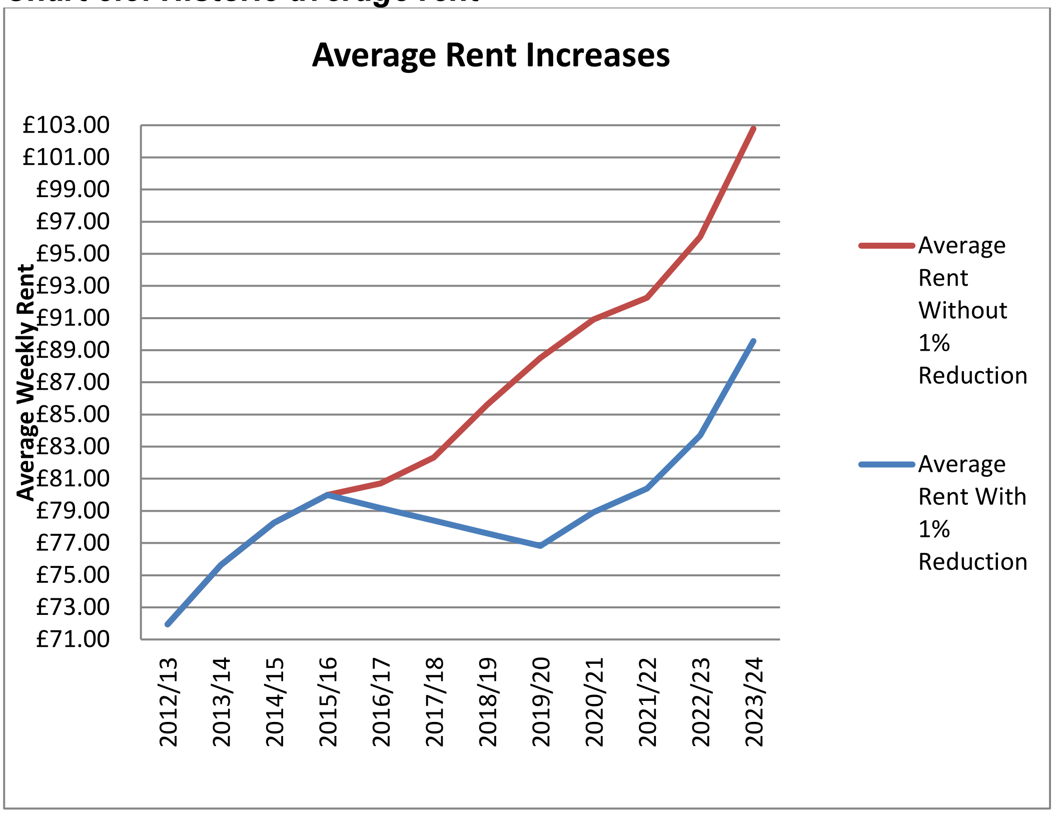
3.33 A dwelling rent increase for 2023/24 of 7% would generate an average weekly rent increase of £5.85 for Norwich social housing tenants (excluding larger dwellings leased to care agencies). The table below shows the minimum and maximum rent increases at 7%.

Table 3.1: Proposed dwelling rent increase 2023/24

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

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

Chart 3.3: Historic average rent



3.35 Alternative rent increases have been modelled and are shown in the table below along with the forecast impact on HRA borrowing over varying terms.

Table 3.2: Impact of rent increase 2023/24

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

3.36 Tenant Involvement Panel representatives will be consulted over the proposed 7% increase at a planned meeting on 18th January 2023.

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

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

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

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

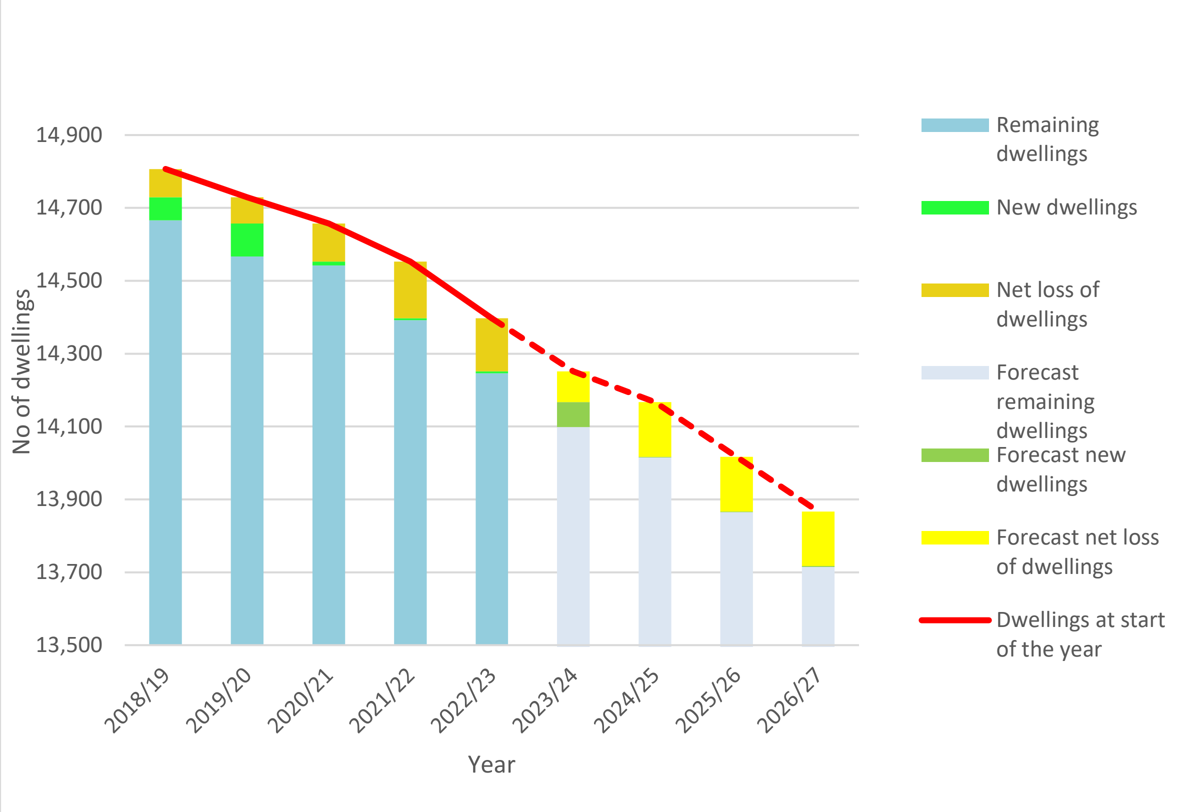
Council dwelling stock levels

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

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

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

Chart 3.4: HRA dwelling stock movements



Capital expenditure plans

3.44 The HRA business plan includes expenditure arising from the proposed HRA capital budget as set out in section 4 of this report (capital strategy and 2023/24 capital budget).

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

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

Capital financing plans

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

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

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

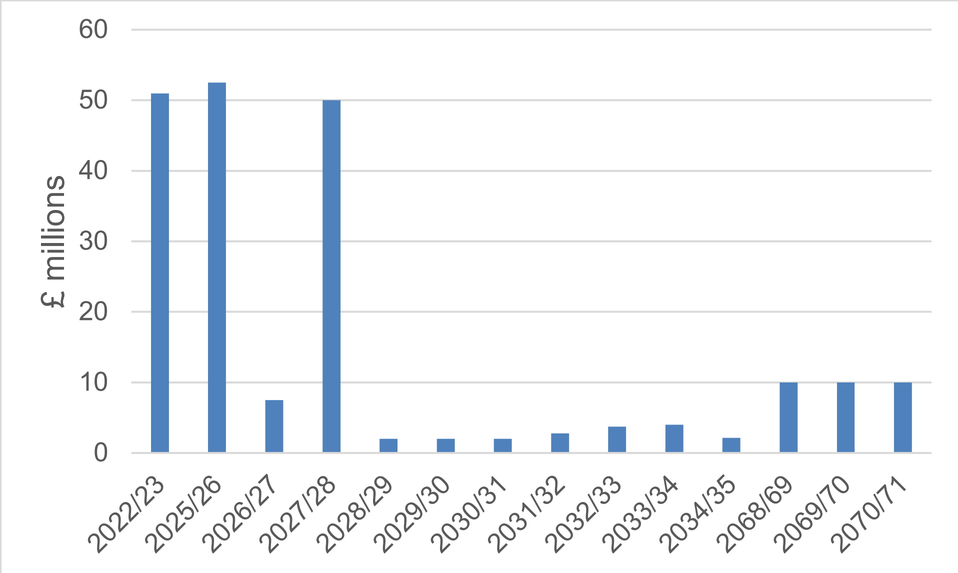
1. Right-to-Buy Retained ‘One for One’ capital receipts.
2. Capital Grants
3. Major Repairs Reserve
4. General HRA capital receipts
5. General reserves
6. Revenue budget contributions
7. Borrowing

3.49 The current HRA Capital Financing Requirement (the 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.

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

3.51 Chart 3.5 sets out the redemption dates and values of current HRA external borrowing. The most recent borrowing in 2021 and 2012 is represented by loans totalling approximately £179m from the Public Works Loans Board (PWLB), whilst all other loans shown constitute historic borrowing which will be repaid within 13 years.

Chart 3.5: Existing HRA external borrowing



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

HRA Reserves Position

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

Table 3.3: Estimated HRA reserves position

Item	£000
Brought Forward from 2021/22	(51,373)
Budgeted utilisation of balances in 2022/23	6,096
Adjustment to forecast utilisation of balances in 2022/23	(147)
Forecast HRA underspend 2022/23	(1,740)
Carried Forward to 2023/24	**(47,164)**
Proposed utilisation of balances in 2023/24	1,339
Carried Forward to 2024/25	**(45,825)**

3.54 The level of general reserves is forecast to slightly reduce in 2023/24, 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 2024/25 remain substantial (£45.825m) which not only provides a flexible funding resource for the HRA, but also ensures the financial resilience of the account, and provides the council with options for service delivery and the funding of future capital expenditure whilst managing overall debt.

3.55 It is proposed that the prudent minimum level set for the HRA reserve should remain unchanged for 2023/24 as set out in Table 3.4. Provision has been made for the risk of additional costs and risk arising from the impact of welfare reforms, the economy and jobs in the city. Further provision is also made for potential interest costs that may arise from having to pay over unspent retained one for one Right to Buy receipts to central government plus other potential risks and unforeseen events.

Table 3.4: Prudent minimum level of HRA reserves

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

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

Division of Service	Original Budget 2022/23 £000	Proposed Budget 2023/24 £000	Change £000
Repairs & Maintenance	18,395	16,674	(1,721)
Rents, Rates, & Other Property Costs	6,336	6,083	(253)
General Management	16,813	16,481	(332)
Special Services (not provided to all tenants)	5,025	9,300	4,275
Depreciation & Impairment	23,176	22,164	(1,012)
Provision for Bad Debts	619	980	361
Gross HRA Expenditure	**70,364**	**71,682**	**1,318**
Dwelling Rents	(59,356)	(62,764)	(3,408)
Garage & Other Property Rents	(2,177)	(2,309)	(132)
Service Charges – General	(7,914)	(8,290)	(376)
Miscellaneous Income	(82)	(431)	(349)
Amenities shared by whole community	(254)	(130)	124
Interest Received	0	(2,104)	(2,104)
Adjustments & Financing Items	(827)	(1,055)	(228)
Gross HRA Income	**(70,610)**	**(77,083)**	**(6,473)**
Total Housing Revenue Account	**(246)**	**(5,401)**	**(5,155)**
Revenue contribution to capital	6,342	6,740	398
Contribution to/(from) HRA reserve	(6,096)	(1,339)	4,757
Total	**0**	**(0)**	**(0)**

Explanation of key variances:

- Repairs & maintenance costs have reduced by £1.721m due to the removal of 2022/23 short-term growth for the backlog of repairs and additional sub-contractor costs.
- Special Services cost have increased by £4.275m, primarily due to the increase in utility costs (gas £3.072m; electricity £1.172m)
- Depreciation & Impairment has reduced due to a reduction in the cost of borrowing as a result of significant self-financing borrowing being due for repayment in January 2023 (£0.738m) and an anticipated reduction in the depreciation charge (£0.287m).
- Dwelling rent income has increased as a result of a 7% rent increase (£3.408m).
- Interest received has increased by £2.104m following substantial increases in the Bank of England interest rate during 2022/23 which is expected to continue into 2023/24.

Appendix 3 (B): HRA dwelling stock movements

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

Shaded cells in italics denote forecast movements

4. CAPITAL AND COMMERCIAL STRATEGY

The wider context and capital investment objectives

4.1. Norwich City Council's Capital and Commercial Strategy provides a valuable opportunity for engagement with 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.

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

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

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

Commercial property investment

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

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

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

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

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

Setting aside net rental income into an earmarked reserve

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

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

Capital Loans

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

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

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

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

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

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

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

Norwich Regeneration Limited (NRL)

4.23. The NRL business plan for 2023/30 is presented to Cabinet at this meeting.

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

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

NRL Business Model

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

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

Chart 4.1: The proposed key drivers for capital investment

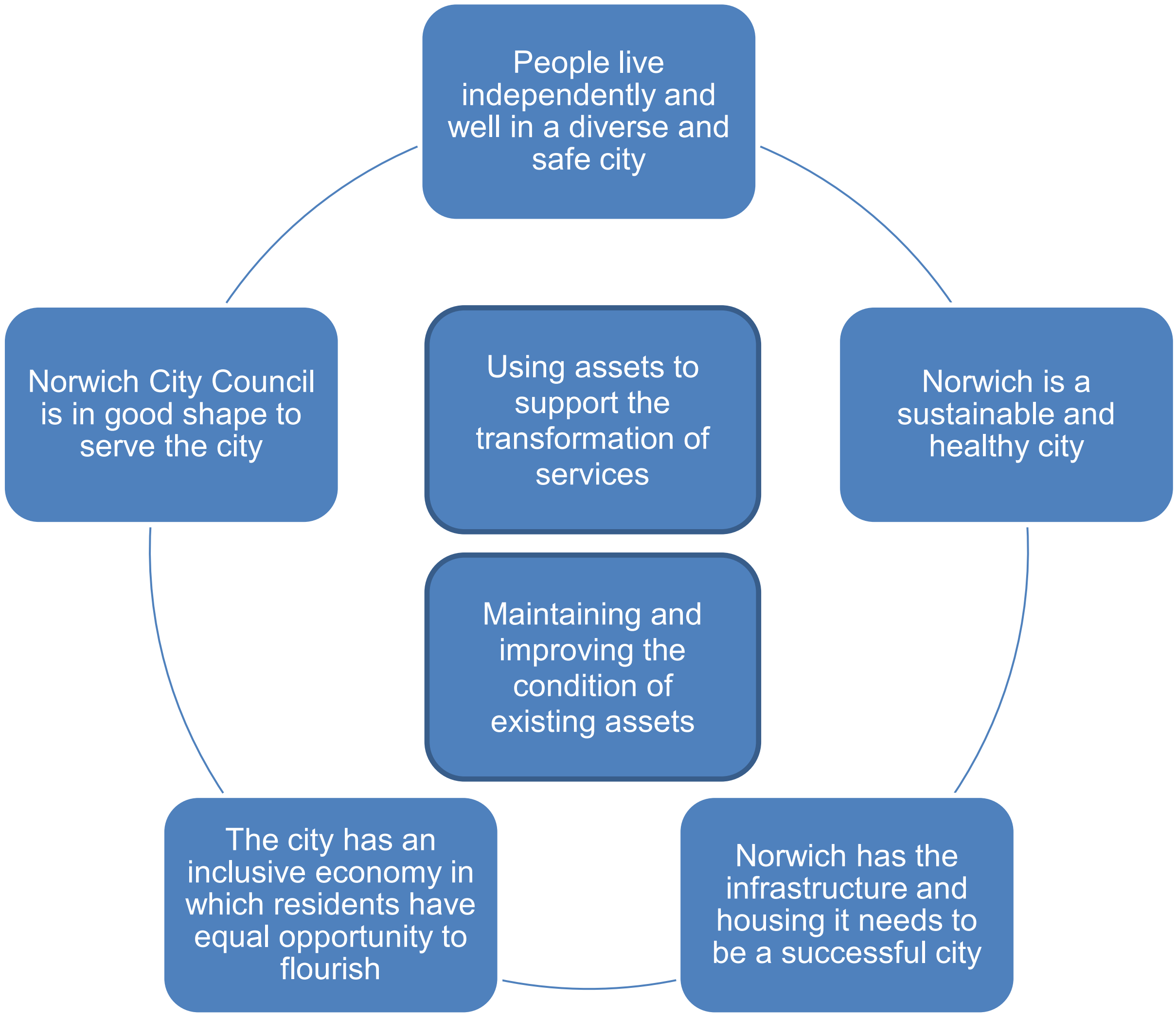


Table 4.1: The council's proposed capital investment objectives

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

Asset management planning

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

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

General Fund asset management planning

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

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

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

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

Housing Revenue Account asset management planning

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

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

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

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

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

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

Capital expenditure plans

4.38. The expenditure plans consist of two kinds:

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

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

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

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

Forecast 2022/23 outturn

4.39. The latest forecast position as at period 7 shows the general fund capital programme is forecast to underspend by £1.891m and the Housing Revenue Account (HRA) capital programme is forecast to underspend by £4.459m. However, it is anticipated that an element of this will form a carry-forward request to enable some of the unspent budgets to be utilised in 2023/24.

2023/24 to 2027/28 capital programme

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

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

Table 4.2 Capital Programme 2023 – 2028

	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000	5 year Total £000
General Fund Summary programme (Approved)						
Community Services	4,915	1,585	1,571	0	0	**8,071**
Corporate and Commercial Services	121	0	0	0	0	**121**
Development and City Services	11,027	1,565	2,109	1,761	0	**16,461**
Capital Loans	3,000	2,000	1,000	0	0	**6,000**
Total General Fund Summary programme (Approved)	**19,062**	**5,150**	**4,680**	**1,761**	**0**	**30,653**
General Fund Summary Programme (Proposed)						
Community Services	335	0	0	1,515	1,515	**3,365**
Development and City Services (Adjustment to Approved)	(484)	42	(194)	1	1,733	**1,098**
Total General Fund Summary Programme (Proposed)	**(149)**	**42**	**(194)**	**1,516**	**3,248**	**4,463**
General Fund Summary Programme (Business Case Required)						
Community Services	125	45	45	40	0	**255**
Development and City Services	8,817	3,130	185	175	175	**12,482**
Total General Fund Summary Programme (Business Case Req'd)	**8,942**	**3,175**	**230**	**215**	**175**	**12,737**
Total General Fund Programme	**27,855**	**8,367**	**4,716**	**3,492**	**3,423**	**47,853**

Housing Revenue Account Summary Programme (Approved)						
HRA - Development and City Services	13,549	14,303	8,189	9,487	0	**45,528**
Housing Revenue Account Summary Programme (Proposed)						
HRA - Development and City Services	0	-30	6,121	3,154	6,560	**15,805**
HRA - Community Services	22,045	24,900	24,571	24,734	24,538	**120,786**
Total Housing Revenue Account Programme	**35,594**	**39,173**	**38,880**	**37,375**	**31,098**	**182,120**

Total Proposed Capital programme	**63,448**	**47,540**	**43,596**	**40,867**	**34,521**	**229,972**

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

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

<u>General Fund:</u>

- £10.3m of investment in infrastructure, skills and economic development through projects funded by the £25m Towns' Fund grant.

- £1.4m to improve private homes for older or disabled residents to enable them to continue living in their own home.

Housing Revenue Account:

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

Towns' Deal Funding

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

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

Future capital programme

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

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

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

People Live Well

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

Inclusive economy

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

Meeting housing need and delivering new homes:

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

Maintaining and improving the condition of existing HRA housing:

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

Improving the quality and safety of private sector housing:

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

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

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

Funding the capital strategy

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

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

Proposed funding of the general fund capital programme

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

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

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

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

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

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

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

Table 4.4: Proposed funding of the General Fund capital programme

Funding	2023/24	2024/25	2025/26	2026/27	2027/28	5 year Total
General Fund	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Capital Receipts	10,014	3,536	517	1,793	1,750	**17,610**
Capital Receipts (Ringfenced)	0	0	0	0	0	**0**
Grants & Contributions	12,439	1,564	1,440	0	0	**15,443**
Revenue contribution from earmarked reserves	66	0	0	0	0	**66**
Borrowing	3,000	2,000	1,000	0	0	**6,000**
CIL/GNGB/S106	2,335	1,267	1,759	1,699	1,673	**8,733**
Total	**27,855**	**8,367**	**4,716**	**3,492**	**3,423**	**47,853**

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

Proposed funding of the HRA capital programme

4.54. The funding of the HRA capital programme follows the funding strategy set out in Appendix 4 (C). In addition, the £5.401m surplus income estimated for 2022/23 plus £1.339m of existing HRA general reserves are proposed to be used to fund 2023/24 capital expenditure.

4.55. The remaining HRA general reserves (forecast at £45.825m at the end of 2023/24) will be held to provide a versatile resource to support priorities identified within the HRA Strategy, including the regeneration of existing assets and provision of new social housing.

Table 4.5: Proposed funding of the HRA capital programme

Funding	2023/24
HRA	**£000**
Capital Receipts	3,515
Retained One for One Receipts	6,020
Major Repairs Reserve	18,280
Grants & Contributions	250
Revenue contribution	6,740
Borrowing	0
Section 106	789
Total HRA Capital Programme Funding	**35,594**

Enabling our future vision

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

Alternative delivery routes

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

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

Delivering the capital strategy

Governance

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

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

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

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

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

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

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

Corporate Planning Process

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

Commissioning, appraisal, and programme/project management

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

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

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

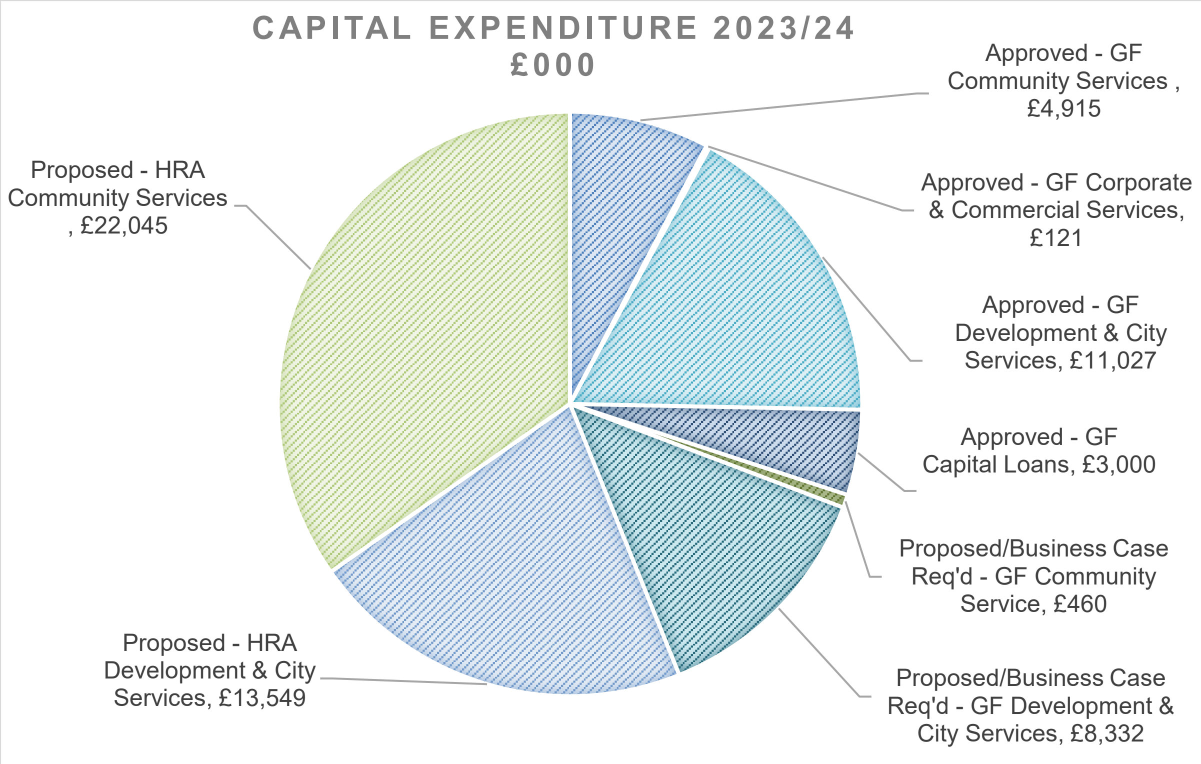
Knowledge and skills

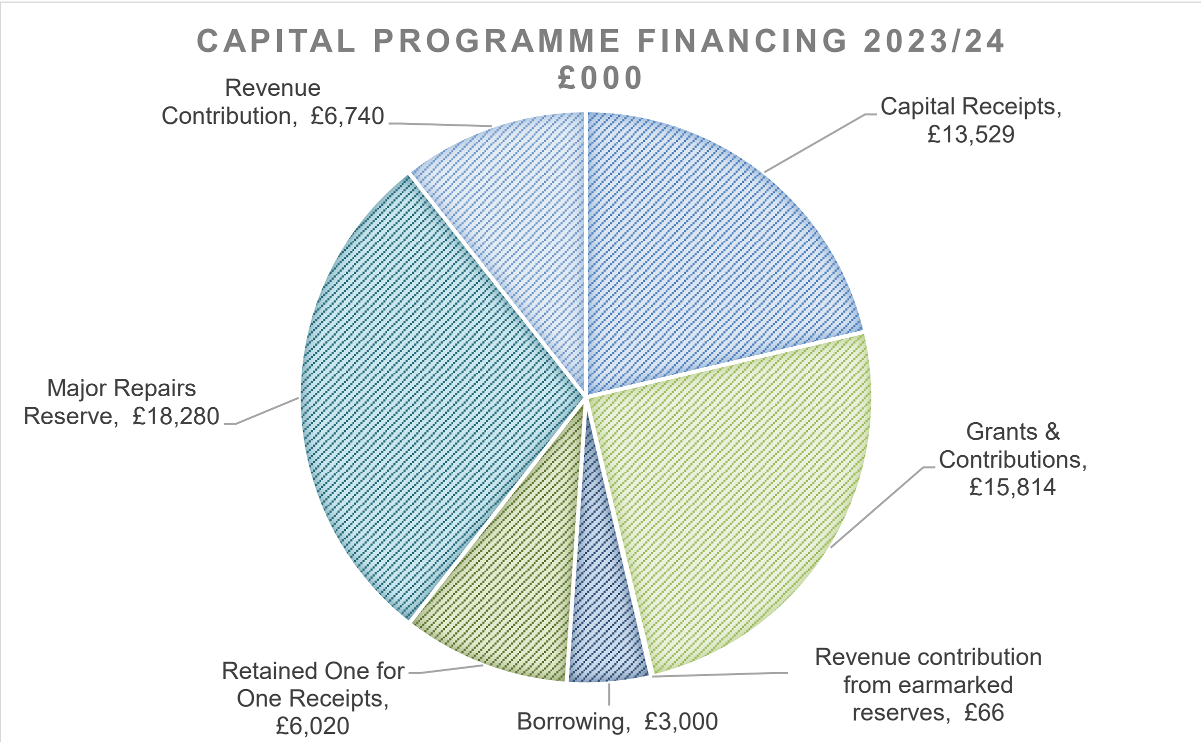
4.67. The council has professionally qualified staff, or access to such staff across a range of disciplines including finance, legal, planning and property that allow for capital investment decisions to be robustly considered. These individuals follow continuous professional development (CPD) and attend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

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

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

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





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

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

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

Proposed General Fund Capital Schemes for approval	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000	5 year Total £000
Community Services						
IT Investment Fund - continuation of programme	0	0	0	75	75	150
Disabled Facilities Grant - continuation of programme	0	0	0	1,440	1,440	2,880
Neighbourhood CIL grant funding pot	335	0	0	0	0	335
Proposed Programme - Community Services	**335**	**0**	**0**	**1,515**	**1,515**	**3,365**
Development & City Services						
City Walls repair programme - continuation of programme	0	0	0	40	40	80
Closed Churchyards repairs - continuation of programme	0	0	0	10	10	20
CIL Contribution Strategic - continuation of programme	(597)	(148)	(294)	(59)	1,673	575
DA 13 - Norwich Yacht Station	10	10	10	10	10	50
DA 16 - LED Lighting in City Hall and District Lighting	103	180	90	0	0	373
Proposed Programme - Development and City Services	**(484)**	**42**	**(194)**	**1**	**1,733**	**1,098**
Total General Fund Proposed Programme	**(149)**	**42**	**(194)**	**1,516**	**3,248**	**4,463**

Proposed and amended General Fund Capital Schemes for approval - subject to Business Case	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000	5 year Total £000
Community Services						
DA 1 - Wide Area Network Refresh 2023/24	100	0	0	0	0	100
DA 2 - Mobile Handsets Refresh 2022-27	25	45	45	40	0	155
Proposed Programme - Community Services	125	45	45	40	0	255
Development & City Services						
DA 4 - Regulatory Services Digitisation Project	472	228	0	0	0	700
DA 5 - Tennis Courts Surface Refurbishment	122	0	0	0	0	122
DA 6 - Park Play Equipment Refurbishment	75	75	75	75	75	375
DA 7 - Strategic Property Remediation Fund	750	1,500	0	0	0	2,250
DA 9 - Property Services IT	285	0	0	0	0	285
DA 10 - St Andrews Hall	950	0	0	0	0	950
DA 11 - Future of City Hall	5,650	0	0	0	0	5,650
DA 12 - Cemetery Railings Replacement	150	150	0	0	0	300
DA 14 - Parking in Parks (phase 2)	38	0	0	0	0	38
DA 15 NCSL Asset Replacement	215	1,177	110	100	100	1,702
DA 17 - Revenues & Benefits Programme Improvements	40	0	0	0	0	40
DA 18 Electrical Switch Gear Replacement	70	0	0	0	0	70
Proposed Programme - Development and City Services	8,817	3,130	185	175	175	12,482
Total General Fund Proposed Programme subject to business case	**8,942**	**3,175**	**230**	**215**	**175**	**12,737**

Total General Fund Programme	**27,855**	**8,367**	**4,716**	**3,492**	**3,423**	**47,853**

Housing Revenue Account	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000	5 year Total £000
Development & City Services						
HRA Demolition & Site Maintenance	320	70	70	70	0	530
LANB Mile Cross Depot Site	4,239	9,103	6,590	7,917	0	27,849
New Build Opportunities	500	500	500	500	0	2,000
Threescore phase 3	6,039	1,269	0	0	0	7,308
Capital Grants to Registered Housing Providers	1,000	1,000	1,000	1,000	0	4,000
LANB Argyle Street	1,285	2,361	29	0	0	3,675
LANB Kings Arms	16	0	0	0	0	16
LANB Hethersett	150	0	0	0	0	150
Approved Programme - Development and City Services	13,549	14,303	8,189	9,487	0	45,528
Development & City Services						
LANB Mile Cross Depot Site	0	-30	6,121	3,154	6,560	15,805
Proposed Programme - Development and City Services	0	-30	6,121	3,154	6,560	15,805
Community Services						
HRA upgrades - Electrical	2,000	2,688	2,538	2,438	2,188	11,850
HRA upgrades - Whole House Improvements	1,500	1,200	1,000	1,000	1,000	5,700
HRA upgrades - Kitchens	1,550	1,238	1,653	2,363	2,163	8,965
HRA upgrades - Bathrooms	1,440	1,553	1,503	1,403	1,553	7,450
HRA upgrades - Heating/Boilers Communal	2,665	2,000	2,000	2,000	2,000	10,665
HRA upgrades - Heating/Boilers Domestic	1,000	2,050	1,750	1,750	1,750	8,300
HRA upgrades - Thermal Comfort	200	200	200	200	200	1,000
HRA upgrades - Solar Thermal/Photovoltaic	746	500	500	500	500	2,746
HRA upgrades - Windows	2,000	2,750	2,750	2,750	2,750	13,000
HRA upgrades - Doors	400	400	400	235	235	1,670
HRA upgrades - Door Access Controls	650	719	703	623	727	3,420

Community Services (continued)	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000	5 year Total £000
HRA upgrades - Estate Aesthetics	750	250	200	200	200	1,600
HRA upgrades - HRA Shops	150	150	150	150	150	750
HRA upgrades - Sheltered Housing Comm Facilities	90	38	38	38	38	240
HRA upgrades - Re-Roofing	1,000	1,000	1,500	1,500	1,500	6,500
HRA upgrades - Structural	1,600	1,600	1,600	1,600	1,600	8,000
HRA upgrades - Tower Block Regeneration	0	3,125	3,125	3,125	3,125	12,500
HRA upgrades - Lift Upgrades	75	75	50	75	75	350
HRA upgrades - Water Hygiene Upgrades	500	787	334	257	257	2,136
HRA upgrades - Disabled Adaptations	1,900	1,750	1,750	1,750	1,750	8,900
HRA upgrades - Community Alarm	150	150	150	100	100	650
HRA upgrades - Compliance Upgrades	1,000	0	0	0	0	1,000
HRA upgrades - Property Services fees - future years	679	679	679	679	679	3,394
Proposed Programme - Community Services	22,045	24,900	24,571	24,734	24,538	120,786

Total HRA Programme	**35,594**	**39,173**	**38,880**	**37,375**	**31,098**	**182,120**

Total Overall Capital Programme	**63,448**	**47,540**	**43,596**	**40,867**	**34,521**	**229,972**

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

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

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

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

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

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

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

5. Equality Impact of budget proposals

Background

1. Norwich City Council has identified permanent budget savings of £5.658m for the financial year 2023/24. To ensure that we discharge our public sector equality duty we must have due regard to the need to:

    - Eliminate discrimination, harassment, victimisation, and any other conduct that is prohibited by or under the act.
    - Advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it.
    - Foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

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 2023/24

8. Budget decisions can have different impacts on different groups of people, either changes to individual services or in the way those changes have an impact cumulatively. This appendix summarises the Equality Impact Assessment for the budget proposals for the financial year 2023/24. It highlights:

    - The key differential impacts of potential budget decisions for legally protected groups.
    - Where a single decision or series of decisions might have a greater negative impact on a specific group.
    - Ways in which negative effects across the council may be minimised or avoided, and where positive impacts can be maximised or created.

9. 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 2023/24 budget figures The proposed 2023/24 Band D rate is therefore £288.59 compared to the current year rate of £280.21 – an increase of £8.38.

14. Overall, this would result in an additional £0.320m of revenue to support council expenditure, therefore reducing the amount of savings which may otherwise need to be achieved by cutting or reducing service provision for customers, including those who may be from vulnerable groups. An increase in council tax values will, however, have a financial impact for most households in Norwich. The increase may be particularly difficult for those who are already under financial pressure.

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 2023/24. 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% in line with the government's announcement at the Autumn statement For social housing tenants this equates to an average increase of £5.85 per week. This increase applies equally to all properties and so is not considered to have a differential impact on any group having a protected characteristic. Support is however available for those on low incomes through the operation of Housing Benefit or in some cases Universal Credit.

18. Garage rent increases are proposed at 10.1%, based on the level of the September 2022 CPI inflation index; this also applies across the board and so is not considered to have any differential impact on those with protected characteristics.

Savings and Income Proposals

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.