NORWICH
City Council

Council

Members of the council are hereby summoned to attend the meeting of the council to be held in the council chamber, City Hall, St Peters Street, Norwich, NR2 1NH
on
Tuesday, 20 February 2018

19:30

Agenda

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1	**Lord Mayor's announcements**	
2	**Declarations of interest** (Please note that it is the responsibility of individual members to declare an interest prior to the item if they arrive late for the meeting)	
3	**Questions from the public** Please note that all questions must be received by the committee officer detailed on the front of the agenda by 10am Thursday 15 February 2018. For guidance on submitting questions please see appendix 1 of the council's constitution.	
4	**Minutes** **Purpose**: To approve the accuracy of the minutes of the meeting held on 23 January 2018.	5 - 30
5	**Corporate Plan Updates 2018-19** **Purpose**: To consider updates to the corporate plan 2015-20 for the year 2018-19.	31 - 54
6	**2018-19 Budgets, Medium Term Financial Strategy and HRA Business Plan** **Purpose**: To propose for approval the budget and budgetary requirement, council tax requirement, level of council tax for	55 - 118

2018/19, the HRA Business Plan and the council's capital programme.

7 **Treasury Management Strategy 2018-19** **119 - 152**
Purpose: To approve the capital prudential indicators and limits, the borrowing strategy, the treasury prudential indicators, the minimum revenue provision.

8 **Council tax reduction scheme 2018-19** **153 - 186**
Purpose: To consider a council tax reduction scheme for 2018-19.

9 **Exclusion of the public**
Consideration of exclusion of the public.

***10** **2018-19 Budgets, Medium Term Financial Strategy and HRA Business Plan - APPENDIX 7**

- This report is not for publication because it would disclose information relating to the financial or business affairs of any particular person (including the authority holding that information)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

A.N. Bull.

Anton Bull
Director of business services

For further information please contact:

Lucy Palmer, democratic team leader
t: (01603) 212416
e: lucypalmer @norwich.gov.uk

Democratic services
City Hall, Norwich, NR2 1NH
www.norwich.gov.uk

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Information for members of the public

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IN TRAN communication for all

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NORWICH
City Council

MINUTES

Council

19:30 to 20:55 **23 January 2018**

Present: Councillors Fullman (Lord Mayor), Ackroyd, Bögelein, Bradford, Bremner, Brociek-Coulton, Button, Carlo, Coleshill, Davis, Driver, Grahame, Harris, Haynes, Henderson, Herries, Jackson, Jones(T), Kendrick, Maguire, Malik, Manning, Maxwell, Packer, Peek, Price, Raby, Sands (M), Sands (S), Schmierer, Stonard, Waters, Woollard and Wright

Apologies: Mr David Walker (Sheriff); and Councillors Jones(B), Lubbock and Ryan

1. Lord Mayor's Announcements

The Lord Mayor informed members of two events scheduled in aid of the civic charity; the first to celebrate Chinese New Year would be held on 19 February 2018 at the Riverside Chinese restaurant and the second an international feast which would be held on 26 March 2018 at St Andrews Hall. Tickets were available from the civic office.

The Lord Mayor went on to reassure everyone about what was happening on Hay Hill. Until recently the market stall at the front of Hay Hill had been reserved for hire for charity use. Going forward, charities would be allocated a stall at Norwich Market, which the council believed would be more suitable. However, the stall itself would remain in position on Hay Hill.

The trader on the other stall in the area had told the council that he was ceasing trading at the end of January and this stall was to be permanently removed due to its age and condition.

Currently there were several organisations that used the two market stalls on Hay Hill to distribute food, when the stalls were not occupied in the evenings. The council was not asking these organisations to move on, or to close their activities. The council understood the removal of one stall might be difficult for some of the groups, so it would be exploring alternative arrangements to help them.

The Lord Mayor said he was aware that concerns had been raised about this and that he had been assured that officers would be contacting the groups concerned to meet with them to find a way forward.

2. Declarations of interest

There were no declarations of interest.

3. Questions from the public

The Lord Mayor said that two public questions had been received.

Question 1 – Support for mortgage interest payments

Ms Erin Fulton-McAlister to ask the cabinet member for social inclusion:

> "I was recently speaking to a retired lady in my ward, who was very concerned and confused about the government axing Support for Mortgage Interest and handing the contract to Serco.
>
> (SMI) helps financially constrained homeowners with their mortgage payments – some of them might otherwise be at risk of being repossessed. But from April 2018, SMI will no longer be paid as a free benefit. Instead, the government is offering to loan people the money, which will have to be repaid later with interest.
>
> Tens of thousands of people, many of them pensioners, will be saddled with what amounts to a new mortgage on top of their existing home loan. Can the cabinet member for social inclusion expand on the government's plans and write to both Norwich MPs for their views?"

Councillor Davis the cabinet member for social inclusion's response:

> "Thank you for your question.
>
> The government's decision to change Support for Mortgage Interest (SMI) as a free benefit to a loan via SERCO has been introduced very quietly. They have certainly managed to keep it under the radar, as the first many of us heard of it was through calls from worried residents. SERCO's role in this is as an information provider and they will not be operating the scheme.
>
> There are several areas of concern however. The Government's own impact statement on the changes declares that this change will affect 170,000 households nationwide, the majority of whom will be pensioners. While anyone in receipt of this loan can, during the period pay it off at any time, we believe that pensioners will be the least able to take up this provision. Being on a fixed income with little likelihood of it increasing suggests they will feel the impact of this change disproportionally to the rest of those affected.
>
> The contracting out of the information condition is also an area for concern. What provisions are in place if a call is not received by a claimant? What triggers SERCO to make the call? Experience of the current SMI scheme suggests that it is not well understood within the DWP and frequently

claimants miss out on payments because the necessary forms are not sent to them, all of which may equally apply to the new loans. Further, the information condition requires both members of a couple to receive the required advice, and draft information produced by the DWP suggests that both members will need to be together when the call is received, which may prove difficult or lead to delays in some cases.

The criteria for SMI has also changed. Homeowners could apply for it to be paid 13 weeks after losing employment, falling ill, etc. but the government has changed this to 39 weeks. This could have devastating effects for the people who will be made redundant from Britvic and Unilever if they are not able to find employment quickly. The Tories have ripped away a safety net which has been in place for 70 years; meaning people are now at more risk of losing their homes as well as their livelihoods.

SMI was set up in 1948, after the Second World War, as a working-age benefit. However, pension credit is also a qualifying benefit, and over half of the recipients are of pension age, and many have interest-only mortgages. The government have decided that the current set up is unsustainable and announced that from April 2018 SMI would no longer be a benefit, but replaced by a state backed loan. In effect, a second mortgage with the government loan secured against the property. This will only save the government £30-£40 per week, on average, per affected household.
This is effectively government sponsored equity release. The chances of being able to pay back the loan - with interest - for most pensioners is remote, meaning the equity is taken from the house when it is disposed of. If the house is inherited after death, the new owner will be responsible for paying back the loan if the property is sold, or someone else becomes the legal owner.

If you decide to turn down the offer of a loan, SMI benefits will stop around the 6 April 2018. Mutual insurer Royal London has criticised the way the change is being handled, saying, "The government needs to make sure people have the help and advice they need to decide whether or not to take out a second mortgage to pay for this, but instead, thousands of people are getting letters that miss crucial details such as the interest rate on the mortgage."

If you encounter anyone who is affected by the changes to SMI and need advice, please direct them to Citizen's Advice or, if they are pensioners, Age UK. The recommendation from agencies is to seek independent legal advice and not rely on what you are being told by SERCO."

Ms Erin Fulton-McAlister confirmed that she did not have a supplementary question.

Question 2 – Finance settlement for local government

Mr Cavan Stewart to ask the leader:

"On the 19 December 2017 the Secretary of State for Local Government announced the provisional finance settlement for local government in

England. This included a change in the council tax threshold from 2% - 3% before triggering a local referenda. Could the leader of the council comment on the implications of this for the council's budget in February?"

Councillor Waters the leader of the council's response:

"Thank you very much for your timely question Mr Stewart. The technical implications are as follows; a 2.99% increase in the 2018/19 council tax represents an increase in overall income of £264,000. The 1% increase in the council tax threshold announced by government generates £87,000 of this total amount in 2018/19. The increase grows the city council's tax base which has a beneficial impact in future years and not just for 2018/19.

As you may be aware the city council has just completed its annual budget consultation. The consultation was well underway by the time the Department of Communities & Local Government, on December 19, announced that it was increasing the threshold at which a referendum would be triggered for District Councils from 2% to 3%. We had assumed in our consultation that the 2% trigger would role forward to 2018/19.

The cabinet will have to carefully consider whether it wishes to exercise this additional small flexibility as part of the budget it presents to full council in February. In part, we will need to be mindful of the views expressed when analysing the budget consultation data. Another factor will be the pressures on our General Fund budget as a result of year on year cuts in the central government grant and the stabilising benefits of an increase in growing the city council's tax base to help protect vital council services."

Mr Cavan Stewart confirmed that he did not have a supplementary question.

4. Petitions

No petitions were received.

5. Minutes

RESOLVED, unanimously, to approve the minutes of the meeting held on 28 November 2017.

6. Questions to Cabinet Members and Committee Chairs

The Lord Mayor said that 14 questions had been received from members of the council to cabinet members for which notice had been given in accordance with the provisions of appendix 1 of the council's constitution.

Question 1 Councillor Haynes to ask the leader of the council about satisfaction with the council's public engagement.

Question 2	Councillor Carlo to ask the cabinet member for safe city environment about recycling to China.
Question 3	Councillor Bögelein to ask the cabinet member for sustainable and inclusive growth about affordable housing and the viability assessments.
Question 4	Councillor Raby to ask the leader of the council about the local plan.
Question 5	Councillor Jackson to ask the cabinet member for resources about electric vehicles in the council fleet.
Question 6	Councillor Grahame to ask the cabinet member for sustainable and inclusive growth about neonicotinoid insecticides in the Wensum.
Question 7	Councillor Schmierer to ask the cabinet member for sustainable and inclusive growth about Chapelfield Christmas carpark queues.
Question 8	Councillor Sands (M) to ask the deputy leader and cabinet member for social housing about the right to buy impact on the housing revenue account.
Question 9	Councillor Driver to ask the cabinet member for safer, stronger neighbourhoods about tackling poor living condition in the private rented sector.
Question 10	Councillor Button to ask the cabinet member for safer, stronger neighbourhoods about new legislation for private rented tenants.
Question 11	Councillor Sands (S) to ask the cabinet member for social inclusion about the ‘ready for work’ jobs fair.
Question 12	Councillor Maxwell to ask the leader of the council about Britvic and Unilever leaving the Colman’s site.
Question 13	Councillor Malik to ask the cabinet member for safe city environment about recycling to China.
Question 14	Councillor Peek to ask the cabinet member for safe city environment about air quality in Norwich.

(Details of the questions and responses and any supplementary questions and responses are attached as Appendix A to these minutes.)

7. Treasury management strategy statement and annual investment strategy mid-year review report 2017-18

Councillor Kendrick moved and Councillor Button seconded the recommendations as set out in the report.

RESOLVED, with 26 members voting in favour and 10 abstentions to approve the revised:

(1) authorised limit and operational boundary prudential indicators for the current financial year 2017/18.

(2) minimum Revenue Provision policy to take effect this financial year onwards.

8. Motion - International holocaust remembrance alliance definition of antisemitism

Councillor Wright moved and Councillor Ackroyd seconded the motion as set out on the agenda.

Councillor Wright indicated that he would like to withdraw his motion because cabinet at its meeting on 17 January 2018 had agreed to alter the Equality Information Report to make it explicit that the council had adopted the international holocaust remembrance alliance's definition of anti-Semitism it its entirety.

As no other member objected, it was:

RESOLVED unanimously to withdraw the motion.

9. Motion – Care leavers council tax exemption

Councillor Wright moved and Councillor Ackroyd seconded the motion as set out on the agenda, and following debate it was:

RESOLVED, unanimously, that:

A 2016 report by The Children's Society found that when care leavers move into independent accommodation they begin to manage their own budget fully for the first time. The report showed that care leavers can find this extremely challenging and with no family to support them and insufficient financial education, are falling into debt and financial difficulty.

Research from The Centre for Social Justice found that 57% of young people leaving care have difficulty managing their money and avoiding debt.

The local authority has statutory corporate parenting responsibilities towards young people who have left care up until the age of 25.

Council **RESOLVES** to

(1) Note that The Children and Social Work Act 2017 places corporate parenting responsibilities on district councils for the first time, requiring them to have regard to children in care and care leavers when carrying out their functions.

(2) Include in the next consultation for the 2019/20 council tax reduction scheme a provision for the scheme to include a reduction to zero council tax payable by care leavers up to the age of 25 regardless of income

(3) write to the county council's Leader and Director of Children's Services to urge them to use their convening powers and expertise in corporate parenting to work with all council tax collecting authorities within the county area to exempt all care leavers in the county from council tax up to the age of 25, sharing any arising costs proportionately.

10. Motion - the 'gig economy' in Norwich

An amendment to the motion as set out on the agenda had been received from Councillor Waters which had been circulated, as follows:

At resolution (3) a) insert the word 'exploitative' after the first word 'ban'.

Further amendments to the motion as set out on the agenda had been received from Councillor Bögelein which had been circulated, as follows:

To incorporate the following into resolution (2)

To include facilitating a public conversation, as part of the Norwich 2040 Vision work, around Universal Basic Income, as one possible response to the ever changing nature of work.

Amend the wording of (3) f) to read:

'Ban the use of 'umbrella companies' for passing employer tax liabilities on to workers, and extend the remit of the Employment Agency Standards Inspectorate to cover policing umbrella companies to ensure compliance'.

Councillor Waters had indicated that he was willing to accept the amendments, and as no other member objected, the amendments became part of the substantive motion.

Councillor Waters moved and Councillor Davis seconded the motion as amended above.

RESOLVED, unanimously, that:

Nationally, according to the TUC, 3.2 million people now face insecure work which has risen by 27% over the last 5 years (this work includes those in zero-hour contracts, in agency and other insecure temporary work, and in low-paid self-employment). In recent years there has been an increasing development of the 'gig economy' in Norwich - a relatively new and expanding industry characterised by the prevalence of short-term contracts or freelance work as opposed to permanent jobs.

Council **RESOLVES** to:-

(1) Note with concern

a) the woefully inadequate rates of pay which leave some people financially worse off than had they been unemployed;
b) the poor treatment of workers who require time off to see to a family emergency, recover from sickness, or mourn a deceased relative
c) the 'grey area' of self-employment in which many of the flexibilities and commonly accepted practices that are associated with this way of working is totally absent
d) The confusing and changeable ways in which monthly earnings are calculated; and the ever-present threat of losing work and with it one's sole source of income, with no notice and no right of appeal.

(2) ask the cabinet to commission research into the changing nature of work in Norwich with a view to using the findings to promote good employment practices across the city; to include facilitating a public conversation, as part of the Norwich 2040 Vision work, around Universal Basic Income, as one possible response to the ever changing nature of work.

(3) ask the Leader of the Council and the cabinet member for resources to write to The Secretary of State for Business, Energy and Industrial Strategy asking him to:

a) Ban exploitative zero hours contracts so that every worker gets a guaranteed number of hours each week.

b) Give all workers equal rights from day one, whether part-time or full-time, temporary or permanent – so that working conditions are not driven down.

c) Shift the burden of proof so that the law assumes a worker is an employee unless the employer can prove otherwise.

d) Levy punitive fines on employers not meeting their responsibilities, helping to deter poor practice.

e) Involve trade unions in enforcement and set up a Ministry of Labour with the resources to enforce all workers' rights.

f) Ban the use of 'umbrella companies' for passing employer tax liabilities on to workers, and extend the remit of the Employment Agency Standards Inspectorate to cover policing umbrella companies to ensure compliance.

g) Give employment agencies and end-users joint responsibility for ensuring that the rights of agency workers are enforced.

h) Roll out sectoral collective bargaining and strengthening trade union rights, because empowering people to claim their own rights in the workplace is the most effective means of enforcement and ensuring that workers have greater job security and adequate levels of pay to enjoy a decent quality of life.

(4) Ask the leader of the council to write to the two Norwich MPs to support resolution (3)

LORD MAYOR

APPENDIX A

Questions to cabinet members / committee chairs

Question 1

Councillor Haynes to ask the leader of the council the following question:

"The council has recently changed the way it seeks resident feedback on various aspects of its performance, so that it takes its sample from a wider and less self-selecting pool of residents. It is therefore unsurprising to see somewhat reduced scores on these performance measures following the changes. However, the most recent figure for the measure on public engagement shows that just 27% of residents are satisfied with the opportunities to engage with the council. Does the cabinet member agree this is a concerning figure, and can he give his opinion on what the council should be doing to improve it?"

Councillor Waters leader of the council's reply:

"The measure is a year-to-date measure in order to account for quarterly fluctuations, so the true figure is 38%, although this is still behind the target of 54%.

As acknowledged, we have indeed moved to a different method of sourcing respondents to our survey-based satisfaction measures. This means that we are receiving responses from a pool of residents who have not had a recent history of contact with the council, as opposed to the previous approach against which the target was established.

Obviously, for many of our residents, as long as they receive the service they wish to the standard they wish, there is no need for them to proactively engage with us, but nevertheless we would like all residents to feel that their views matter and they can engage with us if they wish.

One solution to this is to change of methodology itself, so we would expect that over time, the approach we are taking will start to improve this indicator. And the more detailed information that we are receiving through this method will help us to shape our approach to engagement in the future.

We are also in the process of a large programme of resident and stakeholder engagement, including focus groups, surveys and conferences, and we were very pleased to be supported in this by colleagues from the local media. This is the most extensive example of engagement we have undertaken in some time and is yielding a rich

and detailed evidence base; again this process should contribute to an improvement in this indicator.
As we continue to face unprecedented financial pressures, we must ensure that what we do is meeting the needs of residents so we will be reflecting the findings of this exercise back to residents and planning our future service delivery accordingly.

And of course, let's not forget the significant levels of community engagement undertaken by ward councillors not represented in these figures."

Councillor Haynes asked a supplementary question and enquired which service areas were those surveyed particularly frustrated about? In response Councillor Waters stated he did not have that specific data to hand but was confident it was available and would arrange for her to have it.

Question 2

Councillor Carlo to ask the cabinet member for safe city environment the following question:

"China's recently imposed ban on imported plastic waste for recycling has brought the issue of recycling into the spotlight. While I have been told by officers that Norfolk will not be affected by the Chinese ban as we provide 'uncontaminated waste', the fact that we send our waste paper and card to Asia (China, Vietnam and India) and the possibility that some or all of our waste plastic ends up in Asia is completely unacceptable and is part of a wider national and international problem.

Will the leader of the council work with Norfolk Waste Partnership, Norse Environmental Waste Services and the county council to put pressure on the government to develop a comprehensive strategy for recycling all our waste in the UK?"

Councillor Maguire cabinet member for safe city environment's response:

"Thank you for the first of two questions that I have received upon Norwich City Council's involvement with waste and, in particular, recycling. This is timely because of the misinformation that seems still to be spread upon this important topic. In answering both questions, it is essential to recall that Norwich City Council collects waste: Norfolk County Council is the disposal authority.

Norwich City Council delivers the material collected for recycling to the materials recovery facility at Costessey run by Norse Environmental Services Ltd (NEWS) where it is sorted and sent for reprocessing. NEWS will continue to source outlets for the sorted material which are as economically advantageous as possible.

It should be noted that China has not banned the import of waste, rather it has increased the quality threshold of the material it will allow into the country. The sorting systems used by NEWS removes as much contaminant as possible from the material ensuring the final products reach and exceed the quality threshold demanded by the markets and in particular the market in China. This enables NEWS to take advantage of the best markets available. For clarity, Norfolk's plastic for recycling is currently reprocessed here in the UK and Holland. The Norfolk Waste Partnership publishes a destination map for all materials at: www.recyclefornorfolk.com/learning-zone/why-recycle

One of the reasons the quality threshold was increased was because of the amount of waste material contained within the plastic and these other materials makes it difficult to recycle - quality is key. This is true whether the material is sent to China or is recycled at home. You may have seen the Norfolk Waste Partnership's most recent campaign "Give your recycling a little bit of love" where residents are asked to ensure anything put in the blue bin for recycling is clean, dry and kept loose.

The council asks residents to give any items a quick rinse to remove any items of food or liquid and to ensure they are dry before they put it loosely in the bin and not to bag up the recycling material. All of this means contamination is much reduced enabling us to take advantage of the best markets for our recycled material. Further information can be found on the Recycle for Norfolk Website as follows: https://www.recyclefornorfolk.com/bins-at-home/little-bit-of-love/#

I am sure you will be pleased to know that representatives of the Norfolk Waste Partnership liaise nationally with organisations such as Resources Association and RECOUP (Recycling of Used Plastics Limited) and works closely with WRAP (Waste Action Resources Project), where Norfolk is able to respond to and influence the government's agenda on waste, recycling and the Government's recently published 25-year Environment Plan.

The work that we have been doing through the Norfolk Waste Partnership adds greater voice to issues and opportunities that need to be raised –The Norfolk Waste Partnership has been selected as a shortlisted finalist in the 'Best Public/Public Partnership' category in the 2018 LGC Awards which recognises the good work it undertakes. However, where a Norwich specific voice is required I will make that case directly with Government."

The cabinet member in response to a supplementary question said they would look at anything possible to improve recycling rates.

Question 3

Councillor Bögelein to ask the cabinet member for sustainable and inclusive growth the following question:

> "Council officers stated some time ago that the council intended to review its guidance on affordable housing and the viability assessments that developers can use to claim exemption from affordable housing contributions. I am not aware of any further progress on this issue. Given that a major planning application was approved earlier this month with just four affordable homes - 2.6% of the total number, rather than the 33% required by the council's policy – does the cabinet member agree that this issue should be addressed as a matter of urgency to stop Norwich losing out on more money for affordable homes?"

Councillor Stonard cabinet member for sustainable and inclusive growth's response:

> "As members of the council will be well aware the city council does all it can to ensure that the number of genuinely affordable homes that are delivered in Norwich is maximised. The success of our approach here is illustrated by the fact that over the past five years for which monitoring information has been published (2011/12 – 2015/16) 423 of the 1481 additional homes that have been built in the city council area have been affordable. That is 29% of all provision. A percentage close to our policy target and far in excess of that achieved by many councils.
>
> We do have detailed planning guidance on affordable housing. The Local Plan was adopted in Dec 2014 and the council adopted supplementary planning guidance to provide detailed guidance on the implementation of these policies and the approach to assessing viability as soon as possible in March 2015.
>
> We are aware this guidance needs review to take account of changing practice with regard to viability assessments and to reflect the up to date assessment of Housing Need that was completed in 2017. But, as the government has announced that it will shortly update national planning guidance with the stated intention "to help make viability assessments simpler, quicker and more transparent" it seems sensible to see what the revised national approach is to be before we issue fresh local policy on the matter.
>
> The revised national guidance is expected in March 2018 and we would expect to commence production of the updated Supplementary Planning Document shortly thereafter."

In response to Councillor Bögelein's supplementary question the cabinet member responded that the 29% figure was a total figure. He referred to the recent planning committee decision regarding the development at St Mary's works and stated he welcomed the committee's decision. He said that the council strived to achieve the best possible balance overall taking account jobs and city regeneration whilst seeking a 30% affordable housing figure.

Question 4

Councillor Raby to ask the leader of the council the following question:

"The city council has a policy of requiring 33% affordable housing on new developments of more than 10 homes. A Green group motion in September last year asked the cabinet to do what it could to ensure this figure of 33% is maintained or bettered in the new local plan for Norwich, Broadland and South Norfolk. Following an amendment, the council ultimately resolved to ask cabinet to "consider" doing this.

The draft consultation document for the local plan offered as policy options "Seek 29% affordable housing on all sites above the qualifying threshold", or "Seek more than 29% on all sites above the qualifying threshold", establishing an apparent baseline that is lower than current policy. In the Greater Norwich Development Partnership meeting in November where the document was approved for consultation, a last-minute amendment reduced this figure further, to 27%. This amendment passed without comment or question from any of the members, including the three Labour representatives from this council.

Can the leader of the council explain why Norwich cabinet members did not question this reduction of the baseline affordable housing requirement?"

Councillor Waters leader of the council's reply:

"At the council meeting of 26 September it was resolved unanimously to ask cabinet, among other things, to consider in light of evidence, that the existing policy of requiring at least 33% affordable housing in developments of more than 10 houses is upheld or bettered within the Greater Norwich Local Plan.

This is very much the approach that cabinet is taking towards the matter and as the production of the Greater Norwich Local Plan (GNLP) proceeds evidence is being assembled on both housing needs and viability.

Currently the evidence provided in the Strategic Housing Market Assessment suggests that the need for affordable housing over the period 2015-2036 will be 29% of the total housing needed across the plan area. The adjustment made from 29% to 27% merely reflects the success that the local Councils have had in delivering affordable housing since 2015.

As the consultation seeks views on providing more than 27% and does not seek to suggest any upper limit the change from 29% to 27% in the consultation is not considered significant.

It remains our position that we will seek to maximise the levels of delivery of affordable housing without prejudicing the regeneration of the City."

Councillor Waters in response to Councillor Raby's supplementary question said he took housing need very seriously and that the council's commitment to building new council houses in the city at Goldsmith Street and Bowthorpe evidenced this.

Question 5

Councillor Jackson to ask the cabinet member for resources the following question:

"In January 2017, a meeting of the full council resolved to ask cabinet to consider using 100% electric vehicles for the staff pool by 2020. With the fleet being upgraded this month, it appears that still only two of the 21 vehicles will be fully electric – the same number as before, and down from four in 2016 – and I can find no evidence that the council resolution was ever considered. Can the cabinet member explain why the council has not taken the opportunity to increase the number of electric vehicles in its fleet?"

Councillor Kendrick cabinet member for resources' response:

"The latest fleet review did consider increasing the number of full electric vehicles (EV's). As an early adopter of the technology in 2012 the council has learnt much in regards to having EV's within its fleet. The main barrier to full adoption is the electrical load capacity of St Giles Car Park. Installing the load to charge 21 vehicles at the same time would exceed the maximum load of the asset and would therefore require costly upgrades to the buildings electrical systems.

In addition UK Power Networks who manage the grid may have asked the council to pay for a new grid connection as the maximum load of 20+ EV's charging would cause stress on the local network. These adaptions would have been on top of marked up designated bays and installing docking systems.

The council's new fleet is the most practical, low carbon and cost effective solution available. Considerable amounts of time and effort has been taken to establish the right balance in regards to fleet size, operational need, vehicle type and the emissions they produce. The blend of full electric, electric hybrid and low emission petrol is the most environmentally efficient fleet the council has managed and will contribute towards decreasing the council's operational emissions which are 54.1% lower than 2008."

In response to Councillor Jackson's question the cabinet member advised moving to 100% electric vehicles had been considered but was not practicable and the most environmentally efficient fleet possible had been achieved.

Question 6

Councillor Grahame to ask the cabinet member for sustainable and inclusive growth the following question:

> "Neonicotinoid insecticides (NNIs) have been consistently found to be extremely harmful to bees. Tests for NNIs in 16 British rivers in 2016, mandated by EU water regulations, have classified the River Wensum as one of the worst-affected rivers in the country, with 'chronic levels exceeded'. There are no Environmental Quality Standards for NNIs pollution and the Environment Agency does not know what the impacts are of using this powerful insecticide.
>
> The Wensum is one of the finest chalk rivers in Europe and the source of Norwich's drinking water. Consequently, the impacts of NNIs on the Wensum's ecology and potentially on human health are very worrying.
>
> Will the cabinet member write to the Secretary of State and ask him to i) confirm the UK's support for extending the EU ban on use of NNIs; ii) put in place regular and systematic testing of NNIs in UK rivers to monitor their levels and impacts; and iii) put in place urgent measures for returning our rivers to a good condition?"

Councillor Stonard cabinet member for sustainable and inclusive growth's response:

> "Thank you for your question. You are right to highlight that recent press reports have focused on the extent of pollution of the River Wensum by Neonicotinoid insecticides (NNIs). This is timely as we are shortly due to finalise the River Wensum Strategy which we are working hard on in partnership with other local stakeholders.
>
> NNIs are the world's most widely used insecticide and are highly toxic to a wide range of invertebrates. They also cause harm to bees and other pollinators, and evidence is growing that they harm other species such as songbirds. Therefore, neonicotinoids represent a significant risk to surface waters and the diverse aquatic and terrestrial fauna that these ecosystems support and I agree that the levels of NNI pollution in the River Wensum is of serious concern for its impacts on wildlife.
>
> The Environment Secretary Michael Gove has indicated that tougher restrictions on neonicotinoid pesticides are justified by the growing weight of scientific evidence that they are harmful to bees and other pollinators. The Government's recently published 'Twenty-five year Environment Plan' sets out policies to address a number of environmental issues including improvements to how we manage and incentivise land management, in particular introducing new farming rules for water, and reduction in the environmental impact of pesticides.

However this is a policy document that is weak at the moment as it needs to be backed up with a clear timetable for implementation and the detailed legislation to ensure its full implementation.

I am the therefore happy to write to the Secretary of State for the Environment and Rural Affairs to ask him to:

i) confirm the UK's support for extending the EU ban on use of NNIs;

ii) put in place regular and systematic testing of NNIs in UK rivers to monitor their levels and impacts; and

iii) identify urgent measures for returning our rivers to a good condition, and set out the relevant legislation required to ensure their implementation.

But will write in my capacity of chair of the River Wensum Strategy Steering Group in addition to that of portfolio holder."

Councillor Stonard in response to Councillor Grahame's supplementary question confirmed that the river was the property of all the city and as such all Councillors were included in information and consultation about the River Wensum Strategy.

Question 7

Councillor Schmierer to ask the cabinet member for sustainable and inclusive growth the following question:

"Throughout December there were regular delays on the inner ring road, especially around the Grapes Hill roundabout, due to an increase in the number of vehicles coming into Norwich in the build-up to Christmas. However many of these traffic jams seemed to be caused or at least exacerbated by drivers using the inner ring road to queue while waiting to access the Chapelfield car park. Although there is a sign telling drivers not to queue back on the ring road, this is often ignored, in particular in December. Given the need to tackle air pollution, especially caused by vehicles idling, does the cabinet member agree with me that more should be done to work with the owners of the Chapelfield car park and other bodies such as the police to stop cars using Chapelfield Road to queue while waiting to access the car park there?"

Councillor Stonard cabinet member for sustainable and inclusive growth's response:

"I certainly agree that resolving the issues with the queue to Chapelfield car park would go a long way to addressing problems on the ring road, particularly in the Grapes Hill area. However the city council, working with Norfolk County Council, have explored all options for managing the problems caused by this queue but there is no affordable, effective solution to be had.

Intu, the owners of the car park, attend the Christmas journey planning meeting that is held every year by the two councils. Other attendees include other car park operators in the city, bus operators, the police and Norwich BID. At that meeting options for managing the additional Christmas traffic are agreed on. This year those actions included:

- Temporary (Variable Message Sign) VMS signs on the A11 and A140 north approaches to the city advising drivers to use Park and Ride (funded by the BID and both councils)
- Introduction of additional permanent VMS signs advising drivers of car park space availability, funded by the Westlegate scheme
- Traffic marshals managing queues to the Forum and John Lewis car parks at peak times (funded by the Forum and John Lewis)
- Promotion of the journey planning website by the Transport for Norwich team
- Details of travel options included in marketing literature by the BID and Intu

Intu declined to provide traffic marshals at the entrance to their car park, although they did have additional staff on duty to speed up access through the ticket barriers to help the queue move more quickly. Legally the council has no powers to force a third party to address issues within their site that cause problems on the highway, which means that we could not oblige them to employ marshals.

In the past police traffic wardens had responsibility for both enforcing parking restrictions and directing traffic. With the introduction of civil parking enforcement in Norwich in 2000, responsibility for parking enforcement moved to the council, and the police retained the power to direct traffic. However like all public sector organisations Norfolk Constabulary are under financial pressure and managing traffic is by necessity a low priority for them."

In response to Councillor Schmierer's supplementary question the cabinet member advised that planning applications did look at parking. He said this was ultimately an enforcement issue which arose at peak times of the year. He said retailers had their role to play too and where they had employed traffic wardens this had worked well.

Question 8

Councillor Mike Sands to ask the cabinet member for social housing the following question:

> "Access to social housing is a major priority for many of my constituents. I was saddened to learn that since April 2014, Norwich City Council has lost 524 properties in Right to Buy sales with a value of £64.6 million against a sale value of £31.8 million – a loss of £32.8 million. Can the cabinet member for social housing comment on the level of right to buy sales and loss of social housing since 2010 and their impact on our HRA?"

Councillor Harris deputy leader's response:

"I would like to thank Councillor Sands for this question which shows the challenges the council faces as a landlord and a trend which is extremely concerning. In fact since 2010/11, the council has been forced to sell 926 properties through right to buy. This is made up of 437 flats and maisonettes and 489 houses and bungalows. The market value of these sales was £109,544,500 but the sale price was £54,417,494 meaning 'discounts' were claimed totalling £55,127,006.

The outcome of the right to buy figures are:

- the loss of council homes and ability to potentially house people in most acute housing need
- the discounts are effectively a subsidy paid for by our tenants given to people buying these homes
- at an average rent of £77 per week the loss to the council's housing revenue account at today's prices of some £3,565,100 per annum.

The summary of this is as follows:

Total right to buy sales -	926
Total valuation	£109,544,500
Total price paid	£54,417,494
Discount & loss to the council	£55,127,006

Without even considering the impact on the council's HRA business plan, this would equate to the council building 20 new houses per year or being able to provide new bathrooms and kitchens for all existing tenants on a rolling programme. The table below illustrates this in more detail which is equally worrying."

Flats and Maisonettes **Houses and Bungalows**

	Number	Valuation	Sale Price	Number	Valuation	Sale Price
10/11	19	£1,633,000	£987,000	16	£1,805,000	£1,261,000
11/12	21	£1,724,000	£1,012,000	17	£1,725,500	£1,151,150
12/13	44	£3,692,000	£1,451,750	46	£5,325,500	£2,689,140
13/14	59	£5,097,500	£1,900,890	86	£10,421,500	£5,123,632
14/15	72	£6,634,000	£2,648,488	77	£9,741,000	£4,928,090
15/16	66	£6,673,000	£2,731,482	85	£11,911,000	£6,376,400
16/17	79	£8,576,000	£3,645,441	84	£12,598,000	£7,058,651
17/18	77	£8,951,500	£3,816,540	78	£13,036,000	£7,635,840
Totals	437	£42,981,000	£18,193,591	489	£66,563,500	£36,223,903

Councillor Sands (M) confirmed that he did not have a supplementary question.

Question 9

Councillor Driver to ask the cabinet member for safer stronger neighbourhoods the following question:

> "I was very disturbed to learn over the Christmas period of the unpleasant, unhealthy and sometimes dangerous living conditions being experienced by private tenants at 60 St. Faith's Lane. Could the cabinet member for Safer Stronger Neighbourhoods comment to council on what the City Council are doing to tackle these poor living conditions and how we can crack down on landlords anywhere in the City who put their tenants health and wellbeing at risk in pursuit of greater profits?"

Councillor Herries cabinet member for safer, stronger neighbourhood's response:

> "Officers from the private sector housing team inspected all 47 of the flats at 60 St. Faith's Lane before Christmas. The Fire Service also attended to ensure that there were no immediate risks from fire. The landlord was required to provide temporary heating to a small number of the flats over the Christmas period and will be required to improve the heating and insulation in up to 17 flats in total.
>
> Because of concerns about the condition of the electrical installation, the council has had to commission an electrical inspection of the whole

complex. This is in progress and will take up to three weeks. So far, no emergency remedial action has been required but the landlord is likely to be required to carry out a significant amount of improvement work based on the faults that have been identified to date.

Other problems identified include poorly maintained service areas and pavements and inadequate bin provision. Again, action will be taken by the council to ensure that these are remedied and officers are considering taking legal action against the landlord for failure to comply with housing management regulations.

The council has a range of powers that it regularly uses to improve sub-standard and hazardous accommodation. These include the ability to serve improvement notices and to prosecute landlords who breach management regulations or who fail to carry out required improvements. Unfortunately, however, investigations and legal action take a lot of resource and we therefore have to prioritise the very worst cases.

A recent addition to these powers is the ability to impose financial penalties as an alternative to prosecution. These penalties can be retained by the council to support its private sector housing enforcement and require much less officer time to process. As a result, poor landlords are now much more likely to receive a significant penalty for letting substandard homes.

I believe that this new approach has the potential to act as a real deterrent to landlords who fail to take their responsibilities seriously and to remove the worst performing ones altogether.

I am therefore very pleased to report that we have just received our first payment, of £6,000, from a landlord who was letting a poorly converted garage and that there are a number of similar cases under investigation."

Councillor Driver confirmed that he did not have a supplementary question.

Question 10

Councillor Button to ask the cabinet member for safer stronger neighbourhoods the following question:

"I was pleased to see that Clive Lewis MP backed a Bill that was introduced by Labour MP Karen Buck last Friday which will give renters a new legal right to ensure their home is 'fit for human habitation'. The new legislation, long campaigned for by Labour, could help renters in 97,000 dangerously unfit properties in the Eastern Region. Nationally, there are over one million rented properties containing the most serious 'category 1' hazards, including homes that have unsafe electrics, vermin infestations, or aren't fire safe. The Labour Bill last week will give tenants new legal powers to enforce their right to a decent home by taking their landlord to court if the property they live in is not fit. Will the cabinet member for safer, stronger neighbourhoods welcome this change and support all measures to continue to champion tenant's rights and protections?"

Councillor Herries cabinet member for safer, stronger neighbourhood's response:

"I agree with Cllr Button that this legislation is a step in the right direction to enable tenants to require their landlords to provide decent, safe accommodation. The reality is that the private rented sector has doubled in size in the last 10 years in Norwich and now accounts for 21% of all homes in the city. Research carried out for the council by the Building Research Establishment indicates that 20% of the privately rented properties in Norwich, an estimated 2,800 homes, have a category 1 hazard and would, therefore, be considered to be 'unfit for human habitation' under the proposed legislation. Although the council works hard to tackle those hazards, as we are required to do, the scale of the problem means that we are realistically only able to bring about improvements in a small proportion of those homes. The ability of tenants to take effective action themselves is therefore welcomed.

That said, if this legislation is to be more than merely symbolic, tenants need to feel that they can use the powers without facing the possibility of losing their homes. Whilst the law has been changed recently to provide some protection against retaliatory eviction, tenants still know that they may eventually be evicted if their landlord is upset about them raising issues. Tenants will therefore still be unlikely to challenge their landlords until the current 'no fault eviction' power under the Housing Act 1988 is repealed. Tenants don't just need good quality homes, they need security of tenure.

Tenants also need to be able to afford the cost of legal representation when taking on their landlords. This legislation will therefore only be effective if access to legal aid is improved.

Much of the publicity around the bill concerns the rights of council tenants to take action against their landlords. The anomaly is that councils cannot take enforcement action against themselves so these proposals will enable tenants to take private action to bring about improvements. Again, this is welcomed.

Of course, examples do exist of poor conditions in council-owned homes around the country. However, council homes in Norwich are considerably safer, more secure and more affordable than those in the privately rented sector so I do not anticipate that the powers will ever need to be used by our tenants.

There is therefore a very strong case to build more new council homes and to prevent their loss through the right to buy. The council will continue to press the government to lift the constraints currently limiting our ability to do this."

Councillor Button confirmed that she did not have a supplementary question.

Question 11

Councillor Sue Sands to ask the cabinet member for social inclusion the following question:

> "I spoke to several constituents in my ward who have benefited from the City Council organised Ready for Work jobs fair, at the Halls in Norwich. Given the coming impact of Universal Credit and other social security changes which are impacting so severely upon citizens in our city, can the cabinet member for social inclusion comment on support and opportunities which this upcoming event will hopefully offer?"

Councillor Davis cabinet member for social inclusion's response:

> "The Ready for Work jobs fair will be at The Halls again on 7 February 2018, from 11am to 2pm run in conjunction with Norwich Job Centre. The focus of the fair this year is all about finding and applying for work. There will be circa 35 businesses in St Andrews Hall on the day. All will have current vacancies that people can apply to on the day or after the event. We decided to focus on job vacancies due to the feedback we received last year – attendees felt that there were too many advice agencies and they wanted to interact more directly with employers. However, we will have support available on the day in a few ways:
>
> - There will be a pop-up Digital Hub where people can apply for jobs, create CVs, job search and use Better Off on the day (this was very popular last year, and will again be staffed by Norwich City Council digital coaches)
> - There will be Norwich City Council and Job Centre staff at the event acting as 'jobs fair buddies' who will be able to support people with low confidence on how to get the most of the fair through signposting and making direct introductions
> - There will be jobs boards at stations in the Halls with further vacancies, and details promoted on a big screen
> - The Job Centre will be present to give any additional information to job seekers, including signposting to training organisations and other agencies offering support to people looking for work"

Councillor Sands (S) confirmed that she did not have a supplementary question.

Question 12

Councillor Maxwell to ask the leader of the council the following question:

"Like many Norwich people I was bitterly disappointed to hear that Britvic and Unilever will be leaving the Colman's site in our city. Can the Leader comment on the support and work which will be ongoing to work with the owners, trade unions and employees in the weeks and months ahead?"

Councillor Waters leader of the council's reply:

"Thank you Councillor Maxwell for your question. The announcement of the closure of the Carrow works site by 2019 and the subsequent loss of over 360 well paid manufacturing jobs is a blow to the city's economy and the loyal and skilled workforce of Britvic and Unilever and their families. Both Unilever and Britvic had decided that the long term business case for retaining production capacity in Norwich did not meet their shareholders best interests. The council has very little influence to change each company's decision.

Throughout the formal review process we worked proactively to present a positive business case for both companies to stay in the city including offers to relocate to alternative sites.

Since the closure announcement the city council has continued to lead and coordinate the response from Norfolk County Council and New Anglia LEP to help mitigate the immediate impact of the closure and assist the workforce in finding new employment opportunities and any associated retraining or relocation support. We have also been in contact with the unions throughout the process.

We are meeting with Unilever on 23 January and are awaiting confirmation from Britvic for a meeting in early February. We will be seeking further information about the timetable for closing the plant and what measures of support will be available to assist the workforce in securing alternative employment. The meeting with Unilever will also include details of the proposal with a local Growers consortium to retain the production and packing of Colman's mustard powder, the historic mustard milling process, and mint processing in a new state-of-the-art facility in the Norwich area which will create around 25 jobs.

Further ahead, we will be looking to work collaboratively with the site owners to examine the regeneration potential of the Carrow works site to attract new jobs and homes to help the future growth of the Norwich economy. We will also be contacting the Business Secretary Greg Clark to request an urgent meeting to discuss and seek a significant contribution to the future regeneration of the site by the time production ceases in 2019."

Councillor Maxwell confirmed that she did not have a supplementary question.

Question 13

Councillor Malik to ask the cabinet member for safe city environment the following question:

"Would the portfolio holder responsible for waste and recycling comment on the recently published recycling rates for Norwich City Council and how the recent news regarding the Republic of China's tightening up on their importation of recycling materials from overseas (including the UK) affects these?"

Councillor Maguire cabinet member for safe city environment's response:

"For 2016/17 Norwich achieved a recycling rate of 38.2% which is comparable with our comparator group of authorities. Exeter achieved a recycling rate of 31.6%, Lincoln 36%, Stevenage 39.8%, Harlow 43.9%, Preston 31.4% and Crawley just 27.4%. More importantly is the residual waste per household where we collect 429 kilos per household. Although we may not be achieving the recycling rates some authorities are, the amount of waste we actually collect is far less than most which, as you know, is what it should be about. Within our comparator group Exeter collects 452kilos, Lincoln 525, Stevenage 518, Harlow 409, Crawley 539 and Preston 601. This means far less rubbish has to be collected and disposed of reducing financial costs to both the city council and the county council.

With regards to China tightening up on the quality of recycling material they import this will have no impact on our recycling rates. As mentioned in the previous question, we can meet the quality thresholds which allows us to take advantage of the best markets available. Quality is the key and the work we are doing with our residents through the "Give your recycling a little bit of love" campaign will ensure we continue to meet the quality thresholds.

Through the investment in NEWS Limited all material is sorted limiting the amount of contamination and further ensuring the quality of the recycling product. NEWS supplies a quality secondary mixed paper and card product which is destined for the packaging industry. In conjunction with its brokers, NEWS is able to produce grades of mixed paper that meet the new quality standard required by the paper packaging market and is able to meet the new standards set by the Chinese.

Most of the plastic we collect is recycled either in the UK or in Holland. The Norfolk Waste Partnership publishes a destination map for all materials at: www.recyclefornorfolk.com/learning-zone/why-recycle. This focus on providing quality products is what has helped all Norfolk authorities achieve an overall recycling rate of 46.7% in 2016/17 higher than the England average (45.1% in 2016/17)."

Councillor Malik confirmed that he did not have a supplementary question.

Question 14

Councillor Peek to ask the cabinet member for safe city environment the following question:

> "Would the portfolio-holder for safe city environment comment on DEFRA's latest report regarding air quality in Norwich?"

Councillor Maguire cabinet member for safe city environment's response:

> "All local authorities have a duty to carry out annual reviews of air quality in their area. Pollutant levels are reviewed and assessed against government air pollution objectives set out in the national air quality strategy. Local Authorities are required to submit a Local Air Quality Management report each year to DEFRA who review and assess the details. The Annual Status report received from DEFRA recognised the progress made by the city council on the 2015 action plan including:
> traffic management measures to reduce through traffic,
> improving bus access,
> managing traffic congestion in the central air quality management area, including extending pedestrian areas with restricted traffic access.
>
> DEFRA also recognised the significant strides made by the council in developing measures to address the source of exceedances (where actual levels exceed target) by the number of traffic measures that are being adopted. In short the conclusions reached were acceptable for all sources of pollutants.
> The council will continue to take action where it is practicable and will continue to monitor the air quality especially within the Norwich central air quality management area. Further details of our proposed actions can be found on our website as follows:
> https://www.norwich.gov.uk/downloads/file/3020/2015_air_quailty_action_plan"

Councillor Peek confirmed that he did not have a supplementary question.

Report to	Council 20 February 2018	**Item** 5
Report of	Head of strategy and transformation	
Subject	Corporate Plan updates	

Purpose

To consider updates to the corporate plan 2015-20 for the year 2018-19.

Recommendation

To approve the updates to the corporate plan 2015-20 for the year 2018-19.

Corporate and service priorities

The report helps to meet all the corporate priorities.

Financial implications

The costs of taking forward the corporate plan are built into the draft budget for 2018-19.

Ward/s: All wards

Cabinet member: Councillor Waters - leader

Contact officers

Helen Chamberlin, head of strategy and transformation 01603 212356

Background documents

None

1. The council's current corporate plan was adopted at a meeting of full council on 17 February 2015. It covers the period 2015-2020. This was developed through a number of methods including:

    a) Analysing information on levels of need in the city such as looking at demographics, strengths, opportunities, inequalities and challenges.

    b) Assessing the current environment the council operates in, including the national and local economic climate and policy and legislation for local government.

    c) Looking at the potential future factors that may impact on Norwich and the council e.g. economic, social, environmental etc.

    d) Discussions with councillors including an all councillor workshop.

    e) Specific discussions with partner organisations

    f) Assessing the future resourcing likely to be available to deliver a new corporate plan.

    g) Formal review by scrutiny and cabinet.

2. The vision and mission are as follows, and these stay the same for 2018-19:

    a) Vision: to make Norwich a fine city for all

    b) Mission: to always put the city and its people first

3. The five corporate priorities are:

    a) A safe, clean and low carbon city

    b) A prosperous and vibrant city

    c) A fair city

    d) A healthy city with good housing

    e) Value for money services

4. As part of this process, 45 corporate performance measures were established to measure how well the council was progressing against these priorities, with targets established for the first three years of the plan. In line with good practice in corporate performance measurement, we have reviewed these performance measurements and the targets over the last few months.

5. The individual measures and performance data have been looked at by the relevant service areas with support from the corporate performance team in order to ensure that the measures are effective and whether targets are still appropriate for the year 2018-19. Relevant portfolio holders have then been consulted on these. Revisions were considered by the scrutiny committee at their meeting on 14 December 2017. These revisions include mid-year changes

to certain corporate performance measures as agreed by cabinet on 8 November 2017.

6. It is proposed that the majority of the measures stay the same for 2018-19 in order to be able to compare performance with previous years. However, there are some individual measures that require some amendment; these involve:

   a) Amending the mathematical basis for the calculation or using different data collection methods to ensure robustness or enhance statistical accuracy

   b) Amending the target in light of previous performance and to reflect our new survey methodology

   c) Deleting the measure

   d) Adding a measure

7. The full list of changes to measures and targets for 2018-19 can be found in Appendix B with the full text of the proposed corporate plan in Appendix A. The key changes are as follows:

   a) SCL3, SCL11, SCL12, VFM8. Amend the targets for the measures to reflect the new text based local area survey methodology, which provides a more robust and detailed overview of resident experience by targeting a more representative range of residents. This has had a marked impact on reported levels of satisfaction and perceptions of safety and it is proposed to revise the targets in line with this. Customers can choose to opt out of the survey if they wish. Where targets are still to be confirmed, these will be established once we have sufficient data from the use of the new methodology at the end of 2017-18.

   b) SCL5, SCL6, SCL8, HCH4, HCH8. Increase the targets in line with previous performance.

   c) VFM2, VFM7. Replacing these with a single composite measure (VFM10) that shows whether the council's financial performance is on track to achieve a balanced budget, reflecting both income generated and planned savings achieved.

   d) VFM9. Deletion of measure as this measures activity not performance.

8. Although the existing corporate plan 2015-20 is still in force, to contextualise the changes to the key performance measures and to summarise the opportunities and challenges that exist in delivering the corporate plan, it is proposed that we 'refresh' elements of the supporting material that are published with the corporate plan. The document containing these 'refreshed' elements can be found in Appendix A.

9. The revised content consists of:

   a) A new foreword from the leader of the council

   b) New commentary on the 5 corporate priorities

10. The further proposal is that the current corporate plan remains in place until the end of 2018-19. After this point, the engagement work with residents and other stakeholders that is currently being undertaken alongside the wider transformation programme will allow the establishment of new corporate priorities and performance framework and a new corporate plan for the period 2019 – 2022.

11. This report was recommended to council by cabinet at its meeting on 7 February 2018.

Integrated impact assessment

NORWICH City Council

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

Report author to complete	
Committee:	Council
Committee date:	20 February 2018
Director / Head of service	Head of Strategy & Transformation
Report subject:	Corporate Plan updates
Date assessed:	25 January 2018

	Impact			
Economic (please add an 'x' as appropriate)	**Neutral**	**Positive**	**Negative**	**Comments**
Finance (value for money)	☒	☐	☐	Individual measures have been developed by heads of service alongside service and budget planning processes to ensure targets are aligned to resource
Other departments and services e.g. office facilities, customer contact	☒	☐	☐	
ICT services	☒	☐	☐	
Economic development	☒	☐	☐	
Financial inclusion	☒	☐	☐	
Social (please add an 'x' as appropriate)	**Neutral**	**Positive**	**Negative**	**Comments**
Safeguarding children and adults	☒	☐	☐	
S17 crime and disorder act 1998	☒	☐	☐	
Human Rights Act 1998	☒	☐	☐	
Health and well being	☒	☐	☐	

	Impact			
Equality and diversity (please add an ‘x’ as appropriate)	**Neutral**	**Positive**	**Negative**	**Comments**
Relations between groups (cohesion)	☒	☐	☐	
Eliminating discrimination & harassment	☒	☐	☐	
Advancing equality of opportunity	☒	☐	☐	
Environmental (please add an ‘x’ as appropriate)	**Neutral**	**Positive**	**Negative**	**Comments**
Transportation	☒	☐	☐	
Natural and built environment	☒	☐	☐	
Waste minimisation & resource use	☒	☐	☐	
Pollution	☒	☐	☐	
Sustainable procurement	☒	☐	☐	
Energy and climate change	☒	☐	☐	
(Please add an ‘x’ as appropriate)	**Neutral**	**Positive**	**Negative**	**Comments**
Risk management	☒	☐	☐	

Recommendations from impact assessment
Positive
Negative
Neutral
Issues
The corporate plan is the context sets the priorities under which all council activity is undertaken. Identification of risks, impact and mitigation of all of this is therefore out of the scope of a single impact assessment and best dealt with through individual team, service and project plans within corporate guidelines.

Norwich City Council Corporate Plan 2015-20

Refresh: 2018-19

This document supplements the 2015-20 corporate plan published in 2015.

For background on key statistics about Norwich you can read 'The State of Norwich'.

Leader's foreword

A strong, well-resourced city council has never been more important, one that can help shape and deliver a new vision for our city. A vison which celebrates what makes Norwich the great place it is today and addresses the difficult challenges that face us in the future.

We live in difficult times. At the national level the outcome of the Brexit negotiations remains unclear and adds to the uncertainty faced by many EU citizens who have made their lives in Norwich. British EU citizens living in other EU countries will be feeling the same way.

Uncertainty also extends to the public services which we all value and depend upon. Local government has been particularly hard hit by austerity. In the case of Norwich, we have a central Government financial settlement that sees our General Fund budget cut by 15.9%. This is the fourth highest reduction across the country. In cash terms that means a further net reduction of over £9m between now and 2020/21, on top of the £40 million taken out of our budgets since 2008 - a 40% cut in ten years. Norwich City Council has and continues to work hard to try and plug some of the gaps in government funding. We have been raising income from investing in commercial property alongside becoming as efficient as we can. We do this so we can continue to serve the people of Norwich and protect services

We are conscious that levels of poverty are set to rise over the next few years. With benefit changes (including for people in work); uncapped rents and insecurity of tenure in the private rented sector and, at the end of 2018, the introduction of Universal Credit, things are tough. Work for many Norwich residents, has long since ceased to be a guaranteed route out of poverty. Many people are in a precarious situation and experiencing irregular and low paid work. We have seen a rapid increase in rough sleeping on our streets and rising levels of child poverty.

Our priority is always to do the best for all the residents of Norwich. Our Corporate Plan is underpinned by the belief that we will use our resources and through partnership deliver local investment in jobs, homes, new businesses and a good quality of life including investment in cultural and leisure activities and the continued drive towards making Norwich a low carbon city.

We have major council housing developments underway in Goldsmith Street and at Bowthorpe. Brownfield sites are being redeveloped. And some of the major privately owned stalled sites are starting to progress.

We are also driving investment for Norwich through key partnerships, among which are the Greater Norwich Growth Board; the New Anglia LEP and the Arts Council. We are part of a network of English cities making the case to Government that cities, as the engines of their local and regional economies, need a greater share of national resources and crucially greater local freedoms to drive sustainable growth which benefits everyone. We advocate and work with our partners to spread the ideas of ‘inclusive growth’. That means in Norwich, we must redouble our efforts to tackle inequality, poverty, job insecurity and low wages.

The ambition of these plans requires a council organised to maximise the positive impact we can have on the city and the wider area. That is a major challenge against a background of continued severe funding cuts from central government. But we have been very successful in reducing costs and redesigning services – thanks in large part to the commitment and flexibility of our workforce. However, delivering the necessary cost reductions and continuing to provide key services is becoming increasingly challenging. The scale of the savings we need to achieve means we have to fundamentally change how we operate but also be responsive and proactive by taking account of future trends in society.

Last year I wrote that the council needed to use its civic leadership role to lead the discussion on how Norwich needs to position itself over the next 20 years. This is a collective citywide endeavour involving residents and a broad range of stakeholders. That work started with the 2040 Norwich Vision Conference held in November 2017 and it will shape the direction we take in this and future Corporate Plans as our contribution to the evolving broader vision for the city.

Councillor Alan Waters, Leader, Norwich City Council.

Strategic direction of the council
This sets out our overall vision, priorities and values. It guides everything we will do as an organisation and how we will go about it. The strategic direction is shown in the following diagram and covers the below elements:

Our vision: overall this is what as a council we aim to achieve for the city and its citizens.

Our mission: this is the fundamental purpose of the council – so basically what we are here for.

Our priorities: these are the key things we aim to focus on achieving for the city and its residents to realise our vision over the next five years.

Our core values: these drive how we will all work and act as teams and employees of the council.

Our vision: to make Norwich a fine city for all.

Our mission: to always put the city and its people first.

Our core values

Everything we ever do as an organisation, whether in teams or as individuals, will be done with our core values in mind. These are:

P Pride. We will take pride in what we do and demonstrate integrity in how we do it.

A Accountability. We will take responsibility, do what we say we will do and see things through.

C Collaboration. We will work with others and help others to succeed.

E Excellence. We will strive to do things well and look for ways to innovate and improve.

Council priorities

- A safe, clean and low carbon city
- A prosperous and vibrant city
- A fair city
- A healthy city with good housing
- Value for money services

Our priorities

A safe, clean and low carbon city

We want to ensure that Norwich is safe and clean for all citizens and visitors to enjoy and that we create a sustainable city where the needs of today can be met without compromising the ability of future citizens to meet their own needs.

What's working well?

The council is at the forefront of building new homes to the highest of environmental standards, known as Passivhaus. Our Goldsmiths Street development of 105 social houses is one of the largest collections of Passivhaus currently under construction in the UK. In 2017 we have achieved a 54.1% reduction in carbon emissions against our target of 40% by 2019. Fuel poverty levels in Norwich have fallen so that they are now below the national averages. We will keep to our commitment to support people through our successful affordable warmth initiatives such as Cosy City and Big Switch & Save. Our residents continue to express high levels of satisfaction with the quality of our parks.

What are the challenges?

Residents' perception of how safe they feel is declining. Norwich is still a safe city, with relatively low crime. So it may be that increased visibility around a number of targeted police operations has increased visibility around drug related crime.

Although overall Norwich residents produce low levels of household waste, recycling levels are lower than they should be and contamination rates are high. There have been some changes to environmental policy nationally, such as a reduction in feed-in-tariffs, which reduce any incentives around solar and photovoltaic energy. Air quality continues to be an issue, as it is for many cities, reflecting national issues around diesel emissions.

What will we focus on?

Over £14 million of grants have been, or will be invested in cycling in Norwich. Since 2013 cycling has gone up 40%. We will continue with the programme of creating cycling routes in the city with the creation of the yellow and blue pedalways.

We will work hard to increase our understanding of what influences how safe people feel through better data collection. This will inform how we work with partners including health and the police. A new three year multi-agency programme to reduce the risk of domestic abuse will also be developed.

We will focus on increasing general recycling and food waste. This will not only bring environmental benefits but also increases revenue from recycling credits.

The creation of a new 'White label' energy company will help lower energy prices for residents, and help us to step up our focus on helping people at risk of fuel poverty.

A prosperous and vibrant city

We want Norwich to be a prosperous and vibrant city in which businesses want to invest and where everyone has access to economic, leisure and cultural opportunities.

What's working well?
The council is working with partners to support the development of major infrastructure which will help to support the growth of the city. This includes the Northern Distributor Road, now part opened and due for completion in 2018, and the development of the Airport Industrial estate to retain existing businesses and attract new ones.

Following a successful ballot of businesses, the Norwich Business Improvement District now has a remit to invest in the vitality of the whole of the city centre. We continue to build on the positive partnerships which support our programme of free events and work well with the creative sector to help the city's unique cultural offer to thrive.

A number of city centre development sites continue to progress, including St Anne's quarter.

What are the challenges?
Brexit continues to cause economic uncertainty and businesses are faced with a difficult trading environment, particularly in the knowledge economy which is critical to the city. Longer term, EU funds provided through the Local Enterprise Partnership (LEP) are also at risk, threatening the inclusive nature of future growth. In particular SMEs are finding the economic environment challenging.

We need to ensure that we investment in our culture so that it continues to provide social and economic benefit as well as attracting visors to Norwich.

What will we focus on?
The council will engage strategically locally and regionally to influence the growth agenda so that it meets the needs of Norwich residents. A new local plan is being developed in partnership with other local authorities and will be out to consultation during 2018. We will partner with the LEP to shape the investment and skills agenda. We will continue working with other key organisations and employers, including Aviva and the UEA, around living wage and inclusive growth.

We will work alongside key partners such as the Norwich Business Improvement District (BID), Historic England and the Arts Council and key cultural organisations with a view to securing additional resources. We will aim to ensure public access to a range of free cultural and sporting events, either through delivering them ourselves or working in partnership with others to do so.

A priority for us this year will be to accelerate residential and commercial developments on stalled sites. We will do this both through working with landowners and by promoting our own sites for development.

A fair city
We want Norwich to be a fair city where people are not socially, financially or digitally excluded and inequalities are reduced as much as possible.

What’s working well?
We have adopted a new social value framework for procurement of goods and services, which builds on Living Wage and other social & environmental benefits.

The number of Living Wage employers in the city is increasing and we have continued to demonstrate our commitment to the Living Wage, by paying all our staff and the staff of our contractors who provide services in Norwich the “real” Living wage.

Our approach to working in neighbourhoods and cross agency includes locality working in Lakenham to join up local services and build capacity to identify and address local issues of inequality. The next phase of this project will be to develop social prescribing, the access to non-clinical services for those with multiple needs visiting their GP, often provided by the voluntary and community sector. Our targeted support for tenants and residents to help them navigate the challenges of Universal Credit has been well received.

What are the challenges?
The full roll out of Universal Credit will be challenging for some residents. Having to navigate digital claims, budgeting cycles and change of payment method may prove problematic.

Low wage levels in the city continue to be a concern and social mobility in the city remains amongst the lowest in the country. Child poverty is already worse than the England average and is set to increase.

What will we focus on?
Our prime focus will be on maintaining funding for social welfare advice for residents to help to mitigate the impact of Universal Credit. We will work to support the new Norfolk approach to hate crime reporting.

We will extend our locality and partnership approach to reducing inequalities through supporting initiatives like Active Norfolk and county social prescribing programmes

We will also continue to work alongside county council colleagues to improve city centre accessibility.

Healthy city with good housing
We want to ensure that people in Norwich are healthy and have access to appropriate and good quality housing.

What’s working well?
Norwich City Council will build new homes through the council owned company, Norwich Regeneration Company. The new development at Bowthorpe will see 1,000 new homes being built during the first phase. This will be a mixture of social rented housing and properties for sale.

We will endeavour to contribute to the health of residents by working in partnership with our colleagues in the Healthy Norwich Partnership, for example developing the 'Daily Mile' which encourages activity in primary school children

What are the challenges?
The city, like many others, faces a challenging housing market with limited supply and many people struggling to afford appropriate housing. This is reflected in rises in both visible and hidden homelessness. This situation has been exacerbated through continued erosion of council stock. The council has lost 500 homes over the last 3 years through Right-to-Buy, without this generating sufficient income to replace one home for every one lost.

The rising demand, cost and availability of temporary accommodation remains a concern compounded by the reduction in housing-related support provision due to county council cuts.

The health of residents still varies widely in the city between least and most deprived, partly driven by socio-economic factors.

What will we focus on?
A top priority for the city council is continuing to prevent homelessness. We will do this both within the context of the new homelessness reduction act and through our rough sleeping strategy, delivered in partnership.

As always, we aim to support vulnerable people of all ages to live independently in their own homes for as long as possible

We will continue to build as many council houses as we can and work with other to build social and affordable housing. Alongside this we will seek to enhance the quality of all existing housing stock, using whatever levers we have, in the private rental sector. We will undertake a number of repairs and upgrades to the council's high rise residential tower blocks following detailed surveys undertaken with the Norfolk fire and rescue service in the aftermath of the Grenfell Tower tragedy of 2017. These are recommended to help prevent fires occurring and to contain the spread of a fire should one occur.

The council will continue to seek to address health inequalities in a holistic way through partnership with health colleagues and playing our role in addressing the socio-economic drivers of poor health.

Value for money services
The council is committed to ensuring the provision of efficient, effective and quality public services to residents and visitors. While we will continue to face challenging savings targets over the next five years, we will continue to protect and improve those services our citizens value most as much as we possibly can.

What is working well?
Important to the financial sustainability of the council is the ability to generate income to replace government cuts in funding. We continued to develop our commercial assets portfolio, to divest ourselves of those with minimal returns and acquire new

ones that will optimise income to try to offset our need to make savings in council services. New revenue streams, including the award-winning Rose Lane Car Park mean we have been hitting our income generation targets.

We have improved our finance and performance reporting so that it supports good decision making and strategy.

The council has committed to putting services online where possible, to allow people to transact with us 24/7, whilst importantly continuing to supporting those who face digital exclusion.

We have also sought to improve the social value of the things we buy through the adoption of a new social value framework

What are the challenges?
In order to deliver 21st century public services we must address the context of a legacy of historic buildings and IT systems that have evolved incrementally. We must try to ensure that the council's digital infrastructure is fit for purpose now whilst being sufficiently agile and flexible to meet changing demands in the future.

Resources continue to dwindle and demand for quality council services increases. Coupled with wider budget cuts and austerity this presents a difficult challenge for the local authority in its role in providing services to residents, businesses and visitors, with less resource to meet demand.

What will we focus on?
We will need to focus on a number of issues to meet the challenges of the future. We must ensure that we design services to be as efficient as possible whilst delivering on our vision and mission and being true to our values.

Increasing our commercial investment portfolio will be a key priority to replace funds lost through government cuts.

We must also make sure that we improve how we collect monies that are owed, for example business rates, council tax and rents. We must also plan well in order to protect council income in the light of the challenges posed by Universal Credit and stressed household budgets.

We will increase the range of online services available helping those who can self-serve do so more easily and when it is convenient for them. The redesign of our customer centre to support residents in a more modern, friendly environment will help shape our future service.

Key performance measures and targets

To ensure we are achieving our priorities and delivering the key actions that support them, we develop and monitor key performance measures. We use these to test how we are doing. These are shown in the table below.

What we aim to achieve (our priorities)	**SAFE, CLEAN AND LOW CARBON CITY**	**PROSPEROUS AND VIBRANT CITY**	**FAIR CITY**	**HEALTHY CITY WITH GOOD HOUSING**	**VALUE FOR MONEY SERVICES**
What we will do to achieve our priorities working with our partners and residents (key actions)	To maintain street and area cleanliness	To support the development of the local economy and bring in inward investment through economic development and regeneration activities	To reduce financial and social inequalities	To deliver our annual Healthy Norwich action plan with our key partners to improve health and wellbeing	To engage and work effectively with customers, communities and partner organisations' using data and intelligence as well as a collaborative and preventative approaches to improve community outcomes.
	To provide efficient and effective waste collection services and reduce the amount of waste sent to landfill	To advocate for an effective digital infrastructure for the city	To advocate for a Living Wage and inclusive growth	To support the provision of an appropriate housing stock in the city including bringing long term empty homes back into use and building new affordable homes	To continue to reshape the way the council works to realise our savings target and improving council performance wherever possible.
	To work effectively with the police to reduce antisocial behaviour, crime and the fear of crime	To maintain the historic character of the city through effective planning and conservation management	To encourage digital inclusion so local people can take advantage of digital opportunities	To prevent people in the city from becoming homeless by providing advice and alternative housing options	To improve the efficiency of the council's customer access channels
	To protect residents and visitors by maintaining the standards of food safety	To provide effective cultural and leisure opportunities for people in the city and encourage visitors and tourists	To reduce fuel poverty through a programme of affordable warmth activities	To improve the council's housing stock through a programme of upgrades and maintenance and provide a good service to tenants	To maximise council income through effective asset management, trading and collection activities
	To maintain a safe and effective highway network in the city and continue to work towards 20mph zones in residential areas			To improve the standard of private housing in the city through advice, grants and enforcement and supporting people's ability to live independently in their own homes by providing a home improvement agency	
	To mitigate and reduce the impact of climate change wherever possible and protect and enhance the local environment				
	To reduce the council's own carbon emissions through a carbon management programme				

How we measure what we are achieving (key measures and projects)	SAFE, CLEAN AND LOW CARBON CITY		PROSPEROUS AND VIBRANT CITY		FAIR CITY		HEALTHY CITY WITH GOOD HOUSING		VALUE FOR MONEY SERVICES	
	% of streets found clean on inspection	% of people satisfied with waste collection	Number of new jobs created/ supported though council funded activity	Delivery of the council's capital programme (encompassing all key regeneration projects)	Delivery of the reducing inequalities action plan	% of people who felt their wellbeing had been improved after receiving advice	Delivery of the Healthy Norwich action plan	Relet times for council housing	% of residents satisfied with the service they received from the council	Council on track to remain within agreed general fund budget
	% of people feeling safe	Residual household waste per household (Kg)	Planning quality measure	Amount of funding secured by the council for regeneration activity	% of commissioned organisations who pay their staff the Living Wage for services delivered on behalf of the city council	Delivery of the digital inclusion action plan	Number of long term empty homes brought back into use	Number of new council or other affordable homes completed on council land or which the council has financially contributed to	Channel shift measure	Avoidable contact level
	% of food businesses achieving safety compliance	% of residential homes on a 20mph street	Number of priority buildings on the 'at risk register' that have been saved	Amount of visitors at council run events	Number of private sector homes where council activity improved	Timely processing of benefits	Number of people prevented from becoming homeless	Number of people who feel that the home improvement agency	% of customers satisfied with the opportunities to engage with the	

			from decay and dereliction through the intervention of the city council		energy efficiency			has enabled them to maintain independent living	council	
	Number of accident casualties on Norwich roads	% of adults cycling at least 3x a week for utility purposes		% of people satisfied with leisure and cultural facilities			% of council properties meeting Norwich Standard	% of people satisfied with the housing service		
	Reduction in CO_2 emissions for the Norwich area	Reduction in CO_2 emissions from local authority operations					Number of private sector homes made safe			
	% of people satisfied with parks and open spaces	% change in the number of cyclists counted at automatic count sites								
	% of people satisfied with their local environment									
Key services contributing	City wide services	Neighbourhoods service	City development service	Neighbourhoods service	Strategy & transformation	Neighbourhoods service	Strategy & transformation	City development service	All services	All services
	City development services	Customer contact service	Planning service	Strategy & transformation	Customer contact service	Business relationship management service	Housing service	Customer contact service		
	Strategy & transformation	Environmental strategy	Business relationship management service	Culture and communications service	Environmental strategy		Planning service			
	Planning service		Customer contact service							

Corporate performance measures 2018-19

The council sets targets for each key performance measure. These are set out in detail in service plans and as part of the quarterly performance reports. Specific measures and targets beyond 2018-19 will be developed as part of the review of the corporate plan in 2018-19. Some targets remain to be set based on 2017-18 data using revised methodologies.

Key performance measure	Prefix	2018-19 Target
Council priority: safe, clean and low carbon		
% of streets found clean on inspection	SCL1	88%
% of people satisfied with waste collection	SCL2	85%
% of people feeling safe	SCL3	tbc
Residual household waste per household (kg)	SCL4	375
% of food businesses achieving safety compliance	SCL5	94%
% of residential homes on a 20mph street	SCL6	50%
Number of accident casualties on Norwich roads	SCL7	<400
% of adults cycling at least 3x a week for utility purposes	SCL8	16%
% change in the number of cyclists counted at automatic count sites	SCL13	5% increase
Reduction in CO2 emissions for the local area	SCL9	2.4%
Reduction in CO2 emissions from local authority operations	SCL10	2.2%
% of people satisfied with parks and open spaces	SCL11	tbc
% of people satisfied with their local environment	SCL12	tbc
Council priority: prosperous and vibrant city		
Number of new jobs created/ supported by council funded activity	PVC1	300
Delivery of the council’s capital programme	PVC2	80%
Amount of funding secured by the council for regeneration activity (4 year rolling average)	PVC3	£2m p/a
Planning service quality measure	PVC6	tbc
Number of priority buildings on the ‘at risk register’ that have been saved from decay and dereliction through the intervention of the city council.	PVC7	1 p/a
% of people satisfied with leisure and cultural facilities	PVC8	95%
Amount of visitors at council ran events	PVC9	85,200 p/a

Key performance measure	Prefix	2018-19 Target
Council priority: fair city		
Delivery of the reducing inequalities action plan	FAC1	100% on target p/a
% of people who felt their wellbeing had been improved following receiving advice	FAC2	86%
Delivery of the digital inclusion action plan	FAC3	100%
Timely processing of benefits	FAC4	100%
No of private sector homes where council activity improved energy efficiency	FAC5	165
% of commissioned organisations who pay their staff the living wage for services delivered on behalf of Norwich City Council	FAC6	100%
Council priority: healthy city with good housing		
Delivery of the Healthy Norwich action plan	HCH1	100% on target p/a
Relet times for council housing	HCH2	16 days
Number of long-term empty homes brought back into use	HCH3	20
Number of new council or other affordable homes completed on council land or which the council has financially contributed to	HCH4	350
Preventing homelessness	HCH5	60%
Percentage of people who feel that the work of the home improvement agency has enabled them to maintain independent living	HCH6	90%
% of council properties meeting Norwich Standard	HCH7	97%
% of people satisfied with the housing service	HCH8	84%
No of private sector homes made safe	HCH9	100
Council priority: value for money services		
% of residents satisfied with the service they received from the council	VFM1	75%
Avoidable contact	VFM4	35%
Channel shift	VFM5	25%
% of customers satisfied with the opportunities to engage with the council	VFM8	TBC
Council on track to remain within agreed general fund budget	VFM10	<£250k

Prefix	Measure	17/18	18/19	Any Changes?
Council priority: safe, clean and low carbon				
SCL1	% of streets found clean on inspection	88%	NC	No Change
SCL2	% of people satisfied with waste collection	85%	NC	No Change
SCL3	% of people feeling safe	78%	tbc	New methodology requires new target based on 2017-18 data
SCL4	Residual household waste per household (kg)	375	NC	No Change
SCL5	% of food businesses achieving safety compliance	90%	94%	Scrutiny Comm. Suggested a rise to 94%
SCL6	% of residential homes on a 20mph street	45%	50%	Increases to 50%
SCL7	Number of accident casualties on Norwich roads	>400	NC	No Change
SCL8	% of adults cycling at least 3x a week for utility purposes	14%		Increase to 16%
SCL13	% change in the number of cyclists counted at automatic count sites	5% increase	NC	No Change
SCL9	CO2 emissions for the local area	2.4%	NC	No Change
SCL10	CO2 emissions from local authority operations	2.2%	NC	No Change
SCL11	% of people satisfied with parks and open spaces	85%	tbc	New methodology requires new target based on 2017-18 data
SCL12	% of people satisfied with their local environment	80%	tbc	New methodology requires new target based on 2017-18 data
Council priority: prosperous and vibrant city				
PVC1	Number of new jobs created/ supported by council funded activity	300	NC	No Change
PVC2	Delivery of the Councils capital programme	80%	NC	No Change
PVC3	Amount of funding secured by the council for regeneration activity (4 year rolling average)	£2m p/a	NC	No Change
PVC6	Planning service quality measure	tbc	tbc	Still awaiting national framework to establish target

PVC7	Number of priority buildings on the 'at risk register' that have been saved from decay and dereliction through the intervention of the city council.	1 p/a	NC	No Change
PVC8	% of people satisfied with leisure and cultural facilities	95%	NC	No Change
PVC9	Amount of visitors at council ran events	85,200 p/a	NC	No Change
Council priority: fair city				
FAC1	Delivery of the reducing inequalities action plan	100% on target p/a	NC	No Change
FAC2	% of people who felt their wellbeing had been improved following receiving advice	86%	NC	No Change
FAC3	Delivery of the digital inclusion action plan	100%	NC	Current action plan ends – new action plan being evolved
FAC4	Timely processing of benefits	100%	NC	No Change
FAC5	No of private sector homes where council activity improved energy efficiency	165	NC	No Change
FAC6	% of commissioned organisations who pay their staff the living wage for services delivered on behalf of NCC	100%	NC	No Change
Council priority: healthy city with good housing				
HCH1	Delivery of the Healthy Norwich action plan	100% on target p/a	NC	No Change
HCH2	Re-let times for council housing	16 days	NC	No Change
HCH3	Number of empty homes brought back into use	20	NC	No Change
HCH4	Number of new council or other affordable homes completed on council land or which the council has financially contributed to	200 (15-18)	350	Increased target of 350
HCH5	Preventing homelessness	60%	NC	No Change
HCH6	Percentage of people who feel that the work of	90%	NC	No Change
Council priority: value for money services				
VFM1	% of residents satisfied with the service they received from the council	75%	75%	No Change
VFM2	Council achieves savings target	<£0 (underspe	Deleted	Indicator replaced by single composite

		n d)		balanced budget measure
VFM4	Avoidable Contact	35	NC	No Change
VFM5	Channel Shift	25%	NC	No Change
VFM6	% of income owed to the council collected	95%	NC	No Change
VFM7	% of income generated by the council compared to expenditure	45.2%	Deleted	Indicator replaced by single composite balanced budget measure
VFM8	% of customers satisfied with the opportunities to engage with the council	54%	tbc	New methodology requires new target based on 2017-18 data
VFM9	Delivery of local democracy engagement plan	Yes on target	Delete	Delete as not a measure of performance

Report to	Council	Item
	20 February 2018	
Report of	Chief finance officer	6
Subject	2018/19 Budget, Medium Term Financial Strategy (MTFS) and HRA Business Plan	

Purpose

To propose for approval the budget and budgetary requirement, council tax requirement, level of council tax for 2018/19, the HRA Business Plan and the council's capital programme.

Recommendations

1. To approve cabinet's recommendations of 7 February 2018 for the 2018/19 financial year:

General Fund (all references refer to Annex A)

a) The council's net revenue budget requirement as £15.696m for the financial year 2018/19 (Table 3) including the budget allocations to services shown in appendix 2 and the growth and savings proposals set out in appendix 1;

b) An increase to Norwich City Council's element of the council tax of 2.99%, meaning that that the Band D council tax will be set at £256.46 (para 83), with the impact of the increase for all bands shown in table 6;

c) The planned use of £1.504m of General Fund reserves to finance the budget requirement in 2018/19 (shown in table 9);

d) The prudent minimum level of reserves for the council as £4.232m para 155);

e) The general fund capital programme 2018/19 to 2022/23 (para 118):

f) The creation of earmarked reserves in relation to commercial property, and income received from on-lending to Norwich Regeneration Limited, and the transfer of additional income generated from these sources above the MTFS savings targets to the relevant earmarked reserve (para 15).

Housing Revenue Account (all references refer to Annex A)

g) The implementation of the minimum 1% rent reduction in accordance with legislation set down in the Welfare Reform and Work Act 2016. (para 98).

h) The proposed Housing Revenue Account budgets (para 95).

i) The prudent minimum level of housing reserves as £5.844m (para 110).

j) The proposed housing capital programme 2017/18 to 2021/22 (para 132).

k) A 4% increase in garage rents (para 100).

l) The creation of an HRA spend-to-save earmarked reserve to fund the HRA's share of costs required to deliver relevant savings and efficiencies through the transformation programme (para 93).

m) The transfer of £500k of underspend forecast to be achieved in 2017/18 to the HRA's spend-to-save earmarked reserve (para 93).

2. To approve that the total of all the precepts of the collection fund is calculated in accordance with Sections 32-36 of the Local Government Finance Act 1992 as amended by the Localism Act 2011(as shown in Annex B) taking into account precepts notified by Norfolk County Council and the Office of the Police & Crime Commissioner for Norfolk.

Corporate and service priorities

The report helps to meet all the corporate priorities.

Financial implications

This report sets the general fund budgetary requirement and the council tax requirement for 2018-19 and the capital programmes for 2018-19 to 2022-23.

Ward/s: All wards

Cabinet member: Councillor Kendrick – resources

Contact officers

Karen Watling, chief finance officer	01603 212440
Hannah Simpson, strategic finance business partner	01603 212561
Shaun Flaxman, senior finance business partner	01603 212805

Background documents

None

Report

1. At its meeting of 7 February Cabinet recommended the budget report (shown in Annex A) to Council for approval.

2. Updates since the Cabinet report was published are detailed below.

3. The government issued the final Local Government Finance Settlement on 6th February 2018 which confirmed the 2018/19 figures for the Revenue Support Grant and New Homes Bonus.

4. The distribution of business rates income for 2018/19 has now been confirmed. This incorporates a minor change to the tariff figure and forecast income. However, the total business rates resources for 2018/19, including the contribution from the grant reserve, remains unchanged. 2018/19 business rates retained income set out in table 5 of Annex A are now as follows:

Table 5: 2018/19 Business Rates Retained Income – Figures are in £000s

Baseline Funding (Provisional Finance Settlement)	(£5,759)
Norwich Share of Retained Income (40%)	(£30,144)
Less: Norwich Tariff (Provisional Finance Settlement)	£25,497
Plus: Budgeted Section 31 grant for SBBR and discretionary reliefs	(£1,290)
Plus: Budgeted Section 31 grant indexation switch	(£119)
Less: Budgeted levy to the Norfolk Business Rates Pool	£92
Less: Norwich Business Rates 2017/18 deficit distribution	£998
Plus: Section 31 grant earmarked reserve transfer against deficit	(£332)
Total Business Rates Income 2018/19	**(£5,298)**

5. The statutory determination at Annex B reflects the final Council Tax base as confirmed by the chief finance officer under delegated powers. It also reflects the following proposed increases in Council tax:

Preceptor	% increase
Norwich City Council	2.99
Norfolk County Council	5.99
Office of the Police and Crime Commissioner for Norfolk	5.5

6. The precept for the Office of the Police and Crime Commissioner was confirmed at its meeting on 6 February. The precept for the County Council is anticipated to be confirmed at its meeting on 12 February. Any changes to the proposed precept will be reported to Council in an updated report.

Report to	Cabinet	**ANNEX A**
	07 February 2018	
Report of	Chief finance officer (Section 151 Officer)	
Subject	2018/19 Budget, Medium Term Financial Strategy (MTFS) and HRA Business Plan	

Purpose

This report and its appendices set out Norwich City Council's proposed General Fund revenue budget for the financial year 2018/19 along with indicative plans for the next four years (MTFS). It also contains proposals for the HRA Business Plan and the Council's capital programme.

Recommendations

Cabinet is asked to note:

- The budget consultation process that was followed and the feedback gained as outlined in appendix 6.
- The section on the robustness of the budget estimates and adequacy of reserves as set out in paragraphs 140 to 157.
- That the Council Tax resolution for 2018/19, prepared in accordance with Sections 32-36 of the Local Government Finance Act 1992 as amended by the Localism Act 2011, will be calculated and presented to Council for approval once Norfolk County Council and the Office of the Police and Crime Commissioner for Norfolk have agreed the precepts for the next financial year.

Cabinet is asked to recommend to Council to approve:

General Fund

1. The council's net revenue budget requirement as £15.696m for the financial year 2018/19 (Table3) including the budget allocations to services shown in appendix 2 and the growth and savings proposals set out in appendix 1;

2. An increase to Norwich City Council's element of the council tax of 2.99%, meaning that that the Band D council tax will be set at £256.46 (para 83), with the impact of the increase for all bands shown in table 6;

3. The planned use of £1.504m of General Fund reserves to finance the budget requirement in 2018/19 (shown in table 9);

4. The prudent minimum level of reserves for the council as £4.232m para 155);

5. The general fund capital programme 2018/19 to 2022/23 (para 118):

6. The creation of earmarked reserves in relation to commercial property, and income received from on-lending to Norwich Regeneration Limited, and the transfer of additional income generated from these sources above the MTFS savings targets to the relevant earmarked reserve (para 15).

Housing Revenue Account

7. The implementation of the minimum 1% rent reduction in accordance with legislation set down in the Welfare Reform and Work Act 2016. (para 98).

8. The proposed Housing Revenue Account budgets (para 95).

9. The prudent minimum level of housing reserves as £5.844m (para 110).

10. The proposed housing capital programme 2017/18 to 2021/22 (para 132).

11. A 4% increase in garage rents (para 100).

12. The creation of an HRA spend-to-save earmarked reserve to fund the HRA's share of costs required to deliver relevant savings and efficiencies through the transformation programme (para 93).

13. The transfer of £500k of underspend forecast to be achieved in 2017/18 to the HRA's spend-to-save earmarked reserve (para 93).

Corporate and service priorities

The report helps to meet all the corporate priorities.

Financial implications

This report presents the proposed budget requirement for 2018/19 for the General Fund revenue budget and the HRA Business Plan and the means by which these are to be financed. It also sets out the proposed capital programme for 2017/18 to 2021/22 illustrating how anticipated capital expenditure needs can be financed over the medium term.

Other financial implications are set out in the body of the report.

Ward/s: All Wards

Cabinet member: Councillor Kendrick - Resources

Contact officers

Karen Watling, Chief Finance Officer	01603 212440
Hannah Simpson, Strategic Finance Business Partner	01603 212561
Shaun Flaxman, Senior Finance Business Partner	01603 212805

Background documents

None

Report

INTRODUCTION

1. This report presents the proposed revenue and capital budgets for the General Fund and Housing Revenue Account. It contains proposals for budget savings, capital investment, Council Tax and HRA rental levels. The views of citizens, HRA tenants, and local businesses have been sought on these proposals, via the public budget consultation exercise.

2. The report updates the position reported in the Emerging Budget Paper considered at Cabinet in December 2017, including the outcomes from the Provisional Finance Settlement 2018-19.

3. This report needs to be read alongside the Chief Executive's report entitled "Fit for the Future" that was on cabinet's agenda on 13th December 2017. The Chief Executive's report contains important context and strategy that has shaped the budget proposals contained within this report.

REPORT CONTENTS

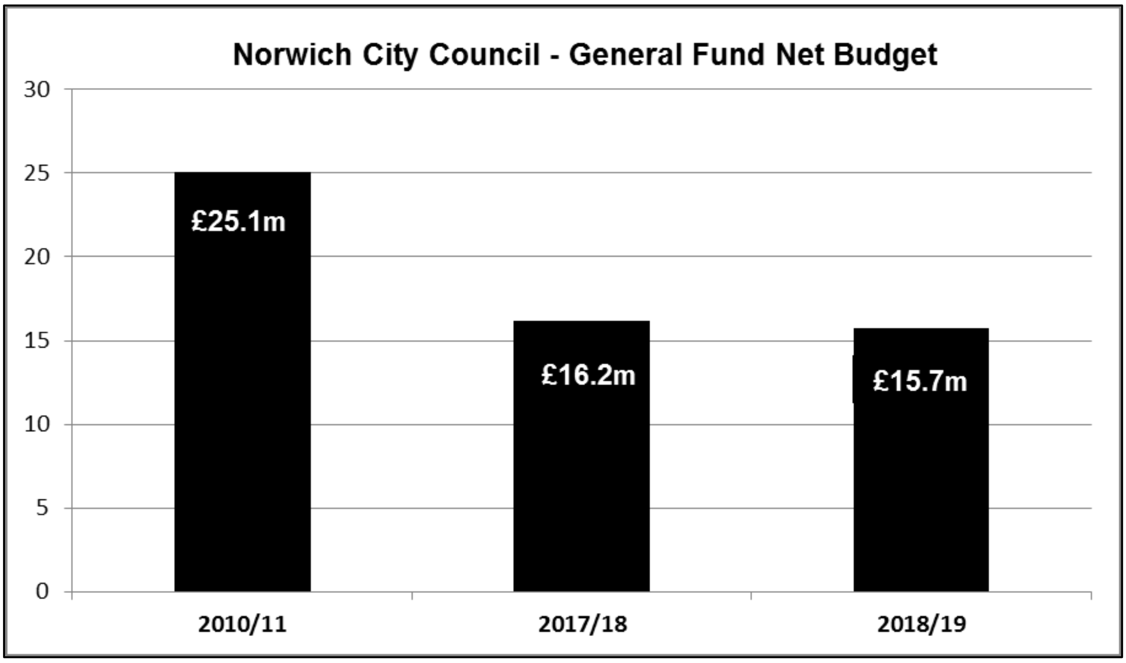
4. The contents of this report are set out as follows:

   a) Overall Summary
   b) Local Government Finance – Economic and Statutory Context
   c) General Fund Revenue Budget & Medium Term Financial Strategy (MTFS)
   d) Housing Revenue Account and Business Plan
   e) Capital Programme
   f) Chief finance officer's statement
   g) Appendix 1: Summary of General Fund Net Savings
   h) Appendix 2: General Fund Budget by Service
   i) Appendix 3: Housing Revenue Account Budgets 2018/19 - movements by type
   j) Appendix 4: Proposed General Fund Capital Programme
   k) Appendix 5: Proposed Housing Capital Programme
   l) Appendix 6: Consultation responses on the proposed budget for 2018/19

OVERALL SUMMARY

General Fund revenue budget

Chart 1: General Fund net budget 2010/11 compared to present day



5. The proposed general fund net revenue budget for 2018/19 is £15.696m (compared to £16.152m for the current financial year). The gross revenue budget is £54m.

6. The proposed budget reflects the continuing reduction in central government funding to local government, which commenced in 2011/12 after the May 2010 general election brought the previous coalition government into power. Chart 1 above shows the scale of budget reductions undertaken from the last budget year before public sector austerity commenced, namely the 2010/11 budget, to the present day.

7. In order to set a balanced budget against this backdrop of funding reductions, net savings are proposed of £1.5m in 2018/19 along with a 2.99% rise in the band D council tax rate and the use of £1.5m of general fund reserves.

Chart 2: 2018/19 gross expenditure budget analysed by type of spend

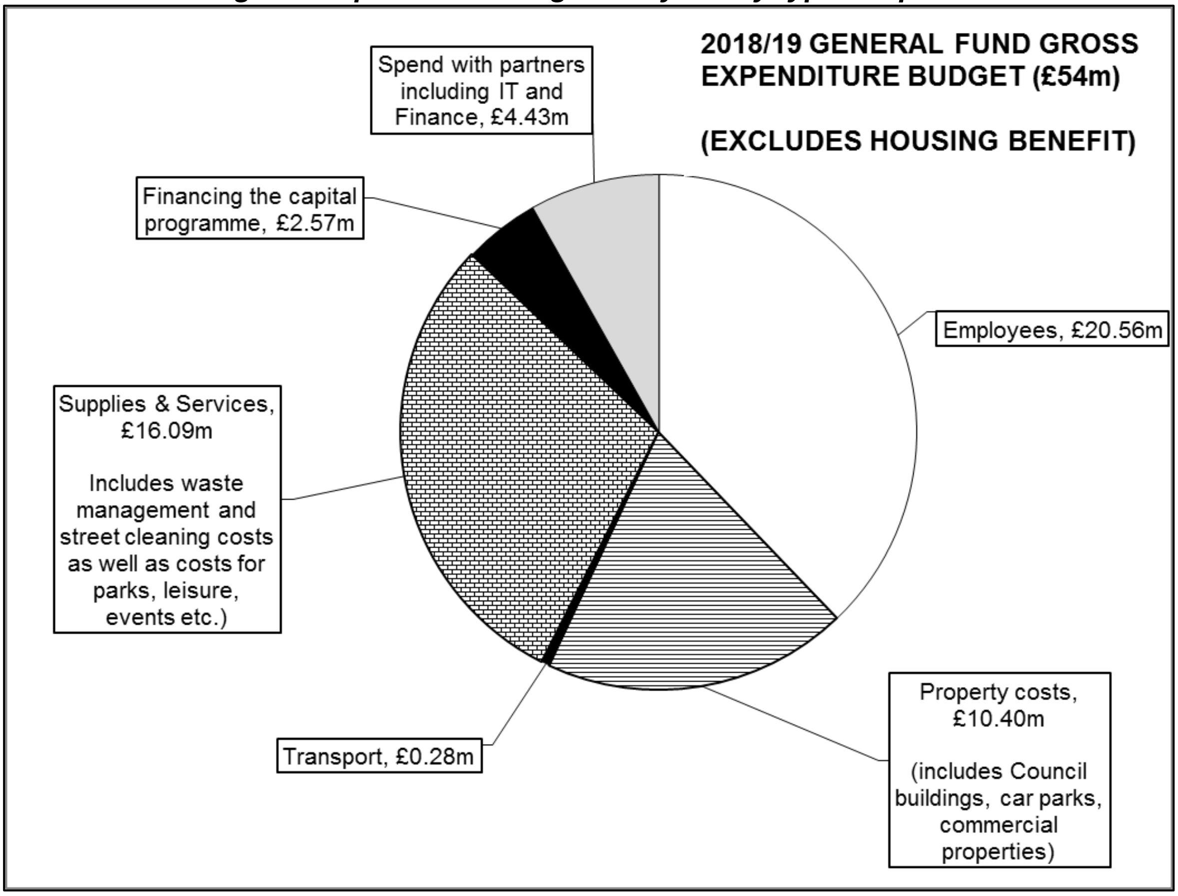
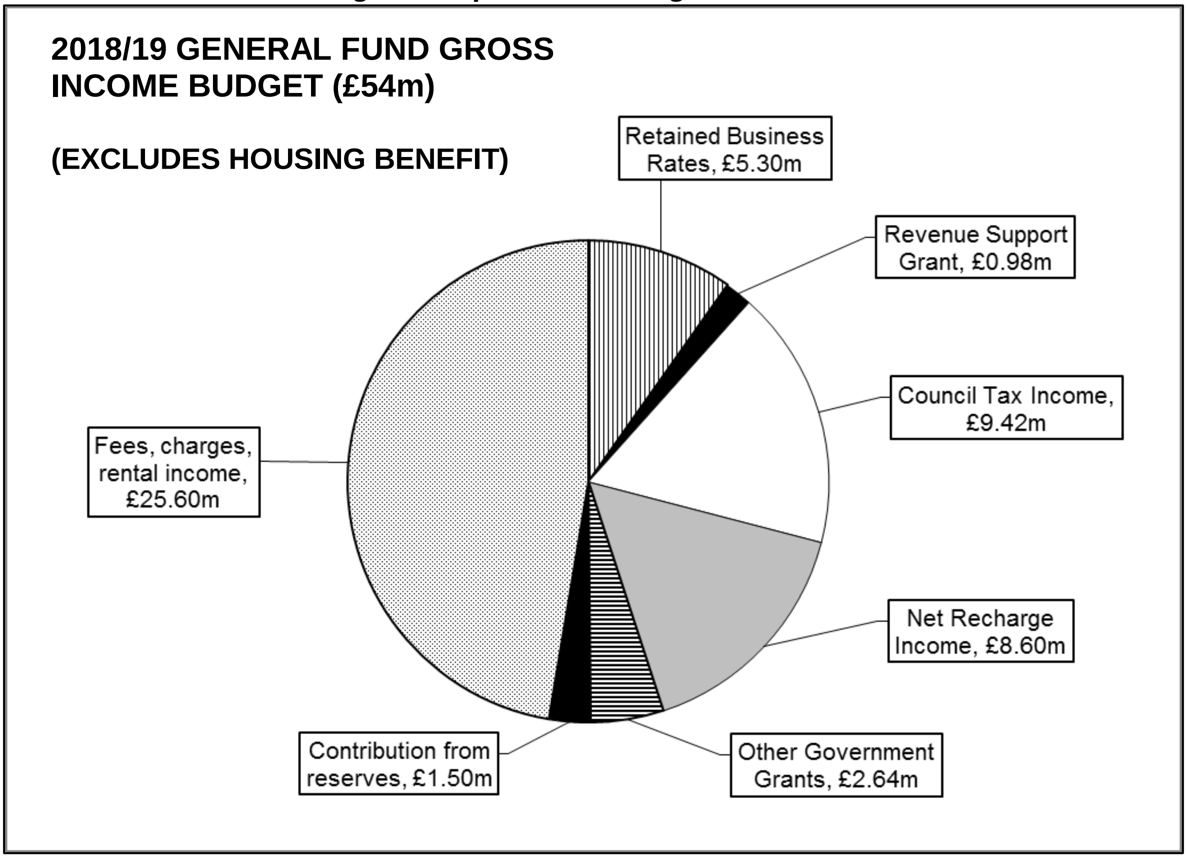


Chart 3: how the 2018/19 gross expenditure budget is financed



8. The net savings proposed for 2018/19 of £1.5m are below the £1.9m target set in the MTFS strategy agreed by Council in February 2017. This reflects the increasing difficulty of finding further efficiencies and income generation opportunities to balance the budget as a preferred budget strategy rather than making budget savings by reducing front line services.

9. However, other budget estimates have been updated since last February and, along with the announcements contained within the provisional Local Government Finance Settlement (published on 19 December 2017), the overall budget position has marginally improved over a number of budget items, including a higher council tax surplus distribution relating to 2017/18. This means that, despite not meeting the £1.9m savings target, the Council is able to draw down £445k less from reserves in 2018/19 from that forecast in the February 2017 MTFS position.

10. No potential savings have been included in these proposals arising from the work currently underway, and not finalised, on reviewing the council's operating model, as described in the Chief Executive's report to December 2017 cabinet entitled "Fit for the Future". However, it is proposed that forecast underspends in the current year in the General Fund and HRA are transferred at year end to the spend-to-save reserves in order to provide funding sources for any implementation costs that may be needed to implement the changes required.

11. A significant amount of the proposed savings is to be generated from maximising income generation and returns from assets, as agreed by Council on 27 September 2016 as part of the four year financial sustainability plan submitted to DCLG. Such income generation does increase the Council's risk profile hence the proposal for a set aside, in an earmarked reserve, of some of the new income generated to reduce risks and protect future income streams (see paragraph 15 below).

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

13. The MTFS position shows that £7.0m of net savings (£10m gross) will be required over the four year period 2019/20 to 2022/23. This equates to a "smoothed" annual savings target of £1.8m.

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

- A strategic planned approach to cost reduction over the medium term as outlined in the Chief Executive's "Fit for the Future" report to Cabinet on 13 December 2017.

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

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

- The strategic need to fund capital maintenance in the Council's varied and numerous assets so as to avoid health and safety issues and/or the need to spend larger sums on unplanned remedial works.

15. This report therefore contains the following specific proposals:

    - Underspends from the current financial year, 2017/18, will be transferred to the spend-to-save earmarked reserve to support the delivery of savings and efficiencies through the transformation programme, including the implementation of a new operating model for the Council if agreed: the underspend is currently forecast to be some £0.94m.

    - Any new net income generated above the MTFS savings target from commercial property acquisitions will be set aside in an ear-marked reserve. This would be used to provide funding for any future void and rent free periods as well as any repairs/upgrades required to the property to help safeguard the future value of the investment and the rental income stream, thereby minimising the risk of holding these assets and of fluctuations in the income return. The amounts so set aside in the reserve would be agreed by Members at the end of each financial year as well as in future budget reports.

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

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

Housing Revenue Account (HRA)

16. The number of council homes in Norwich dropped below 15,000 for the first time in early 2017. This is a result of continuing high levels of properties sold

under the Right-to-Buy legislation, with 163 dwellings being lost during the last financial year.

17. The proposed gross expenditure budget for the HRA in 2018/19 is £70.80m with the income budget being £68.25m – this creates a budget deficit position of £2.55m. However, this budget includes a planned significant use of reserves to fund the HRA capital programme and minimise borrowing costs.

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

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

Chart 4: analysis of the 2018/19 HRA gross expenditure budget

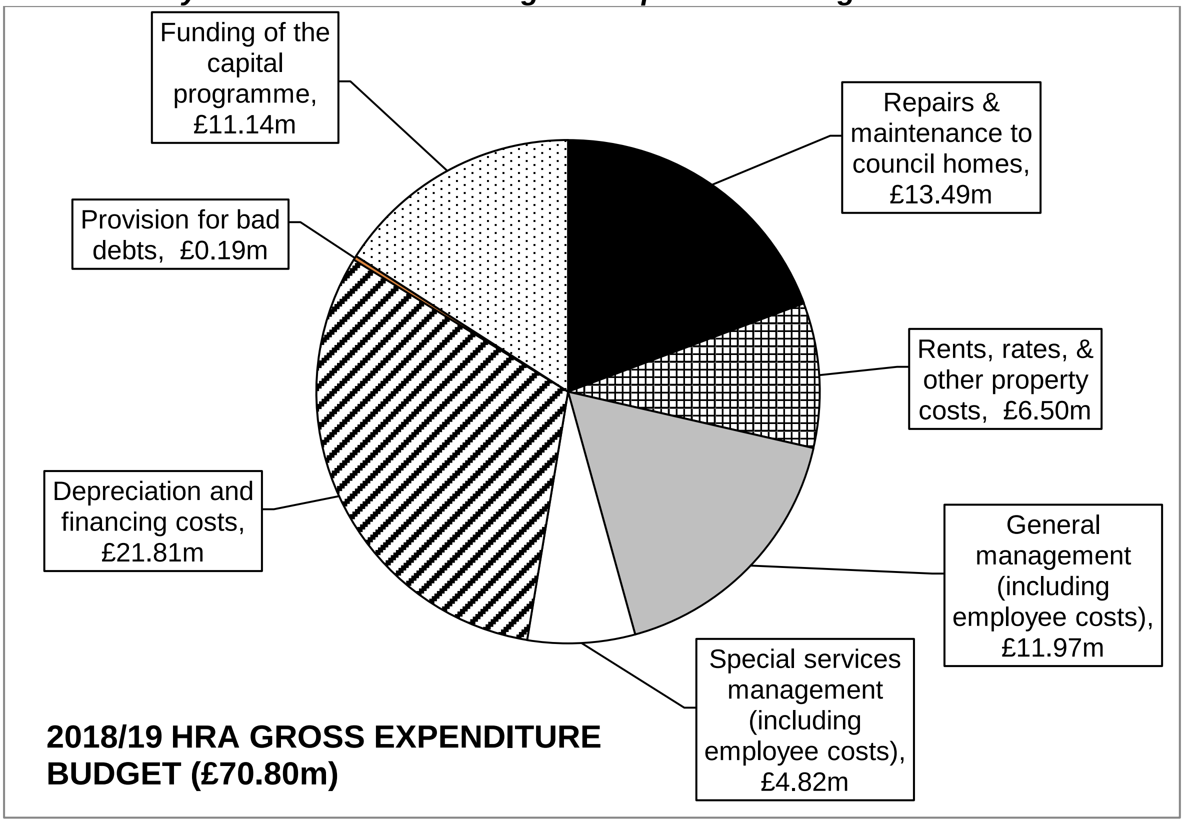
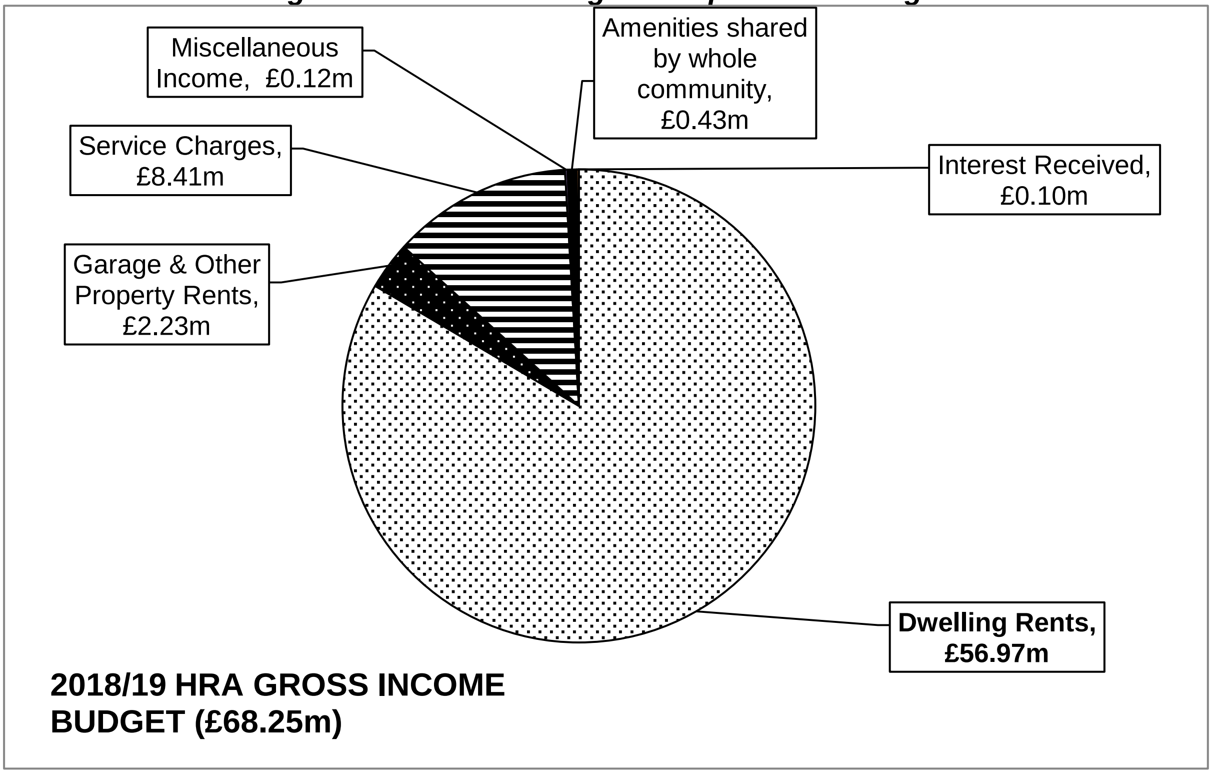


Chart 5: the financing of the 2018/19 HRA gross expenditure budget



20. The HRA business plan demonstrates that it should still be possible for HRA borrowing to be repaid with 21 years whilst providing 200 new council homes by 2021. This is in addition to 241 social housing homes being delivered in partnership with Registered Providers and a further 285 homes planned to be constructed by the Council's wholly owned company, Norwich Regeneration Ltd.

21. It is proposed to utilise £0.5m of the forecast 2017/18 underspend to establish an spend-to-save earmarked reserve within the HRA to support the delivery of savings and efficiencies through the transformation programme.

Capital programme

22. The proposed 2018/19 capital programme for the General Fund is £42.792m and for the HRA £31.572m.

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

24. The General Fund capital programme currently does not therefore include significant large schemes, largely related to the regeneration of the City, that may proceed during 2018/19 or later years. These will be considered by Cabinet and approved by Council during the year based on robust Business Case analysis.

Chart 6: analysis of the 2018/19 General Fund capital programme

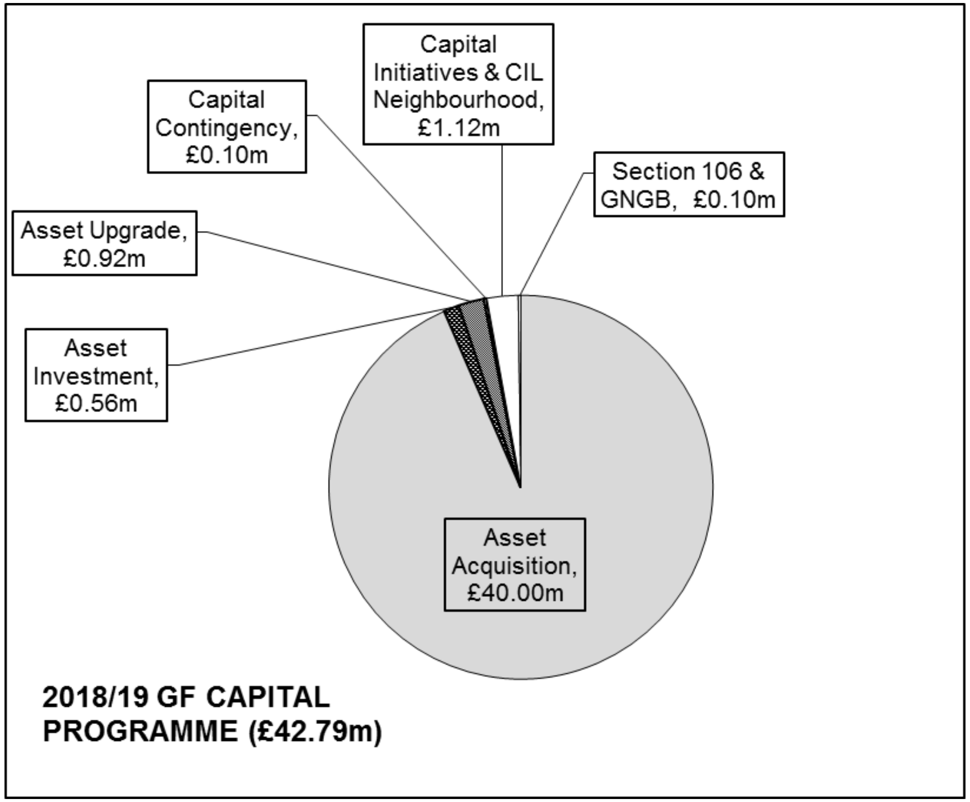


Chart 7: funding of the 2018/19 General Fund capital programme

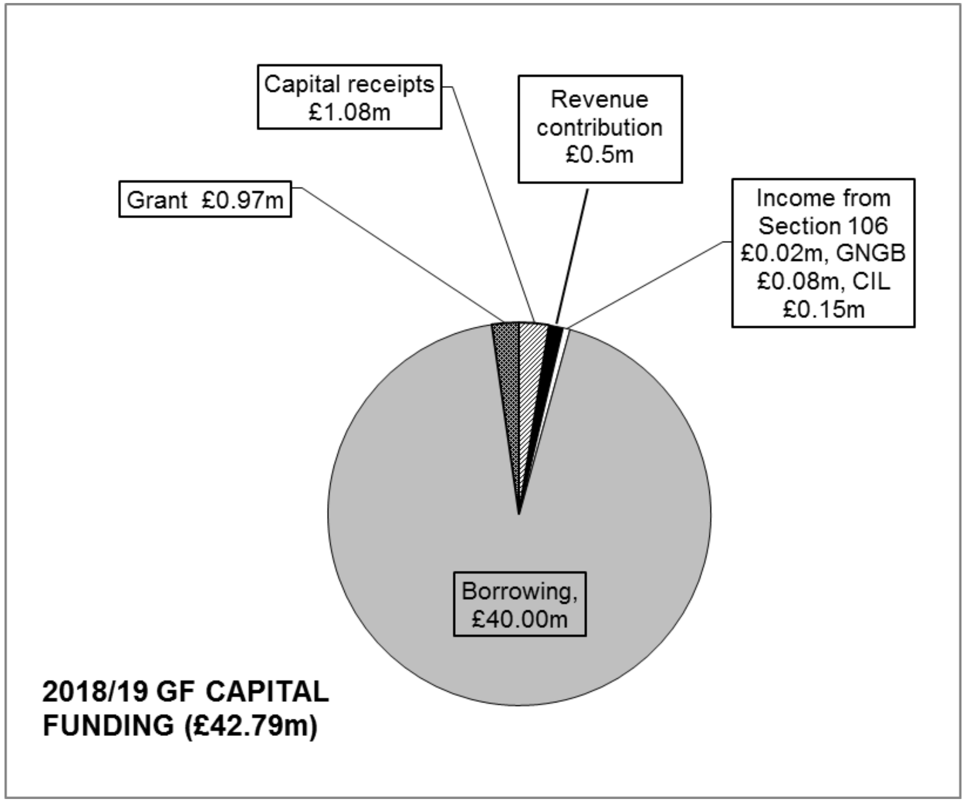


Chart 8; analysis of the 2018/19 HRA capital programme

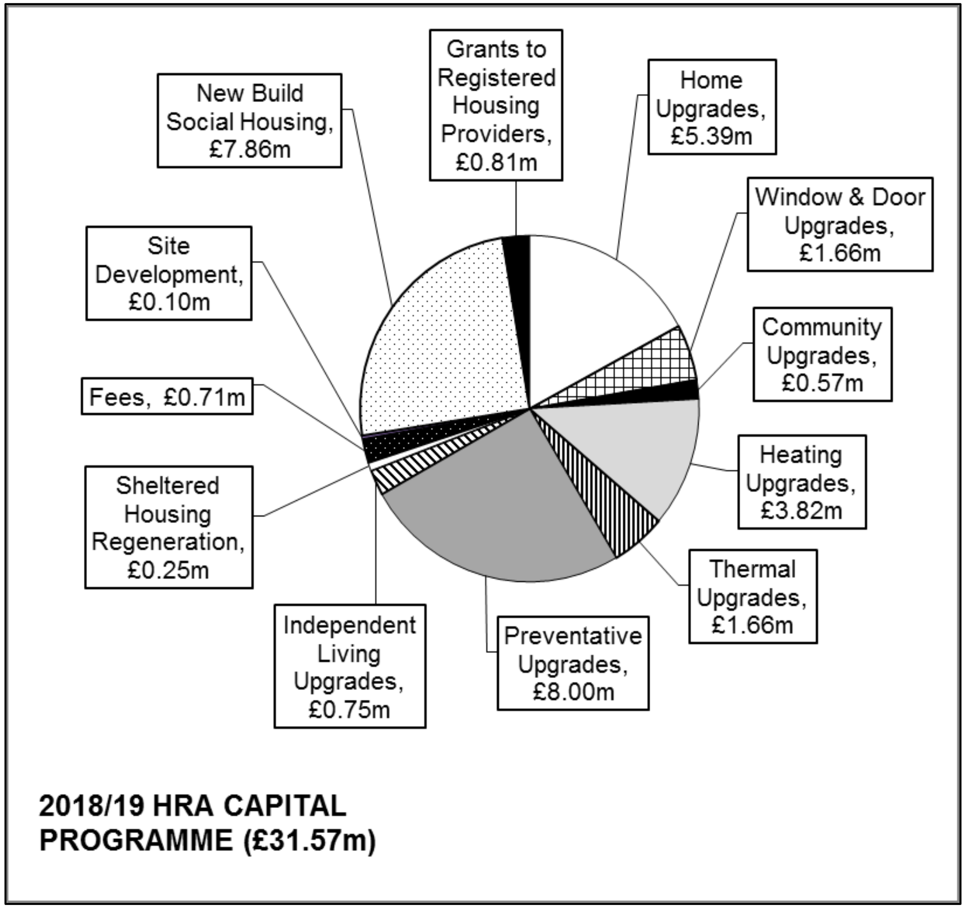
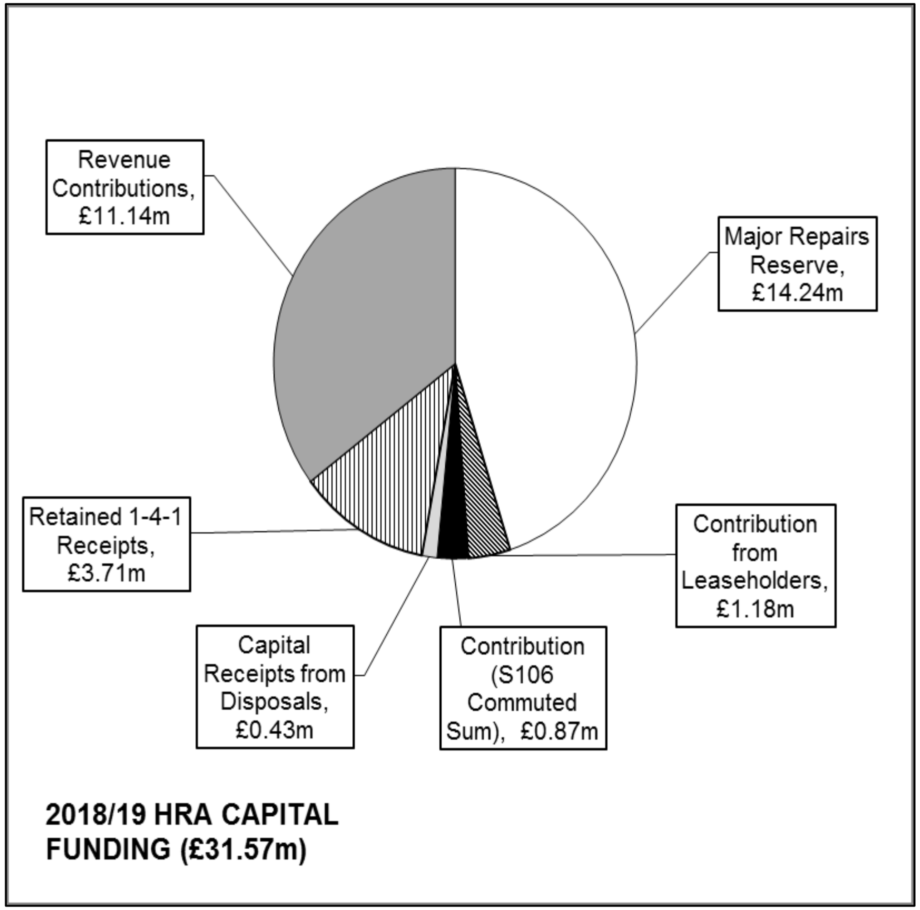


Chart 9; funding of the 2018/19 HRA capital programme



LOCAL GOVERNMENT FINANCE – ECONOMIC AND STATUTORY CONTEXT

Public Finances and the national economic context:

25. A summary of the key economic indicators, as at the time of writing this report (January 2018), is given below.

Bank Interest Rate: In November 2017 the Bank of England's Monetary Policy Committee (MPC) voted by a majority of 7–2 to increase the Bank Rate by 0.25% to 0.5%, the first increase since July 2007. As things stand, the MPC is expecting two further quarter-point increases in interest rates by the turn of the decade, which would then leave the rate at 1%. *Source: Bank of England*
Inflation: The headline inflation figure, CPI (Consumer Price Index), rose to a five and a half year high of 3% in September and currently remains at that level. Food and transport costs in particular have increased the CPI. National Treasury's target rate is 2%. The Bank of England predicts a gradual fall in the inflation rate which may reach 2% in 2020. *Source: Bank of England*
GDP Growth: The Office for Budget Responsibility (OBR) now expects to see slower GDP growth over the forecast period, mainly caused by the under-performance of productivity in the UK economy. It has revised down its forecast for GDP growth by 0.5 percentage points to 1.5% in 2017, with growth slowing in 2018 and 2019, before rising to 1.6% in 2022. The economic impact of the UK's departure from the European Union however remains uncertain. *Source: Autumn Budget 2017 and Office for Budget Responsibility*
Unemployment Rate and Average Earnings: The UK unemployment rate remains at 4.3% (1.42m individuals) in November 2017 its lowest rate since 1975 - and down from 4.8% a year earlier. Average earnings, excluding bonuses, rose 2.2% in the three months to September 2017, compared with a year ago, but this is a decrease of 0.5% in real terms when accounting for inflation. *Source: Office for National Statistics*

Public Sector Finances: The reductions in future GDP growth have knock-on effects for both public sector net borrowing and for future public sector expenditure as lessened economic growth equates to a reduced tax take.

Public sector net borrowing is now forecast to fall over the next four years to some £30bn in 2021/22, instead of the £20bn forecast in the Spring 2017 Budget Statement (and contrasted with the £10bn surplus forecast for 2019/20 in the Chancellor's 2016 Budget Statement).

The government's policy had been that after the four year funding settlement finishes in 2020/21, public sector funding would increase in line with inflation during the period of the next spending review (i.e. at about 2%). Lower GDP growth is likely to result in lower increases in public spending. Whilst revised targets are not published yet, and possibly are not likely to be until there is more formal planning for the next spending review, CIPFA warns that the overall increase in public sector funding post 2020/21 could be 1.5% rather than 2%.

Source: Office for Budget Responsibility and CIPFA

Provisional Local Government Finance Settlement

26. The provisional Local Government Finance Settlement 2018-19 was published on 19 December 2017. The key points impacting on the budget are summarised below.

27. **Revenue Support Grant:** The Provisional Finance Settlement allocation was in line with the multi-year settlements that were announced in 2016-17.

28. **New Homes Bonus:** The Finance Settlement confirmed there would be no change to the way that New Homes Bonus is calculated. The threshold implemented last year remains unchanged, so that payments are only made on increases in the council tax base above 0.4%. The provisional finance settlement includes a 2018/19 new homes bonus allocation of £32,480 which will be received for the next four years.

29. **Council Tax:** The Government has increased the general council tax referendum limit for shire district councils from 1.99% to 2.99% per cent for 2018/19 only. It has been assumed that Councillors would want to increase the council tax to the new limit.

30. **Capital Receipts:** It was announced the flexibility previously granted to use capital receipts to help meet the revenue costs of transformation programmes will continue for a further three years.

31. **Planning Fees:** Confirmation was received that local authorities will be able to increase planning fees by 20% where they commit to spending the additional income on their planning services.

32. **Business Rates:** the changes announced were:

- Bringing forward to 1 April 2018 the planned switch in indexation from RPI to the main measure of inflation (currently CPI).
- Increasing the frequency with which the VOA (Valuation Office Agency) revalues non-domestic properties by moving to revaluations every three years following the next revaluation, currently due in 2022.
- The Settlement documentation states that local government will be fully compensated for the loss of income as a result of these measures.

33. **Business Rates retention pilots:** The new areas that will pilot 100% business rates retention in 2018/19 are: London, Berkshire, Derbyshire, Devon, Gloucestershire, Kent & Medway, Leeds, Lincolnshire, Solent, Suffolk and Surrey. Unfortunately the Norfolk application for becoming a pilot was not successful.

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

Local government finance after 2020/21:

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

36. Instead the Government announced its intention to introduce 75% business rates retention for all councils in 2020/21.

37. **Fairer Funding Review:** Alongside the local government finance settlement, the Government confirmed that it is looking to implement the Fair Funding Review in April 2020 and published an initial consultation "*Fair funding review: a review of relative needs and resources*". This consultation focuses on potential approaches that have been identified to measure the relative needs of local authorities, including the formulae that may be adopted, statistical techniques that could be used to construct relative needs, and the identification of common cost drivers. The consultation will close on 12 March 2018. It will be important that Norwich City Council engages with the consultation as being a bounded city district it has spending needs and cost drivers that may not be typical of the majority of district councils who are largely rural in nature.

Changes to CIPFA's Prudential Code and DCLG's Investment Code:

38. CIPFA issued a revised Prudential Code and Treasury Management Code on 21 December 2017. The first code governs local authority borrowing (except HRA borrowing) and the latter code governs local authority investment, cash flow and risk decisions. Both of the revised codes are in response to developments arising from the Localism Act 2011, namely the fact that many councils are using the general power of competence to engage in increased commercial activity.

39. The key changes are the requirement to produce a capital strategy with the intent of the remaining changes being a strengthened and greater transparency required over non-treasury related investments such as commercial property acquisition and on-lending to third parties.

40. **Introduction of a capital strategy:** each local authority is now required to produce a capital strategy for approval by full council. The capital strategy will also need to cover expenditure on commercial activities and investments. The latitude for local authorities to set the scope and size of their capital plans remain unrestricted but councils will need to address the key areas CIPFA requires to be in the capital strategy including:
    - An overview of the governance process for approval and monitoring of capital expenditure.
    - A long term view of capital expenditure plans; where long term is defined by the financing strategy of, and risks faced by, the authority with reference to the life of projects/assets.
    - An overview of asset management planning including the opportunity cost of past borrowing, maintenance requirements and planned disposals.
    - The authority's approach to investments and commercial activities including processes, due diligence and defining the authorities risk appetite in respect of these including proportionality in respect of overall resources.
    - A projection of external debt and internal borrowing levels, including MRP/Loans Fund Repayments, over the life of the underlying debt.
    - A summary of the knowledge and skills available to the authority and confirmation that these are commensurate with the authority's investment risk appetite.

41. Both of these codes will be effective for the 2018/19 financial year. However CIPFA recognises that the requirement to produce a Capital Strategy may need a longer lead-in period. Therefore whilst CIPFA recommends that the requirements of both codes are implemented as soon as possible it recognises that they may not be able to be implemented until the 2019/20 financial year. It is proposed that the capital strategy along with the other minor changes within the Treasury Management Strategy for Norwich City Council will be developed for approval by Council as part of the 2019/20 budget cycle.

42. The Department for Communities and Local Government (DCLG) closed a consultation on proposed changes to the Local Authorities Investment Code and MRP (Minimum Revenue Provision) Guidance on 22 December 2017. It is not known when DCLG will issue the new code or how they will respond to the comments they have received from the consultation. There are

overlapping and some possibly conflicting issues between DCLG's and CIPFA's codes.

43. The key thrust of DCLG's proposals is to bring investment in property into the requirements of the Code. Local authorities will need to disclose (in their capital strategy):

- Reasons for borrowing to invest in property and policies for managing risk.
- How the council asses the market it competes in.
- The contribution investment property returns make towards the cost of core services.
- The level of dependency on achieving expected yields and contingency plans for liquidating assets.
- A demonstration that any risky loans to third parties are proportionate and are made in awareness of expected losses.

44. DCLG are also proposing to specify the maximum useful economic lives for assets over which Minimum Revenue Provision (MRP) costs should be charged — 50 years for land and 40 years for any other class of assets. The limitation on useful economic lives will clearly be contradicted by those councils, like Norwich, who own medieval and other historic property and would have the real potential to make some new construction and infrastructure projects unaffordable if applied.

45. There seems to be a conflict in interpretation between CIPFA and DCLG on whether borrowing purely to achieve a financial return is "borrowing in advance of need" which local authorities would not be allowed to do. Professional opinion on this matter is divided although the balance of opinion is that the both codes will not hinder commercial activities but make the decision-making more transparent. Local government will need to wait on the publication of DCLG's revised code before there is clarity on this matter.

Conclusion

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

47. The current level of price inflation necessitates cost increases to some of the Council's budgets such as utilities and contract costs.

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

increases in interest rate over the next two years are marginal and are unlikely to impact on the overall financial viability of these projects.

49. The current uncertainty as to whether borrowing to fund the acquisition of commercial property undertaken purely to generate a financial return is “borrowing in advance of need” and therefore allowable needs to be clarified by the publication of the DCLG’s revised Investment Code. Meanwhile, however, it seems reasonable to assume that the Council’s commercial property acquisition programme can proceed if Council agrees to this proposal.

GENERAL FUND REVENUE BUDGET AND MTFS

Forecast 2017/18 Outturn

50. The latest position on the General Fund, as at period 8, shows that it is forecast to underspend by £0.938m. This expected underspend has not been factored into the MTFS reserves level. Instead it is proposed to transfer any 2017/18 underspend to the earmarked invest-to-save reserve. This reserve will be used to support the delivery of savings and efficiencies through the transformation programme.

Proposed 2018/19 Revenue Budget

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

52. In line with the approach used in previous years, cabinet agreed to consult the public on the proposed approach to meeting the savings target for 2018/19. It was also agreed to consult the public on the potential for a council tax rise. The consultation closed on 17 January 2018. An analysis of the results is given in Appendix 6.

53. The key changes to the budget position as reported in the Emerging Budget Paper considered at Cabinet in December 2017 mostly arise from the announcements made in the Local Government Finance Settlement received on 19 December 2017 and are as set out in Table 1:

Table 1: Movements from the Emerging Budget position – Figures are in £000s

Changes to the budget requirement	
Savings arising from past overpayments in MRP costs (as reported to cabinet and Council in January 2018)	(152)
An increase in planning fees chargeable	(67)

Reduction in profit share from Norwich Norse Buildings	85
Increase in LGSS finance contract costs	25
Increases in grant income above that forecast including New Homes Bonus and Housing Benefits Admin Grant.	(59)
Other minor movements	(14)
Changes to Council Tax income	
A proposed increase of 2.99% in Council Tax	(87)
Improved 17/18 forecast surplus to be recognised in 2018/19	(12)
Small increase in Council Tax base	(9)
Changes to Business Rates income	
Update of the 2018/19 Business Rates forecast	(84)
Improvement in the forecast 2017/18 deficit (to be accounted for in 2018/19)	(59)
Compensation from government for the change in calculating inflationary increases in Business Rate bills	(119)
TOTAL MOVEMENT	**(552)**

54. Table 2 below summaries the movements in the base budget (i.e. the current year's approved budget) to arrive at the proposed 2018/19 budget:

Table 2: Movements from the base 2017/18 budget – Figures are in £000s

2017/18 Budget Requirement	**16,152**
Budget movements:	
Inflation	1,249
Savings and additional income	(2,402)
Growth	911
Movement in recharges	(183)
Other movements: Increase in Revenue contribution to capital (per MTFS)	250
Other movements: Reduction in joint venture pension deficit contributions	(375)
Net reduction in grants including New Homes Bonus	910
Increase in contribution from reserves	(816)
2018/19 Budget Requirement	**15,696**

2017/18 Budget Resources	**16,152**
Budget movements:	
Reduction in revenue support grant	689
Decrease in retained business rates	154
Increase in council tax income	(387)
2018/19 Budget Resources	**15,696**

55. The MTFS approved by Council in February 2017 set out a net savings target for 2018/19, based on a 5-year smoothing savings strategy, of £1.920m. £1.491m of net savings are proposed in this report. However other budget estimates have been updated since last February and there has been an improvement in the financial position such that the required use of reserves is £0.4m lower than that expected in last February's budget paper.

56. The net savings include £0.9m of budget growth (i.e. increases to the budget). The growth includes reductions in property rental income associated with the approved asset review and disposal programme, as well as removing any savings that are not currently achievable or are now to be addressed through the wider organisational review set out in the Chief Executive’s report entitled “Fit for the Future”(Cabinet 13 December 2017).

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

58. The following table shows the proposed budget for 2018/19 analysed by type of expenditure or income (subjective group) compared to 2017/18.

Table 3: Proposed budget by subjective group – Figures are in £000s

Subjective group	**Budget 2017/18 £000s**	**Budget 2018/19 £000s**	**Change £000s**
Employees	20,189	20,557	368
Premises	10,681	10,398	(283)
Transport	278	283	5
Supplies & services	16,421	16,091	(330)
Third party payments (shared services)	4,994	4,434	(560)
Housing benefit payments	62,284	56,580	(5,704)
Capital financing	2,353	£2,573	220
Recharge expenditure	16,795	17,489	694
Gross expenditure	**133,995**	**128,488**	**(5,590)**
Government grants	(65,836)	(59,517)	6,319
Fees, charges & rental income	(25,180)	(25,596)	(416)
Recharge income	(26,139)	(26,092)	47
Gross income	**(117,155)**	**(111,205)**	**5,950**
Contribution to from reserves	(688)	(1,504)	(816)
Total Budgetary Requirement	**16,152**	**15,696**	**(456)**

Medium Term Financial Strategy (MTFS)

59. Table 4 below shows the proposed budget for 2018/19 and the medium term financial projections for the next 4 years to 2022/23.

Table 4: Medium Term Financial Strategy 2018/19 to 2022/23 – Figures are in £000s

	2018/19	**2019/20**	**2020/21**	**2021/22**	**2022/23**
Employees	20,557	21,512	22,321	23,151	24,007

Premises	10,398	10,627	10,861	11,100	11,344
Transport	283	289	295	302	309
Supplies & Services	16,091	16,293	16,641	16,996	17,359
Capital Charges	1,773	1,791	1,810	1,829	1,849
Housing Benefit Payments	56,580	56,580	56,580	56,580	56,580
Third Party Payments	4,434	4,532	4,632	4,734	4,838
Recharge Expenditure	17,489	17,489	17,489	17,489	17,489
Recharge Income	(26,092)	(26,092)	(26,092)	(26,092)	(26,092)
Contribution to Capital	800	1,050	1,300	1,550	1,800
Fee, charges, rental income	(25,596)	(26,245)	(26,603)	(26,967)	(27,361)
Government Grants:	(59,517)	(56,580)	(56,580)	(56,580)	(56,580)
New Homes Bonus	(837)	(520)	(119)	(32)	0
Benefit Subsidy	(56,876)	(56,877)	(56,877)	(56,877)	(56,877)
Benefit/CTS Admin grant	(961)	(881)	(840)	(801)	(764)
Other Grants	(843)	(465)	(448)	(448)	(448)
Subtotal budgets	17,200	19,083	20,950	22,514	24,033
Net Savings cumulative	0	(1,760)	(3,520)	(5,280)	(7,040)
Use of reserves	(1,504)	(1,940)	(2,088)	(1,557)	(947)
Budget requirement	**15,696**	**15,383**	**15,342**	**15,677**	**16,046**
Business Rates	(5,298)	(5,767)	(5,704)	(5,824)	(5,947)
Formula Funding (RSG)	(982)	(213)	0	0	0
Council Tax	(9,416)	(9,404)	(9,638)	(9,853)	(10,099)
Total funding	**(15,696)**	**(15,383)**	**(15,342)**	**(15,677)**	**(16,046)**

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

- A significant forecast increase in the Council's payroll cost (assuming current levels and numbers of staff employed). See paragraphs 62-64 for an explanation.

- The assumed loss of Formula Funding (RSG) and New Homes Bonus (NHB) during the five year period (paragraphs 68 and 69).

- The planned use of reserves over the next five years to help balance the budget (Table 9).

- The amount of net savings needed to be delivered over the MTFS planning horizon (paragraph 89).

- The proposal that Council Tax should rise at 2.99% in 2018/19 and then by 2% or an additional £5 per annum, whichever is the higher, over the life of the medium term planning horizon (paragraph 82).

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

Pay and Price Assumptions

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

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

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

65. Inflation based on advice from the Office for Budget Responsibility (OBR) has been included on premises costs, supplies and services, and transport throughout the MTFS planning timeline. Inflation on income however is prudentially set at 1.5% to run approximately 0.5% below expenditure inflation.

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

Contributions to capital

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

Government Grants

68. The Council agreed to accept the 4-year settlement deal offered in the 2016-17 Local Government Finance Settlement. The 2018-19 budget reflects the third year of the deal. The provisional finance settlement received on 19 December 2017 was in line with the 4 year settlement.

69. The provisional finance settlement includes a 2018/19 new homes bonus allocation of £32,480 which will be received for the next four years. No additional New Homes Bonus is included in the MTFS from 2019/20 onwards in light of uncertainty over future grant levels.

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

Business rates

71. 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.

72. 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.

73. Norwich City Council is within the Norfolk Business Rates Pool and therefore rather than pay a 50% levy on growth above the baseline funding level, any saved levy is paid into the Norfolk pool to supplement economic development activity throughout the county.

74. The retained business rates forecasts are based on actual amounts collectable at December 2017 which are then adjusted for local knowledge (i.e. appeals, charitable relief) and the uplifted by an inflationary increase to allow for the increase in the business rates multiplier.

Table 5: 2018/19 Business Rates Retained Income – Figures are in £000s

Baseline Funding (Provisional Finance Settlement)	(£5,759)
Norwich Share of Retained Income (40%)	(£30,152)
Less: Norwich Tariff (Provisional Finance Settlement)	£25,506
Plus: Budgeted Section 31 grant for SBBR and discretionary reliefs	(£1,284)
Plus: Budgeted Section 31 grant indexation switch	(£119)
Less: Budgeted levy to the Norfolk Business Rates Pool	£86
Less: Norwich Business Rates 2017/18 deficit distribution	£998
Plus: Section 31 grant earmarked reserve transfer against deficit	(£332)
Total Business Rates Income 2018/19	**(£5,298)**

75. The 2018-19 retained business rates have been budgeted at £5.298m. These forecasts may change ahead of the final NNDR1 submission at the end of January 2018.

76. The Chancellor announced in his Budget Statement that, as from April 2018, the multiplier inflation applied will switch from RPI to CPI, with local government being fully compensated for the loss of income from this measure.

77. In the 2016 Budget Statement, the Chancellor announced that from 1 April 2017, the doubling of small business rates relief (SBRR) would be made permanent and that the thresholds at which relief is available would be increased. DCLG are currently consulting on proposed changes to the

methodology for calculating the correct amount of compensation due to each authority for 2017-18 and future years. The outcome of the consultation may result in increases to the section 31 grant receivable by the Council.

78. The 2017/18 business rates forecast deficit reflects the estimated outturn for the current year and could still be adversely impacted by appeals and reliefs. Whilst part of this deficit is offset by additional S31 grant receipts, business rates income can decrease through reductions in the gross rateable values (in part reflecting the conversion from offices to housing) and increases in mandatory reliefs.

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

80. The forecasts for retained Business Rates income from 2019/20 assume current baseline amounts and do not take into account, as they are currently unknown, of the potentially significant changes in funding arising from increased Business Rates Retention and the Fairer Funding Review. The MTFS also assumes an annual inflationary rise in NNDR (capped at 2%) plus an allowance of £300k per annum for any deficits arising on the Collection Fund each year.

Council Tax

81. Any increase in the level of council tax is limited by referendum principles. As part of the provisional finance settlement announced on 19 December 2017, the Government has increased the general council tax referendum limit for shire district councils from 1.99% to 2.99% per cent for 2018/19.

82. This report includes the proposal to increase the Norwich City Council element of the Council Tax by 2.99% in 2018/19 resulting in additional income of £264k which would then be incorporated into the future years' tax base. The public budget consultation was launched before the Government confirmed the changes to the referendum limit and therefore sought views on a proposed maximum increase of £5 (2.01%) to the Band D rate. Applying the additional rise results in a further £87k in council tax income.

83. The proposed 2018/19 Band D rate for 2018/19 is therefore £256.46. Table 6 below shows the impact of the proposed increase for each council tax band. This only shows the Norwich City Council share of total council tax and does not include the amounts required from preceptors - Norfolk County Council and the Office of the Police and Crime Commissioner for Norfolk.

Table 6: Council tax increases 2017/18 to 2018/19, Bands A to H

Band	A	B	C	D	E	F	G	H
2017/18	£166.01	£193.67	£221.34	£249.01	£304.35	£359.68	£415.02	£498.02
Increase	£4.97	£5.79	£6.62	£7.45	£9.11	£10.76	£12.42	£14.90
2018/19	£170.97	£199.47	£227.96	£256.46	£313.45	£370.44	£427.43	£512.92

84. The figures shown will be reduced, for qualifying council tax payers, by the council's discount scheme (Council Tax Reduction Scheme) which is the subject of a separate report on this committee's agenda. Currently the total cost of the CTR scheme is £13.7m, of which the Norwich share is £2.0m.

85. The following table shows the calculation of the total amount of income to be collected from council tax in 2018/19 with the recommended increase of 2.99%.

Table 7: Council tax calculation 2018-19

	No.	£
Budgetary requirement		**15,696,034**
- Revenue Support Grant		(982,018)
- NNDR Distribution		(5,298,124)
= Council tax requirement		**9,415,892**
- Surplus on collection fund		(315,408)
=Total Council tax income		**9,100,484**
Band D Equivalent properties	35,485	
Council tax (Band D)		**256.46**

86. There is no confirmation yet about the future referendum principles. The MTFS continues to assume from 2019/10 onwards that the rise in rates for a district council is set at a maximum of 2% or £5 each year. An increase in the council tax base of 0.5% is assumed for each year of the MTFS arising from estimated growth in the number of dwellings in the Council's area.

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

88. A collection fund surplus receipt of £315k for 2018/19 and £75k each year thereafter has been built into the MTFS based on the current surplus level and past history. This will continue to be reviewed each year and distributions made to the precepting authorities.

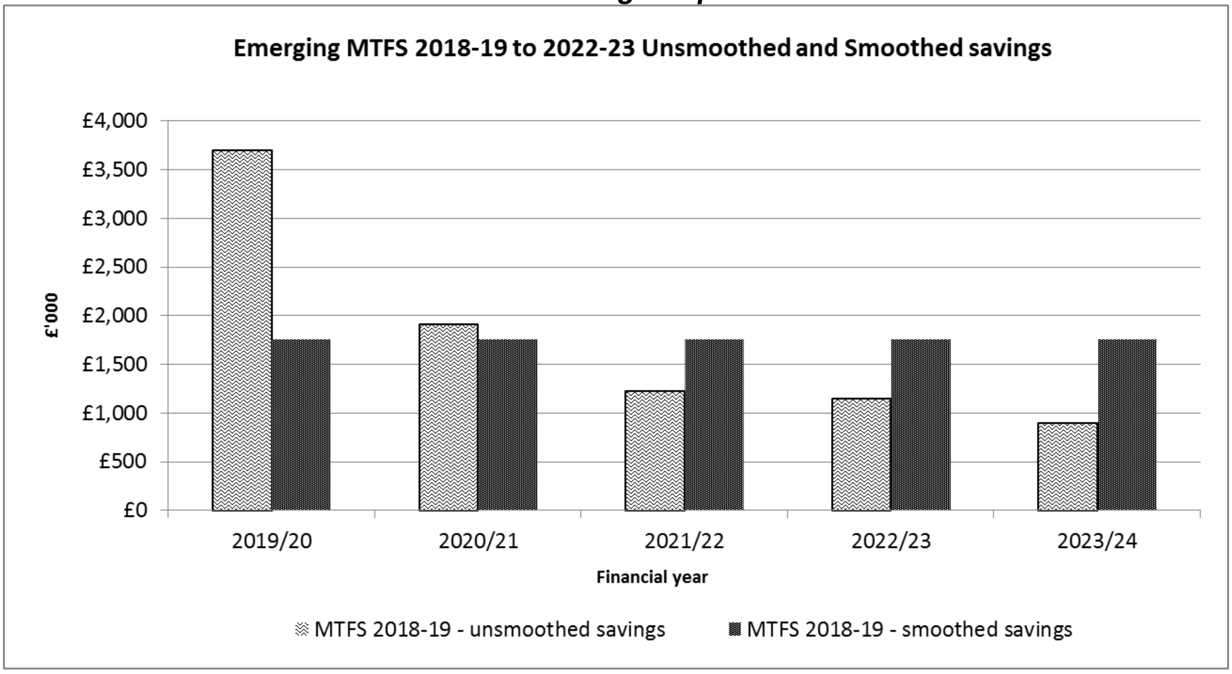
Budget savings required over the life of the MTFS

Table 8: Smoothed net savings required 2019/20 to 2022/23 - Figures are in £000s

	2019/20	2020/21	2021/22	2022/23
Assumed annual budget growth	750	750	750	750
Gross saving requirement	(2,510)	(2,510)	(2,510)	(2,510)
Net annual saving requirement	**(1,760)**	**(1,760)**	**(1,760)**	**(1,760)**

89. The MTFS shows a need to make further net savings of £7.0m, assuming demand-led growth of £0.75m per annum, over the next 4 years, which following the "smoothed" approach equates to £1.760m each year to 2022/23. The graph below shows the savings that would need to be made in 2019/20 if the smoothing strategy were not to be undertaken.

Chart 10: Unsmoothed and smoothed savings requirements



General Fund Reserves Position

Table 9: Estimated Reserves Position 2017/18 to 2018/19 - Figures are in £000s

	2018/19	2019/20	2020/21	2021/22	2022/23
Balance B/Fwd.	(13,156)	(11,652)	(9,712)	(7,624)	(6,068)
Use of reserves	1,504	1,940	2,088	1,557	947
Balance C/Fwd.	(11,652)	(9,712)	(7,624)	(6,068)	(5,120)
% of controllable spend	25%	21%	16%	12%	10%

90. The prudent minimum balance (PMB) for the general fund reserve has been set at £4.232m. The smoothed MTFS brings the forecast reserves down to the PMB plus 20% by the end of 2022/23.

91. After 2023 savings will still need to be made as inflationary and demand-led increases in costs are not forecast to be able to be offset by rises in council tax and business rates. These savings will need to be made without relying on reserve contributions to balance the budget.

HOUSING REVENUE ACCOUNT (HRA) & BUSINESS PLAN

Forecast 2017/18 Outturn

92. The HRA, as at period 8, is forecast to underspend by £1.71m. This underspend has been factored into the updated HRA business plan.

93. It is proposed to utilise £0.5m of this underspend to establish an spend-to-save earmarked reserve to fund the HRA's share of costs of delivering relevant parts of the transformation programme.

Proposed 2018/19 Revenue Budget

94. The provisional 2018/19 budget has been set following discussions between LGSS Finance and budget managers to determine achievable service budgets.

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

Table 10: Movements from the base HRA 2017/18 budget – Figures are in £000s

Division of Service	Original Budget 2017/18	Proposed Budget 2018/19	Change
Repairs & Maintenance	13,815	13,487	(328)
Rents, Rates, & Other Property Costs	5,789	6,501	712
General Management	12,115	11,965	(150)
Special Services	5,090	4,819	(271)
Depreciation & Impairment	21,992	21,805	(187)
Provision for Bad Debts	223	190	(33)
Adjustments & Financing Items (including revenue contribution to capital)	20,030	12,034	(7,996)
Gross HRA Expenditure	**79,054**	**70,802**	**(8,252)**
Dwelling Rents	(57,692)	(56,968)	724
Garage & Other Property Rents	(2,169)	(2,228)	(59)
Service Charges – General	(8,374)	(8,414)	(40)
Miscellaneous Income	(85)	(115)	(30)
Amenities shared by whole community	(586)	(427)	159
Interest Received	(175)	(100)	75
Gross HRA Income	**(69,081)**	**(68,252)**	**829**
Use of HRA Reserves	**9,973**	**2,550**	**(7,423)**

96. The movement between the 2017/18 and 2018/19 budget positions is analysed in detail in appendix 3.

97. The gross expenditure of £70.80m exceeds the gross income of £68.25m which creates an in-year budget deficit position. However, the proposed expenditure includes a significant revenue contribution of £11.14m to fund expenditure within the proposed HRA capital programme. This continues the planned approach of reducing significant levels of reserves towards the recommended minimum balance, which will reduce the requirement to borrow and the associated costs to the HRA.

Council Housing Rents

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

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

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

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

HRA Business Plan

102. Financial planning for the HRA is based upon a business plan, which forecasts planned capital and revenue expenditure and income against the ability to repay borrowing.

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

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

105. The Housing and Planning Act 2016 made provision for a determination to be imposed on Housing Revenue Accounts in order to compensate Registered Providers for financial losses incurred as a result of extended Right-to- Buy legislation. It has been indicated that the sum may represent a significant additional capital cost, but the government has still not provided any indication as to how this will be calculated or when this may become due. It is therefore not currently possible to estimate the cost to the council or draw up detailed plans to address this, and it has therefore been omitted from the HRA business plan at this stage. It is however understood that this compensation is unlikely to be needed in 2018/19.

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

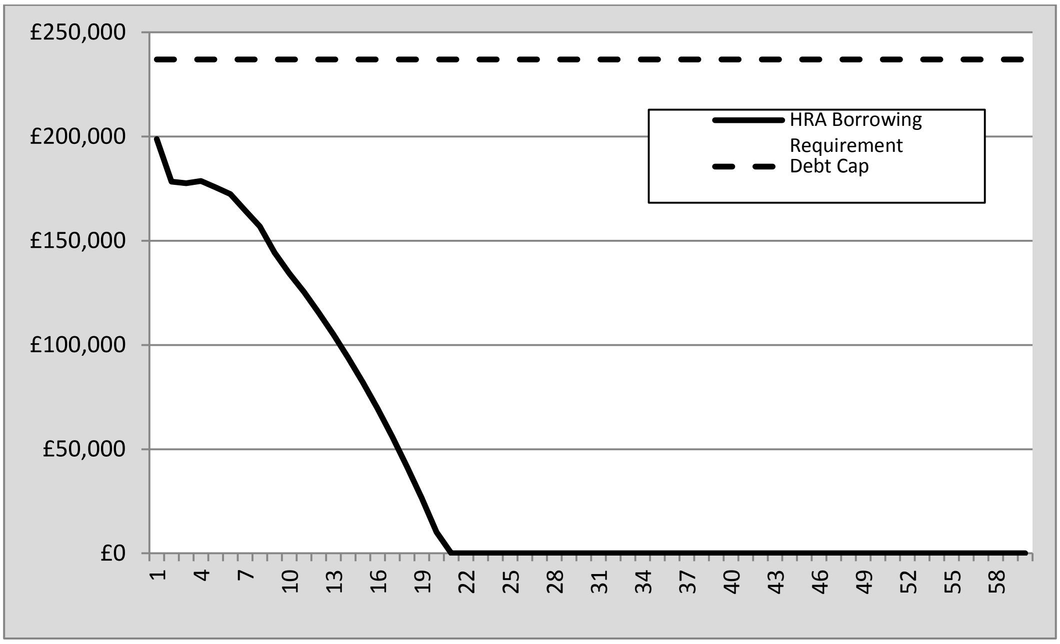
107. The roll out of Universal Credit is expected to impact on rent collection and associated bad debt which has been reflected in the business plan with an increased bad debt provision in future years.

108. The chart below illustrates the impact on the HRA business plan and HRA borrowing requirement of the proposed 2018/19 revenue budget and capital

programme, with rent continuing to reduce by 1% for the next 2 years. This demonstrates that the borrowing can currently be repaid with 21 years.

109. It should be noted that the HRA business plan only includes current investment plans at this stage. Further work will take place in the future to develop the business plan over an extended 60 year planning horizon and explore any opportunities this may generate.

Chart 11: Repayment of HRA borrowing – Figures are in £000s



HRA Reserves Position

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

Table 11: HRA reserves

Item	£'000
Brought Forward from 2016/17	(30,387)
Budgeted use of balances 2017/18	9,973
Forecast HRA underspend 2017/18	(1,709)
Invest-to-save earmarked reserve	500
Carried Forward to 2018/19	**(21,623)**
Forecast use of balances in 2018/19	2,550
Carried Forward to 2019/20	**(19,073)**

NB This does not include underspend on capital projects funded from HRA balances

111. The prudent minimum level set for the HRA reserve has been calculated at £5.844m.

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

CAPITAL PROGRAMME

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

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

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

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

General Fund Capital Programme

117. The latest position of the 2017/18 non-housing capital programme, as at period 8, shows that it is forecast to underspend by £10.54m. It is anticipated that a substantial element of this will be the subject of a request to carry-forward underspent budgets into 2018/19, but as the value of these are not yet known, they are not included in the proposed budgets contained within this report.

118. The proposed General Fund capital programme for 2018/19 to 2022/23 is set out below in table 12 and provided in full detail in appendix 3.

119. In addition to the schemes proposed in the programme there are a number of other significant potential schemes currently at an early planning stage not yet included in the proposals. These will require detailed business cases, which once approved will be submitted to cabinet for recommendation to council for inclusion within the capital programme during the year. Such potential schemes include the redevelopment of the former Mile Cross depot site, the regeneration of the airport industrial estate with the County Council

and a Joint Venture partner, replacing the Council's IT legacy systems, accelerated housing development exemplar, and the construction of purpose built temporary accommodation.

Table 12: Proposed GF Capital Programme 2018/19 – 2022/23 – Figures are in £000s

Funding Method	**GF Programme**	**2018/19**	**2019/20**	**2020/21**	**2021/22**	**2022/23**
Borrowing	Asset Acquisition	40,000	-	-	-	-
Borrowing	Capital Loans	-	11,510	12,040	440	-
Capital Receipts/ RCCO	Asset Investment	560	170	-	-	-
Capital Receipts/ RCCO	Asset Upgrade	917	1,230	1,400	1,400	1,400
Capital Receipts/ RCCO	Capital Contingency	100	100	100	100	100
Grants	Capital Initiatives	970	970	970	970	970
CIL Neighbourhood	CIL Neighbourhood	150	-	-	-	-
Section 106	Section 106	20	-	-	-	-
GNGB	GNGB	77	-	-	-	-
Total GF Capital Programme		**42,793**	**13,980**	**14,510**	**2,910**	**2,470**

Schemes funded by external borrowing

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

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

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

122. Currently, the maintenance and upgrade requirements are identified by NPS as the need for work arises and are submitted to form part of the capital

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

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

124. In order to address this, NPS have been asked to update a stock condition survey of all General Fund property assets. This will identify upcoming investment requirements and enable the council to prioritise these for inclusion in a five year rolling programme to be agreed up-front by Council as part of the 2019/20 budget cycle.

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

126. To mitigate against the anticipated reduction in future capital receipts, the council introduced a revenue contribution to capital outlay (RCCO) into the MTFS. For 2017/18 this was set at £0.25m and it is proposed to increase this annually by £0.m until it reaches £1.5m. Although this presents an additional strain on the General Fund revenue budget, it is considered essential that it is preserved if the Council's extensive range of assets are to be maintained in the future.

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

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

<u>Grants, Section 106 and CIL Neighbourhood</u>

129. Schemes that are proposed to be funded from grants form part of the work carried out by the Homes Improvement Agency which is funded by the Better

Care Fund (including the Disabled Facilities Grant) received from Norfolk County Council.

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

HRA Capital Programme

131. The latest position of the 2017/18 housing capital programme, as at period 8, shows that it is forecast to underspend by £19.93m. It is anticipated that a substantial element of this will be the subject of a request to carry-forward underspent budgets into 2018/19, but as the value of these are not yet known, they are not included in the proposed budgets contained within this report.

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

Table 13: Proposed HRA Capital Programme 2018/19 – 2022/23 – Figures are in £000s

HRA Capital Programme	2018/19	2019/20	2020/21	2021/22	2022/23
Council House Upgrade Programme	22,800	21,328	20,460	19,114	19,370
Site Development	100	50	50	50	50
New Build Social Housing	7,864	2,977	6,743	2,349	-
Grants to Registered Housing Providers	808	2,000	2,000	2,000	2,000
Total HRA	**31,572**	**26,355**	**29,252**	**23,513**	**21,420**

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

134. Following the Grenfell tower fire in London, the council commissioned NPS Norwich to undertake detailed surveys of each of the council's eight tower blocks to highlight any repairs and upgrades required to mitigate the potential of risk of fire. Whilst overall the surveys found that the eight tower blocks were well maintained and continue to perform well with regard to fire safety as designed, a number of repairs and upgrades are recommended, including some existing programmes of work which will be accelerated, to mitigate any possible risk of fire, to prevent fires occurring, and contain the spread of a fire should one occur

135. The findings were reported to cabinet in January, with the cost of the works estimated at £2m. Some of the works are proposed for 2017/18, which are being met from existing budgets and the remainder during 2018/19 for which budgetary provision is proposed as part of the council house upgrade programme.

136. Building and fire regulations are currently being reviewed following the Grenfell Tower tragedy by the Independent Review of Building Regulations and Fire Safety. The review is expected to report in the spring and the

findings may mean that further work will be needed to the council's tower blocks. However, we have no way of knowing the implications of this at this moment in time.

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

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

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

CHIEF FINANCE OFFICER'S STATEMENT

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

141. The Chief Finance Officer is required to provide professional advice to the council on the two above matters and is expected to address issues of risk and uncertainty.

142. In fulfilling this responsibility the Chief Finance Officer has set out below what she sees as the key risks associated with the proposed budget, so that members are clear on these risks and proposed mitigation factors when making their budget decision.

143. **Risk 1 – Longer term uncertainty**: Given the uncertainties over the national economic environment and the lack of clarity on future local government funding post March 2020 (the end of the 4 year funding agreement given by government), it has not been possible to undertake meaningful and robust medium term financial planning for the financial year 2020/21 and onwards. This uncertainty over the future places greater importance on the need to maintain a prudent minimum balance of reserves to manage any unexpected changes in the economic and statutory environment within which councils operate.

144. **Risk 2 – Scale of budget savings required over the medium term**: The proposals show a need, based on current financial planning assumptions, for the council to achieve gross savings totalling £10m over the 4 year period 2019/20 to 2022/23 at a rate of £2.5m per annum under the "smoothed" approach proposed in the MTFS. At the end of this period the general fund

reserves will drop to the prudent minimum level and the Council will no longer be able to use reserves as it has been doing in a planned way to fund the revenue budget.

145. Cabinet has agreed to take a holistic and strategic approach to the identification of these savings including a review of the Council's Corporate Plan, identifying how the Council can contribute to the City's new emerging vison, and the Council's future operating model (both outlined in the Chief Executive's report entitled "Fit for the Future" presented to cabinet on 13 December 2017).

146. The quantum of savings required and the timescale for implementation mean that difficult decisions and choices will need to be discussed in preparation for next year's budget cycle. Some of those choices will involve decisions about service levels as it is unlikely that the identification of further efficiencies and new income generation possibilities can fully fund the future gap between the Council's current expenditure levels and its forecast future level of resources.

147. The Chief Finance Officer takes comfort in the fact that Norwich City Council has had a successful track record in setting a balanced budget and achieving the required budget savings in the last six financial years since public sector austerity commenced in 2011/12. The Council in addition has funding available in the spend-to-save earmarked reserve to implement the further transformational changes that will be needed.

148. **Risk 3 – Business Rates income:** This is a highly volatile source of revenue and various factors, including business closures, successful appeals against rateable values, changes in property usage from office/industrial to residential, and changes to the health of the local and national economy can cause reductions in business rate revenue. Norwich City Council currently collects some £75m of business rates income (net of reliefs and provisions), most of which is returned to central government for distribution to local government elsewhere. Officers from Revenues & Benefits and LGSS Finance regularly meet to monitor the income being collected during the year and this is reported to cabinet every other month via the budget monitoring report.

149. The risk of the Council not achieving the business rates income level it is allowed by government to keep to fund its services (termed the "baseline" level) is mitigated by there being a "safety net" in place. The maximum risk Norwich City Council is therefore exposed to in 2018/19 is approximately £0.5m.

150. **Risk 4 – Achieving the 2018/19 budget savings:** £2.4m of gross savings/increased income will need to be delivered during 2018/19 in order to achieve a balanced General Fund budget at year end (see Appendix 1). Any risk of failing to deliver the savings target, or slippage in terms of delivery timescales, will increase the amount of budget savings needing to be made in future years. Progress on achieving the 2018/19 savings will be reported on a regular basis to Corporate Leadership Team and to Cabinet every other month via the budget monitoring report.

151. **Risk 5 – Increasing reliance on commercial income:** The council's General Fund revenue budget contains some £26m of fees, charges, and rental income used to finance the services provided by the council. This income funds 47% of the General Fund revenue budget and includes £1.2m of additional income generation proposed as part of the 2018/19 budget savings (Appendix 1). Such income (from commercial property rentals, car park charges, planning fees, on-lending to Norwich Regeneration Limited) is partly dependent on the state of health of the local and national economy.

152. This budget proposes that two earmarked reserves are established to set aside additional net income achieved above the savings targets to mitigate against the risks of not achieving rental income from the commercial property portfolio and from on-lending to the Council's housing company, Norwich Regeneration Limited. The amount of income being generated in-year is subject to formal regular monitoring by Heads of Service and LGSS Finance and reported to cabinet every other month in the budget monitoring report. LGSS Finance will shortly work with City Services and other officers to establish enhanced financial modelling and forecasting of income being generated from the commercial property portfolio.

153. A key mitigation for the risks mentioned above is the Chief Finance Officer's estimate of a prudent level of reserves. The requirement for financial reserves is acknowledged in statute. Section 32 of the Local Government Finance Act 1992 requires billing authorities in England and Wales to have regard to the level of reserves needed for meeting estimated future expenditure when calculating the budget requirement.

154. There has been no change in the methodology for calculating the prudent minimum balance of reserves for both the general fund and the housing revenue account. In both cases, an assessment of three years cover for operational risks has been made covering the main areas of expenditure and income. In addition, amounts have been included for unforeseen events and specific risks such as business rates retention and the potential high value voids determination.

155. The risk analysis shows that a prudent minimum level of reserves for 2018/19 will be of the order of £4.232m for the General Fund and £5.844m for the Housing Revenue Account. Further detail of the calculations is available on request. Further comfort is taken from the record of the council in managing and delivering to budget in year.

156. The budget information used in preparing this budget resolution has undergone extensive scrutiny by:
    - LGSS Finance
    - Corporate Leadership Team
    - Heads of Service and their staff
    - Corporate Quality Assurance Group (established for this year's budget cycle to review capital, savings and growth proposals)

157. Allowing for the above comments on uncertainty and risks, it is the opinion of the Chief Finance Officer that the budget has been prepared on realistic

assumptions and that it represents a robust, albeit challenging, budget which provides for an adequate level of reserves.

Integrated impact assessment

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

Report author to complete	
Committee:	Cabinet
Committee date:	07 February 2017
Director / Head of service	Karen Watling
Report subject:	2018/19 Budget, Medium Term Financial Strategy (MTFS) and HRA Business Plan
Date assessed:	11 January 2018
Description:	This integrated impact assessment covers proposals for the General Fund revenue budget, the HRA Business Plan, and the Council's capital programme.

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

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

	Impact			
Natural and built environment	☐	☒	☐	The proposed capital programme will provide for improvements to the council's assets and the surrounding environment. The proposed housing capital programme will provide for the Norwich Standard for properties to be completed.
Waste minimisation & resource use	☒	☐	☐	
Pollution	☒	☐	☐	
Sustainable procurement	☒	☐	☐	
Energy and climate change	☐	☒	☐	The proposed capital programme will provide for improvements in thermal and carbon efficiency.
(Please add an 'x' as appropriate)	**Neutral**	**Positive**	**Negative**	**Comments**
Risk management	☐	☐	☒	The risk profile of the Council has increased as the budget contains proposals to generate additional income from commercial activity and such income can be volatile and dependent on the health of the national and local economy.

Recommendations from impact assessment
Positive
None
Negative
The report includes several mitigating actions in terms of risk management, namely: • The set-aside of additional income over the MTFS savings targets arising from the commercial property acquisition programme and on-lending to NRL. • The maintenance of a Prudent Minimum Level of General Fund reserve. • Enhanced forecasting and budget monitoring of income particularly that generated from the Council's commercial property portfolio. • The requirement to produce robust Business Cases for large capital projects (many of which will generate commercial returns or savings) before Council approves the project within the capital programme.
Neutral
None
Issues
None

Appendix 1

Summary of General Fund Net Savings

	Project name	Description		£'000
Additional income generation				
1	Commercial property acquisition	Additional net income from the acquisition of commercial property in line with the Council's strategy to generate income and maximise returns from assets as agreed in the four year financial sustainability plan. Existing commercial property rental income of £2.0m will increase by approximately 20% to £2.4m. The budget papers propose that a proportion of the new net income generated is be set aside in an ear-marked reserve. This would be used to provide funding for any future void and rent free periods as well as any repairs/upgrades required to the property to help safeguard the future value of the investment and the rental income stream, thereby minimising the risk of holding these assets and of fluctuations in the income return.	£2m rental income from existing commercial property portfolio	(400)
2	Revenues & Benefits - increased recovery of housing benefit overpayments	Norwich City Council strives to maximise collection rates of housing benefit overpayments. This entails using all methods of recovery action that are available via legislation to secure the debt for the Authority. The majority of debt is secured through recovery actions which include recovery from benefit payments, reminders, payment arrangements attachment of earnings, deduction of benefits and County Court Judgements. The invest-to-save earmarked reserve will be used to fund two temporary members of staff to bring all recovery up to date and thereby reduce the level of bad debt provision required.	Current outstanding HB overpayments of £6.8m	(300)

3	Car park additional income from approved tariff increase	Anticipated growth in income associated with tariff reviews, in line with in increased approved by Cabinet in October 2017.	Existing multi-storey car park income of £3.6m	(95)
4	Rose Lane increased income from higher usage	Anticipated growth in income associated with the new Rose Lane which has seen increasing use since it's opening in May 2016.	Existing multi-storey car park income of £3.6m	(34)
5	Bus shelter advertising income	Increased income share from the digital bus shelter advertisement contract. The income has been increased in line with the current level of receipts, these reflect the fact the advertising market is performing well nationally.	Current income budget of £126k	(85)
6	Planning Fee Increases	Higher planning fee income as a result of Central Government fee rise	Current income budget of £708k	(67)
7	Review garden waste subscription charge	2.5% increase on the current budget, to give total garden waste income of £450k.	Current income budget of £439k	(11)
8	Review allotment subsidy	Increase charges for allotments of £10k leading to cost recovery over three years. This represents a half year impact of the agreed inflationary rise 2% on allotment rents. Total allotment rents of £74k.	Current income budget of £73k	(£1)
9	Recycling credits	Additional recycling credit income based on current levels.	Current income budget of £1,025k	(£9)

10	Charging for food hygiene training and advice	New charge for food hygiene training and advice.	No current budget as new charge	(5)
11	Review Bulky waste charge	4% increase on the current budget, to give total bulky waste income of £48k.	Current income budget of £46k	(2)
12	Revenues and Benefits - Council Tax enforcement income	By investing in an anti-fraud capability, Norwich has the opportunity to investigate eligibility for Council Tax and Business Rates discounts, reliefs and exemptions, Council Tax Support, Housing applications and Tenancy Fraud on behalf of social housing providers under the Prevention of Social Housing Fraud Act 2013. The most significant areas of fraud abuse and opportunity concerns the Single Person Discount and Council Tax Support awarded to Council Tax payers. By using invest-to-save funding and contributions from the County Council to support additional anti-fraud work, additional Council Tax income is assumed.	The figure is based on 5% fraud identification in relation to the amounts the Council currently pays for single person discount and CTRS.	(15)
13	Increase in Riverside management fee income	Contractual increase in the income from the Riverside management fee. Total fee income for 2018/19 of £96k.	Current income budget £36k	(60)
14	Increasing budget to align with current taxi license income levels	Increase in budgeted taxi license income arising from volume increases rather than fee increases. Total budget for 2018/19 £166k.	Current income budget £130k	(36)
15	Additional income from the Halls	Increase in income from The Halls arising from increased usage. Total income budget now £223k.	Current income budget £203k	(20)

16	Norman centre review	Increase in income from the Norman Centre arising from increases in usage. Total income budget for 2018/19 £32k.	Current income budget £26k	(6)
17	Income from early help hub	Additional contribution for office space from the multi-organisation Early Help Hub based in City Hall.	Current income budget £5k	(6)
18	Profit margin of Norwich Norse Environmental	Increasing profit share in line with business plan for Norwich Norse Environmental. Total profit share budget in 2018/19 of £110k.	Current income budget £105k	(5)
19	Loan to Norwich Regeneration Limited	Additional net interest income from the council's on-lending to Norwich Regeneration Ltd (NRL). The company uses the loan to finance the house building at the Threescore site and makes interest payments to the Council.	Current income budget £323k	(5)
20	Other income	Budget income increases (individually below £10k).		(21)
Total Additional income generation				**(1,184)**

Service reviews and efficiencies				
21	Reduced inflationary uplift on joint venture contract	Savings on the contractual inflatory uplift on the Norwich Norse Environment contract.	Total contract cost of £5.2m	(120)

22	Savings in budgets managed by NPS	Reduction of 6.5% (£196k) in the Norwich Property Services core fee. Approximately a third of the saving is passed on to the General Fund with the remainder being shared with the HRA and capital programme.	Current core fee budget of £3.2m of which 33% (£1m) is allocated to the General Fund.	(67)
23	Reduction in required repairs budget on general fund premises	Centrally managed budget for General Fund council building repairs has been underspent in recent years in part due to capital investment; therefore the budget has been reduced to reflect this. The budget still reflects the planned programmed works as well as amounts to carry out responsive work.	Current budget of £996k	(117)
24	Review of planning service	Savings arising from changes to the planning staffing establishment, including changes to introduce career grades. Implemented without any staff redundancies.	Current staffing budget £1.4m	(53)
25	Enforcement service review additional savings (completed 2017/18)	Neighbourhood model was implemented in June 2017. The saving reflects the full year effect of the structure in 2018/19. £314k saving recognised in 17/18.	£2.6m staffing cost pre neighbourhood model implementation. Total saving of £364k.	(50)
26	Business and Relationship Management & Procurement review	Restructure of team to provide resilience and resource to deliver the procurement needs of the council. Savings as a consequence.	Current staffing budget £237k	(49)

27	Heigham Park grass tennis	Reduction in maintenance costs through the grounds maintenance contract with Norwich Norse Environment.	Total contract cost of £5.2m of which £31k reduction in relation to the tennis court maintenance.	(31)
28	Assets review	Review the approach for the way that repairs are undertaken on council assets to reduce costs.	Current net cost of £196k.	(23)
29	Transfer of post to Housing Revenue Account	Change in post role and funding.	Full cost of post transferred.	(14)
30	Swanton Road office	Reduced costs from the Swanton road office following the relocation of the CCTV team into City Hall. Options to be explored for the future use of the site.	Current cost of £35k	(10)
31	Review TCV Support Grant	This was a core grant to TCV supporting them in their work in the Norwich area. They are looking at diversifying their funding base to spread the risk of funders not making contributions to them. The removal of the grant does not affect the work on Norwich sites. With regard to specific projects on our sites they and others are paid according to the work they do so does not class as a grant but is rather for paid services. This work programme will continue. If TCV decide to withdraw from Norwich there are others who can do the work they do.	Budget to be removed in full.	(10)

32	HR Supplies & service budget reduction	HR professional advice budget reduction.	Budget to be removed in full.	(7)
33	Revised budget - Strategy & Transformation	Removal of unused project budget.	Budget to be removed in full.	(4)
34	Other savings	Budget savings (individually below £10k).		(33)
35	Service Reviews	Details shown in exempt **Appendix 7** as these include information relating to the financial or business affairs of any particular person.		(197)
Total Service reviews and efficiencies				**(784)**

Budget reduction from financing and reserves transfers				
36	Reduction in loan interest expense	Reduction in loan interest income costs arising from the planned repayment of external borrowing.	Current GF interest cost of £518k.	(251)
37	Backdating of MRP change	Backdating of MRP change	Current budget of £380k.	(153)
38	Reduction in required contribution to the Insurance earmarked reserve	Insurance Manager has assessed a lower contribution is needed into the insurance earmarked reserve in 2018/19. This is based on an assessment of the likely claims payable in the period.	Current cost of £213k.	(30)

Total budget reduction from financing and reserves transfers	**(434)**

GROSS SAVINGS	**(2,402)**

	Growth		
39	Property rental	Loss of property rental due to planned disposals of lower income -generating property and vacant properties. This is in line with the approved disposal programme and review of the asset portfolio.	200
40	Customer service model	Partial removal of 17/18 customer contact & service standards model savings.	127
41	Mile Cross business rates	Growth in Mile Cross Business Centre business rates while options for the site are considered	98
42	Election costs	Increase in election costs due to there being only a City Council funded election for 2018/19	76
43	Profit share	Reduction in budgeted joint venture profit shares (Norwich Property Services and Norwich Norse Buildings)	160
44	Cemeteries	Removal of additional cemeteries income as not achievable based on current income usage levels	50
45	Carbon management	Overestimation in planned 2017/18 savings from carbon management programme and night watchman.	45

46	Contaminated waste income	Reduction in contaminated waste shared income	40
47	Legal costs	Increased legal contract costs resulting from higher usage and reduced profit share. Offset in part by higher capitalisation of legal costs associated with asset purchases.	35
48	Finance costs	Increased LGSS finance contract costs	25
49	Tourist Information income	Tourism Information - unachieved 17/18 income target removed	20
50	Housing Benefit	Housing Benefit overpayment reduction reducing subsidy claimable.	17
51	Public Lighting	Reduce public lighting costs - partially unachieved 17/18 budget item due to overestimation of maintenance cost savings.	10
52	Greater Norwich Growth Board	Increased contribution to the Greater Norwich Growth Board.	7
Total Growth			**911**

NET SAVINGS	**(1,491)**

Appendix 2

General Fund Budget by Service

	2017-18	2018-19
Business Services	3,775,916	5,491,851
Democratic Services	291,867	462,163
Corporate budgets	(3,061,819)	(3,651,726)
Human Resources	0	0
Procurement & Service Improvement	0	0
Subtotal Business Relationship	**1,005,964**	**2,302,288**
Chief Executive	0	0
Strategy & Programme Management	201,843	204,413
Subtotal Chief Executive	**201,843**	**204,413**
Communications & Culture	2,143,249	2,071,777
Customer Contact	(2,760)	(9,537)
Subtotal Customers, Comms & Culture	**2,140,489**	**2,062,240**
Citywide Services	10,226,691	10,150,063
Neighbourhood Housing	1,728,634	1,629,981
Neighbourhood Services	819,351	800,281
Subtotal Neighbourhoods	**12,774,676**	**12,580,325**
City Development	(1,994,594)	(2,471,703)
Environmental Strategy	0	0
Executive Head of Regeneration & Development	0	0
Planning	1,500,637	1,441,678
Property Services	1,211,652	1,080,798
Subtotal Regeneration & Growth	**717,695**	**50,773**
Contribution from Reserves	(688,427)	(1,504,005)
Budget Requirement	**16,152,240**	**15,696,034**
Revenue Support Grant	(1,670,854)	(982,018)
Business Rates Retained Income	(5,452,260)	(5,298,124)
Council Tax	(9,029,126)	(9,415,892)
Budget Resources	**16,152,240**	**15,696,034**

Note: New Homes Bonus and Localised Council Tax Support Admin Subsidy Grants and the contingency fund have been reclassified from Business Services into Corporate Budgets for 2018-19. Corporate budgets also include interest costs, minimum revenue provisions and movements in reserves.

HRA Budgets 2018/19 - movements by type: figures are in £000s

Adjustment to Base	**£'000**
Reduction in revenue contribution to capital	**(8,319)**
Increase in corporate recharges	46
Other recharge changes	(117)
Total Adjustment to Base	**(8,390)**
Inflation	
Contract/expenditure inflation	62
Staff salary inflation and increments	134
Pension added years and pension deficit inflationary adjustments	124
Total Growth and Inflation	**320**
Growth	
Increase in corporate debt management costs	40
Increase in repair costs	333
Partial subsidy of sheltered housing support costs	100
Contribution towards domestic abuse programme	40
Additional Specialist Support provided to HRA	14
Total Growth	**527**
Income Reduction	
Forecast increase in void dwelling rate	24
Reduction in rental income (mandatory 1% rent reduction)	700
Reduction in service charge income	148
Reduced rental income from commercial properties	8
Total Income Reduction	**880**
Savings	
Reduction in HRA debt management costs	(365)
Service reviews	(139)
Reduction in premises costs	(48)
Reduction in housing rents bad debt provision	(58)
Reduction in insurance reserve	(32)
Other savings (individually under £10k)	(33)
Total Savings	**(674)**
Income Increase	
Increase in income from garage rents	(51)
Increase in income from commercial property	(16)
Increase in court fees	(11)
Additional income (individually under £10k)	(10)
Increased income - Total	**(87)**

Appendix 4

Proposed General Fund Capital Programme

Funding	GF Prog	Project	2018/19 (£'000)	2019/20 (£'000)	2020/21 (£'000)	2021/22 (£'000)	2022/23 (£'000)
Borrowing	Asset Acquisition	Acquisition of income generating assets	40,000	-	-	-	-
Borrowing	Capital Loans	10-14 Ber Street on-lending	-	4,350	-	-	-
Borrowing	Capital Loans	Three Score phase 3 on-lending	-	5,105	12,040	-	-
Borrowing	Capital Loans	Three Score Phase 2 on-lending	-	2,055	-	440	-
Capital Receipts/ RCCO	Asset Upgrade	Hewett Yard communal toilet refurbishment	7	-	-	-	-
Capital Receipts/ RCCO	Asset Upgrade	Riverbank Stabilisation (River Yare And River Wensum)	83	33	33	33	-
Capital Receipts/ RCCO	Asset Upgrade	Royal Oak Court - Demolition	39	-	-	-	-
Capital Receipts/ RCCO	Asset Upgrade	City Hall – Fire system Detector Replacements	45	-	-	-	-
Capital Receipts/ RCCO	Asset Upgrade	City Hall – Fire System – Replace Gas extinguishing system control Panels	17	-	-	-	-
Capital Receipts/ RCCO	Asset Upgrade	St Giles MSCP Emergency Lighting Battery Replacement	16	-	-	-	-
Capital Receipts/ RCCO	Asset Upgrade	Community Centre replacement fire detection systems	21	-	-	-	-
Capital Receipts/ RCCO	Asset Upgrade	Riverside Leisure Centre – Replacement of end of life plant equipment	12	-	-	-	-
Capital Receipts/ RCCO	Asset Upgrade	Earlham Park Toilet replacement	87	-	-	-	-
Capital Receipts/ RCCO	Asset Upgrade	Eaton park path replacement	45	45	45	45	45
Capital Receipts/ RCCO	Asset Investment	Purchase of grounds maintenance equipment	560	170	-	-	-
Capital Receipts/ RCCO	Asset Upgrade	Credit and Debit card upgrade at St Andrews and St Giles MSCP	33	-	-	-	-
Capital Receipts/ RCCO	Asset Upgrade	CCC Refurbishment Project	304	-	-	-	-

Capital Receipts/ RCCO	Asset Upgrade	Hewett Yard refurbishment - surfacing	25	-	-	-	-
Capital Receipts/ RCCO	Asset Upgrade	Non Trafficked Pedestrian Bridges/Boardwalks	55	33	33	33	-
Capital Receipts/ RCCO	Asset Upgrade	Strangers Hall Stores Roof	28	-	-	-	-
Capital Receipts/ RCCO	Asset Upgrade	Riverside Footpath District Lighting Upgrade.	21	21	21	-	-
Capital Receipts/ RCCO	Asset Upgrade	City Hall Heating System	17	10	158	-	-
Capital Receipts/ RCCO	Asset Upgrade	Castle Museum Windows	33	-	-	-	-
Capital Receipts/ RCCO	Asset Upgrade	Hewett Yard refurbishment - roofing	15	-	-	-	-
Capital Receipts/ RCCO	Asset Upgrade	Pulls Ferry quay heading	17	-	-	-	-
Capital Receipts/ RCCO	Capital Contingency	Capital Contingency	100	100	100	100	100
Capital Receipts/ RCCO	Asset Upgrade	Additional Asset Upgrade Schemes to be identified in future years	-	1,088	1,110	1,289	1,355
Grants	Capital Initiatives	Home Improvement Agency Works	970	970	970	970	970
CIL Neighbrhd	CIL Neighbrhd	CIL Neighbourhood Projects 2018/19	150	-	-	-	-
GNGB	GNGB	Bowthorpe River Crossing	21	-	-	-	-
GNGB	GNGB	UEA to Eaton Boardwalk extension	30	-	-	-	-
GNGB	GNGB	Earlham Millennium Green Phase 3	25	-	-	-	-
Section 106	Section 106	Castle Gardens Improvements	14	-	-	-	-
Section 106	Section 106	Play Sector 3 & 4 Improvements	6	-	-	-	-
Total			**42,792**	**13,980**	**14,510**	**2,910**	**2,470**

Appendix 5

Proposed Housing Capital Programme

Project	2018/19 (£'000)	2019/20 (£'000)	2020/21 (£'000)	2021/22 (£'000)	2022/23 (£'000)
Home Upgrades	5,390	-	-	-	-
Window & Door Upgrades	1,655	-	-	-	-
Community Upgrades	570	-	-	-	-
Heating Upgrades	3,820	-	-	-	-
Thermal Upgrades	1,660	-	-	-	-
Preventative Upgrades	7,995	-	-	-	-
Independent Living Upgrades	750	-	-	-	-
Sheltered Housing Regeneration	250	-	-	-	-
Fees	710	-	-	-	-
Council House Upgrade Programme Future Years	-	21,328	20,460	19,114	19,370
Site Development	100	50	50	50	50
New Build Social Housing	7,864	2,977	6,743	2,349	-
Grants to Registered Housing Providers	808	2,000	2,000	2,000	2,000
Total	**31,572**	**26,355**	**29,252**	**23,513**	**21,420**

Update on consultation responses on the vision and proposed budget for 2018-19

Members will be aware that this year the council used a number of approaches to consultation in order to get a view from the city about what sort of city they wanted to see the future. This will help to inform the council's priorities going forward. The research included both qualitative and quantitative methods, resident, councillor and stakeholder focus groups, running a stakeholder conference and doing a public survey through the Evening News and on line.

We are also working with the Youth Advisory Board and the Mancroft Advice Project to deliver a youth conference to inform the city's vision.

This appendix gives member the results of the online survey for only the questions that relate to the budget. The consultation around the vison will be collated and presented after the youth conference.

Across the public survey a total of 1680 responses were received. This is the highest number of participants we have ever had. The data in this report represents the results from those 1680 responses. No data has been weighted.

Residents were also given an opportunity to submit comments. These will be analysed further and used to inform the future development of income and savings options.

Vision consultation questions

Q1: What are the top three things that make Norwich a good place to live now?

Still to be collated and will feed into the visioning work

Q2: What are the top three challenges you think need to be tackled to make Norwich a great place in 2040?

Still to be collated and will feed into the visioning work

Council Tax

Q3: To what extent do you support the council raising its share of council tax by 2.01 per cent in 2018-19 and using that money to protect key services in the future?

Strongly agree	28.04%
Agree	26.96%
Neither agree nor disagree	12.74%
Disagree	11.79%
Strongly disagree	18.33%
Don't know	2.14%

In total, **55%** support this, against **30.12%** who were against it.

Council Tax reduction Scheme

Do you agree that following amounts should be increased?

Q4: The applicable amounts of the council tax reduction scheme to reflect any increase in Council Tax

Yes	56.46%
No	23.04%
Don't know	20.50%

Q 5: The amounts used to calculate non-dependant deductions

Yes	43.13%
No	24.17%
Don't know	32.70%

Q 6:The amounts used to decide entitlement to 'second adult reduction'

Yes	41.72%
No	25.81%
Don't know	32.47%

Q.7: Do you agree that all non-dependants who work should have a higher non-dependant deduction regardless of the number of hours worked and based on level of income that this deduction should be calculated based on income rather than hours worked?

Yes	61.58%
No	20.14%
Don't know	18.28%

Q 8: **Do you agree that non-dependant deduction should be taken where Non-dependants, who do not have an earned income, are in receipt of Universal Credit**

Yes	42.55%
No	24.43%
Don't know	33.02%

Q9: Do you agree that Bereavement Support Payments should be excluded as income (bringing our Council Tax Reduction Scheme in line with Housing Benefit)?

Yes	67.48%
No	19.21%
Don't know	13.31%

Q10 Do you agree that the council tax reduction scheme should be amended (as it is in the case of Housing Benefit) for ESA applicants placed in work-related activity?

Yes	51.65%
No	16.52%
Don't know	31.83%

Q11 Do you agree that the council can start an application for council tax reduction scheme using the automatic notification from Department of work and pensions?

Yes	75.70%
No	9.42 %
Don't know	14.88%

General fund revenue budget and capital programme 2018/19 – Statutory Council Tax Resolution

The Council is recommended to resolve as follows:

1. That the Chief finance officer has estimated the Council Tax Base 2018/19 for the whole Council area as 35,485 [Item T in the formula in Section 33(1) of the Local Government Finance Act 1992, as amended (the 'Act')] and,

2. To calculate that the Council Tax requirement for the Council's own purposes for 2018/19 (excluding Parish precepts) is £9,100,483

3. That the following amounts be calculated for the year 2018/19 in accordance with Sections 32 to 36 of the Act:

(a)	£195,889,652	being the aggregate of the amounts which the Council estimates for the items set out in Section 32(2) (a)-(e) of the Act taking into account all precepts issued to it by Parish Councils.
(b)	£186,789,169	being the aggregate of the amounts which the Council estimates for the items set out in Section 32(3) (a)-(c) of the Act.
(c)	£9,100,483	being the amount by which the aggregate at 3(a) above exceeds the aggregate at 3(b) above, calculated by the Council in accordance with Section 32(4) of the Act as its Council Tax requirement for the year. (Item R in the formula in Section 33(1) of the Act)
(d)	£256.46	being the amount at 3(c) above (Item R), all divided by Item T (2 above), calculated by the Council, in accordance with Section 31B of the Act, as the basic amount of its Council Tax for the year (including Parish precepts).
(e)	0	being the aggregate amount of all special items (Parish precepts) referred to in Section 34(1) of the Act.
(f)	£256.46	being the amount at 3(d) above less the result given by dividing the amount at 3(e) above by Item T (1 above), calculated by the Council, in accordance with Section 34(2) of the Act, as the basic amount of its Council Tax for the year for dwellings in those parts of its area to which no Parish precept relates.

4. That it be noted that for the year 2018/19 the Norfolk County Council and the Police & Crime Commissioner for Norfolk have issued precepts to the Council, in accordance with Section 40 of the Local Government Finance Act 1992, for each category of dwellings in the Council's area as indicated in the table below.

Band	A	B	C	D	E	F	G	H
County	£881.82	£1,028.79	£1,175.76	£1,322.73	£1,616.67	£1,910.61	£2,204.55	£2,645.46
Police	£152.76	£178.22	£203.68	£229.14	£280.06	£330.98	£381.90	£458.28

5. That the Council, in accordance with Sections 30 and 36 of the Local Government Finance Act 1992, hereby sets the aggregate amounts shown in the tables below as the amounts of Council Tax for 2018/19 for each part of its area and for each of the categories of dwellings.

Band	A	B	C	D	E	F	G	H
City	£170.97	£199.47	£227.96	£256.46	£313.45	£370.44	£427.43	£512.92
County	£881.82	£1,028.79	£1,175.76	£1,322.73	£1,616.67	£1,910.61	£2,204.55	£2,645.46
Police	£152.76	£178.22	£203.68	£229.14	£280.06	£330.98	£381.90	£458.28
Total	**£1,205.55**	**£1,406.48**	**£1,607.40**	**£1,808.33**	**£2,210.18**	**£2,612.03**	**£3,013.88**	**£3,616.66**

6. To determine in accordance with Section 50 Local Government Finance Act 1992 that the Council's basic amount of Council Tax for 2018/19 is not excessive in accordance with principles approved by the Secretary of State under Section 54.

Report to	Council 20 February 2018	**Item**
Report of	Chief finance officer (Section 151 Officer)	**7**
Subject	Treasury Management Strategy 2018-19	

Purpose

To approve the capital prudential indicators and limits, the borrowing strategy, the treasury prudential indicators, the minimum revenue provision.

Recommendation

To approve:

(1) The Capital Prudential Indicators and Limits for 2018/19 through to 2020/21 contained within paragraphs 16 - 43 of this report and Appendix 1.

(2) The Borrowing Strategy 2018/19 through to 2020/21 (paragraphs 26 – 30).

(3) The Treasury Prudential Indicators (paragraphs 31 - 38), including the Authorised Limit (paragraph 36).

(4) The Minimum Revenue Provision (MRP) policy statement contained in paragraphs 60 - 65 and Appendix 1.

(5) The Investment Strategy 2018/19 (paragraphs 66 - 90) and the detailed criteria included in paragraph 74.

Corporate and service priorities

The report helps to meet the corporate priority value for money services.

Financial implications

The report has no direct financial consequences however it does set the guidelines for how the council manages its borrowing and investment resources.

It outlines the council's prudential indicators for 2018/19 through to 2020/21 and sets out the expected treasury operations for this period. It fulfils three key elements required by the Local Government Act 2003:

- The reporting of the prudential indicators as required by the CIPFA Prudential Code for Capital Finance in Local Authorities;
- The Minimum Revenue Provision (MRP) Policy, as required by Regulation under the Local Government and Public Involvement in Health Act 2007 (Appendix A); and
- The treasury management strategy in accordance with the CIPFA Code of Practice on Treasury Management.

The investment strategy is in accordance with the Department of Communities and Local Government investment guidance.

Ward/s: All wards

Cabinet member: Councillor Kendrick - resources

Contact officers

Karen Watling, chief finance officer	01603 212440
Tina Stankley, senior technical accountant interim	01603 212562

Background documents

None

Report

Background

1. The council is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when needed. Surplus monies are either used as a temporary source of funding for capital expenditure or are invested in low risk counterparties or instruments commensurate with the council's low risk appetite, providing adequate liquidity but also to generate an investment return.
2. The second main function of the treasury management service is the funding of the council's capital programme and any resulting borrowing need of the council. The management of longer term cash may involve arranging long or short term loans, or using longer term cashflow surpluses. On occasion any existing debt may be restructured to meet council risk or cost objectives.
3. CIPFA defines treasury management as:

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

Changes to CIPFA's Prudential Code and DCLG's Investment Code

4. CIPFA issued a revised Prudential Code and Treasury Management Code on 21 December 2017. The first code governs local authority borrowing (except HRA borrowing) and the latter code governs local authority investment, cash flow and risk decisions. Both of the revised codes are in response to developments arising from the Localism Act 2011, namely the fact that many councils are using the general power of competence to engage in increased commercial activity.
5. The key changes are the requirement to produce a capital strategy with the intent of the remaining changes being a strengthened and greater transparency required over non-treasury related investments such as commercial property acquisition and on-lending to third parties.
6. Both of the above codes will be effective for the 2018/19 financial year. However CIPFA recognises that the requirement to produce a Capital Strategy may need a longer lead-in period. Therefore whilst CIPFA recommends that the requirements of both codes are implemented as soon as possible it recognises that they may not be able to be implemented until the 2019/20 financial year. It is proposed that the capital strategy along with the other minor changes within the Treasury Management Strategy for Norwich City Council will be developed for approval by Council as part of the 2019/20 budget cycle.
7. Alongside this, the Department for Communities and Local Government (DCLG) closed a consultation on proposed changes to the Local Authorities Investment Code and MRP (Minimum Revenue Provision) Guidance on 22 December 2017. It is unknown when DCLG will issue the new code or what their response will be to the comments they have received from the

consultation. There are overlapping and some possibly conflicting issues between CLG's and CIPFA's codes.

8. As there is no conclusion as yet for this consultation, none of the proposals have been incorporated into the Treasury Management Strategy and MRP Policy. Again as with the CIPFA's revised code any required changes will be implemented as part of the 2019/20 budget cycle.

Reporting requirements

9. The council is required to receive and approve, as a minimum, three main reports each year, which incorporate a variety of polices, estimates and actuals.
   - **Prudential and treasury indicators and treasury strategy (this report) - This first and most important report covers:**
     - the capital programme (including prudential indicators);
     - the treasury management strategy (how the investments and borrowings are to be organised) including treasury indicators;
     - a minimum revenue provision (MRP) policy (how residual capital expenditure is charged to revenue over time); and
     - an investment strategy (the parameters on how to manage investments).

   - **A mid-year treasury management report** – This will update members with the progress of the capital position, amending prudential indicators as necessary, and whether any policies require revision.

   - **An annual treasury report** – This provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.

Treasury Management Strategy for 2018/19

10. This strategy for 2018/19 covers two main areas:

- **Capital issues**
  - the capital programme and the prudential indicators (paragraphs 16-23);
  - the minimum revenue provision (MRP) policy (paragraphs 59-64, Appendix 1).

- **Treasury management issues**
  - the current treasury position (paragraphs 26-29);
  - treasury indicators which limit the treasury risk and activities of the council (paragraphs 30-45);
  - prospects for interest rates (Appendix 3);
  - the borrowing strategy (paragraphs 48-51) ;
  - policy on borrowing in advance of need (paragraphs 52-54) ;
  - debt rescheduling (paragraphs 55-57);
  - the annual investment strategy (paragraphs 65-69);
  - creditworthiness policy (paragraphs 70-73); and
  - the policy on use of external service providers (paragraphs 93-94).

11. These elements cover the requirements of the Local Government Act 2003, the CIPFA Prudential Code, CLG MRP Guidance, the CIPFA Treasury Management Code and CLG Investment Guidance.

Training

12. The CIPFA Code requires the responsible officer to ensure that members with responsibility for treasury management receive adequate training in treasury management. The chief finance officer will review what training has been undertaken in the recent past and develop a training plan.

Treasury management consultants

13. The council uses Link Asset Services, Treasury solutions as its external treasury management advisors.

14. The council recognises that responsibility for treasury management decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon our external service providers.

15. It also recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The council will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review.

The Capital Prudential Indicators 2018/19 – 2020/21

16. The council's capital expenditure plans are the key driver of treasury management activity. The output of these plans is reflected in the prudential indicators, which are designed to assist members to overview and confirm capital expenditure plans.

17. It should be noted that the figures included in tables below are based on several assumptions. These are:
    - The 2017/18 budget is the current approved capital programme and it's funding for 2017/18.
    - There is currently an anticipated underspend on the capital programme for 2017/18. The actual outturn figures 2017/18 will be presented in the 'Treasury Management Full Year Review' report to Cabinet later in the year. The full year review will compare the outturn to the budget and will show the variation from the figures in this Treasury Management Strategy.
    - The 2018/19-2020/21 estimates are the proposed estimates in the Cabinet report '2018/19 Budget, Medium Term Financial Strategy (MTFS) and HRA Business Plan' which is being presented at this meeting
    - The capital programme, funding, borrowing and CFR figures do not include any capital schemes that are currently in the planning stage and will require a business case and subsequent approval.

Capital expenditure

18. This prudential indicator is a summary of the council's capital programme, both that agreed previously, and the budget included in the budget report to Council. See table 1 below.

Table 1- Summary of the council's capital Programme (Prudential Indicator 1)

Capital expenditure £'000	2016/17 Actual	2017/18 Budget	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate
General Fund	6,600	75,182	42,792	13,980	14,510
HRA	27,135	59,345	31,572	26,355	29,252
Total	**33,735**	**134,527**	**74,365**	**40,335**	**43,762**

19. The table below shows how the capital expenditure is to be financed immediately i.e. through the use of capital receipts, capital grants, capital reserves (recycled depreciation through the Major Repairs Reserve) and revenue; and also the amount to be financed through borrowing.

Table 2 – Summary of the capital programme funding (Prudential Indicator 2)

Financing of capital expenditure £'000	2016/17 Actual	2017/18 Budget	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate
Capital receipts	3,692	27,070	5,221	7,216	7,546
Capital grants	5,441	10,554	3,265	1,220	1,220
Capital reserves	13,553	14,925	14,238	14,111	14,012
Revenue	11,049	20,836	11,641	6,278	8,944
Total of immediate funding	**33,735**	**73,385**	**34,365**	**28,825**	**31,722**
Net financing need for the year	**0**	**61,142**	**40,000**	**11,510**	**12,040**
Total	**33,735**	**134,527**	**74,365**	**40,335**	**43,762**

20. The above financing need excludes other long term liabilities, i.e. finance leases which include an amount in the lease charge to repay borrowing.

The council's borrowing need (the Capital Financing Requirement)

21. The second prudential indicator is the council's Capital Financing Requirement (CFR). The CFR is simply the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the council's indebtedness and so it's underlying borrowing need. Any capital expenditure above, which has not immediately been paid for, will increase the CFR.

22. The CFR does not increase indefinitely, as the minimum revenue provision (MRP) is a statutory annual revenue charge which broadly reduces the indebtedness in line with each asset's life, and so charges the economic consumption of capital assets as they are used to the Council's General Fund revenue budget.

23. The CFR includes any other long-term liabilities (e.g. PFI schemes and finance leases). Whilst these increase the CFR, and therefore the council's borrowing requirement, these types of scheme include a borrowing facility by the finance lease provider and so the council is not required to separately borrow for these schemes. The council has a finance lease and the outstanding balance at the end of 2017/18 will be £1.099m which is included within the HRA CFR total.

24. The CFR projections are shown below in table 3:

Table 3 – CFR projections (Prudential Indicator 3)

£'000	2016/17 Actual	2017/18 Budget	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate
Capital Financing Requirement at year end					
CFR – General fund	33,085	93,900	133,555	144,701	156,358
CFR – Housing	194,788	187,698	185,602	185,501	185,393
Total CFR	**227,873**	**281,597**	**319,157**	**330,202**	**341,751**
Movement in CFR	**(12,034)**	**53,725**	**37,559**	**11,045**	**11,549**

Table 4 Analysis of the movement in CFR (Prudential Indicator 4)

£'000	2016/17 Actual	2017/18 Budget	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate
Movement in CFR represented by					
Loan repayments	(10,750)	(7,000)	(2,000)	-	-
Net financing need for the year (above)	-	61,142	40,000	11,510	12,040
Less MRP/VRP and other financing movements	(1,284)	(417)	(441)	(465)	(491)
Movement in CFR	**(12,034)**	**53,725**	**37,559**	**11,045**	**11,549**

Note: The CFR will include the balance of finance leases and the MRP will include finance lease annual principal payment.

Core funds and expected investment balances

25. The application of resources (capital receipts, reserves etc.) to either finance capital expenditure or other budget decisions to support the revenue budget will have an ongoing impact on investments unless resources are supplemented each year from new sources (asset sales etc.). Detailed below are estimates of the year-end balances for each resource and anticipated day-to-day cash flow balances.

Table 5 – Summary of the council's resources

Year End Resources £'000	2016/17 Actual	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate
Fund balances / reserves	53,303	43,364	36,985	21,703	19,486
Capital receipts	26,554	15,897	16,023	16,313	14,756
Provisions	2,553	2,553	2,553	2,553	2,553
Other	771	-	-	-	-
Total core funds	**83,181**	**61,814**	**55,561**	**40,569**	**36,795**
Working capital*	19,898	17,000	17,000	17,000	17,000
Total funds	103,079	78,814	72,561	57,569	53,795
Amount funding (under)/over borrowing**	(17,779)	(17,451)	(17,107)	(16,742)	(16,359)
Available for investment	**(85,300)**	**(61,363)**	**(55,454)**	**(40,827)**	**(37,436)**

Borrowing

26. The capital expenditure plans set out in Table 1 paragraph 17 provide details of the service activity of the council. The treasury management function ensures that the council's cash is organised in accordance with the relevant professional codes, so that sufficient cash is available to meet this service activity. This will involve both the organisation of the cash flow and, where capital plans require, the organisation of appropriate borrowing facilities. The strategy covers the relevant treasury / prudential indicators, the current and projected debt positions and the annual investment strategy.

Current portfolio position

27. The council's treasury portfolio position at 31 March 2017, with forward projections are summarised below. The table shows the actual external debt (the treasury management operations), against the underlying capital borrowing need (the CFR), highlighting any over or under borrowing.

Table 6 – Estimates of the council's external debt, CFR and under borrowing position (Prudential Indicator 5)

£'000	2016/17 Actual	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate
External Debt					
Debt at 1 April	219,655	208,905	263,047	301,047	312,557
Expected change in Debt	(10,750)	54,142	38,000	11,510	12,040
Other long-term liabilities (OLTL)	1,274	1,189	1,099	1,003	902
Expected change in OLTL	(85)	(90)	(96)	(101)	(107)
Actual gross debt at 31 March	**210,094**	**264,146**	**302,050**	**313,459**	**325,392**
Capital Financing Requirement	**227,873**	**281,597**	**319,157**	**330,202**	**341,751**
Under / (over) borrowing	**17,779**	**17,451**	**17,107**	**16,742**	**16,359**

* Other long-term liabilities are any liabilities that are outstanding under credit arrangements and are outstanding for periods in excess of 12 months e.g. finance leases and PFI schemes.

28. The table above shows that both the debt and the CFR increase significantly between 2017/18 and 2020/21. This is due to the proposed borrowing that will be taken to on-lend to the council's company NRL (Norwich Regeneration Limited) and the financing of commercial property acquisitions.

29. Within the prudential indicators there are a number of key indicators to ensure that the council operates its activities within well-defined limits. One of these is that the council needs to ensure that its gross debt does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2018/19 and the following two financial years. This allows some flexibility for limited early borrowing for future years, but ensures that borrowing is not undertaken for revenue or speculative purposes.

30. The chief finance officer reports that the council complied with this prudential indicator in the current year and does not envisage difficulties for the future. This view takes into account current commitments, existing plans, and the proposals in the budget report.

Treasury Indicators: limits to borrowing activity

31. Within the prudential indicators there are a number of key indicators to ensure the council operates its activities within well-defined limits.

32. For the first of these the council needs to ensure that its total gross borrowing does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2018/19 and next two financial years. This allows some flexibility for limited early borrowing for future years but ensures that borrowing is not undertaken for revenue purposes.

Table 7 – Estimates of the council's total gross borrowing does not exceed the CFR (Prudential Indicator 6)

£'000	2016/17 Actual	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate
Gross Borrowing	210,094	264,146	302,050	313,459	325,392
Capital Financing Requirement	227,873	281,597	319,157	330,202	341,751
Gross borrowing is below CFR	**(17,779)**	**(17,451)**	**(17,107)**	**(16,742)**	**(16,359)**

33. The chief finance officer reports that the council complied with this prudential indicator in the current year and does not envisage difficulties for the future. This view takes into account current commitments, existing plans, and the proposals in this budget report.

34. A further two key prudential indicators control or anticipate the overall level of borrowing, these are:

35. **The operational boundary -** this is the limit beyond which external debt is not normally expected to exceed. The limit may be exceeded but if it is being exceeded on a regular basis then it would act as a trigger to review what is happening with the borrowing. In most cases, the operational boundary would be a similar figure to the CFR, but may be lower or higher depending on the

levels of actual debt and the ability to fund under-borrowing by other cash resources.

Table 8 – Operational boundary (Prudential Indicator 7)

Operational boundary £'000	**2017/18 Estimate**	**2018/19 Estimate**	**2019/20 Estimate**	**2020/21 Estimate**
Operational Boundary upper limit for debt	280,000	315,000	325,000	335,000
Other long term liabilities	1,576	1,600	1,600	1,600
Total	**281,576**	**316,600**	**326,600**	**336,600**

36. **The authorised limit for external debt.** - A further key prudential indicator represents a control on the maximum level of borrowing. This represents a limit beyond which external debt is prohibited, and this limit needs to be set or revised by the council. This is the statutory limit determined under section 3 (1) of the Local Government Act 2003. The Government retains an option to control either the total of all councils' plans, or those of a specific council, although this power has not yet been exercised. The proposed authorised limit is shown in table x below:

Table 9 – Authorised Limit (Prudential Indicator 8)

Authorised Limit £'000	**2017/18 Estimate**	**2018/19 Estimate**	**2019/20 Estimate**	**2020/21 Estimate**
Authorised limit upper limit for debt	290,000	335,000	345,000	360,000
Other long term liabilities	1,576	1,600	1,600	1,600
Total	**291,576**	**336,600**	**346,600**	**361,600**

37. The authorised limit has been set at a level that allows for borrowing that council are being asked to approve as part of the capital programme, but it also incorporates anticipated borrowing that may be required for potential schemes that still require a business case to be drawn up and then approved. Examples include the redevelopment of the airport industrial estate and the development of various sites within Norwich.

38. Separately, the Council is also limited to a maximum HRA CFR (which equals the HRA Debt Cap) through the HRA self-financing regime. This actual limit is currently under the HRA Debt Cap is shown below in table 10:

Table 10 – Housing Revenue Account Debt Cap and Headroom

HRA Debt Limit £'000	**2017/18 Estimate**	**2018/19 Estimate**	**2019/20 Estimate**	**2020/21 Estimate**
HRA Debt Cap	236,989	236,989	236,989	236,989
HRA CFR	182,689	180,593	180,491	180,384
HRA headroom	54,300	56,396	56,498	56,605

Affordability Prudential Indicators

39. The 8 statutory indicators above cover the overall capital and control of borrowing, but in addition, within this framework, there are further indicators that assess the affordability of the capital investment plans. These indicators provide an indication of the impact of the capital investment plans on the council's overall finances and these are shown below:

40. Actual and Estimates of the Ratio of Financing Costs to Net Revenue Stream (Indicators 9 & 10) - This indicator identifies the trend in the cost of capital (borrowing and other long term obligation costs net of investment income) against the net revenue stream. The estimates of financing costs include current commitments and the proposals in this budget.

Table 11– Ratio of Financing Costs to Net Revenue Stream (Prudential Indicators 9 & 10)

	2016/17	2017/18	2018/19	2019/20	2020/21
	Actual	**Estimate**	**Estimate**	**Estimate**	**Estimate**
Financing costs as a percentage of net revenue stream *					
General fund	1.57%	5.11%	0.59%	(1.12%)	(2.57%)
HRA	37.01%	37.03%	37.92%	38.78%	38.47%

* Where the figure appears as a negative percentage this is the contribution that the capital investments are making to the General Fund as a percentage of the net revenue stream

41. The General Fund financing costs increase in 2017/18 but then reduce in the years going forward. This is due to the anticipated increase in borrowing required to fund the commercial property acquisition and the on-lending to NRL. The table shows that in 2019/20 and 2020/21 the rental returns and investment income from the commercial acquisitions and on-lending to NRL are making a contribution to the General Fund which exceeds the financing costs.

42. The HRA financing costs vary marginally year on year. This reflects minor variations year on year in the amounts used in the calculations e.g. reductions in the HRA balances which decrease year on year, fluctuations in the rental income. As there is currently no planned borrowing to fund the capital programme this has no impact on the financing costs over the four year period.

43. Estimates of the incremental impact of capital investment decisions on the Council Tax and Housing Rent Levels (Indicators 11 & 12) – These indicators identify the revenue costs associated with proposed changes to the three year capital programme recommended in the budget report compared to the council's existing approved commitments and current plans. The assumptions are based on the budget, but will invariably include some estimates, such as the level of government support, which are not published over a three year period.

Table 12 Estimates of the incremental impact of capital investment decisions on the Council Tax and Housing Rent Levels (Prudential Indicators 11 & 12)

Estimates of incremental impact of capital investment decisions on council tax & housing rents	**2018/19**	**2019/20**	**2020/21**
	Estimate	**Estimate**	**Estimate**
General fund (Prudential Indicator 11) - Impact per property p.a.	£1.19	(£13.61)	(£26.06)
HRA (Prudential Indicator 12) - Impact on rent per week	£0.18	£0.13	£0.15

44. In table 12 above the General Fund indicator shows the impact on Council Tax of varying the capital programme from the previous year's approved programme, if everything else remained constant. The 2018/19 indicator shows £1.19 more of the Band D Council Tax will be used to fund the new programme in 2018/19. In subsequent years the additional income generated from on-lending to NRL and new rental income from commercial property acquisitions exceeds the additional cost of borrowing. This results in £13.61 and £26.06 less of the Band D Council Tax being used to fund the new programme in 2019/20 and 2020/21 respectively.

45. Estimates of the incremental impact of capital investment decisions on Housing Rent Levels are shown in the table 12 above. This indicator is similar to the Council Tax calculation. It shows the trend in the cost of proposed changes in the three year housing capital programme recommended in the MTFS 2018-23 compared to the council's existing commitments and current plans, expressed as a change in weekly rent levels.

46. This Indicator shows that the revenue impact of the change in proposed housing investment programme has a marginal impact as the capital investment programme remains fairly static year on year. These changes will already be contained within the budgeted rent increases in the HRA Business Plan.

Public Finances and the national economic context

47. A summary of the key influencing economic factors, as at the time of writing this report (January 2018), is given below:

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

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

48. The council has appointed Link Asset Services as its treasury advisor and part of their service is to assist the council to formulate a view on interest rates. Appendix 3 gives their long term view on UK interest rates and the economic forecast.

Borrowing strategy

49. The council is currently maintaining an under-borrowed position. This means that the capital borrowing need (CFR), has not been fully funded with loan debt as cash supporting the council's reserves, balances and cash flow has been used as a temporary measure. This strategy is prudent as investment returns are low and counterparty risk is still an issue that needs to be considered.

50. Against this background and the risks within the economic forecast, caution will be adopted with the 2018/19 treasury operations. In accordance with the Financial Regulations, paragraph 38 which delegates all executive decisions on borrowing, investment or financing to the chief finance officer, (who is required to act in accordance with CIPFA's code of practice for treasury management in the public services) the chief finance officer will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances:

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

Treasury indicators for Debt

51. There are three debt related treasury activity limits. The purpose of these are to restrain the activity of the treasury function within certain limits, thereby managing risk and reducing the impact of any adverse movement in interest rates. However, if these are set to be too restrictive they will impair the opportunities to reduce costs / improve performance. The indicators are:

- **Upper limits on fixed interest rate exposure (Indicator 13)**. This is similar to the previous indicator and covers a maximum limit on fixed interest rates;
- **Upper limits on variable interest rate exposure (Indicator 14)**. This identifies a maximum limit for variable interest rates based upon the debt position net of investments
- **Maturity structure of borrowing (Indicator 15)**. These gross limits are set to reduce the Council's exposure to large fixed rate sums falling due for refinancing, and are required for upper and lower limits

52. Table 10 below shows what the upper limits are for fixed rate and variable rate interest rate borrowing and investments along with the maturity structure for borrowing.

Table 10 – Upper limits on fixed interest rate exposure (Prudential Indicator 13), upper limits on variable interest rate exposure (Prudential Indicator 14) and maturity structure of borrowing (Prudential Indicator 15)

£m	2018/19	2019/20	2020/21
Interest rate exposures			
	Upper	**Upper**	**Upper**
Limits on fixed interest rates: Debt only Investments only	 100% 100%	 100% 100%	 100% 100%
Limits on variable interest rates: Debt only Investments only	 20% 20%	 20% 20%	 20% 20%
Maturity structure of fixed interest rate borrowing 2018/19			
		Lower	**Upper**
Under 12 months		0%	10%
12 months to 2 years		0%	10%
2 years to 5 years		0%	30%
5 years to 10 years		0%	50%
10 years and above		0%	95%

Policy on borrowing in advance of need

53. The council will not borrow more than or in advance of its needs purely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be within forward approved CFR estimates, and will be considered carefully to ensure that value for money can be demonstrated and that the council can ensure the security of such funds.

54. The Council has some flexibility to borrow funds this year for use in future years. The chief finance officer may do this under delegated power where, for instance, a sharp rise in interest rates is expected, and so borrowing early at fixed interest rates will be economically beneficial or meet budgetary constraints. Whilst the chief finance officer will adopt a cautious approach to any such borrowing, where there is a clear business case for doing so borrowing may be undertaken to fund the approved capital programme or to fund future debt maturities. Borrowing in advance will be made within the constraints that:
    - It will be limited to no more than 75% of the expected increase in borrowing need (CFR) over the three year planning period; and
    - Would not look to borrow more than 36 months in advance of need

55. Risks associated with any advance borrowing activity will be subject to appraisal in advance and subsequent reporting through the mid-year or annual reporting mechanism.

Debt rescheduling

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

The reasons for any rescheduling to take place will include:

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

57. Consideration will also be given to identify if there is any residual potential for making savings by running down investment balances to repay debt prematurely as short term rates on investments are likely to be lower than rates paid on current debt.

58. All rescheduling will be reported to the Cabinet at the earliest meeting following its action. However it is extremely unlikely that any debt rescheduling will take place in the near future as the difference between the interest rates on existing loans and the current low levels of interest rates is too large and would result in a premium being due which would be too costly.

UK Municipal Bond Agency (MBA)

59. It is possible that the MBA will be offering loans to local authorities in the future. The MBA hopes that the borrowing rates will be lower than those offered by the Public Works Loan Board (PWLB). The council may make use of this new source of borrowing as and when appropriate. On 11 October 2017 Cabinet agreed that the council could enter into borrowing framework agreement to allow them to borrow from the UK MBA.

MINIMUM REVENUE PROVISION POLICY STATEMENT

60. The council is required to pay off an element of the accumulated General Fund borrowing each year through a revenue charge (the MRP), and is also allowed to undertake additional voluntary payments (VRP).

61. There is no requirement on the HRA to make a minimum revenue provision but there is a requirement for a charge for depreciation to be made (although there are transitional arrangements in place).

62. Repayments included in annual PFI or finance leases are applied as MRP.

63. CLG Regulations have been issued which require full council to approve an MRP Statement in advance of each year. A variety of options are provided so long as there is a prudent provision.

64. At the meeting on 17 January 2017 Cabinet approved a revised MRP policy to take effect in the financial year 2017/18 and onwards. The changes to the Minimum Revenue Provision (MRP) policy have resulted in an overpayment of £7.4m having been made in MRP costs dating back from 2007/08 to date. This amount will be used to reduce existing MRP budgets for the financial year 2017/18 onwards over a period of 40 years. Having looked at several

methodologies for crediting this overpayment back to the General Fund revenue budget the methodology to be used is credit the £7.4m back to the General Fund over 40 years in equal instalments of approximately £184,000 per annum. This is an appropriate method as it provides certainty as to the amount that will be credited each year and it spreads the credit evenly over the lifetime of the MRP that it relates to.

65. Council is recommended to approve the MRP Policy Statement as detailed in Appendix 1. This is the same statement that was approved by Cabinet as part of the mid-year treasury management review report on 17 January 2018

ANNUAL INVESTMENT STRATEGY

Investment policy

66. The council's investment policy has regard to the CLG's Guidance on Local Government Investments ("the Guidance") and the revised CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes ("the CIPFA TM Code"). The council's investment priorities will be security first, liquidity second, and then return.

67. In accordance with the above guidance from the CLG and CIPFA, and in order to minimise the risk to investments, the council applies minimum acceptable credit criteria to generate a list of highly creditworthy counterparties which also enables diversification and thus minimises concentration risk. The key ratings used to monitor counterparties are the Short Term and Long Term ratings.

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

69. Other information sources used will include the financial press, share price and other such information relating to the banking sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.

70. Investment instruments identified for use in the financial year are listed in Appendix 2 under the 'specified' and 'non-specified' investments categories. Counterparty limits will be as set through the council's treasury management practices – schedules.

Creditworthiness policy

71. The primary principle governing the council's investment criteria is the security of its investments, although the yield or return on the investment is also a key consideration. After this main principle, the council will ensure that:

    - It maintains a policy covering both the categories of investment types it will invest in, criteria for choosing investment counterparties with adequate security, and monitoring their security. This is set out in the specified and non-specified investment sections below; and
    - It has sufficient liquidity in its investments. For this purpose it will set out procedures for determining the maximum periods for which funds may prudently be committed. These procedures also apply to the council's prudential indicators covering the maximum principal sums invested.

72. The chief finance officer will maintain a counterparty list in compliance with the following criteria and will revise the criteria and submit them to council for approval as necessary. These criteria are separate to that which determines which types of investment instrument are either specified or non-specified as it provides an overall pool of counterparties considered high quality which the council may use, rather than defining what types of investment instruments are to be used.

73. The minimum rating criteria uses the lowest common denominator method of selecting counterparties and applying limits. This means that the application of the council's minimum criteria will apply to the lowest available rating for any institution. For instance, if an institution is rated by two agencies, one meets the council's criteria, the other does not, the institution will fall outside the lending criteria. Credit rating information is supplied by Capita Asset Services, the council's treasury consultants, on all active counterparties that comply with the criteria below. Any counterparty failing to meet the criteria would be omitted from the counterparty (dealing) list. Any rating changes, rating watches (notification of a likely change), rating outlooks (notification of a possible longer term change) are provided to officers almost immediately after they occur and this information is considered before dealing. For instance, a negative rating watch applying to a counterparty at the minimum council criteria will be suspended from use, with all others being reviewed in light of market conditions.

74. The criteria for providing a pool of high quality investment counterparties (both specified and non-specified investments) are:

    - Banks 1 - good credit quality **–** the council will only use banks which:
        - are UK banks; and/or
        - are non-UK and domiciled in a country which has a minimum sovereign long term rating of AAA
        - and have, as a minimum, the following Fitch, Moody's and Standard Poors credit ratings (where rated):
    - Short term - F1, P1, A1
    - Long term – A, A2, A
    - Viability / financial strength – bbb+ (Fitch / Moody's only)
    - Support – 5(Fitch only)

- Banks 2 – Part nationalised UK banks – Lloyds Banking Group and Royal Bank of Scotland. These banks can be included if they continue to be part nationalised or they meet the ratings in Banks 1 above.
- Banks 3 – The council's own banker for transactional purposes if the bank falls below the above criteria, although in this case balances will be minimised in both monetary size and time.
- Bank subsidiary and treasury operation - The council will use these only where the parent bank has provided an appropriate guarantee or has the necessary ratings outlined above.
- Building societies The council will *use* all societies which:
    - meet the ratings for banks outlined above
    - have assets in excess of £2bn
    - or meet both criteria.
- Money market funds – *AAA*
- UK Government (including gilts and the DMADF)
- Local authorities, parish councils etc.
- Supranational institutions

Ethical Investment

75. The Council will not knowingly invest directly in businesses whose activities and practices pose a risk of serious harm to individuals or groups, or whose activities are inconsistent with the Council's mission and values. This would include, inter alia, avoiding direct investment in institutions with material links to:
    - human rights abuse (e.g. child labour, political oppression)
    - environmentally harmful activities (e.g. pollution, destruction of habitat, fossil fuels)
    - socially harmful activities (e.g. tobacco, gambling)

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

Use of additional information other than credit ratings

77. Additional requirements under the Code require the Council to supplement credit rating information. Whilst the above criteria relies primarily on the application of credit ratings to provide a pool of appropriate counterparties for officers to use, additional operational market information will be applied before making any specific investment decision from the agreed pool of counterparties. This additional market information (for example Credit Default Swaps, negative rating Watches/Outlooks) will be applied to compare the relative security of differing investment counterparties.

Time and monetary limits applying to investments

78. The time and monetary limits for institutions on the Council's counterparty list are shown in table 10 below (these will cover both specified and non-specified investments):

Table 10 - Time and monetary limits applying to the council's investments

	Fitch Long term Rating (or equivalent)	Money Limit	Time Limit
Banks 1 higher quality	AA	£15m	364 days
Banks 1 lower quality	AA	£5m	364 days
Banks 2 – part nationalised	N/A	£15m	3 years
Limit 3 category – council's banker (if doesn't meet Banks 1 criteria)	A-	£5m	3 months
Building Societies	Asset worth at least £2bn	£10m	364 days
DMADF	AAA	Unlimited	6 months
Local authorities (LA)	N/A	£10m per LA	5 years
Money Market Funds	AAA	£5m per fund £25m overall limit	Liquid
CCLA Local Authorities' Property Fund		£10m	Minimum of 5 years

Country limits

79. Due care will be taken to consider the country, group and sector exposure of the council's investments. In part, the country selection will be chosen by the credit rating of the sovereign state in Banks 1 above. In addition:
    - no more than 30% will be placed with any non-UK country at any time and would always be sterling investments
    - limits in place above will apply to a group of companies
    - sector limits will be monitored regularly for appropriateness

Strategy for investment of funds

80. The council does not use external fund managers to manage any funds. All funds are invested by the in-house treasury management team. Investments are made with reference to the core balances and cash flow requirements and the outlook for short-term interest rates (i.e. rates for investments up to 12 months).

Investment returns expectations

81. The suggested budgeted investment earnings rates for returns on investments placed for periods up to about three months during each financial year are for:

Table 11 – Forecast interest rates provided by Link Asset Services

2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	Later years
0.40%	0.60%	0.90%	1.25%	1.50%	1.75%	2.00%	2.75%

82. The overall balance of risks to these forecasts is currently skewed to the upside and are dependent on how strong GDP growth turns out, how quickly inflation pressures rise and how quickly the Brexit negotiations move forward positively.

Investment treasury indicator and limit

83. These indicators specify the limit for the total principal funds invested for greater than 365 days. These limits are set with regard to the council's liquidity requirements and to reduce the need for early sale of an investment, and are based on the availability of funds after each year-end.

84. The proposed treasury indicator and limit is set out in table 13 below

Table 12 – Time and value limits for principal sums invested (Prudential Indicator 16)

Maximum principal sums invested > 364 days	2018/19	2019/20	2020/21
Principal sums invested > 364 days	£5m	£5m	£5m

85. For its cashflow generated balances, the council will use its business reserve instant access and notice accounts, money market funds and short-dated deposits (overnight to three months) in order to benefit from the compounding of interest.

Investment risk benchmarking

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

87. **Security** - The council's maximum security risk benchmark for the current portfolio, when compared to these historic default tables, is 0.041% historic risk of default when compared to the whole portfolio.

88. **Liquidity** – in respect of this area the Council seeks to maintain:
    - Bank overdraft – zero balance
    - Liquid short term deposits of at least £1m available with a week's notice.
    - Weighted average life benchmark is expected to be 0.22 years, with a maximum of 1.00 year.

89. **Yield** - local measures of yield benchmarks are:
    - Investments – internal returns above the 7 day LIBID rate

90. End of year investment report - At the end of the financial year, the council will report on its investment activity as part of its Annual Treasury Report.

Treasury Management Practices

91. The Council adopted the CIPFA Code of Practice on Treasury Management (revised 2011) on 2nd March 2010. At this time the Treasury Management Policy Statement was also adopted. The Treasury Management Policy and Practices (TMP's) are updated annually to reflect the Treasury Management Strategy approved by council and to reflect any changes in staffing structures or working practices of the treasury function.

92. A copy of the Treasury Management Practices are available from Financial Services should members require further information. TMP 1 – Credit and counterparty Risk Management has been included as Appendix 3 and gives details of investment instruments identified for use in the financial year.

Adoption of the CIPFA Treasury Management in the Public Services: Code of Practice Cross Sectoral Guidance Notes (Indicator 17).

93. Norwich City Council has adopted the Code has been adopted and is applied in managing Treasury Management activities.

Treasury Management Advisers

94. The Council uses Link Asset Services as its treasury management consultants. The company provides a range of services which include:

    - Technical support on treasury matters, capital finance issues and the drafting of Member reports;
    - Economic and interest rate analysis;
    - Debt rescheduling advice surrounding the existing portfolio;
    - Credit ratings/market information service comprising the three main credit rating agencies.

95. Whilst the advisers provide support to the internal treasury function, under current market rules and the CIPFA Code of Practice the final decision on treasury matters remains with the Council. This service is subject to regular review.

Integrated impact assessment

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

Report author to complete	
Committee:	Council
Committee date:	20 February 2018
Director / Head of service	Chief finance officer
Report subject:	Treasury /Management Strategy 2018/19
Date assessed:	January 2018
Description:	The report outlines the council's prudential indicators for 2018/19 through to 2020/21 and sets out the expected treasury operations for this period.

	Impact			
Economic (please add an 'x' as appropriate)	**Neutral**	**Positive**	**Negative**	**Comments**
Finance (value for money)	☐	☒	☐	This report has no direct financial consequences however it does set the guidelines for how the council manages its borrowing and investment resources.
Other departments and services e.g. office facilities, customer contact	☒	☐	☐	
ICT services	☒	☐	☐	
Economic development	☒	☐	☐	
Financial inclusion	☒	☐	☐	
Social (please add an 'x' as appropriate)	**Neutral**	**Positive**	**Negative**	**Comments**
Safeguarding children and adults	☒	☐	☐	
S17 crime and disorder act 1998	☒	☐	☐	
Human Rights Act 1998	☒	☐	☐	
Health and well being	☒	☐	☐	

	Impact			
Equality and diversity (please add an ‘x’ as appropriate)	**Neutral**	**Positive**	**Negative**	**Comments**
Relations between groups (cohesion)	☒	☐	☐	
Eliminating discrimination & harassment	☒	☐	☐	
Advancing equality of opportunity	☒	☐	☐	
Environmental (please add an ‘x’ as appropriate)	**Neutral**	**Positive**	**Negative**	**Comments**
Transportation	☒	☐	☐	
Natural and built environment	☒	☐	☐	
Waste minimisation & resource use	☒	☐	☐	
Pollution	☒	☐	☐	
Sustainable procurement	☒	☐	☐	
Energy and climate change	☒	☐	☐	
(Please add an ‘x’ as appropriate)	**Neutral**	**Positive**	**Negative**	**Comments**
Risk management	☒	☐	☐	

Recommendations from impact assessment
Positive
Negative
Neutral
Issues

Minimum Revenue Provision (MRP) Policy

1. The council is required to pay off an element of the accumulated General Fund borrowing each year through a revenue charge (the MRP), and is also allowed to undertake additional voluntary payments (VRP).
2. CLG Regulations have been issued which require full council to approve an MRP Statement in advance of each year. A variety of options are provided so long as there is a prudent provision.
3. Council is recommended to approve the following MRP Statement:

For capital expenditure incurred:

(A) Before 1st April 2008 or which in the future will be Supported Capital Expenditure including the Adjustment A, the MRP policy will be to charge MRP on a 2% annuity basis so that there is provision for the full repayment of debt over 50 years;

(B) From 1st April 2008 for all unsupported borrowing (excluding finance leases) the MRP policy will be to charge MRP on a 2% annuity basis so that there is provision for the full repayment of debt over 50 years; Asset life is deemed to begin once the asset becomes operational. MRP will commence from the financial year following the one in which the asset becomes operational.

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

(D) Expenditure in respect of the Local Authority Mortgage Scheme will not be subject to a minimum revenue provision as this is a temporary arrangement and the funds will be returned in full.

(E) Expenditure in respect of loans made to the council's wholly owned companies will not be subject to a minimum revenue provision as the council will have undertaken sufficient due diligence to expect these loans will be repaid in full to the council by a capital receipt either during the loan agreement term or at the end of the agreement. Therefore the council considers that it can take a prudent view that the debt will be repaid in full at the end of the loan agreement (or during if it is an instalment loan), so MRP in addition to the loan debt repayments is not necessary.

This is subject to the following details:

- An average asset life for each project will normally be used. There will not be separate MRP schedules for the components of a building (e.g. plant, roof etc.). Asset life will be determined by the Chief Finance Officer. A standard schedule of asset lives will generally be used (as stated in the Statement of Accounts accounting policies).
- MRP will commence in the year following the year in which capital expenditure financed from borrowing is incurred, except for single assets

when expenditure is being financed from borrowing the MRP will be deferred until the year after the asset becomes operational.

- Other methods to provide for debt repayment may occasionally be used in individual cases where this is consistent with the statutory duty to be prudent, as justified by the circumstances of the case, at the discretion of the Chief Finance Officer.
- There is no requirement on the HRA to make a minimum revenue provision but there is a requirement for a charge for depreciation to be made. Transitional arrangements with respect to depreciation, revaluation and impairments; put in place at 1 April 2012 were due to expire on 31 March 2017. However the Item 8 determination released on 24 January 2017 has extended indefinitely the ability to charge depreciation, revaluations and impairments to the HRA but reverse in the Movement in Reserves Statement.
- Repayments included in annual finance leases are excluded from MRP as they are deemed to be a proxy for MRP.

TREASURY MANAGEMENT PRACTICE (TMP1) – CREDIT AND COUNTERPARTY RISK MANAGEMENT

The CLG issued Investment Guidance in 2010, and this forms the structure of the Council's policy below. These guidelines do not apply to either trust funds or pension funds which operate under a different regulatory regime.

The key intention of the Guidance is to maintain the current requirement for councils to invest prudently, and that priority is given to security and liquidity before yield. In order to facilitate this objective the guidance requires this council to have regard to the CIPFA publication Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes. This council adopted the Code on 2 March 2010 and will apply its principles to all investment activity. In accordance with the Code, the chief finance officer has produced its treasury management practices (TMPs). This part, TMP 1(1), covering investment counterparty policy requires approval each year.

Annual investment strategy - The key requirements of both the Code and the investment guidance are to set an annual investment strategy, as part of its annual treasury strategy for the following year, covering the identification and approval of following:

- The strategy guidelines for choosing and placing investments, particularly non-specified investments.
- The principles to be used to determine the maximum periods for which funds can be committed.
- Specified investments that the council will use. These are high security (i.e. high credit rating, although this is defined by the council, and no guidelines are given), and high liquidity investments in sterling and with a maturity of no more than a year.
- Non-specified investments, clarifying the greater risk implications, identifying the general types of investment that may be used and a limit to the overall amount of various categories that can be held at any time.

The investment policy proposed for the council is:

Strategy guidelines – The main strategy guidelines are contained in the body of the treasury strategy statement.

Specified investments – These investments are sterling investments of not more than one-year maturity, or those which could be for a longer period but where the council has the right to be repaid within 12 months if it wishes. These are considered low risk assets where the possibility of loss of principal or investment income is small. These would include sterling investments which would not be defined as capital expenditure with:

1) The UK Government (such as the Debt Management Account Deposit Facility, UK treasury bills or a gilt with less than one year to maturity).
2) Supranational bonds of less than one year's duration.
3) A local authority, parish council or community council.
4) Pooled investment vehicles (such as money market funds) that have been awarded a high credit rating by a credit rating agency. For category 4 this

covers pooled investment vehicles, such as money market funds, rated AAA by Standard and Poor's, Moody's and / or Fitch rating agencies.

5) A body that is considered of a high credit quality (such as a bank or building society For category 5 this covers bodies with a minimum Short Term rating of A- (or the equivalent) as rated by Standard and Poor's, Moody's and / or Fitch rating agencies .

To be defined as a Specified Investment the above instruments will have these features common to all:

- Be denominated in Sterling,
- Of not more than 1 year maturity,
- Of longer than 1 year maturity but the Council has the right to be repaid within 12 months,
- For instruments numbered 5 to 7 these must be with institutions of high credit quality.

Non-specified investments –are any other type of investment (i.e. not defined as specified above). The identification and rationale supporting the selection of these other investments and the maximum limits to be applied are set out below. Non specified investments would include any sterling investments with the following:

	Non Specified Investment Category	**Limit (£ or %)**
a.	**Supranational bonds greater than 1 year to maturity**	
	(a) Multilateral development bank bonds - These are bonds defined as an international financial institution having as one of its objects economic development, either generally or in any region of the world (e.g. European Reconstruction and Development Bank etc.).	£15m
	(b) A financial institution that is guaranteed by the United Kingdom Government (e.g. National Rail, the Guaranteed Export Finance Company {GEFCO})	£15m
	The security of interest and principal on maturity is on a par with the Government and so very secure. These bonds usually provide returns above equivalent gilt edged securities. However the value of the bond may rise or fall before maturity and losses may accrue if the bond is sold before maturity.	
b.	**Gilt edged securities** with a maturity of greater than one year. These are Government bonds and so provide the highest security of interest and the repayment of principal on maturity. Similar to category (a) above, the value of the bond may rise or fall before maturity and losses may accrue if the bond is sold before maturity.	£15m
c.	**The Council's own banker** if it fails to meet the basic credit criteria. In this instance balances will be minimised as far as is possible.	£5m
d.	**Building societies not meeting the basic security requirements under the specified investments**. The operation of some building societies does not require a credit rating, although in every other respect the security of the society would match similarly sized societies with ratings. The council may use such building societies which have a minimum asset size of £2bn, but will restrict these type of investments to 364 days.	£10m or 1% of assets

e.	Any **bank or building society** that has a minimum long term credit rating of A+/A, for deposits with a maturity of greater than one year (including forward deals in excess of one year from inception to repayment).	Maximum limit of 100% so long as no more than 25% of investments have maturities of one year or more.
f.	Any **non-rated subsidiary** of a credit rated institution included in the specified investment category. These institutions will be included as an investment category subject to having a minimum asset size of £250m and a restriction on the investment amount of 1% of its assets size.	£10m for a period of no longer than 3 months
g.	**Certificates of Deposits or corporate bonds** with banks or building societies.	£5m
h.	**Money Market Funds**	£5m
i.	**Pooled Property Funds** The use of these instruments can be deemed to be capital expenditure, and as such will be an application (spending) of capital resources. The exception to this is an investment in the CCLA Local Authorities Property Fund.	CCLA £5m

The monitoring of investment counterparties - The credit rating of counterparties will be monitored regularly. The council receives credit rating information (changes, rating watches and rating outlooks) from Link Asset Services as and when ratings change, and counterparties are checked promptly. On occasion ratings may be downgraded when an investment has already been made. The criteria used are such that a minor downgrading should not affect the full receipt of the principal and interest. Any counterparty failing to meet the criteria will be removed from the list immediately by the chief finance officer, and if required new counterparties which meet the criteria will be added to the list.

Prospects for interest rates and the economic outlook

1. This appendix provides further detailed information in addition to the information that can be found at paragraph 34 which covers the public finances and the national economic context. The information below has been provided by Link Asset Services.

Table 1 – Forecast interest rates provided by Link Asset Services

	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21
Bank Rate	0.50%	0.50%	0.50%	0.50%	0.75%	0.75%	0.75%	0.75%	1.00%	1.00%	1.00%	1.25%	1.25%	1.25%
5yr PWLB Rate	1.50%	1.60%	1.60%	1.70%	1.80%	1.80%	1.90%	1.90%	2.00%	2.10%	2.10%	2.20%	2.30%	2.30%
10yr PWLB View	2.10%	2.20%	2.30%	2.40%	2.40%	2.50%	2.60%	2.60%	2.70%	2.70%	2.80%	2.90%	2.90%	3.00%
25yr PWLB View	2.80%	2.90%	3.00%	3.00%	3.10%	3.10%	3.20%	3.20%	3.30%	3.40%	3.50%	3.50%	3.60%	3.60%
50yr PWLB Rate	2.50%	2.60%	2.70%	2.80%	2.90%	2.90%	3.00%	3.00%	3.10%	3.20%	3.30%	3.30%	3.40%	3.40%

2. As expected, the Monetary Policy Committee (MPC) delivered a 0.25% increase in Bank Rate at its meeting on 2 November 2017. This removed the emergency cut in August 2016 after the EU referendum. The MPC also indicated that they expected to increase Bank rate only twice more by 0.25% by 2020 to end at 1.00%. The Link Asset Services forecast above includes these Bank Rate increases in in November 2018, November 2019 and August 2020.
3. The overall longer run trend is for gilt yields and PWLB rates to rise, albeit gently. It has long been expected, that at some point, there would be a more protracted move from bonds to equities after a historic long-term trend, over about the last 25 years, of falling bond yields. The action of central banks since the financial crash of 2008, in implementing substantial quantitative easing, added further impetus to this downward trend in bond yields and rising bond prices. Quantitative easing has also directly led to a rise in equity values as investors searched for higher returns and took on riskier assets. The sharp rise in bond yields since the US Presidential election in November 2016 has called into question whether the previous trend may go into reverse, especially now the Federal Bank has taken the lead in reversing monetary policy by starting, in October 2017, a policy of not fully reinvesting proceeds from bonds that it holds when they mature.
4. Until 2015, monetary policy was focused on providing stimulus to economic growth but has since started to refocus on countering the threat of rising inflationary pressures as stronger economic growth becomes more firmly established. The Federal bank has started raising interest rates and this trend is expected to continue during 2018 and 2019. These increases will make holding US bonds much less attractive and cause their prices to fall, and thus bond yields to rise. Rising bond yields in the US are likely to exert some upward pressure on bond yields in the UK and other developed economies. However, the degree of that upward pressure is likely to be dampened by how strong or weak the prospects for economic growth and rising inflation are in each country, and on the degree of progress towards the reversal of monetary policy away from quantitative easing and other credit stimulus measures.
5. From time to time, gilt yields – and therefore PWLB rates - can be subject to exceptional levels of volatility due to geo-political, sovereign debt crisis and

emerging market developments. Such volatility could occur at any time during the forecast period.

6. Economic and interest rate forecasting remains difficult with so many external influences weighing on the UK. The above forecasts (and MPC decisions) will be liable to further amendment depending on how economic data and developments in financial markets transpire over the next year. Geopolitical developments, especially in the EU, could also have a major impact. Forecasts for average investment earnings beyond the three-year time horizon will be heavily dependent on economic and political developments.
7. The overall balance of risks to economic recovery in the UK is probably to the downside, particularly with the current level of uncertainty over the final terms of Brexit.
8. Downside risks to current forecasts for UK gilt yields and PWLB rates currently include:
    - Bank of England monetary policy takes action too quickly over the next three years to raise Bank Rate and causes UK economic growth, and increases in inflation, to be weaker than we currently anticipate.
    - Geopolitical risks, especially North Korea, but also in Europe and the Middle East, which could lead to increasing safe haven flows.
    - A resurgence of the Eurozone sovereign debt crisis, possibly in Italy, due to its high level of government debt, low rate of economic growth and vulnerable banking system.
    - Weak capitalisation of some European banks.
    - The result of the October 2017 Austrian general election is likely to result in a strongly anti-immigrant coalition government. The new Czech prime minister, Andrej Babis is strongly against EU migrant quotas and refugee policies. This combination could provide major impetus to other, particularly former Communist bloc countries, to coalesce to create a major block to progress on EU integration and centralisation of EU policy. This, in turn, could spill over into impacting the Euro, EU financial policy and financial markets.
    - Rising protectionism under President Trump
    - A sharp Chinese downturn and its impact on emerging market countries

9. The potential for upside risks to current forecasts for UK gilt yields and PWLB rates, especially for longer term PWLB rates include: -
    - The Bank of England is too slow in its pace and strength of increases in Bank Rate and, therefore, allows inflation pressures to build up too strongly within the UK economy, which then necessitates a later rapid series of increases in Bank Rate faster than we currently expect.
    - UK inflation returning to sustained significantly higher levels causing an increase in the inflation premium inherent to gilt yields.
    - The Fed. causing a sudden shock in financial markets through misjudging the pace and strength of increases in its Fed. Funds Rate and in the pace and strength of reversal of Quantitative Easing, which then leads to a fundamental reassessment by investors of the relative risks of holding bonds, as opposed to equities. This could lead to a major flight from bonds to equities and a sharp increase in bond yields in

the US, which could then spill over into impacting bond yields around the world.

Investment and borrowing rates

10. Investment returns are likely to remain low during 2018/19 but to be on a gently rising trend over the next few years.
11. Borrowing interest rates increased sharply after the general election result in June and then also after the September MPC meeting when financial markets reacted by accelerating their expectations for the timing of Bank Rate increases. Since then, borrowing rates have eased back again somewhat. Apart from that, there has been little general trend in rates during this financial year. The policy of avoiding new borrowing by using spare cash balances has served well over the last few years. However, this needs to be carefully reviewed to avoid incurring higher borrowing costs in the future when authorities may not be able to avoid new borrowing to finance capital expenditure and/or the refinancing of maturing debt;
12. There will remain a cost of carry to any new long-term borrowing that causes a temporary increase in cash balances as this position will, most likely, incur a revenue cost – the difference between borrowing costs and investment returns.

Report to	Cabinet	**Item**
	20 February 2018	8
Report of	Director of business services	
Subject	Council tax reduction scheme 2018-19	

Purpose

To consider a council tax reduction scheme for 2018-19.

Recommendation

To approve the following changes to the council tax reduction scheme (CTRS) for 2018-19 by continuing with the 2017-18 scheme with the following modifications:

(1) increase the applicable amounts of CTRS 2018-19 should have reference to the composite rate of council tax increase, excluding social care.

(2) increase the non-dependant deduction income brackets and level of non-dependant deductions by the composite rate of council tax increase, excluding social care; and that this should be based on level of income rather than the hours worked.

(3) include Universal Credit applicants where it has been awarded without earned income as a non-dependant status in the group where no deduction is made.

(4) the level of income brackets used to decide entitlement to ‘second adult reduction’ should be increased by the 2018-2019 composite rate of council tax, excluding social care.

(5) align treatment of Bereavement Support Payments (BSP) with housing benefits and fully disregard BSP payments for working-age applicants.

(6) amend the CTRS to mirror minor regulation changes to the new Employment and Support Allowance (ESA) for working-age applicants placed in work-related activity groups resulting in positive outcomes for working-age applicants in receipt of CTR or housing benefit.

(7) allow automatic notification by the Department of Work and Pensions to the city council of UC awards, therefore removing the requirement for the customer to make a separate CTRS application.

Corporate and service priorities

The report helps to meet the corporate priority a fair city.

Financial implications

As detailed in Appendix 1.

Ward/s: All wards

Cabinet member: Councillor Davis - social inclusion

Councillor Kendrick - resources

Contact officers

Anton Bull – director of business services	01603 212326

Background documents

None

Report

1. Since 1 April 2013 the council has operated a council tax reduction scheme (CTRS), which replaced council tax benefit.

2. On 1 December 2017 there were 14,979 recipients of CTR. Total caseload can be broken down to:

   - Pensioners = 5,359
   - Working-age employed = 2,188
   - Working-age 'other' income = 7,432

3. As pensioners have been protected by the government any changes to CTRS will only impact working age claimants. Therefore the council can only control the cost of CTRS in relation to working age claims.

4. The council adopted the government's default CTRS in 2013, having made various changes since then but maintaining the principle of a full support (100% discount) scheme. The government has been reducing its financial support to local authorities for the cost of the scheme therefore changes to the council tax discounts and exemptions have been made to try and address any shortfall.

5. There will be no revenue support grant to help cover the cost of the scheme from 2020-21. The reduction in the funding has already been incorporated into the MTFS.

6. The council tax reduction scheme cross party working group met on 11 September 2017 to review in detail options. A copy of the papers considered at that meeting is attached as Appendix 1.

7. The options reviewed were:

   - Retain or not a 100% support scheme
   - The increase or not of applicable amounts
   - Restrict or not the CTR personal allowance for dependent children to two children only to mirror changes to housing benefit.
   - The increase or not of the non-dependant deduction income brackets and level of non-dependant deductions
   - To include or not Universal Credit applicants where it has been awarded without earned income as a non-dependant status in the group where no deduction is made.
   - To increase or not the level of income brackets used to decide entitlement to 'second adult reduction'
   - To align or not treatment of Bereavement Support Payments (BSP) with housing benefits and fully disregard BSP payments for working-age applicants.

- To amend or not the CTRS to mirror minor regulation changes to the new Employment and Support Allowance (ESA) for working-age applicants placed in work-related activity groups resulting in positive outcomes for working-age applicants in receipt of CTR or housing benefit.

- To retain or not the maximum period for backdating working-age CTR application for a period of two months.

- To allow or not automatic notification by the Department of Work and Pensions to the city council of UC awards, therefore removing the requirement for the customer to make a separate CTR application

8. The council tax reduction scheme cross party working group resolved, unanimously, to recommend the Council Tax Reduction Scheme 2018-2019 to cabinet for consideration for public consultation and adoption by council based on the following principles. Each principle also has a comment next to it to indicate if this requires consultation or it is status quo and therefore no change requiring consultation.

(1) The scheme should remain as a 100 per cent of a working-age applicant's council tax liability (status quo).

(2) The increase the applicable amounts of CTRS 2018-19 should have reference to the composite rate of council tax increase, excluding social care (consultation) .

(3) The CTRS should not restrict the CTR personal allowance for dependent children to two children only to mirror changes to housing benefit (status quo).

(4) Increase the non-dependant deduction income brackets and level of non-dependant deductions by the composite rate of council tax increase, excluding social care; and that this should be based on level of income rather than the hours worked (consultation).

(5) Include Universal Credit applicants where it has been awarded without earned income as a non-dependant status in the group where no deduction is made (consultation).

(6) The level of income brackets used to decide entitlement to 'second adult reduction' should be increased by the 2018-2019 composite rate of council tax, excluding social care (consultation).

(7) To align treatment of Bereavement Support Payments (BSP) with housing benefits and fully disregard BSP payments for working-age applicants (consultation).

(8) To amend the CTRS to mirror minor regulation changes to the new Employment and Support Allowance (ESA) for working-age applicants placed in work-related activity groups resulting in positive outcomes for working-age applicants in receipt of CTR or housing benefit (consultation).

(9) That the maximum period for backdating working-age CTR application is for a period of two months (status quo).

(10) Automatic notification by the Department of Work and Pensions to the city council of UC awards, therefore removing the requirement for the customer to make a separate CTR application (consultation).

Consultation

9. Consultation on the above elements has been included in the Norwich vision and 2018-19 budget consultation.

10. A copy of the consultation questions is included as Appendix 2.

11. As preceptors Norfolk County Council and the Office of the Police and Crime commissioner have also been consulted on these proposed changes.

12. No comments have been received from the Office of the Police and Crime commissioner

13. The response from Norfolk County Council is included as Appendix 3. Norfolk County Council has responded positively to the consultation questions supporting the recommended changes to our scheme. In addition Norfolk County Council has asked the council to give consideration to exploring the following proposals:

    A. To limit Council Tax Support where claimant has savings to a lower level than the current £16,000 (Kings Lynn and West Norfolk use £6,000).

    B. To limit Council Tax Support discount to occupants of properties no higher than Band D Council Tax.

    C. To work with district colleagues across the County to establish the cap for the Council Tax Support discount for working age claimants at a uniform amount in Norfolk, suggested at 75% of the maximum Council Tax charge. The range is currently from 75% - 100%, with only the City Council offering 100% in the County.

14. The response to the Norwich vision and 2018-19 budget consultation has again been very positive. The results of the survey are included as Appendix 4.

15. This report was recommended to council by cabinet at its meeting on 7 February 2018.

Integrated impact assessment

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

Report author to complete	
Committee:	Council
Committee date:	20/2/2018
Director / Head of service	Anton Bull
Report subject:	Council Tax Reduction Scheme 2018-19
Date assessed:	18/12/2017

	Impact			
Economic (please add an ‘x’ as appropriate)	**Neutral**	**Positive**	**Negative**	**Comments**
Finance (value for money)	☒	☐	☐	There is a negative impact in that continued protection of the 100% CTRS will not be fully funded by the reducing revenues support grant placing pressure on the council’s budget. However a positive impact of maintaining the scheme is that the council won’t be chasing a large number of small debts that would be difficult to recover. The overall impact is therefore assessed at neutral
Other departments and services e.g. office facilities, customer contact	☒	☐	☐	
ICT services	☒	☐	☐	
Economic development	☒	☐	☐	
Financial inclusion	☐	☒	☐	The CTRS is aimed at protecting those who are financially vulnerable.
Social (please add an ‘x’ as appropriate)	**Neutral**	**Positive**	**Negative**	**Comments**
Safeguarding children and adults	☒	☐	☐	
S17 crime and disorder act 1998	☒	☐	☐	
Human Rights Act 1998	☒	☐	☐	
Health and well being	☒	☐	☐	

	Impact			
Equality and diversity (please add an ‘x’ as appropriate)	**Neutral**	**Positive**	**Negative**	**Comments**
Relations between groups (cohesion)	☒	☐	☐	
Eliminating discrimination & harassment	☒	☐	☐	
Advancing equality of opportunity	☒	☐	☐	
Environmental (please add an ‘x’ as appropriate)	**Neutral**	**Positive**	**Negative**	**Comments**
Transportation	☒	☐	☐	
Natural and built environment	☒	☐	☐	
Waste minimisation & resource use	☒	☐	☐	
Pollution	☒	☐	☐	
Sustainable procurement	☒	☐	☐	
Energy and climate change	☒	☐	☐	
(Please add an ‘x’ as appropriate)	**Neutral**	**Positive**	**Negative**	**Comments**

	Impact			
Risk management	☒	☐	☐	

Recommendations from impact assessment
Positive
Negative
Neutral
Issues

Report to	Cross party working group – council tax reduction scheme 11 September 2017	**Item**
Report of	Director of business services	4
Subject	Council tax reduction scheme (CTRS) 2018-19	

Purpose

To inform and allow discussion on:

(a) Possible changes to the CTRS for Norwich City Council (NoCC).

Recommendations

To consider the options set out in the report and makes recommendations to cabinet for consideration to inform the public consultation, before referring to council for adoption in January, in relation to changes to the council tax reduction scheme.

Financial implications

As detailed in the report

Ward/s: All

Cabinet member:

Cllr Karen Davis – social inclusion

Cllr Paul Kendrick - resources

Contact officers

Anton Bull - Director of business services x2326

Julie Gowling – LGSS revenues and benefits operations manager x2645

Carole Jowett – LGSS revenues and benefits operations manager x2684

Background documents

None

Report

Background

1. Since 1 April 2013 the council has operated a council tax reduction scheme (CTRS), which replaced council tax benefit.

2. As pensioners have been protected by the government any changes to CTRS will only impact working age claimants. Therefore the council can only control the cost of CTRS in relation to working age claims.

3. The council adopted the government's default CTRS in 2013, having made only minor technical changes since then. The government has been reducing its financial support to Local Authorities for the cost of the scheme therefore changes to the council tax discounts and exemptions have been made to try and address any shortfall.

4. Each year the council has to review and approve its scheme, after consultation.

5. In previous years the scheme has remained as a "full scheme" meaning that those in most need are still entitled to a 100% reduction in their council tax liability.

6. In previous years the scheme has also developed to mirror changes to housing benefit to ensure consistency for claimants as well as consistency of processing for the council. The significant exception to this has been the uprating of allowances or applicable amounts.

Considerations for changes for the working-age Council Tax Reduction Scheme 2018/19

7. There are a number of potential changes to the council tax reduction scheme for 2018/19. These are put forward for discussion by the council tax working group to consider which changes are recommended to cabinet to consult on.

8. The council also has a statutory duty to consult with other preceptors i.e. Norfolk County Council and the Office of the Police and Crime Commissioner.

9. The major significant change that could be made is to reduce the maximum entitlement to below 100% for everyone. This would be a significant change from previous policy.

10. The main consideration will be premiums and allowances. These are usually linked to some sort of index.

11. There are then a series of potential changes which are aimed at maintaining consistency with housing benefit.

1. For working-age applicants reduce the current maximum 100% Council Tax Reduction Scheme to a lower maximum percentage

12. The Council Tax Reduction Scheme (CTRS) is an income related scheme. Subject to an applicant's household income their CTR award may result in up to 100% of their council tax liability being reduced by CTRS.

13. Considerations are:

    (a) Should the maximum outcome for the Norwich CTRS be reduced to by 8.5% i.e. a maximum CTR award of 91.5%?

    or…

    (b) Should the maximum outcome for the Norwich CTRS be reduced to by 15% i.e. a maximum CTR award of 85%?

    or…

    (c) Should the maximum outcome for the Norwich CTRS be reduced to by another agreed percentage%?

    or…

    (d) should the scheme remain as a 100% scheme?

14. Further information:

    (e) Potential financial implications are illustrated in the tables at the end of this report.

    (f) Many local authorities have CTR schemes which award less than 100%.

    (g) 8.5% was used by many local authorities in year one of the CTRS. This followed a drive by Department for Communities and Local Government (DCLG) to reduce scheme costs. DCLG awarded transitional grants for those that did not reduce CTR outcomes to applicants by more than 8.5%.

    (h) It is reported of the 326 new CTR schemes introduced in England in 2013, 82% of councils reduced the level of support, while 18% made no change. Three quarters of the councils who reduced the level of support introduced a minimum council tax payment of 8.5%.*

    (i) In year two of CTR many local authorities reduced their maximum awards by 15% following the removal of DCLG CTRS grants.*

    (j) There are of course considerations of recovery of council tax for customers who have small elements of council tax to pay and fail to make payment. Recovery costs may outweigh savings made in the CTRS reduction.

*For source information please see: Wilson, W. Murphy, C. (8 August 2016), Government Briefing Paper Number 06672, *Council Tax Reduction Schemes*
http://researchbriefings.parliament.uk/ResearchBriefing/Summary/SN06672
[Accessed 28.07.2017]

2. Working-age applicable amount – premiums and allowances

15. In the previous two financial years 2016/2017 & 2017/2018 applicable amounts for CTRS have been increased with reference to the composite rate of council tax increase (2016/17 [3.42%] including adult social care, 2017/18 [1.86%] excluding adult social care).

16. Note. Employment & support allowance elements are maintained at Department for Work and Pensions (DWP) levels due to the need to align with these awards. The family premium was retained with the amount frozen at the 2016 level.

17. Considerations are:

    (a) As in previous years increase the working-age applicable amount by the 2018/19 composite rate of council tax (excluding adult social care).
    or…

    (b) Freeze the applicable amount for working-age applicants to 2017/2018 figures (i.e. current rates).
    or…

    (c) Increase the working-age applicable amounts by another factor such as Consumer Price Index (CPI) level at a given month.

18. Further information:

    (a) Increase the working-age CTR applicable amount by composite rate of council tax increase (excluding adult social care).

       i. The cost of the working-age CTRS would only increase to reflect any council tax increase and therefore council tax liability. The cost to Norwich would then be equal to the relevant percentage split for 2018/19.

       ii. As Council tax increases and thus the CTR applicable amount the number of working-age applicants who do not already receive maximum CTR may increase as more applicants (whose other incomes remain frozen) come within the scope of CTR entitlement.

       iii. There are approx. 10k of all claimants receiving full CTRS (being 64% of the 16,647 claims based on full HB entitlement).

       iv. Best estimate for total increased cost to working age CTR is £366k. Norwich share being approx. £55k (15%)

       v. Assumptions made are cost of working age CTR for 2018-19 as £9.2m – 2017-18 CTR estimated cost £9m (increased by assumed council tax rise of 2% and 2% applied to applicable amount)

(b) Freeze CTRS figures for working-age applicants to 2017/2018 figures

i. No cost implication to the CTR scheme, but should council tax liability increase there may be an indirect cost associated with recovery work. Some (e.g. working) applicants who were previously receiving maximum or high levels of CTR entitlement may see their entitlement reducing due to a higher council tax liability. Therefore for those customers unable to pay the remaining council tax recovery processes would result. This has a recovery cost implication and potential write-off cost. It is usual practice to write-off any amounts less than £5.00 which are not paid. This is due to insufficient debt to warrant enforcement action.

ii. DWP held Housing Benefit (and many other social security benefits) figures at 2015/2016 levels for a four year period from April 2016.

(c) Increase the working-age CTR applicable amounts by another factor such as Consumer Price Index (CPI) level captured at a given month.

i. The CPI including owner occupiers' housing costs twelve-month inflation rate was 2.7% in May 2017, up from 2.6% in April*

ii. The rate has been steadily increasing following a period of relatively low inflation in 2015 and is at its highest since April 2012.*

* Source: https://www.ons.gov.uk [accessed 14.07.2017]

iii. CPI is used by the government in many other social security benefits for uprating.

iv. It would be necessary to decide a specific date to capture the CPI figure.

v. CPI percentage has been less than the rate of council tax increase in recent years. NB. If CPI is nil or minus this is equivalent to 'freezing'

vi. Best estimate for total increased cost to working age CTR is £430k. Norwich share being approx. £65k (15%).

vii. Assumptions made are cost of working age CTR for 2018-19 as £9.2m – 2017-18 CTR estimated cost £9m (increased by assumed council tax rise of 2% and CPI of 2.7% applied to applicable amounts)

Worked examples are available at the end of this report (for illustrative purposes only). Examples A-D illustrate impact of items 1 & 2.

3. Restrict CTR personal allowance for dependent children to two children only

19. On 6 April 2017 Housing Benefit (HB) was restricted through the allowances applicable to dependent children being limited to a maximum of two dependent children. The HB change was to align with similar changes to Universal Credit and Child Tax Credit (CTC).

20. Transitional change protections were applied to existing HB customers who were entitled to HB including more than two allowances for children on 5th April 2017 prior to the restriction. HB is also protected via protections applied to a CTC award.

21. Consideration:

Should working-age CTR allowances be restricted to two dependent children to mirror changes in the HB scheme (Including relevant protections as applied within HB)?

22. Further information:

i. Decreased cost to Norwich for CTRS for new working-age applicants (but see bullet point three).

ii. Consistency in treatment and administration of CTRS with other benefits.

iii. Between April 2017 and July 2017 many HB customers have been protected from this change through prior & continuing entitlement to HB or protections applied through CTC. Therefore the restrictions currently affect few customers.

iv. Note. Norwich working-age CTRS has maintained a family premium within the applicable amount which many HB customers no longer receive as it was removed in HB from May 2016. May wish to also consider whether the family premium is continued should personal allowances for dependent children be restricted to two dependents only.

v. If the dependent allowance is restricted to two children a transitional protection will be required for existing CTR applicants who are entitled to CTR with more than two children on 31 March 2018.

Worked examples are available at the end of this report (for illustrative purposes only). Page two of examples illustrate restriction to allowances to two children only.

4A. Income brackets used to decide non-dependant deductions and level of non-dependant deductions

23. Where a non-dependant resides in a CTR household and is eighteen years of age or more regulations require a non-dependant deduction is taken from the council tax liability when calculating CTR. Due to applicant and non-dependant circumstances some cases will be exempt from a deduction being taken. Where a deduction is to be taken a standard deduction figure is given in regulations. For non-dependants working sixteen hours or more an incremental deduction is taken subject to the level of a non-dependant's income.

24. Consideration:

As with the applicable amount consideration, should non-dependant deduction income brackets and level of non-dependant deductions be…

(a) Increased by the 2018/2019 composite rate of council tax,

or…

(b) Retained at current level (i.e. 2015/2016 frozen rates).

or…

(c) Increase by another factor such as Consumer Price Index level at a given month.

25. Further information:

i. The non-dependant deduction figures and income brackets for pension-age CTR applicants are set by the Department for Communities and Local Government. These figures have been increased each year at the same level as HB figures.

ii. Non-dependant deduction figures and income brackets for working-age CTR applicants have been frozen within the Norwich CTRS at 2015/2016 levels. This has the effect of reducing the level of deductions, but if a non-dependant's income has increased over the past two years the figure deducted may have increased due to income falling within a higher bracket.

iii. Current figures for working-age non-dependant deductions are:

In receipt of Pension Credit		Nil
In receipt of IS or JSA(IB), ESA(IR)		Nil
Not within remunerative work		3.74
Remunerative work - Less than £189		3.74
£189 -	£327.99	7.52
£328 -	£407.99	9.49
£408	or more	11.36

iv. Current figures for **pension-age non-dependant deductions** are:

In receipt of Pension Credit			Nil
In receipt of IS or JSA(IB), ESA(IR), UC			Nil
Not within remunerative work			3.80
Remunerative work - Less than £196.95			3.80
£196.95	-	£341.39	7.65
£341.40	-	£424.19	9.65
£424.20		or more	11.55

4B. Deciding a non-dependant deduction for a non-dependant in receipt of Universal Credit

26. Where a non-dependant resides in a CTR household and is of eighteen years of age or more regulations require a non-dependant deduction is taken from the council tax liability when calculating CTR. Due to applicant and non-dependant circumstances some cases will be exempt from a deduction taken. Where non-dependant is in receipt of income support (IS), income-based jobseeker's allowance (JSA(IB)), income-related employment and support allowance (ESA(IR)) no non-dependant deduction is made. DCLG have also added to the pensioner CTRS universal credit (UC) – where UC is paid without earned income included – to the group where no non-dependant deduction is taken.

27. Consideration:

Full-service UC will be introduced in June 2018. Should the Norwich CTRS for working-age applicants include UC (where a UC is awarded without earned income) as a non-dependant status that results in no non-dependant deduction being taken?

28. Further information:

i. The non-dependant deduction regulations for pension-age CTR applicants are set by the Department for Communities and Local Government.

ii. HB regulations for pension-aged customers have the same UC clause for when no non-dependant deduction figure is taken. HB working-age regulations do <u>not</u> contain a UC clause [presumably as a majority of HB customers will eventually be transferred to UC administration?].

iii. Current figures for working-age non-dependant deductions are as detailed above in item 4A.

iv. Regulatory consideration would be necessary to administer current non-dependants in receipt of UC prior to 1st April 2018. These cases currently have a weekly deduction of £3.74 being taken.

5. Income brackets used to decide entitlement to 'second adult reduction'

29. A second adult reduction (2AR) award is available to customers who have a sole council tax liability and another non-dependant adult living with them. The 2AR is calculated on the second adult's (i.e. non-dependant) income. Any resulting 2AR award is applied as a percentage decrease against council tax liability. For non-dependants working sixteen hours or more regulations state brackets of income in which a non-dependants income must fall in order to attract a 2AR award.

30. Consideration:

As with the income brackets for non-dependant deductions, should the level of income brackets be…

(a) Increased by the 2018/2019 composite rate of council tax,

or…

(b) Retained at current level (i.e. 2015/2016 frozen rates).

or…

(c) Increase by another factor such as Consumer Price Index level at a given month.

31. Further information:

i. The *income brackets* for pension-age CTR applicants who apply for 2AR are set by the Department for Communities and Local Government. These figures have been increased at the same level as HB figures. Note the percentage of 2AR award is not changed only the level of income within the income brackets.

ii. The *income brackets* for working-age CTR applicants applying for 2AR have been frozen within the Norwich CTRS at 2015/2016 levels. This has the potential effect of reducing the percentage outcome where a non-dependant's income has increased over the past two years due to income falling within a higher bracket.

iii. Current 2AR levels are:

Working-age second adult reduction:

Second adult in receipt of income support; income-related employment & support allowance; state pension credit or income-based jobseeker's allowance	25% 2AR
One or more second adults whose gross income is less than £187.00 per week	**15% 2AR**
One or more second adults whose gross income is: £187.00 to £243.00 per week	**7.50% 2AR**
Where second adult in receipt of income support; income-related employment & support allowance; state pension credit or income-based jobseeker's allowance and dwelling would usually be occupied by one or more students	100% 2AR

Pension-age second adult reduction:

Second adult in receipt of income support; income-related employment & support allowance; state pension credit or income-based jobseeker's allowance	25% 2AR
One or more second adults whose gross income is less than £194.95 per week	**15% 2AR**
One or more second adults whose gross income is: £194.95 to £252.50 per week	**7.50% 2AR**
Where second adult in receipt of income support; income-related employment & support allowance; state pension credit or income-based jobseeker's allowance and dwelling would usually be occupied by one or more students	100% 2AR

iv. In 2017 (at the 17 August 2017) there were nine second adult reduction awards. Note some CTR applicants receive second adult reduction through a comparison calculation with standard CTR and it has not been possible to give numbers of these awards as the figure is contained as part of overall standard CTR caseload.

6. Bereavement Support Payments

32. Bereavement Support Payments are a government allowance available to some customers. These were introduced in April 2017 and replace the former Bereavement Allowance and will replace Widow's Benefits. In HB the Bereavement Support lump sum payment and twelve monthly payments are fully disregarded.

33. Consideration:

(a) From 2018 align treatment of Bereavement Support Payments (BSP) with HB – fully disregard BSP payments and lump sum for working-age applicants.

Or…

(b) Make no changes to CTR and continue to include these payments as income / capital within the working-age CTR calculation.

34. Further information:

i. Between April 2017 and 11 August 2017 no HB / CTR customers received BSP.

ii. Maintains a consistent approach in the treatment of these payments for HB & CTR.

iii. Department for Communities and Local Government has already introduced from April 2017 a disregard for BSP for pensioner CTR applicants.

iv. Bereavement *allowance* payments were *in*cluded as an income within the CTRS.

7. Employment & Support Allowance – work-related activity group payment

35. In April 2017 DWP removed the financial element for new Employment & Support Allowance (ESA) customers placed in a 'work-related activity' group. Minor changes have been made to HB regulations and pension-age CTRS to ensure various connected allowances and disregards are maintained within the HB / CTR award. These have a positive outcome to awards.

36. Consideration:

Should the working-age CTRS mirror regulation changes to result in same positive outcomes?

37. Further information:

i. ESA is an award to assist working-age customers who are unable to seek employment due to health issues. ESA is medically assessed and customers are placed in either a 'support group' or a 'work-related activity group'. ESA pays a standard rate in line with Jobseeker's Allowance. The placement in the relevant assessment group allows an additional financial component to be awarded. Changes to ESA in April 2017 only applied to customers placed in the 'work-related activity group'. The additional financial component of £29.05 previously paid to customers is no longer paid to new customers placed in the work-related activity group.

ii. The HB and CTR award 'balances' the additional component income to ensure customers are not penalised through their HB / CTR due to receipt of these additional payments. For CTR this change therefore had a neutral cost impact – if the component element was not being received no CTR 'balance' was required. However DWP have since amended HB regulations to ensure previously received additional income disregards and allowances attracted by a customer being placed in the ESA work-related activity group are maintained.

iii. Making the relevant amendments to the CTR for working-age customers in the above group would ensure consistency with treatment with those customers also receiving HB and position of awards prior to April 2017.

8. Reduce maximum CTR backdate period

38. Currently working-age CTR can be backdated for a maximum period of two months. Housing Benefit can only be backdated for a maximum period of one month.

39. Consideration:

Reduce maximum backdated working-age CTR award period to one month to align with Housing Benefit.

40. Further information:

i. Decreased cost to Norwich for CTRS

ii. Consistency in treatment and administration of CTRS with Housing Benefit.

iii. 414 backdate requests were received between 01.04.2017 to 31.07.2017 of which 160 were successful. A backdate award can (in 2017) be a minimum of one day to a maximum of two months. Note. It has not been possible to filter backdate data to confirm all 160 backdate awards were exclusive to CTR (HB was also included) nor the period of CTR backdated award.*

*data obtained from Civica at 14.08.2017

9. Introduce a linked application route between Universal Credit claims made with the Department for Work and Pensions and Norwich CTRS

41. Norwich will be within a Universal Credit (UC) ‘full-service’ area from June 2018. This will result in an increase in UC customers applying for CTR. Currently UC customers need to complete a Norwich City Council (NCC) application for CTR, which usually follows automatic notification of a UC award between DWP and NCC.

42. Consideration:

Should automatic (DWP to NCC) notification of a UC award remove the requirement to make a separate CTR application?

Continued…

43. Further information:

i. NCC downloads DWP UC notifications on a daily basis.

ii. The requirement to complete a CTR application results in additional administration for the council, printing and postal costs. Also additional form completion for customers.

iii. Customers not claiming UC who wish to apply for CTR will be in a similar position to existing customers and be required to apply directly to NCC. A CTR form is currently available online or via postal application.

CTR examples 1 - working-age case and result of considerations

Family Unit: 2 adults + 3 dependants		Example **A**			Example **B**			Example **C**			Example **D**
		2017			**2018**			**2018**			**2018**
				1% increase in earning, other benefits frozen							
Household income	**Annual**	**Weekly**		**Annual**	**Weekly**			**Weekly**			**Weekly**
Earnings (gross £14,430 pa less tax, NI)	12112.60	232.93		12233.73	235.26		12233.73	235.26		12233.73	235.26
CTC	8891.48	170.99		8891.48	170.99		8891.48	170.99		8891.48	170.99
WTC	1477.84	28.42		1477.84	28.42		1477.84	28.42		1477.84	28.42
CB	2501.20	48.10		2501.20	48.10		2501.20	48.10		2501.20	48.10
	24983.12	**480.44**		**25104.25**	**482.77**		**25104.25**	**482.77**		**25104.25**	**482.77**
Income *less* CTR disregards: CB full disregard, less earnings disregard £10, less additional income disregard £17.10 [total = 3,910.40 pa]	21072.72	**405.24**		21193.85	**407.57**		21193.85	**407.57**		21193.85	**407.57**
				Freeze			**Ctax composite**			**CPI**	
Increase		**2017**		0.00%	**2018**		2.00%	**2018**		2.70%	**2018**
Applicable Amount	**Annual**	**Weekly**		**Annual**	**Weekly**			**Weekly**			**Weekly**
Couple		120.99			120.99			123.41			124.26
Dependant		70.48			70.48			71.89			72.38
Dependant		70.48			70.48			71.89			72.38
Dependant		70.48			70.48			71.89			72.38
Family Premium		17.45			17.45			17.45			17.45
		349.88			349.88			356.53			358.85
Excess income (Household income less applicable amount)		55.36			57.69			51.04			48.72
20% of excess income		11.07			11.54			10.21			9.74
				*assumed 3.42% incr			*assumed 3.42% incr			*assumed 3.42% incr	
Ctax liability (band D)	1714.12	32.87		*1772.74	34.00		*1772.74	34.00		*1772.74	34.00
less 20% excess income		11.07			11.54			10.21			9.74
CTR award (100%)	1136.90	**21.80**		1171.13	**22.46**		1240.48	**23.79**		1264.99	**24.26**
CTR award reduced by 8.5%		*19.95*			*20.55*			*21.77*			*22.20*
CTR award reduced by 15%		*18.53*			*19.09*			*20.22*			*20.62*

CTR examples 2 - working-age case – 2 child allowance restriction applied - and result of considerations

Family Unit: 2 adults + 3 dependants	*As previous examples but restricted to two dependant allowances*										
Restricted dep allowance to two		**2017**			**2018**			**2018**			**2018**
				1% increase in earning, other benefits frozen							
Household income	**Annual**	**Weekly**		**Annual**	**Weekly**			**Weekly**			**Weekly**
Earnings (gross £14,430 pa less tax, NI)	12112.60	232.93		12233.73	235.26		12233.73	235.26		12233.73	235.26
CTC (also restricted to 2 deps)	5562.70	106.98		5562.70	106.98		5562.70	106.98		5562.70	106.98
WTC	1477.84	28.42		1477.84	28.42		1477.84	28.42		1477.84	28.42
CB	2501.20	48.10		2501.20	48.10		2501.20	48.10		2501.20	48.10
	21654.34	**416.43**		**21775.47**	**418.76**		**21775.47**	**418.76**		**21775.47**	**418.76**
Income *less* CTR disregards: CB full disregard, less earnings disregard £10, less additional income disregard £17.10 [total = 3,910.40 pa]	17743.94	**341.23**		17865.07	**343.56**		17865.07	**343.56**		17865.07	**343.56**
				Freeze			**Ctax composite**			**CPI**	
Increase		**2017**		0.00%	**2018**		2.00%	**2018**		2.70%	**2018**
Applicable Amount				**Annual**	**Weekly**			**Weekly**			**Weekly**
Couple		120.99			120.99			123.41			124.26
Dependant		70.48			70.48			71.89			72.38
Dependant		70.48			70.48			71.89			72.38
Dependant		0.00			0.00			0.00			0.00
Family Premium		17.45			17.45			17.45			17.45
		279.40			**279.40**			**284.64**			**286.47**
Excess income (Household income less applicable amount)		61.83			64.16			58.92			57.09
20% of excess income		12.37			12.83			11.78			11.42
				*assumed 3.42% incr			*assumed 3.42% incr			*assumed 3.42% incr	
Ctax liability (band D)	1714.12	32.87		*1772.74	34.00		*1772.74	34.00		*1772.74	34.00
less 20% excess income		12.37			12.83			11.78			11.42
CTR award (100%)	1068.93	**20.50**		1103.86	**21.17**		1158.61	**22.22**		1177.39	**22.58**
CTR award reduced by 8.5%		*18.76*			*19.37*			*20.33*			*20.66*
CTR award reduced by 15%		*17.43*			*17.99*			*18.89*			*19.19*

CURRENT FULL COST SCHEME

(No cost passed on to non-pensioner claimants)

CTR estimated forecast		2017/18	2018/19	2019/20	2020/21	
		Estimated				
Pensioner CTR - **PROTECTED**		£4,874,377.30	£4,971,864.85	£5,071,302.14	£5,172,728.19	
Working age CTR - EMPLOYED		£1,750,000.00				
Working age CTR - OTHER		£7,250,000.00				
Non-pensioner CTR		**£9,000,000.00**	**£9,180,000.00**	**£9,363,600.00**	**£9,550,872.00**	**Can only pass on cost to non-pensioners**
Estimated overall CTR discount		**£13,874,377.30**	**£14,151,864.85**	**£14,434,902.14**	**£14,723,600.19**	
Cost passed to non-pensioner claimants		**£0.00**	**£0.00**	**£0.00**	**£0.00**	
Cost to Collection Fund		**£13,874,377.30**	**£14,151,864.85**	**£14,434,902.14**	**£14,723,600.19**	

Preceptor split ;-						
Norwich	**14.53%**	**£2,015,947.02**	**£2,056,265.96**	**£2,097,391.28**	**£2,139,339.11**	**Cost to Norwich CC**
Norfolk	72.80%	£10,100,546.67	£10,302,557.61	£10,508,608.76	£10,718,780.94	
Police	12.67%	£1,757,883.60	£1,793,041.28	£1,828,902.10	£1,865,480.14	
		£13,874,377.30	**£14,151,864.85**	**£14,434,902.14**	**£14,723,600.19**	

Assumptions made:-

CTR discount increasing annually by 2% re Ctax rise

CTR caseload remains the same

Percentage reduction will apply to ALL non-pensioner claimants

No increase in applicable amount

Percentage split for 2017/18 used for all years

2018-19 SCHEME OPTIONS

(No cost passed on to non-pensioner claimants)

CTR estimated forecast		Full cost Scheme 2017/18 Estimated	Option 1 Full Cost Scheme 2018/19	Option 2 8.5% Scheme 2018/19	Option 3 15% Scheme 2018/19	
Pensioner CTR - **PROTECTED**		£4,874,377.30	£4,971,864.85	£4,971,864.85	£4,971,864.85	
Working age CTR - EMPLOYED		£1,750,000.00				
Working age CTR - OTHER		£7,250,000.00				
Non-pensioner CTR		**£9,000,000.00**	**£9,180,000.00**	**£9,180,000.00**	**£9,180,000.00**	**Can only pass on cost to non-pensioners**
Estimated overall CTR discount		**£13,874,377.30**	**£14,151,864.85**	**£14,151,864.85**	**£14,151,864.85**	
SCHEME PERCENTAGE		**0%**	**0%**	**8.5%**	**15%**	
Cost passed to non-pensioner claimants		**£0.00**	**£0.00**	**£1,202,908.51**	**£1,377,000.00**	
Cost to Collection Fund		**£13,874,377.30**	**£14,151,864.85**	**£12,948,956.33**	**£12,774,864.85**	
Preceptor split ;-						
Norwich	**14.53%**	**£2,015,947.02**	**£2,056,265.96**	**£1,881,483.36**	**£1,856,187.86**	**Cost to Norwich CC**
Norfolk	72.80%	£10,100,546.67	£10,302,557.61	£9,426,840.21	£9,300,101.61	
Police	12.67%	£1,757,883.60	£1,793,041.28	£1,640,632.77	£1,618,575.38	
		£13,874,377.30	**£14,151,864.85**	**£12,948,956.33**	**£12,774,864.85**	**Cost to Collection Fund assuming 100 % Collection Rate**
				£1,202,908.51	**£1,377,000.00**	**POTENTIAL SAVING - 100% collection rate**
Cost to Collection Fund		**£13,874,377.30**	**£14,151,864.85**	**£13,309,828.89**	**£13,187,964.85**	**Cost to Collection Fund assuming 70 % Collection Rate**
				£842,035.96	**£963,900.00**	**POTENTIAL SAVING - 70% collection rate**
Preceptor split :- **70% Collection Rate**						
Norwich	**14.53%**	**£2,015,947.02**	**£2,056,265.96**	**£1,933,918.14**	**£1,916,211.29**	**Cost to Norwich CC**
Reduction in cost compared to no scheme				**-£122,347.82**	**-£140,054.67**	**NORWICH SAVING WITH 70% Collection Rate**
Norfolk	72.80%	£10,100,546.67	£10,302,557.61	£9,689,555.43	£9,600,838.41	
				-£613,002.18	**-£701,719.20**	**Norfolk saving**
Police	12.67%	£1,757,883.60	£1,793,041.28	£1,686,355.32	£1,670,915.15	
				-£106,685.96	**-£122,126.13**	**Police saving**
		£13,874,377.30	**£14,151,864.85**	**£13,309,828.89**	**£13,187,964.85**	

Assumptions made:-

CTR discount increased by 2% re estimated Ctax rise

CTR caseload remains the same

Percentage reduction will apply to ALL non-pensioner claimants

No increase in applicable amount

Percentage split for 2017/18 used for all years

B: Our council tax reduction scheme

The council runs its own Council Tax Reduction (CTR) scheme to prevent hardship for people on low incomes. This scheme provides people on low incomes with a reduction so they either pay less or no Council Tax. This is means-tested, so takes into account a person's income and that of their partner, along with savings and capital. Everyone has a maximum amount of income they can receive before their income starts to affect their council tax reduction level – this is known as an 'applicable amount', which is calculated every year.

If a person's income is the same or less than the 'applicable amount', they will get a full reduction and if it is more, they may get a partial reduction that will be calculated taking into account their household income, and includes that of other adults, known as 'non-dependents'.

We believe the effect of the proposed increase in council tax should be taken into account when calculating council tax reductions to protect those on low incomes.

Do you agree that the following amounts should be increased?

4. The applicable amounts of the council tax reduction scheme to reflect any increase in Council Tax

- Yes
- No
- Don't know

5. The amounts used to calculate non-dependant deductions

- Yes
- No
- Don't know

6. The amounts used to decide entitlement to 'second adult reduction'

- Yes
- No
- Don't know

Currently, a higher deduction is only applied for non-dependants (another adult living in the household) where that adult works an average of 16 hours or more a week. So, rather than taking into account the amount of money that is earned, it considers number of hours.

7. Do you agree that all non-dependants who work should have a higher non-dependant deduction regardless of the number of hours worked and based on level of income ie that this deduction should be calculated based on income rather than hours worked?

- Yes
- No
- Don't know

The lowest non-dependant deduction is taken for non-dependants receiving certain benefits paid by the Department for Work and Pensions. Council Tax Reduction does not currently include Universal Credit.

8. Do you agree that non-dependant deduction should be taken where non-dependants, who do not have an earned income, are in receipt of Universal Credit?

- Yes
- No
- Don't know

Bereavement Support Payments are a government allowance available to some customers. This is currently counted as income and may reduce the amount of reduction a customer is entitled to. In contrast, in the case of Housing Benefit, this is excluded as an income.

9. Do you agree that Bereavement Support Payments should be excluded as income (bringing our Council Tax Reduction Scheme in line with Housing Benefit)?

- Yes
- No
- Don't know

Housing Benefit regulation changes do not automatically update our Council Tax Reduction Scheme. In the case of Housing Benefit, changes to levels received reflect any changes to Employment and Support Allowance (ESA), so a customer is not worse off.

10. Do you agree that the council tax reduction scheme should be amended (as it is in the case of Housing Benefit) for ESA applicants placed in work-related activity groups?

- Yes
- No
- Don't know

Customers who make a claim to the Department for Work and Pensions (DWP) for Universal Credit currently have to make a separate claim to the council for Council Tax Reduction. The council could accept data transferred from DWP to start a claim for CTR, so the customer wouldn't need to make a separate application to the council.

11. Do you agree that the council can start an application for CTR using the automatic notification from DWP?

- Yes
- No
- Don't know

Norfolk County Council

Executive Director of Finance and Commercial Services
County Hall
Martineau Lane
Norwich
NR1 2DW

Fao Laura McGillivray
laura.mcgillivray@norwich.gov.uk

Our Ref: SIG/JEP

Please ask for: Simon George
Direct Dialling Number: 01603 222400
Email: simon.george@norfolk.gov.uk

29 January 2018

Dear Laura,

Many thanks for your email of the 18th December to Wendy Thomson giving us the opportunity to respond to your consultation on the Council Tax support scheme. Please see below our responses to your questions as well as a few further thoughts we would ask that your members consider when reviewing your scheme, both this year and in future years.

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

* QC2: Do you agree the council should continue to increase the amounts used to calculate non-dependent deduction?
Yes

* QC3: Do you agree we should increase the amounts used to decide entitlement to ‘second adult reduction’?
Yes

* QC4. Do you agree that all non-dependants who work should have a higher non-dependant deduction regardless of the number of hours worked and based on level of income i.e. that this deductions should be based on income rather than hours worked?
Yes

* QC5. Do you agree that non-dependant deduction should be taken where non-dependants, who do not have an earned income, are in receipt of Universal Credit?
Yes

* QC6. Do you agree that Bereavement Support Payments should be excluded as income (bringing your Council Tax Reduction Scheme in line with Housing Benefit)?
Yes

* QC7. Do you agree that the council tax reduction scheme should be amended (as it is in the case of Housing Benefit) for ESA applicants placed in work-related activity groups?
Yes

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* QC8. Do you agree that the council can start an application for CTR using the automatic notification from DWP?
Yes

In addition we would ask that the City Council give consideration to exploring the following proposals:

1. To limit Council Tax Support where claimant has savings to a lower level than the current £16,000 (Kings Lynn and West Norfolk use £6,000).

2. To limit Council Tax Support discount to occupants of properties no higher than Band D Council Tax.

3. To work with district colleagues across the County to establish the cap for the Council Tax Support discount for working age claimants at a uniform amount in Norfolk, suggested at 75% of the maximum Council Tax charge. The range is currently from 75% - 100%, with only the City Council offering 100% in the County.

Many thanks for the opportunity to respond to the consultation and we would welcome the opportunity to discuss the scheme further on an on-going basis.

Kind regards,

Simon George
Executive Director of Finance & Commercial Services

Update on consultation responses on the council tax reduction scheme for 2018-19

This paper gives members the results of the online survey on the questions that relate to the council tax reduction scheme.

Across the whole consultation a total of 1680 responses were received. This is the highest number of participants we have ever had. The data represents the results from those 1680 responses. No data has been weighted.

Council Tax reduction Scheme

Do you agree that following amounts should be increased?

Q4: The applicable amounts of the council tax reduction scheme to reflect any increase in Council Tax

Yes	56.46%
No	23.04%
Don't know	20.50%

Q 5: The amounts used to calculate non-dependant deductions

Yes	43.13%
No	24.17%
Don't know	32.70%

Q 6:The amounts used to decide entitlement to ‘second adult reduction’

Yes	41.72%
No	25.81%
Don’t know	32.47%

Q.7: Do you agree that all non-dependants who work should have a higher non-dependant deduction regardless of the number of hours worked and based on level of income that this deduction should be calculated based on income rather than hours worked?

Yes	61.58%
No	20.14%
Don't know	18.28%

Q 8: **Do you agree that non-dependant deduction should be taken where**
Non-dependants, who do not have an earned income, are in receipt of
Universal Credit

Yes	42.55%
No	24.43%
Don’t know	33.02%

Q9: Do you agree that Bereavement Support Payments should be excluded as income (bringing our Council Tax Reduction Scheme in line with Housing Benefit)?

Yes	67.48%
No	19.21%
Don’t know	13.31%

Q10 Do you agree that the council tax reduction scheme should be amended (as it is in the case of Housing Benefit) for ESA applicants placed in work-related activity?

Yes	51.65%
No	16.52%
Don’t know	31.83%

Q11 Do you agree that the council can start an application for council tax reduction scheme using the automatic notification from Department of work and pensions?

Yes	75.70 %
No	9.42 %
Don’t know	14.88%