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, 23 February 2016

19:30

Agenda

Purpose - To propose for approval the Housing Revenue Account budget for 2016-17, council housing rents for 2016-17, the prudent minimum level of HRA reserves 2016-17, and housing capital programme 2016-17 to 2021-22

Purpose - To outline the council's prudential indicators for 2016-17 through to 2018-19 and set out the expected treasury operations for this period. It fulfils three key reports required by the Local Government Act 2003

Purpose - Consideration of exclusion of the public.

- This report is not for publication because it would disclose information relating to the financial or business affairs of any particular person (including the authority holding that information)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.

Anton Bull
Executive head of business relationship management and democracy

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NORWICH
City Council

MINUTES

COUNCIL

7.30pm – 9.40pm **26 January 2016**

Present: Councillor Arthur (Lord Mayor), Councillors, Ackroyd, Blunt, Bogelein, Bradford, Bremner, Brociek-Coulton, Button, Carlo, Driver, Grahame, Harris, Haynes, Herries, Jackson, Jones, Kendrick, Manning, Maxwell, Neale, Packer, Peek, Price, Raby, Ryan, Sands (M), Sands (S), Schmierer, Stonard, Thomas (VA), Thomas (VI), Waters, Woollard and Wright

Apologies: Beryl Blower (Sheriff), Councillors Coleshill, Henderson, Howard and Lubbock

1. LORD MAYOR'S ANNOUNCEMENTS

The Lord Mayor said that since the last meeting she had attended approximately 20 carol concerts and together with the Deputy Lord Mayor and Sheriff had spent some time at Open Christmas on Christmas Day where they were impressed by the large number of volunteers giving up their own time to provide a good Christmas to those who attended. It was sad that there were almost double the number of people here compared to the last time she attended in 2005.

She had opened a block of six new flats at Doughty's alms houses and the new bathing and training facilities improving the existing alms houses.

She attended the launch of RAF Marham's centenary celebrations and the launch of the 2016 Norfolk and Norwich Food Festival.

The Paul Cross Memorial Concert organised by the Norfolk and Norwich Novi Sad twinning association provided an opportunity to reinforce the strong cultural and musical links between our two twin cities and the music of the two soloists from Novi Sad was outstanding.

She had also been to two remarkable engagements involving young people. The first was a visit to the council chamber by the parliament from Magdalen Gates First School where the pupils asked some very thoughtful and considered questions. She had also gone to the opening of the White Lion Café which is being run by students from Parkside School, a school for pupils with special needs. It was very heart-warming to see them being given the chance to learn life skills in a working environment. It is a great café and she would recommend councillors to visit it.

2. DECLARATIONS OF INTEREST

There were no declarations of interest.

3. QUESTIONS FROM THE PUBLIC

Mr Roland Pascoe asked the leader of the council:

“Can the council confirm what definite actions it has taken to implement the motion it passed at its meeting in March 2015 to set up a Fairness and Equality Commission led by citizens?”

Councillor Alan Waters, leader of the council responded:-

“Thank you for your question Mr Pascoe. I recall the debate on this motion and responded on behalf of the Labour administration. We had serious doubts about the practicalities and appropriateness of a citizen-led Fairness and Equality Commission. The co-ordinating role falls to council and its elected representatives who work with local communities and partners to gather the data and identify the key issues to be addressed.

Our second point was that there was no longer a need for a Fairness Commission because the Council had moved beyond the information gathering, partnership building and community engagement phases of developing our equalities strategy and was starting implementation.

Setting up a Fairness Commission in Norwich would have been an expensive and retrograde step and would have diverted precious resources and time from tackling the growing crisis of inequality and poverty – driven very largely by the ‘low wage – low welfare’ policies of the then coalition government and continued with greater intensity - one could say ferocity - by the Conservative government elected last May.

With that as a helpful backdrop, let me reassure you about the work we are doing to reduce poverty and narrow the widening inequality gap in the city.
It is at the heart of the council’s corporate plan 2015-2020. This sets out an ambition for *greater equality across the city so that everyone has a fair chance in life and greater influence for people in their communities.*

Despite the Conservative government’s determination to further cut the resources of councils like Norwich, announced in the Autumn Statement and the local government finance settlement, the council remains committed to this objective and I would like to update Mr Pascoe and the council on the actions that have, and are, being progressed to help make Norwich a fairer city.

A report was presented to cabinet on the council's approach to reducing inequality that identified that the council would work with our citizens and partners to enable and deliver a number of actions over the next five years to:

- reduce financial and social inequalities
- advocate for a living wage
- encourage digital inclusion so local people can take advantage of digital opportunities
- reduce fuel poverty through a programme of affordable warmth activities

The approach has a number of common principles, these being:

- Making best use of resources, both within the council and across partner agencies and all sectors
- The need to explore, not only universal offers, but also targeted work in particular communities
- That not all people and communities are always equally placed to benefit from initiatives, schemes or any economic upturn
- Reducing inequalities can become part of the whole council 'business as usual'
- To join up activity with other public and voluntary sector partners and other sources of funding in order to maximise impact

In November, cabinet agreed the actions that will be progressed that align with these principles including the trialling of locality-based solutions.

These include:

- The commissioning of social welfare advice services from third sector organisations focussing on preventing or reducing debt, financial capability, maximising income, budgeting advice and advice triaging.
- Providing money advice to council tenants to improve budgeting skills and check that tenants are accessing all benefits they are entitled to
- Paying a Living Wage to contractors and championing the benefits of the Living Wage to employers

- Maintaining a Council Tax Reduction Scheme that provides continued support to those on low incomes (as opposed to many councils who have started charging those that previously received full benefit)

- Securing external funds to develop a digital inclusion programme to support residents access services digitally

- Holding jobs and skills fairs to highlight job and apprentice opportunities in the city to those seeking these opportunities

- Developing the Healthy Norwich programme with the Norwich Clinical Commissioning Group and Norfolk Public Health to help improve the health and well-being of Norwich residents

- Developing a locality-based preventative approach to improving the health and wellbeing of residents in Lakenham to test an area-based approach. Co-ordinated by the council this programme will focus on those on very low incomes and/or suffering the poorest health and will trial new ways of working to join up local services and engage and build resilience within the local community

- Working with children's centre staff to assist parents complete online applications with the local Asda store so they could access local employment

- Engaging with public and voluntary sector organisations to test and refine the council's approach to reducing inequalities

As these examples indicate, the approach over the past year has been to develop activities with partners and communities through a collaborative approach that will make best use of what is already in place and which will make a difference.

The purpose of a Fairness Commission is ultimately about the outcomes it achieves. For the reasons I stated in my opening remarks, the progress we had already made by the time the Green Party motion was tabled showed that we had moved well beyond the 'Fairness Commission' phase and had already mobilised the resources and relationships to tackle the social evils of poverty and inequality that are one of the great challenges and key priorities of the Labour administration in Norwich."

4. PETITIONS

No petitions had been received.

5. MINUTES

RESOLVED, unanimously, to approve the minutes of the meeting held on 24 November 2015.

6. QUESTIONS TO CABINET MEMBERS/COMMITTEE CHAIRS

The Lord Mayor said that 13 questions had been received from members of the council to cabinet members at which notice had been given in accordance with the provisions of appendix 1 of the council's constitution.

Question 1 Councillor Lubbock to the cabinet member for environment and sustainable development on air quality in the city centre.

Question 2 Councillor Herries to the cabinet member for housing on rough sleeper support.

Question 3 Councillor Ryan to the cabinet member for environment and sustainable development on the Norfolk Car Club.

Question 4 Councillor Button to the cabinet member for housing on the Bowthorpe Care Village.

Question 5 Councillor Woollard to the cabinet member for housing on the refurbishment of the St James's House sheltered housing scheme.

Question 6 Councillor Manning to the cabinet member for fairness and equality on the switch and save scheme.

Question 7 Councillor Maxwell to the cabinet member for environment and sustainable development on the eco awards.

Question 8 Councillor Stonard to the cabinet member for neighbourhood and community safety on the food hygiene rating scheme.

Question 9 Councillor Sands (M) to the cabinet member for environment and sustainable development on tackling poor quality private landlords.

Question 10 Councillor Carlo to the cabinet member for environment and sustainable development on white film on the windows of properties in Earlham Road and Unthank Road.

Question 11 Councillor Haynes to the cabinet member for resources and income generation on progress with green group amendments accepted at the 2015 Budget Council meeting.

Question 12 Councillor Schmeirer to the cabinet member for resources and income generation on vetting suppliers and sub-contractors regarding tax avoidance.

Question 13 Councillor Carlo to the cabinet member for fairness and equality on fair trade.

(Details of the questions and replies, together with any supplementary questions and replies, are attached as appendix A to these minutes.)

7. COUNCIL TAX REDUCTION SCHEME 2016-17

Councillor Thomas (VA) moved and Councillor Stonard seconded that the recommendations in the annexed report be approved.

RESOLVED, unanimously, to approve the council tax reduction scheme 2016-17 by continuing with the council's 2015-16 scheme with the following modifications:-

(a) the applicable amounts shall be uprated by the composite council tax percentage, including in the scheme the principle of the uprating rather than the actual figure;
(b) the applicable amounts uprating shall exclude sums for family premium which shall be retained for old and new claimants but the value shall not change from 2015-16;
(c) the applicable amounts uprating shall also exclude the element for Employment Support Allowance (ESA) which shall be retained but mirror the DWP uprating/freeze;
(d) the six months backdating shall be retained.

8. MOTION – HOUSING AND PLANNING BILL

Councillor Harris moved and Councillor Woollard seconded the motion as set out on the agenda.

RESOLVED, unanimously, to write to the Secretary of State for Communities and Local Government to voice its strong objection to the following provisions in the Housing and Planning Bill that will have serious implications for our council tenants and the ability of the city council to meet the housing needs of Norwich:-

(a) the proposed end of secure tenancies and replacement with fixed term tenancies of between 2 and 5 years;
(b) mandatory rents for 'high income' social tenants ('pay to stay') affecting any household with an income of more than £30,000 (outside of London), this will require those households to pay up to full market rents. This extra charge to be paid as weekly contribution to central government (chapter 4 of the Bill).

9. MOTION – HUMAN RIGHTS ACT

Councillor Waters moved and Councillor Manning seconded the motion as set out on the agenda.

RESOLVED that:-

"The Human Rights Act was introduced by the Labour government in 1998 – however, it received widespread cross-party support.

Council **RESOLVES**:-

(1) to reaffirm its commitment to the Human Rights Act 1998;
(2) if there are proposals to erode the Act in any way, to ask cabinet to work with organisations and individuals who support the provisions enshrined within it, to lobby to retain the Human Rights Act 1998 in its present form."

10. MOTION – FREEDOM OF INFORMATION ACT

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

RESOLVED, unanimously, that –

"Many people believe the Freedom of Information Act is a vital tool for building trust and maintaining transparency of public bodies. In its 2012 review, the Justice Committee concluded that freedom of information provides "a significant enhancement of our democracy".

A freedom of information commission has been established. Its power of members include some who have publicly stated their reservations with freedom of information. The commission's terms of reference and its public call for evidence focussed mainly on measures that would restrict freedom of information.

Council **RESOLVES** to:-

(1) to support the principles in practice of freedom of information and transparent governance;
(2) believe that freedom of information has delivered many improvements at local and national level over the 11 years it has been in effect;
(3) ask the leader of the council to write to the Prime Minister and local MPs asking them to –

    (a) protect the Freedom of Information Act from any attempt to restrict its function;
    (b) recognise that imposing charges for requests and fees of up to £600 for appeals, would also significantly undermine citizens right to know".

11. MOTION – IMPROVING URBAN BIO-DIVERSITY

The Lord mayor said that there are two amendments to this motion, copies of both have been circulated and were available to the public at the back of the chamber.

The first amendment inserts the words "continues to be" in paragraph 1 and has been received from Councillor Bremner. Councillor Carlo, the mover of the substantive motion, has indicated that she is willing to accept the amendment. With no other member objecting, Councillor Bremner's amendment became part of the substantive motion.

The Lord Mayor said that the second amendment was a technical amendment to paragraph 2. The mover of the motion had been asked to amend the wording from her original draft to the wording set out on the published agenda. However, as a corporate plan was approved last year for the period 2015-20 and council is able to consider amendments to the corporate plan at any stage, the wording of recommendation 2 should be amended to read:-

(3) Make the following changes to the corporate plan 2015-20:-

(a) under the heading A Safe, Clean and Low Carbon City, to add "including bio-diversity" to the sixth bullet point.
(b) under the heading A Prosperous and Vibrant City to include "and it's green heritage" within the third bullet point.

The Lord Mayor said this was a technical amendment that had been discussed with and agreed by the three group leaders and, with no member objecting, this amendment became part of the substantive motion.

Councillor Carlo moved and Councillor Price seconded the motion as set out on the agenda and amended as detailed above.

RESOLVED that:-

"A study has found that a rapid decline in bio-diversity threatens UK eco systems vital for food production and human wellbeing.

Urban green infrastructure that fosters bio-diversity has other benefits including reducing flood risk.

The Greater Norwich Growth Board's green infrastructure strategy includes the aim of maximising "opportunities to enhance green infrastructure to meet the needs of people and bio-diversity". While much important conservation work takes place in established habitats in Norwich, many believe bio-diversity in managing the public realm is equally vital.

Council

RESOLVES to:-

(1) ask cabinet to ensure that bio-diversity continues to be consistently addressed in Norwich City Council maintenance programmes and contract specifications relating to open spaces, parks, cemeteries, street trees, verges and allotments and a new landscaping proposal for the public realm;

(2) make the following changes to the corporate plan 2015-20:-

(a) under the heading *A Safe, Clean and Low Carbon City* to add "including bio-diversity" to the sixth bullet point;

(b) under the heading *A Prosperous and Vibrant City* to include “and its green heritage” within the third bullet point;

(3) give consideration, when the 2016-17 budget is decided, to reducing the grass cutting budget and spending the money saved on setting up a scheme for managing some intensely managed grass areas under conservation cuts as proposed in .2.26 of the environment strategy for 2015-16.

Lord Mayor

APPENDIX A

Question 1

Councillor Lubbock to ask the cabinet member for environment and sustainable development:

"Norwich city centre has a very bad problem with air pollution which adversely affects the elderly and young and those who have respiratory problems.

Although it cannot be seen, the pollution is worse than London and exceeds the national standard of 40 micrograms of nitrogen oxide per cubic metre of air. For parts of Norwich the reading was 64.

Although the city council has an air quality action, plan I am concerned that simple measures like informing those responsible - mainly bus drivers, taxi drivers and delivery vehicle drivers – and asking them to turn their engines off is not being done.

Can the portfolio holder explain what practical steps Norwich City Council is taking to stop taxis, bus drivers and motorists from keeping their engines running while stationery on the city centre streets of Norwich?"

Councillor Bremner, cabinet member for environment and sustainable development's response:

"I really welcome this question as it allows us all to dispel some myths and some frank un-truths. Firstly, Norwich City centre does NOT have "a very bad problem with air pollution". Although the whole city centre has been declared an air quality management area, it is only at a number of relatively localised places in or adjacent to the city centre where EU limit values for nitrogen oxide have been exceeded. The highest levels recorded have been at Castle Meadow where not only the annual mean but also the one hour European Union (EU) limit values were exceeded in 2013.

I am pleased to say, however, that provisional data for 2015 shows that levels of nitrogen dioxide have been well within the one hour EU limit value. Also the annual mean level of nitrogen dioxide has reduced from 64 to 51 micrograms per cubic metre. This is a welcome improvement but is still above the annual mean EU limit value of 40 micrograms per cubic metre.

The next myth that needs to be dispelled is "the pollution is worse than London". That is so wrong it's silly. The situation is no way as severe as in London, contrary to what has been reported. Exceedances of the annual mean EU limit value are widespread in London and in the worst two locations in 2013, for example, the levels of nitrogen dioxide were double that found in Castle Meadow.

That said, I totally agree that air quality is a serious health issue and one which both the city council and county council are committed to addressing. I am therefore very pleased that Norfolk County Council has been offered a £416,060 grant by the government under the Clean Bus Technology Fund towards cleaning up exhaust emissions. The money will be used to retro-fit 15 Euro III buses and 9 Euro IV buses which are regularly operated by local bus companies along the street. The anticipated improvement will be to Euro 5/6 standard.

Now here is an amazing 'myth' – which some would call a lie. In locally distributed leaflets, one political party claimed that they had won "Cleaner Buses for Norwich"! In the leaflet they go on to say that the bid followed a request by one of their councillors to the Norwich Highways Agency Committee (NHAC). They even went to say that they had "persuaded the city council to request additional resources from the government for healthy air quality and to work with local bus operators to meet stricter emission standards."

Work on the government bid was already in place and up and running by Norfolk County Council well before the NHAC meeting and they did not do anything in response to any Councillor contacts. In fact, a city council officer told the county council about the Clean Bus Technology Fund the moment that the government made it public and the county were already on the case.
If you read the leaflet, you will see that it contains a fantasy about persuading the city council to do things about pollution and to work with bus companies - something which the city has been doing for years, constantly, because the officers know exactly what the Labour administration wants them to do!

So well done to the officers of the city and county councils for all their hard work in getting this funding to clean up the buses in the city - and shame on the political party that claimed that they did it when they had no part to play whatsoever.

But let's get to your question about engine switch off. The investment in clean up technology is one element of the overall air quality strategy for Norwich which was approved by cabinet in October. There are a number of strands to the strategy and included in the armoury is engine switch-off which has a potentially important role to play so I am really pleased that you raised that.

Previously the council has explored the use of a traffic regulation order to allow the enforcement of engine switch-off of all vehicles using the street. This would require special signage however which the Department for Transport are unprepared to authorise. They have advised the council of powers within the Environment Act 1995 which are currently being explored with a view to using the civil enforcement officers to implement if necessary.

In the meantime the county council are regularly in touch with all bus companies to remind them of the need to switch off engines when stationary for any lengthy period. Bus companies acknowledge this is important as it also helps save fuel. Also council officers will be reminding hackney carriage licensees of the need to switch off their engine.

I also think it is time that the people should also remind bus drivers, taxi and hire car drivers, truck drivers and ordinary motorists to switch off the engine while stuck in a queue. Maybe we can get posters in shop windows (the Department for Transport can't affect them) saying something like "STOP THE STINK – Switch off your engine!"

Question 2

Councillor Herries to ask the cabinet member for housing and wellbeing:

"Given the rapid change in weather since our last council meeting, can the cabinet member for housing and wellbeing give her comments and opinions on the proactive steps the city council, working with partners, is taking to provide support for rough sleepers in the city?"

Councillor Harris, cabinet member for housing and wellbeing's response:

"Severe weather and emergency provisions (SWEP) is the process which is put in place to ensure people sleeping rough in Norwich are not at risk of harm or death during periods of cold and severe weather.

The most recent episode of SWEP started on Thursday, 14 January and concluded on Thursday, 21 January.

SWEP is managed by the rough sleeper coordinator and the housing advice team at City Hall. Planning and preparations for SWEP started well in advance of the recent cold snap and have involved a number of partner organisations that work with the most vulnerable people in the city.

The number of SWEP spaces provided this year is 23 and can be age and gender specific and also includes accommodation where the providers welcome pets and dogs.

In anticipation of SWEP, the outreach team has been actively informing rough sleepers about the service by printing and giving out information leaflets. In addition, this information has been widely shared with agencies including, Salvation Army day centre, City Reach Health Service, Mancroft Advice Project, Red Cross, local police officers and police community support officers (PCSOs).

The accommodation is provided by the supported accommodation agencies in Norwich and South Norfolk who provide 24/7 waking cover during SWEP. In addition to the accommodation, individuals are offered help and assistance with various issues such as accessing welfare benefits, register with a GP or referral to supported accommodation.

In cases when a rough sleeper refuses to accept accommodation, the team has been working with health professionals to carry out mental capacity assessments.

This year the council also worked with the Norwich Foodbank who devised 'kettle boxes' which can be used by individuals accessing SWEP without access to cooking facilities."

Question 3

Councillor Ryan to ask the cabinet member for environment and sustainable development:

"I was pleased to read that the Norfolk Car Club, which was established in 2009 with just two cars, has continued to develop and grow in recent years.

Can the cabinet member for environment and sustainable development give his opinions on the support and help this council has provided the car club in its development and progress?"

Councillor Bremner, cabinet member for environment and sustainable development's response:

"It is, of course, fantastic that the Car Cub has proved to be such a success in Norwich and again this year it looks poised to significantly increase its membership and car availability, following last year's record increase. The Club now has over 600 members, with more than half of these joining in the past twelve months. Forty new members joined in the first ten days of this year, which is a record and clearly shows that the club is now a well-established part of city life.

Not only does the club provide cost effective use of a car for local residents and businesses, it reduces the pressure on limited parking. There would have been scores more cars attempting to park on narrow Norwich streets, were it not for the success of the club.

The council has been instrumental in the success of the car club - firstly by enabling its' establishment and in successive years facilitating its expansion. I am afraid that I am going to have to indulge in a little history lesson taking us back long before 2009.

At the turn of the millennium, a time when car clubs were in their infancy in the UK, the council consulted on policies to encourage Car Clubs in the city as part of the Local Plan process. This resulted in their adoption in the Local Plan back in 2004. This policy background was instrumental in achieving European funding through the CIVITAS programme in 2005 towards establishing a car club in Norwich.

The first Car Club cars arrived in the city during 2005 and long-standing members may recall that there was significant criticism of the concept and doubt that it would ever work here in Norwich. When the CIVITAS funding ended in 2009, this coincided with a restructuring of the then operator, City Car Club, who consolidated their operations elsewhere and left the city taking their six cars with them.

Unwilling to lose the momentum that was building behind the car club concept, the council took steps to secure a new provider. Norfolk Car Club won the tender and proceeded to replace the previous operator fleet. The rest is history and the car club now has 38 vehicles and expects to double in size again this year, with a target of 60 new vehicles in place for March 2017.

Without the support of the council it is unlikely that the car club would be the success it is today. Making use of S106 funding from developers we have implemented designated spaces on-street across the city and contributed to the purchase of new vehicles. This has not only helped the Car Club but has enabled efficient use of development sites within the city, enabling us to meet housing targets without needing excessive amounts of land for car parking.

The commitment of the Norwich Highways Agency Committee has demonstrated to various funding organisations just how serious we are about promoting and expanding the club for the benefit of residents and businesses. Only last week it agreed to advertise on street bays in over 100 locations across the city, enabling the car club to demonstrate to would be investors the city's strong commitment and support for the car club concept.

Finally we should not overlook our commitment to promoting the car club. There have been articles in Citizen magazine and there is a dedicated page on our website. Permit holders are offered free membership of the Car Club, and we remind them of this every time their permits come up for renewal. At last year's Norwich 'One Planet' festival we had the most registrations ever for the Club over a weekend"

Question 4

Councillor Button to ask the cabinet member for housing and wellbeing:

"Work on a pioneering £19m 'care village' in Bowthorpe is on course to be completed ahead of schedule – with the first residents due to move into their new home in April.

Given the increase in demand for specialist dementia care across both Norwich and the county, will the cabinet member for housing and wellbeing give her opinion on the positive support and joint partnership working which this administration has undertaken to help deliver this project?"

Councillor Harris, cabinet member for housing and wellbeing's response:

"Councillor Button, thank you for your question in regard to the 'Care Village' at Bowthorpe.

Work is progressing very well with this project and officers from the city development and housing service teams have been involved in both the strategic and operational planning of this partnership project. The city council has gifted the land to Norse Care as the first phase of the development of the Three Score site in Bowthorpe. The council has also ensured that the new spine road providing access to the scheme has been constructed and is ready to be used in time for the opening of the scheme. The council is also providing a direct pedestrian and cycle access to the scheme ahead of development of phase 2 of the development so that residents, staff and visitors have a safe and direct access to and from the care home on foot and by bike.

The council provided support to the bid to the Homes and Communities Agency, which was successful in securing £4.2M of funding towards the scheme.

Once completed, the scheme will comprise 92 'housing with care' flats and 80 self-contained units for older people living with dementia. Saffron Housing Trust will be the landlord for the housing with care, with Norse Care being the provider of care for both the housing with care and dementia care unit. Norse Care will also be the landlord for the dementia care unit.

Staff from the housing service have been actively involved in the operational planning of this scheme, through a partnership approach with Norse Care, Norfolk County Council, Norwich CCG and Saffron Housing Trust.

The waiting list for the housing with care scheme will be managed by the sheltered housing service, as with the existing housing with care schemes in the city, working in partnership with adult social services and Saffron Housing Trust.

The 'Care Village' wants to engage with the local community of Bowthorpe. Residents will have access to and be able to enjoy the communal facilities on offer at the housing with care scheme. This will be of particular benefit to our tenants living at our sheltered housing schemes; Bradecroft, Seabrook and Alnwick Court. Integration will also be encouraged through the use of the new area of open space which will serve both parts of the overall development."

Question 5

Councillor Woollard to ask the cabinet member for housing and wellbeing:

"The newly refurbished sheltered housing scheme, St James House, will be ready to welcome its first residents in spring. Significant investment and improvements have been made to the scheme which will benefit residents.

Can the cabinet member for housing and wellbeing give her opinion on the work achieved to re-develop the scheme and the importance of providing good quality sheltered housing for our city?"

Councillor Harris, cabinet member for housing and wellbeing's response:

"Councillor Woollard, thank you for your question regarding the refurbishment of St James House.

I am pleased to say that the refurbishment is progressing well and is due for completion in April 2016. The scheme will be the council's flagship sheltered housing scheme, being built to exemplar standards and offering two one-bedroomed semi-detached bungalows together with 32 one-bedroomed flats, varying in sizes and suitable for either single older people or couples. All flats have a fitted kitchen, are carpeted and have fully tiled wet rooms. The scheme will be connected through to Norwich Community Alarm Service by means of a warden call system.

The build project has been very successful due to the excellent partnership between the contractor Gills, sub-contractors, NPS Norwich and the city council, being project managed by NPS Norwich.

Significant investment and improvements have been made to these schemes, including the remodelling of the majority of flats to allow for better space standards, new roof, drainage system, power supply and photo-voltaic (PV) solar panels which help to offset set the cost of the district heating system for tenants. All first floor flats will have French doors opening on to a Juliette balcony. The ground floor flats will have French doors opening out on their own private patio areas.

The communal gardens have been landscaped to allow for level access and provide a safer environment for tenants. Communal areas will include a dining room, where activities and meals can be provided, which will be facilitated by the sheltered housing staff; a quiet lounge, together with a guest suite, mobility scooter store room and laundry facilities.

Throughout this project the council has engaged and consulted with tenants, but of those decanted, only two tenants have decided to return to their original homes. Both have chosen their kitchen, which includes units, flooring and tiles, and full support will be given to them to move back to their homes.

Tenants' representatives from the sheltered housing involvement panel have been consulted on the style and choice of all communal furniture and the landscape design. They have also been consulted on the warden call system and the evaluation of the tenders for the furniture provider.

Finally, the council is about to conclude a series of open days which have been offered to older people on the waiting list for sheltered housing. These have been organised by the sheltered housing staff and have been held over the last three Saturdays. Some 120 prospective applicants visited the two show flats with very positive feedback about the high quality of the flats and a number expressing an interest in moving. From the feedback received it is anticipated that there will be high demand for this scheme.

The high quality refurbishment of St James House, together with the work undertaken as part of our enhanced void offer, ensures that we continue to provide good quality sheltered housing for our city and somewhere older people will want to move to make it their home. This has the potential to free up much needed family housing, offers the opportunity to create 'aspirational' housing for older people and contributes to the drive from older people themselves - as well as from national policy - to remain living in the community."

Question 6

Councillor Manning to ask the cabinet member for fairness and equality:

"Norwich's Big Switch and Save is again open for registration, until Monday 1 February, giving residents a great chance of saving money on their energy bills.

Can the cabinet member for fairness and equality give his opinion on the previous successes achieved with Switch and Save and the steps taken to promote it more widely?”

Councillor Vaughn Thomas, cabinet member for fairness and equality’s response:

“Thank you for your timely question. With the recent cold weather our citizens will be thinking about energy bills and considering their affordability. Thankfully we are helping our citizens reduce their fuel bills via the Big Switch and Save.

We are currently running the seventh round of our successful collective energy switching scheme. Through the power of collective purchasing, we work to secure the lowest energy prices for our registrants, therefore helping to reduce the cost of energy and offset rising energy prices. The previous round of Big Switch and Save has delivered average savings of £230 a year per household. This was a better saving than those available through online comparison websites.

In the last five tranches overall 13,240 people registered for the Switch and Save scheme. Norwich has repeatedly had the highest national conversion rates, with an overall figure of around 2000 switchers.

If all homes took up the offered savings, a total of at least £ £2.3 million would be saved on energy bills by Norwich residents.

For this tranche, Norwich City Council has engaged with fuel poor households in innovative ways, including the use of case studies where pensioners held up a card showing their real savings from previous Switch and Save rounds. This was published as an advertorial in the evening news. In addition to this, we have launched a refer-a-friend campaign. Along with attending community events, organising library advice drop-ins, supermarket and hospital roadshows, sending a mail-out to fuel poor households and leafleting in fuel poor areas.

Norwich City Council always endeavours to engage with fuel poor households to ensure that they are aware of the Switch and Save scheme. In tranche three we asked the residents questions to identify whether they belonged to an affordable warmth group. The results showed that around two thirds of registrants belonged to one of these groups.

In addition to this, the small fee we receive from the Switch and Save goes back into affordable warmth work. This has been invaluable for vulnerable residents, as it has provided urgent heating need for them in the winter.”

Question 7

Councillor Maxwell to ask the cabinet member for environment and sustainable development:

“Schools, businesses, local food producers, community groups and homeowners are being urged to enter an even bigger Eco Awards this year, with the closing date being 12 February. The aim is to celebrate projects and schemes with a strong ecological or environmentally-friendly ethos or groups and organisations which can show they adopt a sound eco approach to all their business.

Can the cabinet member for environment and sustainable development give his opinion on the increased benefits and opportunities of working with Norfolk County Council on this project?”

Councillor Bremner, cabinet member for environment and sustainable development’s response:

“Thank you for your question. Norwich City Council has successfully run the Eco-Awards for the past 8 years. The aim of the awards has always been to celebrate the environmental excellence of eco-projects going on across our fine city. In previous years over 80 projects have received recognition for their excellent eco-work, ranging from eco-hairdressers to community gardens, environmental school projects to energy reduction initiatives in local businesses. However, every year we have been consistently approached by entries outside of the Norwich City boundary, which we regretfully had to turn down.

Towards the end of last year we were approached by Norfolk County Council regarding working together to make the awards county-wide. This is why this year we’re now welcoming entries from Norwich and across the whole county to apply for the Norwich and Norfolk Eco Awards. Two new categories of eco home and eco food producer have been added to the usual four of eco primary school, eco secondary school, eco small/medium business and eco community group.

The new and improved Eco Awards give us the opportunity to celebrate a wider range of eco-projects happening across Norfolk and to share good practice throughout the county. We are really pleased to have already seen an increase in variety and calibre of entries since the new awards were launched in December.

Another benefit of working with Norfolk County Council is the added promotion of Norwich City Council’s sustainable living festival. The official eco awards ceremony will be held at The Forum on Saturday 12 March as part of the One Planet Norwich Festival. It was decided to bring to the two events together to have a weekend long celebration of environmental achievements, organisations and engaging eco activities in Norwich and Norfolk.”

Question 8

Councillor Stonard to ask the cabinet member for neighbourhoods and community safety:

"Since our previous council meeting, Norwich City Council celebrated its role in the Food Hygiene Rating Scheme and the difference it has made to driving up hygiene standards in food outlets across the city.

Can the cabinet member for neighbourhoods and community safety give his opinion on the successes achieved through the scheme and how other local authorities (325 out of 326) have copied it?"

Councillor Driver, cabinet member for neighbourhoods and community safety's response:

"Following the launch of the Norwich Safer Food Award in 2005 local authorities around the UK adopted, adapted and launched their own schemes based on the same principles. The scoring and styling of the awards varied to suit local circumstances, with one commercial organisation designing a 'Scores on The Doors' scheme that many authorities adopted.

The Food Standards Agency and local authorities were concerned at the inconsistencies in having so many different schemes across the country and researched a scheme that would be suitable for national adoption. The Food Hygiene Rating Scheme was created and due to the close working relationship Norwich City Council Public Protection Team has with the Food Standards Agency, Norwich became the first local authority to launch the National Food Hygiene Rating Scheme. Following our lead the scheme has been adopted by all but one local authority in England.

The Food Hygiene Rating Scheme has improved food hygiene nationally. In the first year of operation, broad compliance (equivalent to a FHRS rating of 3 or above) amongst food premises improved by 2.0 percent. In the first 2 years the number of 5 rated premises (fully compliant) increased by 3.3%. In January 2016, 93% (1225) of Norwich food businesses in the scheme (1318) are broadly compliant and almost 50% (652) have a 5 rating.

The display of the rating by businesses in England is currently voluntary unlike in Wales where display has been compulsory since November 2013. Welsh food hygiene standards have been shown to improve even more than in England since that time. With this evidence the Food Standards Agency is now lobbying the government for the compulsory display of food hygiene ratings in England."

Councillor Stonard asked, as a supplementary question, if the cabinet member could inform council of any training being offered locally. **Councillor Driver** said the council was providing excellent food safety hygiene courses at very reasonable rates. These offered people who were considering looking for work an opportunity to get a qualification which has helped them obtain work in food related jobs.

Question 9

Councillor Sands (M) to ask the cabinet member for environment and sustainable development:

“On Tuesday 12 January, a Labour amendment to the government’s housing and planning bill - designed to ensure that all rented accommodation was safe for people to live in - was defeated by 312 votes to 219, a majority of 93.

While the majority of landlords let property which is - and remains - in a decent standard and many landlords go out of their way to ensure that even the slightest safety hazard is sorted quickly and efficiently, it is even more distressing when I see cases of homes which are frankly unfit for human habitation being let, often at obscene prices.

Despite the refusal of the government to take national action, can the cabinet member for environment and sustainable development give his opinion on the ongoing - and innovative - work this council is undertaking to tackle poor quality landlords in our city?”

Councillor Bremner, cabinet member for environment and sustainable development’s response:

“The council has a statutory duty to identify and take action to remedy unsafe living conditions in privately rented accommodation. This work is carried-out by our private sector housing team which, on average, deals with 400 complaints about living conditions every year. In addition, the team targets high risk premises such as staff accommodation above restaurants and houses of multiple occupation where the landlord or agent has a record of poor management. It also implements the statutory licensing scheme for houses of multiple occupation.

The privately rented sector in Norwich now exceeds 20% of all housing (about 14,000 homes) and has doubled in size over the last ten years. Recent research carried out for the council by the Building Research Establishment indicates that 20% of this accommodation in Norwich (2,800 homes) contains a category 1 hazard. These are hazards that are likely to have a significant impact on the health of the occupants and homes where they exist can be thought of as being ‘unfit for human habitation’. The current team is able to tackle about 100 hazardous properties a year through enforcement.

With this is mind, we have, for some years, successfully used a toolkit to help tenants take their own action where they have a complaint about their rented home. This includes standard letter templates and advice about their rights. We always follow these complaints up to ensure that the problem has been dealt with and will always visit if a landlord fails to respond or if the problem is one that needs immediate action by the team. Enforcement action includes the service of improvement notices, prohibition orders and - in a small number of cases - prosecution.

We also work closely with local landlords and managing agents to jointly bring about improvements in the sector. This work has led to a new scheme which it is hoped will launch very shortly. The Norwich Property Registration Scheme will ask landlords to agree to abide by the national code of practice for the privately rented sector and to register individual properties with the council. Those properties will be listed on the council’s website so it will be possible for tenants and members of the public to challenge any that they believe do not comply with the standard. This will benefit good landlords who wish to distance themselves from poor practices within the sector and tenants who want to ensure that a home that they may be interested in renting is well managed by a good landlord. Landlords who don't comply with the terms of the scheme may be suspended and ultimately removed.

If the scheme is a success it will enable the council to adopt a 'light touch' when dealing with these properties, freeing up our limited resource to tackle criminal landlords.

The government is currently consulting about extending the scope of the statutory licensing scheme for houses in multiple occupation to increase the number that will require a licence. In Norwich, the current scheme only applies to about 160 houses in multiple occupation out of a total of 3,000. Notwithstanding that possibility, we intend to carry out a consultation to consider whether we should introduce an additional licensing scheme so that more properties are regulated and whether or not there is a case for introducing selective licensing of all privately rented accommodation on an area basis. Any new licensing scheme would be closely linked to property registration, potentially exempting members of our new voluntary scheme from licensing. This would act as an encouragement for landlords to ensure that their properties comply with the law whilst reducing the council resource needed to enforce a licensing scheme.

In summary, the council makes good use of the limited resource that it has to tackle the significant problem of poor housing in Norwich's private rented sector. It is also introducing innovations to bring about improvements in the sector and to enable the worst properties to be effectively targeted for enforcement action."

Councillor Sands (M), asked, as a supplementary question, what message did the cabinet member think was sent by Brandon Lewis MP, a landlord, voting against the introduction of a minimum standard for rented homes. **Councillor Bremner** said that this was a "shocking indictment". Both Brandon Lewis MP and Chloe Smith MP had voted against the new standard and he was shocked and disgusted by them.

Question 10

Councillor Carlo to ask the cabinet member for environment and sustainable development:

"Earlier this month, Nelson and Town Close ward councillors learnt that a multi-agency meeting had been held in 2013 concerning the low budget lodgings on Earlham Road and Unthank Road in 2013 about which we were never informed nor briefed. Neither did the city council at the time advise ward councillors about their health and safety investigations relating to the windows of these properties in 2012 – 13. From August 2013, I raised the white film on the windows as impacting on public amenity on many occasions and was told that action could only be taken in respect of the listed buildings.

The city council's role in the windows only became apparent when the owner showed me - in May 2015 - a letter dated 9 August 2013 from Norwich City Council environmental health, approving the health and safety action taken over the windows. When I asked the city council for a copy of the letter, I was twice informed via the council's solicitors that the letter could not be released to me. Instead, I was offered a briefing in place of the papers, but as a ward councillor I was entitled to the information requested. When I submitted a freedom of information request for background papers on the windows, my request was ignored.

Having contacted the Information Commissioner who rang and wrote to the council requesting their release, the council then told me that they did not hold the letter. Thereafter, some but not all of the background papers concerning the windows were sent to me, with evident gaps in the run of correspondence including the letter of 9 August 2013.

Why did the city council not inform ward councillors about the multi-agency meeting and try to withhold information requested by a ward councillor about the white film on the windows?"

Councillor Bremner, cabinet member for environment and sustainable development's response:

As councillor Carlo knows - I hope - this issue has been both complex and long-running. The council, although it has a part to play, is by no means the only agency involved.

Multi-agency meetings between council officers' and external agencies occur all the time, on a regular basis, in relation to a wide range of issues. It is not a practical, necessary, or sometimes possible for legal reasons, to brief councillors following every such meeting.

If councillor Carlo needs further information on this matter, I suggest she takes up the offer of a full briefing with officers, which she has so far - though offered - not taken up.

Councillor Carlo asked, as a supplementary question, if the cabinet member agreed it was unacceptable that the council had not provided her a copy of a letter she believed was sent relating to this matter dated August 2013. **Councillor Bremner** said that he agreed that the white film on these buildings were an abomination. However, he had different information regarding what information was held and released. **Councillor Carlo** had been offered the opportunity of a full briefing by officers on all the details related to this issue. He was very surprised that she hadn't taken this offer up and urged her to do so where she could find out all of the full facts.

Question 11

Councillor Haynes to ask the cabinet member for resources and income generation:

“Last February, the Green group put an amendment to the council’s 2015-6 budget which was accepted. Could the cabinet member update us on progress towards implementing the three proposals in the amendment and give us his opinion on whether he feels the efforts have produced tangible changes in Norwich?”

Councillor Stonard, cabinet member for resources and income generation’s response:

As councillor Haynes will be aware, the council has recently been taking steps to establish a housing company to develop the second phase of development at Threescore and with a view to bringing forward other housing development as well. Cabinet agreed the 2015-16 business plan for the company at its January 2016 meeting. This follows on from previous cabinet discussion and consideration of the proposal to establish a housing company in July 2015 and scrutiny committee review of the proposals in advance of that cabinet meeting.

The new housing at Threescore helps meet both housing need in the form of social housing as well as demand in the form of houses for sale and for private rent. Of the 172 dwellings, 112 will be built to Passivhaus standards. As well as these benefits, however, the purpose of this investment is to provide income to the council. In the case of the housing company’s business plan it is anticipated to provide a return of £200,000 to the council in 2016-17.

Development of the housing company – along with bringing forward schemes focussed on social housing at Goldsmith Street and Hansard Close – has been the focus of capital investment work over the last 18 months or more. With no change to this focus cabinet has not considered it necessary to set up the working party as requested.

With the council facing continued budget pressure, coupled to an ambition to support the city’s growth, there is likely to be a need to go beyond consideration of housing development as an investment mechanism. Such potential investment will form part of the transformation mechanism for which a member working party already exists. Equally, the scrutiny committee has a continuing interest in income generation which investment of this nature would help deliver. Given this, I am not convinced of the need for a further working party at the present time.

With reference to securing joint funding with Norfolk County Council and Norfolk and Suffolk Foundation Trust for a mental health officer, work is in progress with these and other public and voluntary sector partners, to develop more integrated working in Norwich. The focus of this is through an early help/ early intervention approach to ensure services are available to those in need as early as possible to prevent later, higher cost interventions.

Members will also be aware that the council’s commissioning programme for social welfare advice that was awarded to a consortium of voluntary sector advice organisations, includes an area to maximise income for vulnerable individuals such as, amongst others people with mental health issues.

The current focus is therefore to make best use of the resources that all organisations have rather than consider growth at a time when the council's budgets are under such pressure.

With regard to the costs of funding the Greater Norwich Growth Board the New Anglia LEP have maintained their position of making no financial contribution to the core costs associated with the operation of the Growth Board. The city council contributes equally to these costs with South Norfolk and Broadland Councils, whilst the county council contributes to a greater extent. The roles, governance and funding for the Greater Norwich Growth Board is due for review shortly.

In reply to a supplementary question from **Councillor Haynes**, **Councillor Stonard** said that he could not propose a funding model for the Greater Norwich Growth Board that did not involve the city council resources at this stage. The council would continue to work with partners to understand growth needs and how the council could continue to contribute to this effective partnership.

Question 12

Councillor Schmierer to ask the cabinet member for resources and income generation:

"What measures are being taken to vet the suppliers and subcontractors used by Norwich City Council in order to ensure that these companies have not committed tax avoidance, either in Britain or in other countries around the world?"

Councillor Stonard, cabinet member for resources and income generation's response:

Tax **avoidance** is defined as:

"the arrangement of one's financial affairs to minimise tax liability **within the law**."

Tax **evasion** is defined as

"the **illegal non-payment** or underpayment of tax."

The council has no authority to vet suppliers for tax avoidance.

The council is governed by the Public Contracts Regulations 2015 and this determines the grounds on which a supplier can be excluded from taking part in a public procurement.

Where the supplier has been **convicted of certain offences** the council MUST exclude them from taking part. There are various offences listed that relate to tax **evasion.** There is of course no offence for **tax avoidance** as it is of course, by definition, legal.

Also, where the council is "aware that the economic operator is in breach of its obligations relating to the payment of taxes or social security contributions" AND "the breach has been **established by a judicial or administrative decision** having final and binding effect in accordance with the legal provisions of the country in which it is established or with those of any of the jurisdictions of the United Kingdom" then the council must exclude the supplier from taking part in the procurement.

The council can only exclude suppliers on the grounds listed in the Public Contracts Regulations 2015. Suppliers are asked to complete a business questionnaire and must state in this any offences they have been convicted of or any other obligations they have breached (such as payment of taxes). There is no requirement and no legal basis for the council to ask questions about tax avoidance.

Councillor Schmierer said he understood some other councils such as Oxford did ask more detailed tax questions when awarding contracts and asked, as a supplementary question, if the portfolio holder would consider that further. **Councillor Stonard** said he had already answered clearly. There was no point in undertaking action that the council could do nothing about. It was not possible to exclude companies from bidding for contracts when they had done nothing illegal.

(The following question and supplementary question was allowed because the time taken by questions had not exceeded 30 minutes.)

Question 13

Councillor Carlo to ask the cabinet member for fairness and equality:

"In 2003, Norwich City Council endorsed a motion to become a Fair Trade Council. Support for fair trade is important because it helps to ensure that workers in developing countries receive a fair wage for their labour. Fair trade status complements Norwich City Council's support for the Living Wage.

From my exchange with the council, implementation of the Fair Trade motion seems to be patchy across departments. For example, fair trade products are served in The Halls cafe. However, fair trade coffee is not offered in the vending machine at Riverside Leisure Centre because fair trade products were not specified in the management contract for Riverside.

Will Norwich City Council reaffirm its support for Fair Trade Council status, and will the cabinet member ensure that Fair Trade is specified in all city council contracts and service agreements where relevant?"

Councillor Vaughn Thomas, cabinet member for fairness and equality's response:

Let me start by saying that I support the Fair Trade movement.

However, the council has never endorsed a motion to become a Fair Trade council.

The council did resolve to support calls for Norwich to become a Fair Trade City. At the time in 2003 there was an active Fair Trade movement in the City and the council supported their activities in a number of ways.

Part of the motion agreed in 2003 was to encourage caterers to supply Fair Trade alternatives where possible. The council has continued to do this, encouraging suppliers to offer fair trade products rather than be prescriptive about their use.

Another part of the motion was to ensure that Fair Trade coffee and tea is served at Council meetings. At the time this was implemented but as we are all aware it is some time since tea and coffee has been served at council meetings!

There were various other parts of the motion, which predominantly involved the council supporting the Fair Trade movement in the city, which we did.

I can't reaffirm support for Fair Trade council status as this is not something we had in the first place. However, I am supportive of the Fair Trade movement.

I have asked the executive head of business relationship management and democracy to ensure that as our contracts are renewed, they are renewed, where relevant, in such a way as to ensure that Fair Trade products are included in the contracts. We will, of course, continue to encourage suppliers to use Fair Trade products even where they are not obligated to do so.

Councillor Carlo said that the answer did not make the council's position clear and asked them as a supplementary question, if the cabinet member could explain. **Councillor Thomas** said that it was very straightforward. The council would embed fairtrade in its contracts and to go forward supporting a fairtrade wherever possible.

Report to	Council	**Item**
	23 February 2016	4
Report of	Chief executive officer	
Subject	Corporate plan 2015 - 2020	

Purpose

To consider the corporate plan for 2015-20

Recommendation

To note:-

a) the corporate plan 2015-20

b) that a review of the corporate plan 2015-20 will be undertaken within six months to consider the need to reflect any changes in national financing arrangements to both general and housing revenue funds

Corporate and service priorities

The report helps to meet all the council's corporate priorities

Financial implications

The costs of taking forward the corporate plan are built into the draft budget for 2016-17

Ward/s: All Wards

Cabinet member: Councillor Waters - Leader

Contact officers

Phil Shreeve, strategy manager 01603 212356

Background documents

None

Report

1. The council's current corporate plan 2012-2015 sets out the overall strategic direction of the council including its vision and priorities. This guides everything the council will do for the city and its residents and visitors for the period. As such, the plan acts as the overarching policy framework for the council.

2. The corporate plan for the period 2015-2020 (attached as an appendix to this report) was approved at budget council on 17 February 2015 and 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.

3. On 26 January 2016 council approved the following changes to the corporate plan 2015-20 which have been incorporated :-

   (a) under the heading *A Safe, Clean and Low Carbon City*, to add "including bio-diversity" to the sixth bullet point.

   (b) under the heading *A Prosperous and Vibrant City* to include "and it's green heritage" within the third bullet point.

4. The budgets being considered later on the agenda of this meeting are being recommended to ensure the necessary resources are in place to deliver the corporate plan.

5. Although no changes to the corporate plan are being proposed at this time a review of the corporate plan will be required in within six months to consider the need to reflect any changes to central government financing such as New Homes Bonus and changes to housing finance within the Housing and Planning Bill.

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 completing the assessment can be found here. Delete this row after completion

Report author to complete	
Committee:	Council
Committee date:	23 February 2016
Head of service:	Laura McGillivray
Report subject:	Corporate Plan 2015-20
Date assessed:	12/02/2016
Description:	To note the corporate plan 2015-16

	Impact			
Economic (please add an 'x' as appropriate)	**Neutral**	**Positive**	**Negative**	**Comments**
Finance (value for money)	☒	☐	☐	The costs of taking forward the corporate plan are built into the draft budget for 2016/17
Other departments and services e.g. office facilities, customer contact	☒	☐	☐	
ICT services	☒	☐	☐	
Economic development	☒	☐	☐	
Financial inclusion	☒	☐	☐	
Social (please add an 'x' as appropriate)	**Neutral**	**Positive**	**Negative**	**Comments**
Safeguarding children and adults	☒	☐	☐	
S17 crime and disorder act 1998	☒	☐	☐	
Human Rights Act 1998	☒	☐	☐	
Health and well being	☒	☐	☐	
Equality and diversity (please add an 'x' as appropriate)	**Neutral**	**Positive**	**Negative**	**Comments**
Relations between groups (cohesion)	☒	☐	☐	

	Impact			
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	☒	☐	☐	The risks of delivering the council's corporate plan are managed in line with the council's risk management strategy

Recommendations from impact assessment
Positive
Negative
Neutral
Issues

APPENDIX

Norwich City Council Corporate Plan 2015-20

NORWICH
City Council

Putting the city and its **people** first

Foreword by the leader

The vital role the city council plays in the life of the city is reflected in the new Corporate Plan that runs for the next five years. This will be against a background of reduced funding from central government – set to continue well into the new Parliament.

In the past five years, Norwich City Council has delivered significant efficiencies, cost reductions and improvements. This has provided a measure of financial stability to enable us to start implementing our revised corporate plan. In part this will be delivered directly by the council; in many areas our priorities will be achieved through working in partnership with others (some of who face financial pressures of their own) to deliver the very best we can for Norwich.

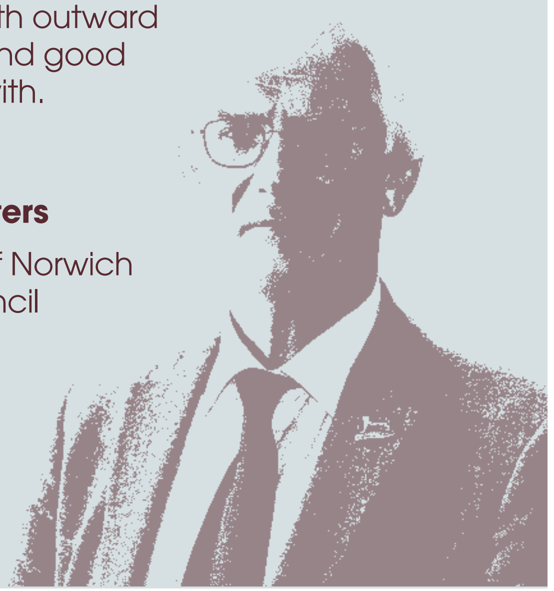
The city council has a civic leadership role and our elected councillors have a mandate and responsibility to represent and work on behalf of their communities for the broader interests of the city.

This corporate plan sets itself the ambition over the next five years to support:

- greater equality across the city so that everyone has a fair chance in life and greater influence for people in their communities
- a strong economy that provides secure employment and well paid work to make Norwich a Living Wage city.
- the availability of good quality training and skills programmes for young people.
- the provision across all housing tenures of access to affordable decent homes that are efficient to run
- communities in keeping safe and clean
- access to free and affordable cultural and leisure activities
- continued energy efficiency improvements to commercial and domestic buildings, the reduction of carbon dioxide emissions, and further improvements to our waste and recycling schemes
- people in accessing the services and information they need through changing technology

A strong, well-funded city council is crucial to the delivery of these objectives. We will continue to argue for a 'fair deal' for Norwich. Despite difficult times we will stay true to our values of equality, protecting the delivery of public services and investing the resources available to us in the city. These are a vital underpinning of a buoyant economy and a decent quality of life for all citizens of Norwich

I want us to be seen by our peers and other organisations across the country as a leading authority, a trusted partner and an organisation that is both outward looking and good to work with.



Alan Waters

Leader of Norwich City Council

Norwich - facts and figures

Norwich has been a success story for almost 1,000 years. It is a modern city with a historic heart. It is vibrant and growing fast. Its economic, social, cultural and environmental influence is out of proportion to its size, and extends far beyond its boundary. Norwich's importance to the people of Norfolk and the wider region is clear.

But it is also a city that hides significant inequality. While it has many positive aspects, it also has many of the severe issues that urban city centres can experience, including poor educational attainment, poor health, and above average crime and antisocial behaviour, although this is reducing.

The council and the city

Norwich City Council is one of four councils that provide services to the city of Norwich, along with Broadland District Council, South Norfolk Council and Norfolk County Council.

The city council is responsible for approximately 60 per cent of the urban area of Norwich, including the historic city centre, covering a population of approximately 135,900 people (Source: 2013 midyear estimates, Office of National Statistics ONS).

Norwich is an innovative, creative city with big ambition for both the place and the people who live here. The fastest growing economy in the east of England, it is home to the headquarters of 50 major companies, is one of the top shopping destinations in the country, and is the regional cultural capital. Yet, in sharp contrast to this, outward economic prosperity, Norwich has a low-wage economy and high levels of deprivation.

Norwich's position as a regional centre means there are high levels of inward travel for work, shopping, cultural and leisure activities. This means that many of the services the city council provides are used by people who live outside of the city, placing additional pressures on council resourcing. However, this must be balanced against the range of benefits this high inward travel provides, including to the local economy and to the council financially through its share of business rates etc.

In the next section there is more detail on the economic, social, health, cultural and environmental picture of Norwich.

Corporate Plan 2015-20

The social picture

- Levels of socio-economic deprivation are the third highest in the region and 70th (out of 326) in England (Source: Index of Multiple Deprivation 2010, Average of Scores)
- 25.2 per cent of housing is council rented, compared to only 5.7 per cent in Norfolk (Source: Census 2011, ONS)
- 88 per cent of school leavers staying on to further education, compared with 90 per cent across Norfolk (Source: Year 11 leavers activity data, Norfolk County Council, Norfolk Insight)
- 7.1 per cent of the working age population is claiming Incapacity Benefit or Severe Disablement Allowance (Source: May 2014, Department of Work and Pensions (DWP) and Norfolk Insight)
- Over the three years to 2014, overall crime reduced by 7.7 per cent (Source: Crime statistics, Norfolk Police)
- For the 12 months ending March 2014 there were 8,200 incidents of anti-social behaviour in Norwich, which was a year-on-year reduction of 7.5 per cent.
- 31.8 per cent of children in Norwich are affected by income deprivation which is the 30th highest percentage nationally. It is the highest percentage of any district council and the highest percentage in the eastern region (Source: Index of Multiple Deprivation 2010, IDACI)

The environmental picture

- Over the lifetime of our Carbon Management Programme, Norwich City Council reduced its carbon emissions by more than 24 per cent (non-weather corrected data) or 29 per cent (weather corrected data). (Source: Norwich City Council)
- University of East Anglia (UEA) and Norwich Research Park are internationally recognised for excellence in environmental, health and life sciences. (Source: UEA Climatic research unit)
- Norwich City Council has increased household recycling and composting to around 38 per cent and reduced residual waste per household. The dry recycling rate (i.e. paper, glass, metals and plastics) for Norwich city council stands at 27.5 per cent. (Sources: Norwich city council/ WasteDataFlow)

The economic picture

- 28 per cent of Norwich's adult population is qualified to degree level and above, higher than the national (27%) and Norfolk (22%) averages. (Census 2011)
- Around 128,000 people work in the Norwich urban area with 48,400 workers commuting to the city each day. (Sources: 2013 Business Register and Employment Survey and 2011 Census)
- 39 per cent of jobs in the county are based in the Norwich urban area. (Source: 2013 BRES)
- Norwich is ranked 13th in the UK as a retail centre and this sector accounts for 13 per cent of employment in the city. (Source: UK Retail footprint, CACI Venuescore)

The cultural picture

- Highest level of culture per capita in the UK. (Source: locallife.co.uk)
- Prime examples of architecture including Norwich 12, the UK's finest collection of heritage buildings in a medieval cityscape. (Source: Norwich Heart)
- Bid shortlisted for UK City of Culture 2013. (Source: UK City of Culture 2013)
- Major sporting facilities including football, athletics, Olympic swimming pool etc. (Source: Norwich City Council)
- Three regional media businesses (BBC, Anglia and Archant). (Source: Norwich City Council)
- High-profile arts calendar including the Norfolk and Norwich Festival, the largest festival in the country. (Source: Norwich City Council)
- Writers' Centre Norwich delivering world-class literary events. (Source: Norwich City Council)
- Norwich has been awarded UNESCO City of Literature status. The first city in England to achieve this. (Source: Norwich City Council)
- Highly regarded arts institutions including Norwich Castle Museum and Art Gallery, Norwich University College of the Arts and the Sainsbury Centre for Visual Arts. (Source: Norwich City Council)
- Five theatres, including the Theatre Royal – the most successful regional theatre in the UK. (Source: Norwich City Council)
- 75 formal play areas and 17 all-weather games areas. (Source: Norwich City Council)

The health picture

- The health picture overall for Norwich is mixed, though average life expectancy is close to the national average for men and slightly above the national average for women. (Source: Health Profiles 2014, Public Health England)
- But this masks differences within the city, for example men in the most deprived areas have an average life expectancy that is nine years shorter than in the least deprived areas. For women the difference is four years. (Source: LG Inform Plus/ Public Health England)
- Many key health measures are significantly worse in Norwich than in the rest of the county. (Source: Health Profiles 2014, Public Health England)
- Significant health issues with high levels of teenage pregnancy, mental health problems and drug and alcohol misuse. (Source: Health Profiles 2014, Public Health England)
- Low levels of malignant melanoma and diabetes. Fewer obese adults. (Source: Health Profiles 2014, Public Health England)
- Lower than average children's population, and higher proportions in the younger adult age ranges (16 to 24 and 25 to 39). (Source: 2013 mid-year population estimates, ONS)
- Lower than average road deaths and injuries. (Source: Health Profiles 2014, Public Health England).

Strategic direction of the council

The council's strategic direction sets out our overall vision, priorities and values for the next five years. This will guide everything we will do as an organisation and how we will go about it. The strategic direction is shown in the diagram on the next page and covers the following 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.

Taken together these summarise what we promise to do and be as a council over the next five years for the city and its residents.

Our strategic direction has been 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 eg economic, social, environmental etc.

d) Discussions with councillors including an all councillor workshop.

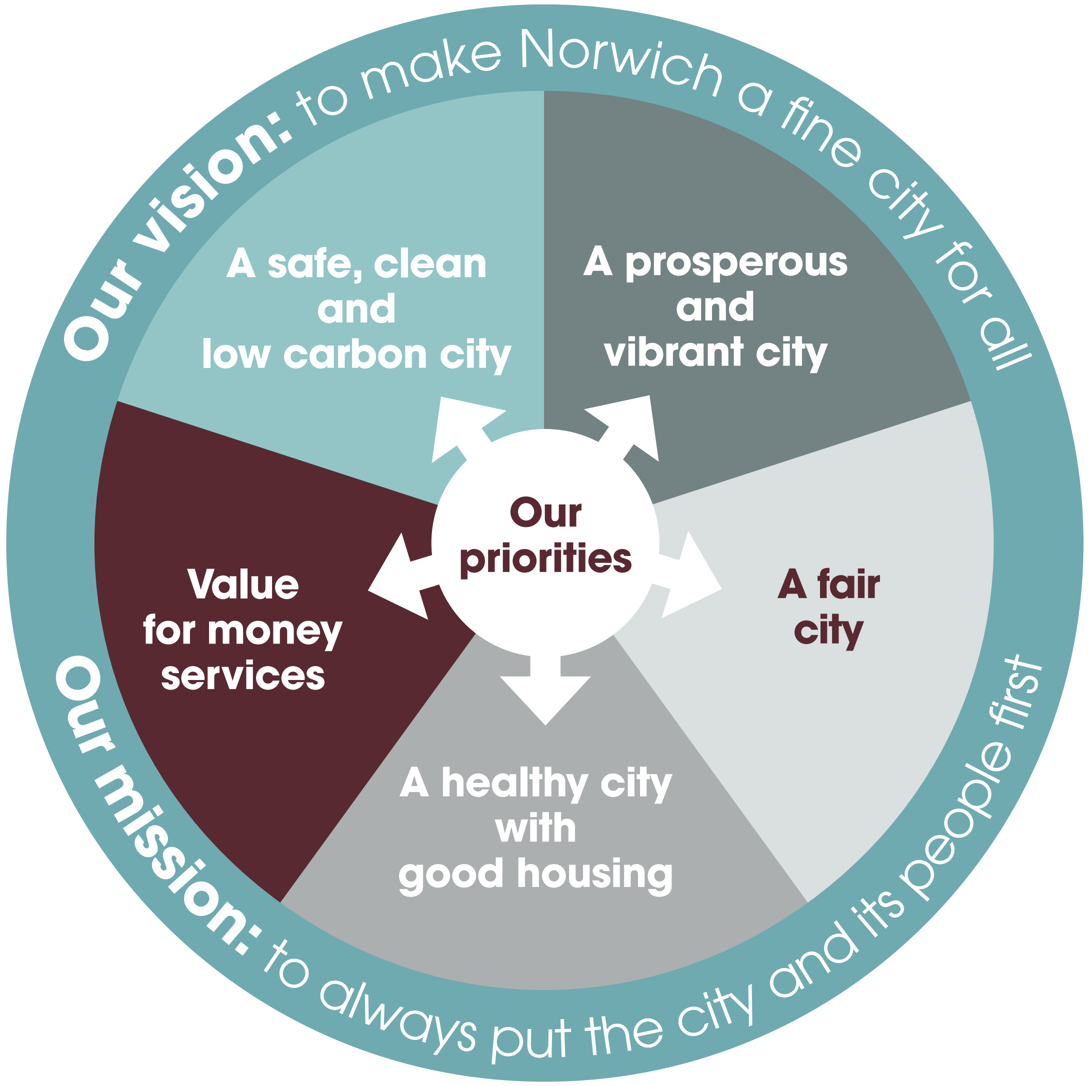
e) Specific discussions with partner organisations

f) Consultation with citizens and organisations in the city.

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

The council's 'blueprint' a separate document that can be found on our website at **www.norwich.gov.uk** and guides how we organise ourselves to deliver the priorities.

Council priorities



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.

Our priority

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.

To support this priority we will work with our citizens and partners to enable and deliver the following key actions over the next five years:

- To maintain street and area cleanliness.
- To provide efficient and effective waste collection services and reduce the amount of waste sent to landfill.
- To work effectively with the police to reduce anti-social behaviour, crime and the fear of crime.
- To protect residents and visitors by maintaining the standards of food safety.
- To maintain a safe and effective highway network in the city and continue to work towards 20mph zones in residential areas.
- To mitigate and reduce the impact of climate change wherever possible and protect and enhance the local environment including biodiversity.
- To reduce the council's own carbon emissions through a carbon management programme.

Our priority

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.

To support this priority we will work with our citizens and partners to enable and deliver the following key actions over the next five years:

- To support the development of the local economy and bring in inward investment through economic development and regeneration activities.
- To advocate for an effective digital infrastructure for the city.
- To maintain the historic character of the city and its green heritage through effective planning and conservation management.
- To provide effective cultural and leisure opportunities for people in the city and encourage visitors and tourists.

Our priority

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.

To support this priority we will work with our citizens and partners to enable and deliver the following key actions over the next five years:

- To reduce financial and social inequalities
- To advocate for a living wage
- To encourage digital inclusion so local people can take advantage of digital opportunities
- To reduce fuel poverty through a programme of affordable warmth activities

Our priority
A healthy city with good housing

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

To support this priority we will work with our citizens and partners to enable and deliver the following key actions over the next five years:

- To deliver our annual Healthy Norwich action plan with our key partners to improve health and wellbeing.
- To support the provision of an appropriate housing stock including bringing long term empty homes back into use and building new affordable homes.
- To prevent people in the city from becoming homeless through providing advice and alternative housing options.
- To improve the council's own housing stock through a programme of upgrades and maintenance and provide a good service to tenants.
- 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 through provision of a home improvement agency.

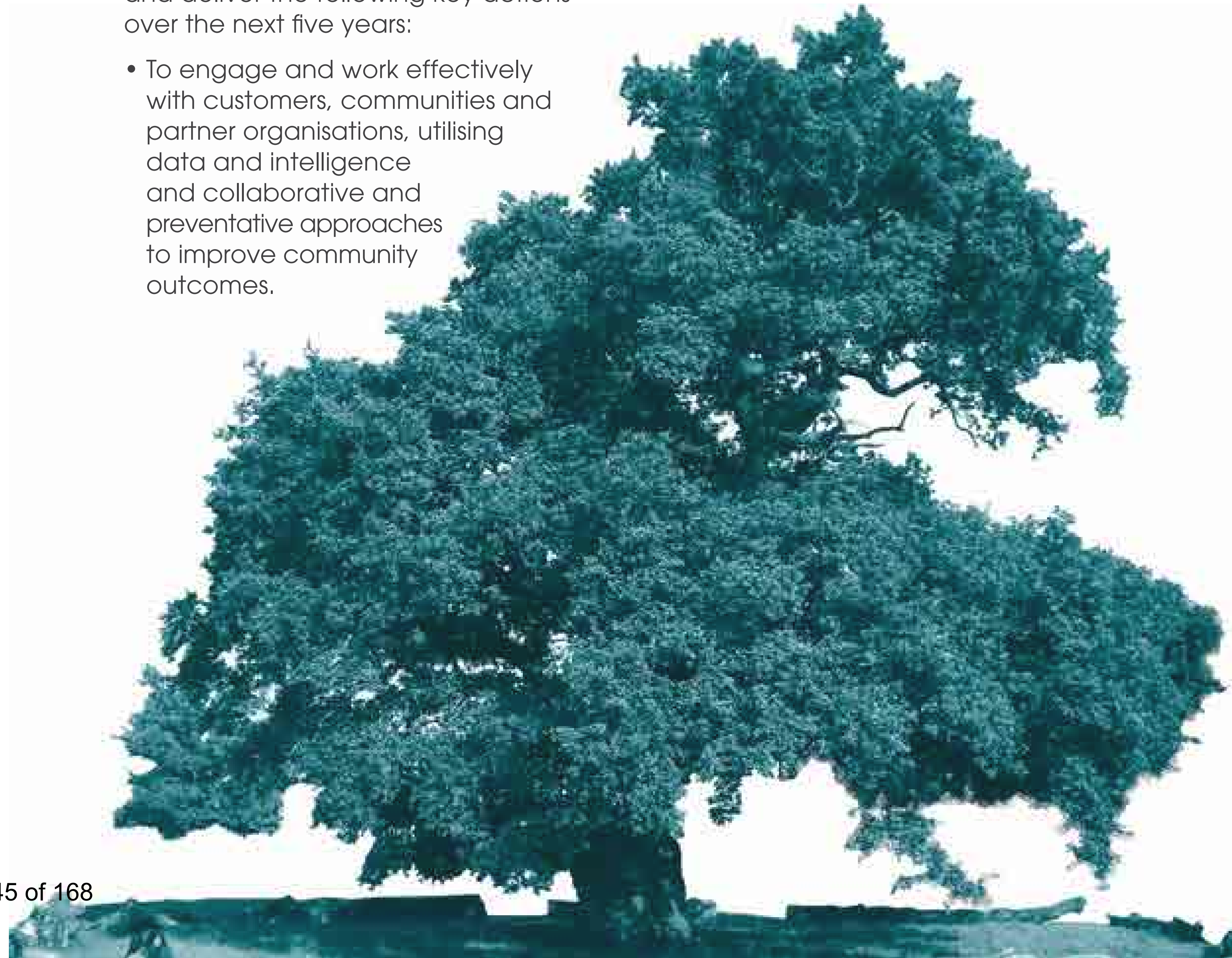
The council is also committed to keeping the housing stock council owned and run and not to initiate a transfer process to a housing association. It is also committed to explore and, where possible in the future, take advantage of the ideas and opportunities suggested within the Lyons Housing Review.

Our priority
Value for money services

The council is committed to ensuring the provision of efficient, effective and quality public services to residents and visitors. Whilst we will continue to face considerable 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.

To support this priority we will work with our citizens and partners to enable and deliver the following key actions over the next five years:

- To engage and work effectively with customers, communities and partner organisations, utilising data and intelligence and collaborative and preventative approaches to improve community outcomes.
- To continue to reshape the way the council works to realise our savings target and improving council performance wherever possible.
- To improve the efficiency of the council's customer access channels.
- To maximise council income through effective asset management, trading and collection activities.



Key perfomance 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, utilising data and intelligence and 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	To advocate for a living wage	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 anti-social behaviour, crime and the fear of crime	To maintain the historic character of the city and its green heritage through effective planning and conservation management	To encourage digital inclusion so local people can take advantage of digital opportunities	To prevent people in thecity from becoming homeless through 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 own 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 through provision of a home improvement agency	
	To mitigate and reduce the impact of climate change wherever possible and protect and enhance the local environment including biodiversity				
	To reduce the council's own carbon emissions through a carbon management programme				

Putting the city and its **people** first 21

Key perfomance 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**	
HOW WE MEASURE WHAT WE ARE ACHIEVING **(KEY PERFORMANCE MEASURES)**	% 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 saying debt issues had become manageable following face to face 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 achieves savings targets
	% of people feeling safe	Residual household waste per household (Kg)	Number of new business start ups	Amount of funding secured by the council for regeneration activity	% increase in the number of contractors, providers and partner organisations paying their employees a living wage	Delivery of the digital inclusion action plan	Number of long term empty homes brought back into use	Number of new affordable homes delivered on council land or purchased from developers	% of council partners satisfied with the opportunities to engage with the council	Avoidable contact level
	% of food businesses achieving safety compliance	% of residential homes on a 20mph street	Planning quality measure	Provision of free wi-fi in city centre	Number of private sector homes where council activity improved energy efficiency	Timely processing of benefits	Preventing homelessness	People who feel that the work of the home improvement agency has enabled them to maintain independent living	Channel shift measure	% of income owed to the council collected
	Number of accident casualties on Norwich roads	% of adults living in the city council's area who cycle at least once per week	Delivery of the heritage investment strategy action plan	% of people satisfied with leisure and cultural facilities			% of council properties meeting Norwich standard	% of people satisfied with the housing service	% of income generated by the council compared to expenditure	% of customers satisfied with the opportunities to engage with the council
KEY SERVICES CONTRIBUTING	Reduction in CO2 emissions for the Norwich area	Reduction in CO2 emissions from local authority operations	Number of visitors to the city				Number of private sector homes made safe			Delivery of local democracy engagement plan
	% of people satisfied with parks and open spaces									
	% of people satisfied with their local environment									

Corporate Plan 2015-20

For each of the key performance measures the council sets targets it aims to achieve. These are set out in detail in service plans and progress is reported on these to as part of the performance report to the council's cabinet and scrutiny committee. Specific targets for 2018/19 and 2019/20 will be developed as part of the annual review of the plan in 2016/17.

KEY PERFORMANCE MEASURES	TARGETS		
	2015\16	2016\17	2017\18
Council priority- Safe, clean and low carbon city			
% of streets found clean on inspection	94%	94%	94%
% of people satisfied with waste collection	85%	85%	85%
% of people feeling safe	76%	77%	78%
Residual household waste per household (Kg)	420	396	375
% of food businesses achieving safety compliance	90%	90%	90%
% of residential homes on a 20mph street	30%	38%	45%
Number of accident casualties on Norwich roads	Less than 400	Less than 400	Less than 400
% of adults living in the city council's area who cycle at least once per week	23%	25%	27%
Reduction in CO2 emissions for the local area	2.4%	2.4%	2.4%
Reduction in CO2 emissions from local authority operations	2.2%	2.2%	2.2%
% of people satisfied with parks and open spaces	75%	75%	75%
Percentage of people satisfied with their local environment	75%	78%	80%

KEY PERFORMANCE MEASURES	TARGETS		
	2015\16	2016\17	2017\18
Council priority – Prosperous and vibrant city			
Number of new jobs created/ supported by council funded activity	300	300	300
Delivery of the council's capital programme (encompassing all key regeneration projects)	Yes on target	Yes on target	Yes on target
Amount of funding secured by the council for regeneration activity	£250,000	£250,000	£250,000
Number of new business start ups	100	100	100
Provision of free wi-fi in city centre	Yes	Yes	Yes
Planning service quality measure	Options for this are still being explored with the national Planning Advisory Service. Final targets will be taken to scrutiny and cabinet for consideration.		
Delivery of the heritage investment strategy action plan	Yes on target	Yes on target	Yes on target
% of people satisfied with leisure and cultural facilities	85%	90%	95%
Number of visitors to the city	10,927,000	11,200,000	11,424,000

KEY PERFORMANCE MEASURES	TARGETS		
	2015\16	2016\17	2017\18
Council priority – Fair city			
Delivery of the reducing inequalities action plan	Yes on target	Yes on target	Yes on target
% of people saying debt issues had become manageable following face to face advice	84%	86%	88%
Delivery of the digital inclusion action plan	Yes on target	Yes on target	Yes on target
Timely processing of benefits	100%	100%	100%
Number of private sector homes where council activity improved energy efficiency	150	150	150
% increase in the number of contractors, providers and partner organisations paying their employees a living wage	10%	12%	14%

KEY PERFORMANCE MEASURES	TARGETS		
	2015\16	2016\17	2017\18
Council priority – Healthy city with good housing			
Delivery of the Healthy Norwich action plan	Yes on target	Yes on target	Yes on target
Relet times for council housing	16 days	16 days	16 days
Number of long term empty homes brought back into use	20	20	20
Number of new affordable homes developed on council land or purchased from developers	80	180	320
Preventing homelessness	50%	55%	60%
Percentage of people who feel that the work of the home improvement agency has enabled them to maintain independent living	90%	90%	90%
% of council properties meeting Norwich Standard	97%	97%	97%
% of people satisfied with the housing service	77%	77%	80%
Number of private sector homes made safe	100	100	100

KEY PERFORMANCE MEASURES	TARGETS		
	2015\16	2016\17	2017\18
Council priority – Value for money services			
% of residents satisfied with the service they received from the council	93%	93%	93%
Council achieves savings targets	£2.3m	£2.3m	£2.3m
% of council partners satisfied with the opportunities to engage with the council	80%	80%	80%
Avoidable contact levels	15%	15%	15%
Channel shift measure	5%	10%	20%
% of income owed to the council collected	95%	95%	95%
% of income generated by the council compared to expenditure	43.2%	44.2%	45.2%
% of customers satisfied with the opportunities to engage with the council	50%	52%	54%
Delivery of local democracy engagement plan	Yes	Yes	Yes

Delivering the plan

This document sets out the overall strategic direction for the council in the 2015-20 period. This plan is underpinned by a range of strategic and operational plans, which set out in more detail how our vision and priorities will be delivered. These plans contain more specific targets, which are allocated to teams, contractors and employees to deliver.

Progress against targets is monitored and reviewed regularly through the council's performance management framework. This includes monthly performance reports to portfolio holders.

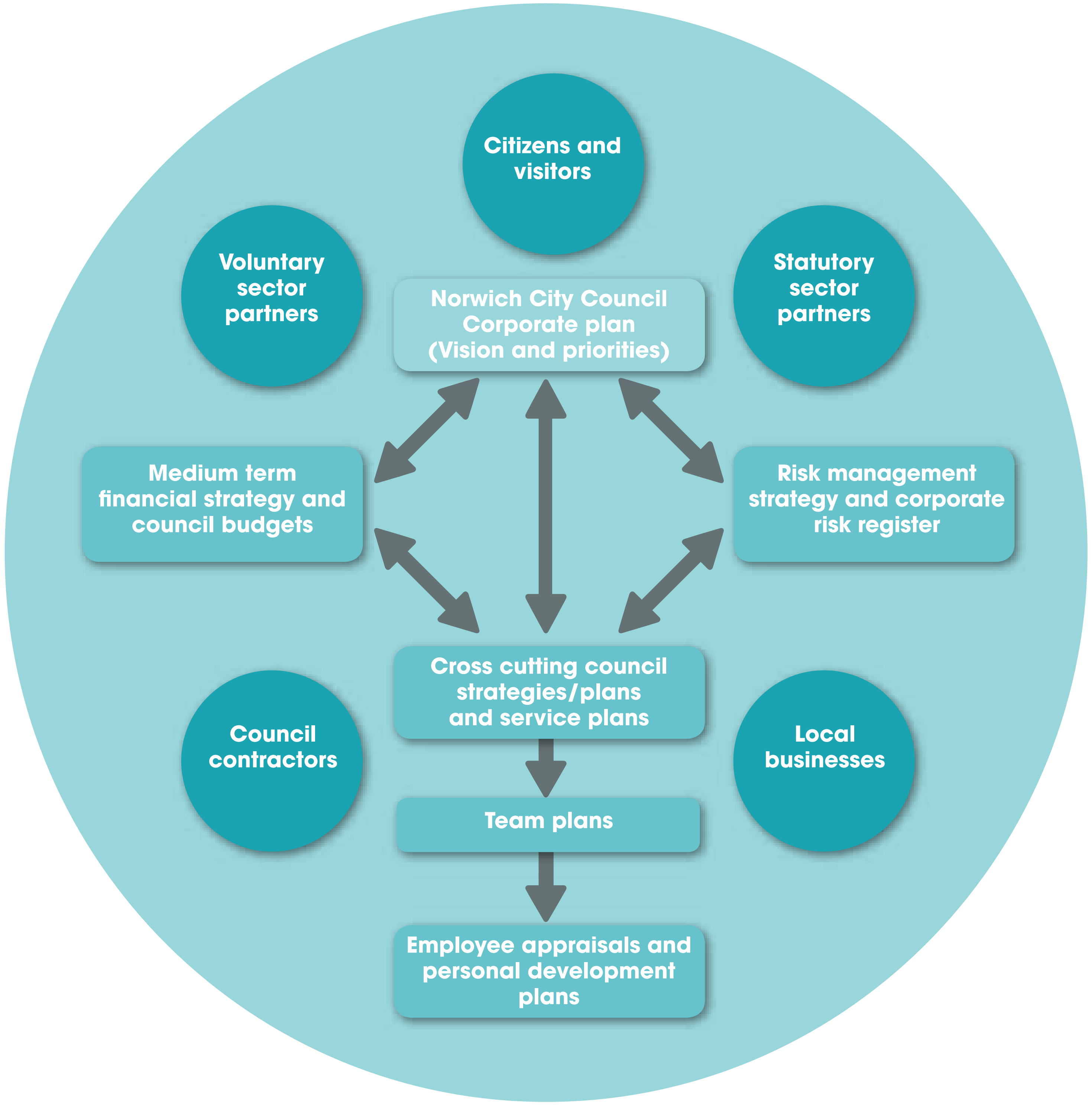
Overall progress on delivering the corporate plan is then formally reported quarterly to the council's cabinet and scrutiny committee. The council also publishes an annual performance review as part of its statement of the accounts. This can be found on the council's website at www.norwich.gov.uk.

This Corporate Plan 2015-20 sits alongside the council's budgets and Medium Term Financial Strategy. These documents ensure that resources are available for the delivery of the corporate plan.

The Corporate Plan 2015-20 also links closely to the council's risk management strategy and corporate risk register. The council has a comprehensive approach to risk management which ensures that all strategic risks are appropriately identified, managed and mitigated against.

The diagram on the next page summarises how our priorities, actions and performance targets are delivered through delivery plans, financial plans and agreed staff actions.

Corporate plan delivery structure



NORWICH
City Council

DPP10637 / Feb 2016

Report to	Council	
	23 February 2016	Item 5
Report of	Chief finance officer	
Subject	General fund revenue budget and non-housing capital programme 2016-17	

Purpose

To consider the budget and budgetary requirement, council tax requirement, level of council tax for 2016-17 and the non-housing capital programme 2016-17 to 2020-21.

Recommendations

a) To approve cabinet's recommendations of 3 February for the 2016-17 financial year:

   i) that the council's budgetary requirement for the 2016-17 financial year be set to £16.120m (para 6.1 in annex A);

   ii) that the proposed general fund budgets for 2016-17 be approved, taking into account the savings, income and other budget movements set out in appendices 2 and 5;

   iii) that the council's council tax requirement for 2016-17 be set at £8.495m and that council tax be set at £244.01 for Band D, which is an increase of 1.95% (para 5.5 in annex A), the impact of the increase for all bands is shown in table 7.2 of annex A;

   iv) that the Norwich City Council precept on the council tax collection fund for 2016-17 be set at £8.375m calculated in accordance with Sections 32-36 of the Local Government Finance Act 1992 as amended by the Localism Act 2011 (as shown in para 7.1 of annex A);

   v) that the prudent level of reserves for the council be set at £4.273m in accordance with the recommendation of the Chief finance officer (as shown in para 8.11 of annex A); and

   vi) that the proposed non-housing capital programme 2016-17 to 2020-21 (as shown in table 10.3 of annex A) be approved.

b) To approve that the aggregate 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 2016-17 and the non-housing capital programme for 2016-17 to 2020-21.

Ward/s: All wards

Cabinet member: Councillor Stonard – resources and income generation

Contact officers

Justine Hartley, chief finance officer	01603 212440
Hannah Simpson, group accountant	01603 212561

Background documents

None

Report

1. Cabinet considered a report (annex A) at its meeting of 3 February, and approved recommendations to council as follows:

    a) that the council's budgetary requirement for the 2016-17 financial year be set to £16.120m (para 6.1);

    b) that the proposed general fund budgets for 2016-17 be approved, taking into account the savings, income and other budget movements set out in the report and appendices 2 and 5;

    c) that the council's council tax requirement for 2016-17 be set at £8.495m and that council tax be set at £244.01 for Band D, which is an increase of 1.95% (para 5.5), the impact of the increase for all bands is shown in table 7.2;

    d) that the precept on the council tax collection fund for 2016-17 be set at £8.375m calculated in accordance with Sections 32-36 of the Local Government Finance Act 1992 as amended by the Localism Act 2011 (as shown in para 7.1);

    e) that the prudent level of reserves for the council be set at £4.273m in accordance with the recommendation of the Chief finance officer (as shown in para 8.11); and

    f) that the proposed non-housing capital programme 2016-17 to 2020-21 (as shown in table 10.3) be approved.

2. Since the drafting of budgets for consideration by cabinet, the government has now issued the finalised Formula Settlement Grant confirming the figure for the council for the 2016-17 Revenue Support Grant and New Homes Bonus. There are no changes in the grant amounts announced and the chief finance officer does not consider any amendments to the proposed budgets reviewed by cabinet are required as a result of these recent announcements.

3. 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	1.95
Norfolk County Council	3.99
Office of the Police and Crime Commissioner for Norfolk	1.98

4. The precepts for Norfolk County Council and the Office of the Police and Crime Commissioner for Norfolk are anticipated to be confirmed at their meetings on 22nd February and 16th February respectively. Any changes to the proposed precepts will be presented to Council in an update of Annex B.

ANNEX A

Report to	Cabinet
	3 February 2016
Report of	Chief finance officer
Subject	General fund revenue budget and non-housing capital programme 2016-17

Report

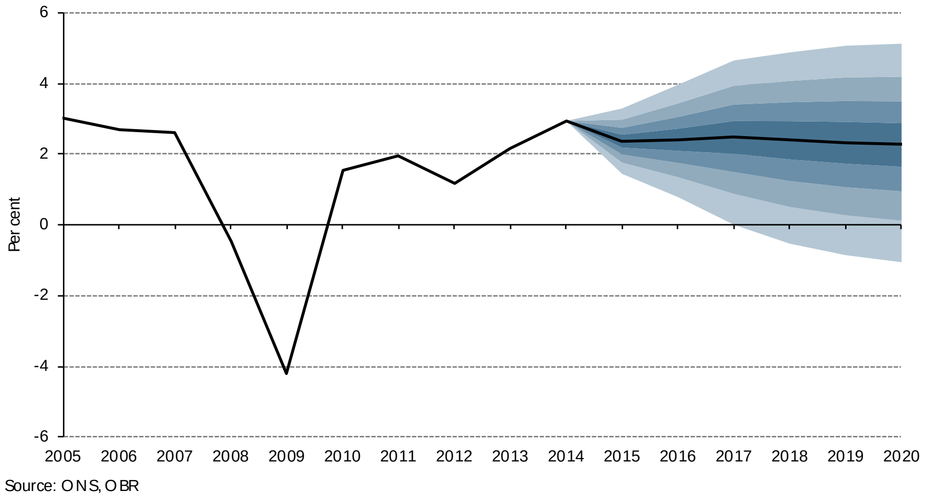
1. Contents of report

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

2. Budgetary context

2.1 The OBR's GDP growth forecast remains unchanged in 2015 at 2.4 per cent. Growth in 2016 and 2017 has been revised up by 0.1 percentage points in each year. In 2016, that mainly reflects the Government's decision to ease the pace of fiscal tightening. OBR have also revised GDP growth down in 2020 because of the effect of population ageing on the employment rate. The return of inflation to near the Bank of England's 2 per cent target is expected to be a little faster than expected in July, with inflation forecast to reach 1.8 per cent by the second half of 2017.

Figure 2.1: Real GDP growth fan chart November 2015 (Source: OBR)

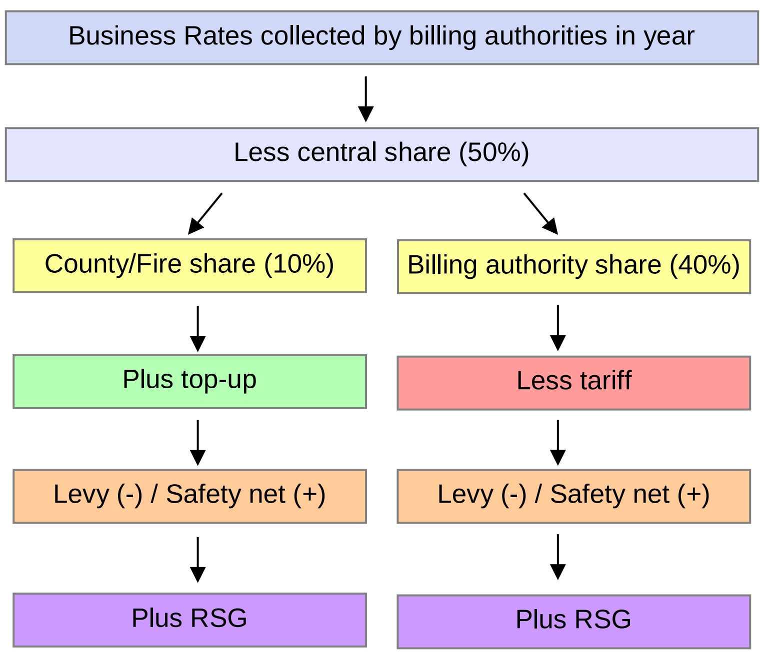


2.2 The OBR currently expects the Public Sector Net Borrowing (PSNB) deficit to continue falling, and the budget to move into surplus in 2019-20.

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

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

Diagram 2.2: Business rates retention scheme



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

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

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

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

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

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

3. Medium Term Financial Strategy (MTFS)

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

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

3.3 A net reduction for 2016-17 of £0.935m has now been included within the budget. The MTFS shows a need to make further net savings of £10.3m over the next 5 years, which following the "smoothed" approach equates to £2.3m each year to 2020-21 with saving reduced to £1.1m in 2021/22. This is consistent with the £2.3m of savings set out in the 2015/16 budget papers.

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

3.5 Payroll-related inflation has been estimated at 3.2%, to include estimates for an annual pay settlement, payroll drift, the impact of the Living Wage and increases in pension contributions. Additional estimates have been included for expected increases to pension deficit contributions. Inflation has been allowed for on premises costs, supplies and services and transport at 2.0%, to reflect forecast changes in CPI.

3.6 Specific grant figures have been confirmed by the Department for Communities & Local Government for 2016-17. Grants for future years have been estimated at 2016-17 levels, except for New Homes Bonus and Housing Benefit / CTS Administration Grants. There is a significant level of uncertainty around the future of the New Homes Bonus grant which is subject to consultation at the current time. Whilst current allocations of the grant have been left in, they have been reduced to 4 years duration as proposed in the consultation and no new allocations of New Homes Bonus grant have been anticipated at this time until the outcome of the consultation is known. In addition, Housing Benefit and Local Council Tax Support Administration Grants, have been assumed to decrease by 5% per year. The MTFS assumes no increases in Council Tax beyond that recommended in this report for 2016-17.

3.7 The table below shows the proposed budget for 2016-17 and the medium term financial projections for the 5 years to 2021/22.

Table 3.1: Budget 2016-17 and medium term financial projections for 5 years to 2021/22

	2016-17 Year 1 £000s	2017/18 Year 2 £000s	2018/19 Year 3 £000s	2019/20 Year 4 £000s	2020-21 Year 5 £000s	2021/22 Year 6 £000s
Employees	£17,832	£18,186	£19,487	£20,690	£21,243	£21,813
Premises	£9,573	£9,848	£10,131	£10,421	£10,721	£11,029
Transport	£273	£280	£287	£294	£302	£309
Supplies & Services	£15,710	£16,121	£16,281	£16,721	£17,173	£17,638
Capital Charges	£1,799	£1,716	£1,744	£1,772	£1,800	£1,829
Transfer Payments	£63,724	£63,724	£63,724	£63,724	£63,724	£63,724
Third Party Payments	£7,081	£7,086	£7,090	£7,095	£7,099	£7,104
Centrally Managed	£1,122	£1,152	£1,183	£1,215	£1,248	£1,282
Recharge Expenditure	£16,649	£16,751	£16,854	£16,958	£17,064	£17,170
Recharge Income	-£24,028	-£24,121	-£24,216	-£24,312	-£24,409	-£24,507
In-Year Savings	£0	£0	£0	£0	£0	£0
Receipts	-£24,384	-£24,964	-£25,559	-£26,167	-£26,791	-£27,429
Government Grants:	-£69,682	-£66,303	-£65,807	-£65,423	-£64,960	-£64,899
New Homes Bonus	-£2,756	-£1,142	-£717	-£400	£0	£0
PFI Grant	-£1,429	£0	£0	£0	£0	£0
Benefit Subsidy	-£63,755	-£63,755	-£63,755	-£63,755	-£63,755	-£63,755
Benefit/CTS Admin Grant	-£1,071	-£1,018	-£967	-£919	-£873	-£829
Other Government Grants	-£671	-£388	-£368	-£350	-£332	-£316
Subtotal budgets	**£15,669**	**£19,476**	**£21,199**	**£22,987**	**£24,214**	**£25,062**
Savings	0	-£2,321	-£4,642	-£6,963	-£9,284	-£10,334
Contribution to/(from) bals	£451	-£1,871	-£1,714	-£1,696	-£555	-£86
Budget requirement	**£16,120**	**£15,284**	**£14,843**	**£14,328**	**£14,375**	**£14,642**
Share of NNDR (Baseline)	-£4,869	-£5,104	-£5,268	-£5,436	-£5,610	-£5,790
Council Tax Freeze Grants	£0	£0	£0	£0	£0	£0
Formula Funding	-£2,756	-£1,671	-£982	-£213	£0	£0
Council Tax Requirement	-£8,495	-£8,509	-£8,593	-£8,679	-£8,765	-£8,852
Total funding	**-£16,120**	**-£15,284**	**-£14,843**	**-£14,328**	**-£14,375**	**-£14,642**

New savings (smoothed)		**£2,321**	**£2,321**	**£2,321**	**£2,321**	**£1,050**

Balance brought forward	**-£10,575**	**-£11,026**	**-£9,155**	**-£7,441**	**-£5,745**	**-£5,190**
Contributions (to)/from I&E	-£451	£1,871	£1,714	£1,696	£555	£86
Balance carried forward	**-£11,026**	**-£9,155**	**-£7,441**	**-£5,745**	**-£5,190**	**-£5,104**
Relative to controllable spend	*24%*	*20%*	*16%*	*12%*	*10%*	*10%*

4. Preparation of the 2016-17 budget

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

4.2 In October cabinet considered an initial list of income and savings options and agreed for further work to be carried out to progress these.

4.3 In line with the approach used in previous years, cabinet agreed to consult the public on the proposed approach to meeting the savings target for 2016-17. It was also agreed to consult the public on the potential for a council tax rise.

4.4 The consultation closed on 8 January 2016. An analysis of the results of the consultation can be found at Appendix 1. The results showed that of the people who completed the consultation and answered the questions 68% supported a proposed council tax increase.

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

4.6 A final list of the key income and savings projects that have been developed through the transformation programme and are now included in the proposed budget for 2016-17 as set out at Appendix 2. They amount to just over £3.5m.

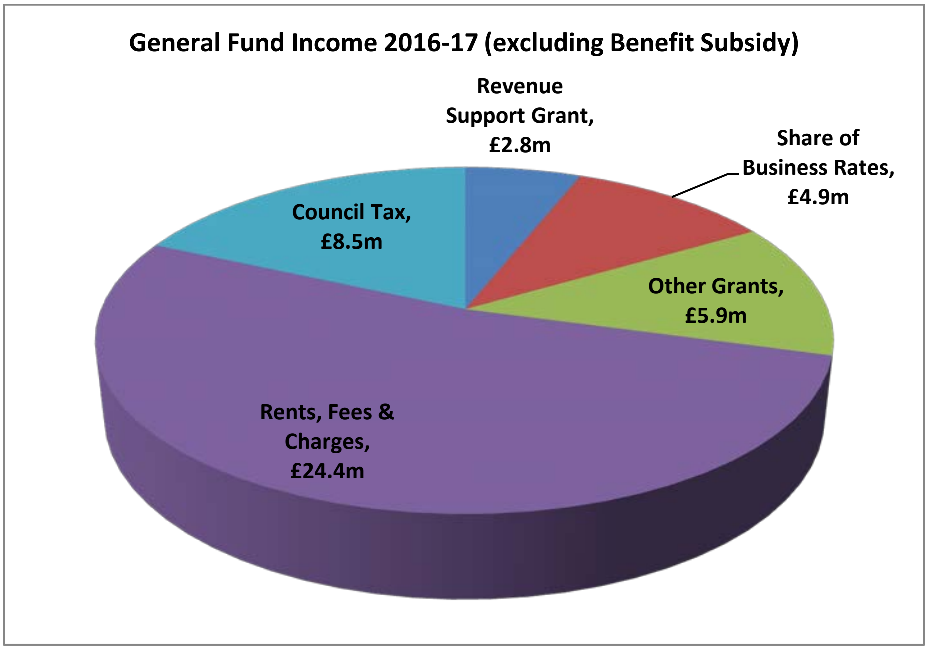
4.7 The changes resulting from the savings would further reduce the council's overall capacity. However, they should not significantly impact the services that the public receive from the council for 2016-17. This further demonstrates the success of the council's ongoing approach to developing savings and income, particularly given that fact that the council has already delivered approximately £27m of recurring revenue savings over the last six years.

4.8 The overall package of proposed income and savings alongside all the other upward and downward budget movements and proposals within this report would result in a net reduction of £3.085m in 2016-17.

5. **Budgetary resources**

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

Diagram 5.1: Council income excluding benefit subsidy 2016-17



5.2 The total of £37.8m raised locally (through business rates, council tax and rents, fees and charges) amounts to 81% of this income, whilst the £8.7m of central government funding (RSG and other grants) amounts to 19%.

Table 5.3 Formula and other grants 2015/16 and 2016-17

	2015/16 £000s	**2016-17 £000s**	**% change**
Revenue Support Grant (RSG)	4,096	2,756	-33%
Business Rates	4,645	4,870	5%
Formula funding	**8,741**	**7,626**	**-13%**
New Homes Bonus	2,356	2,756	17%
Local Council Tax Support / Housing Benefit Administration Grant	1,227	1,071	-13%
Private Finance Initiative (PFI) Grant	1,429	1,429	0%
Other grants	503	671	33%
Total grant funding	**14,256**	**13,553**	**-5%**

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

5.4 In addition to the formula grant, the budgetary requirement is funded by council tax collected by the council. Any increase in the level of council tax is limited by referendum principles. For 2016-17 a 2% limit on increases was announced as part of the provisional settlement.

5.5 The draft budget proposals are based on an increase of 1.95%, and a rate of £244.01 per Band D property. The calculation of the recommended Council Tax Requirement and derivation of the Council Tax Precept are shown in Section 7.

6. **Budgetary requirement – income and expenditure**

6.1 To achieve a balanced budget, the total movements in the budgets must equal the movements in budgetary resources as shown in the MTFS. The following tables show the available budgetary resources for 2016-17 and the movements in budgets by Service Area proposed to maintain spend within available resources.

Table 6.1a: Budgetary resources 2016-17

	£000s
Formula funding 2015/16	(4,096)
Business rates 2015/16	(4,645)
Council tax 2015/16	(8,315)
Budgetary resources 2015/16	**(17,056)**
- Decrease in formula funding	1,340
+ Increase in business rates	(225)
+ Increase in council tax	(179)
+ Movement 2015/16 to 2016-17	**935**
= Formula funding 2016-17	(2,756)
= Business rates 2016-17	(4,870)
= Council tax 2016-17	(8,494)
= Budgetary resources 2016-17	**(16,120)**

Table 6.1b: Movement in budget requirement 2015/16 to 2016-17 by Service Area

	Base	Adj to Base	Inflation	Grants	Trans Savings /Income	Trans Growth	Transfers	Other	Total
								-	
Chief Executive	-	- 5	5	-	-	-	-	- 0	- 0
Chief Executive	**-**	**- 5**	**5**	**-**	**-**	**-**	**-**	**- 0**	**- 0**
	-	-						-	-
Business Relationship Management	1,524	1,309	82	- 330	- 266	-	- 656	- 0	1,663
Finance	- 2,095	-	-	132	- 969	161	463	- 155	- 2,463
Procurement & Service Improvement	- 0	266	61	-	- 658	100	232	- 0	- 0
Democratic Services	292	- 14	16	-	- 22	103	-	- 0	375
Business Relationship Management	**- 278**	**1,561**	**159**	**- 198**	**- 1,915**	**363**	**38**	**- 156**	**- 425**
	-	-						-	-
Communications & Culture	2,139	43	79	-	- 80	-	29	- 1	2,209
Customer Contact	- 93	- 22	70	-	- 93	-	77	- 0	- 61
Customers, Communication & Culture	**2,046**	**21**	**149**	**-**	**- 173**	**-**	**106**	**- 1**	**2,148**
									-
Neighbourhood Housing	2,315	- 10	76	-	-	-	- 97	- 0	2,284
Neighbourhood Services	2,423	- 18	46	-	- 251	36	- 70	- 11	2,155
Citywide Services	10,056	- 74	228	-	- 346	63	- 128	- 9	9,790
Human Resources	- 1	- 12	8	-	- 15	20	-	- 0	0
Strategy & Programme Management	- 0	- 58	17	-	-	-	41	- 0	0
Strategy, People & Neighbourhoods	**14,793**	**- 171**	**375**	**-**	**- 612**	**118**	**- 253**	**- 21**	**14,229**
	-	-						-	-
Regeneration & Development	-	- 8	8	-	-	-	-	- 0	- 0
City Development	- 1,214	- 254	260	-	- 791	617	- 38	3	- 1,417
Planning	1,448	- 11	113	-	- 195	45	- 36	- 37	1,327
Property Services	262	- 196	6	-	-	4	183	-	259
Environmental Strategy	-	20	5	-	- 25	-	-	- 0	0
Regeneration & Development	**496**	**- 448**	**391**	**-**	**- 1,011**	**666**	**109**	**- 35**	**168**
									-
Total	**17,056**	**958**	**1,079**	**- 198**	**- 3,711**	**1,148**	**- 0**	**- 212**	**16,120**

6.2 Movements in budget for each type are detailed in Appendix 2.

6.3 The following table shows the proposed budget for 2016-17 analysed by type of expenditure or income (subjective group) compared to 2015/16.

Table 6.3: Proposed budget analysis 2016-17 by subjective group

Subjective group	Budget 2015/16 £000s	Budget 2016-17 £000s	Change £000s
Employees	17,381	17,832	451
Premises	9,209	9,573	364
Transport	272	273	1
Supplies & services	15,313	15,710	397
Third party payments (shared services)	7,531	7,081	(450)
Transfer payments	68,534	63,724	(4,810)
Capital financing	3,526	3,372	(154)
Recharge expenditure	18,178	16,649	(1,529)
Subtotal expenditure	**139,944**	**134,214**	**(5,730)**
Government grants	(73,277)	(69,682)	3,595
Receipts	(24,454)	(24,384)	70
Recharge income	(25,157)	(24,028)	1,129
Subtotal income	**(122,888)**	**(118,094)**	**4,794**
Total Budgetary Requirement	**17,056**	**16,120**	**(936)**

7. Council tax & precept

7.1 The following table shows the calculation of the level of council tax with the recommended increase of 1.95%

Table 7.1: Council Tax calculation 2016-17

	No.	£
Budgetary requirement		**16,120,453**
- Formula grant		-2,755,714
- NNDR Distribution		-4,870,113
= Council tax requirement		**8,494,626**
- Surplus on collection fund		-119,715
= Council tax precept		**8,374,911**
Band D Equivalent properties	34,322	
Council tax (Band D)		**244.01**

7.2 The following table shows the impact of the proposed increase for each council tax band on the Norwich City Council share of total council tax. The full proposed new council tax will be set once we have confirmation from Norfolk County Council and the Office of the Police and Crime Commissioner for Norfolk on any increases they may apply for 2016-17. The figures shown will be reduced, for qualifying council tax payers, by the council's discount scheme which replaced the council tax benefit system.

Table 7.2: Council tax increases 2015/16 to 2016-17, Bands A to H

Band	A	B	C	D	E	F	G	H
2015/16	£159.56	£186.15	£212.75	£239.34	£292.53	£345.71	£398.90	£478.68
Increase	£3.11	£3.63	£4.15	£4.67	£5.71	£6.75	£7.78	£9.34
2016-17	£162.67	£189.79	£216.90	£244.01	£298.23	£352.46	£406.68	£488.02

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

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

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

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

8.4 There are also risks around future grant and business rates incomes. In particular, there is significant uncertainty around the future of the New Homes Bonus grant which is currently the subject of a consultation on its future. There is also uncertainty over business rates income going forward with the move to 100% retention of business rates by Local Government by 2020. This will bring with it risks and uncertainties particularly those associated with changes in the economic climate and uncertainties from the appeals system for business rates.

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

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

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

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

8.9 The council holds two types of general fund reserves:

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

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

8.11 A risk assessment has been undertaken to determine the level of non-earmarked general reserves required by the council. In making a recommendation for the level of reserves the Chief finance officer has followed guidance in the CIPFA LAAP Bulletin 77 – Guidance notes on Local Authorities Reserves and Balances. The risk analysis shows that a prudent minimum level of reserves for 2015/16 will be of the order of £4.273m as shown in Appendix 3.

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

Table 8.11: Estimated general fund balance through the MTFS period

Year ending	£000s
31 March 2016	11,026
31 March 2017	9,155
31 March 2018	7,441
31 March 2019	5,745
31 March 2020	5,190
31 March 2021	5,104

9. Capital resources 2016-17 – 2020-21

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

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

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

Table 9.3: Capital resources 2016-17 – 2020-21

Non-housing capital resources	2016-17 £000s	2017/18 £000s	2018/19 £000s	2019/20 £000s	2020-21 £000s
S106 Balances b/f	(1,516)	(910)	(1,480)	(1,650)	(1,825)
S106 Forecast resources arising	(183)	(653)	(170)	(175)	0
S106 Forecast resources utilised (ongoing works)	595	0	0	0	0
S106 Forecast resources utilised (proposed)	193	84	0	0	0
Total S106 Resources	***(910)***	***(1,480)***	***(1,650)***	***(1,825)***	***(1,825)***
CIL Balances b/f	(541)	(289)	(488)	(789)	(1,172)
CIL Forecast resources arising	(1,361)	(1,259)	(1,909)	(2,425)	(3,017)
CIL Forecast resources utilised (contribution to pool)	1,513	1,060	1,608	2,042	2,541
CIL Forecast resources utilised (ongoing neighbourhood schemes)	60	0	0	0	0
CIL Forecast resources utilised (proposed neighbourhood schemes)	40	0	0	0	0
Total CIL Resources	***(289)***	***(488)***	***(789)***	***(1,172)***	***(1,648)***
GNGP Balances b/f	0	0	0	0	0
GNGP Forecast resources arising	(381)	(615)	0	0	0
GNGP Forecast resources utilised (ongoing works)	81	0	0	0	0
GNGP Forecast resources utilised (proposed)	300	615	0	0	0
Total GNGP Resources	***0***	***0***	***0***	***0***	***0***
CCAG2 Balances b/f	(502)	0	0	0	0
CCAG2 Forecast resources arising	(4,343)	(3,521)	0	0	0
CCAG2 Forecast resources utilised (ongoing works)	357	0	0	0	0
CCAG2 Forecast resources utilised (proposed)	4,488	3,521	0	0	0
Total CCAG2 Resources	***0***	***0***	***0***	***0***	***0***
Anticipated balance b/f	(1,248)	0	0	0	0
Forecast resources arising - borrowing	(24,373)	(10,151)	(6,644)	0	0
Forecast resources arising - grants	(122)	(1,185)	(390)	(1,010)	(1,415)
Forecast resources arising - receipts	(1,795)	(1,300)	(515)	(465)	(450)
Forecast resources utilised (ongoing works)	4,102	0	0	0	0
Forecast resources utilised (proposed)	23,435	12,635	7,549	1,475	1,865
Total other capital resources	***0***	***0***	***0***	***0***	***0***
Total non-housing capital resources	**(1,199)**	**(1,967)**	**(2,438)**	**(2,996)**	**(3,473)**

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

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

9.6 Anticipated borrowing covers mainly costs associated with Threescore phase 2, construction of a homelessness hostel, Hurricane Way development and other asset for investment schemes expected to generate revenue income in excess of the borrowing costs. Individual business cases will be required for each of these schemes to demonstrate that income streams will cover capital and borrowing costs before the schemes go ahead.

10. Capital programme 2016-17 to 2020-21

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

Table 10.1: Capital programme 2016-17 – 2020-21

Non-housing capital programmes	2016-17 £000s	2017/18 £000s	2018/19 £000s	2019/20 £000s	2020-21 £000s
General capital	23,435	12,635	7,549	1,475	1,865
Section 106 schemes	193	1,109	905	-	-
Community Infrastructure Levy	1,553	1,060	1,608	2,042	2,541
GNGP Strategic Pool Schemes	300	615	0	0	0
City Cycle Ambition Group 2	4488	3521	0	0	0
Total expenditure	**29,969**	**18,940**	**10,062**	**3,517**	**4,406**
S106	193	1,109	905	0	0
CIL Funding	1,553	1,060	1,608	2,042	2,541
GNGP Funding	300	615	0	0	0
Other capital resources	27,923	16,156	7,549	1,475	1,865
Total resources applied	**29,969**	**18,940**	**10,062**	**3,517**	**4,406**
Total non-housing capital programme	**0**	**0**	**0**	**0**	**0**

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

10.3 The table below out the elements making up the proposed detailed capital programme 2016-17 to 2020-21, over and above existing programme items rolling forward.

Table 10.3: Non-Housing Capital Programmes 2016-17 – 2020-21

Scheme	2016-17 £000s	2017/18 £000s	2018/19 £000s	2019/20 £000s	2020-21 £000s
Asset Investment for income*	5,000	-	-	-	-
CCTV replacement	250	-	-	-	-
Community asset transfer	10	20	-	-	-
Community shop	30	70	-	-	-
Customer centre redesign	70	405	-	-	-
Earlham Cemetery Roadway Improvements	-	60	-	-	-
Energy saving lighting	10	10	10	10	15
Homelessness hostel*	1,000	-	-	-	-
Hurricane Way*	1,098	2,051	-	-	-
Investment for regeneration*	250	-	-	-	-
IT Investment Fund	400	400	400	400	400
Major Repairs 2016-17 Castle	100	30	-	-	-
Major Repairs 2016-17 Community Centres	40	-	-	-	-
Major Repairs 2016-17 Investment Portfolio	130	-	-	-	-
Major Repairs 2016-17 NAIE	40	-	-	-	-
Major Repairs 2016-17 Provision Market Toilets Upgrade	75	100	-	-	-
Major Repairs 2016-17 Rolling Programme Items	75	-	-	-	-
Major Repairs Carry Forward	-	-	-	-	-
Mile Cross promenade	-	25	150	-	-
Mountergate west phase 2 - housing*	-	6,614	6,614	-	-
MUGA Renewal	-	80	75	65	50
New Build - Goldsmith Street (private investment)*	2,717	271	30	-	-
Park depots	25	135	40	-	-
Parking Management System	90	-	-	-	-
Private Rental Pilot*	500	-	-	-	-
Replacement fleet of vehicles*	3,500	-	-	-	-
Riverside Walk adj NCFC	100	-	-	-	-
Sloughbottom Park artificial cricket surface	12	-	-	-	-
St Andrews defect repairs completion	150	-	-	-	-
St Giles MSCP refurbishment*	275	820	-	-	-
The Halls repairs project	260	-	-	-	-
The Halls refurbishment project	-	1,045	-	-	-
Threescore Phase 2*	5,717	-	-	-	-
Threescore infrastructure*	222	-	-	-	-
Threescore phase 3*	500	-	-	-	-
Tombland southern square public realm transformation	-	-	100	1,000	1,400
Traveller Site*	789	394	-	-	-
Wensum riverside walk (Fye Bridge to Whitefriars)	-	20	130	-	-
William Booth Street	-	85	-	-	-
Total General Capital Projects	**23,435**	**12,635**	**7,549**	**1,475**	**1,865**

* Indicates schemes anticipated to be funded by borrowing

Scheme	2016-17 £000s	2017/18 £000s	2018/19 £000s	2019/20 £000s	2020-21 £000s
CCAG2 Blue Cringleford to Sprowston	1,622	1,911	-	-	-
CCAG2 Yellow Lakenham to Airport	2,866	1,610	-	-	-
Total City Cycle Ambition Group 2	**4,488**	**3,521**	**-**	**-**	**-**
CIL Contribution Strategic Pool	1,513	1,060	1,608	2,042	2,541
CIL Neighbourhood projects	40	-	-	-	-
Total Community Infrastructure Levy	**1,553**	**1,060**	**1,608**	**2,042**	**2,541**
GNGP Bowthorpe Crossing	150	-	-	-	-
GNGP Earlham Millenium Green	-	-	-	-	-
GNGP Heathgate Pink Pway	150	-	-	-	-
GNGP Marriotts Way	-	365	-	-	-
GNGP Wensum Strategy Phase 1	-	250	-	-	-
Total Greater Norwich Growth Project	**300**	**615**	**-**	**-**	**-**
S106 Bowthorpe Bus Link	-	-	-	-	-
S106 Bowthorpe Southern Park	-	-	-	-	-
S106 BRT & Cycle Thorpe Road	-	-	-	-	-
S106 Castle Green	-	95	905	-	-
S106 Chapelfield Gardens	-	-	-	-	-
S106 Eaton Green Play Area	12	-	-	-	-
S106 Green Infrastructure N City	5	-	-	-	-
S106 Hurricane Way	-	-	-	-	-
S106 Livestock Market cycle & walk	53	-	-	-	-
S106 Midland Street	-	-	-	-	-
S106 Mile Cross Gardens	12	1,000	-	-	-
S106 Taylors Lane Connector	-	14	-	-	-
S106 The Runnel	-	-	-	-	-
S106 UEA CPZ Extension	52	-	-	-	-
S106 Wensum View	6	-	-	-	-
S106 Westlegate Public Realm	52	-	-	-	-
S106 Wooded Ridge	-	-	-	-	-
Total Section 106	**193**	**1,109**	**905**	**-**	**-**
Total non-housing capital programme 2016-17	**29,969**	**18,940**	**10,062**	**3,517**	**4,406**

11. Progress in reducing the council's carbon footprint

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

Integrated impact assessment

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

Report author to complete	
Committee:	Cabinet
Committee date:	3 February 2016
Head of service:	Justine Hartley, Chief finance officer
Report subject:	General Fund Budget & Capital Programme 2016-17
Date assessed:	16 January 2016
Description:	This integrated impact assessment covers the proposed general fund budget, capital programme and council tax for 2016-17

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

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

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

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

APPENDIX 1

Consultation responses on the proposed budget for 2016-17

A total of **250** people took part in the consultation online and around **10** people completed printed forms.

The results

QA1a: Do you have any suggestions about how the council can generate additional income or save money?

Top suggestions

Cut spending on cycle lanes, roads; criticism of transport schemes	18
Sharing services with other councils, more partnership working	10
Raise council tax	10
Hire out parks for concerts, weddings, other events	6
Stop producing *Citizen*	5
Reduce the number of councillors	5
Reduce councillors' expenses	5
Scrap our fireworks display	4

QB1a: To what extent do you support the council raising its share of council tax by 1.95 per cent in 2016-17 and using that money to protect key services in the future?

Strongly agree	48.75%
Slightly agree	19.17%
Neither agree nor disagree	6.67%
Slightly disagree	1.67%
Strongly disagree	22.50%
Don't know	1.25%

(240 responses)

So **67.92%** agreed and **24.17%** disagreed.

QC1a: Do you agree the council should continue to increase 'applicable amounts' for the CTRS to protect claimants?

Yes	55.61%
No	44.39%

(205 responses)

QC1b: If so, should we increase these 'applicable amounts' by any percentage increase in council tax for the year?

Yes	63.74%

No	36.26%

(171 responses)

QC2: Do you agree we should retain this 'family premium' in the 'applicable amounts' for CTRS for both new and old claimants to protect claimants?

Yes	52.79%
No	47.21%

(197 responses)

QC3: Do you agree we should continue to backdate CTRS for six months to protect claimants?

Yes	46.46%
No	53.54%

(198 responses)

APPENDIX 2

Movements in budget 2016-17 by type

Table A2.1: Adjustments to base budgets

Adjusted Base / Transfers	£000s
Change to the GF contribution to/from reserves (per MTFS)	834
Increase to contingency	250
Changes to non-central departmental recharge changes	-96
Changes to Central Departmental Support recharges	27
Removal of unrequired credit budget	55
Total Adjusted Base / Transfers	**1070**

Table A2.2: Growth and Inflation

Growth & Inflation	£000s
Contract/expenditure inflation	346
Staff salary inflation and increments	409
Pension added years inflationary adjustment and deficit inflationary adjustment	215
Living Wage inflation for contracted staff	109
Total Growth and Inflation	**1,079**

Table A2.3: Grant Changes

Grant changes	£000s
Increase in New Homes Bonus	-400
Reduction in Housing Benefit Admin Grant (£131k matched by reduction in expenditure relating to transfer of Fraud Team to DWP).	156
Removal of New Burdens grant for Local Council Tax Support	46
Total Grant Changes	**-198**

Table A2.4: Transformation Savings/Income

Transformation Savings/Income	£000s
Change to Minimum Revenue Provision policy	-769
Review of LGSS approach across all areas	-400
Review of neighbourhood model and approach	-251
Additional income from the replacement of Rose Lane car park with a new multi storey car park	-222

Transformation Savings/Income	**£000s**
Reduction in ICT development budget	-200
Interest income on loan to Housing Development company - Threescore phase 2	-200
Net impact of increased planning activity, efficiency and income	-175
Additional car park income from existing sites	-175
Reduction in repairs expenditure (one-off) (corresponding growth item)	-116
Amendments to the refuse contract - following award of materials recycling contract savings on separate glass collections	-50
Higher income projection for NPS Norwich Ltd joint ventures	-80
Adjustment to financing budget to reflect current income levels	-80
Capitalised fee income associated with increased capital programme (corresponding growth item)	-75
Review recharging for capital projects: recharge existing staff time in strategic housing and growth and regeneration to programmed capital projects	-70
Increase in cemetery fees	-67
Business process review and implementation of mobile working efficiencies across services	-60
Review of fees and charges for waste and recycling services	-50
Planned completion of memorial testing programme	-49
Review of sports development including the Norman Centre and the Halls	-35
Additional licensing income	-26
Carbon management programme	-25
Full review of fees and charges across the council and creation of central register informed by benchmarking	-24
Review of tourism development and tourist Information centre including on-line selling	-20
Further savings from CNC building control	-20
Review of NP Law spend	-20
Savings on stationery and subscriptions	-20
Redesign of the communications function to meet the needs of the council as we move forward with channel shift	-15
Reduction in learning and development spend in line with reducing organisation	-15
Create single tree function within the council	-15
Improved GF portfolio rental performance	-14
Increase charges for allotments leading to cost recovery over three years	-1
Appendix 5 items	-372
	-3,711

Table A2.5: Transformation Growth

Transformation Growth	£000s
Housing Benefits Public Sector rent rebates	123
Increasing cost of GF asset maintenance	116
Business rates on land at Mile Cross - delay in implementation of saving	106
Growth in democracy costs	103
Loss of rental income due to disposals	86
Increase staffing in Design and Landscape and Highways sections to meet increased cycle ambition and NATS LGF funding	75
Loss of profit share from Norse building	70
Decrease in income due to downturn in recycling markets	63
Additional business rates on Rose Lane car park	46
Increase in costs due to reviews of planning policy documents	45
Increase in General Fund share of debt management expenses	38
Salary adjustment to Neighbourhood Services budgets	36
Airport Industrial Estate	36
Increased capacity for economic development	35
Housing Improvement Agency	25
Anticipated loss of Supporting People funding	25
Reduction in miscellaneous Training & Development income	20
Appendix 5 items	100
Total Transformation Growth	**1,148**

Table A2.6: Other Savings/Income

Other Savings/Income	£000s
Transfer of Fraud function to DWP (linked to reduction in Admin Grant)	-131
Additional Income (individually under £10k)	-73
Reduction in loan interest	-112
Savings (individually under £10k)	-15
Growth (individually under £10k)	7
Total Other Savings/Income	**-324**

APPENDIX 3

Calculation of prudent minimum balance

Estimate of prudent level of General Fund reserves 2016-17

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Description	Level of risk			Amount at risk	Risk
Employee Costs	*Medium*			17,832,438	35,665
Premises Costs	*Medium*			9,573,451	35,900
Transport Costs	*Medium*			272,578	1,533
Supplies & Services	*Medium*			15,823,698	237,355
Third Party Payments	*Medium*			7,081,183	53,109
Transfer Payments	*Medium*			63,724,021	191,172
Centrally Managed Expenditure	*Medium*			1,121,913	33,657
Receipts	*Medium*			-24,384,384	128,018
Grants & Contributions	*Low*			-69,681,518	104,522
Total One Year Operational Risk					820,933
Allowing three years cover on operational risk					**2,462,798**
Balance Sheet Risks					
Issues arising from Annual Governance Report	*0*	@	100%		0
General & Specific Risks					
Unforeseen events	2,000,000	@	50%		1,000,000
Legal action – counsels' fees	100,000	@	100%		100,000
Council Tax Reduction	700,000	@	10%		70,000
Business Rates retention	500,000	@	100%		500,000
Litigation / claims	700,000	@	20%		140,000
ESTIMATED REQUIRED LEVEL OF GENERAL FUND RESERVES					**4,272,798**

Operational cost risk profiles

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		Low Risk	*Med Risk*	*High Risk*
Employee Costs	overspend	1.00%	2.00%	3.00%
	probability	15.0%	10.0%	5.0%
	amount at risk	26,749	35,665	26,749
Premises Costs	overspend	2.50%	5.00%	7.50%
	probability	10.0%	7.5%	5.0%
	amount at risk	23,934	35,900	35,900
Transport Costs	overspend	5.00%	7.50%	10.00%
	probability	10.0%	7.5%	5.0%
	amount at risk	1,363	1,533	1,363
Supplies & Services	overspend	5.00%	10.00%	15.00%
	probability	20.0%	15.0%	10.0%
	amount at risk	158,237	237,355	237,355
Third Party Payments	overspend	5.00%	10.00%	15.00%
	probability	10.0%	7.5%	5.0%
	amount at risk	35,406	53,109	53,109
Transfer Payments	overspend	1.00%	2.00%	3.00%
	probability	25.0%	15.0%	10.0%
	amount at risk	159,310	191,172	191,172
Centrally Managed Expenditure	overspend	10.00%	20.00%	30.00%
	probability	20.0%	15.0%	10.0%
	amount at risk	22,438	33,657	33,657
Receipts	shortfall	2.00%	3.50%	5.00%
	probability	25.0%	15.0%	10.0%
	amount at risk	121,922	128,018	121,922
Grants & Contributions	shortfall	1.00%	1.50%	2.00%
	probability	15.0%	10.0%	5.0%
	amount at risk	104,522	104,522	69,682

ANNEX B

General fund revenue budget and capital programme 2016-17 – Statutory Council Tax Resolution

The Council is recommended to resolve as follows:

1. That the Chief finance officer has estimated the Council Tax Base 2016-17 for the whole Council area as 34,322 [Item T in the formula in Section 31B 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 2016-17 (excluding Parish precepts) is £8,374,911

3. That the following amounts be calculated for the year 2016-17 in accordance with Sections 31 to 36 of the Act:

(a)	£216,581,878	being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(2) of the Act taking into account all precepts issued to it by Parish Councils.
(b)	£208,206,967	being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(3) of the Act.
(c)	£8,374,911	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 31A(4) of the Act as its Council Tax requirement for the year. (Item R in the formula in Section 31A(4) of the Act)
(d)	£244.01	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)	£244.01	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 2016-17 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	£793.86	£926.17	£1,058.48	£1,190.79	£1,455.41	£1,720.03	£1,984.65	£2,381.58
Police	£141.96	£165.62	£189.28	£212.94	£260.26	£307.58	£354.90	£425.88

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 2016-17 for each part of its area and for each of the categories of dwellings.

Band	A	B	C	D	E	F	G	H
City	£162.67	£189.79	£216.90	£244.01	£298.23	£352.46	£406.68	£488.02
County	£793.86	£926.17	£1,058.48	£1,190.79	£1,455.41	£1,720.03	£1,984.65	£2,381.58
Police	£141.96	£165.62	£189.28	£212.94	£260.26	£307.58	£354.90	£425.88
Total	**£1,098.49**	**£1,281.58**	**£1,464.66**	**£1,647.74**	**£2,013.90**	**£2,380.07**	**£2,746.23**	**£3,295.48**

6. To determine in accordance with Section 52ZB Local Government Finance Act 1992 that the Council's basic amount of Council Tax for 2016-17 is not excessive in accordance with principles approved by the Secretary of State under Section 52ZC.

Report to	Council 23 February 2016	**Item**
Report of	Chief finance officer	6
Subject	Housing Rents and Budgets 2016-17	

Purpose

To propose for approval the Housing Revenue Account budget for 2016-17, council housing rents for 2016-17, the prudent minimum level of HRA reserves 2016-17, and housing capital programme 2016-17 to 2021-22.

Recommendation

1) To approve cabinet's recommendations of 3 February for the 2016-17 financial year, to:

   a) implement the minimum 1% rent reduction in accordance with legislation that is anticipated to be approved as part of the Welfare Reform and Work Bill 2015/16. (para 6.8 of Annex A).

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

   c) approve the prudent minimum level of housing reserves (para 7.6 of Annex A).

   d) approve the proposed housing capital programme 2016-17 to 2020-21 (para 9.1 of Annex A).

   e) approve that garage rents remain unchanged (para 6.13 of Annex A)

2) To approve a 1% rent reduction for supported housing rents in line with the reductions required for other rents (para 4).

3) To note that service charges will be determined under delegated powers in compliance with the constitution (para 6.14 of Annex A).

Corporate and service priorities

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

Financial implications

These are set out in the body of the report

Ward/s: All wards

Cabinet members: Councillor Harris **-** Deputy leader and housing and wellbeing
Councillor Stonard – Resources and income generation

Contact officers:	Justine Hartley, chief finance officer	01603 212440
	Shaun Flaxman, group accountant	01603 212805

Background documents

None

Report

1. Cabinet considered a report (annex A) at its meeting of 3 February, and approved as follows:

   1) To recommend to council, for the 2016-17 financial year, to:

   a) implement the minimum 1% rent reduction in accordance with legislation that is anticipated to be approved as part of the Welfare Reform and Work Bill 2015/16. (para 6.8 of Annex A).

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

   c) approve the prudent minimum level of housing reserves (para 7.6 of Annex A).

   d) approve the proposed housing capital programme 2016-17 to 2020-21 (para 9.1 of Annex A).

   e) approve that garage rents remain unchanged (para 6.13 of Annex A)

   2) To note that service charges will be determined under delegated powers in compliance with the constitution (para 6.14 of Annex A).

2. The Welfare and Reform Bill has not yet received Royal Assent but indications are that this is likely to happen before the 1 April 2016. The Bill requires that social rents are reduced by a minimum of 1% for the 2016-17 year beginning on 1 April 2016 and 3 years thereafter. Even if the Bill receives Royal Assent after April 1 rental income for the 2016-17 financial year will still be required to be 1% below that in place in July 2015.

3. Since the drafting of budgets for consideration by cabinet, the government has now announced that supported housing will be exempt from the 1% rent reduction for the 2016-17 financial year. Supported housing rents can therefore be increased by 0.9% which is equivalent to the Consumer Price Index (CPI) plus 1%.

4. For Norwich City Council an increase in supported housing rents by CPI plus 1% would raise an additional £64k in 2016-17 compared to the rent levels that would be achieved under a 1% rent reduction. Across the 30 year life of the business plan this would equate to additional rent of £2.6m. However, to apply a rent increase to supported housing tenants whilst other tenants receive a rent reduction would open up a disparity in treatment between those tenants living in supported housing and other tenants.

5. The chief finance officer has consequently, in consultation with the deputy leader and portfolio holder for housing and wellbeing, approved amendments to cabinet's recommendations to council to include a recommendation to approve a 1% rent reduction for supported housing rents in line with the reductions required for other rents. This has no impact on the figures included in the report considered by cabinet because they assume a 1% rent reduction for all rents.

ANNEX A

Report to	Cabinet	**Item**
	3 February 2016	6
Report of	Chief finance officer	
Subject	Housing Rents and Budgets 2016-17	

Purpose

To consider the Housing Revenue Account budget for 2016-17, council housing rents for 2016-17, the prudent minimum level of HRA reserves 2016-17, and housing capital programme 2016-17 to 2021-22.

Recommendation

1) To recommend to council, for the 2016-17 financial year, to:

   f) implement the minimum 1% rent reduction in accordance with legislation that is anticipated to be approved as part of the Welfare Reform and Work Bill 2015/16. In the event that the legislation is not passed, to approve that rent levels remain unchanged until alternative options are presented to cabinet and council (para 6.8).

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

   h) approve the prudent minimum level of housing reserves (para 7.6).

   i) approve the proposed housing capital programme 2016-17 to 2020-21 (para 9.1).

   j) approve that garage rents remain unchanged (para 6.13)

2) To note that service charges will be determined under delegated powers in compliance with the constitution (para 6.14).

Corporate and service priorities

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

Financial implications

These are set out in the body of the report

Ward/s: All wards

Cabinet members: Councillor Harris **-** Deputy leader and housing and wellbeing
Councillor Stonard – Resources and income generation

Contact officers: Justine Hartley, chief finance officer 01603 212440
Shaun Flaxman, group accountant 01603 212805

Background documents

None

Report

6. Contents of report

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

7. Budgetary context

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

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

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

8. HRA Budget 2015/16 into 2016-17

8.1 The following table shows the proposed budget in summarised statutory form assuming a rent reduction in line with provisions in the Welfare Reform and Work Bill 2015/16 (see para 6.8).

Statutory Division of Service	Original Budget 2015/16 £000s	Draft Budget 2016-17 £000s	Change £000s
Repairs & Maintenance	16,323	15,499	(824)
Rents, Rates, & Other Property Costs	6,183	5,937	(246)
General Management	11,028	11,393	365
Special Services	4,997	5,069	72
Depreciation & Impairment	21,925	22,140	215
Provision for Bad Debts	584	334	-250
Gross HRA Expenditure	**61,040**	**60,372**	**(668)**
Dwelling Rents	(60,144)	(58,973)	1,171
Garage & Other Property Rents	(1,980)	(2,224)	-244
Service Charges – General	(9,145)	(8,343)	802
Adjustments & Financing Items (including revenue contribution to capital)	24,872	26,248	1,376
Miscellaneous Income	0	(75)	-75
Amenities shared by whole community	(560)	(549)	11
Interest Received	(150)	(175)	(25)
Gross HRA Income	**(47,107)**	**(44,091)**	**3,016**
Total Housing Revenue Account	**13,933**	**16,281**	**2,347**

8.2 The £2.347m movement from £13.933m to £16.281m use of reserves can be analysed by type of movement and statutory division of service as follows:

Item	General Mgt	Rents & Service Charges	Repairs & Maintenance	Special Services	Other HRA	Total HRA
Adj to Base/Transfers	223	0	30	(134)	989	1,109
Inflation	193	0	0	31	8	233
Growth	152	170	0	101	751	1,174
Income Reduction	0	920	0	0	0	920
Savings	(119)	(216)	(510)	(56)	(42)	(943)
Income Increase	(11)	(34)	0	0	(100)	(145)
Transfers	(61)	637	(90)	41	(526)	0
Draft Budget 2016/17	**377**	**1,479**	**(570)**	**(17)**	**1,080**	**2,347**

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

9. HRA balances

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

Item	£000s
Brought Forward from 2014/15	(20,120)
Budgeted use of balances 2015/16	13,933
Forecast use of balances 2015/16	(2,476)
Carried Forward to 2016-17	**(22,596)**
Draft Budget 2016-17	16,281
Carried Forward to 2017/18	**(6,315)**

9.2 A forecast slight increase in the HRA reserve balance in 2015/16, will provide a substantial resource that is planned to be utilised to fund capital expenditure in 2016-17. This will bring resources down closer to the recommended minimum balance and reduce the requirement to borrow, which incurs greater costs.

10. Background to financial planning for the HRA

10.1 Financial planning for the HRA is based upon the 30-year Business Plan (BP). In February 2015, members approved an average rent increase of 2.2% for 2015/16, which at the time, combined with the approved housing capital plan, indicated that it would be possible to repay HRA borrowing by year 22 of the 30 year HRA business plan.

11. Council housing rents

Rent policy context

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

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

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

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

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

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

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

2016-17 rent adjustment

11.8 In July 2015 following the initial summer budget by the new government, it was announced that councils with retained housing stock and other social rented housing provided by registered providers (RPs) would be subjected to a mandatory minimum 1% reduction in rent. This is anticipated to last for four years from April 2016 to the end of March 2020. The reduction is set out in the Welfare Reform and Work Bill 2015/16 which is currently in passage through parliament. This budget has been built on the assumption that the bill will be passed and therefore a 1% rent reduction is recommended for approval. In the event that the legislation is not passed, it is proposed that the rent levels remain unchanged and further options will be brought to cabinet and council including input from consultation with tenants.

11.9 For Norwich tenants, a 1% reduction in rent generates an average weekly rent of £78.44 which equates to a reduction of £0.79.

11.10 The 1% rent reduction for four years has a negative impact on the HRA Business Plan and would require HRA borrowing to significantly exceed the borrowing cap. It would not be possible to repay the borrowing and the debt would increase to £318m by the end of the 30 year life of the plan.

11.11 In order to mitigate the negative impact of the anticipated statutory 1% rent reduction, it has been necessary to make changes to future proposed capital programmes to ensure that HRA borrowing continues to remain within allowable borrowing limits. As a consequence, the total planned capital spend over the 30 year life of the plan has been reduced by an average of £7.4m per annum.

11.12 This council has invested significantly in improving its housing stock over recent years to its own 'Norwich standard'. That programme is now nearing completion which will result in reduced spend going forward. In order to meet the required spend reductions, whilst maintaining the 'Norwich standard', scheduled work has also been realigned to the full extent of current expected lifecycles for kitchens, bathrooms, roofs etc., and the level of neighbourhood enhancements has been reduced. In addition, significant reductions in cost have been secured as a result of recent contract retendering.

11.13 It is proposed that garage rents again remain unchanged from current levels in order to maintain affordability and encourage new tenants thereby reducing the number of void garages.

11.14 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.

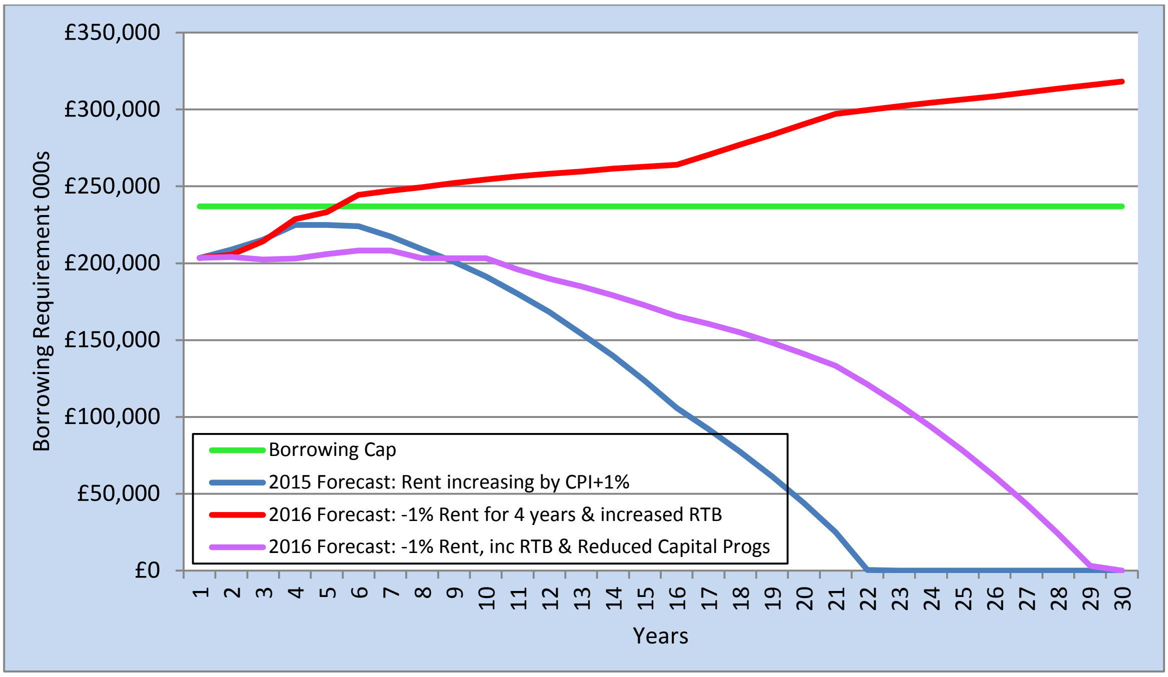
Housing and Planning Bill 2015/16

11.15 During 2015 the government introduced their Housing and Planning Bill which included the following two elements that could potentially have significant financial impact on the HRA Business Plan:

- Pay to Stay requirements which mean that social housing tenants (households) earning over £30,000 per annum will have to pay at or near market rents
- Extension of Right to Buy legislation to Registered Providers, with financial losses resulting from discount to be recovered from the funds generated by the sale of high value void council dwellings.

11.16 It is anticipated that as a result of increased rents, the Pay to Stay requirements will generate an increased level of Right to Buy sales following its implementation in 2017. As any additional rental income raised will not be retained by the council but returned to the government and the loss of housing stock will reduce future rental income, this has a negative impact on the HRA Business Plan. A forecast increase in Right to Buy sales has therefore been included within the modelling shown below.

11.17 The chart below illustrates the impact of the 1% rent reduction and the anticipated higher Right to Buy sales on the updated HRA Business Plan and HRA borrowing requirement. This is shown against the previously anticipated position and an updated forecast incorporating revised future proposed capital programmes.



11.18 In addition, in order to compensate Registered Providers for financial losses incurred as a result of the extended Right to Buy legislation, the Housing and Planning Bill makes provision for a determination to be imposed on Housing Revenue Accounts based on the value of their stock, in lieu of being forced to sell high value void dwellings. Although the formula upon which the determination will be based is as yet unknown, it has been indicated that the sum may represent an additional significant annual capital cost.

11.19 In order to mitigate the impact of a determination and maintain HRA borrowing below the cap with full repayment within 30 years, a number of options exist:

- Further reduction to housing capital investment programme
- Sale of void council dwellings
- Review of HRA expenditure to explore possible future reductions

11.20 As the formula upon which the determination will be calculated is not as yet known, it is not possible to estimate the cost to the council or to draw up any detailed plans to address this. However, for illustrative purposes only, the table below details the level of determination that could be funded from varying levels of annual void sales.

No of sales of void dwellings per annum	Determination that could be funded
15	Could fund a determination of £0.7m per annum for 4 years, reducing to £0.44m for 2 years and £0.25m per annum thereafter
30	Could fund a determination of £2.75m per annum for 4 years, reducing to £1.75m for 2 years and £1m per annum thereafter
50	Could fund a determination of £5.5m per annum for 4 years, reducing to £3.5m for 2 years and £2m per annum thereafter

11.21 Once the exact value of the determination is known, a further report will be provided illustrating the impact on the HRA Business Plan along with detailed options for mitigation.

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

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

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

Estimates

12.3 As with all future estimates there is a level of uncertainty and this has been taken into account when building the Business Plan and assessing the levels of reserves. In particular, the proposals in the Housing and Planning Bill 2015 are causing significant uncertainty for the setting of the 2016-17 budget. Until the level of the anticipated high value voids determination is known detailed actions to address it cannot be built into the HRA business plan. At this stage therefore, this plan accommodates the 1% rent reduction announced in the summer budget and is also anticipated to accommodate the impact of increased Right to Buy sales from the proposed Pay to Stay policy. The prudent minimum balance for reserves has been increased by £2.75m for 2016-17 because of uncertainties around the anticipated high value voids determination, but no further allowance for the determination has been made because at this stage we have no indication of the level that the determination might be. The government's expectation is that the council will sell properties which become empty to fund the determination.

12.4 Further work will be done to accommodate the determination once the level is known.

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

Reserves

12.6 A risk assessment has been undertaken to determine the level of general reserves required by the council, which has been set at £5.968m as set out in Appendix 2.

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

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

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

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

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

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

Role of the chief finance officer

12.12 Within the existing statutory and regulatory framework, it is the responsibility of the chief finance officer to advise local authorities about the level of reserves that they should hold and to ensure that there are clear protocols for their establishment and use. Reserves should not be held without a clear purpose. The risk analysis attached as Appendix 2 shows that an adequate level of HRA reserves for the Council will be in the order of £5.968m.

13. Housing capital resources 2016-17-2020-21

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

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

13.3 The anticipated 1% minimum rent reduction for social housing announced in the summer budget has led to significantly reduced resources for capital being anticipated over the life of the business plan. The following table indicates the anticipated levels of resources available to the Housing Capital Programme in future years.

Housing Capital Resources	**2016/17 £000s**	**2017/18 £000s**	**2018/19 £000s**	**2019/20 £000s**	**2020/21 £000s**
Forecast resources brought forward	0	0	0	0	0
Capital grants	(568)	(408)	(408)	(408)	(408)
Major Repairs Reserve - depreciation charges	(2,423)	(6,060)	(10,915)	(12,780)	(12,648)
HRA borrowing from headroom under debt cap	(9,110)	(2,139)	0	0	0
Revenue Contribution to Capital	(26,104)	(10,788)	(6,572)	(4,843)	(4,523)
Contributions to costs	(275)	(275)	(275)	(275)	(275)
Capital receipts - properties uneconomic to repair	(1,225)	(1,225)	(1,225)	(1,225)	(1,225)
Capital receipts arising from RTB (25%)	(2,876)	(3,452)	(3,452)	(3,164)	(2,876)
Retained "one for one" RTB Receipts	(4,759)	(3,346)	(382)	(746)	0
Gross forecast resources	**(47,339)**	**(27,693)**	**(23,230)**	**(23,441)**	**(21,955)**
Forecast resources utilised	47,339	27,693	23,230	23,441	21,955
Forecast resources carried forward	**0**	**0**	**0**	**0**	**0**

13.4 The level of RTB receipts included in the proposed capital plan anticipates a further increase in RTB sales because of the government's increased incentives and the impact of the Housing and Planning Bill's 'Pay to Stay' requirements. The additional 'one for one' resources consequently forecast in the capital plan are anticipated to be applied to support the provision of new social housing.

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

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

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

14. Recommended housing capital programme 2016-17 – 2020-21

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

Scheme	2016/17 £000s	2017/18 £000s	2018/19 £000s	2019/20 £000s	2020/21 £000s
Proposed carry-forward from 2015/16	554				
Home Upgrades	12,415	5,835	5,835	5,835	5,835
Heating Upgrades	3,506	2,600	3,900	2,900	3,900
Window & Door Upgrades	2,090	655	555	555	555
Insulation	1,250	400	400	400	400
Community Safety & Environment	450	275	275	275	275
Sheltered Housing Regeneration	450	225	225	225	225
Preventative Maintenance	10,074	8,025	8,025	8,025	8,025
Supported Independent Living	880	500	500	500	500
Site Formation	50	50	50	50	50
Fees	715	715	715	715	715
Neighbourhood Housing	**32,434**	**19,280**	**20,480**	**19,480**	**20,480**
Proposed carry-forward from 2015/16	7,527				
New Build Social Housing	4,144	5,138	1,275	2,486	0
RTB Buyback Programme	500	500	500	500	500
Sheltered Housing Regeneration	150	0	0	0	0
Housing Investment	**12,321**	**5,638**	**1,775**	**2,986**	**500**
Proposed carry-forward from 2015/16	185				
Capital Grants to Housing Associations	1,200	1,800	0	0	0
Home Improvement Agency Works	1,200	975	975	975	975
Strategic Housing	**2,585**	**2,775**	**975**	**975**	**975**
Total Housing Capital Programme	**47,339**	**27,693**	**23,230**	**23,441**	**21,955**

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

Housing Capital Programme	2013/14 Outcomes	2014/15 Outcomes	2015/16 Outcomes	2016/17 Planned	*Change 2015/16 to 2016/17*
New kitchens	1,531	1,557	1,575	1,144	-431
New bathrooms	655	1,049	1,049	1,559	510
Heating systems/boilers	>1,000	999	984	617	-367
New composite doors	1,309	4,015	2,622	3,436	814
New PVCu windows	1,320	34	68	9	-59
Whole house improvements	20	20	18	20	2

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

14.4 In addition, future capital programmes anticipate the building of 162 new council homes over the next 5 years.

14.5 The capital programme proposed above will be supplemented by resources and commitments brought forward from the 2015-16 capital programme.

Integrated impact assessment

NORWICH City Council

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

Report author to complete	
Committee:	Cabinet
Committee date:	3 February 2016
Head of service:	Justine Hartley, chief finance officer
Report subject:	Housing Budgets and Rents 2016-17
Date assessed:	
Description:	This integrated impact assessment covers the proposed housing budgets and council housing rents for 2016-17.

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

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

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

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

Draft Housing Revenue Account budgets 2015/16

Budget movements by type

Adjustment to Base / Transfers	£000s
Reduction in corporate recharges	(19)
Other recharge changes	151
Removal of unrequired budgets	108
Revenue Contribution to Capital	869
Adjustment to Base / Transfers	**1,109**

Inflation/Pensions Growth	£000s
Contract/expenditure inflation	(19)
Staff salary inflation and increments	148
Pension added years and pension deficit inflationary adjustments	104
Total Inflation/Pensions Growth	**233**

Growth	£000s
Increase in estimated depreciation costs	767
Removal of remainder of 2015/16 savings budget not covered by staff restructuring	90
Increase in capital contribution relating to leasehold income	28
Reduction in service charge income based on anticipated charges and void levels	137
Increase in number of right to buy valuations	24
Additional recharges from the GF to HRA as a result of Neighbourhood Model Review	98
Increase in parking permit requirement due to relocation of NHOs	30
Total inflation and Growth	**1,174**

Income Reduction	£000s
Reduction in rents	920
Income Reduction	**920**

Savings	£000s
Deletion of sheltered housing project manager post	(45)
Furniture & fittings budget not required for 2016-17 as no further sites to be developed	(30)
Reduction in general estate tidiness budget	(250)
Reduction in balcony repairs budget	(50)
Reduction in external wall insulation budget	(150)
Closed area offices	(40)
Reduction in 'garage repairs' budget	(50)
Savings (individually under £10k)	(74)
Reduction in HRA share of debt management expenses	(38)
Reduction in garage voids	(216)
Total Savings	**(943)**

Income Increase	£000s
Recovered court costs - previously unbudgeted	(75)
Increase in interest	(25)
Annual recalculation of garage income figures	(25)
Additional Income (individually under £10k)	(20)
Income Increase	**(145)**

APPENDIX 2

Housing Revenue Account – Prudent Minimum Balance

Estimate of prudent level of HRA reserves 2016-17

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Description	Level of risk	Amount at risk	Risk
Employee Costs	*High*	6,378,712	31,894
Supplies and Services	*High*	2,373,314	5,933
Premises Costs	*High*	7,828,784	19,572
Transport Costs	*High*	172,538	431
Contracted Services	*Medium*	15,525,472	116,441
Fees and Charges	*Medium*	1,902,765	28,541
Investment Income	*Medium*	175,000	5,250
Rents & Service Charges	*Low*	68,520,778	171,302
Financing Items	*Medium*	36,673,927	110,022
Total One Year Operational Risk			489,386
Allowing three years cover on operational risk			**1,468,159**
Balance Sheet risk			
Issues arising from Welfare reform			**750,000**
Set aside for high value voids determination (for 2016-17 only)			**2,750,000**
General Risk			
Unforeseen events			**1,000,000**
ESTIMATED REQUIRED LEVEL OF HRA RESERVES			**5,968,159**

Operational cost risk profiles

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		Low Risk	*Med Risk*	*High Risk*
Employee Costs	overspend	1.00%	2.50%	5.00%
	probability	25.0%	15.0%	10.0%
	amount at risk	15,947	23,920	31,894
Supplies and Services	overspend	1.00%	2.50%	5.00%
	probability	10.0%	7.5%	5.0%
	amount at risk	2,373	4,450	5,933
Premises Costs	overspend	1.00%	2.50%	5.00%
	probability	10.0%	7.5%	5.0%
	amount at risk	7,829	14,679	19,572
Transport Costs	overspend	1.00%	2.50%	5.00%
	probability	10.0%	7.5%	5.0%
	amount at risk	173	324	431
Contracted Services	overspend	5.00%	10.00%	15.00%
	probability	10.0%	7.5%	5.0%
	amount at risk	77,627	116,441	116,441
Fees and Charges	overspend	5.00%	10.00%	15.00%
	probability	25.0%	15.0%	10.0%
	amount at risk	23785	28541	28541
Investment Income	shortfall	10.00%	20.00%	30.00%
	probability	20.0%	15.0%	10.0%
	amount at risk	3,500	5,250	5,250
Rents & Service Charges	shortfall	1.00%	1.50%	2.00%
	probability	25.0%	15.0%	5.0%
	amount at risk	171,302	154,172	68,521
Financing Items	overspend	1.00%	2.00%	3.00%
	probability	15.0%	10.0%	5.0%
	amount at risk	55,011	110,022	55,011

Report to	Council	**Item**
	23 February 2016	7
Report of	Chief finance officer	
Subject	Treasury management strategy 2016-17	

Purpose

To outline the council's prudential indicators for 2016-17 through to 2018-19 and set out the expected treasury operations for this period. It fulfils three key reports required by the Local Government Act 2003:

a) the reporting of the prudential indicators as required by the CIPFA Prudential Code for Capital Finance in Local Authorities;

b) the Minimum Revenue Provision (MRP) Policy, as required by Regulation under the Local Government and Public Involvement in Health Act 2007 (Appendix A); and,

c) the treasury 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

Recommendations

To approve cabinet's recommendations of 3 February in relation to the key elements of this report:

a) the capital prudential indicators and limits for 2016-17 to 2018-19 contained within paragraphs 10 - 15 of this report;

b) the Minimum Revenue Provision (MRP) policy statement (paragraph 16) and the change to MRP policy as set out at Annex 1;

c) the borrowing strategy 2016-17 to 2018-19 (paragraphs 21 – 25);

d) the treasury prudential indicators (paragraphs 26 - 29), including the authorised limit (paragraph 27); and

e) the investment strategy 2016-17 (paragraphs 30 – 55) and the detailed criteria included in appendix 3.

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

Ward/s: all wards

Cabinet member: Councillor Stonard – resources and income generation

Contact officers

Justine Hartley, chief finance officer	01603 212440
Philippa Dransfield, chief accountant	01603 212652

Background documents

None

Introduction

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 it is needed. Surplus monies are invested in low risk counterparties or instruments commensurate with the council's low risk appetite, providing adequate liquidity initially before considering investment return.

2. The second main function of the treasury management service is the funding of the council's capital plans. These capital plans provide a guide to the borrowing need of the council, essentially the longer term cash flow planning to ensure that the council can meet its capital spending obligations. This management of longer term cash may involve arranging long or short term loans, or using longer term cash flow surpluses. On occasion any debt previously drawn 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."

4. The council initially adopted the CIPFA Code of Practice on 2 April 2002 and has, through the annual strategy, adopted any subsequent changes or revisions. The adoption of the Code of Practice and the requirement to follow the Code is a requirement under statutory instrument.

The treasury management policy statement

5. The council defines its treasury management activities as:
   The management of the organisation'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.

6. The council regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation, and any financial instruments entered into to manage these risks.

7. The council acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable comprehensive performance measurement techniques, within the context of effective risk management.

Reporting requirements

8. 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.

A treasury management strategy statement, including prudential and treasury indicators (this report) **-** The first, and most important report covers:

- capital plans, including prudential indicators;
- the treasury management strategy, including treasury indicators; and
- the Minimum Revenue Provision (MRP) policy, describing how residual capital expenditure is charged to revenue over time;
- the investment strategy.

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

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

9. The **treasury management strategy statement** 2016-17 covers the following areas:

Capital

- capital plans and prudential indicators
- minimum revenue provision (MRP) strategy

Borrowing

- current treasury management position
- prospects for interest rates
- borrowing strategy, including the policy on borrowing in advance of need and debt rescheduling
- treasury indicators: limits to borrowing activity and affordability, designed to limit the treasury risk to the council

Investments

- annual investment strategy
- creditworthiness policy

Other

- training
- policy on use of external service providers

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.

Capital

Capital plans and prudential indicators

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

11. **Capital expenditure:** This prudential indicator is a summary of the council's capital expenditure plans, both those agreed previously, and those forming part of this budget cycle.

Capital Expenditure	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
£000	**Actual**	**Forecast**	**Estimate**	**Estimate**	**Estimate**	**Estimate**
Non-HRA	7,197	20,778	35,164	18,940	10,062	3,517
HRA	30,515	39,381	47,340	27,693	23,230	23,441
Total Expenditure	**37,712**	**60,159**	**82,504**	**46,633**	**33,292**	**26,958**

The financing need in the table above excludes other long term liabilities such as leasing arrangements which already include borrowing instruments.

Capital expenditure for 2016-17 differs from the proposed capital programme as the figures in the table above include non-housing capital expenditure of £5.195m that is expected to be carried forward at the end of 2015-16 which has already been approved and is therefore not included in the capital programme to be approved.

12. The table below shows how capital expenditure plans are being financed by capital or revenue resources. Any shortfall of resources results in a borrowing need.

Capital Funding	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
£000	**Actual**	**Forecast**	**Estimate**	**Estimate**	**Estimate**	**Estimate**
Financed by:						
Capital receipts	4,342	19,571	11,682	9,323	5,574	5,600
Capital grants	3,777	7,299	8,812	8,173	3,586	3,735
Capital reserves	12,653	12,118	2,423	6,060	10,915	12,780
Revenue	18,049	9,400	26,104	10,788	6,572	4,843
HRA Non- dwelling depreciation	414	751	775	789	807	826
Total Resources	**39,235**	**48,388**	**49,021**	**34,344**	**26,647**	**26,958**
Net financing need for the year	**(1,523)**	**11,771**	**33,483**	**12,289**	**6,645**	**-**

13. **The council's borrowing need (the Capital Financing Requirement):** 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

underlying borrowing need. Any capital expenditure which has not immediately been paid for will increase the CFR.

14. The CFR does not increase indefinitely, as the Minimum Revenue Provision (MRP) is a statutory annual revenue charge which broadly reduces the borrowing need in line with each assets life.

15. The CFR includes any other long term liabilities (e.g. PFI schemes, finance leases). Whilst these increase the CFR, and therefore the council's borrowing requirement, these types of scheme include a borrowing facility and so the council is not required to separately borrow for these schemes. The council currently has £1.19m of such schemes within the CFR.

The council is asked to approve the CFR projections below:

Capital Financing Requirement	**2014/15**	**2015/16**	**2016/17**	**2017/18**	**2018/19**	**2019/20**
£000	**Actual**	**Forecast**	**Estimate**	**Estimate**	**Estimate**	**Estimate**
CFR Non-HRA	27,217	38,746	62,869	72,761	79,139	78,865
CFR HRA	207,286	207,286	216,396	218,535	218,536	218,536
Total CFR	**234,503**	**246,031**	**279,265**	**291,296**	**297,675**	**297,401**
Movement in CFR	(2,600)	11,529	33,233	12,031	6,379	(274)
Movement in CFR is represented by						
Net financing need for the year (above)	(1,523)	11,771	33,483	12,289	6,645	-
Less MRP/VRP and other financing movements	(1,077)	(242)	(250)	(258)	(266)	(274)
Movement in CFR	(2,600)	11,529	33,233	12,031	6,379	(274)

The CFR is increasing due to:

a. presumed borrowing for building properties within the general fund, it makes no assumptions about selling any of the properties built or any usage of the development company for the building of the properties, other than those agreed in the company's business plan;

b. the HRA debt is increasing due the government's policy adjustment on housing rent levels against those in place during the Council's HRA subsidy buy out in 2012. The anticipated lowering of future rent by 1% each year over the next 4 years (2016-17 to 2019-20) has a material adverse impact on the future revenues of the HRA which significantly increases the need for borrowing in order to undertake capital expenditure on existing works and new build.

Part of the CFR movement on 2018-19 relates to the repayment of the LAMS indemnity funding of £1m.

Minimum Revenue Provision (MRP) policy statement

16. The council is required to pay off an element of the accumulated general fund capital spend each year (the CFR) through a revenue charge (the Minimum Revenue Provision - MRP), although it is also allowed to undertake additional voluntary payments if required (Voluntary Revenue Provision - VRP).

CLG regulations have been issued which require the council to approve **an MRP Statement** in advance of each year. A variety of options are provided to councils, so long as there is a prudent provision. The council is recommended to approve the following MRP Statement:

- The general repayment policy for prudential borrowing is to repay borrowing within the expected life of the asset being financed, up to a maximum of 50 years. This is in accordance with the ‘asset life’ method in the guidance. The repayment profile will follow an annuity repayment method, which is one of the options set out in the guidance. This means that MRP will be calculated on an annuity basis (like many domestic mortgages) over the estimated life of the asset.

  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, but where borrowing on a project exceeds £10m, advice from appropriate advisers may also be taken into account.
  - MRP will commence in the year following the year in which capital expenditure financed from borrowing is incurred, except for single assets where over £1m financed from borrowing is planned, where 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 (although there are transitional arrangements in place).

- Repayments included in annual finance leases are applied as MRP.

For authorities, like Norwich, which participate in LAMS using the cash backed option, the mortgage lenders require a 5 year cash advance from the local authority to match the 5 year life of the indemnity. The cash advance placed with the mortgage lender provides an integral part of the mortgage lending, and should therefore be treated as capital expenditure and a loan to a third party. The Capital Financing Requirement (CFR) will increase by the amount of the total indemnity. The cash advance is due to be returned in full at maturity, with interest paid annually. Once the cash advance matures and funds are returned to the local authority, the returned funds are classed as a capital receipt, and the CFR will reduce accordingly. As this is a temporary (5 year) arrangement and the funds will be returned in full, there is no need to set aside prudent provision to repay the debt liability in the interim period, so there is no MRP application. The position should be reviewed on an annual basis.

Borrowing

Current treasury management position

17. 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 service activity, including capital expenditure plans. This will involve both the organisation of the cash flow and, where capital plans require, the organisation of appropriate borrowing facilities.

18. The council's treasury debt portfolio position at 31 March 2015, with forward projections, is summarised below. The table shows the actual external debt (treasury management operations), against the underlying capital borrowing need (the Capital Financing Requirement - CFR), highlighting any over or under borrowing.

£000	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
	Actual	**Forecast**	**Estimate**	**Estimate**	**Estimate**	**Estimate**
External Debt						
Debt at 1 April	223,917	223,917	218,857	253,107	266,107	274,107
Expected change in debt	-	(5,060)	34,250	13,000	8,000	-
Other Long Term Liabilities (OLTL)	1,928	1,847	1,762	1,672	1,576	1,474
Expected change in (OLTL)	(80)	(85)	(90)	(96)	(101)	(107)
Debt at 31 March	**225,764**	**220,619**	**254,779**	**267,683**	**275,581**	**275,474**
Capital Financing Requirement (CFR)	**234,503**	**246,031**	**279,265**	**291,296**	**297,675**	**297,401**
Under/(over) borrowing	**8,739**	**25,413**	**24,486**	**23,613**	**22,094**	**21,927**

The debt is increasing due to:

a. presumed borrowing for building properties within the general fund, it makes no assumptions about selling any of the properties built or any usage of the development company for the building of the properties, other than those agreed in the company's business plan;

b. the HRA debt is increasing due the government's policy adjustment on housing rent levels against those in place during the council's HRA subsidy buy out in 2012. The lowering of future rent by 1% each year over the next 4 years (2016-17 to 2019-20) has a material adverse impact on the future revenues of the HRA which significantly increases the need for borrowing in order to undertake capital expenditure on existing works and new build.

19. 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 2016-17 and the following two financial years (shown as net borrowing above). This allows some flexibility for limited early borrowing for future years, but ensures that borrowing is not undertaken for revenue purposes.

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.

Prospects for interest rates

20. The council has appointed Capita Asset Services as its treasury advisor and part of their service is to assist the council to formulate a view on interest rates. The following table gives the Capita Asset Services central view.

Annual Average %	Bank	PWLB Borrowing Rates		
		5 yr	25 yr	50 yr
Dec-15	0.50%	2.30%	3.60%	3.50%
Mar-16	0.50%	2.40%	3.70%	3.60%
Jun-16	0.75%	2.60%	3.80%	3.70%
Sep-16	0.75%	2.70%	3.90%	3.80%
Dec-16	1.00%	2.80%	4.00%	3.90%
Mar-17	1.00%	2.80%	4.10%	4.00%
Jun-17	1.25%	2.90%	4.10%	4.00%
Sep-17	1.50%	3.00%	4.20%	4.10%
Dec-17	1.50%	3.20%	4.30%	4.10%
Mar-18	1.75%	3.30%	4.30%	4.20%
Jun-18	1.75%	3.40%	4.40%	4.20%
Sep-18	2.00%	3.50%	4.40%	4.30%
Dec-18	2.00%	3.50%	4.40%	4.30%
Mar-19	2.00%	3.60%	4.50%	4.40%

Further detailed interest rate forecasts are given in Appendix 1.

UK. UK GDP growth rates in 2013 of 2.2% and 2.9% in 2014 were the strongest growth rates of any G7 country; the 2014 growth rate was also the strongest UK rate since 2006 and the 2015 growth rate is likely to be a leading rate in the G7 again, probably being second to the US. However, quarter 1 of 2015 was weak at +0.4% (+2.9% y-y) though there was a rebound in quarter 2 to +0.7% (+2.4% y-y) before weakening again to +0.5% (2.3% y-y) in quarter 3. The November Bank of England Inflation Report included a forecast for growth to remain around 2.5 – 2.7% over the next three years, driven mainly by strong consumer demand as the squeeze on the disposable incomes of consumers has been reversed by a recovery in wage inflation at the same time that CPI inflation has fallen to, or near to, zero since February 2015. Investment expenditure is also expected to support growth. However, since the August Inflation report was issued, most worldwide economic statistics have been weak and the November Inflation Report flagged up particular concerns for the potential impact on the UK.

The Inflation Report was also notably subdued in respect of the forecasts for inflation; this was expected to barely get back up to the 2% target within the 2-3 year time horizon. The increase in the forecast for inflation at the three year horizon was the biggest in a decade and at the two year horizon was the biggest since February 2013. However, the first round of falls in oil, gas and food prices over late 2014 and also in the first half 2015, will fall out of the 12 month calculation of CPI during late 2015 - early 2016 but a second, more recent round of falls in fuel prices will now delay a significant tick up in inflation from around zero: this is now expected to get back to around 1% in the second half of 2016 and not get to near 2% until 2017, though the forecasts in the Report itself were for an even slower rate of increase. There is considerable uncertainty around how quickly pay and CPI inflation will rise in the next few years and this makes it difficult to forecast when the Monetary Policy Committee will decide to make a start on increasing Bank Rate.

USA. The American economy made a strong comeback after a weak first quarter's growth at +0.6% (annualised), to grow by no less than 3.9% in quarter 2 of 2015, but then pulled back to 2.1% in quarter 3. The run of strong monthly increases in nonfarm payrolls figures for growth in employment in 2015 has prepared the way for the Fed. to embark on its long awaited first increase in rates of 0.25% at its December meeting. However, the accompanying message with this first increase was that further increases will be at a much slower rate, and to a much lower ultimate ceiling, than in previous business cycles, mirroring comments by our own Monetary Policy Committee.

EZ. In the Eurozone, the European Central Bank in January 2015 unleashed a massive €1.1 trillion programme of quantitative easing to buy up high credit quality government and other debt of selected EZ countries. This programme of €60bn of monthly purchases started in March 2015 and it is intended to run initially to September 2016. This appears to have had a positive effect in helping a recovery in consumer and business confidence and a start to an improvement in economic growth. GDP growth rose to 0.5% in quarter 1 2015 (1.0% y-y) but came in at +0.4% (+1.5% y-y) in quarter 2 and +0.3% in quarter 3. However, this lacklustre progress in 2015 together with the recent downbeat Chinese and emerging markets news, has prompted comments by the ECB that it stands ready to strengthen this programme of QE by extending its time frame and - or increasing its size in order to get inflation up from the current level of around zero towards its target of 2% and to help boost the rate of growth in the EZ.

Greece. During July, Greece finally capitulated to EU demands to implement a major programme of austerity and is now cooperating fully with EU demands. An €86bn third bailout package has since been agreed though it did nothing to address the unsupportable size of total debt compared to GDP. However, huge damage has been done to the Greek banking system and economy by the resistance of the Syriza government, elected in January, to EU demands. The surprise general election in September gave the Syriza government a mandate to stay in power to implement austerity measures. However, there are major doubts as to whether the size of cuts and degree of reforms required can be fully implemented and so Greek exit from the euro may only have been delayed by this latest bailout.

Portugal and Spain. The general elections in September and December respectively have opened up new areas of political risk where the previous right wing reform-focused pro-austerity mainstream political parties have lost power. A left wing - communist coalition has taken power in Portugal which is heading towards unravelling previous pro austerity reforms. This outcome could be replicated in Spain. This has created nervousness in bond and equity markets for these countries which has the potential to spill over and impact on the whole Eurozone project.

- Investment returns are likely to remain relatively low during 2016-17 and beyond;
- Borrowing interest rates have been highly volatile during 2015 as alternating bouts of good and bad news have promoted optimism, and then pessimism, in financial markets. Gilt yields have continued to remain at historically phenominally low levels during 2015. The policy of avoiding new borrowing by running down 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 later times, when authorities will not be able to avoid new borrowing to finance new capital expenditure and-or to refinance maturing debt;
- There will remain a cost of carry to any new borrowing which causes an increase in investments as this will incur a revenue loss between borrowing costs and investment returns.

Borrowing strategy

21. The council is currently maintaining an under-borrowed position. This means that the capital borrowing need (the 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 relatively high.

22. Against this background and the risks within the economic forecast, caution will be adopted with the 2016-17 treasury operations. 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 a greater than expected increase in world economic activity or a sudden increase in inflation risks, then the portfolio position will be re-appraised with the likely action that fixed rate funding will be drawn whilst interest rates were still relatively cheap.

Any decisions will be reported to Cabinet at the next available opportunity.

23. **Policy on borrowing in advance of need:** 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 Capital Financing Requirement 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.

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

24. **Debt rescheduling:** 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 may 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)

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.

All rescheduling will be reported to the council, at the earliest meeting following its action.

25. **UK Municipal Bonds Agency**
The UK Municipal Bonds Agency, set up in 2015, is now offering loans to local authorities. It is hoped that the borrowing rates will be lower than those offered by the Public Works Loan Board (PWLB). This Authority intends to make use of this new source of borrowing as and when appropriate.

Treasury indicators: limits on borrowing activity and affordability

26. **The operational boundary:** This is the limit beyond which external debt is not normally expected to exceed. In most cases, this would be a similar figure to the CFR, but may be lower or higher depending on the levels of actual debt.

Operational Boundary £000	**2014/15**	**2015/16**	**2016/17**	**2017/18**	**2018/19**	**2019/20**
	Actual	**Forecast**	**Estimate**	**Estimate**	**Estimate**	**Estimate**
Borrowing	223,917	218,857	253,107	266,107	274,107	274,107
Other long term liabilities	1,847	1,762	1,672	1,576	1,474	1,367
Total	**225,764**	**220,619**	**254,779**	**267,683**	**275,581**	**275,474**

The operational boundary is increasing due to:

a. presumed borrowing for building properties within the general fund, it makes no assumptions about selling any of the properties built or any usage of the development company for the building of the properties, other than those agreed in the company's business plan;

b. the HRA debt is increasing due the government's policy adjustment on housing rent levels against those in place during the Council's HRA subsidy buy out in 2012. The lowering of future rent by 1% each year over the next 4 years (2016-17 to 2019-20) has a material adverse impact on the future revenues of the HRA which significantly increases the need for borrowing in order to undertake capital expenditure on existing works and new build.

27. **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 full council. It reflects the level of external debt which, while not desired, could be afforded in the short term, but is not sustainable in the longer term.

- 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 council is asked to approve the following authorised limit:

Authorised Limit £000	**2014/15**	**2015/16**	**2016/17**	**2017/18**	**2018/19**	**2019/20**
	Actual	**Forecast**	**Estimate**	**Estimate**	**Estimate**	**Estimate**
Borrowing	263,917	258,857	293,107	306,107	314,107	314,107
Other long term liabilities	1,847	1,762	1,672	1,576	1,474	1,367
Total	**265,764**	**260,619**	**294,779**	**307,683**	**315,581**	**315,474**

The authorised limit is increasing due to:

a. presumed borrowing for building properties within the general fund, it makes no assumptions about selling any of the properties built or any usage of the development company for the building of the properties, other than those agreed in the company's business plan;

b. the HRA debt is increasing due the government's policy adjustment on housing rent levels against those in place during the Council's HRA subsidy buy out in 2012. The lowering of future rent by 1% each year over the next 4 years (2016-17 to 2019-20) has a material adverse impact on the future revenues of the HRA which significantly increases the need for borrowing in order to undertake capital expenditure on existing works and new build.

There are other implications of the Housing and Planning Bill 2015-16 are outlined in paragraphs 6.15 to 6.21 of the Housing Rents and Budgets 2016-17 report.

Separately, the council is also limited to a maximum HRA CFR through the HRA self-financing regime. This limit is currently:

HRA debt limit	**2014/15**	**2015/16**	**2016/17**	**2017/18**	**2018/19**	**2019/20**
£000	**Actual**	**Forecast**	**Estimate**	**Estimate**	**Estimate**	**Estimate**
HRA Debt Cap	236,989	236,989	236,989	236,989	236,989	236,989
HRA CFR	207,286	207,286	216,396	218,535	218,536	218,536
HRA Headroom	29,703	29,703	20,593	18,454	18,453	18,453

Slippage from 2015-16 to 2016-17 of the capital programme has been reflected in the CFR for 2016-17 which has reduced the headroom.

Treasury management limits on activity

28. 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 variable interest rate exposure:** This identifies a maximum limit for variable interest rates based upon the debt position net of investments;
- **Upper limits on fixed interest rate exposure:** This is similar to the previous indicator and covers a maximum limit on fixed interest rates
- **Maturity structure of borrowing:** 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

The council is asked to approve the following treasury indicators and limits:

£m	**2014-15**	**2015-16**	**2016-17**
Interest rate exposures			
Limits on fixed interest rates based on net debt	100%	100%	100%
Limits on variable interest rates based on net debt	20%	20%	20%
Limits on fixed interest rates:			
• *Debt only*	100%	100%	100%
• *Investments only*	100%	100%	100%
Limits on variable interest rates			
• Debt only	20%	20%	20%
• Investments only	20%	20%	20%
Maturity structure of fixed interest rate borrowing			
		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%

29. **Affordability prudential indicators**: The previous sections cover the overall capital and control of borrowing prudential indicators, but within this framework prudential indicators

are also required to assess the affordability of the capital investment plans. These provide an indication of the impact of the capital investment plans on the council's overall finances. The council is asked to approve the following indicators:

- **Ratio of financing costs to net revenue stream:** 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.

	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
	Actual	Forecast	Estimate	Estimate	Estimate	Estimate
Non-HRA	4.79%	5.10%	7.67%	10.82%	14.81%	17.44%
HRA	11.96%	11.85%	10.65%	10.64%	10.19%	9.84%

The estimates of financing costs include current commitments and the proposals in this budget report, which are increasing due increased borrowing to fund building of properties. As stated above The debt is increasing due to presumed borrowing for building properties within the HRA and GF, it makes no assumptions about selling any of the properties built or of any special purpose vehicle usage for the building of the properties. Projects will not go ahead unless there is an expectation that revenue streams generated will fully fund the associated borrowing costs and provide n additional return.

- **Incremental impact of capital investment decisions on council tax:** This indicator identifies the revenue costs associated with proposed changes to the three year capital programme recommended in the 2016-17 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.
- **Incremental impact of capital investment decisions on the band D council tax:** The impact of capital expenditure on the council tax would be derived from the effect of Revenue Contributions to Capital on the Council Tax Requirement. Since the council does not budget for any significant revenue contributions, the impact on the Council Tax Requirement, and therefore council tax, is nil.

- **Estimates of the incremental impact of capital investment decisions on housing rent levels:** Similar to the council tax calculation, this indicator identifies the trend in the cost of proposed changes in the housing capital programme recommended in the 2016-17 budget report compared to the council's existing commitments and current plans, expressed as a discrete impact on weekly rent levels.

  A key change to the HRA's capital investment programme has been the government's policy adjustment on housing rent levels against those in place during the Council's HRA subsidy buy out in 2012. The anticipated lowering of future rent by 1% each year over the next 4 years (2016-17 to 2019-20) has a material adverse impact on the future revenues of the HRA which significantly reduces the ability of the HRA to undertake capital expenditure on existing works and new build. This will reduce the HRA's overall activity in the future and will reduce future revenue levels through new build and other revenue initiatives.

Investments

Annual investment strategy

30. The main rating agencies (Fitch, Moody's and Standard & Poor's) have, through much of the financial crisis, provided some institutions with a ratings "uplift" due to implied levels of sovereign support. Commencing in 2015, in response to the evolving regulatory regime, all three agencies have begun removing these "uplifts" with the timing of the process determined by regulatory progress at the national level. The process has been part of a wider reassessment of methodologies by each of the rating agencies. In addition to the removal of implied support, new methodologies are now taking into account additional factors, such as regulatory capital levels. In some cases, these factors have "netted" each other off, to leave underlying ratings either unchanged or little changed. A consequence of these new methodologies is that they have also lowered the importance of the (Fitch) Support and Viability ratings and have seen the (Moody's) Financial Strength rating withdrawn by the agency.

In keeping with the agencies' new methodologies, the rating element of our own credit assessment process now focuses solely on the Short and Long Term ratings of an institution. While this is the same process that has always been used for Standard & Poor's, this has been a change in the use of Fitch and Moody's ratings. It is important to stress that the other key elements to our process, namely the assessment of Rating Watch and Outlook information as well as the Credit Default Swap (CDS) overlay have not been changed.

The evolving regulatory environment, in tandem with the rating agencies' new methodologies also means that sovereign ratings are now of lesser importance in the assessment process. Where through the crisis, clients typically assigned the highest sovereign rating to their criteria, the new regulatory environment is attempting to break the link between sovereign support and domestic financial institutions. While this authority understands the changes that have taken place, it will continue to specify a minimum sovereign rating of ….. This is in relation to the fact that the underlying domestic and where appropriate, international, economic and wider political and social background will still have an influence on the ratings of a financial institution.

It is important to stress that these rating agency changes do not reflect any changes in the underlying status or credit quality of the institution. They are merely reflective of a reassessment of rating agency methodologies in light of enacted and future expected changes to the regulatory environment in which financial institutions operate. While some banks have received lower credit ratings as a result of these changes, this does not mean that they are suddenly less credit worthy than they were formerly. Rather, in the majority of cases, this mainly reflects the fact that implied sovereign government support has effectively been withdrawn from banks. They are now expected to have sufficiently strong balance sheets to be able to withstand foreseeable adverse financial circumstances without government support. In fact, in many cases, the balance sheets of banks are now much more robust than they were before the 2008 financial crisis when they had higher ratings than now. However, this is not universally applicable, leaving some entities with modestly lower ratings than they had through much of the "support" phase of the financial crisis.

The main rating agencies (Fitch, Moody's and Standard & Poor's) have, through much of the financial crisis, provided some institutions with a ratings "uplift" due to implied levels of sovereign support. Commencing in 2015, in response to the evolving regulatory regime, all three agencies have begun removing these "uplifts" with the timing of the process determined by regulatory progress at the national level. The process has been part of a wider reassessment of methodologies by each of the rating agencies. In addition to the removal of implied support, new methodologies are now taking into account additional factors, such as regulatory capital levels. In some cases, these factors have "netted" each other off, to leave underlying ratings either unchanged or little changed. A consequence of these new methodologies is that they have also lowered the importance of the (Fitch) Support and Viability ratings and have seen the (Moody's) Financial Strength rating withdrawn by the agency.

In keeping with the agencies' new methodologies, the rating element of our own credit assessment process now focuses solely on the Short and Long Term ratings of an institution. While this is the same process that has always been used for Standard & Poor's, this has been a change in the use of Fitch and Moody's ratings. It is important to stress that the other key elements to our process, namely the assessment of Rating Watch and Outlook information as well as the Credit Default Swap (CDS) overlay have not been changed.

The evolving regulatory environment, in tandem with the rating agencies' new methodologies also means that sovereign ratings are now of lesser importance in the assessment process. Where through the crisis, clients typically assigned the highest sovereign rating to their criteria, the new regulatory environment is attempting to break the link between sovereign support and domestic financial institutions. While this authority understands the changes that have taken place, it will continue to specify a minimum sovereign rating of ….. This is in relation to the fact that the underlying domestic and where appropriate, international, economic and wider political and social background will still have an influence on the ratings of a financial institution.

It is important to stress that these rating agency changes do not reflect any changes in the underlying status or credit quality of the institution. They are merely reflective of a reassessment of rating agency methodologies in light of enacted and future expected changes to the regulatory environment in which financial institutions operate. While some banks have received lower credit ratings as a result of these changes, this does not mean that they are suddenly less credit worthy than they were formerly. Rather, in the majority of cases, this mainly reflects the fact that implied sovereign government support has effectively been withdrawn from banks. They are now expected to have sufficiently strong balance sheets to be able to withstand foreseeable adverse financial circumstances without government support. In fact, in many cases, the balance sheets of banks are now much more robust than they were before the 2008 financial crisis when they had higher ratings than now. However, this is not universally applicable, leaving some entities with modestly lower ratings than they had through much of the "support" phase of the financial crisis.

31. **Core funds and expected investment balances:** 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.

Year End Resources	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
£000	**Actual**	**Forecast**	**Estimate**	**Estimate**	**Estimate**	**Estimate**
Fund balances	29,794	25,935	10,876	11,022	9,578	8,580
Capital receipts	24,895	-	-	-	-	-
Earmarked reserves	4,084	-	-	-	-	-
S106, CIL & grants	5,078	4,643	3,691	1,620	-	-
Total Core Funds	**63,852**	**30,579**	**14,567**	**12,643**	**9,578**	**8,580**
Working Capital*	48,722	25,500	25,500	25,500	25,500	25,500
Expected Investments	**67,541**	**33,536**	**37,624**	**40,401**	**40,998**	**43,514**

*Working capital balances shown are estimated year end; these may be higher mid year

A proportion of the capital receipts are ringfenced so can only be spent on specific capital works. It has been assumed that any capital receipts arising in a year are used to finance the capital programme in that year.

32. **Investment policy:** 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 Capita Asset Services (formerly Sector)al Guidance Notes ("the CIPFA TM Code"). The council's investment priorities will be security first, liquidity second, then return.

33. In accordance with the above guidance from the Welsh government and CIPFA, and in order to minimise the risk to investments, the Council applies minimum acceptable credit criteria in order to generate a list of highly creditworthy counterparties which also enables diversification and thus avoidance of concentration risk.

34. Continuing regulatory changes in the banking sector are designed to see greater stability, lower risk and the removal of expectations of government financial support should an institution fail. This withdrawal of implied sovereign support is anticipated to have an effect on ratings applied to institutions. This will result in the key ratings used to monitor counterparties being the Short Term and Long Term ratings only. Viability, Financial Strength and Support Ratings previously applied will effectively become redundant. This change does not reflect deterioration in the credit environment but rather a change of method in response to regulatory changes.

35. Further, the council's officers recognise that ratings should not be the sole determinant of the quality of an institution and that 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 this end the council will engage with its advisors to maintain a monitor on market pricing such as "credit default swaps" and overlay that information on top of the credit ratings.

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

37. The aim of the strategy is to generate a list of highly creditworthy counterparties which will also enable divesification and thus avoidance of concentration risk.

38. The intention of the strategy is to provide security of investment and minimisation of risk.

39. Investment instruments identified for use in the financial year are listed in Appendix 3 under the 'specified' and 'non-specified' investments categories. Counterparty limits will be as set through the council's treasury management practices – schedules.

40. **Creditworthiness policy:** 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.

41. 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.

42. 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, our 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.

43. 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

44. **Country and Capita Asset Services considerations:** 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
- limits in place above will apply to a group of companies
- sector limits will be monitored regularly for appropriateness

45. **Use of additional information other than credit ratings:** 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.

46. **Time and monetary limits applying to investments:** The time and monetary limits for institutions on the council's counterparty list are as follows (these will cover both specified and non-specified investments):

	Fitch long term rating (or equivalent)	**Money Limit**	**Time Limit**
Banks 1 category high quality	AA	£15m	364 days
Banks 1 category lower quality	AA	£10m	364 days
Banks 2 category part nationalised	N/A	£15m	3 yrs
Limit 3 category - council's own banker (not meeting banks 1)	A-	£5m	3 months
Building Societies	Asset worth £2bn	£10m	364 days
DMADF	AAA	unlimited	6 months
Local Authorities	N/A	£10m per LA	5 years
Money market funds	AAA	£5m per fund £25m overall limit	liquid

47. **Country limits:** The council has determined that it will only use approved counterparties from countries with a minimum sovereign credit rating of AAA. This list will be added to, or deducted from, by officers should ratings change in accordance with this policy.

48. **In-house funds.** Investments will be made with reference to the core balance and cash flow requirements and the outlook for short-term interest rates (i.e. rates for investments up to 12 months).

49. **Investment returns expectations.** Bank Rate is forecast to remain unchanged at 0.5% before starting to rise from quarter 4 of 2015. Bank Rate forecasts for financial year ends (March) are:

- 2016-17 1.00%
- 2017-18 1.75%
- 2018-19 2.00%

There are downside risks to these forecasts (i.e. start of increases in Bank Rate is delayed even further) if economic growth weakens for longer than expected. However, should the pace of growth quicken, there could be upside risk.

The suggested budgeted investment earnings rates for returns on investments placed for periods up to 100 days during each financial year for the next four years are as follows:

- 2016-17 0.90%
- 2017-18 1.50%
- 2018-19 2.00%
- 2019-20 2.25%
- 2020-21 2.50%
- 2021-22 3.00%
- 2022-23 3.00%

Later years 3.00%

50. **Investment treasury indicator and limit:** Total principal funds invested for greater than 364 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.

The cabinet is asked to approve the treasury indicator and limit:

Maximum Principle Funds invested >364 days			
£m	**2016/17**	**2017/18**	**2018/19**
Principle funds invested > 364 days	£15m	£15m	£15m

For its cash flow generated balances, the council will seek to utilise its business reserve instant access and notice accounts and short-dated deposits (overnight to three months), in order to benefit from the compounding of interest.

51. **Investment risk benchmarking:** 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.

52. **Security** - The council's maximum security risk benchmark for the current portfolio, when compared to these historic default tables, is:

- 0.05% historic risk of default when compared to the whole portfolio

- in addition, that the security benchmark for each individual year is:

	1 year	2 years	3 years	4 years	5 years
Maximum	0.05%	0.04%	0.03%	0.02%	0.01%

Note: This benchmark is an average risk of default measure, and would not constitute an expectation of loss against a particular investment.

53. **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 0.45 years, with a maximum of 2.77 years

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

55. At the end of the financial year, the council will report on its investment activity as part of its annual treasury management report.

Other

Training

56. The CIPFA code requires the responsible officer to ensure that members with responsibility for treasury management receive adequate training in treasury management. Members received treasury management training from Capita's Richard Dunlop in November 2013 and further training will be arranged as required.

57. The training needs of treasury management officers are periodically reviewed.

Treasury Management Consultants

58. The council uses Capita Asset Services as its external treasury management advisors.

59. 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.

60. 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.

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 completing the assessment can be found here. Delete this row after completion

Report author to complete	
Committee:	Cabinet
Committee date:	03 February 2016
Head of service:	Justine Hartley
Report subject:	Treasury Management Strategy 2016-17
Date assessed:	22-01-2016
Description:	This report outlines the council's prudential indicators for 2016-17 through to 2018-19 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)	☐	X	☐	The 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

Interest Rate Forecasts 2016-2019

PWLB rates and forecast shown below have taken into account the 20 basis point certainty rate reduction effective as of the 1st November 2012

Capita Asset Services Interest Rate View														
	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19
Bank Rate View	0.50%	0.50%	0.75%	0.75%	1.00%	1.00%	1.25%	1.50%	1.50%	1.75%	1.75%	2.00%	2.00%	2.00%
3 Month LIBID	0.60%	0.70%	0.80%	0.90%	1.10%	1.30%	1.40%	1.50%	1.80%	1.90%	1.90%	2.00%	2.00%	2.10%
6 Month LIBID	0.80%	0.90%	1.00%	1.10%	1.30%	1.50%	1.60%	1.70%	2.00%	2.10%	2.10%	2.20%	2.20%	2.30%
12 Month LIBID	1.10%	1.20%	1.30%	1.40%	1.60%	1.80%	1.90%	2.00%	2.30%	2.40%	2.40%	2.50%	2.50%	2.70%
5yr PWLB Rate	2.30%	2.40%	2.60%	2.70%	2.80%	2.80%	2.90%	3.00%	3.20%	3.30%	3.40%	3.50%	3.50%	3.60%
10yr PWLB Rate	2.90%	3.00%	3.10%	3.20%	3.30%	3.40%	3.50%	3.60%	3.70%	3.80%	3.90%	4.00%	4.10%	4.10%
25yr PWLB Rate	3.60%	3.70%	3.80%	3.90%	4.00%	4.10%	4.10%	4.20%	4.30%	4.30%	4.40%	4.40%	4.40%	4.50%
50yr PWLB Rate	3.50%	3.60%	3.70%	3.80%	3.90%	4.00%	4.00%	4.10%	4.20%	4.20%	4.30%	4.30%	4.30%	4.40%
Bank Rate														
Capita Asset Services	0.50%	0.50%	0.75%	0.75%	1.00%	1.00%	1.25%	1.50%	1.50%	1.75%	1.75%	2.00%	2.00%	2.00%
Capital Economics	0.50%	0.50%	0.75%	0.75%	1.00%	1.00%	1.25%	1.25%	1.50%	-	-	-	-	-
5yr PWLB Rate														
Capita Asset Services	2.30%	2.40%	2.60%	2.70%	2.80%	2.80%	2.90%	3.00%	3.20%	3.30%	3.40%	3.50%	3.50%	3.60%
Capital Economics	2.40%	2.60%	2.70%	2.80%	3.00%	3.10%	3.20%	3.30%	3.50%	-	-	-	-	-
10yr PWLB Rate														
Capita Asset Services	2.90%	3.00%	3.10%	3.20%	3.30%	3.40%	3.50%	3.60%	3.70%	3.80%	3.90%	4.00%	4.10%	4.10%
Capital Economics	3.35%	3.35%	3.45%	3.45%	3.55%	3.65%	3.75%	3.85%	3.95%	-	-	-	-	-
25yr PWLB Rate														
Capita Asset Services	3.60%	3.70%	3.80%	3.90%	4.00%	4.10%	4.10%	4.20%	4.30%	4.30%	4.40%	4.40%	4.40%	4.50%
Capital Economics	3.35%	3.35%	3.45%	3.45%	3.55%	3.65%	3.75%	3.85%	3.95%	-	-	-	-	-
50yr PWLB Rate														
Capita Asset Services	3.50%	3.60%	3.70%	3.80%	3.90%	4.00%	4.00%	4.10%	4.20%	4.20%	4.30%	4.30%	4.30%	4.40%
Capital Economics	3.40%	3.40%	3.50%	3.50%	3.60%	3.70%	3.80%	3.90%	4.00%	-	-	-	-	-

Economic Background

UK. UK GDP growth rates in of 2.2% in 2013 and 2.9% in 2014 were the strongest growth rates of any G7 country; the 2014 growth rate was also the strongest UK rate since 2006 and the 2015 growth rate is likely to be a leading rate in the G7 again. However, quarter 1 of 2015 was weak at +0.4%, although there was a short lived rebound in quarter 2 to +0.7% before it subsided again to +0.5% (+2.3% y-y) in quarter 3. The Bank of England's November Inflation Report included a forecast for growth to remain around 2.5% – 2.7% over the next three years. For this recovery, however, to become more balanced and sustainable in the longer term, it still needs to move away from dependence on consumer expenditure and the housing market to manufacturing and investment expenditure. The strong growth since 2012 has resulted in unemployment falling quickly to a current level of 5.2%.

The MPC has been particularly concerned that the squeeze on the disposable incomes of consumers should be reversed by wage inflation rising back above the level of CPI inflation in order to underpin a sustainable recovery. It has, therefore, been encouraging in 2015 to see wage inflation rising significantly above CPI inflation which has been around zero since February. However, it is unlikely that the MPC would start raising rates until wage inflation was expected to consistently stay over 3%, as a labour productivity growth rate of around 2% would mean that net labour unit costs would still only be rising by about 1% y-y. The Inflation Report was notably subdued in respect of the forecasts for CPI inflation; this was expected to barely get back up to the 2% target within the 2-3 year time horizon. The increase in the forecast for inflation at the three year horizon was the biggest in a decade and at the two year horizon it was the biggest since February 2013. However, the first round of falls in oil, gas and food prices in late 2014 and in the first half 2015, will fall out of the 12 month calculation of CPI during late 2015 - early 2016 but only to be followed by a second, more recent, round of falls in fuel prices which will now delay a significant tick up in inflation from around zero. CPI inflation is now expected to get back to around 1% in the second half of 2016 and not get near to 2% until 2017, though the forecasts in the Report itself were for an even slower rate of increase.

There is, therefore, considerable uncertainty around how quickly pay and CPI inflation will rise in the next few years and this makes it difficult to forecast when the MPC will decide to make a start on increasing Bank Rate. There are also concerns around the fact that the central banks of the UK and US currently have few monetary policy options left to them given that central rates are near to zero and huge QE is already in place. There are, accordingly, arguments that they need to raise rates sooner, rather than later, so as to have some options available for use if there was another major financial crisis in the near future. But it is unlikely that either would raise rates until they are sure that growth was securely embedded and 'noflation' was not a significant threat.

The forecast for the first increase in Bank Rate has, therefore, been pushed back progressively during 2015 from Q4 2015 to Q2 2016. Increases after that are also likely to be at a much slower pace, and to much lower final levels than prevailed before 2008, as increases in Bank Rate will have a much bigger effect on heavily indebted consumers and householders than they did before 2008.

The government's revised Budget in July eased the pace of cut backs from achieving a budget surplus in 2018-19 to achieving that in 2019-20 and this timetable was maintained in the November Budget.

USA. GDP growth in 2014 of 2.4% was followed by Q1 2015 growth, which was depressed by exceptionally bad winter weather, at only +0.6% (annualised). However, growth rebounded remarkably strongly in Q2 to 3.9% (annualised) before falling back to +2.1% in Q3.

Until the turmoil in financial markets in August, caused by fears about the slowdown in Chinese growth, it had been strongly expected that the Fed. would start to increase rates in September. The Fed pulled back from that first increase due to global risks which might depress US growth and put downward pressure on inflation, as well as a 20% appreciation of the dollar which has caused the Fed. to lower its growth forecasts. Although the non-farm payrolls figures for growth in employment in August and September were disappointingly weak, the October figure was stunningly strong while November was also reasonably strong; this, therefore, opened up the way for the Fed. to embark on its first increase in rates of 0.25% at its December meeting. However, the accompanying message with this first increase was that further increases will be at a much slower rate, and to a much lower ultimate ceiling, than in previous business cycles, mirroring comments by our own MPC.

EZ. In the Eurozone, the EBC, in January 2015 unleashed a massive €1.1 trillion programme of quantitative easing to buy up high credit quality government and other debt of selected EZ countries. This programme of €60bn of monthly purchases started in March 2015 and it is intended to run initially to September 2016. This appears to have had a positive effect in helping a recovery in consumer and business confidence and a start to an improvement in economic growth. GDP growth rose to 0.5% in quarter 1 2015 (1.0% y-y) but came in at +0.4% (+1.5% y-y) in quarter 2 and +0.3% in quarter 3. However, this more recent lacklustre progress, combined with the recent downbeat Chinese and emerging markets news, has prompted comments by the ECB that it stands ready to strengthen this programme of QE by extending its time frame and - or increasing its size in order to get inflation up from the current level of around zero towards its target of 2%. The ECB will also aim to help boost the rate of growth in the EZ.

Greece. During July, Greece finally capitulated to EU demands to implement a major programme of austerity. An €86bn third bailout package has since been agreed although it did nothing to address the unsupportable size of total debt compared to GDP. However, huge damage has been done to the Greek banking system and economy by the initial resistance of the Syriza government, elected in January, to EU demands. The surprise general election in September gave the Syriza government a mandate to stay in power to implement austerity measures. However, there are major doubts as to whether the size of cuts and degree of reforms required can be fully implemented and so a Greek exit from the euro may only have been delayed by this latest bailout.

Portugal and Spain. The general elections in September and December respectively have opened up new areas of political risk where the previous right wing reform-focused pro-austerity mainstream political parties have lost power. A left wing - communist coalition has taken power in Portugal which is heading towards unravelling previous pro austerity reforms. This outcome could be replicated in Spain. This has created nervousness in bond and equity markets for these countries which has the potential to spill over and impact on the whole Eurozone project.

China and Japan. Japan is causing considerable concern as the increase in sales tax in April 2014 suppressed consumer expenditure and growth. In Q2 2015 quarterly growth shrank by -0.2% after a short burst of strong growth of 1.1% during Q1, but then came back to +0.3% in Q3 after the first estimate had indicated that Japan had fallen back into recession; this would have been the fourth recession in five years. Japan has been hit hard by the downturn in China during 2015 and there are continuing concerns as to how effective efforts by the Abe government to stimulate growth, and increase the rate of inflation from near zero, are likely to prove when it has already fired the first two of its ‘arrows’ of reform but has dithered about firing the third, deregulation of protected and inefficient areas of the economy.

As for China, the government has been very active during 2015 in implementing several stimulus measures to try to ensure the economy hits the growth target of 7% for the current year and to bring some stability after the major fall in the onshore Chinese stock market during the summer. Many commentators are concerned that recent growth figures could have been massaged to hide a downturn to a lower growth figure. There are also major concerns as to the creditworthiness of much of the bank lending to corporates and local government during the post 2008 credit expansion period. Overall, China is still expected to achieve a growth figure that the EU would be envious of. Nevertheless, concerns about whether the Chinese economy could be heading for a hard landing, and the volatility of the Chinese stock market, which was the precursor to falls in world financial markets in August and September, remain a concern.

Emerging countries. There are also considerable concerns about the vulnerability of some emerging countries and their corporates which are getting caught in a perfect storm. Having borrowed massively in dollar denominated debt since the financial crisis (as investors searched for yield by channelling investment cash away from western economies with dismal growth, depressed bond yields and near zero interest rates into emerging countries) there is now a strong flow back to those western economies with strong growth and an imminent rise in interest rates and bond yields.

This change in investors’ strategy, and the massive reverse cash flow, has depressed emerging country currencies and, together with a rise in expectations of a start to central interest rate increases in the US, has helped to cause the dollar to appreciate significantly. In turn, this has made it much more costly for emerging countries to service their dollar denominated debt at a time when their earnings from commodities are depressed. There are also likely to be major issues when previously borrowed debt comes to maturity and requires refinancing at much more expensive rates.

Corporates (worldwide) heavily involved in mineral extraction and - or the commodities market may also be at risk and this could also cause volatility in equities and safe haven flows to bonds. Financial markets may also be buffeted by the sovereign wealth funds of those countries that are highly exposed to falls in commodity prices and which, therefore, may have to liquidate investments in order to cover national budget deficits.

CAPITA ASSET SERVICES FORWARD VIEW

Economic forecasting remains difficult with so many external influences weighing on the UK. Our Bank Rate forecasts, (and also MPC decisions), will be liable to further amendment depending on how economic data evolves over time. Capita Asset Services undertook its last review of interest rate forecasts on 9 November 2015 shortly after the publication of the quarterly Bank of England Inflation Report. There is much volatility in rates and bond yields as news ebbs and flows in negative or positive ways. This latest forecast includes a first increase in Bank Rate in quarter 2 of 2016.

The overall trend in the longer term will be for gilt yields and PWLB rates to rise when economic recovery is firmly established accompanied by rising inflation and consequent increases in Bank Rate, and the eventual unwinding of QE. Increasing investor confidence in eventual world economic recovery is also likely to compound this effect as recovery will encourage investors to switch from bonds to equities.

The overall balance of risks to economic recovery in the UK is currently evenly balanced. Only time will tell just how long this current period of strong economic growth will last; it also remains exposed to vulnerabilities in a number of key areas.

However, the overall balance of risks to our Bank Rate forecast is probably to the downside, i.e. the first increase, and subsequent increases, may be delayed further if recovery in GDP growth, and forecasts for inflation increases, are lower than currently expected. Market expectations in November, (based on short sterling), for the first Bank Rate increase are currently around mid-year 2016.

Downside risks to current forecasts for UK gilt yields and PWLB rates currently include:

- Geopolitical risks in Eastern Europe, the Middle East and Asia, increasing safe haven flows.
- UK economic growth turns significantly weaker than we currently anticipate.
- Weak growth or recession in the UK’s main trading partners - the EU, US and China.
- A resurgence of the Eurozone sovereign debt crisis.
- Recapitalisation of European banks requiring more government financial support.
- Emerging country economies, currencies and corporates destabilised by falling commodity prices and - or the start of Fed. rate increases, causing a flight to safe havens

The potential for upside risks to current forecasts for UK gilt yields and PWLB rates, especially for longer term PWLB rates include: -

- Uncertainty around the risk of a UK exit from the EU.
- The commencement by the US Federal Reserve of increases in the Fed. funds rate causing a fundamental reassessment by investors of the relative risks of holding bonds as opposed to equities and leading to a major flight from bonds to equities.
- UK inflation returning to significantly higher levels than in the wider EU and US, causing an increase in the inflation premium inherent to gilt yields.

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-Capita Asset Services (formerly Sector)al Guidance Notes. This council adopted the Code on 22 March 2011 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(5), 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 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 or Fitch rating agencies.

Within these bodies, and in accordance with the Code, the council has set additional criteria to set the time and amount of monies which will be invested in these bodies. This criteria is:

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

	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 Investment Bank etc.). **(b) A financial institution that is guaranteed by the United Kingdom government** (e.g. The Guaranteed Export Finance Company {GEFCO}) 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.	£15m £15m
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	£10m or 1% of assets

	these type of investments to	
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 longer the one year at any one time.
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 to 1% of its assets size.	£10m for a maximum of 3 months
g.	**Certifcates of Deposit** or corporate bonds with banks and building societies	£5m
h.	Money market funds	£5m
i.	**Pooled property funds** – The use of these instruments will normally be deemed to be capital expenditure, and as such will be an application (spending) of capital resources. The key 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 Capita Asset Services (formerly Sector) 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.

The treasury management role of the section 151 officer

The S151 (responsible) officer

- recommending clauses, treasury management policy-practices for approval, reviewing the same regularly, and monitoring compliance;
- submitting regular treasury management policy reports;
- submitting budgets and budget variations;
- receiving and reviewing management information reports;
- reviewing the performance of the treasury management function;
- ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function;
- ensuring the adequacy of internal audit, and liaising with external audit;
- recommending the appointment of external service providers.

APPENDIX

Report to	**Cabinet**	**Item**
	03 February 2016	
Report of	Chief finance officer	
Subject	Change of MRP Policy	

Purpose

To seek approval for a change in the council's policy with respect to Minimum Revenue Provision

Recommendation

To approve the change in Minimum Revenue Policy to asset life – annuity basis

Corporate and service priorities

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

Financial implications

Moving to the recommended policy would save the council £3.5m over the next five years. Savings continue to be made until 2035/36. After this year the costs increase until the capital financing requirement is fully paid down in 2064/65. The net present value over the fifty years under the recommended policy is £11.2m, whereas under the current method it is £13.9m

Ward/s: All Wards

Cabinet member: Councillor Stonard - Resources and income generation

Contact officers

Justine Hartley	01603 212440
Philippa Dransfield	01603 212562

Background documents

Treasury Management Strategy (Council 17 February 2015)

Report

Introduction

1. Local authorities are required to prepare an annual Minimum Revenue Provision (MRP) Statement which is approved as part of the Treasury Management Strategy Statement (TMSS). This section of the report sets out a proposed change to the policy for 2015-16, which under the council's financial regulations requires Cabinet approval and a report to full Council.

Background

2. The statute and regulations with regard to MRP are covered in The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003, The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008 and the DCLG document, Capital Finance Guidance on Minimum Revenue Provision (February 2012).

3. Regulations 27 and 28 (as amended in 2008) require that a local authority "shall determine for the current financial year an amount of Minimum Revenue Provision which it considers to be prudent". MRP is a charge to the revenue account in relation to capital expenditure financed from borrowing or credit arrangements.

4. The council's MRP policy was created in 2007 at the start of the new MRP system, therefore it has now been in place for 8 years, and the council now faces a substantially different financial context. Significant challenges remain and the council needs to review the method and application of its policies to ensure these remain appropriate and reasonable. The council is seeking to ensure a stable and deliverable financial transition over the next few years, in the interest of prudent management of the council's finances generally (not just MRP).

5. The council's current MRP policy adopts the 'CFR Method' of 4% of capital financing requirement (CFR) at each year end.

6. There are three other suggested options. In DCLG Guidance issued February 2012; the asset life method for MRP is stated as the preferred option, although any prudent provision is permitted.

Analysis of options considered

7. The four options for MRP policy under Local Authorities (Capital Finance and Accounting) (England) Regulations 2008 are:

    a. The Regulatory method – MRP is equal to the amount determined in accordance with the former regulations 28 & 29 of the 2003 Regulations, as if they had not been revoked by the 2008 Regulations.
    b. The CFR Method' of 4% of capital financing requirement (CFR) at each year end. This is the method the council currently uses.

c. Asset Life Method – under this method the MRP is determined by reference to the life of the asset. This is either done on an equal instalment method or by annuity method (MRP is the principal element for the year of the annuity required to repay over the asset life the capital expenditure financed by borrowing or credit arrangements).
d. Depreciation Method – MRP is equal to the provision required in accordance with depreciation accounting in respect of the asset on which the capital expenditure financed by borrowing or credit arrangements.

8. The Regulatory method is only available for the CFR relating to pre-2008 assets.

9. The CFR Method is a reducing balance formula which has the characteristic that the debt is never entirely repaid, because each year repays 4% of the outstanding balance at that time. It would take over 200 years to repay to near zero under the current method. In addition, an amount of debt equal to Adjustment A ((the difference between the credit ceiling and the Capital Financing Requirement on 1st April 2004) is never repaid at all. In Norwich's case, Adjustment A amounts to £2.2m.

10. The asset life equal instalments method:

a) saves the council £471,263 in 2015/16 & £429,515 in 2016/17.
b) the savings reduce but continue until 2029/30, after this there is extra annual cost to the council.
c) the net present value of the MRP under the equal instalments method over 50 years is £13,770,212; that for MRP under the current method over the same period is £13,862,164, a saving of only £91,952.

11. The asset life annuity method :

a) In 2015/16 produces a saving of £801,336, in 2016/17 a saving of £751,967.
b) The savings reduce but continue until 2035/36, after this there is extra annual cost to the council.
c) The net present value of the MRP under the annuity method over fifty years is £11,161,731; that for MRP under the current method over the same period is £13,862,164, a saving of £2,700,433. It should be noted that the balance of the CFR after 50 years is zero under the annuity method but £3,389,071 under the current CFR method.

12. Under the depreciation method alignment with the depreciation must include any amount for impairment chargeable to the Comprehensive Income and Expenditure Statement. This method would produce similar results to the asset life equal instalments method but with added uncertainty around impairments, therefore this method was not considered.

13. The detailed annual savings and graphs for the asset life method of calculating MRP are contained in the Appendices to this report. Appendix 1 is a graphical representation of the effect of each asset life method on MRP each year into the

future, MRP will be lower in the early and higher in the later years. For both asset life methods there is a drop in 2048 due to one asset coming to the end of its life. Appendix 2 is a table of the actual values of MRP under the two asset life methods and the saving of each of these over the current CFR 4% method.

14. The Capital Financing Requirement (CFR) is a measure of capital expenditure financed by borrowing. It is written off by MRP charges. After 50 years, the Council's CFR and debt would be lower under either asset life method than under current arrangements because asset life methods repay the whole General Fund Loans CFR over 50 years rather than leaving a balance perpetually outstanding. Appendix 3 is a graphical representation of the CFR at the end of each financial year. Appendix 4 is a table of the actual values of CFR at the end of each financial year.

15. Appendix 5 is a graphical representation of the net present value of the MRP charges over a fifty year period.

16. Appendix 6 is the proposed new MRP policy

17. This analysis is based on the Council's current borrowing; any new prudential borrowing in the future would increase the CFR accordingly and result in additional MRP.

18. The methodology and calculations have been shared with the council's external auditors and, subject to checking the figures to the council's accounting records, they have agreed the calculations and consequent savings.

Recommendation

19. It is recommended that Cabinet approve the change of MRP policy to the asset life – annuity basis. This will deliver the following savings:

    a) In 2015/16 produces a saving of £801,336, in 2016/17 a saving of £751,967.
    b) The savings reduce but continue until 2035/36, after this there is extra annual cost to the council.
    c) The net present value of the MRP under the annuity method over fifty years is £11,161,731; that for MRP under the current method over the same period is £13,862,164, a saving of £2,700,433.

Integrated impact assessment

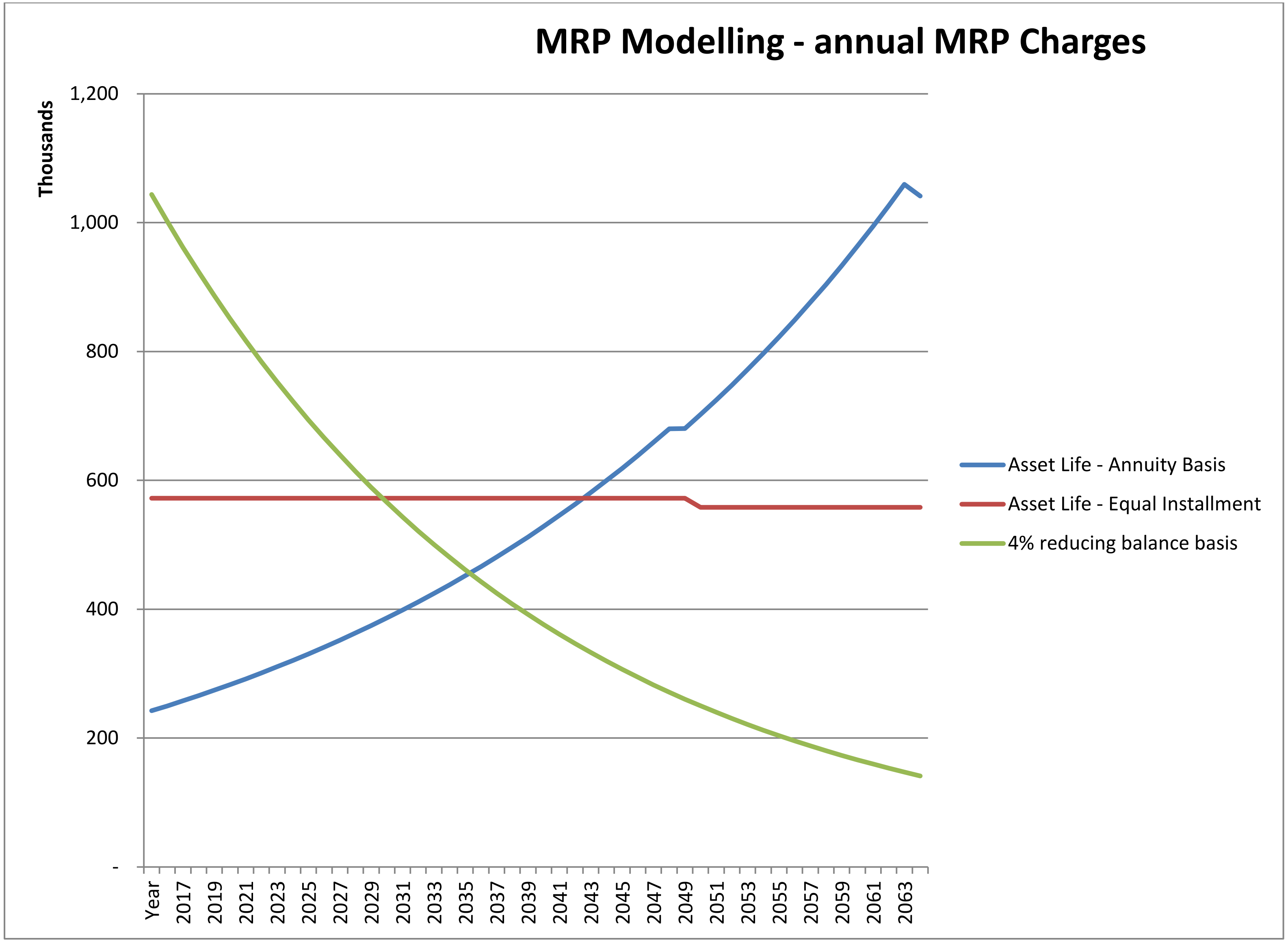
The IIA should assess **the impact of the recommendation** being made by the report
Detailed guidance to help with completing the assessment can be found here. Delete this row after completion

Report author to complete	
Committee:	Cabinet
Committee date:	03 February 2016
Head of service:	Justine Hartley
Report subject:	Change of minimum revenue provision policy
Date assessed:	20 January 2016
Description:	To consider options for the minimum revenue provision policy

	Impact			
Economic (please add an 'x' as appropriate)	**Neutral**	**Positive**	**Negative**	**Comments**
Finance (value for money)	☐	X	☐	Saves the council £3.5m over the next five years (including 2015/16)
Other departments and services e.g. office facilities, customer contact	☐	☐	☐	
ICT services	☐	☐	☐	
Economic development	☐	☐	☐	
Financial inclusion	☐	☐	☐	
Social (please add an 'x' as appropriate)	**Neutral**	**Positive**	**Negative**	**Comments**
Safeguarding children and adults	☐	☐	☐	
S17 crime and disorder act 1998	☐	☐	☐	
Human Rights Act 1998	☐	☐	☐	
Health and well being	☐	☐	☐	
Equality and diversity (please add an 'x' as appropriate)	**Neutral**	**Positive**	**Negative**	**Comments**
Relations between groups (cohesion)	☐	☐	☐	

	Impact			
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


MRP Modelling - annual MRP Charges
Thousands
1,200
1,000
800
600
400
200
-
Year
2017
2019
2021
2023
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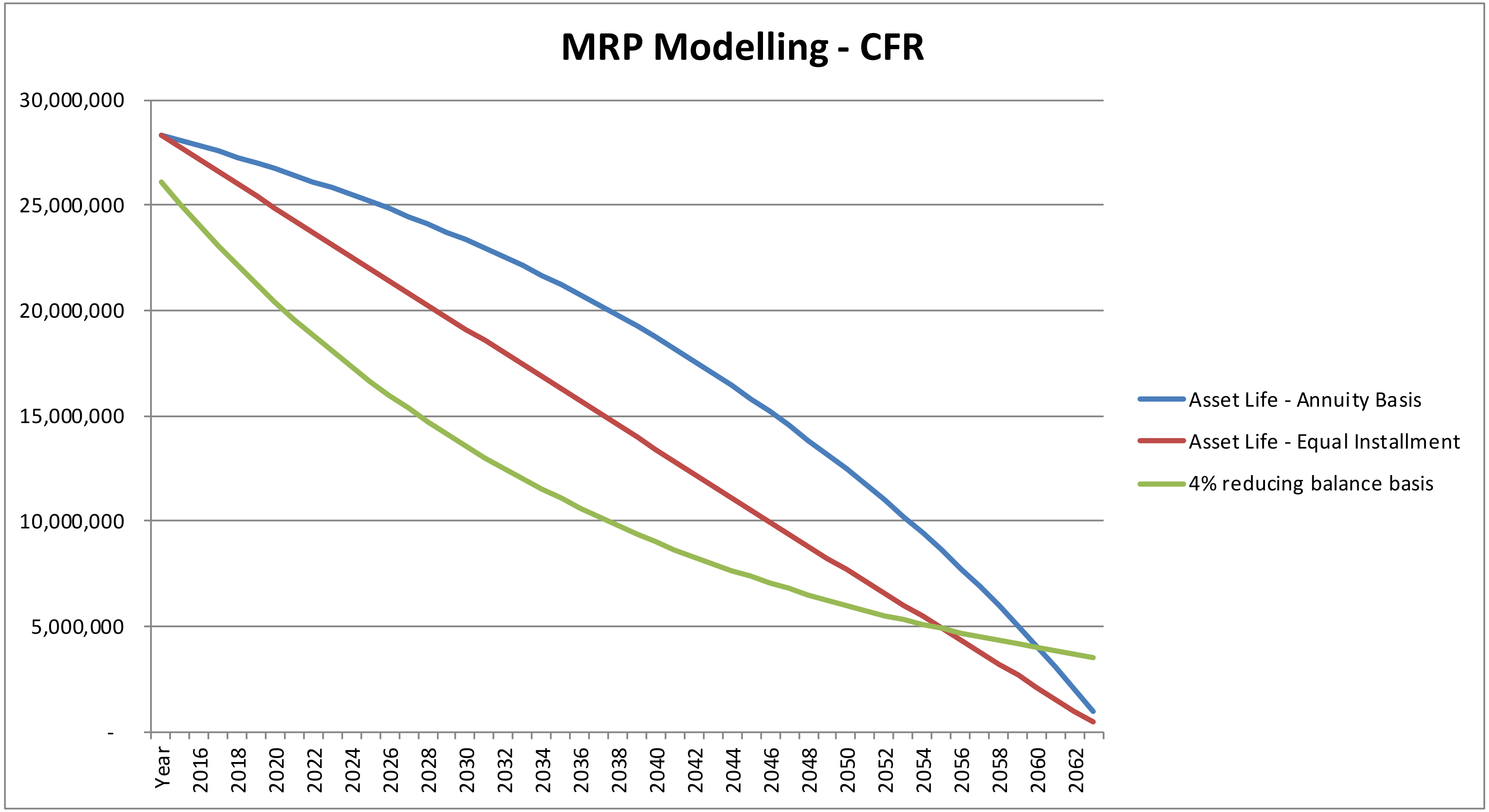
Asset Life - Annuity Basis
Asset Life - Equal Installment
4% reducing balance basis

Minimum Revenue Provision Charges					Saving	
Year	Asset Life - Annuity Basis	Asset Life - Equal Installment	4% reducing balance basis		Asset Life - Annuity Basis	Asset Life - Equal Installment
2016	242,372	572,445	1,043,708		(801,336)	(471,263)
2017	249,993	572,445	1,001,960		(751,967)	(429,515)
2018	257,859	572,445	961,881		(704,022)	(389,437)
2019	265,979	572,445	923,406		(657,427)	(350,961)
2020	274,359	572,445	886,470		(612,110)	(314,025)
2021	283,010	572,445	851,011		(568,001)	(278,566)
2022	291,939	572,445	816,971		(525,031)	(244,526)
2023	301,156	572,445	784,292		(483,135)	(211,847)
2024	310,671	572,445	752,920		(442,250)	(180,475)
2025	320,492	572,445	722,803		(402,312)	(150,359)
2026	330,630	572,445	693,891		(363,261)	(121,447)
2027	341,095	572,445	666,135		(325,041)	(93,691)
2028	351,898	572,445	639,490		(287,592)	(67,045)
2029	363,051	572,445	613,910		(250,860)	(41,466)
2030	374,563	572,445	589,354		(214,791)	(16,909)
2031	386,448	572,445	565,780		(179,331)	6,665
2032	398,718	572,445	543,149		(144,431)	29,296
2033	411,384	572,445	521,423		(110,038)	51,022
2034	424,461	572,445	500,566		(76,105)	71,879
2035	437,961	572,445	480,543		(42,582)	91,901
2036	451,899	572,445	461,321		(9,423)	111,123
2037	466,288	572,445	442,869		23,419	129,576
2038	481,143	572,445	425,154		55,990	147,291
2039	496,481	572,445	408,148		88,333	164,297
2040	512,316	572,445	391,822		120,494	180,623
2041	528,665	572,445	376,149		152,516	196,296
2042	545,545	572,445	361,103		184,442	211,342
2043	562,973	572,445	346,659		216,314	225,786
2044	580,967	572,445	332,793		248,175	239,652
2045	599,547	572,445	319,481		280,066	252,964
2046	618,730	572,445	306,702		312,028	265,743
2047	638,537	572,445	294,434		344,103	278,011
2048	658,988	572,445	282,656		376,332	289,788
2049	680,105	572,445	271,350		408,755	301,095
2050	680,418	572,445	260,496		419,922	311,949
2051	702,215	558,015	250,076		452,139	307,939
2052	724,721	558,015	240,073		484,648	317,942
2053	747,960	558,015	230,470		517,490	327,545
2054	771,956	558,015	221,251		550,704	336,763
2055	796,733	558,015	212,401		584,332	345,613
2056	822,318	558,015	203,905		618,413	354,110
2057	848,737	558,015	195,749		652,988	362,266
2058	876,017	558,015	187,919		688,098	370,096
2059	904,188	558,015	180,402		723,785	377,612
2060	933,277	558,015	173,186		760,091	384,829
2061	963,316	558,015	166,259		797,057	391,756
2062	994,335	558,015	159,608		834,727	398,406
2063	1,026,367	558,015	153,224		873,143	404,791
2064	1,059,446	558,015	147,095		912,351	410,920
2065	1,041,405	558,015	141,211		900,193	416,803


MRP Modelling - CFR
30,000,000
25,000,000
20,000,000
15,000,000
10,000,000
5,000,000
-
Year
2016
2018
2020
2022
2024
2026
2028
2030
2032
2034
2036
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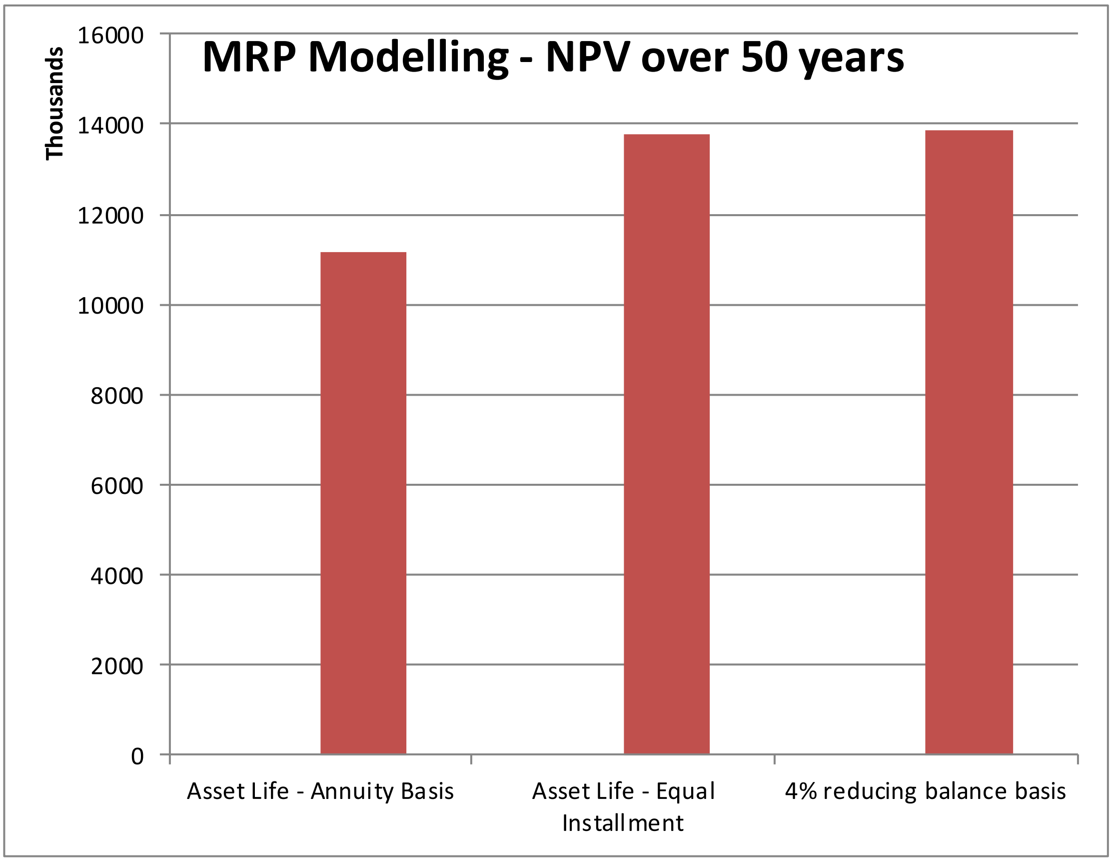
Asset Life - Annuity Basis
Asset Life - Equal Installment
4% reducing balance basis

APPENDIX 4

Balance of CFR Outstanding at year end			
Year	Asset Life - Annuity Basis	Asset Life - Equal Installment	4% reducing balance basis
	28,293,938	28,293,938	26,092,699
2016	28,051,567	27,721,494	25,048,991
2017	27,801,574	27,149,049	24,047,032
2018	27,543,714	26,576,605	23,085,150
2019	27,277,736	26,004,160	22,161,744
2020	27,003,376	25,431,715	21,275,275
2021	26,720,366	24,859,271	20,424,264
2022	26,428,427	24,286,826	19,607,293
2023	26,127,271	23,714,382	18,823,001
2024	25,816,600	23,141,937	18,070,081
2025	25,496,109	22,569,493	17,347,278
2026	25,165,479	21,997,048	16,653,387
2027	24,824,384	21,424,603	15,987,251
2028	24,472,486	20,852,159	15,347,761
2029	24,109,435	20,279,714	14,733,851
2030	23,734,872	19,707,270	14,144,497
2031	23,348,423	19,134,825	13,578,717
2032	22,949,706	18,562,381	13,035,568
2033	22,538,321	17,989,936	12,514,146
2034	22,113,860	17,417,491	12,013,580
2035	21,675,899	16,845,047	11,533,037
2036	21,224,000	16,272,602	11,071,715
2037	20,757,712	15,700,158	10,628,847
2038	20,276,569	15,127,713	10,203,693
2039	19,780,088	14,555,269	9,795,545
2040	19,267,772	13,982,824	9,403,723
2041	18,739,107	13,410,379	9,027,574
2042	18,193,562	12,837,935	8,666,471
2043	17,630,589	12,265,490	8,319,812
2044	17,049,621	11,693,046	7,987,020
2045	16,450,075	11,120,601	7,667,539
2046	15,831,345	10,548,157	7,360,838
2047	15,192,808	9,975,712	7,066,404
2048	14,533,820	9,403,267	6,783,748
2049	13,853,714	8,830,823	6,512,398
2050	13,173,296	8,258,378	6,251,902
2051	12,471,081	7,700,364	6,001,826
2052	11,746,360	7,142,349	5,761,753
2053	10,998,400	6,584,334	5,531,283
2054	10,226,445	6,026,319	5,310,032
2055	9,429,712	5,468,305	5,097,630
2056	8,607,394	4,910,290	4,893,725
2057	7,758,657	4,352,275	4,697,976
2058	6,882,639	3,794,260	4,510,057
2059	5,978,452	3,236,246	4,329,655
2060	5,045,175	2,678,231	4,156,469
2061	4,081,859	2,120,216	3,990,210
2062	3,087,524	1,562,201	3,830,601
2063	2,061,157	1,004,187	3,677,377
2064	1,001,711	446,172	3,530,282
2065	-	-	3,389,071


MRP Modelling - NPV over 50 years
Thousands
16000
14000
12000
10000
8000
6000
4000
2000
0
Asset Life - Annuity Basis
Asset Life - Equal Installment
4% reducing balance basis

Minimum Revenue Provision Policy

Introduction

1. The Government's Capital Finance and Accounting Regulations require local authorities to make 'prudent annual provision' in relation to capital expenditure financed from borrowing or credit arrangements. This is known as Minimum Revenue Provision or MRP. The Government has also issued statutory Guidance on MRP, to which the Council is required to have regard.

2. This policy applies to the financial years 2015/16 and going forward. Any interpretation of the Statutory Guidance or this policy will be determined by the Chief Finance Officer.

Principles of debt repayment provision

3. The term 'prudent annual provision' is not defined by the Regulations. However, the statutory Guidance says:
   "the broad aim of prudent provision is to ensure that debt is repaid over a period that is either reasonably commensurate with that over which the capital expenditure provides benefits, or, in the case of borrowing supported by Government Revenue Support Grant, reasonably commensurate with the period implicit in the determination of that grant".

   The Guidance does not prescribe the annual repayment profile to achieve this aim, but suggests four methods for making MRP which it considers prudent, and notes that other methods are not ruled out. The City Council regards the broad aim of MRP as set out above as the primary indicator of prudent provision, whilst recognising the flexibilities which exist in determining an appropriate annual repayment profile.

4. The City Council considers that 'prudent' in this context does not mean the quickest possible repayment period, but has regard to the prudent financial planning of the authority overall, the flow of benefits from the capital expenditure, and other relevant factors.

5. As expected by the Statutory Guidance, the City Council will not review the individual asset lives used for MRP as a result of any changes in the expected life of the asset or its actual write off. Some assets will last longer than their initially estimated life, and others will not; the important thing is the reasonableness of the estimate.

6. **General Fund MRP policy: prudential borrowing** The general repayment policy for prudential borrowing is to repay borrowing within the expected life of the asset being financed, up to a maximum of 50 years. This is in accordance with the "Asset Life" method in the Guidance. The repayment profile will follow an annuity repayment method, which is one of the options set out in the Guidance. This means that MRP will be calculated on an annuity basis (like many domestic mortgages) over the estimated life of the asset.

   This is subject to the following details:
   a. 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, but where borrowing on a project exceeds £10m, advice from appropriate advisers may also be taken into account.
   b. MRP will commence in the year following the year in which capital expenditure financed from borrowing is incurred, except for single assets where over £1m financed from borrowing is planned, where MRP will be deferred until the year after the asset becomes operational.

c. 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.