Report to	Cabinet	**Item**
	07 February 2018	
Report of	Chief finance officer (Section 151 Officer)	6
Subject	2018-19 Budget, Medium Term Financial Strategy (MTFS) and HRA Business Plan	

Purpose

To recommend to council the 2018-19 budget and the MTFS for the general fund, housing revenue account and capital programme.

Recommendations

To note:

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

To recommend to council to approve:

General Fund

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

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

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

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

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

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

Housing Revenue Account

7. The implementation of the minimum 1% rent reduction in accordance with legislation set down in the Welfare Reform and Work Act 2016. (para 98).
8. The proposed Housing Revenue Account budgets (para 95).
9. The prudent minimum level of housing reserves as £5.844m (para 110).
10. The proposed housing capital programme 2017/18 to 2021/22 (para 132).
11. A 4% increase in garage rents (para 100).
12. The creation of an HRA spend-to-save earmarked reserve to fund the HRA's share of costs required to deliver relevant savings and efficiencies through the transformation programme (para 93).
13. The transfer of £500k of underspend forecast to be achieved in 2017/18 to the HRA's spend-to-save earmarked reserve (para 93).

Corporate and service priorities

The report helps to meet all the corporate priorities.

Financial implications

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

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

Ward/s: All Wards

Cabinet member: Councillor Kendrick - resources

Contact officers

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Background documents

None

Report

INTRODUCTION

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

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

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

REPORT CONTENTS

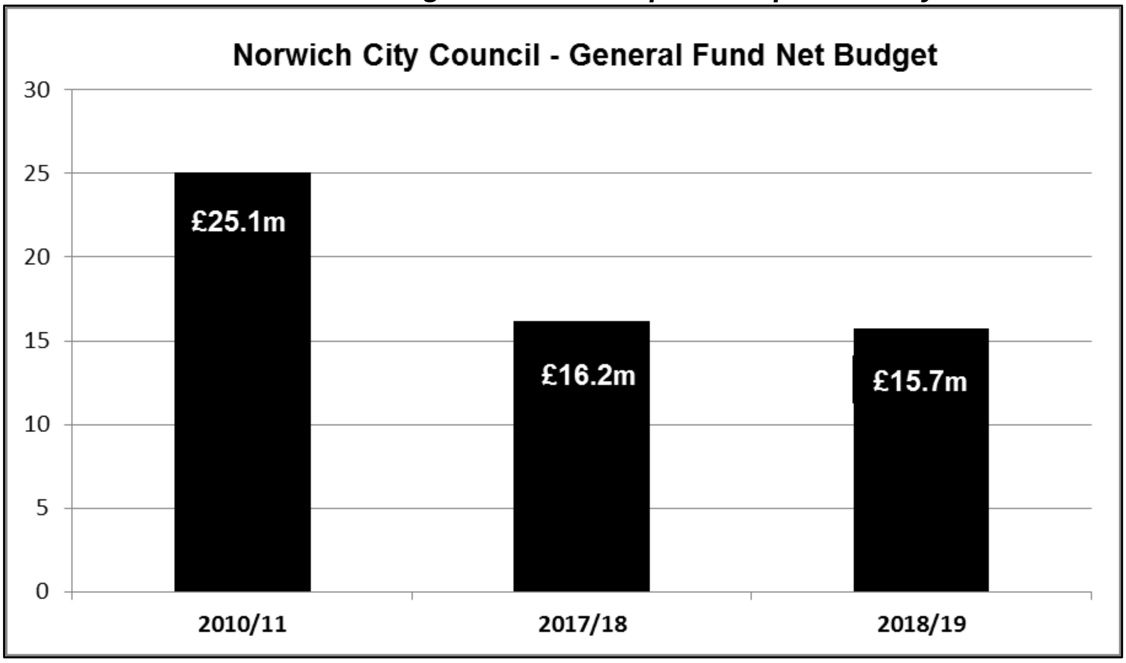
4. The contents of this report are set out as follows:

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

OVERALL SUMMARY

General Fund revenue budget

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



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

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

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

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

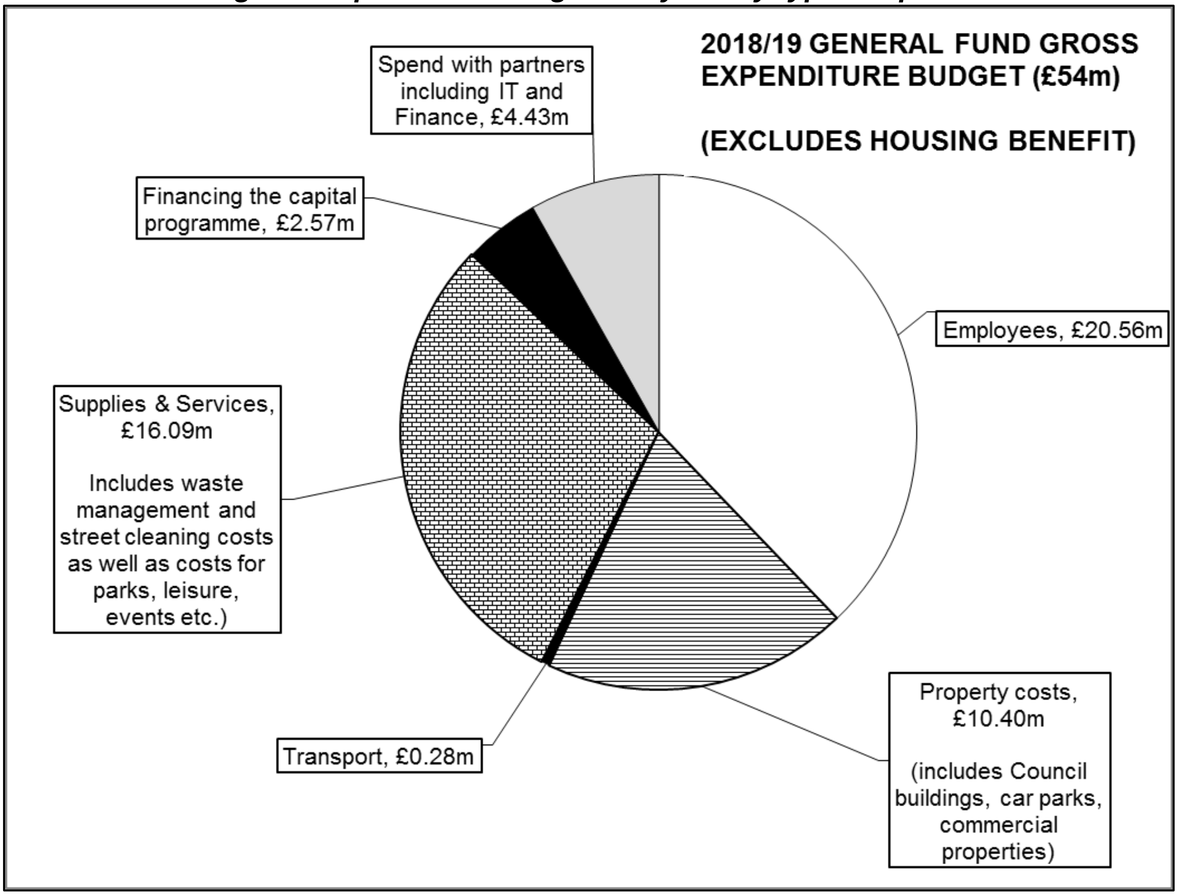
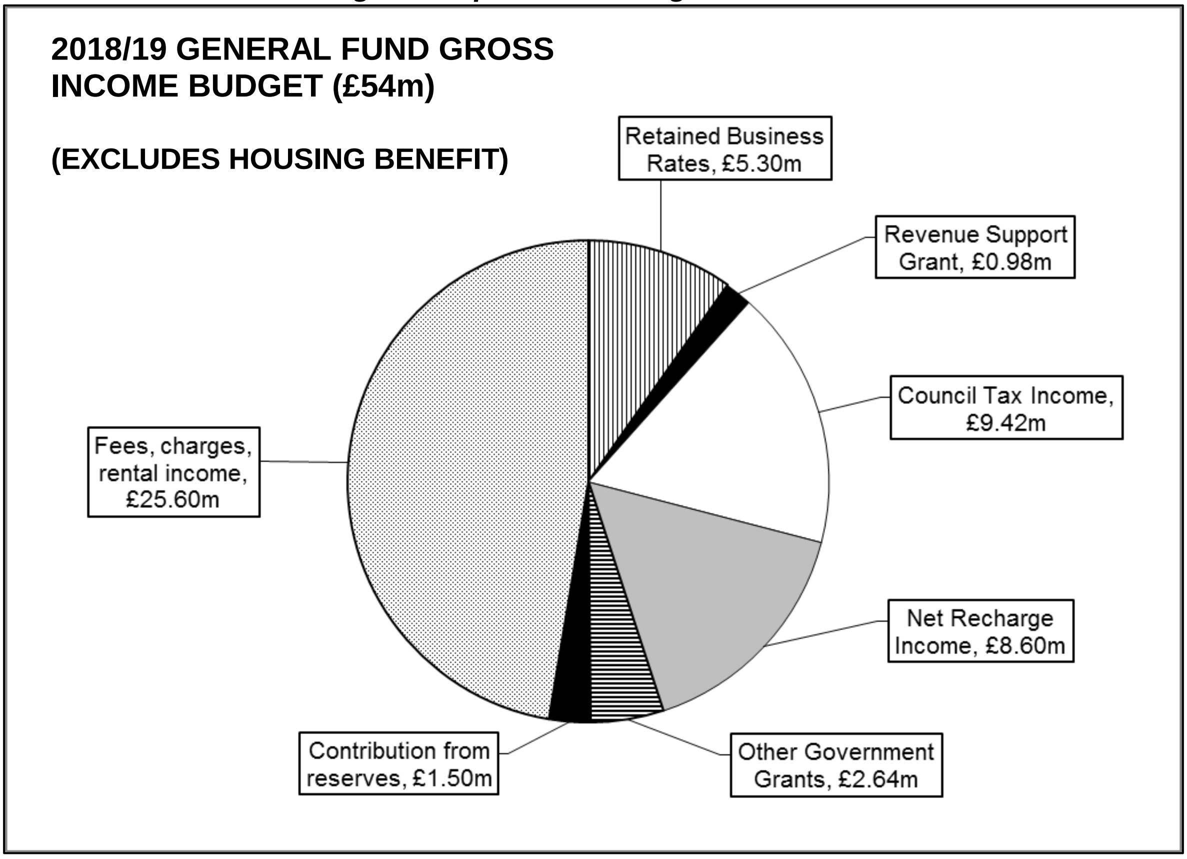


Chart 3: how the 2018/19 gross expenditure budget is financed



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

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

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

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

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

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

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

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

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

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

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

15. This report therefore contains the following specific proposals:

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

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

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

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

Housing Revenue Account (HRA)

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

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

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

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

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

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

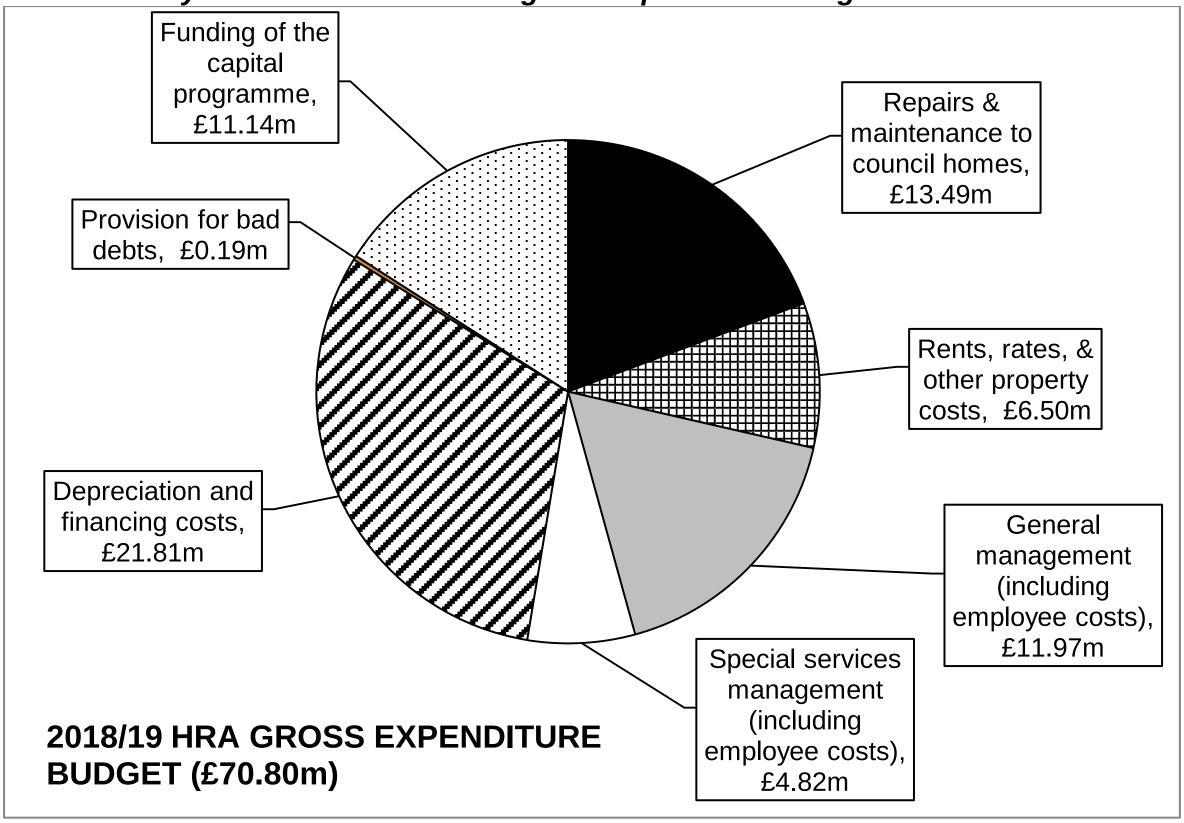
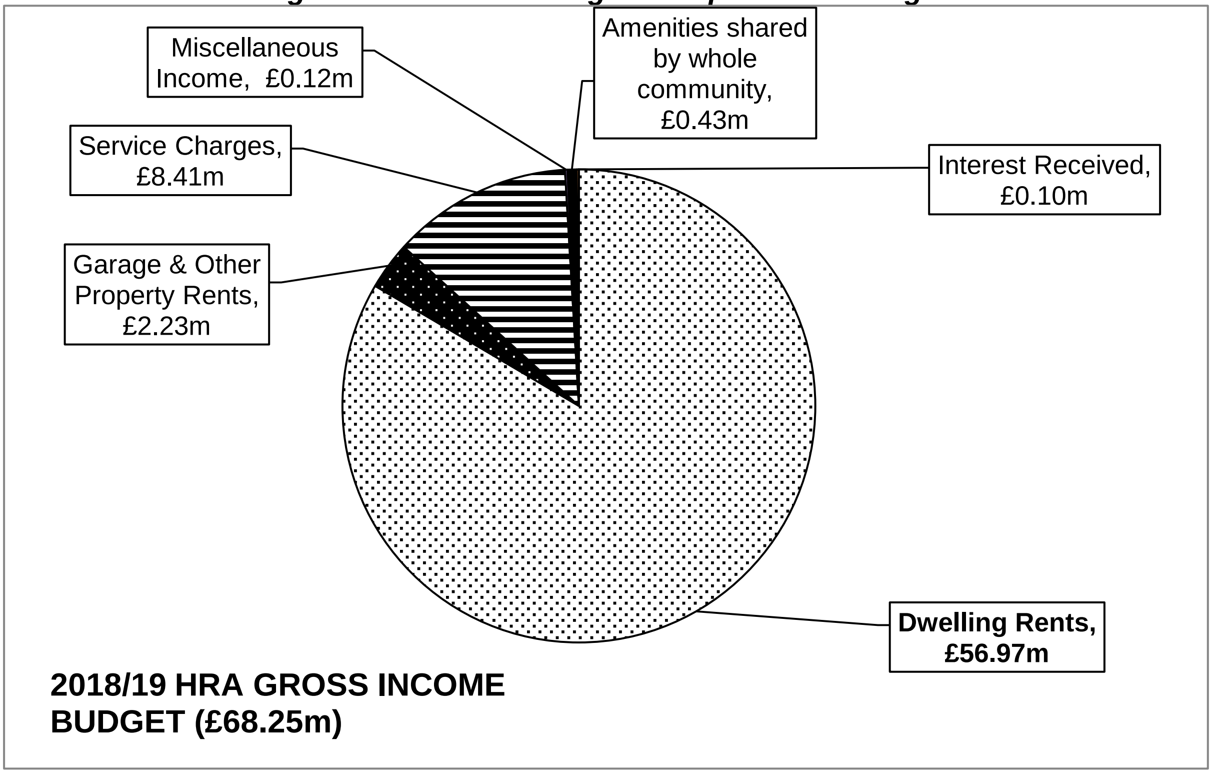


Chart 5: the financing of the 2018/19 HRA gross expenditure budget



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

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

Capital programme

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

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

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

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

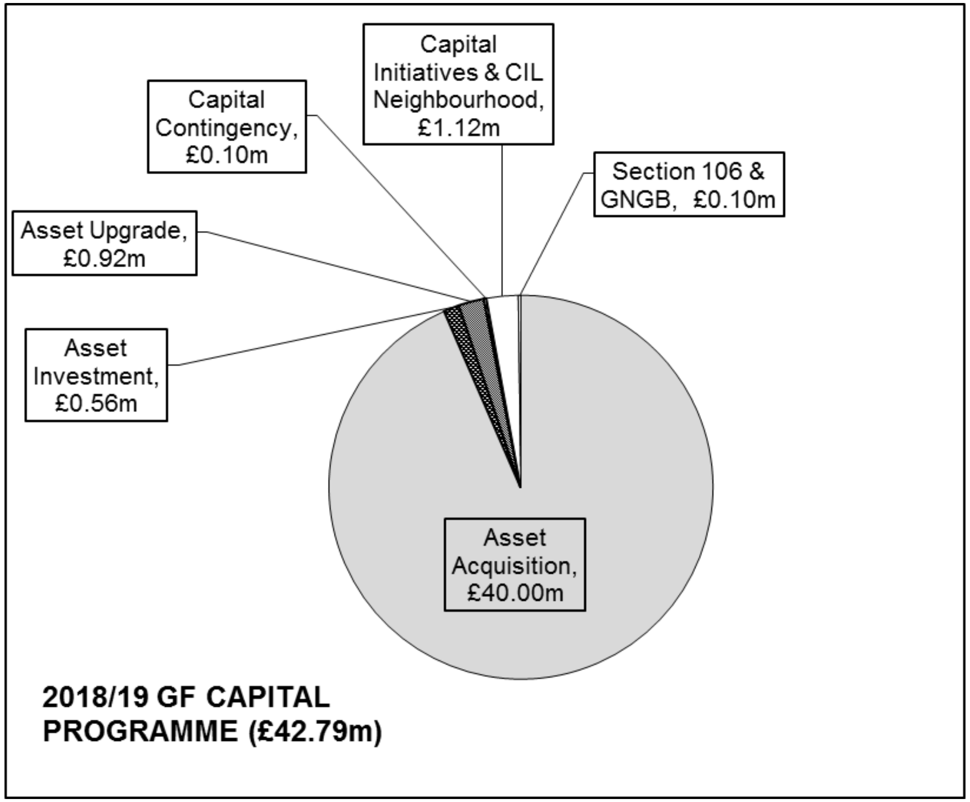


Chart 7: funding of the 2018/19 General Fund capital programme

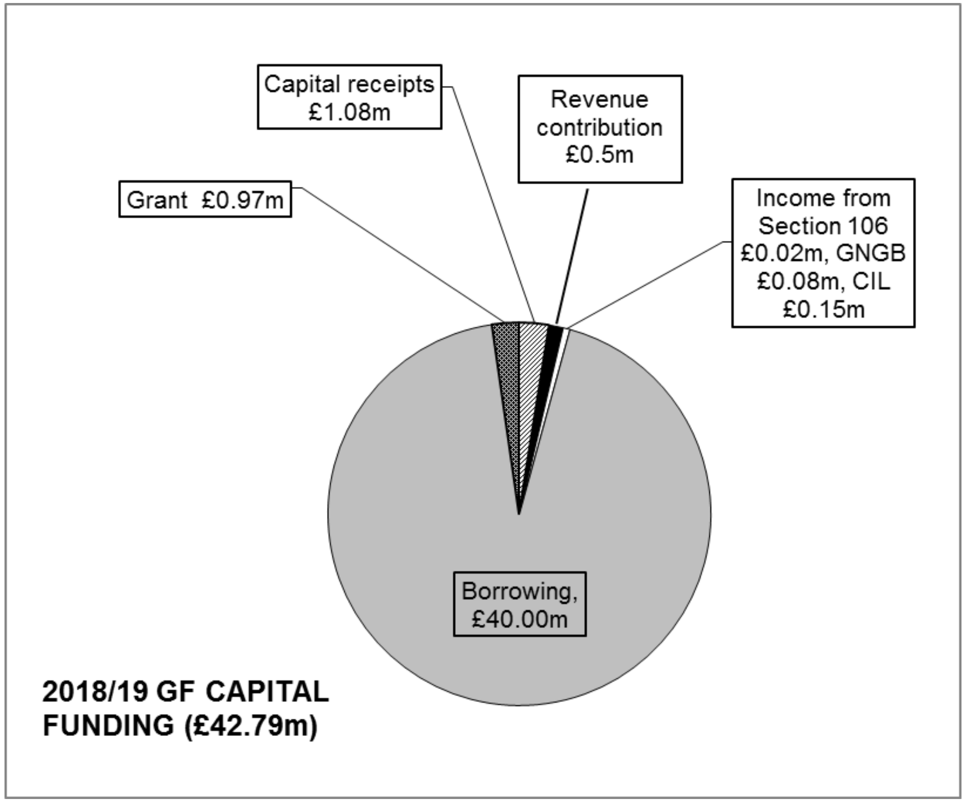


Chart 8; analysis of the 2018/19 HRA capital programme

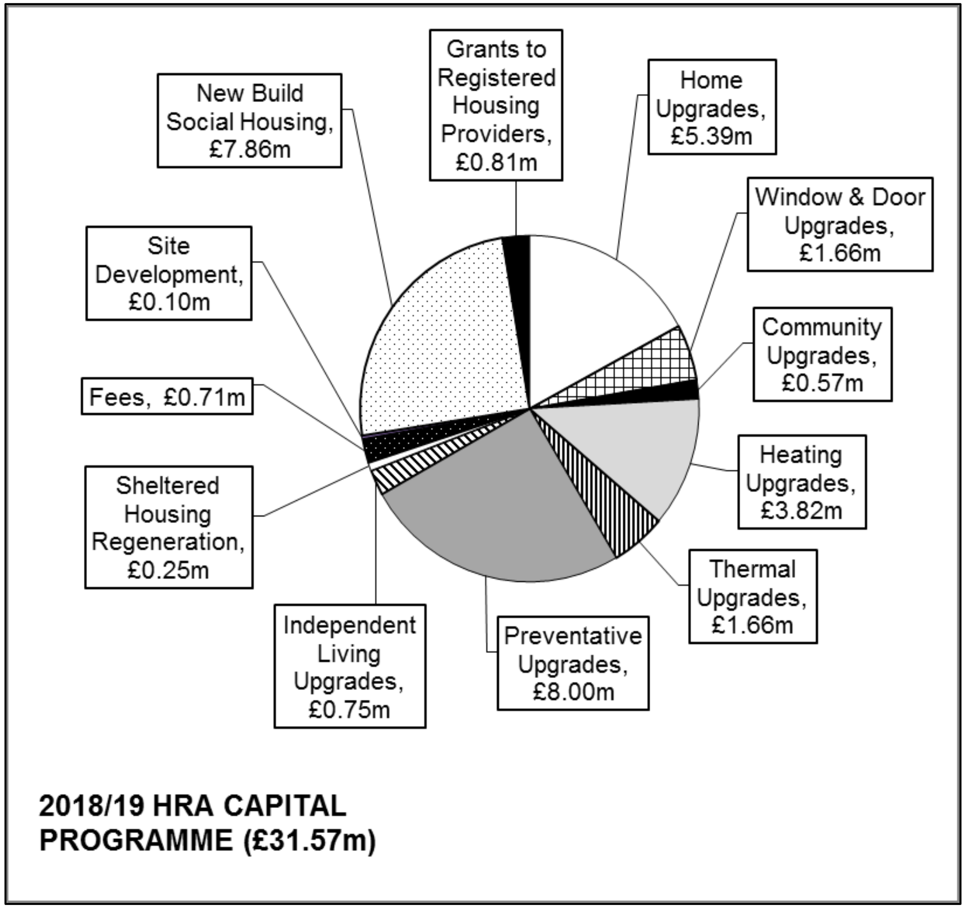
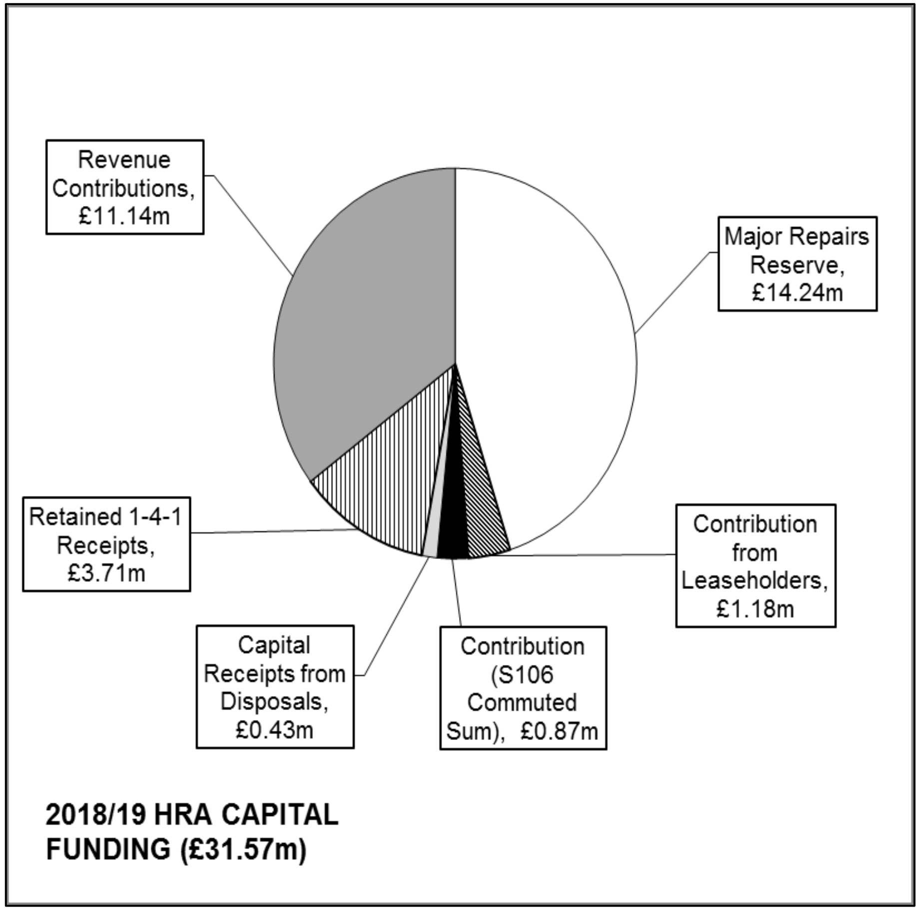


Chart 9; funding of the 2018/19 HRA capital programme



LOCAL GOVERNMENT FINANCE – ECONOMIC AND STATUTORY CONTEXT

Public Finances and the national economic context:

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

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

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

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

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

Source: Office for Budget Responsibility and CIPFA

Provisional Local Government Finance Settlement

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

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

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

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

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

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

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

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

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

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

Local government finance after 2020/21:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Conclusion

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

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

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

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

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

GENERAL FUND REVENUE BUDGET AND MTFS

Forecast 2017/18 Outturn

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

Proposed 2018/19 Revenue Budget

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Medium Term Financial Strategy (MTFS)

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

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

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

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

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

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

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

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

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

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

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

Pay and Price Assumptions

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

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

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

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

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

Contributions to capital

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

Government Grants

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

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

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

Business rates

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

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

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

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

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

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

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

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

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

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

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

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

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

Council Tax

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

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

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

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

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

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

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

Table 7: Council tax calculation 2018-19

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

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

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

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

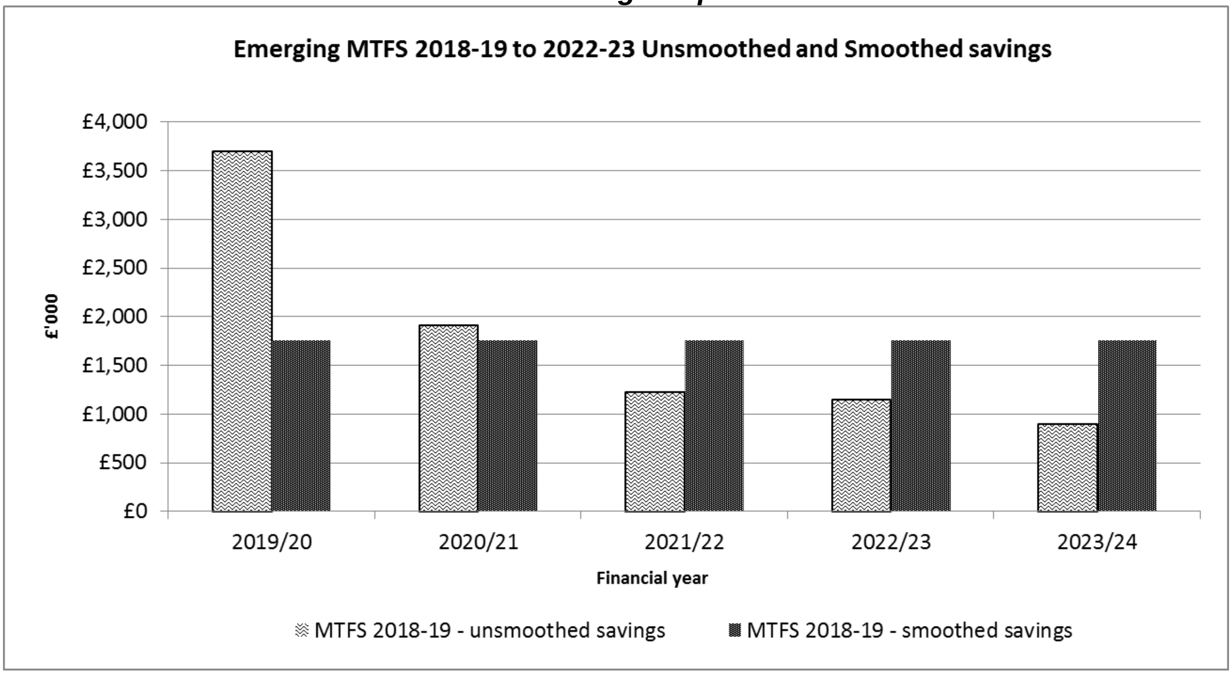
Budget savings required over the life of the MTFS

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

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

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

Chart 10: Unsmoothed and smoothed savings requirements



General Fund Reserves Position

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

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

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

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

HOUSING REVENUE ACCOUNT (HRA) & BUSINESS PLAN

Forecast 2017/18 Outturn

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

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

Proposed 2018/19 Revenue Budget

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

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

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

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

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

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

Council Housing Rents

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

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

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

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

HRA Business Plan

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

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

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

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

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

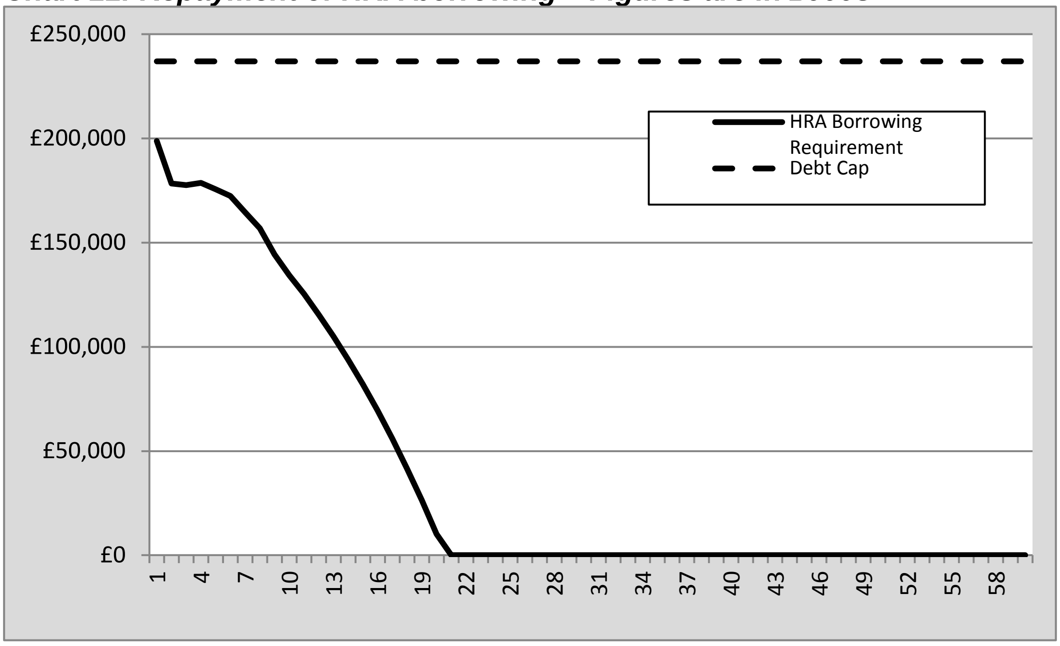
107. The roll out of Universal Credit is expected to impact on rent collection and associated bad debt which has been reflected in the business plan with an increased bad debt provision in future years.

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

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

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

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



HRA Reserves Position

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

Table 11: HRA reserves

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

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

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

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

CAPITAL PROGRAMME

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

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

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

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

General Fund Capital Programme

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

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

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

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

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

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

Schemes funded by external borrowing

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

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

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

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

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

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

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

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

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

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

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

Grants, Section 106 and CIL Neighbourhood

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

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

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

HRA Capital Programme

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

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

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

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

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

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

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

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

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

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

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

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

CHIEF FINANCE OFFICER'S STATEMENT

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Integrated impact assessment

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

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

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

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

	Impact			
Natural and built environment		X		The proposed capital programme will provide for improvements to the council's assets and the surrounding environment. The proposed housing capital programme will provide for the Norwich Standard for properties to be completed.
Waste minimisation & resource use	X			
Pollution	X			
Sustainable procurement	X			
Energy and climate change		X		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			X	The risk profile of the Council has increased as the budget contains proposals to generate additional income from commercial activity and such income can be volatile and dependent on the health of the national and local economy.

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

Summary of General Fund Net Savings

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

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

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

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

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

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

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

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

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

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

GROSS SAVINGS	**(2,402)**

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

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

NET SAVINGS	**(1,491)**

General Fund Budget by Service

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

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

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

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

Proposed General Fund Capital Programme

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

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

APPENDIX 5

Proposed Housing Capital Programme

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

APPENDIX 6

Consultation responses on the proposed budget for 2018/19

This appendix will be tabled at the meeting.